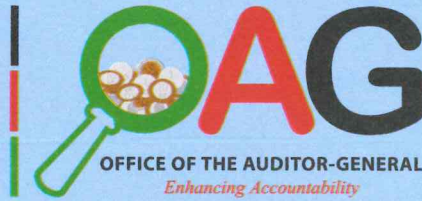


REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**KENYA DEVELOPMENT
CORPORATION**

**FOR THE YEAR ENDED
30 JUNE, 2025**

OFFICE OF THE AUDITOR GENERAL
P.O. Box 30084 - 00100, NAIROBI
RECORDS OFFICE

09 DEC 2025



KENYA DEVELOPMENT CORPORATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

Table of Contents

1. Acronyms and Definition of Key Terms	ii
2. Key Entity Information	iii
3. The Board of Directors	vi
4. Key Management Team	xii
5. Fiduciary Management	xix
6. Fiduciary Oversight Arrangements	xx
7. Chairman's Statement	xxiii
8. Report of The Director General	xxvi
9. Statement of Performance against Predetermined Objectives for FY 2023/24	xxix
10. Corporate Governance Statement	xxxii
11. Management Discussion and Analysis	xxxix
12. Environmental and Sustainability Reporting	1
13. Report of the Directors	lxx
14. Statement of Directors' Responsibilities	lxxi
15. Report of the Independent Auditors on the financial statements for the Financial Year 2024/2025	lxxiii
16. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 th June 2025.	1
17. Statement of Financial Position as at 30 June 2025.....	2
18. Statement of Changes in Equity for the year ended 30 June 2025	4
19. Statement of Cash Flows for the year ended 30 June 2025	5
20. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2025	6
21. Notes to the Financial Statements.....	8
22. Appendices.....	67

1. Acronyms and Definition of Key Terms

A. Acronyms

CS	Corporation Secretary
DG	Director General
DRIVE	De-Risking, Inclusion and Value Enhancement of pastoral Economies
ESG	Environmental, Social, and Governance
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GOK	Government of Kenya
ICDC	Industrial and Commercial Development Corporation
IDB	Industrial Development Bank
IFRS	International Financial Reporting Standards
IDA	International Development Association
KDC	Kenya Development Corporation
MITI	Ministry of Investment, Trade and Industry
PFM	Public Finance Management.
PPE	Property, Plant and Equipment
PS	Principal Secretary
PSASB	Public Sector Accounting Standards Board
SAFER	Supporting Access to Finance and Enterprise Recover
KJET	Kenya Jobs and Economic Transformation Project
SDL	State Department of Livestock
TFC	Tourism Finance Corporation
TNT	The National Treasury

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

2. Key Entity Information

a) Background information

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

b) Principal Activities

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

Vision

A globally competitive development finance partner.

Mission

To provide financial and technical support to medium and large-scale enterprises for sustainable socio-economic development.

Core Values

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

The core values of KDC are:

- (i) Integrity - adhering to corporate and moral values, acting with honesty and fairness, and treating all staff and stakeholders with respect and within the law;
- (ii) Customer Centric - continuously improving and providing unusually high-quality attention and service to the needs of our customers.
- (iii) Sustainability- Commitment to conducting operations and delivering services in a manner that meets present needs without compromising the ability of

future generations to meet theirs. This involves responsible use of resources, environmental stewardship and long-term value creation.

- (iv) Inclusion- Ensuring that all individuals, regardless of their background, identity, or circumstances, are welcomed, valued, and provided equal opportunities to participate, contribute and benefit from the institution's activities and decisions.
- (v) Collaboration- Fostering a culture of teamwork and partnership, both internally and with external stakeholders, to leverage diverse skills, knowledge, and resources for achieving shared goals and delivering greater impact.

c) Directors

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


Director	Position	Date Appointed/Left
Hon, Dr. Sakwa Bunyasi	Chairman	Appointed on 23 rd June 2023
Norah Buyaki Ratemo	Director General	Appointed on 4 th July 2023
Dr. Faith Mwaura	Independent Director	Appointed on 16 th June 2023
Abubakar Hassan Abubakar	PS, SDIP	Appointed on 18 th Jan 2023
Hussein Adan	Alternate	Appointed on 22 nd Nov 2024
Judith Kerich	Independent Director	Appointed on 24 th May 2024
Sigee Koech	Independent Director	Appointed on 23 rd June 2023
Caroline Muthoni Muigai	Independent Director	Appointed on 23 rd June 2023
Benjamin Muketha	Independent Director	Appointed on 30 th June 2023
Michael Kagika	Alternate to CS TNT	Appointed on 1 st Aug 2022

 **Registered Office**


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

 **Corporate Contacts**

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

 **Corporate Headquarters**

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

 **Corporate Secretary**

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



Entity Bankers

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



Entity Bankers

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



Entity Bankers

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



Entity Bankers

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



Entity Bankers

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



Entity Bankers

Equity Bank Kenya Limited
Embassy House, Parliament Road
P.O. Box 60000-00200
Nairobi



Principal Legal Advisor

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

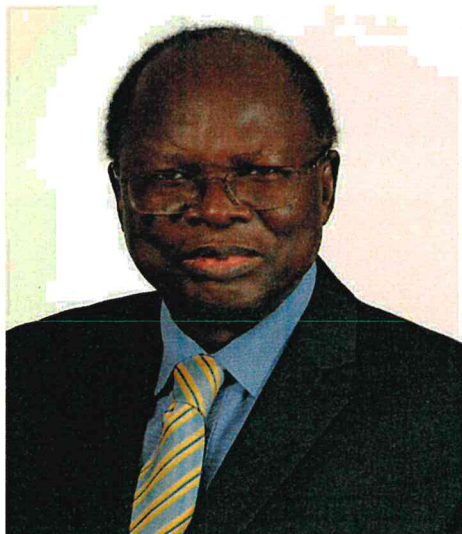


Independent Auditors

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

3. The Board of Directors

1. HON. DR. SAKWA JOHN BUNYASI Chairman of the Board



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

He brings a wealth of experience having worked with the World Bank in various capacities such as Principal Economist & Portfolio Manager in South Asia. He also worked with the African Development Bank as Principal Economist. He holds a Doctorate in Economics and Public Policy from the George Washington University, USA, Master of Science (Agricultural Economics) from the University of Nairobi and BA (Economics) from the University of Nairobi.

He was a Member of Parliament for ten (10) years (2013 - 2022) representing Nambale Constituency, Busia County. He has served on Boards of various companies and is the immediate former Chairman, Kenya Vision 2030 Delivery Board.

2. JUDITH KERICH Director



Ms Kerich was appointed a director to KDC Board on 17th May 2021 as an Independent Director and re-appointed on 24th May 2024.

She has extensive experience spanning over 25 years in the public and private sectors. She is the Deputy Project Coordinator (Strategy and Policy Guidance) with the World Bank, Kenya, providing strategic guidance, insights, and perspectives at the senior leadership level. Previously she has served as Director of Corporate Service with the National Transport & Safety Authority, as Manager of Human Resources Services, at Kenya Airport Authority, and as Human Resources Officer at Jomo Kenyatta International Airport. She also serves on executive board committees, oversight committees, and senior leadership teams working in complex multi-stakeholder environments with accountability to the public sector the Government of Kenya, private corporations, NGOs and communities. Ms Kerich holds a Masters degree in Public Policy and Management from Strathmore Business School, a Masters of Business Administration Strategic Management from Strathmore Business School and a Bachelor of Commerce degree from the Catholic University of Eastern Africa (CUEA).

3. CAROLINE MUIGAI
Director



Ms Muigai was appointed a director to the Board of KDC on 23 June 2023 as an Independent Director. She was born in 1976. She currently chairs the Board Audit committee.

Ms Muigai, holds a Masters degree in Educational Leadership & Performance Management, from Middlesex University, Trent Park, London, and a BSc in International Business Administration, from USIU, Nairobi. She has over 20 years of experience in Insurance, Real Estate & Education. She serves as a Marketing Director at Muigai Commercial Agencies Ltd, a renowned real estate company in Kenya with Branches in Nairobi and Nakuru. She manages Carol Academy & Junior Secondary School and

Rongai Teachers Training College.

4. BENJAMIN MUKETHA
Director



Mr. Muketha was appointed as an Independent Director to the board of KDC on 30th June 2023. He Chairs the Board Investments and Strategy Committee. He was born in 1965.

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

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

Muketha holds a Master's degree in Business Administration from Strathmore University and a Bachelor's degree from the University of Nairobi. He is also an accredited member of the Centre for Corporate Governance in Kenya

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

5. SIGEE KOECH

Director



Sigee Koech was appointed to the Board of KDC on 23 June 2023 as an Independent Director. She Chairs the Board Portfolio and Risk Committee. She was born in 1984.

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

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

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



6. MICHAEL KAGIKA

Alternate Director to CS National Treasury & Planning

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

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

Mr. Kagika is the Pensions Secretary / Director of Pensions and also serves as a Board Member in; The Kenyatta National Hospital, The Public Service Superannuation Scheme and the Kenya National Entrepreneurs Savings Trust (KNEST).

He holds a Bachelor's Degree in Public Administration, Master in Public Administration degree and an array of Diplomas and certifications in Management from both local and

foreign institutions including Kenya School of Government (Kabete), Entrepreneurial Development Institute of India (India), East and Southern African Management Institute (ESAMI) Tanzania, Civil Defence Academy (Singapore) and Centre of Excellence for Stability Police Units (Italy).

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

7. ABUBAKAR HASSAN ABUBAKAR

Principal Secretary at the State Department for Investment Promotion, Ministry of Investments, Trade & Industry



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

He is the Principal Secretary at the State Department for Investment Promotion, Ministry of Investments, Trade & Industry.

Abubakar Hassan is a holder of Masters of Business Administration (Strategic Management) and currently pursuing Masters in Financial Services Law (Project ongoing) , and a Bachelor's Degree in Law all from the University of Nairobi. He is an Advocate of the High Court of Kenya, Certified Public Accountant, Certified Public Secretary, Certified Fraud Examiner, Certified Investment & Financial Analysts and holds a Certification in the Management of Banking

Risks. He is a member of the following professional bodies; the Law Society of Kenya (LSK), the Institute of Certified Public Secretaries of Kenya (ICPSK), and the Institute of Certified, Investment and Financial Analysts (ICIFA).

From his background in law, finance and investment, he has wide experience in facilitating and mobilization of capital, allocation of the said capital into productive areas of the economy and protection of the investors' interests.

Prior to appointment as Principal Secretary in December, 2022, he was the Director Market Operations at Capital Market Authority. He was in charge of market oversight and investors' confidence.

Abubakar is committed to steer upwards investments (both Foreign and Domestic) into the Kenyan economy.

8. Dr. FAITH MWAURA

Director



Dr. Mwaura was appointed to the Board on 16th June 2023 as an Independent Director. She the Board Finance, Human Resource and Governance Committee. Born 1984.

Dr. Faith is a graduate student at Heriot Watt University Scotland in Master of Science Real Estate Management and Development and a Bachelor of Commerce with Majors in Marketing and Business Development and Management from Daystar University. She is a Young African Leadership Initiative (YALI) Fellow. A member of Marketing Society of Kenya, Kenya National Chamber of Commerce and Industry, a Committee member of Kenya Property Developers Association and a Board Member of

Care for A Child's Heart.

Dr. Faith Mwaura is a Passionate International Award-Winning Entrepreneur with a keen interest in Developing Superior Affordable Housing and Communities. She was awarded the Best Female Real Estate Developer by KNCCI Women in Business 2019, Best Woman in Business Excellence by the Women Economic Forum in Amsterdam 2018 among other achievements.

She is the Managing Director at IHL a position she has held for the past 10 years and has spearheaded its dynamic growth from a small agency to a medium sized company. She has over Fifteen Years' Experience in Real Estate and is very deliberate to make a positive impact in everything she does and adding value.

9. NORAH BUYAKI RATEMO

Director General



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

Ms. Ratemo's previous role at KDC was Director, Investments. She has over 15 years' experience in Credit Risk Management having worked at Ecobank Kenya as a Credit Analyst, and before then, was engaged as Assistant Manager, Securities and Documentation with Sidian bank.

Her specialties are in Risk Management, Credit Assessment, Accounting and Finance. She is also well versed in Strategic Leadership, Project Management, Corporate Governance, Communication, Teamwork

and Client relations. She currently serves on the Board of Kenya Wines Agencies as Member.

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

Ms. Ratemo is into Philanthropy and has deep passion on issues on Climate Change, Green Energy and Sustainable Development.

10. GRACE MAGUNGA
Corporation Secretary



Mrs. Grace Magunga is the Director Legal Services and Corporation Secretary. She was born in 1965 and retired on 3rd November 2025.

She is the Legal advisor to the Corporation and has vast experience spanning over 25 years in Corporate & Commercial law, Property law, Employment law, Litigation & dispute Resolution and Governance. She has served as Company Secretary in various Board that include Industrial and Commercial Development Corporation (ICDC), Almasi Beverages Limited - Group of Company's, Funguo Investments Limited (FIL), Kenya National Trading Company (KNTC) Limited, Freshpick Processors (EPZ) Limited,

Mountain Lodges Limited and Focus Container Freight Station Ltd.

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

4. Key Management Team

1) Norah Buyaki Ratemo



Ms. Norah Buyaki Ratemo is the Director General and Board Member of Kenya Development Corporation (KDC). She was appointed on 4th July 2023.

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

She is a Certified Public Accountant, CPA (K) and a Certified Investment Financial Analyst, CFA. Member of the Institute of Certified Public Accountants (ICPAK) and the Institute of Certified Investment Financial Analysts (ICIFA).

2) Faith Nene



Ms. Faith Nene is the Director Strategy, Research, Policy and Innovation at KDC.

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

3) Grace Magunga



Mrs. Grace Magunga is the Director Legal Services and Corporation Secretary. Retired on 3rd November 2025

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

4) Patricia N. Gachungi



Ms. Patricia N. Gachungi is the Manager, Supply Chain Management.

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

5) Kennedy M. Wanderi



Mr. Kennedy M. Wanderi is the Ag. Director Corporate Services and Deputy Director, Finance and Accounts.

Mr. Kennedy holds a Master of Business Administration degree in Finance and Banking, and a Bachelor of Business Management degree from Moi University. He is a Certified Public Accountant and a member of ICPAK.

6) Mbatha Mbithi



Ms. Mbatha is the Deputy Director Research Policy & Innovation.

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

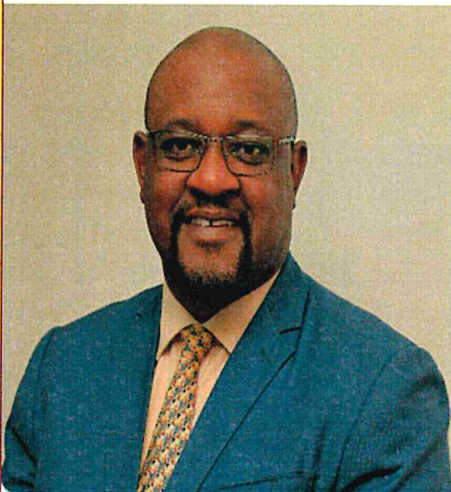
7) **Caroline Misoi**



Mrs. Misoi is the Deputy Director, Human Resources and Administration.

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

8) **Andrew A. Wanga**



Andrew A. Wanga is the Manager, Internal Audit (MIA) in the Internal Audit Department.

Mr. Wanga holds a Master of Global Food & Agriculture Business from the University of Adelaide in Australia and a Bachelors degree in Commerce from The Catholic University of Eastern Africa (CUEA). He is a Certified Information Systems Auditor (CISA) and a Certified Information Security Manager (CISM) Finalist having studied at the Strathmore University.

Mr. Andrew Wanga is also a qualified ISO Lead Internal Auditor - ISO 9001:2015 (QMS) System Requirements & Documentation with proficiency and hands-on experience and working knowledge of various ICT operating systems and their implementation.

9) Judith Omachar



Mrs. Judith Omachar is the Deputy Director Business Development and Advisory.

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

10) Richard Limo



Mr. Richard Limo is the Deputy Director ICT.

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

11) Erastus Njoroge



Mr. Erastus is the Deputy director, Portfolio management.

He is responsible for managing equities and loans portfolio with a view to maximizing returns and mitigating risks and achieve corporate objectives.

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

12) John Karia



Mr. John Karia is the Ag. Corporation Secretary and Director Legal Services from 11th September 2025.

Mr. Karia is an Advocate of the High Court of Kenya and a Certified Secretary. He is an active Member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and an Associate Member of the Chartered Institute of Arbitrators (Kenya Branch).

He holds a Master's degree in Law (LLM) from the University of Exeter (UK), a Postgraduate Diploma in Law from the Kenya School of Law and a Bachelor of

Laws degree (LLB) from University of Nairobi.

13) Anne Gitau



Mrs. Anne Gitau is the Deputy Director Debt Management.

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

14) Daniel Muimi



Mr. Daniel Muimi is the Ag. Deputy Director, Investments Appraisal and Administration.

He holds a Bachelor of Arts Degree from the University of Nairobi, is a Certified Public Accountant (CPA-K) and Certified Finance Analyst CFA. He is a member of ICPAK. He is currently pursuing a Master of Science in Finance from the University of Nairobi.

15) Dominic Ndewa



Mr. Dominic Ndewa is the Deputy Director, Strategy, Planning and Performance Management.

Mr. Ndewa holds a Masters Degree in Economic Policy Management and a Bachelor of Arts Degree in Economics all of them from the University of Nairobi. He is also a Certified Public Accountant (CPAK) and a Certified Investments and Financial Analyst (CIFA) and he is a member of ICPAK and ICIFA

16) Herman Gacugi



Mr. Herman Gacugi is the Manager, Risk Management and Compliance.

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

17) Barbara Lunani



Ms. Barbara is the Ag. Deputy Director, Partnership Development and Resource Mobilization.

Barbara is a chartered development finance analyst.

Barbara holds Master of Science in Development Finance from Strathmore Business School, Master of Business and Administration (MBA) and a Bachelor of Laws degree (LLB). She is a Certified Public Secretary, an Accredited Governance Auditor, Ethics, Risk and Compliance Specialist and a Certified Legal Auditor.

5. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Norah Ratemo
2.	Head of Corporate Services & Finance	Kennedy Wanderi
3.	Head of Supply Chain	Patricia Gachungi
4.	Head of Investment Appraisal	Daniel Muimi
5.	Head of Portfolio Management	Erastus Njoroge
6.	Head of Human Resource and Administration	Carolyne Misoi

6. Fiduciary Oversight Arrangements

The Corporation operates through four key Board Committees, each mandated under its respective Charter, developed in compliance with Section 9 of the State Corporations Act (Cap 446) and the Mwongozo Code of Governance and approved by the Board. The Charters clearly define each Committee's objectives, composition, responsibilities, authority and procedures.

Finance, Human Resource and Governance Committee

This Committee oversees financial planning, human resource, governance, and administrative matters. Its responsibilities include reviewing and recommending annual operating and capital budgets, major expenditures, debt management strategies, financial reporting, and compliance. It also addresses human resource issues such as recruitment (Grades 1-3), succession planning, policy reviews, disciplinary matters, and performance evaluations. In addition, it considers ICT related matters and stakeholder engagement matters.

Investment and Strategy Committee

This Committee focuses on investment decisions and corporate strategy. It reviews and approves debt and equity investments within set limits, considers new and discontinued products and services, and assesses proposals on acquisitions, joint ventures, and strategic partnerships. It also advises the Board on closing financing gaps and aligning corporate strategy with national development priorities.

Portfolio and Risk Management Committee

This Committee is tasked with oversight of the Corporation's investment portfolio and enterprise risk. In carrying out its mandate, the Committee reviews portfolio performance, loan restructures, legacy accounts and risk and compliance reports. It also considers updates on business continuity plans, property management and ongoing litigation.

Board Audit Committee

The Audit Committee supports the Board's oversight role in ensuring the integrity of financial reporting and internal control systems. Its mandate includes reviewing the effectiveness of financial controls, internal audit processes, risk management, compliance with laws and policies, and the reliability of financial and management information systems.

Each Committee submits its reports to the Board with appropriate recommendations for either noting or approval, thereby enhancing accountability and governance across the Corporation's operations.

Board Committees

The current Board Committees and membership are as per below;

Name of Committee	Members	Mandate
Investments and Strategy Committee	<ol style="list-style-type: none"> 1. Benjamin Muketha - Chairperson 2. National Treasury Representative 3. PS Investments/ Alternate 4. Sigeo Koech 5. Dr. Faith Mwaura 6. Director General 	<ul style="list-style-type: none"> • Debt / Equity approvals • Investments, Private Public Partnerships, Deal structuring, and Special Purpose Vehicles. • Corporate Strategy planning • Partnerships & Resource Mobilization • Divesture and acquisition • Research, Policy, and Innovation • Property Investment
Portfolio and Risk Management Committee	<ol style="list-style-type: none"> 1. Sigeo Koech - Chairperson 2. National Treasury Representative 3. PS Investments/ Alternate 4. Caroline Muigai 5. Director General 	<ul style="list-style-type: none"> • Portfolio monitoring /Equity Reports • Partial Settlements/Write-offs • Portfolio Restructure • Property Management Reports • Debt Management reports • Risk Reports • Legal Reports
Finance, Human Resource, Administration and Governance Committee	<ol style="list-style-type: none"> 1. Dr. Faith Mwaura - Chairperson 2. PS Investments/ Alternate 3. National Treasury Rep 4. Benjamin Muketha 5. Director General 	<p>Budgeting and capital management;</p> <ul style="list-style-type: none"> • Financial planning, oversight and reporting; • Debt Management; • Human Resources strategy, • Organization design • Recruitment, Remuneration and Human capital oversight; • Disciplinary matters; • Employee relations; • Administration; • ICT; • Procurement and Disposal; • Governance; • Stakeholder management;

		<ul style="list-style-type: none"> • Corporate communication;
<p>Audit Committee</p>	<ol style="list-style-type: none"> 1. Caroline Muigai - Chairperson 2. National Treasury Representative 3. PS Investments/ Alternate 4. Judith Kerich 	<ul style="list-style-type: none"> • Independent objective assurance through a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control, and governance processes.

7. Chairman's Statement

i) Operating Environment

The financial year under review, July 2024 to June 2025, unfolded against a backdrop of both global recalibration and domestic adjustment. While the international economy showed signs of moderated recovery with the International Monetary Fund estimating global growth at 3.1% sub-Saharan Africa remained on a steady upward path, posting 3.8% growth as reported in the World Bank's Africa's Pulse (April 2025). This recovery, though fragile, was buoyed by improving commodity markets and cautious optimism across emerging economies.

The domestic macroeconomic landscape presented a mix of headwinds and opportunity. The Kenya National Bureau of Statistics recorded GDP growth of 4.3% in 2024, down from 5.6% in the preceding year, as the country grappled with tightened monetary policy, persistent inflationary pressures (averaging 7.8%), and a weakened shilling. The Central Bank of Kenya responded by maintaining the policy rate at 13.5% a necessary intervention to stem inflation and stabilize the currency, albeit one that tempered private sector credit expansion. Meanwhile, Kenya's public debt levels reached 67.4% of GDP (KES 11.3 trillion), signalling constrained fiscal flexibility.

In the midst of these macroeconomic pressures, KDC reaffirmed its development finance mandate through strategic interventions. I am pleased to report that during the year, the Corporation disbursed a record Kshs.3.5 billion, an achievement majorly made possible by the implementation of the SAFER project; a World Bank-backed wholesale funding line that channels capital to MSMEs through SACCOs, MFBs and Tier III financial institutions. This initiative not only enhanced financial inclusion at the grassroots but also underscored the pivotal role KDC plays in de-risking underserved enterprise segments. It is worth emphasizing that such outcomes—robust disbursement volumes and improved asset quality—could not have materialized in a purely adverse environment. Rather, they speak to KDC's ability to navigate volatility with precision, leveraging partnerships and policy support to advance the country's development agenda.

I view this performance as a strong validation of the Corporation's evolving strategy under the KDC 2.0 blueprint. We are not only responding to immediate market realities but also building a robust, inclusive, and sustainable financing model that aligns with Kenya's long-term aspirations under Vision 2030 and the Bottom-Up Economic Transformation Agenda.

ii) Financial Performance

KDC's financial performance for the 2024/2025 fiscal year reflects the momentum gained from the merger and the successful implementation of our strategic priorities. Our total assets grew by 8% from Kshs.40.09 billion in 2023/2024 to Kshs.43.60 billion by June 30, 2025, underscoring continued effective asset management and a firm alignment with Kenya's development agenda.

Revenue from operations increased by 32% from Kshs.1.86 billion to Kshs.2.45billion, reflecting improved income generation and reinvestment capacity in key sectors. Our profit before tax from operations rose from Kshs.626million to Kshs.990million reflecting a 58% increase, a result of high-yield investment decisions, effective cost controls, and strengthened operational efficiencies.

Moreover, our loan book expanded by 40% from Kshs.6.93 billion to Kshs.9.80 billion, reaffirming KDC's capacity to finance enterprise development and catalyse investment in critical sectors of the economy. These performance indicators confirm the Corporation's increased capacity to mobilize capital and deliver strategic national impact.

iii) Strategic Response and Achievements

To effectively deliver on its development mandate amid complexity in the investment landscape, KDC identified and responded to several strategic imperatives. Chief amongst these was the need to reposition the institution for scale and national relevance through a future-facing strategy; KDC 2.0. This strategic plan emerged from deep reflection on sector dynamics, national priorities, and evolving investor needs, particularly in a post-pandemic recovery context. It places emphasis on high-impact sectors and decentralized investment, thereby aligning KDC more closely with Kenya's Bottom-Up Economic Transformation Agenda (BETA).

In parallel, the Corporation addressed the imperative to strengthen investor confidence and capital mobilization by embedding frameworks for socio-economic assessments, environmental safeguards, and sectoral alignment into our project screening and decision-making processes. Additionally, KDC prioritized building strategic partnerships with local and international actors to unlock blended financing opportunities, reflecting a shift from transactional funding to catalytic capital deployment. A sharper focus on sustainability, inclusion, and impact measurement integrated through new knowledge, policy, and innovation frameworks ensures that KDC's investments are not only commercially viable but also socially transformative. These strategic anchors collectively define our forward posture and lay the groundwork for a more responsive, resilient, and development-focused institution.

Conclusion

I wish to express my deepest gratitude to His Excellency the President of the Republic of Kenya H.E. Dr. William Ruto for his directive to the Ministry of Investment, Trade and Industry to firmly position Kenya Development Corporation as the Government's principal investment arm. This policy guidance affirms the critical role KDC is expected to play in accelerating national economic transformation through strategic investments.

I also extend my sincere appreciation to the Cabinet Secretary for his consistent strategic guidance and unwavering support, and to the Principal Secretary for his diligent stewardship in operationalizing this vision. In addition, I recognise the extensive support accorded to the Corporation by the National Treasury and the World Bank. To our other stakeholders, partners, my fellow Board members and the dedicated KDC team, thank you for your continued collaboration and commitment. With this strong foundation of leadership, we remain resolute in delivering inclusive growth and sustainable development for the people of Kenya.



Hon. Dr. Sakwa John Bunyasi

CHAIRMAN

8. Report of The Director General

i. Macro-economic Environment

The year unfolded against a backdrop of continued global volatility and persistent economic uncertainties. The global economy was tested by prolonged geopolitical tensions, inflationary pressures, and tight monetary policies that constrained liquidity and dampened consumer and investor confidence. These global dynamics significantly influenced financial flows into emerging markets, including Kenya, impacting the development financing ecosystem in which KDC operates.

Despite these challenges, KDC demonstrated remarkable agility and strategic foresight. We realigned our operations and fortified internal systems to shield our development agenda from the macroeconomic shocks. As the financial year closed, there were encouraging signs of macroeconomic stabilization. According to the IMF, global inflation had declined to 4.3% by June 2024. Kenya's inflation also eased to 5.8% as noted by the Central Bank of Kenya, signalling a return to relative stability and a more favorable economic environment for continued investment and lending activity.

ii. Financial Performance

In the face of a tough economic climate, KDC delivered a strong financial performance in FY 2024/2025, affirming the effectiveness of our strategies and operational discipline. Revenue grew by 32% from Kshs.1.86 billion realized during the previous year to Kshs.2.45 billion. This performance was underpinned by the success of our strategic programs with the World Bank under the SAFER and DRIVE projects.

Operating profit before tax reached Kshs.990million, up from Kshs.626million in FY 2023/2024. Operating expenditure was prudently managed at Kshs.1.47billion compared to Kshs.1.24 billion the previous year. The cost-to-income ratio 60% was achieved.

KDC's overall operating profit before tax stood at Kshs.990million, representing a 58% increase from Kshs.626million recorded the prior year. These results underscore the Corporation's resilience, financial robustness, and strategic clarity amid market uncertainties.

Conclusion

KDC remains firmly on course to fulfil its mandate as Kenya's premier development finance institution. The gains of the 2024/2025 financial year, achieved amidst global and domestic challenges, are a testament to the clarity of our vision, the strength of our strategy, and the dedication of our people.

I extend my appreciation to the President of the Republic of Kenya, H.E. Dr. William Ruto, for his directive to position KDC as the Government's primary investment arm an endorsement that aligns with the Corporation's strategic relevance. I am equally grateful to the Cabinet Secretary Ministry of Investments, Trade and Industry, National Treasury and Economic Planning and to the Principal Secretaries for their strategic guidance and operational support.

To our Board of Directors, partners, staff, customers, and stakeholders your unwavering support remains the cornerstone of our success. Together, we shall continue to advance our shared vision of inclusive prosperity and sustainable development for all Kenyans.

Thank you, and God bless.



CPA/FA Norah Ratemo

DIRECTOR GENERAL

KENYA DEVELOPMENT CORPORATION

iii. Loan Portfolio

During the reporting year, the Corporation continued to deepen its lending reach, total loan disbursements increased by 85% to Kshs.3.56 billion from Kshs.1.92 billion in FY 2023/2024. This growth was a result of both enhanced resource mobilization and increased demand for financing in our target sectors.

Our loan book expanded by 40% from Kshs.6.93 billion to Kshs.9.80billion, aligning with our mandate to drive socio-economic development through credit support. Portfolio quality remained a focal point, with the Portfolio at Risk (PAR) improving to 41.6%, down from 50.3% in the previous year. This progress reflects sustained recovery efforts and strengthened risk mitigation measures.

iv. Redefining Our Purpose

KDC is undergoing a strategic reorientation to position itself more prominently as an engine of socio-economic transformation. Having completed the foundational phase of institutional development, the Corporation is now entering a phase of accelerated implementation.

In alignment with the Government's Bottom-Up Economic Transformation Agenda (BETA), we have revised our business model to reflect a stronger community-driven focus, prioritizing inclusive economic participation and regionally balanced development. This strategic reset is aimed at ensuring KDC delivers maximum public value.

vi. Stakeholder Engagements

KDC has continued to prioritize collaboration as a key pillar of our strategy. We signed multiple Memoranda of Understanding (MoUs) to catalyze development across regions and sectors. Notable partnerships include engagements with the County Governments of Lamu, Kwale, Muranga, Kirinyaga, Homabay, Kisumu, Kisii Kakamega, Busia, Bungoma, Uasin Gishu and Trans Nzoia (targeting blue economy, tourism, manufacturing, agriculture value addition and energy), United Green (climate and post-harvest management), IDC South Africa (syndicated investments and knowledge exchange), the Kenya Association of Manufacturers, and Saudi Exim Bank.

These partnerships are instrumental in expanding our reach and deepening our impact for leveraging technical expertise and mobilizing capital.

9. Statement of Performance against Predetermined Objectives for FY 2023/24

The Public Finance Management Act, 2012 Section 81 Subsection 2 (f) requires the accounting officer to include in the Financial Statement, a statement of the national government entity's performance against predetermined objectives.

KDC has 3 key results areas within the current Strategic Plan for the FY 2024-25 - FY 2028-29. These KRAs are:

- KRA 1: Maximizing impactful development interventions
- KRA 2: Strategic partnerships, collaborations and networks
- KRA 3: Strengthen Institutional Capacity

KDC develops its annual work plans based on the above three KRAs. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Corporation achieved its performance targets set for the FY 2024-2025 period for its 3 KRAs, as indicated in the diagram below:

KRA	Strategic Objective	Outcome indicator	FY 2024/25	Achievement
KRA 1: Maximizing impactful development interventions	To increase Investment in High Impact Sectors by Kshs.25B to spur national socio-economic growth.	Amount invested in high-impact sectors	2.30 B	1.04B
	To increase Investments in special purpose projects by Kshs.25B for equitable economic growth	Amount invested in special projects	5.00 B	2.52B
	To promote the sustainability of funded enterprises through project preparation and business advisory.	% of new & existing enterprises sustained	85%	57%
	To report on the Corporation's socioeconomic impact	No. jobs created and sustained	4,256	2,707
		Contribution to GDP in Kshs	11760	4256
KRA 2: Strategic partnerships, collaborations and networks	To mobilize financial resources towards interventions in sectors with high socio-economic impact	Amount of mobilized in Kshs	-	4B
	To enhance strategic collaborations in technical areas and knowledge transfer	Level of implementation	100%	100%
	To effectively contribute to national economic policy direction	No.	1	1

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

KRA	Strategic Objective	Outcome indicator	FY 2024/25	Achievement
KRA 3: Strengthen Institutional Capacity	To strengthen the Corporation's financial sustainability;	Amount of revenue realized in Kshs	2.923 B	2.456 B
		% income collected	90%	90%
		% of PAR	40%	42%
		Cost-to-income ratio	60%	44%
	To enhance internal operational efficiency for excellent customer experience	Level of implementation of BPR	100%	100%
		Customer Satisfaction Index Rating	Baseline	84%
	To promote effective communication and brand visibility	CRM Level of Implementation	100%	0%
		Brand Equity Index Rating	Baseline.	0%
	To mainstream research and institutionalize innovation	The number of researches undertaken annually	4	4
		The number of Innovations Implemented Annually	1	1
	To automate the corporation's key processes.	% of automated key processes	100%	100%
		Level of implementation of data analytics	100%	100%
	To attract and retain productive human capital	Employee Engagement index	Baseline	58%
		Productivity Index	Good	Very high
		Work Environment Satisfaction index	Baseline	73%
		Level of implementation of training plan	100%	100%

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

KRA	Strategic Objective	Outcome indicator	FY 2024/25	Achievement
	To enhance governance, risk, and internal controls	Corporate governance evaluation reports	1	1
		SSCI Certification	1	0
		Level of implementation of audit processes	100%	91%
		Audit Rating	Good	Good

10. Corporate Governance Statement

Introduction

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

- a) Observing high standards of ethical and moral behaviour;
- b) Upholding personal integrity and honesty;
- c) Acting in the best interests of KDC in compliance with the Constitution, and all applicable laws;
- d) Promoting industrial and economic growth in Kenya fairly and responsibly;
- e) Recognizing the legitimate interests of all stakeholders through participation in policy-making, resource allocation, and access to public funds; and
- f) Ensuring that KDC acts as a good corporate citizen.

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

- i. *Appointment of Board members, Process of appointment and removal of directors, The size, diversity, and demographics of the Board, Existence of the board charter*

i) Board Appointments and Composition

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

- a. **Size of the Board:** The Board has a minimum of seven (7) members and a maximum of nine (9) members.
- b. **Board Composition:** The Board ensures that:
- (i) Its composition complies with requirements in the Constitution of Kenya and any applicable legislation;
 - (ii) Its members can act independently;
 - (iii) Each Board Member understands the broad outline of the organization's policies;
 - (iv) Each Board Member is in good standing professionally and has sufficient expertise to perform his or her role as a Board member; and
 - (v) At least one Member is a financial expert, meaning that he or she has the necessary qualifications and expertise in financial management and accounting and is a bonafide member of a professional body regulating the Accountancy profession.
- c. **Appointment of Board Members:** The Cabinet Secretary, Investment, Trade and Industry appoints Board Members. The Chairman is appointed by the President of the Republic. Every appointment is done by name and by notice in the Kenya Gazette. Appointments cease if a member:
- (i) Serves the appointing authority with a written notice of resignation; or
 - (ii) Is absent, without the permission of the Chairperson, from three consecutive meetings; or
 - (iii) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
 - (iv) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
 - (v) Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.
 - (vi) Any removal of a Board Member under (i) above, shall be through formal revocation.
 - (vii) The Corporation Secretary ensures that a record of the appointment letters, gazette notice, and written acceptance by the Board member are kept in the personal file of the Board member.
- d. **Independence of Board Members:** All Board members, including those nominated by stakeholders recognize that they owe their duties to KDC and not their nominating stakeholder. At least one-third of the Board members

are independent upon appointment and maintain their independence during their term of service on the Board.

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

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

ii. *Roles and functions of the board*

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

iii. *Induction, training, and development*

Board Training and Induction: New Board members are taken through an induction program; with one induction undertaken during the financial year. Board trainings were incorporated as part of the Board work and undertaken as and when scheduled

iv. *Board and members' performance*

The Board undertakes annual self-assessment and evaluation under the guidance of the State Corporations Advisory Committee (SCAC) to improve the internal governance of the Board and its Committees. The Board undertook the Self Board Evaluation for the Financial Year 2024/2025 and attained a Corporate Board Performance Score of ----%. The Board was evaluated on various parameters including execution of its mandate and strategy, performance management, Board Management, structure and responsibilities, procedures, accountability and risk management, communication and stakeholder management. From the report, the Board noted various aspects of its

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

performance and has put in place a performance improvement program to ensure continuous performance improvement.

v. Number of Board meetings held and the attendance to those meetings by members

The Board meets quarterly, with additional meetings convened as and when necessary after obtaining the necessary approvals. The established Board Committees hold meetings quarterly with special meetings convened as and when necessary to effectively discharge their functions. The committee membership was reconstituted in January 2025 in line with Mwongozo code for state corporation. The Board attendance during the financial year is as shown below;

BOARD /COMMITTEE MEETINGS IN THE FINANCIAL YEAR 2024/2025 ATTENDANCE (JULY 2024 TO DECEMBER 2024)

NAME	BOARD	FINANCE, HUMAN RESOURCE & GOVERNANCE COMMITTEE	INVESTMENT AND STRATEGY COMMITTEE	PORTFOLIO AND RISK MANAGEMENT	BOARD AUDIT COMMITTEE
Hon. Dr Sakwa Bunyasi	2/2	NIL	NIL	NIL	NIL
Abubakar Hassan Abubakar / Representative	2/2	2/2	3/3	2/2	1/2
Michael Alfred Kagika	2/2	2/2	3/3	2/2	2/2
Judith Chelang'at Kerich	2/2	NIL	3/3	NIL	NIL
Sigee Koech	2/2	2/2	NIL	2/2	NIL
Dr. Faith Mwaura	2/2	2/2	NIL	2/2	NIL
Caroline Muigai	2/2	NIL	3/3	NIL	2/2
Benjamin Muketha	2/2	NIL	NIL	2/2	2/2
Norah Ratemo	2/2	2/2	3/3	2/2	NIL
TOTAL MEETINGS	2	2	3	2	2

**BOARD /COMMITTEE MEETINGS IN THE FINANCIAL YEAR 2024/2025 ATTENDANCE
(JANUARY 2025 TO JUNE 2025)**

NAME	BOARD	FINANCE, HUMAN RESOURCE & GOVERNANCE COMMITTEE	INVESTMENT AND STRATEGY COMMITTEE	PORTFOLIO AND RISK MANAGEMENT	BOARD AUDIT COMMITTEE
Hon. Dr. Sakwa Bunyasi	4/4	NIL	NIL	NIL	NIL
Abubakar Hassan Abubakar / Representative	4/4	3/3	3/3	2/2	2/2
Michael Alfred Kagika	4/4	3/3	3/3	2/2	2/2
Judith Chelang'at Kerich	2/4	NIL	NIL	NIL	NIL
Sigee Koech	4/4	NIL	3/3	2/2	NIL
Dr. Faith Mwaura	4/4	3/3	3/3	NIL	NIL
Caroline Muigai	4/4	NIL	NIL	2/2	2/2
Benjamin Muketha	4/4	3/3	3/3	NIL	NIL
Norah Ratemo	4/4	3/3	3/3	2/2	NIL
TOTAL MEETING S	4	3	3	2	2

vi. Succession plan

The Board has approved the Succession Policy and Succession plan that ensures leadership continuity for key positions within the Corporation. This is to mitigate the risk of leadership gap and ensure sustained institutional performance.

vii. Policy to manage conflict of interest.

The Board has approved a **Conflict of Interest Policy** that provides guidance to the Board and members and staff on identifying, disclosing, and managing conflicts. All Board members are required to make annual declarations and disclose any real or perceived conflicts during meetings.

viii. Board remuneration

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

For the fiscal year ending 30th June 2025, the Corporation incurred board expenses of Kshs.26,793,836. The expenses include sitting allowance of Kshs.20,000.00 per director per sitting, travelling and subsistence allowance for Board activities undertaken outside the director registered residence as guided by the Salaries and remuneration commission guidelines, Board training and an honorarium of Kshs.80,000 payable only to the board chairman per month. This remuneration was in line with the regulatory framework governing the compensation of both executive and non-executive directors of state corporations. It ensured that remuneration of the directors was transparent and aligned to public expectations of ensuring accountability in the management of state resources. The Board remunerative expenses are broken down as per below;

No	Director	Amount
1	Hon. Dr. Sakwa Bunyasi	1,758,000
2	Michael Alfred Kagika	850,000
3	Judith Chelang'at Kerich	176,000
4	Abubakar Hassan Abubakar / Representative	802,000
5	Dr. Faith Mwaura	962,000
6	Caroline Muigai	694,000
7	Sigee Koech	680,000
8	Benjamin Muketha	926,000
	Total	6,848,000

ix. Ethics and Conduct

The Corporation upholds a strong ethical culture guided by its **Code of Ethics and Conduct**, which is applicable to Board members and staff. The Code promotes integrity, professionalism, and responsible behaviour in all operations. The Corporation also maintains a whistle-blower mechanism to report unethical conduct anonymously and without fear of retaliation.

x. Governance audit

A comprehensive **Governance Audit** was undertaken in accordance with the Mwongozo Code and the guidelines of the State Corporations Advisory Committee (SCAC). The audit assessed the Corporation's compliance with governance principles and the Corporation attained a score of 79.3%. The areas of improvement have since been noted and incorporated in the Corporation's governance enhancement plan.

xi. Communication policy

The Board has approved a **Communication Policy**. The Policy outline the principles, guidelines, practices and processes that the Corporation will embrace in fostering excellent internal and external communication, stakeholder engagement, corporate social responsibility, media relations, social media communications, brand management, and customer care.

xii. Terms of Reference of Committees

To effectively discharge its mandate, the Board has established the following four (4) Committees with specific terms of reference set out in each Committee's Charter.

- i) Finance, Human resource and Governance Committee
- ii) Investment and Strategy Committee
- iii) Portfolio and Risk Management Committee
- iv) Board Audit Committee

xiii. Policy on related party transactions

The Conflict of Interest Policy ensure the Corporation is protected from any conflicts of interest that may arise between the Company and its related parties by ensuring that all related party transactions are properly reviewed, approved and disclosed in accordance with the legal and regulatory requirements. The Policy also ensure that transactions between the Corporation and its related Parties are based on principles of transparency and are undertaken at arm's length.

11. Management Discussion and Analysis

I. Introduction

The Kenya Development Corporation was incorporated in 2020 and its mandate is to promote sustainable economic development by providing development finance, appropriate infrastructure, business support and advisory services to medium and large-scale industries and commercial undertakings in target sectors in Kenya and elsewhere.

II. Summary of the financial performance of KDC for the four years period 2021-22 to 2024-25

1) Statement of Comprehensive Income

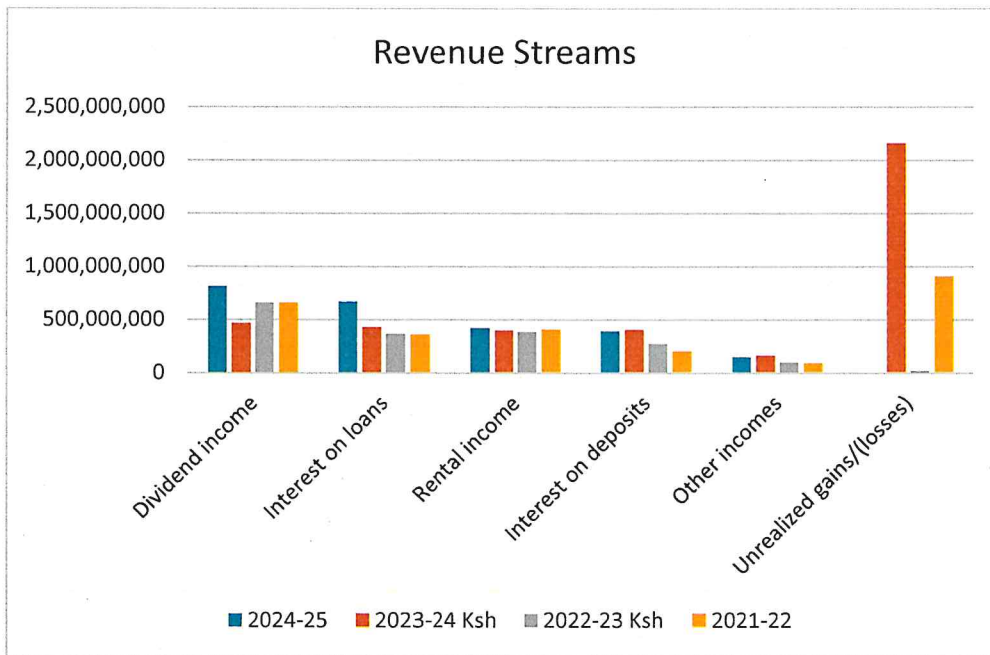
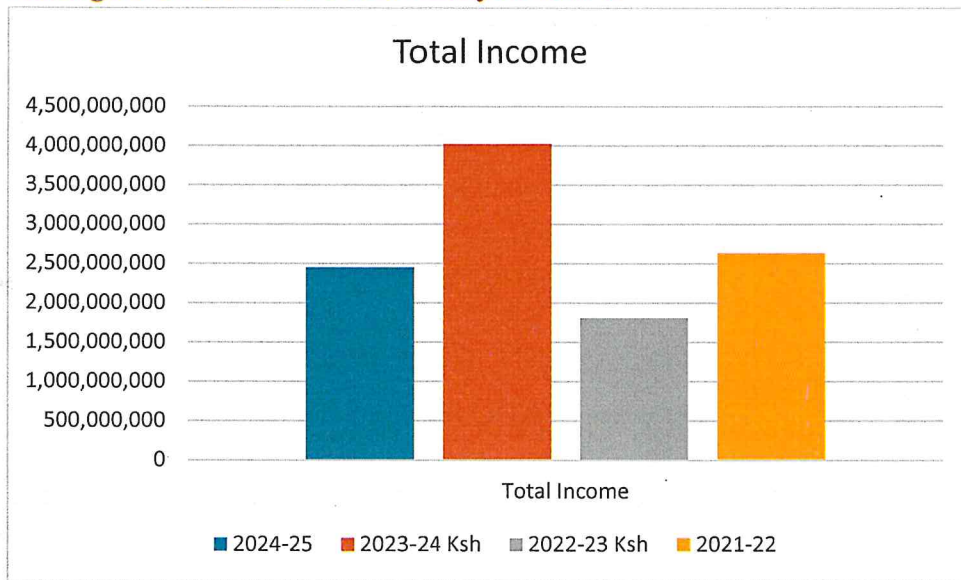
The Corporation's financial performance for the last four years of its existence can be analyzed as indicated below.

i) Revenue

The Corporation realized an operating revenue of Ksh2.46 billion during the period representing a 32% growth over the Ksh1.86 billion realized during the previous year and the 4% growth recorded in each of the last two years. This demonstrates that the merged organization has settled well and the fruits of the merger are being realized. The breakdown of the revenue from the various sources is as indicated below.

Revenue Source	2024-25	2023-24	2022-23	2021-22
	Ksh	Ksh	Ksh	Ksh
Dividend income	816,080,048	469,435,905	660,418,748	662,849,493
Interest on loans	694,828,628	430,434,832	367,979,775	360,526,028
Rental income	422,915,499	398,213,900	385,597,396	408,295,409
Interest on deposits	393,375,710	404,601,859	274,959,683	202,410,097
Other incomes	128,706,993	161,451,024	101,261,605	91,488,579
Total operating revenue	2,455,906,878	1,864,137,520	1,790,217,207	1,725,569,606
Unrealized gains/(losses)	-	2,158,830,000	18,411,921	906,575,754
Total Income	2,454,574,728	4,022,967,520	1,808,629,127	2,632,145,360
Growth in Operating Revenue	32%	4%	4%	

Management Discussion and Analysis cont'd



The performance of the various revenue streams has been analyzed as here below:-

i) **Dividend Income**

The Corporation realized a dividend income of Ksh816m during the period representing a 74% growth over the revenue realized during the previous year due to improved performance by the investee companies. Dividend income represents 33% of the total operating revenue for the period.

The dividend income from the various investee companies can be analyzed as indicated below:

expenses as Kshs.21,089,433 resulting in unexplained variance of Kshs.5,143,595.

- v. Appendix V - inter-entity confirmation letters were not signed by the heads of accounts department from the respective disbursing entities.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Variances in Investments Property

The statement of financial position reflects investment property balance of Kshs.10,108,825,444 as disclosed in Note 20 to the financial statements. Included in this balance is additions for the year amounting to Kshs.103,498,673 for the supply, installation, testing and commissioning of lifts for both Utalii and Finance Houses. However, only Kshs.103,498,673 out of Kshs.123,098,065 certified works was capitalized resulting to an unexplained variance of Kshs.19,599,392.

Further, out of Kshs.123,098,065 of the certified works, only kshs.102,316,851 was paid as at 30 June, 2025 and the difference of Kshs.20,781,214 was not recognized as a payable.

In the circumstances, the accuracy and completeness of investment property of Kshs.10,108,825,444 could not be confirmed.

3. Varying Depreciation Rates on Property, Plant and Equipment

Note 18 to the financial statements on property, plant and equipment reflects depreciation charge for the year of Kshs.29,888,428. However, the depreciation rates used as per Note 4(c) to the financial statements for motor vehicles at 20% and office equipment, furniture and fittings at 10% were not corresponding to the rates of 25% and 12.5% on the two assets respectively as indicated in the Corporation's Finance and Accounts Policy approved by the Board on 9 December, 2021.

Further, Note 4(c) to the financial statements provides that depreciation on property, plant and equipment is recognised in the statement of profit or loss and comprehensive income on a straight-line basis to write down the cost of each asset or the revalued amount to its residual value over its estimated useful life and that the annual depreciation amount is pro-rated on a monthly basis. In addition, the financial statements discloses that a full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal contradicting the use of straight-line pro-rata basis.

In the circumstances, the accuracy and completeness of depreciation charge for the year of Kshs.29,888,428 could not be confirmed.

4. Unconfirmed Receipts in the Bank Statement Posted in the Cash Book

The statement of financial position reflects bank and cash balance of Kshs.192,510,611 as disclosed in Note 28 to the financial statements. Review of the bank reconciliation

statements revealed that as at 30 April, 2025 various bank accounts of the Corporation omitted receipts of Kshs.27,096,061 in the bank statements dating back to May 2002 which as at 30 June, 2024 were recorded as unallocated receipts in the cash books and included trade and other payables as unallocated bank credits. Management did not comply with the regulations on cash management which provides that the bank reconciliations shall be prepared on a monthly basis and all the outstanding effects continuously captured until they are investigated and appropriate action taken including updating the relevant cash books.

In the circumstances, the accuracy and completeness of bank and cash balance of Kshs.192,510,611 could not be confirmed.

5. Unsupported Unquoted Investments

Note 22 to the financial statements reflects unquoted investments balance of Kshs.16,295,931,903. However, as previously and as per the accounting policy, is measured at fair value through other comprehensive income (FVTOCI). However, the value attached to each investment was not supported by a valuation report from an independent valuer as detailed working to demonstrate how the amount was arrived at.

In the circumstances, the accuracy and completeness of the unquoted investments balance of Kshs.16,295,931,903 could not be confirmed.

6. Non-Compliance with International Accounting Standards 20 - Accounting for Government Grants

The statement of financial position reflects grant balance of Kshs.4,237,857,051 as disclosed in Note 33 to the financial statements. As previously reported, the accounting treatment was not as per the International Accounting Standards (IAS) 20 which describes the accounting for and disclosure of Government grants which require grants to be accounted for either using the capital or the income approach. Management has not used any of these approaches. Further, the Corporation does not have an accounting policy to guide recognition and accounting for grants.

In the circumstances, the accuracy and completeness of the grant balance of Kshs.4,237,857,051 could not be confirmed.

7. Unsupported Deferred Tax Liability and Non-Compliance with IAS 12

Note 35 to the financial statements reflects deferred tax liability of Kshs.8,901,708. However, the amount has remained constant for the last three years yet there are reversals of timing differences and new timing differences. This is non-compliance with International Accounting Standards 12.

In the circumstances, the accuracy, completeness and compliance with International Accounting Standards 12 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.2,672,055,336 and Kshs.2,455,906,878 respectively resulting to an under-collection of Kshs.216,148,458 of the budget. However, the Corporation spent Kshs.1,771,829,023 against actual receipts of Kshs.2,455,906,878 resulting to an under-expenditure of Kshs.684,077,855 or 28% of the actual receipts.

In the circumstances, the under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

2. Non-Performing Loans

Note 23 to the financial statements reflects loans receivables of Kshs.9,800,624,056. As previously reported, review of loan listings reflected loans classified as loss amounting to Kshs.3,179,613,165. These are loans which are considered uncollectible or of such collateral value that their containing recognition as bankable assets is not warranted. Principal and interest payments are past due for more than three hundred and sixty-five (365) days. Contrary to the loan agreement, the Corporation may either not be able to recover the balances or it will take long to recover its loan from its clients. Further, as previously reported, the Corporation has stopped accrual of interest on the loans in line with the In Duplum principle which requires that interest accrued should not exceed the principal amount outstanding when the loan becomes non-performing. In addition, the securities related to some of the old non-performing loans being borrowers' ancestral lands, were reported to be missing, impaired or irredeemable.

Further, one (1) investment that has currently ceased operations namely Kenya Hotel Properties (Intercon Nairobi) Limited has been valued at Kshs.117,603,012 which is an amount that may not be realizable. In addition, several investments in Companies that are currently in operation including Sunset Hotel Limited, KENATCO Taxis Limited, Kenya National Trading Corporation, South Nyanza Sugar Company, Agro Chemical and Food Industries and Nzoia Sugar Company Limited have been fully written off from the books of the Corporation.

The Corporation may not recover these amounts leading to loss of public funds or may not realize value for money for loans which are taking too much time to be recovered.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Emphasis of Matter, Other Matter and Report on Lawfulness and Effective in the Use of Public Resources. The issues as detailed in **Appendix I** remain unresolved.

Other Information

The Management is responsible for the Other Information set out on page iii to lxxii which comprise of Key Entity Information, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Report of the Director General, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Corporation's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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 with Government Directive on Revenue Collection through eCitizen

Review of the revenue records revealed that the Corporation had earned a total of Kshs.2,454,574,728. However, it was established that the Corporation continued to receive all its revenue directly into its bank accounts. This was contrary to the Government directive vide Gazette Notice No.16008 on the introduction of the Government services digital payments programme dated 20 December, 2022 requiring that all public revenue be collected through the eCitizen platform.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. The information given in the Directors' report on pages lxx is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages 23 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to Corporation's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls 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 governance.

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the

International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 December, 2025

Appendix I

Unresolved Prior Year Matters

No.	Observation
	Basis of Qualified Opinion
1	Unsupported Unquoted Investments
2	Non-Compliance with IFRS 10 – Consolidated Financial Statements
3	Unresolved Borrowings
4	Non-Compliance with International Accounting Standards 20 – Accounting for Government Grants
	Emphasis of Matter
5	Non-Performing Loans
6	Budgetary Control and Performance
	Other Matter
7	Unrealized Revenue on Investment in Property
	Lawfulness and Effectiveness in Use of Public Resources
8	Prolonged Acting Appointments
9	Lack of Appointment Letter of an Alternate Member
10	Long Outstanding Trade Payables

16. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June 2025.

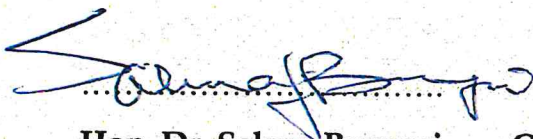
Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Revenues			
Dividend income	6	816,080,048	469,435,905
Interest income	7	694,828,628	430,434,832
Finance income	8	393,375,710	404,601,858
Rental income	9	422,915,499	398,213,901
Other miscellaneous Income	10	128,683,154	160,627,531
Other gains/(losses)	11	23,839	2,159,329,850
Total Revenues		2,455,906,878	4,022,967,520
Operating expenses			
Administration costs	12	1,372,891,356	1,186,971,839
Finance costs	13	92,641,982	50,953,392
Total operating expenses		1,465,533,338	1,237,925,231
Profit/(loss) before taxation		990,373,540	2,785,042,289
Income tax (expense)/credit	15	(150,573,284)	(107,748,431)
Profit/ (Loss) after taxation		839,800,256	2,677,293,858
Other comprehensive income			
Fair value gain/(loss) on unquoted investments		-	(1,237,746,293)
Fair value gain on quoted investments		443,414,153	(50,845,798)
Total comprehensive income for the year		1,283,214,409	1,388,701,768

Kenya Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2025

17. Statement of Financial Position as at 30 June 2025

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Assets			
Non-Current Assets			
Property, plant and equipment	18	769,782,290	749,822,574
Intangible assets	19	10,397,600	16,456,050
Investment property	20	10,108,825,444	10,057,976,771
Quoted investments	21	1,820,879,777	1,377,465,623
Unquoted investments	22	16,295,931,903	16,293,635,103
Loans to Customers	23	9,800,624,056	6,930,236,458
Total Non-Current Assets		38,806,441,070	35,425,592,579
Current Assets			
Inventories	24	1,206,479	4,116,901
Trade and other receivables	25	693,970,228	518,064,060
Tax recoverable	26	90,811,894	90,811,894
Short-term deposits	27	3,815,499,432	3,155,487,791
Bank and cash balances	28	192,510,611	901,547,688
Total Current Assets		4,793,998,644	4,670,028,334
Total assets		43,600,439,714	40,095,620,913
Equity And Liabilities			
Capital And Reserves			
Revaluation reserve	29	1,184,141,035	1,184,141,035
Fair Value Reserves	30	15,541,485,628	15,098,071,475
Retained Earnings	31	16,842,267,317	16,063,931,743
Share Capital	32	936,807,234	936,807,234
Grant	33	4,237,857,051	3,948,392,552
Capital And Reserves		38,742,558,265	37,231,344,039
Non-Current Liabilities			
Borrowings	34	3,766,983,921	2,158,095,582
Deferred tax liability	35	8,901,708	8,901,708
Deferred Income	36	59,026,236	39,001,143
Total Non-Current Liabilities		3,834,911,865	2,205,998,433
Current Liabilities			
Trade and other payables	37	995,443,098	604,724,353
Related companies' current balances			
Tax Payable	15	27,526,486	53,554,088
Total Current Liabilities		1,022,969,584	658,278,441
Total Equity And Liabilities		43,600,439,714	40,095,620,913

The financial statements were approved by the Board on 27th August 2025 and signed on its behalf by:



Hon. Dr. Sakwa Bunyasi

Chairman of the Board

CPA/FA Norah Ratemo



Director General



CPA Kennedy Wanderi
Deputy Director Finance
& Accounts

ICPAK M/NO: 3349

18. Statement of Changes in Equity for the year ended 30 June 2025

Description	Revaluation Reserve	Fair value adjustment reserve	Retained Earnings	Share Capital	Grant	Total
As at July 1, 2023	990,771,035	16,386,663,566	13,398,142,469	936,807,234	3,511,986,250	35,224,370,554
Receipt of Development Grant for DRIVE Projects-Net	-	-	-	-	436,406,302	436,406,302
Revaluation gain	193,370,000	-	-	-	-	193,370,000
Fair value adjustment on investments	-	(1,288,592,090)	-	-	-	(1,288,592,090)
Dividends paid	-	-	(11,504,585)	-	-	(11,504,585)
Retained Profit for the year	-	-	2,677,293,858	-	-	2,677,293,858
At June 30, 2024	1,184,141,035	15,098,071,475	16,063,931,743	936,807,234	3,948,392,552	37,231,344,039
As at July 1, 2024	1,184,141,035	15,098,071,475	16,063,931,743	936,807,234	3,948,392,552	37,231,344,039
Receipt of Development Grant for DRIVE & KJET Projects - Net of Costs	-	-	-	-	289,464,499	289,464,499
Fair value adjustment on investments	-	443,414,153	-	-	-	443,414,153
Dividends paid	-	-	(61,464,682)	-	-	(61,464,682)
Retained Profit for the year	-	-	839,800,256	-	-	839,800,256
At June 30, 2025	1,184,141,035	15,541,485,628	16,842,267,317	936,807,234	4,237,857,051	38,742,558,265

19. Statement of Cash Flows for the year ended 30 June 2025

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Cash flows from operating activities			
Cash generated from/(used in) operations	41	(1,575,641,726)	(394,479,445)
Interest expense		92,641,982	50,953,392
Taxation paid		(93,167,336)	(97,729,663)
Net cash generated from/(used in) operating activities		(1,576,167,080)	(441,255,716)
Cash flows from investing activities			
Purchase of property, plant and equipment		(49,868,728)	(40,585,756)
Proceeds from disposal of property, plant and equipment		66,450	499,850
Purchase of intangible assets		(2,355,000)	(3,471,497)
Investment Property-Addition		(103,498,673)	(13,363,510)
Investments in Equity		(2,296,800)	(3,098,306)
Net cash generated from/(used in) investing activities		(157,952,751)	(60,019,218)
Cash flows from financing activities			
Grant advanced from GOK - DRIVE Project Grant		300,000,000	444,920,558
Proceeds from borrowings - SAFER Project		1,500,000,000	850,000,000
Grant advanced from GOK - KJET Project Grant		23,840,001	
Repayment of borrowings		(77,280,925)	(44,203,321)
Dividends paid		(61,464,682)	(11,504,585)
Net cash generated from/(used in) financing activities		1,685,094,394	1,239,212,652
Increase/(decrease) in cash and cash equivalents		(49,025,436)	737,937,718
Cash and cash equivalents at beginning of year		4,057,035,479	3,319,097,761
Cash and cash equivalents at end of the year	41	4,008,010,043	4,057,035,479

20. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	%-age of utilization
	A	B	C = A + B	D	E= C - D	F = (D/C) x 100
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Dividend income	691,749,969	(27,326,304)	664,423,665	816,080,048	(151,656,383)	123%
Interest on loans	1,232,771,463	(417,469,058)	815,302,405	694,828,628	120,473,777	85%
Rental income	450,704,450	(18,217,719)	432,486,731	422,915,499	9,571,232	98%
Interest on deposits	189,217,918	127,124,231	316,342,149	393,375,710	(77,033,561)	124%
Un-realized gains on revaluation/sale of investment property	-	-	-	-	-	-
Disposal of equity investments	5,495,080,606	(5,495,080,606)	-	-	-	-
Other incomes	345,098,294	98,402,092	443,500,386	128,706,993	314,793,393	29%
Total income	8,404,622,700	(5,732,567,364)	2,672,055,336	2,455,906,878	216,148,458	92%
Expenses						
Compensation of employees	653,961,009	(13,146,880)	640,814,129	504,773,760	136,040,369	79%
Administration Expenses	842,148,492	458,719,225	1,300,867,718	868,117,596	432,750,122	67%
Finance cost	90,771,249	41,741,241	132,512,490	92,641,982	39,870,508	70%
Rent Paid	-	-	-	-	-	-
Taxation provided/paid	521,847,899	(414,262,793)	107,585,106	150,573,284	42,988,178	140%
Other payments	-	-	-	-	-	-
Total expenditure	2,108,728,649	73,050,794	2,181,779,443	1,616,106,622	565,672,821	70%
Surplus for the period	6,295,894,051	(5,805,618,157)	490,275,893	839,800,256	(349,524,363)	171%
Capital Expenditure	387,749,531	(24,000,000)	363,749,531	155,722,401	208,027,130	43%

Budget notes:

- i) Dividend income realized during the year was 123% above budget due to improved performance by the investee companies. Some investee companies which did not pay a dividend during the previous period declared a dividend during the period under review hence the significantly higher earnings.
- ii) Interest on loans was lower than budget by 15% due to a lower level of loan disbursements arising from lower level of funding from The National Treasury. However, the amount of interest earned was 56% higher than the previous period.
- iii) Interest on short term deposits was 24% above budget mainly due to higher interest rates in the market during the period than was anticipated. The interest rates have come down while disbursement of the funds to projects is being enhanced and therefore the income from this line is expected to decline going forward.
- iv) Other incomes realized 29% of the budgeted amount mainly due to lower level of sales of investment property due to depressed demand. Marketing efforts for the property has been enhanced to accelerate the sales.
- v) Compensation to employees was lower than budget by 21% due to some vacancies which have remained unfilled due to a current freeze the Government on new recruitment.
- vi) Administrative expenses were 39% below budget mainly due to a County Aggregation and Industrial Parks (CAIPS) conference that was planned for the Western Region Counties but was not held, lower expenditure on World Bank funded projects due to unrealized funding and enhanced cost management.
- vii) Finance costs were lower than budget due to late disbursement of project loans from The National Treasury
- viii) Taxation was higher than budget due to higher profitability.

21. Notes to the Financial Statements

1. General Information

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

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note 5*. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *corporation*, and all values are rounded off to the nearest Kenya shillings. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

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

- i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2025.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ul style="list-style-type: none"> i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs. 	1 January 2026

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

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

iii. Early adoption of standards

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

Notes to the Financial Statements (Continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the Corporation delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are recognized in the year in which the corporation actually receives such grants. 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.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

b) Property, plant and equipment

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

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

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

c) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. However, the annual depreciation amount is pro-rated on a monthly basis and the resultant monthly depreciation posted into the general ledger to match it with monthly revenues as a matter of financial prudence

The annual rates in use, as guided by National Treasury policy on assets depreciation are:

Item	Years	Rates
Freehold Land	Nil	Nil
Buildings and civil works	Unexpired lease period	-
Plant and machinery	10	10%
Motor vehicles, including motorcycles	5	20%
Computers and related equipment	3	33..33%
Office equipment, furniture and fittings	10	10%

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

d) Intangible assets

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

e) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life which is estimated to be three (3) Years of the intangible assets. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

f) Investment property

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

g) Quoted investments

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

h) Unquoted investments

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

i) Inventories

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

j) Trade and other receivables

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

k) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

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

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

1) Deferred tax

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

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

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

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

m) Borrowing costs

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

n) Cash and cash equivalents

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

o) Borrowings

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

Notes to the Financial Statements (Continued)

p) Trade and other payables

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

q) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered by an in-house team of Trustees and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.4,320 per employee per month effective February 2025 up from Kshs.2,160 which was previously effective February 2024.

r) Provision for staff leave pay

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

s) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year ended 30th June 2025 are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the Financial Statements (Continued)

t) Budget information

The original budget for FY 23/24 was approved by The National Treasury on 30th June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Cash flows has been presented under page 6 of these financial statements.

u) Comparative figures

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

v) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 38.

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.

KDC has made provisions to financial assets as per IFRS 9 guidelines for lease receivable, bad debts and loans receivable.

Notes to the Financial Statements (Continued)

6. Dividend Income

	2024/2025	2023/2024
	Kshs	Kshs
Almasi Beverages Limited	222,886,537	211,890,564
Centum Investments Limited	48,911,327	91,708,738
Isuzu EA Limited	105,307,160	-
Minet Kenya Insurance Brokers Ltd	196,237,406	163,198,005
Africa Export -Import Bank	1,782,902	1,249,630
Funguo Investments Ltd	2,334,578	1,388,968
Focus Container Depot Limited	20,000,000	-
Kenya Wine Agencies Limited	217,448,277	-
The Golf Hotel Kakamega	1,171,862	
Total Dividend income	816,080,048	469,435,905

Dividends were received from investee companies.

7. Interest Income on loan

	2024/2025	2023/2024
	Kshs	Kshs
Agriculture Value Chain	188,610,112	78,014,568
Building and Construction	80,253,020	18,263,029
Finance and Insurance	131,114,256	28,091,819
Healthcare	-	48,175
Information and Communication Technology	3,820,475	3,413,477
Manufacturing	92,792,937	119,005,447
Mining and Quarrying	6,914,106	7,822,808
Preference Equity	20,120,001	20,175,124
Staff Loans	14,605,836	12,541,618
Tourism	140,472,510	138,910,822
Wholesale and Trade	3,284,724	4,147,945

Management Discussion and Analysis cont'd

Company	2024-25	2023-24	2022-23	2021-22
	Ksh	Ksh	Ksh	Ksh
Almasi Beverages Limited	222,886,537	211,890,564	249,080,211	218,323,235
Centum Investments PLC	48,911,327	91,708,738	89,721,716	50,439,806
Isuzu East Africa Limited	105,307,160	-	176,346,452	202,679,194
Minet Kenya Ins Brokers	196,237,406	163,198,005	144,269,725	190,605,087
Afrexim Bank	1,782,902	1,249,630	1,000,644	802,171
Funguo Investments	2,334,578	1,388,969	-	-
KWAL	217,448,277	-	-	-
Focus CFS	20,000,000	-	-	-
Golf Hotel	1,171,862			
Total Dividend	816,080,048	469,435,906	660,418,748	662,849,493

Growth in Dividend Income	74%	-29%	0%
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During the year, two companies KWAL and Focus CFS, that were previously not paying a dividend started to pay due to improved performance. The other companies showed a general improvement in the amounts declared resulting in an overall 74% growth in dividend income over the previous year. Despite the erratic nature of dividend income which is affected by many factors including capital plans by the investee company, dividend income is expected to improve during the coming periods.

ii) Interest on Loans

Interest on loans advanced to customers realized an amount of Ksh695m compared to Ksh430m realized during the previous period representing a 56% growth. The growth in interest income is in tandem with the increase in lending which grew by 40%. Interest income comprises 27% of total revenue in 2024-25 but it is expected to be the main source of income over the coming periods contributing over 50% of total revenue.

iii) Rental Income

Rental income realized an amount of Ksh423m representing a 6% growth over the Ksh398m realized during the previous period mainly due to rental revisions and increase in occupancy levels. This revenue stream is expected to remain relatively stable as no investments in new property are planned in the medium term.

Management Discussion and Analysis cont'd

iv) Interest on deposits

Interest from short term deposits realized Ksh398m compared to Ksh404m realized during the previous period. The decline in earnings is mainly due to a decrease in interest rates in the market following the lowering of the CBR rate by Central Bank of Kenya as it seeks to lower the lending rates. With the decline in lending rates, demand for credit is expected to increase and the Corporation is looking at deploying the funds invested in short-term deposits to projects.

v) Other incomes

Other incomes which include proceeds from sale of investment property, loan application fees and write-backs on provisions realized an amount of Ksh129m compared to Ksh161m realized during the previous period with the decline being attributed mainly to a decrease in write-backs on loans due to a challenge in realizing securities on defaulted loans. The income is projected to grow further in the coming period as more loan applications are received and debt recovery efforts are stepped up.

vi) Unrealized Gains from Investment Property

The unrealized gains arise from revaluation of investment property and do not represent a cash revenue. During the period under review, the Corporation did not carry out a valuation of its Investment Property as this had been undertaken during the previous period and the property is considered to be well marked to market.

ii) Operating Expenditure

The Corporation incurred a total operating expenditure of Ksh1.46 billion during the period compared to Ksh1.23 billion incurred in the previous period representing an increase of 18%. The increase in expenditure was less than the 32% increase in revenue, which indicates that costs are well controlled and have been used to generate revenue.

iii) Operating Profit

The Corporation realized an operating profit before tax of Ksh.990million compared to Ksh626m realized during the period representing a growth of 58%. The growth in revenue was realized from higher dividend and interest income. The investee companies recorded improved performance thereby declaring higher dividends while the loan book grew by 40% accounting for a 56% growth in interest income.

1) Statement of Financial Position.

	2024-25	2023-24	2022-23	2021-22
Assets	Ksh	Ksh	Ksh	Ksh
Equity Investments	18,116,811,680	17,671,100,726	18,956,594,511	19,803,742,048
Loans	9,800,624,056	6,930,236,458	5,625,252,710	5,136,784,050
Investment Property	10,108,825,444	10,057,976,771	7,967,283,262	8,132,017,094
Property Plant & Equipment	769,782,290	749,822,574	547,031,281	204,976,736
Intangible Assets	10,397,600	16,456,050	21,786,993	23,098,473
Inventory	1,206,479	4,116,901	5,469,943	3,597,609
Debtors	784,782,122	608,875,954	650,849,223	821,561,004
Cash and Bank Balance	4,008,010,043	4,057,035,479	3,319,097,761	3,154,516,427
Total Assets	43,600,439,714	40,095,620,913	37,093,365,683	37,280,293,441
FINANCED BY:				
Equity and Liabilities				
Capital & Reserves	38,742,558,265	37,231,344,039	35,224,370,553	35,509,809,192
GOK & External Loans	3,766,983,921	2,158,095,582	1,402,780,438	1,356,220,179
Creditors & Liabilities	1,090,897,528	706,181,292	466,214,693	414,264,070
Total Equity & Liabilities	43,600,439,714	40,095,620,913	37,093,365,684	37,280,293,441

Growth in total assets	9%	8%	-1%
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The total assets grew by 9% during the year. Equity Investments increased by 3% from Ksh17.6 billion to Ksh18.1 billion due to higher revaluation of both quoted and unquoted investments while loans to customers increased by 40% funded by loans and grants from The National Treasury.

Management Discussion and Analysis cont'd

1) Financial Performance

	2024-25 Ksh	2023-24 Ksh	2022-23 Ksh.	2021-22 Ksh.
Total Revenue	2,455,906,878	4,022,967,520	1,808,629,127	2,632,145,36
Less Unrealized gains/(losses)	-	(2,158,830,000)	(18,411,921)	(906,575,754)
Total Operating Revenue	2,455,906,878	1,864,137,520	1,790,217,206	1,725,569,60
Total Expenses	1,465,533,338	1,237,925,231	1,269,821,191	1,627,866,09
Operating Profit (Loss) before tax	990,373,540	626,212,289	520,396,015	97,703,51
Total Assets	43,600,439,714	40,095,620,913	37,083,887,887	37,280,293,44
Movement in Operating Revenue	32%	4%	77%	
Movement in Expenditure	18%	-2.51%	1%	
Movement in Total Assets	9%	8%	-1%	
Return on Assets	2%	7%	1.50%	

Risk Management.

The Corporation has put in place and operationalized risk function which is instrumental in the management and coordination of risk management activities in the Corporation guided by a robust enterprise risk and opportunities management (EROM). The EROM framework forms the foundation of our approach to holistic risk management.

This framework serves a pivotal role in safeguarding KDC's mandate and strategic objectives, ensuring stability and resilience amid the unpredictability of the global financial landscape. By systemically identifying, analysing, evaluating, treating, monitoring, and communicating risks across all levels of our Corporation, the EROM framework empowers us to respond to potential threats and exploit opportunities that arise.

Encompassing strategic, operational, financial, and reputational risks, it underscores our commitment to managing uncertainty and aligns with the Corporation's strategic

objectives and risk appetite. By incorporating risk consideration into all decision-making processes, it fosters a culture of risk awareness, enabling us to navigate complex challenges; and effectively and responsibly advance our mandate.

The Corporation strategy is to remain a strong development finance institution, resilient to possible adverse risk events and able to address such developments based on its own strengths and resources.

RISK FOCUS	RISK TARGET
Capital Adequacy.	To remain solvent based on internal financial resources following a stress situation as well as meet current and forthcoming regulatory requirements
Liquidity Management.	The Corporation considers liquidity structure and quality by ensuring that there are adequate liquid resources to meet all projected cash requirements, periodically assess the projected net liquid asset position and ensure that the liquid assets are not excessively higher than the current liabilities to maximize the return on investments as highly liquid assets.
Profitability Management.	To provide sustainable returns on capital factoring risk appetite, capacity and tolerance with a low-risk appetite for risks that negatively impact on the Corporation's profitability and sustainability.
Governance & Compliance.	The Corporation has a low-risk appetite for governance and compliance risks by ensuring substantial governance structures and guidelines are in place, including a Code of Conduct, governance policies and charters that it expects its Board of Directors, management, and staff to adhere to.
Social Economic Impact.	To catalyze sustainable socio-economic development in Kenya and specifically to address unemployment, private sector development and to support growth in priority sectors.

KDC Compliance with Statutory Requirements.

The Corporation strives to comply with all applicable laws, regulations, and standards, as well as internal policies and procedures governing its operations, and development finance industry standards of excellence.

The Corporation has adopted a comprehensive compliance management framework that defines the essential principles, roles, and responsibilities in the Corporation's

evaluation and management of compliance risk. The framework serves as the foundation for the compliance management framework.

Risks Associated with Compliance Management.

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

Guided by the enterprise risk and opportunities management framework, The Corporation has a detailed Compliance Management Framework that defines the essential principles, roles, and responsibilities in the Corporation's evaluation and management of compliance risk. The KDC Enterprise Risk Management Framework serves as the foundation for the Compliance Management Framework.

This Compliance Management Framework seeks to:

- a) Establish and nurture an Enterprise-wide Compliance culture.
- b) Ensure that all KDC's stakeholders understand and commit themselves to the Company's legal obligations, i.e., compliance with legislations, compliance with internal policies, procedures, and guidelines in addition to its compliance with its legal and contractual commitments / obligations.
- c) Maintain and raise the level of awareness of KDC's regulatory obligations by the provisions of this framework for an effective Compliance Management System.
- d) Develop and deploy appropriate practices and processes to ensure compliance with KDC's regulatory obligations.
- e) Monitor KDC's compliance with its regulatory obligations.
- f) Take appropriate corrective action with a view to preventing recurrence of incidents of non-compliance, violations, or breaches.

Compliance management guiding principles include:

- a) Respect of the role of regulatory agencies
- b) Transparency, Accountability and full disclosure
- c) Independence
- d) Objectivity

- e) Ethics and Integrity
- f) Competence
- g) Authority, and
- h) Effectiveness of risk-taking within KDC's parameters of overall board approved policies.

Highlight of some risks the Corporation is Exposed to;

Risk Category	Description
Strategic Risk	Strategic risks arise from the general strategic direction taken by the organization about the business and operations. It's the issues surrounding the path chosen towards achievement of mandate
Financial Risk	Financial Resilience - It encompasses all risks financial in nature including but not limited to liquidity, market, credit and cash flow risks. Risk arising out of the financial operations.
Operational Risk	Risks arising out of process, project implementation and all other internal processes that have not been specifically addressed in any other risk.
ICT Risk	This is a technologically oriented risk and refers to all issues of information and Communication technology including data protection, cyber security and business continuity.
Compliance Risk	This is an organization's potential exposure to the risk of legal or regulatory sanctions, material financial loss, or loss to reputation because of the failure to comply with laws, regulations, rules, self-regulatory organizational requirements and relevant industry and professional standards, including internal standards.
Reputational Risk	This is the risk to the Corporation's capital originating from negative public opinion. This risk may impede the Corporation's ability to fulfil its mandate by interfering with its capacity to build new relationships or

	preserve existing ones, or to continue servicing current client relationships or to generate new ones.
Climate Risk	The long-term shifts in temperatures and weather patterns caused by both natural events and human activities, regulations and costs associated with the transitioning to a low-carbon economy

12. Environmental and Sustainability Reporting

The mandate of KDC is to promote sustainable social economic development by providing development finance, infrastructure finance, business support and advisory services to medium and large-scale industries, infrastructure projects and commercial undertakings in target sectors in Kenya and elsewhere.

The Corporation purpose “**Transforming Kenya’s socio-economic landscape**” anchors its sustainability strategy. Highlights of the Corporation sustainability focus includes but it’s not limited to:

- a) Support the prioritized National Government Sustainable Development Goals (SDG) on Sustainable GDP growth and poverty eradication.
- b) Align with National Government Economy Recovery focus and master plan: Positive impact on bringing down the cost of living, eradicating hunger, creating jobs, expanding the tax base, improving foreign exchange balance of trade and inclusive growth.
- c) KDC Staff and investee companies job security thus sustainable decent lifestyle.
- d) Sustainability of financed investments thus enhance quality life for investors, their employees and related value chain.
- e) Environment conscious investments that do not harm the environment and ecological ecosystems.

Key to achieving the sustainability strategy, the Corporation is cognisant of emerging sustainability risks and opportunities that has direct impact on its ability to meet its current needs without affecting the needs of future generations.

Sustainability-Related Risks.

- i) **Physical Risk.** Risks emerging from growing environmental challenges for example floods or droughts because of climate change, can threaten agricultural assets or property manufacturing businesses funded by KDC. This may negatively impact numerous risk types including credit, market and insolvency risks. On the other hand, new opportunities are created such as renewable energy, sustainable agriculture and food systems such opportunities need to be identified and scrutinized a part of risks and opportunities analysis.
- ii) **Non-Physical Risk.** Epidemic or pandemic diseases, civil unrest, cyber-attacks can seriously damage the operational capacity of both KDC and the funded

business. Nonetheless, such crisis opens new opportunities that provides crisis mitigation goods and services, offering import substitution of those goods that are unavailable due to global supply chain disruption or providing digital solutions. By addressing both risks and opportunities institutions can navigate crises more effectively and emerge stronger.

- iii) **Social Risk.** Harming the health of the communities or employees through use of hazardous material in production process such as through water contamination, violation of labour rights, child labour and gender discrimination are social risks that can lead to existential crisis. Identifying and mitigating these risks is essential for legal, moral and economic reasons, protecting reputation while enhancing business performance. Moreover, it creates opportunities such as mobilizing funds from international and domestic impact investors, funding better and future-proof businesses and becoming the employer of choice in a competitive talent market.
- iv) **Transition Risk.** The scope of laws and regulations is expanding and sustainability issues such as environmental and societal well-being are reshaping legal and regulatory framework in industries. New technologies and business models are changing the way goods and services are produced, traded or consumed. Funded business that are not responsive to changing customer preferences or reliant on absolute equipment risk market loss or legal restrictions will lose their market share. Funding such businesses can create stranded assets which will negatively impact KDC financial stability. However, the transition presents enormous opportunities for KDC to diversify their loan and investment portfolio by investing in fast growing environmentally friendly, climate resilient and technology-based business.
- v) **Anti-Money Laundering (AML) Compliance Risk.** The resolve of global community and national regulations to prevent financial crimes including money laundering, tax evasion and anti-terror financing is unpredicted. If KDC fail to put effective measures on a timely basis it can possess an existential threat. However, the solution to comply with AML regulations opens new possibilities to reduce operational costs and human errors enhancing customer experience and launching new products for emerging businesses.

The ESG processes and procedures focus on non-financial performance indicators that address a stakeholders' approach towards responsible investment, sustainability, its impact on society and the environment, as well as other ethical and corporate governance considerations.

To ascertain inclusivity and national focus, the Corporation's investments as the current reporting period spread across 27 counties of the country and a majority of the business have women, youth and PWD as part of employees, shareholders and or in leadership/control.

While we note concentration within Nairobi County, this is attributed to registered head office for operations and availability of adequate infrastructure for operation, ease of access to the market and interconnectivity with suppliers and other stakeholders. The Corporation has a strategic focus on spreading investments across the republic by developing products and engaging in partnerships that shall serve/penetrate the underserved areas.

Fig.1KDC's Number of Investments per County

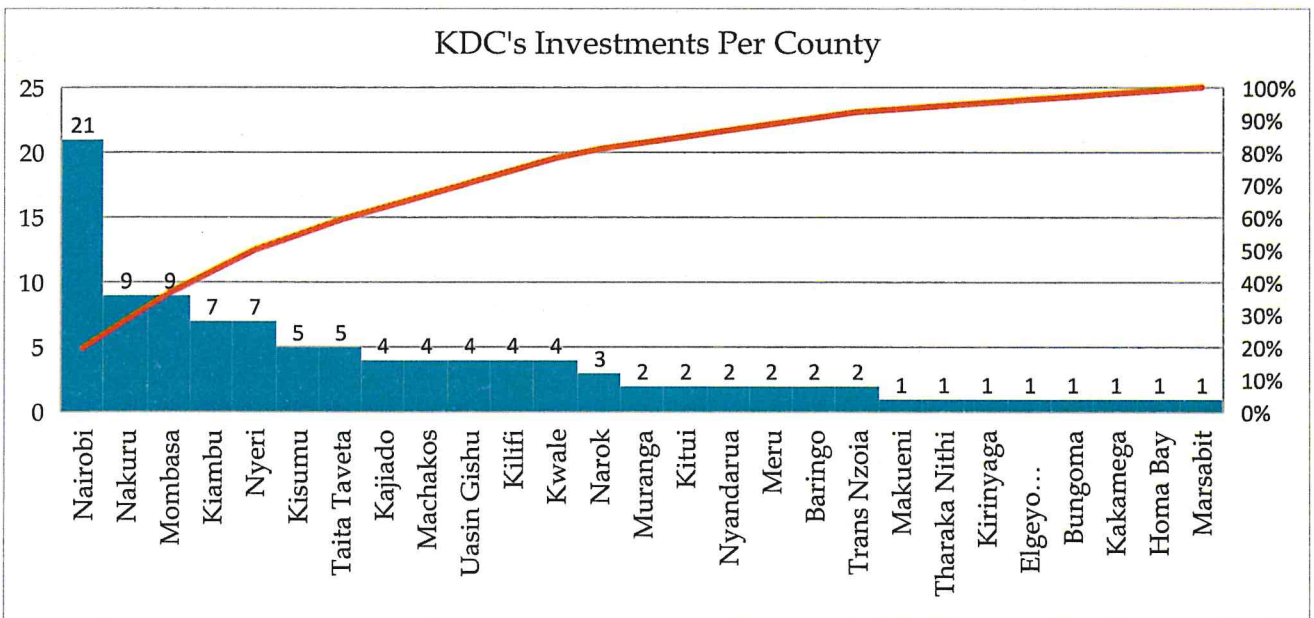


Fig 2. Inclusivity Statistics

Alignment with the Sustainable Development Goals (SDGs)

Guided by the ESG framework and a detailed Environment and Social Risk Management System (ESMS), the Corporation has created a portfolio that contributes directly to several Sustainable Development Goals.

By enabling inclusive, climate-smart, and environmentally responsible development, the ESMS supports SDG 1 by increasing income and livelihood security through market access and de-risked investments. It promotes SDG 2 by enhancing livestock productivity and supporting sustainable food systems. SDG 5 is addressed by enabling women to lead and participate actively in value chains. SDG 7 by enabling access to affordable, reliable, sustainable and modern energy for all through Green energy investments, while SDG 8 benefits from the creation of decent, ESG-compliant jobs in rural areas. The ESMS also promotes SDG 10 by including marginalized pastoralist groups and contributes to SDG 12 through sustainable production practices. Importantly, SDG 13 is supported by mainstreaming climate risk management, SDG 15 by protecting rangelands and restoring degraded ecosystems, and SDG 17 by through strategic partnerships to support enterprises affected by Covid 19 for recovery and job creation.



ii) Environmental performance

The Corporation has developed and is implementing an Environmental and Social Management System (ESMS) which includes an E&S policy, and procedures for integrating E&S considerations into investment and advisory decisions related to the World Bank (DRIVE and SAFER) supported projects. Through this ESMS, KDC ensures consistent and effective implementation of E&S risk management practices in all its activities, products and services related.

The ESMSs are guided by National and County Environmental and Social laws and regulations and the World Bank’s (WB) Environmental and Social Standards (ESSs). For every project and participating financial institution, an Environmental and Social Due Diligence is carried out and an environmental and social action plan (ESAP) developed to guide the management of the identified E&S risks and impacts.

All projects are subject to a **rigorous screening process by KDC**, aligned with World Bank Environmental and Social Standards (ESSs).

This includes a review of:

- Environmental and social risks
- Inclusion and gender responsiveness
- Climate adaptation or mitigation co-benefits
- Economic and operational feasibility

Fig.3. Applicable ESS Standards.



These projects have established sustainability strategies centered on inclusive growth, environmental stewardship, and long-term business viability. In each case, leadership—often including managing directors and operations heads—played an active role in embedding ESG (Environmental, Social, and Governance) principles into both strategic planning and daily operations.

Key characteristics observed across these projects include:

- Development and implementation of formal ESMS policies, such as Environmental and Social Management Plans (ESMPs) and codes of conduct.
- Compliance with national labor laws and international standards related to fair pay, safe working conditions, and workers' rights.
- Adoption of renewable energy systems (e.g., solar panels for lighting and water pumping), reducing carbon footprints.
- Investment in sustainable infrastructure, including water conservation structures like dams, and solar-powered fencing to manage security and wildlife impacts.
- Integration of risk mitigation strategies that address political, climatic, and market-related uncertainties.

These strategies demonstrate a proactive, structured, and replicable approach to sustainability integration within the business value chains. Most projects implemented clear environmental policies focused on responsible natural resource use, pollution prevention, and biodiversity conservation.

Environmental initiatives commonly included:

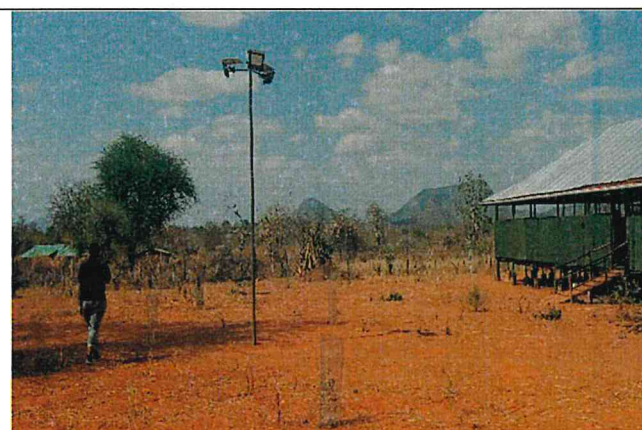
- Use of solar power and other low-emission energy sources to reduce fossil fuel reliance.
- Construction of rainwater harvesting systems and water catchment infrastructure for enhanced resilience during dry seasons.
- Adoption of soil conservation measures, tree planting, and controlled grazing to protect ecosystems.
- Implementation of proper waste management systems, including composting and safe chemical handling.

- Maintenance of ESMPs and environmental risk registers to support compliance and continuous improvement.

Even where formal biodiversity impact assessments were not conducted, projects demonstrated tangible efforts to minimize ecological disruption.

Through the DRIVE project, the Corporation has embedded Climate resilience through interventions that mitigate climate-related risks such as drought, rangeland degradation, and water scarcity. These include promoting climate-smart infrastructure (e.g., solar-powered facilities), harvesting and storage of rainwater, sustainable grazing practices, mandatory tree growing of at least 50 trees for every acre of natural vegetation cleared for livestock activities and supporting enterprises with measurable adaptation or mitigation co-benefits.

Fig 4. Climate resilience activities in the projects.



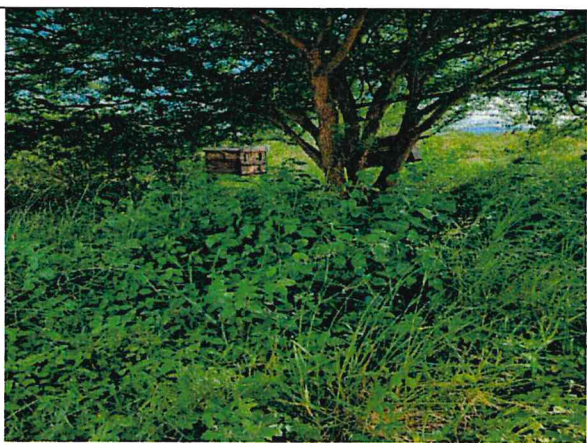
Solar Security Lighting in Makueni



Biogas Production in Kajiado



Borehole, water harvesting & storage in Laikipia



Biodiversity conservation. Retaining natural habitat for bee farming within the feedlot



Solar Power water pumping system in Narok



Solar Powered electric fence in Narok

iii) Employee welfare

The Corporation Human Resource Management policy and procedures align with SDG No 8. (Employee Involvement – decent work, economic growth & employee involvement). The strategic plan, budgeting process and business continuity policy gives priority to staff wellness and welfare and ensures there is no discrimination or favouritism.

To drive sustainable operations and performance, the Corporation has an annual performance management plan, that is reviewed and reported periodically including

collaboration with state agencies. This is also supported by a rewards and sanctions policy that enumerates causes for action and inaction.

The Corporation has provided an elaborate policy and implementation plan for capacity enhancement and training, succession planning, open and anonymous channels for staff feedback, whistle blowing and witness protection as provided for by the witness protection laws and regulations.

The Corporation has a detailed mechanism to ensure compliance with Occupational Safety and Health Act of 2007, (OSHA), this has been implemented both at office design, internal operations and periodic sensitization to relevant stakeholders. The corporation also allows freedom of expression, association to collectively express, promote, pursue and defend common interests.

These requirements on employee welfare has been mainstreamed including project appraisal process where most projects have been assessed and exhibited good labour practices, fostering ethical, inclusive, and safe work environments.

Key employee welfare practices at project level include:

- Formal employment contracts detailing compensation, grievance mechanisms, and leave entitlements.
- Payment of statutory wages and provision of additional in-kind benefits such as housing and transport.
- Safe and decent on-site accommodation for workers.
- Accessible Grievance Redress Mechanisms (GRMs) and maintained grievance registers.
- Commitment to gender diversity, with deliberate recruitment of women in technical and administrative roles.
- Regular training and upskilling opportunities on animal handling, sanitation, and safety protocols.
- Compliance with the Occupational Safety and Health Act (OSHA), 2007, with provision of PPE, first-aid kits, and routine safety briefings.

iv) Market place practices-

a) Responsible competition practice.

To ensure fair and responsible practices, the Corporation policy framework is anchored in the Kenyan constitution as supreme and laws that are passed from time to time.

The Corporation has elaborate investment policy, procurement policy, code of ethics and Anti-money laundering policy that provides the policy framework to drive responsible actions and engagements cutting across anticorruption, engaging with political exposed persons a public exposed persons and fair engagement in business.

Specific to business the clients' appraisal and engagement process is guided by defined criteria that ensure fair assessment. The corporation also abided with Privatisation act in its divestiture process ensuring all transactions are within the legal framework.

To drive ethical business practices, the corporation has adopted the following: -

- Adoption of anti-corruption policies and transparent procurement processes.
- Oversight of procurement decisions via internal committees, with mandatory conflict-of-interest declarations.
- Political neutrality in operations, avoiding affiliations that might influence business unfairly.

b) Responsible supply chain and supplier relations

The procurement policy and procedure manual are aligned with the existing supply chain regulatory framework (Public Procurement and Asset Disposal Act and regulations).

The procurement plan is linked to the budget and the supply chain team works closely with contracting user department to ensure contract

monitoring and delivery as per the agreed terms of delivery, any challenges are resolved within the provisions of the law.

To ensure clear supply chain engagement, the corporation has established responsible supplier relationships through:

- Clear, written contracts and timely payments.
- Preference for local suppliers, promoting local economic development.
- Systems to ensure traceability of delivery per contract and supply of goods and services.

c) Responsible marketing and advertisement or *Responsible engagement with the citizens.*

Kenya Development Corporation (KDC) has developed Communication, and Marketing Strategies rooted in the Strategic Plan 2.0, positioning the Corporation as a key catalyst for Kenya's socio-economic transformation. As a development finance institution, KDC mobilizes and deploys long-term capital to strategic sectors aligned with national priorities. Its focus extends beyond financing, aiming to support enterprises and industries that drive inclusive, sustainable, and transformative development across the country.

Guided by research and a client-centered approach, KDC ensures that its interventions are responsive to market needs while addressing structural barriers that hinder enterprise growth. This strategic framework is anchored in the Corporation's core values of integrity, sustainability, inclusivity, collaboration, and customer-centric service delivery, and is fully aligned with its overarching mandate.

To complement its investment activities, KDC has established a robust communication and marketing strategy designed to enhance public awareness, foster trust, and deepen stakeholder engagement. Annual and quarterly workplans guide the execution of the strategies, clearly outlining targeted activities, audiences, messaging themes, communication tools, timelines, and success indicators. This ensures consistency, clarity, and timeliness in how the Corporation shares its work and impact.

Stakeholder engagement is a critical pillar of the strategy. Recognizing the diversity of its stakeholders, KDC organizes a variety of tailored engagement forums. These include investment summits, regional sensitization workshops, business roundtables,

and sector-specific dialogues, which serve to share information, gather feedback, and align KDC's interventions with the evolving needs of stakeholders.

In its media relations efforts, KDC employs a proactive and structured approach. It regularly shares press releases, success stories, op-eds, and event highlights with both national and regional media outlets. Through strong relationships with journalists and editors, KDC has secured ongoing and accurate coverage of its programs and investment opportunities. In parallel, the Corporation actively leverages digital platforms; particularly its website, social media channels, and newsletters to engage a wider audience and provide timely updates. The website and KDC social media handles functions as a central knowledge hub, offering accessible, up-to-date information on financing products, eligibility criteria, project highlights, and client testimonials.

To ensure ongoing relevance and impact, KDC continuously monitors and evaluates its communication and stakeholder engagement activities through media tracking, analytics, stakeholder feedback, and satisfaction surveys. The insights gained inform adaptive management and help refine strategies to respond to emerging trends and stakeholder needs.

KDC's strategies executed through well-structured workplans plays a vital role in driving the Corporation's mission. By aligning investment priorities with deliberate communication and engagement efforts, KDC continues to amplify its visibility, deepen public trust, and deliver sustainable impact across Kenya's economic landscape.

d) Product stewardship or Awareness creation

Kenya Development Corporation (KDC) is a member of the Association of African Development Finance Institutions (AADFI). AADFI in collaboration with African Development Bank (AfDB) developed a set of Prudential Standards, Guidelines and Rating Systems (PSGRS) for Development Finance Institutions (DFIs). These standards were developed as a way of doing things above board under the auspice of wider commitments made by the New Partnership for Africa's Development (NEPAD).

Adhering to standards is expected to yield greater clarity in the framework of economic and business decisions as well as improve regulation thereby

protecting enterprise integrity, increasing investor confidence and help attract investments, contribute to the sustainability of the institution and National Development.

KDC developed, approved and adopted the PSGRS compliance framework, which has been implemented during the reporting period. The purpose of this framework is to help KDC in adopting and complying with the standards, implementing good corporate governance principles and identify areas of improvement.

The Corporation has adopted the requirements as per the Data protection act, and Proceeds of Crime and Anti-Money Laundering Act, 2009, the Proceeds of Crime and Anti-Money Laundering Regulations 2013, the Prevention of Terrorism Act, 2012 and the Prevention of Terrorism Regulations, 2013, the Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Act No. 10 of 2023, to put in place appropriate systems and controls to forestall money laundering and terrorist financing.

Guided by the Association of Africa Development Financial Institutions (AADFI) Prudential Standards and Guidelines, the Corporation has adopted the Central bank of Kenya Prudential Standards. Specific to product stewardship, the Corporation has adopted the principle of treating consumers fairly guided by five key principles: (a) Fairness; (b) Reliability; (c) Transparency; (d) Equity; (e) Responsiveness. These principles anchor the Investment policy and an Environment Social Management System which are operationalised through various approved products processes and procedures.

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

- a) Arms manufacture and distribution or military related activities;
- b) Casinos, nightclubs, gambling resorts, betting companies and brothels or escort services;

- c) Manufacture of illicit alcoholic beverages, cigarettes and any other intoxicants;

Through the Environment Social Management System, the Corporation has identified activities where it shall not engage in including but not limited to the following: -:

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

Kenya Development Corporation (KDC) is committed to driving sustainable development through initiatives that balance economic growth with environmental stewardship and social well-being. Guided by the Performance Contract (PC) for the financial year 2024/25, KDC pledged to actively contribute to national initiatives that

aim to increase the country's forest cover from 12% to 32% by 2032, in line with the Presidential Directive on the National Tree Growing Restoration Campaign.

As part of this commitment, KDC set a target to plant at least 3,240 trees within the financial year. Through strategic partnerships and active participation in national and community-led restoration exercises, the Corporation surpassed this target, contributing a total of **18,000 tree seedlings** towards Kenya's reforestation agenda.

Tree Growing Initiatives:

a) Kaptagat Forest - 13th July 2024

KDC made a significant contribution to the Kaptagat Restoration and Livelihoods Programme by donating **5,000 seedlings** to support the rehabilitation of the Kaptagat landscape. Situated within the Elgeyo Hills-Cherangany ecosystem, this area is critical for biodiversity conservation, water catchment protection, and carbon sequestration. Through this contribution, KDC helped advance efforts to reverse land degradation, enhance ecological resilience, and safeguard ecosystem services vital for local communities.



Kaptagat Tree planting (13th July 2024): KDC participated in the tree planting and donated 5,000 seedlings.

b) Enosopukia Forest, Narok - 1st November 2024

In November 2024, KDC participated in a large-scale tree planting exercise at Enosopukia Forest in Narok County, organized in collaboration with the State

Department for Investment Promotion. During this exercise, KDC contributed 3,000 seedlings as part of the wider Green Kenya campaign.

The initiative drew participation from Government representatives, local communities, and stakeholders, demonstrating the power of collective action in restoring degraded landscapes, supporting biodiversity, conserving water resources, and strengthening community livelihoods.



TREE GROWING

Kenya Development Corporation (KDC) staff participate in a tree growing exercise in Enosopukia Forest, Narok County. Together with other SAGAS in the State Department for Investment Promotion planted 15,000 trees.

KBC NEWS

www.kbc.co.ke [f](#) [@](#) [x](#) [kbcchannell](#)

1ST NOVEMBER 2024

c) Chepalungu Forest, Bomet County - 12th May 2025

KDC joined the Office of the Chief of Staff and Head of Public Service in a major tree planting exercise at Chepalungu Forest, Bomet County. KDC contributed 10,000 seedlings, reinforcing its commitment to supporting Kenya's target of planting 15 billion trees by 2032.

This initiative is part of the national effort to restore 10.6 million hectares of forest and improve ecosystem health. The event brought together diverse stakeholders,

including local leaders, community members, and learners, emphasizing the importance of partnerships and community involvement in building resilient ecosystems and promoting sustainable livelihoods.



15 BILLION TREES TARGET

**KBC
NEWS**

Kenya Development Corporation (KDC) staff participate in a tree planting exercise in Chepalungu Forest, Bomet County. The Corporation also donated 10,000 tree seedlings.

🌐 www.kbc.co.ke 📺 @ kbcchannell

14TH MAY, 2025

KDC's Corporate Social Responsibility efforts in FY 2024/25 demonstrate the Corporation's strong commitment to environmental conservation, community empowerment, and sustainable development. By aligning its initiatives with national priorities and strengthening partnerships with government institutions and local communities, KDC remains a key player in advancing a greener, more resilient Kenya for current and future generations.

13. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Corporations' affairs.

i) Principal activities

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

ii) Results

The results of the entity for the year ended June 30, 2025 are set out on page 1 Below is summary of the profit or loss made during the year.

iii) Dividends

Subject to the approval of the shareholders, the Directors recommend the payment of a first and final dividend for the year of Kshs.61,464,682.

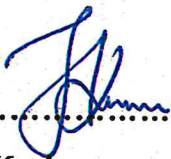
iv) Directors

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

v) Auditors

The Auditor-General is responsible for the statutory audit of the Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....
John Karia

Ag. Corporation Secretary/Secretary to the Board

Date

14. 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 that Corporation, which give a true and fair view of the state of affairs of the Corporation, at the end of the financial year and the operating results of the Corporation, for that period. The Directors are also required to ensure that the Corporation, keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the Corporation,

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation, for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Corporation, (v) selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

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

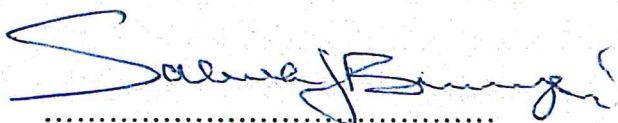
The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2025 and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

Statement of Directors' Responsibilities (Continued)

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

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 27th August 2025 and signed on its behalf by:



Hon. Dr. Sakwa Bunyasi
Chairperson of the Board



CPA/FA Norah Ratemo
Accounting officer

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 Kenya Development Corporation set out on pages 1 to 90, which comprise of the statement of financial position as at

30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 Kenya Development Corporation as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, Kenya Development Corporation (Vesting) Order, 2021 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Presentation and Accuracy of the Financial Statements

Review of the financial statements revealed the following anomalies:

The reporting template under the statement of profit or loss and other comprehensive income shows revenue from contracts with customers and cost of sales but the Corporation did not insert these sub headings to capture the proceeds for investment property of Kshs.52,650,000. Further, Note 20 to the financial statements reflects disposals of investment property of Kshs.52,650,000. However, Management captured the same amount as other miscellaneous income and under administration costs implying that no gain or loss upon disposal.

- i. The statement of profit or loss and other comprehensive income reflects other miscellaneous income of Kshs.128,683,154 which includes grant income for Drive and KJET Projects of Kshs.34,375,503 as disclosed in Note 10 to the financial statements. However, the agreements and basis of how the amounts were arrived at was not provided for audit.
- ii. The statement of comparison of budget and actual reflects surplus amount of Kshs.839,800,256 which was not reconciled to the closing cash and cash equivalents balance of Kshs.4,008,010,043 as per the statement of cash flows.
- iii. Note 18 to the financial statements reports property, plant and equipment balance of Kshs.769,782,290. Included in this amount is Kshs.568,330,000 in respect of buildings and civil works. However, the table summary of cost and accumulated depreciation reflects buildings at a cost of Kshs.374,960,000 resulting in variance of Kshs.193,370,000.
- iv. The financial statements for Kenya Jobs and Economic Transformation Project reflect project expenses as Kshs.15,945,838 whereas the Corporation reflects the

Energy	12,840,652	-
Total Interest income	694,828,628	430,434,832

This is revenue earned from interest charged on loans extended to borrowers.

8. Finance Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Interest from Commercial Banks Deposits	393,375,710	404,601,858
Total	393,375,710	404,601,858

Interest income received from fixed and call deposits in financial institution, the interest yield was on average for the year ended 30th June 2025 is 11.86% (2023/24: 12.42%)

9. Rental Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Uchumi House	179,438,586	168,989,380
Finance House	83,723,606	85,519,800
Utalii House	159,753,307	143,704,721
Total	422,915,499	398,213,901

10. Other Miscellaneous Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Application Fees	22,752,309	43,128,610
Write Back On Loans And Advances	5,977,652	15,060,094
Directors Fees And Other incomes	4,769,102	5,258,304
Sundry Income	8,158,589	7,166,267
Grant Income - DRIVE & KJET Projects	34,375,503	8,514,256
Sale of Investments	52,650,000	81,500,000
Total	128,683,154	160,627,531

Notes to the Financial Statements (Continued)

DRIVE and KJET Grant Income

The DRIVE project agreement allows KDC to spend a maximum of 10% of the grant funds to finance day to day project related operations. On KJET, the subsidiary financing agreement provides for set up costs at 1,900,000 Euros which includes technical assistance to strengthen KDC's capacity to lend out the funds. This amounts to Kshs.288,135,000 converted at the rate of Kshs.151.65 per Euro as at 30th June 2025 of which Kshs.20,590,986 had been incurred out of the grant funds and realized to grant income as at the same date.

11. Other Gains and Losses

Description	2024/2025	2023/2024
	Kshs	Kshs
Unrealized gain on revaluation of investment property	-	2,158,830,000
Gains on Disposal of Assets	45,867	499,850
Gain/(Loss) on Foreign Exchange	(22,028)	323,643
Total	23,839	2,159,329,850

Foreign Exchange Loss

The foreign exchange loss was realised from the conversion of USD held in National Bank of Kenya and NCBA US Dollar accounts at the rate of Kshs.129.2343 to the USD as at 30th June 2025.

12. Administration Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Staff costs (note 12(a))	483,833,605	479,077,359
Directors' expenses	26,793,836	24,147,301
Electricity and water	34,721,366	44,146,001
Communication services and supplies - PR	56,569,942	7,591,377
Transportation, travelling and subsistence	44,090,237	47,609,109
Advertising, printing & stationery and photocopying	7,334,753	4,881,557

Description	2024/2025	2023/2024
	Kshs	Kshs
Motor Vehicle running Expenses	8,577,682	7,317,885
Staff training expenses	20,940,155	22,054,662
Other Building Operating Expenses	49,522,422	51,594,068
Insurance costs	12,554,784	14,940,274
Bank charges and commissions	776,418	900,021
Office and general supplies and services	5,067,691	3,089,048
Auditors' remuneration	3,999,998	4,200,000
Legal fees and court awards	242,495,610	19,893,098
Consultancy/Professional fees	9,059,130	65,182,493
Rent and Rates	6,562,404	8,282,488
Repairs and maintenance	77,134,189	9,884,424
Provision for bad and doubtful debts	99,933,274	150,658,632
Depreciation	29,888,428	31,164,464
Amortization	8,413,450	8,802,439
Cost of Sales on Investment Property	52,650,000	81,500,000
VAT Expense	8,130,155	32,616,817
Other Operating Expenses	83,841,828	67,438,321
Total	1,372,891,356	1,186,971,839

a) Communication services and supplies – PR

The increase in the cost is as a result of the Next frontier Africa Summit 2025 an investment summit organized by the Kenya Development Corporation (KDC).

b) Legal fees and court awards

The increase in the cost is due to increase in contingent liability on the judgment in this matter the Corporation was found liable to pay Wab Hotels Ltd a total of Kshs.231M together with interest from the date of the judgement.

c) Consultancy/Professional fees

The higher costs during the FY 2024/25 is attributable to valuation fees to investment property and higher consultancy services in relation to tax, strategic plan and security registry

Kenya Development Corporation
Annual Report and Financial Statements for the year ended June 30, 2025

d) Repairs and maintenance

The increase in cost in the FY 2024/25 due to the cost of external repainting of buildings as per the county directive.

e) Other Operating Expenses

	2024/2025	2023/2024
Description	Kshs	Kshs
Subscriptions Costs-Corporate	2,489,000	2,662,862
Corporate Social Responsibility	1,341,756	1,202,574
Telephone Charges	9,533,926	9,182,780
Postage and Courier	26,218	31,842
Eldoret SME Park Administration Costs	1,830,240	1,944,828
Research and Development Costs	173,600	251,725
ICT Expenses	20,259,315	23,196,393
Library Expenses	763,382	676,295
Laundry and Uniform Exp	499,587	463,853
HIV Aids Committee Expenses	-	301,600
Disability Committee Expenses	-	495,640
Gender Mainstreaming Committee Expenses	-	561,000
Oceania Admin Expenses	2,495,945	5,493,257
Zamia Heights Admin Expenses	1,524,868	3,133,548
Sustainability Standards Certification	-	1,559,323
National Cohesion Committee Exp.	-	675,897
Health, Safety Committee Exp.	3,000	141,034
KNTB Plot	2,618,061	192,000

Drive Project Expenses (World Bank)	13,354,712	8,752,499
Seminar, Conferences and Workshops	3,557,285	6,519,369
KJET Project Expenses	21,089,433	-
Corruption Prevention Committee	481,500	-
Partnerships and Resource Mobilization	1,800,000	-
Total	83,841,828	67,438,321

Notes to the Financial Statements (Continued)

12(a) Staff Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries and wages	361,974,104	357,656,660
Staff pension	30,915,540	31,245,467
Casual labour wages	1,425,686	1,235,402
Fringe benefit tax	11,011,203	10,983,882
NSSF employer's contribution	3,767,940	1,967,240
Gratuity/Leave provision	21,905,292	24,359,694
Staff welfare	4,500,721	7,926,497
Long service awards	-	3,100
Team Building	3,792,463	-
Staff medical expenses	33,912,859	34,643,139
Staff group life insurance	4,060,249	4,029,223
Recruitment expenses	-	370,500
Subscriptions costs-staff	1,453,740	1,445,318
Affordable Housing Levy	5,113,807	3,211,238
Total	483,833,605	479,077,359
The average number of employees at the end of the year was:		
Permanent employees - management	17	16
Permanent employees - non-management	82	89
Temporary and contracted employees	1	3
Total	100	108

One (1) non-management staff was appointed to act as a head of department in the current financial year. Seven (7) staff left the non-management category during the year. These were four (4) resignations, two (2) retirements and the one (1) who joined management. Two (2) staff who served on temporary and contract basis left KDC services during the current year.

Notes to the Financial Statements (Continued)

13. Finance Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Interest expense on GOK Restructured Loan	7,737,736	9,018,465
Interest expense on GOK Loan on lent to DBK	15,000,000	15,000,000
Interest expense on EXIM of India LOC	23,529,245	21,255,761
Interest expense on SAFER Project	46,375,000	5,679,166
Total	92,641,982	50,953,392

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

14. Operating Profit/ (Loss)

Description	2024/2025	2023/2024
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
charging:-		
Staff Costs	372,025,695	375,669,651
Director General's Remuneration	10,557,200	13,455,129
Remuneration to Senior Management	101,250,710	89,952,579
Staff Costs (Note 12a)	483,833,605	479,077,359
Depreciation - Fixed Assets	29,888,428	31,164,464
Amortization - Intangible Assets	8,413,450	8,802,439
Directors' Expenses	26,793,836	24,147,301
Auditors' Remuneration	3,999,998	4,200,000
and after crediting: -		
Profit on Sale of fixed Assets/Unrealized Gain	23,839	2,249,667,749

Notes to the Financial Statements (Continued)

15. Income Tax Expense/(Credit)

a) Income Tax Charge

Description	2024/2025	2023/2024
	Kshs	Kshs
Profit as per accounts	990,373,540	2,785,042,289
Disallowable expense	495,056,720	333,136,509
Income not Taxable Allowable expense	(983,519,312)	(3,157,231,262)
Adjusted profit/loss for the year	501,910,948	359,161,437
Tax charge for the year @ 30%	150,573,284	107,748,431
Withholding tax		-
Tax charge	150,573,284	107,748,431

b) Income Tax Payable

Description	2024/2025	2023/2024
	Kshs	Kshs
Tax payable brought forward	53,554,088	43,535,320
Tax charge for the year	150,573,284	107,748,431
Tax paid	(176,600,887)	(97,729,663)
Tax Payable	27,526,485	53,554,088

16. Earnings Per Share

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

17. Dividend per Share

During the year 2024-25 the Corporation paid a first and final dividend of Kshs.61,464,682 (2024-Kshs.11,504,585). Proposed and paid dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM)

Notes to the Financial Statements (Continued)

18. Property, Plant and Equipment

2025	Buildings & civil works	Motor vehicles	Office equipment, furniture & fittings	Computer Hardware	Total
Rate		20%	10%	33.33%	
	Kshs	Kshs	Kshs	Kshs	Kshs
Cost or valuation					
At July 1, 2023	374,960,000	50,201,415	299,515,164	104,051,301	828,727,880
Additions	-	-	35,648,016	4,937,740	40,585,756
Revaluation/ Adjustment	193,370,000	-	-	-	193,370,000
Transfer from Investment Property	-	-	-	-	-
Disposals		-	-	-	-
At June 30, 2024	568,330,000	50,201,415	335,163,179	108,989,041	1,062,683,635
Additions	-	13,577,179	31,480,653	4,810,896	49,868,728
Revaluation/ Adjustment	-	-	-	-	-
Transfer from Investment Property	-	-	-	-	-
Disposals		-	(108,753)	(4,266,936)	(4,375,690)
At June 30, 2025	568,330,000	63,778,594	366,535,079	109,533,001	1,108,176,673
Depreciation an Impairment					
At July 1, 2023	-	28,705,848	162,194,207	90,796,543	281,696,598
Charge for the year	-	6,966,044	18,495,346	5,703,074	31,164,464
Eliminated on disposal	-	-	-	-	-
At June 30, 2024	-	35,671,892	180,689,553	96,499,617	312,861,062
Charge for the year	-	6,201,106	18,995,079	4,692,242	29,888,428
Eliminated on disposal	-	-	(88,170)	(4,266,936)	(4,355,106)
At June 30, 2025	-	41,872,998	199,596,462	96,924,922	338,394,383
Net book value at June 30, 2024	568,330,000	14,529,523	154,473,626	12,489,425	749,822,574
Net book value at June 30, 2025	568,330,000	21,905,595	166,938,617	12,608,079	769,782,290

Valuation

Land and buildings were valued by the Corporation's contracted external valuer on a market value basis of valuation on 21st June 2024. These amounts were adopted on 30th June 2024. The building under PPE is the portion of Uchumi house occupied by KDC as office space. No such valuation was carried out in the current 2024/2025FY.

Notes to the Financial Statements (Continued)

Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	-	-	-
Buildings	374,960,000	-	374,960,000
Plant And Machinery	-	-	-
Motor Vehicles, Including Motorcycles	63,778,594	41,872,999	21,905,595
Computers And Related Equipment	109,533,001	96,924,922	12,608,079
Office Equipment, Furniture And Fittings	366,535,079	199,596,462	166,938,617
Intangible Assets (ICT Software)	128,914,793	118,517,193	10,397,600
	1,043,721,467	456,911,576	586,809,891

Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost Valuation	Normal Annual Depreciation charge
	Kshs	Kshs
Plant And Machinery	-	-
Motor Vehicles, Including Motor Cycles	33,096,814	6,619,363
Computers And Related Equipment	87,515,369	29,168,873
Office Equipment, Furniture And Fittings	152,948,620	15,294,862
Intangible Assets (ICT Software)	101,709,420	33,899,749
Total	375,270,223	84,982,847

Notes to the Financial Statements (Continued)

19. Intangible Assets

Description	2024/2025	2023/2024
	Kshs	Kshs
Cost		
At July 1	126,559,793	123,088,297
Additions	2,355,000	3,471,496
Disposals	-	-
At June 30	128,914,793	126,559,793
Amortisation		
At July 1	110,103,743	101,301,304
Charge For The Year	8,413,450	8,802,439
Disposals	-	-
Impairment Loss		
At June 30	118,517,193	110,103,743
Net Book Value At June 30 June	10,397,600	16,456,050

System software constitutes the intangible assets

20. Investment Property

Description	2024/2025	2023/2024
	Kshs	Kshs
Opening Valuation	10,057,976,771	7,967,283,262
Movements During The Year		
Additions	103,498,673	13,363,510
Disposals	(52,650,000)	(81,500,000)
Fair Value Gains/(Losses)	-	2,158,830,000
Transfer to PPE	-	-
Closing Valuation	10,108,825,444	10,057,976,771

These include land and buildings owned by the corporation valued on 21st June 2024 by the certified external registered and practising valuer Trans-country Valuers Ltd as per IAS 40. These investments are carried at their fair values, the land valuation methodology used being sales comparison approach coupled with other factors like location and acreage. Valuation for buildings was based on depreciated replacement cost approach considering their age,

condition of repair and maintenance as well as income approach for income generating buildings/properties. No such valuation was carried out in the current 2024/2025FY.

21. Quoted Investments

Description	2024/2025	2023/2024
	Kshs	Kshs
B/f Valuation	1,377,465,623	1,428,311,421
Movements during the year		
Fair value gains/(losses) (FVTPL)	443,414,154	(50,845,798)
Provisions	-	-
C/f Valuation	1,820,879,777	1,377,465,623

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

Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares Current 2024/2025FY	Fair value of shares for prior 2023/2024FY
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No	No	Kshs	Kshs
Centum Investments Co. Ltd.	152,847,897		152,847,897	9.78	1,788,320,395	1,332,833,662
Eveready Batteries Kenya Ltd.	36,583,575		36,583,575	0.74	32,559,382	44,631,961
Uchumi Supermarkets Ltd.	7,288,472		7,288,472	4.70	-	-
Total					1,820,879,777	1,377,465,623

Valuation method is through the stock exchange share price as at 30th June 2025

Notes to the Financial Statements (Continued)

22. Unquoted Investments

Description	2024/2025	2023/2024
	Kshs	Kshs
Cost		
At July 1	17,111,696,994	18,271,360,389
Additions	2,296,800	3,098,306
Additions due to Conversion	-	74,984,592
Fair value gains/(losses)	-	(1,237,746,293)
Disposals	-	-
At June 30	17,113,993,794	17,111,696,994
IMPAIRMENT		
At July 1	(818,061,891)	(743,077,299)
Transfer from Interest Receivable	-	(74,984,592)
Impairment loss in the year	-	-
At June 30	(818,061,891)	(818,061,891)
NET BOOK VALUE	16,295,931,903	16,293,635,103

The valuation methodologies used in 2023/2024FY for unquoted investments are net asset value, comparable price to book value multiple, recent price as per valuation and EV/ EBDITA multiple approach.

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

Notes To The Financial Statements (Continued)

Name of entity where investment is held	No of shares							Value of shares less impairment Current 2024/2025FY	Value of shares less impairment Prior 2023/2024FY
	Direct shareholding	Indirect shareholding	Effective shareholding	Nominal value of shares/ purchase price	% Shareholding By KDC	Value of shares less impairment Current 2024/2025FY	Value of shares less impairment Prior 2023/2024FY		
	No	No	No	Kshs		Kshs		Kshs	
Minet Kenya Insurance Brokers Ltd.	309,140	-	309,140	4,298	20.00%	1,564,790,789	1,564,790,789		
Minet Kenya Financial Services Ltd	119,946	-	119,946	110	16.14%	12,991,363	12,991,363		
Development Bank of Kenya Ltd.	46,551,750	-	46,551,750	61	89.32%	1,492,022,696	1,492,022,696		
Funguo Investments Ltd.	11,060,543	-	11,060,543	35	18.73%	415,769,722	415,769,722		
Isuzu EA Ltd	313,500	-	313,500	9,594	20.00%	2,996,562,848	2,996,562,848		
IDB Capital Ltd.	1,735,500	-	1,735,500	15	4.29%	26,032,500	26,032,500		
Almasi Beverages Limited	369,011,278	-	369,011,278	12	31.57%	4,033,608,176	4,033,608,176		
KWA Holdings E.A. Ltd. (KWAL)	44,555,036	-	44,555,036	76	43.77%	3,721,309,897	3,721,309,897		
Two Rivers Development Limited	56	-	56	3,541,344	2.80%	198,315,236	198,315,236		
International Hotel (Kenya) Ltd	1,725,777	-	1,725,777	493	40.58%	678,226,583	678,226,583		
Kenya Hotel Properties (Intercon. NBI) Ltd	5,880,307	-	5,880,307	20	33.83%	117,603,012	117,603,012		
Golf Hotel Ltd	241,734	-	241,734	2,107	80.00%	513,542,709	513,542,709		
Bomas of Kenya Ltd	253,999	-	253,999	20	100.00%	5,080,000	5,080,000		

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

Kenya Safari Lodges & Hotels Ltd	4,161,855	-	4,161,855	11	82.45%	45,001,281	45,001,281
Fresh pick Processors (EPZ) Limited	570	-	570	392,520	57.00%	229,131,230	226,834,430
Consolidated Bank	1,040,000	-	1,040,000	4	0.56%	1,167,631	1,167,631
African Import Export Bank	12	-	12	18,860,003	0.03%	244,776,133	244,776,133
Kabarnet Hotel Limited	245,000	-	245,000		98.2%	-	-
Sunset Hotel Limited	572,500	-	572,500		95.4%	-	-
Mt. Elgon Lodge Limited	67,288	-	67,288		72.91%	-	-
Mountain Lodge Limited	305,078	-	305,078		39.11%	-	-
Focus Container Freight Station	25,000	-	25,000		25%	-	-
Kenatco Taxis Limited	250,000	-	250,000		100%	-	-
Kenya National Trading Corporation	1,600,000	-	1,600,000		100%	-	-
Sky Foods Limited	1,604	-	1,604		8.02%	-	-
South Nyanza Sugar Company	425,000	-	425,000		0.99%	-	-
Agro Chemical and Food Industries	854,000	-	854,000		28.17%	-	-
Nzoia Sugar Company	250,000	-	250,000		0.92%	-	-
Buffalo Springs Lodge Ltd	10,000		10,000		41.66%	-	-
Maralal Safari Lodge Limited	40,100		40,100		9.50%	-	-

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

The Ark Limited	41,200		41,200		5.64%	-	-
Home and Hospitality Manufacturing Co. Ltd	111,430		111,430		11%	-	-
East African Coast Fisheries Limited	511,520		511,520		27.46%	-	-
Njoka Tanners Limited	1,250,000		1,250,000		33.16%	-	-
Mountain Region Poultry Farmers Ltd	160,000		160,000		27.92%	-	-
Global Supply Solutions Limited (Preference shares @ 100)	400,000		400,000		100%	-	-
Sisibo Tea Factory Limited (Preference shares @21%)	2,550,100		2,550,100		100%	-	-
Njimia Kenya Limited (Preference shares @ 1,000)	60,000		60,000		100%	-	-

COMPANIES UNDER LIQUIDATION

African Tours and Hotels Ord shares 262,972; Pref shares 1,455	264,427		264,427		52.29%	-	-
Meatland Processing Ltd	227,688		227,688		31.36%	-	-
Palm Health International Ltd	50,000		50,000		23.07%	-	-
Pan African Paper Mills Limited	3,293,925		3,293,925		5.55%	-	-
Pan Vegetable Products Limited Ord.	317,250		317,250		30%	-	-
Pan Vegetable Products Limited Pref.	63,250		63,250		100%	-	-
Total						16,295,931,903	16,293,635,103

Notes To The Financial Statements (Continued)

23. Loans Receivable**a) Current Loan Portfolio**

	2025	2024
Item	Amount (Ksh)	Amount (Ksh)
Commercial Loans	10,986,985,243	8,083,384,002
Staff Loans	427,569,055	392,534,719
Unit Debtors Tourism	178,848,088	178,848,088
Total	11,593,402,386	8,654,766,809
Provision for loans	(1,792,778,330)	(1,724,530,351)
Net Loans	9,800,624,056	6,930,236,458

The current loan portfolio comprises of loans advanced to customers after 2009 and is actively being serviced. The impairment losses on the loans have been made in line with the provisions of IFRS 9.

b) Legacy Loan Portfolio

	2025	2024
Item	Amount (Ksh)	Amount (Ksh)
Non-Performing Legacy Loans	31,829,076,361	31,835,475,075
Provision for Legacy Loans	(31,829,076,361)	(31,835,475,075)
Net Loans	-	-

The legacy loan portfolio relates to loans advanced to customers from the 1960's through to 2009. The principal sum advanced was Ksh1.39billion which has accumulated to the current balance of Ksh31.8billion due to interest accrual Kshs.30.46b of this amount is interest accrued over and above the limits allowed under the In Duplum rule. The portfolio is considered unrecoverable and has been fully provided for. Arrangements are being made to have the excess accrued interest reversed with the concurrence of the National Treasury (TNT) leaving a loan balance of Kshs.1.41b. Further the unrecoverable loan amounts of Kshs.1.41b will be recommended for write off from the books in line with the hierarchical thresholds provided under The PFM Act 2015.

Notes To The Financial Statements (Continued)

24. Inventories

Description	2024/2025	2023/2024
	Kshs	Kshs
Stationery	806,085	3,522,130
General supplies	400,394	594,771
Less: Impairment of Stocks	-	-
Total	1,206,479	4,116,901

25. Trade and Other Receivables

Description	2024/2025	2023/2024
	Kshs	Kshs
Dividends receivable	468,363,147	254,906,745
Rent receivable	474,965,191	480,475,385
Interest receivable on Fixed & Call Deposits	38,646,267	68,814,898
Deposits and prepayments	4,548,773	5,326,090
Staff receivables - note 25(c)	2,924,847	5,580,657
Other receivables	226,133,661	219,732,463
Gross trade and other receivables	1,215,581,886	1,034,836,238
Provision for bad and doubtful receivable - note 25(b)	(521,611,657)	(516,772,177)
Net trade and other receivables	693,970,228	518,064,060
Analysed as:		
Short- Term Trade and Other Receivables	693,970,228	518,064,060
Long- Term Trade and Other Receivables		

Notes To The Financial Statements (Continued)

25 (a) Trade Receivables

Description	2024/2025	2023/2024
	Kshs	Kshs
Gross Trade Receivables	1,215,581,886	1,034,836,238
Provision for Doubtful Receivables	(521,611,657)	(516,772,178)
Net Trade Receivables	693,970,228	518,064,060
ageing analysis of gross Trade Receivables		
Less than 30 Days	407,689,224	237,593,562
Between 30 and 60 Days	14,620,540	6,883,768
Between 61 and 90 Days	82,259,364	75,601,543
Between 91 and 120 Days	22,186,164	64,865,098
Over 120 Days	167,214,937	133,120,089
Total	693,970,228	518,064,060

25 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2024/2025	2023/2024
	Kshs	Kshs
At the beginning of the year	516,772,178	552,219,771
Additional provisions during the year	11,002,983	-
Transferred provisions during the year	3,442,877	-
Recovered during the year	-	-
Utilised provisions during the year	(9,606,381)	(35,447,593)
At the end of the year	521,611,657	516,772,178

Notes to the Financial Statements (Continued)

25(c) Staff Receivables

Description	2024/2025	2023/2024
	Kshs	Kshs
Staff imprest	2,924,847	5,580,657
Provision for impairment loss		
Net staff imprest	2,924,847	5,580,657
Less: Amounts due within one year	2,924,847	5,580,657
Amounts due after one year	-	-

This is staff imprest not yet surrendered as at 30th June 2025

26. Tax Recoverable

Description	2024/2025	2023/2024
	Kshs	Kshs
At beginning of the year	90,811,894	90,811,894
Income tax charge for the year (Note 13)	-	-
Under/(Over) Provision in prior year (Note 13)	-	-
Income tax paid during the year	-	-
At end of the year	90,811,894	90,811,894

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

Notes To The Financial Statements (Continued)

27. Short Term Deposits

Description	2024/2025	2023/2024
	Kshs	Kshs
Other Commercial Banks		
Development Bank of Kenya Ltd	654,872,344	483,417,687
KCB Bank Limited	1,363,161,638	1,470,531,046
Co-operative Bank of Kenya	995,674,114	519,177,204
National Bank of Kenya	684,791,336	576,462,870
NCBA Bank	117,000,000	105,898,984
Total	3,815,499,432	3,155,487,791

The average effective interest rate on the short term deposits for the FY 2024/25 was 11.86% (2024: 12.42%).

28. Bank and Cash Balances

Description	2024/2025	2023/2024
	Kshs	Kshs
Cash at bank	192,402,702	901,511,548
Cash in hand	107,909	36,140
Total	192,510,611	901,547,688

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

Notes To The Financial Statements (Continued)

Detailed analysis of the cash and cash equivalents

Description		2024/2025	2023/2024
Financial institution	Account number	Kshs	Kshs
a) Current Account			
KCB Main Ac	1108982255	3,395,966	3,814,277
KDB Merger Cash Account at KCB	1252913540	52,028	52,028
KCB Operations Account at KCB	1288537816	41,887,778	79,448,499
KDC Tourism Fund Account at KCB	1288537956	16,585,880	20,077,055
KDC Privatization Proceeds A/C - KCB	1288538030	68,065	3,788
KDC National Bank KES A/C	01070239425500	605,186	617,524
KDC National Bank USD A/C	02070239425500	6,696,560	4,929,494
KDC Rent Account - CO-OP Bank	01141733817600	19,707,733	12,617,177
KDC NCBA KES A/C	5148780018	609,440	982,598
KDC NCBA USD A/C	5148780023	1,650,532	1,666,196
KDC DRIVE in the Horn of Africa-KCB	1313481548	40,568,456	249,734,324
KDC SAFER Project Disbursement-KCB	1325212520	991,403	349,998,850
KDC SAFER Project Collection -KCB	1325218642	2,411,558	3,750,000
KDC Investment Fund A/C-KCB	1325219037	27,793,830	173,819,738
KDC Drive Project Collection A/C at EQUITY Bank	1770286297226	26,122,271	-
KDC DBK Current Account	0011645000801	7,058	-
KDC KJET Project Account at KCB	1333425422	3,248,958	-
Sub- Total		192,402,702	901,511,548
b) On - Call Deposits			
Co-operative Bank of Kenya		100,000,000	-
KCB Bank Limited		80,000,000	250,000,000
National Bank of Kenya			576,462,870
Sub- Total		180,000,000	826,462,870

Description		2024/2025	2023/2024
Financial institution	Account number	Kshs	Kshs
c) Fixed Deposits Account			
Development Bank of Kenya Ltd	-	654,872,344	483,417,687
KCB Bank Limited	-	1,283,161,638	1,220,531,046
Co-operative Bank of Kenya	-	895,674,114	519,177,204
National Bank of Kenya	-	684,791,336	-
NCBA Bank	-	117,000,000	105,898,984
Sub- Total		3,635,499,433	2,329,134,742
d) Others (Specify)			
Cash in transit	-	-	-
Cash in hand	-	107,909	36,140
Sub- Total		107,909	36,140
Grand Total		4,008,010,043	4,057,035,479

29. Revaluation Reserve

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

30. Fair Value Adjustment Reserve

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

31. Retained Earnings

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

Notes to The Financial Statements (Continued)

32. Ordinary Share Capital

Description	2024/2025	2023/2024
	Kshs	Kshs
Authorized:		
20,000,000,000 Ordinary Shares of Kshs.5 par value each	100,000,000,000	100,000,000,000
Issued and Fully paid:		
Ordinary Share Capital of par value each	936,807,234	936,807,234

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

Notes To The Financial Statements (Continued)

33. Grant

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

The schedule is as below:

GOK Grant	2024/2025	2023/2024
	Kshs	Kshs
GOK Grant received 2004/2005 FY	5,472,200	5,472,200
GOK Grant received 2009/2010 FY	400,000,000	400,000,000
GOK Grant received 2010/2011 FY	300,000,000	300,000,000
GOK Grant received 2011/2012 FY	78,000,000	78,000,000
GOK Grant received 2012/2013 FY	60,000,000	60,000,000
GOK Grant received 2013/2014 FY	14,250,000	14,250,000
GOK Grant received 2016/2017 FY	375,000,000	375,000,000
GOK Grant received 2017/2018 FY	75,000,000	75,000,000
GOK Grant received 2020/2021 FY for ESP Project	2,204,264,050	2,204,264,050
GOK Grant received 2023/2024 FY - DRIVE Funds	436,406,302	436,406,302
GOK Grant received 2024/2025 FY - DRIVE Funds	286,215,484	-
GOK Grant received 2024/2025 FY - KJET Funds	3,249,015	-
Balance of grant fund as at 30th June	4,237,857,051	3,948,392,552

The **DRIVE** project (De-Risking, Inclusion and Value Enhancement of pastoral Economies) is a World Bank project covering 4 countries in the Horn of Africa (HoA) which are Kenya, Ethiopia, Djibouti and Somalia. The objective of DRIVE is to intervene to protect pastoral communities against drought shocks by increasing their financial inclusion and connecting them better to markets.

The DRIVE project is a \$ 359 million and 5-year regional project (2022 - 2027). The funds are further broken down into two components, component 1 - \$184 Million and component 2 - \$175 Million.

Kenya is receiving a concessionary loan of \$140 Million comprising of Component 1 – \$75 Million with Zep-Re as the implementing agency and Component 2 - \$65 Million (being implemented by SDL-\$25M and KDC- \$40M). The implementing agencies will receive the funds as grants from GoK. KDC's allocation is expected to create a sustainable revolving fund to continually develop the Livestock sector post project completion.

The Ministry of Agriculture, Livestock, Fisheries & Co-operatives is the overall manager and coordinator of the project whose role include creation of enabling environment for the LVCs. KDC is the implementing agency for the \$40 million advanced as a grant and it is expected that the Corporation will partner with the private sector investment in financing of viable projects in the LVCs that will have a positive impact on pastoral economies.

KDC will disburse facilities in form of loan and equity to eligible projects as defined in the agreement with IDA, TNT, SDL in the PIM. KDC received Kshs.444,920,558.50 during the FY 2023/24 of which Kshs.185,840,961.00 was on lend to private sector and Kshs.9,345,273.65 was utilized as administration expenses leaving a bank balance of Kshs.249,734,323.80. During the current 2024/2025FY, an additional DRIVE grant of Kshs.300,000,000 was paid to KDC. Lending continued with KDC disbursing a total of Kshs.546,246,710 with DRIVE administrative expenses amounting to Kshs.13,784,516.54 recognized as grant income leaving Kshs.40,568,456 as closing bank balance as at 30th June 2025.

The Government of Kenya (GOK) and International Development Association (IDA) entered into an agreement on 28th of February 2024 for a credit facility for a sum of Kshs.140,700,000 Euros for the Kenya Jobs & Economic Transformation (KJET) Project. Out of this KDC is to receive a grant of 42,210,000 Euros in order to implement the part 3 of the Project that is Green Investment Fund and Strengthening SMEs Climate Resilience. During the FY 2024/2025, KDC received a grant of Kshs.23,840,001 out of which Kshs.20,591,044 was used to finance project set up costs as per the financing agreement and realized to grant income leaving Kshs.3,248,958 as at 30th June 2025.

34. Borrowings

Description	2024/2025	2023/2024
	Kshs	Kshs
a) External borrowings		
Balance at beginning of the year	531,394,015	531,394,015
External borrowings during the year	144,073,196	-

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

Adjustment	-	-
Repayments of during the year	-	-
Interest for the year	-	-
Balance at end of the year	675,467,211	531,394,015
b) Domestic borrowings		
Balance at beginning of the year	1,626,701,567	871,386,423
Domestic borrowings during the year	1,500,000,000	850,000,000
Interest for the year	7,737,736	9,018,465
Interest Transferred during year	-	(59,500,000)
Repayments during the year	(42,922,592)	(44,203,321)
Balance at end of the year	3,091,516,711	1,626,701,567
Balance at end of the period- domestic and external borrowings c = a+b	3,766,983,921	2,158,095,582

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

Description	2024/2025	2023/2024
	Kshs	Kshs
External borrowings		
Exim Bank India- Line of Credit	675,467,211	531,394,015
Domestic borrowings		
GOK Revolving Fund	48,000,000	48,000,000
GOK - Restructured	193,516,711	228,701,567
GOK for onward lending to DBK	500,000,000	500,000,000
GOK for SAFER Projects	2,350,000,000	850,000,000
Total balance at end of the year	3,766,983,921	2,158,095,582

Loan Terms

The Ksh.48m loan is a non- redeemable GOK revolving fund while the Kshs193.5m is a restructured loan repayable in 9 years at a rate of 3.64% p.a. The Kshs.500m is a facility obtained from The National Treasury at a rate of 3% p.a for a period of 10 years for on-lending to Development Bank of Kenya. The Exim Bank loan is a draw down facility advanced for a period of 20 years at a rate of 4% with a repayment grace period of 5 years from the date of first disbursement.

Notes to the Financial Statements (Continued)

SAFER Project

The SAFER Project loan is a 3% p.a. GOK facility for onward lending to SMEs.

The Supporting Access to Finance and Enterprise Recovery (SAFER) is a project financed with Euros 85,900,000 equivalent to US\$ 100 million from International Development Association (IDA). The objective of the project is to increase access to financial services and support the COVID-19 recovery of Micro, Small and Medium Enterprises (MSMEs) in Kenya. The project will be implemented between the years 2022 to 2026 in the components summarized below;

Component	Detail
Component 1	Innovation and liquidity support to informal sector MSMEs (Euros 47,245,000 equivalent to US\$55 million)
Component 1-Window 1	Liquidity support to microenterprises through the apex Participating Implementing Entity (PIE) to Project Participating Financial Institutions (PFI) operating digital channels
Component 1- Window 2	Liquidity support to MSMEs through apex PIE to PFIs for provision of sub loans to MSMEs
Component 2	De-risking through capitalisation of the Credit Guarantee Scheme (CGS) and establishment and operationalization of the Credit Guarantee Company (CGC) (Euros 25,770,000 equivalent to US\$30 million).
Component 3	Technical Assistance to set up the CGC, to Participating Financial Institutions (PFI), financial sector regulators and Project Management (Euros 12,885,000 equivalent to US\$15 million)

Component 1 shall be implemented by the NT through Kenya Development Corporation (KDC). During the FY ended 30th June 2025 KDC received KShs.1.5billion for on lending to Participating Finance Institutions. Disbursements to the PFIs amounted to KShs1.975b 2024/25FY.

Description	2024/2025	2023/2024
	Kshs	Kshs
Short term borrowings (Current Portion)	237,745,840	123,824,719
Long term borrowings	3,529,238,081	2,034,270,863
Total	3,766,983,921	2,158,095,582

Current portion of borrowings are those borrowings that are payable within one year or the next financial year

Notes to the Financial Statements (Continued)

35. Deferred Tax Liability

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

Description	2024/2025	2023/2024
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(Losses)	-	-
Revaluation surplus	8,901,708	8,901,708
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability	8,901,708	8,901,708

The movement on the deferred tax account is as follows:

Description	2024/2025	2023/2024
	Kshs	Kshs
Balance at beginning of the year	8,901,708	8,901,708
Credit to revaluation reserve	-	-
Under Provision in Prior Year	-	-
Income Statement Charge/(Credit)	-	-
Balance at end of the year	8,901,708	8,901,708

36. Deferred Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Zamia heights	32,057,091	19,067,091
Oceania	26,969,145	19,934,052
Total Deferred Income	59,026,236	39,001,143

Notes to the Financial Statements (Continued)

The deferred income movement is as follows:

Description	Zamia and Oceania	Zamia and Oceania
	Deposits for 2024/2025	Deposits for 2023/2024
	Kshs	Kshs
Balance Brought Forward	39,001,143	37,263,543
Additions	72,675,093	83,297,600
Realized income	(52,650,000)	(81,500,000)
Balance Carried Forward	59,026,236	39,001,143

37. Trade and Other Payables

Description	2024/2025	2023/2024
	Kshs	Kshs
Trade payables	221,223,821	84,319,552
Accrued expenses	41,842,333	79,030,846
Accrued Contingent Liability	267,318,313	36,298,630
Deposits	78,454,778	78,772,313
Provision for Gratuity- note 37(a)	41,774,887	54,100,053
Provision for Leave pay - note 37(a)	11,838,777	12,583,123
Other payables	93,134,308	71,687,759
Accrued Interest Payable-Exim LOC	111,251,334	87,722,089
Loans with credit balances	21,408,712	20,030,821
Accrued Interest Payable-GOK DBK On-Lent	89,500,000	74,500,000
Accrued Interest Payable-SAFER Project	17,695,834	5,679,167
Total	995,443,098	604,729,353

Notes to the Financial Statements (Continued)

Aging Analysis for Trade and Other Payables

	2024/2025 KShs	% of the total	2023/2024 KShs	% of the total
Under one year	585,682,161	59%	209,604,232	35%
1-2 years	103,948,100	10%	134,455,933	22%
2-3 years	44,714,724	4%	182,728,295	30%
Over 3 years	261,098,113	26%	77,935,893	13%
Total	995,443,098	100%	604,729,353	100%

38. Provisions

Description	Leave Provision	Gratuity provision	Total
	Kshs	Kshs	Kshs
Balance at the beginning of the year	12,583,123	54,100,053	66,683,176
Additional provisions	-	21,905,292	21,905,292
Provision utilised	(744,346)	(34,230,458)	(34,974,804)
Balance at the end of the year	11,838,777	41,774,887	53,613,664

39. Retirement Benefit Obligations

Retirement benefit Asset/ Liability

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

The Corporation also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs.4,320 per employee per month from February 2025, up from KShs.2,160 per month in February 2024.

Notes to the Financial Statements (Continued)

40. Dividends Payable

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

Description	2024/2025	2023/2024
	Kshs	Kshs
At the beginning of the year	-	-
Additional declared during the year	61,464,682	11,504,585
Paid during the year	(61,464,682)	(11,504,585)
Balance at end of the year	-	-
Ageing analysis:		
Under one year	-	-
1-2 years	-	-
2-3 years	-	-
Over 3 years	-	-
Total	-	-

(Dividends payable to ordinary shareholders for the current year amounted to KShs.61,464,682 (2024: Kshs.11,504,585) and the Corporation has no preference shareholders).

Notes to the Financial Statements (Continued)

41. Notes to the Statement of Cash Flows

Description	2024/2025	2023/2024
	Kshs	Kshs
(a) Reconciliation of Operating Profit/(Loss) To Cash Generated From/ (Used In) Operations		
Profit or Loss before tax	990,373,540	2,785,042,289
Depreciation	29,888,428	31,164,464
Amortisation	8,413,450	8,802,439
Operating Profit/(Loss) before Working Capital changes	-	-
Provisions made	-	-
Unrealized gain on revaluation of investment property	-	(2,158,830,000)
Gains on Disposal of Assets	(45,867)	(499,850)
Operating Profit/(Loss) before Working Capital changes	1,028,629,552	665,679,342
Net Movement in Loans and Advances	(2,815,991,767)	(1,343,451,696)
Increase/(Decrease) in Deferred revenue	20,025,093	1,737,600
Increase/(Decrease) in Trade and other payables	390,718,745	228,210,230
(Increase)/Decrease in Trade and other receivables	(175,906,167)	41,973,268
Increase)/(Decrease) in Tax Payable	(26,027,602)	10,018,768
(Increase)/Decrease in Inventory	2,910,422	1,353,042
Cash generated from/(used in) operations	(1,575,641,726)	(394,479,445)
(b) Analysis of Changes in Loans		
Balance at beginning of the year	2,158,095,582	1,402,780,438
Receipts during the year	1,644,073,195	850,000,000
Repayments during the year	(42,922,592)	(44,203,321)
Transfer of previous years interest accrued to receivable	-	(59,000,000)
Accrued interest	7,737,736	9,018,465
Balance at end of the year	3,766,983,921	2,158,095,582

Notes to the Financial Statements (Continued)

Description	2024/2025	2023/2024
	Kshs	Kshs
(c) Analysis of Cash and Cash equivalents		
Short Term Deposits	3,815,499,432	3,155,487,791
Cash At Bank	192,402,702	901,511,548
Cash In Hand	107,909	36,140
Balance At End Of The Year	4,008,010,043	4,057,035,479
(d) Analysis of interest paid		
Interest on Loans	92,641,982	50,953,392
Balance at beginning of the year	167,901,255	125,966,328
Balance at end of the year	(218,447,168)	(167,901,256)
Interest paid	(42,096,069)	(9,018,465)
(e) Analysis of Dividend paid		
Balance at beginning of the year	-	-
2022 interim dividends paid	-	-
2023 dividends paid	-	-
2024 dividends paid	-	11,504,585
2025 dividends paid	61,464,682	-
Dividend paid	61,464,682	11,504,585

Notes to the Financial Statements (Continued)

42. Related Party Disclosures

Government of Kenya

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

Other related parties include:

- i) Ministry of Investment, Trade and Industry
- ii) Other Ministries, Departments and Agencies (MDAs)
- iii) Investee Companies
- iv) Key management
- v) Board of directors

Notes to the Financial Statements (Continued)

Transactions with related parties

Description	2024/2025	2023/2024
	Kshs	Kshs
a) Sales to related parties		
Sales of electricity to govt agencies	-	-
Rent income from govt. agencies	233,467,969	227,281,026
Water sales to govt. agencies	-	-
Interest income from govt commercial banks (DBK)	68,444,305	43,114,313
Interest income from bills and bonds	-	-
Others (<i>specify</i>)	-	-
Total	301,912,274	270,395,339
b) Purchases from related parties		
Purchases of electricity from KPLC	26,404,463	35,516,344
Purchase of water from govt service providers	8,316,903	8,629,657
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. Agencies(KSG)	3,658,930	-
Bank charges paid to govt commercial banks	-	-
Interest expense to investments by other govt. Entities	-	-
Others (<i>specify</i>)	-	-
Total	34,721,366	44,146,001
c) Grants from the government		
Grants from national govt	323,840,001	444,920,558
Total	323,840,001	444,920,558
d) Key management compensation		
Directors' emoluments	26,793,836	24,147,301
Compensation to key management	111,807,910	103,407,708
Total	138,601,746	127,555,009

Notes to the Financial Statements (Continued)

43. Capital Commitments

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

Description	2024/2025	2023/2024
	Kshs	Kshs
Amounts authorised and contracted for	205,375,938	87,049,531
Amounts authorized but not contracted for	13,000,000	9,486,718
Less: Amounts included in Work In Progress	-	-
Total	218,375,938	106,928,374

44. Contingent Assets and Liabilities**Contingent Liabilities**

Description	2024/2025	2023/2024
	Kshs	Kshs
Contingent Liability		
Court cases against the entity	1,670,590,000	439,351,457
Others- Bank guarantees in favour of customers	-	36,000,000
Letters of Credit in favour of customers	16,000,092	-
Total	1,686,590,092	475,351,457

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

Notes To The Financial Statements (Continued)

45. Financial Risk Management

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

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

(i) Credit risk

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

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

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

Notes to the Financial Statements (Continued)

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2025				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	9,800,624,056	9,800,624,056	33,621,854,692	33,621,854,691
Bank Deposits & Cash balances	4,008,010,043	4,008,010,043		11,283,143
Total	13,808,634,098	13,808,634,098	33,621,854,692	33,633,137,834
At 30 June 2024				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	40,490,241,885	6,930,236,458	-	33,560,005,427
Bank Deposits & Cash balances	4,057,035,479	4,057,035,479		11,283,143
Total	44,547,277,364	10,987,271,937	-	33,571,288,570

	2025	2024
Item	Amount (Ksh)	Amount (Ksh)
Commercial Loans	10,986,985,243	8,083,384,002
Staff Loans	427,569,055	392,534,719
Unit Debtors Tourism	178,848,088	178,848,088
Interest on deposit Receivable IDB	-	-
Total	11,593,402,386	8,654,766,809
Provision	(1,792,778,330)	(1,724,530,351)
Net Loans	9,800,624,056	6,930,236,458

Notes To The Financial Statements (Continued)**Credit Risk continued**

	2025	2024
Item	Amount (Ksh)	Amount (Ksh)
Non-Performing Loans (NPL)	31,829,076,361	31,835,475,075
Provision	(31,829,076,361)	(31,835,475,075)
Net Loans	-	-

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

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

Notes to the Financial Statements (Continued)

ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade payables	35,150,025	311,318,879	655,210,218	1,001,679,122
Current portion of borrowings	2,932,071	8,796,214	226,017,555	237,745,840
Provisions	-	-	53,613,664	53,613,664
Deferred income	-	59,026,236	-	59,026,236
Total	38,082,096	379,141,329	934,841,437	1,352,064,862
At 30 June 2024				
Trade payables	209,604,232	317,184,229	77,935,893	604,729,353
Current portion of borrowings	2,932,071	22,421,701	98,470,946	123,824,719
Provisions				-
Deferred income			39,001,143	39,001,143
Total	212,536,303	339,605,931	215,407,982	767,555,215

Notes To The Financial Statements (Continued)

(iii) Market risk

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

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

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

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

a) Interest rate risk

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs.6,934,964 (2024: Kshs.4,304,348). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs.34,674,824 (2024- Kshs.21,521,742)

Notes To The Financial Statements (Continued)

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

Notes to the Financial Statements (Continued)

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

At 30 June 2025	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial assets				
Quoted equity investments	1,820,879,777			1,820,879,777
Unquoted equity investments			16,295,931,903	16,295,931,903
Non- financial Assets				
Investment property			10,102,751,648	10,102,751,648
Land and buildings				
Total	1,820,879,777		26,398,683,551	28,219,563,328
At 30 June 2024				
Financial assets				
Quoted equity investments	1,377,465,623			1,377,465,623
Unquoted equity investments			16,172,960,568	16,172,960,568
Non- financial Assets				
Investment property			10,057,976,771	10,057,976,771
Land and buildings				
Total	1,377,465,623		26,230,937,339	27,608,402,962

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

Financial instruments not measured at fair value

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

Notes to The Financial Statements (Continued)

iv) Capital Risk Management

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

Description	2024/2025	2023/2024
	Kshs	Kshs
Revaluation reserve	1,184,141,035	1,184,141,035
Fair Value Reserves	15,541,485,628	14,977,396,940
Retained earnings	16,842,267,317	16,117,485,831
Share Capital	936,807,234	936,807,234
Grant	4,237,857,051	3,948,392,552
Total funds	38,742,558,265	37,164,223,592
Total borrowings	3,766,983,921	2,158,095,582
Less: cash and bank balances	(4,008,010,043)	(4,057,035,479)
Net debt/ (excess cash and cash equivalents)	(241,026,122)	(1,898,939,897)
Gearing	0.62%	5.11%

46. Incorporation

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

47. Events after the Reporting Period

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

22. Appendices

Appendix 1: Implementation Status of Auditor-General prior year 2023/2024 recommendations

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

Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>1. Basis of Qualified Opinion i.e. Unsupported Unquoted Investments - for KDC for 2023/2024FY</p>	<p>Note 22 to the financial statements reflects unquoted investment balance of Kshs.16,293,635 which as per the accounting policy is measured at fair value through other comprehensive income (FVTOCI). However, the value attached to each investment was not supported by a valuation report from an independent valuer as detailed working to demonstrate how the amount was arrived at. In the circumstances, the accuracy and completeness of the unquoted investments balance of KShs.16,293,635,103 could not be confirmed.</p>	<p>The Corporation undertook an in-house valuation of its equity investments using a model previously developed with the assistance of external consultants. The model uses three main approaches depending on the nature of investment.</p> <p>a) Net Assets method This method is used to value investment companies since they undertake revaluation of their assets. It is also used to value companies which are not operational and therefore not generating any cash flows.</p> <p>b) EBITDA Multiples The method uses EBITDA multiples for comparable companies in the industry to determine the enterprise value. The EBITDA for the particular company is multiplied by the industry multiple to obtain the enterprise value. The proportionate value</p>	<p>Not Resolved</p>	<p>30th June 2026</p>

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

<p>2. Basis of Qualified Opinion i.e. Non-Compliance with IFRS 10 on Consolidated Financial Statements - for KDC for 2023/2024FY</p>	<p>Note 22 to the financial statements reflects unquoted investments balance of KShs.16,293,635,103. However, there are five (5) instances where the corporation owns more than 50% of the controlling interest in the investment and has not been reported as subsidiary and consolidated in the financial statements. In the circumstances, the Management was non-compliant with IFRS 10 on Consolidated Financial Statements and the accuracy and completeness of the</p>	<p>due to the Corporation is then determined by multiplying by the percentage shareholding.</p> <p>c) Price to Book to Value Multiples</p> <p>This method is used to value companies which have similar listed companies. The net assets of the company being valued is multiplied by the average price to book multiple of the similar listed companies.</p> <p>However, KDC noted the observations of the Auditor General and in this regard has invited bids to secure external and independent valuer(s) to conduct independent valuation of the unquoted investments. This is under the Request for Proposal (RFP) Ref: KDC/075/24-25 for consultancy services for valuation of KDC's Unquoted Equity Investments whose submission of bids closes on 25th April 2025.</p> <p>Management notes the auditor general's observation on the consolidation of financial statements in line with IFRS 10. As observed, KDC has an equity-controlling interest of more than 50% in companies like Development Bank, Golf Hotel, Bomas of Kenya, KSLH, Fresh Pick, Kabarnet Hotel, Sunset Hotel, Mt. Elgon Lodge, KENATCO Taxis, KNTC, etc.</p> <p>However, KDC has not consolidated these entities in its annual report and financial statements for the following reasons;</p> <p>i) The entities to be consolidated do not have their financial statements audited by the time KDC submits its draft financial statements to the auditor general for audit,</p>	<p>Not Resolved</p>	<p>30th June 2026</p>
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	<p>unquoted investment balance of KShs. 16,293,635,103 could not be confirmed.</p>	<p>ii) KDC does not have significant control on these entities' operations as they operate independently with their budgets approved separately by The National Treasury and independent annual audits carried on them by Office of The Auditor General. This lack of control has denied KDC the power to appoint their directors who are responsible for their strategic direction e.g. Bomas, KNTC, etc. iii) The Government of Kenya (GOK) as the parent entity owning all government investments will be consolidating the financial statements for all government owned entities.</p>		
<p>3. Basis of Qualified Opinion i.e. Unresolved Borrowings - for KDC for 2023/2024FY</p>	<p>Note 34(a) to the financial statements reflects external borrowings balance of KShs.531,394,015 which was the same balance at 1st July, 2023. The loan is drawn in foreign currency from Exim Bank of India and therefore should have been received at 30th June, 2024. In addition, although the facility has a repayment grace period of five (5) years where no repayment in the year under review, the interest should have been charged at 4% of the drawn amount and therefore should have increased the loan repayment by approximately KShs.21,255,761 and increased the</p>	<p>Management has noted the comments and observations on this dollar-denominated borrowing. The Subsidiary financing agreement between GOK and IDB Capital Ltd for USD 15 million was signed on 9 May 2017 to IDB Capital based on based on a dollar credit line agreement between EXIM India and GOK executed on 11th of July 2016. This is EXIM Bank of India Line of Credit (LOC) for KDC for development of SMFs through importation of plant, equipment and machinery and consultancy services from India. The LOC was for a period of 25 years inclusive of 5 years grace period at a rate of 4% p.a. with the interest accrued to be capitalized at the first principal repayment period. The disbursements were on a draw down basis convertible to the Kshs equivalent at the date of the disbursement. The first drawdown</p>	<p>Not Resolved</p>	<p>30th June 2026</p>

Annual Report and Financial Statements for the Year ended 30th June 2025

	<p>interest expense by the same amount.</p> <p>In the circumstances, the accuracy of the external dollar denominated loan balance of KShs.531,394,015 could not be confirmed.</p>	<p>was made on 15 Nov 2018. As of 30th of June 2024, a total of 46 drawdowns of USD 5,005,367.20 amounting to the equivalent of Kshs 531,394,015.46 had been booked as at 30th of June 2024. These were booked individually at the rates ruling at the time of loan disbursement by EXIM bank. Interest amounting to Kshs 87,722,088.98 as at 30th of June 2024 had been accrued (inclusive of Kshs 21,255,760.62 interest expense for FY 2023/24).</p> <p>The loan has already been recognized in the KDC books but The National Treasury (TNT) has not recognized it as a liability from EXIM Bank of India. KDC has been following TNT to recognize this as a liability in their books and to process it through the budgetary process to create a budget line for capturing transactions in IFMIS. The fulfilment of this will enable KDC begin the loan repayment to TNT who will in turn remit to EXIM Bank.</p> <p>However, the SDIP has requested The National Treasury (TNT) for definition of the Project name i.e. Exim Bank of India Line of Credit in IFMIS and capturing of the development loan AIA amount of KShs.550 million for the FY 2024/25 under SDIP. This has already gone through Parliamentary Committee hearing in March 2025 and once the capturing is through, KDC will commence repayment of this debt.</p>		
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Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

<p>4. Non-Compliance with International Accounting Standards No. 20 on Accounting for Government Grants</p>	<p>The statement of financial position reflects grant balance of KShs.3,948,392,552 as disclosed in Note 33 to the financial statements. However, the accounting treatment was not as per the International Accounting Standards (IAS) 20</p>	<p>It is true per the observations that the increase in this borrowing is the interest charges for the 2023/2024FY of KShs 21,255,761. All the KDC borrowings are indicated under Note 34 at their principal balances, hence KShs 531,394,015 EXIM Bank loan is principal balance only. In Note 37 which is on Trade and Other Payables, interest accrued on all KDC borrowings are separately indicated therein as current liabilities. This is since they are expected to be paid within 12 months after balance sheet date. Kshs 87,222,089 being accrued interest to 30th June 2024 (and including KShs 21,255,761 interest for 2023/2024FY has therefore been included therein as current liability.</p> <p>The grace period of 5 years expired on 15 Nov 2023 and repayment for both the principal and accrued interest were to commence from 30 Mar 2024 for a period of 20 years. The repayment was to be done through an escrow account which has not been opened. Discussions with the Treasury has proposed that the Loan agreement be revised to remove this requirement and for repayments to be done directly. This will commence once the agreement is revised.</p> <p>This fund refers to grants that have been received over the years from the Government of Kenya (GOK) by the Corporation. The GOK grant received by the Corporation is development in nature and funds were utilized in loan disbursement to borrowers in fulfilment of the Corporation's core mandate of financing tourism related projects with closing</p>	<p>Not Resolved</p>	<p>30th June 2026</p>
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Annual Report and Financial Statements for the Year ended 30th June 2025

<p>- for KDC for 2023/2024FY</p>	<p>which describes the accounting for and disclosure of Government grants which require grants to be accounted for either using the capital of income approach. The management has not used any of these approaches. Further, the corporation does not have an accounting policy to guide recognition and accounting for grants. In the circumstances, the accuracy and completeness of the grant balance of KShs.3,948,392,552 could not be confirmed.</p>	<p>capital grant balance as at 30th June 2023 of KShs.3,511,986,250. In the Financial year 2023/24 KDC received funds from State Department of Livestock for DRIVE project (De-Risking, Inclusion and Value Enhancement of pastoral Economies) which is a World Bank project covering 4 countries in the Horn of Africa (HoA) -Kenya, Ethiopia, Djibouti and Somalia. The objective of DRIVE is to intervene to protect pastoral communities against drought shocks by increasing their financial inclusion and connecting them better to markets. The DRIVE project is a \$ 359 million and 5-year regional project (2022 - 2027). The funds are further broken down into two components, component 1 - \$184 Million and component 2 - \$175 Million. Kenya is receiving a concessional loan of \$140 Million comprising of Component 1 - \$75 Million with Zep-Re as the implementing agency and Component 2 - \$65 Million (being implemented by SDL-\$25M and KDC- \$40M). The implementing agencies will receive the funds as grants from GoK. KDC's allocation is expected to create a sustainable revolving fund to continually develop the Livestock sector post project completion. The Ministry of Agriculture, Livestock, Fisheries & Cooperatives is the overall manager and coordinator of the project whose role include creation of enabling environment for the LVCs. KDC is the implementing agency for the \$40 million advanced as a grant and it is expected that the Corporation will partner with the private</p>	
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<p>Emphasis of Matter 1. Non-Performing Loans – for KDC for 2023/2024FY</p>	<p>Note 23 to the financial statements reflects loans receivables of KShs.6,930,236,458. Review of the loan listings reflected loans classified as loss amounting to KShs.3,179,613,165. These are loans which are considered uncollectible</p>	<p>sector investment in financing viable projects in the LVCs that will have a positive impact on pastoral economies. KDC will disburse the funds in form of loan and equity to eligible projects and is allowed to utilize a maximum of 10% of the fund as administrative cost as defined in the agreement with IDA, TNT, SDL in the PIM hence the capital and income approach to recognise the grants in the statement of financial position and the profit and loss respectively. KDC received Kshs.444,920,558.50 during the FY 2023/24 of which was recognised as grants in the Statement of Financial Position Kshs.185,840,961.00 was on lend to private sector and Kshs.9,345,273.65 was utilized as administration expenses leaving a bank balance of Kshs 249,734,323.80. The amount of Kshs.436,406,302 was recognised as a capital grant recognised in the Statement of Financial Position being the balance after Kshs.9,345,273.65 recognised as a grant income to match the administrative expenses in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate as guided in IAS 20.</p>	<p>Not Resolved</p>	<p>Continuous</p>
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Annual Report and Financial Statements for the Year ended 30th June 2025

<p>or of such collateral value that their containing recognition as bankable assets is not warranted. Principal and interest payments are past due for more than three hundred and sixty-five (365) days. Contrary to the loan agreement, the Corporation may either not be able to recover the balances or it will take long to recover its loan from its clients. Further, as previously reported, the corporation has stopped accrual of interest on the loans in line with the In Duplum principle which requires that interest accrued should not exceed the principal amount outstanding when the loan becomes non-performing. In addition, the securities related to some of the old non-performing loans being borrowers' ancestral lands, were reported to be missing, impaired or irredeemable. Further, one (1) investment that has currently ceased operations namely Kenya Hotel Properties (Intercon Nairobi) Limited has been valued at KShs.117,603,012 which is an amount that may not be realized. In addition, several investments in Companies that are currently in</p>	<p>of the merger to the current 48% subsequent to 30th June 2024.</p> <ul style="list-style-type: none"> • Ongoing efforts aim to lower this NPL ratio to the industry standard of not more than 15% of the total portfolio. <p>2. Securities related to some of the old non-performing loans being borrowers' ancestral lands, were reported to be missing, impaired or irredeemable. Response is that;</p> <ul style="list-style-type: none"> • The missing securities are being traced. All securities within the active portfolio are redeemable, and the recovery process is underway in accordance with the law and the Land Act. • This requires KDC as a financier to issue statutory notices of 90 days and 40 days, while auctioneers must provide a 45-day notice. • The Corporation cannot proceed with recovery until all legal processes are followed. <p>3. Kenya Hotel Properties (Intercon Nairobi) Limited has been valued at Kshs.117,603,012 which is an amount that may not be realizable. Response is that;</p> <ul style="list-style-type: none"> • The valuation of KHP reflects the book value reported by the Corporation, while the privatization assessment indicates a higher value of KES 4,280,000,000. Given that the Corporation holds a 33.83% stake in the company, its share is valued at KES 1,447,924,000. • There are interested buyers ready to acquire the property; however, the company is designated for 	
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Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

	<p>operation including Sunset Hotel Limited, KENATCO Taxis Limited, Kenya National Trading Corporation, South Nyanza Sugar Company, Agro Chemical and Food Industries and Nzoia Sugar Company Limited have been fully written off from the books of the Corporation.</p> <p>In the circumstances, the Corporation may not recover these amounts leading to loss of public funds or may not realize value for money for loans which are taking too taking too much time to be recovered.</p> <p>My opinion is not modified in respect of this matter.</p>	<p>privatization and will adhere to the necessary privatization process. Upon completion of the transaction, the Corporation expects to fully realize its stated value.</p> <p>4. Several investments in the company that are currently in operation have been fully written off from the books of the company. Response is that;</p> <ul style="list-style-type: none"> • The investments are not written off, are just a netting of their carrying equity balances against their equivalent specific provisions thus ensuring KDC doesn't over value its investments. With all these investments at various stages of privatization, Valuation will be undertaken as part of the process. • For example, Sunset Hotel was valued at Kes. 513 million in July 2024 by through valuation commissioned by the Privatization Authority • In January 2024, GoK suspended privatization of the state-owned sugar millers; Sony Sugar and Nzoia Sugar among others, opting to offer them to investors for lease. • KDC owning about 1% shareholding each of these two companies, has minimal influence over the process and can only wait on the outcome. • The other investments under the privatization program are pending resumption following the ruling of High Court Constitutional Petition. • Agro Chemical & Food Industries approved for privatization program is further delayed owing to contention regarding write-off of its GoK debt under consideration by The National Treasury (TNT). 	
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Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

	<p>The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of KShs.6,231,736,744 and KShs.4,022,967,520 respectively resulting in an under-funding of KShs.2,208,769,224 or 35% of the budget. However, the Corporation spent KShs.1,292,119,574 against actual receipts of KShs.4,022,967,520 resulting into underutilization of KShs.2,730,847,946 or 68% of the receipts.</p> <p>In the circumstances, the underfunding and the under-utilization affected the planned activities and may have impacted negatively on the service delivery to the public.</p> <p>My opinion is not modified in respect of this matter.</p>	<p>Income:</p> <p>The Corporation did not realize the expected revenue of Ksh6.2 billion due to unrealized income of Ksh4.2billion from sale of equity investments. The sale of equity investments is undertaken by the Privatization Commission who had not finalized the process by end of the 2023/2024FY period.</p> <p>The Corporation spent KShs 1.2billion in expenses which is less than the budgeted amounts and which is far much below the actual of KShs 4.02billion or underutilization or difference by 68%. This is since it had planned to utilize some of the divestiture proceeds to fund new investments and other activities but these activities were scaled down due to the unrealized revenue.</p> <p>Compensation of employees: The budget factored new recruitments for some key positions. However due to restrictions on new recruitments imposed by various circulars from the Government, this was not attained hence the under expenditure on compensation to employees.</p> <p>Admin Expenses: Administrative expenses were scaled down mainly due to the lower level of revenue realized to make sure that the Corporation remained profitable and self-sustaining. The Corporation will ramp up its funding activities once the divestiture proceeds are realized.</p>	<p style="text-align: center;">Resolved</p> <p style="text-align: center;">N/A</p>
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Emphasis of Matter
2. Budgetary Control and Performance - for KDC for 2023/2024FY

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

<p>Other Matter- Unrealized Revenue on Investment in Property - for KDC for 2023/2024FY</p>	<p>Review of the Corporation's inventory on investments in property indicated that during the year 2020/2021, the Board of Directors revised downwards the sale price of the of the housing projects with a view to increasing the demand for the tenants. However as at 30 June, 2024, the number of unsold houses were four (4) out of twenty-eight (28) and nineteen (19) out of thirty-six (36) for the Zamia heights apartments and Oceania apartments respectively. This is despite the fact that Zamia Heights Apartments were completed in July 2015 and Oceania Apartments were completed in 2018.</p> <p>As per the Board meeting minutes of November 2022, the selling price of the remaining units for both Zamia and Oceania apartments, were set at the lower minimum of mortgage price and maximum of market price as per valuation carried out by Trans Country Valuers Limited in April 2022. As at 30 June, 2024 the remaining four (4) units for Zamia Heights were costed at Kshs.33,750,000 which was below Kshs.44,963,636 valuation at the beginning of the year and nineteen (19) units for Oceania apartments were costed at Kshs.286,200,000 which was below the valuation of</p>	<p>KDC restates that Zamia apartments were completed in 2015 but the Oceania apartments were completed in 2017.</p> <p>On the issue of slow uptake of the apartments, this is largely contributed by;</p> <ol style="list-style-type: none"> 1. Salty water due to spoilt Reverse Osmosis (RO) plant at Zamia Heights which, when properly functioning, clears the salty components in water to make it clean, 2. Competition from other developers within the same locality, 3. Age of the units since they were constructed from 2012 to 2015 for Zamia and from 2015 to 2017 for Oceania rendering them unattractive comparing to upcoming and modern ones, 4. Wear and tear due to the humid climate in Mombasa. <p>As regards measures taken to counteract/ mitigate the slow uptake, the corporation has taken the following three (3) measures;</p> <ol style="list-style-type: none"> 1. KDC Directors revised the sale prices downwards to the current price per unit. As at 30th June 2024, eighteen (18) Realtors had already been onboarded, 2. On-boarded additional realtors to market these units on a 3% (of sale price) commission basis, 3. Digital presence on e-platform like face book, e-brochures as well as videos are being sent to prospective buyers. 	<p>Not Resolved</p>	<p>30th June 2026</p>
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Annual Report and Financial Statements for the Year ended 30th June 2025

	<p>Kshs.290,422,917 based on 30 June, 2023. This represented unrealized revenue of Kshs.319,950,000. The Management did not explain the basis of reduction in unit cost at the beginning of the year and end of the year. The unsold units also continued incurring cost in terms of administration cost and service charges of Kshs.10,000 per unit per month.</p> <p>In the circumstances, the inventory held by Corporation is possibly impaired based on the slow uptake of the apartments during the year under review.</p>	<p>During the previous 2023/2024FY, the corporation managed to sell and transfer ten (10) units comprising Zamia 5 units and Oceania 5 units. These sales brought the number of unsold units/apartments as at 30th June 2024 to twenty-three (23) comprising Zamia four (4) and Oceania nineteen (19). These reduced to twenty-two (22) comprising Zamia four (4) and Oceania nineteen (18) as at April 2025.</p> <p>Currently, we have one (1) Oceania apartment which is contracted and waiting for payment. The corporation gears up to continue marketing these apartments in order to realize more sales and have all these apartments sold within the current 2024/2025FY thus waiving and saving on administration cost and service charges of Kshs.10,000 per unit per month. Since the time of merger in July 2021, there has been a drastic change downwards in terms of apartment units remaining unsold as well as service charge incurred for them, the current monthly amount being KShs 180,000 from KShs 360,000 for Oceania and KShs 40,000 from KShs 280,000 for Zamia.</p>		
<p>Basis for Conclusion. 1. Regularity of Human Resource Management Practices - Prolonged Acting Appointments</p>	<p>Review of the payroll revealed that eight (8) officers have been in acting capacities for more than six (6) months. This is contrary to Section C.14 of the Human Resource Policies and Procedures Manual for the Public Service Commission of May</p>	<p>The Corporation had advertised for recruitment of ten (10) vacant positions, the advert was closing on 24 June 2023. However, only two (2) vacant positions (Manager, Internal Audit and Assistant Manager, Security) were filled. It was established that most suitable candidates were disadvantaged by the requirement of a Leadership or Management Course.</p>	<p>Not Resolved</p>	<p>30th June 2026</p>

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

<p>Basis for Conclusion. 2. Lack of Appointment Letter of an Alternate Member</p>	<p>2016. Some members of staff have been in acting capacity for more than one (1) year. In the circumstances, the Management is in breach of the law.</p>	<p>The Corporation then sought approval from the Public Service Commission (PSC) to advertise the remaining positions indicating the Leadership or Management Course as an added advantage. Another advertisement was placed in the local dailies on 26 March 2024 for vacant positions. The Corporation had summarized applications pending shortlisting when recruitment was suspended through circular Ref. No. MSFS&DM.9/5 dated 3 July 2024 from the Ministry of State for Public Service. The Corporation did seek an approval from the Ministry of Investments, Trade & Industry to proceed with the recruitment and therefore end the acting appointments. This is through the letter to PS SDIP dated 13th November 2024 requesting approval to recruit for key positions as well as a letter dated 19th December 2024 to KDC Chairman, copied to parent Ministry's CS & PS, detailing the pending issues both at TNT and SDIP of which the recruitments issues were part of it. Conclusion on the issue of recruitment is awaited.</p>	<p>Resolved</p>	<p>N/A</p>
	<p>Review of the Board attendance registers and minutes, revealed that one of the Board members has been representing the Permanent Secretary, State Department of Investment Promotion on various board meetings as an alternate</p>	<p>The Principal Secretary, State Department of Investment had verbally introduced Mr Haikano Hako, as his alternate/ representative on the Board. This required a follow up with letter appointing him formally as the Alternate Director to the PS. The Corporation wrote to the Principal Secretary vide a letter dated 2nd April 2024 to appoint his alternate in</p>	<p>Resolved</p>	<p>N/A</p>

Annual Report and Financial Statements for the Year ended 30th June 2025

	<p>board member. However, the appointment letter as an alternate member was not provided for audit.</p> <p>In the circumstances, the regularity of the board member representing the State Department in the Corporation could not be confirmed.</p>	<p>the board. This was pursuant to the Circular No. OP/CAB.9/1A issued by the office of the President dated 1 February 2023 as well as Article 85 of KDC's Articles of Association.</p> <p>However, the Principal Secretary, State Department for Investment Promotion (SDIP) has since, on 22nd November 2024, formally appointed an Alternate Director to represent him in the Board.</p>		
<p>Basis for Conclusion.</p> <p>3. Long-Outstanding Trade Payables</p>	<p>The statement of financial position reflects trade and other payables balance of Kshs.604,729,353 as disclosed in Note 37 to the financial statements. However, included in the balance are trade payables balance of Kshs.395,120,121 which had been outstanding for more than one (1) year. This is contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which states that, an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract(s) are reflected in approved budget estimates.</p> <p>In the circumstances, the Management was in breach of the law</p>	<p>Management wishes to concur with the audit observation on the long outstanding items included in the Trade and Other Payables. The amount observed of Kshs 395,120,121 is under the category of other payables and not trade payables. From the observations of the ledger and as reflected on the face of Note 37, this amount comprises accrued contingent liabilities which are payables in the future upon crystallization, Tenant Rental Deposits for KDC's three investment rental properties which are payable upon tenant leaving premises and provision for employee gratuity which is accrued annually and payable at end of their five-year contract. It also includes accrual as provision for employees' leave balances at end of financial year and which reduces after year end as employees take leave. Other items included are interest accrued on KDC's borrowed funds where repayments have not yet begun i.e. EXIM Bank LOC loan, DBK loan and SAFER project loan. These other payables are conditional payables which will be settled as and when their conditions for settlements crystallize.</p>	<p>Resolved</p>	<p>N/A</p>

Annual Report and Financial Statements for the Year ended 30th June 2025

<p>Emphasis of Matter - High Ratio of Non-Performing Loans Portfolio in KDC for 2022/2023FY</p>	<p>The Auditor General's attention was drawn to Note 44 to the financial statements, which discloses long term receivables balance of KShs 5,625,252,710 relating to loans and advances by the Corporation to borrowers as at 30th June, 2023. The respective loan records indicated that approximately KShs 33,444,612,767 or 86% of the Corporation's total loans portfolio estimated at KShs 39,069,865,477 as at 30th June, 2023 was considered by Management as non-recoverable. Further, the Corporation has stopped accrual of interest on the loans in line with the In Duplum rule which requires that interest accrued should not exceed the principal amount outstanding when the loan becomes non-performing. In addition, the securities related to some of the old non-performing loans being borrowers' ancestral lands, were reported to be missing, impaired or irredeemable. The Board of Directors has approved full provision for the losses totalling KShs 33,444,612,767 against the Corporation's reserves as required by International Financial</p>	<p>The respective loan records indicated above in your observation at approximately Kshs. 33,444,612,767 relates to legacy loans advanced 15 to 60 years ago. A full time Special Project Team (SPT) was formed in December 2022 with clear TORs to deal with analysis of the legacy loans and make appropriate recommendations to KDC board. As at 31st December 2023, the Legacy non-performing portfolio stood at Kshs 31.8 billion from 2,017 loan accounts with initial loan disbursed amounting to Kshs 1.14 billion. Kshs.785 million of this amount has been collected but the loan portfolio has grown due to accrual of interest and penalties over the period. Recovery efforts as provided in the loan agreements including sale of security were applied but were not successful in recovery of the full amount advanced and accrued. The Corporation is currently in the process of analyzing and documenting the legacy loan and security status, the recovery efforts applied over time and the justification to have the amounts written off from our books as per the provisions of the PFM Act 2012 and this was expected to be completed by the end of the 2023/2024FY financial year. A policy for partial settlement and write off of Legacy Loans balances was approved by the Board in September 2023. In application of the In Duplum Rule, the corporation has analysed 1762 loan cases amounting to KShs 30,460,269,292 being interest charges over and above the provisions of this Rule. KDC board gave approval in March 2024 for the reversal of this amount against the specific provisions but the sought National</p>	<p>Being resolved under 2023/2024FY</p>	<p>Continuous</p>
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Annual Report and Financial Statements for the Year ended 30th June 2025

	<p>Reporting Standard No.9. However, the high ratio of non-performing loans portfolio indicates that the Corporation is unable to recover most loans owed by its customers. As a result, the Corporation's capacity to lend to new borrowers and eventually attain its purpose and mandate may be constrained. My opinion is not modified in respect of this matter.</p>	<p>Treasury's concurrence had not been received as at 30th June 2024.</p> <p>The application of the in-duplum rule could substantially reduce the non-performing loan balances as we sought write offs against specific provisions as per thresholds provided under the PFM Act.</p>		
<p>Other Matter- Impairment of Inventory- Investment in Property (IP) for KDC for 2022/2023FY</p>	<p>Review of the Corporation's inventory of investments in properties indicates that during the year 2020-2021, the Board of Directors revised downwards the sale prices for one of its housing projects with a view to increasing demand for the units. However, as at 30th June, 2023, the number of unsold apartments was 11 (out of 28) and 24 (out of 36) for Zamia Heights Apartments and Oceania Apartments respectively. This is despite the completion of the apartments in July, 2015 (Zamia)</p>	<p>The Corporation has continued to step up its marketing efforts to ensure the remaining units are sold off in the shortest time possible to recoup the capital tied in them for deployment in new projects. The units have however been carried in the books at their current realizable value in the market. Whereas the position of unsold units as at 30th June 2023 is as observed in the 2023 audit report, the position as at 31st July 2024 is as follows; 24 units sold in Zamia out of 28 units with 4 units remaining unsold. In Oceania 17 of 36 units have been sold thus remaining 19 units unsold. More efforts are still being applied in selling all these remaining units.</p>	<p>Being resolved under 2023/2024FY</p>	<p>Continuous</p>

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

	<p>and 2018 (Oceania). The Management explained that the Corporation is currently paying service charge on the unsold units to the Apartments' Management companies at the rate of KShs 10,000 per unit per month. The average spent per annum on maintenance has therefore come down to about KShs 4 million from KShs 10 million and the amount is expected to reduce each time a unit is sold. The value for unsold units recognized by the Corporation as at year end is KShs 123,650,000 and KShs 366,850,000 for Zamia and Oceania Apartments respectively both totalling to KShs 490,500,000. In the circumstances, the inventory held by the Corporation is possibly impaired based on the slow uptake of the apartments during the year under review. The possible amount of impairment has been taken into account in these financial statements.</p>	<p>The Corporation is currently only paying service charge on the unsold units to the apartment's management companies at the rate of Ksh10,000 per unit per month. The average spend per annum on maintenance has therefore come down from Ksh10m to about Ksh4.0m and the amount reduces each time a unit is sold.</p>		
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Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

<p>KDC for 2021/2022FY</p>	<p>I draw attention to Note 43 to the financial statements, which reflects long term receivables balance of Kshs.5,136,784,050 relating to loans and advances by the Corporation to borrowers as at 30 June, 2022. The respective loan records indicated that approximately Kshs.33,280,489,417 or 87% of the Corporation's total loans portfolio estimated at Kshs.38,417,273,467 as at 30 June, 2022 was considered by Management as non-recoverable. Further, the Corporation has stopped accrual of interest on the loans in line with the in duplum rule which requires that interest accrued should not exceed the principal amount outstanding when the loan becomes non-performing. In addition, the securities related to some of the old non-performing loans being borrowers' ancestral lands, were reported to be missing, impaired, or irredeemable. The Board of Directors has approved full provision for the losses totaling Kshs.33,280,489,417 against the Corporation's reserves as required by International Financial Reporting Standard No.9. However,</p>	<p>Ksh31 billion of the total loan balance relates to a legacy portfolio which was advanced from the 1960s to the year 2009. The principal sum advanced was Ksh1.2 billion and the amount has accumulated due to interest accrual. The Corporation is pursuing a write-off of the amounts in line with the provisions of the PFM Act 2012.</p>	<p>Being resolved under 2023/2024FY</p>	<p>Continuous</p>
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Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

	<p>the high ratio of non-performing loans portfolio indicates that the Corporation is unable to recover most loans owed by its customers. As a result, the Corporation's capacity to lend to new borrowers and eventually attain its purpose and mandate may be constrained. My opinion is not modified in respect of this matter.</p>			
<p>KDC for 2021/2022FY</p>	<p>Review of the Corporation's inventory of investments in properties indicates that during the year 2020-2021, the Board of Directors revised downwards the sale prices for one of its housing projects with a view to increasing demand for the units. As at 30 June, 2022, the number of unsold apartments was 8 (out of 28) and 24 (out of 36) for the Zamia Heights Apartments and Oceania Apartments respectively. This is despite completion of the apartments in July, 2015 (Zamia) and 2018 (Oceania). The Corporation therefore incurs annual maintenance costs of approximately Kshs.10 million for both locations. The value recognized by the Corporation as at year end is Kshs.145,000,000 and</p>	<p>The Corporation has stepped up its marketing efforts to ensure the remaining units are sold off in the shortest time possible to recoup the capital tied in the them for deployment in new projects.</p> <p>The units have been carried in the books at their current realizable value in the market.</p>	<p>Being resolved under 2023/2024FY</p>	<p>Continuous</p>

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

	<p>Kshs.450,000,000 for the Zamia and Oceania Apartments respectively both totalling Kshs.595,000,000. In the circumstances, the inventory held by Corporation is possibly impaired based on the slow uptake of the apartments during the year under review. The possible amount of impairment has been taken into account in these financial statements.</p>		
<p>ICDC for 2020/2021FY</p>	<p>The statement of profit or loss and other comprehensive income reflects administrative costs of Ksh. 750,893,416, as disclosed in Note 10 to the financial statements. Included in this figure are other operating expenses of Ksh. 197,383,214, which further includes Ksh. 30,682,184 that relates to allowances paid to members of the inter-agency taskforce on merging of ICDC, IDB Capital and Tourism Finance Corporation, into Kenya Development Bank. Available information indicates that the Salaries and Remuneration Commission (SRC) vide letter Ref: SRC/TS/AG/3/37 VOL. VIII dated 30 July 2020, approved payment of</p>	<p>The Head of Public Service vide a letter Ref OP/CAB/9/1/5 dated 2nd October 2020 directed that the merger process be revived and for the merger implementation committee to fully implement the merger process. The payment of the allowances to the members of the Inter-Agency task force was done on instruction from The National Treasury who were coordinating the exercise. Management will engage The National Treasury with a view of having the expenditure ratified.</p>	<p>Being resolved under KDC 2023/2024FY Continuous</p>

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

<p>TFC for 2020 / 2021FY</p>	<p>allowances to members of the inter-agency taskforce, for a maximum of 15 days per month for six months, at specified rates based on level of responsibility, for the financial year 2019/2020. Further, the Principal Secretary, National Treasury vide letter Ref: ZZ/37/014 dated 30 January 2020 extended the appointments of the members of the taskforce to 31 July 2020.</p> <p>The taskforce was in operation for hundred and eighty (180) days, which was double the duration approved by SRC. The members of the taskforce continued in operation from August 2020 to June 2021 (FY 2020-2021) and were paid allowances totalling Ksh. 12,833,900 for that period without approval by SRC. In addition, there was no evidence of extension of appointment for the taskforce members for this period.</p>	<p>Recommendation Employ adequate effort towards recovery of the NPLs. The Corporation has made efforts and has collected Ksh.48.2 million from the accounts although interest accrual has continued in some of the accounts. The Corporation has entered into negotiations with some</p>	<p>Being resolved under KDC 2023/2024FY</p>	<p>Continuous</p>
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Annual Report and Financial Statements for the Year ended 30th June 2025

	<p>delinquent for a period more than one (1) year. Although the recovery process is in progress, the management of the corporation has not employed adequate effort towards recovery of the loans since some cases of auctioning property held as security have been in court for more than five (5) years. In the circumstance the recoverability of the amounts could not be confirmed.</p>	<p>of the borrowers on some acceptable repayment arrangements while in other cases the process of selling the securities will continue to be pursued. Our legal teams are also pursuing finalization of cases in court which hinder us from selling the securities.</p>		
<p>TFC for 2020/2021FY</p>	<p>The financial statements under personnel costs reflects staff group life and personal accident cover expenditure of ksh.8,473,643 for the year ended 30 June 2021. However, contract documents and insurance policy documents were not availed for audit verification.</p>	<p>The expenditure on group life and personal accident cover reported Ksh 8,473,643 for the current 2020/2021FY as per your observation. Management wishes to respond that Group Life Assurance and personal accident cover for the current 2020/2021FY was more than that of the previous year as it included Ksh 6,766,560 as Death-In-Service Benefits that were accrued in the current year 2020/2021FY. A copy of the standing Staff Group Life policy from which annual premiums are invoiced was provided</p>	<p>Resolved</p>	<p>N/A</p>
<p>TFC for 2020/2021FY</p>	<p>The administration account was overdrawn by Ksh. 705,447 without the requisite authority contrary to Section 28 (4) of the Public Finance</p>	<p>The bank reconciliation showed the uncleared amounts as regards the bank balance and cash balance. These were adjusted against the bank balance as reported in the reconciliation thus</p>	<p>Resolved</p>	<p>N/A</p>

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

	<p>Management Act, 2012 which states that, an Accounting Officer of a national government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the National Treasury or a board of a national government entity. Consequently, Management was in breach of the law.</p>	<p>resulting into an overdrawn cash book balance of Kshs. 705,447.89 (i.e. negative balance). The actual bank account was not overdrawn.</p>		
<p>TFC for 2020/2021FY</p>	<p>The trial balance provided for audit review had various items which ought to be treated as adjusting items such as the opening balances for cash and cash equivalents. The trial balance also reported net book values for non-current assets and depreciation separately. Further, The surplus for the year was included in the trial balance and the credit and debit column did not balance. Consequently, the inaccuracies in the trial balance casts doubts on the accuracy of the balances in the financial statements.</p>	<p>The Trial Balance was corrected and vested into KDC as at 1st July 2021.</p>	<p>Resolved</p>	<p>N/A</p>
<p>IDB for 2020/2021FY</p>	<p>The auditor noted that of the Ksh.922,837,000 in respect of loans and advances to customers Ksh.283,996,000 was not secured with collateral that is readily realizable and marketable, adequate to cover exposure plus a reasonable</p>	<p>The Corporation has developed a loans policy that ensures that all loans are adequately secured with security that is realizable. The policy also requires that the security offered be fully insured and the Corporation's interest noted as a first loss payee.</p>	<p>Being resolved under KDC 2023/2024FY Resolved</p>	<p>Continuous</p>

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

<p>margin and free of any encumbrances. Further, loans amounting to Ksh.327,303,000 were overdue as at 30 June, 2021 out of which loans amounting to Ksh.315,275,000 were used to procure machinery that was offered as security for loans, but were not insured as per Section 10.6 of the credit policy which requires that all insurable assets held by IDB as collateral to be insured at all times during the tenure of the loan for an amount equivalent to their replacement value or value and IDBs interest note on the policy.</p>			
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CPA/FA Norah Ratemo
 Director General, KDC.

Date:.....

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

Appendix II: Projects implemented by Kenya Development Corporation (KDC) for 2024/2025FY

Projects implemented by KDC from amounts funded by the Government of Kenya (GOK).

Project title	Project Number	Donor	Period/duration	Donor commitment (foreign currency)	Donor commitment (in Kenya Shillings as at 30 th June 2025)	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)
Development Grant under DRIVE for lending to Pastoralists	N/A	World Bank through The National Treasury (TNT)	Five (5) Years	US\$ 40,000,000	KShs.5,169,372,000	Yes, by KDC & State Department for Livestock Development (SDL)	Yes, at the amount already received (see Appendix IV below)
Total for DRIVE Development Grant				US\$ 40,000,000	KShs.5,169,372,000		
3% p.a. Concessional Loan Debt under SAFER for wholesale lending to Banks & SACCO	N/A	World Bank through The National Treasury (TNT)	Five (5) Years	Euros 42,250,000	KShs.6,407,212,500	Yes, by KDC & The National Treasury (TNT)	Yes, at the amount already received (see Appendix IV below)
Total for SAFER Loan Debt				Euros 42,250,000	KShs.6,407,212,500		
Development Grant under KJET Project for lending to Green SMEs that contribute to climate mitigation and adaptation and resilience	N/A	International Development Association (IDA) through The National Treasury (TNT)	Five (5) Years to close on 31 st December 2028	Euros 42,210,000	KShs.6,401,146,500	Yes, by KDC & State Department for Investment Promotion (SDIP)	Yes, at the amount already received (see Appendix IV below)
Total for KJET Development Grant				Euros 42,210,000	KShs.6,401,146,500		

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

Appendix V - Inter-Entity Confirmation Letter for 2024/2025FY

Name of Transferring entity – STATE DEPARTMENT FOR LIVESTOCK DEVELOPMENT (SDLD)

Name of Beneficiary entity – KENYA DEVELOPMENT CORPORATION LIMITED

Confirmation of amounts received by Kenya Development Corporation Limited as at 30th June, 2025.

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
N/A	4 th October 2024	0	150,000,000	150,000,000	Development Grant under DRIVE for lending to the Pastoralist Communities in Kenya.
N/A	1 st April 2025	0	150,000,000	150,000,000	Development Grant under DRIVE for lending to the Pastoralist Communities in Kenya.
Total		0	300,000,000	300,000,000	

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity: State Department of Livestock Development

Name Sign Date

Head of Accounts Department - Beneficiary Entity: Kenya Development Corporation

Name ...KENNEDY WANDERI..... Sign ........ Date 27TH AUGUST 2025

Kova Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

		lending to Banks & SACCO							
Total for SAFHR Loan Debt			1,500,000,000	0.00	1,500,000,000	0.00	0.00	0.00	1,500,000,000
Ministry of Investment, Trade and Industry (State Department Investment Promotion)	17 th June 2025	Development Grant under KJET Project for lending to Green SMEs that contribute to climate mitigation and adaptation and resilience	23,840,001	0.00	23,840,001	0.00	0.00	0.00	23,840,001
Total for KJET Project Grants			23,840,001	0.00	23,840,001	0.00	0.00	0.00	23,840,001
GRAND TOTAL			1,823,840,001	0.00	1,823,840,001	0.00	0.00	0.00	1,823,840,001

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

Appendix V - Inter-Entity Confirmation Letter for 2024/2025FY

Name of Transferring entity – STATE DEPARTMENT FOR INVESTMENT PROMOTION (SDIP)

Name of Beneficiary entity – KENYA DEVELOPMENT CORPORATION LIMITED

Confirmation of amounts received by Kenya Development Corporation Limited as at 30th June, 2024.

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
N/A	17 th June 2025	0	23,840,001	23,840,001	Development Grant under KJET Project for lending to Green SMEs that contribute to climate mitigation and adaptation and resilience.
Total		0	23,840,001	23,840,001	

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity: State Department of Investment Promotion

Name Sign Date

Head of Accounts Department - Beneficiary Entity: Kenya Development Corporation

Name ...KENNEDY WANDERI..... Sign  Date 27 AUGUST 2025

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025

Appendix V - Inter-Entity Confirmation Letter for 2024/2025FY

Name of Transferring entity – THE NATIONAL TREASURY (TNT)

Name of Beneficiary entity – KENYA DEVELOPMENT CORPORATION LIMITED

Confirmation of amounts received by Kenya Development Corporation Limited as at 30th June, 2024.

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
N/A	5 th December 2024	0	800,000,000	800,000,000	3% p.a. Concessionary Loan Debt under SAFER for wholesale lending to Banks, Micro-Finance Banks (MFBs) & SACCOs. These funds will be on-lent to SMEs.
N/A	23 rd December 2024	0	200,000,000	200,000,000	3% p.a. Concessionary Loan Debt under SAFER for wholesale lending to Banks, Micro-Finance Banks (MFBs) & SACCOs. These funds will be on-lent to SMEs.
N/A	26 th March 2025		500,000,000	500,000,000	3% p.a. Concessionary Loan Debt under SAFER for wholesale lending to Banks, Micro-Finance Banks (MFBs) & SACCOs. These funds will be on-lent to SMEs.
Total		0	1,500,000,000	1,500,000,000	

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity: The National Treasury

Name Sign Date

Head of Accounts Department - Beneficiary Entity: Kenya Development Corporation

Name ...KENNEDY WANDERI..... Sign  Date 27TH AUGUST 2025

Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025



Accounting Officer/DG Sign:..... Date:.....

**Kenya Development Corporation
Annual Report and Financial Statements for the Year ended 30th June 2025**

Appendix VI: Reporting of Climate Relevant Expenditures

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

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

Project Name	Project Description	Project Objectives	Project Activities	Project Objectives					Source of Funds	Implementing Partners
				Q1 KShs	Q2 KShs	Q3 KShs	Q4 KShs	Total KShs		
CSR	Tree planting in Kaptagat Forest, Egeyo Marakwet County on 13 th July 2024	Afforestation through provision of 5,000 seedlings to support the rehabilitation of the Kaptagat landscape	Tree Planting by KDC Staff	281,200	-	-	-	281,200	Internally Generated/Own Funds	Kenya Forest Service
CSR	Tree planting in Enosopukia Forest, Narok County on 1 st November 2024	Afforestation through provision of 3,000 seedlings as part of the wider Green Kenya campaign.	Tree Planting by KDC Staff	-	339,756	-	-	339,756	Internally Generated/Own Funds	Kenya Forest Service
CSR	Tree planting in Chepalungu Forest, Bomet County on 12 th May 2025	Afforestation through provision of 10,000 seedlings to increase forest cover in Chepalungu	Tree Planting by KDC Staff	-	-	-	809,101	809,101	Internally Generated/Own Funds	Kenya Forest Service
Grand Total								1,430,057		

KDC wishes to report for disclosure purposes, that there were no activities to report on Appendices VII. This appendix is;

Appendix VII: Reporting on Disaster Management Expenditure

