

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

PARLIAMENT
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OF

THE AUDITOR-GENERAL

ON

**SPECIAL ECONOMIC ZONES
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2024**

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	14 MAR 2025
	DAY. FRIDAY
TABLED BY:	DEPUTY MAJORITY LEADER CHON. OWEN BAYA, MP
CLERK-AT THE TABLE:	IRENE NDUKU



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30054 - 00100, NAIROBI
REGISTRY
30 SEP 2024



SPECIAL ECONOMIC ZONES AUTHORITY ANNUAL REPORT

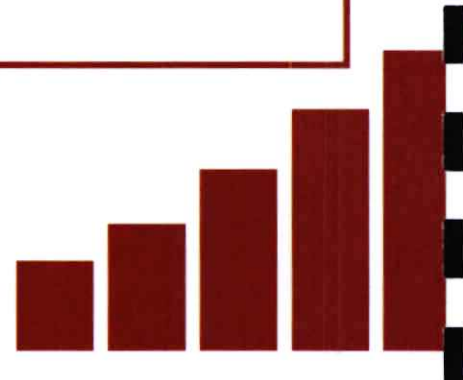
AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2024



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

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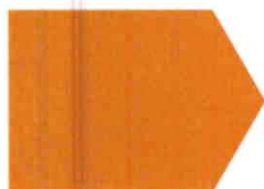


1.ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS



1.1.Acronyms and Abbreviations

AEZO	Africa Economic Zones Organization
AIA	Appropriation-In-Aid
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CPC	Corruption Prevention Committee
EAC	East Africa Community
FY	Financial Year
GoK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
JICA	Japan International Cooperation Agency
KRA	Kenya Revenue Authority
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management
PPAD	Public Procurement and Asset Disposal Act
PPE	Property, Plant & Equipment
PPIP	Public Procurement Information Portal
PPRA	Public Procurement Regulatory Authority
PSASB	Public Sector Accounting Standards Board
PWDs	Persons With Disabilities
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
SCTIFI	Sectoral Council on Trade, Industry, Finance and Investment
SEZ	Special Economic Zone
SEZA	Special Economic Zones Authority
WB	World Bank
WIP	Work in Progress



ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS....cont'd



1.2 Glossary of Terms

Comparative Year

Means the prior period.

Developer License

This is a license issued to a corporate entity engaged in the development of integrated infrastructure facilities on a designated special economic zone.

Enterprise License

This is a license issued to a corporate entity carrying out business in a special economic zone.

Fiduciary Management

Members of Management directly entrusted with the responsibility of financial resources of the organization

Operator License

This is a license issued to a corporate entity engaged in the management of a special economic zone.

Special Economic Zone

This is a designated and declared geographical area, whether public or private, gazetted for the purpose of undertaking SEZ activities while enjoying special economic regulations that differ from general trade, tax and investment rules.

SEZ



2. KEY AUTHORITY INFORMATION AND MANAGEMENT



2.1. Background Information

The Special Economic Zones Authority is a statutory body established under the Special Economic Zones Act No.16 of 2015 and is domiciled in Kenya.

Vision:

Globally competitive investment hubs for economic transformation.

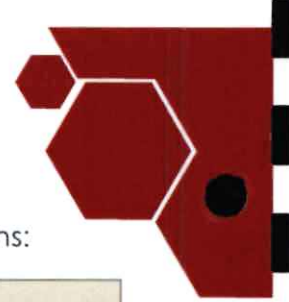
Mission:

To create a conducive environment for a globally competitive and sustainable investment destination through provision of an enabling policy, legal and institutional framework for economic transformation

2.2. Principal Activities

The principal activity/mandate of the Special Economic Zones Authority is to:

- i)** Implement the policies and programmes of the government with regard to special economic zones;
- ii)** Identify, map and, where necessary, procure or avail to developers and operators the areas of land to be, or which have been, designated as special economic zones;
- iii)** Determine investment criteria including investment threshold;
- iv)** Undertake or approve the development, operation or maintenance, as well as finance, appropriate infrastructure up to the perimeter of, or within, select special economic zones, as and when deemed necessary;
- v)** Review applications and grant licenses to special economic zone developers, operators and enterprises;
- vi)** Promote and market special economic zones to potential special economic zone entities;
- vii)** Administer "one-stop" Centre for investors;
- viii)** Make recommendations to the Cabinet Secretary on all aspects of designation, approval, establishment, operation and regulation of special economic zones.



2.3. Key Management

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

No.	Designation	Name
1.	Chief Executive Officer	Dr. Kenneth Chelule, PhD, EBS
2.	Director, Land and Infrastructure	Mr. David Kambo
3.	Corporation Secretary and Director, Legal Services	Ms. Daisy Ajima
4.	Manager, Finance & Accounts	CPA Benjamin Mutula
5.	Manager, Licensing	Mr. Ibrahim Issack
6.	Manager, HR and Administration	Mr. Shadrack Chando
7.	Manager, Supply Chain Management	Mr. Fredrick Otieno
8.	Manager, Business Development Services	Mr. Victor Mageto
9.	Ag. Manager, Strategy and Research	Mr. Francis Gitau

2.4. Fiduciary Management

The key management personnel who held office during the financial Year ended 30th June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Dr. Kenneth Chelule, PhD, EBS
2.	Director, Land and Infrastructure	Mr. David Kambo
3.	Corporation Secretary and Director, Legal Services	Ms. Daisy Ajima
4.	Manager, Finance & Accounts	CPA Benjamin Mutula
5.	Manager, Licensing	Mr. Ibrahim Issack
6.	Manager, HR and Administration	Mr. Shadrack Chando
7.	Manager, Supply Chain Management	Mr. Fredrick Otieno
8.	Manager, Business Development Services	Mr. Victor Mageto
9.	Ag. Manager, Strategy and Research	Mr. Francis Gitau
10.	Principal Marketing Officer	Mr. Ronald Kemboi
11.	Principal Internal Auditor	CPA Juliet Naisola Karori



2.5. Fiduciary Oversight Arrangements

The Authority has various fiduciary oversight arrangements. To facilitate the smooth running of its affairs, the Board of Directors has established the following Board Committees:

- i) Investment and Licensing Committee
- ii) Finance, Planning and Infrastructure Committee
- iii) Human Resource, Administration and Governance Committee
- iv) Audit and Risk Management Committee

2.6. Authority's Headquarters

8th Floor, Old Mutual Tower
Upper Hill Road
Nairobi, Kenya

2.7. Authority's Contacts

P.O Box 23722 – 00100
Nairobi, Kenya
Telephone: +254(0)20-7863971
Email: info@sezauthority.go.ke
Website: www.sezauthority.go.ke

2.8. Authority's Bankers

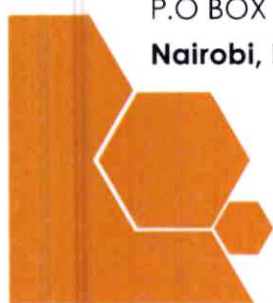
- (i) Kenya Commercial Bank
Upper Hill Platinum, KCB Towers
P. O. Box 48400-00100
Nairobi, Kenya
- (ii) National Bank of Kenya
National Bank of Kenya Building
Harambee Avenue
P.O BOX 72866-00200
Nairobi, Kenya

2.9. Independent Auditors

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

2.10. Principal Legal Adviser

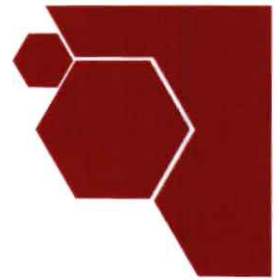
The Attorney General
State Law Office and Department
of Justice
Harambee Avenue
P.O. Box 40112 - 00200
Nairobi, Kenya



3. BOARD OF DIRECTORS



BOARD OF DIRECTORS...cont'd



MR. FRED MUTETI, EBS



Chairman

DoB: 25/04/1977

Mr. Fred Muteti is a university graduate with over 20 years of experience in leadership and project management in both public and private sectors. He has also worked in simultaneous multi-community mobilization initiatives.

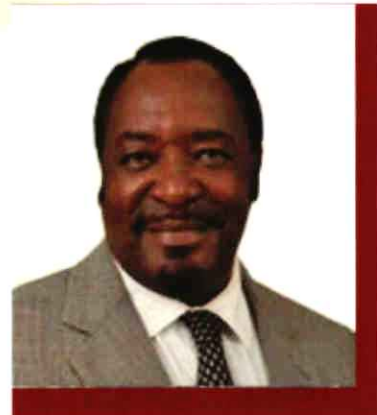
He has previously served as the chairman of the Board of Directors of Sports Kenya Board.

MR. JONATHAN N. CHIFALLU

Independent Director

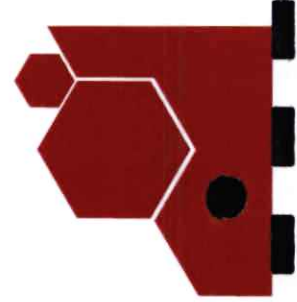
DoB: 12/09/1962

Mr. Jonathan Chifallu holds a Master of Science Degree in International Business Administration and a Master of Science Degree in Organizational Development & Leadership from the United States International University. He has previously worked as an Independent Consultant for DAI Global LLC 7600 Wisconsin Avenue, Bethesda, MD 20814 USA, under USAID E.A. as Trade Hub Trade Sector Country Specialist (Kenya). He has also worked at the



Export Processing Zones Authority rising through ranks to General Manager, Directorate of Investments & Corporate Communications. He is the chair of the Audit and Risk Management Committee and a member of the Investment and Licensing Committee.

BOARD OF DIRECTORS...cont'd



MR. JONATHAN S. P. COULSON

Independent Director

DoB: 05/02/1966

Mr. Jonathan Stewart Philip Coulson is a LLB degree holder. He is a practising Kenyan Advocate and enrolled as an English Solicitor (N.T Practising). He is a partner in Coulson Harney LLP, trappings as Bowmans Kenya. He is the Chairman, Ol Pejeta Conservancy Limited, Chairman Muthaiga Country Club, Director Old Mutual Insurance South Sudan Limited, Director Performing & Visual Arts Centre Limited trading



as the Godown Arts Centre and Trustee Old Mutual Foundation. His legal experience spans over 31 years. He has been director at Muthaiga Country Club for 24 years.

He is the chair of the HR, Administration and Governance Committee and a member of the Finance, Planning and Infrastructure Committee.

MR. ANTHONY WAINAINA

Independent Director

DoB: 27/09/1972



Mr. Anthony Wainaina holds a MSc in Marketing from University of Glamorgan, UK., B.Ed. Arts (Mathematics & Economics, Economics Major) from Kenyatta University and a Post Graduate Diploma, Chartered Institute of Marketing, UK. He has also done the Global CEO Africa Leadership Course from Strathmore Business School (Kenya).

He is a trustee board member of Producers Direct, and also a trustee board member of the Kenya Police Football Club. He has been a Founder and Director of several companies including Ponty Pridd Holdings Ltd, Quatrix Limited, E-tisha among others.

He has previously held senior positions in sales, marketing and business development departments in various companies including, KTDA, Kenchic Limited, Diageo UDV Kenya Ltd, and Coca Cola Nairobi Bottlers Ltd.

He is the chair of the Finance, Planning and Infrastructure Committee and a member of the HR, Administration and Governance Committee.

BOARD OF DIRECTORS...cont'd

MR. JOEL KIBE

Independent Director
(Appointed on 7th June 2024)

DoB: 31/03/1963

Mr. Joel Kibe holds a Bachelor of Arts (BA) in Economics from Moi university. Mr Kibe is a director at CMC holdings, Director and Chairman – Credible Sounds, Credible Electronics and Extreme Sounds and a Director at Mobicom Kenya Ltd. He is a member of council at the University of Nairobi.



He is a distinguished Kenyan executive with extensive experience spanning business leadership and international humanitarian efforts. His career showcases a blend of strategic management, logistical expertise, and a profound commitment to community and humanitarian service.

MR. HENRY A ONGICHO

Independent Director
(Appointment revoked on 7th June 2024)

DoB: 31/12/1968

Mr. Henry Asugah Ongicho holds a Bachelor of Law from the University of Nairobi and a Diploma in Law from the Kenya School of Law. He is an advocate of the High Court of Kenya, a certified member of the Chartered Institute of Arbitrators (CI Arb), an active member of the Law Society of



Kenya and one of the founding members of the Continuing Professional Development Program in the Law Society of Kenya organization. He is currently the Managing Partner in A. H. Malik and Company Advocates with over 25 years of practice.

He was the chair of the Investment and Licensing Committee and a member of the Audit and Risk Management Committee.

BOARD OF DIRECTORS...cont'd

MR. JOSEPH K. NGUYO



Alternate to Principal Secretary, State Department for Investment Promotion

DoB: 05/12/1970

Mr. Joseph K. Nguyo is a Senior Deputy Secretary and head of administration in the State Department for Investment Promotion.

He holds a Bachelor of Education Degree from Moi University and a Master of Business Administration (Strategic Management) from Dedan Kimathi Memorial University.

He has also studied other courses including Strategic Leadership Management and Senior Management course from Kenya School of Government and Strategic Leadership at Greta University in Kenya.

He is a member of the Finance, Planning and Infrastructure Committee, HR, Administration and Governance Committee, Investment and Licensing Committee and Audit and Risk Management Committee.

MR. EMMANUEL KITAKA

Alternate to the PS, The National Treasury

(Appointed on 28th March 2024)

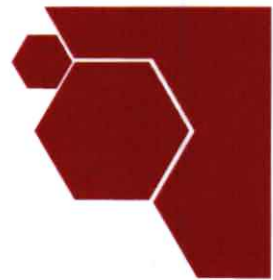
DoB:07/03/1994

Mr. Emmanuel Kitaka holds a Bachelor's degree in Economics and Finance from Kenyatta University and a Master of Arts in Economics from the University of Dar es Salaam. He is a Senior Economist at the National Treasury. He represents the Cabinet Secretary, National Treasury on the Public Investment Committee of Governance and Education in Parliament.



He has undertaken numerous management and professional training programs on public sector finance. He is a full member of the Economists Society of Kenya and an associate member of the Institute of Certified Investments and Financial Analysts of Kenya.

He is a member of the Investment and Licensing Committee, Finance, Planning and Infrastructure Committee, HR, Administration and Governance Committee and Audit and Risk Management Committee.



BOARD OF DIRECTORS...cont'd



HON. TIYAH GALGALO, MBS

Alternate to the Chairperson, National Land Commission

DoB: 12/11/1966

Hon. Tiyah Galgalo holds a Bachelor of Education from Kenyatta University and a Master of Educational Administration and Planning from the University of Nairobi. She is a Commissioner at the National Land Commission, Kenya. She is a former legislator, a seasoned public administrator, and an educationist. She has previously served as the Women Representative for Isiolo County, a Commissioner at Interim Independent Electoral Commission (IIEC) Kenya, a member of the National Commission on Gender and Development and a County Executive Committee member (CECM), in charge of public service & county administration, Tourism, Wildlife, Investment, Trade and Industry. She has also served as a Commissioner of Poverty Eradication Commission, an Emergency Educational Officer and the Principal, Isiolo Girls High School. She is a founder member of Foundation for Pastoralists Women Association (FOPOWA).

She is a member of the HR, Administration and Governance Committee and Licensing and Investment Committee.



MR. DAVID ONTWEKA

Alternate to the Commissioner General, Kenya Revenue Authority

DoB: 02/01/1967

Mr. David Ontweka holds a Bachelor of Social Legislation, Bachelor of Laws and Diploma in Law from the Kenya School of Law. He is an advocate of the High Court of Kenya, a certified public secretary, commissioner for oaths and notary public.

He is a member of the Law Society of Kenya, East Africa Law Society, Institute of Certified Public Secretaries of Kenya and Commonwealth Lawyers Association.

BOARD OF DIRECTORS...cont'd

He is currently the Acting Deputy Commissioner – Policy and International Affairs Division in the Customs and Border Control Department. He has previously served a Regional Manager Customs and Border Control, Head of litigation in tax, customs and excise disputes resolution and assistant commissioner, legal services.

He is a member of the Investment and Licensing Committee, Finance, Planning and Infrastructure Committee and Audit and Risk Management Committee.

MR. GUYO BORU

Alternate to the PS, The National Treasury
(Appointment revoked on 28th March 2024)

DoB:12/12/1979

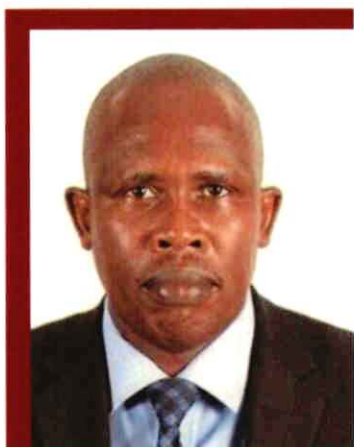
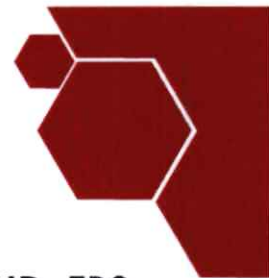
Mr. Guyo Boru holds a Bachelor of Science (Hons) and MBA-Finance from University of Nairobi, Master of Public Policy and Management from Strathmore University and CPA finalist. He has undertaken trainings in Public Finance Management, strategic governance and leadership both locally and internationally. He is the Fund Administrator of



Equalization Fund at the National Treasury and Planning. He has previously served with the office of controller of Budget, the Co-operative Bank of Kenya and Barclays Bank of Kenya (Absa Bank). He also serves in the Board of Sports, Arts and Social Development Fund as an alternate member to PS, National Treasury. Mr Boru has wealth of experience with career spanning over 16 years both in Corporate and public sector.

He was a member of the Investment and Licensing Committee, Finance, Planning and Infrastructure Committee, HR, Administration and Governance Committee and Audit and Risk Management Committee.

BOARD OF DIRECTORS...cont'd



DR. KENNETH CHELULE LANGAT, PHD, EBS
Chief Executive Officer & Secretary to the Board

DoB: 10/01/1971

Dr. Kenneth Chelule holds a PhD and a MSc in Mechanical Engineering from Staffordshire University in the United Kingdom and an Executive MBA from Jomo Kenyatta University of Agriculture and Technology.

He is an experienced professional with more than 20 years of expertise in industrial research,

technology transfer and MSME support. He has previously held the positions of Director of Partnership, Strategy, Research, and Resource Mobilization and Chief Research Scientist and Deputy Director at the Kenya Industrial Research and Development Institute (KIRDI). He has also previously worked for Johnson & Johnson (UK), Summit Medical (UK), and the University of Leeds (UK).

He is the accounting officer of the Authority and is responsible for communication and execution of the board's strategy.

MS. DAISY AJIMA

Corporation Secretary & Director, Legal Services

DoB: 25/04/1981

Ms. Daisy Ajima holds a Bachelor of Law (LLB) and Master of Law, LLM (International Trade and Investment Law) degrees from the University of Nairobi, and a Diploma in Law from the Kenya School of Law. She also holds CPA (Part II) and CPS (K). She is an Advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public,



Registered CPS and a Certified Governance Auditor. She is a member of the Law Society of Kenya and the Institute of Certified Secretaries of Kenya. She is responsible for providing board secretariat and legal services to the Authority.

4. KEY MANAGEMENT TEAM



Dr. Kenneth Chelule, PhD, EBS Chief Executive Officer

Dr. Kenneth Chelule holds a PhD and a MSc in Mechanical Engineering from Staffordshire University in the United Kingdom and an Executive MBA from Jomo Kenyatta University of Agriculture and Technology.

He is an experienced professional with more than 20 years of expertise in industrial

research, technology transfer and MSME support. He has previously held the positions of Director of Partnership, Strategy, Research, and Resource Mobilization and Chief Research Scientist and Deputy Director at the Kenya Industrial Research and Development Institute (KIRDI). He has also previously worked for Johnson & Johnson (UK), Summit Medical (UK), and the University of Leeds (UK).

He is the accounting officer of the Authority and is responsible for communication and execution of the board's strategy.

Ms. Daisy Ajima Corporation Secretary & Director, Legal Services

Ms. Daisy Ajima holds a Bachelor of Law (LLB) and Master of Law, LLM (International Trade and Investment Law) degrees from University of Nairobi, and a Diploma in Law from the Kenya School of Law. She also holds CPA (Part II) and CPS (K). She is an Advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public,



Registered CPS and a Certified Governance Auditor. She is a member of the Law Society of Kenya and the Institute of Certified Secretaries of Kenya.

She is responsible for providing board secretariat and legal services to the Authority.

KEY MANAGEMENT TEAM...cont'd



Mr. David Kambo **Director, Land & Infrastructure**

Mr. David Kambo holds a master's degree in City planning from the United States of America.

He is an experienced urban specialist and planner with a background in real estate, urban research, and infrastructure development. He has previously worked

on various large-scale urban mixed-use developments, special planning designations, and research programs in East Africa, the US, and Israel among others. He is responsible for implementing the Special Economic Zones infrastructure and programmes.

CPA Benjamin Mutula **Manager, Finance & Accounts**

CPA Benjamin Mutula holds a Master of Business Administration (Finance) from the University of Nairobi and a Bachelor of Arts (Economics and Business Studies) from Kenyatta University. He is a Certified Public Accountant of Kenya (CPA-K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) in good standing. He is responsible for efficient, effective and sustainable utilization of the Authority's

financial resources including budgeting, development and implementation of a financial management system, keeping proper books of accounts and timely financial reporting.



Mr. Ibrahim Ahmed Issack **Manager, Licensing**

Mr. Ibrahim Issack holds a Master of Business Administration (Strategic Management) from Kenyatta University and a Bachelor of Business Administration (Accounting) from Kampala International University.

He is responsible for reviewing applications and recommending granting of licences to operate in Special Economic Zones.



KEY MANAGEMENT TEAM...cont'd

Mr. Shadrack C. Mwamuye **Manager, HR & Administration**

Mr. Shadrack Mwamuye holds a Master of Business Administration (Strategic Management), a Bachelor of Business Management (HRM) and a Higher Diploma (HRM). He is a Member of the Institute of Human Resource Management and the Kenya Institute of Management.

He is responsible for ensuring that the Authority has the right and sufficient human resource to meet its objectives, providing guidance in the development, interpretation, implementation and review of human resource management and administration policies, standards, and guidelines.



Mr. Fredrick Otieno **Manager, Supply Chain Management**

Mr. Fredrick Otieno holds an MBA in Supply Chain Management and a Bachelor of Commerce in Finance from the University of Nairobi. He is a member of the Kenya Institute of Supplies Management and a licensed supplies practitioner. He is also a member of the Chartered Institute of Procurement and Supply (UK).

He is responsible for efficient and effective supply chain planning, procurement and disposal of goods and services.

Mr. Victor Mageto **Manager, Business Development Services**

Mr. Victor Mageto holds a Bachelor of Commerce (Hons) Degree from the University of Nairobi.

He is responsible for promoting and marketing Special Economic Zones, performing administrative services and administering "one-stop shops" in the Special Economic Zones.



KEY MANAGEMENT TEAM...cont'd



Mr. Francis Gitau
Ag. Manager, Strategy and Research

Mr. Francis Gitau holds Bachelor of Arts (BA-Honour's) and Master of Arts in Economics both from the University of Nairobi.

He is responsible for undertaking surveillance on Special Economic Zones and ensuring compliance to laid down standards, laws, and regulations.

Mr. Ronald Kemboi
Principal Marketing Officer

Mr. Kemboi holds a Master of Business Administration (Marketing and Management) from University of Eastern Africa, Baraton, and a Bachelor of Business from Edith Cowan University, Australia.

He is responsible for strategizing and implementing plans to attract investments, promote the zone's advantages through effective marketing and communication strategies.



CPA Juliet Naisola Karori
Principal Internal Auditor

CPA Juliet Karori holds a Master of Science in Oil and Gas Accounting from Robert Gordon University Aberdeen – United Kingdom and a Bachelor of Commerce in Finance from the University of Nairobi. She is a certified public accountant (CPA- K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IIA).

She is responsible for providing independent and objective audit and risk assurance.



5. CHAIRMAN'S STATEMENT



This year has been marked by significant achievements and notable challenges, reflecting both the resilience and dynamism of our economic landscape. Our zones have continued to serve as pivotal engines of industrial development, job creation, and technological advancement. To this end, the Special Economic Zones Authority (SEZA) made substantial strides in fostering economic growth and attracting investments.

The increased inflow of foreign direct investments (FDIs) has not only bolstered our economic base but has also facilitated knowledge transfer and innovation, enhancing our competitive edge in the global market. These investments have also boosted our industrial output and created thousands of jobs, providing livelihoods for many Kenyans, making our zones hubs driving forward Kenya's industrialization agenda.

We have initiated amendment of SEZ Act in order to improve our current business environment for investors operating in SEZs and boost investor confidence. These proposed amendments are expected to enhance investment and development, to make it competitive on the global stage. SEZA has also played an integral role in the regional development of East African Community (EAC) SEZ regulations. By participating in regional dialogues and collaborating with neighboring countries, we have contributed to the creation of a cohesive regulatory framework that facilitates cross-border trade and investment. These efforts have helped to harmonize standards, reduce barriers, improved ease of doing business and created a more integrated economic region,

CHAIRMAN'S STATEMENT...cont'd

benefiting all participating countries to a diversified economic portfolio.

At the African Economic Zones Organization (AEZO) conference held in Morocco, Kenya was honoured to host the 2024 AEZO conference in November. This prestigious event will bring together leaders, policymakers, and investors from across the continent and beyond. Hosting the AEZO conference is a testament to our commitment to strengthening our role as a major player in the region and solidifying our position as a premier investment destination.

Our focus in the coming year will be on enhancing infrastructure, expanding our industrial base, and fostering partnerships that drive sustainable development. By doing so, we aim to maintain our trajectory of growth and contribute significantly to the national economy.

I would like to thank partners, and our dedicated team for their support and commitment. Together, we will continue to create a prosperous economic future for our nation.



.....
Mr. Fred Muteti, EBS
Chairman

6. REPORT OF THE CHIEF EXECUTIVE OFFICER



It is with great pride and enthusiasm that I present the annual financial report of the Special Economic Zones Authority (SEZA). This past year has been transformative, marked by significant achievements that have strengthened our position as a leading driver of economic growth and development.

One of our most noteworthy accomplishments is the commissioning of a 66 KV power substation in Naivasha, by His Excellency the President. This substation offers power rates at Kshs 5 per KWH in the Naivasha SEZ, the lowest tariff in the country, significantly reducing operational costs for businesses and enhancing our zone's attractiveness to investors. This development is evidence of our commitment to providing competitive advantages to enterprises within SEZA.

We have also made substantial progress in attracting and licensing new businesses. Over the past year, we issued SEZ enterprise licenses to twenty -six investors, fostering a more diverse and dynamic economic environment.

Furthermore, the launch of the Jumbo AAA SEZ on April 24, 2024, graced by HE the President, marked a milestone in our expansion efforts, opening up new opportunities for industrial growth and employment.

In our pursuit of inclusivity and regional development, SEZA has gazetted two county-developed and operated SEZs in Homabay and Kirinyaga. These initiatives demonstrate our dedication to decentralizing economic activities and empowering local economies.

REPORT OF THE CHIEF EXECUTIVE OFFICER...cont'd

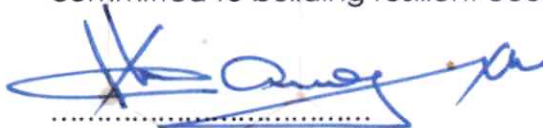
To support counties in setting up and efficiently run their SEZs, we launched virtual SEZ sensitization workshops, which have been instrumental in building local capacity and knowledge. Additionally, our online sensitization campaign with the Department of Diaspora has been particularly successful, with the first webinar attracting 60 participants, showcasing our global reach and appeal. Our strategic vision has been further solidified with the completion of our first draft strategic plan. This plan will guide our future actions and ensure that we continue to meet the evolving needs of our stakeholders.

To support our growing activities, we have strengthened our team by hiring twenty-three new staff members. This increase in human resources has improved our operational efficiency and enabled us to better serve our stakeholders.

While we have achieved a number of milestones this year, we also encountered a number of challenges such as rising operational costs and the need for continuous technological upgrades. However, our strategic initiatives and strong stakeholder collaborations have allowed us to navigate these challenges effectively.

As we look ahead, we remain steadfast in fostering a conducive business environment and fully supporting our investors. We are committed to driving sustainable economic growth and creating lasting value for all.

I extend my heartfelt gratitude to our dedicated team, partners, and our stakeholders for their unwavering support and collaboration. We at SEZA are committed to building resilient economic future for our country.



Dr. Kenneth Chelule, PhD, EBS
Chief Executive Officer



7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024

The Special Economic Zones Authority has Four (4) strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2023/2027. These strategic pillars/ themes/ issues are as follows:

Pillar 1: Enhance investments into the SEZs

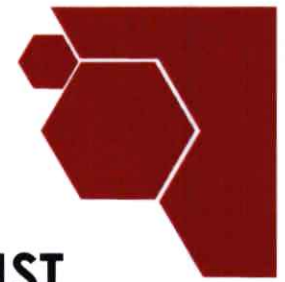
Pillar 2: Enhance SEZ integrated infrastructure development

Pillar 3: Strengthen Legal and Regulatory Framework for investment in SEZ

Pillar 4: Enhance the institutional capacity

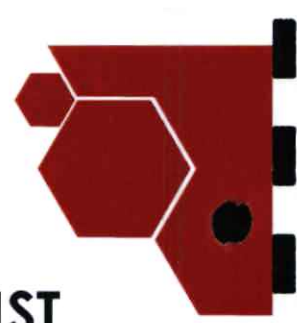
SEZA develops its annual work plans based on the above Four (4) pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2023/24 period for its Four (4) strategic pillars, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Investment Attraction	Increase investments by 20% annually	<ul style="list-style-type: none"> - Total Value of Investments Attracted - Number of investors licenced and onboarded into the SEZ program - Job Creation from New Investments - Infrastructure Development Linked to New Investments 	<ul style="list-style-type: none"> - Participate in Trade and Investment Missions - Develop and implement communication policy - Develop and implement marketing plan - Rebranding of SEZA Website - Website revamping 	<ul style="list-style-type: none"> - Kshs 71 Billion worth of investments into the SEZ program - 26 enterprises onboarded into the SEZ program - 1,913 jobs created by the onboarded SEZs - Draft Communication Policy developed - Draft Marketing Plan developed - Authority website revamped



STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024...cont'd

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Development of integrated infrastructure	Complete development of Naivasha SEZ I integrated infrastructure within 5 years	<ul style="list-style-type: none"> - Inspection and Certification of Infrastructure - Percentage of Infrastructure Completed - Progress on Key Milestones 	<ul style="list-style-type: none"> - Undertook the develop of Administration Block/One-Stop-Shop in NSEZ - Construction of Access road I to the Administration Block - Construction of Access road II to Jumbo AAA 	<ul style="list-style-type: none"> - 83% completion rate of the Administration Block / One-Stop-Shop at the Naivasha SEZ - 100% completion rate of the Access road I to the Administration Block at NSEZ - 95% completion rate of the Access road II at NSEZ
Legal and Regulatory Framework	<p>Strengthen the legal and regulatory framework</p> <p>Strengthen and promote investment facilitation and regulatory collaboration between agencies</p>	<ul style="list-style-type: none"> - Number of Policy Reforms Implemented - Number of Legal and Regulatory Reviews Conducted - Public Awareness Campaigns Conducted 	<ul style="list-style-type: none"> - Review the SEZ Act and Regulations - Undertake stakeholder sensitizations on the reforms - Participate in Regional and Continental SEZ policy formulation 	<p>The SEZ Authority:</p> <ul style="list-style-type: none"> - Reviewed the SEZ Act through proposed amendments. - The Authority participated in the development of the SEZ Regulations for the EAC at the SCTIFI in Arusha, Tanzania. - Held four public participation forums on the Strategic Plan and the SEZ Act Amendments.



STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024...cont'd

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Institutional Capacity Development	Attract, Recruit, and retain competent workforce - Strengthen organizational processes and systems - Nurture a culture of Excellence - Establish School of SEZ as the premier training institution on SEZ in Africa.	- Recruitment of employees - Employee Turnover Rate - Employee Satisfaction and Engagement Scores - Number of Professional Development Programs Offered	- Undertook the Recruitment of employees - Undertook an employee satisfaction survey - Provided staff with training and development programs	- SEZA recruited 22 new members of staff. - Undertook the Employee Satisfaction Survey that showed the satisfaction level was 76% - Undertook staff training - SEZA enhanced the skills of its staff through the undertaking of 95 training across various programs.



8. CORPORATE GOVERNANCE STATEMENT

8.1 Introduction

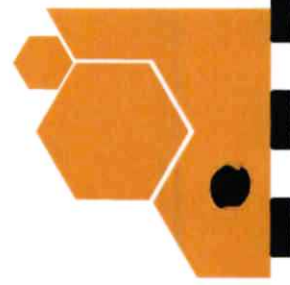
Corporate governance is the system of rules, practices and processes by which an organization is directed and controlled. This statement sets out the key components of The Authority's Corporate Governance Framework. The BOD notes that maintenance and consistent practice and application of good corporate governance practices is key to the long-term success of the Authority

The Board is committed and confirms compliance of all the relevant laws including the Special Economic Zones Act, 2015, and Special Economic Zones Regulations, 2016, Public Procurement and Asset Disposal Act 2015, Public Finance Management Act, 2012, Employment Act 2007 and other laws. As a State Corporation, the Board's decisions are guided by the core tenets prescribed in MWONGOZO, the Public Officers Ethics Act, and signed internal codes of conduct.

8.2 Board of Directors

The Board comprises of Ten (10) members; an independent and non-executive Chairman, an executive Chief Executive Officer, the Principal Secretary – State Department for Investment Promotion, three institutional representatives that is National Lands Commission (NLC), Kenya Revenue Authority (KRA) and National Treasury and four independent and non-executive directors. The Board collectively pools together vast experience in various relevant fields inter alia, Accounting, investment management, legal and Tax experts. With this, it is able to effectively ensure that the Authority establishes and maintains internal polices and controls that drive profitability and sustainable growth.

CORPORATE GOVERNANCE STATEMENT...cont'd



During the year there were four quarterly Board meetings held and four special board meetings to attend to urgent business. The attendance of the board meetings are as in the table below:

	September 22/09/2023 Q1	February 12/2/2024 Q2	February 14/02/2024 Q3	April 18/04/2024 Q4	Percentage Attendance
Mr. Fred Muteti	1	1	1	1	100%
Mr. Anthony Wainaina	0	0	1	1	50%
Mr. Philip Coulson	1	1	1	1	100%
Mr. Henry Asugah	1	1	1	1	100%
Mr. Jonathan Chifallu	1	1	1	1	100%
Hon. Tiyah Galgalo	0	1	1	1	75%
Mr. Guyo Boru	1	0	0	1	50%
Mr. Joseph Nguyo	0	0	1	1	50%
Mr. David Ontweka	1	1	1	1	100%
Abubakar Hassan Abubakar	0	1	0	0	25%
Dr. Kenneth Chelule	1	1	1	1	100%



CORPORATE GOVERNANCE STATEMENT...cont'd

8.3 Board Changes and board induction

During the year, two Directors retired being one independent Director and representative of the National Treasury. Board induction was conducted for the new Directors that encompassed training on Special Economic Zones, Mwongozo Training conducted by State Corporation Advisory Commission (SCAC) in collaboration with the Institute of Public Secretaries (ICS) and meeting senior management.

8.4 Authority and Delegation

To effectively execute its oversight role, the Board has established four (4) standing committees with specific delegated mandates. The Board Committees are run with clearly articulated terms of reference as approved by the Board of Directors. The committees are Finance, Planning and Infrastructure Committee (FPIC), Investment and Licensing Committee (ILC), Human Resource, Administration and Governance Committee (HRAG), Audit and Risk Management Committee (ARMC)

The licensing and investment committee is the technical committee of the Authority and its mandate includes investment promotion, approval of licenses and approval for land allocation in Naivasha Public SEZ.

8.5 Board Training

During the financial year, Board members have undergone training on Mwongozo organized by SCAC in collaboration with ICS. Other training conducted include training on Wealth Declaration organized by Public Service Commission (PSC), training on new guidelines on Management of State Corporations. The Audit Committee has undergone capacity Building training. The Board Secretariat has attended capacity building facilitated SCAC in collaboration with ICS.

CORPORATE GOVERNANCE STATEMENT...cont'd



8.6 Conflict of Interest and Declaration of Interest

The Directors are obligated to fully disclose to the Board any real or potential conflict of interest whether direct or indirect. Declaration of conflict of interest is a standing agenda item in all Board and Committee meetings prior to discussion of a substantive agenda. Directors are required to give advance notice of any conflict issues to the Chairman or Corporation Secretary and these are considered during the Board meeting. A Director must refrain from discussion or voting on matters of potential conflict of interest. This was strictly observed during the period.

8.7 Policies

During the year, the following policies have been tabled by Management before committee of the board for consideration: Conflict of Interest Policy, Legal Policy, Staff Induction Policy, Records Management Policy, Finance Policy and Procedures, Complaints Handling Policy, Supply Chain Management Policy, Land and Infrastructure Polices (Land Allocation Policy – Enterprises and Land Allocation Policy- Developers).

8.8 Board Effectiveness

The Board of Directors comprises of nine non-executive Directors and one executive Director, the Chief Executive Officer. This arrangement initiates the significance of impartiality in matters of corporate governance. It also ensures that the Board is free from undue influence on matters affecting the day to day running of the Authority. The annual Board evaluation exercise for the year 2023 was conducted in December 2023 by the State Corporation Advisory Committee.

8.9 Separation of Roles of the Board Chairman and CEO

In line with best practice of Corporate Governance, the positions of Chairman and CEO are held by separate persons, facilitating the balance of power and authority. The Chairman is responsible for the leadership of the Board, setting the tone of the corporate strategic direction, safeguarding shareholder value and oversight on the policies governing the business. The Managing Director & CEO has overall responsibility for the performance of the business and provides leadership in implementation of the Authority's strategy, policies, budget and procurement plan approved by the Board, optimization of financing and human capital as well as safeguarding the assets of the Authority.

9. MANAGEMENT DISCUSSION AND ANALYSIS

9.1 The Authority's Financial Performance

The Authority raised a total revenue of **KShs 142,449,777** in the financial year under review. Operating expenses during the year were **KShs.146,726,010** resulting to an operating deficit of **KShs.4,276,233**. The Authority's total assets as at the end of the financial year were **KShs.753,555,817**, with **KShs.76,710,835** liabilities and **KShs.676,844,982** net assets. The Authority's cash and cash equivalents as at the end of the year was **KShs.48,183,083** being cash held in the Authority's bank accounts.

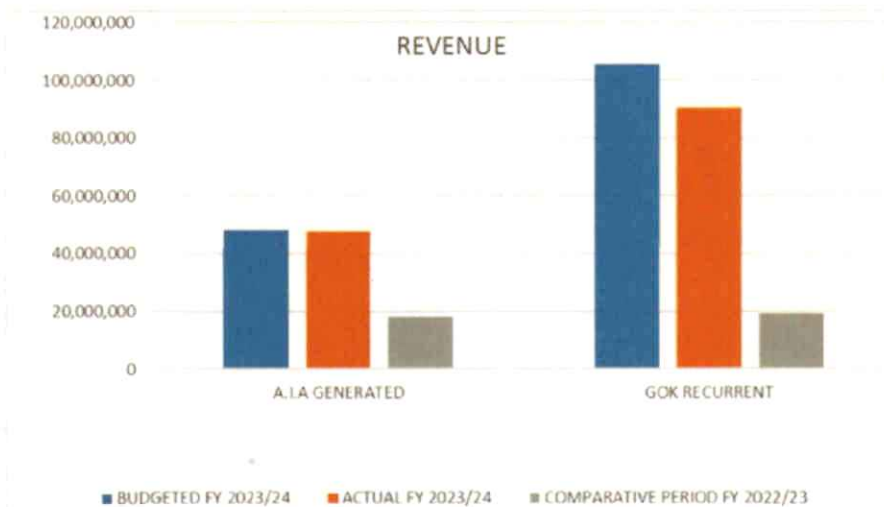


Figure1: Revenue graphical representation

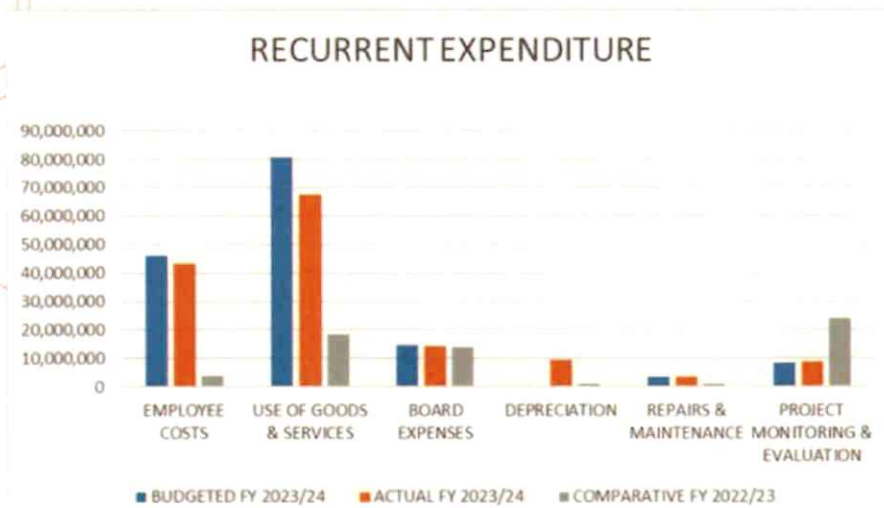


Figure2: Expenditure graphical representation



MANAGEMENT DISCUSSION AND ANALYSIS...cont'd

9.2 Authority's Compliance with Statutory Requirements

The Authority complied in all material respect with statutory requirements including remittance of all statutory deductions.

9.3 The Authority's Financial Probity and Serious Governance Issues

The Authority does not have any major financial improbity reported by the Board Audit and Risk Management Committee, external auditors or any other National Government Agency providing oversight. There are no serious governance issues including conflict of interest among the Board or member of the Board and top management.

9.4 Major Risks Facing the Authority

The Authority's is exposed to several internal and external risks that may affect achievement of its objectives.

In line with the guidelines provided by the Public Finance Management (PFM) Act 2012, Public Finance Management (PFM) Regulations 2015, and Mwongozo Code of Governance, the Authority is in the process of establishing an Enterprise Risk Management (ERM) Framework. The Framework will outline the risk management practices that mainly entail risk identification, analysis, assessment, monitoring and evaluation, and reporting. In setting the right risk management culture, the Board provides oversight. To this end, the Board approved the risk management policy and ensured the effectiveness of the measures undertaken to address risks, thus ensuring the Authority achieves its objectives.

Some of the identified major risks and their corresponding mitigation measures are highlighted in the table below.

MANAGEMENT DISCUSSION AND ANALYSIS...cont'd

S/No.	Risk Details	Likelihood	Impact	Overall Risk rating	Mitigation
1.	Inadequate human resource	3	3	9	As a short-term measure the Authority plans to onboard additional Public Service Interns Long-term recruitment plan in place
2.	Limited budget and delayed disbursement	3	3	9	Develop Funding strategy to capture diverse sources of funding
3.	Data security and privacy concerns.	3	3	9	Implement comprehensive ICT policy
4.	Lack of Technology Integration	3	3	9	Develop technology strategy aligned with the organization's activities
5.	Inadequate Risk Management Framework	2	3	6	Implement risk management policies and procedures
6.	Litigation against the Authority	3	3	9	Ensure compliance with applicable laws, regulations, and industry standards to mitigate legal and regulatory risks.
7.	Failure to adapt to Emerging Risks.	3	3	9	Monitoring and addressing emerging risks across the organization.
8.	Cyber Security threats	3	3	9	Implement robust network security systems
9.	Reputational damage to SEZA's image	3	3	9	Develop a communication policy to effectively respond to reputational threats and crisis
10.	Contractual Risk	3	3	9	Implement robust contract management framework

MANAGEMENT DISCUSSION AND ANALYSIS...cont

9.5 The Operational Performance Highlights

1) Staff Establishment

The Authority recruited twenty-two (22) new employees for various positions in the establishment during the year. The Authority closed the FY with twenty-five (25) officers in post, which includes two staff on deployment from MDAs. A total of twenty-one (21) interns and attachés were also onboarded during the year. JICA has continued to support the

Authority human resource capacity by deployment of three consultants. The Authority achieved the wage bill to revenue ratio of 31% by the close the financial year. The Authority acquired new office space during the period under review.



Board and Management Staff at the New Offices



PS Abubakar Hassan Abubakar opening the new SEZA Office on 8th Floor Old Mutual towers

MANAGEMENT DISCUSSION AND ANALYSIS...cont'd

ii) Digitization of Licensing Process

The licensing process has been successfully digitized through the transition to the E-Citizen online platform. This transformation includes several key steps: receiving applications, approving applications, invoicing, and payment.

Key Benefits of Digitization

a) Increased Efficiency: The transition to the E-Citizen online platform streamlines the licensing process, reducing the time required for application processing and approval.

b) Enhanced Accessibility: Applicants can submit and track their applications online from anywhere, at any time, making the process more convenient and accessible.

c) Cost Savings: Digitization reduces the need for physical paperwork and in-person visits, leading to significant cost savings for both applicants and the Authority.

d) Transparency and Accountability: The online platform provides a clear audit trail for each application, enhancing transparency and accountability in the licensing process.

e) Environmental Benefits: Reducing the reliance on paper-based processes contributes to environmental sustainability by lowering paper consumption and waste.

A globally **competitive** and **sustainable zone investments** in the region.

Special Economic Zones Authority
Introducing online SEZA services. Apply and pay for government approved SEZA services conveniently through your eCitizen account.

eCitizen
Access the Special Economic Zones Authority services using your eCitizen account

About SEZA
Established in 2015 by the Special Economic Zones Act No. 16. SEZA is responsible for attracting, facilitating and retaining domestic and foreign direct investments in Special Economic Zones (SEZs). The Authority serves as the regulator of both public and private SEZs in Kenya and exists to create an enabling environment for investors through the development of integrated infrastructure facilities, as well as the creation of incentives that eliminate the barriers to doing business in Eastern Africa's most vibrant economic hub.

A snippet of the digital platform <https://seza.ecitizen.go.ke/>

iii) Licences Issued in the Year

During the Financial Year 2023/2024, the Authority issued licences as summarised in the table below.

License Category	Description	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative for the Year
Developer	New	3	3	2	5	13
	Renewal	4	3	-	1	8
	Total	7	6	2	6	21
Operator	New	2	4	2	4	12
	Renewal	3	2	-	1	6
	Total	5	6	2	5	18
Enterprise	New	4	6	9	7	26
	Renewal	8	7	7	5	27
	Total	12	13	16	12	53

iv) Naivasha Special Economic Zone Project

Construction of the on-site office consisting of a One Stop Centre and Administration Building & Boundary Wall.

Construction of the One-Stop Centre/administration building, and boundary wall was at 83% as of 30th June 2024. The boundary wall is built to completion. The main building works have completed walling to the final floor level, with internal fittings ongoing.



The One-Stop Shop/Administration Building under construction

The generator/ powerhouse construction works are at 85% completion, with external finishes ongoing. Civil and landscaping works were descoped following the public works project financial appraisal and subsequent advice on retaining the project scope and deliverables within the original contract sum of **KShs. 443,526,087.**

The project funds drawdown stands at **KShs.315,448,882** against a projected final account of **KShs. 443,526,087**. This translates to payments of 71%.



The Generator/Power house under construction



The gate under construction



Ongoing fitting of windows



Ongoing tiling of internal common areas

v)Construction of Access Road No. 2.

Construction of the Access Road No. 2 started on 16th January 2024, with a contract period of 252 days (6 months), and at a contract sum of KShs. 100,641,950.00 under the supervision of the State Department for Public Works.

The project is 95% complete with snags for corrective works and road marking on going. The project funds drawdown stands at Kshs. 62,946,173 which translates to 63%.



Completed and marked road section of the Access Road 2 leading to Jumbo AAA SEZ Ltd



Completed Pedestrian footpath, side drain, shoulder and Concrete pavement

vi) Launch of the On-Site Power Sub-Station

During a visit to the Naivasha SEZ on 13th January, 2024 H.E. the President launched the 90MW power sub-station in the zone. The power sub-station is expected to meet the investors power requirements in the medium-term.



The power sub-station at the Naivasha SEZ



H.E. The President Dr. William Ruto inspecting the power sub-station at the Naivasha SEZ

vii) Investor Site Mobilisation & Pipeline

Jumbo AAA Holding (SEZ) Ltd who is the first investor to set-up in the zone commenced operations on 24th April 2014, with the official launch officiated by H.E the President.



Jumbo AAA Holdings (SEZ) Ltd site at the Naivasha SEZ.



H.E. The President Dr. W. Ruto launching Jumbo AAA Holdings (SEZ) Ltd operations at Naivasha SEZ

During his visit to the Naivasha SEZ, H.E. the president also issued licenses to 6 other investors establishing their operations within the zone.



H.E. The President Dr. William Ruto issuing a license to an investor at the Naivasha SEZ

viii) Business Development and Investor Facilitation

In FY 2023/24, SEZA continually undertook investor facilitation and business development services for the induction of more in Naivasha SEZ through the following approaches:

ix) Regular Investor Site Tours

SEZA took investors to site on guided tours to appreciate the opportunities within Naivasha SEZ. These investor visits served as a direct promotional channel between SEZA and investors.



Investor site visit at Naivasha Special Economic Zone



TAD Motors SEZ Ltd site tour at Naivasha SEZ

x) Inter-Agency Facilitation Meetings

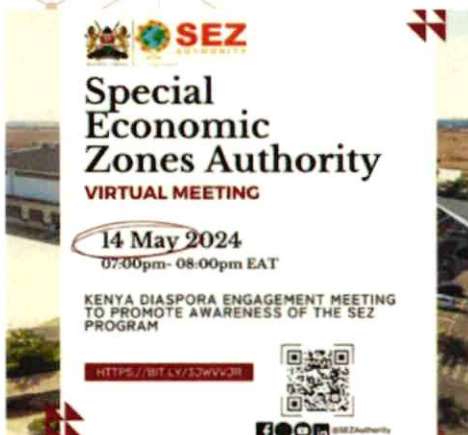
SEZA convened support meetings for Naivasha SEZ investors with relevant government agencies to streamline processes, resolve hurdles, and ensure efficient service delivery to investors. This collaborative platform fostered a coordinated approach to support 6 investors inducted during H.E the President's visit in January, 2024.



Inter-agency facilitation meeting convened by SEZA

xi) Investor Sensitization Forums

SEZA utilized digital platforms to conduct online sensitization forums for the promotion of Naivasha SEZ, disseminating information about investment opportunities, incentives, and regulatory frameworks applicable to this zone.



Virtual sensitization meeting convened by SEZA for investors

xii) Dongo Kundu Special Economic Zone

The Contract for the proposed One-Stop Shop Administration Block & Boundary wall for Special Economic Zones Authority (SEZA) at Dongo Kundu Industrial Park was signed on 30th October, 2020. The site was handed over to the contractor on 7th April, 2022. The delay was caused by the presence of project affected persons (PAPs) on site and were to be compensated.

The Construction began two weeks after the site handover however, the rate of construction has been very low thus contributing to the delay in project completion.

State Department of Public works gave the contractor termination notice due to poor quality of work and delay in project execution. The contract period expired on 20th April, 2023 and it was agreed that it should not be renewed. The Authority sought the opinion of the Attorney General who advised that the subject contract had expired by effluxion of time and therefore there is nothing to extend.

The Authority received the final account of works done to date for the Dongo Kundu Project on 20th June 2024. This included the final payment certificate which was valued at Kshs. 3,490,460.23 and was paid out to the contractor. The Authority has also engaged with KPA to begin the handing over process of the project.

Special Economic Zones Authority's role remains as an investment's facilitator and regulator of the Dongo Kundu SEZ activities.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

10.1. Sustainability Strategy and Profile

The Special Economic Zones Authority (SEZA) is committed to fostering sustainable economic growth by integrating environmental stewardship, social responsibility, and economic viability into its operations. SEZA has developed and is implementing its 2023-2027 strategic plan that will give directions to its operation, guide investment attraction, and drive sustainable economic development in Special Economic Zones across the country.

10.2. Environmental Performance

The SEZ Authority:

i) Environmental Impact: SEZA participated in the National Tree Planting Initiatives in Irangi Forest-Embu County, Eno Supukia Forest Block-Narok County and Tatu City-Kiambu County, demonstrating a commitment to environmental sustainability and climate change mitigation. Tree planting Initiative took place between 13th November 2023 and 10th May, 2024 with the Authority planting 12,000 tree seedlings.

ii) ESG Model Recognition: Tatu City SEZ and Konza City SEZ were identified as a model for ESG. It was recognized as one of nine African ESG model SEZs by the United Nations Conference on Trade and Development (UNCTAD) during the 8th Africa Economic Zones Organization (AEZO) Annual Meeting in Morocco in November 2023.

iii) Project Sustainability: Ensured sustainable development practices in project implementation through regular monitoring and evaluation, maintaining high standards of environmental and social responsibility. The projects including the construction of the One-Stop-Shop/Administration Building, 1.2km Access Road I, 360m access road II at the Naivasha SEZ, ensuring sustainable development practices are adhered to.

iv) Strategic Alignment: Aligned the Authority's strategic initiatives with national development goals (Kenya Vision 2030 MTP IV and BETA), ensuring that sustainable development is a core component of the Authority's long-term vision.

10.3. Employee Welfare

The Authority undertook an employee satisfaction survey that showed the satisfaction level was 88%. The Authority also undertook skill gap analysis and staff training need assessment and ensured that all employees were accorded training opportunity. The Authority also undertook induction of all the newly appointed staffs and provided medical, group life and GPA/WIBA insurance covers for the board and staffs.

10.4. Market place practices

10.4.1. Responsible competition practice.

SEZA ensured responsible competition practices through:

i) Anti-Corruption Measures:

a) **Code of Conduct:** SEZA established a robust code of conduct and ethics that all employees are required to adhere to. Additionally, the authority has adopted the code of conduct issued by PPRA for its suppliers. These codes explicitly prohibit corrupt practices such as bribery, embezzlement, and kickbacks. In order to enforce anticorruption measures, the authority has established corruption prevention committee.

b) **Training and Awareness:** Regular training and awareness programs was conducted to educate employees about the risks of corruption and how to prevent it. These included training on the organization's policies and legal obligations.

c) **Due Diligence:** Prior to engaging with contractors, suppliers, or partners, SEZA conducted due diligence checks to ensure that these entities have a clean track record regarding corruption.

10.4.2. Responsible Supply chain and supplier relations

SEZA's efforts in maintaining good business practices and treating suppliers responsibly were as follows:

i) Transparent Contracting:

SEZA initiated supplier relationships through transparent and fair contracting processes by advertising all tender opportunities through PPIP. All contracts with suppliers were based on clear and mutually agreed-upon terms and

conditions, including pricing, delivery schedules, and quality standards.

ii) Adherence to Contractual Agreements:

SEZA consistently honoured all contractual agreements with its suppliers. This involved fulfilling its obligations as stipulated in the contracts, such as timely acceptance of goods and services, and compliance with agreed-upon quality standards.

iii) Timely Payment:

The Authority recognized the importance of timely payment to its suppliers. Payment terms were established and strictly followed, ensuring that suppliers received payments promptly upon the completion of contractual milestones or delivery of goods and services.

iv) Effective Communication:

SEZA maintained open and effective lines of communication with its suppliers. Regular updates on order status, changes in requirements, and any potential delays were provided. Similarly, suppliers were encouraged to communicate any challenges or issues they encountered, ensuring a collaborative approach to problem-solving.

v) Dispute Resolution Mechanisms:

SEZA adhered to the dispute resolution mechanism provided by PPRA. that clearly defined dispute resolution mechanisms. In instances where disputes arose, negotiations, mediation, or arbitration were employed to reach fair and mutually acceptable solutions, allowing for the swift resolution of issues.

vi) Supplier Diversity and Inclusion:

The Authority actively promoted supplier diversity by seeking out and supporting suppliers from underrepresented groups i.e., PWDs, youths and women. This commitment to inclusivity in the supply chain enhanced SEZA's reputation and contributed to broader social responsibility goals.

The authority awarded Ksh 120,540,545 worth of tenders to youth, women and persons living with disabilities

vii) Legal Compliance:

Throughout FY 2023/24, SEZA maintained strict adherence to all relevant local and international laws and regulations governing supplier relationships. This included compliance with PPAD Act, anti-corruption laws, labour laws, and fair-trade practices.

10.4.3. Responsible Marketing and Advertisement

The Authority's efforts in maintaining ethical marketing practices were as follows:

i) Transparency in Information Sharing:

SEZA prioritized transparency in all its marketing communications. Information provided to stakeholders, including investors, partners, and the public, is accurate, complete, and not misleading and in line with the Authority's Citizens Service Delivery Charter.

ii) Honesty and Integrity:

SEZA adhered to the highest standards of honesty and integrity in its marketing practices. All statements, claims, and representations are truthful and reflect the actual capabilities and performance of the organization.

iii) Feedback and Responsiveness:

SEZA actively sought and valued feedback from stakeholders and customers. The Authority responds to feedback promptly and uses it to improve its marketing strategies and practices.

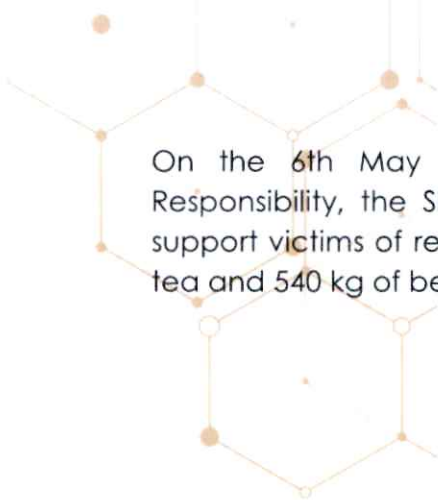
10.5. Corporate Social Responsibility / Community Engagements

The SEZ Authority participated in the National Tree Planting initiative at Irangi Forest, Embu County, led by Hon. Rebecca Miano, EGH, Cabinet Secretary for Ministry of Investments, Trade, and Industry. In following up on the activities undertaken in Embu, the SEZ Authority led by CEO Dr. Kenneth Chelule, PhD, EBS, also played their part during the Initiative Nationally led by H.E President William Ruto, with the tree planting event taking place at Tatu City.

This highlighted the individual and collective contribution to mitigating climate change, underscoring the commitment to environmental sustainability and aligns with broader national efforts in combating climate change.



The CS, PS and SEZ Authority staff planting trees during the Tree Planting Initiative in Irangi Forest in Embu County



On the 6th May 2024, in its ongoing commitment to Corporate Social Responsibility, the SEZA joined Hon. Rebecca Miano, EGH, in a relief effort to support victims of recent floods in Nairobi. The Authority donated 300 packets of tea and 540 kg of beans to those affected by the floods.



11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024, which show the state of the Authority's affairs.

11.1. Principal Activities

The principal activities of the Authority are;

- To implement policies and programs of Government with respect to special economic zones.
- To grant licenses to special economic zones.
- To approve or undertake the development, operation or maintenance of appropriate infrastructure for public special economic zones.
- To perform all administrative business regulations and services in relation to the designated special economic zones, as and when deemed necessary.
- To establish and enhance inter-agency collaboration among relevant state agencies to ensure compliance with all applicable laws.
- To recommend suspension / cancellation of license's for developers in violation of the Act.
- To regulate, implement, monitor and supervise all aspects of the special economic zones programme.
- To regulate the access of non - licensed service providers from the customs territory as may be required in order to service individual enterprises.

11.2. Results

The results of the Authority for the year ended June 30, 2024, are set out on page 1 to 6.

11.3. Directors

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

REPORT OF THE DIRECTORS...cont'd

11.4. Surplus remission

In accordance with Regulation 219 (2) of the Public Finance Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

The Authority did not make any surplus during the year (FY 2022/2023 KShs Nil) and hence no remittance to the Consolidated Fund.

11.5. Auditors

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

By Order of the Board.



Dr. Kenneth Chelule, PhD, EBS

Chief Executive Officer/Secretary to the Board

Date: 27/9/2024

12. STATEMENT OF DIRECTORS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 24 of the Special Economic Zones Act No.16 of 2015 require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2024. 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 Authority;
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) Safeguarding the assets of the Authority
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the State Corporations Act Cap 446 and the Special Economic Zones Act No.16 of 2015. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2024, and of the Authority's financial position as at that date.

STATEMENT OF DIRECTORS RESPONSIBILITIES....cont'd

The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on 25th September 2024 and signed on its behalf by:



.....
Mr. Fred Muteti, EBS
Chairman of the Board
Date: ..27/9/2024..



.....
Dr. Kenneth Chetule, PhD, EBS
Chief Executive Officer
Date: ..27/9/2024..

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON SPECIAL ECONOMIC ZONES AUTHORITY OR THE YEAR ENDED 30 JUNE, 2024

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.
- 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 Special Economic Zones Authority set out on pages 1 to 29, which comprise of the statement of financial position

as at 30 June 2024, statement of performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Special Economic Zones Authority as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Special Economic Zones Act and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unconfirmed Property, Plant and Equipment (PPE) Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.666,650,819 as disclosed in Note 18 to the financial statements. However, as reported previously, the balance excludes the value of land parcels in Naivasha and Dongo Kundu Industrial parks. Although Management indicated that the title of the parcel of land where Dongo Kundu Special Economic Zone is located is in the name of the Kenya Ports Authority, the ownership documents for the land parcel were not provided for review.

In the circumstances, the accuracy, existence and fair statement of the property, plant and equipment balance of Kshs.666,650,819 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of Special Economic Zones Authority 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. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.38,697,173 as disclosed in Note 19 to the financial statements. However, included in this balance is Kshs.10,277,559 which was overdue for over two(2) years. Failure to settle the debts when they fall due may attract interest hence affect the operations of the entity if the suppliers stop supplies due to non-payment of debts when they fall due.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs 153,370,000 and Kshs.142,449,777 respectively resulting in an under-realization of Kshs.10,920,223 of the budget. However, the Authority spent an amount of Kshs.146,726,010 against actual receipts of Kshs.142,449,777 resulting in an over-utilization of Kshs.4,276,233 of actual receipts.

The under-realization and over-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

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 matter described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters above, provide the basis for my audit opinion on the accompanying financial statements.

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 and Report on Lawfulness and Effectiveness in use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues or given any explanation for failure to implement the recommendations.

Other Information

The Directors are responsible for the other information set out on page vi to Xlix which comprise of Key Authority Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Authority'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.

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, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 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, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Understaffing of the Authority

Review of the Authority's personnel records revealed that there is an approved establishment of ninety-nine (99) members of staff. However, the Authority has only twenty-four (24) staff members in post resulting in an under-staffing of seventy-five (75)

In the circumstances, the effectiveness of service delivery to the public could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the 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 are responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 for 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 IFPP 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

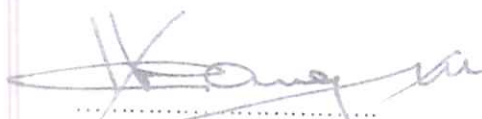
Nairobi

27 December, 2024

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2023-2024 KShs	2022-2023 KShs
Revenue from Non-Exchange Transactions			
Transfers from other governments entities	6	90,370,000	19,160,000
Deferred Income		-	24,107,311
Donations	7	4,299,050	-
Total Revenue from Non-Exchange Transactions		94,669,050	43,267,311
Revenue from Exchange Transactions			
Other income/Licenses and permits	8	47,780,727	18,173,912
Total Revenue from Exchange Transactions		47,780,727	18,173,912
Total Revenue		142,449,777	61,441,223
Expenses			
Employee Costs/Staff Allowances	9	43,302,243	3,900,870
Use of Goods and Services/General Expenses	10	57,706,876	18,379,625
Board Expenses	11	14,144,643	13,752,348
Depreciation	12	9,440,936	957,808
Repairs and Maintenance	13	3,511,662	1,093,085
Project M&E Costs	14	8,619,650	24,107,311
Total Expenses		146,726,010	62,191,047
Deficit for the Year		(4,276,233)	(749,824)

The notes set out on pages 7 to 28 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 29 were signed on behalf of the Board of Directors by:



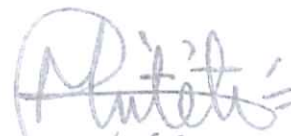
Dr. Kenneth Chelote, PhD, EBS
Chief Executive Officer

Date: 27/9/2024



CPA Benjamin Mutula
Manager, Fin & Accounts

ICPAK M/No: 8913
Date: 27/09/2024



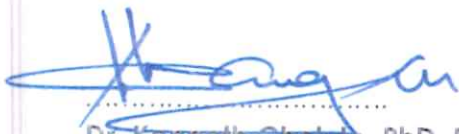
Mr. Fred Muteti, EBS
Chairman of the Board

Date: 27/09/2024

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Notes	2023-2024 KShs	2022-2023 KShs
Assets			
Current Assets			
Cash and Cash Equivalents	15	48,183,083	135,077,237
Receivables	16	34,561,670	1,697,500
Prepayments	17	4,160,245	-
Total Current Assets		86,904,998	136,774,737
Non-Current Assets			
Property, Plant & Equipment/WIP	18	666,650,819	496,929,797
Total Non-Current Assets		666,650,819	496,929,797
Total Assets		753,555,817	633,704,534
Liabilities			
Current Liabilities			
Payables	19	38,697,173	14,982,092
Contractors Retention	20	37,433,662	46,521,227
Provisions	21	580,000	580,000
Total Current Liabilities		76,710,835	62,083,319
Net Assets		676,844,982	571,621,215
Reserves			
Accumulated Surplus		20,691,255	24,967,488
General Fund		656,153,727	546,653,727
Total Reserves		676,844,982	571,621,215

The Financial Statements set out on pages 1 to 29 were signed on behalf of the Board of Directors by:



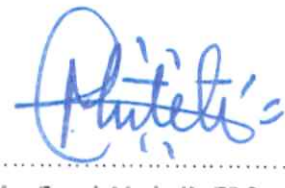
Dr. Kenneth Cheture, PhD, EBS
Chief Executive Officer

Date: 27/9/2024



CPA Benjamin Mutula
Manager, Fin & Accounts
ICPAK M/No: 8913

Date: 27/09/2024



Mr. Fred Muteti, EBS
Chairman of the Board

Date: 27/09/2024

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2024

Description	Accumulated Surplus	Capital/ Development Grants	Total
	KShs	KShs	KShs
Balance as at July 1,2022	25,717,312	546,653,727	572,371,039
Deficit for the year	(749,824)		(749,824)
Balance as at June 30,2023	24,967,488	546,653,727	571,621,215
Balance as at July 1,2023	24,967,488	546,653,727	571,621,215
GoK Development Grants Received		109,500,000	109,500,000
Deficit for the year	(4,276,233)	-	(4,276,233)
Balance as at June 30,2024	20,691,255	656,153,727	676,844,982

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

		2023-2024	2022-2023
	NOTES	KShs	KShs
Cash Flows from Operating Activities			
Receipts			
Transfer from Other Government Entities (GoK Recurrent Grants)	6	75,308,330	17,462,500
Receipts from other operating activities - Licenses	8	47,780,727	18,173,912
Total Receipts		123,089,057	35,636,412
Payments			
Employee Costs/Staff Allowances	9	36,780,689	2,415,647
Use of Goods and Services/General Expenses	10	72,856,082	17,799,625
Board Expenses	11	14,144,643	13,563,457
Repairs and Maintenance	13	3,325,366	1,093,085
Project M&E Costs	14	8,373,522	24,107,311
Total Payments		135,480,302	58,979,125
Net Cash Flows from Operating Activities		(12,391,245)	(23,342,713)
Cash Flows from Investing Activities			
Cash used on Non-Current Assets	18	(164,502,909)	(100,751,362)
Net Cash Flows from Investing Activities		(164,502,909)	(100,751,362)
Cash Flows from Financing Activities			
GoK Development Grants Received		90,000,000	-
Net Cash Flows from Financing Activities		90,000,000	-
Net Increase/(Decrease) in Cash and Cash equivalents		(86,894,154)	(124,094,075)
Cash and Cash Equivalents at 1 July	15	135,077,237	259,171,312
Cash and Cash Equivalents at 30 June	15	48,183,083	135,077,237

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT JUNE 30, 2024

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% of Utilization
	KShs	KShs	KShs	KShs	KShs	%
Revenue						
Government Grants and Subsidies	90,370,000	15,000,000	105,370,000	90,370,000	(15,000,000)	86%
Other Income - Licenses and Land Lease Fees	30,000,000	18,000,000	48,000,000	47,780,727	(219,273)	99%
Donations	-	-	-	4,299,050	4,299,050	-
Total Income	120,370,000	33,000,000	153,370,000	142,449,777	(10,920,223)	92%
Expenses						
Employee Costs	50,184,170	(4,000,000)	46,184,170	43,302,243	2,940,484	94%
Use of Goods and Services	59,967,330	20,675,450	80,642,780	67,706,876	12,935,904	83%
Board Expenses	6,018,500	8,481,500	14,500,000	14,144,643	355,357	98%
Depreciation	-	-	-	9,440,936	-	-
Repairs and Maintenance	1,200,000	2,408,050	3,608,050	3,511,662	96,388	97%
Project M&E Costs	3,000,000	5,435,000	8,435,000	8,619,650	22,678	99%
Total Expenditure	120,370,000	33,000,000	153,370,000	146,726,010	16,350,811	
Surplus/(Deficit) for the period				(4,276,233)		

Notes to the Statement of Comparison of Budget and Actual Amount

- The GoK recurrent grants of KShs 125,000,000 allocated during FY 2023/2024 Supplementary Budget II had not been received by 30th June 2024. The board had approved utilization of KShs.15 million of these funds during the FY 2023/2024 and defer KShs. 110 million to the next financial year.
- Other income includes A-in-A raised through issuing of licenses, leasing of land at the Naivasha SEZ less foreign exchange loss incurred as at the reporting date.
- Employee costs represents only a portion of the FY since most of the staff were recruited in the middle of the reporting period.
- Budget utilization under use of goods and services is within the allocated budget. Part of the budget was utilized for acquisition of non-financial assets like furniture and computers which are reported in the statement of financial position.

Notes to the Statement of Comparison of Budget and Actual Amount...cont'd

5. Board expenses include expenditure by the board on activities outside the regular scheduled meetings including sitting in during recruitment of senior management staff, official events requiring board participation like presidential events, public participation events and visits to existing and potential special economic zones.
6. Depreciation, being a non-cash expense, was not included in the cash budget. The expenditure represents depreciation for furniture and fittings, computers, office equipment and completed road infrastructure in the Naivasha SEZ.
7. Repairs and maintenance costs include repair of office premises, furniture and fittings and office equipment.
8. Project monitoring and evaluation costs includes expenses related to the Authority's ongoing projects and evaluation visits to potential SEZs as well as monitoring visits for compliance.



19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Special Economic Zones Authority is established by and derives its authority and accountability from the Special Economic Zones Act, 2015. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is to attract, facilitate and retain domestic and foreign direct investments in the Special Economic Zones in Kenya through creation of an enabling environment, incentives and development of integrated infrastructure.

2. Statement of Compliance and Basis of Preparation

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

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

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

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.

There were no new and amended standards issued in the financial year.

NOTES TO THE FINANCIAL STATEMENTS...cont'd

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Standard	Effective Date and Impact
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an entity.</p> <p>The new standard requires entities to recognize, measure and present information on right of use of assets and lease liabilities.</p> <p>This has no impact in the Authority's financial statements.</p>
<p>IPSAS 44: Non-Current Assets Held for sale and Discontinued Operations.</p>	<p>Applicable 1st January 2025</p> <p>The standard requires;</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>This has no impact in the Authority's financial statements.</p>

NOTES TO THE FINANCIAL STATEMENTS...cont'd

Standard	Effective Date and Impact
<p>IPSAS 45 - Property Plant and Equipment</p>	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

NOTES TO THE FINANCIAL STATEMENTS...cont'd

Standard	Effective Date and Impact
IPSAS 47 - Revenue	Applicable 1st January 2026 This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48 - Transfer Expenses	Applicable 1st January 2026 The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49 - Retirement Benefit Plans	Applicable 1st January 2026 The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

iii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS...cont'd

4. Summary of Significant Accounting Policies

a) Revenue Recognition

i) Revenue from Non-Exchange Transactions

Transfers from Other Government Entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from Exchange Transactions

License Fees

The entity recognizes revenues from license fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that

would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Land Lease Income

Land lease income arising from operating leases on the Special Economic Zone is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2023/2024 was approved by the Board of Directors on 22/09/2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority recorded additional appropriations of KShs 33,000,000 on the 2023/2024 budget following the board's approval.

NOTES TO THE FINANCIAL STATEMENTS...cont'd

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under No. 11, page 2 of these financial statements.

c) Taxes

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 Authority operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

NOTES TO THE FINANCIAL STATEMENTS...cont'd

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.

d) Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

NOTES TO THE FINANCIAL STATEMENTS...cont'd

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

NOTES TO THE FINANCIAL STATEMENTS...cont'd

Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS...cont'd

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

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

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

Inventories are recognized as an expense when deployed for utilization

or consumption in the ordinary course of operations of the Entity.

j) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented- in the statement of financial performance net of any reimbursement.

k) Contingent Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS...cont'd

l) Contingent Assets

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

m) Nature and Purpose of Reserves

The Authority creates and maintains reserves in terms of specific requirements.

n) Changes in Accounting Policies and Estimates

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

o) Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of

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

p) Related parties

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

q) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS...cont'd

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.

r) Comparative Figures

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

s) 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, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and Assumptions

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

circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful Lives and Residual Values

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

a) The condition of the asset based on the assessment of experts employed by the Authority.

NOTES TO THE FINANCIAL STATEMENTS...cont'd

- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset.

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 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Transfer from other Government Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income (KShs)	Total grant income during the year	2023-2024	2022-2023
			KShs	Kshs
State Department for Industry	-	-	-	15,277,500
State Department for Investment Promotion	90,370,000	90,370,000	90,370,000	3,882,500
Total	90,370,000	90,370,000	90,370,000	19,160,000

These are GoK recurrent grants received from the exchequer through the State Department for Investment Promotion.

NOTES TO THE FINANCIAL STATEMENTS...cont'd

7. Donations

Description	2023-2024	2022-2023
	KShs	KShs
Donations	4,299,050	-
Total	4,299,050	-

These are donations in kind of assets purchased by JICA for the Authority's office use.

8. Other Income/License & Permits

Description	2023-2024	2022-2023
	KShs	KShs
Income from License Fees	35,946,309	12,505,240
Income from Land Lease Fees	12,192,635	5,375,880
Foreign Exchange Gain/(Loss)	(358,217)	292,792
Total Other Income	47,780,727	18,173,912

This is internally generated revenue through charging of licence fees, land lease fees and foreign exchange gain or loss.

9. Employee Costs/Staff Allowances

Description	Period ended 30 th June 2024	Period ended 30 th June 2023
	KShs	KShs
Basic Pay	26,458,723	-
House allowance	3,797,492	-
Commuter allowance	1,005,138	-
Leave Allowance	2,366,611	-
Telephone Allowance	895,545	-
Acting Allowance	-	594,565
Extraneous Allowance	438,064	-
Internship Allowance	-	125,000
Other Allowances	986,000	-
Employer Contribution to NSSF	294,951	-
Employer Contribution to AHL	525,265	-
Provision for Gratuity Payable	5,711,292	-
Provision for Employer Contribution to Pension	810,262	-
NITA	12,900	-
Accrued Salary Arrears	-	1,485,223
Recruitment Expenses	-	1,696,082
Total Employee Costs	43,302,243	3,900,870

NOTES TO THE FINANCIAL STATEMENTS...cont'd

10. Use of Goods and Services/General Expenses

	Period ended 30 th June 2024 KShs	Period ended 30 th June 2023 KShs
Rent	18,584,780	-
Electricity	51,214	-
Staff Medical Insurance	2,868,108	-
Staff WIBA & Group Life Insurance	1,589,141	-
General Asset Insurance	44,367	-
Procurement Expenses	2,330,479	-
Stationery & General Office Supplies	724,253	3,536,405
Printing & Publishing	77,050	-
Office Relocation Expenses	861,683	-
Computer/Printer Accessories	156,811	-
MV Expenses – Fuel & Lubricants	740,000	1,487,080
Bank Charges	168,654	23,984
Hospitality Service and Supplies	1,240,857	1,829,175
Newspapers and Periodicals	44,736	-
Communication, Supplies & Services	959,910	1,481,300
Staff Recruitment Expenses	5,904,278	-
Staff Induction Expenses	1,814,914	-
Staff Training	3,632,107	1,075,588
Staff Welfare	238,800	-
Staff Uniform & Corporate Wear	116,000	-
Staff Membership to Professional Bodies	67,560	-
Local Travel and Subsistence Allowances	5,189,000	5,300,163
Foreign Travel and Subsistence Allowances	-	2,664,767
Presidential directive – Tree Planting	1,412,600	-
SEZ Act/Regulations Public Participation	2,477,948	-
International Investment Promotion	6,900,187	-

NOTES TO THE FINANCIAL STATEMENTS...cont'd

Use of Goods and Services/General Expenses...cont

	Period ended 30 th June 2024	Period ended 30 th June 2023
	KShs	KShs
Membership to International Bodies	80,426	-
Marketing Materials	1,557,818	-
Local Investment Promotion Forums	1,622,452	-
Financial Planning & Management (MTEF)	796,060	-
Audit Expenses	951,600	580,000
Advertising	-	401,163
Strategic Plan Development	3,434,531	-
Cleaning Services	956,669	-
Internet Services	111,883	-
Total Use of Goods and Services	67,706,876	18,379,625

11. Board Expenses

Description	2023-2024	2022-2023
	KShs	KShs
Chairperson Honoraria & Telephone Allowance	1,044,000	1,005,557
Sitting Allowances	6,841,835	5,557,870
Travel and Subsistence Allowances	4,598,227	7,188,921
Board Training	1,086,176	-
Board Insurance	574,405	-
Total Board Expenses	14,144,643	13,752,348

12. Depreciation

Description	2023-2024	2022-2023
	KShs	KShs
Property, Plant and Equipment	9,440,936	957,808
Total Depreciation	9,440,936	957,808

NOTES TO THE FINANCIAL STATEMENTS...cont'd

13. Repairs and Maintenance

Description	2023-2024	2022-2023
	KShs	KShs
R&M – Motor Vehicles	732,862	1,093,085
R&M – Furniture & Fittings	5,750	-
R&M – Office Premises	2,773,050	-
Total Repairs and Maintenance	3,511,662	1,093,085

14. Project M&E/Feasibility Costs

Description	2023-2024	2022-2023
	KShs	KShs
Project Monitoring & Evaluation Costs/Feasibility	6,389,783	24,107,311
Pre-licensing Inspection Costs	2,229,867	-
Total	8,619,650	24,107,311

15. Cash and Cash Equivalents

Description	2023-2024	2022-2023
	KShs	KShs
Current account	48,183,083	135,077,237
Total cash and cash equivalents		135,077,237

Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account Number	2023-2024	2022-2023
		KShs	KShs
Current account			
Kenya Commercial Bank	1223099725	7,333,741	(2,540,920)
National Bank of Kenya (Dollar)	02071231597300	4,237,582	33,556,932
National Bank of Kenya (Kshs)	01071231597300	36,611,760	104,061,225
Grand Total		48,183,083	135,077,237

NOTES TO THE FINANCIAL STATEMENTS...cont'd

16. Receivables from non-exchange Transactions

Description	2023-2024		2022-2023	
	Kshs		Kshs	
GoK Recurrent Grants - State Department for Investment Promotion	15,061,670		1,697,500	
GoK Development Grants - State Department for Investment Promotion	19,500,000		-	
Total Receivables from Non- Exchange Transactions	34,561,670		1,697,500	
Ageing Analysis- Receivables from Non- Exchange Transactions	2023-2024	% of the total	2022-2023	% of the total
Less than 1 year	34,561,670	100%	1,697,500	100%
Between 1-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
Total	34,561,670		1,697,500	

Description	2023-2024		2022-2023	
	KShs		KShs	
At the beginning of the year	1,697,500		-	
Additional provisions during the year	34,561,670		1,697,500	
Recovered during the year	(1,697,500)		-	
Written off during the year	-		-	
At the end of the year	34,561,670		1,697,500	

The GoK Recurrent Grants of KShs 15,061,670 and GoK Development Grants of KShs 19,500,000 receivable were received on 8th July 2024 and 9th July 2024 respectively.

17. Prepayments

Description	2023-2024		2022-2023	
	Kshs		Kshs	
Medical Insurance	2,034,234		-	
General/Asset Insurance	603,388		-	
Group Life Insurance	949,868		-	
WIBA/GPA	572,754		-	
Total Prepayments	4,160,245		-	

NOTES TO THE FINANCIAL STATEMENTS...cont'd

These are the apportionments of insurance premiums paid within the year but relating to the FY 2024/2025.

18. Property, Plant and Equipment

	Furniture and Fittings	Computers	Office Equipment	Road Infrastructure	Work in Progress	Total
Cost	KShs	KShs	KShs	KShs	KShs	KShs
Balance as at 30 th June 2022	1,519,063	2,303,770	-	-	384,594,523	388,417,356
Additions during the Year	-	-	-	-	110,598,928	110,598,928
Balance as at 30 th June 2023	1,519,063	2,303,770	-	-	495,193,451	499,016,284
Additions during the Year	9,120,983	5,627,450	173,800	220,644,933	164,239,725	399,806,891
Reclassification during the Year	-	-	-	-	(220,644,933)	(220,644,933)
Balance as at 30 th June 2024	10,640,046	7,931,220	173,800	220,644,933	438,788,243	678,178,242
Depreciation						
Balance as at 30 th June 2022	(290,286)	(838,394)	-	-	-	(1,128,680)
Depreciation for the year	(189,883)	(767,923)	-	-	-	(957,806)
Balance as at 30 th June 2023	(480,170)	(1,606,317)	-	-	-	(2,086,487)
Depreciation for the year	(1,330,006)	(2,573,082)	(21,725)	(5,516,123)	-	(9,440,936)
Balance as at 30 th June 2024	(1,810,176)	(4,179,399)	(21,725)	(5,516,123)	-	(11,527,423)
Net Book Value						
Balance as at 30 th June 2024	8,829,870	3,751,821	152,075	215,128,810	438,788,243	666,650,819
Balance as at 30 th June 2023	1,038,893	697,453	-	-	495,193,451	496,929,797

Furniture & fittings and office equipment, computers and road infrastructure have been depreciated at 12.5 %, 33.33% and 2.5% straight line method respectively.

Work in progress comprises of construction works for Access Road 2 and Administration Block/One-Stop Shop and boundary wall at the Naivasha SEZ and Administration Block/One-Stop Shop and boundary wall at the Dongo Kundu SEZ.

NOTES TO THE FINANCIAL STATEMENTS...cont'd

19. Payables

Description	As at 30 th June 2024		As at 30 th June 2023	
	KShs		KShs	
Trade Creditors	21,898,060		13,307,973	
Salary Arrears Payable	-		1,485,223	
Honoraria Arrears Payable	-		188,896	
Accrued Gratuity Payable	5,711,292		-	
Accrued Pension Payable	810,262		-	
Withholding Tax	10,277,559		-	
Total	38,697,173		14,982,092	
Ageing analysis: (Trade and other payables)	As at 30th June 2024	% of the Total	As at 30th June 2023	% of the Total
Under one year	28,419,614	74%	14,982,092	100%
1-2 years	-	0%	-	0%
2-3 years	10,277,559	26%	-	0%
Over 3 years	-	0%	-	0%
Total	38,697,173		14,982,092	

These are expenses incurred during the year under review but remained outstanding as at 30th June 2024.

20. Contractors' Retention

PROJECT NAME	2023-2024	2022- 2023
	KShs	KShs
Administration Block/One-Stop shop and Boundary wall-Naivasha SEZ	25,182,797	25,182,797
Access road, Bridge crossing and River protection-Naivasha	-	20,137,714
Administration Block/One-Stop shop and Boundary wall-Dongo Kundu SEZ	3,590,179	1,200,716
Access Road 2 – Naivasha SEZ	8,660,686	-
Total	37,433,662	46,521,227

21. Provisions

Description	2023-2024	2022-2023
	KShs	KShs
Provision for Audit Fees	580,000	580,000
Total	580,000	580,000

NOTES TO THE FINANCIAL STATEMENTS...cont'd

22. Cash Generated from Operations

	2023-2024	2022-2023
	KShs	KShs
Surplus/(Deficit) for the Year	(4,276,233)	(749,824)
Adjusted for:		
Depreciation	9,440,936	957,808
Working Capital Adjustments		
Decrease (Increase) in receivables	(32,864,170)	(1,697,500)
Decrease in deferred income	-	(24,107,311)
Increase in Payables	15,308,222	13,677,837
Net Cash Flow from Operating Activities	(12,391,245)	(11,918,990)

23. Related Party Disclosures

Nature of Related Party Relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the entity, holding 100% of the entity's equity interest. Other related parties include:

- i)The Parent Ministry;
- ii)County Governments
- iii)Other SCs and SAGAs
- iv)Key management;
- v)Board of directors;

The following transactions were carried out with related parties

	2023-2024	2022-2023
	Kshs	Kshs
a) Grants /Transfers from the Government		
Recurrent Grants from National Govt	90,370,000	19,160,000
Development Grants from National Government	109,500,000	-
b) Key management compensation		
Directors' emoluments	14,144,643	13,752,348
Compensation to key management	25,701,111	2,079,788
Total	239,715,754	34,992,136

NOTES TO THE FINANCIAL STATEMENTS...cont'd

24. Events after the Reporting Period

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

25. Ultimate and Holding Entity

The entity is a State Corporation under the State Department for Industrialization. Its ultimate parent is the Government of Kenya.

26. Currency

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

20. APPENDICES

APPENDIX I: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S 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)
1.	<p>The value of Property, Plant and Equipment in the financial statements excluded the value of land parcels in Naivasha and Dongo Kundu SEZs.</p> <p>Ownership documents for the land parcel where the Dongo Kundu SEZ is located were not available for review.</p>	<p>The process of valuation of Naivasha SEZ land is on-going.</p> <p>SEZA has sought support from the State Department for Land for valuation of the parcel of land.</p> <p>The decision to allocate SEZA the Dongo Kundu SEZ Land has been reversed through another executive order.</p>	<p>Not Resolved</p> <p>Resolved</p>	30 th June 2026
2.	<p>Delay in project completion of Administration Block/ One -Stop Shop and Boundary Wall at Naivasha Industrial Park</p>	<p>The project was affected by lack of budgets in FY 2022/2023</p>	<p>Not Resolved</p>	30 th June 2026

Dr. Kenneth Chelule, PhD, EBS

Chief Executive Officer

Date: 27/9/2024

APPENDIX II: PROJECTS IMPLEMENTED BY SPECIAL ECONOMIC ZONES AUTHORITY

Projects implemented by the Authority funded by development partners and/or the Government.

Project Title	Project Number	Donor	Period/Duration	Donor Commitment	Separate Donor Reporting Required as per the Donor Agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Proposed Administration Block & Boundary Wall at Naivasha Industrial Park- Nakuru County	W.P Item No. D117 RV/NKU 1902 JOB NO. 10504B.	GoK	52 Weeks	N/A	No	Yes
Proposed Access Road No.2 For Special Economic Zones Authority at Naivasha Industrial Park In Nakuru County	WP ITEM NO. D117 RV/NKU/ 2301 JOB NO. 10504C	GoK	36 Weeks	N/A	No	Yes
Proposed Administration Block and Boundary Wall For Special Economic Zones Authority at Dongo Kundu Industrial Park, Mombasa	W.P ITEM NO D117 CO/MSA 1902 JOB NO. 10676A	GoK	52 Weeks	N/A	No	Yes

APPENDIX III: STATUS OF PROJECT COMPLETION IN TERMS OF EXPENDITURE

SN	Project	Total Project Cost	Total Expended to Date	Completion % to Date	Budget	Actual	Sources of Funds
W.P Item No. D117 RV/NK U 1902 JOB NO. 10504B.	Proposed Administration Block & Boundary Wall at Naivasha Industrial Park- Nakuru County	443,526,087	315,448,882	69%	443,526,087	315,448,882	GoK
WP ITEM NO. D117 RV/NK U/ 2301 JOB NO. 10504C	Proposed Access Road No.2 For Special Economic Zones Authority (Seza) At Naivasha Industrial Park In Nakuru County	100,641,950.00	62,946,173.00	95%	100,641,950.00	62,946,173.00	GoK
W.P ITEM NO D117 CO/MS A 1902 JOB NO. 10676A	Proposed Administration Block And Boundary Wall For Special Economic Zones Authority (Seza) At Dongo Kundu Industrial Park, Mombasa	803,562,822.00	35,901,790.23	8%	803,562,822.00	35,901,790.23	

APPENDIX IV: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the Funds	Date Received as per Bank Statement	Nature: Recurrent / Devt' / Others	Total Amount (KShs)	Where Recorded/Recognized					Total Transfers During the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Rec.	Others	
State Dept. for Investment Promotion	29/08/2023	Recurrent	15,061,666	15,061,666					15,061,666
State Dept. for Investment Promotion	28/09/2023	Recurrent	7,530,833	7,530,833					7,530,833
State Dept. for Investment Promotion	06/12/2023	Recurrent	7,530,833	7,530,833					7,530,833
State Dept. for Investment Promotion	17/01/2024	Recurrent	15,061,666	15,061,666					15,061,666
State Dept. for Investment Promotion	24/01/2024	Development	30,000,000		30,000,000				30,000,000
State Dept. for Investment Promotion	08/02/2024	Recurrent	7,530,833	7,530,833					7,530,833
State Dept. for Investment Promotion	04/03/2024	Recurrent	7,530,833	7,530,833					7,530,833
State Dept. for Investment Promotion	14/03/2024	Development	41,666,667		41,666,667				41,666,667
State Dept. for Investment Promotion	24/04/2024	Recurrent	7,530,833	7,530,833					7,530,833

APPENDIX IV: TRANSFERS FROM OTHER GOVERNMENT ENTITIES...cont'd

Name of the MDA/Donor Transferring the Funds	Date Received as per Bank Statement	Nature: Recurrent / Devt / Others	Total Amount (KShs)	Where Recorded/Recognized					Total Transfers During the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Rec.	Others	
State Dept. for Investment Promotion	24/04/2024	Development	18,333,333	18,333,333					18,333,000
State Dept. for Investment Promotion	28/05/2024	Recurrent	7,530,833	7,530,833					7,530,833
State Dept. for Investment Promotion	08/07/2024	Recurrent	15,061,670	15,061,670					15,061,670
State Dept. for Investment Promotion	09/07/2024	Development	19,500,000		19,500,000				19,500,000
Total			199,870,000	90,370,000	109,500,000				199,870,000



APPENDIX V: Inter-Entity Confirmation Letter

Name of Transferring Entity: State Department for Investment Promotion

Name of Beneficiary Entity: Special Economic Zones Authority

Confirmation of Amounts Received by Special Economic Zones Authority as at 30th June 2024					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
	29/08/2023	15,061,666		15,061,666	
	28/09/2023	7,530,833		7,530,833	
	11/12/2023	7,530,833		7,530,833	
	17/01/2024	15,061,666		15,061,666	
	24/01/2024		30,000,000	30,000,000	
	08/02/2024	7,530,833		7,530,833	
	04/03/2024	7,530,833		7,530,833	
	14/03/2024		41,666,667	41,666,667	
	24/04/2024	7,530,833		7,530,833	
	24/04/2024		18,333,333	18,333,333	
	28/05/2024	7,530,833		7,530,833	
	08/07/2024	15,061,670		15,061,670	
	09/07/2024		19,500,000	19,500,000	
Total		90,370,000	109,500,000	199,870,000	

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

Head of Accounts Department: State Department for Investment Promotion

Name Sign Date.....

Head of Accounts Department: Special Economic Zones Authority

Name Bayani Muter Sign [Signature] Date 27/09/2024

APPENDIX VI: REPORTING OF CLIMATE RELEVANT EXPENDITURES

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
National tree planting Campaign under Presidential programme.	Observing Kenya's National Tree planting Day.	Accelerate Restoration of forests and Increase Kenya's forest cover by planting 15billion trees by 2032.	Active involvement of individuals, government agencies and communities across the country in tree planting exercise.	-	789,500	-	623,900	GoK recurrent	GoK Communities in Kenya

APPENDIX VII: REPORTING ON DISASTER MANAGEMENT EXPENDITURE

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-Programme	Disaster Type	Disaster Category (Response/ Recovery/ Mitigation/ Preparedness)	Expenditure Item	Amount (KShs)	Comments
Investment Development and Promotion	Special Economic Zones	Floods	Response	Food Donation	149,100	540 Kgs of beans and 300 packets of tea leaves.