

REPUBLIC OF KENYA



*Paper laid by the
Leader of Majority
on 06/06/2018
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REPORT

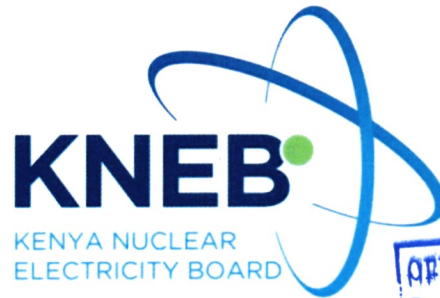
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA NUCLEAR ELECTRICITY
BOARD**

**FOR THE YEAR
ENDED 30 JUNE 2017**



KENYA NUCLEAR ELECTRICITY BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

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I. KEY INFORMATION AND MANAGEMENT

(a) Background information

The Nuclear Electricity Project Committee was established under the aegis of the Ministry of Energy through The Kenya Gazette Notice No. 14188 of 19th November 2010. NEPC has since been transformed into a statutory body under the State Corporations Act (Cap 446) through Legal Notice No. 131 dated 16th November 2012.

It was hereinafter renamed Kenya Nuclear Electricity Board (KNEB). Its raison d'etre is to realize Kenya's Vision 2030 by fast tracking the development of nuclear power in order to enhance the production of affordable and reliable electricity.

(b) Principal Activities

Mandate: To fast track the development of nuclear electricity generation in Kenya.

Vision: Safe, efficient and reliable nuclear technology for electricity generation.

Mission. To promote safe and secure application of nuclear technology for sustainable electricity generation and distribution in Kenya

Core Values: Safety & Security, Clean Environment Integrity, Professionalism, Transparency and Accountability, Innovation, Efficiency.

The KNEB has the following functions;

- I. To promote and expedite the development of nuclear electricity in Kenya
- II. Undertake public education and awareness on Kenya's nuclear power programme; Identify, prepare and facilitate the implementation of a roadmap for a nuclear power programme;
- III. In collaboration with relevant Government agencies, develop a comprehensive legal and regulatory framework for nuclear electricity generation in Kenya; Develop a human resource capacity to ensure Kenya has the requisite manpower to successfully establish and maintain a nuclear power programme;
- IV. Identify appropriate sites in Kenya for the construction of nuclear power plants and related amenities;
- V. Enter into collaborative programme's related to nuclear electricity research and development with other international and national organizations; Establish a library and information Centre on nuclear science and technology, and
- VI. Perform any other duties which may be necessary for the execution of its mandate under this Order

Headquarters

P.O. Box 26374-00100
Kawi House
South C-Red cross Road, Behind Boma Hotel
Nairobi, KENYA

Contacts

Telephone: (254) 020 2219407

E-mail: info@nuclear.co.ke

Website: www.nuclear.co.ke

Bankers

1. Kenya Commercial Bank
Moi Avenue Branch
Po Box 48400-00100
Nairobi
2. Co-operative Bank of Kenya
Mombasa Road Branch
P O Box 48231-00100
Nairobi
3. CFC Stanbic Bank
International Life House Branch
P O Box 30550-00100
Nairobi
4. NIC Bank
Harambee Avenue Branch
P O Box 44599-00100
Nairobi
5. Chase Bank
City Centre Branch
P O Box 66049-00800
Nairobi
6. Family Bank
Industrial Area Branch
P O Box 74145-00200
Nairobi

Independent Auditors

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

Principal Legal Adviser

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

(c) Key Management

The Board's day-to-day management is under the following Key organs;

1. The Chief Executive Officer
2. Various Heads of Department

(d) Fiduciary Management

The key management personnel who held office during the financial year Ended 30th June 2015 and who had direct fiduciary responsibility were:

No	Designation	Name
1	Cabinet Secretary, Ministry of Energy and Petroleum	Hon. Charles Keter
2	Principal Secretary, Ministry of Energy and Petroleum	Eng: Joseph Njoroge
3	Principal Secretary, National Treasury	Dr.Kamau Thugge

(e) Fiduciary Oversight arrangements

1. The Board Audit & Risk Committee
2. The Board Finance and General purpose committee
3. Parliamentary oversight committees
4. Inspectorate of State Corporations
5. International Atomic Energy agency
6. Office of the Auditor General

II. BOARD OF DIRECTORS

The Following Board Members Held Office in the period under Review

Name	Notes
1.Mr.Henry Rotich, EGH	Cabinet Secretary, National Treasury
2.Prof.Githu Muigai	Attorney General
3. .Dr.Eng.Joseph Njoroge	Principal Secretary, Ministry of Energy & Petroleum
4.Prof.Colleta Suda	Principal Secretary, State Department of Science and Technology
5.Ms Teresia Mbaika	Appointed Board Member 2 nd October 2015
6.Dr.Josephine Sinyo	Appointed Board Member 2 nd October 2015
7.Dr.Anderson Kipkoech	Appointed Board Member 2 nd October 2015 and Exited on 10 th May 2017
8.Mr.Stephen Karanja	Appointed Board Member 2 nd October 2015
9.Mr.Ernest Orito	Appointed Board Member 2 nd October 2015

CABINET SECRETARY-NATIONAL TREASURY



Mr. Henry Rotich, E.G.H.

Born in 1969, Mr. Rotich has a Master's Degree in Public Administration (MPA) from the Kennedy School of Government at Harvard University, and a Master's Degree – Economics and Bachelor's Degree Economics (First Class Honours) from the University of Nairobi.

He was previously the Head of Macroeconomics in the National Treasury, and has also served as an Economist with the International Monetary Fund (IMF), Nairobi Office. Mr. Rotich joined the Board of KNEB upon his appointment as the Cabinet Secretary to the National Treasury on 15th May, 2013.

ATTORNEY GENERAL-STATE LAW OFFICE



Prof. Githu Muigai

Prof. Githu Muigai has over 35 years' experience in the practice of law in Kenya and in East Africa. Prof. Muigai holds LLB and Ph.D. degrees from the University of Nairobi and an LLM Degree from Columbia University School of Law, New York. He was called to the Bar in 1985. In addition to the practice of law he is an Associate Professor of Public law in the School of Law of the University of Nairobi (currently on leave of absence). He has also published extensively in the areas of international law, arbitration and human rights and has previously worked as a consultant to various international organizations, including the African Union, United Nations Development Programme, the World Bank and the International Committee of the Red Cross.

He has a wide range of areas of practice which include Commercial Litigation and Arbitration, Constitutional and Administrative Law, Information and Communications Technology Law, Insurance and Banking Law, Investments Law, Mergers & Acquisitions Law, Public and Private International Law, Public Procurement Law.

He is a Fellow of the Chartered Institute of Arbitrators (UK) and a member of the American Association of Trial Lawyers, Institute of Public Secretaries, Law Society of Kenya, East African Law Society, Council of Legal Education, International Commission of Jurists, International Bar Association and the Commonwealth Lawyers Association.

Prof. Githu Muigai was sworn as Attorney General of the Republic of Kenya on the 23rd August 2011. Article 156 (4) of the Constitution stipulates the roles of the Attorney General, critical amongst which is his role as Principal Legal Advisor to the Government of the Republic of Kenya.

PRINCIPAL SECRETARY, MINISTRY OF ENERGY & PETROLEUM



Dr. Eng. Joseph Njoroge

Dr. Eng. Njoroge is the Principal Secretary, State Department of Energy in the Ministry of Energy & Petroleum. He holds a PhD in Business Administration from the University of Nairobi and an MBA with a major in Strategic Management. He also holds a First Class Honours Degree in Electrical Engineering.

He is a registered Consulting Engineer, a Chartered Engineer, a member of the Institution of Engineering & Technology (UK) and a fellow of the Institute of Engineers of Kenya. He is also a member of the Institute of Directors of Kenya and a trainer in corporate governance. He is the former Managing Director of Kenya Power & Lighting Company Limited, the country's transmitter, distributor and retailer of electricity, a position he held for six years. Dr. Eng. Njoroge is a distinguished Electrical Engineer with a career spanning over three decades.



Prof. Colette Suda

PRINCIPAL SECRETARY-STATE DEPARTMENT OF SCIENCE AND TECHNOLOGY

Collette Suda, an associate professor of sociology, is a well-respected Kenyan sociologist with a wealth of research experience in issues of gender and development, children in especially difficult circumstances, social development, agricultural/rural development and community development.

Prof Suda earned her PhD in rural sociology from the University of Missouri-Columbia in 1986. She also holds an MSc in rural sociology and an MSc in community development from the same university.



Mr George Muthemba

ALT. TO PRINCIPAL SECRETARY- NATIONAL TREASURY

Born in 1959, Mr. Muthemba holds Bachelor of Commerce degree with a CPA(K). He has a wide experience in Government Accounting and Budgeting, and actively involved in the development of PFM Act, 2012 and PFM Regulation, 2015.



Ms. Belinda Kiilu

ALT. TO ATTORNEY GENERAL-STATE LAW OFFICE

Born 1981, Ms. Kiilu, is an advocate of the High Court of Kenya and is currently a Senior State Counsel in the Office of the Attorney General and Department of Justice, with experience in advising the Government on its transactions, commercial contracts as well international negotiations. She holds a Bachelor Of Law (LLB) degree from University of Nairobi. She is a member of the Law Society of Kenya.



Mr. John Omenge

ALT. TO PRINCIPAL SECRETARY, MINISTRY OF ENERGY & PETROLEUM

Mr. Omenge, born in 1961, holds a BSc degree in Geology from the University of Poona, India and MSc Mineral Exploration and Mining Geology from Leicester University, UK. He is the alternate director to the Principal Secretary, Ministry of Energy & Petroleum and is currently the Chief Geologist at the Ministry of Energy & Petroleum. He is a Fellow Member of the Geological Society of Kenya and Registered Geologist by the Geologists Registration Board of Kenya. Mr. Omenge has worked for 30 years as a Geologist for the Government of Kenya.

ALT. PRINCIPAL SECRETARY-STATE DEPARTMENT OF SCIENCE AND TECHNOLOGY



Mr. Joseph Odhiambo

Born 1964, Mr. Odhiambo holds a Bsc, Msc. In Biochemistry and a PHD in Biochemistry. He has worked for ILRAD, ILRI, ICIPE, Tulane University (USA), Maseno University, MOEST-DRMD. He has over 20years experience in research in Biomedical and Science Technology and Information policy formulation.

BOARD MEMBER KENYA NUCLEAR ELECTRICITY BOARD



Hon. Josephine Sinyo

Josephine Sinyo is an advocate with a difference. She has over 30 years of experience in legal practice, training and research, an International, Regional, National celebrity in spite of her disability. She is the first blind woman lawyer in Kenya. She attended University of Nairobi in Kenya and The University of Hull in England where she achieved her LLB and LLM degrees in law respectively. Despite working at the State Law Office, she is a dynamic member of civil society, and was involved in the Constitutional Review process championing the agenda for children women and Persons with Disabilities generally. She has worked with several NGOs, some of this groups include: International Federation of Women Lawyers (FIDA, Kenya Chapter) Forum for Women Education (FAWE, Kenya Chapter); the Law Society of Kenya; Kenya Breast Health Programme; Kenya Union of the Blind; Kenya Society for the Blind and the United Disabled Persons of Kenya, a National umbrella Organization for persons with disabilities where she was the Chair Person between 2001-2005

She currently works at The Kenya Law Reform Commission where she's the Government Disability expert at the Attorney General's Office and she continues to ably represent the government at various global forums

BOARD MEMBER KENYA NUCLEAR ELECTRICITY BOARD



Mr. Ernest Orito

Born in 1984, Eng. Ernest Orito has a wide range of experience in chemical and process engineering and management. He holds a Masters in occupational and safety health.

Bachelor of Technology in chemical and process engineering Currently he is the Technical Director of Focus OSHE LTD.

BOARD MEMBER KENYA NUCLEAR ELECTRICITY BOARD



Dr. Anderson Kipkoech

Born in 1974, Dr. Anderson Kipkoech holds Bachelors, Masters and Doctorate Degree in Environmental Economics awarded by Moi University. He has had various Competitive Grants (Projects) at the University Of Eldoret, for both International and local programmes. He has also served in many Community Activities .He is the Chairman in two well performing secondary Schools. He is currently Head, Department of Agricultural Economics and Rural Development university of Eldoret.Dr. Anderson has done various scientific publications books and Journals.

BOARD MEMBER KENYA NUCLEAR ELECTRICITY BOARD



Ms. Teresia Malokwe

Born in 1985, Ms.Teresia Malokwe holds a Masters in Health Economics and Policy from University of Nairobi and Bachelor of Science (Environmental Health from Kenyatta university .She's a Board member at Kenya Nuclear Electricity Board where she chairs the Finance and General Purpose committee

BOARD MEMBER KENYA NUCLEAR ELECTRICITY BOARD



Mr. Stephen Karanja

Born in 1970 Mr. Stephen Karanja holds a Masters in Nuclear Science and Bachelor of Education in Science from Kenyatta University. Mr. Mwangi is a part time lecturer at Dedan Kimathi University and Board member at Kenya Nuclear Electricity Board

III. MANAGEMENT TEAM



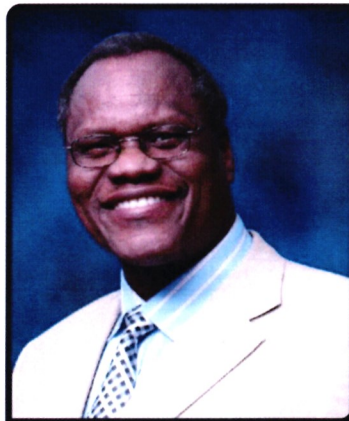
Sophia Githuku
*MBA - HR
Diploma in HRM
Director, Human Resource &
Administration*



Basett Buyukah
*Post Graduate Diploma In
Communication
Director, Publicity & Advocacy*



Eng. Collins Juma
*MBA - Strategic Mgt
CEO*



CPA L. M. Ong'onge
*MBA - Finance CPA(K) CPS(K)
Director, Finance & Strategy*



Philip Mutai
*LLM, Diploma in Law
Kenya School of Law
Director, Legal & regulatory
Affairs*



Ms Winfred Ndubai
*MBA: Finance
Post Graduate Diploma : Financial Management
Ag. Director, Technical affairs*

IV. CHAIRPERSON'S STATEMENT



The Financial year 2016/2017 marked a watershed for the Kenya Nuclear Electricity Board. The organization took a huge leap forward on the long and eventful journey towards nuclear electricity generation.

During this period the organization made great strides towards the facilitating the creation of a nuclear regulator for Kenya's nuclear power programme. A regulatory framework is a key component of a successful programme, KNEB in collaboration with stakeholder organizations developed a draft nuclear regulatory Bill to be submitted to Parliament for enactment. The Bill will establish an independent and robust nuclear regulatory body that will oversee safe application of nuclear technology in the country including electricity generation.

Further in collaboration with the ministry of energy and petroleum KNEB participated in the passing of Draft Energy

legislation that underpins the nuclear power programme in law, which is at the latter stages awaiting presidential assent to become law.

During this period, the Board played an active role in funds mobilization from the National Treasury for example in the 2016/2017 the National Treasury approved the printed budget estimate of Ksh. 334 million for KNEB but through the Board intervention the figure was revised upwards to Ksh. 522 Million that boosted the organization's major activities of site selection and Strategic Environmental Assessment among others.

Through the nurture and development of strategic partnerships in nuclear power cooperation-both home and abroad- KNEB acquired a nuclear power plant model, China HPR 1000 reactor to aid the organization in public sensitization, information and education on nuclear electricity generation.

All-in all, the 2016/2017 financial year has been a highly successful period in Kenya's journey towards nuclear electricity generation by 2027.

My gratitude goes to the Ministry of Energy and Petroleum, for wise counsel, guidance and support. To the other entities in the energy sector, we salute their passionate support in building synergy and reciprocity. We also bear a debt of gratitude to some of our key stakeholder such as parliament: National Assembly and Senate, National and County Governments, to name but a few.

To the citizens of Kenya, we assure them that we are equal to the task of helping Kenya achieve the vision 2030 development agenda

.....

Teresiah Malokwe

Ag. CHAIRPERSON

V. CHIEF EXECUTIVE OFFICER STATEMENT



The Financial year 2016/2017 was an eventful year for Kenya Nuclear Electricity Board (KNEB). Indeed the organization grew by leaps and bounds in its endeavor towards nuclear electricity generation in Kenya.

An outstanding achievement was the successful commissioning of a Strategic Environment Assessment (SEA) of Kenya's nuclear power programme. The study analyzed the impact of introducing nuclear electricity generation in the country and the benefits it will bring against Environmental law requirements which is critical and essential in the setting up and running of a nuclear power plant.

During the period KNEB held a regional stakeholder conference dubbed Kenya Nuclear Energy week and regional conference. This important conference was held over three days and brought together different stakeholders including; Government officials, local and international energy experts, industry, manufacturers, academia, media, energy utilities, as well as representatives from both the East Africa Community (EAC) member states

and some of the other countries pursuing nuclear power generation from around the African continent in Nairobi to discuss nuclear electricity for reliable and affordable energy in Kenya. The conference was geared towards shedding light on the country's nuclear power programme and provision of a platform for better understanding of its role in the energy mix.

It was also during this period that KNEB launched its Risk management framework marking important steps towards risk management in the organization. KNEB aims to fully implement the risk framework in the not-too-distant future.

Within KNEB's mandate is identification of suitable sites, potential locations for nuclear power plants in the country. During the financial year 2016/2017 the site selection team was constituted with membership from: Kenya Power, Ministry of energy and petroleum, Kenya Electricity Generating Company, National Land Commission, Kenya Meteorological Department and university of Nairobi among others identified a number of sites and ranked them based on their suitability.

During the financial year 2016/2017 KNEB continued to closely consult and collaborate with the bicameral Parliament: Senate and National Assembly. The organization further reached out to the broader stakeholder web through county forums in areas as diverse as Kwale, Taita Taveta, Kiambu and Nakuru, Participation in TICAD IV conference, Agricultural Society of Kenya shows, nuclear talks in high schools and tertiary institutions and various other stakeholder engagements including an Open Day in Nairobi Central Business District (CBD).

Despite the challenge of enough office space, all in all the 2016/2017 financial year has been a highly successful period for Kenya Nuclear Electricity Board in our journey towards nuclear electricity generation in the country in about a decade from now.

A handwritten signature in blue ink, consisting of stylized cursive letters, positioned above a dotted line.

Eng. Collins Juma
CHIEF EXECUTIVE OFFICER

VI. CORPORATE GOVERNANCE STATEMENT

Corporate Governance comprises the rules, practices and processes by which KNEB is directed and controlled and involves balancing the interests of stakeholders who include shareholders, management, customers, suppliers, financiers, government and the community. It also provides the framework for attaining our objectives; and encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

KNEB has engrained corporate governance as the pivotal institutional framework through which it's strategic objectives of the Company are set, attained and it's performance monitored. The Board has embraced this function to direct, control and be held to account by the shareholders. Governance dictates the modus operandi of engagement and interaction between the Organization's Board, management, stakeholders and regulators for the sustainable benefit of the shareholders.

This Statement sets out the main practices in operation during the year under review.

Statement of Compliance

The Board is in compliance with the governance tenets of the recently developed "Code of Governance for Government Owned Entities (Mwongozo Code)" which are inherent in good Governance Guidelines. The Mwongozo Code offers a corporate governance code for all state corporations in which Government holds ownership.

As a law abiding corporate citizen, the Board is living the tenets of the Constitution of Kenya and complying with the provisions of relevant statutes such as the Public Procurement & Disposal Act 2005, Employment Act 2007 and Occupational Safety & Health Act 2007.

Board of Directors

From July 2016 to June 2017 the Board was made up 9 members comprising of nine non-executive directors. In the period under consideration the board did not have a substantive board chairperson hence the board meetings were chaired by a chairperson picked from among the independent directors. The non-executive directors are independent within the meaning of the Capital Markets Authority's Guidelines on Corporate Governance. KNEB is wholly owned by the Kenyan Government.

Separation of Functions

For the financial year 2016/2017, the board had a CEO serving on acting capacity pending recruitment of a substantive CEO and he was responsible for recommending business plans and the budget to the Board, implementing approved corporate strategies and day to day administration of the Company.

The board as currently constituted does not have a chairperson substantively appointed by the president of the republic of Kenya hence the board has always appointed one of the independent board member as chairperson in various meetings held within the period. The board through the unanimously appointed chairperson, has been constantly carried out its function as provided for under the law.

Role of the Board

The Board offers strategic guidance, leadership and control of the Organization by defining its strategic intent, its objectives and values; reviews this strategic direction and adopts business plans proposed by Management. With retention of full and effective control over the Board. The Board monitors Management's implementation of plans and strategies, ensures ethical behaviour and compliance with relevant laws and regulations, audit and accounting principle corporate policies & procedures and the Code of Ethics.

It evaluates performance of Management against targets and objectives and benchmarks performance of the Board against best international practices. The Board considers and approves the Organization's overall budget and specific proposals for capital expenditure & acquisitions plus strategic opportunities. It reviews succession planning for the management team and approves senior executive appointments, organisational changes and remuneration.

The Board constitutes and reviews composition of Board Committees and approves reports and performance of each Board Committee. It further approves the quarterly, Interim and preliminary financial statements,

annual report & accounts, quarterly management accounts and operational report from the CEO and public announcements of a material nature.

There is diverse mix of skills and gender parity in the board, as is shown from the profile of directors elsewhere in this Report which outlines their professional qualifications and experience.

Board Meetings

The Board meets at least once per quarter or more often in accordance with the requirements of the business. The Board work plan and calendar of meetings is prepared in advance. Adequate notice is given for each board meeting, the agenda and papers are circulated in good time.

The Board Meetings held 6 meetings which were attended as follows:

	Name	Attendance
1	Teresia Mbaika	6
2	Dr. Anderson Kipkoech	4
3	Joseph Odhiambo	6
4	Steven Karanja	6
5	Ernst Orito	5
6	Belinda Kiilu	2
7	Dr. Josephine Sinyo	4
8	John Omenge	5
9	George Mothemba	3

Dr. Anderson Kipkoech resigned from the Board 10th May, 2017.

Board Committees

The following Board Committees were in place during the period under review year:-

Audit & Risk Committee

The Audit & Risk management Committees duties are based on six broad functions namely the Internal Control, Risk Management and compliance, financial reporting, internal audit, external audit, compliance with laws and regulations; and compliance with KNEBs Code of Conduct and ethical guidelines. The Committee assesses effectiveness of the Boards internal control and risk management and compliance framework, it reviews the impact of significant accounting and reporting issues such as professional and regulatory pronouncement; meets management and both external and internal auditors to review the financial statements and results of the audit process and assesses if generally accepted accounting principles have been consistently applied in the preparation of preliminary announcement & interim financial statements.

The Audit & Risk Committee was constituted in line with Treasury Circular No.16/2005 on establishment and operationalization of audit committees in the Public Service. The Committee comprised four non-executive directors and is chaired by a non-executive director. The members of the Committee for the period July to September, 2015 and their attendance of meetings is as tabulated:

Attendance of Audit & Risk Committee meetings during the period July, 2016 to June, 2017 is as tabulated below:

	Name	Attendance
1	Dr. Josephine Sinyo	6
2	Joseph Odhiambo	4
3	Steven Karanja	6
4	Belinda Kiilu	2
5	Dr. Anderson Kipkoech	2

The Committee routinely invited the Ag. CEO, and at times other key staff to attend the meetings. The Manager, Internal Audit is the Secretary to the Committee.

Finance & General Purpose Committee

The Finance and General Purpose Committee mandate is to deliberate and approve all financial, human resource and related matters of the organization.

The members who served in the Committee during the period July 2016 to June, 2017 and attendance of meetings is as tabulated below:

	Name	Attendance
1.	Teresia Mbaika	6
2.	Belinda Kiilu	5
3.	Ernst Orito	7
4.	John Omenge	6
5..	George Mothemba	5

When appropriate, the Committee invites other members of the Board and staff to its meetings.

Technical and Legal Committee

The Technical Committee is responsible for overseeing Technical and Regulatory matters affecting the organization.

The members who served in the Committee for the period July 2016 to June, 2017 and their attendance of meeting is as tabulated below:

	Name	Attendance
1	Dr. Anderson Kipkoech	3
2	Belinda Kiilu	1
3	Steven Karanja	3
4	Joseph Odhiambo	2
5	John Omenge	3

When appropriate, the Committee invited other members of the Board and staff to its meetings.

Publicity & Advocacy Committee

The Publicity & Advocacy Committee is responsible for overseeing the implementation of KNEB's communication strategy with its stakeholders. It also ensures that KNEB's public awareness programmes are effectively undertaken

The members who served in the Committee for the period July 2016 to June, 2017 and their attendance of meeting is as tabulated below:

	Name	Attendance
1	Ernst Orito	3
2	Joseph Odhiambo	3
3	Teresia Mbaika	2
4	Dr. Josephine Sinyo	1

When appropriate, the Committee invites other members of the Board and staff to its meetings.

Ad hoc board committees.

Pursuant to clause 1.7(a) of the Code of Governance of State Corporations operationalized in January, 2017 the board constituted the herein below ad hoc committees to oversee the recruitment of the organization Chief Executive Officer (CEO).

1. Board Ad hoc Committee on review of the rating and ranking tool to be used in the recruitment of the CEO.

	Name	Attendance.
1	Dr. Anderson Kipkoech	1
2	Teresia Mbaika	1
3	John Omenge	1
4	George Mothemba.	1

2. Board Ad hoc Committee for shortlisting candidates for the CEO's position.

	Name	Attendance.
1	Belinda Kiilu	1
2	Steven Karanja	1
3	John Omenge.	1

3. Board Ad hoc Committee for interview planning for the CEO's position.

	Name	Attendance
1	Dr. Anderson Kipkoech	1
2	Teresia Mbaika	1

Special Board Meetings

The Board on differing dates held 8 Special Board Meetings and attendance is as tabulated below:

	Name	Attendance
1	Teresia Mbaika	8
2	Dr. Anderson Kipkoech	6
3	Joseph Odhiambo	7
4	Steven Karanja	8
5	Ernst Orito	6
6	Belinda Kiilu	3
7	Dr. Josephine Sinyo	7
8	John Omenge	7
9	George Mothemba	3
10	Stephen Mbatia (Representing Inspectorate of State Corporations)	1

DIRECTORS' REMUNERATION

Remuneration of Directors is determined by the appointing authorities in line with recommendations of the State Corporations Advisory Committee.

There were no directors' loans at any time during the year.

INTERNAL CONTROLS & RISK MANAGEMENT

The Board has systems and processes to ensure requisite internal controls, physical security of assets and reporting of accurate and up to-date information.

Whereas the Board has overall responsibility for the systems of internal control that are fully embedded in the operations of the Company, certain responsibilities, such as review of the effectiveness of the internal control systems are delegated to the Audit Committee of the Board. Internal controls comprise of methods and procedures adopted by Management to provide reasonable assurance in safeguarding assets, prevention and detection of errors, accuracy and completeness of accounting records together with reliability of financial statements.

During the period under review the Board started of the process of development of KNEB Risk Management Policy Framework in fulfilment of the requirement of the Treasury Circular No 3/2009. As at the end of the financial year the board managed to have trainings for the Board members, Senior management and other staff on issues of risk management that culminated in the development and adoption of the KNEB Risk Policy.

ACCOUNTABILITY AND AUDIT

Directors' responsibilities in relation to financial statements

The State Corporation Act requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. The Directors are responsible for ensuring that suitable accounting policies are consistently applied supported by reasonable and prudent judgements and estimates and those applicable accounting standards are followed.

The Directors have responsibility of ensuring that the company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board and enable them to ensure that the financial statements comply with the State Corporations Act.

They also have general responsibility for the systems of internal control for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.

COMMUNICATION WITH STAKEHOLDERS

The Board places a great deal of importance on open communication with its stakeholders. This is achieved through press releases, updates posted on the Company website www.nuclear.co.ke, and circulation of audited financial statements on an annual basis. Open forums are also organised with stakeholders to discuss progress of on the implementation of Strategic plan.

MAJOR STAKEHOLDERS

In the course of doing business, KNEB takes cognizance and fully engages with the following major stakeholders: the Government of Kenya through the Ministry of Energy & Petroleum, The National Treasury; International Atomic Energy Agency (IAEA) for necessary technical support.

Others include the Kenya Power; Kenya Electricity Generating Company Limited (KenGen); Geothermal Development Company Limited (GDC); Rural Electrification Authority, (REA) Energy Regulatory Commission (ERC) and other electricity sub-sector players.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

As a corporate citizen, the Kenya Nuclear Electricity Board continued with its commitment to upscale its Corporate Social Responsibilities countrywide. KNEB values and cherishes the rich tapestry variety and diversity of the country's social environment. In its quest to stay ahead of the pack, KNEB has been involved in numerous CSR projects across the country, which has a direct impact on various segments of the population.

During the financial year 2016/17, the Board supported various initiatives whose import was to benefit Kenyans at community, local, sectoral and /or national level. Some of the area of focus included youth and women empowerment, environmental conservation, charitable causes, county trade and investment forums and sponsoring of professional member organizations' annual conferences through partnerships and sponsorship.

In October 2016, KNEB participated in the 2016 Nairobi Standard Chartered Marathon, to support in giving sight to the blind in partnership with Standard Chartered Bank. This was to offer the visually impaired an opportunity to live out their dreams and recover their sight through reconstructive surgery.

In the financial year 2016/2017, in a bid to empower youth, women through innovation KNEB sponsored a number of initiatives. In June 2017, KNEB in collaboration with ministry of Education sponsored the 2017 Kenya Science and Engineering Fair (KSEF) Nationals competition; this was to promote science and innovation amongst high school students. In March 2017, the Board sponsored Kenya Young Generation in Nuclear to a tune of half a million to host the Africa Nuclear Youth Summit that brought together young professionals in nuclear industry, academia, scientist and industry to discuss the role of youth in energy development for the African Continent.

In March 2017, KNEB in the bid to promote energy efficiency sponsored the 2017 Energy Management Awards (EMA) to a tune of three hundred thousand shillings. KNEB's consistent participation in EMA exhibits our enthusiasm in promoting energy efficiency across the country by addressing environmental pollution, waste reduction initiatives, recycling and enhancing energy efficiency.

In the financial year 2016/2017, KNEB partnered with professional bodies and other corporates to realize our CSR objectives of environmental conservation and sponsoring charitable causes / annual professional conferences for example Karen Golf Club charity golf, Institute of Risk Management African conference, publication of a year book 'energizing Kenya' in partnership with University of Nairobi to educate Kenyans about the goings-on of Kenya's energy sector among others.

During the financial year KNEB planned to engage more in environmental conservation initiatives like tree planting and education programmes but due to limited funding the Board was not able to do for example planting 3000 tree seedling across the country.

The future outlook of KNEB CSR activities seek to focus more on environment conservation that include planting over 3000 trees in the country and Education through mentorship where the Board is targeting to carry out career talks in High schools and tertiary institution in three third of the forty seven counties by 2020.

KNEB is fully committed to supporting endeavours that better the lives of Kenyans. As a responsible Corporate citizen, KNEB in unswerving in scaling up its Corporate Social Responsibility programme

VIII. REPORT OF THE DIRECTORS

The Board of Directors submit their report together with the Audited Financial Statements for the year ended 30th June 2017, which disclose the state of affairs of the Board

Incorporation

Kenya Nuclear Electricity Board is a State Corporation established through a Legal Notice No. 131 dated 16th November 2012

Directorate

The Board of Directors who held office during the year and to the date of this report are set out on page v-vii

Principal Activities

The principal activities of KNEB are outlined in the Kenya Gazette Supplement No 170 dated 16th Nov 2012, this are to;

- a) Promote and expedite the development of nuclear electricity in Kenya;
- b) Develop policies, and propose legislation necessary for the successful implementation of a nuclear power program;
- c) Undertake public education and awareness on Kenya's nuclear power program;
- d) Identify, prepare and facilitate the implementation of a roadmap for a nuclear power program;
- e) Collaborate with relevant Government agencies, develop a comprehensive legal and regulatory framework for nuclear electricity generation in Kenya;
- f) Develop a human resource capacity to ensure Kenya has the requisite manpower to successfully establish and maintain a nuclear power program;
- g) Identify appropriate sites in Kenya for the construction of nuclear power plants and related amenities;
- h) Enter into collaborative programs related to nuclear electricity research and development with other international and national organizations;
- i) Establish a library and information center on nuclear science and technology, and
- j) Perform any other duties, which may be necessary for the execution of its mandate under this Order.

Auditor

The Board Auditor, The Auditor General, will continue to be in the office in accordance with Public Audit Act 2015.

By order of the Board,



Board Secretary

Nairobi

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2017. 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 Board;
- (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 Board;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Board'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 and the State Corporations Act. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2016, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

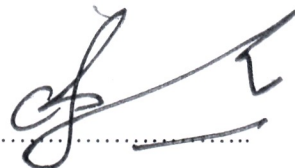
Nothing has come to the attention of the Directors to indicate that the Board will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Board's financial statements were approved by the Board on 28 September 2017 and signed on its behalf by:


.....

A.g CHAIRPERSON


.....

CHIEF EXECUTIVE OFFICER

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA NUCLEAR ELECTRICITY BOARD FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Nuclear Electricity Board set out on pages 1 to 16, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows, 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 and Section 35 of the Public Audit Act. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Nuclear Electricity Board as at 30 June 2017, and of its financial performance for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Legal Notice No. 131 of 16 November, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Nuclear Electricity Board in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Report of the Auditor-General on the Financial Statements of Kenya Nuclear Electricity Board for the Year Ended 30 June 2017

Responsibilities of Management and those Charged with Governance for the Financial Statements

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the going concern accounting assumption unless management is aware of existence of intention to terminate the operations of the Board, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

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.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report which includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement 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.

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

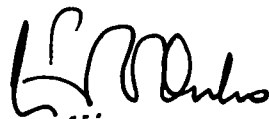
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures which are appropriate in the circumstances, and for

the purpose of giving an assurance on the effectiveness of the Board's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Board's ability to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease sustaining services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities to express an opinion on the financial statements.

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

16 May 2018

X. STATEMENT OF FINANCIAL PERFORMANCE

KENYA NUCLEAR ELECTRICITY BOARD

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2017

		2017	2016
		KSHS	KSHS
Revenue from non-exchange transactions			
	Notes		
Government Grants	1a	522,000,000	610,484,999
Other Incomes	1b	10,274,434	12,362,832
		532,274,434	622,847,831
Expenses			
Employee costs	2	199,124,934	180,281,685
Board Expenses	3	23,737,290	8,834,199
Depreciation expense	4	13,236,631	11,310,847
Repairs and maintenance	5	3,009,400	2,644,851
Contracted services	6	228,000	165,293,345
Grants and subsidies	7	7,500,000	2,800,000
General expenses	8	233,224,691	122,424,415
Finance costs	9	258,431	1,478,031
Total expenses		480,319,377	495,067,373
Surplus/(Deficit) for the Period		51,955,057	127,780,458

The notes set out on pages 16 to 22 form an integral part of the Financial Statements

XI. STATEMENT OF FINANCIAL POSITION

KENYA NUCLEAR ELECTRICITY BOARD

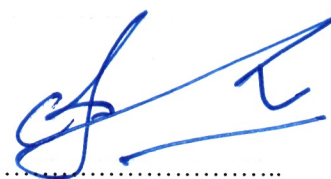
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2017

Assets	2017	2016
Current assets	KSHS	KSHS
Cash and cash equivalents	10 109,049,909	(32,903,030)
Receivables from non-exchange transactions	11 67,260,129	235,138,459
	176,310,037	202,235,429
Non-current assets		
Property, Plant and Equipment	12 101,291,688	27,446,946
		-
Total assets	277,601,725	229,682,375
Liabilities		
Current liabilities		
Trade and other payables from exchange transactions	13 93,346,248	97,381,954
Total liabilities	93,346,248	97,381,954
Fund Account	118,518,313	4,519,963
Account Surplus	65,737,164	127,780,458
Net assets	184,255,477	132,300,421
Total net assets and liabilities	277,601,725	229,682,375

The Financial Statements set out on pages 6 to 16 were signed on behalf of the Board of Directors by:



A.g CHAIRPERSON



CHIEF EXECUTIVE OFFICER

XII. STATEMENT OF CHANGES IN NET ASSETS

KENYA NUCLEAR ELECTRICITY BOARD

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2017

	Fund Account Kshs	Accumulated surplus/(Deficit) Kshs	Total Kshs
Balance as at 30 JUNE 2015	118,518,313	(113,998,351)	4,519,962
Surplus/(deficit) for the period	-	127,780,458	127,780,458
Balance as at 30 JUNE 2016	118,518,313	13,782,107	132,300,420
Surplus/(deficit) for the period	-	51,955,057	51,955,057
Balance as at 30th June 2017	118,518,313	65,737,164	184,255,477

XIII. STATEMENT OF CASH FLOWS

KENYA NUCLEAR ELECTRICITY BOARD

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2017 FOR THE PERIOD ENDING 30 TH JUNE 2017

	Note	2017 KSHS	2016 KSHS
Cash flows from operating activities			
Surplus/(Deficit) as per the Income statement		51,955,057	127,780,458
Adjustments for:			
Depreciation of property, plant and equipment	12	13,236,630	11,310,847
Operating profit/(loss) before working capital changes		65,191,687	139,091,305
(Increase)/decrease in:			
Trade and other receivables		167,878,330	(225,336,889)
Increase/(decrease) in inventory			
Trade and other payables		(4,035,706)	52,706,817
Net cash generated from/(used in) operating activities		163,842,624	(172,630,072)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(87,081,372)	-
Net cash generated from/(used in) investing activities		(87,081,372)	-
Net (decrease)/increase in cash and cash equivalents		141,952,938	(33,538,767)
Cash and cash equivalent at the beginning of the year		(32,903,029)	635,737
Cash and cash equivalents at 30th June		109,049,909	(32,903,029)

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	Original budget 2016-2017	Adjustments 2016-2017	Final Budget 2016-2017	Actual on comparable basis 2016-2017	Performance difference 2016-2017
Revenue					
Other Incomes	3,000,000	7,274,434	10,274,434	10,274,434	-
Government Grants and subsidies	384,000,000	138,000,000	522,000,000	522,000,000	-
Total income	387,000,000	145,274,434	532,274,434	532,274,434	-
Expenses					
1.Compensation of employees	201,676,733	-	201,676,733	199,124,934	2,551,799
2.General Expenses	213,523,267	-	213,523,267	233,224,691	(19,701,424)
3.Finance cost	800,000	-	800,000	258,431	541,569
4.Board Expenses	23,300,000	-	23,300,000	23,737,290	(437,290)
5.Repairs and Maintenance	2,800,000	-	2,800,000	3,009,400	(209,400)
6.Grants and Subsidies	8,000,000	-	8,000,000	7,500,000	500,000
7.Contractd Services-Baseline surveys	300,000	-	300,000	228,000	72,000
8.Acquisition of Assets	14,600,000	67,084,145	81,684,145	87,081,372	(5,397,227)
Total expenditure	465,000,000	67,084,145	532,084,145	554,164,118	(22,079,973)
Surplus/(Deficit) for the period	(78,000,000)	78,190,289	190,289	(21,889,684)	22,079,973

XV. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

The Board's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Board. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

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

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 Board and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Interest income

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

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Board. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Board differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes – IAS 12

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 Board 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.

d) Property, plant and equipment – IPSAS 17

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 Board 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.

e) Leases – IPSAS 13

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Board. 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 Board 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. 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 Board 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 Board. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets – IPSAS 31

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.

g) Research and development costs

The Board expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Board 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.

h) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Board determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Board has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Board assesses at each reporting date whether there is objective evidence that a financial asset or a Board of financial assets is impaired. A financial asset or a Board of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Board of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Board of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

i) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Board determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

IPSAS 29.65

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Provisions – IPSAS 19

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

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

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

Contingent liabilities

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

Contingent assets

The Board 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 Board 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.

k) Nature and purpose of reserves

The Board creates and maintains reserves in terms of specific requirements. The reverse maintained by the Board is capital reserve, where funds are set aside to purchase fixed assets. By setting aside a reserve, the Board of Directors segregates funds from the general operations

l) Changes in accounting policies and estimates – IPSAS 3

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

m) Employee benefits – IPSAS 25

Retirement benefit plans

The Board provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an Board pays fixed contributions into a separate Board (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employees. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions – IPSAS 4

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.

o) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties – IPSAS 20

The Board regards a related party as a person or an Board with the ability to exert control individually or jointly, or to exercise significant influence over the Board, or vice versa. Members of key management are regarded as related parties and comprise the councilors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers.

q) Service concession arrangements – IPSAS 32

The Board analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Board recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Board also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of

cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) 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) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the Board'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.

State all judgements, estimates and assumptions made: e.g

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 Board 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 Board. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 14.

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.

Assumptions were used in determining the provision gratuity payable to employee at the end of contractual period.

t) Subsequent events – IPSAS 14

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, 2017

Government Grant	2017	2016
1.a.Unconditional grants	Kshs	Kshs
Development Grants	420,750,000	328,592,950
Recurrent Grants	101,250,000	281,892,049
Total	<u>522,000,000</u>	<u>610,484,999</u>
1.b.Other Income		
International Atomic Energy Agency	8,273,690	12,157,183
Finance Income	2,000,744	205,649
Total Income	<u>532,274,474</u>	<u>622,847,831</u>
2. Employee costs	2017	2016
Employee related costs - salaries and wages	140,423,660	127,069,844
Employee related costs - Mileage	16,271,095	17,068,188
Gratuity	30,535,600	26,185,749
Medical Expenses	8,435,202	6,689,254
Group Life	2,710,125	2,557,884
Interns	749,252	710,766
Employee costs	<u>199,124,934</u>	<u>180,281,685</u>
3. Board Expenses		
Sitting Allowances	17,732,465	5,097,805
Directors fees	1,800,000	1,800,000
Travelling Expenses	3,752,721	965,240
Medical Expenses	452,104	971,153
Total Board Expenses	<u>23,737,290</u>	<u>8,834,198</u>
4. Depreciation expense		
Office Equipment	448,917	319,639
Furniture and Fitting	789,560	609,941
Motor Vehicle	971,558	1,295,364
Computers & Accessories	11,026,596	9,085,903
Total Depreciation	<u>13,236,631</u>	<u>11,310,847</u>
5. Repairs and maintenance		
Property and Equipment	1,542,689	656,046
Vehicles	1,466,711	1,988,805
Total repairs and maintenance	<u>3,009,400</u>	<u>2,644,851</u>
6. Contracted services		
Baseline Surveys	228,000	3,975,028
Grid Study	-	161,318,317
Total contracted services	<u>228,000</u>	<u>165,293,345</u>

7. Grants and subsidies

Sponsorship-KAM	300,000	300,000
Kengen-Journalism award	-	1,000,000
Institution of Engineers	-	1,000,000
Royal Nairobi Golf Club	500,000	500,000
Young Nuclear Generation	500,000	-
Institute of Risk Management	5,800,000	
Law Society of Kenya	400,000	
Living Water		-
Total Grants and Subsidies	7,500,000	2,800,000

8. General Expenses**The following are included in general Expenses:**

Advertising	10,365,579	1,880,050
Audit fees	300,000	300,000
Conferences and delegations	14,363,203	8,364,171
Cleaning Services	865,665	755,146
Water and Electricity	333,489	
Computer Consumables	4,184,710	6,113,339
Travelling Expenses	44,873,565	10,812,234
Fuel and oil	1,374,462	350,735
Consultancy-ISO	337,449	1,835,000
Office refreshments	5,674,059	2,088,916
Postage	53,592	42,678
Printing and stationery	8,531,661	2,304,076
Rental	-	7,335,835
Overseas Training	4,094,857	4,763,358
Capacity Building	35,384,836	23,346,877
Resource Persons Allowance	434,000	322,500
Library	537,530	99,325
National Liason Office	17,298,336	11,463,879
Security costs	802,200	688,606
Legal and regulatory	4,065,285	
Publicity and Advocacy	42,989,832	10,790,965
Membership and Subscription	968,427	414,844
Office supplies	6,072,402	5,305,111
Telephone and Internet	3,535,200	3,312,718
Local Training	8,952,462	6,750,607
Insurance Covers	380,225	-
Risk framework	5,039,814	
Hotel Fares and Accommodation	11,411,851	12,983,445
Total general expenses	233,224,691	122,424,415

9. Finance costs

Bank Charges	258,431	1,478,031
Total finance costs	258,431	1,478,031

10. Cash and cash equivalents

	2017	2016
	Kshs	Kshs
Cash and Bank		
Bank	108,849,952	(33,097,686)
Cash-on hand and transit	199,957	194,656
Total cash and cash equivalents	109,049,909	(32,903,030)

Detailed analysis of the cash and Cash equivalents

10 (a) Banks

Name of the bank	Bank Account Number	Currency		
Kenya Commercial Bank	1139780085	Kes	44,062,435	(33,384,788)
CFC Stanbic Bank	0100002778291	Kes	1,335,644	27,508
Co-operative Bank	01136308333200	Kes	63,309,832	101,922
NIC bank	1001126217	Kes	53,279	57,899
Family Bank	031000012597	Kes	75,260	79,441
Chase Bank	0012078702001	Kes	13,502	20,332
TOTAL			108,849,952	(33,097,686)

11. Receivables from Non exchange transactions**Current receivables**

Capacity Building-Kenya Power	1,049,302	1,049,302
Treasury Receivable	60,000,000	232,000,00
Staff Advances	2,210,827	2,089,157
KPLC Medical Prepayments	4,000,000	
Total current receivables	67,260,129	235,138,459

12. (i) Property, plant and equipment

Cost	Office Equipment		Furniture & Fitting		Motor Vehicle		Computers and Accessories		Capital Work in progress		Total	
	Buildings	Shs	Fitting	Shs	Shs	Shs	Accessories	Shs	in progress	Total	Total	
Depreciation rates	12.50%	12.50%	12.50%	25%	33.33%							
At 1 July 2015	6,743,291	4,973,033	7,450,540	43,301,206	62,468,070							
Transfer/Adjustments	-	-	-	-	-							
At 30 June 2015	6,743,291	4,973,033	7,450,540	43,301,206	62,468,070							
Transfer/adjustments	(2,422,028)	2,422,028	-	-	-							
At 30 June 2016	4,321,263	7,395,061	7,450,540	43,301,206	62,468,070							
additions												
At 30th June 2017	2,163,264	1,980,500	21,318,795	61,618,813	87,081,372							
	6,484,527	9,375,561	7,450,540	64,620,001	149,549,442							
Depreciation and impairment												
At 1 July 2015	2,234,873	2,449,142	2,268,946	16,757,316	23,710,277							
Charge for the year	319,639	609,941	1,295,364	9,085,903	11,310,847							
At 30 June 2016	2,554,512	3,059,083	3,564,310	25,843,219	35,021,124							
Charge for the Year	448,917	789,560	971,558	11,026,596	13,236,630							
At 30 June 2016	3,003,429	3,848,643	4,535,868	36,869,815	48,257,754							
Net book values												
At 30 June 2017	3,481,098	5,526,918	2,914,673	27,750,186	61,618,813							
At 30 June 2016	1,766,751	4,335,978	3,886,230	17,457,987	27,446,946							

	2017	2016
	Kshs	Kshs
12. (ii) Work in progress		
Strategic Environmental Assessment	49,174,139	-
Nuclear Power Siting	12,444,674	
Total Work in Progress	61,618,813	-

13. Payables		
Employee Gratuity	59,399,591	36,955,523
Trade Payables	21,462,664	
Withholding Tax	-	8,751,883
Audit Fees	1,200,000	900,000
Directors Fees	2,668,411	2,724,411
Payroll Liabilities	112,462	338,403
Feradon & Associates	-	47,079,517
Medical Expenses	8,503,119	632,217
Total trade and other payables	93,346,248	97,381,954

