

REPUBLIC OF KENYA



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REPORT

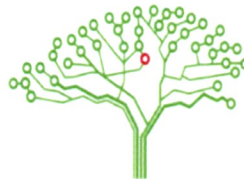
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KONZA TECHNOPOLIS DEVELOPMENT
AUTHORITY**

**FOR THE YEAR
ENDED 30 JUNE 2017**



**KONZA TECHNOPOLIS
DEVELOPMENT AUTHORITY**



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)**

OUR VISION

To be a leading global technology and innovation hub

OUR MISSION

To develop a sustainable smart city and innovation ecosystem, contributing to Kenya's knowledge-based Economy

OUR CORE VALUES

SIMPLICITY

Through innovation and guided by clarity and consistency, we deliver simple, elegant and quality solutions to our customers and stakeholders.

PROFESSIONALISM

We are a qualified, skilled and committed team striving to always deliver exceptional services to our customers, driven by independence, objectivity, best practices, always acting with integrity and keeping our promises while treating others with respect.

PASSION FOR EXCELLENCE

We are passionate on delivering a better Konza to live, work and play through innovative and creative solutions inspired by outstanding services in time.

AGILITY

We are a vibrant and dynamic team that identifies and responds to emerging issues in an ever-changing globally competitive environment, hence giving our customers a competitive edge.

COLLABORATION

We optimize results by working smarter together. We multiply our contribution through partnerships and deliver with speed, trust and respect.

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II. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Konza Technopolis Development Authority (KOTDA) was established under the Legal Notice Number 23 on 28 March 2012 under State Corporations Act (cap. 446). The entity is domiciled in Kenya. The purpose of KOTDA is to ensure that Konza Techno City grows into a sustainable world class technology hub and a major economic driver for the nation with vibrant mix of businesses, workers, residents and urban amenities.

(b) Principal Activities

The principal activities of KoTDA are to:

- 1) Develop all aspects of the Area with particular emphasis on:
 - (i) Developing integrated infrastructural facilities, and
 - (ii) Provision of advice to the Government on the removal of impediments to, and creation of incentives for trade, services and manufacturing in the Area.
- 2) Regulate and administer approved activities within the Area.
- 3) Generate additional economic activities in the Area, through implementation of a system in which the Area enterprises are self-regulatory to the maximum extent possible.
- 4) Plan for the development of the Area and initiate project activities identified for such planning through the Government.
- 5) Develop and keep up to date a long-term development plan for the Area.
- 6) Initiate studies, and carry out surveys of the Area as may be considered necessary by the Government or the Authority, and to assess the alternative and substitute demands within the Area on the available resources.
- 7) Co-ordinate the various studies of, and schemes within the Area so that human, land, energy, water and other resources are utilized to the best advantage and monitor the design and execution of planned projects within the Area.
- 8) Affect a program of both monitoring and evaluation of the performance of any project within the Area so as to improve that performance, establish responsibility and improve planning.
- 9) Cause the construction of any works necessary for the protection and preservation of natural resources within the Area.
- 10) Maintain liaison between the Government, the private sector and other Government agencies including but not limited to any specialized economic zone agency, in matters of development of the Area with a view to maximizing resource utilization and benefits to the people of Kenya
- 11) Liaise with relevant government institutions to promote both locally and internationally the opportunities for investment in information and communications technology and such other industrial activities of the Area

- 12) Facilitate and manage information and communication technology, industrial incubation parks and science and technology parks together with related facilities within the Area and buffer zone.
- 13) Liaise with Machakos and Makueni County Authorities in coordinating regulatory matters relating to investment requirements of the Area. Carry out any other activity that the Board considers necessary for the promotion and facilitation of development of information and communications technology products and services within the Area.

(c) Key Management

KOTDA's day-to-day management is executed under the following key organs:

- i. Board of Directors
- ii. Management of the Authority headed by the Chief Executive Officer

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June, 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Eng. John Tanui
2.	Dir., Human Resource Management and Administration	Miriam Gitau
3.	Dir., Finance & Accounting	Mwikamba Mghenyi
4.	Dir., Business Development	David Mugambi
5.	Dir., Infrastructure	Patrick Adolwa
6.	Manager, Procurement	John Paul Okwiri
7.	Manager, Legal Affairs	Michael Wanyika

(e) Fiduciary Oversight Arrangements

(i) Audit and Risk Committee

An Audit and Risk Board Committee was constituted in May 2016 comprising three non-executive directors and chaired by a non-executive director. The Committee's composition is as follows:

- i) Eng. Kaburu Mwirichia (Chair)
- ii) Ms. Victoria J Chepseba (Member)
- iii) CS Treasury (Member)
- iv) PS MOICT (Member)

The purpose of this Committee is to provide an oversight on KoTDA's accounting and financial reporting processes, audits of financial statements and internal control systems, compliance with financial-legal and regulatory requirements, and report back to the main Board with its findings and recommendations. The Committee also empowers the Internal Audit unit to ensure an

independent environment for its operations. The KoTDA Internal Auditor has therefore been incorporated into the Committee to aid in clarification of issues.

(ii) Public Procurement and Asset Disposal Act 2015

In compliance with the **Public Procurement and Asset Disposal Act 2015**, KoTDA relies on the constitution of the following ad hoc committees to provide procurement oversight and advisory role during tenders:

- i) Tender Opening Committee, to adjudicate Open tenders and Request for Proposals/Quotations.
- ii) Tender Evaluation Committees
- iii) Inspection and Acceptance Committee, to inspect and certify that goods and services delivered to the Authority are timely, conform to specifications and are delivered in right quality and quantity.
- iv) Contracts Implementation Committee- To Monitor & Evaluate specialized Contracts

(f) Entity Headquarters

Capital West Business Centre, 5th Floor, Westland,
Rhapta/Lantana Road, Opposite New Rehema House

(g) Entity Contacts

P.O. Box 30519– 00100, Nairobi, Kenya
Telephone: (+254) (0)204343013/4
E-mail: konza@konzacity.go.ke
Website: www.konzacity.go.ke

(h) Entity Banker

Kenya Commercial Bank
P. O. Box 30012 - 00100
Kipande House Branch,
Nairobi, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

III. THE BOARD OF DIRECTORS

DR. ARCH. REUBEN MUTISO (CHAIRMAN)

D.O.B 6 November, 1948



Dr. Reuben Mutiso holds PhD in Philosophy from University of Texas, Austin and Masters of Architecture – University of Nairobi

He is a leading Architect in Africa, the first and still serving chancellor of the Management University of Africa (MUA) and a former Chairman of the Kenya Institute of Management. He holds an Honorary Diploma in Land Policy from Lincoln Institute Cambridge in Boston- USA and is also an Honorary Architect of Chile (CAGAG). He is a registered Architect in Kenya, a member of the Architectural Association of Kenya (AAK) and a recognised member of different architectural associations in Africa. He is a practicing Architect and Executive Chairman of Tectura International. Tectura International has 5 active operations strategically located in Eastern, Southern and Central Africa

PS VICTOR KYALO

DOB 19 April, 1964



PS Victor holds a Masters of Art Degree in Economics from the University of Nairobi and Masters of Electronic Engineering from Eindhoven International Institute of technological studies. He is a registered engineer (Kenya), a member of Institute of Electrical and Electronics Engineers (IEEE) and a member of Project Management Institute (PMI). He has been involved in a number of communication networks including working in the pioneering processes of Internet in Kenya (ARCC & Kenyaweb), has participated in several government of Kenya ICT projects as an ICT infrastructure consultant in telecommunication and education sectors. He was a founding member of Kenya Education Network (KENET) and the current head, founding member of covering the Kenya Network Information Centre (Kenya's country code Top Level Domain name registry.ke) and the current chairman of the board, and a director of the ISP subsidiary of the incumbent Telkom Kenya. His current focus is on the deployment of communication technologies and services targeted at providing effective delivery mechanisms and processes in learning and teaching. Apart from systems design and implementation, his key interests are in the selection, measurements, and management of technology solutions, aiming at enabling an enterprise to optimize the return on its investment.

QS. HARON G NYAKUNDI

D.O.B 9 May, 1962



QS. Haron holds a Bachelor of Arts in Building Economics (Hons), University of Nairobi. QS Haron G. Nyakundi is a registered quantity surveyor and is the current chairman of the Quantity Surveyors Chapter of the Architectural Association of Kenya. He is also the current chairman of the Joint Building Council (JBC), has served as a past treasurer of AAK and a member of the Events Committee of the Chartered Institute of Arbitration (Kenya Branch). He serves as a tutor to the Board of Registration of Architects and Quantity Surveyors, the Chartered Institute of Arbitrators (Kenya Branch), and Kenya Institute of Supplies Management (KISM).

CAROLINE WANGUI KARIUKI

D.O.B 11th January 1968



Carol holds a Masters in Business Administration from Warwick Business School, UK and a B.Com from University of Nairobi. She has had an exemplary career in the Housing and Financial Sector spanning 20 years, where she served in leadership positions in Corporate and as an Entrepreneur. Her contribution to the Housing sector is noteworthy especially as the Managing Director of Savings & Loan, Kenya Commercial Bank's mortgage subsidiary where she championed the growth of the mortgage sector and home ownership for many Kenyans.

VICTORIA JEPKEMOI CHEPSEBA

D.O.B 9th December 1976



Ms. Victoria holds a Post Graduate Diploma in law, Professional ethics, Environmental Law, Alternative Dispute Resolution mechanisms, property disposition in Kenya. Ms Victoria J Chepseba is a member of Law Society of Kenya and is currently the managing partner of Chepseba Lagat and Associates

ENG. KABURU MWIRICHIA

D.O.B 31st March 1958



Eng. Kaburu Mwirichia is a Registered Engineer (R Eng.) and a member of the Institution of Engineers of Kenya (MIEK). He holds a Master of Business Administration degree (MBA) from the United States International University-Africa (USIU) and a Bachelor of Science degree in Mechanical Engineering from the University of Nairobi. He has extensive work experience in the fields of Engineering, Manufacturing, Corporate Governance, Human Resources Management, Strategic Planning and Customer Service. He worked as Director General/Chief Executive Officer of the Energy Regulatory Commission (ERC)

for six years from 2007 to 2013.

MBITHE MUEMA
D.O.B 15th November 1982



Mbithe Muema holds an Executive Masters in Business Administration (MBA)-Strathmore Business School, Pan Africa EMBA Module-IESE Business School, Barcelona, SPAIN, Bachelor of Arts (BA, Hons)-University of Nairobi, Financial Analyst certification Renaissance Academy, Moscow. She is in charge of Institutional Sales at African Alliance, Kenya. She has previously worked with Infallible Capital, Co-founder, Director – Investments Renaissance Capital, Kenya; Equity Analyst, Associate Equity Bank, Kenya

DOMINIC KIARIE
D.O.B 29th September 1970



Dominic Kiarie is an entrepreneur and business leader with over 25 years' experience in senior leadership and strategic management of various organizations including insurance, asset management, real estate investments and developments. He is currently the Founder and Executive Chairman of Century Developments Ltd, a real estate development and investment company. He is also the Founder and Executive Director of Century Capital, an investments holding company investing in digital financial services businesses. Prior to this, he was the Group CEO for UAP Holdings Limited, where he worked for 4 years. He was also the Founding CEO of British-American Asset Managers, where he worked for 7 years. Mr. Kiarie holds a Master of Philosophy in Finance from the University of Cambridge, United Kingdom, a First Class Honours B.Sc (Hons) Degree in Actuarial Science from City University, London and other qualifications in finance, investments and actuarial techniques.

Musa Kathanje
Alternate to cabinet secretary, the national treasury
D.O.B 26th June 1970



Mr. Kathanje is the Director of Macro and Fiscal Affairs Department at The National Treasury. He joined the National Treasury in June 2013 as Head of Macro Division on secondment from Central Bank of Kenya where he served as Head of Monetary Policy Analysis. He has over 21 years' experience in monetary policy formulation, macroeconomic policy formulation and analysis, fiscal policy and regional economic integration. He is a holder of Bachelors and Masters Degrees and is currently undertaking a Phd in Business Administration (Finance). Other trainings include Macroeconomic Modelling under the United Nations/African Research Network for Development Policy Analysis from University of Pretoria, South Africa and

Macroeconomic Forecasting and Analysis and Financial Programming and Policies from the International Monetary Fund and MEFMI.

Christopher Kariuki

Alternate to Principal secretary, Ministry of ICT & innovation

D.O.B 21st June 1961



Mr. Kariuki is a holder of Masters in Business Administration (Finance) from University of Canberra Australia and Bachelor of Education (Economics and Business Studies) from Kenyatta Universities. He has over 25 years of experience in Public Financial Management in government ministries and agencies. He is currently serving as Chief Finance Officer in the State Department of ICT & Innovation under the Ministry of ICT.

Mr. James Atema

D.O.B 9th August 1952



James Atema holds a Post Graduate Diploma in Rural Reconstruction/Development and MSc in Econ and Social Studies (Development Policy, Planning & Strategy). He has over 20 years' experience as a qualified development manager coordinating integrated rural and urban development. He is also an experienced socio-economic development trainer in participatory methodologies and has sound expertise in civil society capacity building. He has sufficient knowledge of bilateral and multilateral programmes and deep knowledge of the Kenyan governance. He was a team leader of the Design of Second Phase of Kenya's Governance, Justice, Law and Order Programme-GJLOS (2011-2016). He has also been involved in the exploratory study on devolution in Kenya. Currently Mr. Atema is a principal consultant in constituency policy analysis and strategic planning, monitoring and evaluation, social research methods and devolved government systems in Kenya.

HENRY ROTICH. E.G.H

CS, The National Treasury

Y.O.B 1969



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.

Prior to this appointment, Mr. Rotich was the head of Macroeconomics at the Treasury, Ministry of Finance, since March 2006. Under this capacity, he was involved in formulation

of macroeconomic policies that ensured an affordable and sustainable path of public spending aimed at achieving the Government's development priorities.

ENG. JOHN TANUI
D.O.B 07 March 1973



Eng. John Tanui is the Chief Executive Officer of the Konza Technopolis Development Authority (KoTDA), which is mandated by the Government of Kenya to implement the Konza Technopolis project. KoTDA, a semi-autonomous government agency tasked with building Kenya's first smart techno city whose vision is to be a global Hub of technology and innovation. Before joining KoTDA, Eng. Tanui was the Deputy Country CEO and Vice President of Huawei Technologies, Eng. Tanui has worked in several countries in Africa and also in China. He holds a Bachelor's Degree of Technology in Electrical and Communication Engineering and MBA in International Business.

IV. MANAGEMENT TEAM

1. Eng. John Tanui

Chief Executive Officer



Eng. Tanui holds a Bachelor's Degree of Technology in Electrical & Communication Engineering (Moi University) and an MBA (University of Nairobi)

2. Miriam Gitau

Director, Human Resource Management and Administration



Executive MBA (ESAMI/ MAASTRITCH).
B.A. Arts (UoN), Diploma HRM & D and SLDP (KSG)

3. Mwikamba Mghenyi

Director, Finance and Accounting



Mr. Mwikamba Mghenyi a CPA (K) holds an MBA , Strategic Management, UoN) and Bachelor of Commerce (Finance)

4. Patrick Adolwa

Director, Infrastructure Development



Patrick holds Masters of Arts in Urban and Regional Planning and Environmental Studies (UoN), Postgraduate Diploma-Lands Management and Informal Settlement IHS ,Rotterdam Netherlands and Bachelors of Arts (UoN).

5. David Mugambi

Director, Business Development and ICT



David holds an MBA, International Business (University of Nairobi) and Bachelor of Science (University of Nairobi)

6. Michael Wanyika

Manager, Legal Affairs



Michael is an advocate of the High Court of Kenya. He holds an LLB, BCom (Finance), CPS (K) among other professional qualifications.

7. John Paul Okwiri

Manager, Procurement



John holds an MBA (Procurement & Supply Chain Management) from the University of Nairobi and Bachelor of Commerce. He is a member of Chartered Institute of Purchasing & Supply and of Kenya Institute of Supplies & Management.

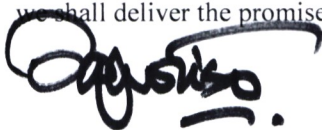
V. CHAIRMAN'S STATEMENT

It is with great pleasure that I report yet another year of growth and good performance for the Konza Technopolis Development Authority (KoTDA). Execution of key strategic pillars continues to deliver growth for the authority. In the year under review, we continued to focus on our key mandate of developing Konza Technopolis as a globally competitive smart city by creating an enabling environment through utilization of Information, Communication and Technology (ICT) for socio-economic development.

During this financial year, the Authority was able to achieve a lot among them; launching the strategic plan, construction of Konza Complex and building partnerships with key stakeholders by signing MOU's with key partners namely KEPSA, UN-Habitat, Tel-Aviv City and KPDA. It also secured an Anchor Tenant known as Kenya Advanced Institute of Science and Technology (KAIST) that will support the authority in establishing a centre of knowledge economy and innovation in partnership with the Ministry of education. We embarked on an innovative way of securing funding for Phase 1 Konza infrastructure through procurement and financial model termed as Engineer Procure Construct and Finance (EPCF). Also the government has approved the establishment of a National Data Centre at the city.

Our future plans are to develop and manage a world class smart city with vibrant, safe and secure, healthy and sustainable ecosystem by constructing first residential units and basic city support facilities for residents, collaborating with Counties in regulating developments in the 10KM buffer zone, provide reliable, available and affordable utilities and develop framework for operation and maintenance of completed infrastructure projects in place and in use, to partners with other actors in the National Innovation system, develop high-end talent and create smart innovative solutions and commercialize them by developing the Konza, innovation pipeline development program and a linkage program with selected global innovation centres and to mobilize adequate and sustainable funding to meet the authority's mandates and changing needs of the business community and residents in addition to creating strong brand and image of the Konza Technopolis that will attract, facilitate & retain investors and ensure that the authority has adequate institution capacity to fulfil its mandate by improving the organizational structure and automate all core business process.

Our commitment to develop a sustainable smart city and an innovation ecosystem, contributing to Kenya's knowledge-based economy remains strong. With our strategy in place, we are confident that we shall deliver the promise to Kenyans.



DR. REUBEN MUTISO

CHAIRMAN, BOARD OF DIRECTORS

VI. REPORT OF THE CHIEF EXECUTIVE OFFICER

Our achievements in the financial year 2016/17 were as a result of our deliberate effort to focus on key strategic areas namely Infrastructure development, Investors, policy advocacy, partnerships and operational excellence. The board of management and staff took a deliberate effort to give precedence to key undertakings that could position the project to take off. We identified and prioritized projects that were seen as key to delivering Konza Technopolis to the people of Kenya. The below activities were implemented within the financial year;

Strategic plan: We set out to develop the Konza Strategic plan that describes the path towards building a global technology and innovation hub. The Strategic plan launched on the 19th December 2016 forms the foundation upon which the Authority will use to develop the City. The plan identifies key sectors of the economy, among them ICT/ITES, Engineering and Life Sciences clusters.

Construction of Konza Complex: The management of Konza Technopolis from its current headquarters at Capital West Business Centre has continued to draw criticism with stakeholders question the logic. We set out to have the authority build its headquarters at Konza land. Despite financial challenges we have commenced the construction of Konza Complex, an eight storage building currently in fourth floor. We hope to move in by 2018.

Partnerships: To progress, the city is relying heavily on key stakeholders and strategic partnerships that we believe are key to impacting perception and building the right traction. Through entering into MOU's with key partners namely KEPSA, UN-Habitat, Tel-Aviv City and KPDA we have managed to create new interest in the project resulting in over 66 expressions of interest by investors both local and international. The requests are being processed and we hope to settle them within current financial year. Through targeted forums we have established collaborations with key stakeholders among them academia, business community, local community this has consequently improved our perception index.

Anchor Tenant: As a project whose main objective is to develop a Knowledge Economy, we are in the final stages to settle an Anchor Tenant known as Kenya Advanced Institute of Science and Technology (KAIST) at Konza. This is in addition to attracting six (6) local universities that will support the authority in establishing centers of Knowledge economy and innovation collaboration between industry players, education institutions and R&D centers. The Korean Government has since provided Kes.13 billion for the construction of KAIST through the Ministry of Education who have then handed over the project to Konza to build and transfer.

Infrastructure development: To ensure that we deliver the promised smart city infrastructure and a sustainable city we embarked on an innovative way of securing funding for Phase 1 Konza Infrastructure through procurement and financial model termed as Engineer Procure Construct and Finance (EPCF).

The National Treasury has since approved Kes.40 billion for the infrastructure funding, the commercial agreement as well as the loan agreement has been signed. The Contractor is currently mobilizing to deliver that project in 48 months. The project involves the below activities:

- Phase 1A and Phase 1B Streetscape,
- Parks
- Wastewater Reclamation Facility
- Water Treatment Plants and Facilities
- Electrical Service
- Police and Fire Building
- ICT
- Solid Waste handling Facility

- Transit Hub, and the Security
- Entrance Feature

In addition to guarantee the future of the project, we worked closely with various partners among them KENTRACO and Nol Turesh. The process resulted in rehabilitation of the Nol Turesh water pipeline that is now providing 2000 Cubic litres of water daily and a supply of three (3) independent sources. Already one Substation has been completed and commissioned for use.

Capacity Building and Investors: Konza will attract businesses, small and large as well as national and international. To deliver this we had to ensure that the Authority has adequate institutional capacity to fulfil its mandate. This led to the establishment of a department of Business development to facilitate investors. We further employed addition staffs complement of ten (10) new staff members across the five departments. This has increased Konza attractiveness as an investment destination include admission of the Technopolis as an associate member of International Association of Science Parks and areas of Innovation.

Connectivity: Smart Cities is all about connectivity. We began a journey whose vision is to develop it as a self-sustaining city with an integrated urban information and communication technology (ICT) network that support delivery of connected urban services to allow for efficient management of services at large scale. In the past two (2) years we have connected the city with Trunk Fibre under the NOFBI II. In addition the government has approved the establishment of a National Data Centre at the city.

Access roads - Rough Grading works for 12.2 km of *Inter-Parcel Access Roads* for Phase 1 was undertaken to open up the individual parcels for provision of infrastructure, utility lines and to allow for parcel development and construction works by investors.

I would like to thank our Master Development Partner (MDP2) who has worked closely with our team to deliver on key infrastructure targets for the financial year. Further, I acknowledge the Ministry of Information, Communications and Technology for providing the policy direction and the National Treasury for financing the project. Finally, a big thanks you to Konza Technopolis staff and the Board for working tirelessly to deliver on key targets during the year of reporting. I am confident that the Konza team will work together to realize the Konza Technopolis dream. I am committed to steering the team towards building Africa's Silicon Savanna and a global technology and innovation hub.



ENG. JOHN TANUI
CHIEF EXECUTIVE OFFICER

VII. CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Konza Technopolis Development Authority are responsible for the governance of the Authority and are accountable to the shareholders and stakeholders in ensuring that the Authority complies with the laws and the highest standards of business ethics and corporate governance. Accordingly the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

1. Board of Directors

The roles and functions of the Chairman and the Chief Executive are distinct and their respective responsibilities clearly defined within the Authority. The Board comprises of 10 (ten) directors including the Chairman.

The Board defines the Authority's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues.

The directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the CEO. The Board nonetheless is responsible for the stewardship of the Authority and assumes responsibilities for the effective control over the Authority.

2. Board Membership

The Konza Technopolis Development Authority Order, 2012, vests the management of the Authority on the Board, which is composed of:

1. A Chairman appointed by the President;
2. The Principal Secretary to the Treasury;
3. The Principal Secretary in the Ministry for the time being responsible for matters relating to information and communications technology;
4. Two persons of opposite gender, being public officers, appointed by the Minister in consultation with the Public Service Commission;
5. Not more than seven other members, two of whom shall be of the opposite gender and not being employees of the Authority not public officers, appointed by the Minister in consultation with the Public Service Commission; and,
6. The Chief Executive Officer.

The current Board has:

- (i) A non-executive Chairperson
- (ii) The Cabinet Secretary to the National Treasury
- (iii) The Permanent Secretary in the Ministry of Information, Communications and Technology
- (iv) 6 members
- (v) The Chief Executive Officer

3. Meetings of the Board

According to Section 8 (1) (a) of the State Corporations Act, Cap 446 the Board of every State Corporation should meet at least four times in every financial year.

During the period under review, the Board held 6 meetings.

4. Committees of the Board

Section 10(6) of the Order bestows the Board with the powers to delegate the exercise of any of its functions or duties to Committees. The Board has set up the following principal Committees which meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

During the period under review, the Board established the following Committees:

a. Finance, Human Resources and Administration Committee

This Committee has oversight responsibility on all financial, human resources and organisational administration issues at the Authority. It consists of five members and held eight meetings in the year.

b. Technical and Infrastructure Development Committee

This Committee's role is to review, oversee and advise the Board on the quality of technical standards, assurance processes and impact assessment and reporting in the course of implementation of the Konza Technopolis Master Plan. It consists of five members and held seven meetings in the year.

c. Corporate Affairs, Policy and Strategy Committee

This Committee performs oversight of matters relating to or affecting the Authority's strategic direction in accordance with the Authority's legislated mandate, provide oversight and advice to Management in the development and implementation of all such strategic initiatives, and make recommendations to the Board on such matters. It consists of six members and held one meeting in the year.

d. Business Development, Innovation and Research Committee

This Committee's role is to review, oversee and advise the Board on research and innovation activities and advise on, and monitor performance in, these areas, as well as to develop its commercial services and to create new revenue generating opportunities. It consists of six members and held four meetings in the year.

e. Audit and Risk Management Committee

This Committee reviews, oversees and advises the Board on the Authority's internal control and risk management systems; to oversee the integrity of the financial statements of the Authority, and any formal announcements relating to the financial performance, including significant financial reporting judgements contained in them; review the internal financial controls; review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process; monitor and review the effectiveness of the internal audit function; and review whistleblowing arrangements. It consists of five members and held five meetings in the year.

5. Directors Remuneration

The Directors remuneration is based on the GoK regulations which recommend that Directors will be paid Ksh.20, 000 per sitting while the Chairman will be paid Ksh.80, 000 per month and Ksh.7, 000 per month as telephone allowance.

The aggregate amount of emoluments paid to directors for services rendered during the financial year 2016/2017 are disclosed in the notes to the financial statements under note 9.

6. Appointments to the Board

The Board believes that the current composition comprises the required mix of skills and core competencies required to enable the Board operate effectively and efficiently. The Board recognizes that as the Law has delegated the appointment of Board members to the Cabinet Secretary, Ministry of Information, Communications and Technology, the Board will however engage with the Cabinet Secretary to ensure the individuals with the right skills are appointed as members of the Board.

The Board will annually review its effectiveness as a whole and that of individual committees as well as the Chief Executive Officer to ensure that KOTDA's goals are achieved. The Board will ensure that all assessments and evaluations carried out are properly documented and filed.

7. Directors Training

All the Members of the Board of Directors have received training on Mwongozo, the Code of Governance for State Corporations. They also attended various training programmes, conferences and workshops aimed at enhancing their understanding of the Authority's mandate.

8. Risk Management and Internal Controls

The Corporation has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications.

In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Corporation. The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Corporation. As an integral strategy in achieving its corporate goals, the Board ensures that an optimal mix between risk and return is maintained. To achieve this goal, a risk management and governance framework has been put in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Corporation to achieve its objectives.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

Konza Technopolis Development Authority is an entity fully funded by the National Government. This therefore means that, its performance therefore depends on the national Government budget cycle and funding as availed by the National Government through the Ministry of ICT. KoTDA receives quarterly allocations based on its annual allocation as approved by the National Assembly.

The overall achievement of the Authority since project initiation includes:

- Acquisition and securing of **5,000 acres** of land for the location of Konza Technopolis.
- Engagement of International Finance Corporation (IFC) as **Transactional Advisor** for the project at Conceptualization Stages.
- **Project studies** including Feasibility Studies, Social Environmental Assessment Studies (SEAS) and Demand Survey.
- **Cadastral Survey** of the entire 400 acres for Phase 1, which involved monumenting Control beacons and Boundary beacons to demarcate parcels, roads and wayleaves within Phase 1.
- Engagement of a **Master Delivery Partner 1 (MDP1)**, hired 2012 - 2013 to prepare a detailed Project Implementation Plan and Project Strategy for Phase 1 and the subsequent hiring of **Master Delivery Partner 2 (MDP2)** as Project Managers for the implementation of Phase 1, hired 2014 – 2020.
- Provision of 3,200m³ of **clean portable water** through boreholes and Nol-Turesh Mains Supply.
- Creation of a **10KM Buffer Zone** around Konza Technopolis to guard against mushrooming of unplanned structures. Signing of a Memorandum of Understanding with UN-Habitat, 2016 to this end.
- Approval of the **Local Physical Development Plan (LPDP)** to guide the project implementation,
- **Rough Grading** of 12.1 Km for Auto-boulevard (*Main Access Road to Phase 1A*) and Inter-parcel Access Roads to open up the Phase 1 parcels for investments, developments and occupancy.
- Supply of power from three **(3)** independent sources for redundancy.
- Provision of **Trunk Fiber** under the NOFBI II project for connectivity.
- Construction of the **Konza Complex** to 6th floor level. The construction entails a Green-Smart Building within Phase 1A, with an Office Complex, Conference Facility, and Hotel Block.
- Securing **Kenyan Advanced Institute of Technology (KAIST)** as the anchor tenant for the university band.
- **Expression of Interests (EOIs)** from investors for the various investment opportunities available.

- Project Funding for Phase 1 infrastructure through **Engineer, Procure, Construct and Finance (EPC-F)** model secured.
- Funding for the **National Data Centre** at Konza Technopolis secured.

Challenges and Constrains that hindered achievement of performance targets in the FY 2016/ 17 Performance Contract at mid-year include:

- **Budgetary Constraints.** In the period under review, the Authority faced budgetary constraints that occasionally led to review and revisions of the 2016/ 17 Annual Budget, Workplan and Procurement Plan.
- **Budget Cuts.** The Authority's Budget for this financial year was reviewed to lower figures for some of the projects it had already committed to undertake. This led to a scale down or in some cases, zero implementation of the affected projects.
- **Low staff complement.** The Authority is making steady progress in the implementation and operationalization of Phase 1 of Konza Technopolis. Hence the need for additional staff to enhance the Authority's capacity for all Departments at both Headquarters and at the Site Office
- **Late Signing of the Performance Contract.** The Late signing of the Performance Contract (PC) 2016/ 17 led to alteration of the Authority's pre-set Targets and Planned Activities during PC negotiations. This led to introduction of new additional Targets and Performance Indicators, in addition to the Authority's initial targets.

SECTION B

Entity's compliance with Statutory Requirements

Konza Technopolis Development Authority has so far complied with all its statutory and contractual obligations. This therefore means that the Authority is so far not exposed to any liabilities, contingent or otherwise.

SECTION C

Key Projects and Investment the entity is planning/ implementing

In accordance to KoTDA mandate of developing the Konza Technopolis to smart standards the following projects are the Key projects for the 2016/ 17 FY:

1. Master Delivery Partner 2 (MDP 2) Consultancy Services

PROJECT NAME	Master Delivery Partner 2 (MDP 2) Consultancy Services
Project Purpose:	This is a consultancy partnering with Konza Technopolis Development Authority in development of smart technology city standards. This will ensure that Konza Technopolis is implemented as envisioned in Vision 2030 to be a smart techno city and operated as such in order to generate more than 2% GDP.
Brief Description of Project:	This is a consultancy project signed in August 2014 between KoTDA and Tetra Tech consortium to support KoTDA in implementing Phase 1 of the Konza Techno City. The consultancy brings together professionals in smart city development including Project Managers, Financial experts, Branding and

	communication experts, Architects (Architects, urban designers landscape Architects), Planners, Engineers (ICT, Civil, Electrical, Structural and Chemical), land economists, land surveyors, environmental specialists, and Lawyers. The scope of the consultancy includes: • Project leadership; • Financial planning; • Project communication and marketing; • Development guidelines; • Land administration; • Management of design consultants; • Management of Construction contractors.
Economic and social benefit	• Provide professional consultancy services ensuring the development and operations of a smart techno city that will grow the GDP of Kenya by 2%.
Sources of finance	• GoK through direct allocation

2. Konza Complex

PROJECT NAME:	KONZA COMPLEX
Project Purpose:	To house the Konza Development Authority personnel and provide additional flexible office space for use by investors as well as ICT innovators.
Brief Description of Project:	The project entails design and construction of the building (Konza Complex) which comprises of three components with an estimated cost of 3.92 billion as shown below. a) The Office Block, Kshs 1.9 Billion: This will host KoTDA personnel's as well as the initial investors and innovators to KTC Conference facility, Kshs 0.72 Billion: This will host a model Huduma center and smart city exhibition spaces for both local and international partners. c) Residential (Hotel) block Kshs 1.2 Billion: The construction of the office block has started while the Conference and Hotels block will be constructed in Phase 2.
Economic and social benefit	• Provision of an approximate income of Ksh. 0.5 Billion per year to the GoK through KoTDA from office space rent and leases. • Bringing GoK services closer to the people of Makueni, machakos and Kajiado through the Model Huduma Centre in the building. • Spurring construction of buildings at Konza Technology City this being the first building in the Techno City. • Increase in government assets because it is a government building.
Sources of finance	GoK. Through direct allocation

3. Phase 1A Public Buildings

PROJECT NAME	PUBLIC BUILDINGS
Project Purpose:	To operationalize Phase 1 City Management by KoTDA.
Brief Description of Project:	This covers the design, procurement and construction of the following municipal buildings essential for the operationalization of the Phase 1 Technopolis • 2,500 m² Solid Waste Handling Facility

	• 4,400 m² Police and Fire Station • Entrance and Security Feature • 3,000 m² Transit Hub
Economic and social benefit	• Facilitate ease of Konza Technopolis Management Services in operating the Phase 1 of the Technopolis. • Support and foster development activities within the city's Phase 1 areas. • Enhance access to jobs, services and social networks to city inhabitants in Phase 1.
Sources of finance	GoK – Through EPCF or Direct allocation

4. Waste Water Reclamation Facility (Phase 1 sewer treatment plant)

PROJECT NAME	WASTE WATER RECLAMMATION FACILITY (Phase 1A sewer treatment plant)
Project Purpose:	To provide waste water reclamation (sewer treatment) for Phase 1A of Konza Techno City. To provide the city with water for parks and gardens landscaping, firefighting and toilet flushing from the recycled (reclaimed) water at the facility or plant.
Brief Description of Project:	The project entails the design of the Techno City Waste Water Reclamation Facility (Sewer treatment plant) and construction of Phase 1 of the plant to cater for sewer treatment of Phase 1A of the Techno City. It is designed following the total estimated wastewater (sewer) to be produced in the city development as follows. i. Phase 1A approximately 6,000 m³ per day (m³/ day), ii. Phase 1B approximately an additional 6,000 m³/ day, iii. Phase 2 approximately 12,000 m³/ day, iv. Phase 3 approximately 12,000 m³/ day,
Economic and social benefit	Minimize potable water usage and maximize wastewater reuse for the city's parks and gardens landscaping, firefighting and toilet flushing. Maximize the potential of resource recovery such as bio-methane and bio-solids production for cooking gas and fertilizer for use in the Techno City respectively. Promote water conservation both within and outside of all structures at Konza City.
Sources of finance	GoK. Through direct allocation for design and supervision. GoK through EPCF or direct allocation for construction.

Phase 1B Streetscape and Sub-Surface Utilities

PROJECT NAME	PHASE 1B STREETScape & SUBSURFACE UTILITIES
Project Purpose:	To facilitate tarmacked road access to Phase 1 of Konza Techno city from Mombasa Road. To Provide other 80+ (plus) parcels within Phase 1 with water distribution network, sewer collection network, electrical distribution duct network (Power lines) and Fiber distribution duct network. To provide the Techno city with digital lighting and signage system.
Brief Description of Project:	This is design and construction of the approximate 30 Km roads at Konza Techno City to tarmacked standards. The project covers design and construction of the tarmacked roads, sidewalks (pedestrian ways), lighting and signage, utilities distribution facilities (sewage collection lines, water distribution lines, storm drainage lines, reuse lines, power lines and fiber optic line). It also contains transportation scope including the design and construction of internal roads, connection/s to existing road network, traffic circulation, pedestrian & bicycles facilities and bus facilities.
Economic and social benefit	• Provide investors to KTC with universal access to public utilities i.e. water, power, fiber, waste water lines, e.t.c. • Support and foster development activities within the cities phase 1A areas. • Enhance access to jobs, services and social networks including for the most disadvantaged.
Sources of finance	• GoK. Through EPCF or Direct allocation

5. Konza Technopolis Electrical Network in phase 1

PROJECT NAME	KONZA TECHNOPOLIS ELECTRICAL NETWORK (PHASE 1)
Project Purpose:	To provide electrical power for operations of phase 1 of the Konza Technopolis
Brief Description of Project:	The project encompasses a complete electrical system including approximately 40 km of electrical power lines, substations, transformers and other appurtenances (electrical conduits and pull boxes are included in the scope of Lot 1), including Kenya Power and Lighting Company.
Economic and Social Benefit	• Operationalize the first phase of Konza Technopolis • Support the ICT network for Phase 1 of the City.
Sources of financ	GoK through EPCF or direct allocation

6. Konza Data Centre and Smart City Facilities Project

PROJECT NAME	KONZA DATA CENTRE AND SMART CITY FACILITIES PROJECT
Project Purpose	To Develop a National Data Centre in Konza Technopolis To Provide Smart ICT Network and Electrical Network for Konza Technopolis To Provide Virtual Desktop Infrastructure (Citizen and SME Services) To Provide Public Safety and Security Solution for Konza Technopolis To Provide Telepresence and Video conferencing (for government)
Brief Description of	The Konza project is now aimed at establishing to a smart mixed use city with a

Project:	system of innovations that combines the industry, government and academia with a view to contributing towards the growth of a knowledge economy in Kenya. Apart from being a city with a concentration of technology-based businesses or an emphasis on technology (by definition a ‘technopolis’), Konza must also be a smart city. According to the Vision 2030 blueprint, Konza will be a smart city, with an integrated urban information and communication technology (ICT) network that supports delivery of connected urban services and allows for efficient management of those services on a large scale. A smart city uses Information and Communications Technology (ICT) to enhance its liveability, workability and sustainability. A smart city is a synthesis of hard infrastructure with the availability of quality knowledge communication and social infrastructure. A smart city collects information about itself through devices, dedicated sensors and existing systems. In order to be considered a smart city there are a number of core infrastructure and services that are required as part of Phase 1. These ensure that Konza is able to carry out the core functions of a smart city. This collection of infrastructure and services are known as the <i>smart city facilities</i>. Together these represent the essential facilities to be built upon to eventually achieve the complete smart city functions envisioned. While Konza requires the project for her own purposes, the undertaking of the <i>Data Centre and Smart City Facilities</i> project represents an opportunity for resource sharing and revenue generation. There are over 189 government entities (commissions, authorities, agencies etc.) and 22 ministries. These government organs can make use cloud backup services, virtual desktop as a service, physical server or space renting, cabinet or rack renting, as well as email services. When Phase 1 is complete it is expected to house at least 30,000 individual residents, these would be a large customer base for connectivity providers who would lease the optical fibre network or portions of it. As the ICT network is intended to be unified the population also forms a pool that needs mobile connectivity (voice and data) through broadband network leasing. There are currently over 21 telecommunications service providers in Kenya. 1500 business entities of various sizes are expected to be resident in Phase 1.
Sources of finance	GoK. Through Government to Government Partnership with the Government of China.

SECTION D

Major risks facing the entity

Risk Inventory

i. Operational risks

Operational risks include various factors that contribute to failures in execution of our operations and may degrade the overall performance of the organisation:

- a. Failure of ERP system that supports functions
- b. Change of management
- c. Reliance on third party technology

The authority mitigates above risks by ensuring periodic risk assessment, monitoring and evaluation at regular intervals, succession planning and maintaining regular backup & recovery processes

ii. Financial risks

Risks in this category include factors both external & internal finance operations. They include:

- a. Budget constraints for business operations
- b. Currency fluctuation
- c. Contract disputes that result in unplanned costs

These risks are mitigated by ensuring that procurement is done according to the act, committees are set to review contracts, planning in terms of financing to avoid collusion with service providers and hedging to protect against currency fluctuation.

iii. Regulatory & Legal risks

Risks in this category include factors that arise due to changing regulatory environment, public sector initiatives or litigations. They include:

- a. Compliance risks
- b. Service level agreements
- c. Contract litigation
- d. Sponsorship litigation

The authority ensures compliance with laid down rules, procedures and acts and properly plans before engaging.

iv. Reputational/Brand risks

Risks in this category affect public confidence or trust in the organisation. They include:

- a. Adverse publicity
- b. Departure of key employees
- c. Difficulty in recruiting talent
- d. Spontaneous social media smear campaign

The authority has established a crisis management team and communication strategy to counter publicity that might have adverse impact on the brand. It also maps potential crisis areas and plans predetermined responses.

v. Strategic risks

Risks in this category involve decisions the organisation makes about direction, target markets etc. they include:

- a. Strategic relationships

- b. Failure to create effective strategy

SECTION E

Material arrears in statutory/financial obligations

The organization is in compliance with the required statutory obligations and has not defaulted, neither has it failed to pay its tax liabilities.

SECTION F

The entity's financial probity and serious governance issues

KoTDA has designed and implemented governance arrangements, a financial reporting regime and an internal control system to enable the achievement of its objectives. These arrangements are designed to support the Authority's financial reporting requirements, the effectiveness and efficiency of its operations, and compliance with applicable legislative requirements.

The Authority has no financial probity and serious governance issues reported from the various oversight Agencies.

IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING

KONZA GOLF AND CORPORATE SOCIAL RESPONSIBILITY REPORT



Introduction

Konza Technopolis Authority (KoTDA) is charged with the responsibility of development of Konza Technopolis. As part of its mandate KoTDA engages in stakeholder management and mobilization to facilitate the smooth operationalization of the Technopolis. Among the identified avenues for these engagements is corporate social responsibility (CSR). Among the activities undertaken during the financial year ended was the sponsorship of a golf tournament as well as hosting the Akamba council of elders as two quick win strategies to engage the community. The segments were deemed suitable, as they are the opinion shapers in the community due to their influence. Further, to achieve its mandate of building an innovation culture, the team chose to visit select schools in Machakos County whose track record in Science and Engineering is unmatched in the county having topped the categories for four consecutive years.

Konza Golf Tournament

Sports are essentially emotional and memorable contact points for both participants and the organization. Through sport KoTDA can evoke a joint sense of ownership and belonging among the participants. Given that Konza Technopolis will be built on the smart city concept encouraging people to live and work within its confines, sports and recreation remain an essential part of the Technopolis appeal.



It is on this premise that the inaugural Konza Technopolis golf tournament held in Machakos club on the September 10, 2016 attracted 110 golfers at the par-72 Machakos Golf Club.

During the tournament Machakos based golfer Francis Njeru emerged the winner. The handicap 7 golfer, fired a total of 41 points to clinch the inaugural tournament with the Authority set to explore the feasibility of making it an annual tournament and partnering with the club to develop a new course in Konza. The event attracted media interest and was listed among the top golf tournaments of the weekend by the Nation, Star and Standard.

CSR: Visit to Kiulu Day Secondary



As a smart city seeking to leverage on Science Technology and Innovation Konza Technopolis is seeking to foster the development of skills in related fields through recognition of centers of excellence in them three fields. Academia remains one of the top stakeholders crucial to the development of Konza Technopolis. In this regard KoTDA continues to recognize students who excel science and engineering through participation in the National Science congress and partnership with the National Commission for Science, Technology and Innovation (NACOSTI).



As part of this engagement KoTDA identified Kitulu Day Secondary School which emerged top in the engineering category during the National Science Congress. During the event the KoTDA team led by the Chairman Arch. Reuben Mutiso and C.E.O Eng. John Tanui gave a motivational talk to the students on the importance of perusing skills based courses such as engineering. The team also donated books that lay a background for innovation and entrepreneurship, giving special awards to the four students who participated in the National Science Congress.



Kamba Council of Elders

The KoTDA management board met with the Kamba Council of Elders to update them on the progress made so far in the development of Konza Technopolis. The aim of the meeting was to show case the emerging opportunities that will benefit various stakeholders starting from the surrounding community to the surrounding counties and the country as a whole.

The KoTDA team fielded questions from the council of elders on the activities the authority has undertaken so far including; investment opportunities, CSR and community support projects. During the engagement the KoTDA team conducted a site visit for the elders to give a wider understanding on ongoing projects and works at the site.



Following the meeting the Elders were satisfied with the progress, and made an undertaking to be our brand ambassadors. The visit by the Kamba Council of Elders is expected to spur additional interest in Konza Technopolis projects more so in regard to investment and community participation. The Management board therefore recommends continued engagement with the Council editors to foster the full buy in of the community.

X. REPORT OF THE DIRECTORS

The Directors submitted reports together with the audited financial statements for the year ended June 30th, 2017 showing the state of Konza Techno polis Development Authority.

Principal activities

The mandate of Konza Technopolis Development Authority is to develop Konza Technopolis as a globally competitive smart city by creating an enabling environment through utilization of ICT for socio-economic development. Implementation of infrastructure for Phase 1 is ongoing and will be completed in year 2020. To this end, the Authority secured external funding through the *Engineer, Procure, Construct and Finance (EPC-F)* funding model for the city's Phase 1 infrastructure.

The contractor has mobilized to site Investment processes aimed at attracting the investments from the private sector, government agencies, partners and other stakeholders are also under way. To this end, we signed two Anchor Tenants namely the *Kenya Advanced Institute of Science and Technology (KAIST)* to set up in the University Band and the *Konza National Data Centre* to set up in the Technology Band.

Additional investment interests that were registered with the Authority in this period are also being processed.



Figure 1: Aerial view of Phase 1

To summarize our achievements in the period under review,

below is an outline of our milestones for the financial year 2016/ 17:

a. Infrastructure Development

- Supply of 3,200m³ per day of clean water from *Nol Turesh* and boreholes.
- Implementation of the Master Plan, Smart City Guidelines and Codes, Land Disposition Plan among other regulations to facilitate infrastructure, investments and developments.
- Completion of Designs for Phase 1 Streetscape and Subsurface utilities (Roads) and Wastewater Reclamation Facility.
- Supply of power to Konza Technopolis from three (3) independent sources for redundancy.
- Laying of Trunk Fiber to Konza Technopolis under the NOFBI II project.



- Construction of Konza Complex is 60% complete. (inset)
- Securing Funding through

Figure 2: Konza Complex construction

Engineering, Procurement and Construction with Financing (EPCF) model
 secured for Phase 1 Infrastructure.

b. Innovation Ecosystem

- Signing of **Korean Advanced Institute of Technology (KAIST)** as the anchor tenant for the university band.
- Signing of funding agreements for the establishment of **National Data Centre** with the Government of China.

c. Key Milestones

In the Financial year 2016/2017, KoTDA achieved the following key milestones as part of its principal activities.

No.	Performance Category	Criteria	Unit	WT (Weight)	Status Previous Year (2015/16)	Target (2016/17)	Status as at 30 th June 2017
CORE MANDATE VISION 2030/ PRIORITY PROJECTS 1: Establishment of Phase 1 of Konza Technopolis B1. Infrastructure Development for Phase 1							
The Authority will undertake the following infrastructure projects towards the implementation of Phase 1 of Konza Technopolis;							
B1.1	Construct 30% of Konza Complex The Authority shall undertake 30% construction of the Konza Complex as per Kshs. 500 Million budgetary allocation as follows: • Develop All Konza complex support facilities • Construct Basement 01 • Construct Basement 02		%	5	N/ A	100	Construction at 5 th floor level (out of 9 floors) as at 30 th June, 2017. Hence 50% Achieved.
B1.2	Complete Design of Phase 1A Streetscape The Authority will undertake an upgrade design of the 12.2 Km murram road to tarmac standards by undertaking the following: • Tarmacked roads,		%	3	N/ A	100	Design Completed at 100% and Approved for implementation.

No.	Performance Category	Criteria	Unit	WT (Weight)	Status Previous Year (2015/16)	Target (2016/17)	Status as at 30 th June 2017
		sidewalks (pedestrian ways), • Lighting and signage, • Utilities distribution facilities (sewage collection lines, water distribution lines, storm drainage lines, reuse lines, power lines and fiber optic line) • Internal roads, • Connection/s to existing road network, • Traffic circulation, • Bus, pedestrian & bicycles facilities					
B1.3	Complete Design of Phase 1A Wastewater Reclamation Facilities	The project entails the design of the Konza Technopolis Waste Water Reclamation Facility (Sewer treatment plant) to cater for sewer treatment of Phase 1A of the Konza Technopolis. It is designed following the total estimated wastewater (sewer) to be produced in the city development as follows: • Phase 1A at about 6,000 m³ per day (m³/day), • Phase 1B at about an additional 6,000 m³/day, • Phase 2 at about 12,000 m³/day • Phase 3 at about 12,000 m³/day	%	3	N/ A	100	Design Completed at 100% and Approved for implementation.

No.	Performance Category	Criteria	Unit	WT (Weight)	Status Previous Year (2015/16)	Target (2016/17)	Status as at 30 th June 2017
B1.4	Complete evaluation of Engineer, Procure, Construct and Finance (EPC-F) of Key Phase 1 Infrastructure Projects The Authority will carry out the following activities; • Using the public procurement process to identify a Contractor; • Using the public procurement process to identify a Financier; • Using the public procurement process to identify a Designer;	%	2	N/ A	100	Financier and Contractor secured Pending works are: i. Construction of Trunk Utility Corridor (<i>Utilidor</i>) ii. Grading, excavation and blinding of Wastewater Reclamation Facility. Hence 40% Achieved	
B1.5	Site Maintenance Works The Authority will carry out the following activities; • Maintenance of 12.2 Km gravel roads. • Repair of Site Fence • Installation of Gate Barriers and Security Cubicles	%	2	N/ A	100	Soil Erosion Control undertaken. Pending works are: i. Repair of Site Fence ii. Installation of Gate barriers and Security Cubicles Hence 50% achieved	
B2	Master Delivery Partner 2 (MDP2) Deliverables During the contract period of Master Delivery Partner 2 (MDP 2) will undertake the following activities; • Design guidelines for infrastructure projects • Marketing and Branding	%	3 3 2	N/ A	100	Guidelines for this FY developed implementation ongoing. Hence 100 achieved	

No.	Performance Category	Criteria	Unit	WT (Weight)	Status Previous Year (2015/16)	Target (2016/17)	Status as at 30 th June 2017
		- Final plan for management of design consultants - Final plan for management of contractors		2			
B3	Business Development						
	The Authority will undertake the following activities to facilitate investors and promote the visibility of Konza Technopolis:		%		N/ A	100	Two investors signed i.e.: i. Korean Advanced Institute of Science and Technology (KAIST) ii. National Data Centre
	Sign Investment Agreements with five (5) Investors for the following projects			4			
	Sign Memoranda of Understanding (MOU) with at least sixty-six (66) investors for Phase 1			4			
	Support the development of Local Content by initiating the following			2			Targets not achieved are: i. Signing of Two Local Universities ii. Signing of 66 MoU's with investors, Local Content supported through Sponsoring <i>Sankalp Event, Nairobi Innovation Week</i> etc. for innovators boot camp Hence 50% achieved

No.	Performance Category	Criteria	Unit	WT (Weight)	Status Previous Year (2015/16)	Target (2016/17)	Status as at 30 th June 2017
B4	Legal and Regulatory Framework (100%) The Authority will draft and submit two Konza investment policies to the Ministry of Information, Communications and Technology (100%):	- Konza Land Disposition Policy - Draft Konza Technopolis Bill	%	64	N/ A	100	Draft Bill forwarded to the Attorney General's Office through Ministry of ICT. Land Disposition Policy developed and approved. Implantation ongoing. Hence 100% achieved
B5	Ease of Doing Business: The Authority targets to develop a One-Stop-Shop to promote ease of doing business at Konza Technopolis as follows:	- Establishment of functional One Stop Shop (50%) - Development of a comprehensive One Stop Shop Plan	%	2.5 2.5	N/ A	100	Investor Facilitation Unit (IFU) was set up process and facilitate investor applications. Draft One Stop Shop Plan developed. Hence 100% achieved

Results

The results of the entity for the year ended June 30, 2017 are set out on pages 1-31

Directors

The members of the KoTDA Board of Directors who served during the financial year under review are shown on pages VII to X.

Auditors

The Auditor General is responsible for the statutory audit of the Konza Technopolis Development Authority in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board

Michael Wanyika
Secretary
Nairobi

Date:



XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

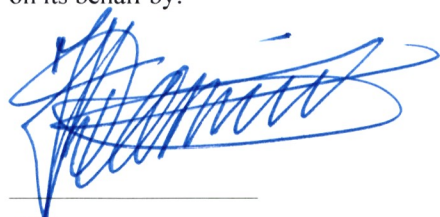
The Public Finance Management Act, 2012 and the State Corporations Act cap 446, require the Directors to prepare financial statements in respect of KoTDA, which gives a true and fair view of the state of affairs of KoTDA at the end of the financial year/period and the operating results of KoTDA for the financial year 2016/2017. The Directors are also required to ensure that KoTDA keeps proper accounting records which disclose with reasonable accuracy the financial position of KoTDA. The Directors are also responsible for safeguarding the assets of KoTDA.

The Directors are responsible for the preparation and presentation of KoTDA's financial statements, which give a true and fair view of the state of affairs of the KoTDA for and as at the end of the financial year (period) 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of KoTDA (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for KoTDA'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 KoTDA's financial statements give a true and fair view of the state of KoTDA's transactions during the financial year ended June 30, 2017, and of KoTDA's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for KoTDA, which have been relied upon in the preparation of KoTDA'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 KoTDA 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 *entity's* financial statements were approved by the Board on 27/03/2018 and signed on its behalf by:



CEO



CHAIRMAN

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Konza Technopolis Development Authority set out on pages 1 to 31, 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 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 matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Konza Technopolis Development Authority as at 30 June 2017 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 Konza Technopolis Development Authority order, 2012.

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

Basis for Qualified Opinion

1. Delayed Completion of Water Supply Project

1.1 Drilling of Boreholes

As previously reported, records made available for audit review indicated that on November 20, 2014 the Authority awarded a contract for supply of water to a Construction Company at a cost of Kshs.58,195,765.89. The contract was to be executed within a period of three (3) months with a commencement date of November 26, 2014 and a completion date of February 26, 2015. A physical site visit on February 14, 2018 revealed that the construction was still incomplete three (3) years after the

Report of the Auditor-General on the Financial Statements of Konza Technopolis Development Authority for the year ended 30 June 2017

completion date. The site visit also revealed that seven boreholes had been drilled. Three (3) boreholes were sunk by National Water Conservation and Pipeline Corporation (NWPC) while four (4) boreholes were sunk by Tanaathi Water Services Board. Available information indicate that two (2) boreholes did not yield water at the time of drilling and as at the time of audit in February 2018, only three (3) boreholes had water which was said to be salty and needed treatment as it could not be used for both human consumption and construction. In addition, the boreholes had not been commissioned and handed over to the Authority management as at the date of this report.

Consequently, it has not been possible to ascertain that the Authority obtained value for money on the expenditure of Kshs.58,195,766 on drilling of boreholes.

1.2 Water Tanks

Further, and as previously reported, two (2) water tanks included in the bill of quantities were incomplete with weak hand rails and walkways and had no water. In addition, the following works were charged in the Bills of Quantities but physical verification revealed that they were not carried out:

	Kshs.
Two signboards not installed	32,800
Establishment and maintenance of a contractor camp not done	700,000
Supervision cost of Engineers attached to the Project from Headquarters (MDP2)	1,500,000
Maintenance of project Engineers office	270,000
Chain link fence around the water tank not done	192,000
Double gate on chain link fence not done	300,000
Total	2,994,800

In the circumstances, it has not been possible to confirm the propriety and value for money of the expenditure totalling Kshs.2,994,800 on the two water tanks.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Konza Technopolis Development Authority 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 qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no Key Audit Matters to communicate in my report.

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 Authority's ability to continue as a going concern, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with provision of section 47 of the Public Audit Act 2015.

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

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 that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 judgment and maintain professional skepticism throughout the audit. I also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Authority'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 that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the consolidated/ financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

25 June 2018

VIII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2016-2017	2015-2016
		Kshs '000'	Kshs '000'
Revenue from non-exchange transactions			
Transfers from other governments – gifts and services-in-kind	5	888,700	900,573
Revenue from exchange transactions			
Other income	6	15,317	8
Total revenue		904,017	900,581
Expenses			
Employee costs	7	87,693	84,289
Remuneration of directors	8	20,010	4,670
Depreciation and amortization expenses	9	11,449	10,216
Repairs and maintenances	10	2,569	2,839
General expenses	11	98,379	87,264
Other Expenses	12	8,617	15,083
Total expenses		228,717	204,361
Surplus before tax		675,300	696,220
Prior year adjustment 2014/2015	25	-	517,627
Surplus for the year		675,300	1,213,847

The notes set out on pages 8 to 31 form an integral part of these Financial Statements

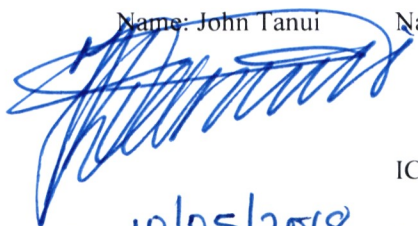
XIV. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		<i>Restated</i>	
		2016-2017	2015-2016
		Kshs '000'	Kshs '000'
Assets			
Current assets			
Cash and cash equivalents	13	87,209	523,257
Receivables from exchange transactions	15	244,034	81,499
		331,243	604,756
Non-current assets			
Property, plant and equipment	16	3,368,488	1,432,046
Intangible assets	17	38,635	-
		3,407,123	1,432,046
Total assets		3,738,366	2,036,802
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	32,313	5,800
Total liabilities		32,313	5,800
Net assets		3,706,053	2,031,002
Capital Reserve	20(a)	1,002,550	2,550
Reserves	20(b)	15,815	15,815
Accumulated surplus	20(c)	2,687,688	2,012,388
Total net assets and liabilities		3,706,053	2,031,002

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:

C.E.O

Name: John Tanui



Date: 10/05/2018

Head of Finance

Name: Norman Mwangi

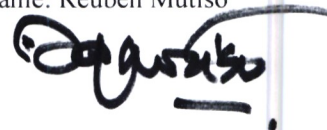


ICPAK Member Number: 4647

Date: 10/05/2018

Chairman of the Board

Name: Reuben Mutiso



Date: 10/05/2018

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

	Reserves		Accumulated surplus	Total
	Capital Reserve	Revaluation Reserve		
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Balance as at 1 July 2015	2,550	15,815	798,541	816,906
Surplus/(deficit) for the period			1,213,847	1,213,847
Balance as at 30 JUNE 2016	2,550	15,815	2,012,388	2,030,753
Balance as at 1 July 2016	2,550	15,815	2,012,388	2,030,753
Surplus for the period			675,300	675,300
Transfers	1,000,000			1,000,000
Balance as at 30 JUNE 2017	1,002,550	15,815	2,687,688	3,706,053

Notes:

Capital Reserve

This includes assets transferred to the authority from The National Treasury including 5,000 acres piece of land for development of Konza Techno City

Revaluation Reserve:

This is as a result of revaluation of motor vehicles granted by the Ministry of Information Communication & Technology, which was done in 2014.

Accumulated Surplus

This is the total surplus of funds retained by the organization since FY 2013/2014

XVI. STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2017

		2016-2017	2015-2016
		Kshs '000'	Kshs '000'
Cash flows from operating activities			
Receipts			
Government grants and subsidies		888,700	900,573
Other income		15,317	8
Total Receipts		904,017	900,581
Payments			
Employee costs		87,693	84,289
Remuneration of directors		20,010	4,670
Repairs and maintenance		2,569	2,839
General expenses		98,379	87,264
Other expenses		8,617	15,083
Total Payments		217,268	194,145
Net cash flows from operating activities		686,749	706,436
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(986,775)	(901,392)
Decrease in Accounts Payable		26,513	2,739
increase in Accounts Receivable		(162,535)	(16,984)
Net cash flows used in investing activities		(1,122,797)	(915,637)
Net increase/(decrease) in cash and cash equivalents		(436,048)	(209,201)
Cash and cash equivalents at 1 JULY		523,257	732,458
Cash and cash equivalents at 30 JUNE	14	87,209	523,257

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2017

The Budget Variance Analysis for the 2015/ 16 Financial Year					
	Original Budget (A)	Adjustments (C-A)	Final budget (C)	Actual	Performance difference
REVENUE	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Government grants and subsidies - Development	948,000	-174,000	774,000	774,000	-
Government grants and subsidies - Recurrent	95,000	19,700.00	114,700	114,700	-
Balance b/f	523,093	-	523,093	523,093	-
Other Income	-	488.00	488.00	488.00	
Interest	4,613.00	4,661.00	9,274.00	9,274.00	
Total income	1,632,823	-	1,421,555	1,421,555	-
					-
EXPENSES					-
EMPLOYEE COSTS	91,006	11,131	102,137	102,573	(436)
Salaries & Wages	85,006	-	85,006	84,754	252
Gratuities & Pensions	-	11,131	11,131	11,819	(688)
Staff Recruitment Costs	-	-	-	-	-
Medical Cover	6,000	-	6,000	6,000	-
GENERAL EXPENSES/ OUTREACH	30,104	19,323	49,427	47,491	1,936
Domestic Travel, Subsistence and Accommodation	5,000	3,200	8,200	8,163	37
Foreign Travel, Subsistence and Accommodation	9,000	5,850	14,850	14,815	35
Consumables and General Office Supplies	1,400	-	1,400	1,347	53
Office Accommodation and Services	-	4,953	4,953	4,903	50
Hospitality and Conferences	5,000	450	5,450	5,452	(2)
Printing, Advertisements and Information Supplies	1,074	4,525	5,599	3,878	1,721
Staff Uniform	400	-	400	368	32
Training and Development	5,000	(425)	4,575	4,571	4
Utilities, Supplies and Services	3,030	820	3,850	3,887	(37)
Postage, Telephone & Internet expenses	200	(50)	150	106	44
REPAIRS AND MAINTENANCE	5,000	-	5,000	4,685	315
Motor Vehicles Repair and Servicing	800	-	800	717	83

KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY
FINANCIAL REPORT & STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Motor Vehicles Insurance	700	-	700	651	49
Fuel and Lubricants	1,800	-	1,800	1,800	-
Maintenance of Computers and Equipment	100	-	100	52	48
Electricity	1,100	-	1,100	1,017	83
Water & Sewarage	80	-	80	48	32
Cleaning & Sanitary	350	-	350	336	14
Bank Charges	70	-	70	64	6
BOARD OF DIRECTORS EXPENSES	5,000	7,200	12,200	11,130	1,070
Sitting Allowance	4,200	-	4,200	4,200	-
Travel, Accommodation and Subsistence	-	5,480	5,480	4,419	1,061
Meal Allowances	800	320	1,120	1,144	(24)
Chairman's Honoraria	-	1,400	1,400	1,367	33
OTHER EXPENSES	989,388	(84,756)	904,632	898,062	6,570
Konza Greening	-	1,000	1,000	537	463
Water- Nol-Turesh	18,000	-	18,000	18,000	-
Bulk Water Connection Fee	6,000	632	6,632	6,632	-
Phase 1 A Streetcape Design	148,000	(32,000)	116,000	109,721	6,279 B
Konza Complex	817,388	(66,388)	751,000	754,163	(3,163) C
Soil Erosion Control	-	10,000	10,000	9,009	991
Community Engagement	-	1,000	1,000		F
Improvement of local access roads	-	1,000	1,000		F
CONSULTANCY FEES AND SITE COSTS	432,208	(84,051)	348,157	268,290	79,867
Consultancies			5,000	4,950	50
PR, Advertising, Branding and Events			4,000	3,156	844
Master Delivery Partner 2	358,096	(100,000)	258,096	223,372	34,724 D
Konza Security			16,500	16,464	36
Office Partitioning	8,000	(551)	7,449	7,449	-

Office Automation	57,112	-	57,112	12,899	44,213 E
Rehabilitation of site office/ Ablution block	5,000	(5,000)	-	-	-
Repair of Site fence & Gate Barriers Installation	4,000	(4,000)	-	-	-
Depreciation					
TOTAL EXPENDITURE				1,334,183	
SURPLUS FOR THE PERIOD				87,372	

Budget notes

A: Increased projects and activities in the year including Konza complex construction and access roads and with the take-off of EPCF contract more supervision and due diligence was conducted by the board thus increasing expenditure on this item.

B: The design of streetscape and water reclamation was completed however no supervision was done because the contractor did not start work as planned. This led to the balance indicated being unspent at the end of the F/Y.

C: The budget for Konza complex was reduced during the supplementary budget when instructions had already been given to the contractor to proceed with the works, a contractual obligation entered into between KoTDA and the contractor before the budget was reduced in the supplementary estimates. Equally to note is the balance brought forward that enabled more expenditure on the said item. This was borrowed from the savings on streetscape which closely related to the access of Konza complex.

D: Part of the consultancy fees by Master Delivery Partner 2 were not paid during the year due to submission of invoices after year end. This has however been paid after the F/Y ended.

E: This was a budget for procurement of servers for the ERP implementation. However ICT Authority has provided a platform for the same and thus KOTDA could not procure the servers saving money thereof. Installation of ERP is paid according to completion percentage and final after going live. The same is ongoing and will be paid after it is completed in the current F/Y 2017/2018.

F: There were no activities for community engagement and improvement of local access roads

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Konza Technopolis Development Authority is established by and derives its authority and accountability from Legal Notice 23. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The entity'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 entity. 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.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. The entity adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.
IPSAS 34: Separate Financial Statements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
IPSAS 35: Consolidated Financial Statements	Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It

Standard	Impact
	requires an entity that controls one or more other entities to assess control over those entities based on the following: - Its power over the other entity - Its exposure or rights to variable benefits from involvement with the other entity - Its ability to control the nature, timing and amount of benefits from the other entity. Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35. The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
IPSAS 36: Investments in Associates and Joint Ventures	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The entity does not have investments in associates or joint ventures
IPSAS 37: Joint Arrangements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. The entity does not have an interest in a joint arrangement and therefore the standard does not apply
IPSAS 38: Disclosure of Interests in Other Entities	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. The entity does not have an interests in other entities and therefore the standard does not apply

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2017.

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 entity and can be measured reliably.

ii) Revenue from exchange transactions

Sale of goods

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

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

The original budget for FY 2016-2017 was approved by the National Assembly on September 2016. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of 19,700,000 on the 2016-2017 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xv 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 Entity operates and generates taxable income.

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be

controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax (continued)

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.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) 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.

e) 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. 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.

f) Intangible assets

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

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

g) Financial instruments

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 Entity 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 Entity 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 Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity 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 entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity 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)

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 Entity 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.

h) Provisions

Provisions are recognized when the Entity 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 Entity 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 Entity 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 Entity 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 Entity 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.

i) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements

j) Changes in accounting policies and estimates

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

k) 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.

l) Related parties

The Entity 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

m) Service concession arrangements

The Entity 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 Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

n) Cash and cash equivalents

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

o) Comparative figures

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

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity'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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

q) 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, 2017.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Transfers from other governments

Description	2016-2017	2015-2016
	KShs 000	KShs 000
Unconditional grants		
Operational grant	114,700	90,573
Development grant	774,000	810,000
Total government grants and subsidies	888,700	900,573

5b) Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2015-2016
	KShs	KShs	KShs	KShs	KShs
Ministry of ICT	888,700	-	-		900,573
Accrued Income- Treasury			1,000,000		
Total	888,700	-	1,000,000	-	900,573

6. Other Income

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Interest income from current bank account	14,040	-
Sale of Grass	1,080	-
Sale of water	197	-
Sale of Tender	-	8
Total revenue from the sale of goods	15,317	8

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Employee costs

	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Salaries and wages	75,589	79,216
Employee related costs - contributions to pensions	285	187
Gratuities and Leave allowance	11,819	4,886
Employee costs	87,693	84,289

8. Remuneration of directors

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Sitting Allowance	4,200	1,600
Travelling Allowance	-	-
Lunch allowance	1,144	507
Per Diem Allowance	4,419	2,563
Air Time	84	-
Chair Honoraria	1,283	-
CEO Salary	8,880	-
Total director emoluments	20,010	4,670

9. Depreciation and amortization expense

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Property, plant and equipment	11,449	10,216
Intangible assets	-	-
Total depreciation and amortization	11,449	10,216

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Repairs and maintenance

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Fuel, Oil and Lubricants	1,800	1,158
Repairs of motor Vehicles	717	1,666
Repairs of Computers and accessories	52	15
Total repairs and maintenance	2,569	2,839

11. General expenses

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Audit fees	1,000	1,000
Conferences and delegations	5,453	7,935
Consumables	6,007	5,026
Utilities	1,065	1,156
Insurance	6,690	5,742
Legal expenses	5,980	7,580
Professional Fees	1,290	4,756
Postage & Telecommunication	4,924	5,113
Printing and stationery	1,690	6,517
Office Accommodation	9,491	8,742
Security costs	16,464	11,909
Bank Charges	163	175
Corporate Social Responsibility	57	-
Uniforms	368	79
Training	4,571	2,238
Domestic Travel & subsistence	8,216	5,305
Foreign Travel & subsistence	19,688	6,787
Marketing & Branding	3,156	7,204
Taxes charged on interest earned	2,106	-
Total general expenses	98,379	87,264

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Other expenses

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Office Partitioning	7,448	12,459
Unihuts	-	2,624
Konza Greening	537	-
Bulk Water connection	632	-
Total Infrastructure expenses	8,617	15,083

13. Cash and cash equivalents

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Current account	87,209	523,257
Total cash and cash equivalents	87,209	523,257

14. Detailed analysis of the cash and cash equivalents

		2016-2017	2015-2016
Financial institution	Account number	Kshs '000'	Kshs '000'
a) Current account			
Kenya Commercial bank	1141631520	87,209	523,257
Grand total		87,209	523,257

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Receivables from exchange transactions

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Prepaid Office Accommodation	-	3,764
Staff Advances	1,264	1,529
Advance Payment	-	29,971
Prepaid Insurance	4,196	4,235
Prepaid Infrastructure	238,574	42,000
Total receivables	244,034	81,499

KONZA TECHNOPOLEIS DEVELOPMENT AUTHORITY
FINANCIAL REPORT & STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Property, plant and equipment

	Land	Motor vehicles	Furniture and fittings	Computers	Office Equipment	Capital Work in progress				Total
						Building	Access roads	Wastewater	MDP2 Consultancy fees	
Cost	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'
At 1 July 2015	-	16,657	5,504	4,249	3,098	-	150,441	-	367,186	547,135
Additions 2015/2016	-	6,400	4,063	5,111	483	53,958	287,528	-	544,098	901,641
Disposals	-	-	-	-	-	-	-	-	-	-
At 30th June 2016	-	23,057	9,567	9,360	3,581	53,958	437,969	-	911,284	1,448,776
Additions 2016/2017	1,000,000	-	400	3,942	-	605,950	49,751	63,954	223,372	1,947,891
Transfer/adjustments	-	-	-	-	-	-	-	-	-	-
At 30th June 2017	1,000,000	23,057	9,967	13,302	3,581	659,909	487,721	63,954	1,134,656	3,396,667
Depreciation and impairment										
At 1 July 2015	-	4,164	688	1,275	387	-	-	-	-	-
Depreciation 2015/2016	-	5,764	1,196	2,808	448	-	-	-	-	10,216
Impairment	-	-	-	-	-	-	-	-	-	-
Total Depreciation At 30 June 2016	-	9,928	1,884	4,083	835	-	-	-	-	16,730

KONZA TECHNOPOLEIS DEVELOPMENT AUTHORITY
FINANCIAL REPORT & STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Depreciation 2016/2017	-	5,764	1,246	3,991	448	-	-	-	11,449
Disposals								-	-
Impairment								-	-
Transfer/adjustment								-	-
Total Depreciation At 30th June 2017	-	15,692	3,130	8,074	1,283	-	-	-	28,179
Net book values									
At 30th June 2017	1,000,000	7,365	6,837	5,228	2,298	659,909	487,721	63,954	3,368,488
At 30th June 2016	-	13,129	7,683	5,277	2,746	53,958	437,969	911,284	1,432,046

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Intangible assets-software

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Cost		
At beginning of the year	-	-
Additions	38,635	-
At end of the year	38,635	-
Additions-internal development	-	-
At end of the year	38,635	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	38,635	-
NBV	38,635	-

18. Trade and other payables from exchange transactions

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Trade payables	29,660	2,677
Pay As You Earn	122	191
NHIF	10	10
Withholding Taxes	-	1,922
Other payables	2,000	1,000
Total trade and other payables	31,792	5,800

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Cash generated from operations

	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
Surplus for the year before tax	675,300	846,661
Adjusted for:		
Depreciation	11,449	10,216
Non-cash grants received	1,000,000	-
Working Capital adjustments		
Increase in inventory		
Increase in receivables	(162,535)	(16,984)
Increase in deferred income		
Increase in payables	26,513	2,739
Increase in payments received in advance		
Net cash flow from operating activities	1,550,727	842,632

20. General Reserves:

a)

	2016-2017	2015-2016
a) Capital Reserve	1,002,550	2,550
b) Revaluation Reserve	15,815	15,815
c) Accumulated Surplus	2,687,688	2,012,388
Total Reserves	3,706,053	2,030,753

b)

Description	2016-2017	2015-2016
	Kshs '000'	Kshs '000'
a) Capital reserve		
At beginning of the year	2,550	2,550
Additions-Value of land at cost	1,000,000	-
At end of the year	1,002,550	2,550
b) Revaluation reserve		
At beginning of the year	15,815	15,815
Additions	-	-
At end of the year	15,815	15,815

c) Accumulated Surplus		
At beginning of the year	2,012,388	798,541
Additions-Surplus for the year	675,300	1,213,847
At end of the year	2,687,688	2,012,388

21. Financial Risk Management

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

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

(i) Credit risk

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

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

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2017				
Receivables from exchange transactions	238,034	238,034	-	-
Bank balances	87,209	87,209	-	-
Total	325,243	325,243	-	-
At 30 June 2016				
Receivables from exchange transactions	81,499	81,499	-	-
Bank balances	523,257	523,257	-	-
Total	604,756	604,756	-	-

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

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

(ii) Liquidity risk management

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

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

22. Related Party Balances

a) 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.

The entity is related to

- i) The National Government;
- ii) Ministry of Information, Communication & Technology;
- iii) Key management;
- iv) Board of directors;

b) Related party transactions

	2017 Kshs	2016
Transfers from related parties'	888,700	900,573
Transfers to related parties	31,200	31,200
	=====	=====

c) Key management remuneration

	2017 Kshs	2016 Kshs
Directors' per sitting	20,000	20,000
Key management compensation	470,000	470,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Events after the reporting period

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

24. Ultimate and Holding Entity

The entity is a State Corporation under the Ministry of ICT. Its ultimate parent is the Government of Kenya.

25. Restatement of financial statement

The financial statements have been restated for FY 2014/15 by transfer of Kshs. 517.627 Million to Work in Progress under Note 16 for Property Plant and Equipment. This amount relates to Access roads Kshs. 150.441 Million and Kshs. 367.186 Million for MDP2 as detailed below.

a) Access Roads Kshs. 150.441 Million

This relates to amount paid to Kenya Urban Roads Authority to facilitate construction of 8.7km loop road at Konza city site and other related costs expensed in the FY 2014/2015 as shown below.

Date	Num	Name	Memo	Amount
25/06/2014	000346	Kenya Urban Roads Authority	construction of 8.7km loop road at konza	150,000,000.00
04/03/2015	070	Road related expenses	lifting and transportation services for quarry rocks	336,400.00
04/03/2015	070	Road related expenses	plaque and flag mechanism	78,880.00
04/03/2015	070	Road related expenses	drilling and fixing plaque	6,000.00
04/03/2015	070	Road related expenses	big stone and hire of tripper	20,000.00
				<u>150,441,280.00</u>

b) MDP 2 Consultancy Kshs. 367.186 Million

This is the amount incurred in respect of consultancy fees paid to Tetra Tech, Inc for various deliverables as shown below. These costs were expensed in the FY 2014/2015

Date	Num	Name	Memo	Debit
25/07/2014	000379	Tetra Tech, Inc	mobilization fee in respect to MDP2	219,625,000.00
19/02/2015	000683	Tetra Tech, Inc	Q1 MDP2 on project risk register and sustainability plan	19,056,371.85
02/04/2015	000738	Tetra Tech, Inc	Q1 Deliverables by MDP2	46,275,341.50
30/06/2015	000904	Tetra Tech, Inc	Qtr 2 Deliverables by the MDP2	82,229,531.80
				<u>367,186,245.15</u>

26. Currency

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

XIX. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

XX. Appendix: INTER-ENTITY TRANSFERS

ENTITY NAME:		MINISTRY OF INFORMATION, COMMUNICATION & TECHNOLOGY		
Break down of Transfers from the State Department of Innovation and Technology				
FY 16/17				
a. Recurrent Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
		31/08/2016	23,750,000	16/17
		07/11/2016	23,750,000	16/17
		23/02/2017	23,750,000	16/17
		12/04/2017	43,450,000	16/17
		Total	114,700,000	
b. Development Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
		06/10/2016	150,000,000	16/17
		06/10/2016	74,000,000	16/17
		13/10/2016	250,000,000	16/17
		08/05/2017	300,000,000	16/17
		Total	774,000,000	

The above amounts have been communicated to and reconciled with the parent Ministry. There were no transfers from other government entities



10/10/10

10/10/10

10/10/10