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OF
THE AUDITOR-GENERAL

ON

**KONZA TECHNOPOLIS DEVELOPMENT
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2019**

**KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY
FINANCIAL REPORT & STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**



**KONZA TECHNOPOLIS
DEVELOPMENT AUTHORITY**



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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


 THE NATIONAL ASSEMBLY PAPERS LAID	
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2019-2020

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Konza Technopolis Development Authority 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 objective of the Authority is to ensure that Konza Technopolis 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. The vision, mission, core values and core function of the Authority include:

Vision

To be a leading global technology and innovation hub

Mission

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

Core values

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

b) 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.

c) 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.

d) 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.

e) Collaboration

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

(b) Principal Activities

The principal activities of the Authority 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.

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.

- 3) Plan for the development of the Area and initiate project activities identified for such planning through the Government.
- 4) Develop and keep up to date a long-term development plan for the Area.
- 5) 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.
- 6) 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.
- 7) 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.
- 8) Cause the construction of any works necessary for the protection and preservation of natural resources within the Area.
- 9) 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
- 10) 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
- 11) 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.
- 12) Liaise with Machakos, Makueni and Kajiado 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

The Authority'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 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Eng. John Tanui
2.	Chief Manager, Finance, Human Resource Management and Administration	Norman Mwangi
3.	Chief Manager, Business Development & Innovation	David Mugambi
4.	Chief Manager, Physical Planning, Design and Compliance	Annah Musyimi
5.	Manager, Procurement	John Paul Okwiri
6.	Ag. Chief Manager, Corporate Affairs, Policy & Strategy & Corporation Secretary	Michael Wanyika
7.	Manager, Finance and Accounts	Sarah Baraza
8.	Project Manager	Clement Tongi
9.	Manager, Marketing and Investor Facilitation	Agatha Kakui
10.	Human Resource and Administration Manager	Joyce Maingi
11.	Internal Auditor	Christa Riany

(e) Fiduciary Oversight Arrangements

(i) Audit and Risk Committee

An Audit and Risk Board Committee comprises of five non-executive directors and chaired by a non-executive director. The Committee's composition is as follows:

- i) Mr. James Atema- Chair
- ii) Eng. Kaburu Mwirichia -Member
- iii) Mr. Ismail Dhora -Member
- iv) Mr. Musa Kathanje – Member
- v) Mr. Christopher Kariuki –Member

The main role of this Committee is to provide an oversight on the Authority's accounting and financial reporting processes, conduct audits of financial statements and internal control systems, monitor compliance with financial, legal and regulatory requirements, and report back to the Board its findings and recommendations. The Committee also empowers the Internal Audit unit to ensure it has an independent environment for its operations. The Authority's Internal Auditor has therefore been incorporated into the Committee to provide technical and secretarial service to the Board.

(ii) Public Procurement and Asset Disposal Act 2015

In compliance with the **Public Procurement and Asset Disposal Act 2015**, The Authority 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, 5thFloor, Westlands,
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 Website: www.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

II. THE BOARD OF DIRECTORS

DR. ARCH. REUBEN MUTISO (CHAIRMAN)

D.O.B 6TH NOVEMBER 1948



Dr. Mutiso qualified as an Architect after completing his Master's degree and later Doctorate of Philosophy (PhD) in Architecture from the University of Texas (Austin). He was awarded a Doctor of Philosophy (Honoris Causa) by the Management University of Africa for his outstanding contribution to his field of expertise. In addition to winning many international architectural awards, Dr. Mutiso is a Paul Harris Fellow as well as a Member of the WHO's Historical Society.

Dr. Mutiso has served in various capacities in professional associations, including being elected by his peers to serve as the Vice President of the International Union of Architects (IUA). He is a Fellow of various professional associations, including the Architectural Association of Kenya, Kenya Institute of Management, Institute of Project Managers, American institute of Architects as well as the College of Architects, Spain. In addition, Dr. Mutiso has participated in and chaired many International Architectural Design competitions.

Dr. Mutiso is a Founding Partner and Group Chairman of Tectura International. With over 40 years of professional experience, he has helped guide the firm to a position of continental prominence. Under his leadership, Tectura International has developed a well-earned reputation for consistency of quality Architecture. Dr. Mutiso has helped shepherd over 500 design projects, including the design of corporate headquarters, universities, general offices, stadiums, retail, residential mixed-use projects and High Security facilities for various governments.

PS JEROME OCHIENG D.O.B 15TH MARCH 1970



Mr. Jerome Ochieng is a Principal Secretary in the Ministry of Information, Communications & Technology, responsible for the State Department of ICT & Innovation. Before his appointment, Mr. Ochieng was the Director of the Integrated Financial Management Information System (IFMIS) at the National Treasury and a member of Board of Directors at the Information, Communication Authority.

Mr. Ochieng has over 17 years' work experience in the field of information and communication technology in the Public Service. He also served as ICT Manager with Public Procurement Oversight Authority for 6 years. He holds a Masters' Degree in Information

Engineering from the University of the Ryukyus, Okinawa, Japan. He is a registered fellow of the Computer Society of Kenya and a Licentiate Member of the Institute of Management Information Systems (IMIS), UK.

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.

ISMAIL GULAM YUSUF DHORA
D.O.B 4TH MARCH 1991



Mr. Ismail holds Diploma in Business Management and Operations – Nottingham Trent International College UK. He has wide experience in Business Operations. He is currently the operations Director at Kyoga Hauliers (Kenya) Limited.

PAMELA TUTUI
D.O.B 22ND OCTOBER 1958



Pamela Tutui holds a Masters in Leadership from Pan Africa Christian university and a Bachelor of Laws from University of Nairobi. She is an Arbitrator, a Chartered Mediator and a Legal Consultant with a vast experience in both public and private sector. She served as Judge in the High Court, Commissioner on elections, Chairperson Law Society of Kenya (Mombasa chapter), Chairperson Task force drafting The National Lottery Bill and the Gaming and Lottery Policy. She has also served in various boards the capacity of Chairperson and member. Her contribution to Institutional Reform and Capacity building in the Judiciary of South Sudan lead to a strong collaboration between Judiciaries of Kenya and South Sudan. She is a Consultant and Trainer in areas of the Law, Leadership and Governance.

CAROLINE WANGUI KARIUKI
D.O.B 11TH JANUARY 1968



Carol holds a Master's in Business Administration from Warwick Business School, UK and a Bachelor of Commerce 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 both 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.

She started the Mortgage Company as mortgage brokerage business seeking to simplify access to mortgages and build affordable homes for Kenyans. Currently, she is the Co-founder and Chief Executive Officer

of Greenpot Enterprises Limited, a wholly integrated Bamboo business ranging from large scale nurseries, plantations. She brings her entrepreneurial and innovative approach to business to the Board of KoTDA where she Chairs the Finance, HR and Administration Committee and is a member of the Business Development Committee.

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 (IEK). 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.

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 fund management, real estate investments and developments and insurance. He is the Founder, Group CEO and Managing Director of Century Developments Limited, a pan-African real estate development and management company, and its affiliate, Sequoia Real Estate Capital Limited, a real estate investment management company. He is also the Founder and Executive Director of Century Capital Limited, an investment platform for investing in digital enabled financial services businesses in Africa. Prior to this, he was the Group CEO for UAP Holdings Limited, a regional Financial Services Group with interest in Insurance, Investments and Property Development, where he worked for 4 years. He is also the Founding CEO of Britam Asset Managers, part of Britam Insurance Holdings, where he worked for 7 years. Mr. Kiarie holds a Master of Philosophy (M. Phil) Degree in Finance from the University of Cambridge, United Kingdom and a First Class Honours B.Sc (Hons) Degree in Actuarial Science from City, University of London. .

MR. JAMES ATEMA
D.O.B 9TH AUGUST 1952



James Atema is the Managing Consultant the Proprietor of AFRICEC International. He has a **Master's Degree** in Development Economics, Public Policy and Planning from the University of Wales UK. He also has a Post Graduate Diploma in Rural Reconstruction and International Development Evaluation (IPDET) from International Institute for Rural Reconstruction – Philippines and Carleton University- Ottawa- Canada. He also serves as a Commissioner in the Political Parties Disputes Tribunal (PPDT) at the Judiciary.

Mr. James Atema has over 20 years' experience as a qualified development manager coordinating integrated rural and urban development. He has long experience expertise working with public, private and civil society sectors in the Eastern and Southern Africa regions and has sufficient knowledge of bilateral and multilateral programmes. He was a team leader of the Design of Second Phase of Kenya's Governance, Justice, Law and Order Programme-GJLOS (2011-2016). On the KOTDA Board Mr Atema serves in the Technical and Infrastructure, Audit and Risk management and Corporate affairs committees.

ENG. JOHN TANUI
D.O.B 7TH MARCH 1973



Eng. John Tanui is the Chief Executive Officer of the Konza Technopolis Development Authority, which is mandated by the Government of Kenya to implement the Konza Technopolis project. The Authority, a semi-autonomous government agency tasked with **building Kenya's first smart city whose vision is to be a global Hub of technology and innovation.**

Before joining the Authority, Eng. Tanui was the Deputy Country CEO and Vice President of Huawei Technologies, Eng. Tanui has worked in several countries in Africa and in China. **He holds a Bachelor's Degree of Technology in Electrical and Communication Engineering and MBA in International Business.**

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.

KEN WAIBOCHI
D.O.B 7TH JANUARY 1966



Mr. Waibochi is a holder of B.Sc. Degree in Mechanical Engineering from Bath University, UK. He has over 20 years' experience in Business operation and strategic management in various firms. He served as Technical Services Group manager for Proctor and Gamble (EA) and Managing director Aberdare safari hotels. He serves at Kenya Tourism Board as a director.

MICHAEL WANYIKA
AG. CHIEF MANAGER, CORPORATE AFFAIRS, POLICY & STRATEGY & CORPORATION
SECRETARY



Michael is an Advocate of the High Court of Kenya. He holds an LLB, BCom (Finance), CPS (K) among other professional qualifications. He is the Board Secretary and in charge of legal affairs, policy and strategy.

III. MANAGEMENT TEAM

ENG. JOHN TANUI CHIEF EXECUTIVE OFFICER



Eng. John Tanui is the Chief Executive Officer of the Konza Technopolis Development Authority, which is mandated by the Government of Kenya to implement the Konza Technopolis project. The Authority, a semi-autonomous government agency tasked with building Kenya's first smart city whose vision is to be a global Hub of technology and innovation.

Before joining the Authority, Eng. Tanui was the Deputy Country CEO and Vice President of Huawei Technologies, Eng. Tanui has worked in several countries in Africa and in China. He holds a Bachelor's Degree of Technology in Electrical and Communication Engineering and MBA in International Business.

NORMAN MWANGI CHIEF MANAGER FINANCE, HR & ADMINISTRATION



Norman Mwangi is the Chief Manager (Finance, HR & Administration). He has working experience of 19 years in the public sector. Norman holds a Master of Business Administration (Finance) and Bachelor of Education (Maths & Business Studies) First Class Honours. He is a Certified Public Accountant of Kenya and a member of the ICPAK.

ANNAH MUSYIMI CHIEF MANAGER, PHYSICAL PLANNING, DESIGN AND COMPLIANCE

Annah holds Masters and Bachelors of Architecture from University of Nairobi. She is a members of Architectural Association of Kenya and registered with Board of Registration of Architectures and Quantity Surveyors of Kenya.

Her docket includes: Physical planning design and compliance.

DAVID MUGAMBI CHIEF MANAGER, BUSINESS DEVELOPMENT



David holds an MBA, International Business (University of Nairobi) and Bachelor of Science (University of Nairobi). David is a member of Chartered institute of Marketing. He is in charge of Business development, Marketing and investor facilitation. ICT and communication.

MICHAEL WANYIKA

AG. CHIEF MANAGER, CORPORATE AFFAIRS, POLICY & STRATEGY & CORPORATION SECRETARY



Michael is an Advocate of the High Court of Kenya. He holds an LLB, BCom (Finance), CPS (K) among other professional qualifications. He is the Board Secretary and in charge of legal affairs, policy and strategy.

**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.

He oversees supply chain and procurement department.

**SARAH BARAZA
MANAGER, FINANCE AND ACCOUNTS**



Sarah holds Masters of Business Administration (Finance Option) from Jomo Kenyatta University of Agriculture & Technology, Bachelor of Business Management Degree (Accounting option) First Class Honours. She is a Certified Public Accountant and a member of Institute of Certified Public Accountants of Kenya.

She handles financial and Management accounting functions.

IV. CHAIRMAN'S STATEMENT

The Directors of Konza Technopolis Development Authority hereby present the Annual Financial report for the Authority financial year 2018/19. The key mandate of the Authority is to develop a sustainable smart city and innovation hub that will contribute to Kenya knowledge base economy. To deliver on this mandate, the Authority continued to focus on development of Technopolis Infrastructure and providing services for on boarding of strategic investors. During the year under review, the budget of the Authority grew by from 460 Million to Kshs. 12.4 Billion because of enhanced budgetary allocation for the horizontal infrastructure and funding of the Konza complex among other projects undertaken by the Authority.

Strategic Partnerships and Investors

During the year under review, the Authority continued building partnerships with key stakeholders. The Authority signed MOU with Kenya Institute of Mass communication and the Korea Trade Investment Promotion Agency for establishment of a digital media city at the Technopolis; others MOU'S were signed with Simba Corporation, KIPPRA, Gold land developers, Data way Solutions and Better Place International which provide frameworks for partnership in the development of Konza Technopolis Development Authority.

Corporate Social responsibility

During the year under review, the Authority participated in corporate social responsibilities activities involving schools, staff, and local communities among other stakeholders. Greening of Konza Technopolis and Chemususu Marathon were among the CSR activities aimed at improving the city's environment and enhancing the overall quality of life and experience for residents and the local communities.

Future Outlook

The Authority will continue to Invest in infrastructure development, specifically the construction of horizontal infrastructure consisting of streetscape, roads, subsurface utilities and wastewater reclamation facilities which is in progress and the percentage of completed works done was 20% as at 30.06.2019. The Authority expects the works to be complete by 2022. The National data centre and smart city facilities project kicked off in the financial year with the construction of the temporary data, which will be equipped the next financial year and this will provide data back-up services for the Authority and other agencies.

In the medium term the Authority will continue to focus on strategies that will enable it to achieve its mandate. The key focus will be on Konza innovation ecosystem initiative aimed at promoting and creating supporting structures for innovators and startups. The Authority will also facilitate the Construction of Kenya Advanced Institute of Science and Technology which will promote Kenya Knowledge economy through research and training. The Authority will also continue supporting initiatives for on boarding of the investors at the Technopolis including completion of Konza complex which will provide accommodation for Authority staff and experience centre for customers.

Appreciation:

I wish to thank members of the Board of the directors of the Authority for their commitment and support for the year just ended. On behalf of directors, I wish to thank the management and staff of the Authority for their commitment and efforts geared towards achieving the mandate of the Authority. Going forward we will remain committed to develop a sustainable smart city and an innovation ecosystem, contributing to Kenya's knowledge-based economy.

A handwritten signature in black ink, appearing to read 'Mutiso', with a large, sweeping flourish above it.

DR. ARCH. REUBEN MUTISO
CHAIRMAN, BOARD OF DIRECTORS

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the Financial Report for Konza Technopolis development Authority for the year ended 30th June 2019. During the year, the Authority continued to focus on key strategic areas of its mandate namely: Infrastructure development, Investors facilitation, policy advocacy, partnerships and operational excellence.

Construction of Konza Complex: Construction of the Konza complex building is underway at Konza Technopolis, the superstructure was complete up to 9th floor as 30.06.2019. The Exterior and interior finishing was also done during the financial year and partitioning will be done in the next financial year. The Authority headquarters offices will be located at the Konza complex once the building is ready for occupation in the next financial year.

Partnerships: During the financial year the Authority continued engaging with stakeholders and collaborating with strategic partners. The authority signed Memorandum of Understanding with strategic partners including MOU with Kenya Institute of Mass Communication and Korean Partners for establishment of Digital Media city; Kenya Forest service and the Authority for establishment of tree nurseries at Konza; Simba Corporation, KIPPRA, Gold land developers, Data way Solutions and Better Place International MoUs provide frameworks for partnership in the development of Konza.

Through targeted forums the Authority has established collaborations with key stakeholders among them academia, business community, local community and International community and is a member of International association of Science parks and areas of innovation, this has consequently enhanced the visibility of the Authority as a potential Innovation hub. A number of applications for allocation of land at Konza were received from investors and seven investors have been approved by the board for land allocation.

Anchor Tenants: During the financial year, the financing agreement for Kenya Advanced Institute of Science and Technology was signed, The Design consultants were procured and have been engaged for development of design. The construction of the institute is expected to begin next financial year.

National data centre: The high-level designs for the Permanent data centre was approved during the year ended 30th June, 2019. The Authority completed the construction of the temporary data centre, equipping and operationalization will be carried out in the next financial year.

Infrastructure development: During the year, the Authority continued with the Implementation of the infrastructure projects. The Horizontal infrastructure implementation had reached 20% as at 30.06.2019. Some of the key activities contributing to this include; Acquisition and launch of campsite quarry (for ballast) and borrow pit (for murrum), Installation of batching plant and asphalt plant, Mobilisation of equipment and

personnel on site, Clearing and grubbing of at phase 1A & 1B and approval of Preliminary designs . The contractor undertook the Excavation and casting of utility tunnel.

Investor Outreach program: The Authority continued with strategies to attract and on board investors; with the support from Master delivery partner 2 it was able to develop the Marketing and business plan that will assist the Authority to realize the vision of being a global technology and innovation hub and a self-sustaining smart city. During the year Kenya Electricity and Transmission company was on boarded and has begun construction works, other investors include Makueni AKA and Kenya Advanced institute of Science and Technology. The Authority participated in both local and international forums aimed at enhancing the visibility of the Authority and attracting investors; The Authority participated in the China Hitech forum and held an Investor conference with Kenya Private Sector Alliance.

Financial performance

The Authority total budgetary allocation for the year ended 30th June 2019 was Kshs 12.6 Billion. This represents a growth of 229% compared to Kshs. 556 Million allocation for the financial year 2017/18. The growth in the budgetary allocation is attributed to the funding of the Horizontal infrastructure that kicked off during the year. The Authority absorbed 89% of the allocated resources. The total revenues realized by the Authority during the year ended 30.06.2019 was Kshs. 1.4 Billion, compared to Kshs 464 Million for the Financial year 2017/18 representing a growth of 321%. The total operation expenditure incurred by the Authority during the year was Kshs. 249 Million, compared with Kshs. 230 Million incurred during the FY 2017/18 representing a growth of 8% in the expenditure incurred. The capital Expenditure incurred during the year was Kshs. 11.3 Billion compared to Kshs. 1.2 Million for Financial year 2017/18 consequently increasing the asset base by 229% from Kshs. 3.7 Billion to Kshs. 15 Billion.

Appreciation

I would like to thank the KoTDA Board of directors for their support as well as the committed and talented team of KoTDA staff for their contribution in achievement of the Authority goals and objectives during the year. I also appreciate our contractors, consultants and other service providers and other stakeholders for their respective contributions to the Authority. I look forward to continued support in the **discharge of Authority's** mandate.

I wish to thank the National and county government for their support during the year, the Ministry of Information, Communications and Technology for support and guidance on strategic policy issues, the National Treasury for financing the Infrastructure projects and operation activities of the Authority. I wish to acknowledge the contribution from our development partners and the public at large in helping the Authority

carry out its mandate. I look forward for your continued support in steering the KoTDA team towards building Africa's Silicon Savanna and a global technology and innovation hub.

ENG. JOHN TANUI, MBS
CHIEF EXECUTIVE OFFICER

A handwritten signature in blue ink, appearing to be 'John Tanui', written over the printed name and title.

VI. 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 Cabinet Secretary National 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 following members served the Authority Board for the financial year 2018/19

1. Dr.Arch. Rueben Mutiso- Board Chairman-Re-Appointed 26/04/2019
2. Henry Rotich - The Cabinet Secretary to the National Treasury
3. Jerome Ochieng-The Principal Secretary in the Ministry of ICT
4. Musa Kathanje- Alternate to Cabinet Secretary National Treasury

5. Christopher Kariuki- Alternate to Ps Ministry of ICT
6. James Atema – Member Appointed 12/08/2016
7. Dominic Kiarie – Member Appointed 12/08/2016
8. Carolyn Kariuki- Member Re-Appointed 03/05/2019
9. Kaburu Mwirichia- Member Re-Appointed 03/05/2019
10. Pamela Tutui- Member Appointed on 03/05/2019
11. Ismail Gulumu Dhora- Member Appointed on 03/05/2019
12. Ken Waibochi- Member Appointed on 03/05/2019
13. Mbithe Muema- Retired on 05/05/2019
14. Qs. Haron Nyakundi- Retired on 05/05/2019
15. Victoria Chepseba- Retired on 05/05/2019
16. Eng. John Tanui- Chief Executive officer
17. Micheal Wanyika- Ag. Chief Manager Legal services and Corporation Secretary

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 10 meetings.

	Board Attendance for period ending 30.06.2019										Total
	11.07.18	20.07.18	12.09.18	28.09.18	01.11.18	13.12.18	29.01.19	22.02.19	30.04.19	31.05.19	
Reuben Mutiso- Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
James Atema	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Carol Kariuki	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Mbithe Muema	x	x	✓	✓	✓	x	✓	✓	✓	-	6
Kaburu Mwirichia	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Dominic Kiarie	✓	✓	✓	✓	✓	x	✓	x	✓	✓	8
Christopher Kariuki	✓	✓	✓	x	✓	x	✓	x	✓	✓	7
Victoria Chepseba	x	x	✓	x	x	✓	x	x	✓	-	3
Musa Kathanje	✓	✓	x	x	x	✓	x	x	x	✓	4
Haron Nyakundi	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	9
Pamela Tutui										✓	1
Ken Waibochi										✓	1
Ismail Dhora										✓	1
John Tanui	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10

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.

Committee attendance for the year ended 30 th June 2019	Finance, Human Resources and Administration Committee								Total
	10.07.18	20.07.18	26.09.18	23.10.18	23.01.19	14.02.19	18.04.19	23.04.19	
Carol Kariuki- Chairperson	✓	✓	✓	✓	✓	✓	✓	✓	8
Mbithe Muema	✓	x	✓	x	✓	✓	✓	✓	6
Dominic Kiarie	x	✓	x	x	✓	x	✓	✓	4
Christopher Kariuki	✓	✓	✓	✓	✓	✓	x	✓	7
Musa Kathanje	✓	✓	x	✓	✓	x	x	x	4

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 during implementation of the Konza Technopolis Master Plan. It consists of five members and held six meetings in the year.

Committee attendance for the year ended 30 th June 2019	Technical and Infrastructure Development Committee						Total Attendance
	03.07.18	20.07.18	04.09.18	06.03.19	09.03.19	02.04.19	
Eng. Kaburu Mwirichia- Chairperson	✓	✓	✓	✓	✓	✓	6
Musa Kathanje	✓	✓	x	✓	✓	✓	5
Christopher Kariuki	✓	✓	✓	✓	x	✓	5
James Atema	✓	✓	✓	✓	✓	✓	6
Qs. Harun Nyakundi	✓	✓	✓	✓	x	x	4

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 four meetings in the year.

Committee attendance for the year ended 30 th June 2019	Corporate Affairs, Policy and Strategy Committee				Total Attendance
	22.11.18	18.02.2019	12.03.19	16.04.19	
Victoria Chepseba-	✓	✓	✓	✓	4
Musa Kathanje	x	✓	✓	✓	3
Christopher Kariuki	x	✓	✓	✓	3
James Atema	x	✓	✓	✓	3
Mbithe Muema	✓	✓	x	✓	3
Eng. Kaburu Mwirichia	✓	✓	✓	✓	4

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 ten meetings in the year.

Committee attendance for the year ended 30 th June 2019	Business Development, Innovation and Research Committee										Total
	17.07.18	20.07.18	28.08.18	31.08.18	16.10.18	05.02.19	15.02.19	18.03.19	17.04.19	25.04.19	
Dominic Kiarie Chairperson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Qs. Harun Nyakundi	✓	✓	x	✓	x	x	x	x	✓	x	4
Christopher Kariuki	x	✓	✓	x	x	✓	x	x	✓	✓	5
Carol Kariuki	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	9
Mbithe Muema-	x	x	✓	✓	✓	✓	✓	✓	✓	✓	8
Musa Kathanje	✓	✓	✓	✓	x	✓	✓	x	✓	x	7

e. Audit and Risk Management Committee

This Committee reviews, oversees and advises the Board on the Authority's internal control and risk management systems; oversees 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; reviews 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 four meetings in the year.

Committee attendance for the year ended 30 th June 2019	Audit and Risk committee meetings					Total Attendance
	25.09.18	30.11.18	13.02.18	12.03.19	16.04.19	
James Atema-Chairperson	✓	✓	✓	✓	✓	4
Eng. Kaburu Mwirichia	✓	✓	x	✓	✓	3
Victoria Chepseba	✓	✓	✓	✓	✓	3
Christopher Kariuki	✓	✓	✓	✓	✓	2
Musa Kathanje	x	✓	x	✓	x	1

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 2018/2019 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 of the required mix of skills and core competencies required to enable the Board to 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 engages with the Cabinet Secretary to ensure the individuals with the right skills are appointed as members of the Board.

The Board annually reviews its effectiveness as a whole and that of individual committees as well as the Chief Executive Officer to ensure that the Authority's goals are achieved. The Board ensured that all assessments and evaluations carried out are properly documented and filed. The State Corporation Advisory Committee evaluated the Board performance during the year.

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. Members of the Audit committee and finance were trained on the roles and functions of Audit committee members.

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.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

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. For the year under review the Authority had an approved budget of Kshs. 12.7 Billion and the total expenditure incurred was Kshs.11.3 Billion translating to 89% absorption.

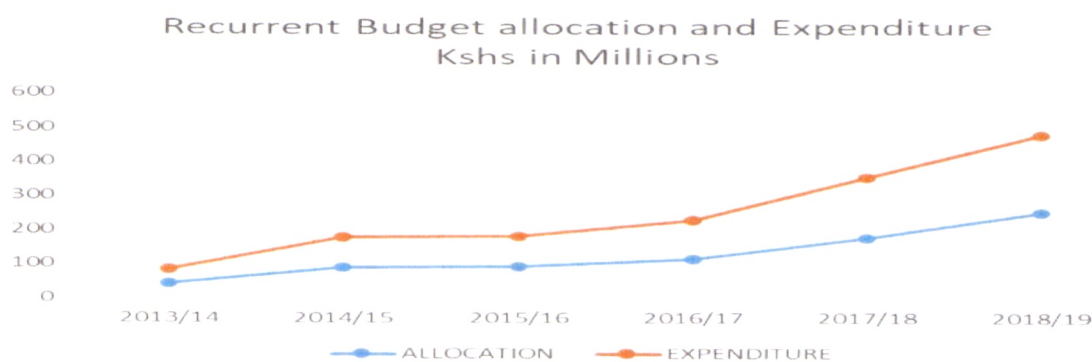
a. Financial Performance

The Authority total budgetary allocation for the year ended 30th June 2019 was Kshs 12.7 Billion. This represents a growth of 229% compared to Kshs. 556 Million allocation for the financial year 2017/18. The growth in the budgetary allocation is attributed to the funding of the Horizontal infrastructure that kicked off during the year. The Authority absorbed 89% of the allocated resources. The total revenues realized by the Authority during the year ended 30.06.2019 was Kshs. 1.4 Billion, compared to Kshs 464 Million for the Financial year 2017/18 representing a growth of 321%. The total operation expenditure incurred by the Authority during the year was Kshs. 249 Million, compared with Kshs. 230 Million incurred during the FY 2017/18 representing a growth of 8% in the expenditure incurred. The capital Expenditure incurred during the year was Kshs. 11.3 Billion compared to Kshs. 1.2 Million for Financial year 2017/18 consequently increasing the asset base by 229% from Kshs. 3.7 Billion to Kshs. 15 Billion

Five Year Review of Authority Financial Performance

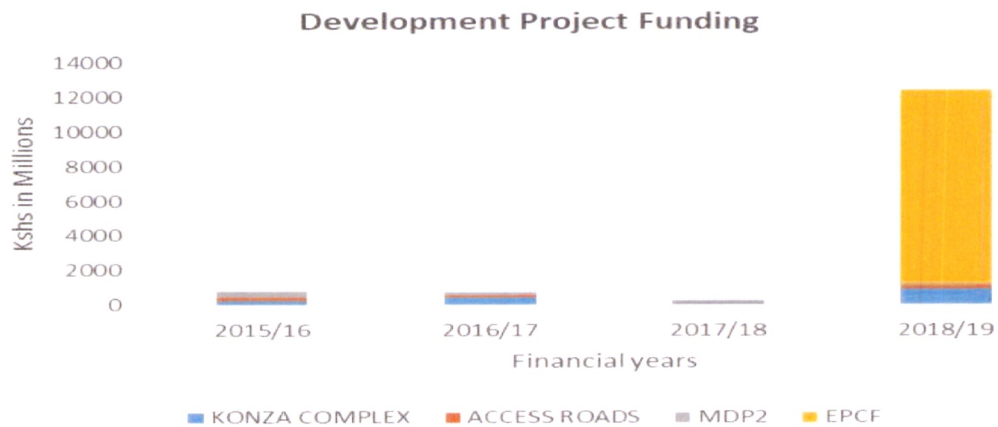
a) Recurrent Budget Expenditure Analysis

FY	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	Kshs 'Millions'	Kshs 'Million'	Kshs 'Million'	Kshs '000'	Kshs '000'	Kshs '000'
Allocation	42	90	91	115	177	252
Expenditure	42	90	90	115	176.5	225
Absorption rate	100%	100%	99%	100%	100%	89%



Development Budget Analysis

	2015/16 Kshs 'Millions'	2016/17 Kshs 'Millions'	2017/18 Kshs 'Millions'	2018/19 Kshs 'Millions'
Konza Complex	300	458	171	950
Access Roads	150	116	37	133
MDP 2	360	200	75	150
EPCF	-	-	-	11,200



b. Operational Performance

During the year, the Authority continued with construction of Konza complex and infrastructure development. The super structure for Konza Complex was completed to 9th floor. The contractor continued with interior and exterior finishes and it is expected the building will be ready for occupation in the next financial year.



External view of Konza complex

The Other infrastructure project undertaken by the Authority included: Access Roads where the construction specification for Phase 1 Streetscape scape, sub-surface utilities and Waste Reclamation facilities were completed. The EPCF Contractor had mobilized fully as at the close of the financial year and the Contractor had acquired quarries and Mobilized Equipment on site. The contractor began the Extraction of Top soils in readiness for construction of Access road and ducts for utilities



Aerial view of Access road under construction

The Authority signed various MOU's for collaboration in development of the Technopolis, some of the Memorandum of Understanding signed include: MOU with Kenya Institute of Mass Communication and Korean Partners for establishment of Digital Media city; Kenya Forest service and the Authority for establishment of tree nurseries at Konza Technopolis; Simba Corporation, KIPPRA, Gold land developers, Data way Solutions and Better Place International MoUs provide frameworks for partnership in the development of Konza.

The Authority received and Evaluated **Expression of Interests** (EOIs) from investors for the various investment opportunities available. 8 investors were approved for allocation of land for development.

Challenges and Constrains that hindered achievement of performance targets in the FY 2018/19 Performance Contract include:

- **Budgetary Constraints.** In the period under review, the Authority faced budgetary constraints especially Master Delivery Partner 2 budget was not sufficient to clear the pending bill for FY 2017/18. These contributed of delayed Execution of some Deliverables as well as zero implementation of some projects as per the contractual terms.
- **Delayed Disbursement of Exchequer.** The Authority's Budget is funded by Exchequer and during the year, the exchequer for the 2nd half for development was disbursed in July 2019. The delay has contributed to delay executions of projects and contract extension for the running contracts.

- **Low staff complement.** Implementation Phase 1 of the Master plan took off in August 2018 following the launch of Horizontal infrastructure. The Authority requires both technical and administration staff for effective supervision and administration of the Mega on-going projects.
- **Lack of vehicles for operations:** The Authority has 5 vehicles with one vehicle attached to the CEO's Office. The development stage requires coordination hence need for additional vehicles.

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 the Authority's mandate of developing the Konza Technopolis to smart standards the following projects were the Key projects for the 2018/ 19 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 city and operated as such to generate more than 2% GDP.
Brief Description of Project:	This is a consultancy project signed in August 2014 between the Authority and Tetra Tech consortium to support the Authority in implementing Phase 1 of the Konza Technopolis. 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: <ul style="list-style-type: none"> • Project leadership. • Financial planning. • Project communication and marketing. • Development guidelines. • Land administration. • Management of design consultants. • Management of Construction contractors.
Economic and social benefit	<ul style="list-style-type: none"> • Provide professional consultancy services ensuring the development and operations of a smart city that will grow the GDP of Kenya by 2%.
Sources of finance	<ul style="list-style-type: none"> • 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:	<p>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.</p> <ol style="list-style-type: none"> The Office Block, Kshs 1.9 Billion: This will host the Authority personnel's as well as the initial investors and innovators to Konza Technopolis Conference facility, Kshs 0.72 Billion: This will host a model Huduma center and smart city exhibition spaces for both local and international partners. 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	<ul style="list-style-type: none"> Provision of an approximate income of Ksh. 0.5 Billion per year to the GoK through the Authority 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 Technopolis this being the first building in the Technopolis. 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 operationalise Phase 1 City Management by the Authority.
Brief Description of Project:	<p>This covers the design, procurement and construction of the following municipal buildings essential for the operationalization of the Phase 1 Technopolis</p> <ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. Wastewater Reclamation Facility (Phase 1 sewer treatment plant)

PROJECT NAME	WASTEWATER RECLAMMATION FACILITY (Phase 1A sewer treatment plant)
Project Purpose:	To provide wastewater reclamation (sewer treatment) for Phase 1A of Konza Technopolis. 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 Technopolis Wastewater Reclamation Facility (Sewer treatment plant) and construction of Phase 1 of the plant to cater for sewer treatment of Phase 1A of the Technopolis. It is designed following the total estimated wastewater (sewer) to be produced in the city development as follows. <ul style="list-style-type: none"> 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 Technopolis, respectively. Promote water conservation both within and outside of all structures at Konza Technopolis.
Sources of finance	GoK. Through direct allocation for design and supervision. GoK through EPCF or direct allocation for construction.

5. 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 Technopolis 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 Fibre distribution duct network. To provide the Technopolis with digital lighting and signage system.
Brief Description of Project:	This is design and construction of the approximate 30 Km roads at Konza Technopolis 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 fibre 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	<ul style="list-style-type: none"> • Provide investors to Konza Technopolis with universal access to public utilities i.e. water, power, fibre, waste water lines, etc. • 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	<ul style="list-style-type: none"> • GoK. Through EPCF or Direct allocation

6. Konza Technopolis Electrical Network in phase 1

PROJECT NAME	KONZA TECHNOPSIS 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	<ul style="list-style-type: none"> • Operationalize the first phase of Konza Technopolis • Support the ICT network for Phase 1 of the Technopolis.
Sources of financing	GoK through EPCF or direct allocation

7. Konza Data Centre and Smart City Facilities Project

PROJECT NAME	KONZA DATA CENTRE AND SMART CITY FACILITIES PROJECT
Project Purpose	<p>To Develop a National Data Centre in Konza Technopolis</p> <p>To Provide Smart ICT Network and Electrical Network for Konza Technopolis</p> <p>To Provide Virtual Desktop Infrastructure (Citizen and SME Services)</p> <p>To Provide Public Safety and Security Solution for Konza Technopolis</p> <p>To Provide Telepresence and Video conferencing (for government)</p>

<p>Brief Description of Project:</p>	<p>The Konza project is aimed at establishing a smart mixed-use city with a 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 will 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.</p> <p>A smart city uses Information and Communications Technology (ICT) to enhance its livability, 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. It communicates that data using networks and analyses it for decision making and action.</p> <p>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.</p> <p>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. They would also be able to make use of cloud backup services, virtual desktop as a service, physical server or space renting, cabinet or rack renting, as well as email services.</p>
<p>Sources of finance</p>	<p>GoK. Through Government to Government Partnership with the Government of China.</p>

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
- d. Reputation risk

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 has complied 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

The Authority 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.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Introduction

Konza Technopolis Authority is charged with the responsibility of development of Konza Technopolis. As part of its mandate, the Authority 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). During the year under review the Authority Participated in Konza greening, Chemususu Half Marathon and supporting students at Malili Primary School.

Konza Greening:

The Kenya constitution and economic blueprint Vision 2030 requires the country to work towards achieving a forest cover of at least 10% of the land area to ensure sustainable resource use, growth and employment creation. KoTDA adopted tree planting as part of its Corporate Social Responsibility and held its annual tree planting on 30th April 2019 at the Konza Technopolis. The Kenya Film Commission, the Kenya Film Classification Board and the Kenya Forest Service are among the State Agencies who participated in the joint tree planting activity at the Technopolis. The Agencies planted a total of 400 trees out of their target of 1 million, which they seek to accomplish during the Financial Year 2019/2020



Staff from KoTDA, KFC, KFCB and KFS during the Konza Tree Planting day



Staff from KoTDA, KFC, KFCB and KFS during the Konza Tree Planting day

5th Annual Chemususu Dam Half Marathon

Environmental conservation is a key pillar in facilitating the National Big 4 Agenda. During the National Tree Planting Day, the president H.E Uhuru Kenyatta gave a directive to all Parastatals and SAGAs to adopt tree planting as their CSR. KoTDA team participated in the 5th annual Chemususu Dam Half Marathon on 15th September 2018 at Metipso Primary School in Eldama Ravine, Baringo County. The proceeds from the marathon went towards tree planting for environmental conservation and support the education of needy children.



Corporate sponsors of the marathon officially opening the tree planting exercise by planting the first tree



KoTDA team unwind and pose for a photo at the Chemususu Dam

Corporate team participation in helping the malili township primary

Konza Technopolis as a vision 2030 project is expected to support in building a knowledge-based economy. The education sector is key to supporting this key pillar. KoTDA engages in supporting the communities neighboring the Technopolis and institutions of learning to align to the Konza Technopolis Vision. The Authority represented by the Business Development team visited Malili Township Primary School, which was started in 2012. The school has 231 students, 103 of whom are boys while 128 are girls and 14 teachers.

The Authority noted that the seventeen class eight pupils were well prepared for the forthcoming KCPE exams however, one key challenge the school management was facing was how to feed the candidates during their exam period. The Business Development and Innovation department mobilized resources to support the school feeding program during the examination period. In addition, the department plans to champion resource mobilization for fencing the entire school to pave way for greening.



KoTDA staff distributing gifts to pupils of Malili Primary School



KoTDA staff pose for a photo with pupils of Malili Primary School

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the of Konza Technopolis Development Authority affairs.

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 expected to be completed in year 2022.

- a) Horizontal Infrastructure
- b) Konza complex
- c) National Data centre and Smart city Facilitors
- d) Anchor Tenants and Investors

Results

The results of the entity for the year ended June 30, 2019 are set out on page 8.

Directors

The members of the Board of Directors who served during the year are shown on page v. of the annual report. During the year 3 director retired and 3 was appointed with effect from 3rd of May 2019.

Dividends/Surplus remission

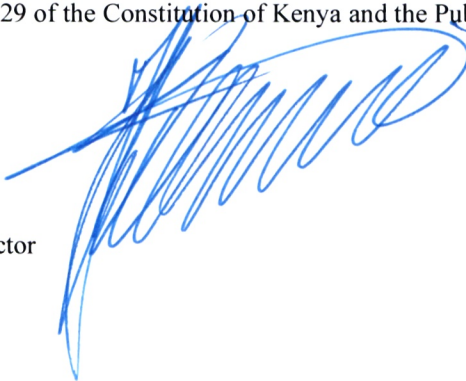
In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per cent of its surplus funds reported in the audited financial statements after the end of each financial year. Konza Technopolis Development Authority is funded by Exchequer grants and did not make any surplus during the year FY 2018/19 and hence no remittance to the Consolidated Fund.

Auditors

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

By Order of the Board

Corporate Secretary/Director



X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 State Corporations Act Cap 446 requires the Directors to prepare financial statements in respect of Konza Technopolis Development Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Konza Technopolis Development Authority financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

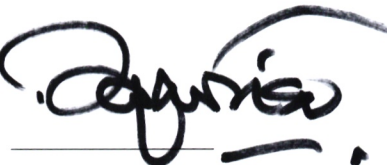
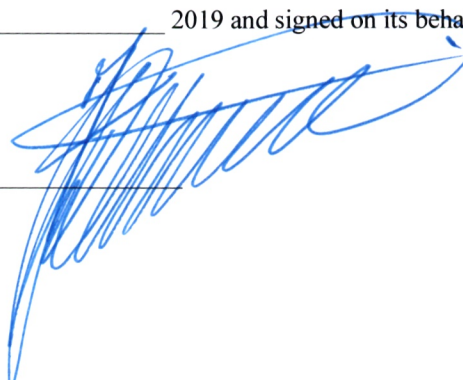
The Directors accept responsibility for the Konza Technopolis Development Authority financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act Cap 446. The Directors are of the opinion that the Konza Technopolis Development Authority financial statements give a true and fair view of the state of Konza Technopolis Development Authority transactions during the financial year ended June 30, 2019, and of the Konza Technopolis Development Authority financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority which have been relied upon in the preparation of the Konza Technopolis Development Authority financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Konza Technopolis Development Authority financial statements were approved by the Board on _____ 2019 and signed on its behalf by:

CEO



CHAIRMAN

XI. REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Konza Technopolis Development Authority set out on pages 1 to 25 which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows, the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

The financial statements present fairly, in all material respects, the financial position of the Konza Technopolis Development Authority as at 30 June, 2019, 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 Legal Notice No. 23 of 28 March, 2012 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Konza Technopolis Development Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There are no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the Matter described in the Basis for Conclusion on Lawfulness and Effectiveness in use of Public Resources Section of my report, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Consultancy Services Expenditure

The statement of financial position reflects Kshs.4,753,542,000 for property, plant and equipment as at 30 June, 2019. Included in this figure and as indicated at Note 17 to the financial statements is an amount of Kshs.1,484,887,000 relating to consultancy fees out of which the Authority paid Kshs.276,795,700 to Tetra Tech Inc. for various consultancy services during the financial year under review.

Examination of the payments revealed that the contract between Konza Technopolis Development Authority and Tetra Tech Inc. came into force on 30 June, 2014 for activities and scope to be undertaken being Project Leadership, Financial Planning, Project Communications, Development Guidelines, Land Administration, Design Management and Construction Management. However, no documentation was provided for audit review stating the timelines and the output of each activity and scope.

In the circumstances, it has not been possible to confirm whether the value for money was realised and whether the activities achieved the intended purposes.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Authority or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Authority monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's

ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

08 February, 2021

XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2019

	Note	2018/19 Kshs '000'	2017/18 Kshs'000'
Revenue from non-exchange transactions			
Transfers from government	6	1,484,777	460,015
		1,484,777	460,015
Revenue from exchange transactions			
Other income	7	7,749	4,514
Total revenue		1,492,526	464,529
Expenses			
Employee Costs	8	112,557	120,263
Remuneration of Directors	9	29,406	20,855
Depreciation	10	4,693	11,471
Repairs and Maintenance	11	5,177	4,074
General Expenses	12	85,594	73,906
Other Expenses	13	12,103	95
Total Expenses		249,531	230,664
Surplus for the Period		1,242,995	233,866

Transfers from the government consists of both recurrent and development grants. The surplus of Kshs. 1.2 Billion are funds utilized in acquisition of Property, plant and equipment for the Authority capital projects.

The notes set out on pages 8 to 30 form an integral part of these Financial Statements

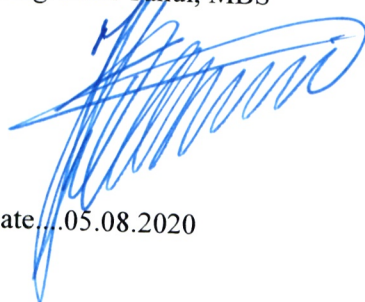
XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2018/19 Kshs '000	2017/18 Kshs '000
Assets			
Current Assets			
Cash and cash equivalents	14	551,053	50,246
Receivables from exchange transactions	15	67,504	162,431
Inventories	16	1,072	-
Total Current Assets		619,628	212,677
Non-current Assets			
Property, Plant and Equipment	17	4,753,542	3,721,944
Intangible Assets	18	42,227	42,227
Work in Progress	19	10,289,408	-
Total Non-Current Assets		15,085,177	3,764,171
Total Assets		15,704,805	3,976,848
Liabilities			
Current Liabilities			
Payables from exchange transactions	20	232,279	36,929
Total Current Liabilities		232,279	36,929
Net assets		15,472,526	3,939,919
Capital Reserve	22(a)	11,291,959	1,002,550
Revaluation Reserve	22(b)	15,815	15,815
Accumulated Surplus	22(c)	4,164,752	2,921,554
Total Reserves		15,472,526	3,939,919

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

CEO


Eng. John Tanui, MBS



Date...05.08.2020

Head of Finance

Norman Mwangi



ICPAK Member Number: 4647

Date...05.08.2020

Chairman of the Board

Dr. Arch. Reuben Mutiso, MBS



Date...05.08.2020

XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Reserves		Accumulated surplus	Total
	Capital Reserve	Revaluation Reserve		
	Kshs '000'	Kshs '000'		
Balance as at 1 July 2017	1,002,550	15,815	2,687,688	3,706,053
Surplus for the period			233,866	233,866
Balance as at 30 JUNE 2018	1,002,550	15,815	2,921,554	3,939,919
Balance as at 1 July 2018	1,002,550	15,815	2,921,554	3,939,919
Direct Grants	10,289,409			10,289,409
Surplus for the period			1,242,995	1,242,995
Payables W/off			204	204
Balance as at 30 JUNE 2019	11,291,959	15,815	4,164,752	15,472,526

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 Technopolis and EPCF direct payments of Kshs. 10.2 Billion

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

Payables Written off:

Outstanding Payables totaling to Kshs. 203,648.2 were written off during the year. There was an error in posting the transactions including double posting of transactions.

XIV. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2019

	Notes	2018/19	2017/18
		Kshs '000'	Kshs '000'
Cash flows from Operating Activities			
Receipts			
Transfers from government	6	1,484,777	460,015
Other income	7	7,749	4,514
		1,492,526	464,529
Payments			
Employee Costs	8	112,557	120,263
Remuneration to Board of Directors	9	29,406	20,855
Repairs and Maintenance	11	85,594	4,074
General Expenses	12	5,177	73,906
Other Expenses	13	12,103	95
		244,838	219,193
Increase in Inventories		(1,072)	-
Net cash flows from operating activities		1,246,616	245,337
Cash flows from investing activities			
Purchase of property, plant, equipment and WIP assets		(1,036,291)	(368,518)
Decrease/increase in Accounts Payables		195,554	4,616
decrease in Accounts Receivable		94,928	81,603
Net cash flows used in investing activities		(745,809)	(282,299)
Net increase/(decrease) in cash and cash equivalents		500,806	(36,963)
Cash and cash equivalents at the beginning of year		50,246	87,209
Cash and cash equivalent as at 30 June 2019		551,053	50,246

**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2019**

The Budget Variance Analysis for the 2018/ 19 Financial Year						
	Original Budget (A)	Adjustments (C-A)	Final budget (C)	Actual	Performance difference	Absorption rate
REVENUE	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	%
Government grants and subsidies - Development	1,633,000	400,000	1,233,000	1,233,000	-	100%
A-in- A Foreign Loan	7,200,000	4,000,000	11,200,000	10,230,623	(969,377)	91%
Government grants and subsidies - Recurrent	256,915	(5,138)	251,777	251,777	-	100%
Balance b/f	50,027	-	50,027	50,027	-	100%
Other Income	7,000	(5,000)	2,000	1,753	(248)	88%
Interest	4,000	-	4,000	5,394	(1,394)	135%
Total income	9,150,942	4,389,862	12,740,804	11,772,573	(968,231)	92%
EXPENSES						
EMPLOYEE COSTS	140,138	(10,138)	130,000	112,557	17,443	87%
Salaries & Wages	109,365	(10,138)	99,227	83,029	16,197	84%
Employee related costs - contributions to NSSF	400	-	400	396	4	99%
Gratuities & Pensions	30373	-	30,373	29,131	1,242	96%
BOARD OF DIRECTORS EXPENSES	37,764	(6,823)	30,941	29,406	1,535	95%
Sitting Allowance	6,500	300	6,800	7,240	(440)	106%
Travel, Accommodation and Subsistence	8,000	(3,000)	5,000	3,893	1,107	78%
Hospitality and catering services	1,000	-	1,000	773	227	77%
Chairman's Honoraria	1,416	(456)	960	837	123	87%
Chairman Airtime	84	-	84	73	11	87%
CEO's Salary	8,880	-	8,880	8,880	-	100%
Board Training	4,000	(2,500)	1,500	1,263	237	84%
Investor outreach and Facilitation	7,884	(1,167)	6,717	6,447	270	96%
GENERAL EXPENSES	90,487	4,586	95,073	86,863	8,204	91%
Utility (water, Electricity, sewerage & cleaning services)	1,700	1,000	2,700	2,428	272	90%
Postage and telephone	2,300	-	2,300	2,281	19	99%
General office and consumables	4,300	(2,110)	2,190	1,354	836	62%
Printing and stationery	3,500	-	3,500	2,040	1,460	58%
Office rent	11,168	-	11,168	10,472	696	94%
Training and development	6,780	-	6,780	6,617	163	98%

	Original Budget (A)	Adjustments (C-A)	Final budget (C)	Actual	Performance difference	Absorption rate
Bank Charges	200	75	275	238	37	87%
Domestic travel and Subsistence	2,697	2,481	5,178	5,124	54	99%
PR, Advertising, Branding and Events	10,800	(2,643)	8,157	7,246	911	89%
Insurance	12,000	-	12,000	11,112	888	93%
Foreign Travel & subsistence	2,000	2,000	4,000	3,767	233	94%
Conferences and delegations	5,960	-	5,960	5,225	735	88%
Corporate Social Responsibility	500	-	500	314	186	63%
Konza Security	8,000	7,700	15,700	15,811	(111)	101%
Legal costs	5,000	(3,700)	1,300	928	372	71%
Club Membership &	2,022	200	2,222	1,982	240	89%
Audit fee	2,000	-	2,000	1,000	1,000	50%
staff recruitment costs	4,000	(200)	3,800	3,635	165	96%
Purchase of laptops	1600	21	1,621	1,621	-	100%
Motor Vehicles Insurance	700	(238)	462	462	-	100%
Team Building	3260	-	3,260	3,211	49	98%
REPAIRS AND MAINTENANCE	4,400	517.00	4,917	4,714	203	96%
Motor Vehicles Repair & Servicing	2,100	717	2,817	2,657	160	94%
Fuel and Lubricants	1,500	300	1,800	1,810	(10)	101%
Site Maintainance costs	800	(500)	300	247	53	82%
OTHER EXPENSES	500	-	500.00	-	500	0%
Konza Greening	500	-	500.00	290	500	58%
CAPITAL EXPENDITURE	8,880,623	3,598,750	12,479,373	11,146,420	1,334,917	89%
Phase 1 A Streetcape Design & Waste water Reclamation	158,633	-	158,633	60,682	97,951	38%
Konza Complex	1,350,000	400,000	950,000	698,309	251,691	74%
Master Delivery Partner 2	151,565	-	151,565	151,565	-	100%
Office Automation	20,425	(1,250)	19,175	3278	15,897	17%
EPCF	7,200,0000	4,000,000	11,200,000	10,289,408	910,592	92%
TOTAL EXPENDITURE	9,150,652	3,586,892	12,740,804	11,436,789	1,304,015	90%

Budget notes

A: Other incomes: The burning of grass affected the sale of grass, the anticipated target could not be made.

B: Bank interest: The Authority provided for the retention money for Konza complex and contractual sums for Access roads which will be paid to the contractor on substantial completion of works and end of the defect period. These funds contributed to enhanced interest on deposits

C: Employee costs: The recruitment of additional staff was approved in May 2019, the advertisements were done in June 2019, the new staff had not reported as 30.06.2019

D: General office Consumables and printing and stationery: The additional utilization expected from new recruitment did not happen because of delayed approvals

F: Audit fee invoice for FY 2017/18 was received after the closure of the financial year, hence could not be paid

G: The Konza greening project began in the 4th quarter of the financial year. The activity will progress in the next financial year.

H: The Phase 1 Streetscape and Access roads and Waste water Reclamation facilities supervision funds are contractual sum for supervision of EPCF Street Scape and Waste water reclamation facilities. The EPCF project is at design reviews and excavation development Stage

XVI. 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. The Authority's principal activity is development of Konza Technopolis as Sustainable smart city and innovation hub.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) which allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority and rounded off to the nearest thousands' shillings.

The financial statements have been prepared in accordance with the PFM Act,2012 the State Corporations Act cap 446 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

ii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in year 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

Sale of goods

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

Interest income

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

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly in June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority recorded additional appropriations of in the 2018-2019 January 2019 budget following the approval by the Board.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 VI. Of these financial statements.

e) 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.

The Authority is Semi- Autonomous Government Agencies funded by Government through the Ministry of Information communication through transfers and government grants which is not subject to tax.

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.

The depreciation rates are as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Class	Name	Estimated useful life	Rate
1	Motor vehicles	4 years	25%
2	Computers	3 years	30%
3	Furniture and Equipment	8 years	12.5%

e) Leases

The Authority does not have a finance lease. The Authority has an Operating lease for office space and the lease does not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. 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.

The Amortization rate is 30% per of a fully developed Intangible Asset. The Authority intangible assets have not been amortized as the assets are under development.

g) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

h) 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 Authority has only the accounts received under this category.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an 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 an 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)

h) Provisions

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

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

Contingent liabilities

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

i) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Capital reserves for Capital Assets under development and revaluation for all revalued Assets

j) Changes in accounting policies and estimates

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

k) Employee benefits

Retirement benefit plans

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

The Authority operates a Defined contribution plans.

l) 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.

m) Borrowing costs

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

n) 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.

o) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

p) 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.

q) Comparative figures

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

r) 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, 2019

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could not result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. a) Transfers from Government

	2018-2019	2017-2018
	Kshs '000	Kshs '000
Unconditional grants		
Operational grant	251,777	176,915
Development	1,233,000	283,100
Total government grants and subsidies	1,484,777	460,015

b) 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	2017-2018
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	KShs
Ministry of ICT	1,484,777			1,484,777	460,015
Total	1,484,777			1,484,777	460,015

7. Other Incomes

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Interest Income	5,394	3,364
Sale of Grass	1,753	-
Sale of Water	-	1,151
Donations and refunds	602	-
Total	7,749	4,514

8. Employee costs

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Salaries and wages	83,029	79,785
Employee related costs - contributions to NSSF	396	336
Gratuities and Pensions	29,131	40,142
Total	112,557	120,263

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Remuneration of Directors

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Sitting Allowance	7,240	4,960
Travel, Accommodations and Subsistence Allowance	3,893	5,119
Hospitality and catering Services	773	852
Chair Honoraria	837	960
Airtime	73	84
CEO Salary	8,880	8,880
Board Training	1,263	-
Investor Outreach and Facilitation	6,447	-
Total director emoluments	29,406	20,855

10. Depreciation and amortization expense

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Property, plant and equipment	4,693	11,471
Intangible assets	-	-
Total depreciation and amortization	4,693	11,471

11. Repairs and maintenance

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Fuel, Oil and Lubricants	1,810	1,642
Repairs of motor Vehicles	2,657	1,240
Site Maintenance costs	247	485
Motor Vehicle Insurance	462	707
Total repairs and maintenance	5,177	4,074

NOTES TO THE FINANCIAL STATEMENTS**12. General expenses**

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Utility(water, sewerage & cleaning services)	2,428	1,421
Postage and telephone	2,281	1,658
General office and consumables	1,354	1,782
Printing and stationery	2,040	2,265
Office rent	10,472	10,015
Training and development	6,617	3,913
Bank Charges	238	172
Domestic travel and Subsistence	5,124	994
PR, Advertising, Branding and Events	7,246	7,796
Insurance	11,112	11,609
Foreign Travel & subsistence	3,767	3,202
Conferences and delegations	5,225	2,839
Corporate Social Responsibility	314	457
Konza Security	15,811	15,574
Legal fee	928	1,392
Club Membership	1,982	2,022
staff recruitment costs	3,635	3,246
Profession fee - Asset tagging	-	2,043
Audit fees	1,000	1,000
Team Building	3,211	-
Tax	809	505
Total	85,594	73,906

13. Other expenses

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Konza Greening	290	95
Project Administration costs	8,535	-
Office Automation	3,278	-
Total	12,103	95

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Cash and cash equivalents			
Description	2018-2019	2017-2018	
	Kshs '000'	Kshs '000'	
Current and Development Bank accounts	551,053	50,246	
Total cash and cash equivalents	551,053	50,246	
Detailed analysis of the cash and cash equivalents			
		2018-2019	2017-2018
Financial institution	Account number	Kshs '000'	Kshs '000'
Kenya Commercial bank			
a) Current Account	1141631520	539,268	50,246
b) Development Bank A/c	1258227568	11,785	-
Total		551,053	50,246

15. Receivables from exchange transactions		
Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Staff Advances	257	228
Prepaid Rent	-	3,348
Prepaid Insurance	703	844
Prepaid Infrastructure and water	66,000	156,861
Water Debtors	543	1,151
Total receivables	67,504	162,431

16. Inventory

	2018/19	2017-2018
Description	30-Jun	30-Jun
	Kshs '000	Kshs '000
Consumable stores	1,072	-
Total	1,072	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Property, Plant, Equipment and WIP

	Land	Motor vehicles	Furniture and fittings	Computers	Office Equipment	Building	Water works	Capital Work in progress	WIPMDP2	Total
								Access road	Consultancy fees	
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'
At 1st of July 2017	1,000,000	23,057	9,967	13,302	3,581	659,909	63,954	487,721	1,134,656	3,396,146
Additions			175			267,020	12,910	11,908	73,435	365,449
Transfer/adjustments	-									-
As at 30th June 2018	1,000,000	23,057	10,142	13,302	3,581	926,928	76,864	499,629	1,208,091	3,761,595
Additions			1,120	501		698,309	3,789	55,871	276,796	1,036,386
Transfer/adjustments	-								-	-
As at 30th June 2019	1,000,000	23,057	11,262	13,803	3,581	1,625,237	80,653	555,500	1,484,887	4,797,980
Depreciation and impairment									-	-
At 1st July 2017	-	15,692	3,130	8,074	1,283			-	-	28,179
Depreciation 2017/18		5,764	1,268	3,991	448			-	-	11,471
Disposals									-	-
Impairment									-	-
Transfer/adjustment									-	-
As at 30th June 2018	-	21,456	4,493	12,065	1,731			-	-	39,745
Depreciation		1,601	1,408	1,237	448			-	-	4,693
Disposals									-	-

	Land	Motor vehicles	Furniture and fittings	Computers	Office Equipment	Building	Water works	Capital Work in progress	WIPMDP2	Total
								Access road	Consultancy fees	
Impairment									-	-
Transfer/adjustment									-	-
As at 30th June 2019	-	23,057	5,901	13,302	2,179			-	-	44,438
Net book values										
As at 30th June 2019	1,000,000	-	5,361	501	1,402	1,625,237	80,653	555,500	1,493,002	4,753,542
At 30th June 2018	1,000,000	1,601	5,649	1,237	1,850	926,928	76,864	499,629	1,208,091	3,721,944

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Intangible assets-software

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Cost		
At beginning of the year	42,227	38,635
Additions	-	3591.7
At end of the year	42,227	42,227
Additions–internal development	-	-
At end of the year	42,227	42,227
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	42,227	42,227
NBV	42,227	42,227

19. Work In Progress

	2018-2019	2017-2018
Description	30-Jun	30-Jun
Horizontal Infrastructure	Kshs '000	Kshs '000
Capital Reserves	10,289,408	-
Total WIP	10,289,408	-

20. Trade and other Payables

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Trade payables	7,872	35,797
Pay As You Earn	122	122
NHIF	10	10
Other payables	212,490	1,000
Staff gratuity Fund	11,785	-
Total trade and other payables	232,279	36,929

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Cash generated from operations

	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
Surplus for the year before tax	1,242,994	233,866
Adjusted for:		
Depreciation	4,693	11,471
Non-cash grants received		-
Working Capital adjustments		
Increase in inventory	1,072	
Decrease in receivables		-
Increase in deferred income		
Increase in payables		-
Increase in payments received in advance		
Net cash flow from operating activities	1,246,616	245,337

22. General Reserves:

a)

	2018-2019	2017-2018
a) Capital Reserve	11,291,959	1,002,550
b) Revaluation Reserve	15,815	15,815
c) Accumulated Surplus	4,164,752	2,921,554
Total Reserves	15,472,526	3,939,919

b)

Description	2018-2019	2017-2018
	Kshs '000'	Kshs '000'
a) Capital reserve		
At beginning of the year	1,002,550	1,002,550
Additions-Horizontal infrastructure grant	10,289,409	-
At end of the year	11,291,959	1,002,550
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	2,921,554	2,687,688
Payables W/off	204	233,866
Additions-Surplus for the year	1,242,994	
At end of the year	4,164,752	2,921,554

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. 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 Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	67,504	67,506	-	-
Bank balances	551,053	551,053	-	-
Total	618,557	618,559	-	-
At 30 June 2018				
Receivables from exchange transactions	162,431	162,431	-	-
Bank balances	50,246	50,246	-	-
Total	212,677	212,677	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(ii) Liquidity risk management

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

24. 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

	2019 Kshs	2018 Kshs.
Transfers from related parties'	1,484,777	460,015
Transfers to related parties	38,610	38,610
	=====	=====

c) Key management remuneration

	2019 Kshs	2018 Kshs
Directors' per sitting	20,000	20,000
Key management compensation per month	470,000	470,000

25. Events after the reporting period

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

26. Ultimate and Holding Entity

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

27. Currency

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

XVII. APPENDIX I: 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)	
1	Water tanks <ul style="list-style-type: none"> 1.1 A contract of Kshs. 58,195,765.89 for drilling of boreholes and supply of 2water tanks awarded by Tanathi had works totalling to Kshs. 2,994,800 charged in Bill of quantities not been done. 	As per the final accounts received by the Authority from Tanathi water Board. The Kshs. 2.9 Million was reallocated for Extension of the main Pipeline connecting to the tanks to facilitate distribution of water to a wider area. These resulted in change in designs and scope at no extra costs	Annah Musyimi Chief Manager Physical Planning, Design and compliance	Resolved		
	Two sign boards not installed					32,800
	Establishment & Maintenance of a contractor camp not done					700,000
	Supervision cost of engineers attached to the project from HQ (MDP2)					1,500,000
	Maintenance of Project Engineer's 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					<u>2,994,800</u>

C.E.O

Date.....



XVIII. APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

The Authority has one donor funded Project EPCF. The total Expenditure incurred was Kshs. 10.2 Billion out of Kshs. 11.2 Billion allocated budget translating to 92% budget absorption.

The project reached 20% implementation. Some of the key activities contributing to this include.

- a) Construction of campsite (100% complete)
- b) Acquisition of quarry (for ballast) and borrow pit (for murrum)
- c) Installation of batching plant and asphalt plant
- d) Mobilisation of equipment and personnel on site
- e) Clearing and grubbing of at phase 1A
- f) Clearing and grubbing of phase 1B
- g) Preliminary designs approved
- h) Excavation of utility tunnel
- i) Casting of utility tunnel blinding and bases started

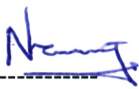
XIX. APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		MINISTRY OF INFORMATION, COMMUNICATION & TECHNOLOGY	
Break down of Transfers from the State Department of Innovation and Technology			
FY 18/19			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs '000')</u>	<u>FY to which the amounts relate</u>
	20.08.2018	64,229	18/19
	16.10.2018	64,229	18/19
	19.02.2019	60,375	18/19
	26.06.2019	62,944	18/19
	Total	251,777	
b.			
Development Grants			<u>FY to which the amounts relate</u>
	<u>Bank Statement Date</u>	<u>Amount (KShs '000')</u>	
	12.11.2018	200,000	18/19
	31.10.2018	416,500	18/19
	03.07.2019	616,500	18/19
		1,233,000	
Grand Total		1,484,777	

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

Chief Manager Finance, HR & Admin
Konza Technopolis Development Authority

Head of Accounting Unit
Ministry of ICT

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