



KENYA INVESTMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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



Paper laid on the Table of the House by the Leader of the Majority Party on Wednesday, 7th June 2017 (Afternoon).

TABLE OF CONTENTS

I. KEY INFORMATION AND MANAGEMENT.....	i
II. THE BOARD OF DIRECTORS	iii
III. MANAGEMENT TEAM.....	ix
IV. CHAIRPERSON'S STATEMENT.....	xi
V. REPORT OF THE MANAGING DIRECTOR.....	xii
VI. CORPORATE GOVERNANCE STATEMENT.....	xv
VII. REPORT OF THE DIRECTORS	xviii
VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xix
IX. STATEMENT OF FINANCIAL PERFORMANCE.....	1
X. STATEMENT OF FINANCIAL POSITION	2
XI. STATEMENT OF CHANGES IN NET ASSETS	3
XII. STATEMENT OF CASH FLOWS	4
XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
XIV. NOTES TO THE FINANCIAL STATEMENTS	6
XV. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	18

I. KEY INFORMATION AND MANAGEMENT

(a) Background information

Kenya Investment Authority (KenInvest) is a statutory body established in 2004 through an Act of Parliament (Investment Promotion Act No. 6 of 2004) and mandated to promote and facilitate both domestic and foreign investments in Kenya.

(b) Principal Activities

The Authority is responsible for facilitating the implementation of new investment projects, providing after care services for new and existing investments, as well as organizing investment promotion activities both locally and internationally. It is also responsible for advocating for appropriate investment policies.

(c) Key Management

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

- i. Investment Promotion
- ii. Investor Services
- iii. Research, Policy Advocacy and Planning
- iv. Legal and Corporate Affairs
- v. Finance and Administration

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Moses Ikiara, PhD, MBS
2.	General Manager-Investor Services	Mwalimu Musee
3.	General Manager-Investment Promotion	Pius Rotich
4.	General Manager-Research, Policy Advocacy & Planning	Robert Bwire
5.	General Manager-Finance and Administration	Donna Atieno

(e) Fiduciary Oversight Arrangements

The Authority has put in place key fiduciary oversight arrangements covering:

- Board Committees i.e. Audit & Governance Committee; Innovation Committee; Finance, Human Resources & Administration Committee; Strategy & Investment Committee.
- Internal Audit.
- Transparency and Accountability Governance Structures.

(f) Kenya Investment Authority Contacts

Kenya Investment Authority (Headquarters)
Kenya Railways Block D, 4th Floor
P. O. Box 55704 - 00200 Nairobi
Tel: (254) (730) 104200
Email: info@investmentkenya.com
Website: www.investmentkenya.com

(g) Branches

Regional Office, Kisumu
Jubilee House, 1st Floor, Angawa Avenue
P. O. Box 1458-40100 Kisumu
Tel: 057-2020746, Wireless: 020-2393923
Fax: 057-2021040
E-mail: ksm@investmentkenya.com

Regional Office, Mombasa
Mombasa Trade Center
6th Floor, South Tower
Tel: 041-2013554/5, Wireless: 020-2121100
E-mail: msa@investmentkenya.com

Regional Office, Eldoret
National Bank Building
2nd Floor, Oloo Street
P. O. Box 4638- 30100 Eldoret
Tel: 053-2060746, 2060774, 2060793
E-mail: eld@investmentkenya.com




(h) Kenya Investment Authority Bankers


Co-operative Bank of Kenya,
Parliament Road Branch, Nairobi
Nairobi, Kenya




(i) Independent Auditors

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




II. THE BOARD OF DIRECTORS

DIRECTOR	DIRECTOR PROFILE
<p>1. Mrs. Ann Wangari Kirima - Muchoki – Chairperson</p>  <ul style="list-style-type: none"> • MBA (Masters in Business Administration) • BA (Hons) Politics & Economics • MSc Commercial Property Management • ARICS (Associate Member of the Royal Institute of Chartered Surveyors) • Registered Estate Agent. 	<p>Date of Birth: 24th February, 1968</p> <p>2013 to date - Chairperson 2009 to date - Director, KCB Rwanda 2010 to date - Director, Migaa 2012 to date - Director, Mambui Golf Resort 2004 to date - Director, Added Value Group Ltd 2000 to date - Director, A Chartered Touch 1994 to 2000 -Managing Director, Regent Management Ltd.</p>
<p>2. Sanda Ojiambo – Board Member</p>  <ul style="list-style-type: none"> • M.A. Public Policy and Development Economics • B.A. Economics and International Development 	<p>Date of Birth: 15th September, 1972</p> <p>Policy Analyst and Economist by training.</p> <p>Currently works as Head of Corporate Responsibility at Safaricom.</p> <p>Has 12 years' experience in Development issues in various sectors.</p> <p>Member, Innovation Committee.</p>
<p>3. Judith Wanjiku Kibaki, MBS, EBS, CBS – Board Member</p>  <ul style="list-style-type: none"> • B.Sc (Economics) 	<p>Date of Birth: 11th June, 1962</p> <p>Jan 1998 to date - Marketing Consultant – Alpha Dimensions 2003 to 2011 Vice Chair – Street Families Rehabilitation Trust Fund 2012 to 2015 – Board Member, Brand Kenya Board 2006 to 2012 - Board Member, Export Promotion Council April 1994 to Nov 1997 – Manager, Research Division – MCL Saatchi & Saatchi</p> <p>Member, Innovation Committee</p>

DIRECTOR	DIRECTOR PROFILE
<p>4. Esther Bungei – Board Member</p>  <ul style="list-style-type: none"> • B. Ed – University of Nairobi • Leadership Courses – K.I.E, T.S.C, G.I. Admis 	<p>Date of Birth: 3rd October, 1953</p> <p>Chairperson - Aldai Technical Institute Member of Locational and SubCounty Development Committee, Aldai Girls Boarding and Kaploleo High School, Savani Secondary School and St. Paul Theological College. Treasurer St. Stephen's ACK Ibanja Parish County Taskforce on Agri. Institutions – Nandi Member, Audit and Governance Committee.</p>
<p>5. Dr. Gachao Kiuna – Board Member</p>  <ul style="list-style-type: none"> • PhD in Biotechnology • BSC degree (Hons) 	<p>Date of Birth: 22nd December, 1977</p> <p>Executive Director – Aqua Power</p> <p>Previously worked as:</p> <ul style="list-style-type: none"> • CEO of Trans-Century Group • Associate Principal in McKinsey's Sub-Saharan Africa office • Engagement Manager from McKinsey that led the development of the Vision 2030 strategy together with the Government of Kenya, private sector, local and international agencies and many other key stakeholders in the Country <p>Chairman, Finance, Human Resource and Administration Committee</p>
<p>6. Taib. A. Taib - Board Member</p>  <ul style="list-style-type: none"> • Advocate of the High Court of Kenya • University of Nairobi- Bachelor of Laws (LLB), Dip. Law, Law, Honors • Nairobi School - Economics, History & English Literature 	<p>Date of Birth - 2nd September 1964</p> <p>January 1993 to date - Managing Partner - Taib .A. Taib Advocates</p> <p>March 1993 to June 1996 - Mayor of Mombasa - City of Mombasa</p> <p>January 1989 – December 1992 Partner - Marende, Taib & Company, Advocates</p> <p>Member, Audit and Governance Committee.</p>

DIRECTOR	DIRECTOR PROFILE
<p>7. Peter Njoka - Board Member</p>  <ul style="list-style-type: none"> • Bachelor of Science (Hons.) • 1999: Private Equity Course, Module 1- Deal Structuring • 2000: Private Equity Course, Module 2 - Negotiation Techniques, Anti-Money Laundering Workshop and Private Equity Course, Module 3- Legal Documentation and Portfolio Management 	<p>Date of Birth: 16th June, 1970</p> <p>Currently a Partner at Rhone Partners LLP, Kenya.</p> <p>Private Equity specialist with over 19 years' private equity and corporate finance experience in East Africa.</p> <p>He is a board member of several companies including Deacons East Africa PLC, Kenya Clay Products Ltd and Timsales Holdings</p> <p>Chairman, Innovation Committee.</p>
<p>8. Principal Secretary, Ministry of Industry, Trade and Co-operatives (Alternate Member – Mr. Reuben Rotich)</p>  <ul style="list-style-type: none"> • MA -Public Administration and Development 	<p>Date of Birth - 28th March 1955</p> <p>1985 -2003 - Public Administration</p> <p>2003 to date - Ministry of Industry, Trade and Co-operatives</p> <p>Member, Strategy and Investment Committee</p>
<p>9. Principal Secretary, Ministry of Devolution & Planning (Alternate Member - Ms. Esther Nyaosi)</p>  <ul style="list-style-type: none"> • Master of Public Policy (Japan - GRIPS) • Bachelor of Arts, Second Class (Hons.), Upper Division in Economics (UoN) 	<p>Date of Birth: 20th November, 1971</p> <p>March, 2015 to date - Senior Economist: Ministry of Devolution and Planning, (State Department of Devolution)</p> <p>14th Dec. 2014 - Feb. 2015: Economist 1: Ministry of Devolution and Planning, Enabler's and MDGs Unit</p> <p>14th November, 2011-13th Nov. 2013: Health Economist Fellow at the University of Nairobi Institute of Tropical and Infectious Diseases (UNITID)</p> <p>Member, Strategy and Investment Committee</p>

KENYA INVESTMENT AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016




DIRECTOR	DIRECTOR PROFILE
<p>10. Principal Secretary, Ministry of Devolution and Planning (Alternate Member- Mr. Mutuku Muleli)</p>  <ul style="list-style-type: none"> • MSC in International Economics • MSC in Water Science Policy 	<p>Date of Birth: 08 November 1981</p> <p>Member, of the Innovation Committee</p>
<p>11. Principal Secretary, National Treasury (Alternate Member - Mr. Wanyambura Mwambia)</p>  <ul style="list-style-type: none"> • Master of Arts (Development Economics) 	<p>Date of Birth: 10th January, 1956</p> <p>2010 to date: Deputy Director Economic Affairs National Treasury</p> <p>Member, Finance Human Resource and Administration Committee</p>
<p>12. Principal Secretary, Office of the President (Alternate Member- Mr. William K. Mahinda)</p>  <ul style="list-style-type: none"> • Master of Arts (Economics) • B.A (Economics) 	<p>Date of Birth: - 22nd May 1960</p> <p>2005 to date – Secretary/ Policy Cabinet office.</p> <p>Director Commission of Higher Education, KIPPRA, KenInvest, LAPPSET</p> <p>2001-2005 – Provincial Coordinator – NACC</p> <p>1997 – 2001 Provincial Plan Office.</p> <p>Member, Finance Human Resource and Administration Committee</p>

DIRECTOR	DIRECTOR PROFILE
<p>13. Principal Secretary, Ministry of Lands and Physical Planning (Alternate Member- Mr. Augustine Masinde, EBS, MBS)</p>  <ul style="list-style-type: none"> • Master of Arts (Urban and Regional Planning) • Corporate Member of both the Kenya Institute of Planners and Architectural Association of Kenya (Town Planners Chapter) • Member of the International Society for City and Regional Planners (ISOCARP). • Registered Physical Planner 	<p>Date of Birth - 1962</p> <p>Chief Government Adviser on Physical Planning</p> <p>Chairman of the Physical Planners Registration Board</p> <p>National Director of Physical Planning</p> <p>Chairman, Audit and Governance Committee</p>
<p>14. Principal Secretary, Ministry of Agriculture (Alternate Member - Mr. Samuel Gicheru)</p>  <ul style="list-style-type: none"> • Masters in Economics 	<p>Date of Birth: 26th January 1970</p> <p>Currently works at the Ministry of Agriculture</p> <p>Member, Audit and Governance Committee</p>
<p>15. Principal Secretary, Ministry of East African Affairs, Commerce & Tourism (Alternate Member- Mrs. Margaret Byama)</p>  <ul style="list-style-type: none"> • Bachelor of Arts Degree from University of Nairobi • Certificate in Public Financial Management from Manchester University. 	<p>Date of Birth: 9th September, 1955</p> <p>Director on the Board of Centum Investment Company Limited and its subsidiaries since January 2009</p> <p>Chief Finance Officer in the Ministry of Trade with over 20 years' experience in public financial management.</p> <p>Chairperson of the Wildlife Clubs of Kenya and was the immediate former Chief Executive Officer of the National Humanitarian Fund for IDP's.</p> <p>Member, Finance Human Resource and Administration Committee</p>

KENYA INVESTMENT AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

DIRECTOR	DIRECTOR PROFILE
<p>16. Mr. Fanuel Kidenda– Chief Executive, Export Processing Zones Authority (EPZA)</p>  <ul style="list-style-type: none"> • MBA (Strategic Management) • B. Com (Marketing) • Computer Programming 	<p>Date of Birth - 8th April 1974</p> <p>2015 – Chief Executive Officer, EPZA</p> <p>2013 to 2015 General Manager, Operations and Investor Support, EPZA</p> <p>2013 – Resource Mobilization Manager/ Personal Assistant to CEO</p> <p>2001 – 2012 Promotions Executive, EPZA</p> <p>Member, Strategy and Investments Committee</p>
<p>17. Ms. Ruth Mwaniki - Chief Executive, Export Promotion Council (EPC)</p>  <ul style="list-style-type: none"> • MPPA and LLB • Development Lawyers Course (International Development Law Institute, Rome) • Academy of American and International law (International and Comparative Law Centre, Texas) • Diploma in Law (Kenya School of Law) 	<p>Date of Birth - 1966</p> <p>Chief Executive Officer, Export Promotion Council</p> <p>Managing Director/Company Secretary, KPCU</p> <p>Senior Legal Officer, Kenya Posts & Telecommunications Corporation</p> <p>Legal Officer, National Housing Corporation</p> <p>Member, Strategy and Investments Committee</p>
<p>18. Dr. Moses Ikiara - Managing Director, Kenya Investment Authority</p>  <ul style="list-style-type: none"> • PhD (Environmental and Natural Resource Economics) • Master of Arts (Economics) • B. Sc (Agriculture) 	<p>Date of Birth – 3rd September, 1965</p> <p>2013 to date - Managing Director, KenInvest</p> <p>2006 to 2012 - Executive Director, (KIPPRA)</p> <p>2005 to 2006 - Ag. Executive Director, KIPPRA</p> <p>2003 to 2005 - Senior Analyst & Programme Coordinator, KIPPRA</p> <p>2000 to 2003 - Policy Analyst, KIPPRA</p> <p>1998 to 2000 – School of Environmental Studies, Moi University.</p> <p>Secretary to the Board.</p>

III. MANAGEMENT TEAM

<p>1. Dr. Moses Ikiara</p>  <ul style="list-style-type: none"> • PhD (Environmental and Natural Resource Economics) • Master of Arts (Economics) • Bachelor of Science (Agriculture) 	<p>Managing Director</p>
<p>2. Mwalimu Musee</p>  <ul style="list-style-type: none"> • Bachelor of Arts (3.1.1)(Economics) 	<p>General Manager, Investor Services</p>
<p>3. Pius Rotich</p>  <ul style="list-style-type: none"> • Master of Business Administration (International Marketing) • Bachelor of Education • Marketing Society of Kenya (MSK) member 	<p>General Manager-Investment Promotion and Business Development Services.</p>

KENYA INVESTMENT AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

<p>4. Robert Bwire</p>  <ul style="list-style-type: none">• Master of Industrial Relations and Personnel Management• B. Com (Accounting)• Member of Institute of Economic Affairs• Diploma in PC Programming	<p>General Manager- Research, Policy Advocacy and Planning</p>
<p>5. Donna Atieno</p>  <ul style="list-style-type: none">• Master of Business Administration (Finance)• Certified Public Accountant of Kenya• Bachelor of Business Management (Accounting)• Institute of Certified Public Accountants of Kenya (ICPAK) member	<p>General Manager, Finance and Administration.</p>

IV. CHAIRPERSON'S STATEMENT


On behalf of the KenInvest Board of Directors, I am pleased to present to you KenInvest's annual report for the financial year 2015-2016.

KenInvest continued to pursue her strategic objectives as spelt out in the strategic plan 2013-17. I note with appreciation that in spite of significant challenges, the Authority managed to attract new investments worth over KShs 223 billion up from KShs 191 billion the previous year. Moreover, the Authority organized the 2nd edition of Kenya International Investment Conference (KIICO) in November 2015 and participated in other high profile events that gave KenInvest high visibility.

During the review period, the Authority continued to experience significant challenges occasioned by the proposed merger of state corporations including KenInvest that contributed to high staff turnover as a result of apprehension and uncertainty. In addition, the Authority did not receive for the second year running, any development funds from the exchequer to support implementation of her core activities in the review period. However, Management through the effective stewardship of the Managing Director, Dr. Moses Ikiara managed to deliver on key activities through support from stakeholders such as Development Partners, Ministries, Departments and Agencies (MDAs) of Government and County Governments.

Under my leadership, the Board will in the coming days commit to address itself to organisational needs that require intervention to make the Authority more competitive and an enviable place to work in.

My message to fellow Board members and KenInvest staff is to remain committed to the execution of our mandate of promoting and facilitating investments in Kenya, in order to propel this country to new heights of socio-economic development under Kenya Vision 2030.



Mrs. Anne W. Kirima-Muchoki
**CHAIRPERSON,
BOARD OF DIRECTORS**

V. REPORT OF THE MANAGING DIRECTOR

The overarching vision of the Kenya Investment Authority strategic plan 2013- 2017 is to make Kenya a global leader in investment attraction and retention. The Authority's strategic focus is to be a key player in the realization of Kenya's Vision 2030, by ensuring strategic partnership and cooperation with national and county governments; as well as other relevant stakeholders. The key strategic areas of focus include:

1. Investment generation and Investor Focus
2. Influence
3. Investment climate
4. Institutional Strengthening & Capacity Development.
5. Partnership & Collaboration

Performance Overview

The implementation of the 2015/16 Work Plan and Performance Contract (PC) was successful. The Authority achieved a Very Good score of 2.15 for the 2014/15 financial year (FY) in spite of lack of funds to implement major programmes and activities. We look forward to even better performance for the 2015/2016 FY.

Investment Generation

In the FY 2015/16 the third year of implementation of the Strategic Plan (SP), the Authority registered projects worth KShs 223 billion in terms of both new investment and re-investment. This exceeded the annual target. Of the total, KShs 189.6 billion was Foreign Direct Investment (FDI). The new investments created employment opportunities to over 36,000 Kenyans.

China, India, Japan, United States, Netherlands and South Africa were the six main sources of FDI during the period. The leading sectors in receiving the investment in the period under review were construction, service, energy and manufacturing. Two of the largest investments, one in the Construction sector and the other in energy, brought in KShs 12.8 billion and KShs 34 billion, respectively.

One Stop Centre (OSC)

KenInvest has continued implementing the OSC. Currently, there are officers from National Environment Management Authority (NEMA), Kenya Power and Immigration Department attached to KenInvest. During FY 2015/2016, KenInvest sourced for a new office space and found Tourism Fund Building suitable for setting up a One Stop Centre. KenInvest consulted Ministry of Housings, Lands and Urban Development to assist in the designs of the OSC and Procurement of a contractor for partition works. However, a letter notifying lease cancellation was sent to KenInvest in March, 2016. The Authority appealed to the Cabinet Secretary in Charge of Tourism but no reply was received and the Board resolved that a new building should be identified. The process is now underway.

Investment Promotion

As part of continued effort to encourage more investors to choose Kenya, the Authority organised and/or participated in Investment promotion forums and missions to present opportunities to investors. Key among the many forums was organising the second edition of the Kenya International Investment Conference (KIICO) held from 23rd – 25th November, 2015 which attracted more than 1,000 investors from 17 different countries. Other forums included;

- Korea-Kenya Business Forum, 31st May 2016;
- Kenya Business Seminar in Osaka, Japan 27th June 2016;
- The 2nd African Investment Promotion Forum(AIPF) from 29th February to 5th March 2016 in Tokyo, Japan;
- ALN Investment Conference in Dubai, 27th October 2015; and
- The Kenya Week at the Expo 2015 Milan, 7th – 12th September 2015;

Kenya is now a very popular investment destination and KenInvest is well known around the world. Annual FDI inflow has increased from USD 259 million in 2012 to about USD 1.5 billion in 2015.

Incoming Investor Delegations

During the review period, KenInvest facilitated high profile incoming investor delegations seeking business and investment opportunities in Kenya. These included a delegation from Mitsubishi Corporation, a Turkish Business delegation, a visit by the Board of Investments of Thailand, US SME delegation, and delegation from the Department of Commerce of Hubei Province, China, among many others. Hardly a week passes now without 1 – 2 incoming investor delegations.

Enhancing Regional Integration

The Authority was involved in key regional integration activities in COMESA and EAC that support the growth of trade and investment. Of importance is to note that KenInvest received funding from COMESA through the National Treasury amounting to KShs 12.8 million to support activities and programmes that contribute to deepening trade and investment in the region.

Enhancing Devolution

The Authority continued to participate in the devolution process through various initiatives and partnerships. The Authority continued to support counties in not only organising County investment conferences but also by being resource persons during the conferences. The Authority supported Homabay, Kisii, Narok, Malindi, Turkana, and Baringo counties. We also helped organize the 1st Eastern & Central Counties Agri-business Investment Summit and North Rift Economic Block (NOREB) investment conference.

Investor Facilitation

The Authority undertook post-establishment services to investors where a total of 245 projects were offered aftercare services through visits, email and telephone. The major policy and/or administrative issues raised were escalated to the relevant Ministries, Departments and Agencies (MDAs) for resolution. Investor sentiment about and confidence in business facilitation is improving.

The United Nations Conference on Trade and Development (UNCTAD) and the Government of Netherlands are supporting Kenya Investment Authority in the development of an e-regulations electronic system for streamlining investment application and facilitation procedures. The first phase of the project was launched in December by UNCTAD Secretary General, Dr. Mukhisa Kituyi alongside the WTO 10th Ministerial conference held in Nairobi. Between April and June 2016, the portal received 12, 268 users; and recorded 53, 168 page views from 57 countries. The project is ongoing with more procedures being added and those already in the portal being revised. The portal can be accessed at <https://kenya.eregulations.org/>

Challenges

Some of the obstacles that stood in the way of better performance for the Authority, and which continue to pose challenges in the new financial year include:

- i. Low budgetary allocation by the exchequer and the parastatal merger uncertainty that is affecting fundraising efforts;
- ii. HR challenges such as high staff turnover, inadequate staff establishment, lack of training and capacity building opportunities due to low funding and uncertainty associated with parastatal reforms; and
- iii. Information gaps and capacity constraints such as challenges in capturing and processing data. This is being improved through knowledge assembly and management system as well as staff training.

We look forward to continued support by our cherished Partners and stakeholders as we implement our mandate of attracting and facilitating investments in Kenya.



Dr. Moses Ikiara, PhD, MBS
Managing Director.

VI. CORPORATE GOVERNANCE STATEMENT

Introduction

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

- i. To observe high standard of ethical and moral behaviour;
- ii. To act in the best interests of the organization;
- iii. To remunerate and promote fairly and responsibly;
- iv. To recognize the legitimate interests of all stakeholders; and
- v. To ensure that the organization acts as a good corporate citizen.

In general, Board members act in the best interest of the organization and uphold their fiduciary responsibilities and duty of care. This involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and favouring the interests of the organization over other interests. They act honestly and in good faith so as to create a culture built on principles of integrity, accountability and transparency.

In line with Section 13 of the Leadership and Integrity Act No. 19 of 2012 of the Laws of Kenya, the Board of Directors respect the values, principles and the requirements of the Constitution including:

- i. The national values provided for under Article 10 of the Constitution;
- ii. The rights and fundamental freedoms provided for under Chapter four of the Constitution;
- iii. The responsibilities of leadership provided for under Article 73 of the Constitution;
- iv. The principles governing the conduct of State officers provided for under Article 75 of the Constitution;
- v. The educational, ethical and moral requirements in accordance with Article 99 (1) (b) and 193 (1) (b) of the Constitution; and
- vi. The values and principles of Public Service provided for under Article 232 of the Constitution.

The Board of Directors

The members of the Board of Directors are published in this report.

The Investment Promotion Act, 2004 Section 16(i) gives the Board of Directors the overall responsibility over the Authority with the Chairman being a Presidential appointee for a period of three years. Other members are drawn from the private sector, representatives of the Government in their various capacities and the Managing Director who is the Secretary to the Board.

In its governance, the Board established four Committees as per section 4(1) of the third Schedule of the Act. These Committees are described below:

i. Strategy and Investment Committee

This Committee is chaired by a non-executive member and meets on a quarterly basis. The Committee has the overall mandate to ensure that all investment issues and the core function of KenInvest are maintained at all times. This includes investment promotion, investment facilitation, after-care services and Policy Advocacy. The Committee's important task is to ensure the relevance of the strategic plan, performance contract and work plan.

ii. Finance, Human Resource & Administration Committee

This Committee is chaired by a non-executive member and meets on a quarterly basis. The Committee has the overall mandate to ensure that the budget is justified and adhered to, and that all expenditures are accounted for. It also has the mandate to ensure that all quarterly reports are presented in a timely fashion to the Board prior to the same being submitted to the Parent Ministry. All financial policies are discussed in this Committee.

This Committee is also tasked with ensuring that KenInvest maintains and attracts high calibre of human resources. The Committee handles recruitment, maintenance of the organization's practices, attitudes, and staff motivation.

iii. Audit & Governance Committee

This Committee is chaired by a non-executive member and meets on a quarterly basis. The Committee has the responsibility of assisting the Board of Directors perform its oversight role in:

- Integrity of quarterly, half-yearly and year-end financial statements including reviewing the accounting policies and practices adopted in the preparation of financial information;
- Effectiveness of the internal control environment; and
- Compliance with applicable laws, regulations, accounting & auditing standards, good corporate governance principles and other ethical issues.

iv. Innovation Committee

This Committee is chaired by a non-executive member and meets on a quarterly basis. The Committee has the responsibility of assisting the Board of Directors perform its oversight role in the Management of Information Technology to enhance investor access to services provided by the Authority.

The Board is required to meet at least four times in every financial year to discuss the overall performance of KenInvest. Not more than four months should elapse between one meeting and the next meeting. All full board meetings are convened by the Secretary to the Board upon instructions from the Chairman (or as per approved work plan) or upon the requisition of at least five members of the Board. All decisions are passed by a majority of present members voting with the Chairperson having the decisive vote in the event of a tie.

Board Members are required to enter into a Performance Contract every financial year with the government to evaluate its Performance against set targets. The Board completes an annual performance evaluation both for the Board and individual Directors of the Board and assesses the performance of the Board and individual Directors of the Board against the requirements of the Board Charter, KenInvest's Strategic Plan, the Annual Performance Contract and Investment Promotion Act 2004.

The Annual Evaluation reviews the effectiveness of the Board, individual and collective roles of Board Directors and the duties and responsibilities of the Board Directors.

VII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Authority's affairs.

Principal activities

The principal activities of the Authority are to promote and facilitate investments in Kenya for both domestic and foreign investors.

Results

The results of the Kenya Investment Authority for the year ended June 30, 2016 are set out on page 1.


Directors

The members of the Board of Directors who served during the year are presented on page iii to vii in accordance with the Investment Promotion Act, 2004.

Auditors

The Auditor General is responsible for the statutory audit of the Authority's financial statements in accordance with the Public Finance Management (PFM) Act, 2012.

By Order of the Board



Dr. Moses Ikiara, PhD, MBS
Managing Director/ Secretary to the Board.

VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 (3) of the Public Finance Management Act, 2012 and the State Corporations Act require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of each financial year and the operating results of the Authority for the same period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.


The responsibility over the preparation and presentation of the Authority's financial statements includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements for the period ending June 30, 2016, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAs), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of the Authority's transactions during the financial year ended June 30, 2016, and of the Authority's 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 Authority's financial statements as well as the adequacy of the systems of internal financial control.

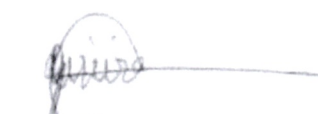
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Kenya Investment Authority's financial statements were approved by the Board on 26th October, 2016 and signed on its behalf by



Mrs. Ann W. Kirima- Muchoki
Chairperson



Dr. Moses M. Ikiara, PhD, MBS
Managing Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA INVESTMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Investment Authority set out on page 1 to 19, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Payment for Consultancy

As previously reported, the Authority paid a total of Kshs.6,671,718 to a local consultancy firm being accrued interest and legal fees in respect of an invoice sum of Kshs.217,520 on a consultancy service contract for the development of an investment policy framework.

According to the contract document, the principal sum was due on or before 8 January 2011 failure to which interest was to be charged at the rate of 3% per month on the outstanding balance. The Authority was not able to pay for the services and the delay in time prompted the firm to take the matter to court where it was awarded a sum of Kshs.6,316,581 which had by then attracted an interest of Kshs.55,137 by 10 May 2015. An additional Kshs.300,000 was billed in respect of auctioneers fees and a further Kshs.2,884,259 paid as final settlement of the case all totalling to Kshs.9,200,840. A sonerate bill amounting to Kshs.696,000 raised by the Authority's lawyers in respect of legal fees has been disputed by the management.

Further, the management delayed to issue instructions to its lawyers even after receiving reminders that interest on the court award was accruing and as a result, the total bill escalated to Kshs.10,251,977. The management also failed to heed to advice from its lawyers on 28 June 2013 that an appeal on the case was bound to fail and a further advice from the Attorney General on 11 October 2013 that the Authority should seek an out-of-court settlement since it was unlikely that an appeal would be ruled in its favor. From the foregoing, the Authority was negligent in managing the consultancy contract.

Consequently, due to failure by the management to properly manage the contract and to make proper and timely decisions, there was loss of public funds amounting to Kshs.9,200,840 excluding undetermined legal fees due to the Authority's lawyers as at 30 June 2016.

2. Budget Performance

The following expenses were noted to have exceeded the budget without adequate explanations and/or necessary approvals:

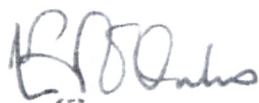
Components	Budgeted Amount Kshs.	Actual Expense Kshs.	Variance (Over-Expenditure) Kshs.	%
Kenya International Investment Conference (KIICO)	19,000,000	44,964,055	25,964,055	137
ISO Re-certification	950,000	1,188,840	238,840	25

Although the Authority explained that the over-expenditure for the Kenya International Investment Conference was sourced from reserves, there is no evidence of movement in reserves and further, no supporting documents were presented for audit to confirm the assertion. Therefore the Authority contravened the Public Finance Management Act, 2012, Section 68(a) which provides that all expenses should be planned for, voted and included in an entity's budget before any expense is incurred.

Consequently, it has not been possible to confirm how the expense items were paid and accounted for without requisite budgetary provisions.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Kenya Investment Authority as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Investment Promotion Act, No.6 of 2004.



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

Nairobi

23 March 2017

IX. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2016

	Note	2015/2016	2014/2015
Revenue from non-exchange transactions			
GoK Grants - Recurrent	3 (a)	248,512,500	256,000,000
GoK Grants -Development	3 (a)	88,700,000	-
Other Grants - Regional Investment Integration Programme (RIIP)	3 (b)	13,800,000	12,832,386
		351,012,500	268,832,386
Revenue from exchange transactions			
Other income	3 (c)	10,390,114	17,143,064
		10,390,114	17,143,064
Total revenue		361,402,614	285,975,450
Expenses			
Employee costs	4	155,177,902	155,962,839
Board Expenses	5	7,073,641	3,537,534
Repairs and maintenance	6	1,953,031	1,559,906
General expenses	7	121,833,726	102,492,677
Depreciation expense	8	11,339,725	13,994,356
Programme Costs	9	46,735,447	6,799,341
Total expenses		344,113,471	284,346,653
Surplus for the period		17,289,143	1,628,797
 Surplus attributable to:			
Owners of the controlling entity		<u>17,289,143</u>	<u>1,628,797</u>

The notes set out on pages 6 to 17 form an integral part of the financial statements.

KENYA INVESTMENT AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

X. STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

		2015/2016	2014/2015
Assets			
Current assets			
Cash and cash equivalents	10	105,038,870	34,676,338
Receivables from exchange transactions	11	1,503,482	12,355,183
Receivables from non-exchange transactions	12	-	105,000,000
Deposits	13	400,000	560,000
		106,942,352	152,591,521
Non-current assets			
Property, plant and equipment	14	71,291,982	82,631,707
		71,291,982	82,631,707
Total assets		178,234,334	235,223,228
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	1,032,478	5,310,515
Deferred Income		-	70,000,000
Total liabilities		1,032,478	75,310,515
Reserves		159,912,713	158,283,916
Accumulated surplus		17,289,143	1,628,797
Net assets/ Equity		177,201,856	159,912,713
Total net assets and liabilities		178,234,334	235,223,228

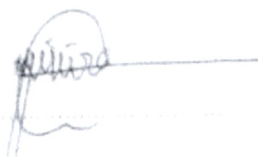
Mrs. Ann W. Kirima- Muchoki
Chairperson



Date

25/01/17

Dr Moses M. Ikiara, PhD, MBS
Managing Director



Date

27/01/17

XI. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2016

	Attributable to the owners of the controlling entity			
	Reserves			
	Capital replacement development reserve	Housing reserve	Accumulated surplus	Total
Balance as at 30 June 2014	-	-	158,283,916	158,283,916
Surplus/(deficit) for the period	-	-	1,628,797	1,628,797
Transfers to/from accumulated surplus	-	-	-	-
Balance as at 30 June 2015	-	-	159,912,713	159,912,713
Surplus for the period	-	-	17,289,143	17,289,143
Transfers to/from accumulated surplus	-	-	-	-
Balance as at 30 June 2016	-	-	177,201,856	177,201,856

XII. STATEMENT OF CASH FLOWS

	Note	2015/2016 KSHS	2014/2015 KSHS
<u>Cash flow From Operating Activities:</u>			
Net (Deficit)/ Surplus from Operations		17,289,143	1,628,797
Adjustments:			
Depreciation	8	11,339,725	13,994,356
Operating (Deficit)/Surplus before working capital changes		28,628,868	15,623,153
Decrease/(increase) in Debtors	11/12	115,851,701	(66,671,555)
Decrease/(increase) in Deposits	13	160,000	-
(Decrease)/ Increase in Creditors	14	(74,278,037)	54,490,800
Net Cash flow from Operating Activities		70,362,532	3,442,398
<u>Investing Activities:</u>			
Purchase of Fixed Assets		-	-
Net Cash flow from Investing Activities		-	-
Net (Decrease)/ Increase in Cash & Cash equivalents		70,362,532	3,442,398
Cash & Cash Equivalents at the beginning of the Period		34,676,338	31,233,940
Cash & Cash Equivalents at the end of the Period	10	105,038,870	34,676,338

XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2015-2016	2015-2016	2015-2016	2015-2016	2015-2016
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
GoK Grants - Recurrent	258,000,000	(9,487,500)	248,512,500	248,512,500	-
GOK Grants - Development	112,400,000	(23,700,000)	88,700,000	88,700,000	-
GoK Grants - RIIP	13,800,000	-	13,800,000	13,800,000	-
Other Income	10,390,114	-	10,390,114	10,390,114	-
Total income	394,590,114	(33,187,500)	361,402,614	361,402,614	-
Expenses		-	-		-
Employee costs	159,000,000	(3,500,000)	155,500,000	155,177,902	322,098
Board Expenses	7,500,000	(400,000)	7,100,000	7,073,641	26,359
Depreciation expense	-	-	-	11,339,725	(11,339,725)
Repairs and Maintenance	3,000,000	(870,000)	2,130,000	1,953,031	176,969
General expenses	88,500,000	5,502,614	94,002,614	121,833,726	(27,831,112)
Programme Costs	35,533,046	-	35,533,046	46,735,447	(11,202,401)
Total expenditure	293,533,046	732,614	294,265,660	344,113,471	(49,847,811)
Surplus for the period				17,289,143	

Notes:

The Authority had anticipated to receive KShs 30 million to support the 2nd Edition of the Kenya International Investment Conference (KIICO 2015) from the then Parent Ministry (East African Affairs, Commerce and Tourism) under the tourism recovery kitty. This did not happen and resulted in a deficit in the general expenses as commitments had already been made to ensure the success of the event.

XIV. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

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

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

2. Summary of significant accounting policies

a) Revenue recognition

Revenue from non-exchange transactions - Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably.

Revenue from exchange transactions

The Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

The Authority charges a 3% commission for the check off system it runs with various insurance agencies for deductions from employee salaries.

b) Budget information

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

c) 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 Authority 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 Authority uses the reducing balance method of depreciation at the following rates:

- Motor Vehicles – 25%
- Furniture & Fittings – 10%
- Computer and Accessories – 30%

d) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

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:

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

Financial liabilities

Initial recognition and measurement

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

e) Significant judgments and sources of estimation uncertainty

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

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.

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:

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

f) Provisions

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.

g) 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.

h) Employee benefits**Retirement benefit plans**

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions to CFC Life Insurance Company, 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.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Authority's bankers.

j) Comparative figures

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

k) 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, 2016.

3. Revenue**a. GoK Grants**

During the year, the Authority received the following GoK Grants;

- **Recurrent Grants**

	2016	2015
	KShs	KShs
Balance b/f	5,000,000	-
Printed Estimates	243,512,500	180,000,000
Total Grants Received	248,512,500	261,000,000
Balance c/f (Deferred Income)	-	(5,000,000)
Amortized to Income Statement	248,512,500	256,000,000

- **Development Grants**

	2016	2015
	KShs	KShs
Balance b/f	65,000,000	
Development Grants	23,700,000	65,000,000
Total Grants Received	88,700,000	65,000,000
Balance c/f (Deferred Income)	-	(65,000,000)
Amortized to Income Statement	88,700,000	-

b. Other Grants - Regional integration implementation programme (RIIP)

The Regional integration implementation programme (RIIP) is the country specific programme meant to implement regional integration commitments under the COMESA Adjustment Facility's Regional Integration Support Mechanism (RISM). The overall objective of the RIIP is to assist eligible Member States implement prioritized programmes that contribute to regional integration. These include the requisite policy reforms to improve the efficiency of the domestic market and competitiveness.

Other areas of interest relate to capacity building in skills development, effective participation in regional integration negotiations and institutional strengthening. KenInvest is in charge of indicator 14 of the RIIP on signing and ratification of the investment agreement COMESA Common Investment Area (CCIA)

During the year, KenInvest received an allocation of KShs 13,800,000 for the programme.

c. Other Income

The Authority also received other income as follows:

	2016	2015
	KShs	KShs
KIICO Income	9,080,278	17,099,348
Miscellaneous Income	1,261,627	-
Commission Income	48,209	43,716
Total	10,390,114	17,143,064

4. Employee costs

	2016	2015
	KShs	KShs
Basic Salaries	79,583,724	81,081,568
House Allowance	28,694,000	24,184,000
Other Personal Emoluments	13,457,849	14,492,718
Leave Allowance	1,660,000	1,805,000
Other Cash Allowances	5,207,261	7,235,523
Pension Contribution	14,975,129	15,216,914
Medical	11,599,939	11,947,116
Total	155,177,902	155,962,839

5. Board expenses

	2016	2015
	KShs	KShs
Chairman's Honoraria	949,936	1,044,000
Sitting Allowances	3,180,000	1,994,000
Seminars and Workshops	1,081,256	243,245
Travel Costs and Subsistence Allowances	1,645,345	119,727
Other Costs	217,104	136,562
Total	7,073,641	3,537,534

The significant Increase in Board expenses in 2016 as compared to 2015 resulted from:

- The Board was fully constituted in June 2015 and therefore all 18 members regularly attended meetings; and
- The Board attended the Mwongozo sensitization workshop (Mombasa) in November organized by State Corporations Advisory Council (SCAC) which had significant cost implications.

6. Repairs and maintenance

	2016	2015
	KShs	KShs
Motor Vehicles	1,407,688	1,091,007
Furniture and Fittings	545,342	468,899
Total	1,953,031	1,559,906

7. General expenses

	2016	2015
	KShs	KShs
Communication Supplies and Services	3,763,261	3,095,040
Domestic Travels	927,666	3,989,776
County Investment Programmes Support	1,960,618	-
Investor Tracking, Aftercare and Policy Advocacy	1,971,700	-
Travel - Foreign	5,000,023	4,462,487
Investment Promotion and Marketing	12,360,609	-
Kenya International Investment Conference	44,964,055	36,935,145
Printing Expenses	904,298	1,819,742
Advertising	389,400	-
Newspaper Subscriptions	37,994	327,851
Corporate Branding	999,748	-
Rent Expenses	29,507,826	28,816,770
Utilities Expenses	1,279,545	1,466,106
Training Expenses	2,635,363	2,159,241
ISO Recertification	1,188,840	-
Hospitality Expenses	1,516,905	655,519
Staff Tea	793,648	692,327
Water Expenses	327,194	378,316
Insurance Expenses	727,363	983,891
Office and General Supplies and services	2,497,814	1,967,200
Cleaning Services	1,803,818	1,854,595
Security Services	743,736	740,793
Fuel, Oil and Lubricants Costs	1,781,790	1,691,721
Subscriptions Expenses	219,970	349,739
Bank Charges	131,283	182,101
Audit Fees	350,000	350,000
Legal Fees	3,049,259	9,574,318
Total	<u>121,833,726</u>	<u>102,492,678</u>

There was a significant increase in general expenses due to the following:

- The Authority's recurrent budget was increased from KShs 220 million to KShs 243.5 million for the year 2015 and was able to budget for more of its promotional activities.

8. Depreciation Expenses

	2016	2015
	KShs	KShs
Motor Vehicle	1,108,262	1,477,683
Computer and Equipment	3,617,396	5,167,710
Furniture and Fittings	6,614,067	7,348,963
Total	<u>11,339,725</u>	<u>13,994,356</u>

9. Programme Costs

	2016	2015
	KShs	KShs
Global Entrepreneurship Summit (GES)	26,552,999	-
One Stop Centre (OSC)	362,049	-
Regional Integration Investment Programme (RIIP)	19,820,399	6,799,341
Total	46,735,447	6,799,341

10. Cash and Cash Equivalents

	2016	2015
	KShs	KShs
Petty Cash -HQS	27,883	89,670
Petty Cash-Eldoret Office	3,502	-
Petty Cash- Mombasa Office	16,750	-
Petty Cash-Kisumu office	14,800	1,270
Co-operative Bank - HQS	104,975,935	34,585,398
Total	105,038,870	34,676,338

11. Receivables from exchange transactions

	2015	2015
	KShs	KShs
Staff Imprests	1,475,469	5,143,704
Prepayments	28,013	7,211,479
Total	1,503,482	12,355,183

12. Receivables from non- exchange transactions

	2016	2015
	KShs	KShs
GOK Grants	-	105,000,000
Total	-	105,000,000

13. Deposits

The deposits mentioned herein relate to fuel deposit held by National Oil Corporation of Kenya the providers of the Authority's fuel.

14. Property, Plant and Equipment

	Motor Vehicles	Computers & Equipment	Furniture & Fittings	Total
	KShs	KShs	KShs	KShs
Cost				
At 1st July, 2014	29,629,900	13,004,353	115,486,392	158,120,645
Additions	-	15,627,340	-	15,627,340
At 30th June, 2015	29,629,900	28,631,693	115,486,392	173,747,985
At 1st July, 2015	29,629,900	28,631,693	115,486,392	173,747,985
Additions	-	-	-	-
At 30th June, 2016	29,629,900	28,631,693	115,486,392	173,747,985
Depreciation				
At 1st July, 2014	23,719,168	11,405,995	41,996,759	77,121,922
Depreciation	1,477,683	5,167,709	7,348,963	13,994,356
At 30th June, 2015	25,196,851	16,573,704	49,345,722	91,116,278
At 1st July, 2015	25,196,851	16,573,704	49,345,722	91,116,278
Depreciation	1,108,262	3,617,396	6,614,067	11,339,725
At 30th June, 2016	26,305,113	20,191,100	55,959,789	102,456,003
Net Book Values:				
At 30th, June 2016	3,324,787	8,440,593	59,526,603	71,291,982
At 30th, June 2015	4,433,049	12,057,989	66,140,670	82,631,707

15. Trade and other payables from exchange transactions

	2016	2015
	KShs	KShs
Trade payables	678,228	4,678,430
Board Expenses	-	120,000
Audit Fees	350,000	350,000
Staff claims	4,250	162,085
Total	1,032,478	5,310,515

16. Related parties Disclosures

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 Managing Director and General Managers. During the year ended June 2016, the following were the related parties of Kenya Investment Authority:

- Dr. Moses Ikiara;
- Mr. Mwalimu Musee;
- Mr. Robery Bwire;
- Mr. Pius Rotich; and
- Ms. Donna Atieno.

17. Financial Risk Management

Exposure to currency, interest rate, liquidity and credit risk arises in the normal course of the Authority's operations. This note presents information about the Authority's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Authority's management of capital. Further quantitative disclosures are included throughout these financial statements.

Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Authority's financial instruments.

	Carrying amount	Fair value
	KShs	KShs
Financial Assets		
At 30 June 2016		
Cash and cash equivalents	105,038,870	105,038,870
Total	105,038,870	105,038,870
Financial Liabilities		
At 30 June 2016		
Trade payables from exchange transactions	1,032,478	1,032,478
Total	1,032,478	1,032,478

KENYA INVESTMENT AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Credit risk

Credit risk is the risk of financial loss to the Authority if customers or counterparties to financial instruments fail to meet their contractual obligations. The Authority's credit risk is primarily attributable to its receivables and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings. The maximum exposure to credit risk as at 30 Jun 2016 was KShs 105,038,870.

	Fully performing	Past due	Impaired	Total
	Ksh	Ksh	Ksh	Ksh
Non exchange receivables	-	-	-	
Cash and cash equivalents	105,038,870	-	-	105,038,870
Maximum exposure to credit risk	105,038,870	-	-	105,038,870

Credit quality

Credit quality is assessed risk of default attached to counterparties to which the authority extends credit and also those parties with whom the authority invests. As such, the credit quality assessed extends to the customers, investments and banks of the authority. For financial statement purposes, the investments and balances with banks are limited to the cash and cash equivalents line items in the statement of financial position.

Receivables

The authority does not extend credit to external parties but advances imprest to staff. The receivables from non-exchange transactions relate to government grants. The advances were made in the financial year 2015/2016 and are therefore current.

Cash and cash equivalents

The authority limits its exposure to credit risk by investing cash and cash equivalents with only reputable financial institutions that have a sound credit rating. Consequently, the authority does not consider there to be any significant exposure to credit risk.

Liquidity risk

Liquidity risk is the risk of the authority not being able to meet its obligations as they fall due. The authority's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the authority's reputation. Prudent liquidity risk management includes maintaining sufficient cash to meet the authority's obligations.

The table below analyses the authority's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 month Sh	Between 1-3 months Sh	Over 5 months Sh	Total Sh
At 30 June 2016				
Trade payables from exchange transactions	-	1,032,478	-	1,032,478
	-	1,032,478	-	1,032,478

Market risk

Market risk is the risk of changes in market prices, such as foreign-exchange rates and interest rates, affecting the authority's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on the risk. The authority is not exposed to significant market risks.

Capital risk management policies

The primary objective of managing the authority's capital is to ensure that there is sufficient cash available to funding requirements, including capital expenditure, to ensure that the authority remains financially sound. The authority monitors capital using a gearing ratio, which is net debt, divided by total capital, plus net debt. As at the end of the year, the authority had no debt. The capital structure of the authority consists only of a general fund. The gearing ratio of the authority is therefore 0%.

18. Events after the reporting period

There are no material non-adjusting events after the reporting date.

XV. 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	Timeframe
	<p>During the year under review, the Authority paid a total of KShs 6,671,718 being accrued interest and legal fees on an invoice of KShs 217,152 for a consultancy service for the development of an investment policy framework by a local consultancy firm. The amount was due on 8 January 2011 failure to which interest was charges at the rate of 3% per month on the outstanding balance according to the signed contract. The supplier took the matter to court and was awarded an amount of KShs 6,316,581 which attracted an interest of KShs 55,137 on 10th May 2015, KShs 300,000 billed in respect of auctioneers and further KShs 2,884,259 paid as final settlement of the case all totaling KShs 9,200,840 which excludes KShs 696,000 Legal fees by the Authority's contracted lawyers (which is still in dispute).</p> <p>Further, there was delay on the part of the Authority in issuing instructions to its lawyers on the next cause of action even after being reminded that the interest was accruing hence total bill escalated to KShs 10,251,977. The Authority also failed to heed the advice of its lawyers that an appeal on the case was bound to fail on 28 June 2013 and a further advice from Attorney General Office on 11th October 2013 that the Authority should seek an out of court</p>	<p>Management has since written to KenInvest's former Managing Director Ms. Susan Kikwai and the Inspector General (Corporations) with a view to recover the funds. The Authority is awaiting response from Inspector General's office.</p> <p>The interest rate of 3% was not per month as observed by the Auditor but per day.</p> <p>The matter of legal fees of KShs 696,000 to KenInvest lawyers is before court for taxation (as per Board resolution) and will be settled thereafter.</p> <p>The Board ensured that it exhausted all</p>	<p>Dr. Moses Ikiara Managing Director Inspector General (Corporations)</p>	Not Resolved	Not Sure until we get advice from Inspector General (Corporations)

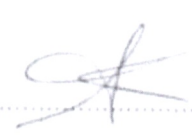
KENYA INVESTMENT AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status	Timeframe
	<p>settlement since the chances of getting a favourable judgement was next to nil. From the foregoing, the Authority was negligent in signing a contract that had a detrimental clause to it.</p> <p>Consequently, due to failure to properly manage the contract, the Authority lost KShs 10,251,977 excluding undetermined legal fees to the Authority's lawyers as at 30 June 2015.</p>	<p>channels to resolving the matter before settling it with the aim of saving public funds</p>			

Managing Director



Chairperson



Date

27/01/17

Date

28/01/17