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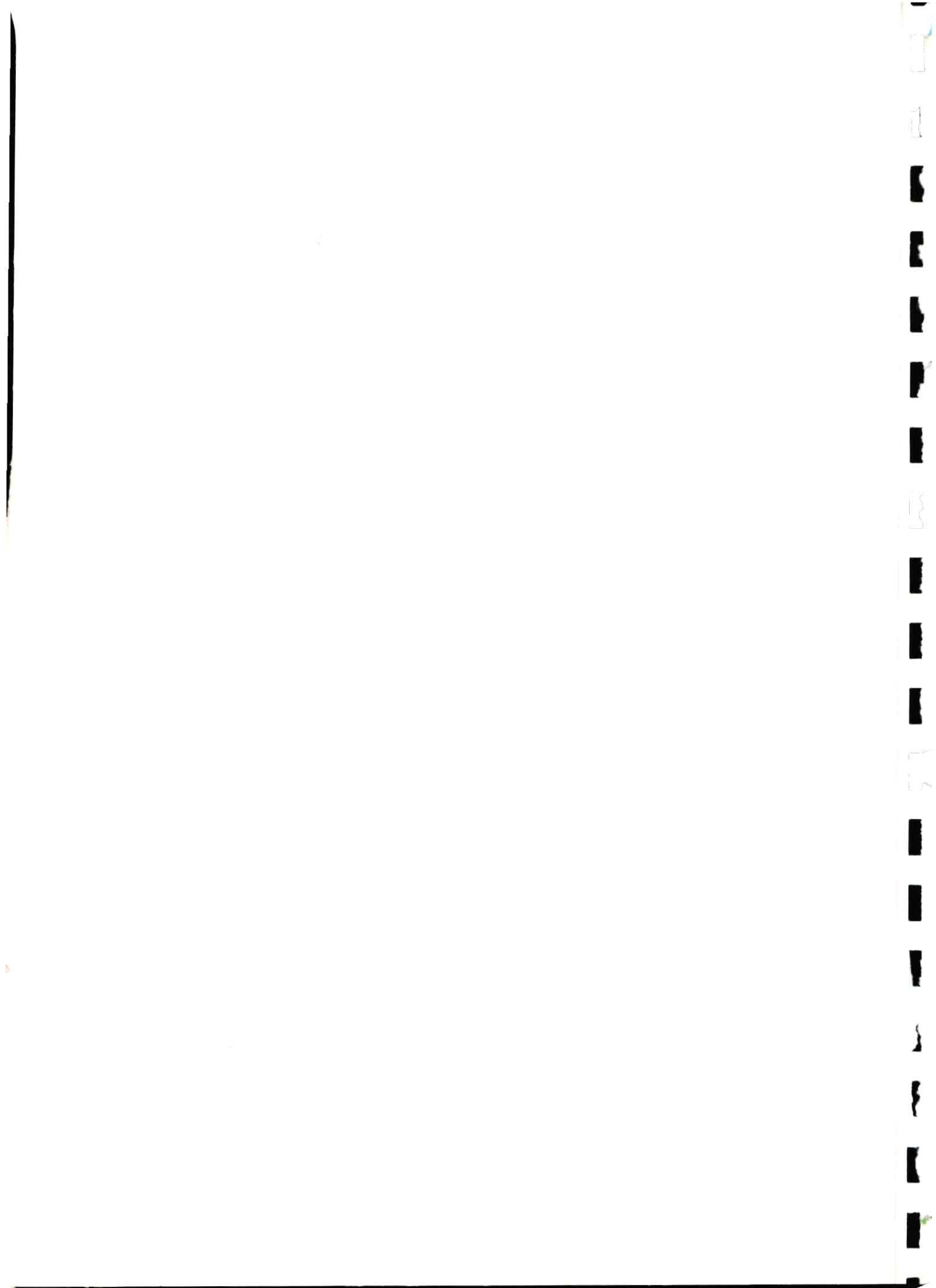
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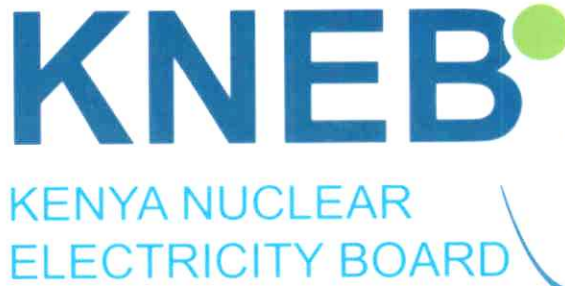
2015

ANNUAL
REPORT
&
FINANCIAL
STATEMENTS

FOR THE YEAR ENDED JUNE 2015







KENYA NUCLEAR ELECTRICITY BOARD

ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE FINANCIAL
YEAR ENDED JUNE 30, 2015

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

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I. KEY INFORMATION AND MANAGEMENT

(a) Background information

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

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

(b) Principal Activities

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

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

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

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

The KNEB has the following functions;

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

Headquarters

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

Contacts:

Telephone: (254) 020 2219407
 E-mail: info@nuclear.co.ke
 Website: www.nuclear.co.ke

Bankers

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

(c) Key Management

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

1. Executive Chairman and CEO
2. Various Heads of Department

Independent Auditors

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

Principal Legal Adviser

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

(d) Fiduciary Management

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

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

(e) Fiduciary Oversight arrangements

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

II. THE BOARD OF DIRECTORS



Dr. Eng. Joseph K. Njoroge

Dr. Eng Joseph K. Njoroge was born in 1958 and holds a Bachelor of Science degree in Electrical Engineering, Master of Business Administration with a major in Strategic Management and Doctorate in Business Management from the University of Nairobi. He has over 26 years experience in engineering and management. Mr. Njoroge is a Chartered Electrical Engineer, a Member of the Institute of Engineering and Technology, UK, a Registered Consulting Engineer, and is also a Member of the Institution of Engineers of Kenya (MIEK).

He joined the Board upon his appointment as the Principal Secretary, Ministry of Energy & Petroleum on 26th June, 2013.



Dr. Kamau Thugge

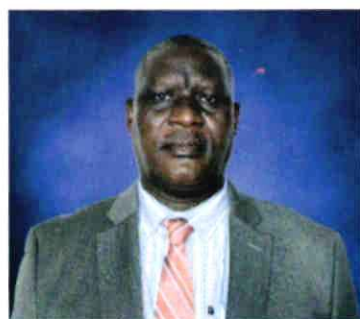
Dr. Kamau Thugge is currently the Principal Secretary at The National Treasury. He has previously worked in the Ministry of Finance as Head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor. Before joining the Ministry of Finance he worked with the International Monetary Fund (IMF) as Economist/Senior Economist and Deputy Division Chief. Dr. Thugge holds a Bachelor of Arts (Economics) from Colorado College, USA; Masters in Economics from Johns Hopkins University, USA; and a Doctor of Philosophy (PhD) in Economics, also from Johns Hopkins.



Hon. Ochilo Ayacko

EXECUTIVE CHAIRMAN AND CEO, KENYA NUCLEAR ELECTRICITY BOARD

Born 1968, Hon. Ochilo Ayacko holds a Master of Law (LLM) degree and a Bachelor of Law (LLB) degree from the University of Nairobi. He also holds a Diploma from the Kenya School of Law and another from Marquette University, USA: Democracy and Dispute resolution. Hon. Ayacko is an advocate of the High Court of Kenya and a member of the Law Society of Kenya.



Prof. Eng. Chanchaga Nyangeri

PROFESSOR OF CIVIL ENGINEERING, UON

Born 1954, Ezekiel Nyangeri Nyanchaga is a PhD holder in civil engineering and associate professor, Department of Civil and Construction Engineering, University of Nairobi, Kenya. He has 34 years of practical civil engineering experience in water engineering services that include experience in the planning and design of water supply and wastewater infrastructure; construction supervision and contract management; operation and maintenance of water facilities, among others.



Prof. Joseph Malo

PH.D.PROFESSOR OF PHYSICS, UON.

Born 1941, Professor Malo is highly specialized in Physical Sciences Including: Theoretical Space, Plasma and Nuclear Physics, Quantum Chemistry & Quantum Biology, Science Education, Capacity building in Science and Technology in Socioeconomic Development.

Professor Malo is a Member of Kenya National Academy of Science African Academy of Science, Kenya Physical society American Society and the Institute of Physics UK.

He has served in various National positions previously as Chairman Lake Basin Development (LBDA), Chairman Tana and Athi rivers Development Authority (TARDA), Chairman Kenya Power Company, Member National council of science & Technology (NCST) Member of the Senate at the University of Nairobi. He has also held positions including Department of Physics University of Nairobi, Project manager equatorial Atmospheric Deposition Network EADN for 12 Countries in Africa and the Joint Coordinator of the Kenya International radio Observatory (KIRO)



Mr. David Maina

DIRECTOR, INSTITUTE OF NUCLEAR SCIENCE AND TECHNOLOGY-UON

Born 1956, Mr. Maina is a graduate of the University of Nairobi (UoN) having studied a Bachelor of Science (BSc) in Chemistry and a Masters degree (MSc) in environmental Chemistry. He holds a Masters of Science (MSc) in Applied Radiation Physics from the University of Birmingham, United Kingdom.

He is Currently serving as the Director, Institute of Nuclear Science and technology, College of Architecture and Engineering, University of Nairobi. He is also a lecturer of nuclear technology and related courses in the UoN



Dr. Jane Dwasi

LECTURER, UON

Born 1967, Dr. Dwasi holds a Bachelors, two Masters and Doctorate in Law awarded by the University of Nairobi (Kenya), Arkansas (USA) and Wisconsin (USA).

She is an Advocate of the High Court of Kenya with over seventeen years' experience. She chairs KNEB Publicity and Advocacy Committee. She has previously served as the Executive Director of OCRA, a non-governmental organization where she had overall responsibility for programme implementation including Publicity and Advocacy. She has taught Environmental Law and Policy and International Business Transactions Law in the School of Law, university of Nairobi.

Dr. Dwasi is a registered environmental Impact Assessment (EIA) Lead expert



Dr. Eva Gichunge

**LECTURER KENYA METHODIST
UNIVERSITY**

Born 1955, Dr. Gichunge holds a PHD in Entrepreneurship Development from Kenyatta University. She holds a Masters in Education and a Bachelor of Education in Science from the same University.

Dr. Eva is a full time Lecturer at Kenya Methodist University. She chairs the KNEB Finance and General Purpose Committee



Mr. Joseph Odhiambo

**ALT. PRINCIPAL SECRETARY-STATE DEPARTMENT OF SCIENCE
AND TECHNOLOGY**

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



Ms. Belinda Kiilu

ALT. TO ATTORNEY GENERAL-STATE LAW OFFICE

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

III. MANAGEMENT



Eng Collins Juma

MBA - Strategic Mgt

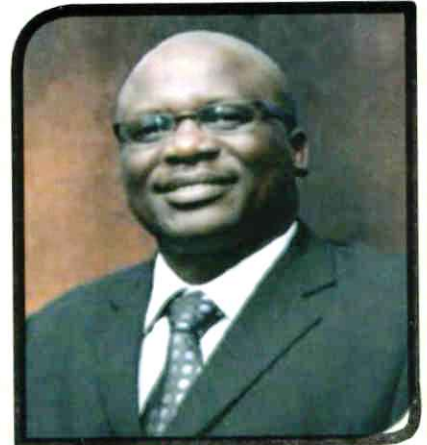
*Head of Secretariat & Technical
Director*



Hon Ochilo Ayacko

LLM, Diploma in Law
Kenya of School law

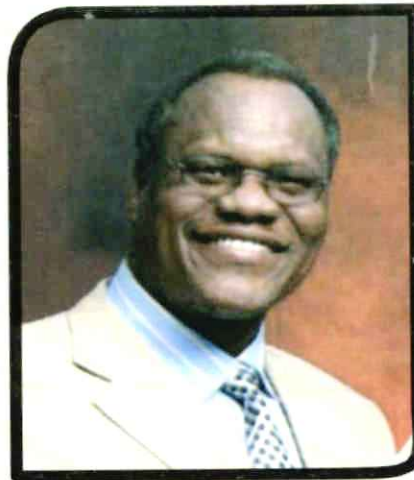
Executive Chairman & CEO



Philip Mutai

LLM, Diploma in Law
Kenya of School law

*Director, Legal & Regulatory
Affairs*



CPA L.M. Ong'onge

MBA - Finance CPA (K) CPS (K)

Director, Finance & Strategy



Sophia Githuku

MBA - HR
Diploma in HRM

*Director, Human Resource &
Administration*



Basset Buyukah

BA, PGD(Communications),
MPSRK

Director, Publicity & Advocacy

IV. EXECUTIVE CHAIRMAN'S STATEMENT

The Financial Year 2014-15 marked a watershed for the Kenya Nuclear Electricity Board. Indeed, the organization took a huge leap forward on the long and eventful journey towards nuclear electricity generation.

During this period, the organization commissioned a grid study for Kenya's nuclear power programme. This study analysed Kenya's electric grid characteristics against nuclear requirements, which is critical and essential in the setting up and running a nuclear power plant. The study assessed Kenya's grid in terms of generation, transmission, existing grid code, grid stability and reliability, future expansion plans which is a prerequisite for introducing nuclear electricity generation.



KNEB is also making steady progress towards facilitating the creation of a regulator for Kenya's nuclear power programme. A regulatory framework is a key component of a successful programme. The legislation required to bring this to fruition is currently being developed. In addition, legislation to underpin the nuclear power programme is part of the Draft National Energy and Petroleum Policy and Energy Bill, which are in the latter stages of preparation by a taskforce from the Ministry of Energy and Petroleum before submission to Parliament.

Another key highlight of the financial year was the holding of the first-ever regional conference dubbed 3rd conference on energy and nuclear power in Africa. This important conference was held over three days in April 2015 that brought together the whole Africa continent in Mombasa Kenya to discuss energy issues facing the continent and how nuclear power will be critical in alleviating the energy challenges. The conference was a high level governmental meeting attended by Ministers, permanent secretaries, scientists from the Africa continent and representatives from the International Atomic Energy Agency. The Conference on Energy and Nuclear Power in Africa provided a forum to discuss priorities and concerns related to energy and nuclear power, and further strengthen coordination with interested and relevant regional bodies/organizations in introducing nuclear power in Africa.

Kenya Nuclear Electricity Board in implementing its strategic plan development some key policies and strategies necessary for the nuclear power programme. The policies and strategies included: national policy and strategy for the Management of the Nuclear Power Program, nuclear power plant procurement policy, comprehensive human resource development strategy for the nuclear power programme, communication strategy for stakeholder engagement and national policy and strategy for Nuclear Safety.

These documents will guide the programme, shepherding it through the many necessary actions and processes, which mirror international best practices

and requirements for setting up and running a nuclear power programme.

The Kenya Nuclear Electricity Board continued collaborating closely with the bicameral Parliament comprising The Senate and The National Assembly. In particular, KNEB has enjoyed a cordial relationship with the Departmental Committee for Energy, Communications and Information in the National Assembly and the Standing Committee on Energy, Roads and Transportation in The Senate. This is important since Parliament is a key stakeholder in Kenya's nuclear power programme.

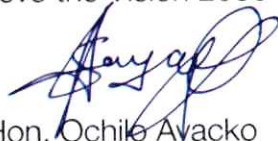
In addition, KNEB has cultivated a mutually beneficial partnership with the Kenya Association of Manufacturers. As the future consumers of nuclear electricity, they form a key plank of our stakeholder involvement approach.

During the financial year KNEB initiated the evaluation process of Kenya's nuclear power programme by the International Atomic Energy Agency (IAEA) by developing a self-evaluation report that formed the framework and basis of evaluation. In addition KNEB in partnership with other state agency in charge of emergency preparedness and response hosted an Emergency Preparedness Review (EPREV) mission by the IAEA to review Kenya's preparedness response to radiological emergencies in the country with regard to conventional radiological sources used in the country in research, industry and training.

Developing the skills and manpower requirements essential for a nuclear power programme remains central to KNEB's endeavours. The organization has since 2012 sponsored 15 students annually for Masters Degrees in Nuclear Science at the University of Nairobi's Institute of Nuclear Science and Technology.

In addition, a total of 20 students have been studying at the top-notch KEPCO International Nuclear Graduate School (K-INGS) in Korea. Twelve of these students have graduated with Masters Degrees in Nuclear Power Engineering. During the financial year KNEB sponsored 2 students for Masters and 1 for PHD at Texas A& M University in the United States of America. These are just examples of KNEB's desire and determination to ensure that the skills, expertise and competencies required for Kenya's nuclear power programme are developed, nurtured and blossomed concomitantly with other aspects of this noble undertaking.

All in all, the 2014-15 Financial Year has been a highly successful period in Kenya's journey toward nuclear energy generation in about a decade from now. My gratitude goes to the Ministry of Energy and Petroleum, for wise counsel, guidance and support. To the other entities in the energy sector, we salute their assiduous and passionate support in building synergy and reciprocity. To the citizens of Kenya, we assure them that we are equal to the task of helping Kenya achieve the Vision 2030 development blueprint.



Hon. Ochilo Ayacko

EXECUTIVE CHAIRMAN & CEO

V. CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the framework used to direct and manage the business affairs of the Company towards enhancing prosperity and corporate accountability with the ultimate objective of realising shareholders' long term value while taking into account the interests of other stakeholders. The Directors are responsible for the corporate governance practices of the Company. This Statement sets out the main practices in operation during the year under review.

Board of Directors

The Board of Directors has ten members comprising the Executive Chairman and nine non-executive directors. KNEB is wholly owned by the Kenyan Government. The non-executive directors are independent within the meaning of the Capital Markets Authority's Guidelines on Corporate Governance.

Separation of Functions

The Executive Chairman/CEO plays key roles in the Governance structure of the Board. The Executive Chairman, as Chairman of the Board, is primarily responsible for the running of the Board and ensuring that it is timely supplied with sufficient information to enable it to discharge its duties. As the CEO, he is responsible for recommending business plans and the budget to the Board, implementing approved corporate strategies and day to day administration of the Company.

The primary responsibilities of the Board include:

Defining the vision and mission statements of the Board elucidated in a corporate strategic plan which defines and sets the strategic objectives and goals of the Board; establishing short and long term goals and ensuring preparation of annual financial statements; reviewing and approving the annual budgets; reviewing the financial performance of the Board; monitoring performance periodically; managing risks by ensuring that the Company has devised and implemented adequate systems of internal controls, together with appropriate monitoring of compliance thereof; and working with management to realise mandate of the Board.

There are deliberate measures and plans in place for all Directors to receive appropriate training and to take independent professional advice if necessary.

New directors are also well inducted by provision of necessary information pertinent to the Board's business, meetings with Management and training.

In this regard, Directors attend training on good corporate governance at the Centre for Corporate Governance to enhance their skills. The Board also attended various workshops on audit and risk management during the period.

There is diverse mix of skills and gender parity in the board, as is shown in the profile of directors elsewhere in this Report which outlines their professional qualifications and experience. The Board met in accordance with requirements of the business; it held a total of 5 meetings during the year, which were very well attended.

ATTENDANCE OF BOARD MEETINGS

Full Board

	Name	Attendance
1	Hon. Ochilo G. M. Ayacko	5
2	Mr. John Omenge (Alternate Director to Eng. Joseph Njoroge, CBS Principal Secretary, Ministry of Energy & Petroleum)	1
3.	Mr. George Mothemba (Alternate Director to Dr. Kamau Thuge, National treasury)	1
4.	Belinda Kiilu(Alternate Director, Hon Prof. Githu Muigai Attorney General-State Law Office)	4
5.	Mr. Joseph Omondi Odhiambo (Alternate Director to Prof. Collette Suda, EBS Principal Secretary, State Department of Science and Technology)	4
6.	Prof. Joseph Malo	5
7.	Prof. Eng. Nyanchaga Nyangeri	3
8.	Mr. David Maina	3
9.	Dr. Eva Gichunge	5
10.	Dr. Jane Dwasi	2

Board Committees

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

Audit & Risk Committee

The Audit & Risk Committee was constituted on 18th April 2013. It is in line with Treasury Circular No.16/2005 on establishment and operationalization of audit committees in the Public Service. The Committee comprises four non-executive directors and is chaired by a non-executive director. The members of the Committee during the period under review were:

1. Prof. Eng. Nyanchaga Nyangeri - (Chairman)

2. Belinda Kiilu (Alternate Director, Hon Prof. Githu Muigai Attorney General-State Law Office)
3. Prof. Joseph Malo
4. Mr. David Maina

ATTENDANCE OF AUDIT & RISK COMMITTEE MEETINGS

	Name	Attendance
1	Prof. Eng. Nyanchaga Nyangeri -(Chairman)	3
2	Ms Belinda Kiilu (alternate Director, Hon Prof. Githu Muigai Attorney General-State Law Office)	1
3	Prof. Joseph Malo	3
4	Mr. David Maina	3

The Audit & Risk Committee held 3 meetings during the period; the meetings were well attended. The Committee routinely invites the Executive Chairman/CEO, and at times the other key staff to attend the meetings.

The Manager, Internal Audit is the Secretary to the Committee.

Finance & General Purpose Committee

The Finance and General Purpose Committee was constituted on 18th April 2013. Its mandate is to deliberate and approve all financial, human resource and related matters of the organization.

The members who served in the Committee were as follows:

1. Dr. Eva Gichunge (Chairperson)
2. Mr. Joseph Odhiambo (Alternate Director to Prof. Collette Suda, EBS Principal Secretary, State Department of Science and Technology)
3. Mr. John Omenge (Alternate Director to Eng. Joseph Njoroge, CBS Principal Secretary, Ministry of Energy & Petroleum)
4. Mr. George Mothemba (Alternate Director to Dr. Kamau Thuge, National treasury)
5. Dr. Jane Dwasi

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

The Committee held 6 meetings during the period under review.

Attendance Finance & General Purpose Committee Meeting

	Name	Attendance
1.	Dr. Eva Gichunge (Chairperson)	6
2.	Mr. Joseph Odhiambo (Alternate Director to Prof. Collette Suda, EBS Principal Secretary, State Department of Science and Technology)	5
3.	Mr. John Omenge (Alternate Director to Eng. Joseph Njoroge, CBS Principal Secretary, Ministry of Energy & Petroleum)	1
4.	Mr. George Mothemba (Alternate Director to Dr. Kamau Thuge, National treasury)	4
5.	Dr. Jane Dwasi	3

Technical Committee

The Technical Committee was constituted on 18th April 2013. It is responsible for overseeing technical matters affecting the organization.

The members who served in the Committee were as follows:

1. Prof. Joseph Malo- Chairman
2. Mr. David Maina
3. Belinda Kiilu
4. Prof. Eng. Nyanchaga Nyangeri
5. Mr. John Omenge
6. Mr. Joseph Odhiambo

When appropriate, the Committee invites other members of the Board and staff to its meetings. The Committee held one meeting during the period under review.

Attendance of the Technical Committee meeting

	Name	Attendance
1.	Prof. Joseph Malo	3
2.	Mr. David Maina	3
3.	Belinda Kiilu	3
4.	Prof. Eng. Nyanchaga Nyangeri	2
5.	Mr. John Omenge	2
6.	Mr. Joseph Odhiambo	3

Publicity & Advocacy Committee

The Publicity & Advocacy Committee was constituted on 18th April 2013. This committee is responsible for overseeing the implementation of KNEB's communication strategy with its stakeholders. It also ensures that KNEB's public awareness programmes are effectively undertaken.

The members who served in the Committee were as follows:

1. Dr. Jane Dwasi- Chairperson
2. Prof. Nyangeri
3. Mr. John Omenge
4. Dr. Eva Gichunge
5. Mr. George Mothemba (Alternate Director to Dr. Kamau Thuge, National treasury)

When appropriate, the Committee invites other members of the Board and staff to its meetings. The Committee did not hold any meeting during the period under review.

DIRECTORS' REMUNERATION

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

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

INTERNAL CONTROLS

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

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

ACCOUNTABILITY AND AUDIT

Directors' responsibilities in relation to financial statements

The Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. The Directors are responsible for ensuring that suitable accounting policies are consistently applied supported by reasonable and prudent judgements and estimates and those applicable accounting standards are followed. The Directors have the responsibility of ensuring that the company keeps proper accounting records; which disclose with reasonable accuracy at any time, the financial position of the Board and enable them to ensure that the financial statements comply with the State Corporations Act.

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

VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

As a corporate citizen, The Kenya Nuclear Electricity Board values and cherishes the rich tapestry, variety and diversity that form the country's social fabric.

KNEB's core mandate is to expedite the development of nuclear electricity generation in Kenya. That forms the bulwark for KNEB's strong commitment to, and interaction with, its various stakeholders and the public. During the Financial Year 2014/15, the Board supported various initiatives whose import was to benefit Kenyans at a community, local, sectoral and/or nation level. Some of the programmes undertaken were in respect of the environment, drug rehabilitation and education.

In October 2014, KNEB participated in the 2014 Nairobi standard chartered marathon, to support in giving sight to the blind in partnership with standard chartered bank. This was to offer the visually impaired an opportunity to live out their dreams and recover their eye sight through reconstructive surgery.

In April 2014, KNEB turned the focus on environmental conservation. This was achieved by way of partnering with the Moi Girls Eldoret girls for a tree-planting event at Eldoret, Uasin Gishu County. KNEB sponsored the purchase of 2000 seedlings, which were planted by one thousand students from Moi Girls Eldoret. They had been assembled by KNEB for a one-day Careers talk and tree planting exercise in Eldoret Town. Locals also joined in the tree planting as KNEB's staff extolled the virtues of conserving the environment for the benefit of the current generation and for posterity.

In the financial year 2014/2015, KNEB partnered with other corporates to realize our CSR objectives of environmental conservation and supporting charitable causes for example Nairobi Royal Golf Club among others.

KNEB further played a vital role in sponsoring the Energy Management Awards (EMA) held in Nairobi in March 2015 to the tune of five hundred thousand shillings. It is organized and coordinated by the Kenya Association of Manufacturers (KAM). EMA is an annual award event that promotes excellence in energy management & recognizes enterprises that have achieved significant reduction in their energy consumption through implementation of energy efficient measures and technologies. KNEB's consistent participation in EMA exhibits our enthusiasm in promoting energy efficiency across the country by addressing environmental pollution, waste reduction initiatives, recycling and enhancing energy efficiency.

KNEB plans to strengthen and boost its CSR activities in environmental conservation and tree planting, support community initiatives in water, sanitation, health and education as well as charitable causes.

In education, KNEB's promotes science and innovation through partnership with the Ministry of Education sponsored the 2015 Kenya Science and Engineering Fair Competition. The Board is fully committed to supporting endeavours that better the lives of Kenyans. As a responsible corporate citizen, KNEB is committed to enhancing its Corporate Social Responsibility programmes

VII. REPORT OF THE DIRECTORS

The Board of Directors submit their report together with the Audited Financial Statements for the year ended 30th June 2015, which disclose the state of affairs of the Board

Incorporation

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

Directorate

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

Principal Activities

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

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

Auditor

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

By order of the Board,



Board Secretary

Nairobi

VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2015. This responsibility includes:


- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Board;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2015, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Board's financial statements were approved by the Board on 15th February 2016 and signed on its behalf by:



.....
Hon. Ochilo Ayacko
EXECUTIVE CHAIRMAN & CEO



.....
Philip Mutai
Board Secretary

IX. REPORT OF THE INDEPENDENT AUDITORS ON THE KENYA NUCLEAR ELECTRICITY BOARD

REPUBLIC OF KENYA

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P.O. Box 30084-00100
 NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA NUCLEAR ELECTRICITY BOARD FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Nuclear Electricity Board set out on pages 13 to 31, which comprise the statement of financial position as at 30 June 2015, 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 14 of the Public Audit Act, 2003. 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 13 of the Public Audit Act, 2003.

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 15 (2) of the Public Audit Act, 2003 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 (ISSAIs). 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

Kenya Nuclear Electricity Board – Annual Report and Financial Statements for the year ended 30 June 2015

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board'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

Inventories

The statement of financial position reflects an inventory figure of Kshs.6,141,076 (2013/14 Kshs.1,520,400), which according to note 15 to the financial statements are described as consumables. This is contrary to International Public Sector Accounting Standards No. 12 on Inventories that provide for expending such consumables. This has the effect of overstating total assets and understating the reported deficit for the year.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Nuclear Electricity Board as at 30 June 2015, and 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 Legal Notice No. 131 of 16 November, 2012.

Emphasis of Matter

I draw attention to:-

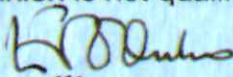
1. Financial Performance

During the year under review, the Board reported a deficit of Kshs.171,684,240 (Year 2013/2014 – surplus of Kshs.101,999,442), decreasing the accumulated surplus to Kshs.10,661,038 (2013/14 Kshs.183,404,865). The Board's financial statements also indicate that the current liabilities exceed its current assets by Kshs.28,096,754 as at 30 June 2015. The Board's ability to meet its current obligations as and when they fall due is doubtful. Similarly, the Board's ability to carry out its mandate in the long run is dependent on government support.

2. Delayed Remittance of Tax Deductions

Included in the trade and other payables of Kshs.44, 675,137 as of 30 June 2015 are withholding taxes amounting to Kshs.5,053,552 which ought to have been remitted to Kenya Revenue Authority (KRA) on or before the 20 day of the month following its deduction as per the Income Tax Act. Although according to management, the tax liability is as a result of delayed funding from the government, the Board is at risk of incurring tax penalties.

My opinion is not qualified in respect of these matters.



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

Nairobi

18 February 2016

X. STATEMENT OF FINANCIAL PERFORMANCE

KENYA NUCLEAR ELECTRICITY BOARD STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2015

		2015	2014
		KSHS	KSHS
Revenue from non-exchange transactions			
Government Grants	3	311,683,928	406,882,554
		311,683,928	406,882,554
Revenue from exchange transactions			
Finance Income	4	1,801,220	493,151
		1,801,220	493,151
TOTAL REVENUE		313,485,148	407,375,705
EXPENSES			
Employee costs	5	164,958,668	127,180,011
Board Expenses	6	7,835,434	6,233,000
Depreciation expense	7	14,404,857	4,195,059
Repairs and maintenance	8	1,452,448	1,024,289
Contracted services	9	147,020,380	36,547,301
Grants and subsidies	10	1,225,000	2,340,000
General expenses	11	148,015,666	127,551,837
Finance costs	12	256,935	304,766
TOTAL EXPENSES		485,169,388	305,376,263
Surplus/(Deficit) for the Period		(171,684,240)	101,999,442

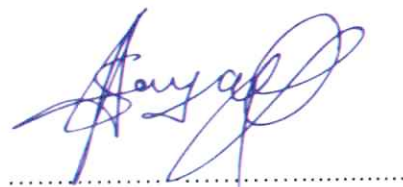
The notes set out on pages 18 to 33 form an integral part of the Financial Statements

XI. STATEMENT OF FINANCIAL POSITION

KENYA NUCLEAR ELECTRICITY BOARD STATEMENT OF FINANCIAL POSITION AS AT 30TH 2015

Assets		2015	2014
Current assets		KSHS	KSHS
Cash and cash equivalents	13	635,737	136,621,013
Receivables from non-exchange transactions	14	9,801,570	63,649,487
Inventories	15	6,141,076	1,520,400
Interest receivable		-	493,151
		16,578,383	202,284,051
Non-current assets			
Property, Plant and Equipment	16	38,757,793	23,110,130
			-
Total assets		55,336,176	225,394,181
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	44,675,137	41,989,317
Total liabilities		44,675,137	41,989,317
Net assets		10,661,038	183,404,864
Accumulated surplus/(Deficit)		10,661,038	183,404,865
Total net assets and liabilities		55,336,176	225,394,181

The Financial Statements set out on pages 18 to 33 were signed on behalf of the Board of Directors by



Hon. Ochilo Ayacko
EXECUTIVE CHAIRMAN & CEO



Philip Mutai
Board Secretary

XII. STATEMENT OF CHANGES IN NET ASSETS

KENYA NUCLEAR ELECTRICITY BOARD STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2015

	Accumulated surplus	Total
	Kshs	Kshs
Balance as at 30 JUNE 2013	79,432,924	79,432,924
Prior Year Adjustment	1,972,500	1,972,500
Surplus/(deficit) for the period	101,999,441	101,999,441
Balance as at 30 JUNE 2014	183,404,865	183,404,865
1.Prior Year Adjustment-KPLC Cash	(1,081,051)	(1,081,051)
2.Prior Year Adjustment-Computers and Accessories	21,464	21,464
Adjusted Balance as at 1st July 2014	182,345,278	182,345,278
Surplus/(Deficit) for the period	(171,684,240)	(171,684,240)
Balance as at 30 JUNE 2015	10,661,038	10,661,038

XIII. STATEMENT OF CASH FLOWS

KENYA NUCLEAR ELECTRICITY BOARD STATEMENT OF CASH FLOW FOR THE PERIOD ENDING 30 TH JUNE 2015

	Note	2015 KSHS	2014 KSHS
Cash flows from operating activities			
Surplus/(Deficit) as per the Income statement		(171,684,240)	101,999,441
Adjustments for:			
Depreciation of property, plant and equipment	16	14,404,857	4,195,059
		<u>(157,279,383)</u>	<u>106,194,500</u>
Operating profit/(loss) before working capital changes			
(Increase)/decrease in:			
Trade and other receivables		54,341,068	(56,768,455)
Inventory		(4,620,676)	651,600
Increase/(decrease) in inventory			
Trade and other payables		2,685,820	16,990,699
		<u>52,406,213</u>	<u>(39,126,156)</u>
Net cash generated from/(used in) operating activities			
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(30,031,055)	(5,159,706)
		<u>(30,031,055)</u>	<u>(5,159,706)</u>
Net cash generated from/(used in) investing activities			
Net (decrease)/increase in cash and cash equivalents		<u>(134,904,226)</u>	<u>61,908,638</u>
Cash and cash equivalent at the beginning of the year		136,621,013	72,739,875
Prior year Adjustment		-	1,972,500
Kenya Power Cash		(1,081,051)	-
Cash and cash equivalents at 30th June		<u>635,737</u>	<u>136,621,013</u>

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2014-2015	2014-2015	2014-2015	2014-2015	2014-2015
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Public contributions and donations	6,500,000	3,063,928	9,563,928	9,563,928	-
Government Grants and subsidies	450,000,000	(150,000,000)	300,000,000	300,000,000	-
Finance Income	-	1,801,220	1,801,220	1,801,220	-
Total income	456,500,000	(145,134,852)	311,365,148	311,365,148	-
Expenses					
Compensation of employees	172,707,816	(10,879,205)	161,828,611	164,958,668	3,130,057
Goods and services	207,709,048	(54,996,751)	152,712,297	148,015,666	(4,696,631)
Finance cost	300,000	(94,344)	205,656	256,935	51,279
Other payments	75,783,136	(65,588,246)	10,194,890	157,533,262	147,338,372
Total expenditure	456,500,000	(131,558,546)	324,941,454	470,764,531	145,823,077
Surplus/(Deficit) for the period	-	(13,576,306)	(13,576,306)	(159,399,383)	(145,823,077)

XV. NOTES TO THE FINANCIAL STATEMENTS

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

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

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The Board recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

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 Board.

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Board's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information – IPSAS 24

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

c) Taxes – IAS 12

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Board operates and generates taxable income.

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Board and the same taxation authority.

Sales tax

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

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

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

d) Investment property – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The

carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

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

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

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment – IPSAS 17

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

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

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

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Board will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Board. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets – IPSAS 31

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

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

i) Research and development costs

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

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

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

h) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

recognized in the surplus or deficit.

Held-to-maturity

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

Impairment of financial assets

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

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

ii) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

IPSAS 29.65

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

i) Inventories – IPSAS 12

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

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

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

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

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

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Board.

j) Provisions – IPSAS 19

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

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

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates – IPSAS 3

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

m) Employee benefits – IPSAS 25

Retirement benefit plans

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

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

n) Foreign currency transactions – IPSAS 4

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

which they arise.

o) Borrowing costs – IPSAS 5

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

p) Related parties – IPSAS 20

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

q) Service concession arrangements – IPSAS 32

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative figures

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

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

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

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Board based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Board. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 17.

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

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

u) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015

	2015	2014
	Kshs	Kshs
3. Unconditional grants		
Operational grant	300,000,000	400,852,497
Other-IAEA	9,563,928	6,030,057
Grants and Donations(Motor Vehicle)	2,120,000	
Total Income	311,683,928	406,882,554

4. Finance income

	2015	2014
	Kshs	Kshs
Chase Bank FDR	1,608,980	493,151
Interest on Salary Advances	192,240	-
Total finance income	1,801,220	493,151

5. Employee costs

	2015	2014
	Kshs	Kshs
Employee related costs - salaries and wages	116,786,341	101,595,238
Employee related costs - Mileage	17,555,389	13,803,494
Gratuity	23,336,247	10,340,352
Medical Expenses	5,032,575	1,436,747
Interns	991,984	
Casuals	1,256,132	4,180
Employee costs	164,958,668	127,180,011

6. Board Expenses

	2015	2014
	Kshs	Kshs
Sitting Allowances	2,564,243	4,433,000
Directors fees	1,800,000	1,800,000
Travelling Expenses	3,471,191	-
Total Board Expenses	7,835,434	6,233,000

7. Depreciation expense

	2015	2014
	Kshs	Kshs
Office Equipment	416,810	266,526
Furniture and Fitting	698,074	993,458
Motor Vehicle	1,491,596	666,300
Computers & Accessories	11,798,376	2,268,775
Total Depreciation	14,404,857	4,195,059

8. Repairs and maintenance

	2015	2014
	Kshs	Kshs
Property and Equipment	204,459	358,869
Vehicles	1,247,989	665,420
Total repairs and maintenance	1,452,448	1,024,289

9. Contracted services

	2015	2014
	Kshs	Kshs
Strategic Plan	-	24,385,421
Baseline Surveys	299,499	6,274,380
Legal Consultancy	2,880,881	5,887,500
Grid Study	143,840,000	-
Total contracted services	147,020,380	36,547,301

10. Grants and subsidies

	2015	2014
	Kshs	Kshs
Sponsorship-KAM	500,000	540,000
Sponsorship-Journalism Excellence Award		1,000,000
World Youth Parliament	300,000	
Living Water	425,000	
Sponsorship-Institute of Engineers		800,000
Total grants and subsidies	1,225,000	2,340,000

11. General expenses

The following are included in general expenses:

	2015	2014
	Kshs	Kshs
Advertising	3,020,272	1,454,594
Audit fees	300,000	300,000
Conferences and delegations	9,711,469	2,436,654
Energy Committee Expenses	600,000	-
Cleaning Services	688,555	911,666
Computer Consumables	8,123,604	1,316,309
Travelling Expenses	22,575,676	15,087,102
Fuel and oil	194,776	165,890
Consultancy-ISO	5,022,300	410,060
Legal expenses		1,147,000
Office refreshments	1,662,004	2,724,537
Postage	37,190	27,998
Printing and stationery	3,621,290	2,903,484

Rental	17,625,918	15,366,320
Overseas Training	3,072,963	10,484,973
Capacity Building	23,951,072	17,439,667
Resource Persons Allowance	225,000	737,000
Library	10,281	10,480
National Liason Office	1,714,103	11,693,926
Security costs	664,416	615,701
Publicity and Advocacy	20,396,343	20,199,202
Membership and Subscription	625,660	464,600
Office supplies	4,091,053	2,409,698
Doubtful Debts-ERC		545,674
Telephone and Internet	3,284,235	4,476,036
Local Training	8,875,508	11,263,349
Insurance Covers	2,665,473	214,199
Hotel Fares and Accommodation	5,256,506	2,745,719
Total general expenses	148,015,666	127,551,837

12. Finance costs

	2015	2014
	Kshs	Kshs
Bank Charges	256,935	304,766
Total Finance costs	256,935	304,766

13. Cash and cash equivalents

	2015	2014
	Kshs	Kshs
Cash and Bank		
Bank	442,557	66,266,284
Cash-on hand and transit	193,180	103,194
Kenya Power	-	10,251,535
Short term deposit	-	60,000,000
Total cash and cash equivalents	635,737	136,621,013

Detailed analysis of the cash and Cash equivalents

13 (a) Banks		2015	2014
Name of the bank	Bank Account Number	Kshs	Kshs
Kenya Commercial Bank	1139780085	(507,227)	42,187,019
CFC Stanbic Bank	0100002778291	194,901	382,541
Co-operative Bank	01136308333200	186,994	18,289,948

Chase Bank	0012078702001	-	62,480,655
NIC bank	1001126217	157,699	1,011,780
Family Bank	031000012597	410,190	1,914,340
Kenya Power		-	10,251,535
TOTAL		442,557	136,517,818

13 (b) Cash on hand and transit

	2015	2014
	Kshs	Kshs
Petty Cash	193,180	103,194

13.(c) Short Term deposits

Name of the Bank	2015	2014
	Kshs	Kshs
Chase Bank	-	60,000,000
90 days Fixed Deposit		

14. Receivables from Non exchange transactions

	2015	2014
	Kshs	Kshs
Current receivables		
Capacity Building-Kenya Power	1,049,302	1,049,302
Kenya Power Cash Deposit(Medical Cover)	5,838,705	-
Staff Car Loans	-	10,465,129
Treasury Receivable	-	50,000,000
Staff Advances	2,913,563	2,135,055
Total current receivables	9,801,570	63,649,487

15. Inventories

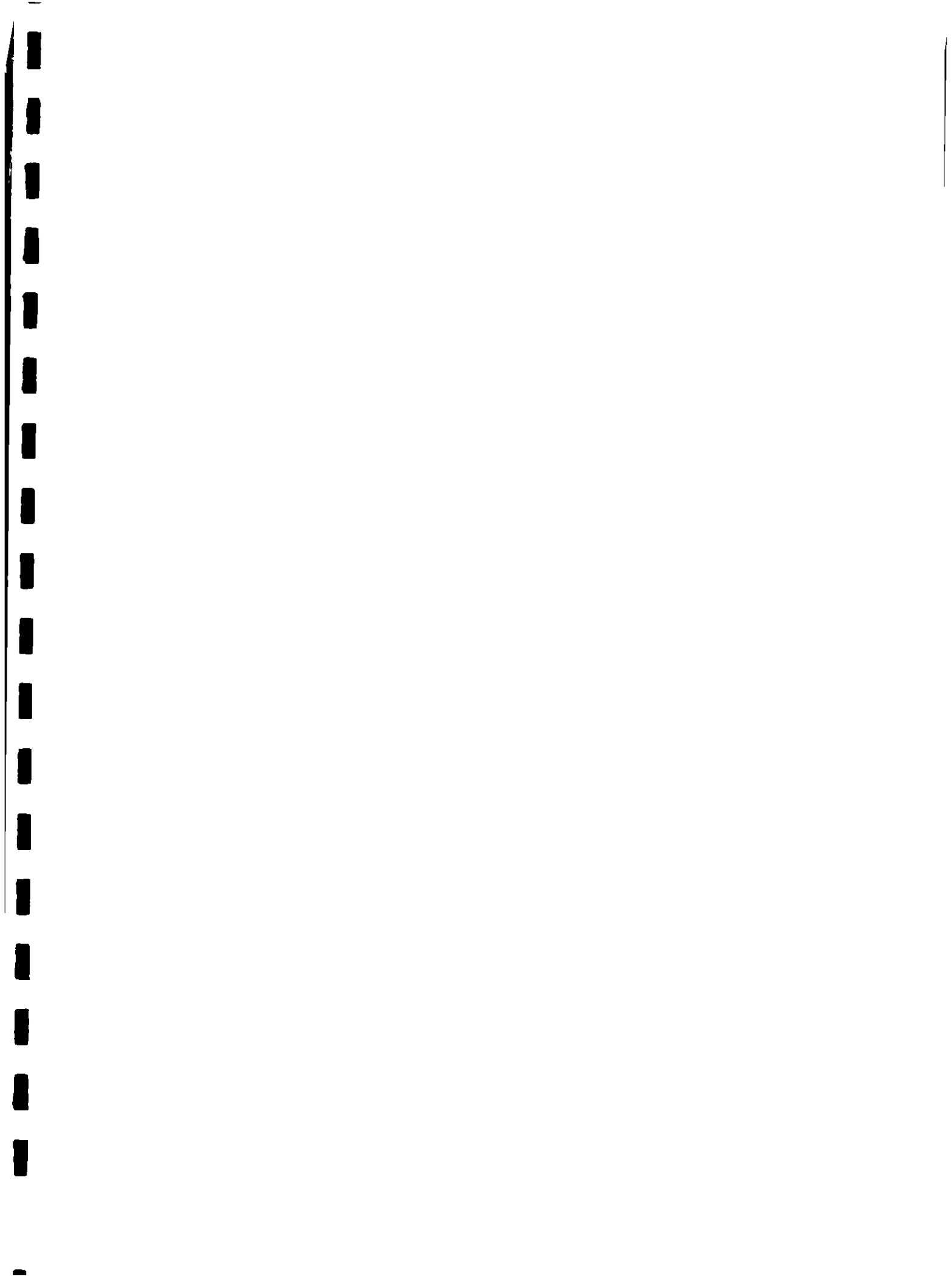
	2015	2014
	Kshs	Kshs
Consumable stores	6,141,076	1,520,400
Total inventories at the lower of cost and net realizable value	6,141,076	1,520,400

16. Property, plant and equipment

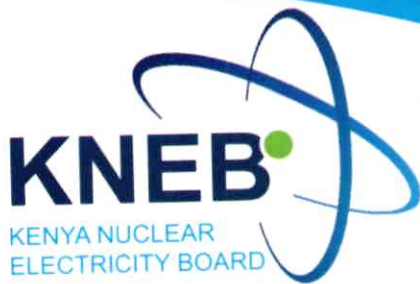
	Office Equipment Buildings Shs	Furniture & Fitting Shs	Motor Vehicle Shs	Computers and Accessories Shs	Total Shs
Cost					
Depreciation rates	12.50%	12.50%	25%	33.33%	
At 1 July 2013	6,724,796	4,973,033	5,330,540	10,227,616	27,255,985
Additions	18,495	-	-	5,141,071	5,159,566
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30 June 2014	6,743,291	4,973,033	5,330,540	15,368,687	32,415,551
Adjustment				21,464	21,464
Additions			2,120,000	27,911,055	30,031,055
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30 June 2015	6,743,291	4,973,033	7,450,540	43,301,206	62,468,070
Depreciation and impairment					
At 1 July 2014	1,551,537	757,610	111,050	2,690,165	5,110,362
Depreciation	266,526	993,458	666,300	2,268,775	4,195,059
Impairment	-	-	-	-	-
At 30 June 2014	1,818,063	1,751,068	777,350	4,958,940	9,305,421
Charge for the Year	416,810	698,074	1,491,596	11,798,376	14,404,857
Disposals	-	-	-	-	-
At 30 June 2015	2,234,873	2,449,142	2,268,946	16,757,316	23,710,278
	-	-	-	-	-
Net book values					
At 30 June 2015	4,508,418	2,523,891	5,181,594	26,543,890	38,757,793
At 30 June 2014	4,925,228	3,221,965	4,553,190	10,409,747	23,110,130

17. Trade and other payables from exchange transactions

	2015	2014
	Kshs	Kshs
Employee Gratuity	23,068,513	24,808,213
Puzzles Expert	-	1,221,000
Centre for solutions	-	1,525,700
Integrity International	-	679,964
Ngetich & Associates		582,800
Withholding Tax	8,751,883	235,000
Audit Fees	600,000	300,000
Directors Fees1	2,340,000	1,800,000
PMD Dimensions-W.Tax	-	8,601,637
Payrol Liabilities	9,914,741	2,235,003
Total trade and other payables	44,675,137	41,989,317



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