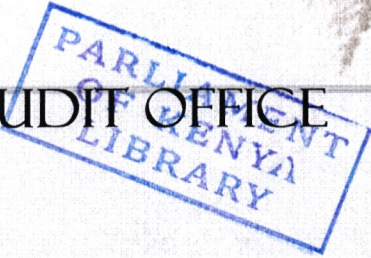


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

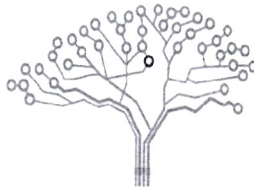
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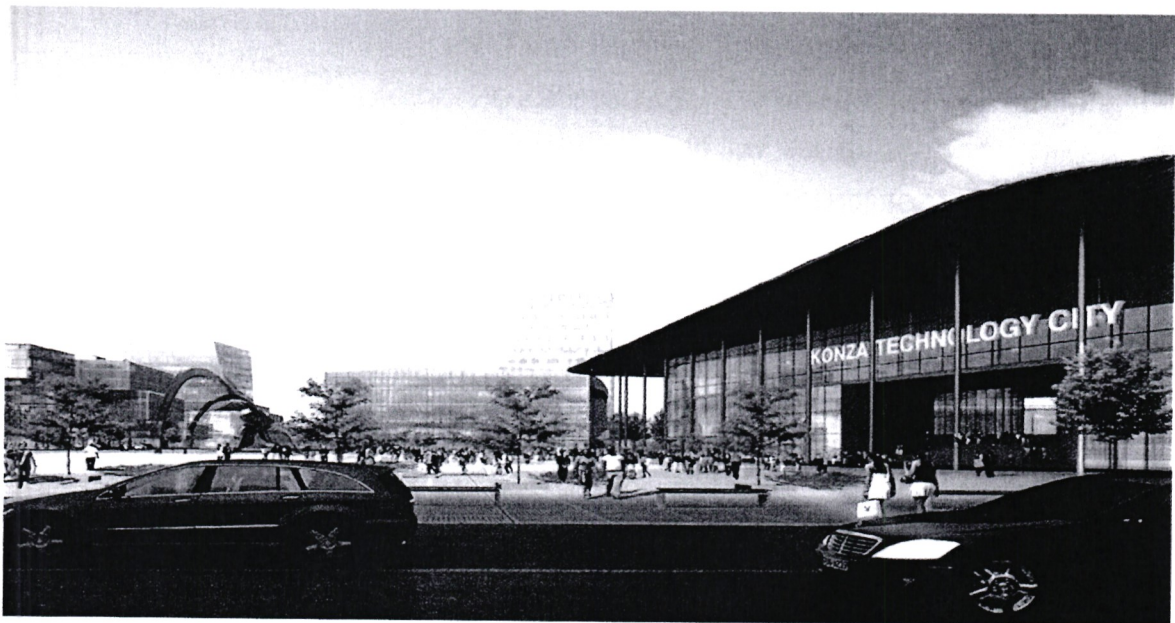
ON

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

**FOR THE YEAR ENDED
30 JUNE 2014**



**KONZA TECHNOLIS
DEVELOPMENT AUTHORITY**



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30 JUNE, 2014**

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



KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY

Silicon Savannah

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I. KEY INFORMATION AND MANAGEMENT

(a) Background information

Konza Technopolis Development Authority was formed on 28 March 2012 through a Legal Notice No.23 under State Corporations Act (Cap. 446). The purpose of KoTDA is to ensure that Konza Techno City grows into a sustainable world class technology hub and a major economic driver for the nation with vibrant mix of businesses, workers, residents and urban amenities.

(b) Principal Activities

The principal activities of KoTDA are to:

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



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

(c) Key Management of Konza Technopolis Development Authority

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June, 2014 and who had direct fiduciary responsibility were as follows:

No.	Designation	Name
1.	Chief Executive Officer	Eng. John Tanui
2.	Ag. Director, Management Services	Abraham Ondeng
3.	Director, Human Resource Management and Administration	Miriam Gitau
4.	Director, Finance & Accounting	Mwikamba Mghenyi
5.	Manager, Branding, Marketing and Communications	Miriam Rahedi

(e) Fiduciary Oversight Arrangements

(i) Audit and Risk Committee

An Audit and Risk Board Committee was constituted in May 2014 comprising three non-executive directors and chaired by a non-executive director. The Committee's composition is as follows:

- i) Arch. Mrs. Emma Miloyo (Chair)
- ii) QS. Harun G.Nyakundi (Member)
- iii) Mrs. Rosemary Maundu (Member)

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



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Audit unit to ensure an independent environment for its operations. The KoTDA Internal Auditor has therefore been incorporated into the Committee to aid in clarification of issues. The first sitting for the Committee is expected to be convened in the 2014/15 financial year.

(ii) Public Procurement and Disposal Act 2005 Committees

In compliance with the **Public Procurement and Disposal Act 2005**, KoTDA has constituted the following committees to provide procurement oversight and advisory role:

- i) Tender Committee, to adjudicate tenders and quotations worth Ksh.500,000 and above.
- ii) Procurement Committee, to adjudicate tenders and quotations worth below Kshs. 500,000.
- iii) Inspection and Acceptance Committee, to inspect and certify that goods and services delivered to the Authority are timely, conform to specifications and are delivered in right quality and quantity.

(f) Konza Technopolis Development Authority address

Capital West Business Centre, 5th Floor, Westlands,
Rhapta/Lantana Road, Opposite New Rehema House
P.O. Box 30519– 00100, Nairobi, Kenya

(g) Official Contacts

Telephone: (+254) (0)204343013/4
Mobile: +254(0)706356905
E-mail: konza@konzacity.go.ke
Website: www.konzacity.go.ke

(h) Bankers

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

(i) Independent Auditors




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

(j) Principal Legal Adviser

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






II. THE BOARD OF DIRECTORS

<p>1. Mr. John Ngumi, (left on 17 April, 2015) D.O.B 2 October, 1955</p>  <p>Bachelor of Arts (1st Class Hons in Philosophy, Politics and Economics) - St. Peters College, Oxford University, UK</p>	<p>Mr. John Ngumi is an investment banker who has made a reputation in corporate Kenya in closing deals and raising finance for companies. He is the current Head, Investment Banking Coverage, East Africa, Standard Bank Africa, Nairobi. Prior to joining Standard Bank, he worked in various capacities at Citibank, Barclays, Citibank, Grindlays and National Westminster Bank. He is also a founder of one of East Africa’s first independent investment banking groups, Loita Capital Partners</p>
<p>2. Mr. Joseph Tiampati Ole Musuni D.O.B 30 September, 1962</p>  <p>MBA ESAMI/MSM; BSc (Hons) in Mathematics University of Nairobi</p>	<p>Mr. Joseph Tiampati is the Principal Secretary, Ministry of Information, Communications and Technology in the Government of Kenya. Prior to his appointment, he was the General Manager in charge of Social Security with the National Social Security Fund (NSSF). He also served under various capacities with Kenya Commercial Bank (KCB) until 2010 and also served briefly as Chairman of the Kenya Bankers Association (KBA) Credit sub-committee as well as member of the KBA/CBK task force, which introduced credit information sharing in Kenya.</p>
<p>3. Dr. Arch. Reuben Mutiso (Acting Chairman) D.O.B 6 November, 1948</p>  <p>PhD in Philosophy, University of Texas, Austin; Masters of Architecture – University of Nairobi</p>	<p>Dr. Reuben Mutiso is a leading Architect in Africa. He is the first and still serving chancellor of the Management University of Africa (MUA) and a former Chairman of the Kenya Institute of Management. He holds an Honorary Diploma in Land Policy from Lincoln Institute Cambridge in Boston- USA and is also an Honorary Architect of Chile (CAGAG). He is a registered Architect in Kenya, a member of the Architectural Association of Kenya (MAAK) and a recognised member of different architectural associations in Africa. He is a practicing Architect and Executive Chairman of Tectura International. Tectura International has 5 active operations strategically located in Eastern, Southern and Central Africa.</p>



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<p>4. QS. Harun Nyakundi D.O.B 9 May, 1962</p> 	<p>QS. Haron Nyakundi is a registered Quantity Surveyor, and is the current Chairman on the Quantity Surveyors Chapter of the Architectural Association of Kenya. As well, he is the current Chairman of the Joint Building Council (JBC), has served as a past Treasurer of AAK and as a member of the Events Committee of the Chartered Institute of Arbitration (Kenya Branch).</p> <p>He serves as a tutor to the Board of Registration of Architects and Quantity Surveyors; the Chartered Institute of Arbitrators (Kenya Branch); and the Kenya Institute of Supplies Management (KISM).</p>
<p>6. Arch. Emma Miloyo D.O.B 7 June, 1980</p>  <p>Bachelor of Architecture (1stClass Honours) Jomo Kenyatta University of Agriculture and Technology</p>	<p>Arch. Miloyo is a partner at Design Source, an architectural firm and sits as the deputy president of the Architectural Society of Kenya. She is a JKUAT alumna and was recognised by the Business Daily as one of the Top 40 Women below 40 years of age in Kenya in 2011. She previously worked at SK Arch plans, one of the country's most visible architectural firms, as she worked to acquire a professional practicing license.</p>
<p>6. Mrs. Rosemary Maundu D.O.B 1 October, 1967</p>  <p>Masters in Entrepreneurship & BCom (Management) – Catholic University of Eastern Africa</p>	<p>Mrs. Maundu is the Minister of Labour, Gender Issues, Youth and Community Development in Makeni County. She has a wealth of experience in the banking sector having worked in Post bank as a Senior Accounts officer and a trained business mentor at The Inoorero University. She has been a Consultant on Business Management Specializing in Small and Medium Enterprises, Training and Mentoring and is a board member at Kiongwani Girls in Makeni County.</p>



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7. Dr. Catherine Adeya, PhD
D.O.B 16 November, 1968



BSc in Information Sciences (Moi University); PhD in Information and

Development(Edinburgh, Scotland)

Tenure ended on 2 MARCH 2015

Dr. Adeya-Weya (43 years) is an Information Scientist with knowledge and skills in information development issues. She has over 20 years' experience in ICTs research having worked in the past at the United Nations University/Institute for New Technologies (UNU-INTECH) in the Netherlands. She has consulted widely with international organizations, governments, and universities/research institutions and coordinated development of Policy Briefs to help inform policymakers on the trends in the ICT environment that could have an impact at local level. She is a former Board Member at the Kenya ICT Board, Mobile for Good and Computers for Schools Kenya. She is also a former Chairperson of the Consumer Awareness Taskforce in Kenya Government Digital Migration Committee. She serves on the Editorial Board for Journal of Perspectives on Global Development and Technology.

Eng. John Tanui
D.O.B 07 March 1973



Bachelor's Degree of Technology in Electrical & Communication Engineering (Moi University) and MBA (University of Nairobi)




Appointed on 1 APRIL 2015

Eng. John Tanui is the Chief Executive Officer of the Konza Technopolis Development Authority (KoTDA), which is mandated to implement the Konza Techno City project. He was formerly the Deputy CEO and Vice President for Delivery and Service at Huawei Technologies (Kenya) Ltd. He has over 17 years' experience in the ICT industry, international business and project management, and has keen interest and expertise in Engineering Turnkey Projects, Innovations, setup and management of industry collaborations and partnerships. He is currently pursuing PhD in global business management and is a member of the Institution of Engineers of Kenya (MIEK), a registered engineer and a member of the Academy of International Business. He is a council member in JKUAT and also serves as committee member for Advocacy, Journal and Publicity in IEK. He served previously as the University Council Vice Chairman in the Technical University of Kenya and also served as an Advisory Council Member of the Presidential Digital Talent Program.



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III. MANAGEMENT TEAM

<p>1. Eng. John Tanui</p>  <p>Bachelor's Degree of Technology in Electrical & Communication Engineering (Moi University) and MBA (University of Nairobi)</p>	<p>Chief Executive Officer</p>
<p>2. Abraham Ondeng</p>  <p>Bachelor of Arts, (UoN); MBA ESAMI/MSM; Higher Diploma HRM, Institute of Human Resource Management; Diploma in PR Kenyatta University</p>	<p>Ag. Director, Management Services</p>
<p>3. Miriam Gitau</p>  <p>Executive MBA</p> <p>(ESAMI/MAASTRITCH); B.A. Arts (UoN), Diploma HRM&D and SLDP (KSG).</p>	<p>Director, Human Resource Management and Administration</p>



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4. Miriam Rahedi



Bachelor of Arts,
Daystar University;
MA, Daystar
University; HND
Business
Management, Kenya
Institute of
Management; SLDP
(KSG)

Manager, Branding, Marketing and
Communications

5. Mwikamba Mghenyi



MBA , Strategic
Management,
(UoN) Bachelor
of Commerce
(Finance); CPA
(K)

Director, Finance and Accounting



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IV. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the first Annual Report highlighting the significant progress made by the Konza Technopolis Development Authority (KoTDA) during the 2013/2014 financial year. Building on the foundation moulded by the Ministry of ICT, KoTDA has emerged as beacon with very limited recurrent budget for operational matters.

Over the past year, other significant milestones were achieved through prudent utilization of the modest allocated development budget. These include the completion of 7 boreholes; the NEMA approval of the Strategic Environmental Assessment; completion of the Cadastral Survey for the 5000acres and parcelling of Phase 1 (400acres) in readiness for development of infrastructure and construction; and the Installation of power lines at the Phase 1 site. We thank the Inter-Ministerial Committee, which has helped us to get this far, and look forward to harnessing our collective efforts to implement the subsequent initiatives planned for the Konza Techno City project.

Through a strategic approach to operations, KoTDA attained a score of 75% in the Ministry's Performance Contract. The fact that KoTDA excelled during the period with inadequate human resources is testament to the robustness, effective and efficient strategy applied by the Management. The Board is confident that the Authority is well placed to deliver successfully on its mandate to develop the Konza Techno City.

As KoTDA pursues autonomy through the enactment of the KoTDA Bill, its impact in Kenya and indeed in the global context will be affirmed during the implementation of Phase 1 of the project (2014-2018). The Master Delivery Partner 2 (MDP2) Contract that KoTDA signed with Tetra Tech Inc. (Denver, USA) is confirmation that the highest standards in the implementation of Konza Techno City because the consortium has vast global experience. The MDP2 Team has unique skills from eleven international and local firms including project administration, financial management, construction management, PR and marketing. They will complement KoTDA's efforts to adopt only the best practice during the implementation of Phase 1.

KoTDA disbursed funds to various inter-ministerial agencies for development-oriented work in Phase 1. This includes the construction of roads, which will commence in the 2014/2015 financial year. The construction of Way leaves will follow after the completion of roads and this will open up the Phase 1 site for further development including laying down of ICT infrastructure. KoTDA is also in discussions with the Kenya National Highways Authority (KeNHA) and the Standard Gauge Railway (SGR) on the offsite infrastructure at the Konza Phase 1 Site.

The KoTDA Board continues to provide a strategic oversight role to the Authority. Taking advantage of its rich experience, there are three Board Committees, which are the Technical Committee, Human Resources (HR) Committee and Audit Committee. These Committees work closely with the relevant Heads of Department within KoTDA. This ensures that decisions are pro-actively implemented to enhance quality service delivery.

On behalf of the Board, I would like to express my sincere gratitude to the Ministry of ICT for its continued commitment and support towards KoTDA. I further commend the KoTDA Staff for their invaluable contributions to an excellent year. I look forward to building the *Silicon Savannah!*



Reuben Mutiso

05/05/2015
Date



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V. REPORT OF THE CHIEF EXECUTIVE OFFICER

1.0 Introduction

This is a synthesis of activities that were implemented by the Konza Technopolis Development Authority (KoTDA) from 1 July, 2013 to 30 June, 2014 (2013/2014 fiscal year).

2.0 KoTDA's Governance and Organizational Structure

2.1 Approval of KoTDA's Salary Structure

In August 2013 during the 56th Meeting, the Salaries and Remuneration Committee (SRC) approved the Salary Structure for KoTDA. The SRC approval clearly articulates the range for staff remuneration based on their positions at KoTDA, and forms the basis of provisions, which will inform salary progression. This approval was very critical in supporting KoTDA's efforts to attract highly qualified staff.

2.2 Staffing Development

Currently, KoTDA has staff complement that stands at 14 staff against an establishment of 22. The ideal full staff complement of KoTDA is expected to be 35 by 2017. Most of the staff at KoTDA has been deployed through the Ministry of ICT. Insufficient allocation of the recurrent budget constrains KoTDA from recruiting more qualified staff. However, this did not deter KoTDA from surpassing the targets set by the MoICT in the 2013/14 fiscal year.

2.3 KoTDA's Board of Directors

A Board of Directors (BoD) comprising a dynamic mix of individuals from the public and private sectors provide strategic guidance to KoTDA. The Board pro-actively monitors the implementation of policies and procedures designed to fulfil the mandate of KoTDA through regular meetings where infrastructural project implementation plans and budgets are reviewed. The Board Members have also capitalized on their individual strengths to reconstitute themselves into Board Committees to address specific issues within KoTDA. The Committees formed include Human Resource Committee, Technical Committee, and the Audit Committee.

3.0 National Environmental Management Authority (NEMA) Strategic Environmental Assessment (SEA) Approval

During the reporting period, KoTDA received the Strategic Environmental Assessment (SEA) Approval from the National Environmental Management Authority (NEMA), for the proposed Konza Techno City Master-Plan. This approval enables KoTDA to begin the necessary demarcation of land parcels at KTC; and ensure that any development is environmentally sustainable.

4.0 Infrastructural Initiatives at the Konza Techno City (KTC)

An Inter-Ministerial Technical Committee was formed in September 2013 to assist KoTDA to oversee the initial implementation of basic infrastructure for Phase 1 of KTC. Five (5) critical Ministries whose input is crucial in the basic infrastructural activities at KTC are represented. The

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infrastructural activities undertaken and some of the key milestones achieved by the Inter-Ministerial Committee are briefly described below.

4.1 Cadastral Survey of Konza Techno City Phase 1

During this reporting period, KoTDA signed a contract with the University of Nairobi Enterprises and Services (UNES) Limited to undertake the Cadastral Survey at the KTC Phase 1 Site. Five Control Stations within the project site (i.e., city boundary) were identified, with one more station (Mbane RP2) outside the city's boundaries. The stations were numbered KOTDA 001, KOTDA 002, KOTDA 003, KOTDA 004 and KOTDA 005. A total 114 parcels were demarcated, 95 of which were serially numbered parcels and the remaining 19 being unnumbered parcels. Potential investors and other interested stakeholders can now plot the coordinates of the demarcated parcels on a GPS model or similar gadget including smart phones.

4.2 Survey of the Sales Pavilion Site

The Sales Pavilion is expected to be the first iconic structure in KTC. The Department of Survey (MoLHUD) completed the ground survey of the Sales Pavilion site and the beacons defining the pavilion site can now be shown to the developers/contractors for construction. The resultant area computed for the Sales Pavilion site is 43.15 acres (17.46Ha) and reference ground markers were placed to ease in identification of the parcel. The concept of the Sales Pavilion design offers more than the initially envisaged innovation hub, as it will be an iconic landmark and a case study on the potentials of technology to transform processes.

4.3 Provision of Electricity

The Kenya Power and Lighting Company (KPLC) Limited installed overhead cables and five transformers in the Phase 1 Site which are sufficient to provide initial power for the Phase 1 infrastructural needs, which include powering seven (7) boreholes and other day-to-day developments. Ultimately, Kenya Power is expected to design and lay underground cables in line with KTC's Master-Plan and Smart City standards. The designs for the underground cables will be rolled out in the 2014/2015 fiscal year as they are also dependent on the construction of roads and acquisition of Way leaves.

4.4 Phase 1 Roads in Konza Techno City Site

KoTDA disbursed funds to the Kenya Urban Roads Authority (KURA) to facilitate the construction and opening up of Phase 1 roads. The funds allocated for this activity are inadequate but sufficient to fund the initial 8.7 km loop road. Therefore, this necessitates that the off-site road developments contained in the Local Physical Development Plan (LPDP) be undertaken by the Ministry of Transport and Infrastructure. This includes a dual carriageway on the A109 road to Mombasa. KURA plans to delineate the corridors (Survey); prepare drawings for the Techno City loop; procure the roads contractor; and undertake the actual construction. The procurement process is underway and the loop road is expected to be opened up during the 2014/15 financial year.

4.5 Provision of Water Services

KoTDA funded the successful construction and completion of 7 boreholes and pump houses initiated by the Ministry of Environment, Water and Natural Resources (MEWNR) through the Tanathi Water Services Board. Funds were also released to enable MEWNR prepare a design plan



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including cost estimates for the construction of an integrated water supply pipeline from the 7 boreholes.

5.0 Konza Technopolis Development Authority (KoTDA) Bill

Following consultations with various government agencies mainly the MoICT and the Attorney General's (AG) Office, KoTDA moved a step closer to having its Bill enacted by Parliament. The Bill was forwarded to the Cabinet, a process that is expected to conclude during the 2014/15 fiscal year. The KoTDA Bill will enable the Authority have more autonomy to discharge its functions and fundraise for the infrastructural development of Konza Techno City (KTC).

6.0 Contract with Master Delivery Partner 2 (MDP2)

One of the major milestones achieved by KoTDA was the signing of a contract with Tetra Tech Inc. of Denver, Colorado (USA) for the Master Delivery Partner 2 (MDP2). This process was delayed by over 1 year (from May 2013) by procurement challenges and limited funding. Tetra Tech Inc. leads a Consortium of 11 firms that comprises renowned companies from different parts of the world including five (5) from Kenya. Prior to the procurement of MDP2, the IFC was the transaction adviser, and assisted the Ministry of ICT to procure the Master Delivery Partner 1 (MDP1) to develop the Phase 1 Master Plan and the LPDP. The MDP2 were hired to implement the recommendations and plans from the MDP1 within 2013-2017 but this was delayed for 1 year. They will now complete their work in 2018 subject to sufficient budgetary allocations. The MDP2 contract was signed on 30th June, 2014. The engagement of MDP2 is critical to the successful implementation of Phase 1 of KTC. The main tasks which the MDP2 will undertake are Project Leadership; Financial Planning; Project Communications; Development Guidelines; Land Administration; Design Management; and Construction Management.

7.0 Development of KoTDA Strategic Plan

KoTDA is spearheading the development of its first Strategic Plan, which is a critical tool for its operations. Two Strategic Plan meetings were held during the 2013/14 financial year, facilitated by professional consultants and the KoTDA Board of Directors, KoTDA Staff and selected experts. The Strategic Plan outlines innovative strategies and interventions alongside dynamic monitoring and evaluation criteria to guide the Authority in its operations within the digital economy. Various consultative stakeholder forums will be organized in the 2014/15 financial year, to ensure that the final Strategic Plan captures the whole essence of the requirements for KoTDA to successfully implement and oversee Phase 1 of the *Silicon Savannah*.

8.0 Public Relations, Branding and Investment Forums

KoTDA participated in various initiatives in an effort to promote the KTC project to potential investors and other interested stakeholders. A *Governor's Consultative Forum* was created specifically to provide a platform for engaging the local leaders to embrace and support the project from the onset, as its success will be beneficial to the wider community. KoTDA also presented the KTC concept to the *Capital Club*, a distinguished premier membership club where senior individuals and corporate leaders within the regional business community meet to network and socialize. KoTDA participated in the *International Telecommunications Union (ITU) Forum*,

Bangkok, Thailand forum on *Embracing Change in a Digital World*. The focus was on knowledge sharing, networking, high-level engagement, and strategic debates. KoTDA capitalized on the opportunity to exhibit and promote the KTC project. In addition, KoTDA was represented at the **6th Connected Kenya 2014 Summit held from 14th – 17th April 2014 in Mombasa**. This is an annual forum organized by the ICT Authority (ICTA), which brings together a diverse mix of local, regional and international key players in the ICT industry in Kenya. Many useful connections were made at this forum and some of the ICT industry players in attendance expressed a desire to partner with KoTDA to provide services at KTC.

Some of the memorable news and events on KTC covered by media include the approval by NEMA in February 2014, the handing over of the Cadastral Survey in May 2014 and the Signing of the MDP2. Besides the traditional media outlets, regular updates on KTC have been and continue to be provided through the Social Media. The KoTDA website also contains regular feeds on the day-to-day developments but there are plans to overhaul the website during the 2014/15 financial year to pave way for a more detailed, interactive and state of the art website.

9.0 Greening Konza

KoTDA in close liaison with the Kenya Forest Service (KFS) conceptualized the greening strategy for Konza Techno City. Feasibility studies on the proposed areas for greening were conducted which led to a decision to plant 500 trees in Phase 1. The KFS officials supervised the tree-planting exercise. Phase 2 of the tree planting exercise will be undertaken during the 2014/15 fiscal year where an additional 500 trees will be planted.

10.0 Challenges

10.0 Budget revision and Delay in Hiring of MDP2

The inefficiencies of not having an orchestrated program (MDP2) for the project, which incorporates planning, financial, design, construction, outside funding, marketing, sales and training are enormous. That notwithstanding, the MDP2 Consortium are apprehensive that the reduced Year 1 Budget allocation will compromise the success of their deliverables for Phase 1 in 2014/15 fiscal year. Furthermore, with KTC being a critical element of Vision 2030, and with little movement occurring from 2012, the media and community expectations can further adversely impact project credibility.

10.1 Delay in the Enactment of the KoTDA Bill

As mentioned section 5.0, the KoTDA Bill is currently at the Cabinet awaiting its approval and subsequent enactment. This delay means that KoTDA lacks the autonomy required by a Parastatal set up by an Act of Parliament.

10.2 Mobilization of Human and Financial Resources

One of the constant challenges that continue to plague KoTDA is the mobilization of human and financial resources. The funds allocated during the 2013/14 fiscal year for recurrent expenditure were grossly inadequate to cater for KoTDA's needs including recruitment of qualified personnel to fill key positions and budget to satisfactorily cater for other operational costs. The Authority managed to survive through a very difficult year with three (3) Senior Staff and only one (1)



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technical staff. There is an urgent need to engage technical staff with expertise on project management and infrastructure, particularly to enhance the interactions with MDP2 during the implementation of their tasks.

10.3 Attracting and Securing of Investors

Protracted delays in the implementation of KTC caused a temporary lull in the investor interest. However, KoTDA maintains a database of potential investors and has been engaging with some of them to keep their interests alive. With the engagement of MDP2, all the Expressions of Interest (Eosin) received will be assessed and discussions with those deemed as serious will be taken forward, with an aim to allocate parcels. Nevertheless, some key investors moved on to other developments or sought alternative options for their investment ideas. These include the Safaricom Foundation's Talent Academy, which they needed built by 2015. Some international investors also shifted their focus to Ethiopia and other countries.

11.0 Conclusion and Recommendations

There were no significant deviations from the targets set out for KoTDA during the 2013/14 fiscal year. Through prudent use of resources, KoTDA performed quite well and received a score of 75% in performance contracting. The Authority specifically appreciates the support provided by the Cabinet Secretary and Principal Secretary of MoICT who have been very supportive from the formative stage and during the year in review. They have engaged with their counterparts in the other Ministries to ensure that KoTDA achieves its targets. With the successful signing of the Master Delivery Partner 2 (MDP2) contract and the anticipated enactment of the KoTDA Bill, the Authority is well positioned to oversee the implementation of some of the major infrastructural activities during the 2014/15 fiscal year. These include securing investors to develop the smart city that will place Kenya a notch higher in the global context. KoTDA remains committed to fulfil its statutory mandate.

Chief Executive Officer

04/05/2015

Date

VI. CORPORATE GOVERNANCE STATEMENT

The KoTDA Board of Directors recognise the importance of Corporate Governance in discharging its responsibilities, protecting and enhancing the interest of Government of Kenya (GoK) through promoting and practising high standards of Corporate Governance in managing the Authority. The Board continuously adopts and applies best corporate governance principles, all the requisite laws and a flexible framework within which it conducts business.

The following statements set the Board's compliance with principles of Corporate Governance:

1.0 The Board of Directors

The KOTDA Board of Directors establishes corporate policies for the Authority and sets the strategic direction; establishes goals for the management and monitors the achievement of those goals.

2.0 Board Membership

The KoTDA Board is set up under the KoTDA Legal Notice No. 23 of 5 April, 2012. According to the Legal Notice, KoTDA is required to have:

- (a) A non-executive chairperson appointed by the President;
- (b) The Permanent Secretary to the Treasury;
- (c) The Permanent Secretary in the Ministry for the time being responsible for matters relating to information, Communications and Technology;
- (d) Two persons of opposite gender, being public officers, appointed by the Minister in consultation with the Public Service Commission;
- (e) Not more than seven other members, two of whom shall be of the opposite gender and not being employees of the Authority nor Public Service by virtue of their qualifications, knowledge or experience in matters relating to the development of special economic zones, information and communications technology, science parks infrastructure, economics or taxation; and
- (f) The Chief Executive Officer appointed under Paragraph 10(1).

The current Board has:

- (i) A non-executive Chairperson
- (ii) 4 members
- (iii) The Permanent Secretary in the Ministry of Information, Communications and Technology
- (iv) The Chief Executive Officer

3.0 Meetings of the Board

Regular meetings of the Board shall be held at such times and places determined by the Board and Special meetings shall be held at other times as the Board determines.



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4.0 Board Meeting Materials

To the extent practicable, the Directors shall be provided with appropriate materials in advance of each meeting including Board Notices/Papers to permit prior review by the Directors. All proceedings and resolutions passed at each meeting are properly recorded and minutes filed by the Secretary.

The Board members are expected to operate within the Laws of Kenya as well as apply the principles of Corporate Governance in discharging their functions.

The Board also avails itself of independent professional advice and when necessary in furtherance of their duties at the Authority's expense. Additionally, the Board invites the senior management to brief it from time to time on matters being deliberated as they are able to bring insight into these matters.

5.0 Appointments to the Board

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

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

6.0 Directors Training

The Directors will be encouraged to attend any relevant training programme to further enhance their knowledge to enable them discharge their responsibilities more effectively. Already 3 Board members have attended Corporate Governance training in South Africa.

7.0 Directors Remuneration

The Directors remuneration is based on the GoK regulations which recommend that Directors will be paid Ksh.20, 000 per sitting while the Chairman will be paid Ksh.70, 000 per month and Ksh.10, 000 per month as telephone allowance.

8.0 Accountability and Audit

It is the Board's responsibility to ensure that the financial statements are prepared in accordance with the Government of Kenya law and the applicable approved accounting standards in Kenya so as to present a balanced and fair assessment of KOTDA's financial position and prospects.

The Directors are also responsible for keeping proper accounting records, safeguarding the KOTDA Assets and taking reasonable steps to prevent fraud and other irregularities.



KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY

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In preparing the financial statements, the Directors have taken the necessary steps and action as follows:

- i) Selecting suitable accounting policies in accordance with GoK rules and procedures and applying them consistently.
- ii) Ensuring that the applicable accounting standards have been followed.
- iii) Making judgements and estimates that are reasonable and prudent.
- iv) Preparing the financial statements on going concern basis, having made enquiries and assessment on the resources of KOTDA on its ability to continue further business in foreseeable future.

8.1 Internal Control

The Board has the overall responsibility of maintaining a system of internal controls, which provide reasonable assessment of effective and efficient operations, internal controls and compliance with laws and regulations.

8.2 Relationship with Auditors

The Board has established a transparent relationship with the External Auditors through the Audit Committee, which has been accorded the authority to communicate directly with External auditors. The External Auditors in turn are able to highlight matters requiring the attention of the Board effectively to Audit Committee in terms of compliance with accounting standards and other related regulatory requirements.

9.0 Directors Responsibility Statement

In respect of financial statements, the Directors are required to prepare the financial statement for each year which gives a true and fair view of the state of affairs of KoTDA at the end of the financial year, and of the results and cash flow of the Authority for the financial year then ended.

The Directors consider that, in preparing the financial statement for the year 2013/14, KoTDA has used appropriate accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent. The Directors also consider that all applicable approved accounting standards have been followed and confirm that the financial statement have been prepared on a going concern basis.

The Directors are responsible for ensuring that KoTDA keep accounting records which disclose reasonable accuracy at any time of the financial position of the Authority which enable them to ensure that the financial statement complies with the provision of the State Corporations Act (Cap 446) and financial reporting standards in Kenya.

10.0 Compliance with the Corporate Governance

The KoTDA Board considers that the Authority has followed and complied with the best practices in Corporate Governance principles.



VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KOTDA participated in various social initiatives during the 2013/14 fiscal year. These initiatives have in many ways contributed to the social wellbeing of the neighbouring communities:

1. *Governors' Consultative Forum*

This is a forum that was constituted specifically to provide a platform for Governors, Senators, County Officials and other administrators from Makueni, Machakos and Kajiado counties, which border KTC. It is important to engage the local leaders to embrace the project from the onset, as its success will be beneficial to the wider community. The forum aims at providing an assurance of the Government's commitment on the implementation of the KTC while engaging key stakeholders and the communities within the three counties. The three Governors committed to work together for the success of KTC.



This forum also engages the local by sensitizing them on the opportunities available for trade, and employment presented by KTC, which stands to enhance their standards of living.

2. *Stakeholder engagement*



KoTDA has held several events at the KTC site, which were attended by the general public. An example is the celebration of the award of the Strategic

Environmental Assessment (SEA) approval from the National Environmental Management



KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY

Authority (NEMA) on Thursday 13 February, 2014. Through this forum, the residents got to appreciate the importance of conserving the environment as a prerequisite to implementing the KTC project. The forum also updated them on the developments made in the project.

Most importantly, it was an opportunity for the local population to interact with their leaders, who included the former Vice President, H.E. Kalonzo Musyoka, who undertook to be a goodwill Ambassador for the project.



3. Greening Konza

KoTDA in close liaison with the Kenya Forest Service (KFS) conceptualized the greening strategy for Konza Techno City. Feasibility studies on the proposed areas for greening were conducted which led to a decision to plant 500 trees in Phase 1. The KFS officials supervised the tree-planting exercise.

Each tree was fenced to keep off the animals roaming the site. This will also facilitate the close monitoring of the development of the trees and frequent watering in the initial phases. A water tank was also erected on the site to store water to supplement the unpredictable rainfall patterns in the region.



Phase 2 of the tree planting exercise will be undertaken during the 2014/15 fiscal year where an additional 500 trees will be planted.

This was a significant contribution to corporate social responsibility because the KFS bought over 500 seedlings from nursery owners within the surrounding locations. Seedlings for the next phase of tree planting will similarly be obtained from them, thus augmenting their income. In addition, the tree planting exercise by KoTDA will encourage the communities around to plant their own trees, and thus conserve the environment. The manpower was also derived from the surrounding community.

4. Supply of Water

One of the boreholes sunk by KoTDA in 2011/12 lies outside the project site boundary and provides water free of charge to the surrounding community. It is located in Kasalama, 6km from the Konza Techno City perimeter fence. There is a local committee that oversees the use and operation of the borehole.

The borehole is 96m deep and has an estimated capacity of 9.5 cubic metres per hour. It is equipped with elevated water tanks to meet the domestic and livestock needs.



KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY

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VIII. REPORT OF THE DIRECTORS

The Directors submitted reports together with the audited financial statements for the year ended June 30th, 2014 showing the state of Konza Technopolis Development Authority.

Principal activities

In the Financial Year 2013/14, KoTDA achieved the following key milestones as part of its Principal activities:

No.:	Milestone	Period	Description
1.	Hiring of the Master Delivery Partner 2 (MDP2) for KTC	June, 2014	MDP2 is a consortium of 11 firms drawn from the USA, Germany, Netherlands, UAE and Kenya (5 local firms). They will jointly work with KoTDA to implement Phase 1 (2014-2018).
2.	Greening of Phase 1 of KTC	June, 2014	500 indigenous and exotic tree species planted to create a sustainable ecosystem. Additional trees to be planted in the 2014/ 15 financial year.
3.	Fibre Connectivity to KTC	May, 2014	High Level design plans completed, implementation proposed in the 2014/15 financial year, after opening of the Access Roads.
4.	Sales Pavilion site survey	May, 2014	Survey done, Beacons planted and the Survey Report forwarded to the Directorate of Survey for approval.
5.	Provision of Power	May, 2014	Power supply for equipping and operating the 7 boreholes availed.
6.	Opening of on-site Access Road	2014	Work in progress for the opening of the 8.7 km Internal Loop to enhance on-site accessibility.
7.	Cadastral Survey	February, 2014	Control beacons and Boundary beacons planted for Phase 1 parcels. Gives way to development of infrastructure, leasing and construction works.
8.	Approval of the Buffer Zone Plan	February, 2014	Controls and harmonizes the developments within the Buffer Zone in order to protect the integrity of the envisaged investments in KTC.
9.	Strategic Environmental Assessment (SEA) Approval	February, 2014	SEA report approved; KTC awarded a clean bill of health for development of infrastructure and construction works.
10.	Approval of the Sales Pavilion design plans	January, 2014	Design plans approved and are ready for implementation.
11.	Completion of drilling works for the 7 Boreholes	January, 2014	Hydrological surveys done, drilling works completed with equipping and connection to power being finalized.



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No.:	Milestone	Period	Description
12.	International Telecommunications Union (ITU) Forum in Bangkok, Thailand	November, 2013	KTC showcased to a wide array of high-level investors, industry players, regulators and Media.
13.	Investment Symposium in Bangkok, Thailand	October, 2013	KTC vision and opportunities sold to investors to secure their buy-ins.
14.	Approval of KoTDA Staff Structure and Salaries	September, 2013	Salaries and Remunerations Commission (SRC) approved the KoTDA Organization and Salary Structure.
15.	KoTDA Bill Stakeholders Engagement Forum	August, 2013	Comments floated were considered and incorporated in the Draft Bill before submission to the Attorney General's Office for ratification.
16.	Capital Club East Africa	July, 2013	KOTDA hosted investors from the Capital Club and showcased the KTC Vision and its investments opportunities.
17.	Governors Forum	June, 2013	Forum enhanced local participation, awareness and mobilized the local support for KTC.
18.	Constitution of Technical Inter-ministerial Committee on implementation of KTC	June, 2013	Provides technical support for the implementation of basic infrastructural works e.g. Cadastral Survey, Water etc.
19.	Engagement with investors	Continuous	KoTDA continuously engages with the investors in order to amass investor confidence and buy-in through exhibitions, conferences, meetings and in correspondences.

Results

The results of the entity for the year ended June 30, 2014 are set out on pages 25-31

Directors

The members of the KoTDA Board of Directors who served during the financial year under review are shown on pages 4 to 8.

Auditors

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

By Order of the Board
Corporate Secretary
Nairobi



KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY

Date: 04/05/2015

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act cap 446, require the Directors to prepare financial statements in respect of KoTDA, which gives a true and fair view of the state of affairs of KoTDA at the end of the financial year/period and the operating results of KoTDA for the financial year 2013/2014. The Directors are also required to ensure that KoTDA keeps proper accounting records which disclose with reasonable accuracy the financial position of KoTDA. The Directors are also responsible for safeguarding the assets of KoTDA.

The Directors are responsible for the preparation and presentation of KoTDA's financial statements, which give a true and fair view of the state of affairs of the KoTDA for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes: (I) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of KoTDA (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for KoTDA's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that KoTDA's financial statements give a true and fair view of the state of KoTDA's transactions during the financial year ended June 30, 2014, and of KoTDA's financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for KoTDA, which have been relied upon in the preparation of KoTDA's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

KoTDA's financial statements were approved by the Board on ___ day of 2014 and signed on its behalf by:

Chief Executive Officer

Chairman



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KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY

IX. REPORT OF THE INDEPENDENT AUDITORS ON KOTDA

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Konza Technopolis Development Authority as set out on pages 25 to 46, which comprise the statement of financial position as at 30 June 2014, 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 of Kenya. The audit was conducted in accordance with the International Standards on Auditing. 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.

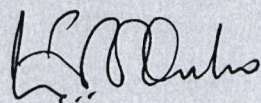
Basis for Qualified Opinion

Plant, Property and Equipment

The property, plant and equipment balance of Kshs.21,030,000 as at 30 June 2014 excludes undetermined value of land L.R. No.9918/6 located in Machakos County measuring 2,023.6 hectares and whose title deed is in the name of the National Treasury. No satisfactory explanations were provided as to why the Land has not been valued for inclusion in the financial statements. In the circumstances, it has not been possible to confirm the accuracy validity and completeness of the property, plant and equipment balance of Kshs.21,030,000 as at 30 June 2014.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Authority as at 30 June 2014, 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 Konza Technopolis Development Authority Order, 2012.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 May 2015



KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY

X. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2014	Note	2013-2014 Kshs 000
Revenue From non-exchange transactions		
Transfers from government	3	598,669
Total Revenue		<u>598,669</u>
Expenses		
Infrastructure - Water and Electricity	4	69,319
Human Resources Costs	5	14,755
General and Administration Costs	6	17,857
General Operation Costs	7	1,577
Consultancy fees and Site Cost	8	29,034
Board of Director Costs	9	5,817
Infrastructure- Access Road	10	150,000
Total expenses		<u>288,360</u>
Surplus for the period		<u><u>310,309</u></u>

The notes set out on pages 30 to 42 form an integral part of the Financial Statements

XII. STATEMENT OF FINANCIAL POSITION

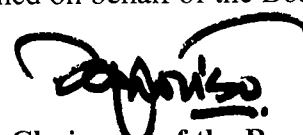
As at 30 June 2014	Note	2013-2014 Kshs 000
Assets		
Current assets		
Cash and cash equivalents	11	285,830
Receivables from exchange transactions	12	4,121
Receivables from non-exchange transactions- GoK grants	13	21,276
		311,227
Non-current assets		
Property, plant and equipment	15	21,030
		332,257
Liabilities		
Current liabilities		
Trade and other payables from exchange transactions	16	3,583
		3,583
Net Assets		
		328,674
Revaluation Reserves		15,815
Capital Reserve		2,550
Accumulated surplus		310,309
		328,674

The Financial Statements set out on pages 25 to 29 were signed on behalf of the Board of Directors by:

Chief Executive Officer



Chairman of the Board



Date: 04/05/2015

Date: 05/05/2015

**XIII. STATEMENT OF CHANGES IN NET ASSETS**

For the year ended 30 June, 2014

	Reserves Capital replacement development reserve Kshs 000	Revaluation Reserve Kshs 000	Accumulated surplus Kshs 000	Total Kshs 000
Surplus for the period	-	-	310,309	310,309
Transfers to/from accumulated surplus	2,550	15,815	-	18,365
Balance as at 30 JUNE 2014	2,550	15,815	310,309	328,674

**XIV. STATEMENT OF CASHFLOWS**2013-2014
Shs 000**Cash flows from operating activities****Receipts**

Government grants and subsidies	598,669
	<u>598,669</u>

Payments

Human Resources Costs-Salaries and allowances	14,755
Operating Costs-fuel cost, maintenance and general repairs (vehicles and equip.)	1,577
General and administration Costs	17,858
Infrastructure- Water and Electricity	69,319
Infrastructure- Access Roads	150,000
Board of directors Cost	5,817
Site costs and Services-legal, consultancy and security allowances	29,034
	<u>288,360</u>

Net cash flows from operating activities310,309**Cash flow from Investing Activities**

Purchase of property, Plant and Equipment	(2,665)
Increase in Accounts payables	3,583
Increase in Accounts receivables	(22,397)
Net cash flows used in investing activities	<u>(24,479)</u>

Cash flows from financing activities

Proceeds from borrowings	-
Net cash flows used in financing activities	-

Net increase /(decrease)in cash and cash equivalents

285,830

Cash and cash equivalent as at 1 July 2013

-

Cash and cash equivalent as at 30 JUNE 2014285,830

**KONZA TECHNOPOLOIS DEVELOPMENT AUTHORITY****XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	Original budget 2013-2014 Kshs '000	Adjustments 2013-2014 Kshs '000	Final budget 2013-2014 Kshs '000	Actual 2013- 2014 Kshs '000	Performance difference 2013-2014 Kshs '000
REVENUE					
Government grants and subsidies- Development	11,710,000	10,455,625	1,254,375	557,083	697,292
Government grants and subsidies- Recurrent	50,000	5,875	44,125	41,586	2,539
Total income	11,760,000	10,461,500	1,298,500	598,669	699,831
EXPENSES					
Infrastructure - Access Road	10,310,000	9,260,000	1,050,000	150,000	900,000
General and Administration Costs	25,635	(3,865)	29,500	17,858	12,642
Bank Charges			95	71	24
Conferences and delegations			1450	1,435	15
Consumables			3450	2,885	565
Audit fee			1,000	1,000	0
Electricity and Gas			250	225	25
Domestic travel and Subsistence			1525	1,445	80
Foreign travel and subsistence			4560	3,248	1,312
Printing and stationery			350	243	107
Hospitality- catering costs			1200	551	649
Rent			4400	3,430	970
Service charge costs			845	669	176



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Water and Sewage costs					
Audit fee	225	95	130		
Training and development expenses	10,000	1,282	8,718		
Postage, Telephone & Internet expenses	1,150	1,279	(129)		
Total general and Administrative expenses	29500	17,858	12,642		
Infrastructure- Water and Electricity	80,000	69,319	10,681		
KPLC- Electricity	15,000	12,319	2,681		
TANATHI- Water	65,000	57,000	8,000		
Total water and electricity expenses	80,000	69,319	10,681		
Consultancy Fees and Site Cost	50,000	29,034	20,966		
Consultancy fees	37,000	25,900	11,100		
Security expenses	2,500	505	1,995		
Legal fees	10,500	2,630	7,870		
Total consultancy and site costs	50,000	29,034	20,966		
Board of Directors Costs	4,000	5,817	(1,817)		
Chairman's honoraria	1,500	1,229	271		
Meal Allowance	90	883	(79)		
Sitting Allowance	2,000	2,368	(368)		
Travelling and Accommodation	400	1,337	(937)		
Total Board expenses	4,000	5,817	(1,817)		
General Operation Costs	35,000	1,577	33,423		
Fuel, oil and lubricants	25,000	1,137	23,863		
Other Repair and maintenance	8500	67	8,433		
Repair of motor vehicles	1500	373	1,127		
Total General Operation Costs	35,000	1,577	33,423		

KONZA TECHNOPOLEIS DEVELOPMENT AUTHORITY

Human Resource Costs	105,565	65,565	40,000	14,755	25,245
Employee related costs –salaries and wages			35,000	13,225	21,775
Leave allowances			5,000	1,530	3,470
Total Human Resource Costs			<u>40,000</u>	<u>14,755</u>	<u>25,245</u>
Marketing and Branding	16,000	-	10,000	-	10,000
Total expenditure	11,760,000	10,275,500	1,298,500	<u>288,360</u>	1,011,100
SURPLUS FOR THE PERIOD				<u>310,309</u>	

XVI. NOTES TO THE FINANCIAL STATEMENTS

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

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to the year presented.

First time Adoption of International Public Sector Accounting Standards

The entity has adopted the *International Public Sector Accounting Standards* for the first time in 2013.

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

Revenue from non-exchange transactions- IPSAS 23

Transfers from government entities

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

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 entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity 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- 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 entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its costs are 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.

Notes to the financial statements – continued

d) Provisions- IPSAS 19

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

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

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

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. The entity did not have contingent liabilities that arose during the year.

Contingent Assets

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

e) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The following provisions are set for the creation and utilization of the CRR. The cash funds that back up the CRR are invested until utilized. The CRR may only be utilized for purchasing items of property, plant and equipment, and may not be used for their maintenance. Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount. There were four cars transferred to KoTDA which were revalued by Automobiles Association of Kenya thus the revaluation reserve.

f) Changes in accounting policies and estimates- IPSAS 3

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

Notes to the financial statements - continued**g) Employee benefits- IPSAS 25****Retirement benefit plans**

The Entity provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets today 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. One such fund is National Social Security Fund, where currently four employees contribute on a monthly basis.

Short-term and long-term employee benefits.

The cost of all short-term employee benefits, such as leave pay, is recognized during the period in which the employee renders the related service. The entity recognizes the expected cost of performance bonuses only when the entity has a present legal or constructive obligation to make such payment, and a reliable estimate can be made. The entity provides long-term incentives to eligible employees, payable on completion of years of employment. Employees of KoTDA are on contract basis and gratuity of 31% is offered after expiry of the contract.

The entity's liability is based on an actuarial valuation.

h) Related parties-IPSAS 20

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 chief executive officer, board committee members, and senior managers.

i) Service concession arrangements- IPSAS 32

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

j) 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 Kenya Commercial Bank at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash

**Notes to the financial statements - continued**

imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k) Significant judgments and sources of estimation uncertainty- IPSAS 1

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.

Judgments

In the process of applying the entity's accounting policies, management has made judgments, which have the most significant effect on the amounts recognized in the financial statements.

Estimates and assumptions

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

Useful lives and residual values

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

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

Impairment of non-financial assets – cash-generating assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change, which may then impact management's estimations and require a material adjustment to the carrying value of tangible assets. The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Cash-generating assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates of expected future cash flows are prepared for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. Impairment of non-financial assets – cash generating assets The Group reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived

***Notes to the financial statements - continued***

from the asset. Where indicators of possible impairment are present, the Group undertakes impairment tests, which require the determination of the fair value of the asset and its recoverable service amount. The estimation of these inputs into the calculation relies on the use estimates and assumptions. Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

Fair value estimation – financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. 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. Held-to-maturity investments and loans and receivables

1) Financial instruments- IPSAS 29***Financial assets******Initial recognition and measurement***

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. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the entity commits to purchase or sell the asset. The entity's financial assets include: cash and short-term deposits.

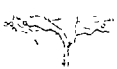
Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through surplus or deficit.

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus and deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with changes in fair value recognized in surplus or deficit. The entity does not hold any financial assets at fair value through surplus or deficit.



Notes to the financial statements - continued

Held-to-maturity

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

The entity does not hold any held-to-maturity financial assets

Available-for-sale financial assets

The entity classifies available-for-sale financial assets as non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity or financial assets at fair value through surplus or deficit. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with gains or losses recognized directly in net assets through the statement of changes in net assets until the financial asset is derecognized, at which time the cumulative gain or loss is recognized in surplus or deficit.

The entity does not hold any available-for-sale financial assets.

Derecognition

The entity derecognizes a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when:

- The rights to receive cash flows from the asset have expired or is waived
- The entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:
 - (a) the entity has transferred substantially all the risks and rewards of the asset; or
 - (b) the entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets

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

- The debtors or a group 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)

***Notes to the financial statements - continued******Financial assets carried at amortized cost***

For financial assets carried at amortized cost, the entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

Financial liabilities**Initial recognition and measurement**

Financial liabilities are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs. The entity's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit

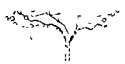
Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**Notes to the financial statements - continued****m) Segment Reporting Notes- IPSAS 18**

The entity does not have any branches/reporting segments. All the operations of the entity are managed from the registered office. The core business of Konza Technopolis Development Authority is to market and promote a strong value proposition to encourage businesses to move to KONZA and to attract real estate developers.

n) Operating Lease disclosures- IPSAS 13

The entity is accommodated at Capital West Building Rhapta/Lantana Road under a six year lease agreement at a monthly payment of KES 572,050.50. The rent will escalate at a compound rate of 7.5% per annum throughout the lease period.

3. Transfers from governments

	2013-2014
	Shs 000
Unconditional grants	
Operational grant	41,586
Development	535,807
Accrued development grant	21,276
Total government grants and subsidies	598,669

*Notes to the financial statements - continued***4. Infrastructure-water and electricity**

	2013-2014
	Shs 000
KPLC- Electricity	12,319
TANATHI- Water	57,000
Total water and electricity expenses	69,319

5. Human Resources Costs

Employee related costs –salaries and wages	13,226
Leave allowances	1,530
Human Resources costs	14,755

6. General and Administrative expenses

The following are included in general expenses:

Bank Charges	71
Conferences and delegations	1,435
Consumables	2,885
Electricity and Gas	225
Domestic travel and Subsistence	1,445
Audit fee	1,000
Foreign travel and subsistence	3,248
Printing and stationery	243
Hospitality- catering costs	551
Rent	3,430
Service charge costs	669
Water and Sewage costs	95
Training and development	1,282
Postage, Telephone & Internet expenses	1,279
Total general expenses	17,858

7. General Operating Costs

Fuel, oil and lubricants	1,137
Repair and maintenance of office equipment- computers and buildings	67
Repair of motor vehicles	373
Total operating costs	1,577

Notes to the financial statements - continued

2013-2014

8. Consultancy fees and other Site costs

	Shs 000
Consultancy fees	25,900
Security expenses	505
Legal fees	2,630
Total consultancy fees and site costs	29,034

9. Board of Directors Costs

Chairman's honoraria	1,229
Meal Allowance	883
Sitting Allowance	2,368
Travel and Accommodation	1,337
Total Board of directors expenses	5,817

10. Infrastructure- Access Roads

Access Roads	150,000
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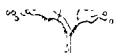
Kshs one hundred and fifty million (150,000,000.00) was released to Kenya Urban Roads Authority (KURA) to enable procurement process of an 8.7km loop road at Konza site.

11. Cash and cash equivalents

Bank	285,678
Cash-on-hand	152
Total cash and cash equivalents	285,830

12. Receivables and Prepayments from exchange contracts

Prepaid rent	1,871
Prepaid service charge	511
Prepaid parking fees	345
NSSF Prepaid	3
Staff Advances	1,391
Total receivables and prepayments	4,121

**Notes to the financial statements - continued****13. Receivables and Prepayments from non-exchange contracts**

	2014
	Shs 000
Grants receivable	21,276

The development vote grant was received on 2 July, 2014.

14.**Cash flows from operating activities****Receipts**

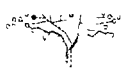
Government grants and subsidies	598,669
	598,669

Payments

Human Resources Costs-Salaries and allowances	14,755
Operating Costs-fuel cost, maintenance and general repairs (vehicles and equip.)	1,577
General and administration Costs	17,858
Infrastructure- Water and Electricity	69,319
Infrastructure- Access Roads	150,000
Board of directors Cost	5,817
Site costs and Services-legal, consultancy and security allowances	29,034
	288,360

Net cash flows from operating activities

	310,309
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**Notes to the financial statements - continued****15. Property, plant and Equipment**

	Motor Vehicles	Computers, Faxes and Copiers	Furniture and Fixture	Office Equipment Assets	Total
	Kshs000	Kshs 000	Kshs 000	Kshs 000	Kshs 000
At1July2013	0.00	0.00	0.00	0.00	0.00
Additions	15,815	1,535	3,190	489	21,030
At 30 June2014	15,815	1,535	3,190	489	21,030
Net book values					
At 30 June 2014	15,815	1,535	3,190	489	21,030
At 30 June 2013	0.00	0.00	0.00	0.00	0.00

Land: Konza Techno City will be situated on a 5000 acre piece of land bought by the Ministry of Information, Communications and Technology at kes 1 billion. This property is registered under the National Treasury and so far the rights of ownership have not been transferred to KOTDA.

16. Trade and other payables from exchange transactions

	2014 Shs 000
Trade payables	1,563
PAYE	84
NHIF	5
Withholding tax -board sitting allowances	931
Audit fee payable	1,000
Total trade and other payables	3,583

17. Events after the reporting period

The development vote grant, kes 21,275,800 recorded as grants receivable from GoK was received on 2 July, 2014.

18. Taxation

The entity has Pay As You Earn as one of its tax obligations. The total amount paid during the year was kshs 3,408,525. Withholding tax is deducted from allowances paid to board members and submitted to the relevant tax authorities. KoTDA did not have any activities within the fiscal year that exposes it to remit Income Tax.

19. Financial Risk Management

The company's activities expose it to a variety of financial risks including credit and liquidity risks. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is extended to customers with whom it has contractual obligations and thus has the legal enforceable right to recover the debt.

Notes to the financial statements - continued**Credit risk**

Credit risk arises from trade receivables as well as cash and cash equivalents. The amount that best represents the company's maximum exposure to credit risk as at 30 June 2014 and 30 June 2013 is made up as follows:

	Fully Performing Shs 000	Past due Shs 000	Impaired Shs 000	Total Shs 000
At 30 June 2014				
Cash and cash equivalents	285,830,214	-	-	285,830,214
	<u>285,830,214</u>	<u>-</u>	<u>-</u>	<u>285,830,214</u>
	=====	=====	=====	=====

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date 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 balances, as the impact of discounting is not significant.

	2013- 2014 Within 1 year Shs	2013-2014 Over 1 year Shs
Financial liabilities		
Payables	3,583,388	-
	<u>3,583,388</u>	<u>-</u>
	=====	=====
Financial assets		
Cash and cash equivalents	285,830,214	-
	<u>285,830,214</u>	<u>-</u>
	=====	=====
Net liquidity gap	79.76	

Notes to the financial statements - continued

Interest rate risk

The interest rate risk exposure arises mainly from interest rate movements on the company’s cash balances.

At 30 June 2014, if the interest rates on the bank balances had decreased/increased by 5 percentage points with all other variables held constant, the impact on surplus for the year would have been Shs 15,565,421 (2013: Shs 0) higher/lower.

There has been no change to the company’s exposure to interest rate or the manner in which it manages and measures the risk.

20. BUDGET ESTIMATES AND INFORMATION

The estimates of revenue and expenditure for the year 2013/14 were prepared and submitted to Treasury through the Ministry of Information, Communications and Technology. The total estimated income is KES 1.3 billion, while operating expenditure is estimated at KES 44 million. The total budgeted capital expenditure is KES 1.25 billion.

EXPLANATION OF MATERIAL VARIANCES IN THE BUDGET

The material difference in the development vote is due to treasury supplementary allocation of KES 100 million in the revised budget of the year under review.

KES 150 million was disbursed to Kenya Urban Roads Authority (KURA) to enable procurement process for 8.9km loop road. KOTDA’s plan was to completely equip KONZA site with water and electricity by the end of this financial year. Due to delay in receipt of development allocation from MOICT, the entity was unable to disburse these funds to the relevant agencies thus the material variance.

There was no expenditure on marketing and branding.

21. RELATED PARTIES DISCLOSURES

Members of key management are regarded as related parties and comprise the chief executive officer, board committee members, and senior managers. Their aggregate remuneration to key management personnel is as tabulated below:

	Basic Salary	Allowances	Gross Remuneration
C.E.O	560,000	180,000	740,000
Directors, Management services	350,000	120,000	470,000
Director , Human resource Management	350,000	120,000	470,000
Director, Finance and Accounting	350,000	120,000	470,000
Manager, Branding and Marketing	275,000	105,000	380,000
TOTAL	1,885,000	645,000	2,530,000

The board committee members are paid sitting allowance of KES 20,000 and Lunch allowance of KES 2,000 in the event that the meetings go beyond normal hours. The board chairman draws a monthly honorarium of KES 87,000.