REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

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THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 06 JUL 2021
DAY: TUESDAY
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CLERK-AT-THE-TABLE
FIRLAY MURIUKI

OF

THE AUDITOR-GENERAL

ON

KENYA PORTS AUTHORITY

FOR THE YEAR ENDED 30 JUNE, 2020



THE NATIONAL ASSEMBLY
PAPERS LAID
DAY: TUESDAY
DATE: 06 JUL 2021
TABLED BY: L.O.N
CLERK-AT-TABLE: Finlay Muriuki

OFFICER OF THE AUDITOR GENERAL - COAST HUB
27 JAN 2021
P.O. Box 95202-80104, MOMBASA

2019/2020

KPA ANNUAL REPORT AND FINANCIAL STATEMENTS

"WORLD CLASS PORTS OF CHOICE"

Prepared in accordance with the accrual basis of accounting under the International Financial Reporting Standards (IFRSs)

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ABBREVIATIONS

AG	Attorney General
AD	Alternate Director
C	Chairman
CT2	Second Container Terminal
CBS	Chief of Burning Spear
D	Director
DB	Defined Benefit
DC	Defined Contribution
DWT	Dead Weight Tonnage
EGH	Elder of the Order of the Golden Heart
EXCOM	Executive Management Committee
HOMS	Home Ownership Mortgage Scheme
ICDK	Inland Container Depot Kisumu
ICDN	Inland Container Depot Nairobi
ICT	Information Communication Technology
IFRSs	International Financial Reporting Standards
ISS	Integrated Security System
JICA	Japan International Cooperation Agency
JPY	Japanese Yen
KMA	Kenya Maritime Authority
KOT	Kipevu Oil Terminal
KRC	Kenya Railways Cooperation
LAPSSET	Lamu Port South Sudan Ethiopia Transport
MD	Managing Director
MHC	Mobile Harbor Crane
MoH	Ministry of Health
MoTIHUD	Ministry of Transport and Infrastructure, Housing, Urban Development and Public Wc cs
MPDP	Mombasa Port Development Project
NBV	Net Book Value
NT	National Treasury
OSHA	Occupational Safety and Health Act
PPE	Property Plant & Equipment
SDT	State Department of Transport
STS	Ship to Shore
TEUs	Twenty Feet Equivalent units
TMEA	Trade Mark East Africa
WIP	Works in Progress

WHO WE ARE

Establishment

Kenya Ports Authority (KPA) is a statutory body under the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. It was established by an Act of Parliament Cap 391 on 20th January 1978 with the mandate to develop, maintain, operate, improve and regulate all seaports along the coastline and inland waterways in Kenya. At the cabinet level, KPA is represented by the Cabinet Secretary for Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. We are domiciled in Kenya with liaison offices in Uganda, Rwanda and Burundi.

Vision

"World Class Ports of choice"

Mission

"To Provide Efficient and Competitive Port Services to Facilitate Global Trade"



WHO WE ARE (Cont'd)

KPA Strategy is focused on 4 (four) strategic themes.

1. **Operational Excellence**

- Having well developed ICT systems that are integrated with other cargo facilitating systems to transform our ports into e-ports
- Increasing productivity of our resources
- Increasing and modernizing our port(s) capacity
- Reducing operational costs
- 24/7 service

2. **Customer Service Excellence**

KPA is consistently delivering superior customer experience by;

- Enhanced effective customer relations and service programs
- Enhancing our regional presence, and Knowledgeable, collaborative, consultative relationships that Meet customer expectations

3. **Business Growth**

KPA is focused on;

- Increasing throughput
- Growing market share
- Ensure financial stability and
- Ensuring strong partnerships

4. **Good Governance**

KPA is undertaking the following strategic approaches;

- Compliance with international standards and guidelines, and all statutory laws and regulations
- Ensure social and environmental sustainability
- Building a strong, competent, cohesive, engaged and multi skilled workforce
- Promoting a performance culture that is guided by structured planning and enabling policies; accountability, transparency, responsiveness, equity, inclusiveness, effectiveness, efficiency and participation
- Ensuring a conducive environment that promotes good work ethics and
- Ensuring structured enterprise risk management

PRINCIPAL ACTIVITIES

KPA's mandate is to develop, maintain, operate, improve and regulate all scheduled seaports along Kenya's coastline. Core activities include;

i. Pilotage
ii. Towage
iii. Mooring
iv. Dockage
v. Provision of navigational aids, and maintenance of the channel
vi. Stevedoring and shore handling services: cargo handling services for containers, general cargo, dry bulk and bulk liquid
vii. Reception of cruise passengers
viii. Storage of cargo awaiting onward shipment

AUTHORITY INFORMATION

Directors

Name		Entry/Exit
Gen. (Rtd) Joseph. R. E. Kibwana	Chairman	
Dr. Arch. Daniel O. Manduku	Managing Director	Exited-March 2020
Eng. Rashid K. Salim, IEng. IMarEng	Ag. Managing Director	Appointed-March 2020
Henry Rotich	Director (CS National Treasury)	Exit
Ukur Yatani	Director (CS National Treasury)	Entry
Paul K. Kariuki	Director (Attorney General)	
Esther Koimett, CBS	Director (PS SDT)	Exit
Solomon Kitungu	Director (PS SDT)	Entry
Philip J. Mainga	Director (KRC)	
Peter K. Gibendi	Director	
Mary W. Ngari	Director	
Alice M. Mwaisaka	Director	
Conrad Thorpe	Director	
Dr. Peter N. Muracia	Director	
Delilah Ngala	Director	
Addraya E. Dena	GM, Board & Legal Services	
Alex Mbuvi	Alternate Director to AG	
Oscar Iredi	Alternate Director to AG	
Beatrice Nyamoita	Alternate Director to MoTIHUD	

AUTHORITY INFORMATION (Cont'd.)

Registered Office:
Kenya Ports Authority
Administration Block, Kipevu
P.O Box 95009-80104
Telephone:+254-41-2112999, +254-41-2113999
Mobile:+254-709092999,709093999, 730653999
Website: www.kpa.co.ke
Mombasa

Corporate Secretary
Addraya E. Dena
General Manager, Board & Legal Services
Kenya Ports Authority Administration Block,
P.O Box 95009-80104
Mombasa

Independent Auditor
Auditor General
Office of The Auditor General
Anniversary Towers, University way
P.O. Box 30084-00100
Nairobi

Principal Legal Adviser
The Attorney General
State Law office
Harambee Avenue
P.O. Box 40112-00100
Nairobi

Principal Bankers:
Citibank N.A
Citibank House, Nkrumah Road
P.O. Box 83615-80100

Mombasa
Equity Bank Ltd.
UTC Building, Moi Avenue
P.O. Box 84628-80100
Mombasa

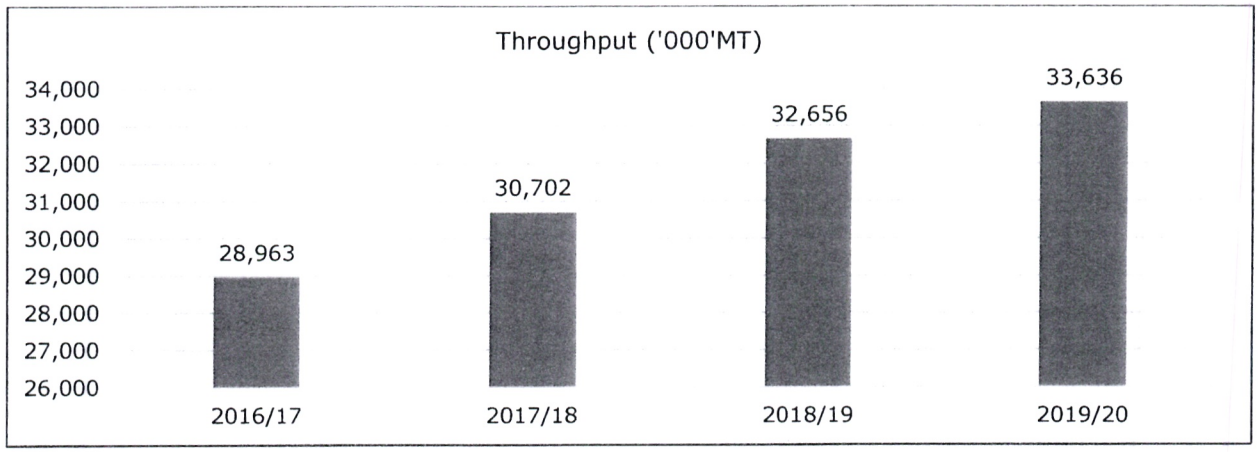
National Bank of Kenya
Portway House, Moi Avenue
P.O. Box 87770-80100
Mombasa

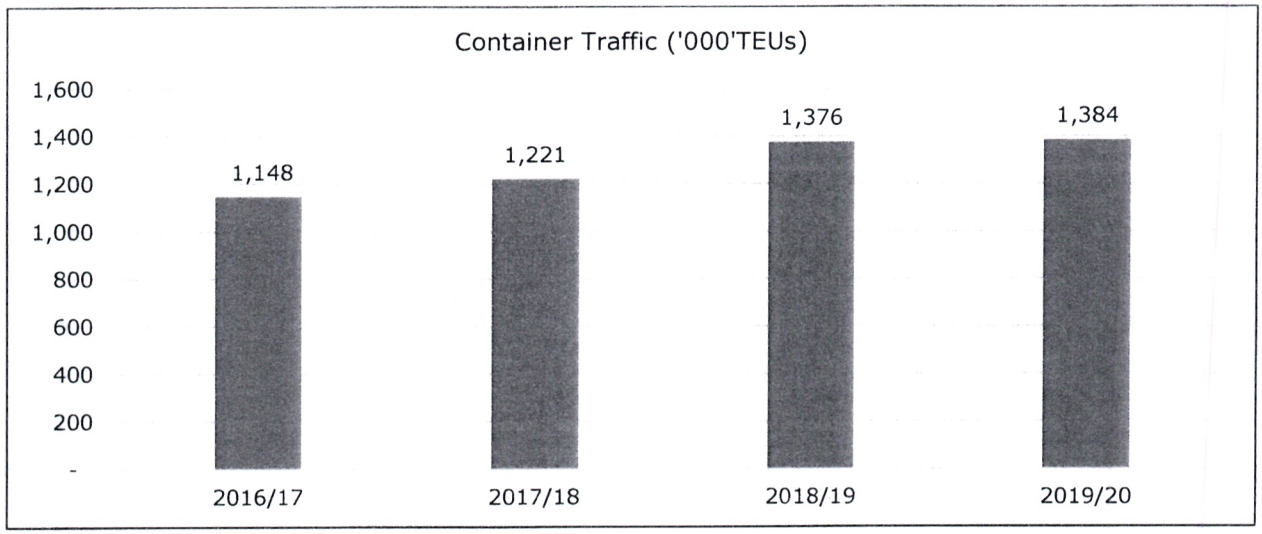
Kenya Commercial Bank Ltd.
Treasury Square Branch
P.O. Box 90254-80100
Mombasa

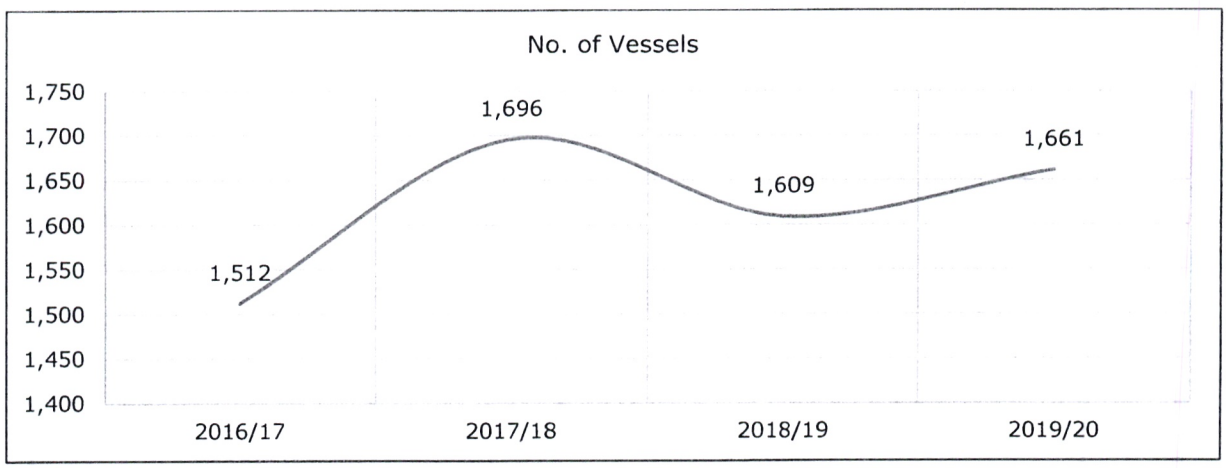
Kenya Commercial Bank Ltd.
Avenue Pierre NGENDANDUMWE
P.O. Box 6119
Bujumbura
Burundi

Stanbic Bank
Crested Towers Plot 17, Hannington Rd
P.O Box 7131
Kampala
Uganda

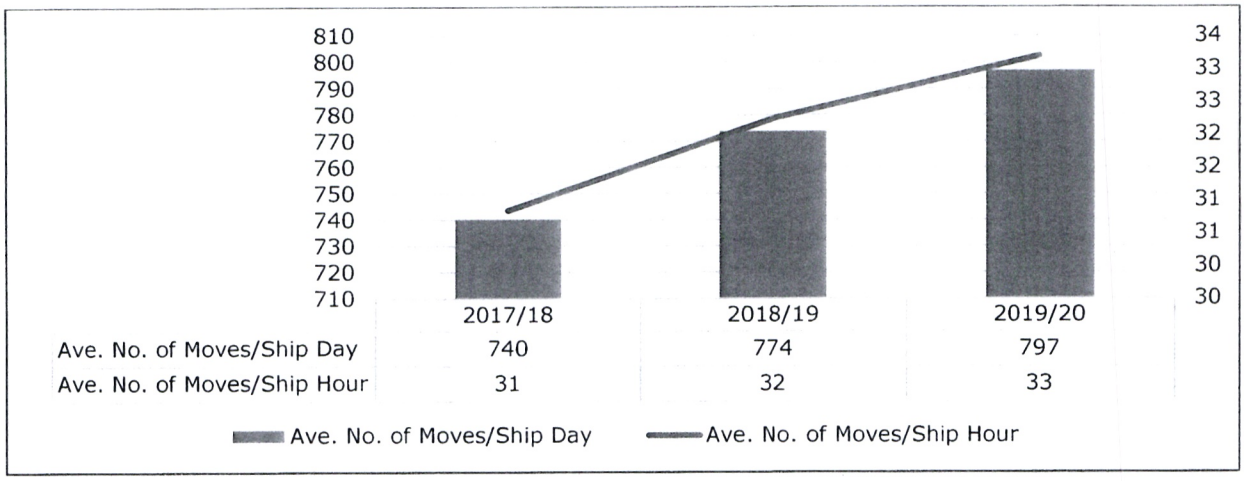
THE YEAR IN REVIEW

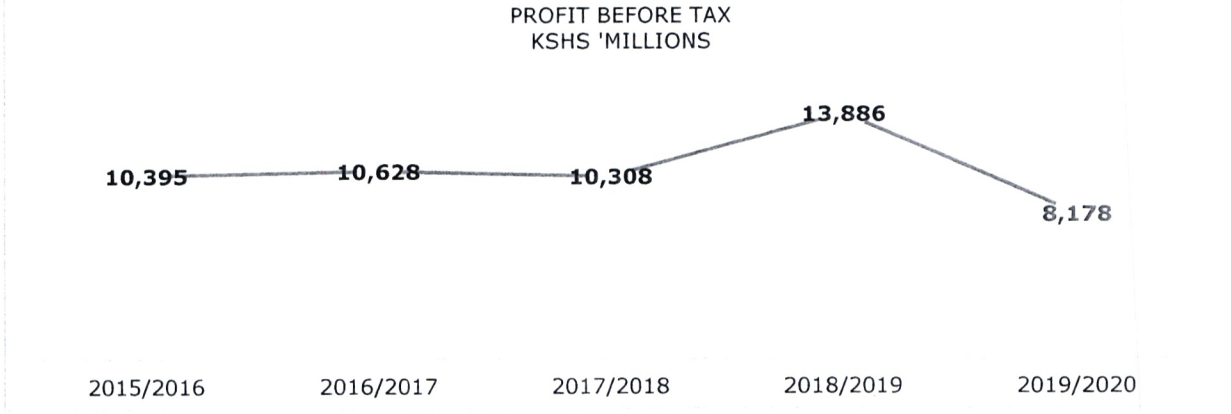






THE YEAR IN REVIEW





THE YEAR IN REVIEW

Staffing, Development & Welfare

Staffing	
Positions Advertised	**56**
Positions Filled Internally	25
Positions Filled Externally	26
Positions Pending Board review	5
Other Recruitments; Operations	**94**
Unionisable	89
Management	5
Total Recruitments in the FY	**120**
Gender Composition of those recruited	
Male	55%
Female	45%

During the year, a total of 2,439 staff were trained in various courses as per their scope of work.

Staff strength as at 30 June was 6,654 which was distributed as below;

Personnel Sub Area	Management	Union	Grand Total
Burundi	0	1	**1**
Uganda	3	1	**4**
Kisumu	9	4	**13**
Lamu	6	4	**10**
Mombasa	1,902	4,020	**5,922**
Nairobi	235	467	**702**
Rwanda	1	1	**2**
Total	**2,156**	**4,498**	**6,654**

The gender composition as at 30 June was;

Gender	Management	Union	Total	%
Male	1,660	3,572	**5,232**	78.63%
Female	496	926	**1,422**	21.37%
Total	**2,156**	**4,498**	**6,654**	**100.00%**

MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE

1. INTRODUCTION

Management wishes to present an analysis of the Authority's financial performance for the period ended 30th June 2020.

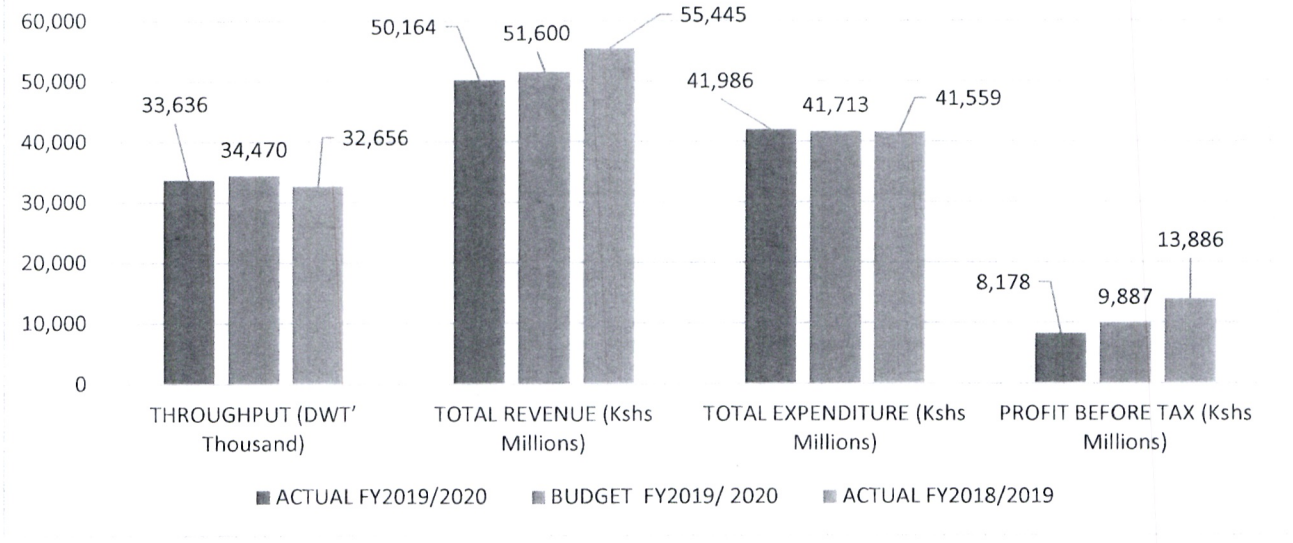
1.1. END-YEAR PERFORMANCE SUMMARY OVERVIEW

The table below summarises the performance as at 30th June, 2020 on revenue, expenditure and profit achievements as under.

	ACTUAL FY2019/ 2020	BUDGET FY2019/ 2020	% Actual/ Budget	ACTUAL FY2018/ 2019	% Actual / Actual
THROUGHPUT (DWT' Thousand)	33,636	34,470	(2.4) %	32,656	3%
TOTAL REVENUE (Kshs Millions)	50,164	51,600	(2.8) %	55,445	(9.5) %
TOTAL EXPENDITURE (Kshs Millions)	41,986	41,713	6.5%	41,559	(1) %
PROFIT BEFORE TAX (Kshs Millions)	8,178	9,887	(17.9) %	13,886	(41) %

1.1.1. THROUGHPUT HANDLED REVENUE AND EXPENDITURE PERFORMANCE OVERVIEW

The financial performance for the reporting year compared to budget and prior year is summarised in the below graph.

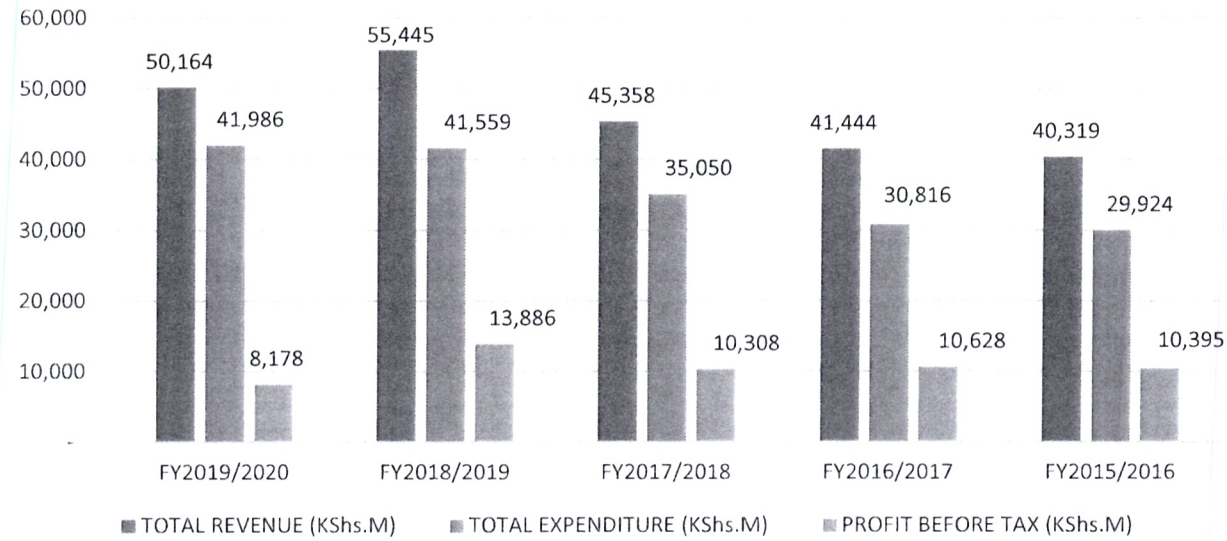


1.1.2. FIVE-YEAR PROFIT PERFORMANCE OVERVIEW

The profit for the year of Kshs. 8,178 million was below the budgetted profit of Kshs. 9,887 million by Kshs. (1,709) million or (17.9%). The profit recorded was also lower than last finacial year's profit of Kshs. 13,886 million by Kshs. (5,708) million or (41.1)% The profits are lower mainly due to decline in storage and remarshalling charges as a result of improved efficiency in cargo evacuation from the port.

MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE

Five-year Profit performance Overview Continued



1.2. THROUGHPUT OVERVIEW

The Port throughput performance continued to record increased cargo compared to previous periods. The Authority registered 33.63 million DWTs in the FY 2019/2020. This is a growth of 3.0% or 0.98 million DWTs from 32.65 million DWTs recorded during the same period of 2018/19. The performance was below the budgeted throughput of 34.47 million DWTs by 0.87 million DWTs or (2.5)%. This was driven by depressed economic activites during the last quarter of the year.

Containerised cargo recorded the highest volume increase at 15.05 million DWTs compared to 14.2 million DWTs recorded during the last financial year, resulting to a growth of 0.85 million DWTs or 5.9%. Non-containerised cargo marginally increased to 18.5 million DWTs compared to 18.4 million DWTs during the previous financial year, a increase of 140,360 DWTs or 0.76% percentage. The increase was on Dry bulk and conventional cargo.

The Performance overview by the broad categories is as summarized below:

- **Imports**: recorded 26.9 million DWTs during the FY 2019/2020 against 26.4 million DWTs recorded during a similar period during the FY 2018/2019, representing an increase of 486,395 DWTs or 1.8 %.

- **Exports**: recorded 4.26 million DWTs during the FY 2019/2020 against 4.26 million DWTs recorded during the same period in FY 2018/2019, representing a marginal decline of 1,758 DWTs.

- **Transhipment**: recorded higher volumes posting 2.3 million DWTs of cargo during the FY 2019/2020 compared to 1.8 million DWTs handled during the corresponding period in the FY 2018/ 2019 reflecting an increase of 497,048 DWTs or 27.5%. The marketing efforts initiated by management are continuing to bear fruits as demonstrated by the growth in transhipment business.

MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE

1.3. REVENUE PERFORMANCE

Revenue performance dipped in the reporting year, recording Kshs.50,164 million compared to last year's figure of Kshs.55,445 million. This reflected a decrease of Kshs.5,281 million or (9.5)%. The performance was also below the budget figure of Kshs.51,600 million by Kshs.(1,436) million or unfavourable variance of (2.8)%.

Operating revenue declined to Kshs.48,162 million compared to Kshs.52,759 million registered during the previous year, a decline of Kshs.(4,597) million or (8.7)%, whereas the throughput increased by 3% compared to FY 2018/19. The decrease in operating revenue is attributed to lower revenue from storage and remarshalling charges in the year under review, compared to the same period last year, largely due to improved efficiency levels. Container throughput was 1,384 Thousand TEUs during the period compared to 1,376 Thousand TEUs handled in the previous financial year.

Marine revenue performance was better than last year. A total number of 1,661 ships were handled in the year compared to 1,609 ships recorded in same period last year. Though the number of cargo ships handled were flat, the size of ships handled were bigger. This correlates with the throughput handled.

	FY 2019/2020	FY 2018/2019
TYPE	**NO. OF VESSELS**	**NO. OF VESSELS**
Barge	29	34
Bulk	296	274
Car Carrier	152	153
Container	538	565
Fishing	81	59
Gen Cargo	161	118
Passenger	2	3
Roro	37	41
Tanker	201	230
Tug	47	43
Yacht	0	4
Naval	18	12
Others	99	73
TOTAL	**1,661**	**1,609**

A decrease in interest income also contributed to the lower revenues for the year.Income from Bank interest earnings brought in Kshs 1,310 million compared to Kshs 2,187 million in FY 2018/2019. During the year, National Treasury directed the Authority to remit Kshs. 18 billion to the National Exchequer as Special Dividends. At the close of the year the Authority had remitted Kshs 13.05 Billion which decreased the bank interest earnings.

MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE

1.4. EXPENDITURE PERFORMANCE OVERVIEW

Expenditure recorded in the year including finance costs was Kshs 41,986 million. This was above the budget figure of Kshs 41,713 million, resulting to an adverse variance of Kshs. (273) million or (0.7 %). It also exceeded last year's expenditure of Kshs 41,559 million by Kshs 427 million or (1 %.)

The overall expenditure on Establishment and Administrative expenses were below the budget resulting into a favourable variance compared to the previuos year and the budget. The Covid 19 effects majorly resulted to a reduction in costs as most programmes were postponed because of the epidemic. Expenditure on Overtime was also within the budget and lower than that of last year. This was as a result of initiatives to contain the expenditure during the year.

Below are the highlights of expenditure with overruns.

- Overall expenditure under operating expenditure was above the budget. The main highlight was on Repair/annual contracts vote which closed with Kshs 2,514 million.
- An impairment loss of Kshs 396 million and loss on disposal of financial asset of Kshs 220 million contributed to the increase in expenditure.
- Depreciation and amortization also had adverse variance of Kshs 85 million or (0.8)%.

1.5. 5 YEAR REVIEW OF STATEMENT OF PROFIT OR LOSS

	2019/2020	**2018/2019**	**2017/2018**	**2016/2017**	**2015/2016**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Operating Revenue	48,161,579	52,758,959	42,738,520	39,603,677	38,330,411
Other Incomes	692,047	498,843	891,023	593,624	497,715
Total Revenues	**48,853,626**	**53,257,802**	**43,629,543**	**40,197,301**	**38,828,126**
Less Expenses:					
Administrative Expenses	(3,995,660)	(4,044,431)	(3,450,148)	(2,924,092)	(3,194,375)
Establishment Expenses	(19,520,491)	(19,992,244)	(17,789,138)	(16,673,130)	(16,142,193)
Other Operating Expenses	(6,852,267)	(5,976,959)	(4,899,622)	(3,593,881)	(3,600,009)
Depreciation of PPE	(10,742,418)	(10,346,600)	(7,590,886)	(7,482,804)	(6,423,577)
Amortization of Intangible assets	(301,265)	(262,568)	(67,877)	(16,252)	(193,852)
Total Operating Expenses	**(41,412,101)**	**(40,622,802)**	**(33,797,671)**	**(30,690,159)**	**(29,554,006)**
Operating Profit	**7,441,525**	**12,635,000**	**9,831,872**	**9,507,142**	**9,274,120**
Finance Income	1,310,374	2,187,175	1,728,950	1,247,301	1,490,722
Finance Cost	(135,164)	(166,309)	(170,624)	(142,237)	(501,930)
Impairment Losses	(218,888)	(646,129)	(1,037,395)	(111,913)	(92,652)
Other Gains/(Losses)	(219,739)	(124,232)	(44,324)	127,949	224,918
Profit Before Tax	**8,178,108**	**13,885,505**	**10,308,479**	**10,628,242**	**10,395,178**
Tax Charge	(4,473,012)	(4,137,870)	(3,426,742)	(3,928,448)	(3,760,470)
Profit After Taxation	**3,705,096**	**9,747,635**	**6,881,737**	**6,699,794**	**6,634,708**

MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE

1.6. FINANCIAL POSITION

Total assets grew from Kshs 287,493 million in FY2018/2019 to Kshs 294,769 million in FY2019/2020 translating to 2.5% increase occasioned by additions or capitalization of new assets.

1.6.1. NON-CURRENT ASSETS

Non-current assets amounted to Kshs 270,337 million up from 245,183 million in the previous year 2018/2019.The increase of 10.3% is attributed to additions and capitalization of new assets.

1.6.2. CURRENT ASSETS

Current assets amounted to Kshs 24,433 million down from Kshs 42,309 million as at FY 2018/2019, a decrease of 42.3%. This was due to the remittance of funds equivalent to Kshs. 13,050 million to the National Exchequer as Special Dividend. Receivables were Kshs. 17,378 million as at the closure of the year, compared to Kshs. 15,946 million during the previous year, an increase of 9%.

Cash and cash equivalents amounted to Kshs. 4,171 million during the period, down from Kshs.25,959 million recorded in the previous year. This was driven by the directive to remit funds to National Treasury. Cash in bank & at hand was Kshs.3,002 million representing 72% of the total balance while short term deposit were Kshs.1,168 million representing 28% of the fund.

In line with the Kenya Gazette notice, the first of the three equal instalments of cash deposits previously held with Chase Bank Kenya (In Receivership) was received by the Authority from SBM Kenya Ltd, in August 2019. The remaining 25% of the deposits are on fixed deposit account earning interest at 6.3% p.a, with restricted access and will be released in two further instalments in August 2020 and August 2021. The portion due in August 2020 has been classified as a current portion under short term deposits.

1.6.3. CURRENT LIABILITIES

The balance as at the end of the year under review is Kshs 21,080 million compared to previous year's balances of Kshs 13,775 million translating to an increase of 53% mainly on account of unpaid Special dividends of Kshs. 4,950 Million (23%), contractors deposits and unpaid creditors including Lamu Prject Suppliers.

1.6.4. BORROWINGS

The JICA loan for the 1st phase of the 2nd Container Terminal stands at Kshs 23,593 million as at 30th June, 2020 with a total of Kshs 836 million being paid during the year. The current portion for FY 2020/2021 is equivalent to Kshs 858 million. The JICA loan for the 2nd phase of the 2nd Container Terminal opened with Kshs 10,176 million on 1st July, 2019 and closed with Kshs 16,336 million as at 30th June, 2020 after receiving disbursements equivalent to Kshs 5,438 million.

1.6.5. RETIREMENT BENEFIT LIABILITY

At the beginning of the year under review the balance for the retirement benefit assets (related to DB actuarial valuation) was Kshs 1,321.5 million.

The liability increased to Kshs 3,642 million at the end of the year 2019/2020. The increase of Kshs 2,855.7 million was mainly on account of actuarial valuation conducted by Zamara Actuaries, Administrators & Consultants Ltd as at 31st December, 2019. The valuation indicated a funding level of 86% resulting to the actuarial deficit. Kshs 535.2 million has been classified as current portion. The Authority has a remedial payment plan of Kshs.44.6 million per month to cover the deficit. A total of Kshs 535.2 million was remitted in FY2019/2020.

Five year financial review of statement of financial position

	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016
Non-Current Assets:	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Property Plant and Equipment	267,063,658	241,554,138	144,614,772	133,409,067	123,242,840
Assets held for Sale	400	11,618	400	1,224	934
Intangible Assets	1,205,422	1,151,296	675,383	487,133	314,333
Leased Property	671,246	717,063	805,819	772,292	814,772
Long Term Investment	1,396,168	1,748,887	3,244,997	3,973,618	731,288
Retirement Benefit Asset	0	0	0	2,980,174	3,808,000
Total Non-Current Assets	**270,336,894**	**245,183,002**	**149,341,371**	**141,623,508**	**128,912,167**
Current Assets:					
Inventories	495,536	404,813	407,965	410,591	381,501
Receivables & Prepayments	17,377,585	15,946,216	14,500,357	8,848,612	7,225,670
Tax paid in advance	2,388,639	0	873,216	0	814,510
Short term deposits	1,167,706	25,099,818	17,988,504	14,928,395	12,540,442
Bank & Cash balances	3,003,068	859,114	788,363	693,457	599,073
Total Current Assets	**24,432,534**	**42,309,961**	**34,558,405**	**24,881,055**	**21,561,196**
TOTAL ASSETS	**294,769,428**	**287,492,963**	**183,899,776**	**166,504,563**	**150,473,363**
Capital and Reserves:					
Revaluation Reserves	103,132,900	111,646,031	39,881,910	43,296,547	48,084,237
General Reserves	80,874,208	90,620,573	78,426,542	73,813,608	61,741,226
Grants	3,468,561	5,318,100	5,044,052	581,153	106,268
Total Capital and Reserves	**187,475,669**	**207,584,704**	**123,352,504**	**117,691,308**	**109,931,731**
Non-Current Liabilities:					
GOK Project Funds	37,386,157	27,386,157	16,212,039	13,041,039	6,456,218
Borrowings	39,070,959	32,729,833	29,493,976	24,166,431	25,384,171
Deferred Tax	6,650,083	5,231,256	5,281,505	4,123,829	3,032,682
Retirement Benefit Obligations	3,106,800	786,300	1,767,500	0	0
Total Non-Current Liabilities	**86,213,999**	**66,133,546**	**52,755,020**	**41,331,299**	**34,873,071**
Current Liabilities:					
Dividend Payable	4,950,000	0	0	0	0
Borrowings	857,934	820,134	791,109	810,331	0
Trade and other Payables	14,736,626	11,212,048	7,001,143	6,439,802	5,668,561
Retirement Benefit Obligations	535,200	535,200	0	0	0
Tax Payable	0	1,207,331	0	231,823	0
Total Current Liabilities	**21,079,760**	**13,774,713**	**7,792,252**	**7,481,956**	**5,668,561**
TOTAL CAPITAL & LIABILITIES	**294,769,428**	**287,492,963**	**183,899,776**	**166,504,563**	**150,473,363**

CHAIRMAN'S STATEMENT

"Our collective commitment contributed immensely to the positive performance despite the Covid-19 pandemic".



CHAIRMAN'S STATEMENT

3

Introduction

It gives me great pleasure to yet again present, on behalf of the Board, the Kenya Ports Authority Annual Report and Financial Statements for the year ended 30 June 2020. It is worthy to state that the Authority performed well despite the Corona Virus 2019 (Covid-19) pandemic that has caused an unprecedented health and economic crisis across the globe whose severity of its impact on the business environment is still progressing.

For the Authority, the impact of Covid-19 was most detrimental during the last quarter of the FY 2019/2020. Despite this, the Authority still recorded a slight increase in cargo throughput and total containers (TEUs) handled of 3% and 0.65% respectively. Cargo throughput increased from 32,656 ('000 MT) in FY 2018/2019 to 33,636 ('000 MT)in FY 2019/2020 and container traffic handled this FY was 1,384 ('000 TEUs) up from 1,376 ('000 TEUs) during the last FY.

Master Plan

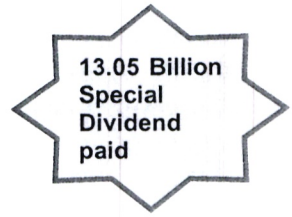
The Authority marked a milestone in its rich history following the launch of its 2018-2047 Master Plan which outlines the roadmap the Authority plans to roll out as it implements its projects for the next 30 years aimed towards attaining the World Class Ports of Choice status. The total investment in this Master Plan is estimated to be USD 3.6 Billion. The implementation of the Master Plan will increase container capacity from 1.65 million TEUs currently to 3.5 million TEUs by 2030 and ultimately 5.9 million TEUs by 2047. In terms of tonnage, the total capacity is projected to grow from 40.6 million tons to 68.8 million tons by 2030 and ultimately 77.8 million tons by 2047.

Performance

During the FY, two significant developments in the shipping industry were recorded after the Authority attracted a direct weekly shipping service between the Kingdom of Saudi Arabia and East Africa through the maiden call by container vessel Mv. Contship Ono of CMA CGM Group. Flying the Cyprus flag, the ship's arrival at the Port signified the launch of the JEDDEX line in Kenya, a direct service by four dedicated vessels on a weekly basis between Kenya, the Kingdom of Saudi Arabia and Somalia. With the launch of the new service, the Authority continues to strengthen its commitment and presence in Kenya, which now reaches a total of 4 weekly services and 21 weekly calls. The second milestone was marked by the arrival of Mv. Blue Whale, a CMA CGM group vessel, marking her maiden call into the Kilindini harbor as the first container vessel deployed under the Association of Southeast Asian Nations ASEA service line arrangement. This validates efforts towards sustenance of the vibrant global maritime trade amidst the current plight of covid-19 pandemic. The deployment of Blue whale is significant as it provides a trade link between the Port of Mombasa and Far East Asia Ports from mainly China, Malaysia, Singapore and Sri-Lanka.

Dividends

The directors recommend a dividend payout of Kshs 277.882 Million, which is 7.5% of the profit after tax, to the National Treasury in line with the dividend policy approved by the Board of Directors. During the year under review, the Authority remitted Kshs. 13,050 million to the National Exchequer as Special Dividends.



Corporate Social Responsibility

The Authority continues to consider CSR to be an integral part of its business. The communities around where the Authority operates are, therefore, considered important stakeholders in the way the Authority conducts its business.

During the FY, the Authority was involved in various CSR initiatives pushing the Authority's commitment in meeting the socio-economic needs of the communities in the Coastal region impacting positively on the lives of respective communities focusing on education, response to distress calls, sports & the environment.

Future Outlook

The Authority continues to focus on the growth strategy by expanding capacity and attracting more transit and trans-shipment traffic. The Authority continues to attract investors keen on business partnerships and opportunities as it slowly takes shape. Development of the Lamu port is well on course at 79.8% completion and the first berth already completed. Two more berths are expected to be completed by November 2021. Nineteen shipping lines have expressed their willingness to begin operations at the Port of Lamu which will be the second commercial port in the country. Leading Shipping Line Maersk confirmed its readiness to make use of the new commercial Port in Lamu. Additionally, the Naivasha ICD (NICD) was handed over to the Authority for purposes of operation and is expected to revolutionize the transportation of bulk cargo to the East Africa nation's hinterland and neighboring countries. The depot targets transit cargo destined for Uganda, Rwanda, Burundi, South Sudan and Eastern Democratic Republic of Congo, which account for approximately 30 percent of import and export cargo through the Port of Mombasa. The NICD has a total ground slots capacity of 5,000 TEUs and has adequate equipment including Reach Stackers and Terminal Tractors. The facility's major role is to facilitate direct shipment of goods from the Port of Mombasa to Naivasha via the SGR, thus shortening the distance.

Appreciation

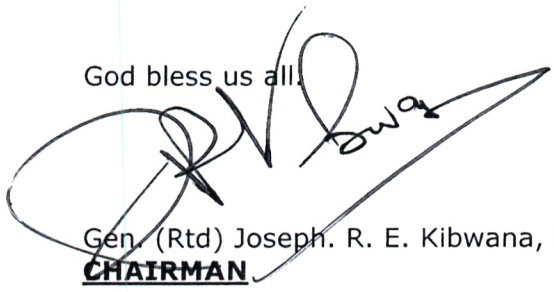
I take this opportunity to thank my colleagues in the Board for supporting me in providing leadership for the Authority during the year. Our collective commitment contributed immensely to the positive performance despite the Covid-19 pandemic. I also commend the management and the entire staff for their continued efforts to achieve the level of performance recorded and I am confident that they shall spare no efforts to attain & surpass the targets set for the next FY.

CHAIRMAN'S STATEMENT (CONT'D)

Appreciation Cont'd

On the behalf of my colleagues in the Board I extend the Authority's gratitude to the GoK, our business partners, our customers and the community at large for supporting our business. The confidence in our ability to deliver our mandate gives us the impetus we require to propel the Authority to attain the world class port of choice status and to greater heights.

God bless us all.



Gen. (Rtd) Joseph. R. E. Kibwana, EGH, CBS
CHAIRMAN

THE BOARD OF DIRECTORS



Gen. (Rtd) Joseph. R. E. Kibwana, EGH, CBS

(born 1947)

He was appointed Chairman of the Board of Directors of Kenya Ports Authority in June 2018.

A career Naval officer, he rose through the ranks upto his retirement as a General in 2005. During his military service, he served as Chief of the General Staff of the Kenya Armed Forces (2000-2005); Commandant of the National Defense College (1998-2000); Commander of the Kenya Navy (1988-1998); Chief of Military Intelligence (1982-1985) among other senior appointments.

Upon retirement from the armed forces, he was appointed Chairman of the Board of Directors of Kenya Ports Authority (2005-2008). He has also served as Chairman of Kenya Trade Network Agency (KENTRADE) (2011-2014 and 2015-2018); and also as Non-Executive Director on the Boards of KCB Bank group Plc. (2012-2017); KCB Bank Burundi (2013-2015) and is currently Chairman of KCB Bank South Sudan.

He is an alumni of the Britannia Royal Naval college (UK); Farady House Engineering College (UK); the US Naval Staff College and the US Naval War College.



Solomon Kitungu, Ps State Department of Transport, MoTIHUD & PW

(born 1961)

A graduate of the University of Nairobi and Manchester University (UK). Prior to his appointment he served as an Investment Director at the National Treasury, an Executive Director of the Privatization Commission from 2009 – 2017 and Investment Director at the National Treasury from 2003 – 2009. He is currently the alternate director for the CS National Treasury in the Board of Directors of the Insurance Regulatory Authority, Postbank and Kenyatta University Teaching, Referral & Research Hospital. Previously while at the National Treasury he served in other Boards such as the Agricultural Finance Corporation, KCB, NBK, KENGEN, KPLC, KPRL and Kenya National Assurance (2001).

He has attended the Advanced Management Programme at Strathmore Business School and University of Navara Barcelona, Spain, and has extensive experience in public sector investments and reforms, privatizations and Public Private Partnerships



Amb.Ukur Yatani Kanacho

CS, National Treasury

(born 1967)

He has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom and Bachelor of Arts in Economics, Egerton University.

He has served as assistant minister for science & technology and has also served in different positions in Kenya's Public Administration including a District Commissioner.

He has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. He is the 1st Governor of Marsabit County , has been the MP for North Horr Constituency (2006-2007), served as Kenya's Ambassador to Austria with accredition to Hungary & Slovakia and Permanent Representative to the United Nations in Vienna.

He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others.

THE BOARD OF DIRECTORS PROFILES (CONT'D)



Delilah K. Ngala (born 1960)

She was appointed to the Board in February 2019.

She holds an MBA (Strategic Management) and B.Com, (Business Administration) both from the University of Nairobi. Currently pursuing diploma in counselling psychology at Amani counselling & training centre. She has served in various Board memberships including Maseno University council member as chairperson executive committee, Pwani university council member as chairperson of the Audit committee, Kenya Tourist Development Corporation as chairperson of the operations committee, Kenya Institute of Bankers as chairperson Mombasa local center, amongst many others.

She is a strategic thinker with over 27 years experience in banks' branch management, operations & unit leadership.

She was a member of the IAAF world under 18 years youth championships, 2017 and has lean six sigma-yellow belt certification from KIM (2014).



Dr. Peter N. Muracia (born 1963)

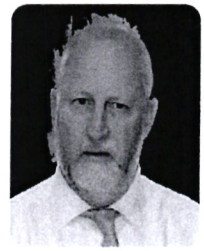
He joined the Board in June 2018.

He holds a degree in MBCHB in medicine and surgery from Nairobi university with several post-graduate trainings in and out of the country on emerging surgical and medical developments (Dubai, China, Britain, Israel)

He has worked as a medical officer at Thika hospital and Kilifi hospital. Besides practicing as a private medical Practioners at Pwani Medical Centre in Kilifi and St. Peters hospital, Malindi town.

Currently he serves as a director of Kenya National Chamber of Commerce (KNCC), Kilifi chapter, Zenith Association of Small and Medium Enterprise in Africa (ZSME) and director of Green power generation co. ltd amongst other companies.

He is actively involved in a number of philanthropic health projects especially within Kilifi and Lamu counties.



Conrad Thorpe (born 1964)

He joined the Board in June 2018.

An industry leader with 15 years of experience of leading a multi-national, pan-African and Asian risk management business. He founded Salama Fikira, an enterprise risk management company in Kenya. Today the company has offices in seven countries and a presence in eight others. The Group has management certification of ISO9001, 28007, 18001 and 14001, as well as ABC certification through Trace®. It is also the only African Risk Management company with the German Police Licence. The Group operates across 80% of Africa with increased service delivery in Asia and parts of Europe. In addition to his core duties at the Board of the KPA, he is also the Chairman of the Board of a London-listed company, as well as being on the Board of a Kenya conservation Not-for-Profit. He also served in HM Royal Marines and attended the Advanced Command and Staff Course with an MA in War Studies and Defence Technology. As a youth he excelled at sport, playing rugby for the 1st XV for Kenya Schools and representing his country as the Captain of the national swimming team.

THE BOARD OF DIRECTORS PROFILES (CONT'D)



Peter K. Gibendi
(born 1966)

He joined the Board in June 2018.

He has a Bachelor of Science in Industrial Chemistry from Moi University.

He joined Bamburi Cement Ltd, a subsidiary of LafargeHolcim, the biggest building materials company in the world as a Quality Manager in 1995 and helped in setting up a state of art laboratory and implementation of European Standards in Kenya and East Africa. He rose to be the Plant Manager of Mombasa Plant and Excom member of Bamburi Cement Limited in 2012. He retired from Bamburi in 2016.

He is the Managing Director of Intellectual Ventures Ltd and Technical Consultant on cement Production Operations.He values and is passionate about Integrity, Health, Safety and Environment.



Mary W. Ngari HSC, CBS
(born 1956)

She joined the Board in June 2018.

She holds a Bachelor of Arts Degree (Hons) in Political Science and Sociology from the University of Nairobi and a Master`s Degree in Psychotherapy and Counseling from Daystar University. She has over 30 years of Administrative work experience in the Public Service rising through the ranks to serve as PS Ministry of Medical Services 2010-2013 & PS Ministry of State for the Development of Northern and Other Arid Lands. She has served as a Director on the boards of various State Corporations. She also previously worked at the East African Portland Cement Company as Acting MD. She holds a Presidential Commendation Award for sterling contribution towards the commemoration of 25 years of Kenya's Independence.



Alice M. Mwaisaka
(born 1980)

She joined the Board in June 2018. Currently the Head of African Green Revolution Forum (AGRF) at Alliance for a Green Revolution in Africa (AGRA).

She holds a Bachelor's degree in Community Development and Communications from Daystar University, MBA in Global Business and Sustainability (Social Entrepreneurship and Management) from Università Cattolica del Sacro Cuore, Milan, Italy and MSc. in Project Management from Sunderland University, UK.

She is a seasoned professional administration and project manager with 15+ years' experience in the UN System having worked for United Nations Educational, Scientific and Cultural Organization (UNESCO), International Maritime Organization (IMO), United Nations Development Programme (UNDP) and International Labour Organization (ILO). She is conversant and extremely knowledgeable of the development landscape and UN System in Kenya as well as various national and regional projects and programmes. She has been involved in different aspects of programme/project life cycles and delivered high-value projects in various organizations and across different geographies.

She has also been the National Project Coordinator for the International Labour Organization (ILO Kenya) responsible for the coordination and implementation of the Green Jobs programme.

THE BOARD OF DIRECTORS PROFILES (CONT'D)



Philip J. Mainga
Managing Director KRC
(born 1966)

He holds Masters in Project Planning and Management (MAPM) from the University of Nairobi, a Master of Arts in Economics (M.A.) and a Bachelor of Arts (B.A.) both from University of Mysore, India. He also holds a certificate from Harvard University in Driving Government Performance. He is a member of Certified Finance Management for Project Managers (FMPM), Associate member MEGADEV Consultants and member Kenya Institute of Management (KIM).

Before being appointed the Acting MD, he was the GM Business and Operations, a role that covered the operations of the Madaraka Express, SGR Freight services and Estates management.

He has over 20 years in the Planning and Research profession and has worked in several capacities holding Corporate Planning and Research Manager Position.

Mr. Mainga is author of Economics and Ethics first edition 2010 – (Book), doing business in Kenya 2006 – Hand book (UNDP –Kenya).



Eng. Rashid K. Salim, IEng. IMarEng
Ag. Managing Director
(born 1961)

He is also the current GM Engineering Services

He holds an HND in Marine Engineering (UK) and the Chief Engineer Certificate of Competency(CoC) from South Shields Marine College(now South Tyneside College) UK.

He is a Registered Incorporated Marine Engineer and the Engineering Council(UK). He is also a Member with the Institute of Marine Engineering, Science and Technology(UK).



Addraya Dena (Ms.)
General Manager, Board and Legal Services
(born 1970)

She holds a Bachelor of Laws LLB (Hons) degree from the University of Nairobi and a Diploma Kenya School of Law. She is also an Advocate of the High Court of Kenya and a Certified Public Secretary Kenya CPS(K).

She is the Board Secretary and oversees the Contracts & Conveyance department, Litigation & Disputes, Ethics & Integrity including Insurance & Claims and Archives and Maritime Museum.

MANAGING DIRECTORS'S PORT REVIEW



"We continue to implement strategic developments to meet customer needs while always prioritizing the health and safety of our staff and customers."

MANAGING DIRECTORS'S PORT REVIEW (CONT'D)

We have also operationalized Naivasha ICD to handle transit cargo with a view to reducing distances and minimizing trucks entering Nairobi particularly in this era of COVID-19 pandemic. The ICD is now working well handling over 100TEUs each week.

The construction of the Port of Lamu to link Kenya with its northern neighbours of South Sudan and Ethiopia aims at enhancing business among these countries while creating synergies among these communities. It will also give access to markets for livestock and fish products. The first three berths are expected to be completed by November, 2021.

Risk Management

The Authority has instituted Corporate Risk Management Committee that in conjunction with divisional Risk Management Committees identify possible risks that may arise during its operations.

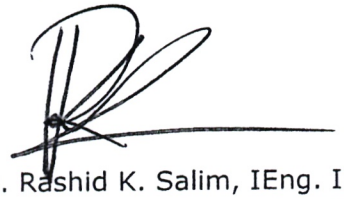
This Committee together with the Corporate Anti-Corruption Committee has continually held sensitization forums for its staff to enable them to understand the importance of integrity and good governance for the benefit of the Authority and country.

Safety, Health and Environment

As a corporate citizen, we are aware of the fact that our actions must be guided by the rule of law and co-habiting with the community. This can only be achieved by being responsible socially and environmentally. Our core values emphasize in Care about the community and environment in which we operate.

Consequently, the Authority supports various Corporate Social Investment programs that hinge on education, health, development and environment. We have an elaborate Green Port Policy in line with United Nations' guidelines on climate change. On this front the Port is already installing shore power to give the ships renewable energy and reduce emissions of dangerous gas that pollute the environment. At the same time, tree planting has been emphasized along the Port area and its vicinity.

As I conclude, I wish to thank our customers, the Board of Directors, our dedicated and talented staff for their support as well as their effort in making sure the Authority achieves its goals and objectives. I also appreciate our service providers, the national & regional Governments and all other stakeholders for their respective contributions to the Authority during the year. I look forward to continued support as we strive to transform Mombasa Port to the port of choice in East and Central Africa.



Eng. Rashid K. Salim, IEng. IMarEng
AG. MANAGING DIRECTOR

MANAGEMENT TEAM

- **Ag. Managing Director**
- **General Manager, Engineering Services**
- Holds an HND in Marine Engineering (UK) and the Chief Engineer Certificate of Competency(CoC) from South Shields Marine College(now South Tyneside College) UK.
- He is a Registered Incorporated Marine Engineer and the Engineering Council(UK). He is also a Member with the Institute of Marine Engineering, Science and Technology(UK).
- His docket includes Marine Engineering, Terminal Engineering and Mechanical Engineering as well as Head of Inland Waters

Eng. Rashid K. Salim, IEng. IMarEng



- **General Manager, Finance**
- He holds a Masters degree in Business Administration (MBA) and a Bachelor of Commerce Degree (Accounting) both from the University of Nairobi. He is a member of the Association of Financial Analysts (AFA), a Certified Public Accountant, CPA(K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is responsible for Financial Accounting, Management Accounting, Commercial and Procurement and Supplies departments.

CPA Patrick W. Nyoike



- **General Manager, Board and Legal Services**
- She holds a Bachelor of Laws LLB (Hons) degree from the University of Nairobi and a Diploma Kenya School of Law. She is also an Advocate of the High Court of Kenya and a Certified Public Secretary Kenya CPS(K).
- She is the Board Secretary and oversees the Contracts & Conveyance department, Litigation & Disputes, Ethics & Integrity including insurance & claims and Archives and Maritime Museum.

Addraya Dena



- **General Manager, Human Resources and Administration**
- He holds Masters in Business Administration (MBA) from Eastern & Southern Africa Management Institute (ESAMI) TZ and Maastricht School of Management, Bachelors of Education Arts (Kenyatta University), Higher National Diploma in Human Resources Management – KNEC, Kisumu Polytechnic.
- He has undertaken various professional training in Strategic Leadership Program, Quality Management Systems (KBS), Kenya Labour laws(IHRM), Human Resources Management and Development (ESAMI), Diploma in Marketing (Institute of Commercial Management) and in Management (University of Witwatersrand Johannesburg.
- He has vast experience in HR profession having served in various Government Ministries in different capacities namely; at the Directorate of Personnel Management and Ministry of State for Provincial Administration and Internal Security as the Principal Human Resources Management Officer and went on to work for the Ministry of State for Public Service on the same capacity and later joined Agricultural Finance Corporation (AFC) as the General Manager Human Resources & Administration and most notably as a Commissioner and Vice Chair at the Salaries and Remuneration Commission (SRC).

Daniel O. Ogutu, MBS, EBS



MANAGEMENT TEAM

•General Manager, Operations

- He holds a Master Mariner Certificate of Competency (UK), an MBA in Strategic Management from Jomo Kenyatta University of Agriculture & Technology (JKUAT) and various professional qualifications including the Global Maritime Distress and Safety System General Operator's Certificate (GMDSS GOC-UK). He is also a member of the Nautical Institute (MNI), a member of the International Harbour Master's Association (IHMA) and serves as a chairman of the Inter-Agency Committee comprising of Government Agencies working in the port and with stakeholders
- His docket includes all operations in the Conventional Cargo, Marine, Inland Container Depots and Container Terminal, Marine Operations, Logistics and Safety with a focus on overseeing development and implementation of port cargo operations, marine, logistics and Port safety policies and procedures.



Captain William K. Ruto, MNI

•General Manager, Corporate Services

- He holds a Master of Business Administration and Bachelors of Commerce Degree (Marketing) both from the University of Nairobi, a postgraduate Diploma from the UK's Diageo Academy.
- He is in charge of Corporate Development (Corporate Planning, Statistics & Research), Marketing (including Liaison offices of Uganda, Burundi & Rwanda) Corporate affairs (Corporate Communication, Media & CSR) and ICT.



Edward Kamau

•General Manager, Infrastructure Development

- He is a former Director of the Board at the National Water Conservation & Pipeline Corporation. A Civil Engineer by profession, he has over sixteen (16) years of progressive experience in both the construction & manufacturing industries, business management, logistical management and people skills gained through working in various organizations. He has had the opportunity to implement and oversee various engineering and logistical projects and operations both locally and internationally where he has held responsible positions.
- He has been a former Chief Manager Technical Services at the Lake Victoria South Water Services Board and has over 30 years' experience in the water sector.
- His docket covers Civil Engineering, Project Development & Management and Port Electrical Engineering Departments.



Eng. Vincent S. Esyepet

REVIEW OF CORPORATE PERFORMANCE FY2019/2020

The Authority has in place a 5-year Plan (2018-2022) anchored on the Vision 2030, the 3rd Medium Term Plan (MTP III), and the Big 4 Agenda, among other policy documents. The Plan is aimed at steering the Authority towards achievement of her Mission and Vision. The Plan has four strategic themes/pillars namely:

I. Customer Service Excellence
II. Operational Excellence
III. Business Growth and
IV. Good Governance

From the strategic themes, the Authority has identified five strategic objectives that will be pursued over the plan period. These are:

- Improve Customer Satisfaction
- Improve Port Services
- Sustain Business Growth
- Improve Labour Productivity
- Enhance Risk Management and Environmental Sustainability

The table below presents performance against set targets for the FY 2019/2020.

Strategic Themes	Strategic Objectives	Key Performance Indicators	Activities	Achievements
Customer Service Excellence	• Improve Customer Satisfaction	• Customer satisfaction index • Customer retention • Compliance to customer charter	• Establishment of a Customer Engagement Centre • Develop and Implement a Structured Stakeholder Engagement Framework	• A proposal was developed and approved for implementation. • The authority has in place a framework for engaging stakeholders
Operational Excellence	• Improve port services.	• Turnaround times: o Train o Truck o Ship • Crane productivity	• Implementation of ISS at CT2, ICDN and Lamu port • Improve and integrate ICT systems.	• Installation of ISS at CT 2 phase I progressed to 95%. Lamu and ICDN did not commence during the review period.

REVIEW OF CORPORATE PERFORMANCE (Cont'd)

Strategic Themes	Strategic Objectives	Key Performance Indicators	Activities	Achievements
Operational Excellence (continued)		• System uptime • Port capacity	• Construction of the first three berths at Lamu port • Progress MPDP phase II to 60% • Conversion of shed 1&2 into a modern cruise ship terminal. • Relocation of Kipevu Oil Terminal	• Commenced development of a 3-tier data centre to guarantee 99.9% system availability. • Construction of the first three berths of Lamu port progressed to 79.8% against a target of 85% • MPDP phase II progressed to 55.17%. • Conversion of shed 1&2 into a modern cruise ship terminal progressed to 98% • Relocation of Kipevu Oil Terminal (KOT) progressed to 75.32 %.
Business Growth	• Sustain Business Growth	• Port throughput • Revenues • Profit after tax	• Attain cargo throughput of 34.47 million tonnes. • Container traffic of 1.39 million TEUs • Revenue of Kshs 50,589 million. • Develop a marketing strategy	• Attained throughput of 33.64 million tonnes. • Total container traffic of 1.384 million TEUs • A revenue of Kshs 48,854 million was generated. • Market strategy developed and is under implementation.

REVIEW OF CORPORATE PERFORMANCE (Cont'd)

Strategic Themes	Strategic Objectives	Key Performance Indicators	Activities	Achievements
Good Governance	• Improve Labour Productivity	• Number of industrial disputes • Percentage of workforce meeting performance standards • Staff turnover rates (regrettable exits) • Employee satisfaction	• Carry out skills gap analysis and implement the recommendations. • Review and align the organisation structure to strategy. • Facilitate Development of Performance Plans for all staff. • Develop and implement e-learning solutions.	• Skills gap analysis done for some departments. • The Authority rationalized and reviewed its organisational structure to align it to the strategic plan. • All management staff were put under performance management system/scorecards. • Slow Implementation of e-learning because of resource constraints
	• Enhance risk management and environmental sustainability	• Compliance to international standards • Corruption perception index • Risk awareness level • Compliance with air quality, water quality and noise level	• Embed risk management in all processes and systems. • Review of KPA ACT • Implementation of the Information Security Management System (ISMS) ISO 27001 Standard • Development of alternative and renewable energy sources	• The Authority fully operationalized an Enterprise Risk Management (ERM) framework • Process of reviewing the KPA Act commenced during the review period. • Commenced implementation of the ISMS ISO 27001 standard. • The Authority is generating electricity using solar.

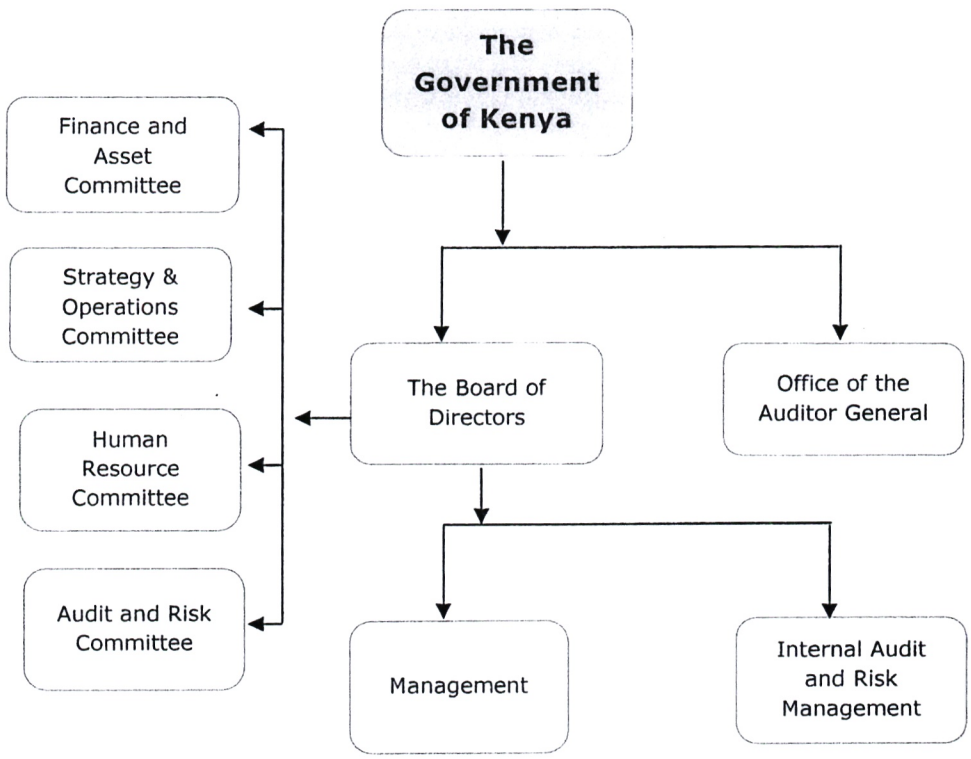
STATEMENT OF CORPORATE GOVERNANCE

The Board is committed to ensuring that the Port is run in a professional, transparent, effective, efficient and equitable manner so as to protect and enhance shareholder value and satisfy the interest of stakeholders. The principles and standards adhered to by the Board have been developed with close reference to the Mwongozo code of governance for state corporations and guidelines on corporate governance issued by the State Corporations and Advisory Committee (SCAC).

Over the years of ISO certification, the Authority has undergone numerous surveillance and internal audits that have ascertained its continued compliance to international quality standards and enhanced service delivery and customer satisfaction. Kenya Ports Authority attained certification for her Quality Management System (QMS) to ISO 9001:2008 in June 2009. The Authority's QMS was recertified in March 2012 and May 2015. Following the revision of the ISO 9001 standard in 2015, the KPA QMS transitioned and was recertified to the new standard ISO 9001:2015 in May 2018 valid up to May 2021.

The Authority is committed to complying with the requirements of ISO 27001:2013 Information Security Management System (ISMS) Standards and aligning our management system policies and processes with Risk Management. As at 30 June 2020 the process certification of ISO 27001:2013 was ongoing.

Kenya Ports Authority's governance structure, by appointment is summarized in the chart below;



The Board Size, Composition and Independence

The Board consists of Eleven (11) directors out of whom seven are independent non-executive directors including the Chairman. The Board composition draws a good mix of skills, experience and proficiencies in various fields. The directors' biographies are shown on pages 20 to 23.

The non-executive Directors are independent of Management. Their role is to advise, constructively challenge and monitor the success of Management in delivering the agreed strategy within the risk appetite and control framework set by the board.

The Board Charter

The Board's principal duty is to promote the long-term success of the Port, and delivering sustainable value to the shareholder. The Board Charter defines the governance parameters within which the board exists and operates, sets out specific responsibilities of the board, its committees and directors collectively, as well as certain roles and responsibilities incumbent upon directors as individuals.

A summary of the Board responsibilities are as follows:

- Providing entrepreneurial leadership to the Port within a framework of prudent and effective controls which allow risk to be assessed and managed.
- Strategy formulation and ensuring that there are adequate policies, systems and structures to successfully implement the Port strategy.
- Monitoring Port performance against strategic plans and objectives on a going concern basis, as well as holding mandatory quarterly meetings.
- Approval for publication of financial statements.
- Selection, appointment and appraisal of Senior Managers.
- Approve the risk management framework and ensuring that there are adequate structures and systems to identify measure and monitor key risks facing the Port.
- Reviewing the effectiveness of systems for monitoring and ensuring compliance with laws and regulations.
- Reviewing and monitoring the Port's corporate governance's policies and practices.
- Reviewing the Port Capital levels to ensure that there is adequate capital for the planned growth and expansion within the strategic cycle.
- Approval of among other things major capital expenditure, borrowings, budget, write offs, acquisition of land etc.

Chairman and Managing Director

The roles of the Chairman of the Board and the Managing Director remain distinct and separate. The Chairman gives overall leadership to the Board without limiting the principles of collective responsibility for the Board decisions. The Managing Director is responsible to the Board and takes responsibility for the effective and efficient running of the port on day-to-day basis.

Board Remunerations

The non-executive Board members are paid sitting allowances of Kshs 20,000 for every meeting attended as provided by GoK circulars. Director's fees are paid to directors subject to approval by the MoTIHUD & PW in liaison with the National Treasury. Non-executive Board members not representing any Government institutions are paid Directors' fees directly while Directors' fees for those representing the Government and/or its institutions are paid to the Cabinet Secretary, National Treasury as a body corporate. All Directors are paid annually a director's fee of Kshs 600,000 or pro rata for any part served thereof, for each eligible Director. The Authority granted no loans to its Directors during the year. The Directors' remuneration has been disclosed under note 8. No bonuses were paid to the Directors during the year. The Directors are also provided with personal insurance cover.

Board and Strategy Meetings

The Board and its committees meet regularly in accordance with business requirements. All directors participate in discussing strategy, performance, financial and risk management of the Port. Meetings of the board are structured to allow sufficient time for consideration of the matters to be discussed.

The board work plan together with the calendar of meeting for 2019/2020 were fixed in advance and provided to all the directors. Adequate notice was given for each meeting and the agenda and supporting papers were distributed in advance to all the board and committee members to allow time for appropriate review.

The Board has ownership over the Authority's strategic direction. It regularly reviews reports on progress toward the target of the approved business plan, progress against financial objectives and business development. The chairpersons of board committees report at each meeting of the board on the activities of the committee since the previous Board meeting. The board receives regular reports from the Managing Director on the maritime trade environment, strategy, business development and financial performance of the port.

The Board gets regular reports on the port risk appetite profile, top and emerging risk, risk management, liquidity, litigations, compliance and any emerging issues. Members of the executive management are regularly invited to attend board and committee meetings as required to make presentations that give directors an insight into specific technical business areas.

Board Meetings

In compliance to the Mwongozo Code, the Board of Directors dedicated adequate time and met as required in order to effectively provide the required entrepreneurial leadership. During the year 2019/2020 the Authority had 7 regular Board meetings, 5 Special Board meetings and 1 Strategic Board meeting with several meetings of the Committees of the Board. The attendances to the meetings are as indicated below;

Board Meetings held FY 2019-2020													
		Full Board/Special		Strategy Meetings		Finance & Asset		Operations		Audit & Risk		Human Resource	
Director Name	Designation	No. of Mtgs	No. of Mtgs attended	No. of Mtgs	No. of Mtgs attended	No. of Mtgs	No. of Mtgs attended	No. of Mtgs	No. of Mtgs attended	No. of Mtgs	No. of Mtgs attended	No. of Mtgs	No. of Mtgs attended
Gen(Rtd) Joseph R. Kibwana	Chairman	12	(7 Regular) (5 Special)	1	1	-	-	-	-	-	-	-	-
Daniel Manduku	MD	12	(5 Regular) (4 special)	1	1	6	3	4	1	-	-	5	2
Rashid Salim	Ag. MD	12	(2 Regular)	-	-	6	2	4	3	-	-	5	1
Esther Koimett	D	12	-	-	-	-	-	-	-	-	-	-	-
Solomon Kitungu	D	12	(2 Regular) (1 Special)	-	-	6	1	4	1	5	1	-	-
Festus Kingori	AD (NT)	12	(7 Regular) (3 Special)	1	1	6	5	4	3	5	4	-	-
Conrad Thorpe	D	12	(6 Regular) (4 Special)	1	1	6	3	4	1	5	2	5	2
Mary Ngari	D	12	(7 Regular) (4 Special)	1	1	6	2	4	3	5	2	5	3
Peter Gibendi	D	12	(7 Regular) (5 Special)	1	1	6	6	-	-	-	-	5	5
Peter Muracia	D	12	(7 Regular) (4 Special)	1	1	6	4	4	3	5	2	5	3
Alice Mwaisaka	D	12	(6 Regular) (3 Special)	-	-	6	2	4	1	5	2	-	-
Delilah Ngala	D	12	(7 Regular) (4 Special)	1	1	6	3	-	-	5	5	5	2
Beatrice Nyamoita	AD (MoTIHUD)	12	(5 Regular) (3 Special)	1	1	6	5	4	4	5	5	5	4
Oscar Eredi	AD (AG)	8	(7 Regular) (1 Special)	-	-	-	-	4	1	5	2	5	3
Alex Mbuvi	AD (AG)	3	(1 Regular) (2 Special)	-	-	-	-	-	-	5	2	5	2
David Njogu	AD (KRC)	3	(2 Regular) (1 Special)	-	-	6	3	4	3	-	-	-	-

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Compliance with Mwongozo Code

The Authority has endeavored to comply with the Mwongozo Code of Governance for State Corporations in the discharge of its mandate through the Board. It is however recognized that the code will be implemented on a 'comply or explain' basis and organizations will be allowed time to fully comply at a pace that is realistic in their circumstances and to learn from the experience of others. The Authority discloses the following instances of noncompliance; -

a) Competitive recruitment of Board members
The Authority is not privy to any interview process undertaken by the Cabinet Secretary in appointment of Board Directors. The power to appoint is vested in the Cabinet Secretary and this remains a policy issue.

b) Governance Audits
The Government policy requires that governance audits to be undertaken by States Corporation Advisory Committee. However, SCAC has not yet rolled out this exercise. They have indicated that they are still training and compiling list of accredited Governance Audit Auditors and thereafter roll out the same. The proposal is to outsource due to capacity constraints.

c) Succession Plan
The Board has not formalized the succession plan but earmarked the same for discussion.

d) There is no financial expert among the independent members of the Board. However, one independent director has vast experience in the banking/financial sector. Appointment is by the Cabinet Secretary and the Authority has no influence over this.

Directors' External Activities and Conflict of Interest

Directors have a statutory duty to avoid situations in which they have interests which may conflict with the interests of the Authority. A conflict of interest register is signed at every meeting and any emerging interest recorded.

Board Structure

The Board operates under a comprehensive structure made up of committees established to assist in discharging its responsibilities and obligations as guided by the State Corporation Act Cap 446, section 9 and Mwongozo Code of Conduct Chapter 1 Section 1.7. These committees assist the board in carrying out its functions and ensuring that there is independent oversight of internal controls and risk management.
The Board has determined the purpose and the number of committees required to support it in carrying out its duties and responsibilities and in guiding Management. These committees have been established with specific terms of reference, which are continually reviewed and updated. The appointment of members to these committees draws on the skills and experience of individual directors. The role played by board committees forms the principal point of contact between the Directors and Management. Constitution of the Committees are also rotated from time to time.
The Mwongozo Code of Conduct further provides for the establishing of not more than four committees of the Board and for the Authority these are namely; Finance & Assets Committee, Audit & Risk Committee, Human Resources Committee and Strategy & Operations Committee.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Board Structure (cont'd)

All committees have at least four non- executive directors as members. The chair of the committees is a non- executive director. The chairman of the Board does not sit in any of the committees.
At every meeting of the full board, the chair of each committee presents a report on its activities, decisions and recommendations of their respective committees since the date of the previous meeting for further consideration and approval where necessary.

Details of the committees are given below:

- **Finance and Assets Committee**

The core functions of the Finance and Asset Committee is to ensure that the undertakings of the Authority are operated efficiently, according to sound commercial principles in accordance with Part V and VI of the Kenya Ports Authority Act 1978.

Director		Meetings		% Attendance
		Held	Attended	
Lt. Col. (Rtd) Conrad Thorpe	Chairperson	6	3	50%
Ms. Alice Mwaisaka	Member	6	2	33%
Mr. Peter Gibendi	Member	6	6	100%
Mr. Festus Kingori	Member	6	5	83%
Ms. Beatrice Nyamoita	Member	6	5	83%
Mr. David N. Kibui	Member	6	3	50%

- **Strategy & Operations Committee**

The Committee focuses on ensuring that productivity is maintained according to international standards. It also identifies obstacles that may hamper smooth operations and formulates policies on improvement of port performance. It also focuses on the implementation of the Authority's Strategic Plan and any emerging challenges and makes recommendations to the Board.

Director		Meetings		% Attendance
		Held	Attended	
Dr. Peter Muracia	Chairperson	4	3	75%
Ms. Alice Mwaisaka	Member	4	1	25%
Ms. Mary Ngari	Member	4	3	75%
Mr. Festus Kingori (AD NT)	Member	4	3	75%
Ms. Beatrice Nyamoita (AD MoTIHUD)	Member	4	4	100%
Mr. David N. Kibui (AD KRC)	Member	4	3	75%
In Attendance:				
General Manager Operations				
General Manager Engineering Services				
General Manager Corporate Services				

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

- **Human Resources Committee**

The committee reviews the Human Resources policies and procedures and ensures that they support the strategy of the Authority. It ensures that the Authority maintains a policy of providing remuneration packages that fairly reward staff for their contribution to the business, whilst considering the need to attract, retain and motivate staff of the highest caliber. The committee also ensures successions plans are in place for senior managers of the Authority.

Director		Meetings		% Attendance
		Held	Attended	
Mr. Peter K. Gibendi	Chairperson	5	5	100%
Ms. Alice Mwaisaka	Member	5	0	0%
Ms. Delilah K. Ngala	Member	5	2	40%
Mr. Oscar Eredi	Member	5	3	60%
Lt. Col. (Rtd) Conrad Thorpe	Member	5	2	40%
Ms. Beatrice Nyamoita	Member	5	4	80%

- **Audit and Risk Committee**

The committee plays a vital role in ensuring the integrity of financial statements prior to their review and approval by the board. To this end, the committee reviews the accounting policies financial reporting and regulatory compliance of the Authority. The committee also continually evaluates the effectiveness of risk management programs. The committee receives reports of the Internal and External Auditors and management's corrective response to the findings. The committee also reviews the overall scope, annual plans for the internal audit function's activities and oversees the alignment of risk management programs and internal audit activities.

The committee reviews all key internal audit reports and has regular direct access to the Head of Internal Audit and Risk Management.

Director		Meetings		% Attendance
		Held	Attended	
Ms.Delilah K. Ngala	Member	5	5	100%
Dr. Peter Muracia	Chairperson	5	2	40%
Ms. Mary Ngari	Member	5	2	40%
Mr. Oscar Eredi	Member	5	2	40%
Ms. Beatrice Nyamoita	Member	5	5	100%
Head of Internal Audit & Risk Management	Secretary			

Board and Committee Evaluation results;

		Term		Raw	%
Name	**Position**	**Start**	**End**	**Score**	**Score**
Gen. (Rtd.) Joseph R. Kibwana EGH	Chairman	6-Jun-18	6-May-21	4.5111	90.22
Dr. Arch. Daniel O. Manduku	MD	30-Nov-18	29-Nov-21	4.239	84.78
Peter K. Gibendi	Member	6-Jun-18	6-May-21	4.0319	80.64
Mary W. Ngari, CBS. EGW.	Member	6-Jun-18	6-May-21	4.3216	86.43
Delilah K. Ngala	Member	2-Aug-19	2-Jul-22	4.193	83.86
Conrad D. B. Thorpe, Obe.	Member	6-Jun-18	6-May-21	4.3128	86.26
Alice M. Mwaisaka	Member	6-Jun-18	6-May-21	4.0455	80.91
Dr. Peter N. Muracia	Member	6-Aug-18	6-May-21	4.2104	84.21
Festus W. King'ori	Alt. Member	-	-	4.3377	86.75
Alex Mbuvi	Alt. Member	-	-	4.4285	88.57
Beatrice Nyamoita	Alt. Member	-	-	4.3396	86.79
Corporate Board Performance				**4.2043**	**84.09**

Succession Plan

Board has not formalized the succession plan but has in place a structure that ensures business continuity in the absence of the Chief Executive Officer where any of the General Managers can perform the duties of the office of the Managing Director.

Board Charter

Board protocols are regulated by a Board Charter as well as provisions of Schedule 1 of the Kenya Ports Authority Act (KPA Act) Chapter 391 of the Laws of Kenya, including the State Corporations Act where the constitutive statute is silent.

Process of appointment and removal of directors, roles and functions of the Board

The KPA Act vests the mandate to appoint members of the Board in the Cabinet Secretary Ministry of Transport. The KPA Board of Directors comprises 11 members out which Seven (7) are independent Directors, well above the 1/3 requirement. The Managing Director KPA is also a member of the Board in tandem with the Mwongozo Code of Governance and the KPA Act. The composition of the Board has met the parameters of Article 27 of the Constitution of Kenya 2010 with regard to equal opportunities. Out of the 7 independent directors, three (3) are female. It has also captured a diversity of skills and competencies required for the achievement of the organization's long-term goals, as evidenced by the Director's data submitted herein.

Removal of directors is guided by the provisions of the State Corporations Act. The power to appoint also envisages the inherent power to remove or fire, and as long the power to appoint is vested in the Cabinet Secretary, members of the Board can only recommend removal.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

The Independent directors are not in the service of the National or County Governments and do not hold positions in more than two state corporations as described in the table;

Name	Qualifications/Experience	Work Status
Gen. (Rtd) Joseph R. Kibwana	Military	Retired. Currently serves as Chairman KCB South Sudan
Mr. Conrad Thorpe	Strategic Risk Management & Special Services	Group CEO Salama Fikira
Ms. Mary Ngari	Administration	Retired
Ms. Alice Mwaisaka	Professional Administration & Project Manager	Currently Unemployed
Mr. Peter Kid Gibendi	Industrial Chemist	MD Intellectual Ventures Ltd
Dr. Peter N. Muracia	Surgery (Medicine)	Proprietor Pwani Medical Center Kilifi
Ms. Delilah K. Ngala	Business Administration	Retired. Currently serves as member of the Tax Appeals Tribunal since April of 2019.

The trainings conducted for the Directors and their attendance is as below;

Enterprise Risk Management Training held on 13th & 14th November 2019 at Vipingo Ridge, Kilifi	Training on The Role of Board in Procurement, held on 19th & 20th March 2020 at The Bahari Beach Hotel, Mombasa
Alice Mwaisaka.	Gen (Rtd) Joseph R Kibwana.
Delilah Ngala.	Mary Ngari.
Mary Ngari.	Delilah Ngala.
Peter Gibendi.	Peter Muracia.
Conrad Thorpe.	Peter Gibendi.
Peter Muracia.	Festus King'ori.
Beatrice Nyamoita.	Beatrice Nyamoita.
Festus King'ori.	Oscar Eredi.
Oscar Eredi	

Management Committees

A significant factor in the Authority's success is the strength of the Management team. Members of the Management team bring together vital leadership skills and extensive maritime trade experience from both local and international exposure. To harness their strength, the Managing Director has established the Executive Management Committee (EXCOM). This committee meets regularly and at least monthly to discuss strategy formulation and implementation, policy matters and financial performance.
It is also responsible for ensuring compliance with the regulatory framework and guidelines and adherence to the Authority's policies and procedures. The committee also serves as the link between the board and management. The Managing Director has also established other standing committees to execute various mandates and to support the EXCOM in realization of its objectives. Some of the committees include Information Technology Steering Committee, Port Productivity Committee, Change Management Committee, Corporate Training committee, Tariff Committee among others.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Ethics and Integrity Statement

KPA has adopted risk-based approach in mitigating against integrity and unethical issues. The Approach is consistent with ISO-37001, which the Authority is working towards and will enhance good corporate governance

Risk-based measures being implemented include Ethics and Integrity risk assessment, integrity wellness checkups, risk-based training and policies and establishing structures to buttress implementation of corruption prevention plans.

During the year, the Authority complied with National Cohesion and Values performance indicators and a compliance certificate issued. The evaluation was done by the Director of National Cohesion.

The following training and sensitization programs were done in the financial year;

i. Public Complaints Management and National Values training

Sensitization of staff was conducted on Public Complaints management and National Values. A total of 159 KPA staff comprising of Heads of Departments and Departmental Administrators were sensitized.

The sensitization was conducted from 11th-14th November 2019 at the North Coast Beach Hotel, Kilifi and was facilitated by officers from the Office of the Ombudsman.

ii. Integrity Assurance Officers training

Staff drawn from different departments were trained as Integrity Assurance Officers. The 69 staff comprising of 44 males and 25 females were trained from the 2nd- 6th December 2019 at the Pride Inn Beach resort, Shanzu -Mombasa. The 5-day training was facilitated by officers from National Integrity Academy-EACC.

iii. Public complaints management awareness

Public complaints awareness was also conducted to members of the public visiting the KPA stands in the ASK shows country-wide where a total of 2,335 members of the public (1,403 males and 932 females) were sensitized.

The Authority has enhanced the culture of reporting violations of KPA code of Ethics and Conduct encouraging people to report any such violations through the web-based email address on KPA website: stopcorruption@kpa.co.ke

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Ethics and Integrity Statement (Cont'd)

The Authority also has policies in place to be used by all stakeholders in the fight against corruption. The policies include;

- The Anti-Corruption Policy
- The Whistle-Blowing Policy and
- The Code of Ethics and Conduct

The policies have been uploaded onto the website to make them accessible to the general public in line with the Access to Information Act of 2016.

RISK MANAGEMENT

Enterprise Risk Management

Kenya Ports Authority operates a single risk framework to manage all business risks. The framework is based on ISO 31000:2018 International Risk Management Standard. This ensures our strategic and operational risks are identified, managed and reported in a consistent way. While this framework is now established, we continue to promote a risk management culture across the organization.

It is an evolving framework as we continually seek to improve and enhance our risk management processes and designed to be responsive to the ever-changing environments in which we operate. The Risk landscape has for instance been altered with emergent of COVID-19 Pandemic. We continue to be committed to robust risk management practices as an integral part of good corporate governance.

This is demonstrated by the top down approach with the Board taking overall responsibility of managing risk. Appropriate support toward risk management is given, driving a positive risk culture across the organization.

The operationalization of Risk Management Policy paved the way for a more cohesive approach to risk management in the organization.

As encapsulated in the Risk Management Policy, our approach in the management of business risks is evolving from a process and compliance focus to one of data-centricity to inform business decisions. The risk management process provides the framework for managing Credit, Market, Operational and Strategic risk on a day-to-day basis. It also drives risk management according to business and strategic objectives, stakeholders' needs, our desired risk culture, emerging risks and integrated control assurance aspirations as per the Treasury's Circular No. 3 of 2009 on implementation of institutional Risk Management for Public entities.

SUSTAINABILITY STATEMENT

In fulfilling the Mwongozo code's sustainability goals & strategy, the Board;

i. Integrated sustainability into the organization's strategy and management practices
ii. Focused on the future sustainability of the organization
iii. Adopted a holistic approach to economic, social and environmental issues in their core business strategy
iv. Took into account in their decision making, the impact of their organization's operations on the community and the environment
v. Worked closely with management to ensure long-term goals are well formulated and subsequently met
vi. Focused on long-term talent development
vii. Ensured continuous innovation of its processes, products and services

STRATEGIC PLAN 2018-2022

The Authority has been monitoring the progress of implementation of projects and programs and progress made towards attainment of the Key Performance Indicators (KPIs) as per the Strategic Plan 2018-2022 implementation matrix. The table below shows progress made in the implementation of projects for the period up to 30 June 2020;

Projects	**Status as at June 2020**
Progress construction of the Lamu Port First Three Berths to 85% and source for an operator.	Construction has progressed to 79.8%
Progress construction of the MPDP phase II to 60%.	Construction has progressed to 55.2%.
Development of Shimoni port-Start construction of Shimoni Port up to 40% and selection of a PPP operator.	Feasibility study has been approved by PPP unit. Stakeholder engagements held with County government and other stakeholders Following the Presidential Directive, development of concepts drawings and cost estimates for the proposed Port have been finalized. Tender for site investigations was finalized
Progress construction of berth 11-14 to 30%.	The project has not commenced due to lack of funds. The project will be progressed as a multipurpose berths in future using internal resources once the on-going projects are completed, which will free resources.
Development of a free port at Dongo Kundu Special Economic Zone- During the year, the Authority targets to progress to 10% design works for the port component.	The Authority finalized preliminary design and Resettlement Action Plan (RAP). Initiated the process of sourcing for expert to support in development of tender document for procurement for construction works and supervision

SUSTAINABILITY STATEMENT
STRATEGIC PLAN 2018-2022 (Cont'd)

Projects	Status as at June 2020
Second grain handling facility-Complete a feasibility study and progress construction to 10%	The Port Master Plan 2018-2047 guided that that a facility be developed at Dongo Kundu or Lamu port from 2023.
Progress construction of Kipevu road to 100%	Construction has progressed to 69%
Progress construction of cruise terminal to 100%	Construction has progressed to 98%
Acquire land for further expansion of the ICDN to keep up with the SGR demands.	Resolution made to not acquire additional land for ICDN expansion. Completion and operationalization of Naivasha ICD is expected relieve pressure on ICDN
Progress construction of the new KOT to 10%	Construction has progressed to 75.3%
Revamping inland water ways	After completion of the Master Planning for Kisumu Port, the Authority embarked on the implementation of the recommendations. Phase I of the project has been progressed to 98% and the port is ready for commissioning and operationalization
Construct new headquarter office	Master Plan and feasibility study finalized
Revamp dockyard facilities (1 floating dock with associated infrastructure)	Design & Construction of Dock Jetty for Floating Dock at KPA Dock Yard was completed. However, lack of budget has halted its implementation
Develop a Business Plan for ICDN and strategies for other ICDs	Consultant procured pending signing of the contract and commencement of work.
Taita Taveta Feasibility Study	Consultant submitted the final report of the feasibility study. The report has since been approved and adopted by management for implementation
Performance contract	The 2020/2021 PC was developed, approved by board and submitted to the parent ministry in readiness for negotiation and vetting

Performance contracting

The Authority is expected to attain certain levels of performance while the Government and by extension the Ministry has the attendant obligation of providing the enabling environment and rewarding satisfactory performance. At the end of each FY, an evaluation of the performance of the Authority entailing the rating of actual achievements against the set targets agreed upon at the beginning of the respective is conducted. In the FY 2017/18, the Authority was rated the Authority was rated "Good" with a score of 3.0966. Equally, for the FY 2018/19 the Authority attained an overall rating of GOOD, with a composite score of 3.0994 points.

SUSTAINABILITY STATEMENT

STRATEGIC PLAN 2018-2022 (Cont'd)

Achievement Highlights

The following are highlights of the mid-term performance review of the 2018-22 Business Plan:

i. Total container cargo (TEU) of 1.38 million by end of the financial year 2019/20
ii. Total throughput of 33.6 million tonnes by the end June 2020
iii. Total Operating Revenue of Kshs. 48,853 million by the end of Financial year 2019/20
iv. Profit before Tax of Kshs. 8,178 Billion by the end of Financial year 2019/20
v. 100% Compliance to the Customer Service Charter
vi. Development of Berth 1 at Dongo Kundu SEZ: The Authority finalized preliminary design and Resettlement Action Plan (RAP). Initiated the process of sourcing for expert to support in development of tender document for procurement for construction works and supervision
vii. Construction of the first three berths of Lamu port progressed to 79.8% against a target of 100%. Negotiations with Lamu Port Consortium (LPC) for operations of the same progressed to draft Concession Agreement
viii. Relocation of Kipevu Oil Terminal (KOT) progressed to 75.32 % against a target of 65%
ix. Mombasa Port Development Program (MPDP) Phase II construction progressed to 55.17% against a target of 65%
x. Conversion of the shade at berth 1&2 into a modern cruise ship terminal: The project is at 98% complete. The only pending work is installation of an underground water tank and a bio-digester
xi. Expansion of the Kipevu road progressed to 69 % against a target of 100%
xii. Establishment of a Customer Engagement Centre. A proposal was developed and approved for implementation against a target of setting support infrastructure
xiii. After completion of the Master Planning for Kisumu Port, the Authority embarked on the implementation of the recommendations. Phase I of the project has been completed and the port is ready for commissioning and operationalization, and
xiv. Installation of Integrated Security System (ISS) at container terminal 2 phase I progressed to 95% against a target of 100%. Delay was occasioned by slow approval of tax exemption by the national treasury

Challenges

i. The Authority encountered several cross-cutting challenges, which affected timely implementation of activities in the Business Plan;
ii. The government released a circular in April 2018 requiring all tenders to be approved by Cabinet before being signed with suppliers. The approval process took long for most projects hence delaying commencement of the planned projects and programmes. This requirement has since been relaxed, and it is expected that the situation will get better, and project implementation will get better
iii. A number of projects and programmes qualified for tax exemptions and therefore the National treasury had to grant approval for such exemptions. There was delay from the National treasury which subsequently delayed the commencement of the projects. This affected MPDP Phase II and KOT projects.

SUSTAINABILITY STATEMENT

STRATEGIC PLAN 2018-2022 (Cont'd)

Challenges (Cont'd)

iv. The delay in aligning the organization structure to the Strategy has hampered effective delivery of some of the activities. The structure has taken cognizance of the programmes and projects to be implemented in the plans and has incorporated some key functional units such as Strategy Management Office, corporate risk management Office, coordination of PPP projects and management of concessions, Knowledge Management, Resource Mobilization and Monitoring and Evaluation units to aid in efficient implementation of the Business Plan. This delay has caused delays in implementation of activities under the proposed functional units

v. Delays in decision making due to involvement of several major stakeholders. For example, delay in approvals from other government agencies. Progress of implementation of the Shimoni Port was affected due to a delay in approval from the PPP unit which has since been granted

vi. Government directives on project implementation affected some projects, specifically Shimoni Port where a presidential directive was issued

vii. Lack of funding - Several projects had to be postponed or delayed in implementation due to lack of adequate funding. For instance, Lamu Port financed by the GoK has faced several delays in meeting timelines due to lack of funds., and

viii. Human Resource Challenges: The spread of the virus in Mombasa County has been one of the highest. The Port has not been spared either and this has led to significant reduction in the number of key personnel at workplace at the port of Mombasa. Many workers in most of the ongoing Port projects were also out of station as a result of the government/health measures taken to curb the spread of the virus. Others were forced to work for shorter durations during the day due to the government curfew.

Key Lessons Learnt

To address the above captured challenges and to ensure successful implementation of the strategy, The Authority has:

i. Resorted to E-Commerce to mitigate against negative impact on quality of service delivery. Currently, all operations planning meetings with clients are conducted via teleconference and all matters are attended to adequately like before. The fact that KPA invested heavily in ICT, has paid off during this pandemic

ii. In terms of Staff coagulation, KPA is currently utilizing multi- skilled staff to support areas which have been affected by shortage of key staff due to either quarantine, isolation or other advisory needs by Medical professionals arising from age factor, health conditions, among others.

iii. Continue cascading and automating the Business Plan through the BSC model.

iv. Consider alternative financing through PPP. Owing to the huge debt exposure of the country, loan financing exerts more strain on the debt situation. The best alternative to finance projects is internal financing. However, since the Authority is concurrently running numerous projects requiring huge capital outlays. PPP financing is a new frontier in project financing. Adoption of the approach is quite cumbersome making PPP unattractive to potential investors. There is need to refine the tedious PPP procedure.

SUSTAINABILITY STATEMENT

STRATEGIC PLAN 2018-2022 (Cont'd)

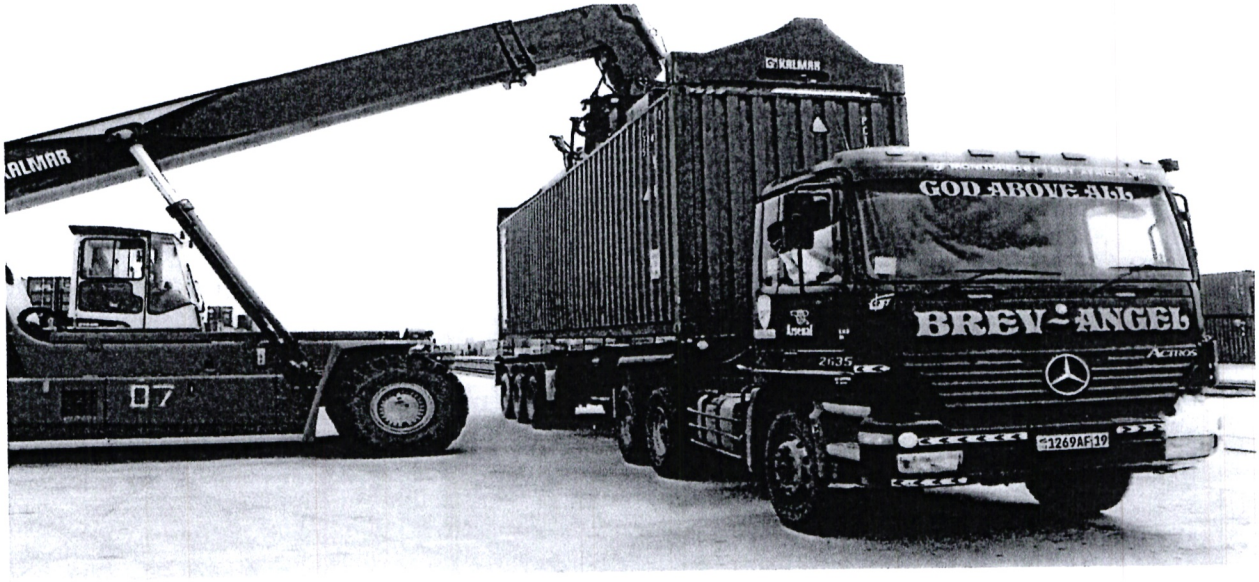
Naivasha Inland Container Depot

The Government of Kenya through Kenya Railways engaged the EPC contractor who did the SGR Phase 2A, to construct the Naivasha ICD in September 2019. The Naivasha Inland Container Depot (ICD) was commissioned on 17thDecember 2019 by H.E president Uhuru Kenyatta and subsequently gazetted as a customs zone in February 2020. The facility targets to handle transit cargo destined for Uganda, Rwanda, Burundi, South Sudan and DR Congo. The ICD will also handle local cargo destined for west of Nairobi and serve the planned Industrial park located in Naivasha.

The ICD handled its first consignment via the freight service laden with 96 containers destined for neighbouring Uganda. Since then the dry-port has escalated operations, increasing the number trains piling the Mombasa-Naivasha route and its expected the ICD will handle 2 million Tons which translates to 133,300 TEUs annually.

To achieve this target, joint marketing initiatives by Kenya Railways and KPA are being undertaken which include but not limited to promotional tariffs, extended free storage period, facility tour by stakeholders and mass sensitization through the media. In addition, the GOK through the MoTIHUD held high level consultations with the Transit partners' states to pick their cargo from Naivasha as a measure to reduce the spread of Covid 19.

Plans are also underway to construct a marshalling yard adjacent to the ICD for truck parking. Additionally, the ICT team is developing a system to streamline paperless documentation and to improve seamlessness in cargo clearance.



Cargo being loaded at Naivasha

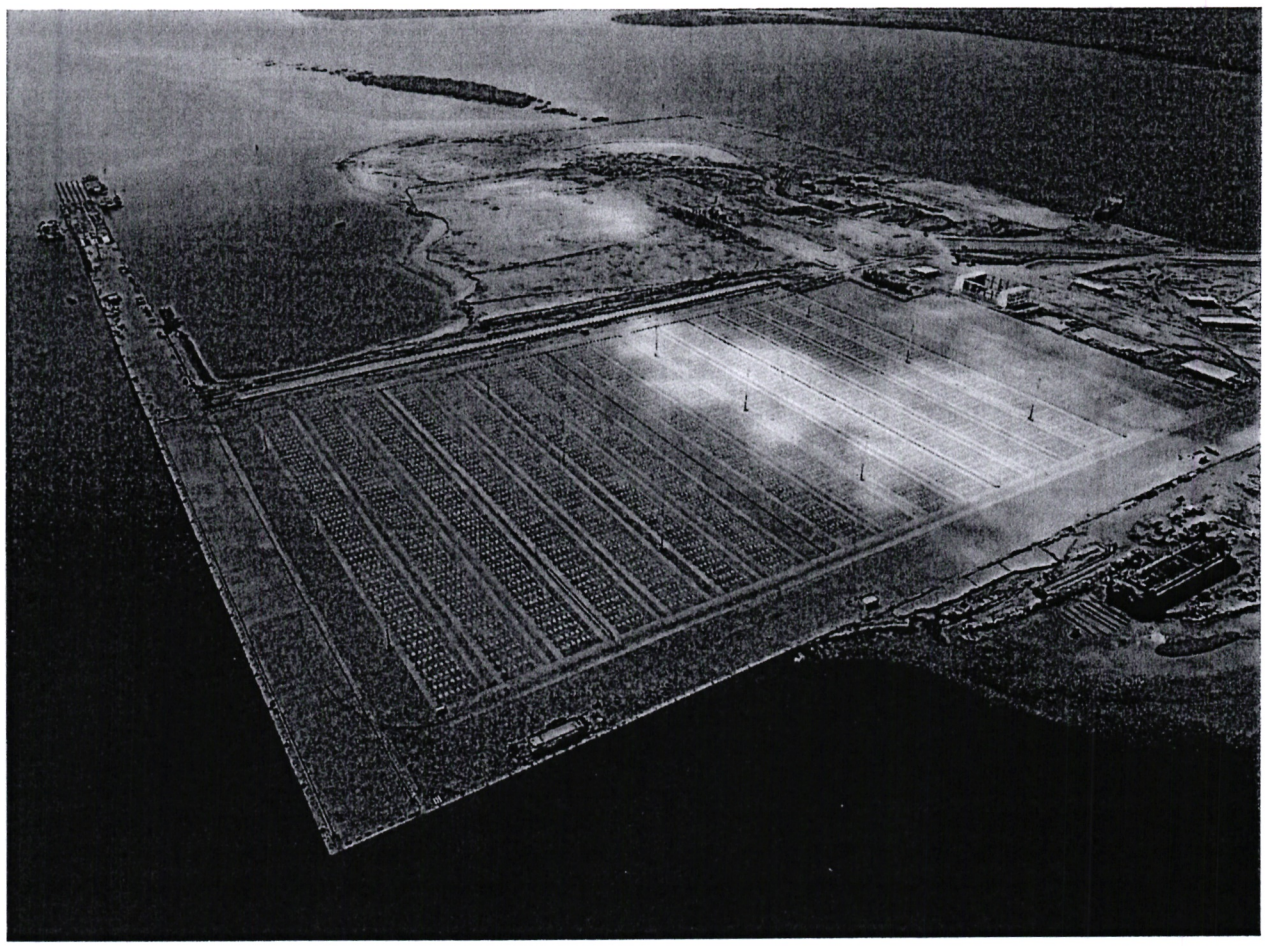
SUSTAINABILITY STATEMENT

STRATEGIC PLAN 2018-2022 (Cont'd)

Port of Lamu

The government of Kenya through KPA is building the second commercial port in Lamu to complement the Port of Mombasa. The Port of Lamu is Part of wider LAPSSET corridor that also included railway, oil pipeline, airports, and resort cities among others. Construction of the first three Berths of Port of Lamu is currently on-going and as of June 2020, the project had progressed to 79.8% with the first berth completed and ready for operations. Negotiations between the government and Lamu Port Consortium (LPC) are in advanced stages for operation of the Port through PPP framework.

The first berth consists of quay length measuring 400 meters long and is projected to handle post panamax vessels with a capacity of up to 20,000 TEUs. The berth is projected to handle an annual throughput of 900,000 TEUs. The Authority is organizing for requisite equipment to be delivered to the port to begin initial operations.



Aerial view of completed Lamu port Berth 1

SUSTAINABILITY STATEMENT (Cont'd)

ENVIRONMENT & HEALTH AND SAFETY

Environmental Policy

The Authority has an Environment Policy that is geared towards addressing the negative Environmental impacts of port activities and operations and also guides on environmentally friendly port operations and development.

The Policy is focused on greening initiatives, use of green technology, Biodiversity restoration, sanitation, waste management and use of renewable energy especially solar energy.

Energy Management

The Authority has continued to implement energy saving initiatives recommended in past energy audits. This includes replacement of existing lamps to energy saving lights, installation of solar power plants and the use of LED lighting.

In the financial year 2019/2020, an energy audit was conducted focusing on the implementation of the recommendations of the previous energy audits mainly on adoption of use of green energy and energy saving measures.

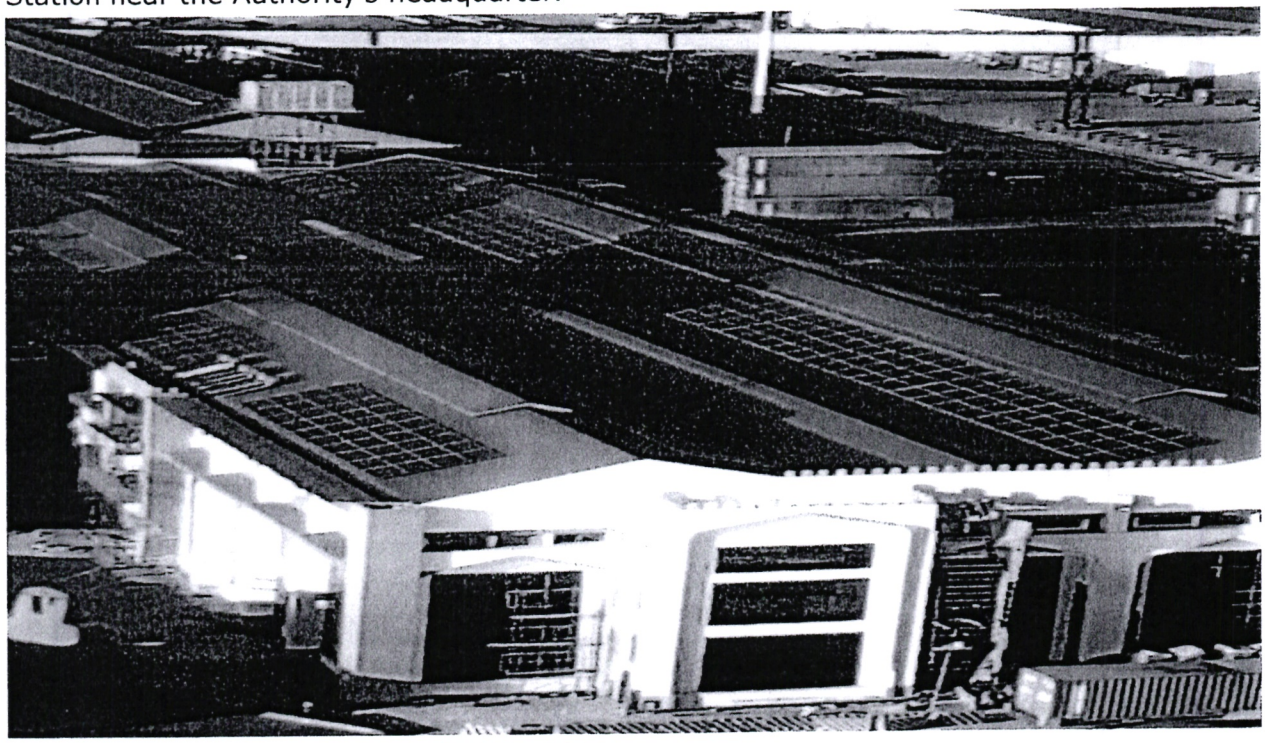
Energy Management

Apart from the existing 400KW solar plant at Kapenguria area, two more solar Power plants have been installed. This include a 350kw grid-tied plant on the roof top of the procurement main store at Kapenguria and a 300kw grid-tied plant installed at the Cruise ship terminal. The two plants are expected to be operationalized soon.

The Authority is still pursuing the need to use greener energy for ships through provision of on-shore power. Despite funding challenges, a new shore power feasibility study has been done through the Parent Ministry at Mombasa and Lamu Ports.

The solar project has since been extended to other sheds including the Cruise Ship terminal shed. The Authority also recently advertised another tender on installation of solar power on other KPA buildings.

This Plan for installation of renewable energy sources will eventually be extended to the hillsides and one of the areas already proposed for this is the hillside near KenGen Power Station near the Authority's headquarter.



Installed solar panels at the Cruise Ship Terminal

Biodiversity Management

The following are some of the efforts in respect to biodiversity management carried out in the period under review.

- Protection of marine habitats through regular monitoring of marine biodiversity. This applies to all marine based KPA projects currently ongoing in the port.
- Continued environmental protection and Conservation activities at Uhuru Garden at a cost of Kshs 3 million. KPA is maintaining the garden on behalf of the National Museums of Kenya.
- The Authority has adopted a site at Tudor creek/ Mikindani Area where planting of Mangroves has been ongoing for the last three years. In the current financial year 4,500 trees have been planted at the site.

SUSTAINABILITY STATEMENT

Biodiversity Management (Cont'd)





Tree Planting

Waste Management

The Authority has developed a waste management strategy/plan with the support of TMEA. The plan focused on waste reduction, waste segregation, collection, transportation and disposal. Implementation of the waste management is ongoing. There are strategic areas identified in the plan that includes,

- Institutional, organisation and policy reforms
- Implementation of waste management hierarchy
- Planning for sustainable solid and special waste management
- Public Private Partnership in waste management
- Capacity building and environmental education/awareness

The waste management plan also gives short-term and long-term liquid waste management strategies.

Climate Change Initiatives

The Authority undertook a number of initiatives related to climate change in the period under review as follows;

a. Development of emission data collection templates in conjunction with TMEA and estimation of port greenhouse gas emissions with respect to Fuel Consumption.
b. Continued partnership with the Parent Ministry and other agencies under the Ministry in discussions on a project called "The Advancing Transport Climate Strategies" (TraCS). A second phase of this projects is expected to focus on the maritime industry and reporting on maritime emissions.

SUSTAINABILITY STATEMENT (Cont'd)

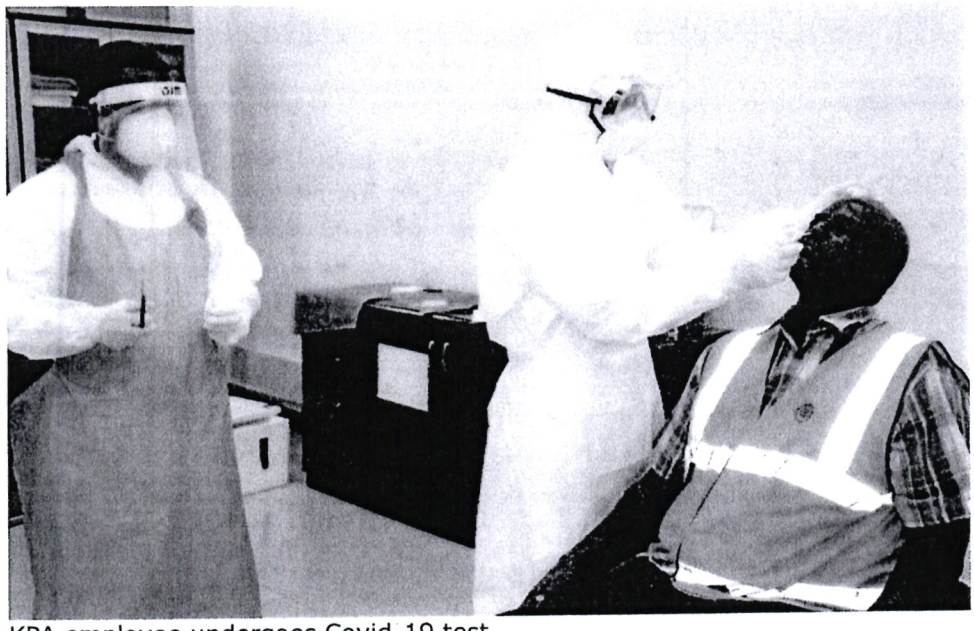
Covid-19 Challenges and opportunities

The World Health Organization (WHO) declared the COVID-19 outbreak a pandemic of international concern. The Global health body reported that though the attack of the Corona Virus was very high its containment was still possible.

In Kenya, the first case of COVID-19 was reported on 12th March 2020. The government categorized KPA as an essential service provider and directed that Port operations continue. To ensure operations were not interrupted, the Authority put in measures to ensure business and service continuity, through concerted efforts of KPA Management, Port Public Health, County Government of Mombasa, Port users and other state agencies.

Some of the measures include;

Mass testing at the port
Initially tests were undertaken for the Medical Services/clinical team and those in mandatory quarantine before mass testing was rolled out to employees.



KPA employee undergoes Covid-19 test

Sanitizers
Hand sanitizers were installed and utilized at all gates, receptions, offices and operational areas. Staff also regularly received sanitizers and were encouraged to use soap and water to maintain high hygienic standards.

Sensitization
Sensitization through mail updates, road shows and public address system are conducted by limited personnel. The road show also utilize a public address and move round targeted locations. KPA has ensured adherence of social distancing by marking the ground at the clocking areas and entry points to guide staff and port users.

SUSTAINABILITY STATEMENT

Covid-19 Challenges and opportunities (Cont'd)

Port decontamination

Decontamination of port indoor and outdoor areas was put in place. The exercise was carried out on a regular basis for port internal environment, equipment and machinery and KPA clinics.

Hand washing units

Hand washing units as a primary strategy, undoubtedly plays a key role in suppressing the spread of the disease. We are following WHO and Ministry of Health recommendations around cleaning practices, and appropriate disinfectant and hygiene tools have been placed in all work areas. Hand washing points particularly operational areas where high personnel traffic is witnessed were increased.

Mandatory use of face masks

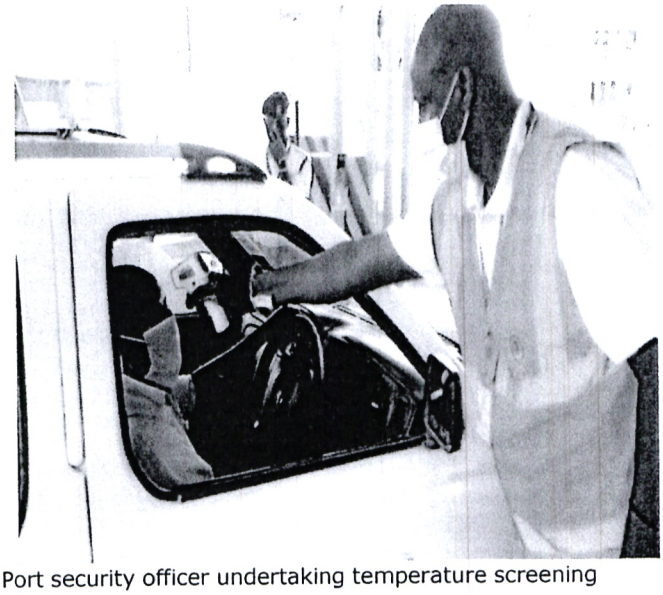
Enforcement of the use of face masks was made mandatory to employees and port users.

Temperature screening

Body temperature being one of the primary parameters of COVID-19, hand held infrared forehead thermometers were deployed at the entry points to allow safe and non-contact screening of persons entering the port to determine their body temperatures.



KPA top officials in mask



Port security officer undertaking temperature screening

Restricted movement of ships' crew

Ships' crew are prohibited to disembark from ships while pinned at berths.

SUSTAINABILITY STATEMENT

Covid-19 Challenges and Opportunities (Cont'd)

Port de-congestion program

This program augmented that of the directive from the government to have certain categories of staff allowed to work from home. Staff aged 58 years and above and those with known pre-existing conditions work from home.

Additionally, to minimize human contact, the following were effected.

i. purely administrative and non-core services departments were allowed to work from home

ii. stakeholder engagement reduced to online transactions

iii. adoption of video conferencing for meetings

iv. e-documentation and online approvals

v. postponing of new registration of port users

vi. change of shift system in certain areas

Movement of transit cargo from the port of Mombasa and other inland facilities

In our deliberate efforts to curb the spread of COVID-19 pandemic, and in compliance to Government directives and guidelines, effective from Monday 11th May, 2020 KPA enforced the following additional measures at its facilities:
1.All transit cargo truck drivers carrying cargo to and from the Port of Mombasa and other Inland facilities must produce a valid COVID-19 free certificate before entering these Port facilities.

2. The mandatory COVID-19 free certificate will be valid for only 14 days from the issuance date. Upon expiry, the drivers have to be tested and renew the certificate.

3. It is important to note that these additional measures were agreed upon following regional deliberations after it was noted that truck drivers carrying cargo risked transmitting the virus from one neighbouring country to another.

4. The Kenya Ports Authority in conjunction with the Port Public Health rolled out detailed procedures to handle vessels to ensure operations are not interrupted during the COVID-19 pandemic. At year end, no crew of any ship calling at the Port had tested positive.

Risk management, monitoring evaluation and reporting in light of COVID-19 Pandemic

KPA has been closely monitoring the developments concerning the COVID-19 pandemic. At all times we have been striving to respond appropriately, adhering to advice from the government and global health authorities, while continuing as much as possible to operate and provide services as usual within this ever-changing environment.

Risk management, monitoring evaluation and reporting in light of COVID-19 Pandemic

The Risk Assessment of COVID-19 on the Authority highlights risks that the Authority faces and which their crystallization can affect the delivery of the Business and strategic Plans.

COVID-19 has emerged as a top economic risk globally. The performance of the Authority may be impacted by;

- ✓ Change in cargo flows and reduced number of vessels calling at the Mombasa Port due to disruption of the supply chain amidst blank sailings
- ✓ Safety regulations and restriction measures on Port entry for vessels, crews and trucks
- ✓ Operational delays due to changes in Port call procedure
- ✓ Disruptions to hinterland transport (delays in cross border trucking activities)
- ✓ Effect on utilization of storage spaces due to uncollected cargoes and delays in transshipment business at the border points
- ✓ Reduced revenues amidst increased claims by importers and other cargo interveners
- ✓ Availability of dockworker and equipment operators which may impact turnaround times and exacerbate cargo congestion
- ✓ Legal disputes; Legal issues and disputes may not immediately arise but will certainly surface once countries recover from the immediate effects of the pandemic

Below are the Authority's mapped critical risk areas emanating from COVID-19 pandemic as they relate to the delivery of the Authority's strategy and proposed risk mitigation measures against the identified risks

COVID-19 Effect	Mitigation Measures (Action taken)
Change in cargo flows.	The Authority is liaising with Shipping lines and other Stakeholders to support trade especially exports. A scenario planning will also be undertaken for the different situations that the Authority is likely to face and review the Business Plan. An Implementation Plan will be developed for the remaining term of the Strategic Plan period to guide the activities of the Authorities after the review process.
Decline of key vessel calls especially Container ships due to disrupted supply chain	The Authority aligning Port operations to risk assessment in order to stay ahead of the curve and facilitate where possible return of container ships to Mombasa Port.

SUSTAINABILITY STATEMENT

Risk management, monitoring evaluation and reporting in light of COVID-19 Pandemic (Cont'd)

COVID-19 Effect	Mitigation Measures (Action taken)
Shortage of staff in operations areas due to COVID-19 related restrictions resulting in declined performance	The Authority is utilizing technology-E Commerce among the Staff and other cargo interveners for smooth execution of duties. Multi- skilled staff are also being utilized to support areas which have been affected by shortage of key staff due to either quarantine, isolation or other advisory needs by Medical professions.
Stigmatization among workers	Counselling & Support programs such as Awareness Campaign are currently done by Coivd-19 Management Committee
New restrictions on vessels entering and movement within the port	The Authority activated its emergency plans and use of Technology to minimize human interaction
Arrival of Export cargo Past delivery time	The Authority has negotiated with Shipping lines on Closure time to facilitate smooth expatriation of exports, by requesting the lines to tolerate late acceptance of export cargo until the situation normalizes
Surge in medical expenses	The Authority will review budget from time to time after analysis on the trend, in order to adopt to the changing environment
Rise in Truck turnaround time leading to slow evacuation of cargo	The port is aligning Port operations to risk assessment in order to facilitate where possible quick evacuation of cargo
Impact on the financing and implementation of major port projects in the country leading delays and likely extension of time	To help support and restore the economy of Kenya, it is essential for international trade to continue and this requires the national projects to proceed, in order to develop more capacity for long-term growth and to respond to changing shipping dynamics. Where possible, the Authority has continued works on large projects such as Lamu Port. Despite the challenges in shortage of labour and lack of funds.
Infections of staff	In collaboration with county Government of Mombasa and other state agencies, KPA has put in place measures to support those affected or infected, this includes facilitating quarantine, isolation and other support. In further efforts to curb the spread of the virus, the Authority is continuously decontaminating the port, temperature screening, provision of PPEs and hand sanitizers, sensitization to all port users, always encouraged social distancing and wearing of face masks.

SUSTAINABILITY STATEMENT

Risk management, monitoring evaluation and reporting in light of COVID-19 Pandemic (Cont'd)

COVID-19 Effect	Mitigation Measures (Action taken)
Disturb all port planning with and with stakeholder due to requirement for social distance	KPA have resort to use of ICT to put in place all necessary and essential meeting for port operation planning, stakeholders meeting, departmental meeting among others.

The abrupt covid-19 pandemic heralded a new era of response that was not in the day to day environmental management scope. The Authority is committed in ensuring the health and wellbeing of our employees, stakeholders and port users. Importantly, a daily schedule for decontamination against the virus in workplaces and provision of hygiene related products and services like sanitizers and hand washing points presented an opportunity to not only create a new culture of enhanced personal hygiene but also helped to control rising infection trend especially at the port of Mombasa.
The Authority is now better prepared to handle such unprecedented challenges owing to lessons already learn.

Safety Week

The KPA safety week is an annual event usually held to coincide with the world day for safety in April. The event promotes a preventative safety and health culture involving all cadres of employees and port users in the Authority. Due to the effects of Covid-19 pandemic and restriction on gatherings, awareness and sensitization activities were carried out virtually.

Employee Assisted Program Health Week (EAP)

Periodic EAP are conducted targeting mainly employees, their dependents and other port stakeholders, to help them stay healthy and productive. It is undertaken quarterly as part of Performance Contract (PC) for the medical department. The objective of the health week is to create awareness and understanding through screening of the Non-Communicable Diseases lifestyle diseases including Hypertension, Stroke, Cancers, Chronic Respiratory Diseases and Diabetes, as a primary preventive measure, treatment of affected cases and promotion of a healthy lifestyle. A total of 3,974 people were attended to in the year under review.

EAP Health Week	Nov-19	Mar-20
Employees	1,118	1,140
Dependents	315	603
Port users	516	282
Total	**1,949**	**2,025**

SUSTAINABILITY STATEMENT (Cont'd)

Health and safety Programs

The safety branch of the Authority takes the primary role of ensuring compliance to OSHA 2007, which provides regulations to ensure the safety of persons in the port and safe work environment.
To achieve this mandate the Safety Branch has put in place various Programs aimed at:

- Creating safety awareness and sensitization to all persons in the port.
- Ensuring safe cargo handling including dangerous cargo.
- Identifying workplace hazards and risks and recommending control measures.

Such Programs include:

1. Safety Training, Awareness and Sensitization

This is an ongoing program that involves sensitizing staff and port users (contractors and visitors) on safety matters in the port. Due to the effects Covid-19 pandemic and restriction on gatherings, awareness and sensitization activities were carried out virtually.

2. Workplace Inspections, Risk Assessments

Workplace inspections are carried out at various workplaces to ensure the work environment is safe and that safe work practices are adhered to. Inspections are carried out in line with monthly inspection schedules covering all port areas.
Risk assessments are carried out on the various work process to identify and control hazards and risks associated with the processes. Four risks assessments are carried out monthly. The risk assessments are carried out together with process owners for ownership and recommendations addressed to relevant action officers.

3. Occupational Health and safety (OSH) Audits

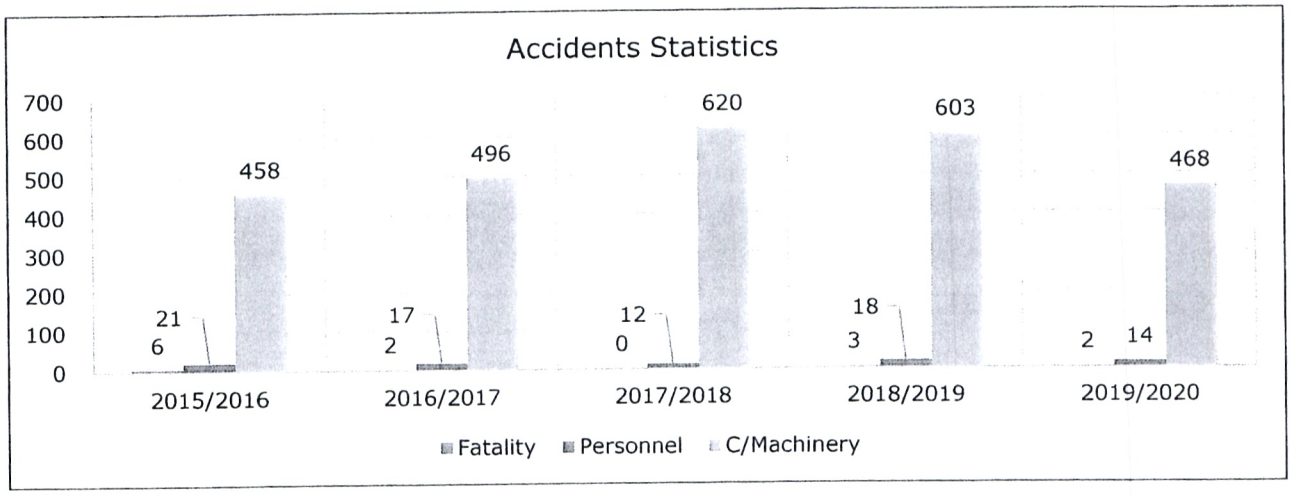
OSH audits are a statutory requirement in the Occupational Safety and Health Act. The audits cover all workplaces, processes and facilities in all areas under the jurisdiction of the Authority. The annual statutory health and safety audits were carried out in February 2020.

Accident occurrence

The Authority has in place a health and safety policy in line with the requirements of the OSHA Act, 2007. The policy denotes the Authority's commitment to ensure the safety of persons and that the Port is maintained as a safe work environment.
The Authority has in place Control Measures to prevent accident recurrence and implement recommendation from accident investigations all within the set time limits.

SUSTAINABILITY STATEMENT

Accident occurrence (Cont'd)



Periodic Statutory Medical Examination

This is an annual activity that is aimed at identifying staff prone to occupational illnesses due to the nature of work and the work environment and to take measures to protect the workers.

Safety Committees

Departmental Safety committees are held monthly in each department to discuss safety matters affecting staff and work. The meetings provide a forum for staff participation in matters of health and safety in the workplace.

Fire safety:

The Authority has a fully-fledged Fire and rescue service which carries out the following key activities:

i. Conducting training on fire safety to employees and port users.
ii. Provision and maintenance of firefighting equipment and facilities.
iii. Responding and attending to fire emergencies.
iv. Providing rescue services.
v. Proving ambulatory services to employees and port users

Administration of First Aid

The Authority has One hundred and thirty-four first boxes (134). Inspection of first aid boxes located at all workplaces is carried out regularly to ensure they conform to requirements. Replenishment of said boxes is carried out on need basis.

Training of first aiders to man these first aid boxes is done in coordination with St. Johns. The Authority has over 1,500 trained first aiders.

SUSTAINABILITY STATEMENT (Cont'd)

Safety Enforcement

To ensure compliance with port safety rules and regulations, Safety enforcement exercises are continuously carried out to enforce safe practices in the port. These are carried out together with Port Security Officers and Port police. These ongoing activities include:

1. Monitoring of contractors: This is done periodically during the working time of a contractor to ensure they are working safe.
2. Port Roads Speed limits: Speed cameras have been installed along port roads and the same are being monitored at the security control room and the safety office. Over speeding motorists are flagged, and appropriate action taken.
3. Alco-blows: Alco blows are sporadically administered with the assistance of port police. Offenders are prosecuted.
4. PPEs compliance: Enforcement PPEs compliance in operational areas is ongoing.
5. Traffic Offences: Monitoring of safe road practices by motorists is an ongoing activity.

Policies guiding the process of hiring and the gender ratio

The Authority's recruitment and selection process is done within a framework of Human Resource policies i.e. the HR Manual 2017 and the Recruitment and Promotion Policy that provide appropriate direction for staff recruitment and selection, appointments and deployments.

Recruitment and Promotion of personnel to fill established positions is undertaken on the basis of merit and equity for efficient and effective performance and service delivery.

Guided by the Recruitment and Promotion Policy, Management strives to ensure that employees appointed or recruited are not more than two-thirds (2/3) of the positions in its establishment and that the positions are filled by either gender. This is however done without compromising the principle of fair competition and merit as the basis of appointments and promotion.

It is also imperative to note that recruitment in the Authority and indeed anywhere else is influenced by several factors, some of which the Authority might have no control over, such as candidate response whereby the majority of those who have applied for employment with the Authority whenever advertisements have been placed, have been male.

In addition, the nature of work in the Authority has been a contributing factor. Many of the jobs within the Authority are skewed toward males e.g. Dockers and Equipment operators as the work is manual in nature. Females tend to shy away from these jobs and many other jobs as well, notably technicians, engineers, sailors and pilots.

The policies are often reviewed between 4-5 years to be in tandem with the Public Service Commission Human Resource Policy and Procedural manual for the Public Service 2016. The Authority's Human Resources Manual 2017 is currently undergoing a review.

Wajibika

At the commencement of the Performance management cycle that covers the period 1 July 2019 to 30 June 2020, management staff were guided to develop their scorecards.

Appraisal documents were created in the SAP Appraisal system by HR Performance management section staff and routed to management staff as per the reporting structures sitting in the SAP HR Master Data (Employee-Immediate Supervisor). Staff were supported to capture their scorecards in the SAP Appraisal System in readiness for mid-year and end of year performance evaluation against the agreed targets/deliverables as captured in their scorecards.
Midyear appraisal for management staff was officially undertaken from 13 January to 7 February 2020. The purpose of midyear appraisal is assessing progress made in achievement of the set targets as contained in the management staff scorecards. After conclusion of midyear appraisal, the results were analyzed, feedback reports shared with Departments.

End of year appraisal was ongoing at year end despite the challenges occasioned by corona virus disease. Upon its completion, the appraisal results will again be analyzed, departmental feedback reports will be prepared and shared with Departments.

The process of development of the scorecards and performance appraisal covers all the Authority's work stations. Due to effects Covid 19 pandemic the Wajibika communication campaign could not be officially rolled out in March 2020. However, plans are underway to roll it out once normalcy returns.

i) Creating a positive reception to the demands of implementing the balanced scorecard.
ii) Changing employee perceptions about their work.
iii) Changing attitudes of staff to ownership of the work outcomes/results.
iv) Enhancing focus on our customers (customer centricity/customer excellence)
v) Instill pride, patriotism and value for the job
vi) Team playing
vii) Workplace excellence

Employee Skills & Trainings

Cognizant of the fact that employees are the most valuable assets, the Authority is committed to training and developing all its employees.
A Training Policy which outlines measures and strategies for ensuring Human Resource Development is in place. The policy aims at addressing identified performance gaps for all staff and plan training for emerging business needs. Emphasis is on business-driven cost-effective training that responds to career growth.
Continuous upgrading of employees' core competences, knowledge, skills and attitudes is done. The capacity building also focuses on employee's ability to assimilate technology.
In the year, a total of 2,439 staff were trained in various courses as per their scope of work.

KPA continues to enhance opportunities for women to be educated and gain experience in maritime activities. Indeed, female staff are increasingly taking on technical jobs such as terminal tractor drivers, winch operator, gantry operators, top loader operators, terminal tractor drivers. There are also female sailors at marine operations.

SUSTAINABILITY STATEMENT (Cont'd)

Policy on unionisable employees

Employment relations in the Authority are regulated by a number of sources: constitutional rights, statutory rights as set out in statutes and regulations; rights set by collective agreements and even the Authority's Human Resource Manual 2017.

Further, the Collective Bargaining Agreement (CBA) spells the revised and harmonized terms and conditions of service for the unionisable employees who are represented by the Dock workers Trade Union. These terms and conditions of service take into account Government Directives and Circulars issued from time to time that affect employees of State Corporations. The Authority's Human Resources Manual 2017, provides a framework for the benefits offered to Contract and Permanent employees.

The CBA between KPA management and Dockworkers union for the period 2018-2019 expired on 31 December 2019. At the close of the year, KPA was still seeking approval from the Salaries and Renumeration Commission (SRC) before embarking on the CBA negotiations.

IT Systems and Cyber Security

During the year, KPA upgraded operating system servers to Windows 2016 version, desktop operating systems to Windows 10 and MS Exchange System. This enabled KPA staff to comfortably work from home, receive remote assistance including empowering staff to self-manage their systems passwords and have online meetings during the COVID 19 pandemic through the use of different solutions such as Windows Virtual Desktop, Microsoft Teams and VPN.

SAP system was not affected by the pandemic and the automation of the billing and automation of gate pass processing reduced human interaction. Likewise, the automation of the interface of pickup orders, pre-advice, empties repositioning and service requests in the KWATOS system reduced walk-ins to and from the port by customers.

KPA network resources are protected; its network security layers are implemented at the perimeter and core of the network to curb cyber security threats.

Stakeholder Engagement

The Authority engaged stakeholders in several forums as part of business collaborations geared towards sustainability. Stakeholders' engagement is very important in the business world for growth and resolving challenges and finding permanent solutions to make the port efficient.

The Authority engaged stakeholders at the Blue Radisson Hotel in Nairobi. The forum provided a platform where all parties can update each other on developments affecting the industry, and the specific measures to improve service delivery. This annual engagement assists in strategizing on picking and embracing best trade and business practices knowing that the industry is dynamic and so we must keep our eyes open to ensure we have shared and kept abreast with the constant changes in the industry.

SUSTAINABILITY STATEMENT

Stakeholder Engagement (Cont'd)



The Authority also hosted a breakfast with its stakeholders during the customer service week in a bid to recognize and appreciate their business. A site visit was also conducted for several shipping lines in Lamu port to appreciate the progress achieved as preparations geared towards the commissioning of the facility enter home stretch.



KPA director addressing shipping lines officials on Lamu port

SUSTAINABILITY STATEMENT (Cont'd)

ASK Exhibitions and Trade Fairs

The ASK exhibitions remain one of the most popular forums where KPA meets and interacts with customers on a one-on-one basis. Using this forum KPA has been able to enhance her image and reputation by sharing information on port services and the Port's role in facilitating agriculture and Trade with customers. KPA's continued participation also serves as a Corporate Social Investment (CSI) through sponsorship of related show activities and educating the publics, hence adding value to the ASK events.

The Authority continues to register a trailblazing performance in the ASK exhibitions and trade fairs scooping numerous top awards. The Authority participated in all regional shows in 2019 and clinched top prizes in several categories as shown below;

The Authority currently exhibits in three shows namely, Nakuru, Kisumu, Mombasa and one international trade fair: Nairobi. The 2019 ASK theme was "Promoting Innovation and Technology in Agriculture and Trade". KPA successfully participated in the said exhibitions and registered exemplary performance in the categories entered for competition. Details are indicated in the show report, below are key highlights.

Nakuru Show	**Kisumu Regional Show**
• 1st In Large Trade Stand Commercial and Industry • 1st In Community Activities • 1st In Non-Agriculture • 1st In ICT Applications • 2nd In Show theme interpretation • 2nd In Environmental Applications • 2nd In promotion of National Cohesion and integration • 2nd In Youth Empowerment • 3rd In Strategies of International Trade and Exports	• 1st In Large Trade Stand Commercial and Industry • 1st In Strategies of International Trade and Exports • 1st In Environmental Applications • 1st In Non-Agriculture • 1st In ICT Applications • 1st In promotion of National Cohesion and Integration • 1st In Youth Empowerment • 2nd In Show theme interpretation
Mombasa Show	**Nairobi International Trade Fair**
• 1st In Promotion of International Trade and Export • 1st In ICT Applications • 1st In Youth Empowerment • 1st In Environmental Applications • 2nd In Large Trade Stand Commercial and Industry • 2nd In Non-Agriculture • 3rd In promotion of National Cohesion and integration • 3rd In Community Activities	• 1st In Large Trade Stand Commercial and Industry • 1st In Community Activities • 1st In Promotion of International Trade and Export • 1st In ICT Applications • 2nd In Non- Agriculture • 2nd In Youth Empowerment • 3rd In Environmental Applications

CORPORATE SOCIAL INVESTMENT

The Kenya Ports Authority (KPA) is committed to uplifting the standards of living of the communities within the Coastal region and other areas where it operates. This commitment is entrenched in and supported by our Corporate Social Investment (CSI) Policy.

The Authority has invested enormously in improving education and health facilities in each of the Coastal Counties aimed at assisting and developing the communities to address specific socio-economic needs. It is through this initiative that KPA as a responsible corporate entity continues to positively impact on communities by lessening their burdens through provision of health and education facilities.

The Authority's CSI plan was founded on three basic principles:

- Kenya Ports Authority was the single largest employer within the Coast Province and thus the need to invest in various community projects in each of the districts.

- The Coast region was largely lacking in education facilities, especially for primary schools and thus there was a need for the Authority to invest in promoting this area. This has since extended to include secondary schools as well.

- The Authority also incorporated healthcare as a focus for the outreach program through construction of healthcare facilities and holding of medical camps.

KPA's Corporate Social Investment Policy is rooted in the organization's values, guided by international standards and best practices, and driven by its aspiration for excellence in the overall performance of the business. Through the efforts of each of the employees, KPA is determined to take pride in being responsible, respected, and welcomed in every place where it has its presence.

Thus, the Authority mainly contributes to education and health projects. KPA also contributes to other worthy causes such as charities, disaster, relief funds, sponsorship of conferences and is a sponsor of Bandari FC. Since the year 2000 KPA has constructed over 30 schools and a number of health facilities distributed across the Coast region.

During the year, the Authority was requested by the State department of Public Works under the Ministry of Transport, Infrastructure, Public works, Housing and Urban Development to make a contribution for the rehabilitation and construction of Mokowe, Mtangawanda Lamu Terminal and Manda Jetties in Lamu Island. An expenditure of Kshs. 174 million was incurred in the reporting year. Rehabilitation of Manda Jetty and reconstruction of Lamu terminal Jetty was completed while the reconstruction of Mokowe and Mtangawanda jetties is ongoing.

Education

The Authority handed over two modern dormitories to Mikahani Secondary school in Kilifi County. The school is located off Mazeras – Kaloleni road. It was established in 2009 as a mixed day school and later changed to a day and boarding institution. However, despite the school having a population of 258 students, it has a capacity to board only 70 students, a clear indication of constraints on boarding facilities.

CORPORATE SOCIAL INVESTMENT (cont'd)





Old hostels



One of two new hostels

CORPORATE SOCIAL INVESTMENT (cont'd)

The Authority also made donations Kisii Special School and Nyandarua high school. However, new projects for the construction of a hall and classrooms for secondary and primary schools planned for the year were not executed as the Board suspended all new procurements during the financial year.

Health, Humanitarian Relief and Conferences

In support of emergency household relief and nutrition project for COVID-19, the Authority complemented the County Government of Mombasa program and donated Kshs 2.0 million to support the people of Mombasa during the period of the pandemic and economic slowdown. The Authority also donated Kshs 1.5 million to support orphans at Our Lady of Perpetual Help Education centre (OLPHEC). The orphanage home caters for about 185 destitute children.

As part of the CSI project KPA also participated in the tree planting campaign dubbed 'Panda Miti, Boresha Maisha' a national campaign where the country mobilizes citizens and stakeholders to plant trees targeting 10% national forest cover. KPA adopted the mangrove forest rehabilitation site within Tudor Creek and planted at least 4,500 trees. To ensure success of the exercise a local community forest conservation group was involved. Due to the Covid pandemic plans for the last phase were delayed.

During the year, the Authority participated in the 12th Policy Makers Social Security Conference (ECASSA) held in November 2019. The forum brings together government representatives and Chief executive officer from membership countries from the region to deliberate on social security matters of common interest.

Sports

The Authority continues to support Bandari FC in the Kenya Premier League, basketball teams (men & women), volleyball, and netball amongst other sporting activities.

Kenya Ports Authority sponsors Bandari FC every season to participate in the competitive Kenya premier league. The team also qualified and took part in the Confederation of African Club (CAF) championships as well as in the Central Africa Football Association (CECAFA) Cup in Tanzania.

Bandari FC was felted as the third best team of the year during the Safaricom SOYA Awards. Due to the suspension of sporting activites due to CONVID-19, the Authority cushioned the sportsmen and women against the impact of the pandemic by paying the players salaries.



Environment

The Authority continues to maintain and landscape the Uhuru gardens in Mombasa County collaborating with the County government in beautifying Mombasa which is a major tourist site in the world map considering Moi Avenue is where the large monumental elephant tasks are situated.



REPORT OF THE DIRECTORS

The Board of Directors has the pleasure to submit the annual report and audited financial statements for the year ended 30 June 2020 in accordance with the International Financial Reporting Standards and the Public Finance Management (PFM) Act, 2012 which discloses the state of affairs of the Authority.

Principal Activities

KPA's mandate is to develop, maintain, operate, improve and regulate all scheduled seaports along Kenya's coastline. Core activities include pilotage, towage, mooring, dry docking, navigational aids, and maintenance of the channel, stevedoring and shore handling and reception of cruise vessels in accordance with KPA Act CAP 391.

Results for the year

	2019/2020 Kshs '000	2018/2019 Kshs '000
Profit Before Tax	8,178,108	13,885,505
Tax	(4,473,012)	(4,137,870)
Net Profit	**3,705,096**	**9,747,635**

Dividend

The Directors recommend a dividend of Kshs 277.882 Million for the year 2019/2020. Dividend for the year 2018/2019 was Kshs 731.072 Million. The dividends will be paid in conformity with the Authority's policy on dividends. During the year under review, the Authority remitted Kshs. 13,050 million to the National Exchequer as Special Dividends.

Directors

The directors' who held office during the year and to date are shown on page 5.

Auditors

The Office of the Auditor General is responsible for the audit of the Authority's books, in accordance with Article 229 of the constitution of Kenya and section 35 of the Public Audit Act, 2015. The Audit is undertaken with due regard to the stipulations of the Kenya Ports Authority Act (Cap 391) of 1978, the State Corporations Act (Cap 446) of 1986, the Public Finance Management (PFM) Act, 2012, the Public Procurement and Disposal of Assets Act, 2015 and the various circulars and guidelines from the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works and the National Treasury. In accordance to section 23 of the Public Audit Act 2015, the Auditor General is empowered to nominate another Auditor to carry out the audit on their behalf.

By order of the Board

Addraya Dena
GENERAL MANAGER, BOARD & LEGAL SERVICES

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act 2012, Section 14 of the State Corporations Act, 1986 and Section 20 of Kenya Ports Authority Act, 1978 requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Authority as at the end of the financial year and of the operating results. It also requires the directors to ensure that the Authority keeps proper records which disclose, with reasonable accuracy at any time, the financial position of the Authority. The directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation of Financial Statements that give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on 30 June 2020. The responsibility includes:

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards and in the manner required by the Public Finance Management Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of financial affairs of the Authority's transactions during the financial year ended 30th June 2020 and of the Authority's financial position as at that date. The directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statement as well as the adequacy of the systems of internal financial control.

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

The Authority's financial statements were approved by the Board of Directors on 25 September 2020 and signed on its behalf by:

Gen. (Rtd) Joseph. R.E. Kibwana, EGH, CBS
CHAIRMAN

Conrad Thorpe
DIRECTOR

Eng. Rashid K. Salim, IEng. IMarEng
Ag. MANAGING DIRECTOR

REPORT OF THE AUDITOR GENERAL

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Ports Authority set out on pages 79 to 151, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Ports Authority as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with Kenya Ports Authority Act, CAP 391 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Operating Revenue

As disclosed in Note 6 to the financial statements, the statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.48,161,579,000. The following unsatisfactory observations were made:

1.1 Under-Charging of Revenue from Storage of Containers

The balance of Kshs.48,161,579,000 includes revenue arising from storage of empty containers of Kshs.561,383,000 and storage of full containers of Kshs.5,612,671,000, all totalling to Kshs.6,174,054,000. This amount is net of waiver on storage of Kshs.242,268,925.

Examination of documents indicated that the waivers were granted on condition that the cargo would be cleared within seven (7) days after the waiver was granted, failure to which the storage fees would be secured in full. However, the cargo that had not been cleared within the seven days had accumulated storage fees of Kshs.242,268,925 which were not secured by the Management.

Further, storage waiver amounting to Kshs.24,885,400 was granted to customers on grounds of financial challenges. Management has not provided supporting documents or explanations on how the amount was computed.

Consequently, the accuracy and completeness of storage revenue of Kshs.6,174,054,000 and validity of waiver on storage of Kshs.242,268,295 for the year ended 30 June, 2020 could not be confirmed.

1.2. Un-Confirmed Licenses Revenue

Note 6 to the financial statements shows licenses revenue of Kshs.176,143,000, out of which Kshs.65,915,532 relates to revenue earned on Liquefied Petroleum Gas (LPG) handled by African Gas and Oil Company Limited. A review of the license agreement dated 21 September, 2007 between Kenya Ports Authority (KPA) and African Gas and Oil Company Limited indicated that the Company was to pay a license fee in US Dollars for an amount equal to twenty-five percent (25%) of the Company's revenue derived directly from each tonne of LPG discharged, payable on a quarterly basis.

Records provided for audit indicated that KPA charged the licence fees based on a calculation of estimated service revenue of the Company charged at US Dollars twenty-two and sixty-five cents (USD22.65) exclusive of taxes for each tonne of LPG discharged at the facility as per Clause 7.7 of the Agreement without verifying the actual revenue of the Company. The rate charged was US Dollar one cent (USD 0.01) higher than the US Dollar twenty-two and sixty-four cents (USD22.64) provided in the agreement. However, KPA did not provide evidence that this was the service fee charged by the Company to base the revenue billed on the same.

Consequently, the accuracy and validity of the license fee of Kshs.92,566,974 collected for the year ended 30 June, 2020 could not be confirmed.

2.0 Un-confirmed Establishment Expenses

As disclosed in Note 9 to the financial statements, the statement of profit or loss and other comprehensive income reflects establishment expenses amounting to Kshs.19,520,491,000. The following unsatisfactory observations were made:

2.1 Basic Salary Paid for Hours not Worked

The above balance of Kshs.19,520,491,000 constitutes basic salary of Kshs.7,473,722,000. Audit review of records revealed that basic salary was paid based

on the hours worked as clocked in the time management system. However, the Management approved payment for hours not worked when staff came to work late (authority to work) and when staff left work before time (staff release) in calculating basic pay for staff. This resulted in payment of salaries amounting to Kshs.312,021,986 for hours not worked.

Further, time management records provided for audit review indicated that two hundred and thirty-nine (239) employees were absent for a continuous period of more than ten days each resulting to 78,456 hours lost through staff absenteeism. However, the employees were paid their full salaries and allowances totalling Kshs.36,780,469 contrary to Kenya Ports Authority Human Resource Manual, 2017 Paragraph C.4 (b) and K.5 (a) which requires payment of salaries based on actual hours worked and stoppage of salary to employees absent for a continuing period of ten days.

In addition, recruitment documents provided for audit review revealed that the Authority engaged five (5) employees in management positions. However, the employment terms were revised without Board approval after employees had accepted the employment offer. This resulted in payment of salaries and allowances amounting to Kshs.2,014,362 over the amount set in the employment letters, contrary to the Authority's grading structure which has minimum entry points for various grades.

Consequently, the propriety and validity of basic salaries of Kshs.19,520,491,000 could not be confirmed.

2.2 Overtime Allowances

Note 9 further discloses payment of overtime allowances amounting to Kshs.2,441,884,000, which includes an amount of Kshs.879,764,063 in respect of overtime allowances approved and paid in excess of the 30% and 20% for operations and administrative employees respectively. This was done contrary to Paragraph C.9(h) of the Kenya Ports Authority Human Resource Manual, 2017 which requires overtime hours payable at the applicable rates to be limited to a maximum of thirty per cent (30%) enhanced time of the normal monthly working hours for operational employees and twenty per cent (20%) for administrative and non-operational employees.

Further, included in the overtime allowances of Kshs.2,441,884,000 is Kshs.384,567,260, relating to third-shift allowances. However, review of payroll records indicated that the third-shift allowances paid were calculated at a rate of three percent (3%) of basic pay for every day worked resulting to a payment of Kshs.54,643,899. This is contrary to the Collective Bargaining Agreement of 2018/2019 Paragraph 14(e) which states that, 'third shift is regarded as a normal shift like the first and second shifts but due to the odd hours worked, the compensation is 15% of the basic monthly salary'.

Consequently, the propriety and validity of third shift allowances of Kshs.54,643,899 for the year ended 30 June, 2020 could not be confirmed.

2.3 Overtime Allowances Paid to Employees on Training Grades

Included in overtime allowances of Kshs.2,441,884,000 is an amount of Kshs.29,469,195, for overtime allowances paid to employees on training grades, contrary to Paragraph C.9 (h) of the Kenya Ports Authority Human Resource Manual, 2017 which prohibits payment of overtime allowances for this category of employees.

Consequently, the propriety and validity of overtime allowances of Kshs.29,469,195 for the year ended 30 June, 2020 could not be confirmed.

2.4 Payments Made for Work Allocated After End of Employee Shift

Time management records provided for audit review indicated that various employees were assigned their respective work shifts. However, audit review of the work allocation schedules and payroll records revealed that various employees were assigned to work for extra hours after their shifts for which they were paid Kshs.1,682,646,318. Further, 1,337 employees who worked for eight hours in a day were paid overtime allowance amounting to Kshs.214,652,054, contrary to the policy.

Consequently, the propriety and validity the establishment expenses of Kshs.1,897,298,372 could not be confirmed.

2.5 Irregular Payment of Berth Productivity Incentive

The balance of staff allowances of Kshs.2,228,097,000, out of which Kshs.872,182,131 was paid as monthly berth productivity incentive to 3,669 employees. Records provided for audit indicated that the Management approved payment of berth productivity allowance only when there is performance over and above the set targets, subject to amendments by the Board's Human Resources Committee. However, it was observed that payments were based on all units achieved including normal target.

Consequently, the propriety, validity and lawfulness of staff allowances of Kshs.19,520,491,000 could not be confirmed.

3.0 Unsupported Expenditure – Operating Expenses

As disclosed in Note 10 to the financial statements, the statement of profit or loss and other comprehensive income for the year ended 30 June, 2020 reflects operating expenses of Kshs.6,852,267,000.

3.1 Fuel Expenses

Included in the operating expenses of Kshs.6,852,267,000 are fuel expenses amounting to Kshs.905,470,000. During the year under review, Management issued fuel purchase orders for Kshs.295,355,691. Although the Authority migrated from purchase order

system to pipeline system during the year under review, evidence of fuel usage and invoice details on the new system were not provided for audit review.

Further, the Authority requested for exemption from the Head of Public Service Circular. No. OP/CAB.9/108A of 30 April, 2015 which directed Ministries and Government Agencies to liaise and negotiate with the National Oil Corporation of Kenya (NOCK) for supply of fuel through a letter Ref. PSM/PC/3/06 of 27 December, 2019. However, approval of the request was not provided for audit review.

Consequently, the validity of fuel expenses of Kshs.905,470,000 for the year ended 30 June, 2020 could not be confirmed.

3.2 Repair, Renovations and Rehabilitation of Kisumu Pier and Dock Infrastructure

The operating expenses of Kshs.6,852,267,000 also include expenditure incurred on port infrastructure repairs of Kshs.2,541,375,000, out of which Kshs.63,307,155 was in respect of proposed renovations and modifications of Kisumu pier and dock yard offices. Available records indicated that purchase order for Kshs.101,270,166 was issued to a contractor for the works. Although, the contractor invoiced the Authority and was paid for works valued at Kshs.63,307,155, details of measured works, approved and certified works paid for were not available for audit review.

Under the circumstances, the propriety and validity of the amount paid to the contractor of Kshs.63,307,155 could not be confirmed.

4.0 Unclaimed Value-Added Input Tax

As disclosed in Notes 8 and 10 to the financial statements, the statement of profit or loss and other comprehensive income for the year ended 30 June, 2020 reflects administrative expenses of Kshs.3,995,660,000 and operating expenses of Kshs.6,852,267,000. Included in these expenses is input Value Added Tax (VAT) of Kshs.26,893,244 which was expensed instead of being claimed during the year under review. However, it is not clear why manual invoices were received and settled without the accompanying tax invoices, resulting in VAT input tax losses of Kshs.26,893,244.

The Management explained that the VAT was expensed following expiry of six months before claiming the same due to un-availability of tax invoices thus becoming time barred as per VAT Act 2013 Section 17(2) which states in part, 'provided that the input tax shall be allowable for a deduction within six months after the end of the tax period in which the supply or importation occurred.'

5.0 Inclusion of Bandari Maritime College Expenditure

The statement of profit or loss and other comprehensive income reflects total operating expenses of Kshs.41,412,101,000 for the year ended 30 June, 2020, out of which Kshs.191,008,710 relates to Bandari Maritime College. However, the College became an

autonomous entity vide Executive Order No.1 of 2018 with a Board of Directors and even submitted the financial statements for the year ended 30 June, 2020 to the Auditor-General for audit. The amount ought to have been classified as grants or transfers to other Government entities.

Consequently, the operating expenses of Kshs.191,008,710 could not be confirmed as fairly presented.

6.0 Unsupported Trade and Other Payables

The statement of financial position as at 30 June, 2020 reflects trade and other payables of Kshs.14,736,626,000. Included in the balance is accrued expenditure of Kshs.2,263,706,094, out of which Kshs.409,925,742 was not supported by delivery notes and confirmation reports for services rendered or invoiced.

Consequently, the accrued expenses amounting Kshs.2,263,706,094 could not be confirmed as fairly presented.

7.0 Accrued Liability for Defined Contribution (DC) Members

The statement of financial position as at 30 June, 2020 reflects retirement benefits non-current liability of Kshs.3,374,400,000 and current liability of Kshs.535,200,000, all totalling to Kshs.3,909,600,000. Audit review of the actuarial valuation report of the scheme indicates a total of 3,490 active members in the defined benefit scheme, out of whom 2,675 are members who moved to the defined contribution although a portion of their pension benefits was still held in the defined benefits scheme.

However, the actuarial valuation report indicated that the valuation of assets was based on 3490 members instead of 795 members, contrary to The National Treasury Circular Ref. No EPN 171/07 Vol Q (94) dated 16 June, 2011 which directed the Authority not to grant revaluation to those who choose to move to the DC Scheme or to those who had to move to the DC Scheme because they were below 45 years. The valuation may have been materially overstated by inclusion of outstanding defined benefits portions retained when the members moved to the defined contribution scheme.

Consequently, the accuracy of retirement benefit liability of Kshs. 3,642,000,000 as at 30 June, 2020 could not be confirmed.

8.0 Property, Plant and Equipment

As disclosed in Note 11 to the financial statements, the statement of financial position as at 30 June, 2020 reflects property, plant and equipment balance of Kshs.267,063,658,000. The following unsatisfactory observations were made:

8.1 Alienated Properties

As similarly reported in the previous year, the property, plant and equipment balance includes land leased-out valued at Kshs.15,190,900,000 and land and buildings with a net book value of Kshs.76,329,444,000 as at 30 June, 2020.

Information provided for audit review indicated that twenty-nine (29) parcels of land belonging to the Authority had been invaded by private individuals and companies. The Management indicated that third parties had purportedly acquired ownership rights over the properties and undertaken initiated development thereon. However, the Authority had filed suits in various courts of law which are still pending for determination.

Further, out of these twenty-nine (29) properties, only nine (9) properties valued Kshs.755,100,000 were included in the Authority's fixed assets register while seventeen (17) properties valued at Kshs.732,500,000 and three (3) properties of unknown value were not included.

Consequently, the property, plant and equipment balance of Kshs.267,063,658,000 as at 30 June, 2020 was therefore, not fairly stated.

8.2 Land Without Title Documents

As reported in the previous year, included in the property, plant and equipment balance of Kshs.267,063,658,000 as at 30 June, 2020 are land and buildings valued at Kshs.75,097,862,000 owned by the Authority. Documents provided for audit review indicated that the Authority did not have title deeds for seventeen (17) parcels of land valued at Kshs.2,909,300,000. Although the Management engaged a private consultant in May, 2017 to conduct verification of all its properties, the final report of the consultant was not produced for audit review.

Under the circumstances, the ownership and rights and obligations of land valued at Kshs.2,909,300,000 as at 30 June, 2020 could not be confirmed.

8.3 Inclusion of Assets Donated to the Bandari Maritime College

The statement of financial position reflects property, plant and equipment balance of Kshs.267,063,657,887 as at 30 June, 2020, out of which Kshs.1,747,879,865 is in respect of assets held and used by Bandari Maritime Academy. The Authority indicated that these assets were disclosed in their books since ownership had not been transferred to the academy. Disclosing these assets in the Authority's books is contrary to substance over form concept of accounting since the Academy has possession and rights and obligations to the assets that had been ceded to the Academy. The assets are not available for use by the Authority, hence the presentation and disclosure is contrary to International Accounting Standards No.16 paragraph 6 which defines property, plant and equipment as tangible items that: (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

Consequently, the accuracy and rights and obligations of property plant and equipment of Kshs.1,747,879,865 as at 30 June, 2020 could not be confirmed.

8.4 Land and Buildings - Impairment

Note 11 to the financial statements reflects impairment totalling Kshs.316,910,000 as at 30 June, 2020, out of which Kshs.199,819,000 is in respect of land and buildings. Available documents and information indicated that out of the twenty-nine (29) properties impaired, nineteen (19) pieces of land had been encroached by informal settlers and impairment of Kshs.187,069,550 provided as a percentage of Kshs.1,167,442,445, which was revalued to Kshs.5,197,500,000. However, after the assets revaluation, the impairment was still based on the original cost of the assets of Kshs.1,167,442,445. Therefore, the impairment is understated by Kshs.688,820,450.

Under the circumstances, the accuracy of land and buildings impairment figure of Kshs.187,069,550 as at 30 June, 2020 could not be confirmed.

9.0 Dividends Payable Variance

The statement of financial position reflects dividends payables of Kshs.4,950,000,000 as at 30 June, 2020. Audit review of the information provided in Note 38 to the financial statements indicated that the Authority accrued dividends of Kshs.516,130,000, Kshs.731,289,000, Kshs.308,992,000 and Kshs.18,000,000,000 for financial years 2017/2018, 2018/2019, 2019/2020 and special dividends all totalling Kshs.19,556,411,000. Further, it is disclosed in the Note that the Authority paid dividends of Kshs.13,566,130,000, resulting in dividends payable balance of Kshs.5,990,281,000. However, only Kshs.4,950,000,000 has been reflected in the statement of financial position as a payable, resulting in a variance Kshs.1,040,281,000 which has not been explained nor reconciled.

Consequently, the accuracy of dividend payable of Kshs.4,950,000,000 as at 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Prior Year Matters

In the audit report of the previous year, several matters were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, although the Management has indicated that some of the issues have been resolved, the matters have remained unresolved as the Public Investment Committee has not yet deliberated on them.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Irregular Payment of Acting Allowances

As disclosed under Note 9 to the financial statements, the statement of profit or loss and other comprehensive income reflects staff allowances of Kshs.2,228,097,000. As a result, a total of Kshs.1,314,145 was paid to staff as monthly acting allowances beyond the six months in the year under review. A review of human resource records indicated that eight (8) employees had been serving in acting positions for more than six (6) months, contrary to Paragraph B11(f)I of the Kenya Ports Authority Human Resources Manual, 2017, which states that 'acting appointments shall be limited to six months at any given time'.

Consequently, Management is in breach of the law.

2.0 Hospital/Referral Bills Not Supported by Any Policy

Disclosed also under Note 9 to the financial statements are hospital/referral bills of Kshs.564,015,000. The following observations were made:

i) As previously reported, the Authority through Circular Ref HR/1/6/66 dated 01 February, 2018 suspended the application of provisions under Paragraph E.1(b) of the Kenya Ports Authority Human Resources Manual, 2017 which requires staff medical benefits to be subject to certain limits set by the Board from time to time, thus allowing medical benefits for staff and their dependents without any limit. This

resulted in one employee's dependant accumulating a medical bill of Kshs.46,868,614, which according to Circular has to be settled by the Authority. However, there was no evidence that the authority obtained Ministerial approval for such major alterations in the staff medical benefit as required by Section 14 of Kenya Ports Authority Act, CAP 391 which states that, 'The Minister may (c) approve any major alterations in salaries, wages or other terms and conditions of service of employees.'

ii) Medical records availed for audit review indicated that the Authority had 6,583 principal members, 4,632 spouses and 13,379 issues or a total of 24,594 members as at 30 June, 2020. However, the Management through the same Circular suspended the provision of Paragraph E.1(a) and (f) of the Kenya Ports Authority Human Resource Manual 2017 which requires an employee to be eligible for medical treatment for self, spouse below the age of sixty (60) years, and a maximum of four (4) children up to the age of 22 years. This resulted to employees registering up to eleven (11) children with an overall figure of 1,067 dependants in excess of the 23,822 expected. The records further indicated that a total of seventy-three (73) spouses above the age of sixty years were registered as dependants. Medical expenses of Kshs.4,978,326 was incurred in respect of twenty-eight (28) spouses above the age of sixty years while Kshs.798,974 was incurred in respect of twelve (12) issues above the age of 22 years. However, Ministerial approval of suspension of the provisions of the Policy Manual was not availed for audit review contrary to Section 11(c) of the Kenya Ports Authority Act, CAP 391 which gives powers to the Minister to approve any major alterations in salaries, wages or other terms and conditions of service of employees.

iii) Included in the hospital/referrals bills of Kshs.104,384,460 are private inpatient fees for employees in management positions and their dependants. However, details of employees who are eligible for private hospital services were not availed for audit verification.

Consequently, Management is in breach of the law.

3.0 Operational/Running Supplies

Included in the operational expenses of Kshs.6,852,267,000 is an amount of Kshs.749,801,000 in respect of operational/running supplies. Documents provided for audit review indicated that the Authority varied contracts with nine (9) cleaning service providers as a result of additional cleaning areas that were omitted during the procurement process. Out of the nine (9) contracts, seven (7) were varied by more than 25% of the original contract prices, resulting in additional cost of Kshs.37,884,242. This is contrary to Section 139(6) of the Public Procurement and Asset Disposal Act, 2015 which states that, 'where variations result in an increment of the contract price by more than twenty-five percent, such variations shall be tendered for separately.'

Consequently, Management is in breach of the law.

4.0 Non-Compliance with the National Cohesion and Integration Act, 2008 on Ethnic Composition

The biodata presented for audit review as at 30 June, 2020 indicated that the Authority had 2,156 employees in management positions and 4,499 on permanent terms, giving a total to 6,655. Included in management positions are members of one ethnic group with a total of 1,790 (39.79%), contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that 'no public establishment shall have more than one third of its staff from the same ethnic community.'

Consequently, Management is in breach of the law.

5.0 Non-Compliance with the Public Service Commission Human Resource Policies and Procedures Manual, 2016 - Over Commitment of Salary

Payroll records availed for audit review indicated that in the month of June, 2020 the Authority paid basic salary to one hundred and sixteen (116) employees who had committed their salaries beyond two-thirds of the basic salary. This is contrary to Section C.1(3) of the Public Service Commission Human Resource Policies and Procedures Manual, 2016 which states that, 'a public officer shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance'.

Consequently, Management is in breach of the law.

6.0 Non-Compliance with the Employment Act, 2007 on Recruitment of Employees

Human resource records availed for audit review indicated that the Authority recruited one hundred and twenty (120) employees in various grades. Included among the one hundred and twenty (120) are forty (40) dockers who were engaged on contract terms for ICD Nairobi. However, requests from the relevant departments for additional staff, job adverts, application letters, long and short lists, interview minutes and reports, and approval by the Board for the recruitment were not availed for audit review. This contravened Section 5(2) of the Employment Act, 2007 states that "An employer shall promote equal opportunity in employment and strive to eliminate discrimination in any employment policy or practice".

Further, included among the one hundred and twenty employees are fifty-two (52) employees engaged in compliance with a Presidential directive communicated vide letter reference MOT&I/C/SM/004/2 VOL.II/65 of 22 October, 2019 on employment of KPA choir members. However, out of the fifty-two (52) employees, four (4) had primary school certificates while nine (9) had sworn affidavits stating that they did not possess any academic qualifications. Therefore, the new staff were recruited contrary to the Authority's Scheme of Service which gives a minimum qualification of D (Plain) in Kenya Certificate of Secondary Education (KCSE) to be employed as choir members.

Consequently, Management is in breach of the law.

7.0 Unapproved Human Resource Policy Instruments

Human resource documents availed for audit review indicated that as at 30 June, 2020, the Authority had a total of 6,655 employees in various positions. However, the Authority's human resource policy instruments which include organizational structure, staff grading, staff establishment and its human resource manual had not been approved by the State Corporations Advisory Committee. This contravened circular Ref. No. OP/SCAC.9/21/1/1 dated 15 May, 2017 of the State Corporations Advisory Committee which requires all state corporations to submit human resource policy instruments for approval.

Consequently, Management is in breach of the law.

8.0 Employees Appointed to Positions not in the Staff Establishment

A review of Human resource documents revealed that the Authority had 7,792 positions it its establishment with 6,655 positions already filled. However, among the 6,655 employees are two (2) General Managers (HE1), six (6) Heads of Departments (HE2), four (4) principals (HM1) and two hundred and fifty (250) Junior Managers (HM4), all totalling 262 employees who were appointed to positions not in the approved staff establishment. This resulted to payment of salaries and allowances of Kshs.629,067,719, contrary to Section 5(3) of the State Corporations Act, 2012 which states that, 'a state corporation may engage and employ such number of staff, including the Chief Executive, on such terms and conditions of service as the Minister may, in consultation with the Committee, approve.'

Consequently, Management is in breach of the law.

9.0 Non-Compliance with the Human Resource Policies and Procedures Manual, 2015 on Employees Above Sixty (60) Years

A Payroll audit for the year ended 30 June, 2020 indicated that the Authority had incurred employee cost of Kshs.15,642,702 in respect of two (2) employees who had attained the mandatory retirement age of sixty (60) years. This is contrary to the Human Resource Policies and Procedures Manual for the Public Service, 2015 which states that 'all officers shall retire from the Service on attaining the mandatory retirement age of 60 years, 65 years for persons with disabilities and/or as may be prescribed by the government from time to time.'

10.0 Unconfirmed Contracts for Provision of Containers Storage Facilities

As disclosed under Note 6 to the financial statements, the statement of profit or loss and other comprehensive income reflects revenue from storage of full containers of Kshs.5,612,671,000 and storage of empty containers of Kshs.561,383,000, all totalling Kshs.6,174,054,000. A review of the records indicated that the Authority signed agreements with nine companies for provision of containers storage facilities in Nairobi.

However, details of how the companies were identified, selected and awarded the service provision contracts were not provided for audit review.

Further, audit review of the service provision agreement revealed that the Authority granted the companies the rights to handle, hold/store and deliver FCL containers at the company's storage facility. The agreements further provided that the volumes of containers to be provided by the Kenya Ports Authority for storage was dependent on current holding capacity at the storage facilities, un-availability of stacking space within Inland Container Depot Nairobi, growth in trade, any legal framework in place and gazettement and continued gazettement of the storage facility as a customs area. However, evidence that the companies awarded the service provision contracts were gazetted as customs storage areas was not provided for audit review.

In addition, during audit inspection in the month of November, 2020 at Inland Container Depot Nairobi, details of the number of containers transferred to the storage warehouse per day and evidence of un-availability of space at the Depot before approval of transfer of the containers were not availed for audit verification.

Consequently, the validity of the contracts for warehouse storage facilities awarded to the nine companies and whether containers were transferred due to lack of storage space at the Depot could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Manual Processing of Marine Bills

As previously reported, the Authority has a major application system for management of its operations and for financial management. However, at the time of audit in September, 2020, the marine module was not operational although the system had been fully paid for by the Authority. Due to this shortcoming, staff at marine department prepared marine

records namely: Pilotage, Navigational Dues, Tug services, Mooring, Dockage and Fresh water for ships manually, which are later filed per vessel and taken to finance department for billing in the financial management system. This exposes the marine billing to manipulation and errors.

Consequently, the effectiveness of the internal controls could not be confirmed.

2.0 Manual Processing of Overtime

Time management reports availed for audit review indicated that four hundred and eighty-six (486) employees were exempted from clocking in and out to work. This is contrary to Kenya Ports Authority Draft Time Management Procedure Manual, which states that, 'overtime is paid based on hours worked as per the 2018/2019 Collective Bargaining Agreement and Human Resources Manual, 2017 and exemption from clocking is not applicable during overtime'. As a result, the Management manually processed Kshs.78,756,276, being overtime paid to employees exempted from clocking. Further, details of overtime requests, approvals and evidence of actual overtime hours worked were not availed for audit review.

Consequently, I am unable to confirm the effectiveness of the internal control in the management of overtime processing.

3.0 Un-Approved Time Management Policy

The Authority has a time management department whose responsibility is to evaluate attendances and pay overtime and salaries based on actual hours worked as per the employee's time statement. However, during the year under review, the Authority used draft time attendance management policy and draft time management procedural manual to process and pay overtime allowance of Kshs.2,441,884,000 and basic salary of Kshs.3,640,045,932 for unionizable employees resulting to total unapproved expenditure of Kshs.6,081,929,932. This contravened Paragraph 1.2(1) of the Mwongozo Code of Governance which requires the Board to set and oversee the overall strategy and approve significant policies of the organization.

Further, records availed for audit review indicated that nineteen (19) junior employees (clerks) were assigned time management rights which is a managerial responsibility. As a result, the junior staff initiated, executed and even approved overtime transactions for senior staff and even direct supervisors. Thus, the assigned staff's independence in the entire process is likely to be impaired.

In addition, time management records indicated that thirteen (13) junior employees (clerks) had supervisory role to initiate, execute, approve and submit overtime data for payroll processing. These are tasks that would require segregation to ensure controls are in place and contravened Public Finance Management Act, 2012 Regulation 110(1) which states that, 'The Accounting Officer for a national government entity shall institute appropriate access controls needed to minimize breaches of information confidentiality,

data integrity and loss of business continuity. (2) Access controls to be instituted shall include (c) segregation of duties'.

Consequently, the effectiveness of the internal control could not be confirmed.

4.0 Lack of an Independent ICT Function

Audit review of the Authority's ICT function and operations revealed that, the Head of Information Technology reports to the Head of Corporate Services Division as per the organization's structure. As a result, various departments independently sourced, procured, implemented and were managing various systems without involvement of the ICT Department.

Further, the ICT Department does not have an overall inventory of the systems in use by the Authority since some are acquired and managed independently by different departments. This may result to duplication and inefficient use of resources when new systems are acquired.

Consequently, there the Authority does not have adequate controls on ICT investments, management and utilization.

5.0 Provision of Services Before Issuance of Purchase Orders

Audit review of procurement documents availed for audit review indicated that during the year under review the Authority prepared and issued purchase orders of Kshs.12,459,790 to service providers after services had been rendered and invoices received. The Management did not provide details of how the Authority communicated to service providers regarding the need, quantity to be provided and other specifications of the services in absence of the purchase orders.

Consequently, the legality and validity of the purchase orders and invoices is in doubt.

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

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Kenya Ports Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective manner, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit

the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause Kenya Ports Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of Kenya Ports Authority to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

23 June, 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020 Kshs '000	2018/2019 Kshs '000
Operating Revenue	6	48,161,579	52,758,959
Other Incomes	7	692,047	498,843
Total Revenues		**48,853,626**	**53,257,802**
Less Expenses:			
Administrative Expenses	8	(3,995,660)	(4,044,431)
Establishment Expenses	9	(19,520,491)	(19,992,244)
Operating Expenses	10	(6,852,267)	(5,976,959)
Depreciation Property, Plant and Equipment	11,12	(10,742,418)	(10,346,600)
Amortization of Intangible Assets	13	(301,265)	(262,568)
Total Operating Expenses		**(41,412,101)**	**(40,622,802)**
Operating Profit		**7,441,525**	**12,635,000**
Finance Income	14	1,310,374	2,187,175
Finance Cost	15	(135,164)	(166,309)
Impairment Loss	16	(218,888)	(646,129)
Other Losses	17	(219,739)	(124,232)
Profit Before Tax		**8,178,108**	**13,885,505**
Tax Charge	18	(4,473,012)	(4,137,870)
Profit for the Year		**3,705,096**	**9,747,635**
Other Comprehensive Income (OCI)			
OCI not to be reclassified to Profit or Loss in subsequent years			
Deficit resulting from Pension Valuation	32	(3,642,000)	0
OCI to be reclassified to Profit or Loss in subsequent years			
Unrealized Foreign Exchange Gain/(Loss)	26	1,132,129	(59,320)
Forex Loss from Valuation of JICA Loan	29	(1,760,734)	(968,300)
(Loss)/Earning reported after above adjustments		**(565,509)**	**8,720,015**

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2019/2020 Kshs '000	2018/2019 Kshs '000
Non-Current Assets:			
Property Plant and Equipment	11	267,063,658	241,554,138
Assets Held for Sale	19	400	11,618
Intangible Assets	13	1,205,422	1,151,296
Leased Property	12	671,246	717,063
Long Term Investment	20	1,396,168	1,748,887
Total Non- Current Assets		**270,336,894**	**245,183,002**
Current Assets:			
Inventories	21	495,536	404,813
Receivables and Prepayments	22	17,377,585	15,946,216
Tax paid in advance	23	2,388,639	0
Short Term deposits	24	1,167,706	25,099,818
Bank & Cash Balances	24	3,003,068	859,114
Total Current Assets		**24,432,534**	**42,309,961**
TOTAL ASSETS		**294,769,428**	**287,492,963**
Capital and Reserves:			
Revaluation Reserves	25	103,132,900	111,646,031
General Reserves	26	80,874,208	90,620,573
Grants	27	3,468,561	5,318,100
Total Capital and Reserves		**187,475,669**	**207,584,704**
Non-Current Liabilities:			
GOK Project Funds	28	37,386,157	27,386,157
Borrowings	29	39,070,959	32,729,833
Deferred tax Liability	30	6,650,083	5,231,256
Retirement Benefit Liability	32	3,106,800	786,300
Total Non- Current Liabilities		**86,213,999**	**66,133,546**
Current Liabilities			
Dividend Payable	38	4,950,000	0
Borrowings	29	857,934	820,134
Trade and Other Payables	31	14,736,626	11,212,048
Current Tax Payable	23	0	1,207,331
Retirement Benefit Liability	32	535,200	535,200
Total Current Liabilities		**21,079,760**	**13,774,713**
TOTAL CAPITAL & LIABILITIES		**294,769,428**	**287,492,963**

The financial statements were approved by the Board of Directors on 25 September 2020 and signed on its behalf by

Gen. (Rtd) Joseph. R. E. Kibwana, EGH, CBS
CHAIRMAN

CPA Geoffrey Kavate
Ag. GM. FINANCE
ICPAK M/No: 6399

Eng. Rashid K. Salim, IEng.IMarEn
Ag. MANAGING DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Revaluation Reserves Kshs '000	General Reserves Kshs '000	Grants Kshs '000	Total Kshs '000
Balance as at 01.07.2019		**111,646,031**	**90,620,573**	**5,318,100**	**207,584,704**
Profit After Tax		0	3,705,096	0	3,705,096
Other Comprehensive Income;					
Unrealized Foreign Exchange Gain	26	0	1,132,129	0	1,132,129
Others;					
Revaluation Effect/Adjustments	25&26	(6,405,984)	6,423,494	0	17,510
Adjusting of Dep. write back on Revaluation		(2,107,147)	0	0	(2,107,147)
Increase in Pension Deficit		0	(2,855,700)	0	(2,855,700)
Grants	27	0	2,125,480	(1,849,539)	275,941
Revaluation Effect of JICA Loan	26	0	(1,760,734)	0	(1,760,734)
GoK Dividends		0	(18,516,130)	0	(18,516,130)
Balance as at 30.06.2020		**103,132,900**	**80,874,208**	**3,468,561**	**187,475,669**

FOR THE YEAR ENDED 30 JUNE 2019

	Note	REVALUATION RESERVES Kshs '000	GENERAL RESERVES Kshs '000	GRANTS Kshs '000	TOTAL Kshs '000
Balance as at 01.07.2018		**39,881,910**	**78,426,542**	**5,044,052**	**123,352,504**
Profit After Tax		0	9,747,635	0	9,747,635
Other Comprehensive Income;					
Unrealized Forex Loss	26	0	(59,320)	0	(59,320)
Others;					
Revaluation Effect/Adjustments	25	71,764,121	3,474,016		75,238,137
Trade Mark East Africa	27	0	0	274,048	274,048
Revaluation Effect of JICA Loan	26	0	(968,300)	0	(968,300)
Balance as at 30.06.2019		**111,646,031**	**90,620,573**	**5,318,100**	**207,584,704**

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019/2020 Kshs '000	2018/2019 Kshs '000
OPERATING ACTIVITIES:			
Cash Generated from Operations	33	21,446,996	26,016,487
Interest Received	7&14	1,310,374	2,188,351
Interest Paid	15	(42,717)	(41,755)
Tax Paid	23	(6,650,155)	(1,749,966)
Dividends Paid (FY 2017/2018)	38	(516,130)	0
Special Dividend paid	38	(13,050,000)	0
Pension paid		(535,200)	(446,000)
Pension reimbursement		48,254	14,122
Net cash generated from Operating Activities		**2,011,422**	**25,981,239**
INVESTING ACTIVITIES:			
Purchase of Property, Plant and Equipment	36	(38,570,386)	(30,947,239)
Direct Acquisitions Property, Plant and Equipment		(223,282)	(320,419)
Proceeds from Disposal of Assets		36,611	5,082
Purchase of Long-Term Investment	20	(21,335)	(29,337)
Transfer of Chase bank deposits to SBM deposits		0	(2,273,555)
Transfer of SBM deposits to short term deposits		374,054	1,515,703
Proceeds from sale of Surveyed Stock	17	2,230	2,848
Net Cash used in Investing Activities		**(38,402,108)**	**(32,046,917)**
FINANCING ACTIVITIES:			
Receipt of GoK Project Funds	37	10,000,000	11,179,000
Payment of JICA I Loan	29	(835,798)	(785,828)
Receipt of JICA II Loan	29	5,438,326	2,854,571
Net Cash generated from Financing Activities		**14,602,528**	**13,247,743**
Net increase/(decrease) in Cash & Cash Equivalent		**(21,788,158)**	**7,182,065**
Cash & Cash Equivalents as at 1 July		**25,958,932**	**18,776,866**
Cash and Cash Equivalents as at 30 June	24	**4,170,774**	**25,958,932**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Final Budget 2019/2020 Kshs '000	Actual on Comparable Basis 2019/2020 Kshs '000	Performance Difference 2019/2020 Kshs '000	%
Revenue				
Operating Revenue	50,362,000	48,161,579	(2,200,421)	-4%
Other Incomes	227,495	692,047	464,552	204%
Total Revenues	**50,589,495**	**48,853,626**	**(1,735,869)**	**-3%**
Expenses:				
Administrative Expenses	(4,702,000)	(3,995,660)	706,340	15%
Establishment Expenses	(19,568,000)	(19,520,491)	47,509	0.2%
Operating Expenses	(6,439,948)	(6,852,267)	(412,319)	-6.4%
Depreciation & Amortization	(10,959,052)	(11,043,683)	(84,631)	-1%
Total Operating Expenses	**(41,669,000)**	**(41,412,101)**	**256,899**	**1%**
Operating Profit	**8,920,495**	**7,441,525**	**(1,478,970)**	**-17%**
Finance Income	1,009,505	1,310,374	300,869	30%
Finance cost	(43,000)	(135,164)	(92,164)	-214%
Impairment Loss	0	(218,888)	(218,888)	-100%
Other Losses	0	(219,739)	(219,739)	-100%
Profit Before Tax	**9,887,000**	**8,178,108**	**(1,708,892)**	**-17%**

Note: PFM Act section 81(2) ii and iv requires Kenya Ports Authority, a national government entity, to present appropriation accounts showing the status of votes compared with the appropriation for the vote. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements and a statement explaining any variations between actual expenditure and the sums voted.

Explanation of variations of 10% over/under between actual and final budgeted amounts are provided under additional disclosures I.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. Entity Information

Kenya Ports Authority is established by and derives its authority and accountability from Cap 391 of the laws of Kenya. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to develop, maintain, operate, improve and regulate all scheduled seaports along Kenya's coastline and inland waterways in Kenya.

2. Statement of Compliance and Basis of Preparation

a. Statement of Compliance & Basis of Preparation

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and the International Financial Reporting Standards (IFRSs). The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Authority's accounting policies.
Where necessary the comparative figures for the previous financial year 2018/19 have been stated in the financial statements to conform to changes in presentation.
The financial statements were approved by the Board of Directors on 25 September 2020.
The accounting policies applied in the preparation of these financial statements are set out below. The Authority adopted all the new and revised IFRS as adopted by the PSASB and IASB that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. The adoption of the standards did not have a material effect in the financial statements.

The financial statements are prepared and presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Authority and all values are rounded to the nearest thousand (Kshs '000). The financial statements are prepared on historical cost basis except for the recognition at fair value of financial instruments, impaired assets at their estimated recoverable amounts and actuarially determined assets at their present value.

b. Going concern

Based on the financial performance of the Authority and the risk management policies, the Board is of the opinion that the Authority is well placed to continue business in the foreseeable future. The financial report is therefore prepared on the going concern basis, which contemplates the continuity of normal business activities, the realization of assets and the settlement of liabilities in the ordinary course of business.

3. Changes in Accounting Policies and Disclosures

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

At the reporting date certain new standards, amendments to the existing standards and interpretations have become mandatory. No standard, amendments or interpretations are expected to have a material impact.

- ***IFRS 16: Leases***

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Authority is the lessee.

The Authority uses the practical expedient of the modified retrospective method of application and has applied two recognition exemptions included in IFRS 16. The Authority does not recognise a right-of-use asset and a lease liability for lease contracts that end within 12 months from the date of the initial application. KPA does not also recognise leases of low-value assets on the Statement of Financial Position, but instead recognises an expense on a straight-line basis. Furthermore, KPA does not apply IFRS 16 to leases it has no right of control and to leases of intangible assets.

Adoption of IFRS 16 did not have an impact the presentation of financial statement at the reporting date.

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances.

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure pre-payable financial assets with negative compensation at amortized cost or fair value through other comprehensive income if a specified condition is met.

Relevant new standards and amendments to published standards effective for the year ended 30 June 2019 (Cont'd)

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognized when a liability to pay a dividend is recognized, and that these income tax consequences should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2019- Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2019, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

iii. Early adoption of standards

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

4. Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these Financial Statements are set below;

(a) Revenue Recognition

IFRS 15 replaced the previous revenue recognition requirements in IAS 18 Revenue and applies to all revenue arising from contracts with customers. According to the new standard, revenue is recognized when a customer obtains control of the goods or services.

Revenue represents the fair value of consideration received or receivable for the sale of services in the course of the Authority's activities. It is recognized when it is probable that future economic benefits will flow to the Authority and the amount of revenue can be measured reliably. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

It is stated net of Value Added Tax (where applicable), rebates and trade discounts. Discounts are included as part of finance costs.

The Authority's revenue mainly consists of revenue from ports related services and lease rentals. Where the Authority is an agent between a service provider and the end customer, an administrative fee is recognized as revenue on satisfaction of the performance obligation.

Revenues earned by the Authority are recognized on the following basis;

Sale of services are recognized upon performance of the services and customer acceptance. The Authority only bills once the consignee for the cargo has been determined and upon lodgment of customs approved documents. It is only then that it is probable that future economic benefits will flow to the Authority and the amount of revenue can be measured reliably.

Rental income is recognized at the time of billing as per the effective lease agreements. Where lease agreements are under preparation, billing is based on letters of offers, signed and accepted by the tenants. A signed letter of offer is a commitment from the tenant.

Finance income comprises of Interest receivable from bank deposits and investments in securities and is recognized in profit or loss on a time proportion basis using the effective interest rate.

(b) Property, Plant and Equipment

All categories of property, plant and equipment are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system that is an integral part of the related hardware is capitalized as part of the computer equipment. All items in an asset category are re-valued every 5 years.

Property, Plant and Equipment (Cont'd)

The categories of assets listed below were re-valued during the financial year 2018/2019:-

- Land and Buildings
- Plant and Equipment
- Basic Constructions
- Services and systems
- Intangible Assets

The exercise was undertaken by M/s Sec & M Limited. Details and qualification for the director of M/s Sec & M Ltd are;

- Director Name ;H.M. Kaburu,
- M.A. (Valn & Ppty Mgmt.) University of Nairobi, MRICS No. 1280168
- B.A Land Econ (Hons) University of Nairobi, MISK No. 690,REA
- NEMA EIA/EA Lead Expert No 1025
- Chartered Valuation Surveyor/RV 405

The methodology, basis of valuation and significant assumptions made were in accordance with the procedures and guidelines as laid down by the international Assets Valuation Standards Committee. M/s Sec & M Co. Ltd valuations and appraisals are carried out in accordance with the RICS Appraisal and Valuation Standards and are Uniform Standards of Professional Appraisal Practice (USPAP) complaint. The valuer therefore considers all the three approaches to valuation.
Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit or loss account in the year in which they are incurred.
Increases in the carrying amount arising on revaluation are recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognized in other comprehensive income.
All other decreases are charged to the Statement of Profit or Loss and Other Comprehensive Income. Annually, the difference between depreciation charge based on the valued carrying amount of the asset charged to the Statement of Profit or Loss and Other Comprehensive Income and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to retained earnings.

(c) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.
Depreciation on property, plant and equipment is calculated using the straight-line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates;

Depreciation and impairment of property, plant and equipment (Cont'd)

	Rate
Dredging/reclamation	2.5%
Building commercial and non-commercial	2.5%
Rail lines	2.5%
Roads and Bridges	2.5%
Quays/wharves	2.5%
Berthing Tugs	5%
Pilot & Mooring Boats and Navigational Aids	10%
Cranes	10%
Forklifts/Reach takers	20%
Tractors/Trailers	20%
Vehicles	20%
Equipment	20%
Furniture	20%
Data processing equipment	33.33%
Software/ Intangibles	33.33%

Depreciation is charged from the date of asset recognition and ceases on the date of asset disposal.
Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.
Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

(d) Impairment of non-financial assets
Non-financial assets that are carried at amortized cost are reviewed at the end of each reporting period for any indication that an asset may be impaired.
If any such indication exists, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.
The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(e) Intangible Assets

Intangible assets comprise purchased computer software licenses and other software, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

(f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

(g) Assets Held for Sale

Non-current assets held for sale (or disposal) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at Net Book Value.

(h) Leased Property

Standalone properties for which lease rentals are received are treated in the Statement of Financial Position according to the nature of the asset.

(i) Retirement Benefits

The Authority operates a defined benefit and defined contribution plans for eligible employees. The Authority is running the two schemes in parallel with intention of facing out the defined benefit scheme in the long run.

The defined benefit scheme was closed effectively on 31st December 2012 to new entrants and future accrual of benefits for members below age 45 as at 31st December 2011 and also those above age 45 who opted to accrue their future service benefits in the new defined contribution scheme.

In addition, the Authority's makes contributions to the Social Security Fund for employees other than those covered under the retirement benefit scheme and those in other countries of operation, which are statutory, defined. KPA's obligations under these schemes are limited to specific contributions as legislated from time to time.

Retirement Benefits (Cont'd)

Defined Benefit

The Scheme is established and governed by a trust deed with effect from 1 January 1998. The scheme's is administered by Zamara Actuaries, Administrators and Consultants Ltd. The scheme's investments were managed Britam Asset Manager (K) Ltd and Co-op Trust Investment Services Ltd. Employees contribute to the fund at the rate of 7.5% of their respective basic salary while the employer's current contribution rate is 14.7% of the basic salary.

KPA recognizes actuarial gains and deficit in its books of accounts whenever an actuarial valuation of the scheme is done. Actuarial gains are recognized as non-current asset (excess of accrued scheme assets less liabilities) while deficits are recognized as long term liabilities. Where there is a deficit, KPA increases its contribution to the scheme to offset the actuarial deficit. Where there is a gain, KPA stops payment of additional contributions to the scheme.

The scheme is assessed annually by independent actuaries using the actuarial assumptions adopted. The valuation method used is known as the ''Attained Age Method''. Under this method, the future service contribution rate is calculated as the level percentage of payroll which would be adequate to fund the cost of future benefits of existing members arising over the full period to their normal retirement date. Allowances have been made for assumed future salary increase and pension increase, mortality and investment returns.

The objective of this method of funding is to aim for a funding level equal to 100% and then accumulate sufficient surplus in the earlier years to maintain the contribution rate even though the average age of the membership will increase.

As at 30 June 2020, the scheme had an actuarial deficit of Kshs 3,642 million (Kshs 1,321.5 million deficit FY 2018/19). The actuarial report as at 31 December 2019 showed an actuarial deficit of Kshs 3,909.6 million. Within the year the Authority made additional payments of Kshs 44.6 million monthly as part of the remedial plan to fund the deficit revealed in the actuarial valuation as at 31 December 2017. The remedial plan as per the amortization schedule runs for six (6) years.

The last discretionary pension increase was awarded as at 31 December 2017 and effected in November 2018 in line with Rule 17, the next pension increase is due as at 31 December 2020. Rule 17 of the Deed of Amendments dated 12 May 2020 stipulates that 'The Founder and the Trustees shall once every (3) years review the level of pensions in payment.
The Scheme was underfunded as at 31 December 2019. The assets taken at market value represented 86% of the accrued liabilities at this date.

Defined Contribution

The Authority started a defined contribution scheme for her employees who were below the age of 45 as at 31st December 2012. The employees contribute 10% of their basic salary while the employer contributes 20% of the employee's basic salary.

Retirement Benefits (Cont'd)

The employer's contribution is charged to the Statement of Profit or Loss and Other Comprehensive Income for the period it relates. Both the employee and employer contribution are paid to an independent scheme which manages the resources pooled. Employees will benefit from the employer's contributions on meeting specific criteria set out in the pension scheme trust deed.

The employer's contributions payable for DC scheme of Kshs 1,470 million (FY 2018/2019: Kshs 1,168 million) have been recognized in the Statement of Profit or Loss and Other Comprehensive Income. In the reporting year, the Authority also reimbursed death in service costs incurred by the DC scheme, promotions and salary increments.

(j) Inventories

Inventories are stated at cost which include the purchase price, import duty, transport and handling charges. Inventories are managed using FIFO method. Just in Time (JIT) strategy is applied by the Authority to increase efficiency and decrease wastage.

A provision for obsolete inventories has been made in accordance with the Authority policy. The Authority has lodged a request for approval of write off of obsolete inventories from the books with the GoK.

(k) Trade and other receivables

Trade receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts.

Objective evidence of impairment of the receivables is when there is significant financial difficulty of the counterparty or when there is a default or delinquency in payment according to agreed terms. When a trade receivable is considered uncollectible, it is written off against the Statement of Profit or Loss and Other Comprehensive Income while adjusting the impairment provision.

(l) Financial Instruments

On initial recognition a financial asset is classified and measured at:

- **Amortized cost;**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Instruments (Cont'd)

Gains and losses are recognized in profit or loss when the asset is derecognized or impaired. The Authority's financial assets measured at amortized cost includes trade receivables, other receivables and cash and cash equivalents.

Trade receivables are amounts due from customers for or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional. The Authority holds the trade receivables with the objective to collect the contractual cash flows. Details about the Authority's impairment policies and the calculation of the loss allowance are provided in Risk Management.

- **Fair value through other comprehensive income ('FVOCI') –**

Debt instrument: A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instrument: On initial recognition of an equity investment that is not held for trading, the Authority may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

- **Fair value through profit or loss ('FVTPL').**

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

In addition, on initial recognition, the Authority may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition unless the business model changes for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. At the reporting date, the Authority has not identified a change in its business model.

Derecognition of financial assets

The Authority derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred and it does not retain control of the financial asset.

Financial Instruments (Cont'd)

Impairment of non-derivative financial assets

The financial assets at amortized cost consist of trade receivables and cash and cash equivalents.

Trade and other receivables are initially recognized at fair values and subsequently measured at amortized cost using the effective interest method, less an allowance for expected credit loss ("ECL").

The Authority applied the 'simplified approach' for determining the allowance for ECL for trade receivables, where lifetime ECL are recognized in the Profit and Loss at initial recognition of receivables and updated at each reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the receivable. When determining the allowance for ECL, the Authority's considers reasonable and supportable information that is relevant and available for customer types. This includes both qualitative and quantitative information based on the Authority's historical experience and general economic factors. Loss events include financial difficulty or bankruptcy of the debtor, and breaches of contracts.

Trade and other receivables are written off against the allowance for ECL when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are recognized in the Profit and Loss. The Authority assumes that the credit risk on a financial asset increases significantly if it is more than 90 days past due.

Non-derivative financial liabilities Classification, initial recognition and measurement

The Authority's non-derivative financial liabilities consist of loans and borrowings, amounts due to related parties, and trade and other payables. All non-derivative financial liabilities are recognized initially at fair value less any directly attributable transaction costs. The Authority classifies all its non-derivative financial liabilities as financial liabilities to be carried at amortized cost using effective interest method.

The subsequent measurement of non-derivative financial liabilities are carried at their amortized cost using the effective interest method.

The Authority derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Authority also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

- **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liabilities simultaneously.

(m) 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 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 various commercial banks at the end of the financial year.

(n) Borrowing

Interest bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

(o) Borrowing Costs

Borrowing costs that are attributable to acquisition, construction or production of a qualifying asset are capitalized as part of the asset. The costs refer to all costs incurred in the acquisition and management of the borrowed funds during the qualifying asset construction.

In the case of general borrowings, the borrowing cost is charged to the Statement of Profit or Loss and Other Comprehensive Income.
Capitalization of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use are complete. All other borrowing costs are recognized in the profit or loss in the year in which they are incurred.

(p) Trade and other payables

Trade and other payables are non-interest bearing and are carried at cost, which is consideration to be paid in future in respect of goods and services supplied, whether billed to the Authority or not.

(q) Taxation

Income Tax

Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognized in the Statement of Profit or Loss and Other Comprehensive Income except when it relates to items recognized in other comprehensive income, in which case it is also recognized in other comprehensive income, or to items recognized directly in equity, in which case it is also recognized directly in equity.

Taxation (Cont'd)

Current Tax

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

Deferred Tax

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Recognized and unrecognized deferred tax assets are reassessed at the end of each reporting period. The recognized amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

(r) Translation of Foreign Currencies

On initial recognition, all transactions are recorded in the functional currency, which is Kenya Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the Statement of Financial Position date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date.
The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognized on a net basis in the Statement of Profit or Loss and Other Comprehensive Income in the year in which they arise.

(s) Short term employee benefits

The estimated monetary liability for employees accrued at the Statement of Financial Position date is recognized as an employment cost accrual. Gratuity earned at Statement of Financial Position date is accrued and recognized as an employee cost in the Statement of Profit or Loss and Other Comprehensive Income. The Authority does not accrue employee leave entitlements where they are deemed immaterial.

(t) Dividends

In line with the Dividend policy, Directors recommend dividend payout of 7.5% of profit after tax to the National Treasury. Dividend payment is pegged on financial statements being duly audited and certified by the Office of the Auditor General. Dividends are charged to equity in the period in which they are paid. In the reporting year, the Authority remitted dividend of FY 2017/2018 of Kshs 516 million. The National Treasury also directed the Authority to remit to the National Exchequer Kshs. 18 Billion as special dividends. The amounts are remitted as and when Treasury Bills mature, as at 30 June 2020, the Authority had remitted Kshs. 13.05 Billion and the balance of Kshs. 4.95 Billion is reported as a current liability.

(u) Grants from donors and the National Government

The grants are received inform of direct payments to suppliers or contractors for the construction of specific capital projects of the Authority. The grants are recognized in the Statement of Financial Position and realized in the Statement of Profit or Loss and Other Comprehensive Income over the useful life of the assets.

(v) Comparative figures

Where necessary the comparative figures for the previous financial year 2018/19 have been amended to conform to changes in presentation.

(w) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2020. However, the Presidential Task Force on Parastatal Reforms plans to introduce new reforms moving KPA from Ministry of Transport and Infrastructure, Housing, Urban Development and Public Works to the National Treasury.

5. Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances that prevailed during the period.

The Board has reassessed its assumptions and estimates used in the measurement of assets and liabilities at the reporting date against the background of the effects of COVID-19 pandemic. There is no indication of any significant impairment or valuation risks for existing receivables and other assets or liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

In the process of applying the Authority's accounting policies, management has made judgment in determining;

- The depreciation rates and impairment of property, plant and equipment,
  Property, plant and equipment balances represent a significant component of the Authority's assets. Property, plant and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. The management reviews the estimated useful lives of property, plant and equipment on an annual basis based on factors such as expected level of usage, forecasts and assumptions. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above.

- Basis of Valuation and fair value measurement – in estimating the fair value of assets and liabilities, management uses market observable data where available. Where not available the management uses value of identical assets and liabilities or engages a third party to perform the valuation.

- Expected Credit Loss of Trade receivables,
  At each reporting date, the Authority assesses whether trade receivables are credit-impaired. Management makes judgement on the collectability of individual customer accounts taking into consideration the credit worthiness and financial condition of those customers. The Authority also records an allowance for receivables based on management's collective assessment of their collectability taking into consideration e factors such as including historical experience of credit losses, and the aging of the receivables with allowances generally increasing as the receivable ages.

- The amortization of Intangible assets
- The impairment of long-term investments in Kenya National Shipping Line, Consolidated Bank, deposits in Chase Bank Ltd in receivership (CBLR) and Kenya Ferry Services,
- Provisions for obsolete inventory,
- Deferred tax liabilities

Critical Accounting Estimates and Assumptions (Cont'd)

- The recognition of Retirement Benefit Asset/Liability,
  Judgments required by actuaries in respect of discount rates, future salary increments, mortality rates and inflation rates used for computation of defined benefit liability.
- Deferred tax liabilities

- **Chase *Bank (IR) and SBM Bank Deposits***

Chase Bank Ltd was placed under receivership on 7th April 2016. Based on the Kenya Gazette notice No 6833 dated 6th July 2018, a transfer of 75% of the deposits moved to SBM (Kenya) Ltd while 25% was retained by Kenya Deposit Insurance Corporation. The transition process was completed on 17th August 2018 and SBM Kenya Ltd transferred a total of Kshs. 1,175 million in FY2018/19. In August 2019, in line with Kenya Gazette notice, the first of the three equal instalments of cash deposits previously held with Chase Bank Kenya (In Receivership) were received by the Authority from SBM Kenya Ltd. The remaining 25% of the deposits are on fixed deposit account earning interest at 6.3% p.a with restricted access; and will be released in two further instalments in August 2020 and August 2021.

- **Revenue *Recognition***

As stated in Note 4 (a) on Sales of services Revenue represents the fair value of consideration received or receivable for the sale of services in the course of the Authority's activities. It is recognized when it is probable that future economic benefits will flow to the Authority and the amount of revenue can be measured reliably. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

On rental income, where lease agreements are under preparation, billing is based on letters of offers, signed and accepted by the tenants. A signed letter of offer is a commitment from the tenant.

- **Contingent *Liabilities***

The management consults with its legal counsel on matters related to litigation, and other experts both within and outside the Authority with respect to matters in the ordinary course of business. As at the reporting date, the Authority was involved in various legal proceedings where it has been vigorously defending its claims. Assessment on whether the risk of loss is remote, possible or probable requires significant judgment given the complexities involved.

- **Accounting *for leases***

Accounting for leases under IFRS 16 involves the use of judgements, estimates and assumptions that impact the amounts recognized as right-of-use assets and lease liabilities. The Authority does not also recognise leases of low-value assets and or leases it has no right of control on the Statement of Financial Position, but instead recognises an expense on a straight-line basis.

6. Operating Revenue	2019/2020 Kshs '000	2018/2019 Kshs '000
Pilotage	596,018	580,340
Tug Services Dues	1,752,147	1,705,816
Mooring	319,864	312,018
Navigational Dues	260,397	255,210
Port Dues	583,788	569,003
Dockage	640,933	605,871
Fresh Water - Normal	1,350	3,903
Laid Up Vessels	1,206	4,988
Security	157,688	153,474
Stevedoring	13,926,760	13,721,702
Hire of Labor/Equipment	196,374	222,959
Handling of Empty Containers	2,434,564	2,376,532
Handling of Full Containers	11	9,189
Shore handling	5,336,676	5,306,142
Re Marshaling Charges	1,498,388	2,156,876
Container Stripping/Stuffing	1,619	2,540
Verification Charges	16,384	10,045
Storage of General Cargo	122,625	188,384
Storage - Empty Containers	561,383	697,600
Storage-Full Containers	5,612,671	9,906,122
Jetty Fees	3,987	939
Licenses	176,143	128,677
Other Revenue	126,528	137,838
Wharfage	13,764,414	13,648,739
Sale of Fresh Water	199	199
Other Miscellaneous Revenue	69,462	53,853
TOTAL	**48,161,579**	**52,758,959**

Operating revenue decreased by Kshs 4,597 Million or 8.71%. The decrease is attributed to decline in collections on storage and remarshalling charges, which is largely due to improved efficiency in cargo clearance and uptake by owners.

The growth in total Port throughput from 32.6 million DWTs in Fy2018/19 to 33.6 million DWTs in FY2019/20 contributed to the increase in revenue in other revenue streams.

7. Other Income:	2019/2020 Kshs '000	2018/2019 Kshs '000
Rent & Rates Receivable	272,492	202,797
Bandari College	19,729	33,518
Recovery from Housed Employees	109,743	109,297
Sale of Passes	99,784	101,311
Sale of Books and Documents	0	121
Sundry Income	190,299	50,623
Interest on Staff Loans	0	1,176
TOTAL	**692,047**	**498,843**

The increase in other income was mainly due to sundry income of Kshs 106 Million being administration fee due from SGR freight collections.

8. Administrative Expenses:	2019/2020 Kshs '000	2018/2019 Kshs '000
Telephone/Telex/Fax Services	8,737	10,287
Water Supply Services	321,660	151,087
City & Municipal Council Rates	55,654	57,922
Office Rental-Kampala	9,827	9,383
Library & Archives	5,106	7,716
Nursery Schools	4,607	6,075
Laundry	881	291
Provisions & Catering	26,030	26,835
Cleaning of Carpets & Curtains	384	446
Directors Allowances	54,119	66,059
Furniture & Equipment	3,583	8,911
Printing & Stationery	72,962	93,825
Postage & Courier Services	8,998	6,253
Office Incidentals & Consumables	34,581	33,690
Entertainment Allowance	4,102	6,984
Club Membership Fees	2,225	1,684
Police Services	12,842	13,930
Security Guards Services	64,500	69,487
Port Passes	3,555	25,481
Publicity & Advertising	195,401	462,850
Subscriptions & Donations	8,026	9,380
Hire of Commuter Bus Service	138,131	132,381
Agricultural Society of Kenya Shows	53,335	49,078
Sports	72,299	96,015
Welfare	33,206	44,514
Industrial Relations Costs	7,405	11,315
Development Studies	150,070	291,033
Consultant Fees	34,196	28,503
Training	289,752	447,245
Curriculum Development	16,654	15,586

Administrative Expenses Cont'd:	2019/2020 Kshs '000	2018/2019 Kshs '000
Trade Testing Materials	1,643	2,881
Recruitment Costs	30,661	27,824
Retirees Expenses	16,065	16,983
Survey Fees	4,661	150
Computer & Network Maintenance	182,130	229,886
Website	2	267
Licenses & Computers	805,840	666,278
Insurance Premiums	449,592	427,873
Un-Insured Loss	124,758	4,799
Car Registration & Licenses	313	260
Stock Take Expenses	1,733	855
Corporate Social Responsibility	313,320	125,229
Victuals & Snacks	41,583	59,234
Wajibika	21,186	25,814
Professional Education	38,197	59,156
WHT Imported Services	30,397	33,133
Audit Fees	8,050	8,050
Bank Charges & Commission	10,740	14,072
Legal Fees	221,961	136,998
Revaluation Fees	0	20,443
TOTAL	**3,995,660**	**4,044,431**

CSI expenditure increased by 150%. The Authority is the single largest employer within the Coast Province and thus it continues to contribute to worthy causes such as education, rehabilitation/construction of jetties in Lamu County, sponsorships & donations and is also a sponsor of Bandari FC.

Decrease in expenditure in training, publicity & advertising, development studies and professional education was mainly attributed to the Covid-19 pandemic which significantly affected the Authority's planned activities.

The Authority continues to register a trailblazing performance in the ASK exhibitions and trade fairs scooping numerous top awards. The Authority participated in all regional shows and clinched top prizes in several categories including best organization in Environmental Quality Standards, Commercial and Industry, ICT application, Strategies of International Trade and Exports, CSR activities and the best organization in activities that promote Youth empowerment.

The increase in expenditure on water supply services was attributed to costs related to production, distribution, supply & related maintenance.

9. Establishment Expenses:	2019/2020 Kshs '000	2018/2019 Kshs '000
Basic Salary	7,473,722	7,207,572
Overtime	2,441,884	3,162,857
Staff Allowances	2,228,097	2,210,961
Normal Staff Housing	2,678,496	2,724,362
Leased Staff Housing	11,933	14,960
Special Accommodation	11,535	33,495
Duty Travel	300,208	437,891
Leave Travel	249,304	259,559
Transport Allowance	1,588,144	1,614,853
Intern Allowances	0	6,540
Staff Pension-DC	1,469,606	1,168,465
Staff Pension-DB	145,970	164,919
Staff Gratuity	15,668	7,523
Long Service Awards	0	4,711
Social Security	178	308
Medicines	306,467	301,249
Hospital/Referral Bills	564,015	620,907
First Aid	7,950	11,107
Medical Education Expenses	12,524	19,051
Incentive Scheme	14,790	20,954
TOTAL	**19,520,491**	**19,992,244**

During the year, overtime expenditure decreased by 22.8% from Kshs 3,163 million to Kshs 2,442 million. This was mainly on account of decreased operational activities due to COVID-19 and continued iimplementation of reforms in the work practices.

Staff pension DC costs increased by 25%. The Authority reimbursed death in service costs incurred by the DC pension scheme, promotions and salary increments.

At the close of the FY the Authority had 6,654 employees (FY2018/2019; 6,791 employees). A total of 120 new employees (FY 2018/2019; 16 employees) were recruited in the financial year. The number of staff who left were 258; 37 female & 221 males. 193 left under normal retirement, 35 due to death, and the balance due to other attrition reasons.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10.Operating Expenses:	2019/2020 Kshs '000	2018/2019 Kshs '000
Operational / Running Supplies	749,801	648,909
Marine Spares	372,543	547,666
Buoys	25,970	1,751
Flowers & Plants	1,075	517
Crane Spares	471,072	298,340
Fuel	905,470	1,148,754
Oils and Lubricants	63,705	56,486
Cleansing Agents	6,655	11,690
Gas Cutting/ Welding Supplies	0	24
Uniforms & Clothing	324,391	354,579
Cleaning Implements/ Detergents	37,552	22,712
Workshop Tools and Equipment	81,323	80,912
Comm./ Equipment Spares	26,251	30,777
Medical Equipment	50,082	8,373
Repairs: Port Infrastructure	2,541,375	1,528,600
Electricity Services	415,801	513,504
Mobile Plant Spares	329,711	246,308
Electrical Spares	217,809	275,545
Tyres and Tubes	172,570	150,306
Refrigeration/ Air Conditioning	44,290	33,544
Batteries Charges and Clocks	14,821	17,662
TOTAL	**6,852,267**	**5,976,959**

Overall, operating expenditure increased by 14.64%. The increase in expenditure on repairs to port infrastructure was mainly due to the developments/refurbishment of ICDN, ICDK and Naivasha depot to improve the Authority's operational area.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

11.Property, Plant& Equipment
For the Year Ended 30 June 2020

COST / VALUATION	Land Leased Out	Land and Buildings	Equipment, Motor Vehicles and Furniture	Services and Systems	Basic Constructions	Balance as at 30 June, 2020
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance as at 01.07.2019	15,190,900	74,455,828	39,243,097	9,982,596	70,468,164	**209,340,585**
Additions	0	1,574,311	1,752,284	53,313	2,683,863	6,063,771
Disposals	0	0	(148,083)	0	(492,598)	(640,681)
Revaluation Adjustment	0	0	1,072	13,140	0	14,212
Balance as at 30.06.2020	**15,190,900**	**76,030,139**	**40,848,370**	**10,049,049**	**72,659,429**	**214,777,887**
DEPRECIATION						
Balance as at 01.07.2019	**0**	**815,684**	**2,239,316**	**2,920,743**	**10,518,489**	**16,494,232**
Charge for the year	0	448,124	3,628,490	595,184	6,024,803	10,696,601
Eliminated on Disposal	0	0	(25,258)	0	(311,523)	(336,781)
Revaluation Adjustments	0	49,967	1,822,228	5,296	229,657	2,107,148
Balance as at 30.06.2020	**0**	**1,313,775**	**7,664,776**	**3,521,223**	**16,461,426**	**28,961,200**
N.B.V as at 01.07.2019	15,190,900	73,640,144	37,003,781	7,061,853	59,949,675	192,846,353
NBV as at 30.06.2020	**15,190,900**	**74,716,364**	**33,183,594**	**6,527,826**	**56,198,003**	**185,816,687**
W.I.P as at 01.07.2019	0	1,657,538	2,669,498	3,676,553	41,198,141	49,201,730
W.I.P as at 30.06.2020	**0**	**1,812,899**	**2,174,621**	**18,691,215**	**58,885,146**	**81,563,881**
Sub-Total	**15,190,900**	**76,529,263**	**35,358,215**	**25,219,041**	**115,083,149**	**267,380,568**
Impairment	0	(199,819)	(70,460)	(617)	(46,014)	(316,910)
Grand Total	**15,190,900**	**76,329,444**	**35,287,755**	**25,218,424**	**115,037,135**	**267,063,658**
Fully depreciated. Assets	**0**	**22,790**	**1,106,009**	**353,724**	**133,113**	**1,615,636**
Would have been Dep.	**0**	**570**	**221,202**	**70,745**	**3,327**	**295,844**

At the end of the FY, the transition process of transferring Bandari College to Bandari Maritime College was still ongoing, the costs of affected assets are as shown below;

Cost of Assets	**0**	**1,298,640**	**601,057**	**168,352**	**18,340**	**2,086,388**
Accumulated Dep.	**0**	**24,318**	**235,927**	**70,912**	**7,351**	**338,508**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Property, Plant& Equipment (with Revaluation) For the Year Ended 30 June 2019

Cost / Valuation	Land Leased Out	Land and Buildings	Equipment, Motor Vehicles and Furniture	Services and Systems	Basic Constructions	Balance as at 30 June, 2019
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance as at 01.07.2018	**6,162,840**	**25,073,380**	**38,670,469**	**9,835,007**	**74,074,518**	**153,816,214**
Additions	0	360,898	8,983,059	408,825	541,615	10,294,397
Assets Held for Sale	0	0	(214,870)	0	0	(214,870)
Revaluation Effect	9,028,060	49,044,150	(8,059,403)	(261,236)	(4,147,969)	45,603,602
Re-classification	0	(22,600)	0	0	0	(22,600)
Disposals	0	0	(136,158)	0	0	(136,158)
Balance as at 30.06.2019	**15,190,900**	**74,455,828**	**39,243,097**	**9,982,596**	**70,468,164**	**209,340,585**
Depreciation						
Balance as at 01.07.2018	0	**2,569,098**	**16,617,793**	**2,593,219**	**13,587,822**	**35,367,932**
Eliminated on Disposal	0	0	(133,512)	0	0	(133,512)
Revaluation Effect		(2,172,436)	(17,414,147)	(260,830)	(9,012,340)	(28,859,753)
Charge for the year	0	419,022	3,372,833	588,354	5,943,007	10,323,216
Held for Sale	0	0	(203,651)	0	0	(203,651)
Balance as at 30.06.2019	0	**815,684**	**2,239,316**	**2,920,743**	**10,518,489**	**16,494,232**
N.B.V as at 01.07.2018	6,162,840	22,504,282	22,052,676	7,241,788	60,486,696	118,448,282
NBV as at 30.06.2019	**15,190,900**	**73,640,144**	**37,003,781**	**7,061,853**	**59,949,675**	**192,846,353**
W.I.P as at 01.07.2018	0	50,305	1,955,719	602,854	24,051,557	26,660,435
W.I.P as at 30.06.2019	0	**1,657,538**	**2,669,498**	**3,676,553**	**41,198,141**	**49,201,730**
Sub-Total	**15,190,900**	**75,297,682**	**39,673,279**	**10,738,406**	**101,147,817**	**242,048,083**
Impairment	0	(199,820)	(575)	(617)	(292,933)	(493,945)
Grand Total	**15,190,900**	**75,097,862**	**39,672,704**	**10,737,789**	**100,854,884**	**241,554,138**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Property, Plant& Equipment (without Revaluation)
For the Year Ended 30 June 2019

Cost / Valuation	Land Leased Out	Land and Buildings	Equipment, Motor Vehicles, and Furniture	Services and Systems	Basic Construction	Balance as at 30 June, 2019
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance as at 01.07.2018	**6,162,840**	**25,073,380**	**38,670,469**	**9,835,007**	**74,074,518**	**153,816,214**
Additions	0	360,898	8,983,059	408,825	541,615	10,294,397
Assets Held for Sale	0	0	(214,870)	0	0	(214,870)
Disposals	0	0	(136,158)	0	0	(136,158)
Re-classification	0	(22,600)	0	0	0	(22,600)
Balance as at 30.06.2019	**6,162,840**	**25,411,678**	**47,302,500**	**10,243,832**	**74,616,133**	**163,736,983**
DEPRECIATION						
Balance as at 01.07.2018	**0**	**2,569,098**	**16,617,793**	**2,593,219**	**13,587,822**	**35,367,932**
Eliminated on Disposal	0	0	(133,512)	0	0	(133,512)
Charge for the year	0	323,019	2,436,222	586,518	4,825,490	8,171,249
Held for Sale	0	0	(203,651)	0	0	(203,651)
Balance as at 30.06.2019	**0**	**2,892,117**	**18,716,852**	**3,179,737**	**18,413,312**	**43,202,018**
N.B.V as at 01.07.2018	6,162,840	22,504,282	22,052,676	7,241,788	60,486,696	118,448,282
NBV as at 30.06.2019	**6,162,840**	**22,519,561**	**28,585,648**	**7,064,095**	**56,202,821**	**120,534,965**
W.I.P as at 01.07.2018	0	50,305	1,955,719	602,854	24,051,557	26,660,435
W.I.P as at 30.06.2019	**0**	**1,657,538**	**2,669,498**	**3,676,553**	**41,198,141**	**49,201,730**
Sub-Total	**6,162,840**	**24,177,099**	**31,255,146**	**10,740,648**	**97,400,963**	**169,736,695**
Impairment	0	(199,820)	(575)	(617)	(292,933)	(493,945)
Grand Total	**6,162,840**	**23,977,279**	**31,254,571**	**10,740,031**	**97,108,030**	**169,242,750**
Cost	0	22,790	5,012,004	363,946	587,645	5,986,385
Would have been depreciation	0	570	1,002,401	36,395	14,691	1,054,057

12.Leased Property

As at 30 June 2020 Cost/Valuation	Buildings Kshs '000	Basic Construction Kshs '000	Services and Systems Kshs '000	Bal. as at 30.06.2020 Kshs '000
Balance as at 01.07.2019	183,579	502,261	18,474	704,314
Balance as at 30.06.2020	183,579	502,261	18,474	**704,314**
Depreciation:				
Balance as at 01.07.2019	10,244	(24,568)	1,575	(12,749)
Charge for the year	5,002	39,721	1,094	45,817
Balance as at 30.06.2020	**15,246**	**15,153**	**2,669**	**33,068**
N.B.V as at 01.07.2019	173,335	526,829	16,899	717,063
N.B.V as at 30.06.2020	**168,333**	**487,108**	**15,805**	**671,246**

Leased Property (with Revaluation)

As at 30 June 2019 Cost/Valuation	Buildings Kshs '000	Basic Construction Kshs '000	Services and Systems Kshs '000	Bal. as at 30.06.2019 Kshs '000
Balance as at 01.07.2018	111,441	913,684	11,890	1,037,015
Re-classification	22,600	0	0	22,600
Revaluation	49,538	(411,423)	6,584	(355,301)
Balance as at 30.06.2019	**183,579**	**502,261**	**18,474**	**704,314**
Depreciation:				
Balance as at 01.07.2018	19,421	208,116	3,659	231,196
Charge for the year	(4,752)	17,670	962	23,384
Revaluation effect	(13,929)	(250,354)	(3,046)	(267,329)
Balance as at 30.06.2019	**10,244**	**(24,568)**	**1,575**	**(12,749)**
N.B.V as at 01.07.2018	92,020	705,568	8,231	805,819
N.B.V as at 30.06.2019	**173,335**	**526,829**	**16,899**	**717,063**

Leased Property (without Revaluation)

COST / VALUATION	Buildings Kshs '000	Basic Constructions Kshs '000	Services & Systems Kshs '000	Bal. as at 30.06.2019 Kshs '000
Balance as at 01.07.2018	111,441	913,684	11,890	1,037,015
Re-classification	22,600	0	0	22,600
Balance as at 30.06.2019	**134,041**	**913,684**	**11,890**	**1,059,615**
Depreciation:				
Balance as at 01.07.2018	19,421	208,116	3,659	231,196
Charge for the year	2,840	21,167	480	24,487
Balance as at 30.06.2019	**22,261**	**229,283**	**4,139**	**255,683**
N.B.V as at 01.07.2018	92,019	705,568	8,231	805,819
N.B.V as at 30.06.2019	**111,780**	**684,401**	**7,751**	**803,931**

13.Intangible Assets:	2019/2020 Kshs '000	2018/2019 Kshs '000 With Revaluation	2018/2019 Kshs '000 Without Revaluation
Cost:			
Balance as at 1 July	1,749,624	2,252,138	2,252,138
Additions	355,391	21,751	21,751
Revaluation Surplus/(Deficit)	0	(524,265)	0
Balance as at 30 June	**2,105,015**	**1,749,624**	**2,273,889**
Amortization:			
Balance as at 1 July	598,328	1,576,755	1,576,755
Charge for the year	301,265	262,568	48,828
Revaluation effects	0	(1,240,995)	0
Balance as at 30 June	**899,593**	**598,328**	**1,625,583**
Net Book Values as at 30 June	**1,205,422**	**1,151,296**	**648,306**
Cost	0	0	894,904
Would have been depreciation	0	0	295,320

14.Finance Income:	2019/2020 Kshs '000	2018/2019 Kshs '000
Bank Interest Earnings	1,310,374	2,187,175
TOTAL	**1,310,374**	**2,187,175**

The reduction in finance income was as a result of remittance of funds to the National Treasury in form of special dividends.

15.Finance Costs:	2019/2020 Kshs '000	2018/2019 Kshs '000
Interest Charges - Long Term Loans	42,717	41,755
Write-Off – Fixed Assets	0	6
Price Difference Gain	(2,422)	(147)
Discounts	92,840	123,501
Fringe Benefit Tax	1,281	0
Compensation Cargo Claims	748	1,194
TOTAL	**135,164**	**166,309**

16.Impairment (Gain)/Losses:	2019/2020 Kshs '000	2018/2019 Kshs '000
Prov. Impairment Loss Debtors	395,922	655,873
Prov. Impairment Trade Gain on Investment	0	(9,744)
Prov. Impairment Gain on PPE	(177,034)	0
TOTAL	**218,888**	**646,129**

Trade receivables continue to be impaired as per the existing credit control policy. During the FY equipment damaged by fire amounting to Kshs 69 Million were impaired while old rail sidings were disposed off resulting to a reversal of impairment amounting to Kshs 246 Million.

17.Other Gains/(Losses)	Note	2019/2020 Kshs '000	2018/2019 Kshs '000
Gain/(Loss) on Disposal of Non-Financial Assets	17(a)	(276,276)	3,049
Inventory difference Gain/(Loss)		34	(365)
Realized exchange Gain		56,503	20,960
Revaluation Deficit		0	(147,876)
TOTAL		**(219,739)**	**(124,232)**

17a. Gain/(Loss) on Disposal of Non-Financial Assets:	2019/2020 Kshs '000	2018/2019 Kshs '000
Profit/(Loss) on sale of fixed assets	(278,506)	2,436
Profit on sale of surveyed stock	2,230	613
TOTAL	**(276,276)**	**3,049**

18.Income Tax Expense	2019/2020 Kshs '000	2018/2019 Kshs '000
(a) Current Taxation		
Current taxation based on the adjusted profit for the year	3,054,185	4,188,119
Current year deferred tax charge	1,418,827	(50,249)
Tax charge for the year	**4,473,012**	**4,137,870**
(b) Reconciliation of tax expense/(credit) to the expected tax based on accounting profit		
Profit before taxation	**8,178,108**	**13,885,505**
Tax at the applicable tax rate	2,044,527	4,165,651
Tax effects of expenses not deductible for tax purposes	666,055	575,326
Tax effects of income not taxable	(924)	(156,444)
Tax effects of excess capital allowances over depr. /amortization	344,527	(396,414)
Current taxation based on adjusted profit	**3,054,185**	**4,188,119**

The tax rate applicable to FY 2019/2020 was 25% and for FY 2018/2019 was 30%. The revision of capital allowance rates by the Tax Amendment Act 2020 contributed to the increase in the tax charge for FY2019/2020.

19.Non-Current Assets Held for sale

Item of non-current assets held for sale as 30th June 2020 are as below indicated;

	2019/2020 Kshs '000	2018/2019 Kshs '000
ZPMC RMG 04-Rail Mounted Gantry 40T Bromma No. 75	0	11,218
G section tractor TR 55	400	400
Total	**400**	**11,618**

20.Long Term Investment As at 30 June 2020	Note	2019/2020 Kshs '000	2018/2019 Kshs '000
Fixed Deposits:	(a)		
Housing Scheme Backup Funds- HFCK		263,666	314,932
Fixed Deposits- HFCK		296,457	229,069
KCB Mortgage		412,200	407,333
Eco-Bank Kenya Ltd		20,691	20,345
SBM Bank Ltd.		374,054	748,108
Subtotal		**1,367,068**	**1,719,787**
Equities:	(b)		
Kenya National Shipping Line		54,346	54,346
Kenya Ferry Services		100,000	100,000
Impairment of Trade Investment		(154,346)	(154,346)
Consolidated Bank of Kenya		29,100	29,100
Subtotal		**29,100**	**29,100**
Other Investment:	(c)		
KDIC -Chase bank Deposits		748,108	748,108
Impairment		(748,108)	(748,108)
Subtotal		**0**	**0**
TOTAL		**1,396,168**	**1,748,887**

Chase Bank Ltd was placed under receivership on 7th April 2016. Based on the Kenya Gazette notice No 6833 dated 6th July, 2018, a transfer of 75% of the deposits moved to SBM (Kenya) Ltd while 25% was retained by Kenya Deposit Insurance Corporation. The transition process was completed on 17th August 2018 and SBM Kenya Ltd transferred a total of Kshs. 1,175 million in FY2018/19. In August 2019, in line with Kenya Gazette notice, the first of the three equal instalments of cash deposits previously held with Chase Bank Kenya (In Receivership) were received by the Authority from SBM Kenya Ltd. The remaining 25% of the deposits are on fixed deposit account earning interest at 6.3% p.a with restricted access; and will be released in two further instalments in August 2020 and August 2021. The August 2020 portion has been classified as a current liability.

Details and movement of the fixed deposits are shown below;

a. Fixed Deposits

Details and movement of the fixed deposits are shown below;

	Balance 1 July 2019 Kshs '000	Charges Kshs'000	Interest Kshs '000	Inter Account Transfer Kshs '000	Balance 30 June 2020 Kshs '000
Housing Scheme Backup- HFCK	314,932	(3)	6,333	(57,596)	**263,666**
Fixed Deposits- HFCK	229,069	0	9,792	57,596	**296,457**
KCB Mortgage	407,333	0	4,867	0	**412,000**
Eco-Bank Kenya Ltd	20,345	0	346	0	**20,691**
SBM Bank Ltd	748,108	0	0	(374,054)	**374,054**
TOTAL	**1,719,787**	**(3)**	**21,338**	**(374,054)**	**1,367,068**

i. Funds invested with Housing Finance amounted to Kshs 560 million out of which Kshs 264 million is held as lien on loans advanced to staff under the HOMS and earns interest at 2% pa. The balance of Kshs 296 million is held in a fixed deposit account and earns interest of 7% pa.

ii. Funds invested with Kenya Commercial Bank amounting to Kshs 412 million is held as security on loans advanced to staff under HOMS. They earn interest at 2% p.a.

iii. Funds invested with ECO-Bank amounting to Kshs 20 million are held as security on loans advanced to staff under HOMS. They earn interest at 2% p.a.

iv. SBM Bank Ltd. funds represent 25% of the remaining investment in Chase Bank Ltd. (in receivership) and continue to earn interest at 6.3% per annum. The first portion was released in August 2019. The remaining two equal instalments will be released in August 2020 and August 2021.

b. Equities:

Details of the equities are shown below;

Entities	Direct shareholding %	Effective shareholding %	Nominal value of shares Kshs '000	Value of shares less impairment 2019/2020 Kshs '000	Value of shares less impairment 2018/2019 Kshs '000
Kenya National Shipping Line	45%	0%*	54,346	0	0
Kenya Ferry Services	20%	0%*	100,000	0	0
Consolidated Bank of Kenya	2.60%	2.60%	29,100	29,100	29,100
TOTAL				**29,100**	**29,100**

*The effective shareholding is 0% because the investments were fully impaired.

c. Other Investment:

Chase Bank Ltd. was placed under receivership on April 2016 by Central Bank of Kenya. The Authority's Board made a 25% impairment provision on the deposits during the 336th regular meeting held in December 2017. Cash deposits including interest amounting to Kshs 1,175 million previously held with Chase Bank Kenya (In Receivership) were remitted to the Authority in FY2018/2019. The remaining balance is classified between short-term and fixed deposits continue to earn interest at 6.3% per annum and the first portion was released in August 2019. The remaining two equal instalments will be released in August 2020 and August 2021.

21.Inventories	**2019/2020 Kshs '000**	**2018/2019 Kshs '000**
Engineering stores	417,966	355,347
Fuel, oil and lubricants	1,809	1,336
Motor vehicle spare parts	19,808	9,282
Stationery and general stores	47,600	34,789
Medicines	43,799	39,505
Sub-Total	**530,982**	**440,259**
Provision for Write-off	(35,446)	(35,446)
Totals	**495,536**	**404,813**

Inventories are stated at cost which include the purchase price, import duty, transport and handling charges.
Inventories are managed using FIFO method. Just in Time (JIT) strategy is applied by the Authority to increase efficiency and decrease wastage.
A provision for obsolete inventories has been made in accordance with the Authority policy. The Authority has lodged a request for approval of write off of obsolete inventories from the books with the GoK.

22.Receivables & Prepayments		2019/2020	2018/2019
Trade Receivables	**Note**	**Kshs '000**	**Kshs '000**
Trade Cargo		4,086,190	4,343,245
Trade Marine		477,751	450,793
Rental		151,598	83,594
Subtotals (i)	(a)	**4,715,539**	**4,877,632**
Railways Debtors		497,147	522,465
Misc. A/C Receivables		12,961	19,830
Subtotals (ii)		**510,108**	**542,295**
Less; Provision for Impairment (iii)		(2,106,536)	(1,710,613)
Subtotals (i+ ii- iii)		**3,119,111**	**3,709,314**
KNSL		1,507	1,507
National Treasury (Dredgco)		287,231	287,231
Impairment of Other Debtors		(288,738)	(288,738)
Subtotals		**0**	**0**
Other Receivables:			
Staff Advances		38,536	14,379
Advance Imprest & Subsistence		21,895	76,531
Prepayments & Accrued Income	(b)	313,970	357,044
Advance Creditors	(c)	5,213,997	7,514,142
Deposit Others		97,787	94,762
Valuation Adjustment		1,416,160	318,464
Tax Recoverable	(d)	6,224,394	2,538,069
VAT in		453,214	1,024,123
Others		478,520	299,388
Subtotals		**14,258,474**	**12,236,902**
TOTAL		**17,377,585**	**15,946,216**

Receivables & Prepayments (Cont'd)

a. As at June 30, the ageing analysis of the Trade and Rental receivables was as follows;

Ageing Analysis Period	2019/2020 Kshs '000	2018/2019 Kshs '000
From 0 To 90	1,840,684	2,305,387
From 91 To 120	193,259	270,576
From 121 To 150	157,546	219,206
From 151 To 180	126,430	211,743
From 181 To 365	666,908	762,884
1 To 2 Years	734,219	206,811
Over 2 years	996,493	901,025
Total	**4,715,539**	**4,877,632**

In compliance with the Authority's impairment policy and IFRSs, all overdue debts have been impaired. The Authority assumes that the credit risk on a financial asset increases significantly if it is more than 90 days past due. Debts over 2 years old have been impaired 100%.

b. Prepayments & Accrued Income	2019/2020 Kshs '000	2018/2019 Kshs '000
Accrued income	48,868	36,682
Rents & rates – prepaid	26,159	26,805
Insurance – prepaid	210,867	197,040
Prepayments Others	28,076	96,517
TOTAL	**313,970**	**357,044**

c. Advance Creditors	2019/2020 Kshs '000	2018/2019 Kshs '000
Advance Lamu Creditors	0	1,523,067
Advance Other Creditors	1,306,940	537,257
2nd Terminal Supplier	1,987,229	1,852,323
KOT Suppliers	1,919,828	3,601,495
TOTAL	**5,213,997**	**7,514,142**

d. Tax Recoverable	2019/2020 Kshs '000	2018/2019 Kshs '000
Balance as at 01 July	2,538,069	2,088,994
Total Output VAT	(3,312,572)	(8,117,358)
Total Input VAT and Withheld output VAT	6,998,897	8,566,433
TOTAL	**6,224,394**	**2,538,069**

23.Tax Payable/ (Paid in Advance)	2019/2020 Kshs '000	2018/2019 Kshs '000
Balance as at 1st July	**1,207,331**	**(873,216)**
Income tax charge for the year	3,054,185	4,188,042
Income tax paid during the year	(4,536,221)	(1,749,966)
Final Tax paid	(2,041,943)	77
Overpaid tax utilized	(71,991)	(357,606)
TOTAL	**(2,388,639)**	**1,207,331**

24.Cash and Cash Equivalents	Note	2019/2020 Kshs '000	2018/2019 Kshs '000
Short Term Deposits	(a)	1,167,706	25,099,818
Bank and Cash Balances	(b)	3,003,068	859,114
TOTAL		**4,170,774**	**25,958,932**

Investments in Treasury Bills as was lower during the year due to the National Treasury directive to remit special dividend to the National Exchequer and investment in capital items.

a. Short Term Deposits:	2019/2020 Kshs '000	2018/2019 Kshs '000
Citibank T/Bills 10.16%	754,743	23,889,540
Discount on Treasury Bills	38,909	834,224
SBM Bank Ltd.	374,054	376,054
TOTAL	**1,167,706**	**25,099,818**

As stated under note 20, cash deposits including interest amounting to Kshs 1,175 million previously held with Chase Bank Kenya (In Receivership) were remitted to the Authority between February 2019 and April 2019 by SBM Bank Kenya Ltd. In August 2019, in line with Kenya Gazette notice, the first of the three equal instalments of cash deposits previously held with Chase Bank Kenya (In Receivership) were received by the Authority from SBM Kenya Ltd. The remaining 25% of the deposits are on fixed deposit account earning interest at 6.3% p.a with restricted access; and will be released in two further instalments in August 2020 and August 2021. The August 2020 portion has been classified as a current liability.

b. Bank and Cash Balances **Name of Bank**	2019/2020 Kshs '000	2018/2019 Kshs '000
National Bank of Kenya	507,284	75,153
Kenya Commercial Bank	(10)	(4)
Citibank N. A	1,653,864	623,463
Equity	815,530	142,013
Stanbic Bank	4,691	1,382
Petty Cash	3,243	3,708
Cash in Transit	0	30
Collections	0	422
C2B Safaricom Mpesa	18,466	12,947
TOTAL	**3,003,068**	**859,114**

Cash and Cash Equivalents (Cont'd)

Details of cash and cash equivalents are as follows;

Financial Institution	Bank Account Nos.	Curr.	2019/2020 Kshs '000	2018/2019 Kshs '000
i) Current account				
National Bank of Kenya	1003057307400	Kshs	260,220	67,421
	2003057307400	USD	245,664	6,332
	1003000909000	Kshs	1,400	1,400
Kenya Commercial Bank	1107638127	Kshs	1	0
	1146962908	USD	0	0
	6690361829	BIF	(14)	(6)
	6690361837	USD	3	2
Citibank N,A	300046401	Kshs	68,888	426,066
	300046428	USD	1,584,976	197,398
Equity	1560267794795	Kshs	457,672	132,003
	1560261552619	USD	357,858	10,009
	4002200349395	RWF	0	0
Stanbic bank	9030008175933	USD	4,498	1,311
	9030005614383	UGX	193	71
Sub-total			**2,981,359**	**842,007**
ii) Others;				
Cash in Transit		Kshs	0	30
Collections		Kshs	0	422
Petty Cash		Kshs	3,243	3,708
Safaricom Mpesa	929929	Kshs	18,466	12,947
Sub-Total			**21,709**	**17,107**
iii) Fixed Deposit Account				
Treasury Bills		Kshs	754,743	23,889,540
Discount on Treasury Bills		Kshs	38,909	834,224
Sub-Total			**793,652**	**24,723,764**
iv) SBM Bank Ltd.	0223305760001/ 0043305760011/ 0043305760014/ 0043305760015/	Kshs	374,054	376,054
Grand-Total		Kshs	**4,170,774**	**25,958,932**

25.Movement in Revaluation Reserves	2019/2020 Kshs '000	2018/2019 Kshs '000
Opening Balance	111,646,031	39,881,910
Transfers to General Reserves:		
Effects on Revaluation	(8,513,131)	71,764,121
Closing Balance	**103,132,900**	**111,646,031**

Effects on Revaluation resulted from revaluation of the Authority's non-current assets conducted by M/s Sec & M Ltd.

26.Movement in General Reserves	2019/2020 Kshs '000	2018/2019 Kshs '000
Opening Balance	90,620,573	78,426,542
Adjustments for:		
Profit After Tax	3,705,096	9,747,635
Revaluation Effects	6,420,196	3,475,871
Grants	2,125,480	0
Other Adjustments	1,443	0
Increase in Pension Deficit	(2,855,700)	0
Unrealized Foreign Exchange Gain/(Loss)	1,132,129	(59,320)
Other valuation Gain/(Loss)	1,855	(1,855)
Dividends Paid	(516,130)	0
Special Dividends	(18,000,000)	0
JICA Loan Revaluation Effects	(1,760,734)	(968,300)
Closing Balance	**80,874,208**	**90,620,573**

27.Grants

Grants represent funds provided by donors, in this case TMEA, either directly or via a sponsor for the purposes of financing specific capital projects of the Authority. They are in the form of assets. Such assets include acquisition of Eco-hoppers, MHC and completion of Eco Terracing.

TMEA is funding other ongoing projects which include Expansion of gate 18 and replacement of asbestos roofing among others.

	1/7/2019 Kshs '000	Received 2019/20 Kshs '000	Capitalized/ Adjusted 2019/20 Kshs '000	Cumulative to 30/6/2020 Kshs '000
Trade Mark East Africa	2,803,281	275,941	(1,686,471)	**1,392,751**
SGR	2,514,819	0	(439,009)	**2.075,810**
TOTAL	**5,318,100**	**275,941**	**(2,125,480)**	**3,468,561**

28.Government Project Funds

GoK project funds represent monies given to the Authority for specific GoK projects not in direct control of the Authority. During the year, the movement was as below:

	1/7/2019	Received 2019/20	Cumulative to 30/6/2020
	Kshs '000	Kshs '000	Kshs '000
Infrastructure Kisumu Port	50,000	0	50,000
Lamu Port Development	27,336,157	10,000,000	37,336,157
TOTAL	**27,386,157**	**10,000,000**	**37,386,157**

During the year Kenya Ports Authority received Kshs 10 Billion from the parent Ministry for the Lamu Port development project.

Lamu Port Project
Statement of Financial Position
As at 30 June 2020

	Notes	Kshs'000	Kshs'000
Non-Current Assets	a	43,447,604	
China Communication Construction Co.			43,447,604
			43,447,604
Financed By:			
Government funds		36,720,252	
Other funds		195,647	
KPA funds*		2,042,472	
Funds for Dongo Kundu utilized on PAPs		431,374	
Deficit		525,266	39,915,011
Current Liabilities	c		3,532,593
			43,447,604

*The Authority contributed Kshs 2.04 Billion towards the Lamu port project.

a. Non-current Assets	**Kshs'000**
Boundary wall – National youth service	20,000
Police station &staff quarters (Vaghjiyani Enterprises- up to certificate 15)	619,816
Works in progress;	
1. Civil works	
1st Three Berths – China Communications (Forex, Taxes Included)	39,888,363
2. Consultancy	
1st Three berths – Yooshin Engineering (Forex, Taxes Included)	875,279
3. PAPs	
Kenya Forestry Services	64,939
Lamu Municipal council – Approval fee	35,000
National Land Commission	1,925,348
Compensation for local fishermen	18,859
	43,447,604

b. Currents Assets	**Kshs**
Unrecovered advance up to certificate no 22 (China Communications)	0
	0

c. Current liabilities	**Kshs**
China Communications (Retention up to certificate 22);	
i. Kshs portion	872,645
ii. USD portion 25,046, 340.26@106.2	2,659,922
Yooshin Engineering	26
	3,532,593

29.Borrowings:

As at 30 June 2020

	Opening Balances 01 July	Disburse-ments	Repayments			Valuation effects	Total	Closing Balances	
				Forex					Non-
Loans	Kshs '000	Kshs '000	Principal Kshs '000	Gain Kshs'000	Interest Kshs'000	Kshs'000	Kshs'000	Current Kshs'000	Current Kshs'000
JICA-1	23,373,808	0	(835,798)	15,664	42,902	1,039,515	23,593,189	857,934	22,735,255
JICA-2	10,176,159	5,438,326	0	0	0	721,219	16,335,704	0	16,335,704
TOTAL	**33,549,967**	**5,438,326**	**(835,798)**	**15,664**	**42,902**	**1,760,734**	**39,928,893**	**857,934**	**39,070,959**

As at 30 June 2019

	Opening Balances 01 July	Disburse-ments	Repayments			Valuation effects	Total	Closing Balances	
				Forex					Non-
Loans	Kshs '000	Kshs '000	Principal Kshs '000	Gain Kshs'000	Interest Kshs'000	Kshs'000	Kshs'000	Current Kshs'000	Current Kshs'000
JICA-1	23,338,510	0	(785,828)	1,208	41,663	819,918	23,373,808	820,134	22,553,674
JICA-2	6,946,575	2,854,571	0	0	0	375,013	10,176,159	0	10,176,159
TOTAL	**30,285,085**	**2,854,571**	**(785,828)**	**1,208**	**41,663**	**1,194,931**	**33,549,967**	**820,134**	**32,729,833**

Borrowings (cont'd)

JICA Loan 1 (KE-P25, KE-P25A)

Japan International Cooperation Agency funded the implementation of the Mombasa Port Development Project phase I. The principal value of the loan is JPY 26,711 Million, interest rate is 0.2% paid per annum paid semi-annually.

The loan disbursements have been completed. Total amounts disbursed was JPY 26,329 Million translated to Kshs 24,359 Million as 30th June 2017. The loan repayment commenced in Fy2017/2018, a total of JPY 863 Million translated to Kshs 786 Million was paid during the year. As at 30th June 2020 the outstanding balance for JICA loan was JPY 23,733 Million translated to Kshs 23,593 Million. The Loan repayment period is thirty years, paid semi-annually on 20th May and 20th November; commencing from 20th November 2017 and ending on 20th November 2047.

The loan was for the purchase of goods and services from suppliers, contractors of consultants as the case may be to facilitate the implementation of the Mombasa Port Development Project Phase I (berth 20 and 21). The MPDP I project was completed in February 2016 and handled its maiden ship in April 2016.

JICA Loan 2 (KE-P30)

Japan International Cooperation Agency funded the implementation of the Mombasa Port Development Project phase II. The principal value of the loan is JPY 32,116 Million, interest rate is 0.1% paid per annum paid semi-annually.

As at 30th June 2020 amounts disbursed was JPY 16,433 Million translated to Kshs 16,336 Million. The Loan agreement became effective on 24th August 2016 and the final disbursement will be made not later than 24th August 2023. The Loan repayment will be for thirty years, paid semi-annually, on 20th March and 20th September, commencing from 20th September 2025 and ending on 20th March 2055.

The loan is for the purchase of goods and services from suppliers, contractors of consultants as the case may be to facilitate the implementation of the Mombasa Port Development Project Phase II.

30. Deferred Tax:

The net deferred tax liability movement at year end is as shown below;

	2019/2020 Kshs '000	2018/2019 Kshs '000
Balance as at 1 July	5,231,256	5,281,505
Movement for the year	1,418,827	(50,249)
TOTAL	**6,650,083**	**5,231,256**

31.Trade & Other Payables	Note	2019/2020 Kshs '000	2018/2019 Kshs '000
Trade Payables:			
General Trade		2,474,214	1,887,343
General Foreign Suppliers		56,419	48,283
Payroll		417,063	477,179
Accrued Expenditure		2,263,706	1,279,790
Other Payables			
National Treasury/ Dredgco		287,231	287,231
2nd Terminal Suppliers		184,481	423,119
Creditors Valuation		0	3,961
Stock accruals		1,452,820	1,545,704
Contractors Deposit		4,569,072	2,357,150
Lamu Port Project Suppliers		2,390,342	178,175
KRC		87,619	1,881,239
Advance Receipts	(a)	144,166	141,207
Tax Clearing		0	80,904
KPA Directors		506	1,096
KCHS Provident Fund		6,426	6,426
Down Payment Cargo Customers		11,772	11,772
VAT Payable		204,602	316,616
Verification Payable		41,707	0
Others		144,480	284,853
TOTAL		**14,736,626**	**11,212,048**

a) Advance Receipts	2019/2020 Kshs '000	2018/2019 Kshs '000
Marine Debtors	18,283	18,297
Cargo Debtors	86,876	92,120
Rentals	39,007	30,790
TOTAL	**144,166**	**141,207**

Trade and other payables increase were mainly due to port expansion and ongoing modernization projects. Included in trade payables are maintenance expenses amounting Kshs. 1.2 billion under concrete works which are under investigations. The payments have been frozen awaiting conclusion of the investigations by State agencies.
Further, the Authority as the implementing agent for the Lamu port project is yet to receive funds from GoK to be disbursed to the project supplier. The Authority outsourced verification services to a third party. At year end, the operator had commenced operation at ICDN.

32.Retirement Benefits

The Authority operates a Defined Benefit and Defined Contribution scheme for its employees. The assets of the two schemes are held in a separate trustee administered funds which are funded by both contributions from the Authority and employees. The schemes are administered by Zamara Actuaries, Administrators and Consultants Ltd. While Britam Asset Managers (K) Ltd, African Alliance (K) Ltd, Investment Bank Ltd and Stanlib (K) Ltd, provides custodial services to the Scheme.

Retirement Benefits Cont'd

The Authority's contribution to the Defined contribution scheme is the final obligation. The employer's contributions payable for DC scheme was Kshs 1,470 Million (FY 2018/2019 Kshs 1,168 Million) and has been recognized in the Statement of Profit or Loss and Other Comprehensive Income.

The Authority Defined Benefit retirement scheme was closed to new entrants and future accrual of benefits effectively on 31st December 2012. The Authority only makes contribution to the scheme in respect of those members who opted to remain in the Defined Benefit scheme. The actuarial report as at 31 December 2019 showed an actuarial deficit of Kshs 3,909.6 million. The Authority as the sponsor contributes Kshs 44.6 Million per month as part of the remedial plan to fund the deficit revealed. A total of Kshs 535.2 million was remitted in FY2019/2020. As at 30 June 2020, the scheme had an actuarial deficit of Kshs 3,642 million (Kshs 1,321.5 million deficit FY 2018/19), with Kshs. 535.2 million being classified as current.

	2019/2020 Kshs '000	2018/2019 Kshs '000
Valuation at 1 July	**1,321,500**	**1,767,500**
Payments	(535,200)	(446,000)
Changes in valuation	2,855,700	0
Valuation at 30 June	**3,642,000**	**1,321,500**

33.Reconciliation of operating profit to cash generated from operations	**Note**	**2019/2020**	**2018/2019**
Cash Flow from Operating Activities:		**Kshs '000**	**Kshs '000**
Operating profits before tax		8,178,108	13,885,505
Add/(Deduct):			
Interest income		(1,310,374)	(2,188,351)
Interest expense		42,717	41,755
Non-Cash Items:			
Depreciation of Property Plant and Equipment	11,12	10,742,418	10,346,600
Amortization of Intangible Assets	13	301,265	262,568
Increase in Provision for impairment of debts		395,922	655,872
Increase in Provision for Impairment Asset-PPE		(177,034)	0
Decrease in impairment of Chase Bank deposits		0	(9,744)
Revaluation Deficit		0	147,876
Write-off of Fixed Assets		0	6
(Gain)/Loss on sale of assets		278,506	(2,436)
Profit on sale of Surveyed stock		(2,230)	(612)
Net foreign Gain		(2,456)	(147)
Operating Profit before working capital changes		**18,446,842**	**23,138,892**
(Increase)/Decrease in Inventories	21	(90,723)	3,151
(Increase)/Decrease in Prepayments	22(b)	(43,074)	364,438
Increase in Trade & other receivables	34	(376,745)	(1,704,932)
Increase in Trade & other payables	35	3,510,696	4,214,938
Cash generated from operations		**21,446,996**	**26,016,487**

34. Reconciliation of Accounts Receivables:

	2019/2020 Kshs '000	2018/2019 Kshs '000	Kshs '000
Balance as at 30 June	17,377,585	15,946,216	
Add:			
Prepayment	(313,971)	(357,044)	
Subtotal	**17,063,614**	**15,589,172**	
Less: Valuation Adjustment	(1,416,160)	(318,463)	
Reconciled Movement Amount	**15,647,454**	**15,270,709**	**376,745**

35. Reconciliation of Accounts Payables:

	2019/2020 Kshs '000	2018/2019 Kshs '000	Kshs '000
Balance as at 30 June	14,736,626	11,212,048	
Less: Creditors Valuation Adjustment	(9,849	4,033	
Reconciled Movement Amount	**14,726,777**	**11,216,081**	**3,510,696**

36. Purchase of PPE

	2019/2020 Kshs '000	2018/2019 Kshs '000
Purchase of PPE as at 30 June	38,570,386	30,947,239
Purchase of PPE as per Cashflow	**38,570,386**	**30,947,239**

37. GoK Project Funds

	2019/2020 Kshs '000	2018/2019 Kshs '000
Lamu Port Development	10,000,000	11,179,000
Reconciled Movement	**10,000,000**	**11,179,000**

During the year Kenya Ports Authority received Kshs 10 Billion from the parent Ministry for the Lamu Port development project.

38. Dividends

	2019/2020 Kshs '000	2018/2019 Kshs '000
FY 2017/18	516,130	516,130
FY 2018/19	731,289	731,073
FY 2019/20	308,992	0
Special Dividends	18,000,000	0
Paid within the year:		
Dividends	(516,130)	0
Special Dividends	(13,050,000)	0
Balance as 30 June	**5,990,280**	**1,247,203**

Dividends Cont'd

Dividends Payable as 30 June;	Kshs
Special Dividends	4,950,000
	4,950,000

During the year, the National Treasury directed the Authority to remit Kshs. 18 Billion to the National Exchequer. As at 30 June 2020, a total of Kshs. 13.05 Billion had been remitted to GoK while the balance of Kshs. 4.95 Billion has been classified as a current liability. Dividend for FY2018/19 and FY2019/20 will be paid as per the Dividend policy.

39.Related Party Transactions

The Government of Kenya is the principal shareholder of the Authority, holding 100% of the KPA equity interest. Included in debtors and investments are balances owing or receivable from the following related parties:

Description	2019/2020 Kshs '000	2018/2019 Kshs '000
Kenya Ferry Services (Investment)	100,000	100,000
Ministry of Transport	287,231	287,231
Kenya National Shipping Line (Debtor)	28,178	28,178
Kenya National Shipping Line (Investment)	54,347	54,347
Impairment provision	(469,756)	(469,742)
Total	**0**	**14**
DB Retirement Benefit Liability	3,642,000	1,321,500
Total	**3,642,000**	**1,321,500**

Kenya Railway Corporation

- **SGR**

The Authority implemented various programs in support of the SGR project. This includes procurement of equipment, contractors, hire of labor and equipment and review of tariffs. In FY2018/19, the Authority expected full reimbursement of actual costs from the Railway Development Levy Fund. In the reporting year the Joint Boards from KPA and KRC deliberated and shelved the matter.

As at 30 June 2020, a total of 1,059 containers were erroneously railed to ICD Nairobi. The anticipated loss is USD 762,224.

- **Take or Pay Arrangement**

The TOPA places the Authority as guarantor for minimum traffic and commits to pay KRC any shortfall. This arrangement increases the level of commitment and hence the risk on KPA cash flows. The agreement provides for a possible crystallization of the liability, relating to the SGR project.

Take or Pay Arrangement Cont'd

In this event, the liability will be charged to the Statement of Profit or Loss during the period of occurrence and the agreement does not provide for reversal of such realized payment. The minimum tonnage for the calendar year 2020 is 6,000,000 tones. If this is prorated, it means that for the first six months of the year, KPA should have railed 3,000,000 tones. However, 1,983,059 tones were railed and USD 9, 255,917 remitted to the SGR escrow account, against the expected USD 14,002,483. The maximum reduction of profit or the contingent liability for the year 2019/2020 (6 months) is therefore USD 4,746,567.

- **Transfer of Naivasha ICD assets to KPA**

At the close of the FY, KRC was still in the process of transferring facilities at the Naivasha ICD to the Authority.

- **Transfer of Lake Victoria Ports to KPA**

At the close of the FY, KRC was still in the process of transferring facilities at the Lake Victoria Ports to the Authority.

- **Transfer of SGR assets at Port Reitz to KPA**

A joint Committee of Kenya Ports Authority, Kenya Railways and the Operator (CRBC) undertook a technical audit of the SGR loading and offloading equipment located at Port Reitz yard with the aim of officially handing over the same to KPA, together with the associated SGR loan component. The Equipment in question and the associated loan and Grant element is broken down in the below table;

Description	Qty.	Initial Cost per Unit US$	Initial Total Cost US$	Initial Total Cost Kshs @106	KPA Treatment of the Funds.
Rail Mounted Gantry (RMG Cranes)	2	2,597,509	5,195,018	550,671,908	n/a
Reach Stacker	8	576,100	4,608,800	488,532,800	n/a
Total Cost			9,803,818	1,039,204,708	n/a
Loan Amount			8,333,245	883,324,002	Proposed Loan Take-over by KPA. KPA to pay
GOK Funds			1,470,573	155,880,706	KPA Take-over-KPA to treat GOK Funds as Grant money.

Key Management Compensation

During the year, the senior management team comprising of divisional & departmental heads, and the MD were paid Kshs 347 million as salaries and other allowances. The non-executive directors are entitled to receive Kshs 42 million as director fees out of which Kshs 12.6 million is payable to the National Treasury for directors representing the Government and its agencies.

Kenya National Shipping Line

KNSL enjoyed secretarial services from the Authority on the understanding that this would be paid for. The line has however operated under difficulties and has been unable to pay. The Authority has fully impaired the investment and the debt as per the impairment policy. Negotiations on the revival of operations and the restructuring of the shareholding of KNSL are ongoing with the GoK.

Concession of 2nd Container Terminal

The GoK and other Stakeholders are in negotiations to concession the terminal to a third party to operate. The expected transaction fees from the concession is expected at a minimum to cover the JICA loan repayment and have a reasonable return to the KPA investment. The terminal has Land, buildings and equipment's with a total NBV of Kshs. 30.2 Billion.

Kenya Ports Authority Pension Scheme

The Authority operates Defined Benefit (DB) scheme alongside the Defined Contributory (DC) scheme. The DB scheme is valued by Zamara Actuaries, Administrators and Consultants Ltd. The actuarial report as at 31 December 2019 indicated a funding level of 86.0% resulting in an actuarial deficit of Kshs 3,909.6 Million. The Authority as the sponsor contributes Kshs 44.6 Million per month as part of the remedial plan to fund the deficit revealed. A total of Kshs 535.2 million was contributed in FY2019/2020. As at 30 June 2020, the scheme had an actuarial deficit of Kshs 3,642 million (Kshs 1,321.5 million deficit FY 2018/19), with Kshs. 535.2 million being classified as current.

The Authority as the sponsor made a decision to let the schemes be autonomous and run as a separate entity from the sponsor. At the close of the year, the process of delinking was still ongoing. The schemes have reimbursed the Authority Kshs. 48 million being staff operational cost.

Bandari College

Bandari College was transferred to Bandari Maritime Academy, as per Executive Order No. 1/2018. At the end of FY, the transition process was still ongoing. Once the exercise is concluded assets amounting to at least Kshs. 1.75 Billion will be transferred and will affect the asset base and the share capital. Associated revenue from the college was Kshs. 19.7 million in FY2019/20 (Kshs. 33.5 million; FY2018/19). Expenditure incurred on the college was Kshs. 191 million in FY2019/20 (Kshs. 229 million; FY2018/19).

40.Capital Commitments

As at 30 June 2020 the Authority was undertaking the under listed projects with an objective of expanding capacity and modernization of equipment to increase efficiency in port services.

PROJECT DESCRIPTION	Estimated Cost Kshs	Amount Paid Kshs	Pending Kshs	Completion %	Estimated Completion date	Sources of Funds
Lamu Port Project (Civil, Consultancy & PAPs)	45,000,000,000	39,565,003,605	5,434,996,395	79%	December, 2020	KPA/GoK
Mombasa Port Development Project - (MPDP Phase II)	38,000,000,000	11,055,426,757	26,944,573,243	55%	December, 2021	KPA/JICA
Rehabilitation of SOT&KOT (Mandatory Fire	200,000,000	130,759,457	69,240,543	65%	October ,2020	KPA
Paving of Yards on Kilindini Side	600,000,000	554,209,125	45,790,875	92%	June, 2020	KPA
Expansion of Roads- Gate 18 to Changamwe TMEA	1,300,000,000	1,031,511,305	268,488,695	69%	December, 2020	KPA
Relocation Of Kipevu Oil Terminal	20,000,000,000	17,741,840,737	2,258,159,263	75%	December, 2020	KPA
Design, Construction of RMG (SGR) Crane	1,500,000,000	1,459,857,782	40,142,218	97%	December, 2020	KPA
Aerial Photography & Lider Mapping	143,770,970	117,750,989	26,019,981	82%	June, 2020	KPA

Projects currently being implemented by the Authority's and development partners include;

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Mombasa Port Development Phase II	KE-P30	JICA	2016 to 2019	Civil works, Buildings, Equipment, Security system and Consulting Services	No	Yes
Lamu Port Development Project	NIL	GoK	Ongoing	Civil works	No	Yes
Trade Mark East Africa	NIL	TMEA	Ongoing	Civil works, Buildings and Equipment	No	Yes

41.Financial Risk Management Policies

The Authority's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Authority's overall risk management policies are set out by the board and implemented by the management and focus on the unpredictability of changes in the business environment and seek to minimize the potential adverse effects of such risks on the Authority's performance by setting acceptable levels of risk.

The Authority's financial risk management objectives and policies are detailed below;

(i) Credit Risk Management

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on an Authority-wide basis. The Authority does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution, as stated in the investment policy.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilization of the credit limits and the credit period is monitored by management on a monthly basis. The amounts presented in the Statement of Financial Position are net of provisions for impairment.

The ageing analysis of past due but not impaired trade receivables is: ***"if there are other categories of financial assets which are past due but not impaired, similar disclosure be provided".***

The carrying amount of financial assets recorded in the financial statements that represents the Authority's maximum exposure to credit risk obtained is as follows:

30-Jun-20	**Fully Performing Kshs '000**	**Past due Kshs '000**	**Impaired Kshs '000**	**Total Kshs '000**
Due from related companies	0	0	469,756	469,756
Trade receivables;				
Marine	295,222	43,959	112,371	451,552
Cargo	1,495,047	785,477	1,805,194	4,085,718
Rental	50,414	28,320	72,864	151,598
Bank balances	2,981,359	0	0	2,981,359
MPesa balance	18,466	0	0	18,466
Total	**4,840,508**	**857,756**	**2,460,185**	**8,158,449**

Financial Risk Management Policies (Cont'd)

30-Jun-19	Fully Performing Kshs '000	Past due Kshs '000	Impaired Kshs '000	Total Kshs '000
Due from related companies	0	0	443,085	443,085
Trade receivables;				
Marine	264,009	49,925	136,859	450,793
Cargo	2,032,024	862,738	1,448,483	4,343,245
Rental	9,354	17,418	56,822	83,594
Bank balances	842,007	0	0	842,007
MPesa balance	12,497	0	0	12,497
Total	**3,159,891**	**930,081**	**2,085,249**	**6,175,221**

As at the end of the reporting period, collateral including bank guarantees and deposits worth at least Kshs 1,090 Million (2018-19; Kshs 801 Million) was being held as a means of mitigating the risk of financial loss from default.

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low. Part of the debt that is past due is not impaired and continues to be paid. The finance department is actively pursuing this debt. The debt that is impaired has been provided for as per the Authority Credit control policy. Debts and Investments worth Kshs 3,009 Million (2018-19; Kshs 2,902 Million) is provided for and includes at least Kshs 950 Million (2018-19; Kshs 590 Million) that is under litigation. The finance department is pursuing various measures to recover the impaired amounts.

(ii) Liquidity Risk Management

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Authority's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due.

The Authority manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls. The forecast provides details of additional undrawn facilities that may be utilized by the Authority to further reduce liquidity risk.

Financial Risk Management Policies (Cont'd.)

The table below analyses the Authority's financial liabilities as at 30th June 2020 that will be settled on a net basis on maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 30 June 2020

Payables	Less than 1 month Kshs '000	Between 1 – 3 months Kshs '000	Between 4 - 6 months Kshs '000	Over 6 months Kshs '000	Total Kshs '000
General Trade	1,125,061	349,714	490,690	508,749	**2,474,214**
General Foreign	221	21,323	1,589	33,286	**56,419**
Payroll	267,836	14,524	20,270	114,433	**417,063**
Borrowings-Current portion	0	0	428,967	428,967	**857,934**
Total	**1,393,118**	**385,561**	**941,516**	**1,085,435**	**3,805,630**

As at 30 June 2019

Payables	Less than 1 month Kshs '000	Between 1 – 3 months Kshs '000	Between 4 - 6 months Kshs '000	Over 6 months Kshs '000	Total Kshs '000
General Trade	1,673,850	86,895	13,041	113,557	**1,887,343**
General Foreign	16,994	1,964	4,218	25,107	**48,283**
Payroll	356,788	970	49,399	70,274	**477,431**
Borrowings-Current portion	0	0	410,067	410,067	**820,134**
Total	**2,047,632**	**89,829**	**476,725**	**619,005**	**3,233,191**

(iii) Market risk Management

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises two types of risk: currency risk and interest rate risk.

a) Currency Risk

The Authority's is exposed to foreign exchange risk arising from various transactions denominated in foreign currencies, primarily with respect to the US dollar and Japanese Yen. This results in exposures to exchange rate fluctuations. The balances impacted in this regard are the balances due to foreign suppliers, balances due from debtors, and bank balances. Exchange rate exposures are managed within approved policy parameters utilizing matching of assets and liabilities.

Financial Risk Management Policies (Cont'd)

The carrying amounts of the Authority's main foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows;

Currency (USD)	Liabilities 30-Jun 2019/20		Assets 30-Jun 2019/20		Liabilities 30-Jun 2018/19		Assets 30-Jun 2018/19	
	Kshs '000	USD '000	Kshs '000	USD '000	Kshs '000	USD '000	Kshs '000	USD '000
Assets								
Bank			2,163,238	20,301			215,652	2,109
Receivables			7,140,513	68,625			8,068,710	78,929
Liabilities								
Payables	4,689,746	44,952			2,879,831	28,231		
Total	**4,689,746**	**44,952**	**9,303,751**	**88,926**	**2,879,831**	**28,231**	**8,284,362**	**81,038**

Currency (JPY)	Liabilities 30-Jun 2019/20		Assets 30-Jun 2019/20		Liabilities 30-Jun 2018/19		Assets 30-Jun 2018/19	
	Kshs '000	JPY '000	Kshs '000	JPY '000	Kshs '000	JPY '000	Kshs '000	JPY '000
Assets								
Receivables			1,979,432	2,211,582			2,363,324	2,640,388
Liabilities								
Borrowings-Current	857,934	863,026			820,134	863,026		
Payables	214,903	211,862			423,119	457,327		
Total	**1,072,837**	**1,074,888**	**1,979,432**	**2,211,582**	**1,243,253**	**1,320,353**	**2,363,324**	**2,640,388**

Foreign currency sensitivity analysis

The sensitivity analysis in foreign currency arises from bank balances, trade receivables and payables denominated in foreign currency mainly US dollars (USD) and Japanese Yen.

The following table demonstrates the effect on the Authority's Statement of Profit or Loss and Other Comprehensive Income on applying the sensitivity for a reasonable possible 10% change in the exchange rate of the main foreign transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Financial Risk Management Policies (Cont'd.)

	Exchange rate	Change in currency rate	Effect on Profit before tax Kshs'000
2020			
USD	106.56	10%	468,591
JPY	0.9941	10%	112,999
2019			
USD	102.27	10%	540,049
JPY	0.9252	10%	122,130

b) Interest Rate Risk

The Authority is exposed to interest rate risk as it borrows and invests funds. Borrowings are mainly in fixed rates thus minimizing the exposure to the interest rate risk. The interest earning financial assets that the Authority holds include short term deposits in government securities whose rates of return are predetermined. The Authority regularly monitors the interest rate movements to ensure that the optimum interest rates are obtained.

Interest rate sensitivity Analysis

As at 30 June 2020, an increase/decrease of 1 % change with all other variables held constant would have resulted in a decrease /increase in profit for the year of Kshs 161 million (2018-2019; Kshs 243 million), mainly as a result of higher/lower interest charges on short term deposits.

(iv) Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Authority's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Authority considers relevant and observable market prices in its valuations where possible.

Financial Risk Management Policies (Cont'd.)

As at 30 June 2020, the Authority held the following financial instruments measured at fair value.

At 30 June 2020	Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
Financial Assets				
Treasury Bills+	793,652	0	0	793,652
SBM Bank Ltd*	0	0	750,108	750,108
Total	**793,652**	**0**	**750,108**	**1,543,760**
Financial Liability				
Borrowings - Jica 1	23,593,189	0	0	23,593,189
Jica 2	16,335,704	0	0	16,335,704
Total	**39,928,893**	**0**	**0**	**39,928,893**

At 30 June 2019	Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
Financial Assets				
Treasury Bills+	23,723,764	0	0	23,723,764
SBM Bank Ltd*	0	0	1,124,162	1,124,162
Total	**23,723,764**	**0**	**1,124,162**	**24,847,926**
Financial Liability				
Borrowings - Jica 1	23,373,808	0	0	23,373,808
Jica 2	10,176,159	0	0	10,176,159
Total	**33,549,967**	**0**	**0**	**33,549,967**

There were no transfers between levels during the year.

+ All the Treasury Bills are maturing within the year.

* Chase Bank Ltd was placed under receivership on 7th April 2016. Based on the Kenya Gazette notice No 6833 dated 6th July, 2018, a transfer of 75% of the deposits moved to SBM (Kenya) Ltd while 25% was retained by Kenya Deposit Insurance Corporation. The transition process was completed on 17th August 2018 and SBM Kenya Ltd transferred a total of Kshs. 1,175 million in FY2018/19. In August 2019, in line with Kenya Gazette notice, the first of the three equal instalments of cash deposits previously held with Chase Bank Kenya (In Receivership) were received by the Authority from SBM Kenya Ltd. The remaining 25% of the deposits are on fixed deposit account earning interest at 6.3% p.a with restricted access; and will be released in two further instalments in August 2020 and August 2021.

(b)Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

(v) Operational Risk Management

Operational risk is the risk of indirect loss arising from a wide variety of causes associated with the corporation's processes, personnel, technology and infrastructure, external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the corporation's reputation with overall cost effectiveness and to avoid any control procedures that restrict initiative and creativity in the corporation.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management in the corporation's departments.

This responsibility is supported by the development of overall corporation standards for the management of operational risks in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization and approval of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced by the entity, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and implementation of the proposed remedial solutions and actions.
- Development of contingency plans
- Training and professional development for its staff; and
- Adherence to ethical and business standards.

Review of compliance with corporation standards is reviewed on an ongoing basis by senior management and the internal audit department.

42.Capital Risk Management

The corporation's objectives when managing capital are:

(i) To match the profile of its assets and liabilities, taking account of the risks inherent in the business;

(ii) To maintain financial strength to support business growth; and

(iii) To safeguard the corporation's ability to continue as a going concern so that it can continue to provide adequate returns to its Government and value to all other stakeholders. The corporation has a number of sources of capital available to it and seeks to optimize its debt to equity structure in order to ensure that it can consistently maximize returns to Government. Capital adequacy is monitored regularly by the corporation's management and quarterly by the Board of Directors.

The capital structure of the Authority consists of debt, which includes borrowings, and capital, other reserves and retained earnings. The Authority monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital and reserves. Total debt is calculated as total non-current liabilities and current liabilities.

Description	2019/2020 Kshs '000	2018/2019 Kshs '000
Non-Current Liabilities	86,213,999	66,133,546
Current Liabilities	21,079,760	13,774,713
Total Debt	**107,293,759**	**79,908,259**
Total Capital and reserves	**187,475,669**	**207,584,704**
Net debt to Equity	**57%**	**39%**

Debt ratio, an alternative gearing ratio calculated as total debt divided by total assets is as shown below;

Description	2019/2020 Kshs '000	2018/2019 Kshs '000
Total Debt	107,293,759	79,908,259
Total Assets	294,769,428	287,492,963
Debt to Total Asset ratio	**36%**	**28%**

43.Contingent Liabilities

Claims lodged and cases filed against the Authority in respect of third-party claims are estimated at Kshs 11.4 Billion and are disclosed, in no particular order, in the table below;

NO.	PARTICULARS	NATURE OF CLAIM	PROGRESS
1	MCS/4/3/02. Revival of the Kenya National Shipping Line (KNSL)	Following directions from the office of the Attorney General, KPA is responsible for undertaking the contractual Transaction Advisory services thus paying for legal fees incurred in the due diligence and Transaction Advisory Services. This position was approved by the board of directors	Matter ongoing
2	MCS/4/3/4963 **NBI HCCC 105 OF 2003**. Kobil Petroleum Limited vs Kenya Ports Authority	Claim for refund paid to KPA by Kobil on account of shore-handling	Matter ongoing
3	MCS/4/3/6603 **Msa HCC No. 9 of 2017.** Portside Freight Terminals Ltd-v- The Attorney General	Petition seeks compensation for loss of business and profits after the gazettement of the facility by KRA	Matter ongoing
4	MCS/4/3/5186 **NBI HCCC No. 128 of 2004.** Kobil Petroleum Limited vs Kenya Ports Authority	Claim for allegedly arising from petroleum products sold to KPA by Kobil	Matter ongoing
5	MCS/4/3/6708 **Msa HCC No. 10 of 2017**. Auto Ports Freight Terminal Ltd –V- The Attorney General	Suit challenges the suspension of cargo nomination to the CFS	Matter ongoing
6	MCS/ 4/3/6854 **MSA PETITION NO. 41 OF 2019**. Gideon Kibindu & 24 Others -vs- KPA & 3 others	The matter challenges the dredging and sand harvesting ongoing in the MPDP Phase II and the Relocation of Kipevu Oil Terminal	Matter ongoing

Contingent Liabilities (Cont'd)

NO.	PARTICULARS	NATURE OF CLAIM	PROGRESS
7	MCS/ 4/3/6822 **MSA ELC PETITION NO. 22 OF 2019**. Gertrude Mokaya Mwenda & 5 Others -VS- KPA, CS MOTIHUD & NEMA	The matter challenges the dredging and sand harvesting ongoing in the MPDP Phase II alleging the project amounts to unsustainable exploitation of natural resources	Matter ongoing
8	MCS/4/3/5314 **Msa High Court Petition No. 80 of 2018**. Makupa Transit Shade Limited & 14 Others -v- Kenya Ports Authority & Kenya Railways Corporation	The Petition challenges the nomination of cargo for carriage via the Standard Gauge Railway by the CFSs and the constitutionality of the Take or pay Agreement	Matter ongoing
9	MCS/4/3/6699 **MSA ELC PETITION NO. 85/18**. Ex Port Milling (EPZ) LTD –v- H. Young Co E. A	The matter sought to stop the expansion of the Kipevu road Project on the suit property where the Plaintiffs purport to be lease holders	Matter ongoing
10	MCS/4/3/6725 **MSA ELC CASE NO. 163 OF 2018**. Memphis Limited –VS- KPA & 2 others	The subject matter relates to a case by the Plaintiffs at the High Court seeking injunctive orders stopping the expansion of the Kipevu road on the suit property where the Plaintiffs purport to be lease holders	Matter ongoing
11	MCS/ 4/3/6842 **NRB E&LC NO. 266 OF 2019**. Premier Daffodil Limited -VS- KPA, NLC	The suit challenges the prolonged delay in acquisition of property L.R No. 209/11348 which is located adjacent to the ICD Embakasi which was previously identified and gazetted as property to be purchased for expansion of the ICD	Matter ongoing
12	MCS/ **MSA HIGH COURT CASE NO. 71 OF 2018**. Masai Investment Limited –VS- KPA	The Plaintiff demands payment of compensation for alleged loss of business	Matter ongoing

Contingent Liabilities (Cont'd)

NO.	PARTICULARS	NATURE OF CLAIM	PROGRESS
13	MCS/ 4/3/ **NRB HC CIVIL SUIT NO. E193 OF 2020**. Wilfak Engineering Limited -V- Kenya Ports Authority	The Claimant seeks to enforce a contract with the Authority following the award for tender No. KPA/129/2018-19/PDM -Removal of Asbestos, Re-Roofing, Rain Water Harvesting and Associated Works	Matter ongoing
14	MCS/4/3 6556 **Dispute between Base Titanium Ltd -V- KPA**. Base Titanium Ltd -V- KPA	The matter is currently under arbitration. The claim being to challenge the license issued to undertake stevedoring and entitlement of the Authority to charge stevedoring services	Matter ongoing
15	MCS/ 4/3/6944 **MSA HCCC NO. 40 OF 2020**. Source Logistics (EA) Limited -V- KPA	Suit claiming payment of outstanding monies to the contractor for undertaking civil works	Matter ongoing
16	MCS/ 4/3/6925 **MSA HCCC NO. 41 OF 2020**. Outback Investment Limited -V- KPA	Suit claiming payment of outstanding monies to the contractor for undertaking civil works	Matter ongoing
17	MCS/ 4/3/6945 **MSA HCCC NO. 42 OF 2020**. Grand Logistics- V- KPA	Suit claiming payment of outstanding monies to the contractor for undertaking civil works	Matter ongoing
18	MCS/ 4/3/6943 **MSA HCCC NO. 43 OF 2020**. Dicom Engineering -V- KPA	Suit claiming payment of outstanding monies to the contractor for undertaking civil works	Matter ongoing
19	MCS/4/3/5821. Modern Holding (EA) Limited -V- KPA	civil suit seeks payment of damages suffered in the year 2007 to early 2008 when cargo was transferred to Makupa Transit Shed to decongest the Port	Matter ongoing

Also included in the contingent liabilities are amounts related and due to SAP on the ongoing negotiations on SAP licenses and amounts related to the 'Take or Pay' agreement.

44.Reporting Currency

The functional and reporting currency is Kenya Shillings (Kshs).

45.Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2020. However, the Presidential Task Force on Parastatal Reforms plans to introduce new reforms moving KPA from Ministry of Transport and Infrastructure, Housing, Urban Development and Public Works to the National Treasury.

46.Enactment

The Authority was established through an Act of parliament Cap 391 on 20th January 1978.

ADDITIONAL DISCLOSURES
FOR THE YEAR ENDED 30 JUNE 2020

I. Notes to the Statement of Comparison of Budget and Actual Amounts

As stated under the Statement of Comparison of Budget and Actual amounts variances (over/under 10%) between the actual and final budgeted amounts are explained below;

Total Revenue
Total revenue during the period was Kshs 50,164 Million made up of Kshs 48,162 Million, Kshs 692 Million and Kshs 1,310 Million representing operating, non-operating and finance incomes respectively.

Operating Revenue
Operating revenue performance was unfavorable mainly due to lower revenue from storage and remarshalling charges. This is largely due to improved efficiency in cargo clearance and uptake by owners.

Other Income
Revenue earned from Rent to staff quarters, increase of new applications for Port passes, administration fees in sundry income had a favorable variance compared to budget.

Finance Income
The over collection of finance income was mainly due to frozen payments awaiting conclusion of investigations by state agencies.

Total Expenditure
Total Expenditure was within the budget apart from overruns in repair, impairments, finance costs and losses on disposal of financial assets.

Cost of Employment
Overall expenditure on cost of employment was within the budget thresholds. The favourable variance was on basic salary,overtime, staff allowances, motor transport and hospital referrals among others.

Operating expenses
Overall expenditure under operating expenditure was above the budget. Mainly due to unforseen activities under Repairs and an approval of supplementary budget in response to Covid-19.

Administrative expenses
Administrative expenditure recorded a reduction from budget as a result of reduction of some activities due to effects of Covid 19 pandemic e.g. Training.

Impairment Loss, Other Losses and Finance Costs
The impairment loss was due to disputed bills which increased trade receivables. The Authority has set up a dispute resolution committee to resolve disputes. The increase in other losses was due to disposal of old rail sidings and other equipment while over expenditure under finance cost was due discounts allowed to customers which is pegged on the amount of revenue collected.

Profit Before Tax
A net operating profit of Kshs 8,178 Million was realized during the period. The profit recorded was below the budgeted profit of Kshs 9,887 Million by Kshs 1,709 Million.

ADDITIONAL DISCLOSURES
FOR THE YEAR ENDED 30 JUNE 2020

II. PROGRESS ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS

The following is a summary of issues raised by the Office of the Auditor General, management comments and status;

Audit Report	Issue/Observations From the auditor	Management Comments	Status: (Resolved/ Not Resolved)
	Unutilized Parcels of Land / Idle Parcels Of Land	Land policy has been approved and is being implemented. The policy recognizes the provisions of the Law on Public Investment and specifically holding land for speculative purposes.	**Not Resolved**: Policy is being applied.
	Receivables; Ministry of Transport and Infrastructure (Kshs. 287M)	The Authority wrote to the parent Ministry, seeking the National Treasury's concurrent approval to either write off the debt.	**Not Resolved**: Management is following up on the request to write off Dredgco debt.
	Pension Scheme Expenses	The National Treasury's letter Ref: EPN 171/07 VOL. Q (94) of 16th June 2011 directed changes to its circular No. 18/2010 of 24th November 2010 under variation of clause 10 to allow that scheme expenses related to in house administration may be met by the employer (in this case KPA).	**Not Resolved:** The Board of Trustees advertised a tender for consultancy on development of optimal Scheme administration structure, which was awarded to M/s PKF Kenya Ltd. The combined DB/DC boards elected an implementation committee made up of members from each scheme. The committee has started sourcing of staff both internally and externally. The process was ongoing at the close of the year. The scheme reimbursed the Authority Kshs 48.2M in Fy2019/20.
	Retirement Benefit Asset	The scheme's investment in properties is more than the threshold set because of historical issues. The scheme is in final stages of the remedial plan to ensure the imbalance is corrected.	The scheme is following up on the remedial plan to ensure that the scheme reverts back to the correct funding level and correct asset allocation as required. Assets have been identified as per the disposal strategy.

ADDITIONAL DISCLOSURES
FOR THE YEAR ENDED 30 JUNE 2020

Progress on Follow-up of Auditor recommendations (Cont'd)

Audit Report	Issue/Observations From the auditor	Management Comments	Status: (Resolved/ Not Resolved)
FY 2016/17	Alienated Properties	The Authority has filed several cases. In the month of January 2018, the National Land Commission informed the Authority it has published a notice listing parcels illegally alienated from KPA and gave the registered parcel owners 90 days to vacate the parcel.	**Not Resolved**: The matter is pending in court of law. And in the month of January 2018 the NLC published a notice listing parcels illegally alienated from KPA and gave the registered parcel owners 90 days to vacate the parcel.
	Land Without Documents of Title	The Authority has contracted KPMG consultants to conduct an audit of all its properties, including the status of the parcels, the accuracy of the titles, the existence of the parcels, regularity of use, ownership, etc.	**Not Resolved**: Out of 34 listed parcels of land the Authority has title for 19 parcels, 2 are KRC plots and for the balance legal processes lo acquire titles are underway. The Authority has undertaken official searches for plots without titles and filed affidavits for issuance of provisional titles.
	Excision of Part of Harbor Area	As stated earlier, the Authority did not grant approval for the reclamation of the land by the developer. The developer was tasked to clarify the works being done when such works came to the attention of management. They responded that the ongoing works did not involve reclamation but rather involved cut and fill procedures up to their plots' boundaries. The National Land Commission through letter dated 17th December 2015 also addressed the firm and asked them to stop the reclamation.	**Not Resolved:** NLC is handling the case following a presidential directive that land around the Kibarani area in the hands of private parties should be repossessed. The National Land Commission through letter dated 17th December 2015 directed the firm to stop the reclamation.

Progress on Follow-up of Auditor recommendations (Cont'd)

Audit Report	Issue/Observations From the auditor	Management Comments	Status: (Resolved/ Not Resolved)
		They are the ones mandated by law to intervene. A copy of the letter was availed to the Office of the Auditor-General.	
	Approval of Access Road	The Authority through the Board approved various parts of the project and at no point did the Board approve the connecting road for the exclusive use by the developer. On the contrary, the Board was very clear that the road and the connections were for public use. Various Board memos, giving very clear guidelines on the issue in question were availed to your team during the audit.	**Not Resolved:** The Authority approved the connecting road but on condition that it would be available for public use and not for exclusive use by the developer.
	Long Term Investments	The Authority's Board of Directors had given its approval for the panel of banks proposed by management. The National Treasury through their letter Ref: CONF/MOT/16/01 "TY" of 21st July, 2015 had granted similar approval to the Authority to invest surplus funds and maintain operational accounts with the specified banks of which Chase Bank was one of them. All banks recommended were competitively selected and had capacity and financial viability.	**Resolved**: The transition process was completed on August 2018 and SBM Kenya Limited opened its doors on 20th August 2018 offering full banking operations. The SBM has transferred a total of Kshs.1,175 million to the Authority's Bank account at Citibank in Fy2018/2019. In August 2019, inline with the Gazette notice, the first of the three equal instalments was received. The remaining 25% of the deposits are on a Fixed deposit account earning interest at 6.3% p.a with restricted access; maturing in two further instalments in August 2020 and August 2021.

ADDITIONAL DISCLOSURES
FOR THE YEAR ENDED 30 JUNE 2020

Progress on Follow-up of Auditor recommendations (Cont'd)

Audit Report	Issue/Observations From the auditor	Management Comments	Status: (Resolved/ Not Resolved)
FY 2017/18	Inaccuracies in financial statements	The errors were corrected, and the statement and schedule availed to the auditor vide our letter Ref. FA/3/2/02 of 27th February 2019. Attached is the amended statement and schedule	RESOLVED
	Other income	Section 61 (1) of the KPA Act states *"the Board and the Managing Director may delegate to any person any of the powers vested in them under this Act and may grant to any person powers of attorney"*, hence Management was not in breach of the law as pertaining to this notice and was properly guided in making it for the interest of the Authority	
	Incentive scheme	Expenses amounting to Kshs 29,607,000 disclosed in GL 600791 refers to payment of meritorious awards to staff for recognition of their efforts in the Port decongestion exercise. The approvals were availed during the audit. Kshs 97,398,000, relates to the payment of fixed allowance which was paid to staff in Container operations and Container Terminal Engineering departments.	RESOLVED
	Staff allowances	Pilotage allowance was approved in 1993 by both the Executive Management and Board Human Resource committees in line with section 10(b) of the Kenya Ports Authority Act Cap 391 of 1978 which empowers the Board to approve minor alterations in salaries, wages or other terms and condition of service of employee of the Authority. These allowances cannot be referred to as major allowances since they are not paid to staff across the entire Authority	RESOLVED

ADDITIONAL DISCLOSURES
FOR THE YEAR ENDED 30 JUNE 2020

Progress on Follow-up of Auditor recommendations (Cont'd)

Audit Report	Issue/Observations From the auditor	Management Comments	Status: (Resolved/ Not Resolved)
	Overtime allowances	Overtime was appropriately paid as provided for in the HR manual and CBA.	RESOLVED
FY 2017/18	Marine spares	Mantrac Kenya have a service contract with KPA to service the Authority's tugboats, mooring boats and other marine floating crafts. The replaced cracked cylinder heads were delivered at the Marine Engineering dockyard.	RESOLVED
	Repairs of port infrastructure	The Government gave a directive in 2016 for all State Corporations and Agencies to secure all their properties by fencing and erecting a sign board clearly stating the ownership of the properties. The board of KPA approved the fencing of all KPA properties. The contractors are being pursued to either complete the works or institute recovery of the monies paid.	NOT RESOLVED
	Water supply services	This matter is under investigation the EACC and the DCI. All materials and documentations, invoices and delivery notes relating to water supply were taken to the EACC and they are still in their custody.	NOT RESOLVED
	Licenses and computers	The integrated security system maintenance of systems spares is procured on demand basis (as need arises) as direct issues. They are received from the stores directly for accounting purposes and are immediately expensed. These spares don't form part of the Authority's inventory.	RESOLVED
	Assets disclosed in estimated values	The Authority wrote to KRC requesting for a formal list with values of all the assets handed over under the KRC-SGR project. A reminder was sent to KRC to provide the transfer values and ownership documents.	NOT RESOLVED

ADDITIONAL DISCLOSURES
FOR THE YEAR ENDED 30 JUNE 2020

Progress on Follow-up of Auditor recommendations (Cont'd)

Audit Report	Issue/Observations From the auditor	Management Comments	Status: (Resolved/ Not Resolved)
FY 2017/18	Work in progress	Lamu port project land was included in the PPE schedule at the value of Kshs 1,925,347,734.70. The amount was compensation to PAPs done by the NLC. Total compensation for PAPs through the NLC was Kshs 1,925,347,734.70 paid out as Kshs 1,319,586,674.55 in February 2015, Kshs 576,857,791.65 in July 2015 and Kshs 28,903,268.50 in May 2017.	RESOLVED
	Intangible Assets	The marine operations module in KWATOS is operational. The module is being utilized for sending billing information. Hard copies of the bills information is maintained for record and verification purposes. The maintenance costs are thus valid & duly incurred.	NOT RESOLVED
	Long outstanding Receivables	The debts have been outstanding due to disputed bills and some are subject to ongoing court of law proceedings. The Authority has constituted a debt recovery committee to aggressively pursue the debts. Nonetheless, to ensure recovery it continues to do business with them which is normal practice.	NOT RESOLVED
	Advance Lamu creditors	The variance is a result of certificate no. 12 for work completed as at 31st March 2018 which was submitted on 10th July 2018 after the closure of the year 2017/2018, hence the same was accounted for in the financial year 2018/2019.	RESOLVED

ADDITIONAL DISCLOSURES
FOR THE YEAR ENDED 30 JUNE 2020

Progress on Follow-up of Auditor recommendations (Cont'd)

Audit Report	Issue/Observations From the auditor	Management Comments	Status: (Resolved/ Not Resolved)
FY 2017/18	Long-term Investments - Equities	Kshs 29, 1000, 000 relates to equity held with Consolidated Bank Ltd. whose share certificate is available. KNSL and KFS Ltd. are state corporations which have been facing operational challenges and have been loss making in most of their operational years and facing significant financial difficulty.	NOT RESOLVED
	Other Investments	The Authority made appropriate disclosures in the Annual report and financial statements for FY 2017/18 under the Management discussions, critical accounting estimates and in the financial notes.	RESOLVED

Gen. (Rtd) Joseph. R. E. Kibwana, EGH, CBS
CHAIRMAN

Eng. Rashid K. Salim, IEng. IMarEng
AG. MANAGING DIRECTOR

ADDITIONAL DISCLOSURES
FOR THE YEAR ENDED 30 JUNE 2020

III. INTER- ENTITY TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Nature of Develop-ment Funds	Date received	Amount received Kshs '000	Total Amount Kshs '000	Where Recorded/ recognized Statement of Financial Performance	Total Transfer FY 2019/20 Kshs '000
State Department for Transport	Lamu Port Project	3.10.2019 27.02.2020	5,500,000 4,500,000	**10,000,000**	Non-Current Liabilities	**10,000,000**
Total			**10,000,000**	**10,000,000**		**10,000,000**