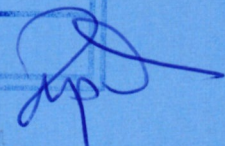




Enhancing Accountability



THE NATIONAL ASSEMBLY REPORT PAPERS LAID	
DATE: 22 DEC 2020	DAY: TUESDAY
TABLED BY:	LEADER OF THE OF MAJORITY
CLERK-AT THE-TABLE:	R. K. TIARATI 

THE AUDITOR-GENERAL

PARLIAMENT
OF KENYA
LIBRARY

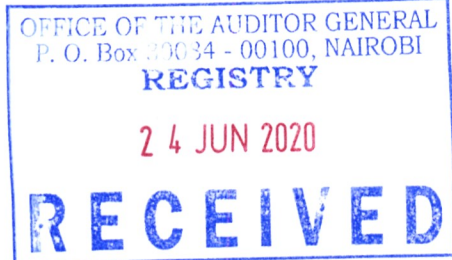
ON

KENYA AIRPORTS AUTHORITY

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

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

**“Prepared in accordance with the Accrual Basis of Accounting Method
under the International Financial Reporting Standards (IFRS)”**



Vision Statement:

Travel Stress Free

Mission Statement:

To provide consistent and delightful travel
experience

Core Values:

- Customer focus
- Team spirit
- Integrity
- Innovation

Quality Status:

KAA is certified in ISO 9001:2015 Quality
Management System.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

Significant Statistics of the Year

Total Asset Base
Kshs. 85.46
Billion

Total Revenue
Kshs. 15.90
Billion

Profit before Tax
Kshs. 3.83 Billion

Capital Expenditure
Kshs. 1.73 Billion

Number of
Passengers
12.09 Million

Cargo Movement
Kgs 368 Million

Number of Aircrafts
Movement
323 Thousand

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

CONTENT	PAGE
Significant Statistics of the Year	2
Key Entity Information	4-11
Board of Directors	12-16
Management Team	17-20
Chairman's Statement	21-22
Report of the Chief Executive Officer	23-24
Corporate Governance Statement	25-29
Corporate Social Responsibility Statement	30-32
Report of the Directors	33
Approval of the Financial Statements	34
Statement of Directors Responsibilities	35
Report of the Auditor General	
Financial Statements:	
Statement of Comprehensive Income	36
Statement of Financial Position	37
Statement of Changes in Equity	38
Statement of Cash Flows	39
Statement of Comparison of Budget and Actual Amounts	40
Summary of Significant Accounting Policies	41-53
Explanatory Notes to the Financial Statements	54-73
Additional Information	74-91

**KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

KEY ENTITY INFORMATION

Background Information

Kenya Airports Authority is a body corporate in Kenya formed under the Kenya Airports Authority Act Cap 395, and is domiciled in Kenya.

Principal Activities

The principal activities of Kenya Airports Authority are:

- To construct, operate and maintain aerodromes and other related facilities;
- To construct or maintain aerodromes on an agency basis on the request of any Government department;
- To provide such other amenities or facilities for passengers and other persons making use of the services or the facilities provided by the Authority
- Construct any other necessary or desirable works required for the purposes of the Authority;
- Control the construction and use of prescribed aerodromes;
- Carry on any business that may be necessary or desirable for the purposes of the Authority and act as an agent for the Government in the provision of any agreed functions;
- Acquire, construct, manufacture, maintain or repair any works, plants or apparatus necessary or desirable for the purposes of the Authority;
- Determine, impose and levy rates, charges, dues or fees for any services performed by the Authority, or for use by any person of the facilities provided by the Authority, or for the grant to any person of a license, permit or certificate.

Risk Management Framework and Policy Statement

Kenya Airport Authority is exposed to a range of risks associated to operating our airports, which affects the achievement of our vision. The Authority has an Enterprise Risk Management (ERM) process for identifying, assessing, mitigating and monitoring risks. The ERM framework supports value creation by enabling management to deal effectively with potential future events that create uncertainty and allows responses that reduce likelihood of downside outcomes.

The purpose of the risk management policy is to ensure that the KAA pursues a structured approach to management of risks. The Authority applies a consistent framework for the management of risks. This incorporates the application of risk management strategies, processes and infrastructure to support the vision for risk management.

The strategic imperative of the risk management framework is to develop risk management as a core capability and assist the Board and management determine the appetite for risk (choice of strategies and actions) and tolerance to risk (economic and operating sensitivities) and to communicate these throughout KAA.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

KEY ENTITY INFORMATION (Continued)

The key risks are as follows:

- **Competition:** Increased competition for transit passengers from recently upgraded and newer airports in the region.
- **Airport Capacity (Airside & Landside):** Limited capacity to meet customer expectations.
- **Business Continuity Management:** Possible disruption of critical business processes due to a long term or permanent loss of key facilities, utilities, IT, Infrastructure, staff, key customers, natural disasters or failure of key equipment.
- **Project Implementation:** Delays in project implementation, cost and time overruns.
- **Safety and Security:** Occurrence of incidences and accidents that may threaten the safety and security of our customers and other stakeholders within our airports.
- **Information Security:** Inadequate updates to technologies, processes and practices designed to protect networks, computers, programs and data from attacks, damage or unauthorised access.
- **Legal and regulatory compliance:** Violation of laws and regulations, internal policies, code of conduct
- **Credit risk:** Inability to collect debts from our customers

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

KEY ENTITY INFORMATION (Continued)

Directors

The Directors who served the entity during the year were as follows:

- | | |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| 1. Mr. Isaac Awuondo | Chairman |
| 2. Alex Gitari | Ag. MD/CEO (w.e.f) 1/10/2019 |
| 3. Mr. Jonny Andersen | Managing Director
Contract ended on 20/11/2019 |
| 4. Capt. Bootsy Mutiso | Director |
| 5. Ms. Susan Kiama | Director. Term lapsed on 11/10/ 2018
Re- appointed on 8/02/2019 |
| 6. Mr. Mbatia Kimani | Director |
| 7. Mr. William Ole Mayiani | Director |
| 8. Ms. Jeridah Bosibori Mbaka | Director |
| 9. Mr. Solomon Kitungu | Director
Principal Secretary
Ministry of Transport & Infrastructure |
| 10. Dr. Julius Muia | Director
Principal Secretary
National Treasury |
| 11. Dr. Eng. Karanja Kibicho | Director
Principal Secretary
Ministry of Interior & Coordination of
National Government |
| 12. Mr. Moffat Kangi | Alternate Director
Ministry of Interior & Coordination of
National Government
Appointed on 8 th /02/ 2019 |

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

KEY ENTITY INFORMATION (Continued)

- | | |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| 13. Ms. Eunice Kigen | Alternate Director
National Treasury |
| 14. Ms. Angelah Rugut | Alternate Director
Ministry of Transport, Infrastructure, Housing
And Urban Development
Replaced on 28 th /05/2019 |
| 15. Mr. Benjamin Enyenze | Alternate Director
Ministry of Transport, Infrastructure, Housing
And Urban Development.
Nominated on 28 th /05/2019 |
| 16. Mr. Lawrence Okudo | Representative
Inspector General (Corporations)
Appointed on 9 th July, 2018 |

Corporation Secretary
Katherine N. Kisila
Airport North Road
P. O. Box 19001-00501
NAIROBI

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

KEY ENTITY INFORMATION (Continued)

Registered Office/Corporate Headquarters

Kenya Airports Authority- Headquarters
Airport North Road
P. O. Box 19001-00501
NAIROBI
Tel: +254-020-6822111/6611000/6612000
Mobile: +254 722 205 061/2/3/4/5/6/7/8
Email: talk2us@kaa.go.ke, info@kaa.go.ke
www.kaa.go.ke

BRANCH NETWORK

Jomo Kenyatta International Airport

P. O. Box 19087-00501
NAIROBI
Tel: +254-020-6822111/6611000/6612000
Mobile: +254 722 205 061/2/3/4/5/6/7/8

Moi International Airport

P. O. Box 93904-80115
MOMBASA
Tel: +254-041-3433211
Mobile: +254 726318515/6/7, 727417791

Eldoret International Airport

P. O. Box 2323
ELDORET
Tel: +254-053-2061299/ 2063377/ 2063844
Mobile: +254 712-452170, 712-452172, 712-452174

Kisumu International Airport

P. O. Box 13
KISUMU
Tel: +254- (057)2531186/2524399
Mobile: +254 728 765349/728 765360/1

Wilson Airport

P. O. Box 19005
NAIROBI
Tel: +254-020-501941/2/3
Mobile: +254 724256837, 724255343

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

KEY ENTITY INFORMATION (Continued)

Lokichoggio Airport

P. O. Box 88

LOKICHOGIO

Tel: +254-054-32266/32441

Malindi Airport

P. O. Box 67

MALINDI

Tel: + 254-042-2131201/2131931

Mobile: +254 710230386, 710261550, 738231201

Kitale Airstrip

P. O. Box 1718

KITALE

Tel: +254-054- 31017

Wajir Airport

P. O. Box 512

WAJIR

Tel: + 254-046-421019/421362

Ukunda Airstrip

P. O. Box 139

KWALE

Tel: + 254-040-3202126/3203246

Manda Airstrip

P. O. Box 167

LAMU

Tel: +254-042-633018

Lodwar Airstrip

LODWAR

Eldoret Airstrip

ELDORET

Isiolo Airport

P.O. Box 817 - 60300

ISIOLO

Nanyuki Airstrip

P. O. Box 1436- 10400

NANYUKI

Kabunde Airstrip

P. O Box 887

HOMABAY

**KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

KEY ENTITY INFORMATION (Continued)

Principal Bankers

Barclays Bank of Kenya Limited
Enterprise Road Branch
P. O. Box 18060-Nairobi
NAIROBI
Tel: +254 -020-530700-1

Citibank N.A
Upper Hill Branch
P.O Box 30711-00100
NAIROBI
Tel: +254 -020-2754800

Family Bank Limited
Family Bank Towers-Corporate Branch
P.O. Box 74145-00200
NAIROBI
Tel: +254 -020-318173

Kenya Commercial Bank
Moi Avenue Branch
P.O. Box 48400-00100
NAIROBI
Tel: +254-020-327000

National Bank of Kenya Limited
Jomo Kenyatta International Branch
P. O. Box 19230-00501-GPO Nairobi, Kenya
Tel: +254-020-827286, 0710-223623

Standard Chartered Bank of Kenya limited
Kenyatta Avenue Branch
P.O. Box 30001-00100
NAIROBI.
Tel: +254-020-329400

Equity Bank Limited
Equity Centre,
P.O Box 75104-00200
Nairobi, Kenya
Tel: +254-020-226200

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

KEY ENTITY INFORMATION (Continued)

NCBA Bank Kenya Plc
NCBA House, Masaba Road,
P.O Box 44599-00100
Nairobi, Kenya
Tel: +254-020-2888217

Independent Auditor

Auditor General
Kenya National Audit Office
Anniversary Towers
P. O. Box 30084-00100
NAIROBI
Tel: +254-20-335777

**KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

BOARD OF DIRECTORS



Mr. Isaac Awuondo

Bachelor of Commerce (Accounting and Finance) degree from the University of Nairobi. He is a member of the Institute of Chartered Accountants in England and Wales (ACA) and member of the Institute of Certified Public Accountants of Kenya (CPA K). He is chairman of the Financial Sector Board of KEPISA, chairman of the Council of Riara University and director of Bata Shoes Company Kenya Limited and Nairobi Java House Limited. He is also chairman of the Kenya Conservatoire of Music and the Kenya Hospital Association (Nairobi Hospital) and trustee of the Rhino Trust and Zawadi Africa Education Fund.



Mr. Alex Gitari

MBA (Finance)
Bachelor of Commerce, Accounting Option,
Certified Public Accountant (CPA-K),
Alumnus of Harvard Business School's Advanced Management Program
Member of Institute of Certified Public Accountants of Kenya.
Appointed to act on as MD /CEO on 1/10/ 2019



Mr. Jonny Andersen

Master of Science degree in Air Transport Management - Cranfield University, UK
Bachelor of Business Administration in Logistics - BI Norwegian School of Management in Norway
Chinese Business, Trade and Commerce course-Fundan University in China.
Diploma in aviation Law – CAE Inc. in the Netherlands. Formerly Director of National Airports at Avinor AS, a state-owned firm that manages airports in Norway, with responsibility for seven state-owned airport hubs.
Contract Ended On 20/11/2019

**KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

THE BOARD OF DIRECTORS (Continued)



Dr. Eng. Karanja Kibicho

Director
Principal Secretary, State Department of
Interior and Coordination of National
Government
Doctorate in Mechanical Engineering –
University of Cape Town, South Africa
Master of Science (MSc) degree in Mechanical Engineering
Bachelor of Science (BSc) in Mechanical Engineering.



Mr. Solomon Kitungu

Director
Principal Secretary, National Treasury
A graduate of UON and Manchester University-UK
Has attended the Advanced Management Programme at
Strathmore Business School and University of Navarra
Barcelona
He served as an Executive Director of the Privatization
Commission from 2009 – 2017



Dr. Julius Muia

Director
Principal Secretary, National Treasury
PhD and Master's Degree in Finance (UON).
Degree in Accounting;
Certified Public Accountant (CPA-K); Certified Public
Secretary (CPS-K), Associate Kenya Institute of Bankers;
Associate Chartered Institute of Arbitrators; and Certified
Coach. Now serving as a non-executive board member in
several companies and a number of not-for profit
organizations.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

THE BOARD OF DIRECTORS (Continued)



Capt. Bootsy Mutiso (MILM)

Director

Diploma in Airport Operations

Diploma in Business & Professional Administration, City & Guilds of London Institute

Currently Managing Director, Flex Air Charters. Member of the Institute of Leadership & Management of England

Currently pursuing a BA (Hons) in Business Management – University of Lincoln - (UK)



Mr. Mbatia Kimani

Director

MBA

Bachelor of Commerce

CPA (K)

He has previously held diverse Multi-Country roles up to CFO level for ASSA ABLOY for the Africa/Middle region based in Johannesburg and as Head of Finance for Kenya Airways. In addition, he also worked for Coca-Cola Africa and Best Foods (Unilever) among others.



Ms. Jeridah Bosibori Mbaka

Director

Master of Business Administration

Higher Diploma in HR Management

Bachelor of Arts

Member of the Institute of Human Resource Management

She has a wide working knowledge of Human Resource Management Services, having worked in several institutions including NSSF, Plan International – Kenya and Directorate of Personnel Management

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

THE BOARD OF DIRECTORS (Continued)



Mr. William Ole Mayiani

Director

Bachelor of Arts – Business Economics

Currently a Director at Sky Realtors Limited.

He has vast management experience having worked at Shell Kenya Ltd, Total Kenya Ltd, Raiser Resource Group, iPhone Global Ltd, Marathon Marketing Ltd and Nairobi City Council



Ms. Susan Kiama

Director

Post Graduate Diploma in Personnel Management & Industrial Relations

Bachelor of Arts (Business Administration & Economics)

Fellow of the Chartered Institute of Personnel & Development UK, Fellow of the Institute of Human Resource Management- Kenya, Member of World at Work-USA, Member of Society for Human Resource Management- USA, member of Kenya Institute of Management. Currently Managing Consultant with Three Green Apples Consulting Ltd. She has a vast working knowledge of Human Resource Management Services, having worked as Chief Human Resource Officer at Safaricom Ltd, Head of Human Resource at Citibank NA-Kenya, Principal Consultant with Deloitte & Touche Consulting-Kenya, and Tetra Pak-UK



Ms. Eunice Kigen

Alternate Director, Principal Secretary, National Treasury
Executive MBA

Bachelor of Commerce (Accounting option)

CPA (K). Currently Senior Deputy Director of Budgets at the National Treasury.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

THE BOARD OF DIRECTORS (Continued)



Ms. Angelah C. Rugut

Alternate Director, Principal Secretary, Department of Transport, Ministry of Transport, Infrastructure, Housing & Urban Development.

MBA – Strategic Management

Bachelor Degree BSc (Applied Statistics)

Civil Aviation Management - Aviation hub: Strategies and policies.

Replaced on 28/5/2019



Mr. Benjamin Enyenze

Alternate Director, Department of Transport, Ministry of Transport, Infrastructure, Housing & Urban Development.

Currently the Principal Air Transport officer

Alternate Board Member on KCAA Board.

Bachelor of Science (Electrical Engineering), Post-graduate Diploma in Hydrology, Graduate engineer under Engineers registration board, as well as Aviation Security, Aviation Management and various courses in Air Transport

Nominated on 28/5/2019



Mr. Moffat Kangi

Alternate Director, Principal Secretary, Ministry of Interior and Coordination of National Government

Bachelor of Arts (Hons) University of Nairobi

MBA (HRM) Kenyatta University

Certified Public Secretary (F)

With effect from 8/02/ 2019

**KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

SENIOR MANAGEMENT TEAM.



Mr. Alex Gitari
Ag. MD/CEO (w.e.f 1.10.2019)

MBA (Finance)
Bachelor of commerce, Accounting Option
Certified Public Accountant (CPA-K)
Alumnus of Harvard Business School's Advanced Management Program.
Member of Institute of certified Public Accountants Of Kenya.



Mr. Patrick Chonde
Ag. General Manager, Finance

MBA, Finance
Bachelor of Commerce, Accounting option,
Certified Public Accountant (CPA-K),
Member of Institute of certified Public Accountants of Kenya
International Airport Professional(IAP).



Ms. Katherine N. Kisila, NDC (K)
Corporation Secretary

Master of Arts, International Studies,
Bachelor of Laws (LLB), Bachelor of Arts (Economics & Sociology),
Certified Public Secretary (CPS-K),
Advocate of the High Court,
Commissioner for Oaths, Notary Public

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SENIOR MANAGEMENT TEAM (Continued)



Mr. Kasaine Ole Pertet

General Manager, Information and Communication Technology

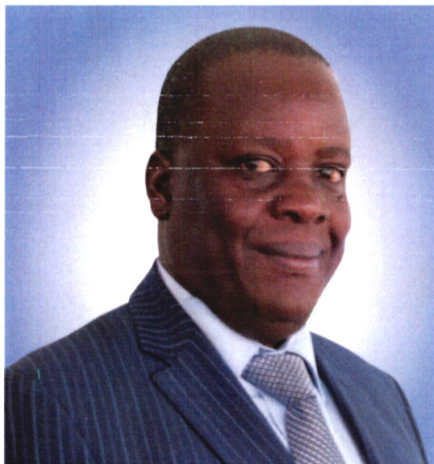
MBA Finance,
Bachelor's Degree in Mathematics,
Certified Public Accountant (CPA-K),
Member of Institute of Certified Public Accountants of Kenya



Mr. Samson Kimilu

General Manager Risk Management & Internal Audit

MBA Strategic Management and Finance
Bachelor of Science in Business Administration,
Certified Public Accountant (CPA-K),
International Airport Professional (IAP),
Member of Institute of Certified Public Accountants of Kenya



Mr. Harrison Machio

General Manager Safety and Operations

MBA (Aviation). BA Hons. (Political Science & Linguistics)

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SENIOR MANAGEMENT TEAM (Continued)



Mr. Anthony Muriithi Njagi
General Manager Human Resource & Development

MBA Human Resource.
Bachelor of Arts, Higher National Diploma – Human Resource.



Brig. Henry Noah Ofulah
General Manager Security Services

Elder of the Order of the Burning Spear - (EBS)
Masters Degree Of Philosophy
Bachelor off Science Degree in Military Studies



Mr. Jimmy Kibati
General Manager, Marketing & Business Development

Executive Development Program Certification –Gordon
Institute of Business Science, University of Pretoria
Certification in training low cost airlines
Bachelor of Arts

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SENIOR MANAGEMENT TEAM (Continued)



Arch. Fredrick Odawo
General Manager, Projects & Engineering Services

Postgraduate diploma in Airport Engineering
Bachelor's Degree in Architecture
Corporate Member – Architectural Society of Kenya
Associate Arbitrator
Associate Member – Chartered Institute of Arbitrators (ACI Arb)



Patrick wanjuki
General Manager, Procurement & Logistics

Master's Degree in Public Procurement Law & Policy from the University of Nottingham,
Bachelor of Law Degree
Bachelor of Commerce Degree in Finance
Post Graduate Diploma in Purchasing and Supplies Management,
Post Graduate Diploma from the Kenya School of Law
Certified Public Accountant.



Mr. Henry Ogoye

Head of Corporate Planning
MBA Finance and MA(Economics),
Bachelor of Arts (Math's and Economics),
Diploma Financial Management

**KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

CHAIRMAN'S STATEMENT

Airports continued to connect people, regions, goods and services with global throughput of 96 million flights, 8.3 billion passengers and 119 million tons of cargo. Locally 315,081 flights, 12.1 million passengers and 368 million kilograms of cargo were handled in the year under review.

This performance, global or otherwise was driven by competition for efficiency and sound customer experience. To this end, KAA on its part dedicated Kshs. 2.2 billion on expansion and/or retrofitting of its airside, terminal and landside infrastructure to meet demand growth and connected customer requirements, the latter resulting in passenger service quality index of 3.73 out of 5 for the flagship facility, JKIA. In the same period, we collectively secured Category 1 Status which paved the way for direct flights to key destinations in the United States of America from JKIA and also installed 0.5MW of solar power at Moi International Airport. The latter project was fully supported by ICAO.

On the social front, we continued with the motto of giving back to the society and participated in education, spiritual, health and environmental responsibilities within our Corporate Social Responsibility platform.



Medical Camp, Mombasa



Lieta Primary School, Homa Bay

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

Overall, the financial results for the year amounted to pre-tax profits of Kshs. 3.8 billion for the year, compared to the Kshs 5.8 billion recorded in 2017/2018. The reduction in Air Passenger Service charge on account of a revised revenue sharing ratio imposed by the National Treasury accounts for the reduction in profitability.

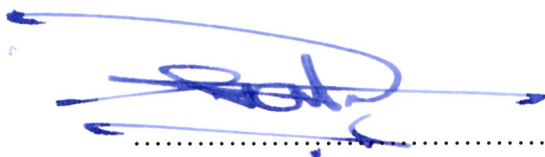
Global annual passenger traffic growth is projected at 5.3% for the next 20 years. The corresponding local outlook are 4.7%, 6% and 8% in the flights, passenger and cargo counters respectively.

Our 2018-2022 Strategic Plan anchored on Human Capital Development, Environmental Stewardship, Operation Efficiency, Customer Experience and attendant Business Growth responds to this bullish outlook. The value proposition of the Plan also embraces smart airports concept in the areas of environmental stewardship and superior customer experience.

Environmental stewardship covers pursuance of Airport Carbon Accreditation as well as acquisition of Environmental Management System-ISO 14001-2015. As for customer experience, we are rolling out an enriched Common Use Terminal Equipment- CUTE to address self-check-in, passenger verification, self-baggage drop offs and self-boarding.

The Plan also addresses network infrastructure requirements for the good of local and global connectivity. Also, on the radar is the review of the airports retail plans and multi-agency, approach to safety, security and service standards orientation for superior customer experience.

Finally, I wish take this opportunity to thank all stakeholders including members of the Board, Management and Staff for their respective contributions to our business in the year and challenge all parties to outperform their respective targets in the subsequent business cycle.



Mr. Isaac Awuondo
Chairman of the Board

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

MANAGING DIRECTOR'S REPORT

The global economy continued to receive significant boost from air transport in the year under review, despite the challenges arising from such factors as volatility in oil prices which constitutes one of the major costs for airlines. The rising demand for air travel globally has been encouraging airlines to focus on the need for new capacity and the potential to expand revenue and market share

Sub Saharan Africa economies grew by 2.3% last year compared to 2.5% achieved in the previous year, mainly on account of ongoing global uncertainty, but increasingly arising from domestic macroeconomic instabilities as a result of growing debt levels, inflation, and deficits; political and regulatory uncertainty.

The GDP for Kenyan economy grew by 5.8% in 2018, which was lower than projected mainly attributable to delayed and lower than expected long rains and volatility of oil prices. However, the situation is projected to improve in 2019 on account of improved business confidence, continued macroeconomic stability, tourism and strengthening of the global economy.

Operation Performance: Despite the challenges facing the domestic aviation industry particularly with regard to performance of the base carrier, Kenya Airways, the Authority managed to post some good operational performance. Notably the commencement of direct flights to the USA in October 2018 acted as a major catalyst for future growth of passengers, aircraft and cargo.

Airports recorded a total of 315, 000 flights, a growth of about 2.4% over the previous year's performance. The corresponding passenger numbers was 12.07 million, a growth of 9.5%. The amount of cargo handled was 368.1 million Kilograms which was equivalent to a growth of 11.1%. In terms of financials, revenue dropped by 7% to Kshs.16.4 billion due to the loss of part of the Air Passenger Service Charge (APSC) to the Tourism Promotion Fund (TPF). Total costs increased by 6% to Kshs 12.6 billion, mainly due capitalization of assets and provisions for expenses. The pre-tax profit for the year was therefore Ksh. 3.8 billion.

Assets and Liabilities: The total assets for the Authority expanded by 4% to Kshs. 85.5 billion mainly driven by project related cash and cash equivalents and debtors. Capital and reserves grew by 4% to Kshs. 65.1 billion attributable to retained earnings. Long term loans on the other hand, expanded by 2% to Kshs. 9.1 billion due to disbursement for the MIA pavement project. Trade payables in the year increased by 9% to Kshs. 9.2 billion attributable to Tourism Promotion Fund and provisions.

Network Infrastructure and Facilities Enhancements: The following activities were undertaken in the year ending June 2019, geared towards meeting the demands of the existing and envisaged traffic growth.

MIA Pavement Works: The replacement of pavements and sink holes progressed to about 13%, with the slow progress occasioned by a NOTAM issued by the Regulatory Authority on safety grounds. However, the project is now on course to be completed as per plan.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

KIA Pavement Works: Works on strengthening of the runway were completed with only runway shoulders in segment 5 remaining. The works were intended to facilitate operation of Code D aircraft.

Other Projects: other key projects handled in the year included pavement rehabilitation at Wilson Airport, apron, fencing and carpark works at Malindi Airport and mechanical services at Isiolo Airport.

Human Capital Development: In recognition of the fact that the human capital is a critical component in ensuring success for the organization, 1,336 members of staff were exposed to various capacity enhancement programs on competencies, leadership, managerial and regulatory among others. Among the subjects covered in the programs were Cyber Crime & Forensic Investigations, Airport Customer Service Quality Management, Risk Management, Airport Construction & Operation, Management & Leadership Development, Advanced Financial Management, Airport System and Planning Program and Advanced Airport Fire Fighting.

ISO 9001-2015: In terms of process clarity, the Authority secured ISO 9001-2015 standard in the year.

Future outlook: The future of the global aviation industry looks very promising, with rising consumer demand and the general fall in the price of air transport for users. Further, lower transport costs and improving connectivity have also boosted trade flows.

Back home, the targeted increase in public infrastructure projects under the Kenya's Big 4 Agenda supported by a stable macro-economic environment is expected to generate a growth of the country's GDP. A concerted effort from all the industry players will be needed to grow the contribution of the aviation sector to the global economy.

Lastly, I take this opportunity to thank the Board, Management, Staff of KAA and the stakeholders, who together spared no effort towards making a successful year for the organization.



.....
ALEX GITARI

Ag. MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

CORPORATE GOVERNANCE STATEMENT

The Kenya Airports Authority Board of Directors provide policy guidance on the overall well-being of the organization in meeting its legal mandate. To this end, the Board of Directors oversees the Authority's activities with respect to strategic direction, infrastructure development, operational efficiency and adherence to sound governance principles.

Board Membership

The Board is made up of nine members. Six of these members are independent directors, among them the Chair who is appointed by the President. The independent Directors are appointed by the Minister of Transport and Infrastructure. The appointment is guided by reference to expertise in civil aviation, aerodromes management, operation, commerce, industry, finance or administration generally. The independent directors are appointed for a renewable period of three years or for a shorter period as may be specified in the notice. The appointments are made at different times to vary the expiry dates. Discharge is provided for under Section 6(2) of the State Corporations Act (Cap 446).

The remaining Board members include Permanent Secretaries in the Department of Transport and National Treasury, alongside the Managing Director. Substantive members from the Government as above have alternates who attend Board meetings on their behalf whenever they are unable to attend. These alternates are deemed, for all purposes and intent, to be Board members. The Corporation Secretary provides secretarial services to the Board. Other than the Managing Director, the other Board members are non-executive.

Role of the Chairman and Other Directors

The Chairman provides overall leadership to the Board in areas of policy development and direction, maintains a harmonious working relationship with both Management and the Board, harnesses the collective skills of the Board and its Committees and those of the executive team for attainment of the corporate objectives and performance targets agreed with the Government, prompts the appointing authority to appoint Board Members in the event of a vacancy on the Board and encourages Directors to participate fully in the deliberations of the Board and its Committees.

Other responsibilities of the Chairman include ensuring that strategies are in place for constant monitoring and evaluation of the effectiveness of the Board, individual Directors, Senior Management and the entire Corporation, participation in setting of agenda for Board meetings, chairing and conducting Board meetings effectively, signing the confirmed Minutes of Board meetings, monitoring implementation of Board decisions, ensuring that new Board Members are properly inducted and that there are adequate training programs for Board Members to keep them abreast of developments in corporate governance, and signing the Performance Contract between the Government and the Authority. The Managing Director is responsible for the day-to-day operations of the Authority. Individual Directors are expected to serve the Board diligently while being faithful to performance, rule of law and to the principle of separation of powers, political neutrality, gender balance, integrity and confidentiality.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

CORPORATE GOVERNANCE STATEMENT (Continued)

Role of the Corporation Secretary

The Corporation Secretary arranges Board meetings and attendances, prepares agendas for meetings set by the Chairman in consultation with the Managing Director and the attendant minutes, keeps Common Seal of the Board and communicates Board decisions to Management.

Board Committees, Meetings, Procedures and Emoluments

The Board holds four statutory meetings in each financial year. Meetings are held at the registered office of the Authority. A quorum for meetings requires two-thirds of the total number of Members. Members may appoint one of their own to preside over the meeting in the absence of the Chairman. Decisions are made unanimously or by majority votes of the Members present. The Chairman has a casting vote in the event of a tie of votes. The Board has four standing committees dealing with respective delegated mandates prior to submitting to the Board for consideration and approval.

The Board has five standing committees detailed below with the responsibility of dealing with respective delegated mandates prior to submitting to the Board for consideration and approval.

Finance and Strategy Committee

The committee members are as follows:

Mr. Kimani Mbatia - **Chair**

Mr. Benjamin Enyenze

Ms. Eunice Kigen

Mr. William Ole Mayiani

Mr. Moffat Kangi

Managing Director

The responsibilities of the Finance Committee are to:

- a) Review and advise on proposals for raising of long-term capital to achieve and fund the strategic objectives of the Authority
- b) Review the financial Performance of the Authority and make appropriate recommendations to the Board.
- c) Adopt and periodically review the charges and rates levied, philosophy, strategy and principles that support the Authority's strategy.
- d) Oversee the preparation of the Financial Statements of the Authority and recommend to the board its adoption.
- e) Make recommendations to the Board on investments to be made by the Authority.
- f) Monitor the Expenditures of the Authority.
- g) Oversee the formulation, review and implementation of the Authority's Strategic Plans, Business Plans and Annual Budgets; and
- h) Oversee the Business Development of the Authority

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

CORPORATE GOVERNANCE STATEMENT (Continued)

Human Resources Committee

The committee members are as follows:

Ms. Susan Kiama - Chair

Mr. Benjamin Enyenze

Mr. Moffat Kangi

Capt. Bootsy Mutiso

Ms. Jeridah Mbaka

Managing Director

The Staff Committee's responsibilities include:

- a) Reviewing the Human Resource policies and practices of the Authority.
- b) Reviewing remuneration of staff by making recommendations to the Board regarding remuneration of Staff, incentive compensation and bonuses.
- c) Adopting and periodically reviewing the remuneration philosophy, strategy and principles that support the Authority's strategy; and
- d) Making recommendations to the Board in regard to the contributions to the Authority's Pension Scheme and matters related thereto.

Technical Committee

The committee members are as follows:

Capt. Bootsy Mutiso – Chair

Ms. Eunice Kigen

Mr. Benjamin Enyenze

Ms. Susan Kiama

Mr. Moffat Kangi

Managing Director

The Technical Committee's responsibilities include overseeing:

- a) Major expansion projects of the Authority.
- b) The operations and engineering aspects of the Authority.
- c) Airports & airstrips management, operation and control and.
- d) Monitoring adequacy of the Authority's facilities, equipment and operations and their maintenance.

The Committee may in addition perform such other function as may be necessary for the performance of its duties and has the power to delegate its authority to subcommittees or individual members of the Committee, as it deems appropriate.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

CORPORATE GOVERNANCE STATEMENT (Continued)

Audit Committee

The committee members are as follows:

Mr. William Ole Mayiani - Chair

Mr. Kimani Mbatia

Mr. Moffat Kangi

Ms. Eunice Kigen

Ms. Jeridah Mbaka

The Committee assists the Board in fulfilling its oversight responsibilities in respect of: -

- a) Evaluating the integrity of the Authority's financial reporting process and financial statements.
- b) Reviewing and making recommendations to the Board of Directors in respect to Corporate Governance Policies and Practices of the Authority
- c) Developing and recommending to the Board Corporate Governance Principles applicable to the Authority.
- d) Compliance with legal and regulatory requirements applicable to the operations of the Authority.
- e) Assisting the Board in enhancing internal controls in order to improve efficiency, transparency and accountability.
- f) Reviewing audit issues raised by both internal and external auditors.
- g) Resolving Public Accounts and Public Investment Committees recommendations.
- h) Reviewing the systems established to ensure sound Public Financial Management and Internal Controls as well as compliance with policies, laws, regulations, procedures, plans and ethics.
- i) Initiating special audit/investigations on any allegations concerns and complaints regarding corruption, lack of accountability and transparency and
- j) Evaluating adequacy of the Authority's procedures with regard to issues relating to risk management, control and governance.

Security Committee

The committee members are as follows:

Mr. Moffat Kangi- Chair

Capt. Bootsy Mutiso

Mr. Benjamin Enyenze

Managing Director

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

CORPORATE GOVERNANCE STATEMENT (Continued)

The responsibilities of the Security Committee are to:

- a) Review the security policies and practices of the Authority
- b) Assess security risks posed to the Authority and make recommendations to the Board
- c) Continually assess operational requirements of the Authority to ensure smooth running of all security related functions
- d) Review Management's reports on security, safety and operations and make requisite recommendations to the Board
- e) Assure compliance with regulatory requirements through regular security, safety and operations reports, indicators, trends and recommend corrective measures
- f) Make regular recommendations to the Board to strategically support the Authority's operations
- g) Review findings from external audits by regulatory bodies and make appropriate recommendations to the Board
- h) Receive and review reports from management regarding major security, operational and safety projects
- i) Aviation security service provision
- j) Undertake such other activities as may be referred to it from time to time by the Board

**KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

CORPORATE SOCIAL RESPONSIBILITY

Kenya Airports Authority CSR Policy document clearly stipulates areas of our engagement with society's social, environment and economic concerns and needs as follows:

- Education
- Environment and sustainability
- Health & Wellness
- Staff engagement in CSR programs

The above tenets guided the Authority's Corporate Social Responsibility activities and donations for the year 2018/2019, which greatly improved our corporate image and enhanced our relationship with communities around our stations.

Through our Corporate Social Responsibility strategy, KAA demonstrated a commitment to behaving ethically in all our business transactions, by contributing to the economic development and improving the quality of life of its workforce and their families as well as the community and society at large.

The CSR committee adopted a new devolution model that ensured that ad-hoc requests and donations from all airports and airstrips were considered for maximum impact. The tabulation below demonstrates that donations were made across the board, targeting high government and non-governmental projects, and communities from across the country.

We also organized our first Ever-Medical camp in Bomu Stadium in Mombasa. This was in collaboration with Mater Hospital and the county of Government of Mombasa. This was a very successful two-day event that saw over 2300 patients treated and given drugs. We plan to have similar camps on quarterly basis in different airports in the country.

Below are some of the organizations that Kenya Airports Authority has engaged in during the year under review:

	INSTITUTION	INITIATIVE
1.	Kiabiraa Secondary School- Kisii	Request to sink a borehole to assist the surrounding community.
2.	Christ the King Catholic Parish Embakasi-Nairobi	Financial support to pay teachers working with children with special needs

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

3.	Osiri Mixed Secondary School Nyatike	Request for financial assistance to purchase water tanks and fence the school.
4.	Simuli Mixed Secondary School- Busia	Funding for construction of school infrastructure to complete the construction for two classrooms
5.	Gospel Centers Church International-Utawala Nairobi	Financial support for youth camp outreach program
6.	Mavuno Church- Nairobi	Request spreading the love to State House Primary School to improve the condition of the institution. The rehabilitation will include toilets, classrooms, kitchen, desks and equip library.
7.	Holy Church of Christ – SDA Homabay	Request for finance to drill a water borehole for the church and support of orphans
8.	Leberio Dispensary- Eldoret	To finish an ongoing project sponsored by KAA
9.	Kenya Diabetes Management & Information Centre- Nairobi	Financial Support for the Diabetes charity Golf Tournament
10.	Mater Heart Run- Nairobi	Request for partnership, sponsorship and KAA staff participation
11.	St John's Ambulance of Kenya Nairobi	Financial assistance to perform charitable initiatives
12.	Kianda Foundation Golf Tournament Nairobi	Financial Support to provide scholarships for girls to undergo a vocational training course in kilifi
14.	ACK St. John's Kipsabuge Church- Kapsabet	Request for support in finishing the chapel of ACK St. John's
15.	Holy Family Catholic Church Utawala Nairobi	Request in support to build more clergy homes for aged priests, expand churches & assist less fortunate people

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

16.	Future Hope Community Centre a KAA initiative for MIA Mombasa	Request for financial support for basic necessities. Washrooms and kitchen facilities
17	AIC Kaptebeng'wet Secondary School	Request for financial support to assist in sinking a shallow borehole and install water storage tanks in the dormitories
18.	Okore Ogonda Primary School- A KAA initiative KIA	Financial and material support for construction of a four doors pit latrine
20.	St. Joseph's Catholic Church Lengut Parish Eldoret	Financial Assistance towards finishing the church
21.	Gakawa Secondary School- Nanyuki	Financial assistance towards improving water harvest in the school
22.	Lieta Kabunde Primary School- Homabay	Financial assistance towards purchase of desks
23.	A.I.C Lokichoggio mixed Boarding primary school Lokichoggio	Financial assistance towards erecting the school fence
24.	St Christopher Airport Small Christian Community- address cheque to Don Bosco Boys Town	Request to purchase the church furniture for the KAA catholic fraternity at KAA HQ.
25	Holy Church of Christ - Homabay	Request towards paying school fees and purchase for food for orphaned children
26	KAA Mombasa CSR Medical camp Mombasa	KAA held its first ever medical camp in Bomu Stadium Mombasa

We anticipate that the Authority shall continue to receive more donation requests and will engage in more projects and activities. We shall continue to adopt our devolution model to create maximum social and business impact across all communities surrounding all our airports and airstrips.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

REPORT OF DIRECTORS

The Directors submit their report together with audited financial statements for the year ended 30 June 2019, which disclose the state of affairs of the corporation.

Principal Activities

The principal activities of Kenya Airports Authority are:

- To construct, operate and maintain aerodromes and other related facilities;
- To construct or maintain aerodromes on an agency basis on the request of any Government department;
- To provide such other amenities or facilities for passengers and other persons making use of the services or the facilities provided by the Authority
- Construct any other necessary or desirable works required for the purposes of the Authority;
- Control the construction and use of prescribed aerodromes;
- Carry on any business that may be necessary or desirable for the purposes of the Authority and act as an agent for the Government in the provision of any agreed functions;
- Acquire, construct, manufacture, maintain or repair any works, plants or apparatus necessary or desirable for the purposes of the Authority;
- Determine, impose and levy rates, charges, dues or fees for any services performed by the Authority, or for use by any person of the facilities provided by the Authority, or for the grant to any person of a license, permit or certificate.

Results

The net profit for the year of Kshs 3.04 Billion (**2018: Kshs 4.97 Billion**) has been added to retained earnings.

DIRECTORS


The Directors who held office during the year and to the date of this report are set out on pages 11 to 16.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on

..... 27/09/ 2019 and signed on its behalf by:


Chairman.....

By order of the Board

KKisila.....

Katherine N. Kisila
Corporation Secretary
NAIROBI

Date..... 27/09/.....2019

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance to the Kenya State Corporations Act Cap 446, the Directors are required to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Authority as at the end of the financial year and of its operating results for that year. It also requires the Directors to ensure the Authority keeps proper accounting records, which disclose with reasonable accuracy, the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They accept responsibility for:

- i. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements:
- ii. Selecting and applying appropriate accounting policies and
- iii. Making accounting estimates and judgments that are reasonable in the prevailing circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority as at 30th June 2019 and its profit/loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the State Corporations Act Cap 446.

The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of Financial Statements, as well as adequate systems of internal financial control.

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

Approval of the financial statements

The Kenya Airports Authority financial statements were approved by the Board on

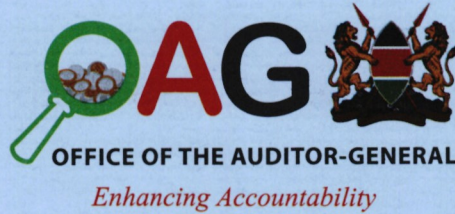
..... 27/09/.....2019 and signed on its behalf by:

.....
Chairman

.....
Ag. Managing Director/ Chief Executive Officer

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA AIRPORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Airports Authority set out on pages 36 to 75, which comprise the statement of financial position as at 30 June, 2019, and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Airports Authority as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and comply with the Public Finance Management Act, 2012 and the Kenya Airports Authority Act, Cap.395.

Basis for Qualified Opinion

1. Property, Plant and Equipment

As disclosed under Note 31 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.49,207,591,000; (2018 - Kshs.50,360,119,000). Included in this figure is freehold land and leasehold land balances of Kshs.249,263,000; (2018-Kshs.249,263,000) and Kshs.5,346,369,000; (2018-Kshs.5,415,624,000) respectively. Examination of the land balances and the supporting records revealed the following unsatisfactory observations:

1.1. Leasehold Land at Nairobi – Embakasi

As reported previously, the leasehold land balance excludes the value of land LR No. 9042/668 measuring 3.29 acres located at Nairobi - Embakasi Village of undetermined value. Although Management has explained that the parcel of land on which the Kenya Airports Authority police station is located will be surrendered to the Kenya Police

Service, documents and correspondences in evidence of the surrender and its consideration have not been availed for audit review. In the circumstances, it has not been possible to establish the validity and legitimacy of the surrender.

1.2. Freehold Land Balance at Kisumu International Airport

As reported in 2017/2018, included in the freehold land balance is the cost of acquisition of land amounting to Kshs.190,763,189 for the expansion of Kisumu International Airport. However, the supporting documents have not been availed for audit review.

1.3. Duplicate Title Deeds for Kisumu International Airport

Records available at the Headquarters revealed that the Authority had two title deeds for the Kisumu International Airport but with different acreage namely; L.R. No. Municipality/Block No.1/8 and No.1/21 measuring 206.09 and 362.9 hectares respectively. However, no satisfactory explanations have been provided for the duplication.

1.4. Land Without Title Deeds

Two parcels of land occupied by Manda and Ukunda Airstrips under leasehold and freehold tenures valued at Kshs.135,800,000 and Kshs.58,500,000 respectively did not have title deeds. Although Management explained that the title deed for Ukunda Airstrip had been with the Ethics and Anti-Corruption Commission (EACC) since September, 2008, there is no evidence of follow up action being taken to retrieve the title deed.

1.5. Moi International Airport Land

Moi International Airport leasehold land balance recorded in the books amounted to Kshs.583,000,000 which differs with the valuation report amount of Kshs.538,000,000 resulting to an unexplained variance of Kshs.45,000,000. Further, Management has not explained nor remedied the gaps in the lease registration documents (stamping) on the original title deed L.R.No.MN/VI/3888 for the period between June, 2003 to May, 2006.

1.6. Parcels of Land in Dispute

Various parcels of land owned by the Authority continue to have disputes as detailed out below: -

1.6.1. Nairobi - Embakasi

An unregistered parcel of land referenced KAA-D1-DA measuring 0.867 acres at Embakasi Village and valued at Kshs.4,335,000 has not been incorporated in the leasehold land balance as at 30 June, 2019. Information available indicates that the Authority obtained partial allotment for the land parcel measuring 0.443 acres from the

National Land Commission on 25 September, 2017. The remainder part measuring 0.47 acres has been illegally excised and allocated to a third party. Although Management has written to the Commission requesting for investigation of the illegal excision, there is no evidence of follow up and its outcome.

1.6.2. Jomo Kenyatta International Airport

Two parcels of land L.R.No.13512 and L.R.No.14231 within the original Jomo Kenyatta International Airport land parcel L.R.No.21919 have been excised and allocated to third parties. Although court proceedings were instituted vide HCCC Nos. 206 and 489 both of 2004 and temporary orders issued restraining the third parties, the latter proceeded to subdivide, resell and develop the land parcels. To vacate the land, the Authority demolished the illegal structures in 2011. The private developers subsequently sued the Authority for which the outcome was yet to be determined as at the time of finalizing the audit.

1.6.3. Wilson Airport

Wilson Airport land L.R.No.209/144443 whose size and value are yet to be determined was registered in favour of the Authority on 29 July, 2003. However, a case challenging the registration was filed in the High Court. The plaintiffs sought temporary injunction restraining the Authority or their agents from demolishing or otherwise interfering with their ownership or possession or right of use of the parcel of land until hearing and determination of the suit. Information available indicates that in 25 October, 2006, the court declined to issue the injunction orders sought. Although Management has indicated they wrote to the National Land Commission on 24 October, 2017 requesting it to intervene and revoke irregularly issued title, as at 30 June, 2019, no action had been taken and therefore, ownership of the property remained in dispute.

1.6.4. Malindi Airport

As reported in the prior years, the leasehold land balance also includes a portion of Malindi Airport land under L.R.No.7669 measuring 0.8925 hectares, irregularly allocated to a church organization. In addition, land L.R.No.8540 at the Airport measuring 0.0549 hectares and also irregularly allocated to a petroleum company has been excluded from the balance.

1.6.5. Airports and Airstrips

A further review of records and correspondences relating to the Authority's land revealed ownership disputes affecting 85 parcels of land at eight (8) airports / airstrips as summarized below: -

No.	Airport/Airstrip	Land Reference	No. in Dispute
1.	JKIA	219191	46
2.	Wilson Airport	209/13080	8
3.	Moi Int. Airport	MV/VI/3888	10
4.	Kisumu Int. Airport	Municipality/Block No.1/21	3

No.	Airport/Airstrip	Land Reference	No. in Dispute
5.	Kitale Airstrip	25001	2
6.	Eldoret Airstrip	Eld/Municipality/Block 10/926	13
7.	Malindi Airport	10688	1
8.	Embakasi	LR.No.9042/668 &F/R 228/88	2
Total			85

Management has not provided details on the nature and the value of land in dispute as well as the parties involved and their current status. It was also not possible to confirm if there are other parcels of land in dispute and the exposure these may have on the Authority's claim to the land.

From the foregoing, it has not been possible to confirm the accuracy and valuation of property, plant and equipment balance of Kshs.49,207,592,000 as at 30 June, 2019.

2. Trade and Other Receivables

2.1. Kenya Airways Debt

As disclosed under Note 34 (a) to the financial statements, the statement of financial position reflects trade and other receivables balance of Kshs.16,334,627,000; (2018 - Kshs.14,321,565,000). Included in the balance is an amount owed by Kenya Airways of Kshs.3,225,004,670 (2018 - Kshs.2,189,086,493) an increase of 33% of which, Kshs.2,364,423,905 or 73% was more than one year old. This is an indication of difficulties and inability of the debtor to settle its accounts as and when they fall due. Although adjustments for impairment have been made during the year by way of provisions of bad and doubtful debts of Kshs.556,915,000, the provision appears insufficient.

2.2. Staff Receivables

An amount of Kshs.78,384,046 under staff receivables relates to amount owed by staff on account of payments made against a job evaluation outcome of 2006 subsequently rescinded by the Board of Directors. The recoverability of the amount is in doubt but no provisions have been made in the financial statements in respect of it. The staff debtors balance is net of credit balances of Kshs.56,939,731 which have not been explained or reclassified as required by Paragraph 32 of the International Accounting Standards 1 on presentation of financial statements.

2.3. Credit Facilities Advanced to Unqualifying Customers

The trade and other receivables balance of Kshs.16,334,627,000 includes Kshs.23,120,885 worth of services advanced to one-time customers normally operating on cash basis and with no credit facilities with the Authority. Consequently, the recoverability of Kshs.23,120,885 remains doubtful.

2.4. Debtors with Credit Balances

The reported trade and other receivables balance of Kshs.16,334,627,000 is arrived at after netting off debtors with credit balances amounting to Kshs.209,185,654 contrary

to Paragraph 32 of the International Accounting Standards (IAS) 1 on Presentation of Financial Statements which requires that assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by an International Financial Reporting Standard.

Consequently, the regularity and accuracy of the reported trade and other receivables balance of Kshs.16,334,627,000 as at 30 June, 2019 could not be confirmed.

3. Inventories - Obsolete Stocks

As disclosed under Note 33 to the financial statements, the statement of financial position reflects inventories of Kshs.107,655,000; (2018-Kshs.128,894,000). Included in this balance is obsolete stocks with a net value of Kshs.6,616,000 whose usefulness is in doubt and the basis for the value could not be established as the stocks were not included in the year end stock taking report.

In the circumstances, the accuracy and completeness of the reported inventory balance of Kshs.107,655,000 as at 30 June, 2019 could not be established.

4. Unsupported Airstrip Fund Disbursements

As disclosed under Note 37 to the financial statements, the statement of financial position reflects Airstrip fund balance of Kshs.2,062,287,000; (2018-Kshs.2,301,413). However, a listing of airports and airstrips maintained during the year to the tune of Kshs.393,912,000 was not availed for audit review. Consequently, it was not possible to ascertain whether the funds have been utilised in an effective manner and for the intended purpose.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Airports 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.

Emphasis of Matter

Contingent Liabilities and Disputed Pending Claims

Note 45 to the financial statements discloses contingent liabilities arising from pending litigations, tax assessment and disputed pending claims against the Authority amounting to Kshs.46.63 Billion. Although the liabilities have not crystallized to warrant recognition in the financial statements by way of provisions, the financial impact on the Authority would be significant if the rulings would not be in its favor.

My opinion is not qualified in respect of this matter.

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 Matters

1. Unresolved Prior Year Issues

The following prior year audit matters remained unresolved as at 30 June, 2019: -

1.1. Construction Projects at Jomo Kenyatta International Airport - Greenfield Terminal Package 5

As reported previously, the Jomo Kenyatta International Airport- Greenfield Terminal Package 5 project was awarded at a contract sum of USD.653,782,814. In addition, the supervision contract for the project was awarded at a contract price of USD.8.83 million. The new terminal building in the Project would cover a floor area of 178,000 square meters and would comprise of: fifty international and ten domestic check in positions; thirty-two contact and eight remote gates; and associated aprons with forty-five stands and linking taxiways. It was expected to handle 8.7 million passengers per annum. The terminal was to be in an environmentally sustainable building and be certified by the World Green Building Council using either LEED or green star certification processes. The project was to be implemented on design and build contract. The following inconsistencies were noted: -

1.1.1. Irregular Contract Award

Clause 5 of the Request for Proposal (RFP) documents required the contractor to secure a project financier as a condition for award. However, the employer (Authority) entered into a contract agreement on 13 November, 2013 and the contractor was given possession of the site through a letter dated 6 December, 2013 before a project financier had been identified.

1.1.2. Irregular Variation of Contract Sum

The letter of notification of award dated 16 November, 2011 stated that the contract sum of USD 653,782,814 was inclusive of all taxes. However, contract agreement entered with Authority on 13 November, 2013 indicates the sum was exclusive of 16% Value Added Tax (VAT). It is not clear why the contract sum was varied.

1.1.3. Irregular Payment for Ground Breaking Expenses

A review of the project file revealed an amount of Kshs.75,020,680 having been paid to the contractors on 9 June, 2014 and described as a contract variation. Further information available indicates that the payment was in respect of preparation of Greenfield terminal ground breaking ceremony. However, a review of the bill of

quantities in the signed contract agreement revealed that there was no provision for such expenditure and it was not clear why it was charged to the project and described as contract variation.

1.1.4. Nugatory Payments

A review of the project documentation revealed that the contractor and the consultant had been paid Kshs.4,310,901,806 and Kshs.216,100,000 respectively despite there being no evidence of work done as at 30 June, 2019. Further, a firm was contracted to provide technical advisory service on project financing at a contract price of Kshs.29,777,268 but subsequently terminated in unclear circumstances. The firm presented an invoice for Kshs.19,356,693 but after negotiations it was reduced to Kshs.7,444,882. In light of the payments having been made for work not done, the expenditure is nugatory.

1.1.5. Termination of the Contract

On 29 March, 2016, Management informed the contractor that the contract was void from the beginning and requested them to vacate the site. On the same date, the consultants were also notified of termination of their contract. No evidence has been availed to confirm that the contractor and the consultants were in concurrence with the termination by way of correspondences hence there is a likelihood of litigation.

1.1.6. Legal Services

A legal firm was appointed to represent the Authority in the disputes arising from the project termination. However, the process of identification and the terms of engagement are unclear. Further, in a special Board of Directors meeting held on 17 January, 2017 at the Authority's Headquarters, a representative of the law firm in attendance sought for authorization to seek for expertise of an international firm in quantum to conduct an analysis of the value of work undertaken by the contractor, who was claiming to have done some works. This was granted and the firm engaged for a fee of USD.1,158,520 on behalf of the Authority. It is not clear why the Management sought the services of a foreign consultant to undertake the exercise instead of using the Authority's engineers and local consultants. No progress has been communicated as at 30 June, 2019.

In the circumstances, it has not been possible to confirm if value for money has been realized from the above usage of public resources and the amounts that may become payable under the ongoing dispute.

1.2. Construction Works at Wilson Airport and Other Airstrips

1.2.1. Rehabilitation of Pavements at Wilson Airport

The contract was awarded to a company at a contract sum of Kshs.298,557,714 on 2 March, 2016 for a contract period of twelve (12) months starting on 24 June, 2016 and ending on 23 June, 2017. A review of the project documentations during the year under review revealed the following unsatisfactory matters: -

1.2.2. Variation of Scope

The contract sum was revised upwards by Kshs.54,280,646 to Kshs.352,838,360 representing an 18% increment. However, a review of correspondences leading to the variation indicate that the request for variation was originated by the airport manager who was a non-project team member. Although the variation was within the allowable limits of 25% as prescribed in the Public Procurement and Asset Disposal Act, 2015, some works in the original scope were excluded to accommodate the variation. It is not clear what the cost of the excluded works is and hence the effect on the contract sum.

1.2.3. Exceeded Earthworks Bill of Quantities

A review of payment certificate number 2 dated 24 March, 2017 of Kshs.35,504,171 revealed that a total of Kshs.61,171,244 had been paid against item number 5 - earthworks which had a provisional sum of Kshs.14,558,000 in the Bill of Quantities. This indicates a 420% escalation. Information available indicates that the engineer instructed the contractor to undertake excavation for bitumen standards parking which was not provided for under the awarded scope. It was not clear why the works were undertaken without approved scope variation.

Consequently, the due process was not followed in effecting the scope variation for the earth works.

1.2.4. Delay in Project Implementation

The contractor was awarded extension of time to 08 January, 2019. However, a review of the project progress report dated 21 February, 2019 indicated overall progress at 95% despite the extended project period having lapsed. The contractor was working behind schedule and cost escalations are inevitable.

1.3. Construction of Tseikuru Airstrip

As reported previously, a Memorandum of Understanding (MOU) was entered into between the National Youth Service (NYS) and the Authority in November, 2012 for the construction of Tseikuru Airstrip but was not signed. The scope in the MOU entailed; Phase 1: - bush clearing, stripping of top soil, cutting and filling the formation including the drainage, as well as gravelling and base construction. However, an advance payment of Kshs.50,000,000 was made to NYS on 16 July, 2012 ahead of the preparation and signing of the MOU. Although Management has indicated the overall project work progress for the phase to have been at 85% as at 30 June, 2013, no progress reports were availed for audit review.

A review of the project in 2018/19 financial year revealed that no progress had been made despite budgetary allocations in the 2013/2014, 2014/2015 and 2015/2016 financial years of Kshs.117,993,000, Kshs.25,000,000 and Kshs.85,000,000 respectively. Management has not explained how the funds allocated in the above three financial years totalling Kshs.227,993,000 were utilized.

1.4. Rehabilitation of Nanyuki Airstrip- Runway, Apron and Car Park

As reported previously, the above contract was awarded on 3 September, 2014 at a contract sum of Kshs.398,950,970 over a period of 12 months commencing 24 November, 2014. A review of the project file and other related records revealed the following unsatisfactory matters: -

1.4.1. Slow Progress

Despite the Tender Committee having granted extension of time for a period of 9 months effective the expiry date of the initial contract, a review of the latest available project progress report of 31 July, 2016 revealed overall progress of 42%. This was under one month to the expiry of the extended contract period. Subsequently, the contract was terminated on 22 August, 2016.

1.4.2. Unapproved Variation of Scope - Temporary Runway

The scope of works under the contract as per the tender documents and the signed agreement were as follows: -1500m long and 23m wide runway, approximately 11,250m² apron, approximate 2,500m² access road, and approximately 2,500m² carpark. During the tender consultative meeting of 12 November, 2014, it was agreed that phasing out of works on an active runway would pose safety challenges. The committee therefore recommended for the construction of a temporary runway to allow for full rehabilitation works without interference. However, site instructions for construction of the temporary runway and its estimated costs were not made available in the project file. Despite the contractor's request for determination of applicable rates for the new scope of works, there is no evidence of the Authority's response. There is also no evidence in the file as to whether the additional scope was presented to the tender committee for approval. In the circumstances, the basis for remunerating the contractor for the varied scope has neither been agreed nor documented.

1.4.3. Inspection Report

On 15 June, 2015, the contractor gave notice of completion of the temporary runway and proposed handing over for 17 June, 2015 with the residual section to be completed by 30 July, 2015. There was however, no correspondence in the project files to confirm if the temporary runway was indeed completed, inspected and approved for use. Further a letter dated 29 February, 2016 from Ag. General Manager (Engineering Services) to the contractor indicated that the temporary runway was in a bad state and needed repair. This notwithstanding, an amount of Kshs.142,697,378 had been paid to the contractor by 30 June, 2019.

1.4.4. Contractor's Claim on Temporary Runway

The contractor has placed a demand for settlement of Kshs.120,610,875 through its advocates, being cost of construction of the temporary runway which is approximately 30% of the original works in the signed contract. This amount being above the 25% threshold in the Public Procurement and Asset Disposal Act, 2015 should have been

subjected to a competitive tendering process. The claim is awaiting settlement through arbitration after both parties agreed to have the matter settled out of court.

1.4.5. Other Claims on Termination of Contract

On 24 January, 2018, the contractor submitted a further claim of Kshs.955,275,371 for idle equipment and other costs related to the contract. However, there was no evidence in the file of Management's correspondence over the claim.

1.4.6. Engagement of Mechanical and Transport Fund

On 2 August, 2017, Management contracted Mechanical and Transport Fund (MTF) to perform grading and gravelling work on temporary runway, apron and access roads at a cost of Kshs.6,910,565. On 21 December, 2017, MTF wrote to the Authority requesting for additional payment of Kshs.3,801,793 to cater for additional equipment and staff allowances. However, Management did not avail records of the work done and amount paid to the Mechanical and Transport Fund for audit review.

From the foregoing, it has not been possible to confirm if and whether the Authority will obtain value for money from the expenditure incurred in rehabilitating the Nanyuki Airstrip.

1.5. Emergency Repairs - Isiolo International Airport Runway

As reported in 2016/2017, the contract for the above works was awarded on 10 March, 2017 at a contract sum of Kshs.82,434,788. The contract period was for three (3) months commencing 07 April, 2017. A review of the project file and procurement records revealed the following unsatisfactory matters: -

1.5.1. Procurement

On 6 February, 2017, the Ag. General Manager (Projects and Engineering Services) requested the Managing Director for approval to use restricted tender method for this contract and the same was granted. Bids were invited on 7 February, 2017 using a list of ten (10) prequalified contractors obtained from the Kenya Rural Roads Authority (KERRA) and opened on 20 February, 2017. Only 4 bidders returned their bids.

1.5.2. Evaluation

A review of the evaluation report dated 28 February, 2017 revealed that only 1 of the 4 bidders that returned their bids passed the preliminary stage. The other three firms failed the preliminary stage for lack of experience in undertaking similar works in the previous three (3) years or did not have the requisite turnover. Considering that this was a restricted tender it would appear that the prequalified list of contractors obtained from KERRA was not for a similar scope of works. Further, Section 56 of the Public Procurement and Asset Disposal Act, 2015, provides that an entity is only allowed to use registered persons from another state organ provided that the list represents all the persons registered under that category and the list is valid and obtained through a competitive process. There is no evidence to confirm that Management satisfied itself

that the list obtained from KERRA was for the required category and if it included all persons registered under the said category and it was obtained through a competitive process.

1.5.3. Slow Progress

Project progress report filed and dated June, 2018 indicates an overall progress of 54% despite the contract period having lapsed in July, 2017. The contractor was thus behind schedule in project delivery but there was no evidence of recovery of liquidated damages from the contractor's payments in accordance with the contract terms. Information available also indicated that there was a change in design from the 150mm sub-base and base layers improved gravel to two 200mm layers of hand packed stone each for sub-base and base. The rate of hand packed stone is higher than that of improved gravel. Consequently, the project has since stalled due to exhaustion of contract amount.

1.6. Kisumu Airport Runway Contract

As reported previously, the contract was awarded at a contract sum of Kshs.1,708,295,391 inclusive of 16% Value Added Tax (VAT). Works commenced in March, 2012, however the scope was scaled down in October, 2013 due to inadequate funding from the parent Ministry and then phased out into two: -

Phase 1 - Construction of Parallel Taxiway, cargo apron and public car park; and

Phase 2 - Runway Strengthening and Widening

Phase 1 was completed in February 2014 at a cost of Kshs.1,375,117,326 inclusive of 16% VAT against an original contract award amount of Kshs.1,708,295,391. The balance of the contract of Kshs.333,118,065 was rolled over to be utilized under Phase 2 works. On 19 August, 2015 the Authority and the contractor entered into an addendum for the Phase 2 works at a contract sum of Kshs.436,067,579.87 thereby revising the original contract sum by Kshs.102,949,515. Phase 2 works were to be executed within 28 months. On 24 May, 2016, before the works commenced, a second addendum to the contract was drawn and signed by the parties varying the contract sum by a further Kshs.143,532,200. This brought the total variation to Kshs.246,481,715 or 14.5% with the new revised contract sum standing at Kshs.1,954,777,106.

The Tender Committee approving the variation pointed out that there was erroneous omission of Kshs.190,156,845 in computation of the first variation occasioned by failure to consider the VAT component on amount paid out in Phase 1 works. However, this is unsupported. Despite the revisions of contract sum above there was reduction in the scope of works for instance, paragraph 6 of the addendum excludes heavy duty manhole covers valued at Kshs.17,933,117. Management has not rendered satisfactory explanation for the contract sum variation above and the double charge of the VAT amount of Kshs.190,156,845.

A review of the latest available project progress report of 15 January, 2018 puts the overall progress at 90% despite the revised contract period having lapsed on 8 June, 2017.

Consequently, the contractor is behind schedule in project delivery but Management has not acted to recover liquidated damages in line with the conditions of contract. There was no progress on this project during the period under review.

1.7. Wajir International Airport Rehabilitation

As reported previously, the contract was awarded on 24 March, 2017 at a contract sum of Kshs.819,264,953 with the works commencement date on 24 April, 2017. A review of the project file and procurement records revealed the following unsatisfactory matters: -

1.7.1. Inadequate Budgetary Allocation

The above procurement works were based on a budgetary allocation of Kshs.250 million from the airstrip funds investment income with the balance being provisioned under the 2016/17 supplementary budget. However, on 21 December, 2016, the Principal Secretary for the State Department of Transport wrote to the Managing Director advising on stoppage of the project due to budget rationalization by The National Treasury. Subsequently the procurement process was terminated and this communication was sent to all the bidders on 27 January, 2017. However, one bidder challenged the termination with the Public Procurement Administrative Review Board which directed the Authority to award. The Management obliged and awarded the tender to the winning bidder on 24 March, 2017 albeit the inadequate funding.

1.7.2. Evaluation and Award

A review of the technical evaluation report dated 17 December, 2016 indicates that only one bid passed through the mandatory stage after meeting the requirements and a bid price of Kshs.819,264,953. Although this compares with the reported engineer's estimate of Kshs.830,000,000, there was no documentary evidence in support of the engineer's estimate.

1.8. Supply and Assembling of Gym Equipment

The above contract was awarded on 3 October, 2017 at a contract sum of Kshs.10,702,721 with a term of six (6) weeks ending on 14 November, 2017. Although the equipment was supplied on 2 February, 2018 much later than the stipulated timeline, it continues to remain idle and uninstalled as at 31 January, 2019. The room in which they were to be installed was yet to be constructed.

In the circumstances, it has not been possible to confirm whether the Authority obtained value for money in incurring the expenditure of Kshs.10,702,721.

1.9. Suneka Airstrip Proposed Construction of a Passenger Mini Lounge, Fencing and Minor Runway Repairs

As reported previously, the above contract was awarded on 14 January, 2015 at a contract sum of Kshs.52,846,114 and for a contract duration of 12 months. The initial contract period was later extended by 10 months to 16 October, 2016. As at 30 June, 2019, Kshs.32,001,057 had been paid. However, the project progress could not be established as the progress reports were not made available for audit review.

Consequently, the project status could not be confirmed.

1.10. Proposed Fencing Works at Wilson Airport

The above contract was awarded in July 2015 at a contract sum of Kshs.86,923,727 and a contract duration of ten (10) months ending 10 June, 2016 and revised to 30 August, 2017. The latest project progress report dated May 2018 made available for audit review indicates works at 95% and chain link on galvanized wire at 90% completion status. However, the beacon re-establishment and survey were still pending. Informal settlers had also encroached on the land, denying the contractor access to some sections of the fence. The Project is behind schedule and may lead to cost escalations.

1.11. Runway Capacity and Its Upgrading and Rehabilitation of Aircraft Pavement at Jomo Kenyatta International Airport

The above contract was awarded on 30 October, 2014 at a contract sum of Kshs.6,249,683,529 for project duration of 30 months ending 30 April, 2017. The Contractor was paid an advance payment of Kshs.624,968,352 on 22 December, 2014 in line with the signed contract. However, only Kshs.79,449,614 had been recovered as at 30 June, 2019 despite the continued progress payments. Further, there was no evidence that the advance payment guarantee that expired on 19 February, 2017 had been renewed as Project Progress reports as of 30 June, 2019 were not availed for audit review.

1.12. Outsourced Medical Services

An insurance firm was awarded a tender for underwriting of the staff medical scheme (inpatient and outpatient) at a contract sum of Kshs.942,054,855 for three years 2017-2019 renewable annually based on performance. The Service Provider proposed price variation in year two from Kshs.352,082,091 to Kshs.414,356,394 or 18% citing scheme performance in year one. The Managing Director constituted a negotiation team and the team settled on a 10% variation of Kshs.94,205,435 payable in two equal instalments for year two and three. However, the recommendation for approval from the Evaluation Committee, minutes of the negotiation team, signed professional opinion by the Head of Procurement, and letter issued to the Service Provider for the 10% increase were not availed for audit verification.

In the circumstances, it was not possible to confirm whether the price variation was done in line with the provisions of the law and the signed contract. In addition, the payment of Kshs.94,205,435 over and above the contract sum of Kshs.942,054,855 could not be confirmed as a proper charge to the Authority's funds.

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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall 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 those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Authority or to cease operations. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the management's use of the 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 the 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 the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

25 November, 2020

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
YEAR ENDED 30 JUNE 2019**

		2018-2019	2017-2018
REVENUES	Notes	Kshs' 000	Kshs' 000
Operating Revenue	27(a)	14,724,690	16,936,043
Gain on Assets Disposal	27(b)	(952)	(411)
Other Income	28(a)	319,287	263,600
Non Cash Income	28(b)	857,549	788,554
TOTAL REVENUES		15,900,574	17,987,786
 OPERATING EXPENSES			
Administrative Expenses	30(a)	8,009,198	7,345,658
Establishment Expenses	30(b)	4,059,712	3,958,881
Other Expenses	30(c)	34,476	15,278
TOTAL OPERATING EXPENSES		12,103,386	11,319,817
OPERATING PROFIT		3,797,188	6,667,969
Financial Income (Loss)	28 (c)	496,466	(359,861)
Financial Costs	29	(464,634)	(532,852)
PROFIT BEFORE TAXATION		3,829,020	5,775,256
INCOME TAX EXPENSE	41	(784,805)	(803,468)
PROFIT AFTER TAXATION		3,044,215	4,971,788

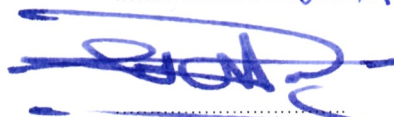
The notes on pages 41 to 73 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

		2018-2019	2017-2018
ASSETS & LIABILITIES:-	Notes	Kshs' 000	Kshs' 000
Non-Current Assets			
Property, Plant and Equipment	31	49,207,591	50,360,119
Intangible Assets	32	199,276	484,567
Total Non-Current assets		49,406,867	50,844,686
Current Assets			
Inventories	33	107,655	128,894
Trade and Other Receivables	34(a)	16,334,627	14,321,565
Balances held in Reserve Accounts	35	2,521,401	2,324,107
Cash and Cash Equivalents	36(a)	15,006,891	11,791,943
Airstrips Fund Cash Balance	36(b)	2,062,287	2,301,414
Deferred Tax Asset	42	17,489	545,126
Total Current assets		36,050,350	31,413,050
TOTAL ASSETS		85,457,217	82,257,736
EQUITY AND LIABILITIES			
Capital and Reserves			
Government Grant		17,800,388	18,158,970
Revaluation Reserve		989,839	988,739
Retained Earnings		46,299,910	43,383,699
Capital and Reserves		65,090,138	62,531,408
Non- Current liabilities			
Airstrip Fund	37	2,062,287	2,301,414
Long Term Loans	39	9,141,867	8,996,744
Deferred Tax Liability	42	-	-
Total Non-Current Liabilities		11,204,154	11,298,159
Current Liabilities			
Trade and Other Payables	38	6,480,985	5,279,334
Current Portion of Long Term Loan	39(a) & 39(c)	811,660	821,501
Provisions for Liabilities and Charges	40	1,870,278	2,327,331
Total Current Liabilities		9,162,925	8,428,166
TOTAL EQUITY AND LIABILITIES		85,457,217	82,257,736

The notes on pages 41 to 73 form an integral part of these financial statements. The financial statements on pages 36 to 39 were approved by the Board on

27/09/2019 and were signed on its behalf by:



Chairman
Name: Mr. Isaac Awuondo



Ag. Managing Director/ CEO
Name: Mr. Alex Gitari



Ag. General Manager Finance
Name: Mr. Patrick Chonde
ICPAK No: 2582

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Government Grants Kshs.'000	Revaluation Surplus Kshs.'000	Retained Earnings Kshs.'000	Total Kshs.'000
At 1st July 2017	17,969,332	988,739	36,023,734	54,981,805
Re-instatements	-	-	-	-
As at 30 June 2017	17,969,332	988,739	36,023,734	54,981,805
Changes in equity in 2017/2018				
Deferred Income for the year	(788,554)			(788,554)
AFDB	64,839			64,839
Airstrip Funds***	674,102			674,102
World Bank****	274,819			274,819
Adjustment on valuation				-
Utilities and Services				-
Dividend provision reversed				-
Surplus/(deficit) on revaluation of property				-
Adjustments	(35,568)			(35,568)
Dividend payable			(128,000)	(128,000)
Prior Year Adjustment (Prepaid corporation tax)			2,516,176	2,516,176
Profit/(loss) for the year			4,971,790	4,971,790
At 30th June 2018	18,158,970	988,739	43,383,700	62,531,409
Changes in equity in 2018/2019				
Amortization income for the year	(857,549)	-	-	(857,549)
AFDB	-			-
Airstrip Funds*	307,289	-	-	307,289
World Bank**	191,678			191,678
Adjustments	-			-
Adjustment on valuation		1,100		1,100
Utilities and Services				-
Dividend provision reversed				-
Surplus/(deficit) on revaluation of property			-	-
Dividend payable			(128,000)	(128,000)
Tax expense adjustment				-
Prior Year Adjustment (Provision for obsolete stock)				-
At 30th June, 2019	17,800,388	989,839	43,255,696	62,045,923
Profit/(loss) for the year	-	-	3,044,215	3,044,215
At 30th June, 2019	17,800,388	989,839	46,299,910	65,090,138

*Airstrip Funds: These relate to Malindi Airport for compensation of land acquisition; Homa Bay (Kabunde) compensation of land acquisition and extension of runway safety area; Lokichoggio runway phase 2

** World Bank. These relate to supply of fire vehicles to KAA

The notes on pages 41 to 73 are an integral part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019 Kshs.'000	2017-2018 Kshs.'000
Operating activities			
Cash generated from/ (used in) operations	43(a)	6,347,356	6,273,340
Interest received	28 (c)	368,174	246,648
Taxation paid		(1,038,497)	-
Net Cash generated from/ (used in) operating activities		5,677,033	6,519,988
Investing Activities			
Cash from Investing activities			
Purchase of Property, Plant and Equipment	31	(1,732,761)	(2,786,391)
Additions Intangible Assets	32	(1,030)	(10,326)
Cash from Asset/Stores Disposal		3,661	
Net Cash generated from/ (used in) investing activities		(1,730,129)	(2,796,717)
Financing activities			
Cash flow from Financing activities			
Repayment of World Bank loan	39(a)	(197,305)	(194,379)
Repayment of AFD loan	39(c)	(614,355)	(627,124)
Refund of unutilized WB loan amount	39(a)	-	-
Proceeds from long term borrowing from World Bank	39(a)	229,137	192,735
Proceeds from long term borrowing from AFD Loan	39(c)	619,282	-
Proceeds from Airstrips Fund	37	154,786	1,457,558
Disbursement of Airstrips fund	37	(86,623)	(112,514)
Provisions Utilised during the year	40	(1,031,656)	(214,101)
Grant received from World Bank		191,678	274,819
Grant received from AFDB		-	64,839
Dividend payment		-	-
Net Cash generated from/ (used in) financing activities		(735,057)	841,833
Net Decrease (Increase) in cash and cash equivalents		3,211,848	4,565,104
Cash & cash equivalents at 1st July 2018		16,417,463	11,862,942
Effects of exchange rate changes		(38,731)	(10,583)
Cash and cash equivalents at 30th June, 2019	43 (c)	19,590,579	16,417,463

The notes on pages 41 to 73 are an integral part of these financial statements

KENYA AIRPORTS AUTHORITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30TH JUNE 2019

Revenue	Actual 2018/2019 (Kes)	Budget 2018/2019 (Kes)	Actual 2017/2018 (Kes)	Budget Variance (Kes)	Actual Variance (Kes)	Budget Variance %	Actual Variance %	Reference to brief notes
Aeronautical Revenues	11,619,038,290.60	13,217,577,498.00	14,114,565,617	(1,598,539,207.40)	(2,495,527,326.83)	-12%	-18%	(a)
Non Aeronautical Revenues	3,105,651,571.84	3,157,518,824.00	2,821,477,347	(51,867,252.16)	284,174,224.84	-2%	10%	(b)
Other Revenues	1,544,058,311.87	513,716,785.00	1,298,801,082	1,030,341,526.87	245,257,229.45	201%	19%	(c)
Total Revenues	16,268,748,174.31	16,888,813,107.00	18,234,844,046.85	(620,064,932.69)	(1,966,095,872.54)	-4%	-11%	
Operating Expenses								
Staff Costs	4,691,259,262.31	6,164,570,779.00	4,686,474,118	1,473,311,516.69	(4,785,144.43)	24%	0%	(d)
Depreciation & Amortization	3,273,506,891.42	3,201,519,930.00	3,138,762,340	(71,986,961.42)	(134,744,551.00)	-2%	-4%	(e)
Repairs & Maintenance	786,204,169.26	1,387,374,344.00	820,117,514	601,170,174.74	33,913,344.42	43%	4%	(f)
Administration Expenses	3,352,415,839.93	3,632,195,924.00	2,674,463,297	279,780,084.07	(677,952,542.44)	8%	-25%	(g)
Total Operating Expenses	12,103,386,162.92	14,385,660,977.00	11,319,817,269.47	2,282,274,814.08	(783,568,893.45)	16%	-7%	
Operating Profit	4,165,362,011.39	2,503,152,130.00	6,915,026,777.38	1,662,209,881.39	(1,182,526,979.09)	66%	-17%	
Finance Costs	464,633,654.67	487,705,256.00	532,852,081	23,071,601.33	68,218,426.15	5%	13%	
Unrealized gain/(Loss)	167,023,553.90		(595,924,932)	(167,023,553.90)	762,948,486.18		-128%	
Realized Gain/(Loss)	(38,731,486.64)		(10,583,414)	38,731,486.64	(28,148,072.99)		-266%	
Profit/(Loss)	3,829,020,423.98	2,015,446,874.00	5,775,666,350.63	1,813,573,549.98	(1,946,645,926.65)	90%	-34%	

- a. The actual revenue for year 2018/2019 reduced by Kshs. 2.5 billion in comparison to similar period last year due to revised APSC revenue sharing arrangement incorporating Kenya Civil Aviation Authority and Tourism Promotion Fund. The unfavorable budget variance was due to appreciation of Kenya Shilling against the US Dollar (The budget used Kshs 103/US Dollar while average during the period was Kshs 101/US Dollar) and non-implementation of the proposed rate in the concession order of 0.75 cents per ltr of fuel throughput as anticipated during the budget.
- b. The unfavorable budget variance was due to partial implementation of the new rental and land rates than what was anticipated during the budget, empty advertisement sites previously taken up by KQ and delay in implementing new parking management contract which is expected to apply enhanced rates.
- c. The actual revenue for year 2018/2019 increased by Kshs. 245 million in comparison to similar period last year due to increase in amortization income as a result of capitalization of granted assets towards the end of financial year 2017/2018 and effects of exchange rate fluctuation resulting to a higher unrealized exchange gain. The favorable budget variance was due to amortization income which was not in the budget. The amortization income is included in the actuals for 2017/2018 under other revenues.
- d. The favorable budget variance was due to assumptions that 169 additional staff were to be engaged by the Authority to cater for the essential services such as security and engineering mainly to manage the maintenance of BHS at JKIA.
- e. There was a negative variance of 4% in comparison to similar period last year due to capitalization of projects later in 2017/2018 financial year which contributed to increase in depreciation and amortization amounts in the year 2018/2019.
- f. In comparison to a similar period last year, there was a favourable variance of 4% resulting from savings in expenses due to lower maintenance activities during the year. There was a favorable budget variance due to lower maintenance activities for baggage handling, system and security equipment in comparison to the budgeted activities during the period.
- g. There was a negative variance of 25% in comparison to similar period last year due to increase in provisions for bad debts.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

Kenya Airports Authority is established by and derives its authority and accountability from Kenya Airports Authority Act Cap 395. The entity is wholly owned by the Government of Kenya and is domicile in Kenya. The entity principal activity is to develop, maintain, operate, improve and regulate all aerodromes and other related facilities in Kenya.

For the Kenyan Companies Act reporting purposes, in these financial statements, the balance sheet is represented by the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

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 2017/18 have been stated in the financial statements to conform to changes in presentation.

The financial statements were approved by the Board of Directors on 10 September 2019.

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 2018. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 that are effective from 1 January 2018, 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 are therefore prepared on the going concern basis, which contemplates the continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The measurement basis applied is the historical cost basis, except for land and buildings, which have been measured at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Company’s accounting policies. The areas involving more judgement or complexity, or where assumptions and estimates are significant to the financial statements.

b) Application of new and revised International Financial Reporting Standards (IFRSs)

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

⬇ **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 recognized in respect of most operating leases where the Company is the lessee. This standard is expected to be adopted by the Authority in the financial statements for the year ended 30 June 2020 and the extent of the impact is still being determined

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

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

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.

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

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2018, 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 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Early adoption of standards

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

2. 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 recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

	Rate
Freehold Land	Nil
Leasehold Land	99 years
Pavements (Runways, aprons, taxiways and roads)	4.0%
Permanent buildings	2.5%
Emergency Service Vehicles	10.0%
Other Motor vehicles	25.0%
Electrical -Mechanical Equipment	5.0%
Other Machinery	10.0%
Office Equipment, Furniture and Fixtures	20.0%
Computer and accessories	33.0%

Depreciation of these assets, on the same basis of other property assets commences when the assets are ready for intended use.

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.

3. Intangible assets

Software license costs and computer software that is not an integral part of the related hardware are initially recognized at cost, and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Authority are recognized as intangible assets. Amortization is calculated using the straight line method to write down the cost of each license or item of software to its residual value over its estimated useful life using an annual rate of 33.3%.

4. 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.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

6. Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the *entity* are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

7. Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

8. Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

10. Taxation

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognized directly in equity, in which case it is also recognized directly in equity.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realized or the deferred tax liability is settled

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 and, if appropriate, 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.

11. Cash and cash equivalents

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

12. Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

13. Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the *entity* or not, less any payments made to the suppliers.

14. Retirement benefit obligations

Defined Benefit Scheme

The Authority operates a defined benefit scheme for all its employees, funded by contribution from employees. The scheme defines the benefits an employee will receive on retirement. The assets of the scheme are held in a separate trustee administered scheme. The Authority's contributions are charged to the profit and loss account in the year to which they relate.

The Authority changed to Defined Contribution scheme from Defined Benefit scheme with effect from 1/7/2011 in accordance with the Treasury circular no. 18/2010 dated 24th November 2010.

The Authority also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Authority's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200= per employee per month.

15. Provision for Staff leave pay

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an employment cost accrual. A provision is made for the estimated liability for annual leave at reporting date.

16. Exchange Rate Difference

Transactions during the year are converted into Kenya shilling at exchange rates ruling at the transaction dates. Monetary assets and liabilities, which are expressed in foreign currencies, are translated into Kenya shillings at exchange rates ruling at the balance sheet date. Revenue and Expense items in other currencies are translated into Kenya Shillings using the rate ruling at the transaction date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

17. 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 liability simultaneously.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Provision for liabilities and charges

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

19. Biological Assets

The Biological assets comprise of trees that were planted at Eldoret International Airport in the year 2006. All the costs incurred to date have been treated as expenses in determining the profit in each year they were incurred. The total proceeds from the sale of these trees minus the incidental costs shall be recognized as income in the year of sale. The assets were valued at fair value by Integrated Forestry Consultancy and Management Services as per IAS 41.

20. Comparative figures

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

21. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

22. Related Party Policy

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Jointly controlled entities are also considered as related parties. The companies transact business with parties that are related by virtue of common directorship and/or ownership and jointly controlled entities. The Authority's related parties include:

- Key Management and Directors are in charge of decision making for the Authority
- National Government: The Authority receives Grants and Funds to carry out projects.
- Ministry of Transport and Infrastructure: The Ministry has a representative in the Board of Directors.

23. Significant judgments and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Kenya Airports Authority, the directors make certain judgments and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgments and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going Concern: The financial statements have been prepared on a going concern basis on the belief that the Authority shall continue operations in the near future.

Impairment Losses: At each year end, the Authority reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, management estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets, vehicles and equipment: Critical estimates are made by the management in determining the useful life for intangible assets, vehicles and equipment.

Contingent liabilities: The management evaluates the status of any exposures to contingent liabilities on a regular basis to assess the probability of the Authority incurring related liabilities and the same is disclosed as a note in the financial statements. Provisions are only made in the financial statements where, based on the management's evaluation, a present obligation has been established.

24. Financial Instruments

Classification: The Authority classifies its financial instruments into the following categories:

Loans and receivables, which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and exclude assets which the entity intends to sell immediately or in the near term or those which the entity upon initial recognition designates as at fair value through profit or loss or as available for sale financial assets.

Financial liabilities: which comprise all financial liabilities except financial liabilities at fair value through profit or loss.

25. Risk management objectives and policies

Financial risk management

i) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Authority.

The credit risk exposures are classified in three categories;

- Fully performing
- Past due
- Impaired

- i) Credit risk on Fixed, Call and Reserves with banking institutions is managed by dealing with institutions with good credit ratings. Credit risk on concessions,

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ii) tenancies and similar business transactions is mitigated through requirement for performance guarantees issued by financial institutions with good credit ratings.

Credit Risk

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 credit period for each customer.

The maximum exposure of the Authority to credit risk as at the balance sheet date is as follows:

30 th June 19	Fully Performing Kshs'000	Past due but not Impaired Kshs'000	Past due and Impaired Kshs'000	Total Kshs'000
Trade receivables	8,514,403	-	1,288,031	9,802,741
Other receivables	7,820,224	-	78,790	7,899,013
Fixed Deposits, Call Deposits & Treasury Bills	14,681,676	-	-	14,681,676
Reserve Account	2,521,401	-	-	2,521,401
Cash at bank	2,387,502	-	-	2,387,502
Gross Financial Assets	35,925,206	-	1,367,127	37,292,333

Past due and Impaired

As at 30 th June	2019 Kshs'000	2018 Kshs'000
Bad Debts	1,288,031	731,116
Term Deposits-Prudential Bank	78,790	78,790
Other Receivables	306	306
	<u>1,367,127</u>	<u>810,212</u>

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

25. Risk management objectives and policies (Continued)

i) Credit Risk (Continued)

An impairment provision of Kshs. 1,288 Million (**2018: Kshs. 731 Million**) is held against the impaired receivables. The Authority does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

ii) Liquidity risk

Liquidity risk is the risk that the Kenya Airports 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 table below summarizes the maturity analysis for financial liabilities to their remaining contractual maturities at the reporting date.

	Within 12 months Kshs'000	Over 12 months Kshs'000	Total
Year ended 30th June 2019			
Trade payables	4,311,037	-	4,311,037
Other payables		2,169,949	2,169,949
Interest bearing Loans	811,660	9,141,867	9,953,527
Total	5,122,697	11,311,816	16,434,513
Year ended 30th June 2018			
Trade payables	2,709,856	-	2,709,856
Other payables	9,741	2,559,767	2,569,481
Interest bearing Loans	821,502	8,996,744	9,818,246
Total	3,541,072	11,556,511	15,097,583

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

25. Risk management objectives and policies (Continued)

iii) Market risk

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 three types of risks: currency risk, interest rate risk.

Interest rate risk: The Authority is exposed to cash flow interest risk on its variable rate borrowings because of changes in market interest rates. The Authority manages this exposure by maintaining a high interest cover ratio, which is the extent to which profits are available to service borrowing costs. If the interest rates on the Authority's borrowings at the year-end were to increase/decrease by 1% percentage points, with all other factors remaining constant, the post-tax profit would be lower/higher by Shs.97 Million (**2018: Shs 96 Million**) respectively.

Price Risk: The Authority does not hold investment that would be subject to price risks: hence this risk is not relevant.

Foreign exchange risk: The Authority has foreign currency denominated bank accounts and it also transacts in foreign currency. The Authority receives US\$ denominated receipts as part of its revenue. These receipts are banked in dollar denominated bank accounts. The Authority mitigates against foreign exchange risks: By negotiating contracts based on the available currency (Dollar/KES). Secondly loans are negotiated and maintained in dollar equivalent to hedge against foreign exchange risk fluctuations.

The carrying amounts of the Authority's foreign currency denominated monetary assets at the balance sheet date are as follows:

	USD ' 000	USD ' 000
As at	30 th June 2019	30 th June 2018
Financial Assets		
Bank and cash balances	33,089	45,700
Term deposits	120,167	72,705
Trade receivables	43,834	31,643
Other receivables		38,179
Sub Total	197,090	188,227
Financial liabilities		
Trade payables	17,611	4,344
Other payables		3,567
Long Term Loans	75,782	75,694
Short Term loan (Payable within one year)		6,056
Sub Total	93,393	89,661
Net exposure	103,697	98,566

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

30. Risk management objectives and policies (Continued)

As at 30th June 2019, if the Kenyan shillings had strengthened or weakened by 5% against the US Dollars and with all other variables held constant, the impact on the surplus for the year would have been Kshs 1,101 Million (**2018- Kshs 1,047 Million**) higher/lower mainly as a result of US Dollar and bank cash balances.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risks as the year end exposure does not reflect the exposure during the year.

26. Capital Management

The Kenya Airports Authority's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximizing the return to its shareholders. The Authority is not subject to any external capital requirements. The Authority manages its capital by evaluating the working capital requirements and investment in non-current assets before borrowings and based on this requirement, setting an integral debt to equity ratio, which it monitors on a regular basis. The debt to equity ratio is as set below:

The gearing ratio at the year-end was as follows:

	2018/2019 Kshs'000	2017/2018 Kshs'000
Total borrowings (Note 39)	9,953,528	9,818,248
Less: cash and cash equivalents (Note 43 c)	19,590,579	16,417,464
Net debt/(savings)	9,637,051	6,599,216
Total equity	65,090,138	62,531,408
Gearing (net debt over total capital resources)	15%	11%

NOTES TO THE FINANCIAL STATEMENTS

	2018-2019	2017-2018
Revenues	Kshs' 000	Kshs.'000
27(a) Operating Revenue		
Aeronautical Revenue		
Airport Passenger Service Charge Fund	7,655,347	10,147,238
Landing and Parking	3,413,243	3,396,166
Airbridge Charges	227,271	252,298
Fuel Uplift	312,807	307,078
Other Aeronautical Revenue	10,370	11,785
Total Aeronautical Revenue	11,619,038	14,114,566
Non Aeronautical Revenue		
Rentals	985,719	850,938
Concessions	2,016,341	1,880,309
Security Passes Income	102,569	89,044
Other Non aeronautical revenue	1,023	1,187
Total Non Aeronautical Revenue	3,105,652	2,821,477
Total Operating Revenue	14,724,690	16,936,043
27(b) Gain on Assets Disposal		
Gain/(loss) on assets disposal	(952)	(411)
28 (a) Other Income		
Sale of Tender documents	64	112
Interest on Staff Loans	2,089	2,788
Fines and Penalties	1,834	4,242
Other Income	315,300	256,457
	319,287	263,600
28 (b) Non Cash Income		
Provisions Reversed	-	-
Amortization Income	857,549	788,554
	857,549	788,554
28 (c) Financial Income (Loss)		
Investment Income	358,180	229,518
Bank Interest	9,995	17,130
Exchange gain (loss) on Forex	128,292	(606,508)
	496,466	(359,861)
29 Financial Costs		
Interest Expense	464,634	532,852
	464,634	532,852

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018-2019	2017-2018
Profit/(loss) before tax expenses/income		
30 (a) Administrative Expenses	Kshs' 000	Kshs.'000
i) Staff Costs -Note 30 (d)	4,691,259	4,686,474
ii) Other Administrative expenses		
Electricity and Water	687,568	712,666
Communication services and supplies	47,033	25,389
Transportation, Travelling and Subsistence	98,109	94,283
Advertising, Printing , Stationery and Photocopying	33,373	17,395
Marketing and Promotion Expenses	89,540	79,131
Staff Training Tuition and Subsistence	181,659	98,651
Insurance costs	131,618	134,553
Bank charges	5,488	3,236
Loss on Assets Disposal	-	-
KRA Commission	177,177	237,357
Legal Fees	224,145	109,239
Consultancy Fees	40,565	21,585
Stores consumed	219,773	237,919
Cleaning Services	182,121	272,141
Environmental Preservation	117,849	139,551
VAT Expense -Non Allowable	255,034	325,018
Provision for bad debts	556,915	-
Other Operating Expenses	269,972	151,071
	3,317,939	2,659,184
iii) Administrative Expenses	8,009,198	7,345,658
30(b) Establishment Expenses		
Repairs and Maintenance	786,204	820,118
Depreciation of property, plant and Equipment	2,890,875	2,739,995
Intangible Assets	382,632	398,767
	4,059,712	3,958,880
30(c) Other Expenses		
Directors' Expenses	32,158	13,048
Audit Fees	2,318	2,230
	34,476	15,278

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018-2019	2017-2018
30 (d) Staff Costs	Kshs' 000	Kshs.'000
Salaries and Wages	3,166,230	3,429,925
Contractual Staff (One month & above)	73,971	67,978
Pension Fund Costs	360,595	313,897
NSSF Company Contribution	4,661	4,768
Group Life Insurance Costs	15,955	13,364
Group Personal Accident (GPA)	13,456	11,030
Other Staff Costs	1,056,393	845,512
	4,691,259	4,686,474

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 Property, Plant & Equipment

2018	Freehold land	Leasehold land	Capital Work in Progress	Pavements and Buildings	Plant, Machinery, & Motor Vehicles,	Office Equip. Furniture and Fittings	TOTAL
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
COST OR VALUATION							
At July 1, 2017	249,263	6,901,205	4,841,419	31,968,750	15,289,069	2,349,959	61,599,665
Additions			2,176,114		143,742	56,607	2,376,463
Transfers			(2,899,702)	2,193,196	688,590	17,916	-
Reclassification		(45,000)	(9,554)				(54,554)
Transfer to Intangible assets			(2,826)				(2,826)
Reclassification			(384,580)	64,124	221,599	98,858	1
Write off					(4,709)	(10,395)	(15,104)
Disposal							
At June 30, 2018	249,263	6,856,205	3,720,871	34,226,070	16,338,291	2,512,945	63,903,645
DEPRECIATION							
At July 1, 2017		1,380,417		6,536,082	2,081,072	828,902	10,826,473
Charge for the year		69,596		1,283,264	865,327	521,809	2,739,996
Eliminated on write off		(9,432)					(9,432)
Eliminated on disposal					(3,255)	(10,256)	(13,511)
At June 30, 2018	-	1,440,581	-	7,819,346	2,943,144	1,340,455	13,543,526
NET BOOK VALUE							
At June 30, 2018	249,263	5,415,624	3,720,871	26,406,724	13,395,147	1,172,490	50,360,119
2019							
COST OR VALUATION							
At July 1, 2018	249,263	6,856,205	3,720,871	34,226,070	16,338,291	2,512,945	63,903,646
Additions			1,658,110		147,220	43,863	1,849,193
Reclassification			-				-
Transfer to Intangible assets			(171,393)	22,289	75,509	73,595	-
Transfer to Operating expenses			(10,620)				(10,620)
Transfers within AUC							-
Provisions paid during the year							-
Capitalised from acquisition							-
Transfer to Intangible assets from acquisition			(96,311)				(96,311)
Write off							-
Disposal					(18,226)	(1,916)	(20,142)
At June 30, 2019	249,263	6,856,205	5,100,657	34,248,359	16,542,794	2,628,487	65,625,766
DEPRECIATION							
At July 1, 2018		1,440,581		7,819,346	2,943,145	1,340,455	13,543,526
Charge for the year		69,255		1,351,716	920,462	549,442	2,890,875
Impairment loss							-
Eliminated on write off							-
Eliminated on disposal					(14,341)	(1,887)	(16,228)
At June 30, 2019	-	1,509,836	-	9,171,062	3,849,266	1,888,010	16,418,173
NET BOOK VALUE							
At June 30, 2019	249,263	5,346,369	5,100,657	25,077,297	12,693,528	740,477	49,207,592
FULLY DEPRECIATED ASSETS							
At June 30, 2018	-	-	-	-	940,346	337,261	1,277,607
At June 30, 2019	-	-	-	-	1,101,649	867,104	1,968,753

Note

The freehold land was revalued in the financial year 2004/2005 by B. Kavivya, a registered valuer. In the year 2011/2012, assets under the classes of Motor vehicles, machinery and equipment and office equipment, furniture and fittings were valued by Chapter Property Ltd, who are registered valuers. A loss on Revaluation due to impairment of Kshs. 796,509,710 was w/off to the reserves. Assets of Kshs 1,968,753,213 had been fully depreciated as at the close of the year. These assets are however still in use by the Authority. Capital works in progress relates to Moi International Airport by rehabilitating the entire pavement with modern facilities, JKIA T1BCD consultancy, facility and infrastructure uplift for Malindi, Isiolo Airports, Greenfield payments, Wilson Airports and Ukunda Airstrip etc

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 Intangible Assets	30th June 2019	30th June 2018
	Kshs' 000	Kshs.'000
Cost		
At 1st July	1,267,800	1,254,649
Transfers from AUC	96,311	2,826
Additions during the year	1,030	10,326
At end of the year	1,365,141	1,267,800
Amortisation		
At 1st July	783,233	384,466
Charge for the year	382,632	398,767
At end of the year	1,165,865	783,233
Net book amount		
At end of the year	199,276	484,567

Intangible assets comprise costs incurred on acquisition of computer software. Amortisation is calculated on a straight line basis over estimated useful life not exceeding three years. The ERP software is fully amortized.

Fully depreciated Intangible Assets : Kes 879,320,981.12

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018-2019	2017-2018
33 Inventories	Kshs' 000	Kshs.'000
Inventories comprises:-		
Hardware	3,858	2,251
Electrical, Electronics & Electro-Mechanical	16,381	15,561
Stationery & Office Supplies	11,737	18,243
Petrol, Oil and Lubricants	3,734	8,389
Motor Vehicles Spares	931	922
Environment & Cleaning Materials	715	527
Fire & rescue spares	65,587	78,288
Inv-Obsolete Stocks	10,862	10,862
	113,804	135,044
Less provision for obsolete stock	(4,246)	(4,246)
Less provision for stock destroyed by fire at JKIA	(1,903)	(1,903)
	107,655	128,894

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018-2019	2017-2018
	Kshs' 000	Kshs.'000
34(a) Trade and Other Receivables		
Trade receivables	9,802,741	8,199,275
Term Deposit	78,790	78,790
Prepayments - Greenfield Project	4,043,684	4,043,684
Prepayments - Others	1,877,026	1,831,345
Staff receivables	142,551	124,794
Other Taxes Prepaid	1,756,963	56,995
Prepaid Corporation Tax	(0)	796,894
Gross trade and other receivables	17,701,754	15,131,776
Provision for bad and doubtful receivables - Note 34 (b)	(1,288,031)	(731,116)
Investment Provisions -Note 34 (c)	(78,790)	(78,790)
Provision for other unrecoverable receivables	(306)	(306)
Total provisions	(1,367,127)	(810,212)
Net trade and other receivables	16,334,627	14,321,565
34(b) Bad Debts Provision (Specific)	2018-2019	2017-2018
	Kshs.'000	Kshs.'000
As at July 1	731,116	731,116
Additions	556,915	-
As at end of the year	1,288,031	731,116

Trade receivables are recognised and carried at original invoice amount less specific provisions for uncollectable debts.

34 (c) Term Deposits

This relates to a Kshs.78,789,626.45 term deposit with Prudential Bank which is under Receivership. The amount has been fully provisioned for.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018-2019	2017-2018
35 Balances held in Reserve Accounts	Kshs' 000	Kshs.'000
Barclays Bank Paris-AFD Loan Reserve Account	2,103,314	1,905,042
Barclays Bank Kenya-AFD Loan Debt Service A/C	418,087	419,065
	2,521,401	2,324,107

These are cash balances held in both Barclays Bank (Paris) and Barclays Bank (Kenya) under special security arrangements with AFD in respect of servicing of the long term loan for Jomo Kenyatta International Airport rehabilitation, and Moi International Airport pavements and Expansion projects. These funds are not available for day to day operations of the Authority.

	2018-2019	2017-2018
36(a) Cash and Cash Equivalents (KAA)	Kshs' 000	Kshs.'000
Cash in hand and at bank	2,047,972	3,825,679
Call Deposits	222,051	83,633
Treasury Bills	-	96,019
Fixed Deposits	12,736,868	7,786,611
	15,006,891	11,791,943

Included in the Fixed deposit is an amount of Kshs. 443,961,214.67 being a revolving fund facility with Housing Finance for mortgage facilities for the Authority's staff.

	2018-2019	2017-2018
36(b) Airstrips Fund Cash Balance	Kshs' 000	Kshs.'000
Cash at bank	339,529	630,669
Treasury Bills	1,722,758	481,995
Fixed Deposits	-	1,188,749
	2,062,287	2,301,413

	2018-2019	2017-2018
37 Airstrip Fund	Kshs' 000	Kshs.'000
As at beginning of the year	2,301,413	1,366,998
Received during the year	-	1,302,500
Interest earned	154,786	155,058
Total Receipts	154,786	1,457,558
Airport disbursements (GOK grants)	(307,289)	(410,629)
Airstrip disbursements	(86,623)	(112,514)
As at end of the year	2,062,287	2,301,413

The Airstrips fund relates to amounts received from the Ministry of Transport and Infrastructure by the Authority on an agency basis to be utilised on development, maintenance and rehabilitation of public airstrips in the country.

KENYA AIRPORTS AUTHORITY ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30,2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38 Trade and Other Payables	2018-2019	2017-2018
	Kshs' 000	Kshs.'000
Trade Payables	4,311,037.17	2,709,856
Pension Liability	1,121,154	1,481,154
Security Deposits	132,749	102,836
Tax Liability	59,812	105,143
Retention payable	851,006	874,770
Staff Creditors	5,228	5,577
	6,480,985	5,279,337

39 Long Term Loans	2018-2019	2017-2018
	Kshs' 000	Kshs.'000
World Bank Loan -Note 44(a)	2,201,175	2,169,343
AFD Loan -Note 44(c)	7,752,353	7,648,904
	9,953,528	9,818,247
Due within the year	811,660	821,502
Due after the year	9,141,867	8,996,744

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018-2019	2017-2018
39(a) World Bank Loan		
	Kshs' 000	Kshs.'000
Balance b/f	2,169,343	2,170,988
Received during the year	229,137	192,735
Refund of unutilised Loan to Int'l Development Association IDA	-	-
Repayments during the year	(197,305)	(194,379)
Total loan outstanding	2,201,175	2,169,343
Transferred to Grant		
less: Amounts due in the year	(197,305)	(194,379)
Balance c/f	2,003,870	1,974,964

	2018-2019	2017-2018
39(b) Analysis of World Bank loan per project		
	Kshs' 000	Kshs.'000
Northern Corridor Transport Improvement Project	1,680,995	1,878,301
Kenya Transport Sector Support Projects	148,882	121,043
KAMP	371,298	170,000
	2,201,175	2,169,343
less: Amounts due during the year	(197,305)	(194,379)
	2,003,870	1,974,964

The Northern Corridor Transport Improvement loan is denominated in Kenya Shillings with a duration of 23 years from 2004, a grace period of 8 years and 5% interest rate per annum.

The Kenya Transport Sector Support Project loan is denominated in Kenya shillings with a duration of 23 years from 2011, a grace period of 8 years and interest rate of 5% per annum

	2018-2019	2017-2018
39(c) Agence Francaise De Developpement (AFD) Loan		
	Kshs' 000	Kshs.'000
Balance as at 1st July	7,648,904	8,478,410
Amount Received	619,282	-
Exchange Gain/(Loss)	98,522	(202,382)
Loan Repayment	(614,355)	(627,124)
Total loan outstanding	7,752,353	7,648,904
less: Amount due during the year	(614,355)	(627,124)
Balance c/f	7,137,998	7,021,779

Agence Francaise De Developpement are co-financiers in the construction of Terminal 1A and a multi- storey car park which are part of the expansion and upgrade of facilities project at Jomo Kenyatta International Airport. The USD 93 million principal loan has a duration of 20 years from 2011, a grace period of 5 years and interest rate at libor plus 2.75% per annum.

Agence Francaise De Developpement has also funded the rehabilitation of Moi international airport airside pavements, including ground lighting, upgrading of power & water supply.

The US D 66 million principal loan has a duration of 20 years from 2014 with a grace period of 5 years and interest rate at Libor plus 3.78% per annum.

40 Provision for liabilities and charges

	Dividend Kshs.'000	Leave Pay Kshs.'000	Others Kshs.'000 Note	Total Kshs.'000
At 1st July 2018	128,886	65,819	1,705,527	1,900,232.00
Under stated Opening Balance				-
Reclassification				-
Net increase charged to profit and loss	128,000		714,675	842,675
Utilized during the year	(128,000)		(214,987)	(342,987)
Unutilised & Reversed during the year		(33,965)	(38,622)	(72,587)
At end of year	128,886	31,854	2,166,593	2,327,333
Less: current portion	-	-	-	-
Non current portion	128,886	31,854	2,166,593	2,327,332
At 1st July 2018	128,886	31,854	2,166,593	2,327,333
Under stated Opening Balance				-
Reclassification				-
Net increase charged to profit and loss	128,000	-	452,620	580,620
Utilized during the year		-	(1,031,656)	(1,031,656)
Unutilised & Reversed during the year		(6,034)	15	(6,018)
At 30th June 2019	256,886	25,820	1,587,573	1,870,585.43

NOTE Balance of Other Provisions as at 30th June, 2019

	Kshs.
Staff Salary Arrears (Balance b/fwd)	288,883,078
Valuation of KAA Property and rentals	119,166,000
KAA/KQ Transaction Advisory	65,119,500
Fire Hydrant Maintenance by KPC	443,000,000
Utilities (Water , Electricity & Telephone)	54,865,417
ICT Software & Licenses	30,767,381
Others Security Services/Cleaning/Environment/ Staff Transport)	111,884,598
Audit Fees	2,477,241
Legal Fees	471,715,070
Leave	25,820,423
Dividend	256,886,000
Balance as at 30th June, 2019	1,870,584,708

KENYA AIRPORTS AUTHORITY ANNUAL
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30,2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

41 Tax expense/ income	2018-2019	2017-2018
Tax	Kshs' 000	Kshs.'000
Balance Sheet		
Balance bfwd	1,756,660	642,354
Charge for the year	257,168	1,114,306
Paid during the year	(1,038,497)	
Balance cfwd	975,332	1,756,660
Profit and Loss account		
Current Tax at 30%(2017/18: 30%) on the taxable profit for the year	257,168	1,114,306
Deferred Taxation charge/(credit) (note 42)	527,637	(310,838)
Tax Expense	784,805	803,468

The income tax based on accounting profit before taxation differs from the theoretical amount that is computed using the applicable tax rate as follows:

	2018-2019	2017-2018
	Kshs.'000	Kshs.'000
Accounting profit before taxation	3,829,020	5,775,258
Tax applicable rate of 30% (: 30%)	1,148,706	1,732,577
Tax effects of:		
Income not subject to tax	-	-
Net (revenue)/expense not deductible for tax purposes	(891,538)	(618,271)
(Reversing)/originating temporary differences	527,637	(310,838)
	784,805	803,468

NOTES TO THE FINANCIAL STATEMENTS (Continued)

42 Deferred Tax Liability

Deferred income tax is calculated using the income tax rate of 30% (2017/18 -30%).
The movement on the deferred income tax account is as follows:-

	2018-2019	2017-2018
	Kshs' 000	Kshs.'000
Balance at the beginning of the year	545,126	234,288
Charged/(credited) to Profit or Loss	(527,637)	310,838
At end of year	17,489	545,126

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43 Notes to the Statement of Cashflows

43(a) Reconciliation of operating profit/ (loss) to cash generated from /(used in) operations

	2018-2019	2017-2018
	Kshs' 000	Kshs.'000
Operating profit before tax	3,829,020	5,775,258
Depreciation and Amortization Expense	3,273,507	3,138,762
Amortization Income	(857,549)	(788,554)
Write back on provision	(91,215)	72,587
Gain /(Loss) on Disposal of property, plant and equipment	952	-
Net Exchange loss/ (gain) on Forex	(167,024)	595,925
Interest received	(368,174)	(246,648)
Reclasification from AUC	10,620	9,554
Material Inventory (loss)	12,146	11,210
Provisions	452,620	842,675
Provisions for bad debts	556,915	-
Operating profit/(loss) before working capital changes	6,651,819	9,410,770
(Increase)/decrease in inventories	21,239	19,100
(Increase)/decrease in trade and other receivables	(2,013,062)	(3,717,195)
(Increase)/decrease in reserves	(1,100)	-
Increase/(decrease) Trade payables and accruals	1,201,651	(315,204)
(Increase)/decrease Deferred Tax Assets	486,808	875,869
	(304,464)	(3,137,430)
Cash generated from/(used in) operations	6,347,356	6,273,340

43(b) Analysis of changes in loans

Balance at beginning of the year	10,462,680	9,448,445
Receipts during the year	848,419	192,735
Refund of unutilized WB loan amount	-	-
Repayments during the year	811,660	821,501
Balance at end of the year	12,122,757	10,462,680

43(c) Analysis of cash and cash equivalents

Balances held in Reserve Accounts	Annex I	2,521,401	2,324,107
Treasury Bills - KAA	Annex II	-	96,019
Treasury Bills - Airstrip Fund	Annex II	1,722,758	481,995
Short term deposits - KAA	Annex III	12,958,918	7,870,245
Short term deposits - Airstrip Fund	Annex III	-	1,188,749
Cash at hand and bank - KAA	Annex IV	2,047,972	3,825,679
Cash at hand and bank - Airstrip Fund	Annex IV	339,529	630,669
Balance at end of the year		19,590,579	16,417,464

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44 Commitments

	2018-2019 Kshs.'000	2017-2018 Kshs.' 000
a) Contracted but not provided For in the financial statements.	735,140	1,047,930
b) Commitments approved and Authorized but not Contracted for at the close of the year	52,978	658,293
c) Letters of Credit	296,418	-

45 Contingent liabilities (Kshs 47.63 billion)

A. Pending cases in court and tax assessment

These are pending court cases involving KAA and other third parties & tax assessment claims by Kenya Revenue Authority (KRA). The amounts claimed by the petitioners are estimated at **Kshs. 23.63 billion**. The following are summaries of the main cases: -

(i) Nrb HCCC No. 206 of 2004 KAA vs Mulolongo Brothers Association et al. This is a suit by the plaintiffs claiming ownership of property LR No. 13512 in the name of Mulolongo Brothers Association. The plaintiffs had initially sought damages of Kshs. 1,357,550,000 and a declaration that the Government's decision to demolish the petitioners' homes in 2011 amounted to compulsory acquisition of land without due process. Subsequently, the claimants revised their claim to Kshs. 8,715,850,000.

ii) World Duty Free was issued with an arbitration award of approximately Kshs. 4.94 billion (US \$ 49,096,557) in December 2012. The Authority appealed against the arbitral award. In October 2018, the court ruled in favour of the Authority setting aside the arbitral award and dismissing the claim against the Authority. The plaintiff has since filed a notice of appeal.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) KRA has submitted a tax assessment claim of Kshs. 4,219,186,112 for financial years 2014 to 2016. The Authority has objected to this tax assessment on the grounds that Air Passenger Service Charge (APSC) is a statutory charge collected by KRA and remitted to KAA and is therefore not subject to tax. The Authority is exploring available dispute resolution mechanisms to resolve this claim.

(iv) H.C Misc. App No. 86 of 2008 Republic vs MD KAA, Exparte; Patrick T. Kanyuira HCCC No. 268 of 2012 Kenya Commercial Bank vs Patrick Thoithi, KAA (As 3rd Party). The plaintiff is seeking Kshs. 992,336,004 compensation plus general damages of Kshs. 10 million and costs arising from KAA's stoppage of development on LR 209/11444 on flight safety grounds.

(v) Mitu Bell and 2 Others vs KAA. The High Court ruled in the plaintiffs' favour and held that KAA had illegally evicted the plaintiffs and demolished their houses and further that the Authority should acquire alternative land for the displaced people. The Authority successfully appealed the High Court decision and the High Court judgement was set aside. The plaintiffs have made an application before the Supreme Court seeking to challenge the court of Appeal's decision. The plaintiff's claim for compensation is Kshs. 766,250,000.

(vi) KAA/JKIA/CS/752 VOL. 1(12) Relief & Mission Logistics Vs KAA. The plaintiff is seeking to be paid Kshs. 719,712,373.28 compensation for termination of contract for concession agreement for passenger transfer services at JKIA on 15th May, 2015.

(vii) Baseline Architects Ltd & 3 others vs KAA. An arbitral award of Kshs. 404,870,293 was given against the Authority in 2013. The Authority has filed an appeal seeking to set aside the arbitral award.

(viii) Queensquay vs KAA for a claim seeking compensation for outstanding fees & wrongful termination of contract totalling US\$ 3,337,708.64 (Kshs.340,418,936.77).

(ix) HCCC No. 505 of 2017 – Moniks Agencies vs KAA. The plaintiff, through its advocates, filed application seeking orders for payment of Kshs. 325,514,701 for clearing services, bond cancellation and interest thereon. The court directed the Authority to deposit security in form of a guarantee of Kshs. 10,000,000/=. The matter is yet to be fixed for hearing.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

B. Disputed pending contracts' claims

These comprise unverified and disputed claims lodged by various contractors. As at 30th June 2019, the gross value of these claims amounted to **Kshs. 24 billion**.

The main claims include: -

- i. ACEG-CATIC Joint Venture: In 2016, the contract between the Authority and the Contractor (ACEG-CATIC Joint Venture) was invalidated on account of inconsistencies in the contract and tender documents. Subsequently, the Contractor lodged a claim for Kshs.17.61 billion for work done and compensation for termination.
- ii. Sino Hydro Corporation Kshs.1,183,553,533 relates to the runway capacity and ILS upgrade and rehabilitation of aircraft pavement works at JKIA demanded by the contractor for the work done and disputed taxes.
- iii. Doch Construction Limited: The Contractor has lodged a Kshs. 955,275,371 claim for termination of contract for rehabilitation of Nanyuki Airstrip runway.
- iv. CATIC: The Contractor has lodged claims amounting to Kshs 1.81 billion relating to works done on JKIA's apron stands, arrival and departure terminals (T1A).
- v. Machiri Ltd: The Contractor is claiming Kshs.340,968,232 for interest on late payments of interim certificates and deducted retention amounts; the claim also includes accelerated cost, extension of time and unpaid certificates.
- vi. H K Muambi Associates Kshs.336,098,572.64 is acclaim for consultancy services for expansion, reorganization & upgrading of JKIA.
- vii. Kenya Pipeline: The government agency is claiming Kshs. 216 ,684, 389.60 outstanding amounts for operation of fuel hydrants at JKIA.
- viii. Rodder Hts: The contractor is claiming Kshs.156, 111,049.23 for unpaid certificate, extension of time, demurrage charges and interest on delayed payments.

46 Revaluation Reserves

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

47 Currency

The financial statements are presented in Kenya Shillings Thousands.

48 Staff levels

The number of persons employed by the Authority as at 30th June 2019 was 1,931 (2017/2018 – 1,967).

49 Biological Assets

The Biological assets comprise of trees that were planted at Eldoret International Airport in the year 2006. All the costs incurred to date have been treated as expenses in determining the profit in each year they were incurred. The total proceeds from the sale of these trees minus the incidental costs shall be recognized as income in the year of sale. The assets were valued at fair value by Integrated Forestry Consultancy and Management Services as per IAS 41 at Kshs 443M.

50 The closing rate of exchange as at 30th June, 2019 was *Kshs. 102.2983 per USD 1*

51 Post reporting date events

a) Corona Virus Pandemic

The outbreak of the Corona virus (COVID-19) globally and in Kenya has had unprecedented ramifications on the aviation sector arising from the prevailing restrictions and bans on international and domestic travel.

The Government of Kenya suspended all the international flights with effect from 25th March, 2020 and on 7th April, 2020 the domestic passenger flights were suspended. This has affected not just airlines but also other businesses at the airport including retailers, duty free operators, concessionaires, banks, ground handling companies and taxi operators. Consequently, the Authority has been inundated with requests for various forms of relief to support the recovery of these businesses post- COVID-19.

While the ultimate length of the current suspension is uncertain, there is reasonable expectation that normal operations could resume in the second quarter of 2020/2021 with the business expected to start on limited activity followed by a gradual recovery over the next 12 months.

The Authority has taken a number of measures to cushion itself against the business impact of the pandemic which include scaling down on capital expenditure, re-negotiation of various contracts for operational expenditure and long term loans.

In May, 2020, the Authority received approval by the Cabinet Secretary , Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works to extend various relief measures to aviation stakeholders to facilitate recovery of the industry. These measures include waiver of

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

aircraft parking fees and Minimum Annual Guarantees for concessionaires for the three months April to June 2020 and rental deferrals.

These measures have no effect on the financial statements as at 30th June 2019.

b) Kshs 12.5 billion funds transfer

In December, 2019, the Authority released Kshs.12.5 billion to The National Treasury to support the Government's Big Four Agenda. The funds remitted comprised Kshs.7.5 billion Special Dividend and Kshs.2.5 billion each for Tourism Promotion Fund and Airstrips Fund respectively.

The funds transfer has no impact on the financial statements as at 30th June 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

52 Related Party Disclosures

Transactions between the Authority and its related parties are as stated below:

	2018-2019	2017-2018
	Kshs' 000	Kshs.'000
a) Directors Expenses		
Remuneration	1,094	214
Other Expenses	31,064	12,834
	32,158	13,048
b) Key Management Compensations		
Salary	166,207	156,152
Other Benefits	31,228	23,577
	197,436	179,730
c) National Government		
Grants received through the Government		-
AFDB	-	64,839
World Bank Grant	191,678	274,819
	191,678	339,658
d) Ministry of Transport and Infrastructure		
Grants disbursed through the Ministry of Transport and Infrastructure		
Airstrip Funds	307,289	674,102
e) Kenya Civil Aviation Authority & Special Tourism Promotion Fund (STPF)		
Amount paid to KCAA	2,880,831	1,218,297
Amount paid to Special Tourism Promotion Fund	77,458	-
Total Paid	2,958,290	1,218,297

Additional Information						
Five year Financial and Statistical Records						
	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
Aeronautical Revenue						
Landing and Parking	2,637,179	2,751,477	3,031,646	3,273,616	3,396,166	3,413,243
Airbridge Charges	67,222	120,308	147,853	189,163	252,298	227,271
Other Aeronautical Revenue	1,848	14,226	15,817	12,919	11,785	10,370
Rentals	509,011	584,323	721,835	758,833	850,938	985,719
Concessions	1,288,608	1,725,616	1,770,900	1,999,786	2,187,388	2,016,341
Other Non aeronautical revenue	49,581	77,434	98,107	97,415	90,232	416,399
Airport Passenger Service Charge	6,852,107	6,729,443	6,719,313	9,567,298	10,147,238	7,655,347
Total Operating Revenue	11,405,556	12,002,827	12,505,471	15,899,030	16,936,044	14,724,690
Other Revenue						
Other income	1,866,260	404,099	332,202.25	782,999	1,051,742.58	1,175,884.02
Financial Income	271,728	488,000	(139,991)	517,899	(359,861)	496,466
	13,543,544	12,894,926	12,697,682	17,199,928	17,627,926	16,397,040
Financial Costs	3	160,000	371,330	756,817	532,852	464,634
Staff Costs	3,267,435	3,787,544	4,350,477	4,745,806	4,686,474	4,691,259
Other Administrative expenses	1,745,969	2,711,062	3,436,103	2,785,210	2,659,184	3,317,939
Repairs and Maintenance Expenses	679,394	741,551	1,012,320	687,167	820,118	786,204
Depreciation and Amortization Expenses	810,421	804,530	903,824	2,678,381	3,138,762	3,273,507
Othe Costs	32,190	29,173	25,343	34,477	15,278	34,476
	6,535,412	8,233,860	10,099,398	11,687,857	11,852,669	12,568,019
Profit Before Tax	7,008,132	4,661,066	2,598,284	5,512,071	5,775,257	3,829,021
Taxation	(394,247)	(233,430)	(238,922)	(256,284)	(803,468)	(784,805)
Profit After Tax	6,613,885	4,427,636	2,359,362	5,255,787	4,971,789	3,044,216

Additional Information**Five year Financial Performance**

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
	KSHS'000	KSHS'000	KSHS'000	KSHS'000	KSHS'000	KSHS'000
ASSETS & LIABILITIES:-						
Non-Current Assets						
Property, Plant and Equipment	30,712,308	44,104,419	51,757,045	50,773,193	50,360,119	49,207,591
Intangible Assets	4,331	34,099	782,058	870,181	484,567	199,276
Operating Lease	5,729,915	-	-	-	-	-
Total Non-Current assets	36,446,555	44,138,517	52,539,102	51,643,374	50,844,686	49,406,867
Current Assets						
Inventories	93,259	75,941	76,944	147,994	128,894	107,655
Trade and Other Receivables	6,699,272	9,132,395	9,038,475	10,785,252	14,321,565	16,334,627
Reserve Account	1,022,676	1,430,347	2,007,239	2,221,651	2,324,107	2,521,401
Cash and Cash Equivalents	1,785,619	3,243,084	3,686,793	8,274,294	11,791,943	15,006,891
Airstrips Fund Cash Balance	1,596,956	2,965,794	1,778,085	1,366,998	2,301,414	2,062,287
Deferred Tax Asset			126,169	234,288	545,126	17,489
Total Current assets	11,197,782	16,847,561	16,713,706	23,030,477	31,413,052	36,050,351
TOTAL ASSETS	47,644,337	60,986,078	69,252,807	74,673,851	82,257,737	85,457,217
EQUITY AND LIABILITIES						
Capital and Reserves						
Government Grant	9,089,453	12,866,080	17,338,155	17,969,332	18,158,970	17,800,388
Revaluation Reserve	988,739	988,739	988,739	988,739	988,739	989,839
Retained Earnings	26,201,868	28,566,356	30,896,829	36,023,734	43,383,699	46,299,910
Capital and Reserves	36,280,061	42,421,173	49,223,723	54,981,804	62,531,408	65,090,138
Non- Current liabilities						
Airstrip Fund	1,596,956	2,965,794	1,778,085	1,366,998	2,301,414	2,062,287
Long Term Loans	5,343,200	10,169,556	10,738,347	9,823,613	8,996,744	9,141,867
Deferred Tax Liability	318,958	206,759	-	-	-	-
Total Non-Current Liabilities	7,259,114	13,342,109	12,516,433	11,190,611	11,298,159	11,204,154
Current Liabilities						
Trade and Other Payables	2,741,509	3,758,442	5,235,349	5,775,419	5,279,334	6,480,985
Current Portion of Long Term Loan	104,900	173,503	510,184	825,785	821,501	811,660
Provisions for Liabilities and Charges	1,258,754	1,290,849	1,767,120	1,900,231	2,327,331	1,870,278
Total Current Liabilities	4,105,162	5,222,794	7,512,652	8,501,435	8,428,166	9,162,924
TOTAL EQUITY AND LIABILITIES	47,644,337	60,986,078	69,252,809	74,673,851	82,257,733	85,457,216

Additional Information (Continued)

Five year Operational Statistics

Aircraft (No.)

Airport/Airstrip	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Jomo Kenyatta Int. Airport	99,716	105,353	108,241	111,126	114,201
Moi Int. Airport	21,018	21,207	22,626	25,198	28,364
Eldoret Int. Airport	6,624	8,993	9,243	9,044	9,118
Wilson Airport	88,320	91,888	97,286	99,445	99,891
Kisumu Int. Airport	6,485	7,658	7,698	8,548	11,255
Malindi Airport	11,564	12,212	14,722	13,336	12,981
Lokichoggio Airport	2,720	2,737		1,881	1,746
Wajir Airport	13,929	14,760	14,983	12,545	11,653
Manda Airstrip	3,222	3,553	4,732	5,632	6,299
Ukunda Airstrip	8,096	9,900	11,717	12,323	12,451
Other Airstrips	-	5,050	10,020	8,765	15,197
Total	261,694	283,311	301,268	307,843	323,156

Passengers (No.)

Airport/Airstrip	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Jomo Kenyatta Int. Airport	6,428,599	6,768,255	7,163,704	7,609,465	8,123,616
Moi Int. Airport	1,296,424	1,239,533	1,387,853	1,401,206	1,551,502
Eldoret Int. Airport	176,067	212,778	233,127	255,960	262,662
Wilson Airport	316,155	368,029	454,682	660,099	911,959
Kisumu Int. Airport	371,318	364,329	376,904	416,690	505,098
Malindi Airport	101,303	143,868	158,011	178,049	181,660
Lokichoggio Airport	5,585	5,768	4,888	4,475	4,786
Wajir Airport	101,275	117,183	116,102	97,805	115,836
Manda Airstrip	37,236	61,763	84,762	107,833	121,641
Ukunda Airstrip	55,207	114,791	128,441	173,460	188,676
Other Airstrips	-	68,482	114,669	116,407	117,622
Total	8,889,169	9,464,779	10,223,143	11,021,449	12,085,058

Freight (Kgs)

Airport/Airstrip	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Jomo Kenyatta Int. Airport	244,103,590	235,346,507	234,813,380	313,074,491	350,819
Moi Int. Airport	4,049,681	4,052,536	3,669,530	3,326,268	4,638
Eldoret Int. Airport	11,495,062	11,224,497	12,129,038	12,123,537	12,080
Wilson Airport	3,534,664	3,395,829	2,796,470	2,794,158	591
Malindi Airport	-	11,260	413	-	
Lokichoggio Airport	1,131,509	252,966	60,824	-	
Total	264,314,506	254,283,595	253,469,655	331,318,454	368,128

**KENYA AIRPORTS AUTHORITY ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

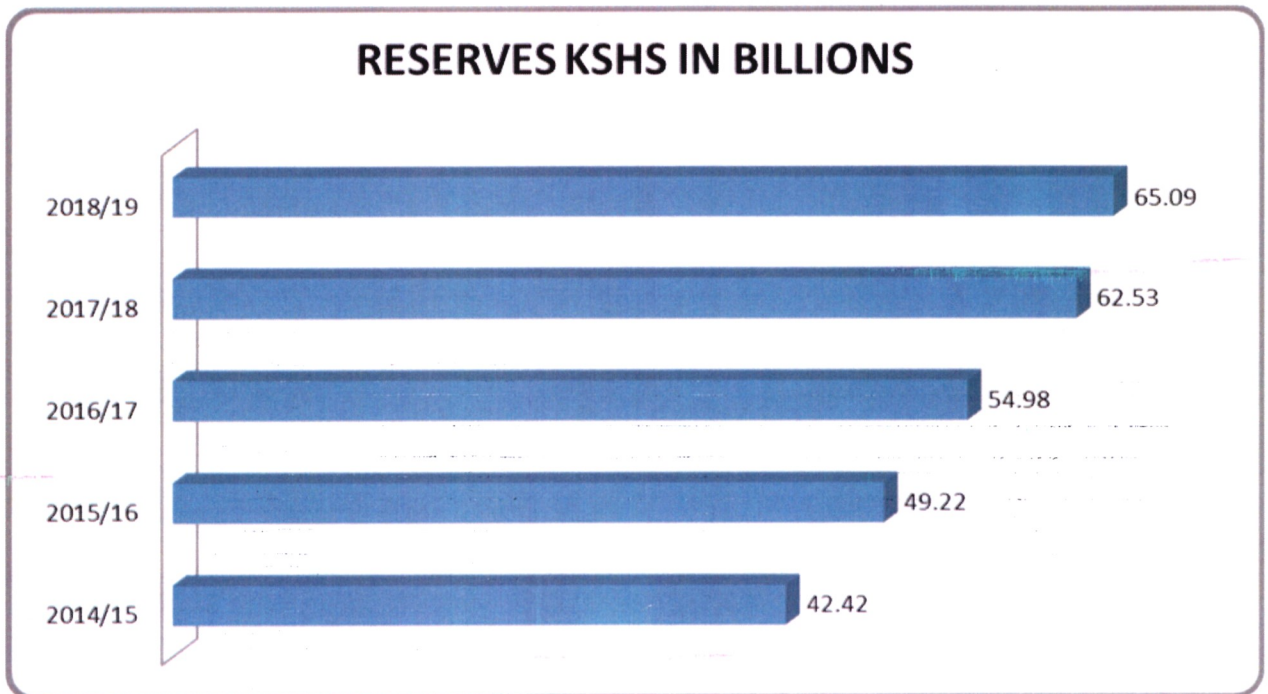
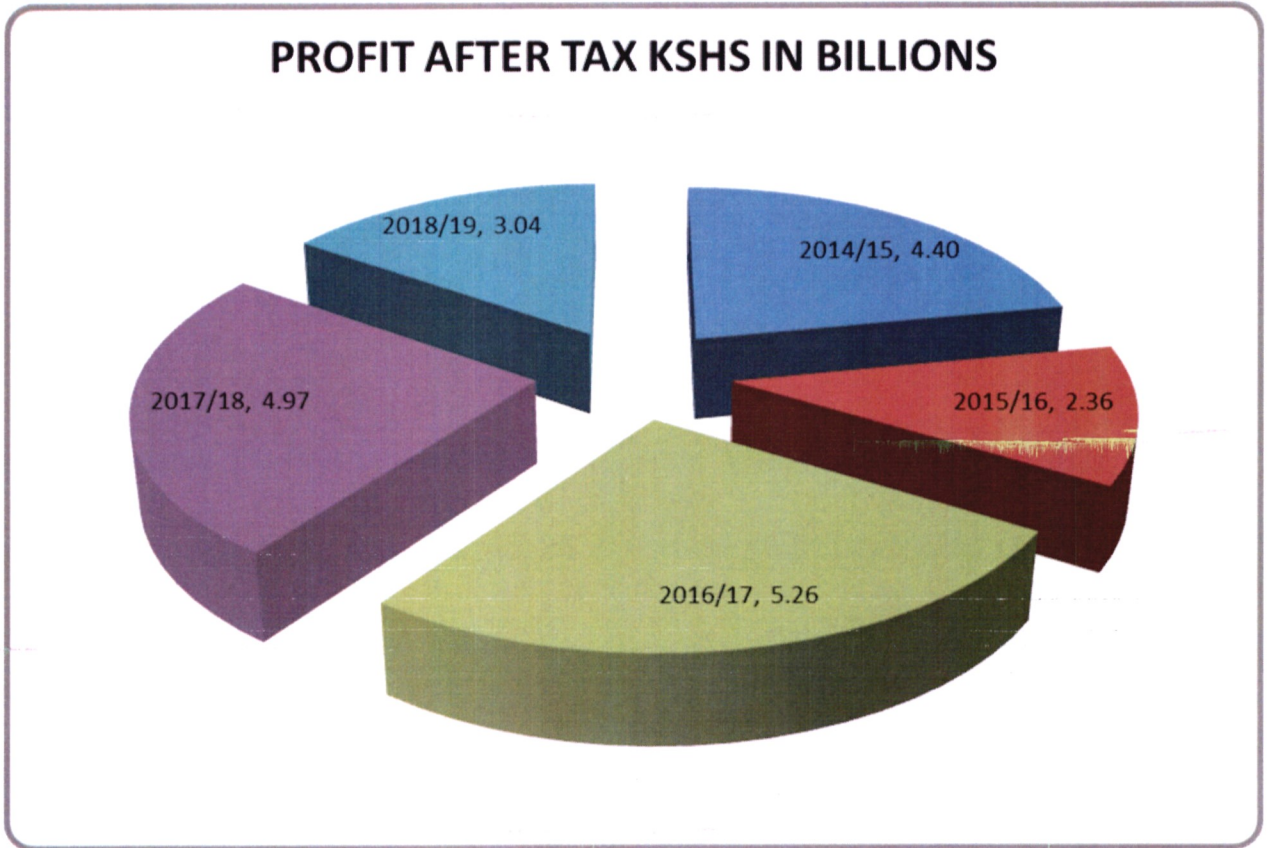
Additional Information (Continued)

Detailed analysis of the cash and cash equivalents

ANNEX I				
RESERVE ACCOUNTS				
Name of the Bank	Bank Account Number	Currency	30th June 2019	30th June 2018
			Kshs	Kshs
BARCLAYS BANK PARIS-JKIA PROJECT	0500000340	USD	1,229,625,566	1,214,621,000
BARCLAYS BANK KENYA	2021464751	USD	410,983,954	933,202,064
BARCLAYS BANK PARIS-MIA PROJECT	0500000342	USD	873,688,349	690,421,195
BARCLAYS BANK KENYA	2032129067	USD	1,724	61
BARCLAYS BANK PARIS-MIA PROJECT	2032129156	USD	7,101,538	
TOTAL			2,521,401,131	2,838,244,319
ANNEX II				
TREASURY BILLS				
Name of Bank	Type and tenor of deposit	Currency	30th June 2019	30th June 2018
			Kshs	Kshs
CENTRAL BANK OF KENYA	Treasury Bills	KES	1,722,757,772	578,013,440
ANNEX III				
SHORT TERM DEPOSITS				
Name of Bank	Type and tenor of deposit	Currency	30th June 2019	30th June 2018
			Kshs	Kshs
NATIONAL BANK OF KENYA	CALL	KES	6,119,771	5,721,016
HF COMPANY OF KENYA	CALL	KES	215,930,781	77,912,331
HF COMPANY OF KENYA	MORTGAGE	KES	443,961,215	379,504,585
COMMERCIAL BANK OF AFRICA	Fixed Deposit	USD	1,100,356,262	2,095,683,121
NIC BANK	Fixed Deposit	USD	1,045,997,691	1,738,913,178
NATIONAL BANK OF KENYA	Fixed Deposit	USD	876,791,078	1,973,111,260
BANK OF AFRICA LTD	Fixed Deposit	USD	643,682,593	924,579,293
EQUITY BANK	Fixed Deposit	USD	2,675,096,682	410,624,103
FAMILY BANK	Fixed Deposit	USD	-	203,962,452
NATIONAL BANK OF KENYA	Fixed Deposit	KES	-	315,406,377
NIC BANK	Fixed Deposit	KES	-	-
BANK OF AFRICA LTD	Fixed Deposit	KES	-	315,974,011
EQUITY BANK	Fixed Deposit	KES	-	313,340,853
BARCLAYS BANK KENYA	Fixed Deposit	KES	-	304,261,644
BARCLAYS BANK KENYA	Fixed Deposit	USD	1,641,615,024	-
KENYA COMMERCIAL BANK	Fixed Deposit	KES	-	-
KENYA COMMERCIAL BANK	Fixed Deposit	USD	4,309,367,266	-
TOTAL			12,958,918,363	9,058,994,224
ANNEX IV				
CASH AT HAND AND BANK				
Name of the Bank	Bank Account Number	Currency	30th June 2019	30th June 2018
			Kshs	Kshs
BARCLAYS BANK KENYA	2022988088	KES	453,501,236	151,606,433
BARCLAYS BANK KENYA	2021464654	USD	403,131,144	347,942,148
NATIONAL BANK OF KENYA	01003058234200	KES	36,837,444	19,913,308
NATIONAL BANK OF KENYA	02003058234700	USD	29,414,243	28,725,445
KENYA COMMERCIAL BANK	1108348521	KES	1,883,966	30,604,953
KENYA COMMERCIAL BANK	1128430460	USD	616,456	3,146,065
CITIBANK	300090001	KES	22,989,941	99,331,491
CITIBANK	300090012	USD	82,092,819	92,956,324
STANDARD CHARTERD BANK	108098894800	KES	-	-
STANDARD CHARTERD BANK	0104098894801	KES	339,522,895	630,662,612
STANDARD CHARTERD BANK	0-104098894800	KES	201,218,545	169,999,916
BARCLAYS BANK KENYA	2029771084	USD	739,605,884	2,175,124,856
BARCLAYS BANK KENYA	2029771122	USD	-	-
BARCLAYS BANK KENYA	2029771114	KES	-	-
NIC BANK	10001206024	KES	7,534,085	45,854,537
EQUITY BANK	1480262341391	KES	95,693,510	97,520,235
EQUITY BANK	1480262341788	USD	11,751,469	65,070,954
FAMILY BANK	06800008283	KES	6,518	6,518
FAMILY BANK	06800012233	KES	-	-
CASH IN HAND		KES	119,322	31,863
CASH IN HAND		USD	20,311	(4,921)
TOTAL			2,425,939,787	3,958,492,738

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

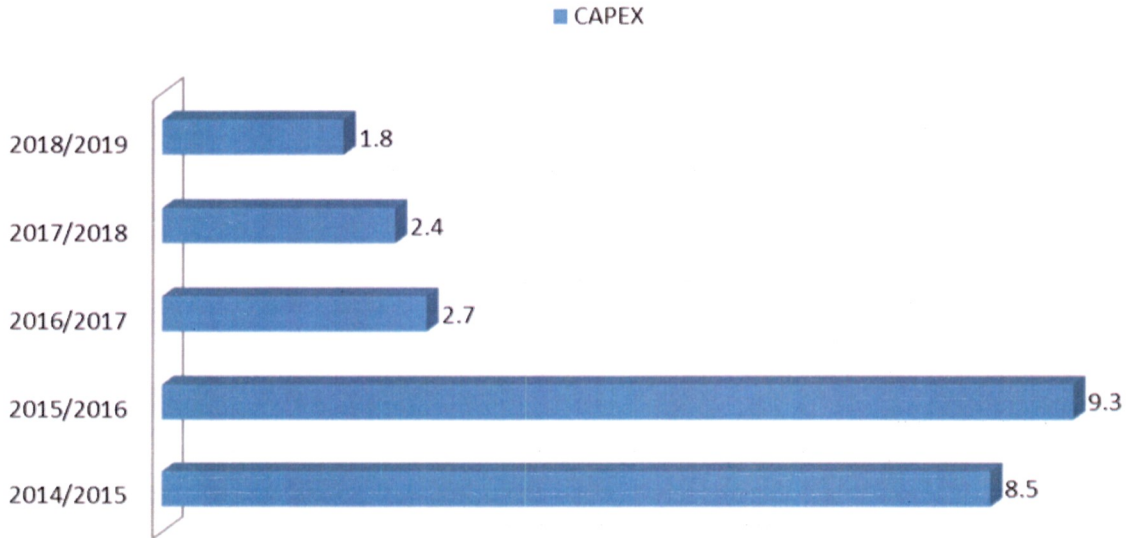
Additional Information (Continued)



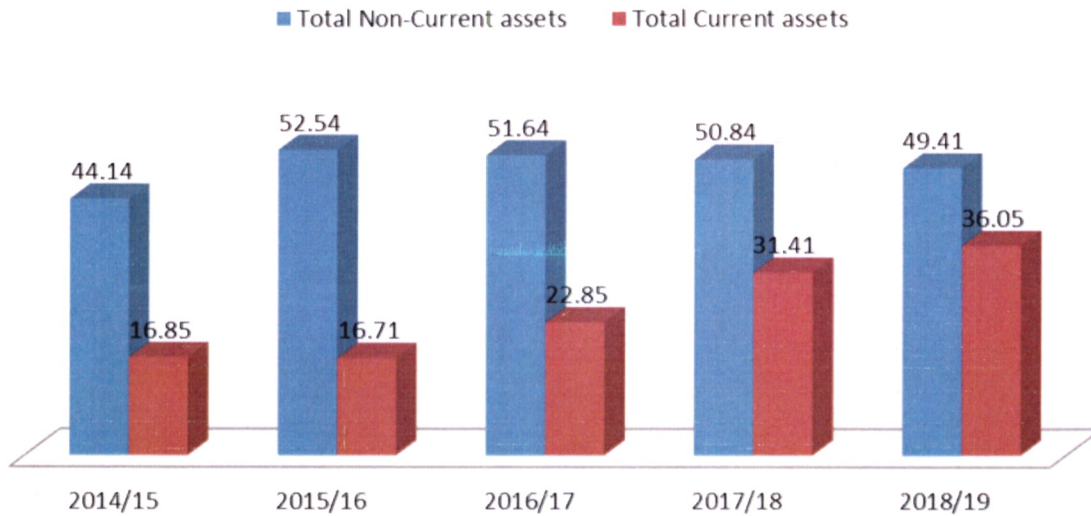
**KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

Additional Information (continued)

CAPITAL EXPENDITURE KSHS IN BILLIONS



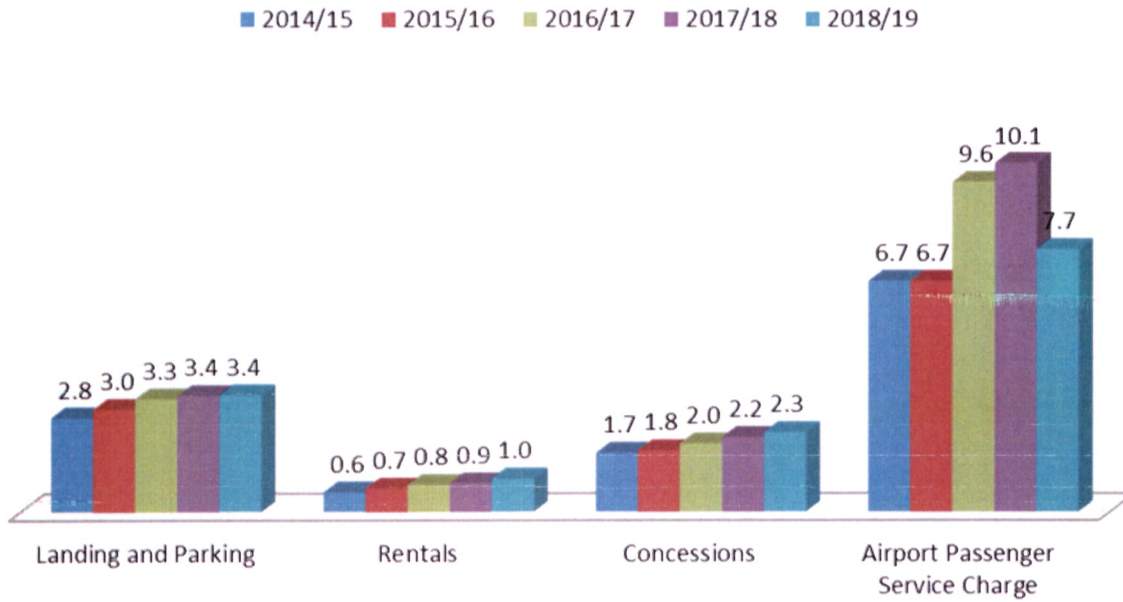
NON-CURRENT & CURRENT ASSETS KSHS IN BILLIONS



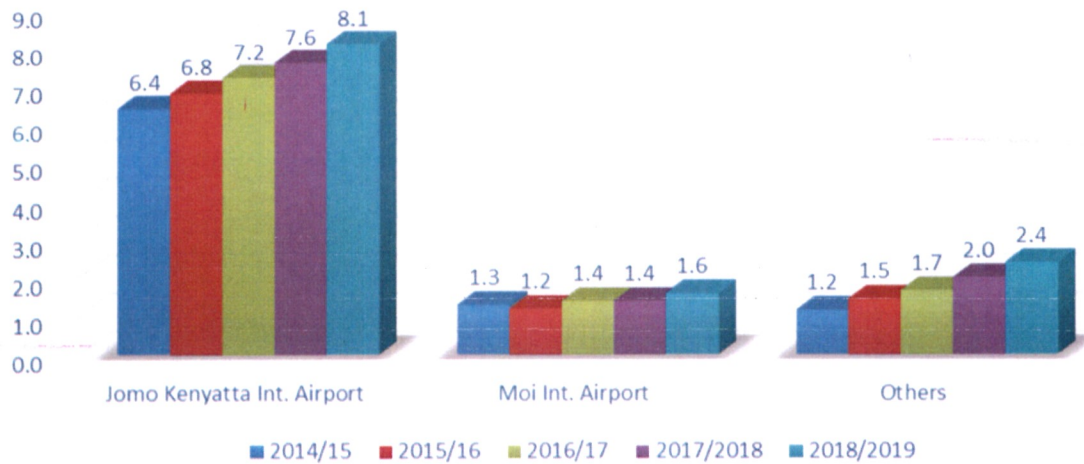
**KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

Additional Information (Continued)

MAJOR SOURCES OF REVENUE KSHS IN BILLIONS



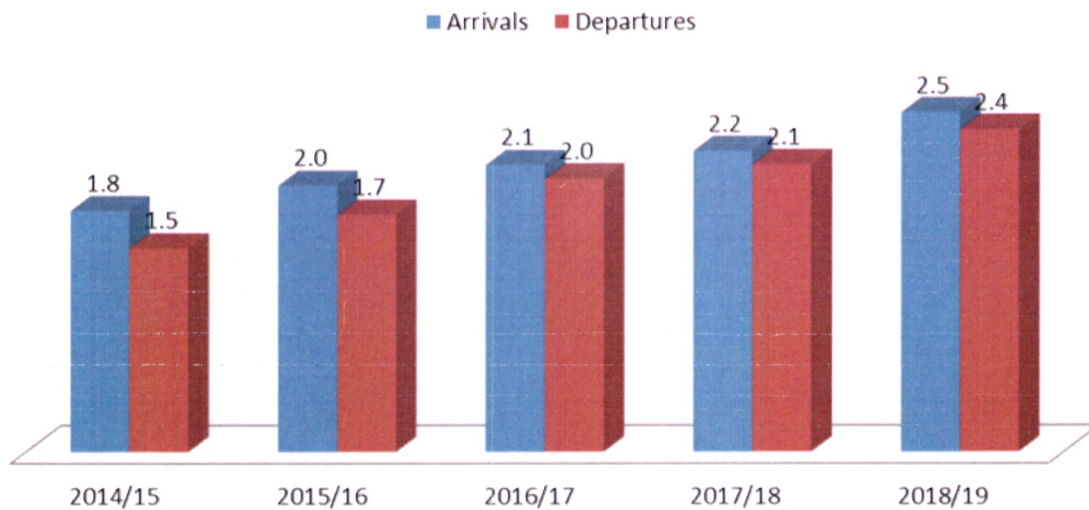
TOTAL NUMBER OF PASSENGER TRAFFIC IN MILLIONS



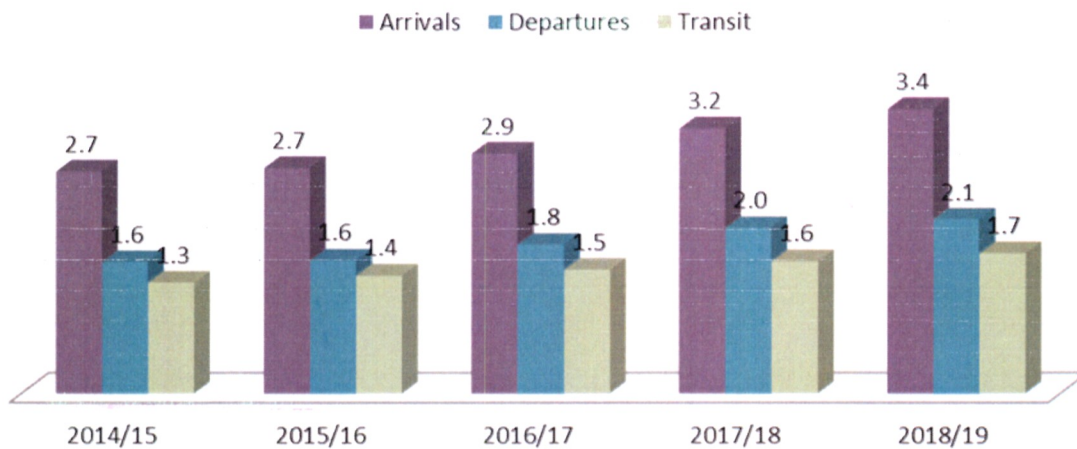
KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

Additional Information (Continued)

NUMBER OF DOMESTIC PASSENGERS IN MILLIONS

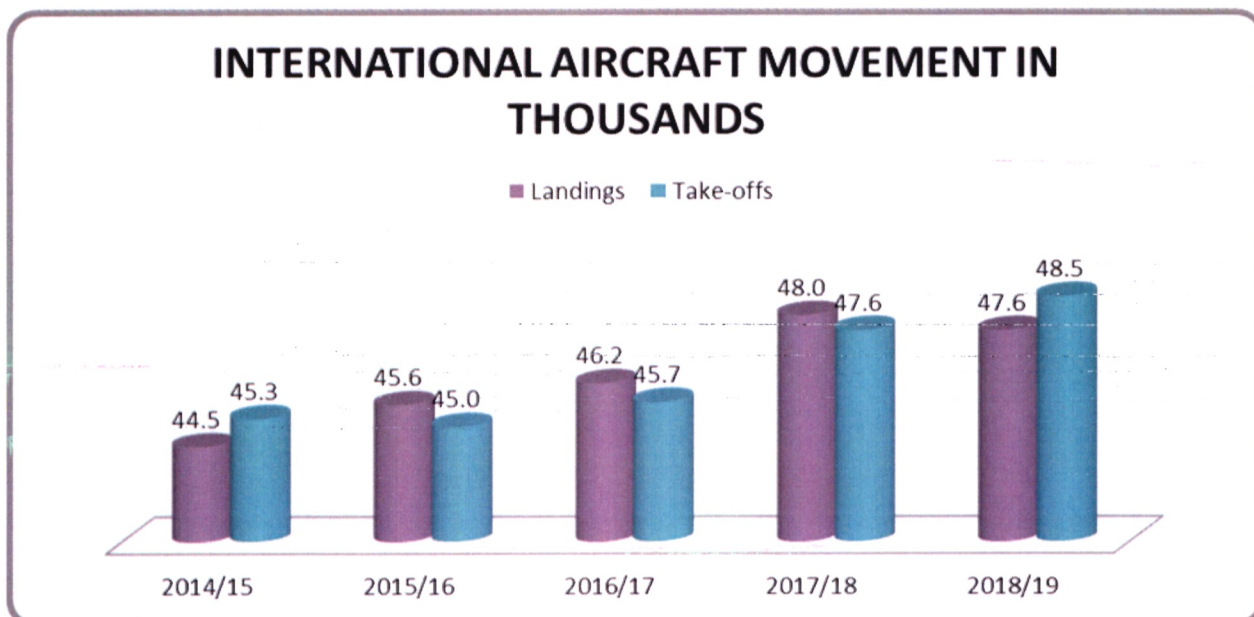
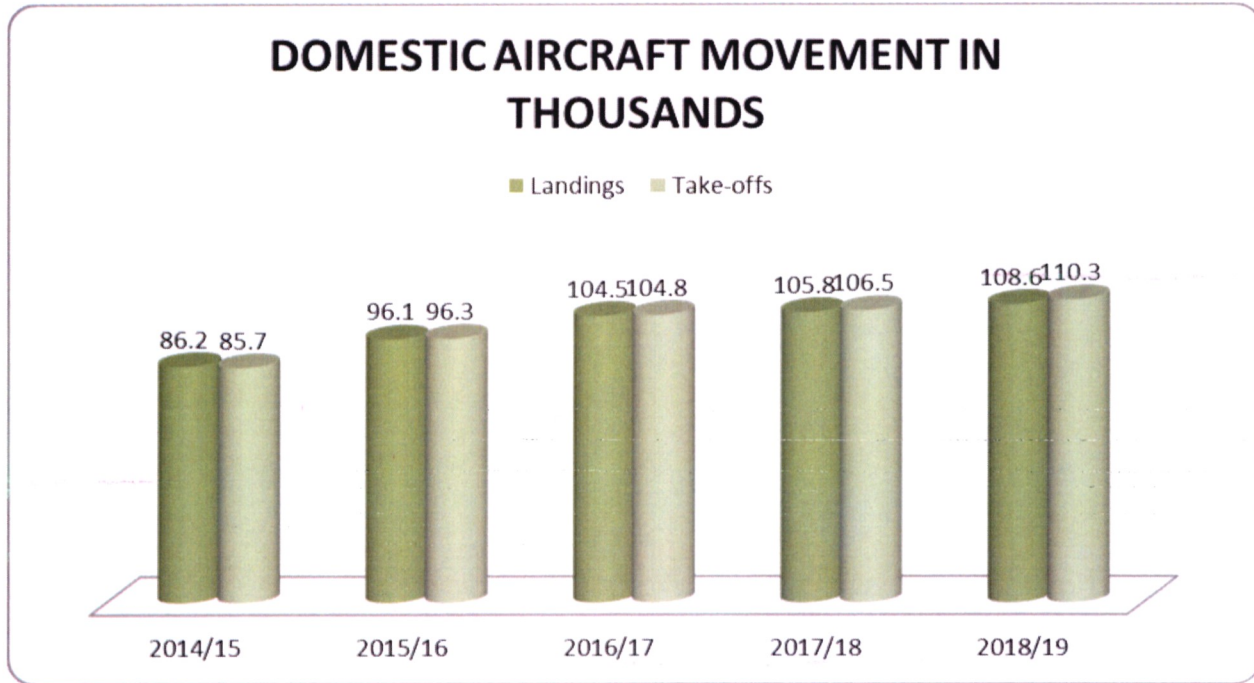


NUMBER OF INTERNATIONAL PASSENGERS IN MILLIONS



KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

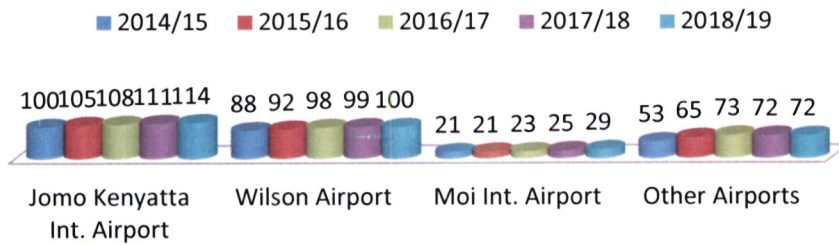
Additional Information (Continued)



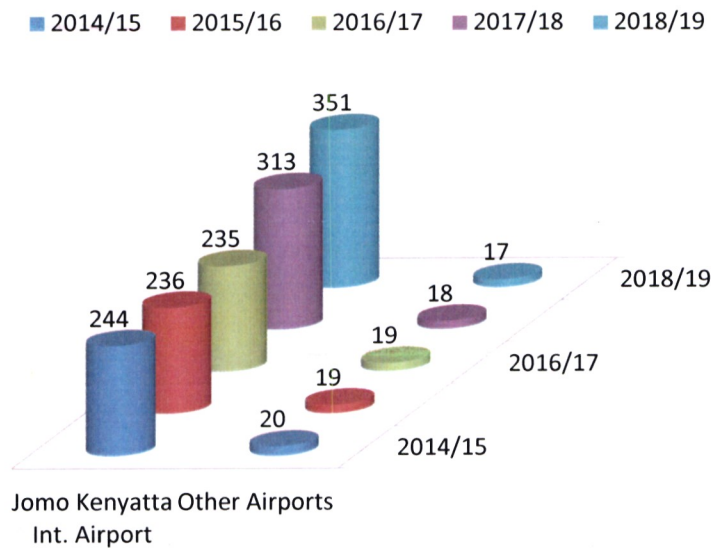
KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

Additional Information (Continued)

AIRCRAFT MOVEMENT PER AIRPORT IN THOUSANDS



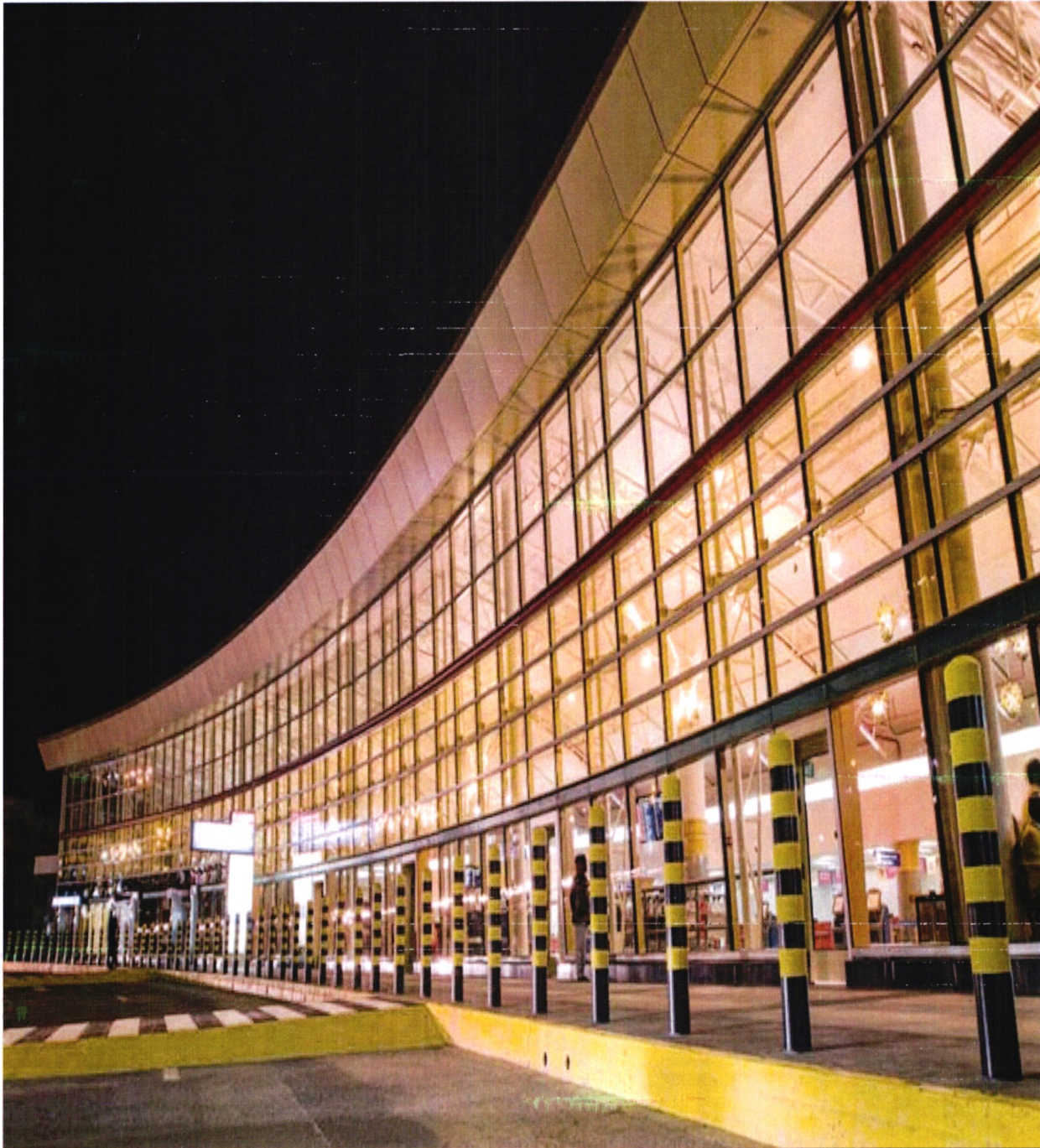
CARGO MOVEMENT IN MILLION TONNES



KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

OUR AIRPORTS

JOMO KENYATTA INTERNATIONAL AIRPORT



Additional Information (Continued)

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

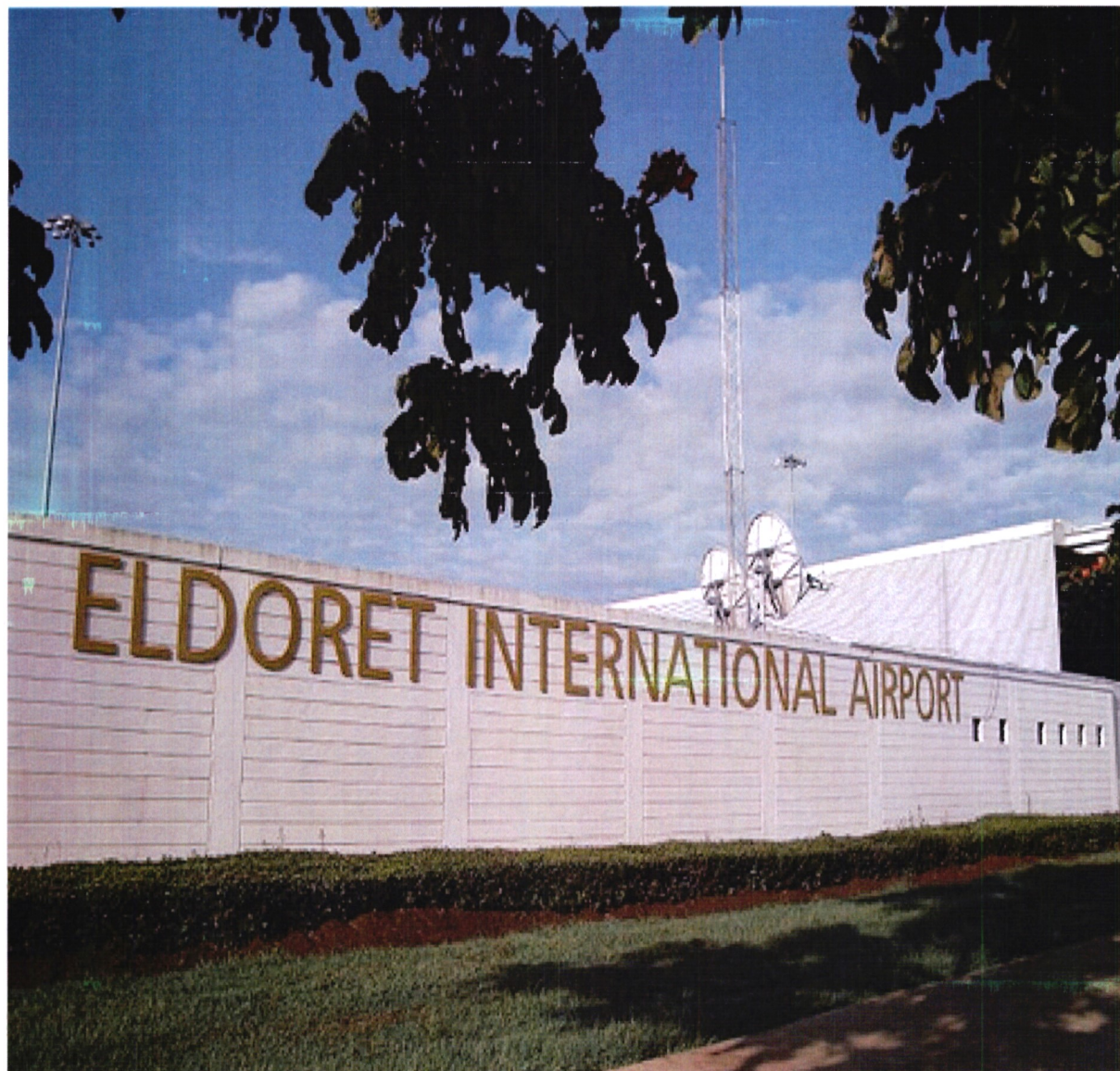
MOI INTERNATIONAL AIRPORT



KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

Additional Information (Continued)

ELDORET INTERNATIONAL AIRPORT



KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

Additional Information (Continued)

WILSON AIRPORT



KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

Additional Information (Continued)

KISUMU INTERNATIONAL AIRPORT



KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

Additional Information (Continued)

MALINDI INTERNATIONAL AIRPORT



KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

Additional Information (Continued)

LOKICHOGGIO AIRPORT



KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

Additional Information (Continued)

MANDA AIRPORT



KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

Additional Information (Continued)

UKUNDA AIRPORT

