

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA AIRPORTS AUTHORITY

FOR THE YEAR ENDED
30 JUNE 2018



THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 17 OCT 2019 DAY: Thursday

TABLED BY: The Hon. Ake Oluoch LOMP

CLERK-AT-THE-TABLE: Lemwa Mases



KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2018

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



Vision Statement:

Globally competitive airport facilities and services

Mission Statement:

To provide efficient and effective airport facilities and services in a sustainable environment

Core Values:

- Customer focus
- Team spirit
- Integrity
- Professionalism
- Good governance
- Innovation

Quality Status:

KAA is certified in ISO 9001:2008 Quality Management System.



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Significant Statistics of the Year

Total Asset Base
Kshs. 82.26
Billion

Total Revenue
Kshs. 16.94
Billion

Profit before Tax
Kshs. 5.78 Billion

Capital Expenditure
Kshs. 2.38 Billion

Number of
Passengers
11.02 Million

Cargo Movement
Kgs 331 Million

Number of Aircrafts
Movement
308 Thousand

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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 licence, permit or certificate.

Risk Management Framework and Policy Statement

KAA has adopted an Enterprise Risk Management (ERM) framework which forms an integral part of the reporting, controlling and planning procedures. 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 risk. The Authority applies a consistent framework for the management of risk. 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.

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KEY ENTITY INFORMATION (Continued)

Key Risks

- Airport safety and security risks
- Increased competition from regional airports
- Project implementation delays
- Reputational risks
- Reliability of power, communication and related backup systems
- Operational and cyber security risks
- Protracted litigation
- Land grabbing and encroachment

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KEY ENTITY INFORMATION (Continued)

Directors

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

- | | | |
|-----|---|--|
| 1. | Mr. Issac Awuondo | Chairman Appointed on 23 rd May, 2018 |
| 2. | Gen. (Rtd) Dr. Julius W. Karangi, EGH, CBS, DCO, LOM | Retired on 1st January, 2018 |
| 3. | Mr. Jonny Andersen | Managing Director |
| 4. | Capt. Bootsy Mutiso | Director |
| 5. | Ms. Susan Kiama | Director. Term lapsed on 11th October, 2018 Re- appointed on 8th February, 2019 |
| 6. | Mr. Mbatia Kimani | Director |
| 7. | Mr. William Ole Mayiani | Director |
| 8. | Ms. Jeridah Bosibori Mbaka | Director |
| 9. | Ms. Esther Koimett | Director Principal Secretary Ministry of Transport & Infrastructure |
| 10. | Dr. Kamau Thugge, EBS | Director Principal Secretary National Treasury |
| 11. | Dr. Eng. Karanja Kibicho | Director Principal Secretary Ministry of Interior & Coordination of National Government |
| 12. | Ms. Eunice Kigen | Alternate Director National Treasury |
| 13. | Mr. Amos Gathecha | Alternate Director Ministry of Interior & Coordination of National Government Replaced on 8 th February, 2019 |
| 14. | Ms Angelah Rugut | Alternate Director – Nominated on 22/05/2018 Ministry of Transport, Infrastructure, Housing and Urban Development |
| 15. | Ms. Irene W. Ileri | Alternate Director – Replaced on 22/05/2018 Ministry of Transport, Infrastructure, Housing and Urban Development |
| 16. | Mr. Moffat Kangi | Alternate Director Ministry of Interior & Coordination of National Government Appointed on 8 th February, 2019 |

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KEY ENTITY INFORMATION (Continued)

17. Mr. Lawrence Okudo

Representative
Inspector – General (Corporations)
Appointed on 9th July, 2018

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

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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

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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

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KEY ENTITY INFORMATION (Continued)

Kabunde Airstrip

P. O Box 887

HOMABAY

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

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KEY ENTITY INFORMATION (Continued)

NIC Bank Limited
NIC 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

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THE BOARD OF DIRECTORS



Mr. Isaac Awuondo
(Appointed on 23rd May, 2018)

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 KEPSA, 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.



Gen. (Rtd) Dr. Julius W. Karangi, EGH, CBS, DCO, LOM
(Retired on 1st January 2018)

Masters of Science (MSc) Degree in Security & Risk Management - University of Leicester (UK)
Honorary Doctorate on Humane Letters (Honoris Causa) - Kenyatta University.

Retired General of the Kenya Defence Forces (KDF). Formerly Lieutenant General and Vice Chief of Defence HQs, the Commander of the Kenya Air Force, Moi Air Base, and Kenya Air Force Logistics Command, Commandant Defence Staff College, Incharge of training, doctrine and procurement for KDF. He has received National Honors of Elder of the Order of the Golden Heart of Kenya (EGH), Chief of the Order of the Burning Spear (CBS), Distinguished Conduct Order (DCO) and Legion of Merit.

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THE BOARD OF DIRECTORS (Continued)



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.



Dr. Eng. Karanja Kibicho

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

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THE BOARD OF DIRECTORS (Continued)



Ms. Esther Koimett

Principal Secretary, State Department of Transport, Ministry of Transport, Infrastructure, Housing & Urban Development

MBA (UON)
Bachelor of Commerce (UON)



Dr. Kamau Thugge, EBS

Principal Secretary, National Treasury

PhD Economics
Master of Arts (Economics),
Bachelor of Arts (Economics),
He has worked with the International Monetary Fund (IMF).



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)

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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

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THE BOARD OF DIRECTORS (Continued)



Mr. William Ole Mayiani

Director

Bachelor of Arts – Business Economics

Currently a Director at Skyrealtors 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.

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THE BOARD OF DIRECTORS (Continued)



Ms. Angelah C. Rugut
(Nominated on 22nd May, 2018)

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.



Ms. Irene W. Ileri
(Replaced on 22nd May, 2018)

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

MBA in Aviation, Bachelor of Arts, Air Law, Aviation Management and various courses in Air Transport.

Currently Senior Assistant Director of Air Transport in the Ministry of Transport, Infrastructure, Housing & Urban Development.



Mr. Amos Gathecha

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

Masters in International Studies

Graduate: National Defence College (Kenya)

Graduate: University of Nairobi - Political Science and Philosophy

Paramilitary training, Advanced Public Administration and Senior Leadership Development Course from Kenya School of Government

Currently Secretary, Security Operations, Policy and Structures

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SENIOR MANAGEMENT TEAM



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



Mr. Alex Gitari

General Manager, Finance

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.

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SENIOR MANAGEMENT TEAM (Continued)



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.



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.



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.

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SENIOR MANAGEMENT TEAM (Continued)



Dr. Elizabeth Kalei
General Manager, Human Resource Development

PHD Human Resource Management
Masters of Arts (Communication Studies)
Bachelor of Arts
Higher Diploma (KNEC) – IHRM (HRM)
Ordinary Diploma – KIM – HRM
Certified Employee Engagement Productivity
(CDI –Africa)



Brig Gen (Rtd) George Kabugi Gikonyo
General Manager Security Services

Retired Brigadier General with thirty-seven years of military experience in Kenya and Africa.
Dip. International Studies
Graduate of National Defense Course
Dip. Army Armor – US Army.



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

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SENIOR MANAGEMENT TEAM (Continued)



Arch. Fredrick Odawo
Ag. General Manager, Projects & Engineering Services

Postgraduate diploma in Airport Engineering
Bachelor's Degree in Architecture
Corporate Member – Architectural Society of Kenya
Associate Arbitrator.



Mr. Patrick Wanjuki
General Manager, Procurement & Logistics

Masters 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 (Maths and Economics),
Diploma Financial Management.

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CHAIRMAN'S STATEMENT

Our aviation sector in general contributes about 4.3% to the economy including 620,000 jobs. This is expected to improve on account of promising outlook with annual growth rates of 3% for flights, 5.3% for international traffic, 10% for domestic traffic and 4% for cargo. Growing middle-class population, improved airport safety and security environment, safe airspace and elaborate economic focus under the Big Four Economic Agenda are some of the key elements that inform this bullish picture, not to mention the impending direct access to the United States of America from October 2018.

Our operations are ready to handle the projected growth with focus on improving capacity for superior service delivery, delivering delightful customer experience, establishing strategic partnership for benchmarking for best practice, ensuring staff productivity, overall operations efficiency and generating the requisite financial resources to fund operations and investments.

In the interest of Corporate Social Responsibility, Ksh. 6.55 million was spent on various projects covering education, health, water, children homes and humanitarian activities.



Langata Fire Tragedy
Information Centre, Nairobi



Kenya Diabetes Management



Osiri Mixed Secondary School- Nyatike



Libero Dispensary, Eldoret

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The Authority will continue to partner with relevant stakeholders for the socio-economic wellbeing of Kenyans.

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.



A handwritten signature in black ink, appearing to read 'Isaac Awuondo', is written over a solid horizontal line. Below this line is a dotted horizontal line that extends to the right.

Mr. Isaac Awuondo
Chairman of the Board

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MANAGING DIRECTOR'S REPORT

The global economy grew by about 3.6% due to resilience in investments and recovery in commodity prices. Oil prices expanded 23.8% with non-energy commodity index closing the year at 4.9% higher. Sub Saharan Africa economy grew by 2.6% from 1.4% led by commodity boom in Nigeria and overall favorable business environment. Kenya's economy, however, closed the year lower at 4.9% from 5.9% attained the previous year mainly attributable to weak credit growth and investor indecision due to general election related uncertainties.

Operation Performance: 36.8 million scheduled flights and 4.1 billion passengers were handled globally with average passenger load factor of 81.5% and 61.5% for Africa. Corresponding local performance was equally strong with flights and passenger growth of 2% and 7.6% to 308,000 and 11 million respectively with domestic passengers accounting for 40% and cargo volume of 331 million kilograms. The attendant financial performance was revenue and cost increase of 8% and 4% to Ksh. 17.98 billion and Ksh. 11.3 billion respectively and post-tax profit growth of 3% to Ksh. 5.42 billion. Expenses relating to repairs and maintenance, depreciation and intangible assets accounted for 35% of the total costs.

Assets and Liabilities: Asset base expanded by 11% to Ksh. 82.3 billion mainly driven by trade and other receivables, cash and cash equivalents and airstrip cash balances with the latter being disbursements for rehabilitation of airstrips. Capital and reserve grew by 14.5% to Ksh. 62.9 billion and liabilities by 1% to Ksh. 19.7 billion.

Network Infrastructure and Facilities Developments: The following activities were progressed in the year geared towards matching facility development with traffic demand and growth.

JKIA Modernization: detailed design for the remodeling of terminals 1B, 1C and 1D to expand passenger circulation area was finalized in the year. The project will undergo further appraisal for strategic reasons. JKIA Airports Charter meant to ensure seamless service delivery under KAA supervision was finalized and rolled out for implementation. Fencing of the Primary Screening Yard and rehabilitation of the breakages on the Syokimau perimeter fence was commenced. The Airport also sailed through in the Last Point of Departure Audit that opened the door for KQ direct flight to the USA planned for October 28, 2018. JKIA was further voted the best improved Airport in Africa by Airports Council International (ACI) on the Airport Service Quality.

MIA Pavement Works: contract for the works was made in May 2018 for 24 months and mobilization and review of the detailed design commenced in June 2018.

KIA Pavement Works: 575 meters of the runway was reinforced to facilitate operation of Code D aircraft with the remaining 300 meters at the center of the runway awaiting stakeholders' consultations.

Other Projects: other key projects handled in the year included pavement rehabilitation at Wilson Airport, completion of Mkwakwani Primary School in Ukunda alongside donation of furniture for use by the pupils, logistics for land acquisition for expansion of facilities at Malindi

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Airport and attention to contractual disputes holding back rehabilitation works at Nanyuki and Voi-Ikanga Airstrips.

Safety and Security: 1,678 staff of various stakeholders were trained on airside safety. MIA and JKIA were certified, table top drill was carried out at JKIA and Malindi and safety and security improvement program progressively implemented across the network including removal of rubber deposit and renewal of runway markings at JKIA.

Environmental Stewardship: agro- nurturing of 37,000 trees at Kitale Airstrip and a plantation of trees on 110 acres at Eldoret Airstrip. Installation of 500KW of solar power also commenced at Moi International Airport.

ISO 9001-2015 Certification: Migration from 2008 to 2015 standards commenced with training of staff, review of processes for alignment to 2015 standards, subsequent documentation and implementation and terminated with successful pre-certification audits. Certification is expected within September 2018.

Human Capital Development: staff strength in the year was 1,943 inclusive of about 10 with disabilities. 3,762 staff were trained in technical, managerial and soft skills translating to almost two trainings per staff and broadly distributed as corporate- 65%, Security- 20% and Safety- 15%. 170 youths also benefitted from internship-164 and apprenticeship-6 program. Further activities encompassed awareness on lifestyle diseases, HIV/AIDS and Alcohol and Drug Abuse and the need for service with integrity.

Future outlook: aviation outlook is promising and hence the need for all stakeholders to corporate in the areas of prudent facility expansion and service improvements for the good of the local economy and our catchment area of service.

I take this opportunity to thank the Board, Management, Staff and stakeholders, who worked hard to make the year a success for the Authority.


.....

JONNY ANDERSEN

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

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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.

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FOR THE YEAR ENDED 30TH JUNE 2018

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**

Ms Angelah Rugut

Ms. Eunice Kigen

Mr. William Ole Mayiani

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

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CORPORATE GOVERNANCE STATEMENT (Continued)

h) Oversee the Business Development of the Authority.

Human Resources Committee

The committee members are as follows:

Ms. Susan Kiama - Chair

Ms Angelah Rugut

Mr. Amos Gathecha

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

Ms Angelah Rugut

Ms. Susan Kiama

Mr. Amos Gathecha

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.

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CORPORATE GOVERNANCE STATEMENT (Continued)

Audit Committee

The committee members are as follows:

Mr. William Ole Mayiani - Chair

Mr. Kimani Mbatia

Mr. Amos Gathecha

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. Amos Gathecha – Chair

Capt. Bootsy Mutiso

Ms Angelah Rugut

Managing Director

The responsibilities of the Security Committee are to:

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
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CORPORATE GOVERNANCE STATEMENT (Continued)

- 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 2018**

CORPORATE GOVERNANCE STATEMENT (Continued)

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 2017/2018, 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.

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

| | INSTITUTION | INITIATIVE |
|----|--|--|
| 1. | Mkwakwani Primary School, Ukunda | Financial support towards the school term 3 boarding facilitation |
| 2. | Ganda Mixed Secondary School- Malindi | Request for support to construct 8 door toilets. |
| 3. | Osiri Mixed Secondary School Nyatike | Request for financial assistance to purchase water tanks and fence the school. |

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| | | |
|-----|--|--|
| 4. | Timau Bible Baptism Church Nanyuki | Requested for clothing, food stuff and bedding, hiring orphans who have been going through programs. |
| 5. | Kenya Diabetes Management and Information Centre - Nairobi | Sponsorship towards the Diabetes Walk scheduled for 7 th July 2018. |
| 6. | Leberio Dispensary-Eldoret | Request for additional funding to construct a laboratory |
| 7. | Ministry of Transport, Infrastructure, Housing and Development - Nairobi | Government initiative to develop Golf among the youth. |
| 8. | Cerebral Palsy Charity Walk Nairobi | Support to create awareness and funding for at the CPSK charity walk |
| 9. | Mogorora D.O.K Primary School - Kisii | Request for sponsorship to drill a borehole |
| 10. | Mater Heart Run- Nairobi | Request for partnership, sponsorship and KAA staff participation |
| 11. | Port Reitz Special School- Mombasa | Financial supports towards the purchase of beds, wheelchairs, pampers, bedding, laptops detergents and curtains. |
| 12. | Usoma Primary School- Kisumu | For Feeding program of the KCPE candidates for 2017 |
| 14. | Senator Wamalwa High School Kitale | Construction of a Girls Dormitory |
| 15. | Kenyatta University- Nairobi | Request for partnership to sponsor the conference on drug demand reduction and supply suppression |
| 16. | Lamu Boys Secondary School | Funding for projects and infrastructure |
| 17. | Lang'ata Fire Tragedy- Nairobi | To assist victims of fire tragedy whose houses |

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2018

| | | |
|--|--|--------------------------------------|
| | | and property were destroyed by Fire. |
|--|--|--------------------------------------|

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 2018

REPORT OF DIRECTORS

The Directors submit their report together with audited financial statements for the year ended 30 June 2018, 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 licence, permit or certificate.

Results

The net profit for the year of Kshs 5.42 Billion (**2017: Kshs 5.26 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 2018

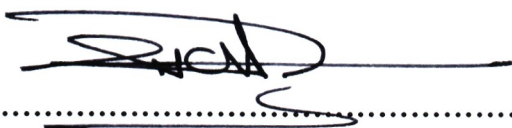
REPORT OF DIRECTORS (Continued)

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on

..... *26/09/* 2018 and signed on its behalf by:

Chairman



.....

- 1

By order of the Board

KKisila

.....

Katherine N. Kisila
Corporation Secretary
NAIROBI

Date..... *26/09/*2018

**KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2018**

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 2018 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.

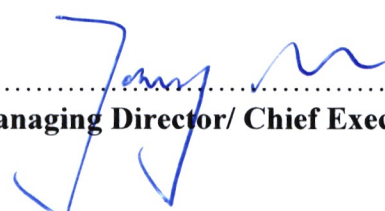
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least twelve months from the date of this statement.

Approval of the financial statements

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

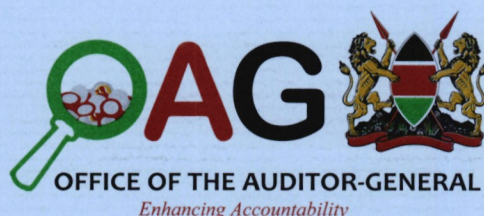
.....26/09/.....2018 and signed on its behalf by:


.....
Chairman


.....
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 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Airports Authority set out on pages 37 to 71, which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other income comprehensive, the statement of changes in equity, the 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.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Airports Authority as at 30 June 2018, 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 Kenya Airports Authority Act, Cap.395 of the laws of Kenya.

Basis for Qualified Opinion

1.0 Non-Current Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.50,360,119,000 as of 30 June 2018 (2017- Kshs.50,773,193,000) and disclosed under Note 31 to the financial statements. Included is the Freehold land and leasehold land balances of Kshs.249,263,000 and 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 similarly reported in 2017, the Leasehold land balance in the financial statements does not include the value of LR No.9042/668 measuring 3.29 acres located at Nairobi-Embakasi village. Although management has rendered explanation for its exclusion from the balance, documents and correspondences as to evidence how and when, as well as consideration for the surrender have not been availed for audit verification. In the circumstances, it has not been possible to establish the validity and legitimacy of the alleged surrender.

Report of the Auditor-General on the Financial Statements of Kenya Airports Authority for the year ended 30 June 2018

1.2 Freehold Land Balance at Kisumu International Airport

Included in the freehold land balance above is Kshs.190,763,189 on account of land acquired for the expansion of Kisumu International Airport. Management has not rendered the requisite documents in support of the amount.

1.3 Two Title Deeds for Kisumu International Airport

Records available at the Headquarters revealed that the Authority had two title deeds for the Airport. i.e. Title No. L.R. Municipality /Block No.1/8 for 206.09 Hectares, and title No.LR Municipality/Block No.1/21 for (362.9) Hectares and no satisfactory explanation was provided. In addition, no explanation was provided as to why the title L.R. Municipality/Block No.1/21 for (362.9) Hectares was reflected as negative.

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 58,500,000 respectively and included land parcels had their title deeds missing. Although management explained that the Ukunda airstrip title deed had been with the Ethics and Anti-Corruption Commission (EACC) since September 2008, it was not clear why it has remained with the Commission for the long duration.

1.5 Moi International Airport Land

Moi International Airport leasehold land balance recorded in the books at Kshs.583,000,000 differs with valuation report amount Kshs.538,000,000 resulting in overstatement by Kshs.45,000,000. Management has not acted to remedy the inconsistency. In addition, management has not explained the gaps in the lease registration documents (stamping) on the original title deed L.R No. MN/VI/3888 for the period June 2003 to May 2006.

1.6 Parcels of Land in Dispute

The statement of financial position reflects Property, Plant and Equipment balance of Kshs.50,360,119,000; (2017- Kshs.50,773,193,000) and as disclosed under Note 31 to the financial statements. Include in the balances are freehold and leasehold land balances of Kshs.249,263,000 and Kshs.5,415,624,000 respectively. However, and as reported previously, several land parcels in dispute are 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 of 30 June 2018. Information available indicate that the Authority obtained partial allotment for the land parcel measuring 0.443 acres from the National Land Commission in 25 September, 2017. The remainder measuring 0.47 acres has been illegally excised and allocated to a third party. Although management has written the Commission requesting for investigation on the illegal excision, there is no evidence of follow up and its outcome.

1.6.2 Jomo Kenyatta International Airport

Two parcels of land LR 13512 and LR 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 of 489 both of 2004 and temporary orders issued restraining the third parties, the later 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 by the time of finalizing the audit. It has not been possible to determine the effect of the outcome of the court ruling on leasehold land balances.

1.6.3 Wilson Airport

Wilson Airport Land LR 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 vide civil case No. 437 of 2005 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 on 25 October 2006, the court declined to issue the injunction orders sought. Although management has indicated having written to the National Land Commission on 24 October 2017 requesting it to intervene and revoke irregularly issued title, as at 30 June 2018, no action had been taken and therefore ownership of the property remained unresolved.

1.6.4 Malindi Airport

As reported in the previous years, the leasehold land balance of Kshs.5,415,624,000 also includes a portion of Malindi airport land under LR No.7669 measuring 0.8925 hectares, allocated to a church organization. On the other hand, land LR No.8540 at the Airport measuring 0.0549 hectares and allocated to a petroleum company has not been included in the balance.

1.6.5 Airports and Airstrips

A further review of records and correspondences relating to the Authority's land revealed that ownership disputes affecting 85 Parcels of land in seven airports / airstrips as summarized below: -

| NO. | Airport/Airstrip | Land Reference | No. of Titles 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 |
| 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 |

The management did not provide details on the nature and the value of land in dispute as well as the parties involved and the current status on the same. It was also not possible to confirm if there are other parcels of land with disputes and the exposure these may have on Authority's claim to the land.

From the foregoing, it has not been possible to confirm the accuracy and fair statement of Property, Plant and Equipment balance of Kshs.50,360,119,000 as at 30 June 2018.

2.0 Trade and Other Receivables

2.1 Kenya Airways Debt

The statement of financial position reflects trade and other receivables balance of Kshs.14,321,565,000 (2017 - Kshs.10,604,369,000) and as disclosed under Note 34 (a) to the financial statements. Included in the balance is amount owed by Kenya Airways of Kshs.2,189,086,493 (2017 - Kshs.1,743,890,276) a 25.5% increase. This is may be indicative of difficulty on the debtor's ability to settle their accounts as and when they fall due. From the foregoing, I am unable to confirm whether the necessary adjustments by way of provisions for doubtful debts have been effected to ensure the reported trade and other receivables balance of Kshs.14,321,565,000 as of 30 June 2018 is fairly stated.

2.2 Staff Receivables

Included in the trade and other receivables balance also is staff receivable balance of Kshs.124,794,000 (2017-Kshs.140,683,000) which includes an amount of Kshs.78,384,046 owed by staff on account of payments made against job evaluation outcome of 2006 and subsequently rescinded by the board of directors. The recoverability of the amount is in doubts has management has not acted to recover the balance despite the significant lapse of time.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Airport Authority in accordance with ISSAI 30 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 opinion

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.

Other Matters

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

As reported previously, the above project was awarded to Anhui Construction Engineering Group Ltd in joint venture with China Aero-Technology International Engineering Corporation at a contract sum of USD 653,782,814. The supervision contract for the

project was also awarded to Louis Berger Group & Runji Partners (LBG) at a contract price of USD 8.83 Million. The new terminal building would cover a floor area of 178,000 Square and once complete, it would comprise of: - fifty and ten international and domestic check in positions respectively; thirty-two and eight contact and remote gates respectively, 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 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. Irregular Contract Award

Clause 5 of the Request for Proposal (RFP) documents required the contractor to secure a project a financier as a condition for award. However, the employer entered into contract agreement with Anhui Construction Engineering Group Ltd in joint venture with China Aero-Technology International Engineering Corporation on 13 November, 2013 and was given possession of site through a letter dated 6 December, 2013 before a project financier had been identified.

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 management on 13 November 2013 indicates the sum as exclusive of 16% VAT. It is not clear why the contract sum was varied.

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 described as a contract variation. Other information available indicate 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.

1.4. 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 as at 30 June 2017 despite no evidence of work done. Further, Price Water Coopers 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 agreed to be Kshs.7,444,882. In light of the payments having been made for work not done, the expenditure is nugatory.

1.5. Termination of the Contract

In a letter referenced KAA/ES/JKIA/658/DB/CS/VOL.2(32) dated 29 March 2016 the management informed the contractor (ACEG) 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 vide a letter referenced. KAA/ES/JKIA/723/DB/CS/VOL.2/ (33). No evidence has been availed to confirm that the contractor and the consultants were in concurrence with the termination by way of correspondences.

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 identifying and their terms of engagement are not clear. Further, in a special Board of Directors meeting held at the Authority's Headquarters, a representative of law firm in attendance sought the authorization to seek expertise of an international firm in quantum to conduct an analysis of the value of work undertaken by the contractor. This was granted and the law 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.

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.

2. Construction Works at Wilson, Other Airports and Airstrips

2.1. Rehabilitation of Pavements at Wilson Airport - KAA/ES/WAP/955/C

The contract was awarded to a Company at a contract sum of Kshs.298,557,714 in 2^{March} 2016 for a contract period of 12 months starting and ending 24 June 2016 with and 23 June 2017 respectively. A review of the project documentations during the year under review revealed the following matters: -

2.1.1. Variation of Scope

The contracts 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 variation originated from the airport manager a non-project team member. Although the variation was within the allowable limits as prescribed in the Public Procurement and Assets Disposal Act of 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.

2.1.2. 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 instructed without approval for scope variation of the tender committee.

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

2.1.3. Delay in Project Implementation

A review of project progress report dated 09 October, 2017 indicated overall progress at 25% despite 4 months having lapsed from the initial estimated project completion date of 27 June 2017. Physical verification on 20 April 2018 revealed that the contractor had abandoned the site with no ongoing activities on the ground. There were also no materials nor equipment indicative of the project having stalled. The contractor is behind schedule and cost escalations are inevitable.

2.2. Construction of Tseikuru Airstrip

As reported previously, a memorandum of understanding was entered into between National Youth Service (NYS) and the in November 2012 for the construction of Tseikuru Airstrip but was not signed. The scope in the memorandum phase 1 entailed: - 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 memorandum of understanding. Although management has indicated the overall project work progress for the phase to have been at 85% as of 30 June 2013, no evidence of progress reports were availed for audit review.

A review of the project in 2016/7 revealed that no progress had been made despite budgetary allocations of Kshs.117,993,000, Kshs.25,000,000 and Kshs.85,000,000 in the 2013/2014, 2014/2015 and 2015/16 respectively. Management has not explained how the funds allocated in the above three financial years totaling to Kshs.227,993,000 have been utilized.

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

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

2.3.1. 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.

2.3.2. Unapproved Variation of Scope - Temporary Runway

The scope of works under the contract as per tender documents and the signed agreement was as follows: -

- 1500M Long and 23M wide runway,
- Approximately 11,250M² apron,
- Approximate 2,500M² access road,

- 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 response from the Authority. 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 not been agreed to and documented.

2.3.3. Inspection Report

The contractor vide letter ref. KAA/ES/NANYUKI/931/C dated 15 June 2015 gave notice of completion of temporary runway and proposed handed over on 17 June, 2015 and 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 bad state and needed repair. This notwithstanding, an amount of Kshs.142,697,378 had been paid to the contractor by 30 June 2017.

2.3.4. Contractor's Claim on Temporary Runway

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

2.3.5. Other Claims on Termination of Contract

A review of the project file revealed that the contractor placed a claim of Kshs.955,275,371 for idle equipment and other costs related to contract termination through a letter Ref: Doch/Nanyuki Airstrip/Claim/Jan.04/01 and dated 24 January 2018. However, there was no evidence in file to show management has responded to the claim.

2.3.6. Engagement of Mechanical and Transport Fund

On 2 August, 2017, the management contracted Mechanical and Transport Fund Department vide a letter Ref: No KAA/ES/NANYUKI/931 to perform grading and gravelling work on temporary runway, apron and access roads at a cost of Kshs.6,910,565. In another letter Ref: NKI/ME/MTF/AISTRIP/125/3/5 dated 21 December, 2017 the Mechanical Department 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 Department 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.

2.4. Emergency Repairs Isiolo International Airport Runway

As reported in 2016/2017, the contract for above works was awarded on 10 March, 2017 at a contract sum of Kshs.82,434,788. The contract period was for 3 months commencing 7 April, 2017. A review of the project file and procurement records revealed the following unsatisfactory matters: -

2.4.1. Procurement

The Ag General Manager (P&ES) through a letter Ref. KAA/ES/ISO.Vol.2 (94) dated 6 February, 2017 requested the Managing Director for approval to use restricted tender method for this contract and the same was granted. Using the list of 10 prequalified contractors obtained from Kenya Rural Roads Authority (KERRA) vide a letter Ref.No.RM/KeRRA/9/Vol.1/67 dated 7 February, 2017. Bids were invited from the 10 firms on the same day of receipt and opened on 20 February 2017. Only 4 bidders returned their bids.

2.4.2. Evaluation

A review of evaluation report dated 28 February, 2017 revealed that only 1 of the 4 bidders that returned their passed the preliminary stage. The three firms failed the preliminary stage for lack of experience in undertaking similar works in the last 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 similar scope of works. Further, Section 56 of the Public Procurement and Assets Disposal Act 2015, provides that an entity is 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 the 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.

2.4.3. Slow Progress

Project progress report in file dated July 2017 indicates an overall progress of 37% despite being in the last month of the contract. The contractor was thus behind schedule in project delivery but there was no evidence of recovery of liquidated damages from contractor's payments in accordance with the contract terms. During the year under review no project progress reports have been made available for review, consequently I am unable to determine project status.

2.5. Kisumu Airport Runway Contract No.- KAA/ES/KSM/690/C

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 on March 2012, however the scope was scaled down in October 2013 due to inadequate funding from the 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 on 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 packaged at a contract sum of Kshs.436,067,579.87 thereby revising original contract sum by Kshs.102,949,515. Phase 2 works were to be executed in 28 Months; on 24 May 2016, and 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 approved expressly provided for in the original contract as inclusive of 16% VAT.

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.

2.6. Wajir International Airport Rehabilitation - KAA/ES/WAJIR/1075/C

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 of 24 April 2017. A review of the project file and procurement records revealed the following unsatisfactory matters: -

2.6.1. 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, in a letter Ref. MOT&I/C/AT/024/3 VOL.VIII/76 dated 21 December 2016, Principal Secretary for the state department of transport wrote to the Authority's Managing Director advising stoppage of the project due to the budgetary 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.

2.6.2. Evaluation and Award

A review of the technical evaluation report dated 17 December 2016 indicates that only one bid sailed 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 estimate.

3. 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. Although the equipment were supplied later than the stipulated timeline on 2 February 2018, the equipment continues to remain idle and uninstalled as at 31 January 2019. The room in which they were to be installed is 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.

4. 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 2018, Kshs.32,001,057 had been paid. However, the project progress could not be established as its progress reports were not made available for audit review. Consequently, I am unable to confirm the project status.

5. Proposed Fencing Works at Wilson Airport

The above contract was awarded on July 2015 at a contract sum of Kshs.86,923,727 and contract duration of ten (10) ending 10 June 2016 but later 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. Squatters had also encroached, denying the contractor access to some sections of the fence. The Project is behind schedule and may lead to cost escalations.

6. 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 contact sum of Kshs.6,249,683,529 and 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 2018 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 management did not make available the project progress reports and records as of 30 June 2018.

Emphasis of Matter

Contingent Liabilities and disputed pending claims

Note 45 to the financial statements discloses contingent liabilities and disputed pending bills. These relate to pending litigations in courts, tax assessment and claims against the Authority. Although the liabilities have not crystallized to warrant recognition in the financial statements by way of provisions, the magnitude of financial impact to the authority would be significant if the ruling would not be in its favour.

My opinion is not qualified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, except for the matters discussed in the Basis for Qualified Opinion section of my report, 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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

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 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and 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 governance.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to going concern and using the basis of accounting unless the Management either intends to liquidate the or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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 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 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.

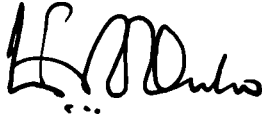
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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



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

Nairobi

23 August 2019

KENYA AIRPORTS AUTHORITY REPORT AND FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDING 30TH JUNE 2018

| | | 30th June 2018 | 30th June 2017 |
|---------------------------------|--------------|-------------------|-------------------|
| REVENUES | Notes | Kshs' 000 | Kshs' 000 |
| Operating Revenue | 27(a) | 16,936,043 | 15,899,029 |
| (Loss)/Gain on Assets Disposal | 27(b) | (411) | 2,625 |
| Other Income | 28(a) | 263,600 | 190,152 |
| Non Cash Income | 28(b) | 788,554 | 590,222 |
| TOTAL REVENUES | | 17,987,786 | 16,682,027 |
| | | | |
| OPERATING EXPENSES | | | |
| Administrative Expenses | 30(a) | 7,345,658 | 7,531,015 |
| Establishment Expenses | 30(b) | 3,958,881 | 3,365,549 |
| Other Expenses | 30(c) | 15,278 | 34,477 |
| TOTAL OPERATING EXPENSES | | 11,319,816 | 10,931,040 |
| | | | |
| OPERATING PROFIT | | 6,667,969 | 5,750,987 |
| Financial Income (Loss) | 28 (c) | (359,861) | 517,899 |
| Financial Costs | 29 | (532,852) | (756,817) |
| PROFIT BEFORE TAXATION | | 5,775,258 | 5,512,071 |
| INCOME TAX EXPENSE | 41 | (803,468) | (256,284) |
| PROFIT AFTER TAXATION | | 4,971,790 | 5,255,787 |

The notes on pages 41 to 70 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018

| | | 30th June 2018 | 30th June 2017 |
|--|----------------|-------------------|-------------------|
| | Notes | Kshs' 000 | Kshs' 000 |
| ASSETS & LIABILITIES:- | | | |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 31 | 50,360,119 | 50,773,193 |
| Intangible Assets | 32 | 484,567 | 870,181 |
| Total Non-Current assets | | 50,844,686 | 51,643,374 |
| Current Assets | | | |
| Inventories | 33 | 128,894 | 147,994 |
| Trade and Other Receivables | 34(a) | 14,321,565 | 10,604,369 |
| Balances held in Reserve Accounts | 35 | 2,324,107 | 2,221,651 |
| Cash and Cash Equivalents | 36(a) | 11,791,943 | 8,274,294 |
| Airstrips Fund Cash Balance | 36(b) | 2,301,414 | 1,366,998 |
| Deferred Tax Asset | 42 | 545,126 | 234,288 |
| Total Current assets | | 31,413,049 | 22,849,595 |
| TOTAL ASSETS | | 82,257,736 | 74,492,969 |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Government Grant | | 18,158,970 | 17,969,332 |
| Revaluation Reserve | | 988,739 | 988,739 |
| Retained Earnings | | 43,383,699 | 36,023,734 |
| Capital and Reserves | | 62,531,408 | 54,981,805 |
| Non- Current liabilities | | | |
| Airstrip Fund | 37 | 2,301,414 | 1,366,998 |
| Long Term Loans | 39 | 8,996,744 | 9,823,613 |
| Deferred Tax Liability | 42 | - | - |
| Total Non-Current Liabilities | | 11,298,159 | 11,190,611 |
| Current Liabilities | | | |
| Trade and Other Payables | 38 | 5,279,334 | 5,594,538 |
| Current Portion of Long Term Loan | 39(a) & 39(c) | 821,501 | 825,785 |
| Provisions for Liabilities and Charges | 40 | 2,327,331 | 1,900,232 |
| Total Current Liabilities | | 8,428,167 | 8,320,554 |
| TOTAL EQUITY AND LIABILITIES | | 82,257,736 | 74,492,969 |

The notes on pages 41 to 70 form an integral part of these financial statements. The financial statements on pages 36 to 39 were approved by the Board on

26/09/2018 and were signed on its behalf by:

Chairman

Managing Director/ Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY AS AT 30TH JUNE 2018

| | Government Grants Kshs.'000 | Revaluation Surplus Kshs.'000 | Retained Earnings Kshs.'000 | Total Kshs.'000 |
|---|--|--|--|----------------------------|
| At 1st July 2016 | | | | |
| As previously reported | 17,338,153 | 988,739 | 30,896,829 | 49,223,720 |
| Reinstated as at 30 June 2016 | 17,338,153 | 988,739 | 30,896,829 | 49,223,720 |
| Changes in equity in 2016/2017 | | | | |
| Deferred Income for the year | (590,222) | | | (590,222) |
| AFDB | 21,651 | | | 21,651 |
| Airstrip Funds*** | 983,259 | | | 983,259 |
| World Bank**** | 216,491 | | | 216,491 |
| Dividend payable | | | (128,883) | (128,883) |
| Profit/(loss) for the year | | | 5,255,788 | 5,255,788 |
| At 30th 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 |
| Adjustments | (35,568) | | | (35,568) |
| Adjustment on valuation | | | | - |
| Utilities and Services | | | | - |
| Dividend provision reversed | | | | - |
| Surplus/(deficit) on revaluation of property | | | - | - |
| Dividend payable | | | (128,000) | (128,000) |
| Tax expense adjustment | | | | |
| Prior Year Adjustment (Prepaid corporation tax) | | | 2,516,176 | |
| | 18,158,970 | 988,739 | 38,411,910 | 57,559,619 |
| Profit/(loss) for the year | - | - | 4,971,790 | 4,971,790 |
| At 31st March 2018 | 18,158,970 | 988,739 | 43,383,699 | 62,531,409 |

43,383,699,200.39

*Airstrip Funds: These relate to Kisumu Airport rehabilitation and expansion of runway & other pavements; Isiolo Airport infrastructure, facilities & equipment development projects; Wajir runway rehabilitation project

** World Bank. These relate to supply of ISMS at JKIA package 3A; expansion of passenger terminal facilities, design & installation of BHS at JKIA; supply & installation of information technology system at JKIA (equipment for arrival at T1D)

*** AFDB: The amount relates to second runway consultancy services at JKIA.

The notes on pages 41 to 70 are an integral part of these financial statements

KENYA AIRPORTS AUTHORITY
REPORT AND FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2018

| | Notes | 30th June 2018 Kshs.'000 | 30th June 2017 Kshs.'000 |
|--|-----------------|-----------------------------|--------------------------------|
| Operating activities | | | |
| Cash generated from/ (used in) operations | 43(a) | 6,273,340 | 7,356,426 |
| Interest received | 28 (c) | 246,648 | 155,661 |
| Net Cash generated from/ (used in) operating activities | | 6,519,988 | 7,512,087 |
| Investing Activities | | | |
| Cash from Investing activities | | | |
| Purchase of Property, Plant and Equipment | 31 | (2,786,391) | (2,664,528) |
| Additions Intangible Assets | 32 | (10,326) | (2,953) |
| Cash from Asset/Stores Disposal | | | 2,907 |
| Net Cash generated from/ (used in) investing activities | | (2,796,716) | (2,664,574) |
| Financing activities | | | |
| Cash flow from Financing activities | | | |
| Repayment of World Bank loan | 39(a) | (194,379) | (200,231) |
| Repayment of AFD loan | 39(c) | (627,124) | (625,553) |
| Refund of unutilized WB loan amount | 39(a) | - | - |
| Proceeds from long term borrowing from World Bank | 39(a) | 192,735 | - |
| Proceeds from long term borrowing from AFD Loan | 39(c) | - | - |
| Proceeds from Airstrips Fund | 37 | 1,457,558 | 687,963 |
| Disbursement of Airstrips fund | 37 | (112,514) | (124,885) |
| Provisions Utilised during the year | 40 | (214,101) | (293,198) |
| Grant received from World Bank | | 274,819 | 216,491 |
| Grant received from AFDB | | 64,839 | 21,651 |
| Dividend payment | | | (128,886) |
| Net Cash generated from/ (used in) financing activities | | 841,833 | (446,651) |
| Net Decrease (Increase) in cash and cash equivalents | | 4,565,105 | 4,400,862 |
| Cash & cash equivalents at 1st July 2017 | | 11,862,942 | 7,472,118 |
| Effects of exchange rate changes | | (10,583) | (10,038) |
| Cash and cash equivalents at 30th June, 2018 | 43 (c) | 16,417,464 | 11,862,942 |

The notes on pages 41 to 70 are an integral part of these financial statements

KENYA AIRPORTS AUTHORITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR 2017/2018

| Revenue | Actual | 2017/2018 (A) | Budget | 2017/2018 (B) | Actual 2016/2017 | Budget Variance | Actual Variance | % | Note |
|----------------------------------|--------------------------|--------------------------|--------------------------|-------------------------|-------------------------|-----------------|-----------------|---|------|
| Aeronautical Revenues | 14,114,565,617.43 | 14,398,644,480.00 | 13,341,805,301.33 | (284,078,862.57) | 772,760,316.10 | -2% | (a) | | |
| Non Aeronautical Revenues | 2,821,477,347.00 | 3,349,971,425.00 | 2,557,223,772.12 | (528,494,078.00) | 264,253,574.88 | -16% | (b) | | |
| Other Revenues | 1,298,801,082.42 | 283,151,006.00 | 938,659,336.37 | 1,015,650,076.42 | 360,141,746.05 | 359% | (c) | | |
| Total Revenues | 18,234,844,046.85 | 18,031,766,911.00 | 16,837,688,409.82 | 203,077,135.85 | 1,397,155,637.03 | 1% | | | |
| Operating Expenses | | | | | | | | | |
| Staff Costs | 4,686,474,117.88 | 5,536,927,612.00 | 4,745,806,000.00 | 850,453,494.12 | 59,331,882.12 | 15% | (d) | | |
| Depreciation & Amortization | 3,138,762,340.42 | 3,092,314,403.00 | 2,678,381,000.00 | (46,447,937.42) | (460,381,340.42) | -2% | | | |
| Repairs & Maintenance | 820,117,513.68 | 1,889,254,340.00 | 687,167,000.00 | 1,069,136,826.32 | (132,950,513.68) | 57% | (e) | | |
| Administration Expenses | 2,674,463,297.49 | 3,514,397,037.00 | 2,819,687,180.00 | 839,933,739.51 | 145,223,882.51 | 24% | (f) | | |
| Total Operating Expenses | 11,319,817,269.47 | 14,032,893,393.00 | 10,931,041,180.00 | 2,713,076,123.53 | (388,776,089.47) | 19% | | | |
| Operating Profit | 6,915,026,777.38 | 3,998,873,518.00 | 5,906,647,229.82 | 2,916,153,259.38 | 1,785,931,726.50 | 49% | | | |
| Finance Costs | 532,852,080.82 | 530,046,539.00 | 756,816,619.96 | (2,805,541.82) | 223,964,539.14 | -1% | | | |
| Realized/ Unrealized Gain/(Loss) | (606,508,345.93) | - | 362,237,772.10 | | | | | | |
| Profit/(Loss) | 5,775,666,350.63 | 3,468,826,979.00 | 5,512,068,381.96 | 2,306,839,371.63 | 263,597,968.67 | | | | |

- a) For the year ended 30th June, 2018, the Authority recorded Kshs 14.1 billion on aeronautical revenues against the budgeted revenues of Kshs 14.4 billion, un favorable budget variance of Kshs 0.28 billion. The budgeted revenue was derived using an average exchange rate of Ksh 103 against the dollar, however an average rate of Kshs 101 was recorded.. The 6% year on year growth in aeronautical revenues is due to growth in passenger and aircraft movements.
- b) For the year ended 30th June, 2018, the Authority recorded Kshs 2.82 billion of non-aeronautical revenues against the budgeted revenues of Ksh 3.35 billion. This shortfall was due to delays in implementing of business initiatives that had been budgeted. However, year on year, these revenues grew by 8% from Kshs 2,613 million in the 2016/17 financial year.
- c) The favorable budget variance is due to growth in investment income and amortization income which was not in the budget. Amortization income is in respect to assets granted to the Authority by the Government of Kenya and donations received from donors. It is accounted for in the income statement on a straight line basis over the useful life of the related assets
- d) Staff costs recorded a favorable budget variance of 15% (Kshs 850 million) to reach Kshs 4.7 billion against the budget of Kshs 5.5 billion. The variance is attributable to the budget which incorporated higher salary adjustments than was actually approved.
- e) There was a favorable variance of 57% (Kshs.1.06 billion) in 2018 to reach Kshs 824 million against the budget of Kshs.1.88 billion. Delayed procurement of BHS and X-Ray spares and repair works for JKIA contributed to the favorable budget variance. However, in comparison to same period last year (2016/2017), there was 19% increase (Kshs 137 million) due to higher maintenance activities undertaken during the period under review
- f) The decrease was due to savings in cleaning, environmental and legal expenses during the period

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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

i. Relevant new and revised IFRSs Adopted by the company

No new and revised Standards and Interpretations have been adopted in the current year

ii. Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2018

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

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With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting.

- Mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Authority anticipate that the application of IFRS 9 in the future will not have a significant impact on amounts reported in respect of the Authority's financial assets and financial liabilities.

IFRS 15 Revenue from Contracts with Customers

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Authority however derives a substantial amount of its revenue from cash sales, and the directors do not anticipate that the application of IFRS 15 will have a significant impact on the amounts reported in respect of the Authority's revenue from contracts with customers.

IFRS 16 'Leases' (Issued in January 2017) effective for annual periods beginning on or After 1 January 2019, replaces IAS 17 'Leases' IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC -15 and SIC -27). IFRS 16 establishes principles for recognition, measurement, presentation and disclosure of leases with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Amendments to IAS 40 'Transfers of Investment Property' (issued in December 2017) that are effective for annual periods beginning on or after 1 January 2018, clarify that transfers to or from investment property should be made when, and only when, there is evidence that a change in use of property has occurred.

Amendment to IFRS 1 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016) that is effective for annual periods beginning on or after 1 January 2018, deletes certain short-term exemptions and removes certain reliefs for first-time adopters.

Amendments issued in June 2017 to IFRS 2 'Share - based Payment' which are effective for annual periods beginning on or after 1 January 2018 clarify the effects of vesting conditions on cash settled schemes, treatment of net settled schemes and modifications for equity settled schemes.

Amendments to IFRS 4 titled Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (issued in September 2017) that are effective for annual periods beginning on or after 1 January 2018 include a temporary exemption from IFRS 9 for insurers that meet specified criteria and an option for insurers to apply the overlay approach to designated financial.

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% |

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

| | |
|--|-------|
| 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.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 handling charges, and is determined on the moving average price method.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2018.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 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:

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

| 30th June 18 | Fully Performing Kshs'000 | Past due but not Impaired Kshs'000 | Past due and Impaired Kshs'000 | Total Kshs'000 |
|--|--------------------------------------|---|---|---------------------------|
| Trade receivables | 7,467,853 | - | 731,422 | 8,199,275 |
| Other receivables | 6,796,717 | - | 78,790 | 6,875,506 |
| Fixed Deposits, Call Deposits & Treasury Bills | 9,637,008 | - | - | 9,637,008 |
| Reserve Account | 2,324,107 | - | - | 2,324,107 |
| Cash at bank | 4,456,349 | - | - | 4,456,349 |
| Gross Financial Assets | 30,682,034 | - | 810,212 | 31,492,245 |

Past due and Impaired

| As at 30th June | 2018 Kshs'000 | 2017 Kshs'000 |
|-----------------------------------|--------------------------|--------------------------|
| Bad Debts | 731,116 | 731,116 |
| Term Deposits-Prudential Bank | 78,790 | 78,790 |
| Other Receivables | 306 | 306 |
| | <u>810,212</u> | <u>810,212</u> |

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

25. Risk management objectives and policies (Continued)

i) Credit Risk (Continued)

An impairment provision of Kshs. 731 Million (**2017: 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 2018 | | | |
| Trade payables | 2,709,856 | - | 2,709,856 |
| Other payables | | 2,569,481 | 2,569,481 |
| Interest bearing Loans | 821,503 | 8,996,744 | 9,818,247 |
| Total | 3,531,358 | 11,566,225 | 15,097,583 |
| Year ended 30th June 2017 | | | |
| Trade payables | 2,157,759 | - | 2,157,759 |
| Other payables | 9,714 | 3,427,065 | 3,436,779 |
| Interest bearing Loans | 825,784 | 9,823,613 | 10,649,398 |
| Total | 2,993,258 | 13,250,678 | 16,243,937 |

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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.96 Million (2017: Shs 104 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 2018 | 30 th June 2017 |
| Financial Assets | | |
| Bank and cash balances | 45,700 | 38,025 |
| Term deposits | 72,705 | 29,584 |
| Trade receivables | 31,643 | 28,958 |
| Other receivables | 38,179 | 37,141 |
| Sub Total | 188,227 | 133,708 |
| Financial liabilities | | |
| Trade payables | 4,344 | 4 |
| Other payables | 3,567 | 1,867 |
| Long Term Loans | 75,694 | 75,718 |
| Short Term loan (Payable within one year) | 6,056 | 6,187 |
| Sub Total | 89,661 | 83,776 |
| Net exposure | 98,566 | 49,932 |

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

30. Risk management objectives and policies (Continued)

As at 30th June 2018, 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 1,047 Million (**2017- Kshs 531 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:

| | 2017/2018 Kshs'000 | 2016/2017 Kshs'000 |
|---|-------------------------------------|-------------------------------------|
| Total borrowings (Note 39) | 9,818,248 | 10,649,398 |
| Less: cash and cash equivalents (Note 43 c) | 16,417,464 | 11,862,943 |
| Net debt/(savings) | 6,599,216 | 1,213,595 |
| Total equity | 62,531,408 | 54,981,804 |
| Gearing (net debt over total capital resources) | 11% | 2% |

KENYA AIRPORTS AUTHORITY REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

| | 30th June 2018 | 30th June 2017 |
|---|-------------------|-------------------|
| Revenues | Kshs' 000 | Kshs.'000 |
| 27(a) Operating Revenue | | |
| Aeronautical Revenue | | |
| Airport Passenger Service Charge Fund | 10,147,238 | 9,567,298 |
| Landing and Parking | 3,396,166 | 3,273,616 |
| Airbridge Charges | 252,298 | 189,163 |
| Fuel Uplift | 307,078 | 298,809 |
| Other Aeronautical Revenue | 11,785 | 12,919 |
| Total Aeronautical Revenue | 14,114,566 | 13,341,805 |
| Non Aeronautical Revenue | | |
| Rentals | 850,938 | 758,833 |
| Concessions | 1,880,309 | 1,700,977 |
| Security Passes Income | 89,044 | 96,675 |
| Other Non aeronautical revenue | 1,187 | 740 |
| Total Non Aeronautical Revenue | 2,821,477 | 2,557,224 |
| Total Operating Revenue | 16,936,043 | 15,899,029 |
| | | |
| 27(b) (Loss)/Gain on Assets Disposal | | |
| (Loss)/Gain on Assets Disposal | (411) | 2,625 |
| | | |
| 28 (a) Other Income | | |
| Sale of Tender documents | 112 | 422 |
| Interest on Staff Loans | 2,788 | 2,392 |
| Fines and Penalties | 4,242 | 2,935 |
| Other Income | 256,457 | 184,402 |
| | 263,600 | 190,152 |
| | | |
| 28 (b) Non Cash Income | | |
| Provisions Reversed | - | - |
| Deferred Income | 788,554 | 590,222 |
| | 788,554 | 590,222 |
| | | |
| 28 (c) Financial Income (Loss) | | |
| Investment Income | 229,518 | 128,951 |
| Bank Interest | 17,130 | 26,710 |
| Exchange gain (loss) on Forex | (606,508) | 362,238 |
| | (359,861) | 517,899 |
| | | |
| 29 Financial Costs | | |
| Interest Expense | 532,852 | 756,817 |
| | 532,852 | 756,817 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 30th June 2018 | 30th June 2017 |
|---|------------------|------------------|
| Profit/(loss) before tax expenses/income | | |
| 30 (a) Administrative Expenses | Kshs' 000 | Kshs.'000 |
| i) Staff Costs -Note 35 (d) | 4,686,474 | 4,745,806 |
| ii) Other Administrative expenses | | |
| Electricity and Water | 712,666 | 692,754 |
| Communication services and supplies | 25,389 | 23,538 |
| Transportation, Travelling and Subsistence | 94,283 | 99,854 |
| Advertising, Printing , Stationery and Photocopying | 17,395 | 18,935 |
| Marketing and Promotion Expenses | 79,131 | 77,110 |
| Staff Training Tuition and Subsistence | 98,651 | 80,172 |
| Insurance costs | 134,553 | 164,595 |
| Bank charges | 3,236 | 3,007 |
| Loss on Assets Disposal | - | |
| KRA Commission | 237,357 | 220,750 |
| Legal Fees | 109,239 | 194,203 |
| Consultancy Fees | 21,585 | 28,189 |
| Stores consumed | 237,919 | 147,709 |
| Cleaning Services | 272,141 | 282,603 |
| Environmental Preservation | 139,551 | 159,828 |
| VAT Expense -Non Allowable | 325,018 | 470,891 |
| Other Operating Expenses | 151,071 | 121,075 |
| | 2,659,184 | 2,785,210 |
| iii) Administrative Expenses | 7,345,658 | 7,531,015 |
| 30(b) Establishment Expenses | | |
| Repairs and Maintenance | 820,118 | 687,167 |
| Depreciation of property, plant and Equipment | 2,739,995 | 2,369,030 |
| Intangible Assets | 398,767 | 309,351 |
| | 3,958,881 | 3,365,549 |
| 30(c) Other Expenses | | |
| Directors' Emoluments | 13,048 | 32,247 |
| Audit Fees | 2,230 | 2,230 |
| | 15,278 | 34,477 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| 30 (d) Staff Costs | 30th June 2018 | 30th June 2017 |
|---------------------------------------|---------------------------|-----------------------|
| | Kshs' 000 | Kshs.'000 |
| Salaries and Wages | 3,429,925 | 3,515,455 |
| Contractual Staff (One month & above) | 67,978 | 59,068 |
| Pension Fund Costs | 313,897 | 299,883 |
| NSSF Company Contribution | 4,768 | 4,937 |
| Group Life Insurance Costs | 13,364 | 15,051 |
| Group Personal Accident (GPA) | 11,030 | 11,724 |
| Other Staff Costs | 845,512 | 839,687 |
| | 4,686,474 | 4,745,806 |

31 Property, Plant & Equipment

| 2016 | 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, 2016 | 249,263 | 6,901,205 | 16,147,206 | 25,708,956 | 9,983,013 | 1,228,091 | 60,217,734 |
| Additions | | | 2,611,266 | | 46,635 | 19,396 | 2,677,297 |
| Transfers | | | (13,136,094) | 6,739,957 | 5,292,708 | 1,103,429 | - |
| Reclassification | | | | | | | |
| Transfer to Intangible assets | | | (397,474) | | | | (397,474) |
| Reclassification | | | (383,484) | (480,163) | (30,587) | | (894,234) |
| Write off | | | | | | | |
| Disposal | | | | | (2,700) | (956) | (3,656) |
| At June 30, 2017 | 249,263 | 6,901,205 | 4,841,419 | 31,968,750 | 15,289,069 | 2,349,959 | 61,599,668 |
| DEPRECIATION | | | | | | | |
| At July 1, 2016 | - | 1,310,708 | | 5,335,261 | 1,350,993 | 463,727 | 8,460,688 |
| Charge for the year | | 69,709 | | 1,200,821 | 732,370 | 366,130 | 2,369,030 |
| Eliminated on disposal | | | | | (2,291) | (954) | (3,245) |
| At June 30, 2017 | - | 1,380,417 | - | 6,536,082 | 2,081,072 | 828,902 | 10,826,473 |
| NET BOOK VALUE | | | | | | | |
| At June 30, 2017 | 249,263 | 5,520,788 | 4,841,419 | 25,432,669 | 13,207,997 | 1,521,057 | 50,773,193 |
| 2017 | | | | | | | |
| COST OR VALUATION | | | | | | | |
| At July 1, 2017 | 249,263 | 6,901,205 | 4,841,419 | 31,968,750 | 15,289,069 | 2,349,959 | 61,599,667 |
| Additions | | | 2,176,114 | | 143,742 | 56,607 | 2,376,463 |
| Reclassification | | (45,000) | (9,554) | | | | (54,554) |
| Transfer | | | (2,899,702) | 2,193,196 | 688,590 | 17,916 | (0) |
| Transfer to Operating expenses | | | | | | | - |
| Transfers within AUC | | | | | | | - |
| Provisions paid during the year | | | | | | | - |
| Capitalised from acquisition | | | (384,580) | 64,124 | 221,599 | 98,858 | 0 |
| Transfer to Intangible assets from acquisition | | | | | | | - |
| Transfer to Intangible assets | | | (2,826) | | | | (2,826) |
| Write off | | | | | | | - |
| Disposal | | | | | (4,709) | (10,395) | (15,105) |
| At June 30, 2018 | 249,263 | 6,856,205 | 3,720,871 | 34,226,070 | 16,338,290 | 2,512,944 | 63,903,646 |
| 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 | 2,739,995 |
| Impairment loss | | | | | | | - |
| Eliminated on write off | | (9,432) | | | | | (9,432) |
| Eliminated on disposal | | | | | (3,255) | (10,256) | (13,510) |
| At June 30, 2018 | - | 1,440,581 | - | 7,819,346 | 2,943,145 | 1,340,455 | 13,543,526 |
| NET BOOK VALUE | | | | | | | |
| At June 30, 2018 | 249,263 | 5,415,624 | 3,720,871 | 26,406,726 | 13,395,146 | 1,172,488 | 50,360,119 |
| FULLY DEPRECIATED ASSETS | | | | | | | |
| At June 30, 2017 | - | | - | - | 793,696 | 314,912 | 1,108,608 |
| At June 30, 2018 | - | | - | - | 940,346 | 337,261 | 1,277,607 |

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. 1,277,607,101 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 runway capacities of JKIA through construction of the second runway and of Moi International Airport by rehabilitating the entire pavement with modern facilities, facility and infrastructure uplift for Malindi and Wilson Airports and Ukunda Airstrip etc

KENYA AIRPORTS AUTHORITY REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 30th June 2018 | 30th June 2017 |
|-----------------------------|------------------|------------------|
| | Kshs' 000 | Kshs.'000 |
| 32 Intangible Assets | | |
| Cost | | |
| At 1st July | 1,254,649 | 857,175 |
| Transfers from AUC | 2,826 | 394,521 |
| Additions during the year | 10,326 | 2,953 |
| At end of the year | <u>1,267,800</u> | <u>1,254,649</u> |
| Amortisation | | |
| At 1st July | 384,466 | 75,117 |
| Charge for the year | 398,767 | 309,351 |
| At end of the year | <u>783,233</u> | <u>384,468</u> |
| Net book amount | | |
| At end of the year | <u>484,567</u> | <u>870,181</u> |

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 56,701,389.77

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 30th June 2018 | 30th June 2017 |
|--|-------------------|----------------|
| | Kshs' 000 | Kshs.'000 |
| 33 Inventories | | |
| Inventories comprises:- | | |
| Hardware | 2,251 | 2,480 |
| Electrical, Electronics & Electro-Mechanical | 15,561 | 15,781 |
| Stationery & Office Supplies | 18,243 | 13,253 |
| Petrol, Oil and Lubricants | 8,389 | 8,951 |
| Motor Vehicles Spares | 922 | 1,166 |
| Environment & Cleaning Materials | 527 | 409 |
| Fire & rescue spares | 78,288 | 105,954 |
| Inv-Obsolete Stocks | 10,862 | 9,963 |
| | 135,044 | 157,957 |
| Less provision for obsolete stock | (6,150) | (9,963) |
| | 128,894 | 147,994 |

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)

| | 30th June 2018 | 30th June 2017 |
|--|-------------------|-------------------|
| | Kshs' 000 | Kshs.'000 |
| 34(a) Trade and Other Receivables | | |
| Trade receivables | 8,199,275 | 5,985,521 |
| Term Deposit | 78,790 | 78,790 |
| Prepayments - Greenfield Project | 4,043,684 | 4,043,684 |
| Prepayments - Others | 1,831,345 | 1,165,903 |
| Staff receivables | 124,794 | 140,683 |
| Prepaid - Other Advance Tax | 56,995 | |
| Prepaid Corporation Tax | 796,894 | - |
| Gross trade and other receivables | 15,131,776 | 11,414,581 |
| Provision for bad and doubtful receivables - Note 34 (b) | (731,116) | (731,116) |
| Investment Provisions -Note 34 (c) | (78,790) | (78,790) |
| Provision for other unrecoverable receivables | (306) | (306) |
| Total provisions | (810,212) | (810,212) |
| Net trade and other receivables | 14,321,565 | 10,604,369 |
| | | |
| 34(b) Bad Debts Provision (Specific) | 2017/2018 | 2016/2017 |
| | Kshs.'000 | Kshs.'000 |
| As at July 1 | 731,116 | 731,116 |
| Additions | - | - |
| As at end of the year | 731,116 | 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)

| | 30th June 2018 | 30th June 2017 |
|---|-------------------|------------------|
| 35 Balances held in Reserve Accounts | Kshs' 000 | Kshs.'000 |
| Barclays Bank Paris-AFD Loan Reserve Account | 1,905,042 | 1,778,072 |
| Barclays Bank Kenya-AFD Loan Debt Service A/C | 419,065 | 443,578 |
| | <u>2,324,107</u> | <u>2,221,651</u> |

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.

| | 30th June 2018 | 30th June 2017 |
|--|-------------------|------------------|
| 36(a) Cash and Cash Equivalents | Kshs' 000 | Kshs.'000 |
| Cash in hand and at bank | 3,825,679 | 4,228,678 |
| Call Deposits | 83,633 | 75,332 |
| Treasury Bills | 96,019 | 523,210 |
| Fixed Deposits | 7,786,611 | 3,447,075 |
| | <u>11,791,943</u> | <u>8,274,294</u> |

Included in the Fixed deposit is an amount of Kshs.379,504,584.95 being a revolving fund facility with Housing Finance for mortgage facilities for the Authority's staff.

| | 30th June 2018 | 30th June 2017 |
|--|-------------------|------------------|
| 36(b) Airstrips Fund Cash Balance | Kshs' 000 | Kshs.'000 |
| Cash at bank | 630,669 | 150,953 |
| Treasury Bills | 481,995 | 966,181 |
| Fixed Deposits | 1,188,749 | 249,864 |
| | <u>2,301,413</u> | <u>1,366,998</u> |

| | 30th June 2018 | 30th June 2017 |
|------------------------------------|-------------------|------------------|
| 37 Airstrip Fund | Kshs' 000 | Kshs.'000 |
| As at beginning of the year | 1,366,998 | 1,778,085 |
| Received during the year | 1,302,500 | 554,000 |
| Interest earned | 155,058 | 133,963 |
| Total Receipts | 1,457,558 | 687,963 |
| Airport disbursements (GOK grants) | (410,629) | (983,259) |
| Airstrip disbursements | (112,514) | (115,791) |
| As at end of the year | <u>2,301,413</u> | <u>1,366,998</u> |

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 REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| 38 Trade and Other Payables | 30th June 2018 | 30th June 2017 |
|------------------------------------|---------------------------|---------------------------|
| | Kshs' 000 | Kshs.'000 |
| Trade Payables | 2,709,856 | 2,157,759 |
| Pension Liability | 1,481,154 | 1,841,154 |
| Security Deposits | 102,836 | 95,052 |
| Tax Liability | 105,143 | 669,513 |
| Retention payable | 874,770 | 824,058 |
| Staff Creditors | 5,577 | 7,003 |
| | 5,279,335 | 5,594,538 |

| 39 Long Term Loans | 30th June 2018 | 30th June 2017 |
|-----------------------------|---------------------------|---------------------------|
| | Kshs' 000 | Kshs.'000 |
| World Bank Loan -Note 44(a) | 2,169,343 | 2,170,988 |
| AFD Loan -Note 44(c) | 7,648,904 | 8,478,410 |
| | 9,818,247 | 10,649,398 |
| Due within the year | 821,502 | 825,785 |
| Due after 1 year | 8,996,744 | 9,823,613 |

KENYA AIRPORTS AUTHORITY REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 30th June 2018 | 30th June 2017 |
|--|-------------------|------------------|
| | Kshs' 000 | Kshs.'000 |
| 39(a) World Bank Loan | | |
| Balance b/f | 2,170,988 | 2,371,219 |
| Received during the year | 192,735 | - |
| Refund of unutilised Loan to Int'l Development Association IDA | - | - |
| Repayments during the year | (194,379) | (200,231) |
| Total loan outstanding | 2,169,343 | 2,170,988 |
| Transferred to Grant | | |
| less: Amounts due in one year | (194,379) | (200,231) |
| Balance c/f | 1,974,964 | 1,970,757 |

| | 30th June 2018 | 30th June 2017 |
|--|-------------------|------------------|
| | Kshs' 000 | Kshs.'000 |
| 39(b) Analysis of World Bank loan per project | | |
| Northern Corridor Transport Improvement Project | 1,878,301 | 2,072,680 |
| Kenya Transport Sector Support Projects | 121,043 | 98,308 |
| KAMP | 170,000 | - |
| | 2,169,343 | 2,170,988 |
| less: Amounts due during the year | (194,379) | (200,231) |
| | 1,974,964 | 1,970,757 |

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

| | 30th June 2018 | 30th June 2017 |
|---|-------------------|------------------|
| | Kshs' 000 | Kshs.'000 |
| 39(c) Agence Francaise De Developpement (AFD) Loan | | |
| Balance as at 1st July | 8,478,410 | 8,877,312 |
| Amount Received | - | - |
| Exchange Gain/(Loss) | (202,382) | 226,651 |
| Loan Repayment | (627,124) | (625,553) |
| Total loan outstanding | 7,648,904 | 8,478,410 |
| less: Amount due during the year | (627,124) | (625,553) |
| Balance c/f | 7,021,779 | 7,852,855 |

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.

KENYA AIRPORTS AUTHORITY REPORT AND FINANCIAL STATEMENTS

40 Provision for liabilities and charges

| | Dividend Kshs.'000 | Leave Pay Kshs.'000 | Others Kshs.'000 | Total Kshs.'000 |
|---|-------------------------------------|--------------------------------------|-----------------------------------|----------------------------------|
| At 1st July 2017 | 128,886 | 52,770 | 1,585,464 | 1,767,120 |
| Under stated Opening Balance | | | | - |
| Reclassification | | | | - |
| Net increase charged to profit and loss | 128,886 | 13,049 | 993,993 | 1,135,928 |
| Utilized during the year | (128,886) | | (164,312) | (293,198) |
| Unutilised & Reversed during the year | | | (709,618) | (709,618) |
| At end of year | 128,886 | 65,819 | 1,705,527 | 1,900,232 |
| Less: current portion | - | - | - | - |
| Non current portion | 128,886 | 65,819 | 1,705,527 | 1,900,231 |
| At 1st July 2017 | 128,886 | 65,819 | 1,705,527 | 1,900,232 |
| 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 30th June 2018 | 128,886 | 31,854 | 2,166,593 | 2,327,331 |

KENYA AIRPORTS AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

| 41 Tax expense/ income | 30th June 2018 | 30th June |
|---|-----------------------|------------------|
| Tax | | 2017 |
| | Kshs' 000 | Kshs.'000 |
| Balance Sheet | | |
| Balance bfwd | 642,354 | 277,952 |
| Charge for the year | 1,114,306 | 364,402 |
| Paid during the year | | |
| Balance cfwd | 1,756,660 | 642,354 |
| | | |
| Profit and Loss account | | |
| Current Tax at 30%(2016/17: 30%) on the taxable profit for the year | 1,114,306 | 364,402 |
| Deferred Taxation charge/(credit) (note 42) | (310,838) | (108,118) |
| Tax Expense | 803,468 | 256,284 |

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

| | 30th June 2018 | 30th June |
|--|-----------------------|------------------|
| | | 2017 |
| | Kshs.'000 | Kshs.'000 |
| Accounting profit before taxation | 5,775,258 | 5,512,071 |
| Tax applicable rate of 30% (2016/2017: 30%) | 1,732,577 | 1,653,621 |
| Tax effects of: | | |
| Net (revenue)/expense not deductible for tax purposes | (618,271) | (1,289,489) |
| (Reversing)/originating temporary differences | (310,838) | (108,118) |
| | 803,468 | 256,014 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)**42 Deferred Tax Liability**

Deferred income tax is calculated using the income tax rate of 30% (2016/17 -30%).
The movement on the deferred income tax account is as follows:-

| | 30th June 2018 | 30th June 2017 |
|---------------------------------------|-----------------------|---------------------------|
| | Kshs' 000 | Kshs.'000 |
| Balance at the beginning of the year | 234,288 | 126,170 |
| Charged/(credited) to Profit or Loss | 310,838 | 108,118 |
| At end of year | 545,126 | 234,288 |

KENYA AIRPORTS AUTHORITY
QUARTER THREE REPORT AND FINANCIAL STATEMENTS

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

| | 30th June 2018 | 30th June 2017 |
|---|--------------------|--------------------|
| | Kshs' 000 | Kshs.'000 |
| Operating profit before tax | 5,775,258 | 5,512,071 |
| Depreciation and Amortization Expense | 3,138,762 | 2,678,381 |
| Amortization Income | (788,554) | (590,222) |
| Write back on provision | 72,587 | 63,858 |
| Gain /(Loss) on Disposal of property, plant and equipment | - | (2,625) |
| Net Exchange loss/ (gain) on Forex | 595,925 | (362,238) |
| Utilised provisions | - | - |
| Interest received | (246,648) | (155,661) |
| Reclassification from AUC | 9,554 | 248,473 |
| Material Inventory (loss) | 11,210 | 10,291 |
| Provisions | 842,675 | 1,007,042 |
| Operating profit/(loss) before working capital changes | 9,410,770 | 8,409,370 |
| (Increase)/decrease in inventories | 19,100 | (71,050) |
| (Increase)/decrease in trade and other receivables | (3,717,195) | (1,565,895) |
| Increase/(decrease) Trade payables and accruals | (315,204) | 359,189 |
| (Increase)/decrease Deferred Tax Assets | 875,869 | 224,811 |
| | (3,137,430) | (1,052,945) |
| Cash generated from/(used in) operations | 6,273,340 | 7,356,425 |

43(b) Analysis of changes in loans

| | | |
|-------------------------------------|-------------------|------------------|
| Balance at beginning of the year | 9,448,445 | 10,274,230 |
| Receipts during the year | 192,735 | - |
| Refund of unutilized WB loan amount | - | - |
| Repayments during the year | 821,501 | (825,784) |
| Balance at end of the year | 10,462,680 | 9,448,445 |

43(c) Analysis of cash and cash equivalents

| | | | |
|---------------------------------------|-----------|-------------------|-------------------|
| Balances held in Reserve Accounts | Annex I | 2,324,107 | 2,221,651 |
| Treasury Bills - KAA | Annex II | 96,019 | 523,210 |
| Treasury Bills - Airstrip Fund | Annex II | 481,995 | 966,181 |
| Short term deposits - KAA | Annex III | 7,870,245 | 3,522,407 |
| Short term deposits - Airstrip Fund | Annex III | 1,188,749 | 249,864 |
| Cash at hand and bank - KAA | Annex IV | 3,825,679 | 4,228,678 |
| Cash at hand and bank - Airstrip Fund | Annex IV | 630,669 | 150,953 |
| Balance at end of the year | | 16,417,464 | 11,862,943 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44 Commitments

| | 30th June 2018 | 30th June 2017 |
|--|----------------|----------------|
| | Kshs' 000 | Kshs.'000 |
| a) Contracted but not provided for in the financial statements. | 1,047,930 | 906,849 |
| b) Commitments approved and authorised but not contracted for at the close of the year | 658,293 | 269,446 |
| c) Letters of Credit | - | 82,903 |

45 Contingent liabilities and disputed pending claims

a) Contingent liabilities

Contingent liabilities relate to 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. 23.49 billion. The following are summaries of the main claims: -

- 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.
- 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 AMS Properties Limited vs KAA. The plaintiff seeks to compel the Authority to offer compensation of Kshs. 996,650,255 for the unused parcel of land title LR 209/12221 where the plaintiff had intended to construct residential houses but was obstructed by the Authority.
- v 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.
- vi 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 plaintiffs claim for compensation is Kshs. 766,250,000.
- vii Galot Holdings Ltd vs KAA KCAA AG. This is a claim for Kshs 504,335,500 arising from a suit by the claimant seeking an injunction to restrain KAA from acquisition of LR No. 24092 along Mombasa Rd .
- viii 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.351,319,512).

NOTES TO THE FINANCIAL STATEMENTS (Continued)**b) Disputed Pending Claims**

These comprise unverified and disputed claims lodged by various contractors. As at 30th June 2018, the gross value of these claims amounted to Kshs. 22.94 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 Doch Construction Limited: The Contractor has lodged a Kshs. 955,275,371 claim for termination of contract for rehabilitation of Nanyuki Airstrip runway.
- iii 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).

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.

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 September 2017 was 1,996; as at 31st December 2017 was 1,989; as at 31st March 2018 was 1,978; as at 30th June, 2018 1,967 (2016/2017 - 2021).

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, 2018 was Kshs. 101.05 per USD 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Related Party Disclosures

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

| | 30th June 2018 | 30th June 2017 |
|---|------------------|-------------------|
| | Kshs' 000 | Kshs.'000 |
| a) Directors Emoluments | | |
| Remuneration | 214 | 960 |
| Other Emoluments | 12,834 | 31,287 |
| | 13,048 | 32,247 |
| b) Key Management Compensations | | |
| Salary | 156,152 | 128,166 |
| Other Benefits | 23,577 | 29,142 |
| | 179,730 | 157,309 |
| c) National Government | | |
| Grants received through the Government | - | - |
| AFDB | 64,839 | 21,651 |
| World Bank Grant | 274,819 | 216,491 |
| | 339,658 | 238,141 |
| d) Ministry of Transport and Infrastructure | | |
| Grants disbursed through the Ministry of Transport and Infrastructure | | |
| Airstrip Funds | 674,102 | 983,259 |
| e) Kenya Civil Aviation Authority | | |
| Amount paid to KCAA | 1,218,297 | 1,069,650 |
| Amount owing as at 30th June 2018 | 1,007,654 | 977,695 |
| | 2,225,951 | 2,047,345 |

Additional Information (Continued)**Five year Financial and Statistical Records**

| | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Aeronautical Revenue | Kshs.'000 | Kshs.'000 | Kshs.'000 | Kshs.'000 | Kshs.'000 |
| Landing and Parking | 2,523,550 | 2,751,477 | 3,031,646 | 3,273,616 | 3,396,166 |
| Airbridge Charges | 19,369 | 120,308 | 147,853 | 189,163 | 252,298 |
| Other Aeronautical Revenue | 4,803 | 14,226 | 15,817 | 12,919 | 11,785 |
| Rentals | 567,041 | 584,323 | 721,835 | 758,833 | 850,938 |
| Concessions | 1,408,910 | 1,725,616 | 1,770,900 | 1,999,786 | 2,187,388 |
| Other Non aeronautical revenue | 287,496 | 77,434 | 98,107 | 97,414 | 90,231 |
| Airport Passenger Service Charge | 6,211,930 | 6,729,443 | 6,719,313 | 9,567,298 | 10,147,238 |
| Total Operating Revenue | 11,023,099 | 12,002,827 | 12,505,471 | 15,899,029 | 16,936,043 |
| Other Revenue | | | | | |
| Other income | 73,171 | 381,218 | 332,200,2489 | 780,374 | 1,052,153.42 |
| Financial Income | 92,222 | 488,000 | (139,991) | 517,899 | (359,861) |
| | 11,188,494 | 12,872,044 | 25,203,150 | 17,197,302 | 17,628,336 |
| Financial Costs | 75,270 | 160,000 | 371,330 | 756,817 | 532,852 |
| Staff Costs | 3,097,080 | 3,787,544 | 4,350,477 | 4,745,806 | 4,686,474 |
| Other Administrative expenses | 1,410,282 | 2,711,062 | 3,436,103 | 2,785,210 | 2,659,184 |
| Repairs and Maintenance Expenses | 441,057 | 741,551 | 1,012,320 | 687,167 | 820,118 |
| Depreciation and Amortization Expenses | 804,053 | 804,530 | 903,824 | 2,678,381 | 3,138,762 |
| Othe Costs | 56,462 | 29,173 | 25,343 | 34,477 | 15,278 |
| | 5,884,203 | 8,233,857 | 10,099,398 | 11,687,857 | 11,852,668 |
| Profit Before Tax | 5,304,289 | 4,661,066 | 2,598,284 | 5,512,071 | 5,775,258 |
| Taxation | (1,812,000) | (233,430) | (238,922) | (256,284) | (803,468) |
| Profit After Tax | 3,492,289 | 4,427,636 | 2,359,362 | 5,255,787 | 4,971,790 |

| Additional Information (Continued) | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Five year Financial Performance | | | | | |
| | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 |
| | 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 |
| Intangible Assets | 4,331 | 34,099 | 782,058 | 870,181 | 484,567 |
| Operating Lease | 5,729,915 | - | - | - | - |
| Total Non-Current assets | 36,446,555 | 44,138,517 | 52,539,102 | 51,643,373 | 50,844,686 |
| Current Assets | | | | | |
| Inventories | 93,259 | 75,941 | 76,944 | 147,994 | 128,894 |
| Trade and Other Receivables | 6,699,272 | 9,132,395 | 9,038,475 | 10,604,369 | 14,321,565 |
| Reserve Account | 1,022,676 | 1,430,347 | 2,007,239 | 2,221,651 | 2,324,107 |
| Cash and Cash Equivalents | 1,785,619 | 3,243,084 | 3,686,793 | 8,274,294 | 11,791,943 |
| Airstrips Fund Cash Balance | 1,596,956 | 2,965,794 | 1,778,085 | 1,366,998 | 2,301,414 |
| Deferred Tax Asset | | | 126,169 | 126,169 | 545,126 |
| Total Current assets | 11,197,782 | 16,847,561 | 16,713,706 | 22,741,475 | 31,413,050 |
| TOTAL ASSETS | 47,644,337 | 60,986,078 | 69,252,807 | 74,384,848 | 82,257,736 |
| EQUITY AND LIABILITIES | | | | | |
| Capital and Reserves | | | | | |
| Government Grant | 9,089,453 | 12,866,080 | 17,338,155 | 17,969,332 | 18,158,970 |
| Revaluation Reserve | 988,739 | 988,739 | 988,739 | 988,739 | 988,739 |
| Retained Earnings | 26,201,868 | 28,566,356 | 30,896,829 | 36,023,734 | 43,383,699 |
| Capital and Reserves | 36,280,061 | 42,421,173 | 49,223,723 | 54,981,804 | 62,531,408 |
| Non- Current liabilities | | | | | |
| Airstrip Fund | 1,596,956 | 2,965,794 | 1,778,085 | 1,366,998 | 2,301,414 |
| Long Term Loans | 5,343,200 | 10,169,556 | 10,738,347 | 9,823,613 | 8,996,744 |
| 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 |
| Current Liabilities | | | | | |
| Trade and Other Payables | 2,741,509 | 3,758,442 | 5,235,349 | 5,594,538 | 5,279,334 |
| Current Portion of Long Term Loan | 104,900 | 173,503 | 510,184 | 825,785 | 821,501 |
| Provisions for Liabilities and Charges | 1,258,754 | 1,290,849 | 1,767,120 | 1,900,232 | 2,327,331 |
| Total Current Liabilities | 4,105,162 | 5,222,794 | 7,512,652 | 8,320,555 | 8,428,167 |
| TOTAL EQUITY AND LIABILITIES | 47,644,337 | 60,986,078 | 69,252,809 | 74,492,972 | 82,257,734 |

KENYA AIRPORTS AUTHORITY REPORTS AND FINANCIAL STATEMENTS

Additional Information (Continued)

Five year Operational Statistics

Aircraft (No.)

| Airport/Airstrip | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Jomo Kenyatta Int. Airport | 95,185 | 99,716 | 105,353 | 108,241 | 111,126 |
| Moi Int. Airport | 24,050 | 21,018 | 21,207 | 22,626 | 25,198 |
| Eldoret Int. Airport | 5,755 | 6,624 | 8,993 | 9,243 | 9,044 |
| Wilson Airport | 94,968 | 88,320 | 91,888 | 97,286 | 99,445 |
| Kisumu Int. Airport | 5,903 | 6,485 | 7,658 | 7,698 | 8,548 |
| Malindi Airport | 13,645 | 11,564 | 12,212 | 14,722 | 13,336 |
| Lokichoggio Airport | 3,419 | 2,720 | 2,737 | | 1,881 |
| Wajir Airport | 12,944 | 13,929 | 14,760 | 14,983 | 12,545 |
| Manda Airstrip | 3,765 | 3,222 | 3,553 | 4,732 | 5,632 |
| Ukunda Airstrip | 9,034 | 8,096 | 9,900 | 11,717 | 12,323 |
| Other Airstrips | - | - | 5,050 | 10,020 | 8,765 |
| Total | 268,668 | 261,694 | 283,311 | 301,268 | 307,843 |

Passengers (No.)

| Airport/Airstrip | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 |
|----------------------------|------------------|------------------|------------------|-------------------|-------------------|
| Jomo Kenyatta Int. Airport | 6,066,134 | 6,428,599 | 6,768,255 | 7,163,704 | 7,609,465 |
| Moi Int. Airport | 1,358,530 | 1,296,424 | 1,239,533 | 1,387,853 | 1,401,206 |
| Eldoret Int. Airport | 140,051 | 176,067 | 212,778 | 233,127 | 255,960 |
| Wilson Airport | 339,714 | 316,155 | 368,029 | 454,682 | 660,099 |
| Kisumu Int. Airport | 301,606 | 371,318 | 364,329 | 376,904 | 416,690 |
| Malindi Airport | 96,589 | 101,303 | 143,868 | 158,011 | 178,049 |
| Lokichoggio Airport | 7,398 | 5,585 | 5,768 | 4,888 | 4,475 |
| Wajir Airport | 83,681 | 101,275 | 117,183 | 116,102 | 97,805 |
| Manda Airstrip | 48,485 | 37,236 | 61,763 | 84,762 | 107,833 |
| Ukunda Airstrip | 59,335 | 55,207 | 114,791 | 128,441 | 173,460 |
| Other Airstrips | - | - | 68,482 | 114,669 | 116,407 |
| Total | 8,501,523 | 8,889,169 | 9,464,779 | 10,223,143 | 11,021,449 |

Freight (Kgs)

| Airport/Airstrip | 2014/2015 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Jomo Kenyatta Int. Airport | 261,647,321 | 244,103,590 | 235,346,507 | 234,813,380 | 313,074,491 |
| Moi Int. Airport | 4,203,491 | 4,049,681 | 4,052,536 | 3,669,530 | 3,326,268 |
| Eldoret Int. Airport | 9,673,609 | 11,495,062 | 11,224,497 | 12,129,038 | 12,123,537 |
| Wilson Airport | 3,880,709 | 3,534,664 | 3,395,829 | 2,796,470 | 2,794,158 |
| Malindi Airport | - | - | 11,260 | 413 | - |
| Lokichoggio Airport | 1,071,900 | 1,131,509 | 252,966 | 60,824 | - |
| Total | 280,477,030 | 264,314,506 | 254,283,595 | 253,469,655 | 331,318,454 |

Additional Information (Continued)

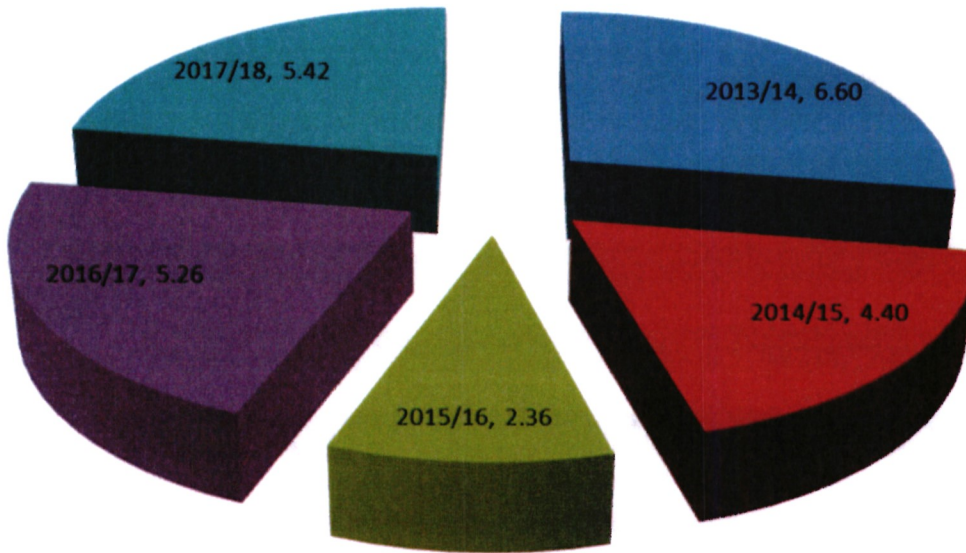
Detailed analysis of the cash and cash equivalents

| ANNEX I | | | | |
|----------------------------------|----------------------------------|-----------------|-----------------------|-----------------------|
| RESERVE ACCOUNTS | | | | |
| Name of the Bank | Bank Account Number | Currency | 30th June 2018 | 30th June 2017 |
| | | | Kshs | Kshs |
| BARCLAYS BANK PARIS-JKIA PROJECT | 0500000340 | USD | 1,214,621,000 | 1,335,190,856 |
| BARCLAYS BANK KENYA | 2021464751 | USD | 933,202,064 | 443,579,716 |
| BARCLAYS BANK PARIS-MIA PROJECT | 0500000342 | USD | 690,421,195 | 442,881,110 |
| TOTAL | | | 2,838,244,259 | 2,221,651,681 |
| ANNEX II | | | | |
| TREASURY BILLS | | | | |
| Name of Bank | Type and tenor of deposit | Currency | 30th June 2018 | 30th June 2017 |
| | | | Kshs | Kshs |
| CENTRAL BANK OF KENYA | Treasury Bills | KES | 578,013,440 | 1,489,390,300 |
| ANNEX III | | | | |
| SHORT TERM DEPOSITS | | | | |
| Name of Bank | Type and tenor of deposit | Currency | 30th June 2018 | 30th June 2017 |
| | | | Kshs | Kshs |
| NATIONAL BANK OF KENYA | CALL | KES | 5,721,016 | 5,535,391 |
| HF COMPANY OF KENYA | CALL | KES | 77,912,331 | 69,796,253 |
| HF COMPANY OF KENYA | MORTGAGE | KES | 379,504,585 | 379,748,268 |
| COMMERCIAL BANK OF AFRICA | Fixed Deposit | USD | 2,095,683,121 | 1,211,542,103 |
| NIC BANK | Fixed Deposit | USD | 1,738,913,178 | 1,024,664,288 |
| NATIONAL BANK OF KENYA | Fixed Deposit | USD | 1,973,111,260 | 830,976,237 |
| BANK OF AFRICA LTD | Fixed Deposit | USD | 924,579,293 | |
| EQUITY BANK | Fixed Deposit | USD | 410,624,103 | |
| FAMILY BANK | Fixed Deposit | USD | 203,962,452 | 144,048 |
| NATIONAL BANK OF KENYA | Fixed Deposit | KES | 315,406,377 | 249,864,328 |
| 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 | |
| KENYA COMMERCIAL BANK | Fixed Deposit | KES | - | |
| TOTAL | | | 9,058,994,223 | 3,772,270,916 |
| ANNEX IV | | | | |
| CASH AT HAND AND BANK | | | | |
| Name of the Bank | Bank Account Number | Currency | 30th June 2018 | 30th June 2017 |
| | | | Kshs | Kshs |
| BARCLAYS BANK KENYA | 2022988088 | KES | 151,606,433 | 100,797,051 |
| BARCLAYS BANK KENYA | 2021464654 | USD | 347,942,148 | 818,247,320 |
| NATIONAL BANK OF KENYA | 01003058234200 | KES | 19,913,308 | 48,145,551 |
| NATIONAL BANK OF KENYA | 02003058234700 | USD | 28,725,445 | 35,317,089 |
| KENYA COMMERCIAL BANK | 1108348521 | KES | 30,604,953 | 24,162,162 |
| KENYA COMMERCIAL BANK | 1128430460 | USD | 3,146,065 | 559,903 |
| CITIBANK | 300090001 | KES | 99,331,491 | 75,601,416 |
| CITIBANK | 300090012 | USD | 92,956,324 | 106,647,459 |
| STANDARD CHARTERD BANK | 108098894800 | KES | - | - |
| STANDARD CHARTERD BANK | 0104098894801 | KES | 630,662,612 | 160,040,707 |
| STANDARD CHARTERD BANK | 0-104098894800 | KES | 169,999,916 | - |
| BARCLAYS BANK KENYA | 2029771084 | USD | 2,175,124,856 | 2,933,392,014 |
| BARCLAYS BANK KENYA | 2029771122 | USD | - | - |
| BARCLAYS BANK KENYA | 2029771114 | KES | | |
| NIC BANK | 10001206024 | KES | 45,854,537 | 64,902,444 |
| EQUITY BANK | 1480262341391 | KES | 97,520,235 | 20,830,462 |
| EQUITY BANK | 1480262341788 | USD | 65,070,954 | 49,498,052 |
| BARCLAYS BANK KENYA | 2032129067 | USD | 61 | (1,497) |
| FAMILY BANK | 06800008283 | KES | 6,518 | 5,968 |
| FAMILY BANK | 06800012233 | KES | | |
| CASH IN HAND | | KES | 31,863 | 108,838 |
| CASH IN HAND | | USD | (4,921) | 2,592 |
| TOTAL | | | 3,958,492,799 | 4,438,257,530 |

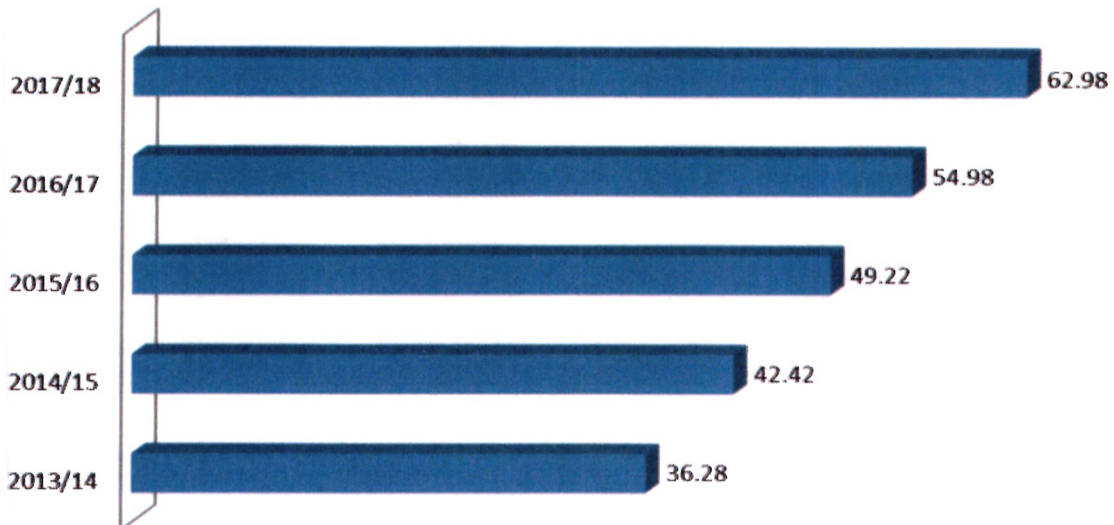
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Additional Information (Continued)

PROFIT AFTER TAX KSHS IN BILLIONS

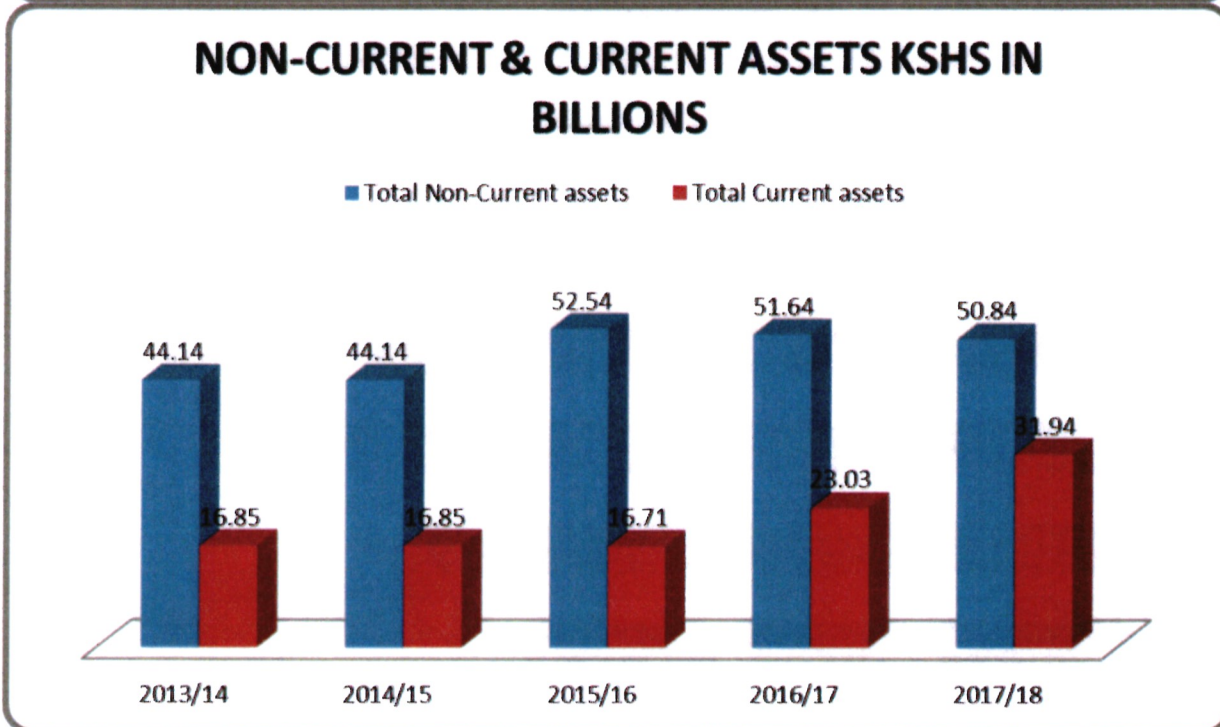
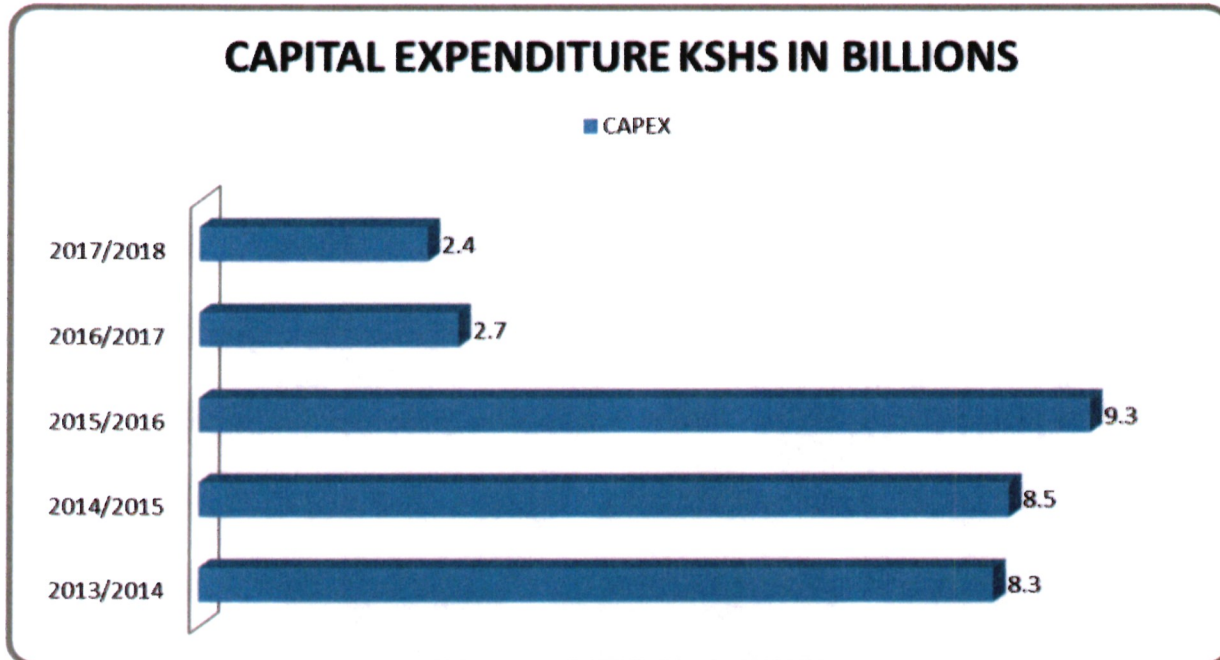


RESERVES KSHS IN BILLIONS



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Additional Information (continued)

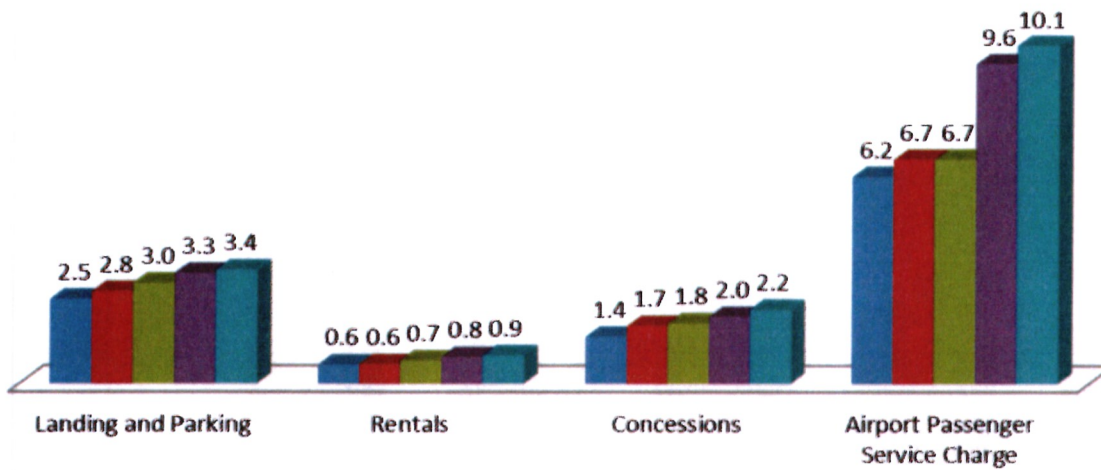


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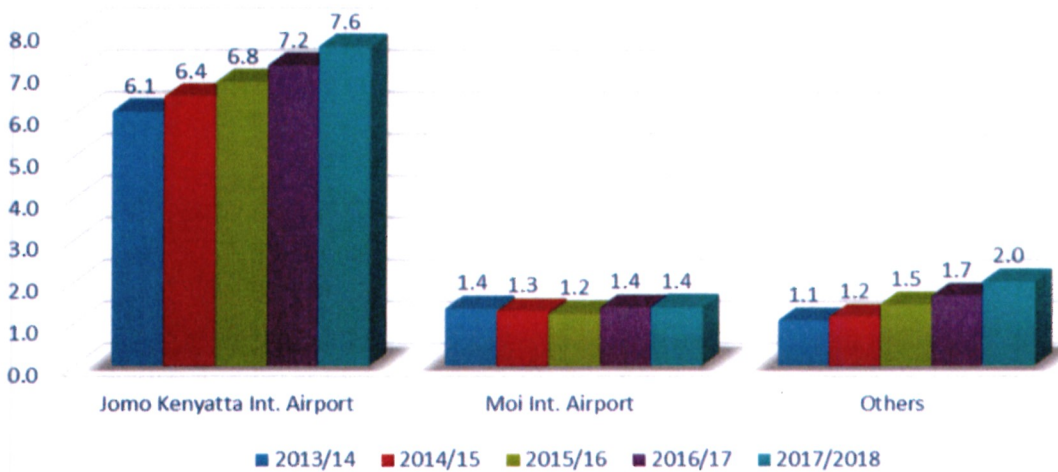
Additional Information (Continued)

MAJOR SOURCES OF REVENUE KSHS IN BILLIONS

■ 2013/14 ■ 2014/15 ■ 2015/16 ■ 2016/17 ■ 2017/18

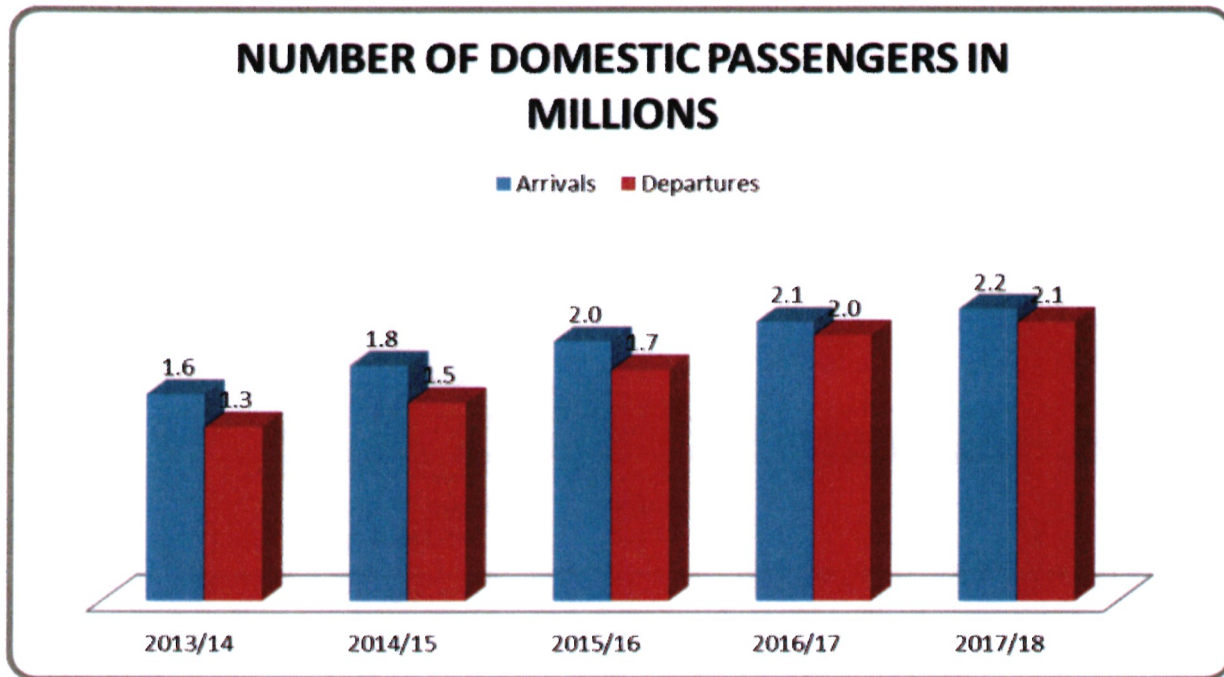


TOTAL NUMBER OF PASSENGER TRAFFIC IN MILLIONS



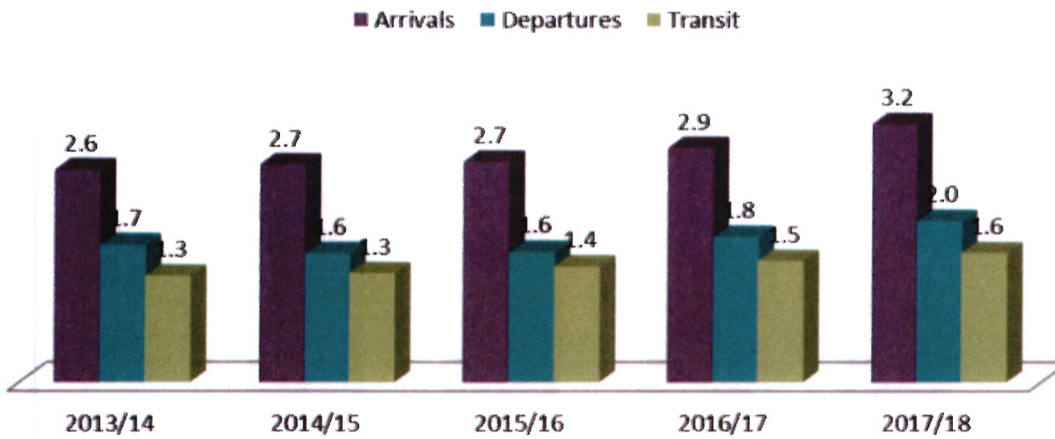
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Additional Information (Continued)



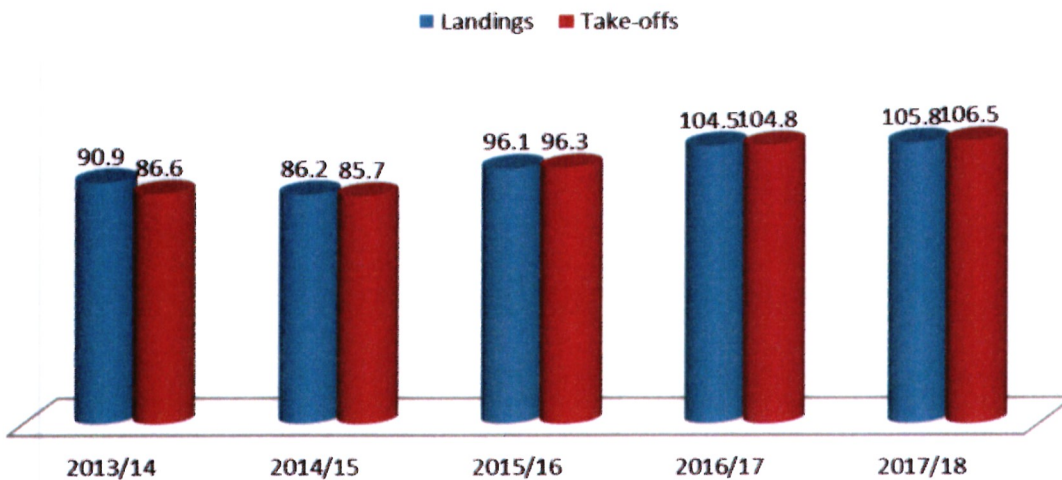
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**NUMBER OF INTERNATIONAL PASSENGERS IN
MILLIONS**

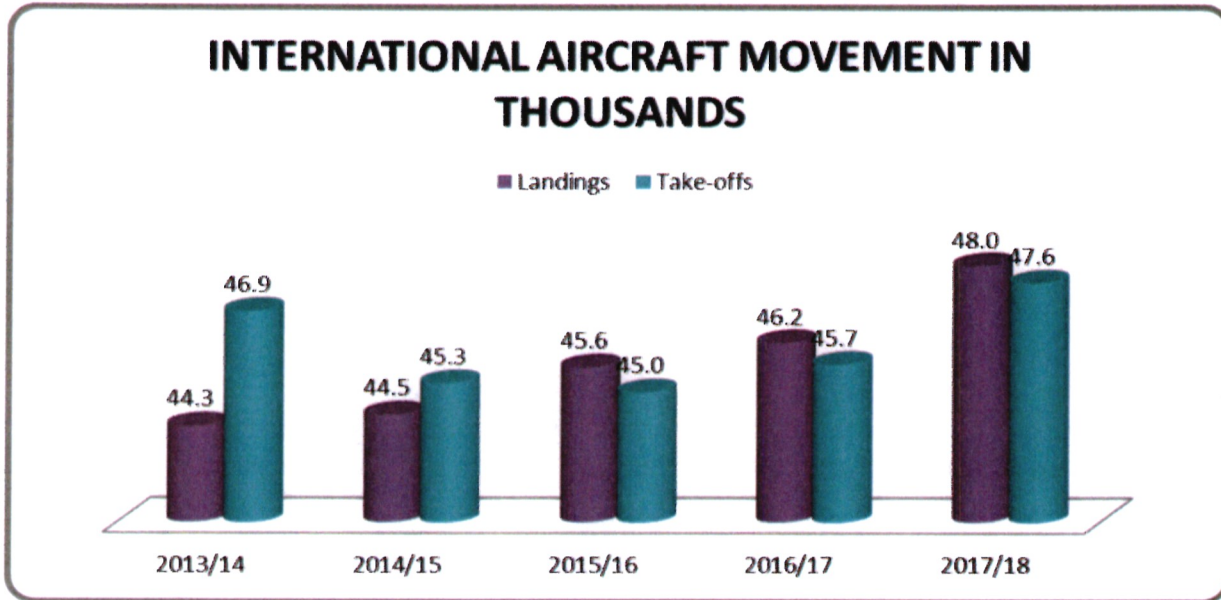


Additional Information (Continued)

**DOMESTIC AIRCRAFT MOVEMENT IN
THOUSANDS**



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Additional Information (Continued)

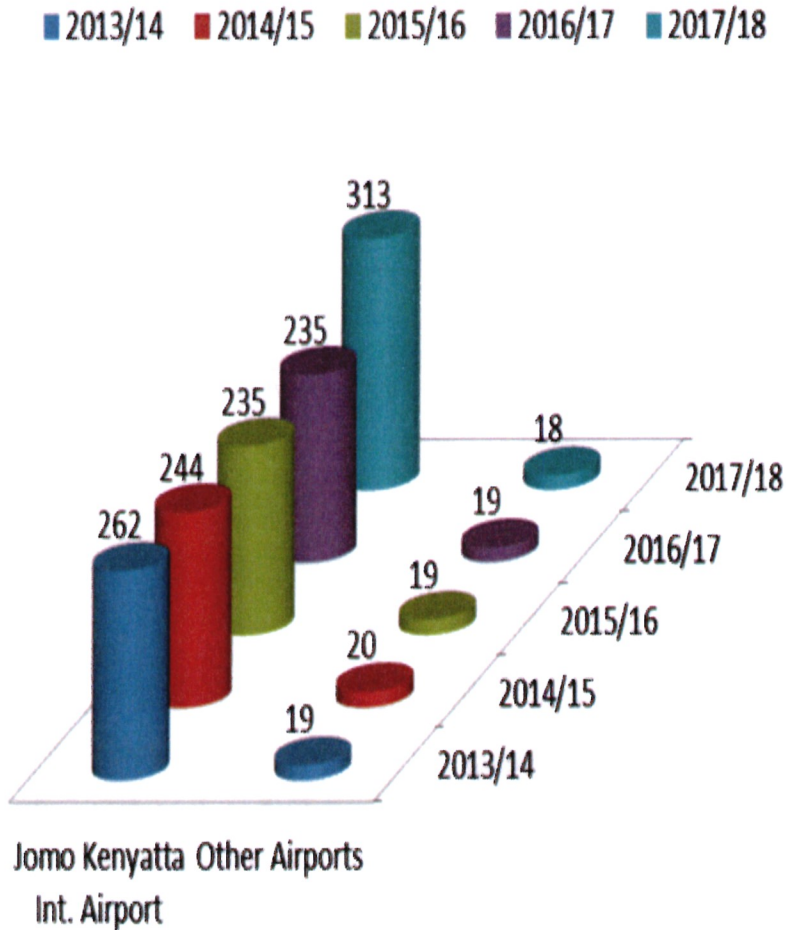
AIRCRAFT MOVEMENT PER AIRPORT IN THOUSANDS

■ 2013/14 ■ 2014/15 ■ 2015/16 ■ 2016/17 ■ 2016/17



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CARGO MOVEMENT IN MILLION TONNES



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OUR AIRPORTS

JOMO KENYATTA INTERNATIONAL AIRPORT



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Additional Information (Continued)

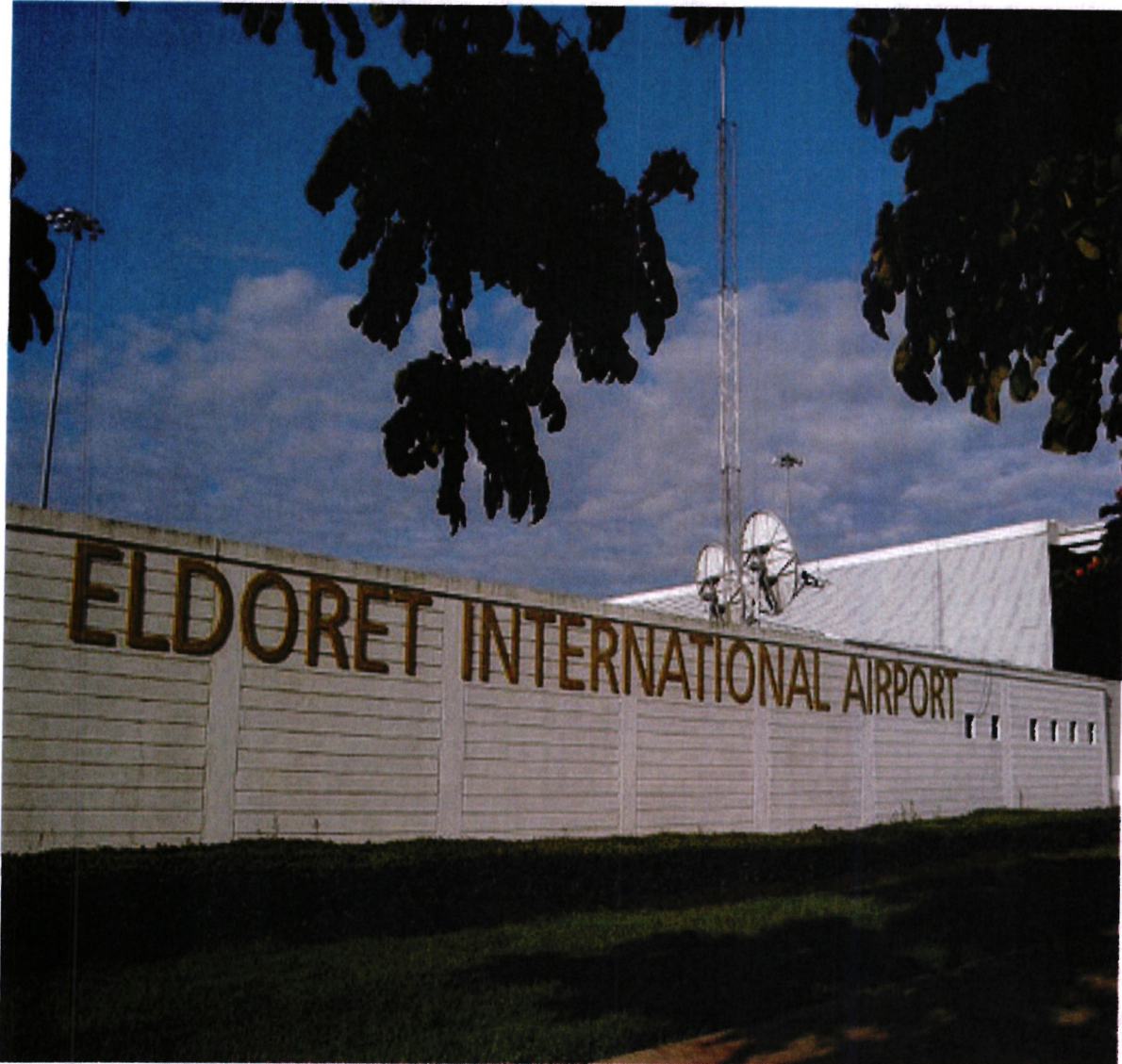
MOI INTERNATIONAL AIRPORT



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Additional Information (Continued)

ELDORET INTERNATIONAL AIRPORT



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Additional Information (Continued)

WILSON AIRPORT



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Additional Information (Continued)

KISUMU INTERNATIONAL AIRPORT



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Additional Information (Continued)

MALINDI INTERNATIONAL AIRPORT



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Additional Information (Continued)

LOKICHOGGIO AIRPORT



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Additional Information (Continued)

MANDA AIRPORT

