

Vol 14

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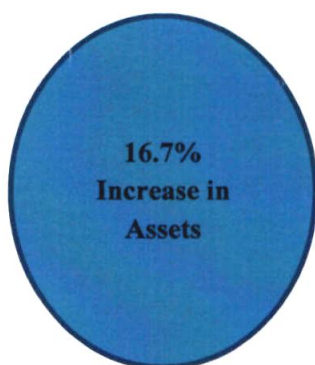
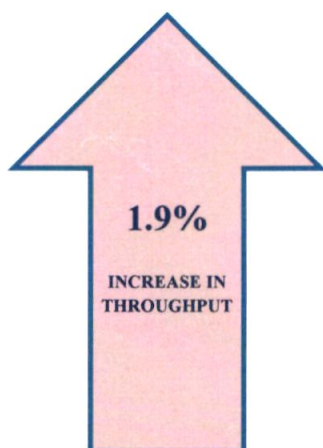
2012/2013

KPA ANNUAL
REPORT &
FINANCIAL
STATEMENTS

“WORLD CLASS SEAPORTS OF CHOICE”



Business highlights



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VISION

WORLD CLASS SEAPORTS OF CHOICE

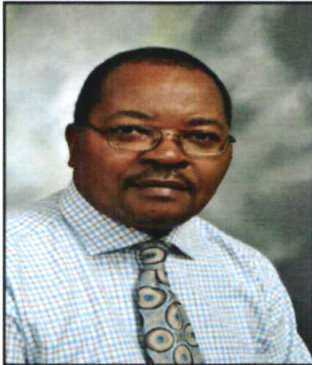
MISSION

TO FACILITATE AND PROMOTE GLOBAL MARITIME TRADE THROUGH THE PROVISION OF COMPETITIVE PORT SERVICES

OBJECTIVES



MANAGING DIRECTOR'S PORT REVIEW



Gichiri Ndua, MBS
Managing Director

We are poised between the successes of the past few decades and the exciting potential of the

I have the pleasure to present the annual port review for the financial year ended 30th June 2013. The objective of the review is to highlight port operations, financial performance and key services as a source of information to the port users, Government and other stakeholders.

As a result of improved local and regional economies, the port recorded a total throughput growth of 1.9 per cent, from 21.34 million tons in 2012 to 21.74 million tons in 2013. Imports grew by 2.6 per cent posting 18.66 million tons in 2013 compared to 18.18 million tons in 2012, while export decreased by 0.3 per cent, recording 2.95 million tons in 2013 compared to 2.96 million tons in 2012. Container traffic accounted for 38.7 percent of the total throughput an increment of 2,042 Twenty-Foot Equivalent Units (TEUs) or 0.24 percent (859,253 TEUS in 2012 to 861,295 TEUS in 2013).

FINANCIAL PERFORMANCE

In the year 2012/2013, Kenya Ports Authority witnessed continued growth in its business realizing revenues of Kshs. 27, 054 Million compared to Kshs. 27,038 million in 2011/12 financial year. Assets grew by 16.7% from 63.2 Billion in 2011/12 to 73.9 Billion in 2012/13.

INVESTMENTS

The completion of the dredging project in 2012 has seen the port reap the benefits of a deeper and wider channel that has created a platform for bigger vessel to call at the port. The longest ever container and RORO ships to dock at the port were; MSC TIA and JOLLY PERLA respectively. MSC TIA is 261 meters long with a draft of 12.3 meters which discharged and loaded approximately 5,000 TEUs, slightly more than the normal loads.

The completion of berth number 19, has given a combined quay length of 840 meters from berth 16-19 and an additional stacking capacity of 200,000 TEUs per annum.

MANAGING DIRECTOR'S PORT REVIEW (CONTINUED)

STRATEGIC PLAN

Key milestones in our strategy realized in 2012 were the completion of berth No. 19 and Integrated Security System. Works on the construction of the Second Container Terminal are at an advance stage. We will continue to give priority to programs for equipment modernization and paving of yards to expand our operational capacity and attract more business within the region.

RISK MANAGEMENT

We continue to work towards a strong risk management framework. This framework will enable us among other things to identify and manage significant risks in our operations and constantly monitor the risk profile in relation to business.

SERVICE DELIVERY

In line with our core values of efficiency, customer focus, integrity and team work, the Authority operates a 24 hour working system in order to be more competitive. We have embraced information technology as a way of enhancing efficiency in our service delivery and alternative means of billing and online payments. The port has implemented the SAP Financial Supply Chain Management and Supply Relationship Management modules. This will enable customers and suppliers to transact directly from their offices without coming to the port; improving transparency, accountability and flow of financial transactions.

EMPLOYEE DEVELOPMENT

We recognize that our employees are critical in realizing our strategic objectives and giving the port a competitive advantage. We continue to offer specialized training to employees both locally and internationally in a bid to equip them with necessary skills and competencies.

SAFETY, HEALTH AND ENVIRONMENT

The maintenance of appropriate health and safety standards remains a key responsibility of all employees and KPA is committed to the proactive management of all health and safety risks associated with operations. Our objective is to identify, reduce and control material risks relating to fires, accidents or injuries to employees and customers.

We have a Health and Safety Management System which contains instructions and recommendations aimed at ensuring the health and safety of all employees and other persons lawfully present on the Authority's premises.

It is the policy of the Authority to provide working conditions which ensure the health and safety of all employees. The Authority ensures that the policy is carried out and at the same time all members of staff

MANAGING DIRECTOR'S PORT REVIEW (CONTINUED)

SAFETY, HEALTH AND ENVIRONMENT (CONTINUED)

are made aware of their individual responsibilities for their own health and safety, that of their colleagues, customers and any other persons who may be affected by their activities at work.

Finally on behalf of the Board of Directors and Management of the Authority, I take this opportunity to sincerely thank all staff, cargo interveners, government agencies and other stakeholders for their continued support in ensuring that indeed the Port of Mombasa is the gateway to East and Central Africa.

Gichiri Nduu, MBS

MANAGING DIRECTOR



FIVE YEAR FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION

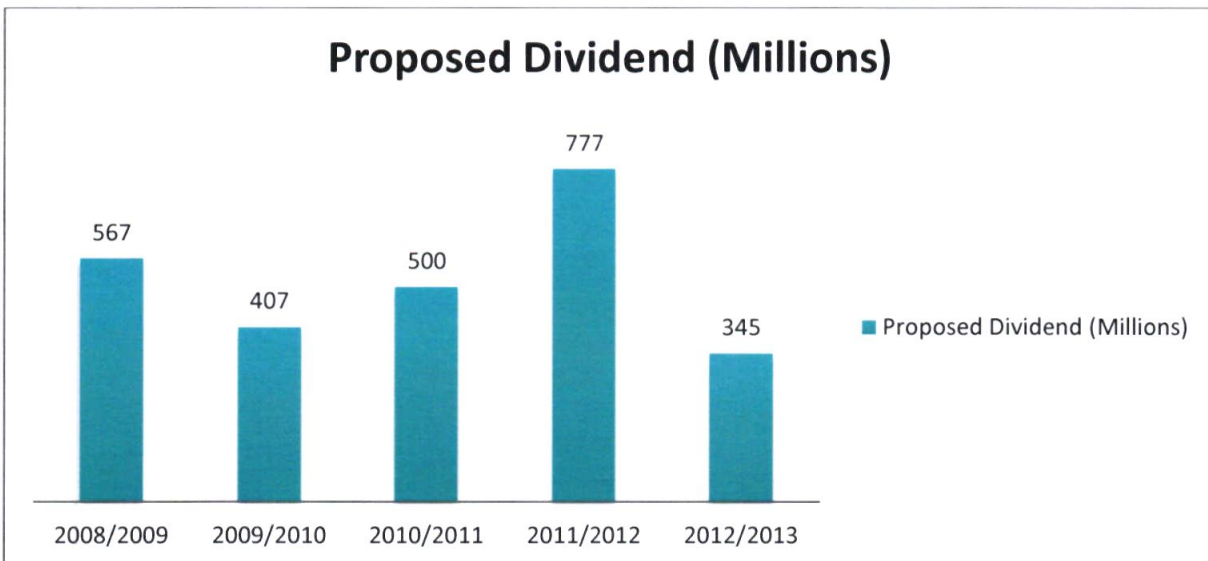
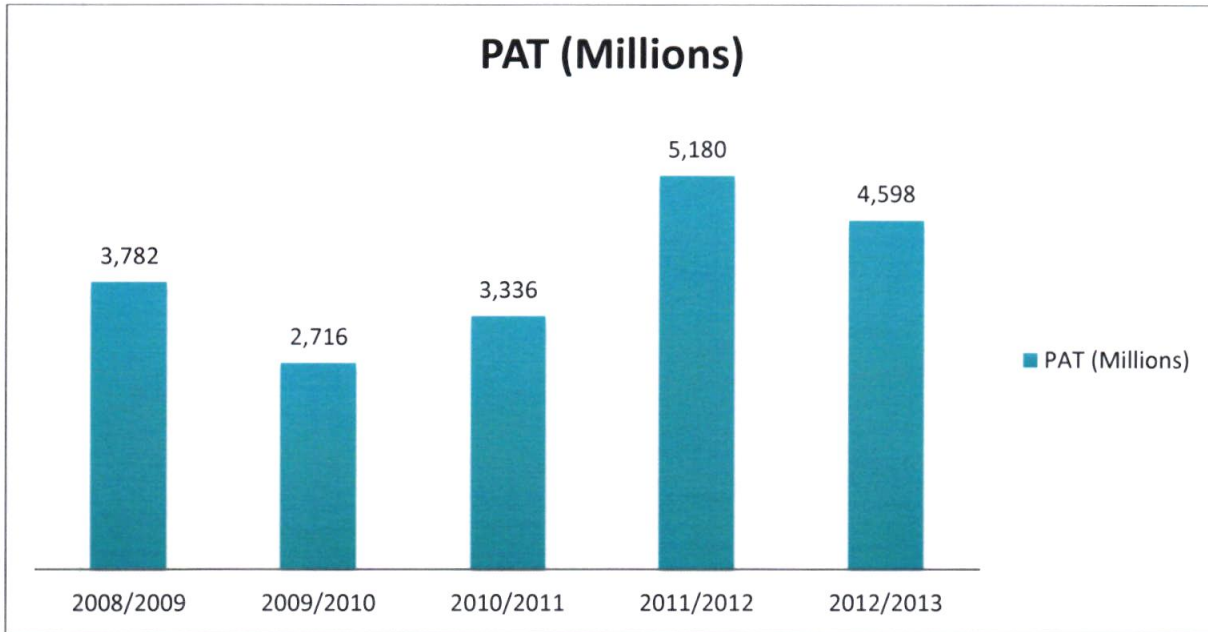
	2012/13	2011/12	2010/11	2009/10	2008/09
ASSETS:	KSHS. '000'	KSHS. '000'	KSHS. '000'	KSHS. '000'	KSHS. '000'
Non-Current Assets:					
Property Plant and Equipment	70,282,199	60,871,440	44,289,464	43,966,283	44,389,914
Investment Property	171,406	178,012	186,351	195,262	191,106
Long Term Investment	707,990	699,510	847,090	839,949	830,962
Intangible Assets	<u>541,509</u>	<u>315,416</u>	<u>109,671</u>	<u>265,425</u>	<u>267,064</u>
Total Non-Current Assets	71,703,104	62,064,378	45,432,576	45,266,919	45,679,046
Current Assets:					
Inventories	331,490	281,413	335,099	312,617	241,011
Trade & Other Receivables	1,439,458	1,130,704	4,479,708	1,940,618	1,835,785
Tax Recoverable	1,704,148	1,544,450	0	275,735	0
Financial Assets	2,684,415	3,020,979	6,862,348	5,485,889	4,022,158
Prepayments & Accrued Income	170,802	191,201	159,326	157,136	99,667
Cash & Bank	559,579	1,031,412	906,331	834,194	942,282
Prepaid Corporate Tax	<u>1,357,325</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Current Assets	8,247,217	7,200,159	12,742,812	9,006,189	7,140,903
Less Current Liabilities:					
Trade and other Payables	4,799,784	3,351,194	2,336,620	2,277,327	2,244,668
Advance Receipts	117,748	144,955	0	0	0
Current Tax Payable	0	636,892	335,553	0	646,781
Borrowings	919,296	850,674	0	0	107,389
Pension Liability: current portion	<u>240,000</u>	<u>1,008,000</u>	<u>1,044,000</u>	<u>1,044,000</u>	<u>1,044,000</u>
Total Current Liabilities	6,076,828	5,991,715	3,716,173	3,321,327	4,042,838
Working Capital	<u>2,170,389</u>	<u>1,208,444</u>	<u>9,026,639</u>	<u>5,684,862</u>	<u>3,098,065</u>
NET ASSETS	<u>73,873,493</u>	<u>63,272,822</u>	<u>54,459,215</u>	<u>50,951,781</u>	<u>48,777,111</u>
CAPITAL AND RESERVES:					
Revaluation Reserves	24,616,679	24,846,131	25,221,579	27,490,792	27,487,394
Capital Reserves	14,797,010	14,797,010	14,797,010	14,797,010	15,042,269
General Reserves	17,105,560	12,514,705	7,603,658	2,631,588	468,125
Proposed dividend	<u>1,622,180</u>	<u>1,277,319</u>	<u>500,326</u>	<u>407,418</u>	<u>567,304</u>
Total Capital and Reserves	58,141,429	53,435,165	48,122,573	45,326,808	43,565,092
Non-Current Liabilities:					
Borrowings	11,624,462	6,924,821	3,025,846	1,036,574	306,031
Accrued Pension Liability	1,813,327	1,669,327	932,188	2,521,371	3,565,371
Deferred tax	912,901	512,135	113,361	228,028	337,617
GOK grants	<u>1,381,374</u>	<u>731,374</u>	<u>2,265,247</u>	<u>1,839,000</u>	<u>1,003,000</u>
Total non-current liabilities	15,732,064	9,837,657	6,336,642	5,624,973	5,212,019
TOTAL CAPITAL&LIABILITIES	<u>73,873,493</u>	<u>63,272,822</u>	<u>54,459,215</u>	<u>50,951,781</u>	<u>48,777,111</u>

FIVE YEAR FINANCIAL REVIEW (CONTINUED)

STATEMENT OF COMPREHENSIVE INCOME

	2012/13 KSHS. '000'	2011/12 KSHS. '000'	2010/11 KSHS. '000'	2009/10 KSHS. '000'	2008/09 KSHS. '000'
Operating Revenue:	<u>27,054,242</u>	<u>27,038,707</u>	<u>20,403,777</u>	<u>17,833,620</u>	<u>17,746,990</u>
Operating Expenditure:					
Establishment Expenses	13,093,966	11,215,390	9,801,364	8,685,194	7,532,206
Administrative Expenses	1,949,982	1,645,828	1,517,768	1,548,124	1,079,129
Other Operating Expenses	5,856,843	5,113,312	4,300,516	4,060,020	3,812,930
Finance & Legal Costs	<u>232,781</u>	<u>590,332</u>	<u>156,887</u>	<u>278,663</u>	<u>609,216</u>
Total Operating expenses	<u>21,133,572</u>	<u>18,564,862</u>	<u>15,776,535</u>	<u>14,572,001</u>	<u>13,033,481</u>
Operating Profit	5,920,670	8,473,845	4,627,242	3,261,619	4,713,509
Non-Operating Income	800,097	1,001,695	764,822	872,905	616,607
Gain/(loss) on Forex	225,174	(107,606)	199,988	0	0
Impairment Losses	<u>(352,236)</u>	<u>(901,039)</u>	<u>(285,476)</u>	<u>0</u>	<u>0</u>
Profit before Tax	6,593,705	8,466,895	5,306,576	4,134,524	5,330,116
Tax for the year	<u>(1,995,555)</u>	<u>(3,286,941)</u>	<u>(1,971,070)</u>	<u>(1,418,401)</u>	<u>(1,548,091)</u>
Profit for the Year	<u>4,598,150</u>	<u>5,179,954</u>	<u>3,335,506</u>	<u>2,716,123</u>	<u>3,782,025</u>

DELIVERING ON STRATEGIC OBJECTIVES



CHAIRMAN'S STATEMENT



Hon. Danson B. Mungatana, MGH

Chairman

“The Corporation is well positioned to meet Challenges during the next phase of our Growth”

It gives me pleasure to present the Authority's Annual Report and Financial Statements on behalf of the Board of Directors for the year ended 30th June 2013.

DOMESTIC ECONOMY

Overall, economic activity in 2012 showed improvement despite a myriad of challenges that include a turbulent global economy, and a weakened Kenya shilling in the beginning of the year. This performance was supported by:

- Stable macroeconomic environment
- Increased domestic demand
- Notable growths in Agriculture, Wholesale and
- Retail Trade, and Transport and Communication.

CORPORATE SOCIAL RESPONSIBILITY

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

In the year ended, the Authority was involved in various Corporate Social Responsibility initiatives aimed at impacting positively on the lives of the respective communities where it operates. This year, the Authority's core Corporate Social Responsibility activities continued to focus on healthcare, education, recreation and response to distress calls. A total of Kshs.26 million was provided towards CSR activities and projects.

FINANCIAL PERFORMANCE

In the Financial year ended 30th June 2013 the Authority witnessed continued growth in its business volumes. The Authority achieved revenues of Ksh.27, 054 million compared to last year revenue of Kshs. 27,039 million, A profit before tax of Ksh.6,594 million was recorded, compared to Kshs. 8,467 million in the previous year.

CHAIRMAN'S STATEMENT (CONTINUED)

Total assets grew from Kshs. 63,273 million to Kshs. 73,873 million giving a growth of 16.76%. Shareholders' funds increased by 8.3% from 53,435 million as at 30th June 2012 to 57,881 million as at 30th June 2013.

DIVIDENDS

The directors recommend a dividend payout of Kshs. 345 million to the National Treasury in line with the policy approved by the Board.

FUTURE OUTLOOK

Going forward, we will continue our growth strategy of expanding operational capacity and attracting more transit and transshipment traffic through the provision of quality service to enhance our earnings and significantly contribute positively to shareholder value as we strive towards our mission. Programs for equipment modernization and paving of yards will be on our priority list to ensure continuous improvement in service delivery.

APPRECIATION

I take this opportunity to thank my colleagues in the Board for supporting me in providing leadership over the business over the past year. Their commitment contributed immensely to our performance in the year just ended. I commend management and staff for working tirelessly to achieve the level of business growth that we witnessed during the year. I am confident that they shall spare no effort to attain and surpass the targets we have set for the New Financial Year.

In conclusion, I thank our customers, the community and other business partners for supporting our business in various ways. We are confident that with your support we shall make the port a world class sea-port of choice.

God bless you all.



Hon. Danson B. Mungatana, MGH
CHAIRMAN

BOARD MEMBERS PROFILE

Hon. Danson B. Mungatana, MGH



He is the Chairman of the Board since December 2013. He holds a Master of Laws Degree and a Bachelor of Laws (Hons) from University of Nairobi and a post graduate diploma in Law from Kenya School of Law. He is also a Member of Law Society of Kenya. A former Assistant Minister of the Office of the President and several Ministries' including Foreign Affairs and Medical Services. He has 10 years experience in Parliament, a former Chairman of the Parliamentary Caucus for Constitutional Reforms and a member of 7 different Parliament Committees including Administration and National Security and Budget committee. He also sponsored the Public Vetting Bill which became Law. He was bestowed with the Certificate of the Moran of the Order of the Golden Heart (MGH) on 12th December 2008.

Joy Kavutsi Asiema



She joined the Board in September 2012. She holds a Master of Laws Degree from Harvard University, U.S.A, and a post graduate diploma in Law from Kenya School of Law and Bachelor of Laws (Hons) from University of Nairobi; she is also an advocate of the High Court of Kenya and a member of the Law Society of Kenya. She is a practicing advocate at Asiema and Company Advocates and Heads the Department of Public Law of the University of Nairobi. She is also a Senior lecturer in University of Nairobi from 1993 to date. She is a member of the National Anti-Corruption campaign steering committee, member of International Federation of Women Lawyers and life member of Advocates of Benevolent Association.

Nduva Muli, EBS Principal Secretary MOTI



He joined the Board in the year 2007 when he became the Managing Director Kenya Railways and is currently the Principal Secretary of the State Department for Transport in the Ministry of Transport and Infrastructure. He holds an Executive Master of Business Administration in Global Strategic Marketing from Moi University and a Bachelor of Land Economics from University of Aberdeen in Scotland. He was previously the Managing Director of Kenya Railways from 2007 to 2013 having served as the General Manager Corporate Planning and Business development from 2006 to 2007. He was also a Communication & Fund raising manager in AMREF from 2004 to 2006, Manager of E-Business & Distribution in Kenya Airways from 2001 to 2004. He has been bestowed with the honor of Elder of the Burning Spear (EBS).

Khadija Karim



She joined the Board in April 2006. She holds a Bachelor of Education (Hons) in Linguistics, History and Education. She was previously the First woman to be appointed as the Provincial Director of Education and Deputy Director of Education in-charge of Coast province. A teacher by profession and a pioneer of girl child education in Coast province. She has been bestowed with several honors and awards including the Head of State commendation medal, a medal of distinguished service of 20 years of Nyayo Era and Friend of Kenya University Award from Kenyatta University.

BOARD MEMBERS PROFILE (CONTINUED)



Abdalla Mohamed Abdalla Fadhil

He joined the Board in September 2012. He holds a Bachelor of Science and a post graduate diploma in diplomacy & International Relation from University of Nairobi. He is the Chairman of the Lapsset Steering Committee and a proprietor of Jannataan Hotel. He was the chairman of Lamu County Council from 1993 to 1996; 1998 to 1998 and Managing Director of Dula travels and tours Lamu in 1992.



Bernard Gaithuma Njuguna

He joined the Board in September 2012. He holds a Bachelor of Arts Degree in Economics and Sociology (Hons) from the University of Nairobi. He is the President of the Owner Management Programme for Medium and Small sized Enterprises at Strathmore Business School. He has been a clearing and forwarding service provider and a distributor of British America Tobacco products in West of Nairobi and Mountain North Region from 2006. He was previously an area manager for Total (K) Ltd from 1992 to 1996 and a Marketing Executive of Kenol Kobil Petroleum Co. Ltd from 1990 to 1992.



Ian Karanja

He joined the board in the December 2007. He is a graduate of Syracuse University NewYork and currently a business man with interest in Transport, Distribution, Property development and Farming. He is a Director of among others Ole- solian Enterprises, Katiana Transport Trading Limited and Sali Limited. He is also a former Director of Fidelity Shield Insurance limited and Senator Credit Card.



Johnson Musengi

He joined the Board in October 2009. He holds a Post Graduate Diploma in Maritime Studies and Port Operations of the University of Wales conducted at Bandari College and a Diploma in System Analysis and Design from East and South African Management Institute (Arusha). A Director of Corporate Insurance Company Ltd. A Computer Programmer by profession. He was previously a computer programmer at Kenya Railways Corporation, Kenya Ports Authority and Transnational Bank Ltd.

SENIOR MANAGEMENT TEAM



Gichiri Ndua ,MBS

Managing Director

Holds a Master of Arts (Economics) and Bachelor of Arts (Economics) from the University of Nairobi. He is a member of Institute of Economic Affairs (K), Kenya Institute of Management and Institute of Directors and former President of the International Association of Ports and Harbours (IAPH).



Catherine Mturi-Wairi

General Manager, Finance

Holds an MBA (Strategic Management), Bachelor of Science (Hons) - Finance & Accounting degrees from United States International University, Nairobi. She is a Certified Public Accountant (K), Certified Public Secretary (K) and a certified SAP Consultant, Finance. She is also a member of Institute of Directors and Kenya Institute of Management.

She is responsible for Financial Accounting, Management Accounting, Commercial and Procurement and supplies departments.



Muthoni Gatere (Ms.)

General Manager, Board and Legal Services

Holds a Masters of Law (LLM) degree in International Maritime Law from International Maritime Law Institute (Malta), a Bachelor of Laws LLB (Hons) degree from the University of Nairobi, a Diploma in Law from Kenya School of Law and CPS-K.

She is in charge of Contracts & Conveyancing, Litigation & Disputes, Insurance & Claims and Ethics & Integrity departments.



Salim Chingabwi

General Manager, Human Resources and Administration

Holds a Master of Science (Human Resources Development) from University of Manchester, Bachelor of Education (Science) degree from University of Nairobi and a Diploma in Maritime Studies (UWIST/Bandari College).

His docket includes Human Resources, Medical services, Administration, Employee Relations and the Bandari College.

SENIOR MANAGEMENT TEAM (CONTINUED)



Justus Nyarandi

General Manager, Corporate Services

Holds an MBA (Strategic Management) from the University of Nairobi, Certified Public Accountant (K), Certified Public Secretary (K), and Diploma of the Chartered Institute of Purchasing & Supply (MCIPS)

He is in charge of formulating strategic plans, research and communication technology, corporate business plan and marketing



Captain Twalib Hamisi

General Manager, Operations

Holds a Master Mariner Certificate of Competency (UK) and MSC Port Administration Degree Certificate from Belgium.

His docket includes all operations in the Conventional Cargo, Marine, Inland Container Depots and Container Terminal.



Engineer Joseph Atonga

General Manager, Engineering Services

Holds an MBA from University of Nairobi and BSc. (Mechanical Engineering) from University of Northumbria (UK) and he is a registered Engineer.

His docket includes Mechanical Engineering, Terminal Engineering and Marine Engineering



Engineer Abdullahi Samatar

General Manager, Infrastructure Development

Holds a BSc. in Civil Engineering from the University of Nairobi. He is a registered Engineer with the Engineers Registration Board of Kenya and a member of the Institution of Engineers of Kenya.

He is in-charge of Civil Engineering, Electrical Engineering and Project Development & Management.

CORPORATE INFORMATION

Directors:

Danson Mungatana, MGH	Chairman
Gichiri Ndua, MBS	Managing Director
Nduva Muli, EBS	Director (PS MOTI) ¹
Kamau Thugge	Director (PS National Treasury)
Johnson Musengi	Director
Bernard G. Njuguna	Director
Khadija Karim	Director
Joy K. Asiema	Director
Abdalla M.A. Fadhili	Director
Ian Karanja	Director

Alternate Directors:

Esther Koimett, CBS	Alternate Director to PS, National Treasury
G. G. Irungu	Alternate Director to PS, MOTI

Retired Directors:

Status:

Shukri Baramadi, CBS	Chairman	Retired December 2013
Komora M. Jilo	Director	Retired 17 th April 2012
Ngugi Waireri	Director	Retired 17 th April 2012
Mohammed Jahazi	Director	Retired 17 th April 2012

Senior Management:

Gichiri Ndua, MBS	Managing Director
Catherine Mturi- Wairi	General Manager, Finance
Muthoni Gatere	General Manager, Board & Legal Services
Justus Nyarandi	General Manager, Corporate Services
Joseph Atonga	General Manager, Engineering Services
Salim Chingabwi	General Manager, Human Resources & Administration
Twalib Khamisi	General Manager, Operations
Abdullahi Samatar	General Manager, Infrastructure Development

Authority Secretary:

Muthoni Gatere

¹ Ministry of Transport and Infrastructure

CORPORATE INFORMATION (CONTINUED)

Registered Office:

Kenya Ports Authority Administration Block,
Kipevu
P.O Box 95005- 80100

Mombasa

Independent Auditors:

Office of the Auditor General
Kenya National Audit Office
Anniversary Towers,
P.O.Box 49384-00100

Nairobi

Principal Bankers:

Citibank N.A
Citibank House, Nkrumah Road
P.O.Box 83615

Mombasa

National Bank of Kenya Ltd.
Portway House, Moi Avenue
P.O.Box 87770

Mombasa

CFC Stanbic Bank Ltd.
Nkrumah Road
P.O.Box 84418-80100

Mombasa

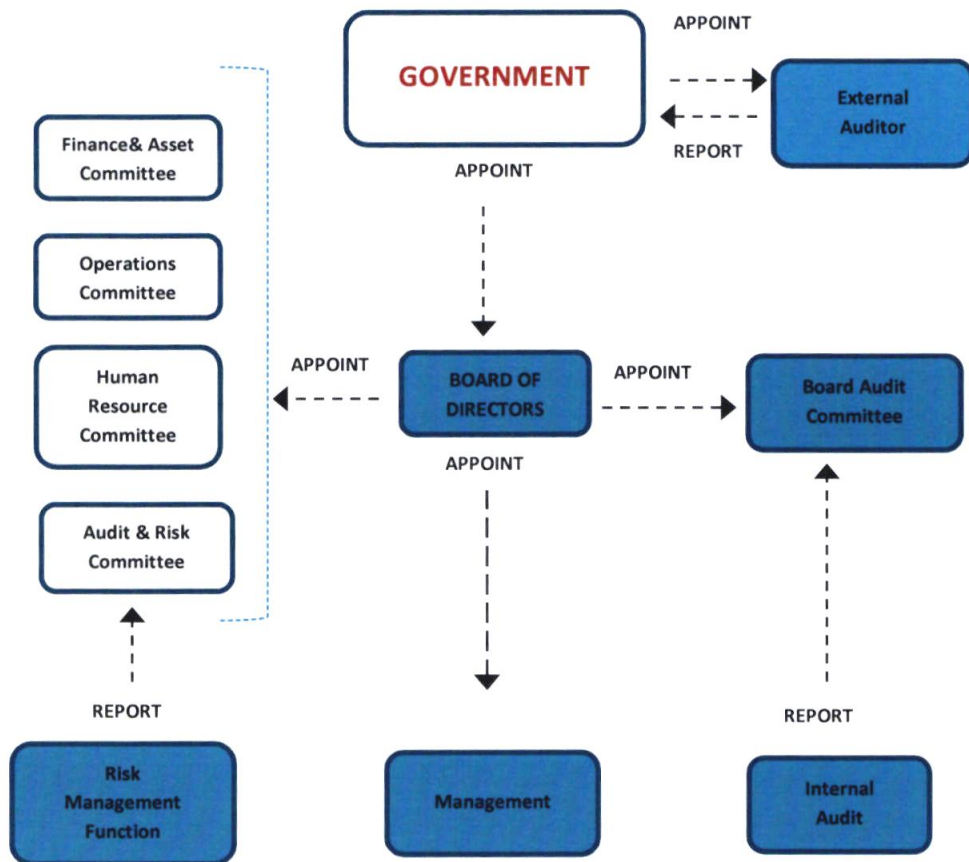
Kenya Commercial Bank Ltd.
Treasury Square Branch
P.O.Box 90254-80100

Mombasa

STATEMENT ON CORPORATE GOVERNANCE

The Board is committed to ensuring that the Port is run in a professional, transparent, just and equitable manner so as to protect and enhance shareholder value and satisfy the interest of other stakeholders. The principles and standards adhered to by the board have been developed with close reference to the guidelines on corporate governance issued by the centre of corporate governance, the Capital Market Authority for listed companies and the Government for Government corporations

Kenya Ports Authority governance structure is summarized in the chart below:



STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Board size, composition and independence.

The Board consists of eleven directors out of whom ten are independent non- executive directors including the Chairman. The Board composition draws a good mix of skills, experience and competencies in various fields.

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

The director biographies appears on page 11 & 12

Board Responsibility

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

A summary of the Board responsibilities are as follows:

- Providing entrepreneurial leadership to the Port within a frame work of prudent and effective controls which allow risk to be assessed and managed,
- Strategy formulation and ensuring that there are adequate policies, systems and structures to successfully implement the Port strategy.
- Monitoring the Port performance against strategic plans and objective on a going concern basis, and as well as mandatory quarterly meeting.
- Approval for publication of financial statements.
- The selection, appointment and appraisal of Senior Managers who are qualified and competent to manage the affair of the Port.
- Approve of the risk management framework and ensuring that there are adequate structure and systems to identify, measure and monitor the key risks facing the Port, including compliance related risks.
- Reviewing the effectiveness of the systems for monitoring and ensuring compliance with the laws and regulations.
- Determine the terms of reference of all committees and reviewing of the reports and minutes of the committees.
- Reviewing and monitoring the Port's corporate governance's policies and practices.
- Reviewing the Port Capital levels to ensure that there is adequate capital for the planned growth and expansion within the strategic cycle.
- Approval of major capital expenditure, borrowings, budget, write offs, acquisition land and investments in approved banks by Treasury.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Chairman and Managing Director

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

Board remunerations

The non – executive Board members are paid sitting allowances for every meeting attended. Director's fees are paid to non executive Board members who are not representing any Government institution.

Board and strategy Meetings

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

The board work plan together with the calendar of meeting for 2012 were fixed in advances and provided to all directors. Adequate notice was given for each meeting and the agenda and supporting papers were distributed in advance to all board and committee members to allow time for appropriate review.

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

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

Significant milestones and development for the Port during the 2012 included;

- Dredging of the channel to allow modern post panama vessels
- Construction of berth number 19
- Starting on construction of the second container terminal
- Expansion and upgrading of the information and communication technology (ICT) Systems
- Investment in new handling equipments

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Directors' external activities and conflict of interest

Directors have a statutory duty to avoid situations in which they have interest which conflict with interest of the Authority.

Board structure

The Board operates under a comprehensive structure made up of committees established to assist in discharging its responsibilities and obligations. These committees assist the board in carry out its functions and ensuring that there is independent oversight of internal control and risk management.

The Board has determined the purpose and the number of committees required to support it in carry out its duties and responsibilities and in guiding Management. These committees have been established with sets of specific terms of reference, which are continually reviewed and up dated. The appointment of members to these committees draws on the skills and experience of individual directors. The role played by board committees as it forms principal point of contact between the Directors and Management.

The board committees are namely; Finance and Assets, Audit and risk, Human Resources and Operations. The members of the committees are shown on page 22

All the committees have at least three non executive directors as members. The chair of the committees must be a non executive director. The chairman does not sit in any of the committee.

At every meeting of the full board the chair of each committee present an update of its activities, decisions and recommendations of their respective committees since the date of the previous meeting for further considerations and approval where necessary.

Details of the committees are given below;

- **Finance and Assets committee**

The core functions of the Finance and Asset Committee shall be to ensure that the Undertaking of the Authority is operated efficiently, according to sound Commercial Principles in accordance with Part V and VI of the Kenya Ports Authority Act 1979

- **Operations Committee.**

The Committee focuses on ensuring that productivity is maintained according to international standards. It also identifies hurdles that may hamper smooth operations and formulates policies on improvement of port the performance.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

- **Human Resources Committee**

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

- **Audit and Risk Committee**

The committee plays a vital role in ensuring the integrity of the financial statement prior to the review and approval by the board. To this end, the committee reviews the accounting policies financial reporting and regulatory compliance of the Authority. The committee also continually evaluates the effectiveness of the risk management programs.

The committee receives reports of the internal and external Auditors and management's corrective response to the findings. The committee also reviews the overall scope, annual plans for the internal Audit function's activities and oversees the alignment of risk management programs and internal Audit activities. The committee reviews all key internal audit reports and has regular direct access to the Head of Internal Audit.

- **Management Committees**

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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Membership of Board Committees

Name	Classification	Finance & Asset	Human Resource	Audit & Risk	Operations
D. Mungatana	Non-exec				
G. Ndua	Executive				
Abdalla Fadhili	Non-exec	✓		✓	✓
Kamau Thugge	Non-exec				
J. Musengi	Non-exec	✓			✓
Joy K. Asiema	Non-exec		✓	✓	
K. Karim	Non-exec	✓	✓		
B. G. Njuguna	Non-exec	✓	✓		✓
N. Muli	Non-exec				
I. Karanja	Non-exec			✓	✓

- ✓ - Member of respective board committee
- The Managing Director is not a member of Audit and Risk committee

SUSTAINABILITY STATEMENT

Kenya Ports Authority enhanced its expenditure budget on corporate social responsibility programs by making positive contribution to the environment and communities within which it operates.

VULNERABLE GROUPS

KPA rehabilitated the swimming pool at the Association for the Physically Disabled (APDK).



SUSTAINABILITY STATEMENT (CONTINUED)



Dormitory at Kibarani School for the deaf

EDUCATION



Administration block constructed by KPA at Mwangoji secondary school Taita Taveta County

SUSTAINABILITY STATEMENT (CONTINUED)

HEALTH CARE

Health care is one of the corporate social responsibility activities the Authority has given priority; below is a health centre under construction at Sengeroko Taita-Taveta County



SPORTS

The Authority continues to place emphasis in promotion of development of sports in the country by sponsoring Bandari FC in the Kenya Premier League and Ladies and Men Basketball Teams in the Kenya Basketball Federation



KPA Ladies basket ball during the East and Central African Championship in 2012

SUSTAINABILITY STATEMENT (CONTINUED)

Health and Safety at Work

The maintenance of appropriate health and safety standards remains a key responsibility of all employees and KPA is committed to proactively managing all health and safety risks associated with the operations. Our objective is to identify, reduce and control materials risks relating to fires, accidents or injuries to employees and customers.

We have a Health and Safety Management System which contains instructions and recommendations aimed at ensuring the health and safety of our employees and other persons lawfully present in the Authority premises.

It is the policy of the Authority to provide working conditions which ensure health and safety of all the employees. The Authority ensures that the policy is carried out and at the same time all members of staff are made aware of their individual responsibilities for their own health and safety, that of their colleagues, customers and any other persons who may be affected by their activities at work.

Health and Safety Audit

In 2012, we had our annual statutory health and safety audit conducted in all our operations areas.

The audit was carried out with the view of evaluating compliance of the work place and the associated operations within the provisions of the Occupational Safety and Health Act 2007, and all its relevant subsidiary legislations. The following areas were assessed.

- Work place information
- Management of Occupational Safety and Health polices
- Work place safety, Health and welfare conditions including safety, occupational hygiene conditions as well as general conditions.
- Fire hazards and preparedness

Fire Safety Audit

Fire Safety Audits was also carried out in accordance with the provisions of existing fire safety legislations [Fire Risk Reduction Rules, 2007], local standard specifications and applicable codes of practices for fire professionals.

REPORT OF THE DIRECTORS

The board of Directors has pleasure in submitting the annual report and audited financial statements for the year ended 30 June 2013 in accordance with the International Financial Reporting Standard and Companies Act which discloses the state of affairs of the Authority.

Incorporation

Kenya ports Authority was incorporated by an act of parliament cap 391 of 1978.

Principal Activities

The Principal activities of the Authority are provision of port cargo handling facilities and services in accordance with KPA Act CAP 391.

Results for the year

The net profit for the year of **Kshs. 4,598 million (Kshs. 5,180 million for the year 2011/12)** has been added to revenue reserves.

Dividend

The Directors recommend a dividend of Kshs 345 million for the year. Dividend will be paid in conformity with the Authority's policy on dividend.

Directors

The directors' who held office during the year and to date are shown on pages 11 and 12

Auditors

Office of the Auditor General,
Kenya National Audit Office

Approval of Financial Statement

The Financial Statement were approved and authorized for issue by the Board of Directors.

By order of the board


Muthoni Gatere

CORPORATION SECRETARY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the Directors 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 the operating results. It also requires the directors to ensure that the Authority keeps proper records which disclose with reasonable accuracy at any time the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority.

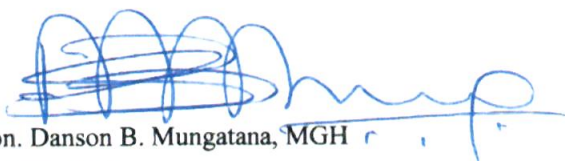
The Directors are responsible for the preparation of Financial statement that give a true and fair view in accordance with International Financial Reporting Standard and the requirement of the Kenya Companies Act, and for such internal controls as directors determine are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the maintenance of the accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial controls. The Directors further accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards and in the manner required by the Kenya Companies Act.

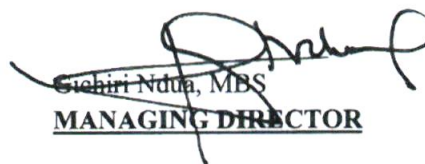
The directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Authority as at 30th June 2013 and of its financial performance and cash flows for the year then ended in accordance with international financial standard and the requirements of the Kenya Companies Act.

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

Approved by the Board of Directors and signed on its behalf by:



Hon. Danson B. Mungatana, MGH
CHAIRMAN



Gichiri Nduu, MBS
MANAGING DIRECTOR

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Ports Authority set out on pages 31 to 67 which comprise the statement of financial position as at June 30 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of section 13 of the Public Audit Act 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act 2003 and submit the report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Operating Revenue against Expenditure

As reported in the financial statements for the year ending 30 June 2013, Operational Revenue increased from Kshs. 27,038,707,000 (2011/2012) to Kshs. 27,054,242,000 in the current year, being a marginal increase of Kshs. 15,535,000 (0.06%). Operational expenses, on the other hand increased from Kshs.18,564,862,000 (2011/2012) to Kshs. 21,133,572,000 or Kshs. 2,568,710,000 (14%) in the current year. The increase in operating revenue does not match the increase in operating expenses. This may indicate that there is revenue leakage, which may affect the long- term sustainability of the business.

2. Non-Current Assets

(i) Land Ownership in Dispute

The property plant and equipment balance of Kshs. 70,282,199,000 as at 30 June 2013 include eight (8) pieces of land that are carried in the books at a valuation of Kshs.249,035,000 and impairment of Kshs.187,070,000 whose ownership is in dispute and has reportedly been encroached upon by squatters. Although the management is confident that the Authority has proper title to the properties, I am unable to confirm the extent of impairment of the value of the property, if any due to encroachment by squatters.

(ii) Stalled Projects

The property plant and equipment figure also includes amounts totalling Kshs.110, 535,738 in respect of work-in-progress of six (6) projects which have stalled for more than five (5) years. Included is a canteen valued at Kshs. 5,884,681 which was discontinued on grounds that the land in question had already been allocated to an Export Processing Authority (EPZA).

(iii) Unutilized Parcels of Land

Included in the Property Plant and Equipment figure of Kshs. 70,282,199,000 as at 30 June 2013, are fourteen (14) parcels of land measuring to about 266.716 hectares and valued at Kshs. 675,632,445 which are not utilized at all. This amounts to idle investments which are outside the core business of the Authority. Most of the said parcels of land have been invaded by squatters and private developers who now occupy large portions of them.

Consequently, in light of the above paragraphs, it was not possible to confirm whether the carrying values as stated in the financial statements reflect the fair values of the properties as at the balance sheet date.

3. Trade and Other Receivables

(i) As reported in the previous years, and as disclosed in Note 9 to the financial statements, the trade and other receivables balance of Kshs.1,439,458,000 as at 30 June 2013, include amounts of Kshs 287,231,402 and Kshs.342,599,000 owed by the Ministry of Transport and Kenya Ferry Services Limited respectively, that have been outstanding for more than fifteen (15) years. Although the Public Investment Committee in its ninth report recommended that the Chief Executive Officer communicates with both the Parent Ministry and Treasury with a view to ensuring that the receivables are paid to the Authority, no meaningful progress has been made in this regard. Further, the balance of Kshs. 342,599,000 differs by unreconciled figure of Kshs. 17,091,431 from the amount of Kshs. 325,507,560 reflected as payable in the audited financial statement of the Kenya Ferry Services Ltd.

(ii) Further, included in the trade and other receivables balance are amounts totalling Kshs. 567,208,345 in respect of debts owed by three firms which have been outstanding since 2004/2005 financial year. The Authority has not put in place any effort to recover the same.

(iii) In addition, the trade and other receivables figure includes an amount of Kshs. 968,628 in respect of staff advances who have either retired or dismissed and whose recoverability is doubtful. No provision has been made for such debts in the financial statements.

4. JICA Loan

The statement of financial position as at 30 June 2013 reflects borrowings totaling Kshs.11,624,462,000 which includes a JICA loan balance of Kshs. 9,703,755,021. Excluded from JICA loan balance is an amount of Kshs. 377,217,595 disbursed on 28 June 2013 but recorded in KPA books in July 2013. This has resulted in the understatement of total borrowings as at 30 June 2013.

Qualified Opinion

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 the Authority as at 30 June 2013, and its financial performance and of its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Ports Authority Act, Cap 391 of Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

16 May 2014

THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2012/13 KSHS. '000'	2011/12 KSHS. '000'
Operating Revenue	2a	<u>27,054,242</u>	<u>27,038,707</u>
Operating Expenditure:			
Establishment Expenses	2b	(13,093,966)	(11,215,390)
Administrative Expenses	2c	(1,949,982)	(1,645,828)
Other Operating Expenses	2d	(5,856,843)	(5,113,312)
Finance & Legal Costs	2e	(232,781)	(590,332)
Total Operating Expenses		<u>(21,133,572)</u>	<u>(18,564,862)</u>
Operating Profit		<u>5,920,670</u>	<u>8,473,845</u>
Non-Operating Income	2f	800,097	1,001,695
Gain/(loss) on Forex	2g	225,174	(107,606)
Impairment Losses	2h	(352,236)	(901,039)
Profit before Tax		<u>6,593,705</u>	<u>8,466,895</u>
Tax for year	14	<u>(1,995,555)</u>	<u>(3,286,941)</u>
Profit for the Year		<u>4,598,150</u>	<u>5,179,954</u>

Hon. Danson B. Mungatana, MGH
CHAIRMAN

Gichini Nduu, MRS
MANAGING DIRECTOR

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Notes	2012/13 KSHS '000'	2011/12 KSHS '000'
ASSETS			
Non-Current Assets:			
Property Plant and Equipment	4	70,282,199	60,871,440
Investment Property	5	171,406	178,012
Long Term Investment	6	707,990	699,510
Intangible Assets	7	<u>541,509</u>	<u>315,416</u>
Total non-current assets		71,703,104	62,064,378
Current Assets:			
Inventories	8	331,490	281,413
Trade & Other Receivables	9	1,439,458	1,130,704
VAT Recoverable	10	1,704,148	1,544,450
Financial Assets	11	2,684,415	3,020,979
Prepayments & Accrued Income	12	170,802	191,201
Cash & Bank	13	559,579	1,031,412
Advance Corporate Tax	14	<u>1,357,325</u>	<u>0</u>
Total current assets		8,247,217	7,200,159
Less current liabilities:			
Trade and other payables	15	4,799,784	3,351,194
Advance Receipts	16	117,748	144,955
Current Tax payable	14	0	636,892
Borrowings	17	919,296	850,674
Pension liability: current portion	18	<u>240,000</u>	<u>1,008,000</u>
Total current liabilities		6,076,828	5,991,715
Working Capital		<u>2,170,389</u>	<u>1,208,444</u>
NET ASSETS		<u>73,873,493</u>	<u>63,272,822</u>
CAPITAL AND RESERVES:			
Revaluation Reserves		24,616,679	24,846,131
Capital Reserves		14,797,010	14,797,010
General reserves		17,105,560	12,514,705
Proposed dividend		<u>1,622,180</u>	<u>1,277,319</u>
Total Capital & Reserves		58,141,429	53,435,165
Non-Current Liabilities:			
Borrowings	17	11,624,462	6,924,821
Accrued Pension Liability	18	1,813,327	1,669,327
Deferred tax	14	912,901	512,135
GOK grants	19	<u>1,381,374</u>	<u>731,374</u>
Total Non-Current Liabilities		15,732,064	9,837,657
TOTAL CAPITAL & LIABILITIES		<u>73,873,493</u>	<u>63,272,822</u>

Hon. Danson B. Mungatana, MGH

CHAIRMAN

Gichiri Nduu, MBS

MANAGING DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	CAPITAL RESRVES KSHS' 000	REVALUATION RESERVES KSHS '000'	GENERAL RESERVES KSHS '000'	PROPOSED DIVIDENDS KSHS '000'	TOTAL KSHS '000'
Balance as at 01.07.2012	14,797,010	24,846,131	12,514,705	1,277,319	53,435,165
Profit after tax	0	0	4,598,150	0	4,598,150
Revaluation effect/Adjustments	0	(229,452)	229,452	0	0
Transfer of Grant (Dredging Project)	0	0	50,000	0	50,000
Dividends paid/payable	0	0	(344,861)	0	(344,861)
Proposed dividends	0	0	0	344,861	344,861
Adjustment on Valuation	0	0	58,114	0	58,114
Balance as at 30.06.2013	14,797,010	24,616,679	17,105,560	1,622,180	58,141,429

FOR THE YEAR ENDED 30 JUNE 2012

	CAPITAL RESRVES KSHS' 000	REVALUATION RESERVES KSHS '000'	GENERAL RESERVES KSHS '000'	PROPOSED DIVIDENDS KSHS '000'	TOTAL KSHS '000'
Balance as at 01.07.2011	14,797,010	25,221,579	7,603,658	500,326	48,122,573
Profit after tax	0	0	5,179,954	0	5,179,954
Revaluation effect/Adjustments	0	(375,448)	375,448	0	0
Actuarial Deficit	0	0	(1,727,139)	0	(1,727,139)
Transfer of Grant (Dredging Project)	0	0	1,690,000	0	1,690,000
Dividends paid/payable	0	0	(776,993)	0	(776,993)
Proposed dividends	0	0	0	776,993	776,993
Currency fluctuation	0	0	169,777	0	169,777
Balance as at 30.06.2012	14,797,010	24,846,131	12,514,705	1,277,319	53,435,165

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2013

	2012/13 KSHS '000'	2011/12 KSHS '000'
Cash Flow from Operating Activities:		
Operating profits before tax	6,593,705	8,466,895
Add/Deduct:		
Interest income	(280,827)	(540,017)
Interest expense	43,023	52,802
Non-Cash Items:		
Depreciation	3,394,821	2,663,819
Write off: Trade Receivables, Stocks & Assets	65,037	366,904
Provision for debts/impairment	59,915	746,693
Provision for Investments/impairment	0	154,347
Provision for Impairment PPE	292,321	0
(Profit)/loss on sale of assets	(21,999)	40,765
Net foreign (gain)/loss	(120,741)	181,902
Operating Profit before working capital changes	10,025,255	12,134,110
Increase in Inventories	(50,077)	53,686
Decrease in Prepayments	20,400	(31,875)
Increase in Trade & other receivables	(485,214)	1,804,551
Increase in Trade & Other Payables	1,532,712	1,159,529
Cash generated from operations	11,043,076	15,120,001
Tax paid	(3,585,778)	(2,513,380)
Pension Paid	(624,000)	(1,026,000)
Net cash generated from operating activities	6,833,298	11,580,621
Cash Flows from Investing Activities:		
Capital Expenditure	(13,254,255)	(19,885,654)
Long term investment	(8,479)	(6,767)
Interest income	280,827	540,017
Sale of asset	29,216	23,593
Direct acquisitions	(114,242)	(63,216)
Net Cash used in Investing Activities	(13,066,933)	(19,392,027)
Cash Flows from Financing Activities:		
Repayment of long term loans	(823,649)	(757,855)
GOK Grants	700,000	330,125
JICA Loans	5,132,725	4,095,499
East Africa Trade & Transport Facilitation	459,186	480,150
Interest paid	(43,023)	(52,802)
Net Cash Generated from Financing Activities	5,425,239	4,095,117
Net decrease in cash & cash equivalent	(808,396)	(3,716,289)
Cash & cash equivalents as at 1.07.2012	4,052,390	7,768,679
Cash and cash equivalents as at 30.06.2013 (Note 4b)	3,243,994	4,052,390

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. Summary of significant accounting policies

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

Adoption of new and revised International Financial Reporting Standards (IFRSs)

(a) Basis of preparation

The Financial Statements are prepared in compliance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board. The measurement basis applied is the historical cost basis of accounting as modified by the revaluation of certain fixed assets. The Financial Statements are presented in Kenya Shillings (Kshs), rounded to the nearest thousand.

(b) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Authority

The following standards, amendments and interpretations which became effective in 2011 and are relevant to the Authority were adopted in the period:

- IAS 24 – Related Party Disclosures

The adoption of the above has had no material effect on the corporations account policies or disclosures expect for IAS 24 related party transactions.

(ii) New and revised standards and interpretations which have been issued but are not yet effective

The following revised standards and interpretations have been published but are not yet effective for the year beginning 1st January 2012 and have been adopted by the Authority where relevant to its operations.

IAS 1 (Amendment) – Presentation of financial statements: the amendment will require entities to group items of other comprehensive income according to whether or not they will be subsequently reclassified to profit or loss.
IAS 19 (Amendment) – Employee Benefits: the key amendments include elimination of the “corridor approach”,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

Modification of account for termination payment, and changes to the disclosure requirements for defined benefit plans.

IFRS 9 – Financial Instruments will eventually replace IAS 39 – Financial Instruments, Recognition and Measurement. The new standard will be effective for annual periods beginning on or after 1st January 2015. The chapters published to date cover recognition, de-recognition, classification and measurement of financial assets and financial liabilities. Most gains or losses on financial assets measured at fair value will then be recognized in profit or loss, but the company will be able to make an irrevocable election to present changes in fair value of investments in equity instruments in other comprehensive income.

IFRS 13 - Fair Value Measurement: the new standard defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. IFRS 13 applies when other standards require or permit fair value measurements; it does not introduce any new requirements to measure an asset or a liability at fair value.

The Directors have assessed the potential impact of the above and expect that they will not have a significant impact on the company's financial statements for 2012, other than the amendment to IAS 12, which will result in the write back of the deferred tax liability in respect of investment property (tailor as appropriate). IFRS 9, when adopted, will result in changes in the classification of financial assets, with the four existing classes being reduced to two: amortized cost and fair value early adoption

(c) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the company operates), which is Kenya Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognized on a net basis in the profit and loss account in the year in which they arise.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

(d) Revenue Recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the company's activities. It is recognized when it is probable that future economic benefits will flow to the company and the amount of revenue can be measured reliably. It is stated net of Value Added Tax, rebates and trade discounts. Cash discounts are included as part of finance costs.

Rental income from operating leases is recognized on a straight line basis over the period of the lease.

Dividend income is recognized when the right to receive the payment is established.

Interest income is recognized on a time proportion basis using the effective interest rate.

Borrowing Costs

Borrowing costs that are attributable to acquisition, construction or production of a qualifying asset are capitalized as part of the asset. In the case of general borrowings, the borrowing cost is charged to the profit and loss account. Capitalization of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use are complete. All other borrowing costs are recognized in the profit or loss in the year in which they are incurred.

Income Tax

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

Current Tax

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

Deferred Tax

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Recognized and unrecognized deferred tax assets are reassessed at the end of each reporting period and, where 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.

Financial Instruments

Classification

The corporation classifies its financial instruments into the following categories;

- i. **Financial assets and financial liabilities at fair value through profit or loss**, which comprise financial assets and financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term or to generate short-term profit-taking (AND/OR:) Financial assets and financial liabilities at fair value through profit or loss, which comprise financial assets or financial liabilities designated by the company at fair value through profit or loss and which are managed and their performance evaluated on a fair value basis in accordance with the Authority's investment strategy.
- ii. **Held-to-maturity investments**, which comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Authority has a positive intention and ability to hold to maturity.
- iii. **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.
- iv. **Financial liabilities**, which comprise all financial liabilities except financial liabilities at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

Recognition and measurement

Financial assets:

All financial assets are recognized initially using the trade date accounting which is the date the Authority commits itself to the purchase or sale. Financial assets carried at fair value through profit or loss is initially recognized at fair value and the transaction costs are expensed in the profit and loss account. All other categories of financial assets are recorded at the fair value of the consideration given plus the transaction cost.

Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The corporation assesses at each balance sheet whether there is objective evidence that a financial asset is impaired. If any such evidence exists, an impairment loss is recognized. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. In the case of the held-to-maturity investments and loans and receivables, the recoverable amount is the present value of the expected future cash flows, discounted using the asset's effective interest rate.

Changes in fair value of financial assets at fair value through profit or loss are recognized in the profit and loss account.

Changes in the carrying values and impairment losses of held-to-maturity investments and loans and receivables are recognized in the profit and loss account. Trade and other receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

Financial liabilities

All financial liabilities are recognized initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit and loss, which are initially recognized at fair value and the transaction costs are expensed in the profit and loss account.

Subsequently, all financial liabilities are carried at amortized cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

Presentation

Financial assets are classified as non-current assets at fair value at the balance sheet date, those which the directors have the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

Financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, those expected to be settled in the company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Authority has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized only when the obligation specified in the contract is discharged or cancelled or expires.

Offsetting

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

(e) Post-employment benefit obligations

The Authority operates a defined benefit and defined contribution plans for her employees. The Authority will run the two schemes in parallel with intention of phasing out the defined benefit scheme in the long run.

Defined Benefit

The liability recognized in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligations at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the functional currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The employer contribution relating to current service is charged to the income statement and paid monthly to the pension scheme which is managed independently.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

Defined Contribution

The Authority started a defined contribution scheme for her employees who were below the age of 45 as at 31st December 2012. The employee contributes 10% of their basic salary while the employer contributes 20% of the employee basic salary. The employer contribution is charged to the income statement for the period it relates. Both the employee and employer contribution are paid to an independent scheme who manages the resources pooled. Employee will benefit from the employer contributions on meeting specific criteria set out in the pension scheme deed.

(f) Short term employee benefits

The estimated monetary liability for employees' accrued at the balance sheet date is recognized as an employment cost accrual. Gratuity earned at balance sheet date is accrued and recognized as an employee cost in the profit and loss account.

(g) Property, Plant and Equipment

All categories of property, plant and equipment are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system that is an integral part of the related hardware is capitalized as part of the computer equipment. Freehold land/buildings/plant and machinery/furniture and equipment/computers, copiers and faxes/motor vehicles are subsequently carried at a revalued amount, based on valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognized in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

Depreciation is calculated using the straight line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

(h) Investment Property

Cost Model

Investment property is property held to earn rentals or for capital appreciation or both. Investment property, excluding interest in leasehold land, is initially recognized at cost including the transaction costs. It is subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight line method to write down the cost of the property to its residual value over its estimated useful using the following annual rates:

	Rate - %
Freehold land	Nil
Buildings	2.5

Subsequent expenditure on investment property where such expenditure increase the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other subsequent expenditure is recognized as an expense in the year in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

(i) 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 company 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%.

(j) Impairment of non-financial assets

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

(k) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in first-out (FIFO)

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

2a. OPERATING REVENUE

	2012/2013	2011/2012
	KShs. 000	KShs. 000
Pilotage	377,491	418,469
Tug Services Dues	1,022,418	1,110,486
Mooring	214,253	246,860
Navigational Dues	161,494	149,129
Port Dues	364,501	343,776
Dockage	475,629	566,024
Fresh Water – Normal	6,828	4,959
Laid Up Vessels	72	511
Security	100,690	91,531
Stevedoring	8,244,166	7,694,661
Hire Of Labor/Equipment	132,516	165,446
Handling Of Empty Containers	1,311,213	1,209,416
Handling Of Full Containers	4,271	113
Shore handling	3,222,020	3,568,186
Re Marshaling Charges	392,099	448,111
Container Stripping/Stuffing	2,227	1,699
Verification Charges	5,061	3,238
Storage Of General Cargo	123,904	268,861
Storage - Empty Containers	69,322	6,744
Storage-Full Containers	2,692,633	3,381,599
Jetty Fees	1,572	185
Licenses	5,686	7,570
Other Revenue	30,726	38,738
Marine Charges	279	278
Wharfage	8,007,209	7,243,021
Sale Of Fresh Water	471	925
Other Miscellaneous Revenue	85,491	68,171
	27,054,242	27,038,707

2b. ESTABLISHMENT EXPENSES

	2012/2013	2011/2012
	KShs. 000	KShs. 000
Basic Salary	4,805,218	4,458,838
Overtime	1,629,206	1,665,603
Staff Allowances	1,096,762	683,017
Normal Staff Housing	2,127,496	1,657,021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

2b. ESTABLISHMENT EXPENSES (CONTINUED)

	2012/2013 KShs. 000	2011/2012 KShs. 000
Leased Staff Housing	24,543	3,587
Special Accommodation	6,720	5,674
Duty Travel	173,450	207,755
Leave Travel	299,502	235,766
Motor Mileage	1,285,419	881,455
Staff Pension-DC	229,262	0
Staff Pension-DB	448,943	581,252
Staff Gratuity	386,468	286,540
Long Service Awards	0	(154)
Social Security	5,796	6,269
Medicines	180,755	169,937
Hospital/Referral Bills	379,215	358,954
First Aid	5,830	5,581
Medical Education Expenses	6,591	7,227
Incentive Scheme	2,790	1,068
	13,093,966	11,215,390

2c. ADMINISTRATIVE EXPENSES

	2012/2013 KShs. 000	2011/2012 KShs. 000
Library & Archives	6,273	4,443
Nursery Schools	2,950	1,829
Laundry	1,423	893
Provisions & Catering	36,032	21,474
Cleaning Of Carpets & Curtains	202	126
Directors Allowances	21,504	31,283
Furniture & Equipment	152	(1,200)
Printing & Stationery	99,843	94,069
Club Membership Fees	1,661	975
Postage & Courier Serv.	6,012	5,086
Office Incidentals & Consumables	22,453	19,922
Entertainment Allowance	5,526	7,751
Police Services	7,747	8,678
Security Guards Services	29,067	37,225
Port Passes	19,760	10,279
Radio Services	600	602
Survey Fees	2,845	723
Computer & Network Maintenance	165,664	117,217

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

ADMINISTRATIVE EXPENSES (CONTINUED)

	2012/2013	2011/2012
	KShs. 000	KShs. 000
Website	5,000	2,731
Licenses & Computers	213,660	282,729
Insurance Premier	271,457	186,126
Un-Insured Loss	14,355	17,399
Car Registration & Licenses	149	103
Stock Take Expenses	1,389	1,418
Corporate Social Responsibility	8,723	15,573
Victuals & Snacks	11,345	11,690
Professional Education	24,335	21,745
Value Added Tax Expenditure	49,736	78,483
Publicity & Advertising	105,792	79,867
Subscriptions & Donations	8,942	12,400
Hire Of Com. Bus Service	39,619	44,478
Agri. Society Of Kenya Shows	16,743	15,445
Sports	55,693	49,517
Welfare	32,773	24,741
Industrial Relations Costs	11,256	7,258
Development Studies	114,797	137,138
Consultant Fees	98,562	5,477
Training	274,418	172,706
Curriculum Development	14,001	12,988
Trade Testing Materials	1,719	1,315
Recruitment Costs	5,471	2,749
Telephone/Telex/Fax Services	14,119	18,084
Water Supply Services	53,435	39,155
City & Municipal Council Rates	70,740	39,142
Retirees Expenses	894	2,148
Office Rental-Kampala	1,145	1,848
	1,949,982	1,645,828

2d. OTHER OPERATING EXPENSES

	2012/2013	2011/2012
	KShs. 000	KShs. 000
Operational / Running Supplies	224,628	201,952
Marine Spares	169,200	295,809
Diving & Signal Equipment	52	568

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

OTHER OPERATING EXPENSES (CONTINUED)

	2012/2013	2011/2012
	KShs. 000	KShs. 000
Buoys	7,250	1,345
Flowers & Plants	152	1,240
Crane Spares	137,298	166,045
Fuel	754,910	681,311
Oils & Lubricants	55,002	51,195
Cleansing Agents	4,092	6,062
Gas Cutting/ Welding Supplies	6	30
Uniforms & Clothing	202,000	109,876
Cleaning Implements/ Detergents	38,739	11,938
Workshop Tools And Equipment	26,104	10,147
Comm./ Equipment Spares	28,264	2,667
Medical Equipment	2,692	4,369
Repairs: Office Machinery	22	183
Repairs: Port Infrastructure	315,942	291,834
Staff Houses Repair	0	748
Mobile Plant Spares	124,287	164,265
Electrical Spares	83,967	73,993
Tyres And Tubes	58,237	66,186
Refrigeration/ Air Conditioning	18,057	14,507
Batteries Charges And Clocks	5,061	15,453
Annual Depreciation	3,394,820	2,663,819
Electricity Services	206,061	277,770
	5,856,843	5,113,312

2e. FINANCE AND LEGAL COSTS

	2012/2013	2011/2012
	KShs. 000	KShs. 000
Discount Allowed To Customers	58,249	53,160
Audit Fees	8,050	8,000
Bank Charges & Commission	11,803	12,342
Fringe Benefit Tax	12	12
Interest Charges- Long Term Loans	43,023	52,802
Provision for –Stock write off.	0	26,682
Write-Offs –Trade Debtors	0	3,658

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

FINANCE AND LEGAL COSTS (CONTINUED)

	2012/2013	2011/2012
	KShs. 000	KShs. 000
Write-Offs – Fixed Assets	65,037	336,565
Revaluation Fees	0	612
Price Difference Loss/Gain	(2,697)	(255)
Inventory Differences	(420)	63
Workman's Compensation	53	23
Legal Fees	49,671	96,668
	232,781	590,332

2f. NON-OPERATING REVENUE:

	2012/2013	2011/2012
	KShs. 000	KShs. 000
Rent & Rates Receivable	213,340	178,700
Bandari College	23,058	47,985
P/L On Sale Of Fixed Assets	21,999	(40,765)
Recovery From Housed Employees	91,544	117,139
P/L - Sale Of Surveyed Stock	6,447	13,196
Sale Of Passes	82,557	70,627
Sale Of Books And Documents	3,868	2,247
Sundry Income	76,457	72,549
Interest On Staff Loans	194	506
Bank Interest Earnings	280,633	539,511
	800,097	1,001,695

2g. (GAIN) / LOSS ON FOREX

	2012/2013	2011/2012
	KShs. 000	KShs. 000
Realized Foreign Exchange (Gain)/Loss	(107,550)	(74,612)
Unrealized Foreign Exchange Gain	(117,624)	182,218
	(225,174)	107,606

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

2h. IMPAIRMENT LOSSES:

	2012/2013	2011/2012
	KShs. 000	KShs. 000
Prov. Impairment Loss Debtors	59,915	746,693
Prov. Impairment Loss Trade Investment	0	154,346
Prov. Impairment Loss on PPE	292,321	0
	352,236	901,039

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

4. PROPERTY, PLANT & EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2013

COST / VALUATION	LAND AND BUILDINGS	PLANT AND EQUIPMENT(MOTOR VEHICLES, BOATS, FORKLIFTS, TUGS AND CRANES)	SERVICES AND SYSTEMS	BASIC CONSTRUCTION (ROADS, BRIDGES, RAIL TRACKS, QUAYS, JETTIES, AND WHARVES)	BALANCE AS AT 30TH JUNE,2013
	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Balance as at 01.07.2012	29,603,184	15,109,626	2,431,110	14,726,284	61,870,204
Fully depreciated Assets as at 01.07.2012	275,352	5,434,468	739,621	1,146,228	7,595,669
Additions	2,406,258	1,899,002	1,889,385	5,919,164	12,113,809
Disposals	0	(548,099)	(10,099)	0	(558,198)
Write Off	(73,060)	0	0	0	(73,060)
Balance as at 30.06.2013	32,211,734	21,894,997	5,050,017	21,791,676	80,948,424
DEPRECIATION					
Balance as at 01.07.2012	1,648,578	5,143,248	846,600	4,772,010	12,410,436
Fully depreciated Assets as at 01.07.2012	275,352	5,434,468	739,621	1,146,228	7,595,669
Eliminated on Write Off	(8,023)	0	0	0	(8,023)
Eliminated on Disposal	0	(540,437)	(10,099)	0	(550,536)
Charge for the year	436,718	1,824,165	193,878	716,059	3,170,820
Balance as at 30.06.2013	(2,352,625)	(11,861,444)	(1,770,000)	(6,634,297)	(22,618,366)
N.B.V as at 01.07.2012	27,954,606	9,966,378	1,584,511	9,954,273	49,459,768
NBV as at 30.06.2013	29,859,109	10,033,553	3,280,017	15,157,379	58,330,058
W.I.P as at 01.07.2012	902,630	325,107	476,199	9,707,736	11,411,672
W.I.P as at 30.06.2013	250,726	203,456	23,949	11,661,080	12,139,211
Impairment(Land)	(187,070)	0	0	0	(187,070)
Grand Totals	29,922,765	10,237,009	3,303,966	26,818,459	70,282,199

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

FOR THE YEAR ENDED 30 JUNE 2012

COST / VALUATION	LAND AND BUILDINGS	PLANT AND EQUIPMENT(MOTOR VEHICLES, BOATS, FORKLIFTS, TUGS AND CRANES)	SERVICES AND SYSTEMS	BASIC CONSTRUCTION (ROADS, BRIDGES, RAIL TRACKS, QUAYS, JETTIES, AND WHARVES)	BALANCE AS AT 30TH JUNE,2013
	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Balance as at 01.07.2011	30,113,395	14,830,468	3,146,043	10,444,743	58,534,650
Additions	140,626	6,150,961	82,801	5,427,769	11,802,156
Disposals	0	(382,375)	0	0	(382,375)
Write Off	(348,180)	(54,606)	(58,113)	0	(460,900)
Adjustments	(27,305)	(354)	0	0	(27,658)
Balance as at 30.06.2012	29,878,536	20,544,094	3,170,731	15,872,512	69,465,873
DEPRECIATION:					
Balance as at 01.07.2011	1,544,257	9,423,875	1,461,849	5,463,063	17,893,043
Eliminated on Write Off	(13,684)	(52,538)	(58,113)	0	(124,335)
ADJUSTMENT	(25,134)	(2,799)	1,043	(10,925)	(37,816)
Eliminated on Disposal	0	(318,017)	0	0	(318,017)
Charge for the year	418,491	1,527,195	181,441	466,102	2,593,230
Balance as at 30.06.2012	1,923,930	10,577,716	1,586,220	5,918,239	20,006,105
N.B.V as at 01.07.2011	28,569,138	5,406,593	1,684,194	4,981,681	40,641,607
NBV as at 30.06.2012	27,954,606	9,966,378	1,584,511	9,954,273	49,459,768
W.I.P as at 01.07.2011	208,510	978,582	157,018	2,303,747	3,647,857
W.I.P as at 30.06.2012	902,630	325,107	476,199	9,707,736	11,411,672
Grand Totals	28,857,236	10,291,485	2,060,710	19,662,009	60,871,440

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

4 (b). Cash and Cash Equivalents

Description	2012/13 Kshs '000	2011/12 Kshs.'000
Cash on Hand and at Bank	559,579	1,031,412
Financial Assets	2,684,415	3,020,979
TOTAL	3,243,994	4,052,391

5. INVESTMENT PROPERTY

COST / VALUATION	AS AT 30 JUNE 2013			
	Buildings KShs. '000	Basic Construction KShs. '000	Services and Systems KShs. '000	Bal. as at 30.06.2013 KShs. '000
Balance as at 01.07.2012	83,791	131,743	24,361	239,895
Fully Depreciated Assets as at 01.07.2012	92,172	0	0	92,172
Balance as at 30.06.2013	175,963	131,743	24,361	332,067
DEPRECIATION:				
Balance as at 01.07.2012	6,075	34,340	21,468	61,883
Fully Depreciated Assets as at 01.07.2012	92,172	0	0	92,172
Annual Charge	2,095	3,293	1,218	6,606
Balance as at 30.06.2013	100,342	37,633	22,686	160,661
N.B.V as at 01.07.2012	77,717	97,403	2,893	178,012
N.B.V as at 30.06.2013	75,621	94,110	1,675	171,406

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

INVESTMENT PROPERTY (CONTINUED)

AS AT 30 JUNE 2012

COST / VALUATION	Buildings	Basic Construction	Services and Systems	Bal. as at 30.06.2012
	KShs.'000	KShs. '000	KShs. '000	KShs.'000
Balance as at 01.07.2011	175,963	131,743	24,361	332,067
Balance as at 30.06.2012	175,963	131,743	24,361	332,067
DEPRECIATION:				
Balance as at 01.07.2011	94,422	31,044	20,250	145,716
Adjustments	2	2	2	5
Annual Charge	3,823	3,293	1,218	8,334
Balance as at 30.06.2012	98,246	34,339	21,469	154,055
N.B.V as at 01.07.2011	81,541	100,699	4,111	186,351
N.B.V as at 30.06.2012	77,717	97,404	2,891	178,012

The Authority policy on Revaluation of assets is after every 5 years. Assets with Nil values will be disclosed in the assets schedule at closure of the financial year until they are revalued or disposed off.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

6. LONG TERM INVESTMENTS

DESCRIPTION	2012/13 KShs. 000	2011/12 KShs. 000
1. Fixed Deposits:		
Housing Scheme Backup Funds- HFCK	301,272	303,494
Fixed Deposits- HFCK	75,607	65,502
Savings and Loan Ltd.	283,619	283,579
Eco-Bank Kenya Ltd	<u>18,392</u>	17,835
	678,890	670,410
2. Equities:		
Kenya National Shipping Line	54,346	54,346
Kenya Ferry Services	100,000	100,000
Impairment of Trade Investment	<u>(154,346)</u>	<u>(154,346)</u>
Consolidated Bank of Kenya	29,100	29,100
Total	707,990	699,510

1. Funds invested with Housing Finance amounted to Kshs. 376.9 million out of which Kshs. 301.3million were held as lien on loans advanced to staff under the House Ownership Mortgage Scheme (HOMS) and earns interest at 1.25% pa. The balance of Ksh.75.6 m is held in a fixed deposit account and earns interest of 8.2% pa.
2. Funds invested with ECO-Bank amounting to Kshs. 18.4 million are held as security on loans advanced to staff under HOMS. They earn interest at 2% p.a.
3. Funds invested with Savings and Loan Ltd amounting to Kshs. 283.6 million is held as security on loans advanced to staff under HOMS. They earn interest at 1.0% p.a.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

7. INTANGIBLE ASSETS:

	2012/2013	2011/2012
	KShs. 000	KShs. 000
Cost:		
Balance as at 1 July	395,795	541,416
Fully depreciated Assets as at 01.07.2012	424,127	0
Additions	443,488	278,506
Balance as at 30 June	1,263,410	819,922
Amortization:		
Balance as at 1 July	80,379	431,745
Fully depreciated Assets as at 01.07.2012	424,127	0
Adjustments	0	10,506
Charge for the year	217,395	62,255
Balance as at 30 June	721,901	504,506
Net Book Values as at 30 June	541,509	315,416

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

8. INVENTORIES:

Description	2012/2013 KSHS. '000'	2011/2012 KSHS. '000'
Terminal stores	236,031	179,540
Marine Engineering stores	<u>66,166</u>	<u>72,889</u>
Sub-Total	302,197	252,429
Main Central store;		
General	3,812	4,896
Technical	5,686	5,097
Building	<u>60</u>	<u>59</u>
Sub-Total	9,558	10,052
ICD stores;		
NRB Technical	9,785	8,781
NRB General	2,423	2,914
NRB Fuel	1,326	992
NRB Staff clinic	290	374
NRB Bellevue	245	319
NRB Medical stores	492	602
KSM Stores	<u>7,024</u>	<u>7,170</u>
Sub-Total	21,585	21,152
Medical stores;		
Main	17,694	14,351
Bandari	1,974	574
Kipevu	1,769	2,275
BC Dispensing	3,395	3,040
POL	<u>0</u>	<u>4,223</u>
Sub-Total	24,832	24,463
Grand Total	<u>358,172</u>	<u>308,096</u>
Less Provision for write off	<u>(26,682)</u>	<u>(26,682)</u>
TOTAL	<u>331,490</u>	<u>281,413</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

9. TRADE & OTHER RECEIVABLES:

Description	2012/13	2011/12
	Kshs '000'	Kshs '000'
Trade Debtors		
Trade Cargo Debtors	1,010,771	955,845
Trade Marine Debtors	322,295	308,573
Rental Debtors	140,888	105,604
Provision For Impairment	<u>(848,050)</u>	<u>(788,135)</u>
Subtotals	625,904	581,887
Kenya National Shipping Line	1,507	1,507
Mot (Treasury / Dregco)	287,231	287,231
Kenya Ferry Services	342,599	342,599
Impairment of Other Debtors	<u>(631,337)</u>	<u>(631,337)</u>
Subtotals	0	0
Other Debtors:		
Staff Advances	24,084	30,524
Advance Imprest & Subsistence	61,007	65,921
Advance Creditors (LCs)	565,631	421,908
Deposit Others	18,363	17,125
Insurances Receivable Account	9,233	9,233
Debtors Valuation Adjustment	128,195	0
Others	<u>7,041</u>	<u>4,106</u>
Total	1,439,458	1,130,704

10. VAT RECORAVALABLE:

Description	2012/13	2011/12
	KShs. 000	KShs. 000
Balance as at 01 July	(1,544,450)	(147,290)
Total Output VAT	1,130,412	1,153,900
Total Input VAT	<u>(1,290,110)</u>	<u>(2,551,060)</u>
Balance as at 30 June	(1,704,148)	(1,544,450)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

11. FINANCIAL ASSETS:

Description	2012/2013 KShs. 000	2011/2012 KShs. 000
CFC Stanbic Fixed Deposit KSHS. 9%,6.75%,5%	680,700	531,200
NBK Call Deposit 10%,10.25%	742,550	0
Citibank, on call 9.75% and variable	375,000	553,093
Cooperative Bank, Fixed Deposit 10.5%,8.65%,8.5%	553,051	974,211
Kenya Commercial Bank Fixed deposit 7.75%	203,963	330,000
Short Term FDR Citibank 1.10%,9.75% variable	129,150	126,495
Short Term FDR Cooperative Bank	0	505,980
	2,684,414	3,020,979

12. PREPAYMENTS & ACCRUED INCOME:

Description	2012/13 KShs. 000	2011/12 KShs. 000
Accrued income	41,020	70,239
Rents & rates – prepaid	17,337	18,941
Insurance – prepaid	112,445	102,021
TOTAL	170,802	191,201

13. CASH AND BANK BALANCES

Name of Bank	2012/13 KShs. '000'	2011/12 KShs '000'
National Bank of Kenya	45,365	79,832
Kenya Commercial Bank	2,136	360
Citibank N,A	306,642	561,398
Stanbic Bank	176,352	311,592
Petty Cash	2,832	2,701
Cash in Transit	26,248	75,330
Collections	4	199
Total	559,579	1,031,412

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

14. TAXATION:

	2012/13	2011/12
	Kshs '000'	Kshs '000'
Corporation Tax		
Balance 01.07.2012	636,892	335,553
Provision for the year (a)	1,724,116	2,888,168
Final tax paid	(507,564)	(335,553)
Installment taxes paid	(3,081,440)	(2,251,276)
Over provision (b)	(129,328)	0
Balance 30.06.2013	(1,357,325)	636,892
Deferred Tax		
Balance 01.07.2012	(512,134)	(113,361)
Movement for the year (C)	(400,767)	(398,774)
Balance 30.06.2013	(912,901)	(512,134)

Tax charge is a + b – c = 1,995,555

15. TRADE & OTHER PAYABLES:

	2012/2013	2011/2012
	KShs. '000	KShs. '000
Trade Payables:		
General Trade Payables	857,547	823,369
General Foreign Suppliers	256,153	289,696
Payroll Payables	98,677	148,829
Accrued Expenditure	2,221,407	1,514,355
Other Payables:		
Pension Employers/Employee DB Scheme	20,000	56,914
Ministry of Finance / Dredgco	287,231	287,231

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

TRADE & OTHER PAYABLES (CONTINUED)

	2012/2013	2011/2012
	KShs. '000	KShs. '000
Tax clearing account	16,470	21,598
2 nd Terminal Suppliers	574,751	10,118
VAT	0	6
Stock accruals	345,667	144,739
RVR	16,665	16,665
Kenya Ports Authority Directors	413	0
Creditors Valuation Adjustment	33,625	0
Down Payment Cargo Customers	12,100	0
Others	59,078	37,674
TOTAL	4,799,784	3,351,194

16. ADVANCE RECEIPTS:

	2012/2013	2011/2012
	KShs. '000	KShs.'000
Marine Debtors	26,692	21,515
Cargo Debtors	83,925	95,841
Non-Trade	7,131	27,599
	117,748	144,955

17. BORROWINGS:

AS AT 30/06/2013

Loans	Balances	Principal Paid	Interest Paid	Total Paid	Balances	Payable 2013/14 (Current)	Over 1 Year (Non-Current)
	as at 30/06/2012				as at 30/06/2013		
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
CFC Stanbic	2,550,316	823,649	43,023	866,672	1,726,667	919,296	807,371
JICA	4,571,030	0	9,576*	9,576*	9,703,755	0	9,703,755
EATTF	654,150	0	0	0	1,113,336	0	1,113,336
TOTAL	7,775,496	823,649	52,599	866,672	12,543,758	919,296	11,624,462

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

BORROWINGS (CONTINUED)

AS AT 30/06/2012

Loans	Balances	Principal	Interest	Total	Balances	Payable	Over 1
	as at				as at		
	30/06/2011	Paid	Paid	Repaid	30/06/2012	(Current)	(Non-Current)
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
CFC Stanbic	2,184,352	757,855	52,802	810,657	2,550,316	850,674	1,699,642
JICA	841,494	0	1,279*	1,279*	4,571,029	0	4,571,029
EATTF	174,000	0	0	0	654,150	0	654,150
TOTAL	3,199,846	757,855	54,081	811,936	7,775,495	850,674	6,924,821

The borrowings were obtained from CFC Stanbic Bank and Japan International Cooperation Agency (JICA) for the purposes of funding the acquisition of cargo handling equipment and Mombasa Port Development Project respectively.

CFC Bank loan funded the acquisition of new cargo handling equipment while JICA funded Mombasa Port Development Project.

CFC Stanbic BANK LOAN

The loan was sourced from the domestic market in the financial year 2010. This loan with a value of Kshs. 3,000 million is to be repaid within five years from the date of the first disbursement. The outstanding balance on 30th June, 2013 was Kshs. 1,726.6 million.

JICA LOAN

The loan is a 40 years loan denominated in Japanese Yen. The principal value of the loan is JPY 26,711million. The interest rate is 0.2percent per annum paid semi annually. The Authority will enjoy 10 years grace period prior to the commencement of the repayment of loan in 2017.

Japan International Cooperation Agency (JICA) funded the implementation of the Mombasa Port Development Project. The loan was signed in the 2007. The loan is being disbursed in installments and is expected to be disbursed over a twelve year period from the date of the first drawdown in 2009. The amount disbursed as at 30th June, 2013 was Kshs. 9,704 million.

The loan is being used for purchases of goods and services from suppliers, contractors or consultants as the case may be to facilitate the implementation of the Mombasa Port Development Project.

*The interest of Kshs.9,576 million has been accounted for in accordance with IAS 23 on Borrowing Costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

BORROWINGS (CONTINUED)

EATTF/IDA LOAN

The agreements were signed in April 5, 2006 between the Republic of Kenya and the International Development Association. The borrower shall repay the principal amount of the credit I semiannual installments starting May 2016 and ending November 2045.

18. ACCRUED PENSION LIABILITY

AS AT 30/06/2013

	TOTAL	Current Payable	Over 1 Year
	KShs.'000'	KShs.'000'	KShs.'000'
Balance as 01.07.2012	2,677,327	1,008,000	1,669,327
Repayments in the year	(624,000)	(624,000)	0
Contra posting	0	(144,000)	144,000
Balance as at 30.06.2013	2,053,327	240,000	1,813,327

AS AT 30/06/2012

	TOTAL	Current Payable	Over 1 Year
	KShs.'000'	KShs.'000'	KShs.'000'
Balance as 01.07.2011	1,976,188	1,044,000	932,188
Increase In Actuarial Deficit	1,727,139	0	1,727,139
Repayments in the year	(1,026,000)	(1,044,000)	18,000
Reduced payments during the year	0	(18,000)	0
Contra posting for payments next yr.	0	1,008,000	(1,008,000)
Balance as at 30.06.2012	2,677,327	1,008,000	1,669,327

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

19. GRANTS:

Grants represent funds provided by the Government, either directly or via a sponsor for the purposes of financing specific capital projects of the Authority.

During the year, the following grants were received:

	Received/(Transfers)		Cumulative to
	1/7/2012	2012/13	30.6.2013
	Kshs 000'	Kshs '000'	Kshs '000'
2 nd Container Terminal	300,000	0	300,000
Free Trade Area	431,374	0	431,374
Infrastructure Kisumu Port	0	50,000	50,000
Lamu Port Development	0	600,000	600,000
Dredging Project	0	50,000	50,000
Transfer to General reserve	0	0	(50,000)
TOTAL	731,374	700,000	1,381,374

20. RELATED PARTY TRANSACTIONS

Included in debtors and investments are balances owing or receivable from the following related parties:

Description	2012/13 KSHS.000'	2011/12 KSHS. '000'
Kenya Ferry Services (Debtor)	342,599	342,599
Kenya National Shipping Line (Debtor)	27,493	27,493
Impairment provision	(370,092)	(370,092)
KCHS Staff Pension Scheme	2,053,327	2,677,327
Total	2,053,327	2,677,327

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

RELATED PARTY TRANSACTIONS (CONTINUED)

Senior Management

During the year, the senior management team comprising seven divisional heads and then Chief executive were paid Kshs. 74.5 million as salary and other allowances. During the same period the non-executive director earned Kshs. 21.5million out of which Kshs. 7.5million was accrued as allowances for the year pending payment approval from the treasury.

Kenya Ferry Services (Debtor)

Kenya Ferry Services owes the Authority Kshs342.6m. The debt arose from advances made to the corporation on instructions from the Treasury. The debtor has been unable to pay the advance and the Authority has now fully impaired the debt.

Kenya National Shipping Line

Kenya National Shipping Line enjoyed secretarial services from the Authority on the understanding that this would be paid for. The line has however operated under difficulties and has been unable to pay. The Authority has now fully impaired the debt.

KCHS Staff Pension Scheme

The Authority operates defined benefit scheme alongside the defined benefit scheme. The defined benefit scheme is valued annually by Alexander Forbes an independent Actuary. At the end of the year under review, the Authority had an obligation to meet the actuarial deficit of Kshs. 2,053m.

21. CONTINGENT LIABILITIES

Claims lodged and Cases filed against the Authority in respect of third party claims for loss of cargo, personal injury and loss of life are quantified under contingent liabilities. Estimated contingent liability associated with such cases amounted to Kshs. 140 million.

22. FINANCIAL RISK MANAGEMENT POLICIES

The authority's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Authority's overall risk management policies are set out by the board and implemented by the management and focus on the unpredictability of changes in the business environment and seek to minimize the potential adverse effects of such risks on the Authority's performance by setting acceptable levels of risk. The Authority does not hedge against any risks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

Credit Risk Management

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

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

(i) Debtors Risk Management

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

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

(ii) Liquidity risk Management

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

(iii) Market risk Management

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

a) Currency Risk

The corporation undertakes certain transactions denominated in foreign currencies, mainly the US Dollar, the Euro, Sterling Pounds and Japanese Yen. This results in exposures to exchange rate fluctuations. The balances impacted in this regard are the balances due to foreign suppliers, balances due from foreign debtors, bank balances and various accruals denominated in foreign currency. Exchange rate exposures are managed within approved policy parameters utilizing matching of assets and liabilities.

b) Interest Rate Risk

Interest rate risk arises primarily from borrowings and cash and cash equivalents. The corporation's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios.

(iv) Operational Risk Management

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

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

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

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

- Requirements for appropriate segregation of duties, including the independent authorization and approval of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced by the entity, and the adequacy of controls and procedures to address the risks identified

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

- Requirements for the reporting of operational losses and implementation of the proposed remedial solutions and actions.
- Development of contingency plans
- Training and professional development for its staff; and
- Adherence to ethical and business standards

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

23. CAPITAL RISK MANAGEMENT

The corporation's objectives when managing capital are:

- (i) To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- (ii) To maintain financial strength to support business growth; and

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

24. REPORTING CURRENCY

The functional and the reporting currency is Kenya Shillings.