



KENYA CIVIL AVIATION AUTHORITY

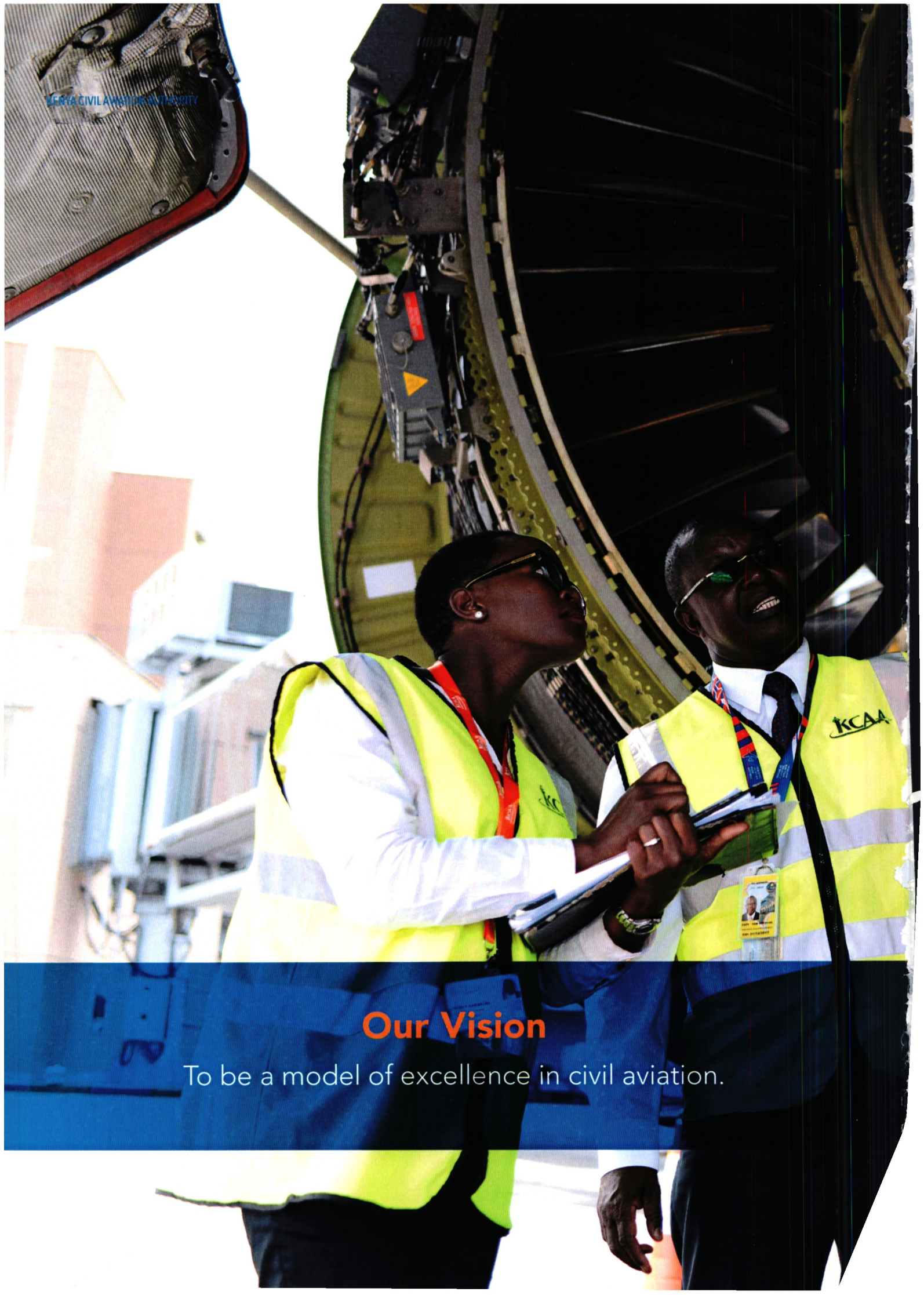


ANNUAL REPORT & FINANCIAL STATEMENTS 2016



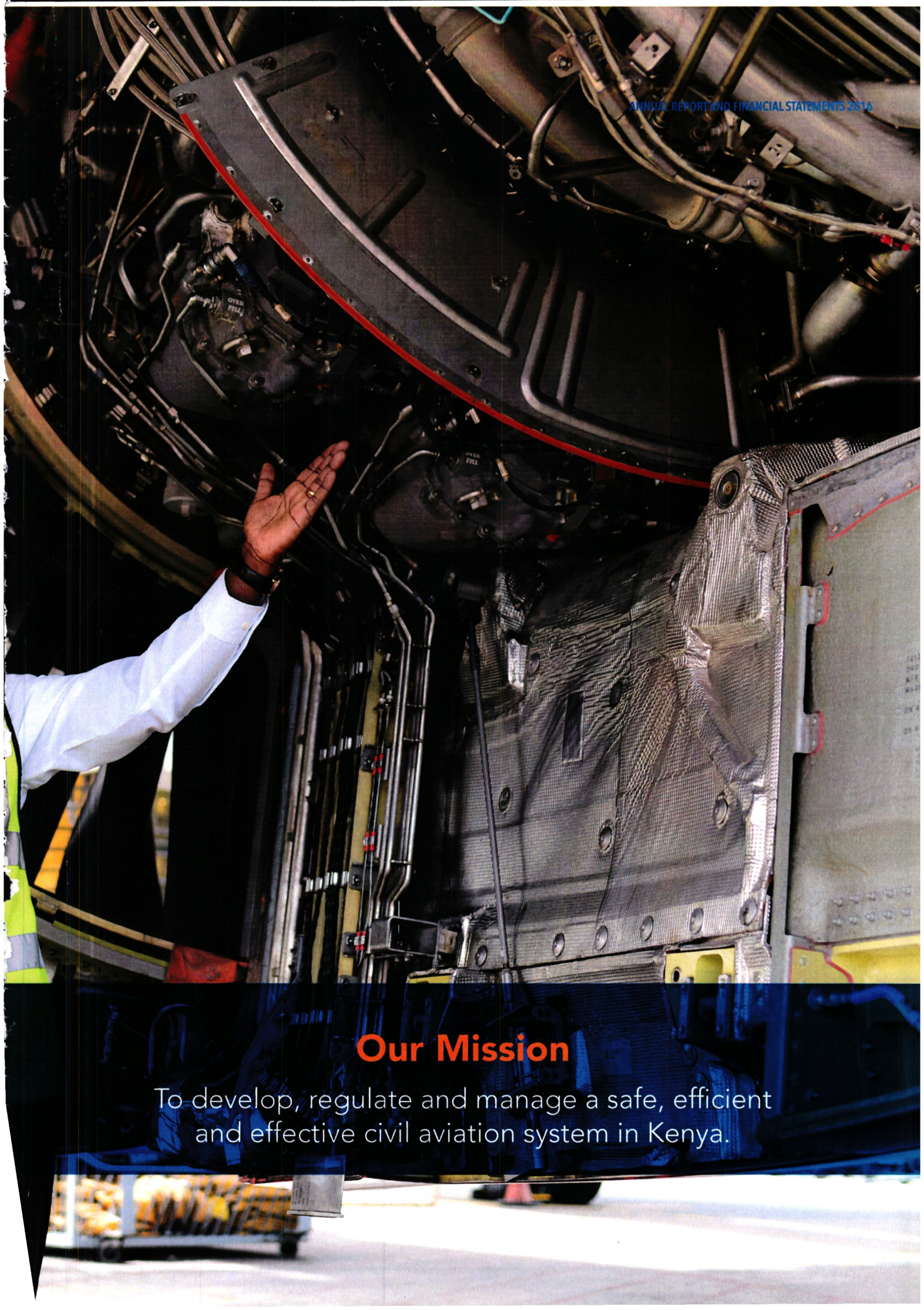
efficiently managing air safety

KENYA CIVIL AVIATION AUTHORITY



Our Vision

To be a model of excellence in civil aviation.



Our Mission

To develop, regulate and manage a safe, efficient and effective civil aviation system in Kenya.

REPUBLIC OF KENYA



KENYA CIVIL AVIATION AUTHORITY

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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

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I. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

INTRODUCTION

Kenya Civil Aviation Authority was formed on 24th October 2002 following the enactment of The Civil Aviation (Amendment) Act, 2002. The Act received Presidential assent and became effective on the same day, 24th October 2002. This Act amended the Civil Aviation Act (Cap.394) of the laws of Kenya and established the Kenya Civil Aviation Authority (KCAA) as an autonomous corporate body that took over the functions of the Directorate of Civil Aviation (DCA) and the licensing of air services hitherto under Civil Aviation Board (CAB). The Civil Aviation Act (Cap 394) and the Civil Aviation (Amendment) Act, 2002 have now both been superseded by The Civil Aviation Act, 2013.

At cabinet level, Kenya Civil Aviation Authority is represented by the Cabinet Secretary for Transport & Infrastructure, who is responsible for the general policy and strategic direction of the Authority.

VISION

To be a model of excellence in civil aviation.

MISSION

To develop, regulate and manage a safe, efficient and effective civil aviation system in Kenya.

CORE VALUES

- **Commitment to Safety and Security:** We endeavour to maintain a safe and secure environment in all areas of our operations and entire civil aviation industry within our jurisdiction
- **Customer Focus:** We undertake to embrace, meet, delight and exceed our customers' expectations through passionate pursuit of service excellence. We shall invest on our people and systems, to continuously enhance quality service provision to our customers as a priority.
- **Commitment to Fairness and Equity:** We commit to be fair and promote equity in all our activities. We enforce our corporate Non-discrimination policy at an arm's length.
- We shall promote the Government's efforts to avert corruption in the country by ensuring zero tolerant to corruption. KCAA will strive to be a just, accountable and performance driven Authority.
- **Commitment to Staff:** We undertake to continuously invest in our human capital to enhance professionalism and integrity.
- **Creativity and Innovativeness:** We recognize and encourage initiative, creativity and innovation aimed at adding value to our operations and supply chain command.
- **Respect for Diversity:** We recognize and appreciate differences in gender, race, disability, region, age and generation. The differences complement and bind us together as one family, KCAA.

(b) Principal Activities

KCAA performs two broad key functions. The first one is to provide air navigation services in Kenya's Airspace (also referred to as the Nairobi Flight Information Region). The second is to regulate the aviation industry in Kenya. In addition to this, KCAA offers training for aviation personnel through the East African School of Aviation.

The mandate of the KCAA is essentially embedded in its functions/responsibilities, which are enumerated in the Civil Aviation Act 2013. These functions are enumerated as follows:

- a) Licensing of air services;
- b) Provision of the air navigation services;
- c) Establishment and maintenance of a system of aircraft registration and the marking of civil aircraft;
- d) Securing sound development of the civil aviation industry in Kenya;
- e) Advising the Government on matters concerning civil aviation;
- f) Co-ordination and direction of search and rescue services;
- g) Facilitation and provision of all the necessary support for aircraft accident and incident investigations conducted by the investigator-in-charge;
- h) Carrying out investigations on incidents that are not classified as accidents and serious incidents;
- i) Safety, security, economic and technical regulation of civil aviation;
- j) Dealing with incidents of unlawful interference with aviation security;
- k) Establishment, co-ordination and maintenance of State Safety Security programmes;
- l) Certification of aircraft operators;
- m) Enforcement of approved technical standards of aircraft;
- n) Licensing and monitoring of aeronautical personnel;



VHF Omnidirectional Range (VOR) Equipment at Ngong

(b) Principal Activities (continued)

- o) Provision of technical services for the design, installation, and modification of electronic, radio and other equipment used in the provision of air navigation services;
- p) Ensuring the integrity of the systems, equipment and facilities of the Authority;
- q) Issuance and dissemination of the publications referred to in the Act;
- r) Production of accurate, timely, comprehensive and relevant air transport information for planning and decision making purposes;
- s) Approval, certification and licensing of aircraft maintenance organisations and regulation of aviation training institutions in Kenya;
- t) Establishment, management and operation of training institutions for purposes of the Authority;
- u) Registration of rights and interests in aircraft;
- v) Planning, development and formulation of the airspace master plan for the safe and efficient utilization of Kenyan airspace;
- w) Establishment, co-ordination and maintenance of state aviation safety and security programmes;
- x) Licensing and certifications of aerodromes, regulated agents and air navigation service providers;
- y) Performing economic oversight of air services, protecting consumer rights, environment and ensuring fair trading practices;
- z) Giving effect to the Chicago Convention and other international agreements relating to civil aviation to which Kenya is party to.

KCAA carries out its functions in a manner consistent with the Chicago Convention on International Civil Aviation, Annexes to the Convention relating to international Standards and Recommended Practices (SARPs), and other international conventions and protocols relating to civil aviation, to which the Republic of Kenya is a party. KCAA is also expected to perform any obligations required by any agreement, treaty or arrangement between Kenya and any other country, inter-Governmental organization or any other body with respect to the safety, regularity and efficiency of air navigation and aviation safety in general.

The Act also stipulates that KCAA should coordinate with other Government agencies such as the Kenya Airports Authority, Kenya Ports Authority, Kenya Defence Forces and the Police Service in the discharge of its responsibility for aviation safety and security.

(c) Key Management

The Authority's day-to-day management is under the following key organs:

- Principal Secretary for Transport;
- KCAA Board of Directors;
- The Director General and the KCAA Management Team

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Capt. Gilbert M. Kibe
2.	Corporation Secretary	Mr. Yuvinalis M. Angima
3.	Director Corporate Services	Mr. Joseph K. Chebungei
4.	Director Air Navigation Services	Eng. Reuben J. Lubanga
5.	Director ASSR	Capt. Nathan T. M. Ogenche
6.	Director EASA	Dr. George K. M. M'Nchebere

(e) Fiduciary Oversight Arrangements

Fiduciary oversight on the Authority's activities are carried out by the following:

Finance Committee

This Committee is composed of five Directors of the Board including the Director General. Its main function is to review and monitor the Authority's financial position on behalf of the Board, including review of the liquidity status, all the Authority's Accounts, Budgets, Financial Statements and statutory reports as well as bank reconciliation. It also ensures compliance with the financial reporting requirements and proper keeping of all the financial records of the Authority.

Audit Committee

This Committee is composed of four Directors of the Board. Its main function is to consider and process on behalf of the Board all matters relating to audit, audit queries and audit Management Letters from the Kenya National Audit Office (KENAO) or duly appointed external auditors. It also considers matters of quality assurance of systems and processes in the Authority's operations and reviewing the risk management framework and the periodic performance contract reports.

Public Investments Committee

This is a Parliamentary Committee that consists of a Chairman and not more than sixteen other Members. The functions of the Committee are to examine the reports and accounts of public investments, to examine the reports, if any, of the Auditor General on the public investments and to examine, in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.

(f) Headquarters and Main Stations

Head Office

Aviation House
Jomo Kenyatta International Airport
P. O. Box 30163, 00100 GPO

NAIROBI, KENYA

Tel: (020) 827470-5
Fax: (020) 822300
E-mail: info@kcaa.or.ke
Website: www.kcaa.or.ke

Jomo Kenyatta International Airport

P. O. Box 19031
NAIROBI, KENYA
Tel: (020) 827100 Fax: (020) 827102
E-mail: jomo@kcaa.or.ke

Moi International Airport

P. O. Box 93939
MOMBASA, KENYA
Tel: (041) 3433008 Fax: (041) 3432069
Email: mombasa@kcaa.or.ke

Wilson Airport

P. O. Box 30163
NAIROBI, KENYA
Tel: (020) 606246 Fax: (020) 604692
E-mail: Wilson@kcaa.or.ke

Malindi Airport

P.O. Box 18
MALINDI, KENYA
Tel: (042) 30463 Fax: (042) 30428
E-mail: malindi@kcaa.or.ke

Kisumu Airport

P. O. Box 431
KISUMU, KENYA
Tel: (057) 2024499 Fax: (057) 2021035
E-mail: Kisumu@kcaa.or.ke

Eldoret Airport

P. O. Box 3036
ELDORET, KENYA
Tel: (053) 2062966 Fax: (053) 2062965
E-mail: eldoret@kcaa.or.ke

East African School of Aviation

P. O. Box 30689
NAIROBI, KENYA
Tel: (020) 823602-7
Fax: (020) 823699
Website: www.easa.ac.ke
E-mail: info@easa.ac.ke

Lokichoggio Airport

Tel: (054) 32292
LOKICHOGGIO, KENYA
E-mail: loki@kcaa.or.ke

(g) Bankers

- 1. National Bank of Kenya**
Jomo Kenyatta International Airport Branch
P O Box 30763 – 00100, GPO
NAIROBI, KENYA

- 2. Commercial Bank of Africa**
Cargo Handling Facility
Jomo Kenyatta International Airport Branch
P. O Box 30437 - 00100 GPO
NAIROBI, KENYA

- 3. CFC Stanbic Bank**
Industrial Area Branch
P O Box 30550 - 00100
NAIROBI, KENYA

- 4. Standard Chartered Bank**
Kenyatta Avenue Branch
P O Box 30001 - 00100
NAIROBI, KENYA

- 5. Equity Bank Ltd**
Community Corporate Branch
P O Box 75104
NAIROBI, KENYA

(h) Independent Auditors

Auditor General
Office of the Auditor-General
Anniversary Towers, University Way
P O Box 30084
GPO 00100
NAIROBI, KENYA




(i) Principal Legal Advisor

The Attorney General
State Law Office
Harambee Avenue
P O Box 40112
City Square 00200
NAIROBI, KENYA

II. THE BOARD OF DIRECTORS

Director's Name	Director's Date of Birth, Key Qualifications and Work Experience
<p>1.</p>  <p>Hon. Samuel Losuron Poghiso, EGH (Chairman)</p>	<p>Date of Birth: 1st January, 1958</p> <p>Key Qualifications: B.Sc (Hons); MA (Communications); M. Div (Philosophy/Theology)</p> <p>Work Experience: Lecturer (Daystar University), Assistant Minister (Ministry of Education, Science and Technology), Minister (Ministry of Information and Communications)</p>
<p>2.</p>  <p>Ms. Lucy Wanjiru Karume (Board Member)</p>	<p>Date of Birth: 2nd August, 1958</p> <p>Key Qualifications: BA (Travel and Transportation); MBA (Hospitality and Business Management)</p> <p>Work Experience: Sales and Marketing Executive (Bunson Travel Limited); Operations Manager (Cianda Flowers); Owner (Pies and Buns Restaurant); General Manager (Indian Ocean Beach Club); Business Development Director (Jacaranda Group of Hotels)</p>
<p>3.</p>  <p>Mr. Chris Chirchir Arap Kuto (Board Member)</p>	<p>Date of Birth: 24th March, 1952</p> <p>Key Qualifications: MSc. (Air Transport Management); Licensed Aircraft Maintenance Engineer (ICAO Type II Airframes & Power Plants); Diploma in Aeronautical Engineering</p> <p>Work Experience: KCAA DG, AFCAC President, Vice President (Eastern Region) AFCAC, Director DCA, Assistant Director DCA, Chief Airworthiness Surveyor DCA, Chief Inspector of Aircrafts Accidents, Aircraft Maintenance Engineer (Soroti Flying School)</p>

Director's Name	Director's Date of Birth, Key Qualifications and Work Experience
<p>4.</p>  <p>Major Gen.(Rtd) Charles M. Mwanzia (OGW,EBS, CBS) (Board Member)</p>	<p>Date of Birth: 3rd Feb 1954</p> <p>Key Qualification; PhD (continuing), Doctorate in Military Science(USA), MA International Relations (USIU), BA(Hons) International Relations(USIU), Air Traffic Controller (Aerodrome, Approach & Radar), Diploma Associated Engineer, Diploma in Intelligence Management, Certificate in Strategic Studies, Certificate in Defense Instructional Techniques.</p> <p>Work Experience: Lecturer University of London International Program (Nairobi); Consultant in Defense Affairs, Safety and Security, Peace and Conflict; Consultant with Institute for Defense Analysis (USA), GTZ (Germany); Commandant Defense Staff College, Karen, Nairobi (2009-2011); Commandant Kenya Military Academy, Lanet, Nakuru (2005-2006); Director Military Intelligence (2000-2004); Chief of Audit, Defense HQS; Commander, KAF Logistics Command and CNS/ATM Advisor; Deputy Chief of Military Intelligence; UN Missions in DR Congo and Namibia; ATCO (EAC) at Wilson and JKIA.</p>
<p>5.</p>  <p>Mr. Peter Munywoki Mutie (Board Member)</p>	<p>Date of Birth: 14th July, 1966</p> <p>Key Qualifications; MBA (ESAMI), BA (Econ) Egerton, Postgraduate Diploma in mass communication (Distinction) UON, Advanced Diploma in Strategic Public Relations.</p> <p>Work Experience; Executive Director (Ocean Communications Ltd), CEO Kenya Film Commission (2010-2013), Head of Communications (National AIDS Control Council), Head of Communications (East African Development Bank), PR & Communications Officer (KENGEN), Sub-Editor Nation Newspapers Ltd, Assistant Senior Editor Kenya Literature Bureau, Part time Lecturer (University of Nairobi & Daystar University).</p>
<p>6.</p>  <p>Capt. Judy Wanjiku Kinit (Board Member)</p>	<p>Date of Birth: 1st April, 1971</p> <p>Key Qualifications; OMP (Strathmore 2012), ATPL KCAA (1997), CPL KCAA (1993).</p> <p>Work Experience: Captain United Airlines(1992-93), Captain Capital Airlines (1993-95), Captain Eagle Aviation(1995-97), Captain Air-Kenya Express (1997-2001), Director Habitat For Humanity Kenya.</p>

Director's Name	Director's Date of Birth, Key Qualifications and Work Experience
<p>7.</p>  <p>Mr. Irungu Nyakera (Board Member)</p>	<p>Date of Birth:</p> <p>Key Qualifications: Bachelor of Science, Management Science and Engineering (Financial Analysis and Decision Engineering) from Stanford University, CA, USA.</p> <p>Work Experience: Principal Secretary, State department of Transport, Ministry of Transport & Infrastructure Housing and Urban Development. Prior to being appointed to government he was the Managing Director at Equity Investment Bank. Mr. Nyakera has worked for Frontier Markets Fund Managers Guarantco as Regional Director, East and Southern Africa. Mr. Irungu served as the Managing Director at NIC Capital from 2010 to 2012 and has also worked at Citigroup.</p>
<p>8.</p>  <p>Dr. Kamau Thugge, PhD (Board Member)</p>	<p>Date of Birth: 1st August, 1957</p> <p>Key Qualifications: BA (Economics); MA (Economics); PhD (Economics)</p> <p>Work Experience: Economist, Senior Economist, Deputy Division Chief (International Monetary Fund); Head of Fiscal and Monetary Affairs Department, Economic Secretary, Head of Economic Affairs Department (Treasury); Senior Economic Advisor (Ministry of Finance); Principal Secretary (The National Treasury)</p>
<p>9.</p>  <p>Mrs. Fatuma Hirsi Mohamed (Board Member)</p>	<p>Key Qualifications: Doctor of Philosophy (PhD) - Communications Studies, Strathmore Business School, MBA, Management Strategy & Marketing Focus, Kenyatta University, Post graduate Diploma in Public Relations, University of Nairobi, BA (Hons), Languages, Bachelor's degree, Islamic Studies, Islamic Online University,</p> <p>Work Experience: Principal Secretary, Ministry of Tourism with broad experience in international and public relations, marketing, branding, strategic communications, and reputation management. Direct experience with the United Nations in development and cooperation programmes. Director, National Aids Control Unit (NASCO). Previously worked in the postal services, banking, media (electronic and print) and telecommunications (fixed and mobile telephony).</p>

Director's Name	Director's Date of Birth, Key Qualifications and Work Experience
<p>10</p>  <p>Dr. (Eng.) Karanja Kibicho, CBS (Board Member)</p>	<p>Key Qualifications: Doctorate in Mechanical Engineering from the University of Cape Town, South Africa, Master of Science (MSc) degree in Mechanical Engineering and a Bachelor of Science (BSc) in Mechanical Engineering.</p> <p>Work Experience: Principal Secretary State Department of Interior in the Ministry of Interior and Coordination of the National Government. Before current appointment, he served as the Principal Secretary in the Ministry of Industrialization. He also served Principal Secretary, Ministry of Foreign Affairs.</p> <p>He has taught in various institutions of higher learning including Jomo Kenyatta University of Agriculture and Technology (JKUAT) where he served as the chairman and senior lecturer in the department of Mechanical Engineering. He has served as an external examiner at the University of Dares Salaam, visiting lecturer at the Central University of Technology, Free State, South Africa and a part-time Lecturer at the University of Cape Town.</p>
<p>11.</p>  <p>Capt. Gilbert Macharia M. Kibe (Director General)</p>	<p>Date of Birth: 13th January, 1963</p> <p>Key Qualifications: Key Qualifications; MBA (Aviation Option) Moi University, KCAA CPL (Flight Instructor Rating, Instrument Rating, Multi-Engine Piston & Twin Turbine Rating), American FAA CPL (Single & Multi-Engine and Instrument Rating)</p> <p>Work Experience: DG KCAA (June 2015-todate); KCAA Board Member (2003-2009); KCAA Chairman Aviation Security Committee (2003-2005); KCAA Chairman HR Committee of the Board (2005-2009); CEO Nairobi Flight Training LTD (2007-May 2015); Board Chairman Aero Kenya (1997-2008); Director Marketing Air Ltd Uganda (1994-2015); Board Chairman & Director Marketing & Sales- Eagle Air Uganda Ltd (1986-1997)</p>

The following also served as Board members during the financial year:

- i. Amb. Dr. Monica Juma, Permanent Secretary, Ministry of Interior Transport and Infrastructure (1st July 2015 to 12th January 2016).
- ii. Dr. Ibrahim Mohamed, Principal Secretary, State Department of Commerce and Tourism (1st July 2015 to 24th November 2015).

THE BOARD COMMITTEES

The Board Committees as at the date of this report comprise:

Licensing of Air Services and Technical Committee	Finance Committee	Audit Committee	Human Capital and Strategic Communication Committee
Composition	Composition	Composition	Composition
6 Directors including Director General	5 Directors including the Director General	4 Directors	6 Directors including Director General
Main Functions	Main Functions	Main Functions	Main Functions
<ul style="list-style-type: none"> - Considering applications for air service licenses including variations thereof and issuing or denying such licenses; - Considering all air transport/economic regulation matters; - Providing guidance on air transport policy in Kenya. - Ensuring engineering standards and monitoring engineering projects; - Monitoring air navigation (and other equipment) availability and serviceability; and, - Monitoring the Aviation safety and aviation security oversight functions of KCAA, including the licensing of aviation personnel and all matters incidental to the functions of KCAA including examinations conducted by KCAA. 	<ul style="list-style-type: none"> - Reviewing and monitoring the KCAA financial position on behalf of the Board, including review of the liquidity status, all the Authority's Accounts, Budgets, Financial Statements and statutory reports as well as bank reconciliations; and - Ensuring compliance with the financial reporting requirements and the proper keeping of all the financial records of the Authority. 	<ul style="list-style-type: none"> - Considering and processing on behalf of the Board all matters relating to audit, audit queries and audit Management letters from the Kenya National Audit Office or duly appointed external auditors; and, - Considering matters of quality assurance of systems and processes in KCAA operations and reviewing the risk management framework and the periodic performance contract reports. 	<ul style="list-style-type: none"> - Considering and processing all human resource and administration matters that require to be processed through the Board, including recruitment, promotions and disciplinary action, as well as issues relating to staff training, development, remuneration, welfare and benefits; - Considering on behalf of the Board all matters relating to the East African School of Aviation, and - Providing guidance on the public relations function of KCAA
Frequency of meetings per annum	Frequency of meetings per annum	Frequency of meetings per annum	Frequency of meetings per annum
Quarterly or on need basis	Quarterly or on need basis	Quarterly or on need basis	Quarterly or on need basis
Chairperson	Chairperson	Chairperson	Chairperson
Maj. General (Rtd) Charles Mwanzia (OGW,EBS, CBS)	Mr. Chris Kuto	Ms. Lucy Karume	Capt. Judy Kiniti

Members	Members	Members	Members
1. Mr. Irungu Nyakera (or Alternate Director Mr. Benjamin Enyenze)	1. Mr. Irungu Nyakera (or Alternate Director Mr. Benjamin Enyenze)	1. Mr. Irungu Nyakera (or Alternate Director Mr. Benjamin Enyenze)	1. Mr. Irungu Nyakera (or Alternate Director Mr. Benjamin Enyenze)
2. Dr. (Eng.) Karanja Kibicho, CBS (or Alternate Director Mr. Wilberforce Kilonzo)	2. Dr Kamau Thugge (or Alternate Director Mr. Samuel Macharia),	2. Mrs. Fatuma Hirsi Mohamed (or Alternate Director Mrs. Jacinta Nzioka - Mbithi)	2. Dr Kamau Thugge (or Alternate Director Mr. Samuel Macharia)
3. Mrs. Fatuma Hirsi Mohamed (or Alternate Director Mrs. Jacinta Nzioka - Mbithi)	3. Mr. Peter Mutie	3. Maj. General (Rtd) Charles Mwanzia	3. Dr, (Eng.) Karanja Kibicho, CBS (or Alternate Director Mr. Wilberforce Kilonzo)
4. Capt. Judy Kiniti	4. Director General, KCAA		4. Mr. Peter Mutie
5. Director General, KCAA			5. Director General, KCAA

III. MANAGEMENT TEAM

1. Capt. Gilbert M. Kibe	Director General
2. Joseph K. Chebungei	Director Corporate Services
3. Eng. Reuben J. Lubanga	Director Air Navigation Services
4. Dr. George K. M. M'Nchebere	Director, East African School of Aviation
5. Judith N. Ng'ethe	Corporation Secretary (01/07/15 – 24/09/15)
6. Jane Muthoni -Leitich	Ag. Corporation Secretary (25/09/15 – 05/06/16)
7. Yuvinalis Angima	Corporation Secretary with effect from 6 th June 2016
8. Capt. Joe M. Mutungi	Director Aviation Safety Standards and Regulations (01/07/15 – 31/10/15)
9. Tom Nathan Ogenche	Director Aviation Safety Standards and Regulations (from 1 st May 2016)

IV. CHAIRMAN'S STATEMENT

It is my great pleasure to present the Kenya Civil Aviation Authority's Annual Report and Financial Statements for the Financial Year 2015-16. On behalf of the Board, I would like to thank the Management and appreciate their efforts in supporting the Board to achieve the vision of the Authority. During the Financial Year, the Authority continued to work together with the Government to ensure that needs of aviation industry stakeholders were met. Indeed, the Authority was able to shift to the new headquarters and to improve delivery of services to an increasing number of air operators.

I thank the Government for the continued support to the Board of Directors. As a Board, we remain accountable to the Ministry of Transport, Infrastructure, Housing and Urban Development for the performance of the Authority.

During the Financial Year 2015-16 the Board successfully implemented the eleventh performance contract and made tremendous progress towards achievement of the objectives contained in the Strategic Plan for Financial Years 2012-13 to 2016-17. These objectives are mainly geared towards improvement of safety and aviation security through a better regulatory oversight framework. The primary law and eleven regulations were reviewed and submitted to the Government for consideration and approval. With a safe and secure civil aviation system, Kenya will attract more air operators into the country and thereby create more employment, increase the levels of connectivity and enhance accessibility to markets.

During the year, the Authority also made tremendous improvement in implementing the Corrective Action Plan agreed with the International Civil Aviation Organisation (ICAO) in order to close outstanding issues and improve the level of compliance with international civil aviation requirements. The Authority also worked together with the Federal Aviation Administration (FAA) to implement the Corrective Action Plan agreed for implementation towards achievement of International Aviation Safety Assessment (IASA) Category I status. The Authority also improved its capacity to deliver quality regulatory oversight services by increasing the number of safety inspectors and ensuring that they have the requisite qualifications.

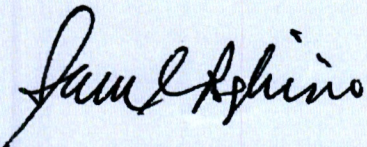


During the year, the Authority also made tremendous improvement in implementing the Corrective Action Plan agreed with the International Civil Aviation Organisation (ICAO) in order to close outstanding issues and improve the level of compliance with international civil aviation requirements.

Following the end of the implementation period of the 2005-2015 Airspace Master Plan, the Authority developed a new Master Plan for 2016-2030 which incorporated requirements of the ICAO Global Air Navigation Plan and takes into consideration the requirements of the Kenya Airspace. This Plan will guide the acquisition of new technologies for Communication, Navigation and Surveillance systems as well as Air Traffic Management over the next 15 years. During the year, the Authority initiated the process of undertaking projects proposed in the Master Plan for implementation during the short term period.

During the Financial Year 2015-16, the East African School of Aviation (EASA) continued with its modernisation programme towards maintenance of the Centre of Excellence in aviation training status. In doing this, EASA will create more capacity to contribute to the development of human resource skills for the aviation industry. The Authority will endeavour to live to its vision of "to be a model of excellence in global civil aviation standards and practices" by ensuring that standards are implemented and maintained at levels that meet and exceed the expectations of customers. In doing its business, KCAA will continue to be guided by the ICAO requirements and global best practices.

In conclusion, on behalf of the Board, I wish to express my sincere gratitude to the KCAA Board and staff for their hard work, dedication and commitment. I wish to thank all the stakeholders for their support during the year. I further also wish to acknowledge the funding provided from the National Treasury and World Bank for various projects. I look forward to the Government's continued support for a better performance during the Financial Year 2016-17.



Hon. Samuel Poghiso, EGH

Chairman, Board of Directors

Kenya Civil Aviation Authority

V. REPORT OF THE DIRECTOR GENERAL

The performance of the civil aviation industry improved during Financial Year 2015-16 compared to the Financial Year 2014-15. The number of passenger numbers increased from 8.9 million in Financial Year 2014-15 to 9.4 million in Financial Year 2015-16 while freight traffic declined from 264,314 tonnes to 254,845 tonnes during the same period. Aircraft movements however increased by 8% compared to the previous year. It is expected that the industry, which has in the past demonstrated its positive outlook, will do even better during the Financial Year 2016-17. The Authority will continue to support the aviation sector efforts that have continued to be made by most of the stakeholders in order to sustain their business.

The Authority continued to implement its Strategic Plan activities for the Financial Year 2015-16 using the Performance Contract (PC) concept that commits staff to implement their work plans in a signed PC. Performance contract for Financial Year 2015-16 was successfully implemented and the final performance report submitted to the Government. The results for the past three years have been satisfactory with the Authority achieving an overall rating of either very good or good during the last five years. The results of the latest evaluated Performance Contract for Financial Year 2014-15 showed a result of very good with a mean score of 2.8636. The evaluation of the PC for the Financial Year 2015-16 is awaited from the Government. I thank the Board and staff for the sustained satisfactory performance and wish to urge that more effort be put to achieve the highest category of "Excellent".

Implementation of the Performance Contract for the financial year enabled the Authority to set up systems to ensure equity in the delivery of public services and the adaptability of public services to the needs of the users. The Authority also worked towards ensuring professionalism and ethics in service delivery. Overall results showed that the Authority continues to improve in its performance and delivery of service to its customers.

During the financial year, the Authority made efforts towards improving the level of compliance with international civil aviation requirements by implementing the International Civil Aviation Organisation (ICAO) and the Federal Aviation Administration (FAA) Corrective Action Plans developed after audit missions in 2013 and 2014 respectively. A considerable amount of time and energy was spent towards ensuring that the outstanding issues were reduced. A few of them still remain and the Authority is working towards closing all of them.

The action plans implemented include improving the legal framework by reviewing the Civil Aviation Act 2013 as well as regulations and guidance materials required for the effective oversight of the industry. KCAA has developed policies, regulations and guidance materials to bring clarity, certainty, transparency and consistency in the aviation industry. In addition, more inspectors were recruited to provide technical oversight capacity. KCAA recognises the need to have a regulatory system that the industry has trust in as it helps win co-operation and voluntary compliance.

The implementation period of the Airspace Master Plan for 2000-2015 ended in June 2015 and the Authority developed a new one for 2016-2030 which was approved for implementation during the period. The Authority started implementing some of the projects contained in the short term

phase of the new Master Plan during the year and this will help KCAA align investments with global requirements for air traffic management and to acquire the new generation equipment under the global Aviation Systems Block Upgrade (ASBU) programme.

In order to improve the oversight capacity, the Authority recruited and trained more safety operations inspectors. At the same time effort to improve technical capacity continued during the year by conducting trainings for the flight safety inspectors locally and abroad. The Authority expects the industry to achieve full compliance with the regulations. The on-going recertification process which started with the international operators is expected to continue in the coming year in order to ensure that all operators are certificated under the new regulations.

The general performance showed that passenger traffic increased to reach 9.4 million passengers during the Financial Year 2015-16. The increase was contributed to by a growth of 11.2% for domestic passengers and 1.3% for international passengers compared to the previous year. Transit traffic also increased by 6.3% compared to the previous year. Over the last five years domestic passenger traffic increased by 27.0% while international traffic increased by 6.1%. Transit traffic has declined by 5.1% over the last five years.

Table 1: Passenger and Freight Traffic (000)

Passenger and Freight Traffic Statistics			2011/12	2012/13	2013/14	2014/15	2015/16	%
Passengers	Domestic	Arrivals	1,517	1,409	1,555	1,770	1,922	26.7%
		Departures	1,338	1,201	1,312	1,492	1,706	27.5%
		Total	2,856	2,611	2,867	3,262	3,628	27.0%
	International	Arrivals	2,795	2,681	2,623	2,700	2,727	(2.4%)
		Departures	1,696	1,661	1,697	1,580	1,611	(5.0%)
		Total	4,491	4,342	4,321	4,281	4,338	(3.4%)
	Total	Total arrivals	4,312	4,091	4,179	4,471	4,649	7.8%
		Total departures	3,034	2,862	3,009	3,072	3,317	9.3%
		Transit	1,507	1,436	1,312	1,345	1,430	(5.1%)
		Total	8,854	8,390	8,501	8,889	9,396	6.1%
Total Freight (in kgs)	Domestic	Unloaded	657	694	837	1,289	2,368	260.4%
		Loaded	1,700	1,076	2,407	2,473	1,264	(25.6%)
		Total	2,358	1,771	32,441	3,762	3,632	54.0%
	International	Unloaded	75,645	63,604	65,313	62,053	47,592	(37.1%)
		Loaded	231,092	210,478	211,919	198,499	203,621	(11.9%)
		Total	306,737	274,082	277,233	260,552	251,213	(18.1%)
	Total	Total Unloaded	76,303	64,299	66,150	63,342	49,960	(34.5%)
		Total Loaded	232,792	211,554	214,327	200,972	204,885	(12.0%)
		Total	309,096	275,853	280,477	264,314	254,845	(17.6%)

Source: KCAA-Planning, 2016

Aircraft traffic increased by 7.5% from 299,932 in 2014-15 to 322,504 in 2015-16. The recovery in aircraft traffic followed the containment of the Ebola crisis in western Africa and drastic reduction in incidences of terrorism in the region. The lifting of travel advisories following improvement in security in the region has also contributed to increased tourist arrivals into the country and aircraft movements.

The aircraft movements during the last five years are reflected below:

Table 2: Aircraft Movements from 2011/12 to 2015/16

Item	Movement	2011/12	2012/13	2013/14	2014/15	2015/16	
Aircraft Movements	Domestic	Landings	91,946	86,605	90,876	86,212	93,668
		Take-offs	89,439	83,880	86,591	85,700	93,919
		Total	181,385	170,485	177,467	171,912	187,587
	International	Landings	45,152	42,838	44,260	44,525	45,628
		Take-offs	46,732	44,607	46,941	45,257	45,046
		Total	91,884	87,445	91,201	89,782	90,674
		Total Landings	137,098	129,443	135,136	130,737	139,296
		Total Take-offs	136,171	128,487	133,532	130,957	138,965
		Total	273,269	257,930	268,668	261,694	278,261
	Over flights	Total Over flight	33,097	35,672	36,419	38,238	44,243
Overall aircraft Movements		306,366	293,602	305,087	299,932	322,504	
Percentage Change		0%	(4%)	4%	(2%)	8%	

Source: KCAA-Planning, 2016

The number of aircraft registered in Kenya increased by 4.4% from the previous year. The number of registered aircraft has been growing steadily and currently number of registered aircraft as at June 2016 was 1,388.

Table 3: Aircraft Registered in Kenya from 2010 to June 2016

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Total Aircraft Registered	1088	1165	1190	1268	1330	1388
% Change	5.53	7.08	6.7	2.01	4.89	4.36
New Aircraft Registered	47	84	52	85	81	50
De-Registered Aircraft	13	7	22	7	16	22

Source: KCAA-Planning, 2016

During the Financial Year 2015-16, the Authority continued with the implementation of projects aimed at modernising Air Navigation Services. The projects comprised of procurement and installation of communication and navigation aids equipment for various airports and sites. The projects under implementation during the year included the installation of the Automated Dependent Surveillance Broadcast System (ADS-B), Upgrading of Aeronautical Information Services system, construction of Wilson Control Tower and the Disaster Recovery Centre. The overall availability of equipment over the last six years has been higher than the ICAO recommended level of 97% as shown below:

Table 4: Overall Availability of ANS Equipment

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Overall Availability of ANS Equipment in %	98.3	99.03	98.53	98.815	98.9	98.6

Source: KCAA-Planning, 2016

In order to serve the re-organised airspace which has two sectors created for approach into Jomo Kenyatta International Airport (JKIA) the Authority designed and implemented Performance Based Navigation (PBN) routes to facilitate aircraft flights at the JKIA. The Authority established more PBN routes into the country in order to benefit from the time and fuel savings associated with the implementation of PBN.

Table 5 below represent the key regulatory statistics in the aviation industry.

TABLE 5: KCAA KEY REGULATORY STATISTICS IN THE AVIATION INDUSTRY

Item	Details/Year	2011/12	2012/13	2013/14	2014/15	2015/16
Aviation Personnel Licences	Air Transport Pilot Licence (ATPL)	831	888	928	975	1062
	Commercial Pilot Licence (CPL)	1131	1244	1394	1517	1563
	Private Pilot Licence (PPL)	855	969	1070	1276	1255
	Student Pilot Licence (SPL)	1748	2083	2189	2580	2543
	Cabin Crew Member Certificate (CMC)	1588	1631	1814	1906	1942
	Aircraft Maintenance Engineers (AMEL)	566	582	604	618	697
	Total	6,719	7,397	7,999	8,872	9,062
Valid Operational Licenses	Aircraft with Valid Certificate of Airworthiness (COA)	607	658	705	751	763
	Air Operator Certificates (AOCs)	73	78	78	76	82
	Approved Maintenance Organisations (AMOs) (Both Local and Foreign)	86	85	118	122	139
	Approved Training Organisations (ATOs)	5	5	19	19	22
	Flight Dispatcher Licence	40	91	127	177	208
	Scheduled Airlines	75	76	76	77	77
	Total	886	993	1,123	1,222	1,291
Aerodrome Category	International Class A	8	8	8	8	8
	Domestic (regional) Class B	16	16	23	23	23
	Class C Airstrips	426	426	430	430	430
	Class D Heliports/Helipads	0	0	2	2	2
	Total	450	450	463	463	463
CAA Inspectors and Air Traffic Controllers	Air Traffic Controllers (ATCOs)	172	172	170	165	159
	Airworthiness Inspector	12	16	18	21	27
	Flight Operations	9	11	11	15	20
	Personnel Licensing	8	8	8	8	9
	Communication, Nav. & Surveillance(CNS)	1	1	1	1	1
	AIS/ Map, PANSOPS	1	1	1	1	1
	Air Traffic Mgt \$ Search & Rescue (ATM)	2	2	2	2	2
	Aerodromes & Grounds Aids (AGA)	8	8	7	7	6
	AVSEC	7	7	7	7	7
	Air transport	8	8	8	8	8
	Total	228	234	233	235	240

Source: KCAA-Planning, 2016

The licensed air operators in the country have increased by 41% since 2010 as shown in the following table:

Table 6: Licensed Air Operators in Kenya

No	Services	2010	2011	2012	2013	2014	Jun-15	Jun-16	%
									Growth
1	Domestic scheduled	30	32	32	38	33	34	38	27%
2	Non scheduled	119	122	148	173	150	149	161	35%
3	International scheduled	16	19	16	21	21	24	26	63%
4	International non scheduled	54	51	22	23	22	21	20	(63%)
5	Inclusive tour charters	18	17	24	30	22	22	21	17%
6	Aerial work	0	0	35	38	36	39	39	-
7	Flying instructions	0	0	18	28	29	28	30	-
	Total	237	241	295	351	313	317	335	41%

*The base year is 2010.

The East African School of Aviation (EASA) continued with its endeavour to become a centre of excellence for aviation studies in the region. Improvements in infrastructure and training equipment were pursued and EASA received 3D simulators for air traffic control training and a simulator for Search and Rescue Training. During the year, EASA conducted flight safety courses for safety inspectors in collaboration with ICAO, Singapore Aviation Academy and the Incheon Aviation Academy of Korea.

The number of students at the East African School of Aviation has continued to grow as shown below:

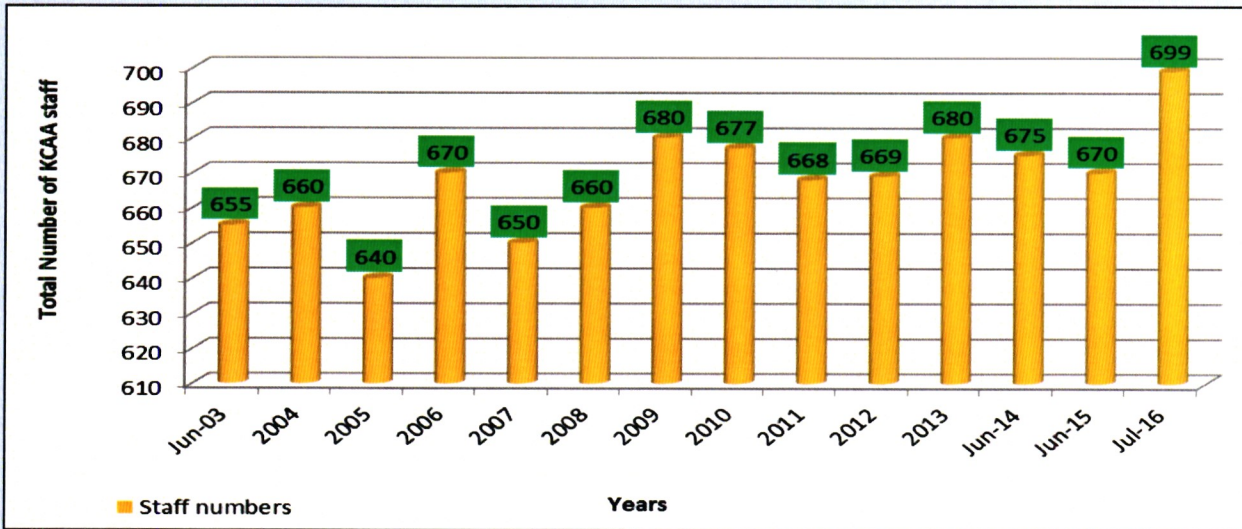
Table 7: East African School of Aviation Student Population

No	Course/ Students	2011/ 12	2012/13	2013/14	2014/15	2015/16
1	Engineering	230	192	329	210	244
2	Business Programmes (BBM and MBA)	58	72	136	71	253
3	Aviation Security	261	183	312	377	93
4	Air Traffic Control	163	164	341	141	267
5	Aviation Safety	130	109	157	215	347
6	IATA	120	98	130	94	96
7	Communications/OPS	11	0	41	31	20
8	CDU	0	0	56	39	79
9	AIS	12	182	103	52	50
	Total Students	985	1000	1605	1230	1449

Source: KCAA-Planning, 2016

The number of Staff as at June 2016 is as shown below:

Figure 1: Staff Statistics trend



Source: KCAA-Planning, 2016

In line with the restructuring approved by the Government in May 2011 the Authority continued to recruit and train staff and to place staff at the appropriate levels of the organisational structure. The placement process will entail matching the employees' skills with the tasks for improved productivity.

KCAA recognises and values the role stakeholders continue to play in the development of civil aviation in the country. The Authority continued to conduct consultative meeting with stakeholders during the review of legislation and development of policies as required by the Constitution. These meetings provide opportunity for constructive criticism and valuable inputs on the various aspects of the Authority. This opportunity to learn as well sharing experience with others has helped improve the quality and relevance of the service provided. KCAA believes that genuine safety and security can only be achieved with continuous feedback from the industry and learning from others.

Despite these achievements we cannot afford to become complacent and fold our arms. KCAA will continue to work towards institutionalizing a culture of accountability, integrity, transparency and promotion of values and principles of the public service in the delivery of services. The transformation of the Authority into an organisation with adequate capacity to effectively meet and exceed the expectations of our customers will remain a key area of focus in the next one financial year.

Last but not least, I wish to thank the KCAA Board and staff for continued support in moving KCAA to the next level.

Capt. Gilbert M. Kibe

DIRECTOR GENERAL

VI. CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the process by which corporations are directed and controlled with the objective of increasing stake/shareholders value and satisfying them. This is achieved by establishing a system of clearly defined authorities and responsibilities, which result in a system of internal controls that is regularly tested to ensure effectiveness.

At Kenya Civil Aviation Authority, the Board places a high degree of importance on maintaining a sound control environment and applying the highest standards of business integrity and professionalism in all areas of the Authority's activities. The Board has adopted the Code of Best Practice for Corporate Governance issued by the Centre for Corporate Governance (Kenya) as its benchmark in developing its corporate governance principles. The Board is responsible for the governance of the Authority and conducts the business and operations of the Authority with integrity and in accordance with generally accepted corporate governance practices, based on transparency, accountability and responsibility.

BOARD OF DIRECTORS

The composition of the Board is set out on pages viii - xi. The Board has varied and extensive skills in the areas of aviation, business management and law. The Directors' responsibilities are set out in the Statement of Directors Responsibilities on page xxiv. The Directors are responsible for the development of internal financial controls, which give reasonable assurance against material mis-statements.

The Chairman provides the overall leadership to the Board without limiting the principle of collective responsibility for Board decisions. He acts as the link between the Board and the Director General and plays a leading role in consensus building between the Board members, the Director General and senior management. The Board has delegated the authority for day-to-day management to the Director General. It however retains the overall responsibility for decisions with regard to finances and operations of the Authority.

The Board meets quarterly and has a formal schedule of matters reserved to it. Board papers are generally circulated well in advance of the Board meetings by the Corporation Secretary. Directors are required to disclose all areas of conflict of interest to the Board and are excluded from voting on such areas. The key function of the Board is to guide and control the performance and management of the affairs of the Authority. This includes the duty to ensure that the functions of the KCAA are carried out in an efficient, transparent and ethical manner and that no particular person or body is given undue preference or subjected to any undue disadvantage. The Board considers and advises the Cabinet Secretary for Transport and Infrastructure on the development and maintenance of civil aviation policy framework and the objectives of KCAA. It considers and approves general performance targets, both strategic and business, and the annual budgets of the Authority.

The Board has power to control the use of and oversee the administration of assets of the Authority and also to determine the provisions to be made for capital and recurrent expenditure and for revenue reserves of the Authority.

The Board has appointed various standing Committees to which it has delegated certain responsibilities with the chairpersons of the Committees reporting to it. The composition of the standing Committees is set out on page xii.

KCAA BOARD COMMITTEES

LICENSING OF AIR SERVICES AND TECHNICAL COMMITTEE

This Committee comprises of five non-executive directors (one of them as Chairperson) and the Director General. The Committee is responsible for considering applications for air service licenses including variations thereof and issuing or denying such licences; all air transport/economic regulation matters; providing guidance on air transport policy in Kenya; ensuring engineering standards and monitoring engineering projects; air navigation (and other equipment) availability and serviceability; and monitoring the aviation safety and aviation Security oversight functions of KCAA, including the licensing of aviation personnel and all matters incidental to the functions of KCAA including examinations conducted by KCAA. It meets quarterly or on need basis. The Secretary of the Committee is on rotational basis between the Director ASSR and the Director ANS. The head of the Air Transport Department coordinates all matters handled by the Committee relating to Licensing of Air Services. The secretarial services are carried out in co-ordination with the Corporation Secretary.

THE AUDIT COMMITTEE

This Committee comprises of four non-executive directors (one of them as Chairperson). The Committee is responsible for considering and processing on behalf of the Board all matters relating to audit, audit queries and audit Management Letters from the Kenya National Audit Office (KENAO) or duly appointed external Auditors of the Authority and considering matters of quality assurance of systems and processes in KCAA operations and reviewing the risk management framework and the periodic performance contract reports. The Committee meets on Quarterly and/or on need basis. The Secretary to the Committee is the Manager Internal Audit and Review. The secretarial services are carried out in co-ordination with the Corporation Secretary.

FINANCE COMMITTEE

The Committee comprises of four non-executive directors (one of them as Chairperson) and the Director General. The Committee is responsible for reviewing and monitoring the KCAA financial position on behalf of the Board, including review of the liquidity status, all the Authority's Accounts, Budgets, Financial Statements and statutory reports as well as bank reconciliations; and ensuring compliance with the financial reporting requirements and the proper keeping of all financial records of the Authority. The Committee meets on Quarterly and/or on need basis. The Secretary to the Committee is the Manager Finance or any other authorized senior officer in the Finance Department. The secretarial services are carried out in co-ordination with the Corporation Secretary.

HUMAN CAPITAL AND STRATEGIC COMMUNICATION COMMITTEE

The Committee comprises of five non-executive directors (one of them as Chairperson) and the Director General. The Committee is responsible for considering and processing all human resource and administration matters that require to be processed through the Board, including recruitment,

promotions and disciplinary action, as well as issues relating to staff training, development, remuneration, welfare and benefits; considering on behalf of the Board all matters relating to the East African School of Aviation (EASA); and providing guidance on the public relations function of the Authority. The Committee meets on Quarterly and/or on need basis. The Secretary to the Committee is the Manager Human Resource and Administration or any other authorized senior officer in the Human Resource and Administration Department. The secretarial services are carried out in co-ordination with the Corporation Secretary.

DIRECTORS EMOLUMENTS

The aggregate amount of emoluments paid to Directors for services rendered to the Authority during the Financial Year 2015-2016 are disclosed in note 5 to the financial statements. Non-executive directors are paid a sitting allowance for every meeting attended.

VII CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KCAA recognizes that Aviation, like other sectors of our economy, is accountable to its stakeholders, the society and our environment in achieving a sustainable civil aviation system in Kenya. As an Authority we acknowledge our responsibility to the environment and to our local communities in which we operate. We aim to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including our customers, employees, investors, communities and others. The Authority actively encourages our staff to recognise those responsibilities and behave in a responsible manner towards the society in which we carry our function. We regard the setting of good examples as an important practice in this regard. Below are some examples of how the Authority and our staff have shown commitment to practice responsible corporate behaviour and to establish and support initiatives in our offices.

Environment

The Authority believes that, by nature, our operations have a minimal impact on the environment. However, we acknowledge that there are inevitable environmental impacts associated with our daily operations and those of the aviation industry, in general. We aim to minimize any harmful effects and consider the development and implementation of environmental standards to achieve this to be of great importance. As such, we strongly encourage the internationally established 3 Rs: Reduce, Re-use and Recycle.

- In the course of our operations we seek to identify opportunities to optimise consumption of energy, water and other natural resources;
- As part of our work we seek to contribute to a cleaner and quieter aviation industry and to improve airspace design through new operational measures that minimise the negative impact on society;
- We strive to re-use and recycle where possible and dispose of non-recyclable items responsibly, thereby minimizing our impact on the environment.;
- We actively encourage our staff to plant trees in our various Stations with a view to conserving the environment. In the just concluded year we actively participated in ICAO Work Groups and projects on the environment.
- The Authority in the reviewed year, commissioned its state of the art Headquarters that embraces environmental and aesthetic needs.

Employees

Our success as an Authority is based on our people.

- We seek to recruit, retain, reward and develop the best talent in our Authority.
- We recognise the need to inculcate among our employees the culture of being sensitive to safety, security, society and the environment. This ensures that employees act with integrity and responsibility with the people they deal with and the environment they interact with.
- We train employees to value each other, provide necessary support systems for people with different needs and have a system in place that encourages acceptance of cultural diversity.
- Further, we continually seek to improve our employees through structured programs for personal and professional development.
- We actively seek to ensure gender parity and where possible recruit persons with disability and minority groups.

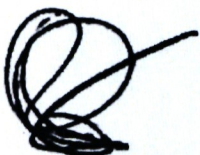
Health and Safety

The Authority aims to ensure a safe and healthy working environment for all our employees and customers. The Authority aims to comply with all relevant legislation or regulations and best practice guidelines recommended by national health and safety authorities.

We also liaise with staff regarding our policies and practices so that we can continue to maintain a healthy, safe and enjoyable work environment. With the Authority's move to its new complex we now afford enhanced work environment and customer experience.

Others

The Authority also carried out other CSR activities during the year. These included but not limited to golf sponsorships (e.g., Club Night at Machakos Golf Club in November 2015, contribution to Great Rift Golfing Society in November 2015), donations to marathons (e.g Kalya Half Marathon in Kapenguria in November 2015) and donations to aviation related matters such as the Bronze Sponsorship for Aviation Stakeholders Convention at Kigali Rwanda and Sponsorship to ATC team building event in May 2016. All these activities were aimed at supporting the various communities and stakeholders which the Authority interacts with in one way or the other as it carries out its mandate.



Capt. Gilbert M. Kibe

DIRECTOR GENERAL

VIII REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Authority's affairs.

Principal activities

The Kenya Civil Aviation Authority ("KCAA") was established on 24th October 2002 by the Civil Aviation (Amendment) Act, 2002, now superseded by the Civil Aviation Act 2013, with the primary functions of the technical and economic regulation of civil aviation in Kenya, provision of air navigation services within the Nairobi Flight Information Region and Training in Aviation.

Results

The results of the Authority for the year ended June 30, 2016 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown on page viii – xii.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Section 14 of the State Corporations Act and Section 33 of the Civil Aviation Act, 2013 and Section 81 of the Public Finance Management Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board



Corporation Secretary

Nairobi

Date: 14/3/2017

IX STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act Cap 446 of the laws of Kenya, requires the Directors to prepare financial statements in respect of that Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

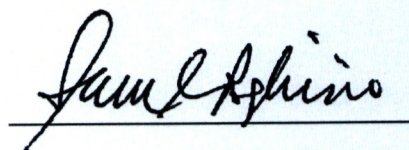
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2016, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on 20 September 2016 and signed on its behalf by:



Hon. Samuel Poghiso, EGH
CHAIRMAN OF THE BOARD



Capt. Gilbert M. Kibe
DIRECTOR GENERAL

X REPORT OF THE INDEPENDENT AUDITORS ON KENYA CIVIL AVIATION AUTHORITY

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REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE
 P.O. Box 30084-00100
 NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR GENERAL ON KENYA CIVIL AVIATION AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Civil Aviation Authority set out on pages 1 to 34, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets 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 35 the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

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 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. 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 risks of material misstatement of the financial statement whether due to fraud or error. In making those risk assessment, 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

1.0 Property, Plant and Equipment

1.1 Land and Buildings

As reported in 2014/2015, ownership documents for various assets belonging to the Authority including 31 housing units in Nyali, Mombasa, 13 units in Bamburi, Mombasa, 87 acres of land at the East African School of Aviation, Nairobi, 132 acres at the Central Transmitting Station along Mombasa Road and Miritini Staff Houses in Mombasa, were not made available for audit verification. The documents were reported to be under preparation at the Ministry of Lands Housing and Physical planning, but no plausible reason has been provided for the inordinate delay in completion of the process and issue of the documents to the Authority.

1.2 Properties Allocated to Third Parties

Records made available for audit indicated that the following parcels of land belonging to the Authority were registered in the names of third parties as indicated below:

Parcel of land	Measurement	Third Party
Mitoto Andei-Ngai Ndeithya Settlement Scheme/161	13 acres	Individual
Bamburi Staff Housing	Not known	Individual
Central Stores in Nairobi	0.7733 hectares	Individual
East African School of Aviation	37 acres	Various

Although the Public Investments Committee in its 19th Report recommended that the National Land Commission revoke the titles for Mtito Andei-Ngai Ndethya, Bamburi Staff Housing and East African School of Aviation Plots and re-issue these to Kenya Civil Aviation Authority and in addition, register all parcels of land owned by the Authority, no action had been taken as at 30 June 2016.

In addition, the Public Investments Committee previously recommended that the National Land Commission investigates circumstances under which plot L.R. No. 209/14372 was transferred from public to private ownership with a view to provide restitution in the line with Article 40(6) of the Constitution and Section 5 of the National Land Commission Act, 2012. However, there was no evidence of any action having taken on the matter as at 30 June 2016.

2.0 Current Assets

2.1 Receivables from Non-Exchange Transactions

The statement of financial position as at 30 June 2016 reflects current assets balance of Kshs.4,662,045,407 out of which a sum of Kshs75,111,258 represents receivables from non-exchange transactions. Included in this balance is station imprest amounting to Kshs.2,172,513 which changed minimally from the previous year's balance. The receivables from non-exchange transactions also include a sum of Kshs.2,458,738 for staff imp rest out of which Kshs.1,102,693.23 relates to imprests advanced to members of the Board of Directors.

Issue of imp rests to the Board goes against corporate governance principles and the management may not be able to enforce surrender or recovery of the imprests.

2.2 Receivables from Exchange Transactions

The statement of financial position as at 30 June 2016 reflects receivables from exchange transactions totalling Kshs.1,224,418,238 which include Kshs.33,986,563 due to the East African School of Aviation in respect of student fees but which balance has not been analysed to show how long the debts have been outstanding.

In the circumstance it has not been possible to confirm the correctness and validity of the current assets balance of Kshs.4,662,045,407 as at 30 June 2016.

3.0 Trade Payables

3.1 Long-outstanding Balances

The statement of financial position shows a current Liabilities balance of Kshs.2,338,075,697 which includes an amount of Kshs.2,289,741,030 for trade and other payables. Included under trade and other payables balance are trade payables totalling Kshs.1,946,530,921. Review of the payables balance showed that a total of Kshs.53,199,882 of the balance represented balances that had been outstanding for more than year. No satisfactory explanation has been given why these longstanding liabilities have not been settled.

3.2 Provision for African Commuter Services Liability

In addition, the current liabilities balance includes a sum of Kshs.1,375,382,694 being provision for liability that may arise from a pending legal suit court (Civil case, No. HCCC 1208) in which African-Air Commuter Services Limited has sued the Authority for cancelling its operating license after its aircraft crashed in Busia in 2003. The High Court ruled in favor of African Commuter Services Limited in September 2014 and awarded the firm damages amounting to Kshs.1,421,671,718 being the principal amount and accrued interest.

Other information available indicates that on November 3, 2014, African Commuter Services Limited, through its advocates, undertook garnishee proceedings against the Authority and its bankers to attach all monies held in the authority's two bank accounts to pay the total decretal sum of Kshs.1,421,671,718.00. The court allowed the Notice of Motion for garnishee proceedings on 26 November 2014. On 1 December 2014, the Company advocates served the two banks with the garnishee order, and as at 30 June 2015, a total of Kshs.46, 289,024.25 had been transferred to the advocates in execution of the order thus leaving Kshs.1,375,382,694 of the court award outstanding. Although the Authority filed an application for review of the award and the matter is still pending at the Supreme Court, provision for potential liability has been made in the financial statements for the total amount of Kshs.1,421,671,718 awarded less Kshs.46,289,024.25 transferred from the Authority's bank accounts in execution of the garnishee order.

It has not been possible to confirm how the operations of the Authority will be affected in the event Court upholds the award.

4.0 Allocation of Authority's Vehicle No. KCD 416G for the Chairman's Office

Review of motor vehicle records revealed that during the year under review, the Chairman's office was assigned a Toyota Prado registration No. KCD 416G on a full time basis. Further, in the period from July 2015 to June 2016, the vehicle covered 34,360 kilometres and utilized 4,599 litres of diesel valued at Kshs.412,596. There is no provision for allocation of a vehicle to the Chairman of the Board of Directors in his appointment letter and therefore it has not been possible to confirm the propriety of the expenditure totalling Kshs.412,596 incurred on fuelling the vehicle.

5.0 Prior Years' Unresolved Matters

5.1 Construction of Perimeter Wall at East African School of Aviation

As reported in previous years, the Maintenance Department of East African School of Aviation (EASA) through a memo dated 17 October 2011 requested the to Director, of the School to approve the building of a perimeter wall to prevent trespassers from accessing the school compound .

Requisition number 1034066 estimated the cost of the project at Kshs.1,290,540.00. The work entailed fencing of 400 metres of EASA perimeter boundary, and site clearance. However, the school did not procure the works competitively, but single - sourced materials and hired casuals to build the wall. This resulted into a significant budget overrun.

Examination of payment vouchers relating to the project revealed that Kshs.8,157,060.00 had been incurred on the project as at 30 June 2014. Out of this amount, Kshs.1,261,210.00 related to expenditure on materials purchased during the month of June 2012, Kshs.2,511,162.00 related to materials purchased during 2013/2014 financial year, while expenditure amounting to Kshs.4,384,687.85 was incurred on payments to casual labourers hired to build the wall. To date, management have not explained their failure to use open tendering as required under the Public Procurement and Disposal Act, 2005. In addition, no plausible reasons have been provided for the budget overrun and failure to complete the project.

In the circumstance, it has not been possible to confirm the propriety of the expenditure totalling Kshs.8,157,060 incurred on construction of the perimeter wall.

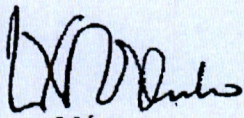
5.2 Irregular payment of Subsistence Allowance

As reported in my report for 2014/2015 an officer of the Authority on secondment to the International Civil Aviation Organization (ICAO) Council paid a total of Kshs.19,425,018 subsistence allowance between August 2014 and April 2015. However, Section CB of Foreign Services Regulations states that an officer is eligible to receive Subsistence allowance up to a maximum of 30 days or obtain prior permission from the Permanent Secretary to exceed 30 days.

Although management has explained that the officer was paid the per diem for over 30 days due to unavailability of suitable accommodation, no prior approval was given for the payment obtained from the Permanent Secretary - Ministry of Transport and Infrastructure. The Authority therefore contravened Government guidelines on payment of Subsistence allowances.

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 Kenya Civil Aviation Authority as at 30 June 2016, and of its financial performance and its cash flows for the year then ended , in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Kenya Civil Aviation (Amendment) Act, 2002.



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

Nairobi
11 April 2017

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

XI STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016


	Note	2016 Kshs	2015 Kshs
Revenue from Non-Exchange Transactions			
Licenses and Permits	3	315,860,048	307,535,051
Air Passenger Service Charge	3	610,091,391	-
		925,951,439	307,535,051
Revenue from Exchange Transactions			
Rendering of Services	3	4,496,494,986	3,739,761,771
Rental Revenue from Facilities & Equipment	3	21,934,895	20,607,959
Finance Income	3	96,435,703	48,006,309
Other Income	3	121,645,287	156,877,058
		4,736,510,871	3,965,838,189
Total Revenue		5,662,462,312	4,272,788,147
Expenses			
Employee Costs	4	2,182,044,117	1,930,895,031
Board of Directors' Expenses	5	37,484,622	23,500,000
Depreciation and Amortization Expense	6	722,650,797	638,128,304
Repairs and Maintenance	7	295,561,352	179,072,331
Contracted Services	8	122,739,339	118,067,055
General Expenses	9	2,116,778,585	718,237,352
NCTIP & KTSSP Expenses	10	72,346,443	43,894,874
Finance Costs	11a	144,339,407	50,123,988
Collection Cost (KRA Agency Fee)	11b	94,054,184	82,588,060
Total Expenses		5,787,998,847	3,784,506,995
Other Gains/(Losses)			
Loss on Sale of Assets	12a	(1,572,290)	(1,600,600)
Loss on Foreign Exchange Transaction	12b	(92,943,557)	(117,758,902)
(Deficit) / Surplus Before Tax		(220,052,382)	368,921,650
Deferred Tax	13a	-	(52,752,514)
Taxation	13b	-	(113,357,591)
(Deficit) / Surplus for the Period		(220,052,382)	202,605,078
Surplus B/F		3,596,542,684	3,393,937,607
Surplus C/F		3,376,490,303	3,596,542,684

The notes set out on pages 7 to 35 form an integral part of the Financial Statements.

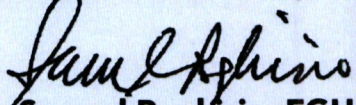
XII STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016 Kshs	2015 Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	14	3,338,249,121	2,494,549,578
Receivables from Exchange Transactions	15	1,224,418,238	636,025,543
Other Receivables	16	75,111,258	62,261,745
Inventories	17	17,196,404	17,818,986
Tax Recoverable	13b	7,070,385	7,070,385.24
		4,662,045,407	3,217,726,237
Non-Current assets			
Property, Plant and Equipment	20a&b	9,110,315,820	9,031,721,576
		9,110,315,820	9,031,721,576
Total assets		13,772,361,227	12,249,447,813
Liabilities			
Current liabilities			
Trade and other payables	18	914,358,336	765,922,038
Current Portion of IDA Loans	19	48,334,667	47,749,843
Provision for Legal Expenses	25c	1,375,382,694	
		2,338,075,697	813,671,881
Non-Current Liabilities			
Borrowings	19	2,163,330,477	1,974,116,223
Deferred Tax Liabilities	13	-	73,792,318
NUTRIP Grant Fund	20d	227,076,888	-
		2,390,407,366	2,047,908,541
Total Liabilities		4,728,483,062	2,861,580,421
Net Assets/Equity		9,043,878,165	9,387,867,391
Reserves & Surplus			
Reserves		5,667,387,862	5,791,324,707
Accumulated Surplus		3,376,490,303	3,596,542,684
Total Net Assets and Liabilities		13,772,361,227	12,249,447,813

The Financial Statements set out on pages 1 and 6 were signed on behalf of the Board of Directors by:


Capt. Gilbert M. Kibe
DIRECTOR GENERAL

Date 14-03-2017


Hon. Samuel Poghiso, EGH
CHAIRMAN OF THE BOARD

Date 14-03-2017

XIII STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Revaluation Reserve	Government Grants Reserve	World Bank Grants	Accumulated Surplus	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 30 June 2014	5,059,254,526	608,133,333	-	3,393,937,606	9,061,325,465
Surplus for the Period	-	-	-	202,605,078	202,605,078
Transfers to Reserves	-	-	123,936,846	-	123,936,849
Balance as at 30 June 2015	5,059,254,526	608,133,333	123,936,846	3,596,542,684	9,387,867,392
Deficit for the period	-	-	-	(220,052,382)	(220,052,382)
Transfers to Reserves Adjustment	-	-	(123,936,846)	-	(123,936,846)
Balance as at 30 June 2016	5,059,254,526	608,133,333	-	3,376,490,302	9,043,878,165

XIV STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	2016 Kshs	2015 Kshs
Cash Flows from Operating Activities		
Receipts		
Licenses and Permits	315,860,048	246,028,040
Air Passenger Service Charge	483,775,000	-
Rendering of Services	3,644,145,430	3,407,453,408
Finance Income	96,435,703	48,006,309
Other income, Rentals and Agency Fees	41,933,007	24,931,161
	<u>4,582,149,188</u>	<u>3,726,418,918</u>
Payments		
Compensation of Employees	2,043,674,658	1,817,051,417
Goods and Services	1,190,970,840	849,673,626
Finance Cost	218,131,724	50,123,988
Rent Paid	5,773,467	7,892,070
Other Payments	-	122,139,709
	<u>3,458,550,690</u>	<u>2,846,880,810</u>
Net Cash flows from Operating Activities	<u>1,123,598,498</u>	<u>879,538,107</u>
Cash Flows from Investing Activities		
Purchase of Property, Plant, Equipment and Intangible Assets	(290,046,761)	(286,029,096)
Proceeds from sale of Property, Plant and Equipment	1,814,825	4,186,202
Decrease in Non-Current Receivables	-	-
Increase in Investments	-	-
Net cash flows Used in Investing Activities	<u>(288,231,936)</u>	<u>(281,842,895)</u>
Cash flows from Financing Activities		
Proceeds from Borrowings	105,000,000	125,205,440
Repayment of Borrowings	(96,667,019)	-
Government Grants and Subsidies	-	-
Net Cash Flows Used in Financing Activities	<u>8,332,981</u>	<u>125,205,440</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>843,699,543</u>	<u>722,900,652</u>
Cash and Cash Equivalents at 1 July 2015	2,494,549,578	1,771,648,926
Cash and Cash Equivalents at 30 June 2016	<u>3,338,249,121</u>	<u>2,494,549,578</u>

XV i. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget		Adjustments		Final Budget		Actual on Comparable Basis		Performance Difference		% Change	
	2015-2016	Kshs '000	2015-2016	Kshs '000	2015-2016	Kshs '000	2015-2016	Kshs '000	2015-2016	Kshs '000	2015-2016	Kshs %
Revenue	2015-2016	Kshs '000	2015-2016	Kshs '000	2015-2016	Kshs '000	2015-2016	Kshs '000	2015-2016	Kshs '000	2015-2016	Kshs %
Licenses and Permits	291,514		48,148		339,662		315,860		(23,802)			(7%)
Air Passenger Service Charge	643,677		-		643,677		610,091		(33,586)			(5%)
Rendering of Services	3,916,837		319,068		4,235,904		4,496,495		260,591			6%
Rental Income	27,945		5,371		22,574		21,935		(639)			(3%)
Finance Income	52,857		13,000		65,857		96,436		30,579			46%
Other Income	10,387		3,427		6,960		121,645		114,685			1648%
IDA Loans, GOK Grants and Reserves	843,403		218,954		1,062,357		394,089		(666,267)			(63%)
Total Income	5,786,619		560,372		6,376,991		6,056,552		(320,439)			(5%)
Expenses												
Employee Costs	2,086,198		159,282		2,245,479		2,182,044		63,435			3%
Board of Directors	19,000		18,899		37,899		37,485		414			1%
Depreciation Expenses	766,964		48,782		815,747		722,651		93,096			11%
Repairs and Maintenance Costs	381,133		49,247		430,379		295,561		134,818			31%
Contracted Services	122,907		4,166		127,074		122,739		4,334			3%
General Expenses	653,210		68,988		722,199		2,116,779		1,394,580			(193%)
Taxation Expenses	255,541		60,737		194,804		108,688		88,116			44%
Finance Cost	73,520		44,943		118,463		35,651		82,812			70%
Collection Cost	92,489		6,011		98,500		94,054		4,446			5%
NCTIP, KTSSP & NUTRIP Recurrent Expenses	117,000		14,547		131,547		72,346		59,200			45%
Loss on Sale of Assets & Foreign Exchange Losses	-		-		-		94,516		(94,516)			(100%)
Corporate and WB Projects Capital Expenses	1,218,657		236,243		1,454,900		802,818		652,082			45%
Total Expenses	5,786,619		590,372		6,376,991		6,685,332		(308,341)			(5%)
Deficit for the Period	-		-		-		(220,052)		-			-

XV ii. EXPLANATION OF MATERIAL DIFFERENCE

Revenue Centre	Explanation
Finance Income	Better negotiated interest rates with banks.
Other Income	Unrealised Foreign Exchange Gains as a result of periodic foreign exchange rates adjustments in the system & ATC related MOUs with other CAAs, notably Rwanda CAA among others.
IDA Loans and Reserves	Projected Reserves utilization did not materialize given the underutilization of the Capital Budget and the fact that depreciation expense is a non-cash flow cost.
Expenditure Centre	Explanation
Depreciation Expense	A number of capital/activities were not effected during the year coupled with the late acquisitions for some and a few were Work In Progress as the year closed by.
Repairs and Maintenance Costs	A number of Maintenance Activities (Staff Houses, Building and Station, Navigation Equipment and Calibration Expenses) did not pick as was planned and a number of them were contracted towards the end of the financial year hence and not matured by the closer of the financial year.
Taxation Expense	The Authority no longer pays Corporation tax as was budgeted for. However, a KRA Tax Audit during the year saw the Authority pay some arrears for the years gone by.
General Expenses	A long standing Court Case is on the verge of its conclusion and the Authority has been mentioned as being culpable and the liability due may crystalize in due course.
NCTIP, KTSSP & NUTRIP Recurrent Expenses	Underutilization of the Training budget in both the NCTIP and KTSSP Projects and also underutilization of the Counterpart Budget NUTRIP Project. With regard to the Trainings, there were delays in getting 'no obligation' letters and course commencement delays. Further, the NUTRIP Counterpart funding earmarked targets were not met as and when due during the year.
NCTIP, KTSSP & NUTRIP and Corporate Capital Expenses	Corporate Capital Budget: Late commencement of a number of projects such as Wilson Control Tower, Disaster Management Centre, ADS_B & MLAT System, Aeronautical Inform System, Fencing & Guard House at Mtito, EASA Main Building Major Renovation works. As for the IDA Projects; the Aeronautical Engineering Library did not commence, the Document Management System did not pick up, and the EASA Library Construction works were not at the targeted levels as at 30/06/16.

XVI NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

The Authority has not applied any new IPSAS that has been issued but is not yet effective in these financial statements for the period ended 30th June 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Licences and Permits

The Authority recognizes revenues from licences and permits when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

ii) Revenue from exchange transactions

Rendering of services

The Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**b) Budget information**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Authority differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the area where the Authority operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

d) Intangible assets

Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Amortization is provided over the estimated useful life using the straight line method. The estimated useful life for intangible asset classes is as follows:

- i) Software acquired externally 3 years
- ii) Licenses and other intangible assets 3 years

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation is calculated on a straight line basis to write down the cost/ revalued values of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate %
Buildings	2.5
Air Navigation Equipment	10
Plant & Other Equipment	20
Computers, copiers and faxes	30
Motor vehicles	20
Furniture and fittings	20
Freehold land	00

The assets' residual values and useful lives are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down at the reporting date to its recoverable amount, or service recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

The Authority derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

f) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Financial instruments**Financial assets****Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent Measurement

The measurement of financial liabilities depends on their classification.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

h) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Cost is determined by first-in first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

i) Provisions

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

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

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

Contingent liabilities

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

j) Nature and purpose of reserves

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

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions into a separate

Scheme (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**o) Cash and cash equivalents**

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

p) Comparative figures

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

q) Significant judgments and sources of estimation uncertainty

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

i) Useful lives and residual values

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**ii) Provisions for doubtful debts**

The authority reviews its debtors' portfolio regularly to assess the likelihood of impairment. Specific and General provision are made as per the rates established by the Board.

iii) Provision for obsolete, defective and slow moving stocks

Management reviews its stocks periodically to assess the likelihood of impairment. This requires an estimate of the amounts that are considered unrealizable.

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

s) Grants

The Authority shall treat any grant received for purposes of enhancing its capital base as a capital grant hence use the capital approach to account for it. Any grant received to support recurrent budget shall be treated as a deferred income.

3. REVENUE

Revenue Source	2016 Kshs	2015 Kshs
License Fees and Permits	315,860,048	307,535,051
Air Passenger Service Charge	610,091,391	-
Rendering of Services		
Air Navigation Service Charges	4,302,872,584	3,537,003,800
AIP Sales	1,126,826	2,103,762
EASA Revenue	192,495,576	200,654,208
Total Revenue from the Rendering of Services	4,496,494,986	3,739,761,771
Rental Revenue from Facilities and Equipment		
House Rent Income	21,934,895	20,607,959
Total Rentals	21,934,895	20,607,959
Finance Income - External Investments		
Interest Income on Cash Deposits	96,435,703	48,006,309
Total Finance Income - External Investments	96,435,703	48,006,309
Other income		
Gain on disposal of Assets	1,814,825	4,186,202
Miscellaneous Receipts	19,747,562	4,228,125
Gain On Foreign Exchange	81,182,046	148,325,731
Sale of Tenders	250,550	137,000
Amortization of the NUTRIP Capital Grant Fund	18,650,304	
Total Other Income	121,645,287	156,877,058
Total Revenue	5,662,462,312	4,272,788,147

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. EMPLOYEE COSTS

	2016	2015
	Shs	Shs
Employee Related Costs - Salaries and Wages	1,534,245,998	1,343,209,103
Housing Benefits and Allowances	250,460,667	213,479,607
Travel, Motor Car, Accommodation, Subsistence & Other Allowances	119,550,474	112,021,734
Employee Related Costs - Contributions to Pensions	169,544,278	148,340,974
Medical Expenses In-patient	34,892,525	35,956,072
Medical Expenses Out-patient	56,514,914	61,898,516
Ex-Gratia	2,398,930	1,174,298
Group Life Insurance	14,436,329	14,814,728
Total Employee Costs	2,182,044,117	1,930,895,031

5. REMUNERATION OF DIRECTORS

	2016	2015
	Shs	Shs
Board Expenses	37,484,622	23,500,000
Total Board Remuneration	37,484,622	23,500,000

6. DEPRECIATION AND AMORTIZATION EXPENSE

	2016	2015
	Shs	Shs
Property, Plant and Equipment	706,934,233	626,922,984
Intangible assets	15,716,564	11,205,321
Total Depreciation and Amortization	722,650,797	638,128,304

7. REPAIRS AND MAINTENANCE

	2016	2015
	Shs	Shs
Property & Staff Houses	62,772,508	68,762,973
Plant & Equipment	223,892,472	98,634,409
Motor Vehicles	6,037,606	6,362,536
Others	2,858,767	5,312,413
Total Repairs and Maintenance	295,561,352	179,072,331

8. CONTRACTED PROFESSIONAL SERVICES

	2016	2015
	Shs	Shs
Hire of Resource Persons	31,407,076	32,096,869
Hire of Satellite Links	31,593,550	36,344,650
Contracted Professional Services	59,738,713	49,625,536
Total Contracted Services	122,739,339	118,067,055

NOTES TO THE FINANCIAL STATEMENTS (Continued)**9. GENERAL EXPENSES**

	2016	2015
	Shs	Shs
Funeral Expenses	92,050	295,532
Staff Welfare	15,250,385	13,041,738
Work Injury Benefit Act (WIBA)	2,530,233	2,481,515
HIV/AIDS	3,157,170	4,137,017
Official Entertainment	1,202,387	643,566
Drugs & Dressings	420,255	387,565
Fungicides & Spray	92,379	87,522
General Training	43,032,449	31,914,451
Training Levy	408,620	436,220
Workshops and Conferences	21,696,202	16,228,128
Preservice Training Expenses	3,118,067	1,324,668
Local Travel	26,784,457	19,969,871
International Travel	41,438,860	32,527,832
Telephone Expenses	19,365,217	15,793,993
Electricity Expenses	21,965,771	25,416,730
Water Expense	4,425,768	4,527,080
Gas/Fuel Expenses	2,223,272	2,264,254
Dedicated Leased Communication Lines	19,230,441	20,323,750
Postal & Telegrams	1,461,468	1,712,778
Cleaning Services	23,235,173	14,844,703
Internet Related Expenses	11,188,875	1,499,440
Rents & Rates	5,773,467	7,892,070
Motor Vehicle Fuel	6,604,094	11,654,210
Insurance - Aviation Liability	21,718,714	20,900,000
Insurance Office Equipment	3,552,580	2,378,548
Motor Vehicle Insurance	2,130,207	2,948,564
EAC Activities	15,894,533	7,131,146
Subscription to International Organisations	50,145,682	44,237,531
Subs Professional Bodies	882,084	649,985
Subscription to Publications	474,034	76,208
Secondment to AFCAC & ICAO Kenya Office	44,910,954	52,118,780
Advertisement and Publicity	29,519,609	15,255,377
Public Relations / Show Expenses	14,454,660	6,052,223
Filming & Photography	94,680	190,149
Events & Anniversaries	1,536,205	6,428,867
Legal Expenses	12,031,210	35,000,000
Audit Fees	1,500,000	1,500,000
Audit ICAO USOAP Expenses	1,610,827	2,540,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Food & Rations	27,902,076	28,742,476
Publishing and Printing	6,330,320	3,614,593
Uniform and Clothing	1,238,268	2,262,011
Office Stationery	14,376,164	11,968,110
Computer Expenses	6,036,988	8,783,387
Consumable Stores	8,871,546	8,494,968
Library Expenses	3,211,773	2,956,835
Public Service Integrity Programme	2,762,102	2,655,637
Hire of Transport, P& M	3,274,243	629,197
Miscellaneous Other Charges	1,037,114	1,111,119
Search & Rescue	1,772,494	1,929,735
Study & Implementation of SMS	2,115,432	-
Implementation of SSP	1,199,757	-
Certification of Aerodromes & ANS Facilities	8,271,930	6,624,654
Implementation of ISO Activities	2,088,256	1,454,503
Communication Frequency Fees	-	2,738,422
Corporate Social Responsibility	9,107,463	4,058,800
Security Services	24,265,332	22,750,153
ICAO Aviation Security Audit	2,025,097	2,600,784
Sports Expenses	10,794,589	7,076,604
General Provision- Doubtful Debts	90,663,963	37,680,024
Specific Provision - Doubtful Debts	20,414,737	112,421,917
EASA Commercial Costs	18,483,210	20,871,413
Provision for Legal Expenses	1,375,382,694	-
Total General Expenses	2,116,778,585	718,237,352
Collection Costs(KRA Agency fees)	94,054,184	82,588,060

10. NCTIP & KTSSP EXPENSES

	2016 Shs	2015 Shs
NCTIP Training	10,120,767	8,727,703
Support to EASA	1,467,950	-
Aviation Safety & Security KTSSP	7,203,640	22,847,428
Aviation Equipment KTSSP	27,151,088	-
Training of Other Staff KTSSP	24,198,367	6,344,635
KCAA Counterpart Funding(NCTIP)	1,026,996	4,202,210
KCAA Counterpart Funding(KTSSP)	1,121,064	1,413,349
KCAA Counterpart Funding(NUTRIP)	56,571	359,550
Total NCTIP & KTSSP Expenses	72,346,443	43,894,874

NOTES TO THE FINANCIAL STATEMENTS (Continued)**11. FINANCE COSTS**

	2016	2015
	Shs	Shs
Bank Charges - Fees and Commissions	1,798,648	1,627,099
Interest on Long-term Loans (NCTIP)	42,238,783	31,996,889
Interest on Long-term Loans (KTSSP)	65,406,402	16,500,000
Corporation Tax (Tax Liabilities)	108,687,891	-
Deferred Tax Liability Write-Back	(73,792,318)	-
Total Finance Costs	144,339,407	50,123,988
10.(b) Collection Cost (KRA Agency Fee)	94,054,184	82,588,060

12. LOSS ON SALE OF ASSETS

	2016	2015
	Shs	Shs
Property, plant and equipment	1,572,290	1,600,600
Other assets	-	-
Total Gain on Sale of Assets	1,572,290	1,600,600
Gain (Loss) on Foreign Exchange Transactions	92,943,557	117,758,902

13(a). TAXATION

	2016	2015
	Shs	Shs
Current income tax:		
Current income tax charge	-	113,564,059
Deferred tax:		
Current Year Charge	-	60,345,819
Prior Year Over-Provision	-	(7,593,306)
Income tax expense reported in the statement of financial performance	-	166,316,572

The reconciliations between tax expense and the product of accounting profit multiplied by the Entity's tax rate for the years ended 30 June 2016 and 2015 are as follows:

	2016	2015
	Shs	Shs
Accounting surplus before income tax	-	368,921,650
Income tax at a rate of 30 %	-	110,675,495
Non-deductible expenses:		
Increase in Provision/Prior Year Over-Provision	-	55,640,077
At the effective tax rate of 30 %	-	166,316,572

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred tax relates to the following:

	Statement of Financial Position		Statement of Financial Position	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Accelerated depreciation for tax purposes	-	119,901,798	-	-
Provisions	-	(46,109,480)	-	60,345,819
		-	-	(7,593,306)
Deferred tax (income)				52,752,514
Deferred tax (liabilities)	-	73,792,318		

13 (b) INCOME TAX EXPENSE

	2016 Kshs	2015 Kshs
Deficit / Surplus Before Tax	-	368,921,650
Adjust for Non-Allowable Expenses		
Depreciation	-	638,128,129
General Provision for Bad Debts	-	37,680,024
Provision for Gratuity	-	17,381,766
Accrual for Outstanding Leave Days	-	5,535,229
Unrealized Loss on Forex	-	117,758,902
	-	1,185,405,701
Adjusted for Non-Taxable Revenue		
Unrealised Gain on Forex	-	(48,325,731)
Adjusted Profit Before Wear & Tear Allowances	-	1,037,079,970
Wear and Tear Allowances		
Air Navigation Equipment	-	555,594,561
Plant and Machinery	-	26,180,678
Furniture and Fittings	-	8,100,098
Motor Vehicles	-	21,969,815
Computers	-	46,687,955
Total Wear and Tear Allowances	-	658,533,107
Adjusted Surplus after Wear and Tear Allowances	-	378,546,862
Taxable Income /Tax Loss	-	378,546,862
Income Tax Expense @ 30%	-	113,564,059
Less: Instalment Tax Paid 2015-16 FY	-	120,634,444
Income Tax Liability (Asset) 2015-2016	-	(7,070,385)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Income Tax is calculated using the enacted income tax rate of 30%. In the financial year 2015-16, the Authority implemented the requirement of 90% Surplus remittance to the Consolidated Fund. This is in accordance with Public Financial Management (PFM) Regulations 2015 Section 219 (2) that were issued under the PFM Act (2012). As such, there were no transactions for Corporation Tax in the financial year 2015-16. The Income Tax Asset for the financial year 2014/15 (Kshs 7,070,385) is still holding to the financial year 2015-16 pending the conclusion of a KRA Tax Compliance Audit that commenced in October 2015.

14. CASH AND CASH EQUIVALENTS

	2016	2015
	Shs	Shs
Bank & Cash Balances	3,338,249,121	2,494,549,578
Cash-on-Hand and in Transit	-	-
Short-term Deposits	-	-
Total Cash and Cash Equivalentents	<u>3,338,249,121</u>	<u>2,494,549,578</u>

15. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2016	2015
	Shs	Shs
Current Receivables		
Aviation Revenue Debtors	1,301,510,376	778,455,876
Other Sundry Debtors	33,986,563	7,671,607
	<u>1,335,496,939</u>	<u>786,127,484</u>
Less: Provisions for Bad and Doubtful (Specific)	(20,414,737)	(112,421,917)
Less: General Provision for Bad and Doubtful Debt (Net)	(90,663,963)	(37,680,024)
Total Current Receivables	<u>1,224,418,238</u>	<u>636,025,543</u>

16. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2016	2015
	Shs	Shs
Other Debtors		
Prepayments	54,742,490	46,393,687
Salary Advances	790,998	593,789
Staff Rent Receivable	1,553,520	26,900
Medical Excess	13,382,499	12,585,561
Station Imprest	2,172,513	2,193,515
Staff Imprest	2,458,739	394,792
Staff Surcharge	10,500	73,500
Total	<u>75,111,258</u>	<u>62,261,745</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. INVENTORIES

	2016	2015
	Shs	Shs
Staff Tea	38,150	289,500
Food & Rations	775,084	1,160,676
Publishing and Printing	1,514,040	2,641,110
Office Stationery	7,544,341	7,287,947
Computer Stationery	983,565	999,284
Consumable Items	5,329,663	4,893,149
Building Maintenance	1,011,561	547,321
Total inventories	17,196,404	17,818,986

18. TRADE AND OTHER PAYABLES

	2016	2015
	Shs	Shs
Trade Payables	571,148,228	481,360,394
Un-realized Foreign Exchange Loss	45,114,099	2,809,796
Employee Advances/Liability	43,680,159	20,250,318
Third-Party Payments	3,411,039	14,945,407
Consumer Deposits	11,647,743	13,017,743
Staff Pension & Gratuity	101,903,994	105,039,455
Leave Pay Provision	118,491,327	112,142,282
Other Payables	18,961,748	16,356,643
Total Trade and Other Payables	914,358,336	765,922,038

19. BORROWINGS

	2016	2015
	Shs	Shs
IDA Loans: KTSSP	1,597,966,213	1,326,500,115
IDA Loans: NCTIP	613,698,932	695,365,951
Less: Current portion of bank loans(NCTIP)	(48,334,667)	(47,749,843)
Total non-current borrowings	2,163,330,477	1,974,116,223

20(a)

PROPERTY, PLANT & EQUIPMENT MOVEMENT SCHEDULE 2015-2016

	Air Navigation Equipment	Land	Buildings	Motor Vehicles	Plant & Other Equipment	Computers	Furniture & Fittings	WIP	Grand Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost/Revaluation As at 1st July 2014	4,316,374,013	2,307,749,992	2,522,020,696	84,254,089	199,788,087	147,776,880	62,407,289	602,781,790	10,243,152,835
Additions	610,658,631	-	7,038,756	29,017,165	30,556,370	51,847,932	10,496,921	644,503,740	1,384,119,515
Disposals	(617,000)	-	-	(1,735,000)	(341,947)	(1,210,384)	(242,430)	-	(4,146,761)
Transfers/ Adjustments	-	-	-	-	(3,507,796)	-	-	(335,006,851)	(338,514,647)
As at 30th June 2015	4,926,415,644	2,307,749,992	2,529,059,452	111,536,254	226,494,714	198,414,428	72,661,780	912,278,679	11,284,610,943
Additions	340,256,802	-	1,032,888,120	26,150,707	48,245,437	27,112,967	24,428,189	149,569,742	1,648,651,963
Disposals	(1,203,000)	-	-	(3,300,000)	(1,376,451)	(1,659,704)	(45,000)	-	(7,584,155)
Transfers/ Adjustments	-	-	-	-	-	-	-	(872,949,209)	(872,949,209)
As at 30th June 2016	5,265,469,446	2,307,749,992	3,561,947,572	134,386,961	273,363,699	223,867,691	97,044,968	188,899,212	12,052,729,542
Depreciation	-	-	-	-	-	-	-	-	-
At 1st July 2014	1,223,562,063	-	186,914,972	34,715,804	93,411,040	96,945,242	31,816,346	-	1,667,365,467
Depreciation	454,724,456	-	63,161,363	17,394,802	42,078,924	36,453,912	13,109,527	-	626,922,984
Disposals	(185,100)	-	-	(1,041,000)	(205,168)	(969,435)	(145,458)	-	(2,546,161)
As at 30th June 2015	1,678,101,419	-	250,076,335	51,069,605	135,284,796	132,429,719	44,780,415	-	2,291,742,289
Disposals	(481,200)	-	-	(2,640,000)	(1,221,161)	(1,633,504)	(36,000)	-	(6,011,865)
Depreciation	520,704,429	-	67,529,902	23,148,566	49,978,283	30,079,878	15,493,176	-	706,934,233
Transfers/ Adjustments	-	-	-	-	711	-	-	-	711
At 30th June 2016	2,198,324,648	-	317,606,237	71,578,171	184,042,629	160,876,093	60,237,592	-	2,992,665,369
NET BOOK VALUE	-	-	-	-	-	-	-	-	-
As at 30th June 2016	3,067,144,798	2,307,749,992	3,244,341,335	62,808,790	89,321,071	62,991,598	36,807,376	188,899,212	9,060,064,173
As at 30th June 2015	3,248,314,226	2,307,749,992	2,278,983,117	60,466,649	91,209,918	65,984,709	27,881,364	912,278,679	8,992,868,653

NOTES TO THE FINANCIAL STATEMENTS (Continued)**20 (b) INTANGIBLE ASSETS - COMPUTER SOFTWARE**

NON-PPE MOVEMENT SCHEDULE 2015-2016	Kshs
COST	-
As at 1st July 2014	29,994,383
Additions 2014-15	22,601,722
As at 30th June 2015	52,596,105
Additions 2015-16	27,115,289
As at June 2016	79,711,394
Amortizations	
1st July 2014	2,537,862
Amortization 2014-15 Financial year	11,205,321
As at 30th June 2015	13,743,183
Amortization 2015-16 Financial year	15,716,564
As at 30th June 2016	29,459,747
Net book Values	
At 30th June 2016	50,251,647
At 30th June 2015	38,852,923

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 (c). WORK IN PROGRESS

Supplier	Description	2016 Kshs	2015 Kshs
KTSSP Project			
1. Landmark Holdings Ltd.	Construction of KCAA HQs		638,703,503
2. Mutiso Menezes International	Design Consultancy & Construction Supervision of KCAA HQs		57,032,206
3. Coretec Systems and Solutions Ltd.	Human Resource Management Solution	8,415,200	8,415,200
4. XRX Technologies	Document Mgt System (Cals & Scanners)	9,100,871	9,100,871
NUTRIP Project			
5. Nanjing Les Information Technology Co. Ltd.	ATC Training 3-D Panoramic Simulation		175,221,774
6. Weihai International Economic & Tech Coop co Ltd.	EASA Library Construction	59,617,813	
7. Aaki Consultants Architects & Urban Designers	EASA Library Construction	20,822,199	20,822,199
Corporate WIP			
8. Nanjing Les Information Technology Co. Ltd.	ADS- & MLat System	28,650,409	
9. IDS North America Ltd.	Aeronautical Inform System/Aim	29,856,482	
10. Joyler Enterprises	Fencing & Guard House	4,833,008	
11. Weihai International Economic & Tech Coop co Ltd.	WAP Control Tower & Office Block	25,988,315	
12. Bevaj Furniture Ltd.	Assorted Furniture for HQs	623,715	
13. Aktasis Consultants	Construction of Restaurant & Health Club	991,200	991,200
14. Beyond Experience Ltd.	Refurbishment of EASA Reception and Main Entrance		1,991,726
	Total	188,899,212	912,278,679

NOTES TO THE FINANCIAL STATEMENTS (Continued)**20 (d) WORLD BANK NUTRIP GRANT**

In the financial year 2014-15, the World gave the Authority a Grant under the National Urban Transport Improvement Project (NUTRIP) through the Ministry of Transport and Infrastructure. This grant was to facilitate the acquisition of Air Traffic Control (ATC) 3-D Simulator for the East African School of Aviation (EASA) and Construction of a Library EASA as well.

The ATC 3-D Simulator was completed and commissioned in 2015-16 financial year, while the Construction of the Library is expected to be completed in the 2016-17 financial year. The funding the project has a Grant portion and a counterpart funding by KCAA.

The Table below captures the summary details on the World Bank NUTRIP Grant;

ATC 3-D Simulator	
Payment Done by KCAA (Counter Part Funding)	86,334,011
Direct Payments – World Bank Grant	186,503,403
Grand Total for ATC 3-D Simulator	272,837,053
Construction of EASA Library	
Payment Done by KCAA (Counter Part Funding)	21,215,862
Direct Payments – World Bank Grant	59,224,150
Grant Total for EASA Library	80,440,012
NUTRIP Capital Grant Fund	
ATC 3-D Simulator Direct Payments	186,503,043
EASA Library Direct Payments	59,224,150
Total Grant Capital Fund	245,727,192
Amortization of Capital Grant in Relation to the ATC 3-D Simulator	
Portion of Cost Directly Paid by the Ministry	186,503,043
Straight-Line Method of Depreciation at rate of 10%	18,650,304
Amount to be Amortised in 2015-16FY	18,650,304
Value of Capital Fund to be Carried Forward	227,076,888

21. WORLD BANK FINANCING

The Authority received financial support from the World Bank through Credit No. 3930 KE dated 25th June 2004 as part of on-lent funds to the Government of Kenya under the Northern Corridor Transport Improvement Project-NCTIP. The World Bank/IDA Credit No. 3930 KE became effective in September 2004. The total sum is SDR 6,750,000 (USD 10.03 million equivalents). The loan has a grace period of eight years and the principal repayment period was from October 2012 to April 2027.

In addition, the Authority received financial support from the World Bank through Credit No. 4926 KE from the financial year 2012-2013 under the Kenya Transport Support Project (KTSSP). In summary the project is geared towards enhancing the Authority's Regulatory capacity building, modernization of Air Navigation Equipment's and construction of KCAA Headquarters.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The summary of the transactions during the year under the two projects are as given in the table below;

NCTIP - 3930 KE	2016	2015
	Kshs	Kshs
Cash Balance at the Beginning of the Year	14,429,145	24,972,930
Amounts Received During the Year	15,000,000	40,535,370
Expenditure During the Year	11,588,717	51,079,155
NCTIP Cash Balance End of the Year	17,840,428	14,429,145
NCTIP Loan drawn by the end of 2014-15 FY	780,530,969	765,530,969
Loan Balance at Start of Year	695,365,951	695,365,951
NCTIP Loan drawn in 2014-15 FY	15,000,000	-
Principal Loan Repayment During the Year	96,667,019	-
NCTIP Loan Balance at Year End	613,698,932	695,365,951
KTSSP - 4926 KE	Kshs	Kshs
Cash Balance at the End of the Year	62,947,126	60,296,559
Amount received during the year	90,000,000	110,000,000
Amount spent during the year	99,617,140	60,921,596
Direct payments	181,466,098	557,069,170
Loan Balance at year end	1,597,966,213	1,326,500,115

22 RELATED PARTY

The entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the entity, or vice versa. The County and National Government and members of key management are regarded as related parties and comprise the chief executive officer, board members, and senior managers.

The related party disclosures for the period are;

	2016	2015
	Kshs	Kshs
a) National Government		
IDA Loans Facilitations- NCTIP Project (Receipts and Direct Payments)	15,000,000	40,535,370
IDA Loans Facilitations- KTSSP Project (Receipts and Direct Payments)	257,299,152	667,069,170
IDA Grant Facilities - NUTRIP Project (Direct Payments)	121,790,346	123,936,846
b) Key Management - Salaries and Other Short Term Benefits	38,978,635	53,388,348
c) Directors-Directors Fees and Allowances for Services	37,484,622	23,500,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)**23 FINANCIAL RISK MANAGEMENT**

The authority's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency exchange rates. The authority's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

Foreign currency risk management

The authority undertakes certain transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

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

	2016	2015
	Shs	Shs
Assets:		
Trade and other receivables		
US Dollars	535,581,205	428,464,965
Bank and cash balances		
US Dollars	1,507,946,624	132,137,116
Liabilities:		
Trade and other payables		
US Dollars	225,757,955	167,228,115

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

As at 30th June 2016, if the Kenya Shilling had weakened/strengthened by 10% against the US dollar, with all other variables held constant, the impact on pre-tax profit for the year would have been Sh 39 million (2015: Sh 64 million) higher/lower.

Credit risk management

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the authority. The authority's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the authority's management based on the authority policy.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The credit risk on trade receivables is limited because the customers are known entities and individuals with high credit ratings.

The authority does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The authority defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any counterparty did not exceed 5% of gross monetary assets at any time during the year.

The credit risk on liquid funds with financial institutions is also low, because the counter parties are stable regulated banks.

The amount that best represents the authority's maximum exposure to credit risk is made up as follows:

	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000	Total Sh'000
30 June 2016				
Trade receivables	1,224,418,238	-	20,414,737	1,244,832,975
Write-back in provision	-		(20,414,737)	(20,414,737)
Provision for doubtful debts	-	-	(90,663,963)	(90,663,963)
	<u>1,224,418,238</u>		<u>(90,663,963)</u>	<u>1,133,754,275</u>
Bank balances	<u>3,338,249,121</u>	-	-	<u>3,338,249,121</u>
	<u>4,562,667,359</u>	-	<u>(90,663,963)</u>	<u>4,472,003,396</u>
30 June 2015				
Trade receivables	636,025,543	-	112,421,917	748,447,460
Write-back in provision	-		(112,421,917)	(112,421,917)
Provision for doubtful debts	-	-	(37,680,024)	(37,680,024)
	<u>636,025,543</u>	-	<u>(37,680,024)</u>	<u>599,812,214</u>
Bank balances	<u>2,494,549,578</u>	-	-	<u>2,494,549,578</u>
	<u>3,130,575,121</u>	-	<u>(37,680,024)</u>	<u>3,092,895,098</u>

Cash and cash equivalents are fully performing.

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The debt that is past due is not impaired and continues to be paid. The finance department is actively pursuing this debt.

The debt that is impaired has been fully provided for. However, the Authority is still pursuing these debts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the authority's short and medium-term funding and liquidity management requirements. The authority manages liquidity risk through continuous monitoring of forecast and actual cash flows.

The following table analyses the authority's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month Sh'000	Between 3-12 months Sh'000	Over 12 months Sh'000	Total Sh'000
30 June 2016				
Trade payables	1,946,530,921	-	-	1,946,530,921
Borrowings	-	-	2,211,665,145	2,211,665,145
	<u>1,946,613,270</u>	<u>-</u>	<u>2,211,665,145</u>	<u>4,158,196,066</u>
30 June 2015				
Trade payables	481,360,394	-	-	481,360,394
Borrowings	-	-	2,021,866,066	2,021,866,066
	<u>481,360,394</u>	<u>-</u>	<u>2,021,866,066</u>	<u>2,503,226,460</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)**24. CASH GENERATED FROM OPERATIONS**

Cash Generated From Operations	2016 Kshs	2015 Kshs
Surplus for the Year before Tax	(220,052,382)	368,921,650
Adjusted for:		
Depreciation	722,650,797	638,128,304
Non-Cash Grants Received	-	-
Contributed Assets	-	-
Impairment	-	-
Gains and (Losses) on Disposed Assets	1,814,825	2,585,602
Contribution to Provisions		
Contribution to Impairment Allowance		
Finance Income	(96,435,703)	(48,006,309)
Finance Cost	109,443,833	50,123,988
Working Capital Adjustments:		
Increase (Decrease) in Inventory	(622,582)	379,133
Increase in receivables	(588,365,695)	(254,615,575)
Increase in Deferred income	-	
Increase in Payables	1,195,165,404	122,021,313
Increase in Payments Received in Advance	-	
Net Cash flows from Operating Activities	1,123,598,498	879,538,107

25. CONTINGENT ASSETS AND LIABILITIES

International Public Sector Accounting Standard No. 19 requires adequate disclosure in note form any contingent assets or liabilities which may arise from past events but whose impact on the Financial Statements will only take effect upon occurrence or non-occurrence of future events, some of which may be beyond the control of the Authority.

a) A Summary of the Contingent Liabilities is as follows:**i) Potential Debts/Claims owed to Suppliers Totalling Ksh 40.32 Million:**

KAA billings for rent and utility charges for the period up to 30 June 2005 amounting to Ksh.40.32 Million.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**ii) Potential claims arising from dismissed staff**

There is a case pending in courts where former staff who were dismissed because of engaging in an illegal strike in 2002 have sued the Authority. The verdict given by the court in 2009 was in favour of staff. The Authority filed a record of appeal on 8th April 2010 in civil appeal NO 67 of 2010 in the court of appeal in Nairobi against the ruling. The exact value of the damages claimed has not been ascertained. The appeal proceeded for hearing on 7th January 2014. Ruling was delivered recently when the Court dismissed KCAA's appeal with costs. The Court of Appeal ordered the matter to be referred back to the High Court for assessment of total damages.

KCAA has filed a notice of appeal and the application for leave to appeal was to be heard on 17 April 2016 but did not proceed as the matter was not listed. A new hearing date is yet to be fixed.

iii) Potential Costs of Transfers of Vested Assets:

The vesting Order was published vide Legal Notice No.173 dated 13th October 2006, with an effective date of 24th October 2002. KCAA Stamp duties and capital gains taxes may accrue unless waived by the Government. Stamp Duties at the revalued amounts for assets that the Authority has ownership documents are approximated at Ksh. 91 million.

b) A Summary of the Contingent Assets is as Follows:**Pending Fraud Case:**

This is a criminal Case No.2840/03 at the Anti-Corruption Court. The case relates to a Kenya Revenue Authority officer who was responsible for collecting Air Navigation charges and is charged with defrauding KCAA of USD 100,465. These assets have not been recognized in the accounts because there is material uncertainty on their realization.

c) Provision for Legal Expenses

African Commuter Services Ltd. sued the Attorney General (on behalf of the Ministry of Transport and Infrastructure) and KCAA for consequential loss and damages arising from the suspension of its AOC on 24th January, 2003, following the Busia aircraft accident.

The total amount claimed was Kshs. 1,345,616,019.65 plus interest and costs but by judgment dated and delivered on 7th February, 2014 the Court of Appeal found KCAA culpable and therefore liable to compensate African Commuter Services Limited. The Court of Appeal however, adjusted the total damages downwards to Kshs. 362,615,656.00 and also reduced award of costs to 50% with interest at court rates from date of filing (on revenue and capital losses) and interest at court rates from the date of judgment (on consequential loss and aggravated damages).

The appeal by the AG succeeded as the Court of Appeal found the Ministry of Transport and Infrastructure not liable. KCAA sought and obtained legal opinion from the Attorney

NOTES TO THE FINANCIAL STATEMENTS (Continued)

General's office on further appeal to the Supreme Court and consequently instructed its Advocates to file an application at the Court of Appeal for leave to appeal to the Supreme Court and stay of execution on 27th May 2014. The said application came up for hearing on 10th March 2015 but was dismissed by the Court of Appeal by ruling delivered on 29th May 2015.

Meanwhile, African Commuter Services Limited, through Ahmednasir, Abdikadir & Company Advocates took out Garnishee proceedings on 3rd November 2014 against KCAA and its bankers (National Bank of Kenya Limited and CFC Stanbic Bank Limited), to attach all the monies held in the said banks to pay the total decretal sum of Ksh.1,421,671,718 and managed to garnishee Ksh.46,289,024.25.

Having been denied leave to appeal and stay of execution at the Court of Appeal, KCAA Advocates, Waweru Gatonye & Company, prepared and filed an urgent application on 12th June 2015, at the Supreme Court, for leave to appeal and stay of execution to the Supreme Court. The Supreme Court on its own motion certified the application as urgent and granted KCAA a stay of execution on 15th June 2015. On receipt of KCAA's application of 12th June 2015, Ahmednasir, Abdikadir & Co. Advocates, for African Commuter Services Limited, on 19th June, 2015, filed an application under certificate of urgency at the Supreme Court, seeking for orders to set aside the Order for stay of execution granted in favour of KCAA.

The 2 applications (KCAA's application of 12th June, 2015 and African Commuter Services Limited's of 19th June, 2015) have been consolidated. Meanwhile on 25th September 2015, High Court Judge Justice Mabeya by ruling of the same date dismissed KCAA's application dated 18th February 2015 for review of the decretal sum on technicality that the decretal sum sought to be reviewed is that of the Court of Appeal and therefore the High Court does not jurisdiction. KCAA's Advocates have filed a Notice of Appeal against the said ruling.

KCAA's application of 12th June 2015 for leave to appeal and stay of execution came up before the Supreme Court on 17th December 2015 but could not proceed as there was no quorum. On 2 occasions in February and April this matter was listed but could not proceed for lack of quorum at Supreme Court.

On 17th March 2016, KCAA Advocates, Waweru Gatonye & Co. Advocates attended Court for a mention and for purposes of fixing a hearing date. The matter was given a hearing date of 28th April 2016 but the matter did not proceed as scheduled. KCAA Advocates also through a letter dated 6th May 2016 notified the Authority that the order for stay is in place and hence no enforcement for payment could be made against the Authority. A hearing date is yet to be set at the Supreme Court.

In light of the developments highlighted above, the Authority has made a Provision for Legal Expenses amounting to Kshs 1,375,382,693.75 in its Financial Statements for the year ended 30th June 2016.

XVII PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	PROPERTY, PLANT AND EQUIPMENT				
(i)	Land and Buildings - Ownership documents were not made available for audit verification	- Management is following up with the Ministry of Lands to obtain title deeds	Director General	Not Resolved	
(ii)	Properties Allocated to Third Parties - Some parcels of land were registered in the names of third parties	- Management is following up with the Ministry of Lands for revocation of current title deeds and issuance of title deeds for these parcels of land to KCAA	Director General	Not Resolved	
2	CURRENT ASSETS				
(i)	Receivables from non-exchange transactions - Station imprest balance had minimum movement from previous year without satisfactory explanation	- Management has initiated the process of having this amount written off since it relates to staff who have since been separated from the Authority.	Director General	Not Resolved	

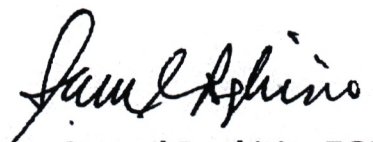
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
(ii)	<p>Receivables from exchange transactions</p> <p>- Statement of Financial position as at 30 June 2016 reflected receivables from exchange transactions of Kshs. 636,025,543 which included Kshs. 3,175,471 from East African School of Aviation's former students who have since left the Intuition and consequently its collectability is doubtful.</p>	<p>- Management is following up this matter with the former students to ensure the debt is fully recovered</p>	Director General	Not Resolved	
3	CONSTRUCTION OF PERIMETER WALL AT EAST AFRICAN SCHOOL OF AVIATION				
	<p>Construction of the perimeter wall started in June 2012. Management had estimated the cost of the wall at Kshs. 1,290,540.00. By July 2014, the wall had not been completed while an expenditure of Kshs. 8,157,060.00 had been incurred. In addition, it was not satisfactorily explained why open tendering was not used in line with the Public Procurement and Disposal Act, the budget overrun and failure to complete the project.</p>	<p>- The wall has since been completed and all related documents are available for review.</p>	Director General	Not Resolved	



Capt. Gilbert M. Kibe

Director General

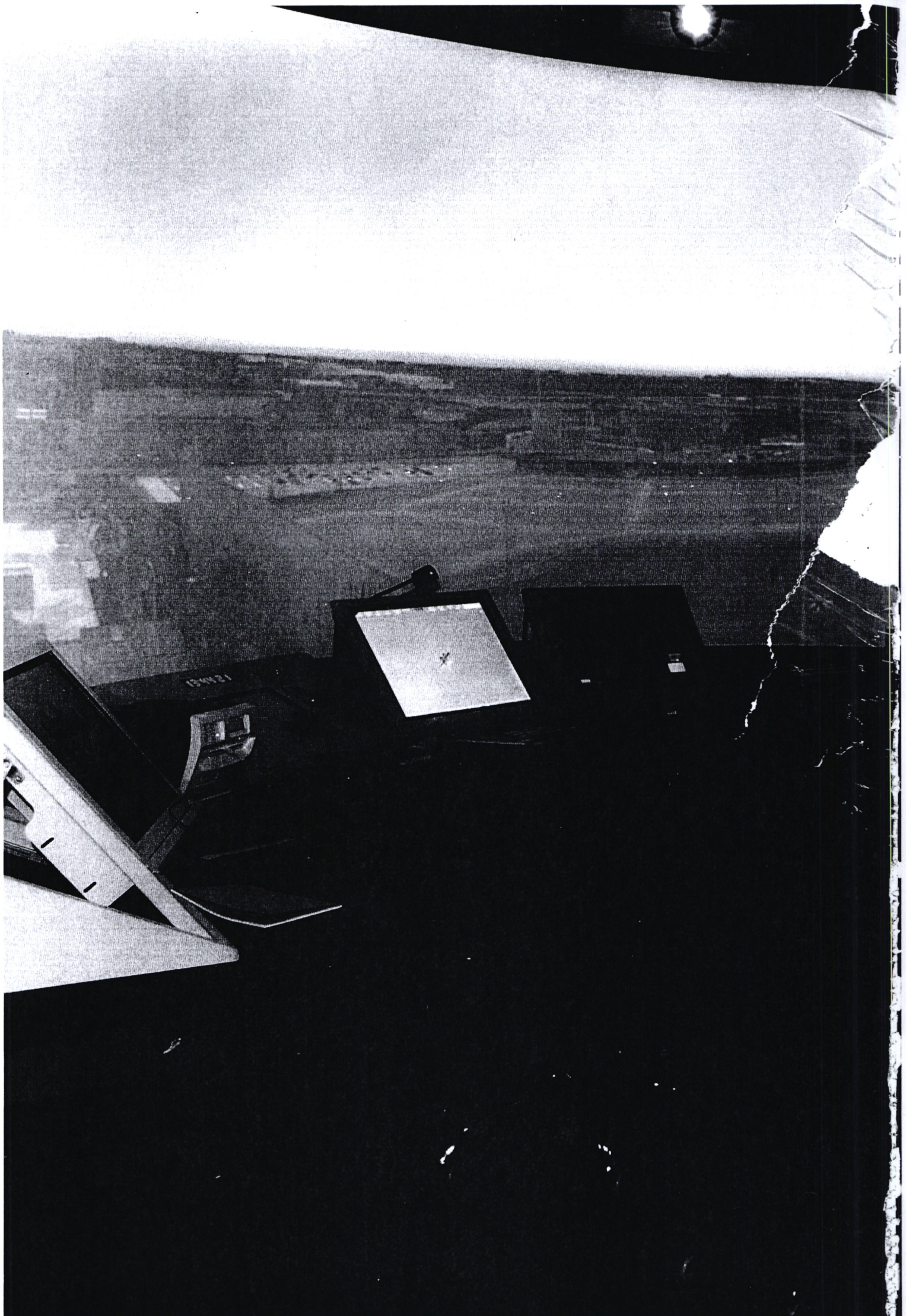
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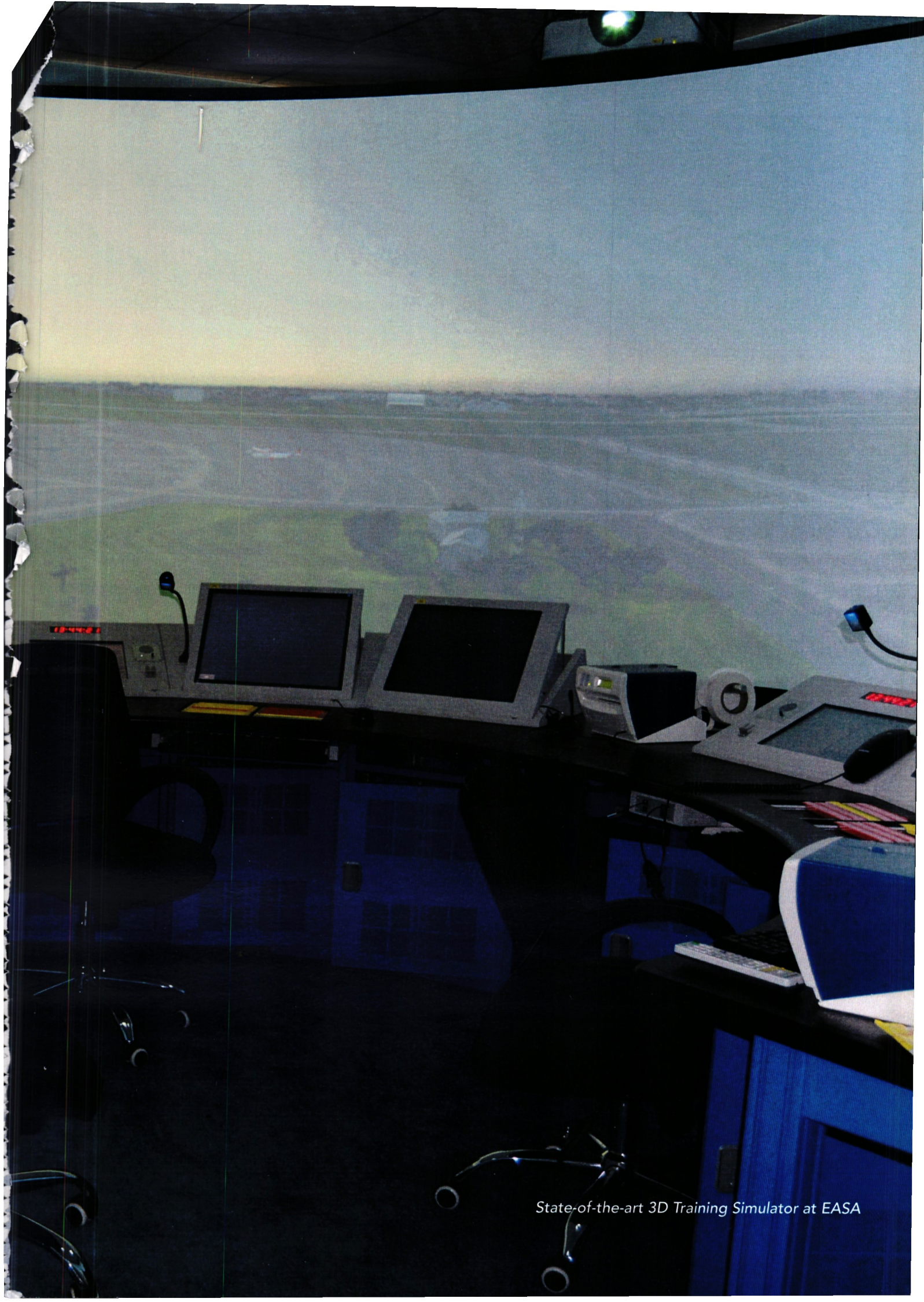


Hon. Samuel Poghio, EGH

Chairman of the Board

Date... 14-03-2017





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