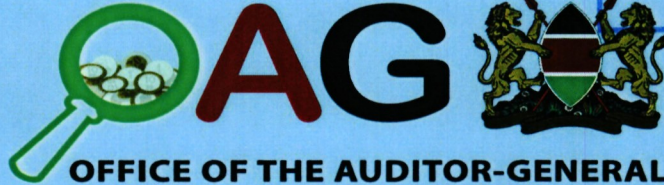


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OF

THE AUDITOR-GENERAL

ON

KENYA CIVIL AVIATION AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2020**

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KENYA CIVIL AVIATION AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2020

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

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1. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

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 The Civil Aviation Act (Cap 394) and the Civil Aviation (Amendment) Act, 2002 have now both been superseded by The Civil Aviation Act, 2013, as amended by the Civil Aviation (Amendment) Act 2016.

At cabinet level, Kenya Civil Aviation Authority is represented by the Cabinet Secretary for Transport, Infrastructure, Housing, Urban Development and Public Works who is responsible for the general sector policy direction and bilateral agreements/arrangements.

(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, as amended by the Civil Aviation (Amendment) Act 2016. These functions are:

- (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;
- (l) Certification of aircraft operators;
- (m) Enforcement of approved technical standards of aircraft;

- (n) Licensing and monitoring of aeronautical personnel;
- (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, certification, registration and surveillance of aerodromes;
- (y) Certification and surveillance of air navigation service providers;
- (z) Licensing and certification of regulated agents;
- (aa) Implementing and enforcing the provisions of the Act, regulations and directives issued hereunder and treaties to which Kenya is a party;
- (bb) Taking measures to minimize, to the extent possible, any disturbance to the environment from noise, vibration, atmospheric pollution or any other cause attributable to the use of aircraft for the purpose of civil aviation;
- (cc) Performing economic oversight of air services, protecting consumer rights, environment and ensuring fair trading practices;
- (dd) Giving effect to the Chicago Convention and other international agreements relating to civil aviation to which Kenya is party to; and
- (ee) Performance of such other functions as may, from time to time, be conferred on it by the Cabinet Secretary or by any other written law.

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 any amendment thereto or any other international conventions and protocols relating to civil aviation that Kenya is a party to.

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 and security in general.

The Act also stipulates that, in the discharge of its responsibility for aviation safety and security, the Authority should coordinate its activities with other agencies of Government, including the Kenya Airports Authority, the Department of Defence and the National Police Service.

Vision

To be a superior, safe, secure and sustainable civil aviation system.

Mission

To economically and efficiently plan, develop, manage and regulate a modern, safe and secure civil aviation industry while delivering quality training and Air Navigation Services.

Core Values

Security and Safety: We shall endeavour to maintain a safe and secure civil aviation environment.

Customer Focus: We undertake to embrace, meet, delight and exceed our customers' expectations.

Fairness: We shall conduct our functions and duties in ways that are just, unbiased and non-discriminatory.

Excellence: We shall strive to provide quality services through innovation, continuous improvement, promotion of creativity and adaption to new ways of doing things.

Integrity: We shall demonstrate professionalism, honesty and commitment to moral ethical principles.

Team work: We shall promote cross functional working relationships to promote accomplishment of organizational objectives.

(c) Key Management

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

- 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 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Capt. Gilbert M. Kibe
2.	Director Corporate Services	CPA Joseph K. Chebungei
3.	Corporation Secretary	Mr. George Ombaso Mogaka
4.	Director Air Navigation Services	Ms. Charity M. Musila
5.	Director Aviation Safety Standard and Regulation	Capt. Nathan T. M. Ogenche
6.	Director East African School of Aviation	Dr. George K. M. M'Nchebere

(e) Fiduciary Oversight Arrangements

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

Finance and Human Capital 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 matters on behalf of the Board, including review of the liquidity status, all the Authority's bank accounts, Budgets, Financial Statements and statutory reports as well as bank reconciliations. It also ensures compliance with the financial reporting requirements and proper keeping of all the financial records of the Authority.

Audit, Risk and Governance Committee

This Committee is composed of Five Directors of the Board and Head of Internal Audit and Review as its Secretary. Its main function is to consider and make recommendations to the Board all matters relating to Internal and External Audits, Risk Management and Governance inclusive of Performance Contract reporting.

Public Investments Committee

This is a Parliamentary Committee that consists of a Chairman, Vice 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

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

(g) Contacts

Telephone: (254) 20 6827470-5
Fax: (254) 20 6822300
Email: info@kcaa.or.ke
Website: www.kcaa.or.ke

(h) Bankers

National Bank of Kenya

Jomo Kenyatta International Airport Branch
P.O. Box 30763 – 00100
Nairobi, Kenya

Commercial Bank of Africa

Swissport Branch
Jomo Kenyatta International Airport
P. O. Box 30437 - 00100
Nairobi, Kenya

Stanbic Bank

Industrial Area Branch
P. O. Box 30550 – 00100
Nairobi, Kenya

Kenya Commercial Bank

Jomo Kenyatta International Airport Branch
P.O. Box 19065-00501
Nairobi, Kenya

Standard Chartered Bank

Kenyatta Avenue Branch
P. O. Box 30001 - 00100
Nairobi, Kenya

Equity Bank Ltd

Community Corporate Branch
P. O. Box 75104
Nairobi, Kenya

Kenya Commercial Bank

Haile Selassie Avenue Branch
P. O. Box 58992 - 00200
Nairobi, Kenya

(i) Independent Auditors



Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P. O. Box 30084 – 00100
Nairobi, Kenya

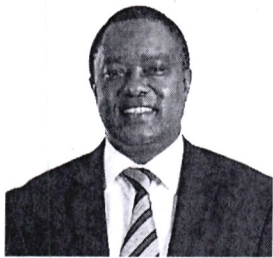

(j) Principal Legal Advisor



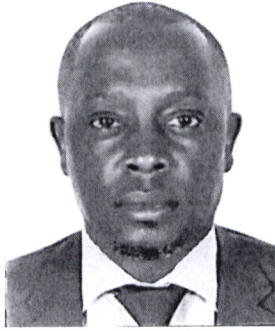
Attorney General
State Law Office
Harambee Avenue
P. O. Box 40112 City Square 00200
Nairobi, Kenya

THE BOARD OF DIRECTORS




No	Director's Name	Director's Date of Birth, Key Qualifications and Work Experience
1.	 <p>Eng. Joseph N. Nkadayo, MBS (Chairman of the Board)</p>	<p>Date of Birth: 1956</p> <p>Key Qualifications: Msc. Highway Engineering, Bsc (Civil Engineering), Registered/Licenced Consulting Engineer (EBK), MIEK</p> <p>Work Experience: Over 30 years' experience in Public and Private Sector in Development, Design, Procurement, Implementation, Maintenance and Management of Projects; Staff Recruitment, Placement, Training, Performance Based – Contracting and Job Evaluation.</p> <p>Director General / Chief Executive Officer (CEO) of Kenya Urban Roads Authority (KURA) from 1st December 2008 to 30th November 2014. Secretary to Board of Directors (KURA). Managing Director (Sunton Ltd), MD & Senior Partner (Sungate Ltd), Senior Principal Superintending Engineer-Planning (Ministry of Roads and Public Works), Principal Superintending Engineer-Planning, Principal Superintending Engineer-Planning & Technical Administration, Principal Superintending Engineer-Technical Administration, Principal Superintending Engineer-Maintenance, Chief Superintending Engineer-Maintenance, Chief Superintending Engineer-Trunk Roads, Chief Superintending Engineer-Technical Administration, Chief Superintending Engineer-Design, Superintending Engineer, Design Engineer (Ministry of Transport and Aerodromes). Extensive knowledge and experience in Donor funding and procurement procedures of various Multilateral and Bilateral Agencies including the World Bank, African Development Bank (AfDB), European Union, Japanese International Co-operation Agency (JICA), among others. Represented the Kenya Government in regional bodies, which included; East Africa Community, New Partnership for Africa's Development (NEPAD), Common Market for Eastern and Southern Africa (COMESA) among others. Registrar of Engineers Registration Board of Kenya for Seven years (1994-2001).</p>
2.	 <p>Mr. Chris Chirchir 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). He is an independent member of the Board and Chair of the Finance and Human Capital Committee.</p>

<p>7.</p>	 <p>Mr. Solomon Kitungu (Board Member wef 14/01/2020)</p>	<p>Date of Birth:</p> <p>Key Qualifications: M.A. (Economics), University of Manchester, United Kingdom; B.A. (Economics), University of Nairobi; Advanced Management Programme, Strathmore Business School and University of Navara Barcelona, Spain; other trainings in public sector management, investments reforms, privatizations, infrastructure and Public Private Partnerships.</p> <p>Work Experience: Principal Secretary State Department of Transport responsible for the Transport Policy Management, Rail Transport & Infrastructure Management, Fast Tracking Identified Northern Corridor Integration Projects, Oversight and Co-ordination of Lamu South Sudan Ethiopia Transit Corridor (LAPSSET) Programme Implementation, Civil Aviation Management and Training, Maritime Transport Management and Development and Maintenance of Air Strips among other port related fields. Investment Director, Ministry of National Treasury and Planning (2003 – 2009 and October to January 2020), Executive Director of the Privatization Commission, Ministry of National Treasury and Planning (2009 – 2017); other positions at the Ministry of National Treasury and Planning from January 1988; Also served as an alternate director for the National Treasury in many boards of State Corporations.</p>
<p>8.</p>	 <p>Esther J. Koimett, CBS (Board member wef 13/07/2018 to 14/01/2020)</p>	<p>Date of Birth:</p> <p>Key Qualifications; MBA (UON), Bcom-Accounting (UON), Advanced Management Program, Diploma in Tourism and Diploma in Agricultural Education.</p> <p>Work Experience; over 35 years' experience in public service in Kenya with over 25 years in investment promotion, banking, privatization and public enterprise reform.</p> <p>Currently the Principal Secretary -State Department of Transport, having previously served as Investment Secretary/Director General, Public Investments & Portfolio Management at the National Treasury with overall responsibility for public investments and portfolio management in respect of public enterprise in Kenya.</p>

<p>9.</p>	 <p>Dr. Juliua M. Muia , PhD (Board Member)</p>	<p>Date of Birth:</p> <p>Key Qualifications: B.Com (First Class Honours Degree in Accounting; Masters Degree and PhD in Finance from the same university; Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.</p> <p>Work Experience: Principal Secretary at The National Treasury; Principal Secretary at the State Department for Planning - The National Treasury and Planning. Director General, Vision 2030 Delivery Secretariat, Office of the President. This is Kenya's long-term policy framework that is premised on making Kenya a globally competitive, rapidly industrializing and upper middle-income economy by 2030.; Between April 2008 and October 2016, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President. This is a top advisory government think tank whose flagship project was formulating Vision 2030. He has over 25 years' experience in leadership in the private sector in Kenya and UK. He started his career as an auditor with PricewaterhouseCoopers in mid-1980's, and later worked as Head of Finance and Company Secretary in the hotel, manufacturing and banking sector. His other engagements include an adjunct faculty at Strathmore Business School; adviser on strategy and trainer on leadership.</p> <p>He serves as a non-executive board member in several companies and a number of not-for profit organizations.</p>
<p>10.</p>	 <p>Dr. (Eng.) Karanja Kibicho, CBS (Board Member)</p>	<p>Date of Birth: 29th July, 1967</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>

11.	 <p>Ms Carole Ayugi (Board Member)</p>	<p>Date of Birth: 20th January 1977</p> <p>Key Qualifications: LLB(Hons)</p> <p>Work Experience: Strong background in commercial and corporate field with focus on retirement benefits, real estate, intellectual property, mediation and arbitration. Managing Partner MMAN Advocates, Head of Department, Employment & Pension and Intellectual Property MMAN Advocates, Partner, Commercial Department, MMAN Advocates, Ag Chief Legal Officer / Company Secretary, Pan Africa Group of Companies, Associate, Conveyancing & Commercial Department Mboya Advocates. She is an independent member of the Board</p>
12.	 <p>Capt. Gilbert Macharia M. Kibe (Director General)</p>	<p>Date of Birth: 13th January, 1963</p> <p>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>
13.	 <p>Mr. George Ombaso Mogaka (Corporation Secretary)</p>	<p>Date of Birth: 16th December, 1971</p> <p>Key Qualifications: MBA (Strategic Management) - Maseno University and LLB - Nagpur University. Post Graduate Diploma in Law – Kenya School of Law, Advocate of the High Court of Kenya, Commissioner for Oaths and Certified Secretary of Kenya. Lead Auditor (QMS) and Certified Trustee (Pension Schemes). Member of the Law Society of Kenya and Institute of Certified Secretaries of Kenya.</p> <p>Work Experience: Has over twenty-three (23) years post qualification work experience. Has previously worked at National Oil Corporation of Kenya, Kenya Sugar Research Foundation, Kenya Revenue Authority and Kenya Plant Health Inspectorate Service prior to joining Kenya Civil Aviation Authority on 16th June, 2020.</p>

MANAGEMENT TEAM

	Name	Key Qualifications & Main Area of Responsibility
1.	 <p>Capt. Gilbert M. Kibe (Director General)</p>	<p>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>Main Area of Responsibility: Overall Coordination and Direction of the Air Navigation Service Provision, Regulation of the Civil Aviation Industry, and Training of the Aviation Personnel in the Country.</p>
2.	 <p>Mr. George Ombaso Mogaka (Corporation Secretary)</p>	<p>Key Qualifications: MBA (Strategic Management) - Maseno University and LLB - Nagpur University. Post Graduate Diploma in Law – Kenya School of Law, Advocate of the High Court of Kenya, Commissioner for Oaths and Certified Secretary of Kenya. Lead Auditor (QMS) and Certified Trustee (Pension Schemes). Member of the Law Society of Kenya and Institute of Certified Secretaries of Kenya.</p> <p>Main Area of Responsibility: Planning, organizing, leading and controlling provision of Board Secretarial and Legal Services in the Authority.</p>
3.	 <p>CPA Joseph C. Kiptoo (Director Corporate Services)</p>	<p>Key Qualification: Bachelor of Arts (Econ) from the University of Nairobi and an MBA from Moi University, CPA-K holder and is a member of ICPAK.</p> <p>Main Area of Responsibility: Coordinate and direct the Corporate Services function of the Authority.</p>

<p>4.</p>	 <p>Capt. Nathan Tom Ogenche (Director Aviation Safety Security and Regulation)</p>	<p>Key Qualification: MBA (Aviation) - Moi University and a ATPL from KCAA.</p> <p>Main Area of Responsibility: Management and Coordination of the regulation function of the Authority.</p>
<p>5.</p>	 <p>Ms Charity M Musila (Director Air Navigation Services)</p>	<p>Key Qualification: MBA (Aviation Option)- Moi University and Bsc (Hons) Computing and Information Systems-University of Portsmouth, Aeronautical Information Management (AIM) and Instrument Flight Procedure Design.</p> <p>Main Area of Responsibility: Planning and Control of Operations of Air Navigation Services.</p>
<p>6.</p>	 <p>Dr. George K. M. M'Nchebere (Director East African School of Aviation)</p>	<p>Key Qualifications: PhD (Strategic Management), MBA (Strategic Management) and Bcom. (UON), a full member of Marketing society of Kenya (MSK) and Kenya Institute of Management (KIM).</p> <p>Main Area of Responsibility: Management and Coordination of the Training Mandate of the Authority (EASA).</p>

CHAIRMAN'S STATEMENT

I am pleased to present the Kenya Civil Aviation Authority's Annual Report and Financial Statements for the Financial Year 2019/2020. The Authority continued to work together with the Government to ensure growth of the industry during the year. Output from air transport sub-sector increased by 4 per cent to Ksh 192.9 billion in 2019 from Ksh.185.5 billion in 2018 while that of services incidental to transport increased by 22.4 per cent to Ksh 167.6 in 2019 from 136.9 billion in 2018 as per the 2020 economic survey. The air transport sub-sector was ranked second in output contribution in the transport and storage sector after the road transport. During the year, the contribution of air transport sub sector including support services to the GDP at constant prices grew by 0.3% in 2019 compared with 4.9 per cent in 2018 as per the 2020 economic survey.

The air transport industry has been expanding steadily over the years as a result of increased demand for air transport services. Indeed, air transport itself has acted as a key cause and facilitator of economic growth in Kenya by facilitating the country's integration into the global economy, providing direct benefits for users and wider economic benefits through its positive impact on productivity and economic performance as reflected in the economic survey. During the review period, Kenya Airways started new routes mostly to destinations in Europe such as JKIA-Geneva and continued the JKIA-New York route in the United States of America (US).

The sub sector continued to grow rapidly during the year until the corona virus disease 2019 (COVID 19) emerged and was declared a pandemic by the World Health Organization on 11th March 2020. The first case in Kenya was announced on 13th March 2020. Since the onset of the COVID 19 the aviation system has faced ever growing challenges globally resulting to suspension of passenger flights in most countries. In Kenya, passenger flights were suspended on 25th March 2020 because of outbreak of COVID-19 pandemic. As at the end of the financial year flights were still suspended and Kenya was working together with the global community to fight the pandemic and to establish ways of resuming passenger flights. As a signatory to the Convention on Civil Aviation which established the International Civil Aviation Organization (ICAO) and a legal framework for regulating international civil aviation and air transport, Kenya is obligated to administer aviation safety and security in line with the ICAO Standards and Recommended Practices. To ensure compliance and in preparation for the ICAO Universal Security Audit Programme which was due in May 2020, KCAA reviewed the Civil Aviation (Aviation Security) regulations and submitted them to the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works (MOTIHUD & PW) during the year. The Audit was later postponed indefinitely due to COVID 19 pandemic. The reviewed regulations will help improve the level of compliance with the levels of aviation security in the country.

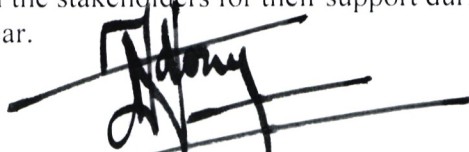
During the Financial Year 2019/20, the Board successfully implemented the 16th Performance Contract and made tremendous progress towards implementation of the third year activities of the Strategic Plan 2017/2018-2021/22. The plan was reviewed during the financial year 2018/19 to align it to the Medium Term Plan III and to incorporate the "Big Four" initiatives and hence some of the activities implemented during the year focused on these priorities. These planned objectives are to grow the air transport system and attain a sustainable safety and security oversight function, improve capacity, efficiency and safety of air navigation, improve business processes and systems, ensure financial Sustainability and efficiency in supply chain management, build adequate and competent human capital, enhance customer service, develop capacity to deliver quality training, ensue environmental protection, governance and risk management.

The reviewed Strategic Plan outlines the priorities that were pursued to grow air transport industry in Kenya during the year. These included improvement of regulatory oversight, implementation of projects to support provision of air navigation services and aviation training at the East African School of Aviation. Effective regulation of the industry ensured continued growth of the industry evidenced by the increase in the number of air operators and the opening up of more destinations to connect the country with the global community.

In order to improve service delivery, the Authority implemented projects in the Airspace Master Plan for the period 2015-2030 planned for the year and installed training equipment at the East African School of Aviation. The Airspace Master Plan which incorporates the requirements of the ICAO Global Air Navigation Plan takes into consideration the requirements of the Kenya airspace and will guide the acquisition of new technologies for Communication, Navigation and Surveillance systems as well as Air Traffic Management over the next 15 years. At the East African School of Aviation (EASA), modernisation of programmes continued in order to ensure maintenance of the Centre of Excellence in aviation training status. Equipment installed during the year included the Navigation Aids simulator equipment and hydraulics laboratory equipment. A student chapel was also completed and commissioned. Further, the Authority implemented projects aimed at enhancing the level of automation of services and management of information and data. During the year the Management and Board of Directors participated in the 40th session of the ICAO assembly in October 2019 where Kenya presented working papers on environment, air navigations services and supported several papers presented by African Civil Aviation commission on behalf of the 55 African. Kenya also chose to retain an office in Montreal following the end of Kenya's term at the ICAO Council, in order to position itself towards improving its civil aviation system and also enhancing its participation and contribution to global aviation.

Following the disruptions caused to civil aviation by the COVID 19, the Authority will partner with the rest of the aviation community in the fight against the pandemic as it works towards resumption of flights. The focus of the activities will be towards improving passenger confidence in civil aviation in order to reverse the downward trend and grow numbers. The flattening of the COVID 19 curve and resumption of flights is expected to assure passengers and result to regaining in passenger, freight and aircraft traffic which decreased this financial year compared with the previous years. The Authority will support gradual opening up of Kenya's airspace starting with domestic flights and thereafter the international flights from August 2020. Further the Authority will continue to avail oversight services to air operators in operation and those who are getting back into operation and also support EASA to provide on-line training services for some courses. The Authority will endeavour to live to its vision "to be a superior, safe, secure and sustainable civil aviation system' by ensuring that standards are implemented and maintained at levels. In doing its business, KCAA will continue to be guided by the ICAO requirements and global best practices.

In conclusion, I wish to express my sincere gratitude to the KCAA Board, Management and staff for their hard work, dedication and commitment despite the effects of Covid-19 pandemic. I wish to thank all the stakeholders for their support during the year and call for the same support in the next financial year.



Eng. Joseph N. Nkadayo, MBS
Chairman, Board of Directors
Kenya Civil Aviation Authority

REPORT OF THE DIRECTOR GENERAL

Civil aviation is a critical catalyst for global and national development. Air transport in Kenya has continued to grow and to contribute more to job creation and increased interaction and trade with other countries. This year the industry traffic declined due to the outbreak of Coronavirus (COVID-19) pandemic which resulted to the suspension of all international passenger flights in and out of Kenya on 25th March 2020 after the first case was confirmed on 13th March 2020. The passenger traffic decreased by 25.2% to reach 9.04 million compared to 12.09 million the previous financial year and aircraft movements decreased by 23.4% from 381,434 in 2018/19 to 292,051 in 2019/2020. Freight traffic decreased by 0.94% from 368,128 tonnes in 2018/19 to 364,684 tonnes in 2019/2020. The number of aircraft registered in Kenya increased by 2.5% from previous year to record 1,586 aircraft in 2019/2020 from 1,547 Aircraft in 2018/2019 financial year. The industry had remained strong and vibrant before the outbreak of the COVID-19 and the Authority will implement measures in order to reverse the decline by supporting stakeholders to make the right choices to sustain their business.

The implementation of the 2017/18 - 2021/22 Strategic Plan continued during the year with focus being the activities of the third year of the Plan. Using the Performance Contract (PC) concept that commits staff to implement targets in their work plans, activities in the Strategic Plan were incorporated in the PCs for the year and implemented. Implementation of the Performance Contract this 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. The Performance Contract for Financial Year 2019/20 was successfully implemented and the final performance report submitted to the Government. The performance during the year was affected by the outbreak of the COVID-19 and some of the targeted projects which involved international travels by contractors or staff were negatively affected. As a result, the Authority achieved 27 out of the 39 targets in the Performance Contract for 2019/20 representing 69.2% achievement.

The Authority supported the “Big Four” initiatives by improving market access through opening up more air transport routes, supporting health care provision and universal access to internet services. In an effort to open more markets and routes for airlines, KCAA participated in Bilateral Air Service Agreement (BASA) meetings held with the Democratic Republic of Congo and with United Arab Emirates. The Authority also participated in the annual International Civil Aviation Organisation Air Services Negotiations (ICAN) for 2019 that was held in Aqaba, Jordan from 2nd -6th December 2019, and held BASA negotiation meetings with 22 States aimed at opening up international routes for market access. During the ICAO Assembly 2019 held from 24th September 2019 to 4th October 2019, KCAA submitted two Kenyan position papers as part of the country’s promotion of international aviation.

In health care the Authority continued to play a critical role in support of the Universal Health Care Programme by facilitating operation of Aircraft and Unmanned Aircraft Systems in health care emergency services and supporting evacuation flights from different states as a result of suspension of international passenger movement by air due to COVID-19 pandemic. The Authority cleared the use

of google loon-balloons on 23rd March 2020 to fly over Kenyan airspace for provision of internet services to all areas of the country. The first loon balloon arrived in Kenya on 2nd April 2020.

The industry continued to maintain a high level of compliance with international standards as evidenced by the compliance level of 78.02 per cent achieved during the ICAO Universal Safety Oversight Audit Programme (USOAP) Audit conducted in July 2018. The Authority retained Federal Aviation Administration (FAA) International Aviation Safety Assessment (IASA) Category 1 (CAT 1) Status by maintaining high levels of safety and security and implementing the Corrective Action Plans (CAP's) from the FAA missions. KCAA will continue to offer effective oversight that enhances the level of compliance by the air operators in order safeguard the gains made by the industry and to maintain global recognition. To achieve this, KCAA has developed policies, regulations and guidance materials to bring clarity, certainty, transparency and consistency in the aviation industry.

KCAA recognises the need to have a regulatory system that the industry has trust in as it helps win co-operation and voluntary compliance. At the same time effort to improve technical capacity continued during the year by recruiting more inspectors and conducting trainings for aviation safety and security inspectors locally and abroad for the existing staff. The Authority is pleased with air operators who have already successfully undergone the re-certification process and urges the rest to make effort and undergo through the process. This will enhance the level of compliance by the industry. The Authority also procured more transport vehicles and computers for use by the inspectors. In order to enhance aviation safety in the region, KCAA started the construction of the Regional Centre for Aviation Medicine (CAM) building towards the end of the year on 20th June 2020 at cost of Ksh.222.4 million. The Centre is expected to be completed in eighteen months and will provide a facility for coordination of medical examinations for aviation personnel within the East African Community.

The modernisation of air navigation services continued during the year in line with the KCAA Strategic Plan, Kenya's Air Navigation Master Plan and the Global Air Navigation Plan. In order to achieve improved Air Traffic Management Services, the Authority developed and published the Visual Flight Rule (VFR) routes in Nairobi Control Zone for access to Wilson Airport, Required Navigation (GNSS) Standard Instrument Departure procedure for Wilson Airport and Visual Flight Rules Helicopter routes within Nairobi Control Zone. Also developed and implemented were the procedures associated with the Control Zone in Lokichoggio Airport. Further the conceptual design for Standard Instrument Departures (SIDS) in Eldoret International Airport Terminal Area (TMA) was completed in June 2020 and published. Kenya for the first time conducted a Search and Rescue Exercise named "Okoa Maisha" on 3rd December 2019 and involved multi Government agencies and was coordinated by KCAA. This learning lessons from this exercise will KCAA prepare and improve future Search and Rescue exercises. Indeed, the provision of Search and Rescue Services became available for 24 hours from 1st January 2020.

During the Financial Year 2019-20, the Authority continued with the implementation of projects aimed at modernising Air Navigation Services (ANS) and enhancing overall delivery of services. The projects that were completed during the period include; The installation of Un-Interruptible Power Supply (UPS) systems at Mombasa and JKIA Radar Stations, Installation of Solar System at the Malindi ANS Station and the study on the World Geodetic System (WGS) 84 obstacle Area 2 survey Diani Airport

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in Kwale, the Modernization & Remodelling of Data Centre at KCAA HQS and Construction of Caretaker House for KCAA headquarters. The installations of Voice Control Communication System (VCCS) at JKIA, Mombasa, Kisumu and Malindi were at advanced stages but were affected by COVID 19 Pandemic as the contractors could not travel to complete the works.

The East African School of Aviation (EASA) continued with the provision of aviation training until it was closed on 20th March 2020 following the directive by the Government to close all the learning institutions. EASA invested in the improvement of training equipment and facilities during the year including the completion of a student chapel. The number of students trained at EASA during 2019/20 were 2,169 compared to 2,362 trained during 2018/19. The school remained closed as at the end of the year and effort was being made to start on line classes for some of the courses.

The Authority continued to recruit, train and to place staff at the appropriate levels of the existing organisational structure. The placement process was aimed at ensuring that all required skills were in place in the various Departments. At the same time, the Authority continued to pursue approval with the government of the draft new organisational structure that will cater for the emerging needs attributed to the expansion of the industry. The process is currently at the final stages and approval is expected during the 2020/2021 financial year.

KCAA is committed to continuous engagement with the Stakeholders and will continue to conduct meetings to receive feedback on its services and comments on the proposed policies and regulations. During the year the Authority conducted consultative meetings with stakeholders on proposed regulations and received valuable feedback which were used to improve the quality of services offered. 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.

The Authority will continue to focus on institutionalizing a culture of accountability, integrity, transparency and promotion of values and principles of the public service in the delivery of services. This is an effort to enhance capacity and achieve a transformation in the delivery of services to effectively meet and exceed the expectations of our customers.

I wish to thank the KCAA Board of Directors for their excellent stewardship which enabled us realise good results despite the COVID-19 Pandemic. Secondly, I also appreciate the management team and staff for their effort during the year and for the continuous improvement in the performance of the Authority. I look forward to even a better performance during the 2020/2021 financial year.



Capt. Gilbert M. Kibe
DIRECTOR GENERAL

REVIEW OF KENYA CIVIL AVIATION AUTHORITY PERFORMANCE FOR THE FINANCIAL YEAR 2019/2020

Kenya Civil Aviation Authority has eight strategic pillars and objectives within its Strategic Plan for the Financial Year 2017/2018 – 2021/22.

The strategic pillars are as follows:

- (i) Pillar 1: Air transport, Aviation Safety and Security oversight
- (ii) Pillar 2: Improving Air Navigation Services
- (iii) Pillar 3: Business processes and systems
- (iv) Pillar 4: Financial Sustainability and efficiency in supply chain management
- (v) Pillar 5: Adequate and competent human capital
- (vi) Pillar 6: Customer Service
- (vii) Pillar 7: Delivery of quality training
- (viii) Pillar 8: Environmental Protection, Governance and Risk Management

Kenya Civil Aviation Authority develops its annual work plans based on the above eight pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Kenya Civil Aviation Authority achieved its performance targets set for the financial year 2019-20 period for its eight strategic pillars as indicated below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Air transport, Aviation Safety and Security oversight	Establish and maintain an effective safety and security oversight system.	% Level of aviation safety and security	(a) Close outstanding corrective action plans (CAPs) (b) Undergo through ICAO Safety Audit (c) Prepare for ICAO Security audit (d) Undertake certifications and approvals	(a) Outstanding issues were closed before the Audit (b) ICAO safety audit carried out and Kenya scored 78.4%. (c) Aviation security regulation reviewed and submitted to SDOT for approval. (d) Certifications and approvals of air operators conducted – licenses for 11,495 personnel were valid
	Enhance compliance with legal and	Number of Regulations and Technical	(a) Review regulations	(a) 33 safety related regulations were reviewed and are

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	regulatory framework	Guidance Materials reviewed	(b) Review Technical Guidance Materials	awaiting finalisation through relevant parliamentary committees (b) Technical Guidance Materials reviewed for aviation safety and security
	Develop a vibrant air transport system in Kenya.	Number of Negotiations done to improve air transport access	(a) Conduct Bilateral Air Service Agreements (b) Conduct certifications and approvals	ICAO meeting for negotiations of air services was attended and meetings conducted with 22 states and 3 others on BASAs.
	Active participation in influencing national, regional and global aviation development	Number of Meetings attended and Papers presented	(a) Participate in ICAO and CASSOA meetings and present papers (b) Retain Kenya's office at ICAO headquarters	(a) KCAA attended the ICAO Assembly and presented four papers. (b) Government approved maintenance of Kenya's office at ICAO Headquarters
Pillar 2: Improving Air Navigation Services	Maintain and Modernise ANS systems	Equipment installed and level of availability of ANS equipment	(a) Install Voice Control and Communication Systems (VCCS) at JKIA, MIA, Kisumu and Malindi (b) Install Solar Back Up in Malindi, Lanet and Stony Athi	(a) VCCS equipment was installed but not completed due to COVID 19 Pandemic (b) Solar poer back was installed in Malindi, Lanet and Stony Athi (c) Implemented various operational procedures at airports.
	Develop and implement Operational Performance Management system	Level of implementation of the system	Develop the operational performance management system matrix and create awareness	The operational performance management system was developed and discussed with staff in ANS. It was

				incorporated in the work plans for 2020-21
Pillar 3: Business processes and systems	Implement business Processes Re-engineering	Level of automation of business processes	(a) Upgrade the ERP (b) Install the Data Centre at KCAA HQs. (c) Upgrade the email system	(a)The ERP system was upgraded (b)The Data Centre at KCAA HQs was completed and is operational. (c)Office Suite 365 email system was installed and is operational
	Raise the level of brand resonance and recognition	Number of activities carried out to raise brand resonance and recognition	(a) Participate in ASK Shows (b) Participate in COYA Awards (c) Participate in Media briefings (d) Participate in Corporate events	(a)Participated in ASK show in Nairobi, Mombasa and Eldoret (b) Participated in Company of the Year Awards (COYA) for the first time (c) DG conducted three media briefings during the year. (d) KCAA Participated in events organised by Government of Kenya
	Enhance knowledge of emerging issues and best practices in the Aviation Industry	Establish knowledge management system	(a) Develop knowledge management policy and strategy (b) Establish a framework for management of knowledge	(a) Knowledge management policy and strategy was prepared and approved by the Board (b) A committee was established to manage knowledge management aspects
Pillar 4: Financial Sustainability	Achieve an annual growth rate of	% Growth in revenue	Increase revenue collection	Revenue grew by 27% in FY 2018-19 but declined in FY

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and efficiency in supply chain management	5% in revenue during the plan period.			2019-20 due to COVID 19 Pandemic
	Set debt portfolio ceiling at 35% of revenue during the plan period	level of debt as a % of revenue	Effectively manage the debt level	There were no debts acquired in 2019-20. Authority continues to service existing debts effectively.
	Ensure optimum utilization of assets	Level of utilization of non-core assets	Implementation of activities for utilisation of non-core assets	Assets at EASA such as the grounds, main hall and swimming pool were utilized by students at a fee.
	Limit operational expenditure to 70% of annual total expenditure	Level of operational expenditure as a % of total expenditure	Effectively manage operational expenditure	Operational expenditure was 67% of revenue in FY 2018-19. In FY 2019-20 this ratio improved as activities were drastically reduced due to COVID 19 Pandemic.
	Enhance efficiency in supply chain management	Measures implemented to improve supply chain management	(a) Conduct procurements for supply of goods, services and works effectively. (b) Conduct disposal of assets (c) Conduct stock taking	(a) Procurement of supplies were effectively coordinated. (b) Disposal could not be undertaken due to COVID 19 Pandemic (c) Stock taking was conducted during the year
Pillar 5: Adequate and competent human capital	Review and implement the organizational structure	Level of progress in the review process	Undertake review and submit for approvals	The organisational structure was reviewed and discussed with the Board and State Corporations Advisory Committee

	Attract, manage and retain professional employees	% of filled positions in the establishment	(a) Recruit new employees (b) Conduct interviews for promotions	The Authority recruited 49 new employees. One was external and 28 were recruited internally. 20 air traffic controllers who completed their training were absorbed.
Pillar 6: Customer Service	Protect consumer rights and interests.	% of Consumers complaints managed	Manage complaints made against the organisation and industry	53 complaints were launched and 52 resolved. The process of resolving the other one was going as at end of year.
	Improve quality of customer service	Quality improvement measures implemented	Implement measure to improve quality of services	Internal audits for maintenance of QMS ISO 9001:2018 and external audit conducted showed compliance with the procedures.
Pillar 7: Delivery of quality training	Build EASA capacity to provide global aviation training	Capacity improvements done during the year	Improve training and non- training equipment and facilities	(a) EASA upgraded ATC simulator, installed NAV AIDS simulator and hydraulics laboratory (b) EASA conducted training using the collaborations with Singapore Aviation Academy and the Federal Aviation Administration of USA
Pillar 8: Environmental Protection, Governance and Risk Management	Transform to a Risk Intelligent Authority	Level of integration of risks to operations	Conduct risks against the strategic objectives	Risks against the strategic objectives developed, mitigation plan developed, monitored and reported

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	Upgrade governance structures	Implementation of Board Issues	(a) Review Board Charter (b) Conduct governance trainings for the Board	(a) Board Charter was not reviewed during the year. (b)Trainings on governance were conducted for directors of the Board and top management
	Improve Internal Audit to be a high performing assurance and compliant function	Capacity improvement in Internal Audit Function	(a) Recruit staff (b) Upgrade the structure (c) Conduct training for staff	(a)One more staff was recruited (b)The proposal to raise the level of audit function to a directorate was done (c)Trainings were conducted for audit staff
	Minimise adverse effects of aviation activities on environment	Measures implemented to minimize aircraft emission of carbon dioxide	(a)Implement the aircraft emission of CO2 project and submit data to ICAO (b)Participate in ICAO Environment meetings	(a)ICAO Project on aircraft CO2 emissions was implemented and data processed to ICAO (b)Kenya's focal points attended various meetings on environment.

The Board Performance Contract for FY 2019/20 had 39 targets and 27 targets were fully achieved. The ones that were not fully achieved were mainly affected by COVID 19 Pandemic.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the process by which corporations are directed and controlled with the objective of increasing stake/shareholders value. 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 and further provided these principles in the KCAA Board charter.

Board of Directors and Board Meetings

The composition of the Board is set out on pages vii –x. The Board has varied and extensive skills in the areas of aviation, finance, business management, governance and law. The Directors' responsibilities are set out in Civil Aviation Act no. 21 of 2013 read together with the Civil Aviation (amendment) Act of 2016 and include the policy direction and development of internal financial controls.

The Chairman of the Board 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 at least once every quarter and has formal schedule of matters reserved for it. During the Financial year 2019-2020, the Board held a total of Twelve (12) meetings. The Board has appointed four (4) standing Committees to which it has delegated certain responsibilities with the chairpersons of the Committees reporting to it. The Committees are, Finance and Human Capital, Licensing of Air Services and Technical, Audit Risk and Governance and the Eastern African School of Aviation Committee and they consist of;

1. LICENSING OF AIR SERVICES AND TECHNICAL COMMITTEES (LASTC)	
Chairperson	1. Major Gen. (Rtd) Charles M. Mwanzia
Members	2. Capt. Kiki Onyonka 3. PS Transport/Alternate 4. PS Interior/Alternate 5. Capt. Gilbert M. Kibe

<p>Number of meetings and agendas considered in FY 2019/2020</p>	<p>The Committee is responsible for 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 in consultation with the parent ministry; 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.</p> <p>During the year, the Committee had a total of 10 meetings. The meetings considered briefing of air services license applications, technical briefings from the technical departments of the Authority as well as holding public hearings. Also considered technical directorate’s quarterly reports and strategic requests.</p>
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<p>2. EAST AFRICAN SCHOOL OF AVIATION COMMITTEE (EASA)</p>	
<p>Chairman</p>	<p>1. Ms. Carole Ayugi</p>
<p>Members</p>	<p>2. Mr. Chris Kuto 3. Capt. Judy W. Kiniti 4. PS Interior/Alternate 5. Capt. Gilbert M. Kibe</p>
<p>Number of meetings and agendas considered in FY 2019/2020</p>	<p>The Committee is responsible for providing guidance on EASA’s training policies; providing guidance on how to strengthen and sustain EASA’s financial growth; ensuring proper standards of the School are maintained; monitoring the functions of the School including personnel matters incidental to the functions of the School; monitoring the development and retaining of a strong human resource for optimum school performance; providing guidance on the creation of collaborations and partnerships with industries and institutions in line with current aviation trends; monitoring and providing guidance on acquiring modern infrastructure, facilities and equipment that meet the training needs of global aviation industry; and ensuring that EASA builds a strong brand through leveraging marketing programs.</p> <p>During the year the Committee held 5 meetings. The committee considered East African School of Aviation’s reports which included academic reports, EASA proposed organization structure, EASA land matters, the school annual investment plan and proposed projects for implementation in the year.</p>

3. FINANCE AND HUMAN CAPITAL COMMITTEE (F&HCC)	
Chairperson	1. Mr. Chris Kuto
Members	2. Ms. Carole Ayugi 3. PS Transport/Alternate 4. PS Treasury/Alternate 5. Capt. Gilbert M. Kibe
Number of meetings and agendas considered in FY 2019/2020	<p>The Committee is responsible for reviewing and monitoring KCAA financial matters/position on behalf of the Board, including monitoring the implementation of Authority's financial strategic goals/objectives; liquidity status, all the Authority's banking facilities, recommending KCAA Budgets, Financial Statements and statutory reports; and ensuring compliance with the financial reporting requirements and the proper keeping of all the financial records of the Authority.</p> <p>The Committee also monitors the implementation of KCAA Human Capital strategic goals/objectives; 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;</p> <p>During the year the committee held 13 meetings. The committee considered among other agenda's the Authority's Budget estimates, annual report and financial statements, quarterly financial statutory reports, proposed organizational structure and career progression guidelines, the Authority's staff recruitment and approved employment contracts among other staff welfare matters.</p>

4. AUDIT, RISK AND GOVERNANCE COMMITTEE (ARGC)	
Chairperson	1. Capt. Kiki Onyonka
Members	2. Major Gen. (rtd) Charles M. Mwanzia 3. PS Treasury/Alternate 4. PS Transport/Alternate 5. Capt. Gilbert M. Kibe
Number of meetings and agendas considered in FY 2019/2020	<p>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 Office of the Auditor General 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.</p> <p>During the year the committee held 8 meetings. The agendas considered included among others the implementation of institutional risk management framework, Internal and External Audit reports, reports on court and land matters, quarterly Board PC reports and Governance Policy documents</p>

The quorum for each Committee is three (3) members excluding the Director General or his representative.

Appointment of Board Members

There is a succession plan which has the tenure of service of the various Board members lapsing in phases. This allows the institutional memory held by longer serving Directors to carry on as new Directors take up the roles of Board members.

Board Trainings

The Authority has an induction program and an annual training program. The program has so far achieved trainings for the Board members on Mwongozo guidelines, Civil Aviation management among others. The trainings are undertaken on an ongoing basis with emphasis on new and emerging area of aviation oversight and requisite competencies for the Board of Directors.

Board & Member Performance

There is in place a Board evaluation exercises undertaken annually by the State Corporations Advisory Committee (SCAC).

Conflict of Interest

Directors are required to disclose all areas of conflict of interest to the Board during the adoption of agenda for any meeting and are excluded from voting on such areas. There is a conflict of interest register in place kept by the Corporation Secretary where all the declarations of conflicts of interests are recorded.

Ethics, Conduct and Governance Audit

There is in place a Governance audit that takes place annually.

Directors' Emoluments

The members of the Board are remunerated variously through allowances. The Chairman earns a monthly honorarium. All members other than the Director General earn travelling, accommodation, mileage, sitting and lunch allowances as per the prevailing Government guidelines contained in circulars.

The aggregate amount of emoluments paid to Directors for services rendered to the Authority during the Financial Year 2019-2020 are disclosed in note 14 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Like the global air transport sector, the aviation industry in Kenya was heavily affected by the outbreak of Coronavirus (COVID-19) pandemic that started in China in December 2019. Kenya reported the first case on 13th March 2020 that resulted into suspension of all intentional passenger flights in and out of Kenya on 25th March 2020. This impacted negatively on the growth of the industry's performance during the year thereby affecting the Authority's financial performance. Passenger, freight and aircraft traffic decreased this financial year compared with the previous years.

Operational and Financial Performance

The Authority experienced a decline in financial performance during the year due to the Covid-19 outbreak. Revenue earnings decreased during the year from Ksh. 8.94 billion to Ksh. 7.19 billion due to decreased earnings from air navigation services charges as a result of decreased aircraft movements, decrease in regulatory charges, students' fees and the decrease in air passenger service charges. On the other hand, recurrent expenditure decreased from Ksh.6.0 billion to Ksh.5.5 billion during the period under review. This is mainly attributed to decrease in provisions to cover for potential liabilities. Overall the financial results were a net surplus of Kshs. 1,770,234,799 compared to a surplus of Kshs 2,903,268,942 for the previous financial year.

The performance of the industry was affected during the last four months of the financial year by emergence of COVID 19 pandemic. Given aviation is a critical catalyst for global and national development and contributes to job creation and trade with other countries, the impact on the economy was drastic. There was a decrease in domestic passengers of 26.8% and 23.1% for international passengers compared to the previous year. Transit traffic also decreased by 27.3% compared to the previous year. The overall passenger traffic decreased by 25.2% this year compared with last year. Even without suspension in freight flights, traffic decreased by 0.94% from 368,128 tonnes to 364,684 tonnes in the financial year. The five years' trend is shown in the table 1 and figure 1 & 2 below:

Table 1: Passenger and Freight Traffic (000) from 2015/16 to 2019/2020

Passenger and Freight Traffic Statistics			2015/16	2016/17	2017/18	2018/19	2019/2020	%
Passengers	Domestic	Arrivals	1,955	2,143	2,211	2,492	1,822	- 26.89 %
		Departures	1,741	1,963	2,097	2,362	1,729	- 26.80 %
		Total	3,696	4,106	4,308	4,854	3,551	- 26.84 %
	International	Arrivals	2,727	2,918	3,184	3,435	2,597	- 24.40 %
		Departures	2,727	2,918	3,184	3,435	2,597	- 24.40 %

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		Departures	1,611	1,766	1,961	2,104	1,660	- 21.10 %	
		Total	4,338	4,684	5,145	5,539	4,257	- 23.14 %	
		Total arrivals	4,682	5,062	5,395	5,927	4,419	- 25.44 %	
		Total departures	3,352	3,729	4,059	4,466	3,389	- 24.12 %	
		Transit	1,431	1,457	1,568	1,693	1,231	- 27.29 %	
		Total	9,465	10,248	11,022	12,086	9,039	- 25.21 %	
	Total Freight (in kgs)	Domestic	Unloaded	2,368	492	615	509	255	- 49.90 %
			Loaded	1,263	708	952	1,354	730	- 46.09 %
			Total	3,631	1,200	1,567	1,863	985	- 47.13 %
		International	Unloaded	47,592	50,351	79,986	87,668	83,839	-4.37%
Loaded			203,622	201,782	249,775	278,597	279,860	0.45%	
Total			251,214	252,133	329,761	366,265	363,699	-0.70%	
		Total Unloaded	49,961	50,843	80,601	88,177	84,094	-4.63%	
		Total Loaded	204,885	202,491	250,727	279,951	280,590	0.23%	
		Total	254,846	253,334	331,328	368,128	364,684	- 0.94%	

Figure 1: Passenger Traffic Trend from 2015/16 to 2019/2020

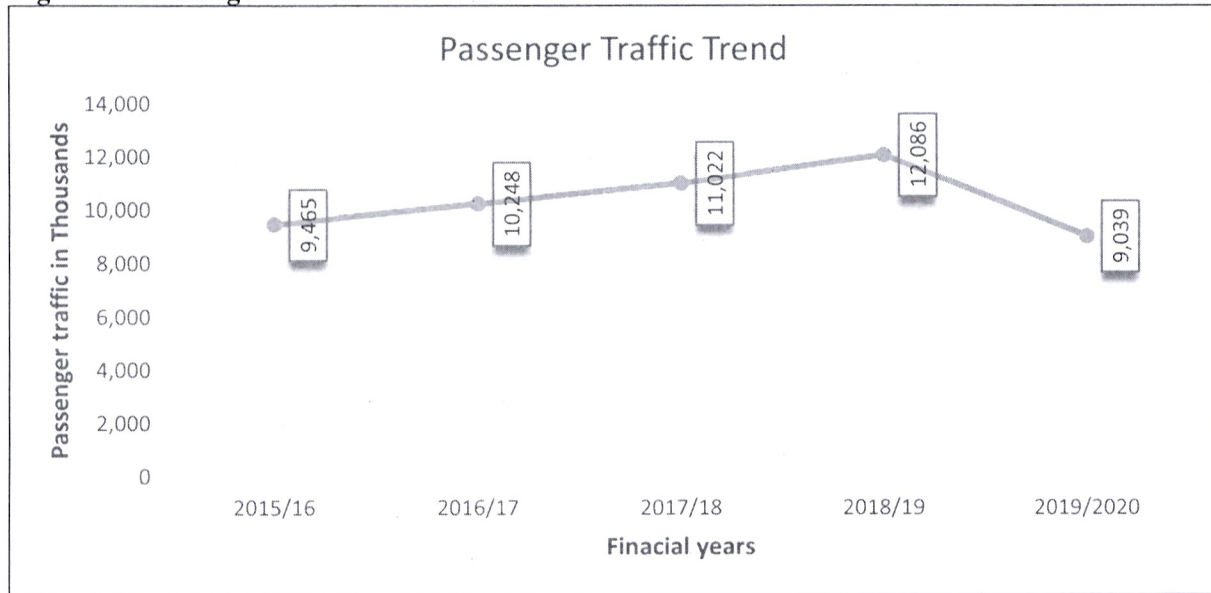
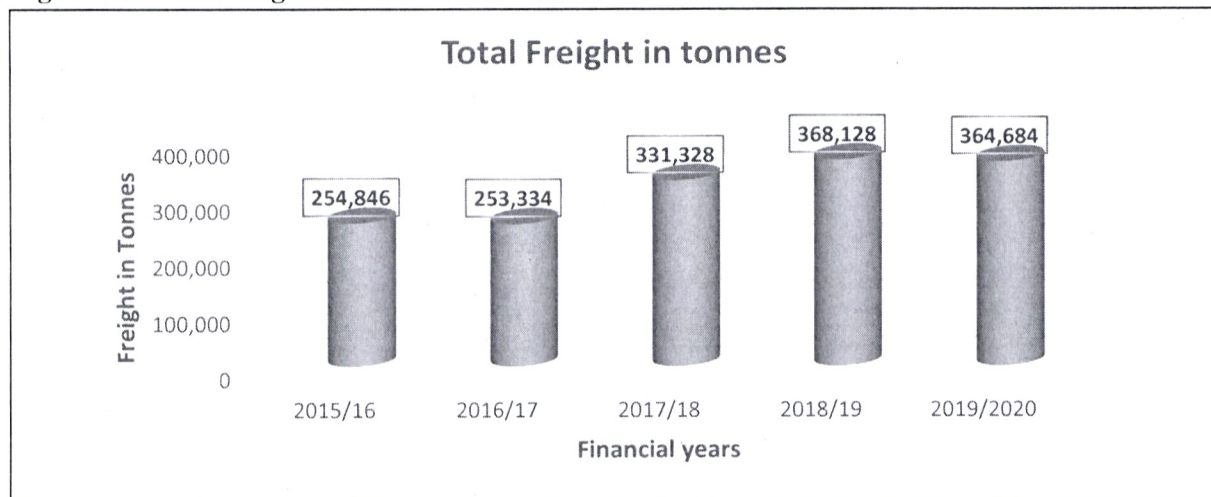


Figure 2: Total Freight Traffic Trend from 2015/16 to 2019/2020



Source: KCAA-Planning, 2020

Aircraft movements decreased by 23.4% from 381,434 in 2018/19 to 292,051 in 2019/2020. The decrease in aircraft traffic was mainly due to Covid-19 pandemic that led to closure of both domestic and international passenger traffic movements in Kenya. The aircraft movements trend during the last five years is reflected in table 2 and figure 3 below:

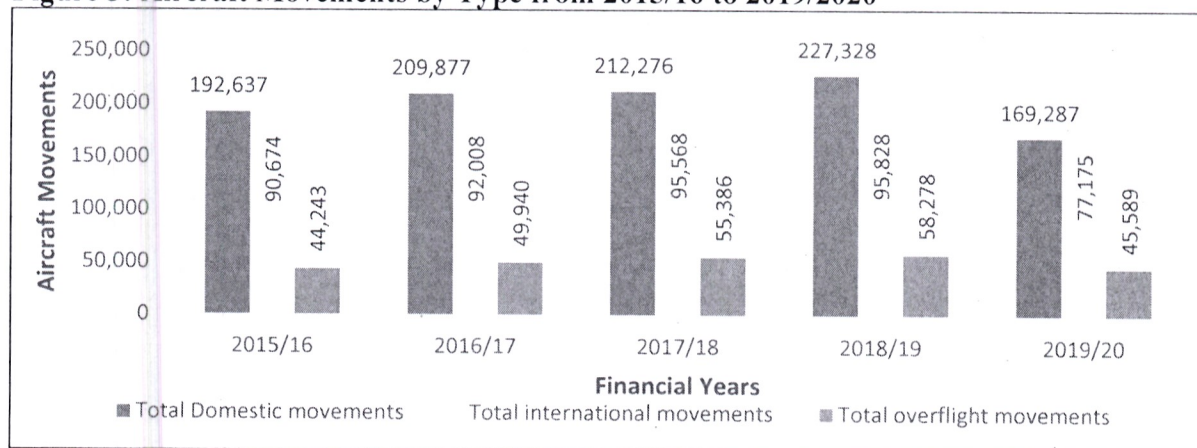
Table 2: Aircraft Movements from 2015/16 to 2019/2020

Item	Movement	2015/16	2016/17	2017/18	2018/19	2019/20	%
Aircraft	Domestic						
	Landings	96198	104,801	105,768	112,868	83,928	25.64 %

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		Take-offs	96439	105,076	106,508	114,460	85,359	- 25.42 %
		Total	192,637	209,877	212,276	227,328	169,287	- 25.53 %
International		Landings	45628	46,264	47,961	47,642	38,362	- 19.48 %
		Take-offs	45046	45,744	47,607	48,186	38,813	- 19.45 %
		Total	90,674	92,008	95,568	95,828	77,175	- 19.47 %
		Total Landings	141,826	151,065	153,729	160,510	122,290	- 23.81 %
		Total Take-offs	141,485	150,820	154,115	162,646	124,172	- 23.66 %
		Total	283,311	301,885	307,844	323,156	246,462	- 23.73 %
Over flights		Total Over flight	44,243	49,940	55,386	58,278	45,589	- 21.77 %
Overall aircraft Movements			327,554	351,825	363,230	381,434	292,051	- 23.43 %

Figure 3: Aircraft Movements by Type from 2015/16 to 2019/2020



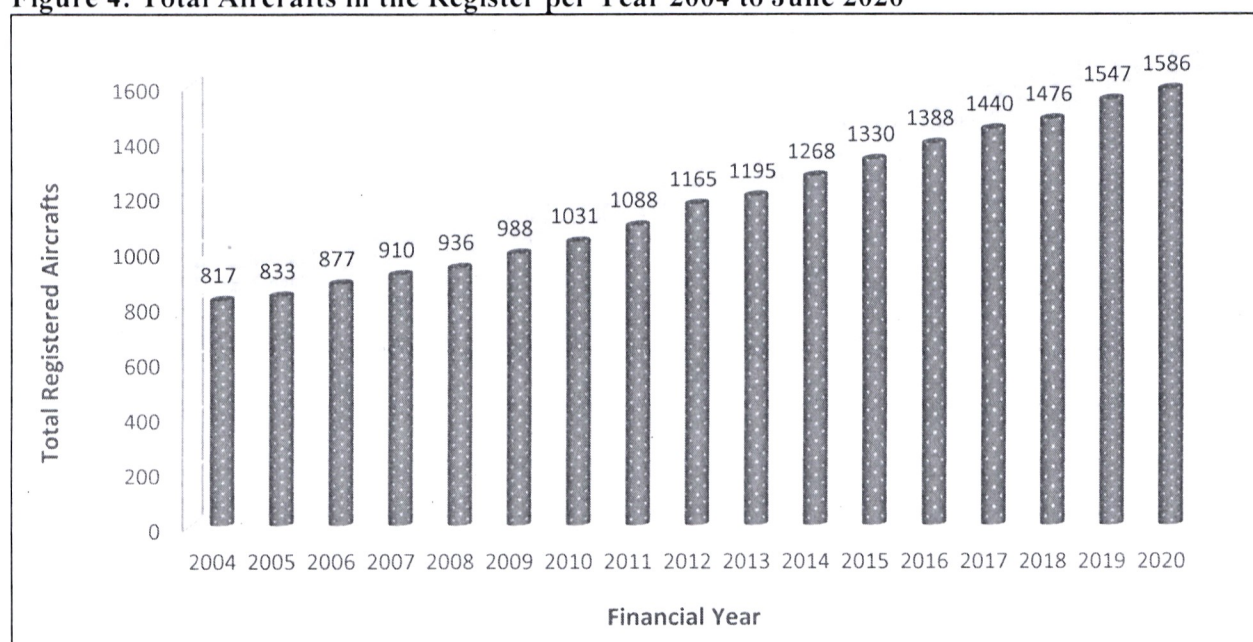
Source: KCAA-Planning, 2020

The number of aircraft registered in Kenya increased by 2.5% from the previous year. The number of registered aircraft has been growing steadily and currently the number of registered aircraft as at June 2020 was 1,586 as shown in table 3 and figure 4.

Table 3: Aircraft Registered in Kenya from 2015/16 to June 2020

Financial Year	2015/16	2016/17	2017/18	2018/19	2019/20
Total Aircraft Registered	1,388	1,440	1,476	1,547	1,586
% Change	4.4%	3.7%	2.5%	4.8%	2.5%
New Aircraft Registered	80	68	48	87	48
De-Registered Aircraft	22	16	12	16	9

Figure 4: Total Aircrafts in the Register per Year 2004 to June 2020



Source: KCAA-Planning, 2020

Key Projects or Investments Decisions

During the Financial Year 2019/20, the Authority continued with the implementation of projects aimed at modernising Air Navigation Services (ANS) and enhancing overall delivery of services. The projects that were completed during the period include; installation of Un-Interruptible Power Supply (UPS) systems at Mombasa and JKIA Radar Stations, installation of Solar System at the Malindi ANS Station, and the Study on the World Geodetic System (WGS) 84 obstacle Area 2 survey Diani Airport in Kwale. The Authority also completed the Modernization & Remodeling of Data Centre at KCAA HQS and Construction of Caretakers House for KCAA headquarters. The installation of Voice Control Communication System (VCCS) at JKIA, Mombasa, Kisumu and Malindi were not completed as the contractor could not travel to Kenya to complete installation due to suspension of international flights.

In order to achieve Improved Air Traffic Management Services, the Authority completed the

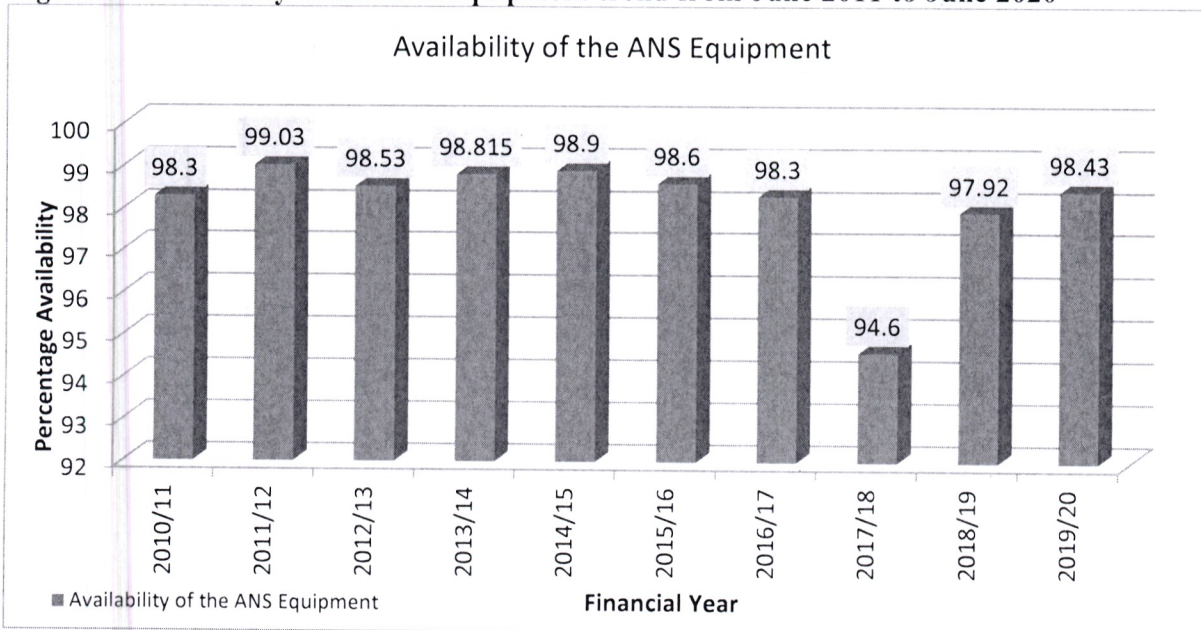
development and published the Visual Flight Rule (VFR) routes in Nairobi Control Zone for Wilson Airport and distributed to the users. The Authority also developed the Required Navigation Global Navigation Satellite System Standard Instrument Departure procedure for Wilson Airport was also completed. The Visual Flight Rule Helicopter routes within Nairobi Control Zone and procedures associated with the Control Zone in Lokichoggio Airport were completed and implemented. Further the conceptual design for Standard Instrument Departures (SIDS) in Eldoret International Airport Terminal Area (TMA) was completed and implemented.

The implementation of these projects together with enhanced maintenance and periodic calibration of equipment contributed to an overall average availability of air navigation services equipment of 98.43% during the year which was above the ICAO recommended level of 97% as shown below:

Table 4: Overall Availability of ANS Equipment

Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/2020
Overall Availability of ANS Equipment in %	99.03	98.53	98.815	98.9	98.6	98.3	94.6	97.92	98.43

Figure 5: Availability of the ANS equipment trend from June 2011 to June 2020



Source: KCAA-Planning, 2020

Table 5 below represent statistics on the key regulatory services offered in the aviation industry over the last five years.

Table 5: Key Statistics on Regulatory Services

Item	Details/Year	2015/16	2016/17	2017/18	2018/19	2019/2020
Aviation Personnel Licences	Air Transport Pilot Licence (ATPL)	1062	1116	1188	1375	1435
	Commercial Pilot Licence (CPL)	1563	1607	1687	1756	1829
	Private Pilot Licence (PPL)	1255	1316	1358	1351	1674
	Student Pilot Licence (SPL)	2543	2710	2918	2947	3236
	Cabin Crew Member Certificate (CMC)	1942	2090	2140	2270	2448
	Aircraft Maintenance Engineers (AMEL)	694	738	775	819	873
	Total	9,059	9,577	10,066	10,518	11,495
Valid Operational Licences	Aircraft with Valid Certificate of Airworthiness (COA)	763	749	804	807	735
	Air Operator Certificates (AOCs)	70	87	89	90	84
	Total Approved Maintenance Organisations (AMOs) (Both Local and Foreign)	139	143	161	69	105
	Approved Training Organizations (ATOs)	22	19	22	22	19
	Flight Dispatcher Licence	208	186	211	311	317
	Scheduled International Airlines	77	79	79	79	80
	Total	1279	1263	1366	1378	1340
Aerodrome Category	International Class A	8	8	8	8	8
	Domestic (regional) Class B	23	23	23	23	23
	Class C Airstrips	430	440	440	440	440
	Class D Heliports/Helipads	14	20	20	20	20
	Total	475	491	491	491	491
CAA Inspectors and Air Traffic Controllers	Air Traffic Controllers (ATCOs)	159	177	175	212	206
	Airworthiness Inspector	27	24	32	25	26
	Flight Operations	20	21	30	25	21
	Personnel Licensing	9	10	10	11	9
	Communication, Nav. & Surveillance (CNS)	1	1	1	1	1
	AIS/ Map, PANSOPS	1	1	1	2	2
	Air Traffic Management & Search & Rescue (ATM)	2	2	2	2	2
	Aerodromes & Grounds Aids (AGA)	6	6	3	6	4
	Aviation Security	7	7	9	7	5
	Air Transport	8	8	9	10	10
Total	240	257	272	301	286	

Source: KCAA-Planning, 2020

The East African School of Aviation (EASA) which is a centre of excellence for aviation studies continued to provide quality training services to the local and international aviation industry. EASA continued with its modernisation programme towards maintenance of the Centre of Excellence in

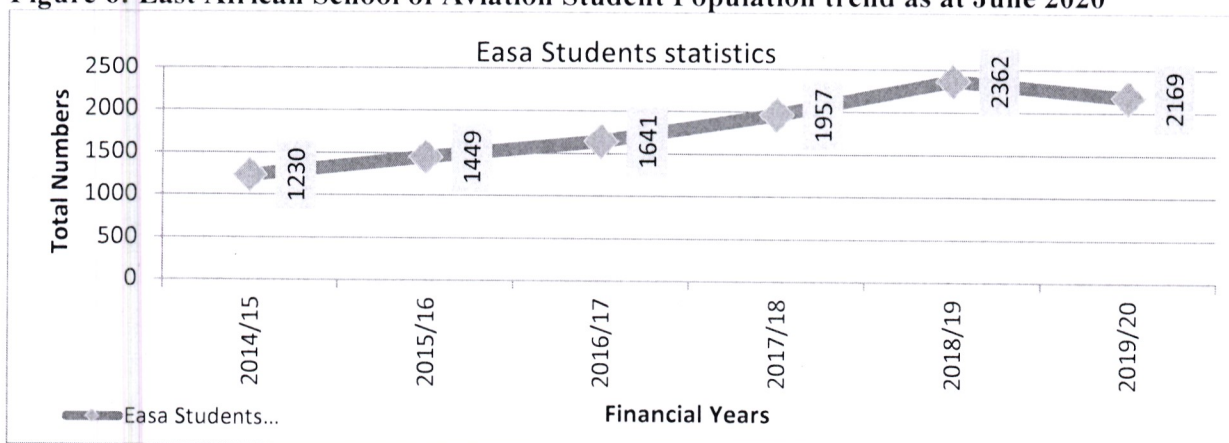
aviation training status by installation of the Navigation Aids Simulator equipment, installation and commissioning of hydraulics laboratory equipment and completed the construction of a students' chapel. By doing this, EASA aims at providing quality training that meets the demand of an evolving aviation industry both locally and in the region. During the first three quarters of the year, EASA conducted various course but during fourth quarter there was no course conducted due to the Covid-19 pandemic.

The number of students at the East African School of Aviation decreased by 8.2% from 2,362 students in 2018/2019 to 2,169 students in 2019/2020 as shown in table 6 and figure 6:

Table 6: East African School of Aviation Student Population

No	Course/ Students	2015/16	2016/17	2017/18	2018/19	2019/2020
1	Engineering	244	280	354	472	576
2	Business Programmes (BBM and MBA)	253	218	336	429	339
3	Aviation Security	93	194	203	155	111
4	Air Traffic Control	267	362	309	397	199
5	Aviation Safety	347	238	391	485	509
6	IATA	96	93	145	198	334
7	Communications/OPS	20	85	16	6	18
8	CDU	79	87	43	85	39
9	AIS	50	84	160	135	44
	Total Students	1449	1641	1957	2362	2169

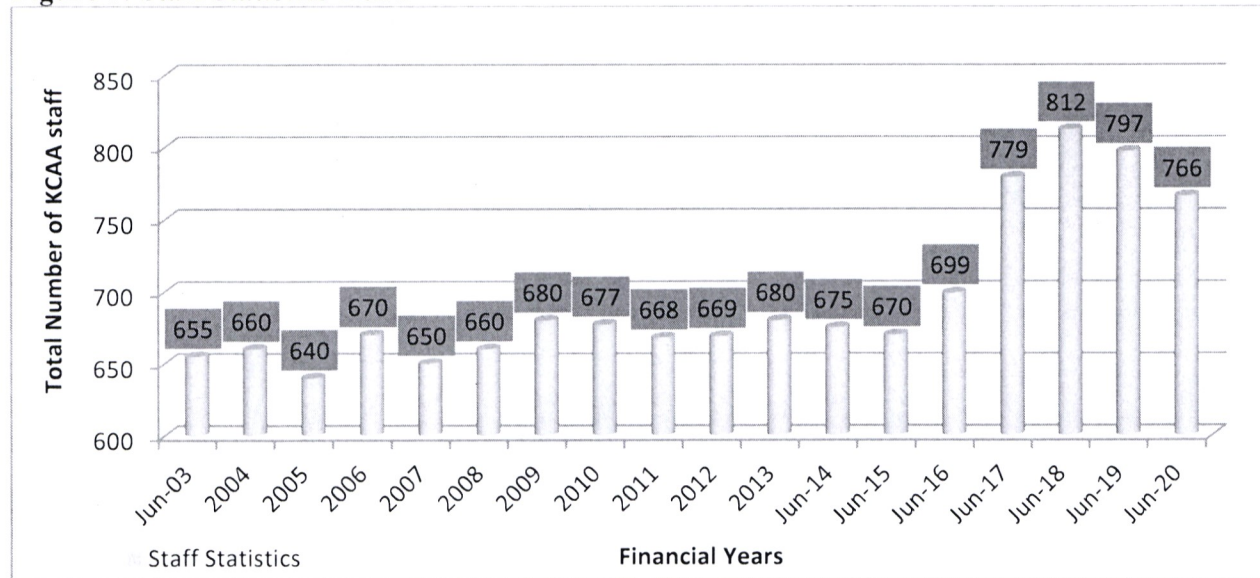
Figure 6: East African School of Aviation Student Population trend as at June 2020



Source: KCAA-Planning, 2020

Staff numbers decreased by 3.89% from 797 to 766 as at the end of financial year. This resulted to an overall decline by 31 employees during the year which was mainly due to more staff exiting service through retirement and resignation than those joining. Also there was restricted recruitments to a few areas as approved by the Government. The number of Staff as at June 2020 is as shown in Figure 7:

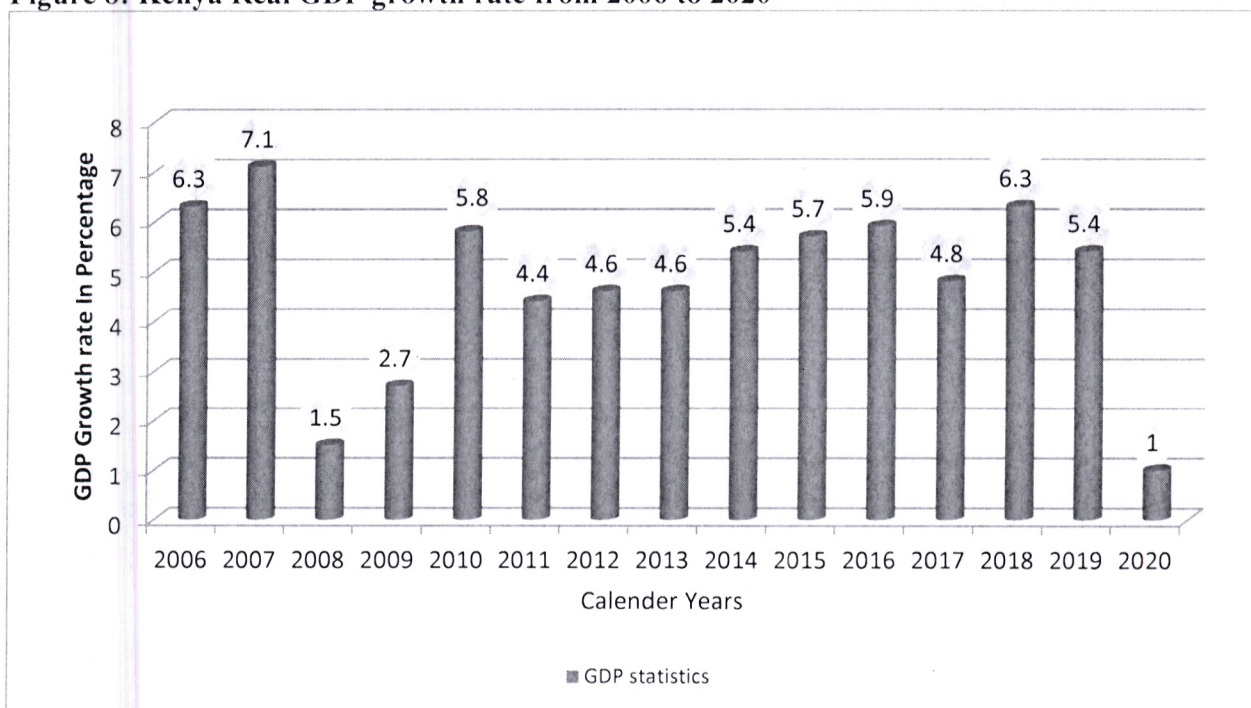
Figure 7: Staff Statistics trend



Source: KCAA-Planning, 2020

Kenya's economy has been affected heavily by Covid-19 pandemic and the estimated growth forecast for 2020 is 1% compared to the pre-Covid 19 forecast of 5.7% which has also affected the aviation industry output. The trend of the GDP is as shown in Figure 8.

Figure 8: Kenya Real GDP growth rate from 2006 to 2020



Source: Economic Survey, 2020

Major Risks Facing KCAA

- (a) Disruption in provision of essential services
- (b) Ineffective project management
- (c) Poor/failure to coordination of search and rescue missions
- (d) Failure to comply with ICAO SARPS and honour international obligations
- (e) KCAA Failure to comply laws, regulations, standards, policies, procedures
- (f) Ineffective Board and Management oversight
- (g) Poor/failure to coordination of search and rescue missions
- (h) Failure to achieve 100% implementation of Strategic Plan
- (i) Ineffective Risk Management coordination activities
- (j) Failure to institutionalize EASA unique characteristics as a training school within KCAA
- (k) Loss of court cases.

Compliance to Statutory Requirements

In the financial year ended 30th June 2020, the Authority was able to comply with the requisite statutory requirements. However, there have been two (2) major long-standing Court cases, one which was dispensed in the 2019-20 financial year and one which is still on-going. These are summarised below:

I. Nairobi HCCC Misc. Appl. No 1278 of 2004 & Court of Appeal No. 67 of 2010 Rufus Njuguna & 67 Others –v. - KCAA & 2 Others

This is a case involving 68 former employees of the Directorate of Civil Aviation (the predecessor of KCAA) emanating from alleged dismissal of the said employees from public service and malicious

prosecution. The case was ruled in favor of the plaintiffs but KCAA appealed against the judgment and the appeal proceeded for hearing on 7th January, 2014. The Court dismissed KCAA's appeal with costs. The Court of Appeal ordered the matter to be referred back to High Court for assessment of total damages. The High Court delivered the ruling on assessment for 40 plaintiffs out of 67 plaintiffs. The judgment amount in total is approximately Kshs 154,841,140. The Claimants' application for review seeks an additional Kshs. 103,835,080/=. The application was heard on 12th June 2018. The ruling was slated for 28th September 2018 but was not read on the said date but would be delivered on Notice.

The matter was mentioned on 25th April 2019 for Claimants to update the Court on the issue of the Claimants' representation. The Court ordered that the Claimants sort out their issues on representation as it had not resolved the issue.

The matter was mentioned again on 12th June 2019 where Dr. Khaminwa and Mr. Mutai tentatively agreed to act alongside each other with respect to 2nd, 4th to 25th claimants on the condition that the incoming advocates lay no claim to Fees already earned. The Court then directed that the Claimants finalise on their representation and agree on how to proceed with regards to Mr. Mutai's Application to file a Notice of Appeal out of Time.

On 14th August, 2020, KCAA was served with a Preliminary Decree of Kshs. 152,071,216 and a Final Decree of Kshs. 28,229,748 for the wrongful dismissal and unlawful arrest of the former DCA employees. The amounts are salary arrears since 18th April, 2002. The Authority has instructed its lawyers to authenticate the Final and Preliminary Orders before the same are presented to the Board for approval of payment.

II. Nairobi High Court Civil Case No. 1208 of 2003, The Court of Appeal Number civil appeal number 311 of 2009, The Supreme Court civil appeal number 197 of 2016: African Commuter Services Ltd vs. The Attorney General and the Kenya Civil Aviation Authority

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 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 Kshs 1,421,671,718 and managed to garnishee approximately Kshs 46,000,000.

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. KCAA Management wrote to the Principal Secretary, Ministry of Transport, on 28th July 2016 and 17th August 2016 for concurrence to commence negotiations for an out of Court settlement. The PS by letter dated 8th November 2016 wrote back seeking for the detailed plan and source of funds. KCAA Management provided the information by letters dated 17th November 2016 & 25th November 2016.

Negotiating team comprising representatives from KCAA, MOITH& UD, AG and KCAA Advocate met to agree on structure of the negotiations and later met representative of African Commuter Services Ltd. Pursuant to the above negotiation meeting and advise from the Attorney General on matter relating to computation of interest, the amount projected to be due by 31st March, 2018 is Kshs. 1,713,474,521. KCAA has since received communication from Ahmednasir requesting that interests for the month of April be included in the computation. The matter came up in court on 16th February, 2018 to confirm whether the suit had been settled and the parties agreed to take a further mention date before giving a confirmation to court. A new date is yet to be taken and the negotiations have abated.

On 20th December, 2018, the parties appeared in Court and the Court Ordered that the amount not in contention, based on the 12% Simple Interest, of Kshs. 1 billion be paid forthwith and the parties to file their submissions and be heard on 6th March, 2019 on the disputed balance of Kshs. 1.4 b.

The Court also ordered that KCAA bank Accounts held at Kenya Commercial Bank account no 1210001942 and CFC Stanbic Bank Limited ac no. 010000316347 be unfrozen and that the KCAA bank account at Commercial Bank of Africa a/c. no. 6514690019 to remain frozen. The Court further directed that KCAA is at liberty to pay the undisputed amount of Kshs. 1 billion from the frozen account held at Commercial Bank of Africa.

On 15th January, 2019, KCAA was served with a Contempt of Court Application due to the delay in complying with the Court Orders directing payment of Kshs. 1 billion. The proceedings were withdrawn on 14th February, 2019 following compliance with the Court Orders being payment by KCAA of Kshs. 1 billion on 13th February, 2019.

The Parties appeared in Court on 6th March, 2019 when the matter on the reminder of the additional 1.4 billion came up for hearing. The Court directed that both parties file further affidavits to the documents filed as well as submissions to be highlighted on 8th April, 2019.

The Court delivered its ruling on 27th June, 2019 wherein KCAA's arguments that were given to the Court were disregarded occasioning KCAA to file a Notice of Appeal against the Ruling.

In the meantime, the Bank proceeded and complied with the garnishee orders releasing the balance of Kshs. 1,421,671,718.00 on 8th July 2019.

African Commuter Services filed a new garnishee application for Kshs 113 million claiming that it was the difference on interest that had accrued from the date KCAA made the first instalment payment of Kshs. 1 billion on 14th February 2019 up to the time it made the second and last instalment of Kshs 1.4 billion on 8th July 2019.

Further their advocates had sought for payment of their legal costs that the court had awarded the plaintiff in the High Court, Court of Appeal, Supreme Court and again in the High Court. The estimated costs were about Kshs. 140 million.

KCAA and African Commuter Services held deliberations and African Commuter Services indicated they were willing to forego any additional cost or interest and have the matter settled at a cumulative cost of Kshs 110 million. The parties proceeded and recorded this in court and a consent order was recorded in court on 13th December 2019. KCAA complied with the court order on 20th December 2019.

The matter is now fully dispensed.

Material Arrears in Statutory and Other Financial Obligations

The Authority reported a number of liabilities as at 30th June 2020. These major liabilities included;

a)	Trade Payables & Other Payables	Kshs	776,046,821
b)	Employee Benefit Obligation	Kshs	265,648,552
c)	Current Portion of Borrowings	Kshs	183,731,223
d)	Current Provisions for 90% Surplus and Legal Obligations	Kshs	1,614,406,879

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

KCAA exists to transform lives. This is our purpose; the driving force behind everything the Authority does. It's what guides the Authority to deliver its strategy, which is founded on 8 pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence.

Kenya Civil Aviation Authority's (KCAA) vision on Corporate Social Responsibility (CSR) is to build relationships of trust with our stakeholders as a good Corporate Citizen. The Authority continues to play a leading role in the growth of a vibrant civil aviation system in Kenya through its mandate of planning, developing, managing, regulating and operating a safe, economically sustainable and efficient civil aviation system (in accordance with the provisions of the Civil Aviation Act No.21 of 2013 as amended in 2016 and articulated in the Authority's Strategic Plan).

1. Sustainability Strategy and Profile

The greatest challenge the world today is the elimination of poverty and is an indispensable requirement for sustainable development according to the United Nations. To reduce poverty and improve the quality of lives of the people, the United Nations developed the sustainable development goals and every country is expected to work towards achieving these goals. Civil Aviation industry is recognised as a major enabler for international trade and business and is expected to contribute towards reduction of poverty and improvement of livelihoods. People are at the centre of the development agenda and even at KCAA, the strategy is to contribute towards the improvement of the lives of people in Kenya and beyond. The effective implementation of the Vision 2030, the Medium Term III, the Big Four Agenda and KCAA Strategic Plan 2018-2022 is expected to contribute towards the transformation of the lives of the people the Authority interacts with.

The Authority's role as a regulatory authority responsible for air transport, aviation safety and security, air navigation and aviation training services is to contribute to international trade and business. The Air Service agreements between Kenya and other countries have helped open up markets for Kenya's products, increased access for inputs and interactions across the globe. The main factors that affect the growth of the civil aviation is economic growth and the increase in traffic. Global passenger traffic continued to expand during the year, In Africa the growth was mainly influenced by the emerging middle class which is growing rapidly. However, the emergence of COVID 19 in December 2019 and the declaration of COVID 19 as a pandemic in March 2020 dealt a severe blow to the expansion of the industry. Most of the airlines grounded their operations or reduced them to minimal levels. In Kenya, international flights were stopped in March 2020 and the imposition of travel restrictions across counties especially for Nairobi and Mombasa counties also served to stop domestic flights.

As an enabler, KCAA implements activities that are geared towards ensuring that the cost of doing business is reduced and that business and economic activities are supported so that people involved can improve their livelihoods and those that they serve. In undertaking and implementing the core mandate, the Authority is concerned with the people it relates to and serves. As a result, the Authority has developed a Corporate Social Responsibility policy and strategy that promotes the reduction of poverty and improvement in the quality of life of the people of Kenya.

To ensure maximum effectiveness of the programs, all CSR activities are undertaken through a three tier Governance Structure that involves the Board of Directors, the KCAA Management and the CSR Committee.

2. Environmental Performance

KCAA fully complies with international and domestic requirements on matters related to the environment. The Authority operates in line with the expectations of diverse global stakeholders, and therefore sees environmental management as a discipline through which the Authority integrates economic,

environmental and social objectives without compromising the ability of future generations to meet their needs.

At the international level KCAA is working together with the global civil aviation community towards reductions of aircraft emissions. To this end, KCAA is implementing a project which aims at contributing to the global aspirations of keeping the global net Carbon Dioxide emissions from international aviation from 2020 at the same level. This implies that aircraft will increasingly use efficient fuels and Air Navigation Service providers design routes that do not contribute to increased aircraft emissions. The project entails installation solar powered systems at Mombasa International Airport which is already completed and the collection and submission of data on aircraft emissions to International Civil Aviation Organisation (ICAO) which is monitoring aircraft emissions globally.

At the domestic level, the Aviation sector has strong regulatory framework and supervisory controls that monitor environment aspects. Internal and external audit programs are in place to ensure compliance with Health Safety and Environmental laws, regulations and policies. The Authority also ensures that waste generated by the activities of the Authority which is mainly office waste is disposed-off in accordance with the regulations.

3. Employee Welfare

KCAA had a total number of 766 employees as at the end of the year and the employee turnover is low. Most of the employees are skilled employees with a skills and competencies developed over a period of time. The Authority has a Human Resource Manual which is a policy document that contains guidelines on recruitment, training, working, promotions and separation. The details on remuneration and benefits that are supposed to be paid to staff are also contained in this policy document. The Policy also provides for the recruitment based on gender with the objective of at least achieving the one third gender requirement. The Authority is involved in stakeholder engagements during the review of its regulations and development of various policies that affect the industry it regulates.

The Authority endeavours to provide a work environment that is conducive to staff in the performance of their duties by ensuring that office spaces and work tools are provided as required. In addition, employee welfare systems are in place including medical health insurance, housing mortgage facility, pension scheme and car loan scheme. Further, the Authority has constructed houses for those working in remote areas such as Wajir and Poror to ensure that employees are comfortable and able to deliver. Staff tea is also provided. Since the outbreak of COVID 19 Pandemic, the Authority has put in place measures to ensure provision of Personal Protective Equipment and social distancing to reduce the chances of infection in the work place.

The Authority has in place a performance management system that utilises performance contracts and appraisals to set targets, report progress, evaluate results and conduct rewards at the end of the year. Regular meetings by management and with staff to provided information and receive feedback on various issues are regularly held. In order to improve the quality of staff the Authority has a training policy which is implemented to enhance skills. Further, the Authority arranges sensitisation meetings to create awareness among staff on issues such as corruption prevention, gender mainstreaming, disability mainstreaming, prevention of HIV infections and alcohol and drug abuse. A staff wellness day is held once a year during which employees are sensitised on their health and an opportunity provided for medical check-ups. A policy on Occupational Health and Safety is also in place to guide work place health issues and injuries.

4. Market Place Practices

As a regulatory Authority, KCAA promotes fair and responsible competition among air operators. The Air Services licensing committee meetings are open to the public and individuals are free to bring any objections against any of the applicants for business licenses. This ensures that the licenses are issued after objective analysis and representation by all parties involved. In

order to support businesses, the Authority also has targets and service charters timelines to ensure that it does not have pending bills which are unpaid. During the last two years, the pending bills have been less than one per cent as targeted. It is a target for every function to ensure that they achieve a target of less than one per cent of pending bills every year.

The Authority conducts its procurements transparently by ensuring that it advertises all tenders as required and placing them on the Government official website. The documents are processed using Tender Opening Committees and Evaluation Committees which comprise of different employees. These Committees have to adhere to the procurement requirements in the process of opening and evaluating tenders. They are also guided by the KCAA code of conduct to safeguard against corruption and unethical behaviour.

The Authority has a Consumer Protection Unit that help process any complaints against the Authority or players in the industry. Individuals, suppliers and any other parties are free to launch complaints with the Authority and the Commission on Administrative Justice if they feel aggrieved by the decisions of the Authority. The Authority, therefore takes into consideration consumer interests in all its decisions.

5. Community Engagement

The Authority CSR initiatives therefore play a major role in improvement of the Authority's corporate image and management of stakeholder expectations. KCAA affirms its commitment to be a responsible corporate citizen by contributing to national building through the Corporate Social Initiatives, Sponsorship, Philanthropy and employee volunteering in accordance with the provisions of Mwongozo. CSR initiatives therefore play a major role in engagement with the key publics both inwardly and outwardly.

KCAA's approach towards CSR therefore is focused on identifying and formulating projects guided by an elaborate policy and in response to specific needs that go towards addressing challenges and providing opportunities to the community. In the reviewed period 2019-2020, KCAA through a set-up of a CSR Committee, undertook the following activities:

- a) Support to Aviation professional bodies – IFATCA
- b) Sponsorships to Marathons that are aligned to Policy thematic areas.
- c) First Lady Marathon – Beyond Zero, both participation and support
- d) Madoka Marathon sponsorship
- e) Sponsorship of medical expenses to kids interested in aviation
- f) Rugby team sponsorship – KCAA Aviators, a community based club
- g) ICAO 75th Anniversary activities related to thematic areas
- h) Golf sponsorship related to thematic areas – Chairman's prize
- i) Sponsorship of Aviation symposium
- j) Funding of storage tank for cattle dip in Kajiado
- k) Community reforestation program in Samburu
- l) Tree planting at Mararal

In all its CSR initiatives, KCAA as much as possible, strives to play a major part in improvement of the Authority's corporate image and excellent stakeholder relationships.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 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, as amended by Civil Aviation (Amendment) Act 2016, 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, 2020 are set out on page 1.

Directors

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


Dividends/Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act Regulations, regulatory Authority shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of the financial year. During the 2019-20 financial year, the Authority remitted Kshs 5,047,802,412.05 surplus remittances for the periods 2014-15 financial year to 2018-19 financial year.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



George O. Mogaka
Corporation Secretary
Nairobi

Date: 18/06/2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, 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.

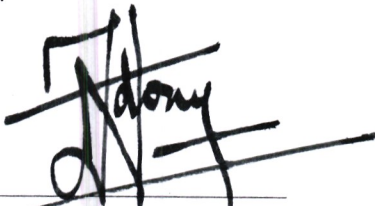
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate 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, 2020, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial 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 29/9/2020 and signed on its behalf by:



Eng. Joseph N. Nkodayo, MBS
Chairman of the Board



Mr. Chris C. Kuto
Chair, Finance & Human Capital Committee



Capt. Gilbert M. Kibe
Director General

REPORT OF THE INDEPENDENT AUDITOR ON KENYA CIVIL AVIATION AUTHORITY

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Civil Aviation Authority set out on pages 1 to 55, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of cash flows, statement of changes in net assets, and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Civil Aviation Authority as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Civil Aviation (Amendment) Act, 2002 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

As disclosed in Note 27a to the financial statements, the statement of financial position reflects property, plant and equipment balance totalling to Kshs.18,076,601,574. Review of records revealed the following unsatisfactory observations:

1.1 Lack of Ownership Documents for Land and Buildings

As reported previously, ownership documents for land and buildings were not provided. These are: - thirty-one (31) housing units at Nyali, Mombasa, thirteen (13) housing units at Bamburi, Mombasa, eighty-seven (87) acres of land at East African School of Aviation, Nairobi, one hundred and thirty-two (132) acres at Central Transmitting station along Mombasa Road, and staffing houses at Miritini, Mombasa.

Further, ownership documents for: - a property at Wajir, a plot at Bwagamoyo Kilifi, a plot at Lokichogio, Generator Room at Lodwar in Turkana and plots at Embakasi village were not provided.

The preparation of the ownership documents was reported to be underway at the Ministry of Lands and Physical Planning with no indication as to when the process is likely to be completed.

1.2 Properties Allocated to Third Parties

Review of records indicated parcels of land belonging to the Authority that have been allocated and registered in the name of third parties as shown below: -

Property	Acreage
Mtito-Andei-Ngai Ndeithya Settlement Scheme/161	13 acres
Bamburi Staff Housing	Not Known
Central Stores in Nairobi	0.7733 Hectares
East African School of Aviation	37 acres

The Public Investment Committee in its 19th report recommended that the National Land Commission revoke the titles and revert them to the Authority and register all owned parcels of land in its name.

In addition, the Committee had previously recommended that the National Land Commission investigate circumstances under which a plot in Nairobi County was transferred from public to private ownership. However, there was no evidence of any action taken on the matters by the Management as at 30 June, 2020.

In the circumstances, the accuracy, completeness, ownership and validity of the property, plant and equipment balance totalling to Kshs.18,076,601,574 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

2. Unsupported Revenue

As disclosed in Note 7 to the financial statements, the statement of financial performance reflects revenue from non-exchange transactions, air passenger service charge fee totalling to Kshs.1,924,086,017. This amount relates to revenue collectable by Kenya Revenue Authority (KRA) and sharable between Kenya Civil Aviation Authority, Kenya Airports and Tourism Promotion Fund. However, the gross revenue collected by KRA was not provided.

In the circumstance, the accuracy, completeness and validity of revenue from non-exchange transactions, air passenger service charge fee totalling to Kshs.1,924,086,017 reflected in the statement of financial performance for the year ended 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Debt Owed by the National Carrier

As disclosed in Note 23 to the financial statements, the statement of financial position reflects net receivables from exchange transactions balance totalling to Kshs.548,482,284. The balance amounting to Kshs.262,878,553 owed by the national carrier representing 30% of the receivables. Although, general and specific provisions for bad and doubtful debts amount of Kshs.86,849,153 and Kshs.348,080,787 respectively have been provided, its adequacy over the national carrier's debt could not be established.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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 maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 January, 2022

STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-20 Kshs	2018-19 Kshs
Revenue from Non-Exchange Transactions			
Licenses and Permits	6	304,213,344	379,505,634
Air Passenger Service Charge	7	1,924,086,017	2,510,200,209
Sub-Total		2,228,299,361	2,889,705,843
Revenue from Exchange Transactions			
Rendering of Services	8	4,478,211,062	5,348,819,402
Rental Revenue	9	30,632,435	24,576,820
Finance Income	10	198,012,221	277,247,807
Other Income	11	1,476,420	381,658,261
Sub-Total		4,708,332,139	6,032,302,290
Total Revenue		6,936,631,500	8,922,008,132
Expenses			
Use of Goods & Services	12	1,413,699,135	2,085,762,959
Employee Costs	13	2,483,578,564	2,468,489,671
Remuneration of Directors	14	33,028,490	48,354,759
Depreciation and Amortization Expense	15	752,631,012	565,762,158
Repairs and Maintenance	16	528,677,089	516,205,524
Contracted Services	17	156,156,269	224,985,924
Finance Costs	18	84,987,435	113,555,436
Total Expenses		5,452,757,993	6,023,116,431
Sub-Total		1,483,873,507	2,898,891,701
Other Gains/(Losses)			
Gain on Sale of Assets	19(a)	363,254	851,396
Loss on Sale of Assets	19(b)	(1,721,442)	-
Gain on Foreign Exchange Transactions	20(a)	(1,233,626)	15,601,294
Loss on Foreign Exchange Transactions	20(b)	25,089,481	(12,075,449)
Surplus before 90% Remittance		1,506,367,399	2,903,268,942
Surplus Funds to the National Treasury-Provision	21	(1,355,730,659)	(1,536,567,129)
Surplus for the Year		150,636,740	1,366,701,813

The notes set out on pages 8 to 49 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019-20 Kshs	2018-19 Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	22	3,645,636,055	8,307,948,036
Current Receivables from Exchange Transactions	23	548,482,284	1,102,118,272
Receivables from Non-Exchange Transactions	24	144,197,030	145,257,873
Inventories	25	16,082,038	12,458,005
Tax Recoverable	26	7,070,385	7,070,385
		4,361,467,793	9,574,852,569
Non-Current assets			
Property, Plant and Equipment	27	18,076,601,574	18,028,594,085
Intangible Assets	28	168,067,504	80,219,206
		18,244,669,078	18,108,813,291
Total assets		22,606,136,871	27,683,665,860
Liabilities			
Current liabilities			
Trade and Other Payables	29	776,046,821	886,201,506
Refundable Deposits from Customers	30	13,942,343	13,942,343
Employee Benefit Obligation	31	265,648,552	428,770,480
Current Portion of Borrowings	32	183,731,223	176,273,317
Current Provisions	33	1,614,406,879	4,438,441,583
		2,853,775,817	5,943,629,229
Non-Current Liabilities			
Borrowings	34	2,031,314,227	2,166,797,381
		2,031,314,227	2,166,797,381
Total Liabilities		4,885,090,045	8,110,426,610
Net Assets/Equity		17,721,046,826	19,573,239,250
Reserves, Govt Grants & Surplus			
Revaluation Reserves	35	8,324,804,006	8,275,545,265
Capital Fund - Govt Grant	36	608,133,333	608,133,333
Accumulated Surplus	37	8,788,109,487	10,689,560,652
Total Net Assets and Liabilities		22,606,136,871	27,683,665,860

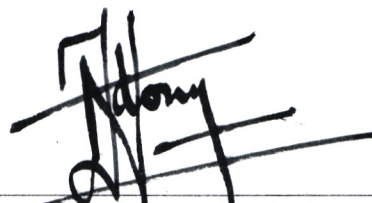
The Financial Statements set out on pages 1 and 5 were signed on behalf of the Board of Directors by:



Capt. Gilbert M. Kibe
Director General



CPA Joseph K. Chebungei
Director Corporate Services
ICPAK Member No: 4023



Eng. Joseph N. Nkadayo, MBS
Chairman of the Board

Date.....18/06/2021.....

Date.....18/06/2021.....

Date.....18/06/2021.....

STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2020

	Revaluation Reserve	Government Grants Reserve	Accumulated Surplus	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1st July 2018	5,059,254,526	608,133,333	4,263,604,312	9,930,992,171
Revaluation Reserve Adjustment	3,216,290,739	-	-	3,216,290,739
Accumulated Surplus Adjustment	-	-	5,059,254,526	5,059,254,526
Surplus for the Period	-	-	2,903,268,942	2,903,268,942
Provision of Surplus to the Exchequer	-	-	(1,536,567,129)	(1,536,567,129)
Balance as at 30 June 2019	8,275,545,265	608,133,333	10,689,560,652	19,573,239,250
Revaluation Reserve Adjustment (Note 35)	49,258,741	-	-	49,258,741
Remittance of Surplus (Note 37)	-	-	(2,327,397,538)	(2,327,397,538)
Accumulated Surplus (Retained Earnings) Adjustment (Note 37)	-	-	275,309,633	275,309,633
Surplus for the Period	-	-	1,506,367,399	1,506,367,399
Provision of Surplus to the Exchequer	-	-	(1,355,730,659)	(1,355,730,659)
Balance as at 30th June 2020	8,324,804,006	608,133,333	8,788,109,487	17,721,046,826

**STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019-20 Kshs	2018-19 Kshs
Cash Flows from Operating Activities			
Receipts			
Licenses and Permits		298,700,815	379,505,634
Air Passenger Service Charge		1,924,086,017	2,510,200,209
Rendering of Services		4,569,132,081	5,295,068,435
Finance Income		198,012,221	277,247,807
Other income, Rentals and Agency Fees		32,108,855	31,206,201
		7,022,039,988	8,493,228,286
Payments			
Compensation of Employees		2,468,726,984	2,279,289,850
Goods and Services		2,989,599,131	3,569,399,929
Finance Cost		84,987,435	113,555,436
Surplus Remittances		5,047,802,412	-
Total Payments		10,591,115,962	5,962,245,215
Net Cash flows from Operating Activities		(3,569,075,974)	2,530,983,070
Cash Flows from Investing Activities			
Purchase of Property, Plant, Equipment, and Intangible Assets		(970,082,997)	(689,139,004)
Increase in Investments		-	1,683,899,751
Proceeds from sale of Property, Plant and Equipment		4,857,638	851,396
Net cash flows Used in Investing Activities		(965,225,359)	995,612,143
Cash flows from Financing Activities			
Proceeds from Borrowings		64,248,069	90,860,713
Repayment of Borrowings		(192,273,317)	(63,841,980)
Net Cash Flows Used in Financing Activities		(128,025,248)	27,018,733
Net Increase/(Decrease) in Cash and Cash Equivalents		(4,662,326,581)	3,553,613,946
Cash and Cash Equivalents at 1 July 2019		8,307,962,636	4,754,348,690
Cash and Cash Equivalents at 30 June 2020		3,645,636,055	8,307,962,636

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% Change	Explanation
	2019-20 Kshs	2019-20 Kshs	2019-20 Kshs	2019-20 Kshs	2019-20 Kshs	2019-20 Kshs	2019-20 Kshs
Revenue							
Licenses and Permits	368,147,125	25,000,000	393,147,125	304,213,344	(88,933,781)	(23)%	a
Air Passenger Service Charge	1,768,372,505	-	1,768,372,505	1,924,086,017	155,713,512	9%	
Rendering of Services	5,787,463,139	(22,000,000)	5,765,463,139	4,478,211,062	(1,287,252,077)	(22)%	b
Rental Revenue	23,857,725	-	23,857,725	30,632,435	6,774,710	28%	c
Finance Income	162,565,078	(126,516,519)	36,048,559	198,012,221	161,963,662	449%	d
Other Income	3,594,427	-	3,594,427	1,476,420	(2,118,007)	(59)%	e
Total Revenue from Internal Transactions	8,114,000,000	(123,516,519)	7,990,483,481	6,936,631,500	(1,053,851,981)	-13%	
Other Sources							
IDA Loans	120,840,711	-	120,840,711	64,248,069	(56,592,642)	-47%	f
Grand Total Revenue	8,234,840,711	-123,516,519	8,111,324,191	7,000,879,569	(1,110,444,623)	-14%	
Expenses							
Use of Goods & Services	1,614,623,665	115,492,700	1,730,116,364	1,413,699,135	316,417,229	18%	g
Employee Costs	2,978,204,075	(108,654,241)	2,869,549,834	2,483,578,564	385,971,269	13%	h
Remuneration of Directors	62,912,804	(5,000,000)	57,912,804	33,028,490	24,884,314	43%	i

*Kenya Civil Aviation Authority
Annual Report and Financial Statements
For the year ended June 30, 2020*

Depreciation and Amortization Expense	884,402,678	(113,503,033)	770,899,645	752,631,012	18,268,633	2%
Repairs and Maintenance	665,843,729	2,175,316	668,019,045	528,677,089	139,341,956	21%
Contracted Services	294,250,788	(37,415,000)	256,835,788	156,156,269	100,679,519	39%
Finance Costs	87,596,130	(2,633,128)	84,963,002	84,987,435	(24,434)	0%
Total Recurrent Expenditure	6,587,833,868	(149,537,386)	6,438,296,481	5,452,757,993	985,538,488	21%
Other Gains/Losses				(22,493,892)	22,493,892	-100%
Capital Expenditure						
Other Payments-Capital Expenditure	1,888,921,710	(475,894,000)	1,413,027,710	901,171,380	511,856,331	37%
Total Expenditure	8,476,755,578	-625,431,386	7,851,324,191	6,331,435,481	1,519,888,711	20%
Surplus for the Period (Excluding Capital)		-	-	1,506,367,399		

EXPLANATION OF MATERIAL DIFFERENCES

- a) **Licenses & Permits (23% Negative Change):** Limited activities in quarter four of the 2019-20 financial year, as a result of the cessation of local and international flights following the outbreak of COVID19.
- b) **Rendering of Services (22% Negative Change):** The restrictions on the movement of local and international flights, coupled with the closure of East African School of Aviation (EASA) as a result of COVID19 led to declined performance in quarter four of the financial year.
- c) **Rental Revenue (28% Positive Change):** The renovation and repairs of a number of staff houses in EASA and Mombasa led to increased rental deductions/payments.
- d) **Finance Income (449% Positive Change):** The growth is attributed to the negotiated interest from deposits in Current Bank Accounts and interest from investment in Treasury Bills during the year.
- e) **Other Income (59% Negative Change):** The decline is attributable to the realignment of gains from exchange transactions among other gains/losses reclassification as guided by the reporting template.
- f) **IDA Loans (47% Negative):** During the financial year, the Authority's received Kshs 64.2 million with regard to KTSSP (IDA) Loan. The project had a bank balance of Kshs 83.7million, which was used to fund the project activities. This project came to an end in 30th April 2020.
- g) **Use of Goods and services (18% Positive):** Reduced official travel following government restrictions and guidelines following the COVID19 outbreak.
- h) **Employee Related (13% Positive):** The Authority did not undertake the filling of vacant positions during the year as per the budgetary estimates.
- i) **Board of Directors (43% Positive):** Limited board related activities and travelling in quarter four.
- j) **Repairs and maintenance (21% Positive):** Reduced activity levels due to late contract award of some renovation undertakings and none execution of some maintenance related activities, coupled with the COVID19 outbreak which curtailed the implementation of a number of activities.
- k) **Contracted Services (39% Positive):** Reduced activity levels due to on-going contracts and engagements and slow implementation of some engagements following the COVID19 restrictions.
- l) **Other Payments-Capital Expenditure (36% Positive):** Delay in implementation of a number of activities following the outbreak of COVID19.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Civil Aviation Authority established by and derives its authority and accountability from Civil Aviation Act 2013, as amended by Civil Aviation (Amendment) Act 2016. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of Air Navigation Services in the Nairobi Flight Information Region, Regulation of the Aviation industry in Kenya and training of the Aviation Personnel.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Kenya Civil Aviation Authority.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act Cap 446, the Civil Aviation Act No. 21 of 2013, *Mwongozo* and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS</p>	<p>Applicable: 1st January 2022:</p>

Standard	Effective date and impact:
<p>resulting from IPSAS 41, Financial Instruments</p>	<p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>

ii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in year 2020.

4. 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.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget Information

The original budget for FY 2019-20 was approved by the KCAA Board of Directors on the 28th January 2019 and forwarded to the National Treasury through the State Department of Transport. Subsequent revision was made to the approved budget and approved by the Board of Directors on the 28th January 2020. The revised budget was reduced by Ksh 625,431,386, following the realignment of a number of activities undertakings and an assessment of the revenue projections as was guided by the trends in the first half of the financial year.

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial

performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under pages 5 -7 of these financial statements.

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.

d) 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. 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.

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:

	No. of Years
Buildings	40
Air Navigation Equipment	10
Plant & Other Equipment	5
Computers, copiers and faxes	3
Motor vehicles	5
Furniture and fittings	5
Freehold land	-
Intangible Assets (Computer Software)	3

e) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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.

f) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

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 Entity determines the classification of its financial assets at initial recognition.

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 class of financial assets is impaired. A financial asset or class 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 class 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.

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.

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.

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 a provision to be reimbursed whether in full or in part, 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. 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. These reserves include Revaluation reserve (which arises every time the Authority revalues its property, plant and equipments and intangibles assets). The Authority also maintains a retained earnings reserve that grows or reduces from one financial year to another depending on the financial performance of the Authority.

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.

o) Related Parties

The Authority 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 Authority, or vice versa. Members of key management are regarded as related parties and comprise the Board of Directors, the Director General, Executive Directors and senior managers.

p) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the 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 which were not surrendered or accounted for at the end of the financial year.

q) Comparative Figures

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

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, 2020. However, the Authority paid African Commuter Services Kshs 1.4 billion which was transferred by the KCAA bank to the plaintiff's lawyer in July 2019 and this cleared the amount owed by the Authority in light of the court award. The payment was a result of court orders issued by the High Court of Kenya.

5) SIGNIFICANT JUDGEMENTS 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.

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 Entity
- 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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note no. 23 and Note no. 33.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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.

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.

6. License Fees and Permits

	2019-20	2018-19
	Ksh	Ksh
Licenses Ratings & Certificates	19,250,450	21,850,800
Technical Ground Examinations	23,124,350	25,300,400
AMEL Licenses & Ratings	9,640,560	14,824,140
Aircraft Certificate of Registration	4,146,000	6,086,000
Certificate of Airworthiness	59,817,399	72,102,623
Grant & Renewal of AMO License	55,397,923	76,603,682
Grant & Renewal of AOC Certs	6,620,500	5,357,500
Certification of Aerodromes	3,580,000	2,006,000
Duty Exemption Processing Fees	18,224,296	19,696,111
Grant & Renewal of Air Service Licenses	23,447,404	29,428,184
Ad hoc /Permit Clearances	31,556,709	29,243,500
Approval of Manuals	30,135	-
Inspection of Masts & Obstacles	20,397,400	34,310,200
Issue of SSR Transponder Codes	266,616	500,422
AVSEC Fees/ Regulated Agent/Screeners Fees	3,254,500	2,834,000
Grant & Renewal of ATO Licenses	360,000	940,000
Approval of Commercial Operations - (FOC)	20,481,072	32,833,490
Infringement Notices Fee	200,000	402,000
Approval of Leases	3,961,031	4,711,582
Approval of Security Programmes	450,000	475,000
Letter of Exemption	7,000	-
Total Licenses, Permits, Fines & Clearances	304,213,344	379,505,634

7. Air Passenger Service Charge

	2019-20	2018-19
	Ksh	Ksh
Air Passenger Service Charge	1,924,086,017	2,510,200,209

8. Rendering of services

	2019-20	2018-19
	Ksh	Kshs
Air Navigation Service Charges	4,289,063,903	5,057,733,557
AIP sales	960,963	3,168,301
EASA Revenue	188,186,197	287,917,544
Total Revenue from the Rendering of Services	4,478,211,062	5,348,819,402

9. Rental Revenue

	2019-20	2018-19
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	Kshs	Kshs
House Rent	30,632,435	24,576,820
Total Rentals	30,632,435	24,576,820

10. Finance Income - External Investments	2019-20	2018-19
	Kshs	Kshs
Interest Income from Current Bank Accounts	139,464,221	113,590,115
Interest Income from Treasury Bills	58,548,000	163,657,692
Total Finance Income - External Investments	198,012,221	277,247,807

11. Other income	2019-20	2018-19
	Kshs	Kshs
Interest on Salary Advances	17,447	-
Commission on Payroll Deductions	561,953	-
Sale of Tenders	4,000	17,750
Skills Development Levy	893,020	-
Exchange Programmes & Professional Reports	-	6,611,631
Amortization of Capital Grant	-	333,432,832
Amortization of Debtors (General Provision)	-	41,596,048
Amortization of Debtors (Specific Provision)	-	-
Total Other Income	1,476,420	381,658,261

12. Use of Goods & Services	2019-20	2018-19
	Kshs	Kshs
Electricity	41,406,648	38,074,660
Water	7,688,677	6,678,310
Security	45,836,870	42,895,551
Subscriptions to Intl. Organization	75,686,804	65,669,706
Subscriptions to Professional Bodies	1,632,066	1,083,044
Subscription to Publications	-	122,496
General Training	103,949,654	106,850,017
Training Levy	394,900	487,450
Workshops, Conferences & Evaluations	38,155,380	60,615,565
Local Travel	46,578,586	59,727,136
International Travel	51,842,486	83,531,987

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Secondment Programme (ICAO/AFCAC)	17,301,547	-
EAC & Other Aviation Bodies Activities	17,301,547	27,602,044
Deployment to ICAO Council (Regional Office)	32,439,329	39,803,616
Environment & CORSIA Programme	2,720,419	-
Certification of Aerodromes & ANS Facilities	3,110,708	5,727,717
Continuous Oversight Surveillance	19,234,072	-
ICAO Universal Safety Oversight Audit Programme	2,260,790	5,318,434
Accident Investigation, Search & Rescue	3,281,971	4,806,921
HIV/AIDS, Drug Abuse, Gender & Disability	6,967,125	5,721,469
Integrity & National Values Programmes	1,783,948	5,849,826
Implementation of Safety Management System	3,730,545	3,960,875
Implementation of State Safety Programme	1,025,743	2,965,843
ISO Related Activities	4,144,881	4,980,321
Implementation of Risk Mgt Framework	4,498,677	-
Corporate Social Responsibility	9,631,331	10,017,030
ICAO Universal Security Audit Programme	2,751,829	2,012,333
Funeral Expenses	340,899	420,761
Staff Welfare	25,149,997	25,446,941
Official Entertainment	1,432,142	1,727,830
Aviation Staff Insurance	19,587,056	17,651,335
Office Equipment Insurance	4,998,842	5,751,592
Motor Vehicle Insurance	4,786,004	4,181,831
Work Injury Benefit Act (WIBA) Insurance	5,721,550	5,921,350
Hire of Transport, Plant & Machinery	982,105	2,237,311
Uniform and Clothing	6,284,848	2,592,681
Sports Expenses	24,378,064	25,628,721
Miscellaneous Charges	1,381,556	1,234,319
Telephone Expenses	12,961,968	15,898,042
Cooking Gas & Fuel	948,980	3,197,750
Postal, EMS & Courier Services	992,240	1,743,728
Rents & Rates	-	1,293,600
Cleaning Services	34,638,521	31,423,286
Drugs & Dressings (Medicines & First Aid Kits)	1,110,939	22,522
Fungicides & Spray (Pest Control)	103,701	77,332
Library Expenses	9,238,573	5,307,129

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Internet Related Expenses	6,476,637	7,685,780
Dedicated Leased Lines & Com. Frequencies	10,274,870	7,666,174
Legal Expenses	183,679,165	706,605,460
External Audit Expenses	1,500,000	1,500,000
Advertisement Publicity & Photography	27,797,243	38,184,698
Public Relations / Show Expenses	13,053,601	14,151,195
Events & Anniversaries	9,826,545	157,933,207
KRA Agency Collection Costs (Fees)	116,421,200	137,703,541
Bank Charges - Fees and Commissions	2,787,030	2,526,294
General Provision- Doubtful Debts	2,422,672	1,305,434
Specific Provision - Doubtful Debts	225,990,728	122,090,059
Consumables	14,332,029	24,152,743
Publishing and Printing	8,433,581	7,385,924
Office Stationery	12,377,670	22,926,751
Food & Rations	30,644,947	41,990,700
Fuel Expenses	14,028,636	10,423,184
Student Activities	13,377,275	22,064,208
Consultancy, Course Research & Devt	4,543,120	5,738,848
Hostel & Conference	2,172,175	3,467,885
Graduation Expenses	3,200,768	3,643,794
Students Welfare (Laboratory, Dispensary)	641,653	594,282
Training - KTSSP	2,025,417	-
Counterpart Funding - KTSSP	7,323,845	4,706,010
Counterpart Funding - NUTRIP	-	5,056,380
Total Use of Goods & Services	1,413,699,135	2,085,762,959

13. Employee Costs

	2019-20	2018-19
	Kshs	Kshs
Salaries & Wages	1,734,738,196	1,746,168,960
Housing Allowances	245,800,277	246,480,653
Transport Allowances	111,535,571	112,273,827
Contributions to Pensions	188,841,875	188,603,608
Medical Expenses In-patient	54,602,097	50,573,308
Medical Expenses Out-patient	98,752,197	81,880,059
Group Life Insurance	42,186,812	38,862,190
Ex-Gratia	7,121,541	3,647,067

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Total Employee Costs	2,483,578,564	2,468,489,671
14. Remuneration of Directors	2019-20	2018-19
	Kshs	Kshs
Chairman's Honoraria		
Board of Directors' Expenses	936,000	960,000
	32,092,490	47,394,759
Total Board Remuneration	33,028,490	48,354,759
	2019-20	2018-19
15. Depreciation & Amortization Expenses	Kshs	Kshs
Property, Plant and Equipment	649,632,722	525,658,571
Intangible Assets	102,998,290	40,103,587
Total Depreciation and Amortization	752,631,012	565,762,158
	2019-20	2018-19
16. Repairs & Maintenance	Kshs	Kshs
Property & Staff Houses	107,919,379	102,815,306
Plant & Equipment	410,260,332	404,617,579
Motor Vehicles	7,102,618	6,442,973
Others(Roads, Water & Sewerage)	3,394,760	2,329,666
Total Repairs and Maintenance	528,677,089	516,205,524
	2019-20	2018-19
17. Contracted Services	Kshs	Kshs
Hire of Resource Persons	53,309,875	57,090,840
Hire of Satellite Links	31,317,735	26,009,734
Contracted Professional Services	47,170,108	116,825,364
Flight Calibration	24,358,550	25,059,987
Total Contracted Services	156,156,269	224,985,924
	2019-20	2018-19
18. Finance Costs	Kshs	Kshs
Interest on Long-term Loans (NCTIP)	21,652,548	48,594,167
Interest on Long-term Loans (KTSSP)	63,334,887	64,961,269

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Total Finance Costs	84,987,435	113,555,436
	2019-20	2018-19
19. (a) Gain on Sale of Assets	Kshs	Kshs
Property, Plant & Equipment	363,254	851,396
Intangible Assets	-	-
	363,254	851,396
19 (b). Loss on Sale of Assets	2019-20	2018-19
	Kshs	Kshs
Property, Plant & Equipment	1,721,442	1,721,442
	1,721,442	1,721,442
20(a). Gain on Foreign Exchange Transactions	2019-20	2018-19
	Kshs	Kshs
Foreign Exchange Gain	(1,233,626)	15,601,294
	(1,233,626)	15,601,294
20(b). Loss on Foreign Exchange Transactions	Kshs	Kshs
Foreign Exchange Loss	(25,085,707)	12,075,449
	(25,085,707)	12,075,449
21. Provision of Surplus Funds to National Treasury	2019-20	2018-19
	Kshs	Kshs
Surplus for the Year	1,506,367,399	2,903,268,942
Less: Amortization of Deferred Income-Capital Grant	-	(333,432,832)
Less: Amortization of Debtors	-	(41,596,048)
Less : Acquisition of Assets (Net of Depreciation)	-	(820,943,253)
Realised Surplus Funds	1,506,367,399	1,707,296,809
90% of Realized Surplus Funds	1,355,730,659	1,536,567,129
22(a) Cash & Cash Equivalent	2019-20	2018-19
	Kshs	Kshs

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Current Account	2,976,525,741	7,671,527,437
Staff Mortgage	668,273,335	635,987,048
Others (M-Pesa, Station Cash& Bank)	836,980	433,550
Total Cash and Cash Equivalents	3,645,636,055	8,307,948,034

22 (b) Cash & Cash Equivalents

Financial Institution & Account Number	2019-20	2018-19
	Kshs	Kshs
a) Current Account		
Kenya Commercial Bank - A/C No. 1210005522 JKIA Branch	5,918,691	20,538,667
KCB Call A/C No. 1210001942 JKIA Branch	1,016,757,984	1,543,162,846
EASA KCB Expenditure	5,628,005	2,679,243
EASA KCB Call	176,174	81,856
CfC Stanbic -A/C No. 0100000351727 Industrial Area Branch	184,406,350	238,398,009
CFC Stanbic Call No. 0100000316347 Industrial Area Branch	69,609,331	31,593,262
CFC Stanbic Dollar - No. 0100001937639 Industrial Area Branch	1,345,956,198	3,058,547,264
Stanchart A/C, No. 0108098898400-Kenyatta Avenue Branch	225,630,412	173,103,032
Commercial Bank of Africa Dollar A/C No. 6514690019 Swissport JKIA Branch	34,519,022	2,350,749,257
EASA Dollar A/C - Equity No. 0180299978478 Community Corporate Branch	39,708,417	60,868,964
EASA KES A/C - Equity No. 0180263498882 Community Corporate Branch	790,317	1,777,691
KTSSP-National Bank of Kenya No. 01001084895000 JKIA Branch	4,769,247	83,790,231
Expenditure Account- NBK No. 01003058447500 JKIA Branch	21,660,996	21,660,996
Revenue Account-NBK, No. 01003058447600 JKIA Branch	18,280,743	83,332,238
EASA Expenditure A/C- NBK No. 01020058420600 JKIA Branch	210,716	447,911
EASA Revenue, NBK No.01020058710400	2,503,136	795,969
Sub-Total Current Account	2,976,525,741	7,671,527,437
c) Staff Mortgage		
Kenya Commercial Bank , No. 1159226555 Haile Selassie Avenue Branch	668,273,335	635,987,048
Sub-Total Staff Mortgage	668,273,335	635,987,048

As at 30th June 2020, the utilized amount was Kshs 329,971,531, while the unutilized was Kshs 338,301,804.

d) Others

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Stations Cash & Bank	833,576	373,341
EASA M-Pesa A/C PayBill No 754206	3,404	60,209
Sub-Total Others	836,980	433,550
	<u>3,645,636,055</u>	<u>8,307,948,034</u>
23. Current Receivables from Exchange Transactions	2019-20	2018-19
	Kshs	Kshs
Domestic Operators	813,456,543	1,143,443,318
Foreign Operators	153,439,080	249,137,891
Student Debtors	16,516,601	26,817,659
Total Gross Current Receivables	983,412,224	1,419,398,868
Less: General Provision for Bad and Doubtful Debt	(86,849,153)	(195,190,537)
Less: Specific Provisions for Bad and Doubtful Debt	(348,080,787)	(122,090,059)
Total Net Current Receivables	<u>548,482,284</u>	<u>1,102,118,271</u>
24.Receivables from Non - Exchange Transactions	2019-20	2018-19
	Kshs	Kshs
Prepayments	133,293,103	134,150,637
Staff Imprest	2,038,084	1,026,517
Salary Advance	103,845	464,615
Medical Excess	6,345,411	6,658,321
Rent Receivable	33,918	528,668
Staff Surcharge	195,554	242,000
Station Imprest	2,187,115	2,187,115
Total	<u>144,197,030</u>	<u>145,257,872</u>
25. Inventories	2019-20	2018-19
	Kshs	Kshs
Consumables	6,439,560	3,964,208
Publishing and Printing	3,034,682	2,118,463
Office Stationery	5,160,890	3,083,937
Food & Rations	515,047	1,918,553
Fuel	<u>931,859</u>	<u>1,372,844</u>
Total Inventories	<u>16,082,038</u>	<u>12,458,005</u>

26. Current Income Tax Expense

	2019-20	2018-19
	Kshs	Kshs
Deficit / Surplus Before Tax	368,921,650	368,921,650
Adjust for Non-Allowable Expenses		
Depreciation	638,128,129	638,128,129
General Provision for Bad Debts	37,680,024	37,680,024
Provision for Gratuity	17,381,766	17,381,766
Accrual for Outstanding Leave Days	5,535,229	5,535,229
Unrealised Loss on Forex	117,758,902	117,758,902
	<u>1,185,405,701</u>	<u>1,185,405,701</u>
Adjusted for Non-Taxable Revenue		
Un-realized Gain on Forex	(148,325,731)	(148,325,731)
Adjusted Profit Before Wear & Tear Allowances	<u>1,037,079,970</u>	<u>1,037,079,970</u>
Wear and Tear Allowances		
Air Navigation Equipments	555,594,561	555,594,561
Plant and Machinery	26,180,678	26,180,678
Furniture and Fittings	8,100,098	8,100,098
Motor Vehicles	21,969,815	21,969,815
Computers	46,687,955	46,687,955
Total Wear and Tear Allowances	<u>658,533,107</u>	<u>658,533,107</u>
Adjusted Surplus after Wear and Tear Allowances	<u>378,546,862</u>	<u>378,546,862</u>
Taxable Income /Tax Loss	378,546,862	378,546,862
Income Tax Expense @ 30%	113,564,059	113,564,059
Less: Instalment Tax Paid	120,634,444	120,634,444
Income Tax Liability (Asset) C/F	(7,070,385)	(7,070,385)
Income Tax Liability (Asset) B/D	(7,070,385)	

NB: Income Tax is calculated using the enacted income tax rate of 30%. The note relates to workings for 2013-2014 financial year. The matter is pending with the Tax Appeals Tribunal awaiting its resolution.

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27 (a). PROPERTY, PLANT & EQUIPMENT MOVEMENT SCHEDULE

	Air Navigation Equipment	Land	Buildings	Motor Vehicles	Plant & Other Equipment	Computer Hardware	Furniture & Fittings	WIP	Grand Total
Cost/Revaluation	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2018	5,507,268,975	2,307,749,992	3,969,289,533	213,720,070	380,112,246	391,386,723	135,288,757	872,942,189	13,777,758,486
Revaluation Adjustments 1st July 2018	(3,058,686,375)	9,190,200,008	(1,300,539,533)	(85,580,070)	(299,273,246)	(193,975,248)	(28,583,257)	(313,586,534)	3,909,975,745
Additions	42,425,895		46,129,973	106,431,690	84,046,465	76,639,128	53,339,096	464,626,353	873,638,599
Transfers/Adjustments	10,731,734		44,117,731		16,340,949			(78,310,587)	-
As at 30th June 2019	2,501,740,229	11,497,950,000	2,758,997,704	234,571,690	181,226,414	274,050,603	160,044,596	945,671,421	18,554,252,657
Additions	163,699,043		60,109,453	18,264,569	121,270,229	35,305,944	46,911,198	302,709,987	748,270,422
Transfers/Adjustments	528,055,178		37,450,366		11,100,936	1,552,500		(626,934,421)	(48,775,441)
Reclassification	-		-	-	-	6,536,269	-	-	6,536,269
Disposals	-		-	(7,390,000)	-	(455,740)	-	-	(7,845,740)
As at 30th June 2020	3,193,494,451	11,497,950,000	2,856,557,522	245,446,259	313,597,579	316,989,575	206,955,794	621,446,987	19,252,438,167
Depreciation & Impairment									
At 1st July 2018	3,270,044,347		504,956,284	107,313,587	259,840,530	232,934,783	85,418,838		4,460,508,369
Revaluation Adjustments 1st July 2018	(3,270,044,347)		(504,956,284)	(107,313,587)	(259,840,530)	(232,934,783)	(85,418,838)		(4,460,508,369)
Depreciation	250,174,023		68,974,943	46,914,338	36,245,283	91,341,066	32,008,919		525,658,571
As at 30th June 2019	250,174,023		68,974,943	46,914,338	36,245,283	91,341,066	32,008,919		525,658,571
Depreciation	319,349,445		71,413,938	49,089,252	62,719,516	105,669,412	41,391,159		649,632,722
Reclassification	-		-	-	-	2,175,212	-		2,175,212
Disposals	-		-	(1,478,000)	-	(151,913)	-		(1,629,913)
At 30th June 2020	569,523,468		140,388,881	94,525,590	98,964,799	199,033,777	73,400,078		1,175,836,593
NET BOOK VALUE									
As at 30th June 2020	2,623,970,983	11,497,950,000	2,716,168,641	150,920,669	214,632,780	117,955,798	133,555,715	621,446,987	18,076,601,574
As at 30th June 2019	2,251,566,206	11,497,950,000	2,690,022,761	187,657,352	144,981,132	182,709,537	128,035,677	945,671,421	18,028,594,085

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27(b). WORK IN PROGRESS

	Project Description	Opening Balance (2018-19) - Kshs	Additions (2019-20) - Kshs	Transfers (2019-20) - Kshs	Closing Balance (2019-20) - Kshs
01	JKIA & MIA VCCS System	22,464,458	88,738,080	-	111,202,538
02	Kisumu & Malindi VCCS	-	30,719,452	-	30,719,452
03	ADS- & MLat System	293,293,775	-	(293,293,775)	-
04	High Frequency (HF) Communication System	44,280,486	-	(44,280,486)	-
05	D-ATIS System	12,499,907	11,249,916	(23,749,823)	-
06	Aeronautical Search & Rescue Mgt System	19,419,319	9,628,897	(29,048,216)	-
07	Air Traffic Management Equipment	120,203,720	19,853,934	(140,057,653)	-
08	EASA Executive Hostel Consultancy	10,551,360	-	-	10,551,360
09	EASA Executive Hostel Feasibility study	-	9,494,600	-	9,494,600
10	Proposed Caretaker House Consultancy-B	891,750	-	(891,750)	-
11	EASA Chapel Construction-B	35,217,661	44,372,644	(79,590,305)	-
12	Aviation Museum	6,468,754	-	(6,468,754)	-
13	Consultancy-Design, Bidding & Supervision of AC & DRC	15,752,220	8,256,336	-	24,008,556
14	Area Control & Disaster Recovery Centre at CTX	262,490,784	65,269,200	-	327,759,983
15	Wajir Staff Houses Construction	-	8,276,200	-	8,276,200
16	Regional Centre for Aviation Medicine	6,707,178	8,997,898	-	15,705,076
17	Regional Centre for Aviation Medicine	-	44,480,686	-	44,480,686
18	Ablution Block Construction-EASA WAP Campus	1,340,955	2,993,650	(4,334,605)	-
19	Radio Telephony Simulator	-	6,975,000	-	6,975,000
20	EASA Power Plant	-	9,400,060	-	9,400,060
21	NAV AIDS Simulator	38,357,971	9,589,493	(47,947,463)	-
22	Hydraulic Training Laboratory Equipment	11,100,936	16,651,404	(27,752,340)	-
23	25 Additional CCTV Cameras	1,552,500	1,035,000	(2,587,500)	-

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24	Microsoft Office 0365 Suite	-	22,102,475	-	22,102,475
25	Audio-Visual System	5,343,000	861,300	(6,204,300)	-
26	Revenue Billing Management System	36,963,688	37,099,952	(74,063,640)	-
27	ERP Navision 2018	771,000	-	-	771,000
	Total	945,671,420	456,046,177	(780,270,611)	621,446,987

28. NON-PPE MOVEMENT SCHEDULE		
Description	2019-20	2018-19
Cost	Kshs	Kshs
At the Beginning of the Year	120,322,793	139,627,706
Revaluation/Reclassification Adjustments	(6,536,269)	(66,934,706)
Additions During the Year	152,900,957	40,509,620
Transfer from WIP	42,306,688	7,120,173
At the End of the Year	308,994,169	120,322,793
Additions - Internal Development		
At the End of the Year	308,994,169	120,322,793
Amortizations & Impairment		
At the Beginning of the Year	40,103,587	76,758,855
Revaluation/Reclassification Adjustments	(2,175,212)	(76,758,855)
Amortization	102,998,290	40,103,587
At the End of the Year	140,926,665	40,103,587
Impairment Loss	-	-
At the End of the Year	140,926,665	40,103,587
NBV	168,067,504	80,219,206

29. Trade & Other Payables	2019-20	2018-19
	Kshs	Kshs
Trade Creditors - Local	535,387,508	574,211,316
Trade Creditors - Foreign	160,275,267	242,641,771
Third Party Claims	26,637,291	35,557,772
Stale and Unpaid Cheques	5,631,701	5,089,438
Collaboration Fees	2,923,490	2,368,800
Student Association Fees	196,702	-
External Examination Fees	2,478,475	1,500
Student Excursions	7,891,073	-
Caution Money	580,450	-

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KUCCPS Placement Fees	184,500	-
Student Industrial Attachment	224,000	-
VAT Output	(382,529)	1,430,581
VAT Withheld A/C	14,411,250	4,913,308
Withholding Tax	19,627,871	(4,841,733)
Income Tax Payable	(24,000)	(24,000)
10% Withholding Tax on Rental Income	3,769	3,769
Un-realized Foreign Exchange Loss	-	24,848,984
Total Trade and Other Payables	776,046,821	886,201,506
30. Refundable Deposits from Customers	2019-20	2018-19
	Kshs	Kshs
Consumer Deposits	13,942,343	13,942,343
Total Refundable Deposits	13,942,343	13,942,343
31. Employee Benefits Obligations	2019-20	2018-19
	Kshs	Kshs
Net Salary	2,386,142	3,123,164
PAYE Staff	(24,366)	642,300
Payroll Deductions-Cheques	437,485	437,485
Payroll Deductions EFT	40,254,858	46,810,049
Staff Claims	2,351,790	213,693
Board Liability	-	5,400,000
PAYE Board of Directors	2,882,880	2,110,096
EASA Lecturers Net Pay	(1,381,532)	(1,381,532)
EASA NHIF	35,250	400
EASA NSSF	9,200	10,000
EASA Bank Loans	73,595	-
EASA HELB	8,588	4,432
EASA PAYE Liability	618,883	1,589,048
EASA Insurance Deductions	(6,000)	-
Performance Bonus	-	104,333,127

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Ex-DCA Staff	49,926,080	62,196,240
Service Gratuity	60,771,577	50,261,819
Leave Provision	107,218,969	153,020,158
Others: PAYE Others	85,153	-
Total Employees Benefits Obligation	265,648,552	428,770,480

32. Current Portion of Borrowing	2019-20	2018-19
	Kshs	Kshs
NCTIP	52,491,025	52,491,025
KTSSP	131,240,197	123,782,291
Balance at End of Period	183,731,223	176,273,317

33. Current Provisions

Description	National Treasury	African Commutter Service	Ex- Staff	Total
Balance as at 1st July 2019	2,720,404,875	1,459,360,489	258,676,220	4,438,441,583
Additional Provisions	1,355,730,659	(247,535)	-	1,356,146,503
Provisions Utilised	(2,720,404,875)	(1,459,112,954)	-	(4,179,517,829)
Balance as at 30th June 2020	1,355,730,659	-	258,676,220	1,614,406,879

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34 Borrowings	2019-20	2018-19
Analysis of Borrowings	Kshs	Kshs
Balance at the Beginning of the Period	2,343,070,698	2,316,051,964
External Borrowing During the Year	64,248,069	90,860,713
Domestic Borrowing During the Year	-	-
Repayments of External Borrowing During the Period	(192,273,317)	(63,841,980)
Repayments of Domestic Borrowing During the Period	-	-
Balance at the End of the Period	2,215,045,450	2,343,070,698
The analysis of both external and domestic borrowing are as follows:		
IDA Loans: KTSSP - Dollar Denominated	1,821,362,759	1,896,896,981
IDA Loans: NCTIP - Dollar Denominated	393,682,691	446,173,717
	2,215,045,450	2,343,070,698
Short Term Borrowing (Current Portion)	183,731,223	176,273,317
Long Term Borrowing (Non-Current Portion)	2,031,314,227	2,166,797,381
Total Borrowings	2,215,045,450	2,343,070,698
35. Revaluation Reserve	2019-20	2018-19
	Kshs	Kshs
Opening Balance	8,275,545,265	5,059,254,526
Less: Revaluation Surplus Start of Period	-	(5,059,254,526)
Revalued Assets Payments During the Year	(6,208,729)	-
Add: Revaluation Reserve at Period End	-	8,275,545,265
Cost Reduction of Revalued Assets	55,467,470	-
Total Revaluation Reserves	8,324,804,006	8,275,545,265
36. Government Grants	2019-20	2018-19
	Kshs	Kshs
Opening Balance	608,133,333	608,133,333
Add: Amount Received During the Year	-	-
Total Government Grants	608,133,333	608,133,333

37. Accumulated Surplus	2019-20	2018-19
	Kshs	Kshs
Opening Balance	10,689,560,652	4,263,604,312
Add: Surplus for the period	150,636,740	1,366,701,813
Add: Accumulated Surplus (Retained Earnings) Adjustment	275,309,633	5,059,254,526
Less: Surplus Paid During the Period	(2,327,397,538)	
Total Surplus at the End of the Period	<u>8,788,109,487</u>	<u>10,689,560,652</u>
38. Cash Generated From Operations	2019-20	2018-19
	Kshs	Kshs
Surplus for the Year before Tax	1,506,367,399	2,903,268,942
Adjusted for:		
Depreciation	752,631,012	565,762,158
Amortization	-	(375,028,880)
Decrease in provision for Doubtful Debts	225,990,728	8,609,028
Increase in Non-Exchange Transactions	1,060,843	5,033,931
Increase Contribution to Provisions	(2,824,034,704)	643,273,644
Increase in Provision relating to Employee Costs	(163,121,928)	51,835,599
Increase in Other Liabilities/Remittances	(3,507,826,592)	(1,787,307,747)
Working Capital Adjustments:		
Increase in Inventory	(3,624,033)	22,240,239
Increase in Receivables	553,635,987	401,721,514
Increase in Payables	(110,154,685)	138,470,613
Net Cash flows from Operating Activities	<u>(3,569,075,974)</u>	<u>2,577,879,041</u>

39. 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. The Authority does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit Risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Authority's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Authority's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

CREDIT RISK MANAGEMENT	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2020				
Receivables from Exchange Transactions	983,412,224	537,675,505	445,736,719	-
Receivables from Non-Exchange Transactions	144,197,030	144,197,030	-	-
Bank Balances	3,645,636,055	3,645,636,055	-	-
Totals	4,773,245,309	4,327,508,590	445,736,719	-
As at 30 June 2019				
Receivables from Exchange Transactions	1,419,398,868	1,102,118,272	317,280,596	-
Receivables from Non-Exchange Transactions	145,243,271	145,243,271	-	-
Bank Balances	8,307,948,034	8,307,948,034	-	-
Totals	9,872,590,174	9,555,309,577	317,280,596	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Authority's has significant concentration of credit risk on amounts due from Kenya Airways Plc.

The Board of Directors sets the Authority's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Authority's directors, who have built an appropriate liquidity risk management framework for the management of the Authority's short, medium and long-term funding and liquidity management requirements. The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Liquidity Risk Mgt	Less Than 1 Month	1-3 Months	Over 5 Months	Total
As at 30 June 2020	Kshs	Kshs	Kshs	Kshs
Trade Payables	273,313,309	238,454,395	178,387,445	690,155,149
Current Portion of Borrowings	183,731,223			183,731,223
Provisions			1,615,070,258	1,615,070,258
Employee Benefit Obligation			274,906,689	274,906,689
Total	457,044,531	238,454,395	2,068,364,392	2,763,863,318
As at 30 June 2019	Kshs	Kshs	Kshs	Kshs
Trade Payables	423,689,808	219,263,924	173,899,355	816,853,087
Current Portion of Borrowings	176,273,317			176,273,317
Provisions			4,391,545,613	4,391,545,613
Employee Benefit Obligation			421,260,384	421,260,384
Total	599,963,125	219,263,924	4,986,705,352	5,805,932,401

(iii) Market risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the Authority on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign Currency risk

The Authority has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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

	Kshs	Other Currencies	Total
At 30 June 2020	Kshs	Kshs	Kshs
Financial Assets			
Cash	21,818,161	1,420,183,637	1,442,001,798
Debtors	240,795,897	169,952,454	410,748,351
Total Financial Assets	262,614,058	1,590,136,091	1,852,750,149
Financial Liabilities			-
Trade and Other Payables	301,371,970	87,411,208	388,783,178
Borrowings	-	-	-
Total Financial Liabilities	301,371,970	87,411,208	388,783,178
Net Foreign Currency Asset/(Liability)	563,986,028	1,677,547,299	2,241,533,327

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The Authority manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Kshs	Other Currencies	Total
At 30 June 2019	Kshs	Kshs	Kshs
Cash	56,945,767	5,470,165,485	5,527,111,252
Debtors	113,891,535	249,137,891	363,029,425
Total Financial Assets	170,837,302	5,719,303,376	5,890,140,678
Financial Liabilities			-
Trade and Other Payables	242,281,931	110,005,365	352,287,296
Borrowings	-	-	-
Total Financial Liabilities	242,281,931	110,005,365	352,287,296
Net Foreign Currency Asset (Liability)	413,119,233	5,829,308,741	6,242,427,974

Foreign Currency Sensitivity Analysis

Foreign Currency Sensitivity Analysis	Change in Currency Rate	Effect on Profit before Tax	Effect on Equity
	Kshs	Kshs	Kshs
2020			
Euro	10%	-	-
USD	10%	2,509,425	142,045,343
2019			
Euro	10%	-	
USD	10%	(1,207,774)	517,545,903

b) Interest rate risk

Interest rate risk is the risk that the Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The Authority's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Authority's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Authority's ability to continue as a going concern. The entity capital structure comprises of the following funds

	2019-20	2018-19
	Kshs	Kshs
Revaluation Reserve	8,324,804,006	8,543,869,295
Retained Earnings	8,778,925,058	10,468,132,589
Capital Reserve	608,133,333	608,133,333
Total Funds	17,711,862,397	19,620,135,217
Total Borrowings	2,215,045,450	2,343,070,698
Less: Cash and Bank Balances	3,645,636,055	8,307,948,034
Net Debt/(Excess Cash and Cash Equivalents)	(1,430,590,605)	(5,964,877,337)
Gearing	(8%)	(30%)

40. RELATED PARTY BALANCES

Nature of Related Party Relationship

The Authority 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 its operating and financial decisions. These include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the Authority, holding 100% of the Authority's equity interest. The Government of Kenya has provided full guarantees to all long term lenders of the entity, both domestic and external. Other related parties disclosures for the period are;

Transactions with Related Parties

41 (a) National Government	2019-20	2018-19
	Kshs	Kshs
IDA Loans Facilitations- KTSSP Project	64,248,069	90,860,713
(b) Key Management - Salaries and Other Short Term Benefits	65,548,832	65,740,037
Board of Directors Expenses	33,028,490	48,354,759

41. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

(a) A Summary of the Contingent Assets is as Follows:

(i) Potential Receipts from Kenya Airports Authority:

With reference to the Statute Law (Miscellaneous Amendments) Act, 2014 that came into effect on the 8th December 2014, the Authority has been pursuing up the arrears that may not have been remitted by the KAA over the period since the law came into effect and in addition to changes that were effected in light of the Legal Notice No. 143 dated 14th June 2018. As such, the Authority has been undertaking a

reconciliation with the KAA and a team from Kenya Revenue Authority (KRA), with an aim to determine the amounts receivable from the KAA. The Authority has made efforts to follow up the amounts due from the KAA.

(ii) 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.

(b) Contingent Liabilities:

(i) Potential Debts/Claims owed to Suppliers Totalling Ksh 40.32 Million:

Kenya Airports Authority billings for rent and utility charges for the period up to 30 June 2005 amounting to Ksh.40.32 Million. Much of this period was a time when the Authority was still a department in the Ministry of Transport and Communications. This amount has not been provided for in the financial statements

(ii) Potential claims arising from dismissed staff:

This is a case involving 68 former employees of the Directorate of Civil Aviation (the predecessor of KCAA) emanating from alleged dismissal of the said employees from public service and malicious prosecution. The case was ruled in favor of the Plaintiffs. KCAA appealed against the judgment and the appeal proceeded for hearing on 7th January, 2014. The Court dismissed KCAA's appeal with costs. The Court of Appeal ordered the matter to be referred back to High Court for assessment of total damages. The High Court delivered the ruling on assessment for 40 plaintiffs out of 67 plaintiffs. The judgment amount in total is approximately Kshs 154,841,140. The Claimants' application for review seeks an additional Kshs. 103,835,080. The application was heard on 12th June 2018. The ruling is slated for 28th September 2018. To this extent, the Authority has made a provision of Kshs 258, 676,220 in its financial statements for the period ended 30th June 2018. However, given the interest this matter might generate once a determination is made, there is a likelihood of the 28 former employee or their next of kin seeking a similar award. Should such a scenario play out, the Authority is likely to incur a further cost of Kshs 241,323,780. This amount has not been provided for in the financial statements.

42. CAPITAL COMMITMENTS

	Supplier	Description	2019-20	2018-19
1	Power Point Systems East Africa Ltd	8KVA Solar Systems at Nakuru & Malindi VOR/DME & Stony Athi VOR Stations	8,788,830	-
2	Nyali Air Conditioning & Refrigeration Services	Air Conditioning Units for JKIA & MIA	6,272,500	-
3	Blue Quadrant Ltd	Power Plant (Engine)	48,917,350	-
4	Agoma Group Ltd	Materials Testing Laboratory	18,905,100	-
5	Agoma Group Ltd	Applied Thermo-DynamiComputer Software Lab	27,506,699	-
6	Complus Technologies Ltd	Back Up Generator	2,160,000	-
7	Geoscintex	Radio Telephony Testing Equipment	13,950,000	-
8	Pentagon Hardware Supplies	96 - 120W solar pAir Navigation Equipmentsls & supply of 3 phase 15kw pure sine wave	1,606,754	-
9	Jevalyne Agencies	8 Additional Wireless Access Point-EASA	978,000	-
10	Attain Enterprise	Upgrade of ERP system	8,786,484	-
11	Computer Revolution Africa	Microsoft Office 365 Suite Government Plans	20,656,966	-
12	Kelinha Investments Ltd	3 POE Network Access Switch	590,214	-
13	Plan & Trend Ltd	ICT Working Tools	8,760,320	-

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14	Sybyl Kenya Ltd	Supply of Servers	4,336,677	-
15	East African Data Handlers	EASA Library PABX	885,000	-
16	Meera Construction Ltd	Area Control and Disaster Recovery Centre	58,321,391	-
17	Fine Engineering Works Ltd	Construction of Security Houses at KCAA Ngong VOR Station	5,335,440	-
18	Tectura International Ltd	Design, preparation of Bidding documents and supervision of construction works for the proposed Hostel and a modern Conference Centre at EASA- Consultancy	24,619,840	-
19	Deluxe Construction Africa Ltd	Construction of Wall at Poror Radar Station	3,898,040	-
20	Mutiso Menesez Ltd	Consultancy Services- Regional Centre for Aviation Medicine	6,707,178	-
21	Lexis International Ltd	Construction of Regional Centre for Aviation Medicine	91,451,444	-
22	Nature Investors Ltd	Extension of Eldoret Offices on First Floor	3,205,433	-
23	Weihai International Ltd	Construction of Wilson Airport new ATC Tower	1,996,375	-
24	Mutiso Menesez Ltd	Consultancy services for construction of DRC	10,501,480	-
25	Widescope Construction Ltd	Proposed Construction of three KCAA Staff houses at Wajir Station	6,945,650	-
26	Central Electrical International Ltd	Electrical Power Supply and Distribution Refurbishment	24,069,921	-
27	Avensol Ltd	Radio Links Equipment for JKIA Tower/JKIA Radar Station & JKIA	11,656,000	-

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28	Leonardo Technologies & Services Ltd	VHF Radios in Various Stations	29,326,604	-
29	Datacore Ltd	Point to MultiPoint Radio Link at MIA	7,936,030	-
30	Next Technologies Ltd	Intergrated IP Based CCTV & Access Control Systems at MIA & JKIA	10,885,576	-
31	Rocmax Investment	Standby VHF Air Band Transceivers	8,850,996	-
32	Leonardo Technologies & Services Ltd	Standby VHF Air Band Transceivers	19,978,674	-
33	Rabken Trading Co Ltd	25 Extra Microphones for Air Traffic Controllers at Wilson Airport	1,625,000	-
34	Avensol Ltd	Automatic Voltage Stabilizer (AVR) for Poror Radar Station	1,985,000	-
35	Think Research Bouremouth United Kingdom	Consultancy Services- Implementation of Remote/Digital Air Traffic Control TowerS	16,687,642	-
36	Muladys Engineering	53 Aviation obstruction lights for various KCAA stations	1,976,900	-
37	Complus Technologies Ltd	Aircraft tracking software and assorted accessories	907,250	-
38	Evaluation Process On-going	Air Traffic Management System at JKIA	197,944,355	-
39	GECI Espanola s.a	Procurement of Mobile ATC Tower	2,390,699	-
40	Nucleo De Comunicaciones Y Control, S.L.	Procurement and installation of new VCCS Equipment for Kisumu & Malindi Airports	32,237,743	-
41	Sitti SPA	Procurement and installation of new VCCS Equipment for JKIA & MIA Airports	23,985,816	-
42	IDS North America	Supply, delivery, installation, integration, training and commissioning of an AIS/AIM System	10,163,233	-

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43	Magre Enterprises	Supply, Installation and commissioning of HF Communication system	800,000	-
44	Silchip International	Supply, Installation and Commissioning of Radio Link MIA radar Head & MIA ATC Center	372,625	-
45	Blue Quadrant Ltd	Supply, delivery, installation, training and commissioning of Digital Airport Terminal Information Service (D-ATIS) System for Wilson Airport	1,499,814	-
46	Magre Enterprises	VHF equipment for area cover and RCC	833,333	-
47	Nanjing Les	Supply, installation and commissioning of ADSB and MLAT systems	4,356,100	-
48	iBross s.r.o	Supply, installation, and commissioning of ATC Equipment at New Wilson Airport Control Tower	15,270,360	-
49	McMurdo	Installation of advanced software at JKIA RCC for integrated Search and Rescue (SAR) missions	9,800,000	-
50	Achelis Engineering Ltd	Supply of new lift at EIA and replacement of the old lift	869,592	-
51		Procurement of Hydrailuc Lift for MIA	280,000	-
52		Procurement Booster Pump for Loki	167,050	-
53	Top Choice Surveillance Limited	Proposed replacement of a lift at the control tower in Eldoret International Airport	-	6,292,215
54	Almonds Construction Limited	Supply, installation and commissioning of mechanical ventilation and air conditioning at new Wilson airport control tower	-	5,149,194
55	National Museum of Kenya	Provision of services for establishment of aviation museum to National Museums of Kenya	-	32,343,768
56	Geoscintex	Supply, installation and commissioning of Navigation Aid Simulator equipment	-	47,947,464

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57	Blue Quadrant Limited	Supply, delivery, installation, training and commissioning of digitak airport terminal information service (D-ATIS) System for Wilson Airport	-	24,999,814
58	Lexis International Limited	Proposed construction works for the proposed Chapel at the East African School of Aviation	-	74,151,270
59	M/s Power Source Technologies	Supply, delivery and installation of two (2) 30KVA UPS at KCAA HQ's. Tender No: KCAA/008/2018-2019	-	2,379,428
60	Widescope Construction Limited	Proposed Construction of three KCAA Staff houses at Wajir Station; Tender No. KCAA/036/2018-2019	-	14,945,650
61	Blue Quadrant Limited	Supply, installation and commissioning of composite repair laboratory at EASA; Tender No. KCAA/043/2018-2019	-	22,881,872
62	Agoma Group Limited	Supply, installation and commissioning of hydraulic training laboratory at EASA; Tender No. KCAA/044/2018-2019	-	27,752,340
63	Mini Max Ventures	Supply, delivery, installation and commissioning of assorted office furniture for the authority's station and departments LOTS 1,2 and 3; Tender No. KCAA/048/2018-2019	-	7,745,515
64	Apicah Ltd	Supply, delivery, installation and commissioning of assorted office furniture for the authority's station and departments LOT 4; Tender No. KCAA/048/2018-2019	-	2,482,000
65	Aquawetts Enterprises Limited	Supply, delivery, installation and commissioning of overhead mettalic water tank at EASA; Tender number KCAA/031/2018-2019	-	5,609,240

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66	Nairobi Sports House Limited	Supply, delivery and installation of Gymnastic Equipment for KCAA outstations	-	11,078,825
67	Timpex Electronics Limited	Supply, delivery, installation, configuration, testing and commissioning of 10 EUROCAT/TOPSKY ATC LCD Monitors at JKIA and Mombasa Airport	-	4,110,750
68	Joriki Traders	Supply, delivery and installation of eight all in one desktop computers and other ICT Related works	-	1,740,000
69	Fast Choice Limited	Supply, delivery and installation of assorted furniture for KCAA outstations	-	2,028,650
70	Markitech Suppliers Limited	Supply and delivery of thirty-four (34) pieces of VHF Radios for KCAA Headquarters and outstations as per specifications	-	1,402,500
	Total		822,939,479	295,040,494

43. SURPLUS REMISSION

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. During the 2019-20 financial year, the Authority remitted Kshs 5,047,802,412.05 surplus remittances for the periods 2014-15 financial year to 2018-19 financial year.

44. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non-adjusting events after the reporting period.

45. ULTIMATE AND HOLDING ENTITY

The Authority is a State Corporation under the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. Its ultimate parent is the Government of Kenya.

46. CURRENCY

The financial statements are presented in Kenya Shillings (Kshs).

APPENDIX I: 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 relevant state agencies and institutions 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 the Authority	Director General	Not Resolved	
2	RECEIVABLES FROM EXCHANGE TRANSACTIONS				
	- Explanation for upward trend with regard to provision for bad and	- Continuous reconciliation with KRA team and follow up operators through emails and	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)
4	<p>Consultancy Service for Construction of Hostels and Modern Conference Centre at EASA</p> <p>-Contract to design, prepare building documents and supervision of the construction was awarded before feasibility study was undertaken</p>	<p>- The feasibility study has since been undertaken and the consultant has prepared a revised designs which together with the feasibility study report has been submitted to the Nairobi City County for approval.</p>	Director General	Resolved	
5	PROVISION FOR AFRICAN COMMUTER SERVICES LIABILITY				
	i. It has not been possible to confirm how the operations of the	The Court has since upheld the decision and the Authority has since paid the	Director General	Resolved	

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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)
	Authority will be affected if the Court upholds the award of Kshs 1,421,671,718 to African Commuter Services with regard to the pending law suit.	amount as was awarded by the court.			
6	CONSTRUCTION OF PERIMETER WALL AT EAST AFRICAN SCHOOL OF AVIATION				
	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	The various works where labour was engaged included the following: Perimeter wall, Swimming Pool Wall, Conversion of stores to library, upgrading of classroom, Rehabilitation of staff houses among other repairs. Thus the total labour cost incurred is not only for the perimeter wall.	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)
	Public Procurement and Disposal Act, the budget overrun and failure to complete the project.				
7	Irregular Payment of Subsistence Allowance				
	An officer who is on Secondment to International Civil Aviation Organization (ICAO) Council had been paid a total of Kshs. 19,425,018 subsistence allowance between August 2014 and April 2015. No prior approval had been	Since adequate accommodation was not available, the officer was put on per diem pending the lease of a suitable house for her. This being a new office, the process took quite a while to conclude hence the period as contemplated in C.8 in the Foreign Service Regulations 2000 could not be met. The Authority	DG	Not Resolved	

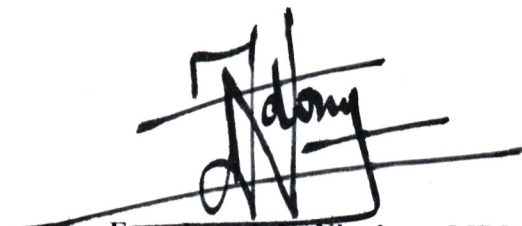
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	obtained from the Permanent Secretary - Ministry of Transport and Infrastructure.	applied Section C.13 as read together with Section C.11 in effecting the allowance to the ICAO Council representative. Subsequently the Ministry of Foreign Affairs clarified that matters of this office should be handled within the Authority's terms of service guidelines (HR Policy Manual)			



Capt. Gilbert M. Kibe
 Director General

Date.....18/06/2021.....



Eng. Joseph N. Nkadayo, MBS
 Chairman of the Board

Date.....18/06/2021.....

APPENDIX II: PROJECTS IMPLEMENTED BY THE AUTHORITY

Projects: Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment Kshs Mn	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Kenya Transport Sector Support Project	P124109	IDA	8 Years	2,300.00	YES	YES

Status of Projects completion

No	Project	Total project Cost in Million KES.	Total expended to date in Million KES	Completion % to date	Budget in Million KES	Actual in Million KES	Sources of funds
Kenya Transport Sector Support Project							
1	Construction of KCAA Headquarters	950.00	950.00	100.00	35.00	0.00	World Bank & KCAA
2	Upgrading of air navigation systems	600.00	600.00	100.00	0.00	0.00	World Bank & KCAA
3	Implementation of ICT Systems	250.0	160.00	100.00	95.00	0.00	World Bank & KCAA
4	Technical support to enhance aviation safety	140.00	140.00	100.00	15.00	0.00	World Bank & KCAA