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## KENYA NATIONAL AUDIT OFFICE

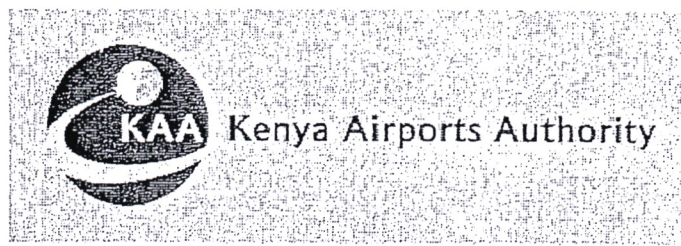
REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF KENYA AIRPORTS AUTHORITY FOR THE  
YEAR ENDED 30 JUNE 2005

KENYA NATIONAL ASSEMBLY

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"To be the unchallenged airport system hub for the region"

## AUDITED ACCOUNTS

FOR THE YEAR

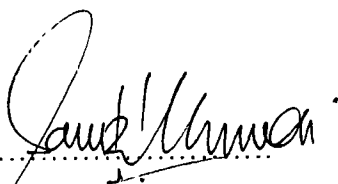
ENDED 30<sup>TH</sup> JUNE 2005.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005**


The State Corporations Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the Authority keeps proper accounting records, which disclose with reasonable accuracy, the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the State Corporations Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

  
.....  
CHAIRMAN

12/05/06  
.....  
Date

  
.....  
MANAGING DIRECTOR  
MANAGING DIRECTOR  
AFRICA AIRPORTS AUTHORITY

12/05/06  
.....  
Date



## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA AIRPORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2005

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I have audited the financial statements of Kenya Airports Authority for the year ended 30 June 2005 in accordance with the provisions of section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

#### **Respective Responsibilities of the Directors and the Controller and Auditor General**

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As set out in the statement of directors' responsibilities, the directors are responsible for the preparation of financial statements which give a true and fair view of the Authority's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

#### **Basis of Opinion**

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

#### **1. Long Term Loan**

In 1998/1999, the Authority obtained a loan of Euros 34,599,359 (equivalent Kshs 3,186,421,047) from a foreign bank to finance development of Jomo Kenyatta International Airport. The loan was to be repaid in installments of Euro 1,729,968 (equivalent of Kshs.159,321,057) for ten years with 2 years moratorium. During the year, repayments towards the loan amounted to Kshs.495,470,380 net of forex gain of Kshs.77,073,526 of which Kshs.143,421,892 was interest and Kshs.429,122,014 was payment of the principal loan. As in the previous year, the Authority separately paid Kshs.18,253,144 to Kenya Revenue Authority as

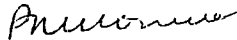
withholding-tax on interest paid in accordance with the loan agreement which could have been avoided had the contract been properly drawn.

## **2. Operating Lease**

The operating lease balance of Kshs.6,165,622,000 disclosed in Note 7 to the financial statements excludes the undetermined value of Embakasi Village property measuring 21.2432 hectares which has not yet been valued. Consequently the operating lease balance of Kshs.6,165,622,000 could not be confirmed as being fairly stated as at 30 June 2005.

## **Opinion**

Except for the foregoing reservations, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Authority as at 30 June 2005 and of its profit and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Kenya Airports Authority Act, (Cap.395 of the Laws of Kenya).



**P.N. KOMORA**  
**CONTROLLER AND AUDITOR GENERAL**

Nairobi

20 September 2006

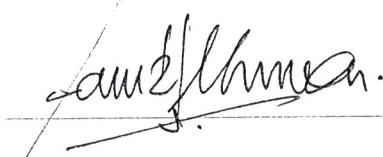
**Kenya Airports Authority**  
**Profit & Loss Account**  
**For the year ended 30th June 2005**

		<b>2004/05</b>	<b>2003/04</b>
	<b>Notes</b>	<b>Kshs.'000</b>	<b>Kshs.'000</b>
Operating Revenue	1	3,951,177	2,979,782
Operating Expenses	2	2,718,112	2,626,821
<b>Operating Income</b>		<b>1,233,065</b>	<b>352,961</b>
Non Operating revenue/(expenses)	3	(44,319)	(312,240)
<b>Operating Profit before tax</b>		<b>1,188,746</b>	<b>40,721</b>
Taxation	4	(277,219)	(370,811)
<b>Profit/Loss for the period</b>		<b>911,526</b>	<b>(330,090)</b>

Kenya Airports Authority  
Balance Sheet  
As at 30th. June, 2005

	Notes	2004/05	2003/04 (Restated)
		Kshs.'000	Kshs.'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	8,152,763	8,399,631
Intangible Assets	6	1,026	-
Operating lease	7	6,165,622	6,233,247
Deferred tax asset	8	29,127	9,316
		<b>14,348,538</b>	<b>14,642,194</b>
<b>Current assets</b>			
Inventories	9	134,575	129,147
Trade and Other Receivables	10	836,962	1,067,539
Reserve Account	11	520,098	534,471
Cash and cash equivalents	12	2,215,718	1,192,094
		<b>3,707,353</b>	<b>2,923,251</b>
<b>Total Assets</b>		<b>18,055,891</b>	<b>17,565,445</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds</b>			
Grants	13	7,556,844	7,705,005
Revaluation Reserve	14	1,785,250	1,785,250
Accumulated Profit	14	5,299,413	4,432,340
<b>Total Funds</b>		<b>14,641,507</b>	<b>13,922,595</b>
<b>Non-current Liabilities</b>			
Long Term Loans	15	2,343,628	2,659,617
<b>Current Liabilities</b>			
Trade and other payables	16	1,070,756	983,233
<b>Total Liabilities</b>		<b>3,414,384</b>	<b>3,642,850</b>
<b>Total Funds and Liabilities</b>		<b>18,055,891</b>	<b>17,565,445</b>

CHAIRMAN



MANAGING DIRECTOR

  
MANAGING DIRECTOR  
KENYA AIRPORTS AUTHORITY

**Kenya Airports Authority**  
**Cash Flow Statement**  
**For the period ended 30th. June, 2005**

	Notes	2004/05 Kshs.'000	2003/04 Kshs.'000
<b>Net cash from operating activities</b>	17	<u>1,626,958</u>	<u>687,053</u>
<b>Cash inflow/(outflow) from Investing activities</b>			
Purchase of Property, Plant and Equipment		(403,516)	(9,893)
Proceeds from sale of Property, Plant and Equipment		3,295	417
Investment income		77,425	21,185
Interest Received		854	163
<b>Net Cash inflow/(outflow) from Investing activities</b>		<u>(321,942)</u>	<u>11,872</u>
<b>Cash flow from financing activities</b>			
Realized forex exchange loss		(42,476)	(5,132)
Repayment of long term loan		(352,048)	(319,686)
Proceeds from long term borrowing		113,133	-
<b>Net cash outflow from Financing activities</b>		<u>(281,392)</u>	<u>(324,818)</u>
<b>Net Increase in cash and cash equivalents</b>		<b>1,023,624</b>	<b>374,106</b>
<b>Cash &amp; cash equivalents at beginning of period</b>		<u>1,192,094</u>	<u>817,988</u>
<b>Cash and Cash equivalent at year end</b>	12	<u><u>2,215,718</u></u>	<u><u>1,192,094</u></u>

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED  
30TH JUNE 2005**

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**1. Significant Accounting Policies**

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

**(a) Basis of preparation:**

The financial statements are prepared in accordance with and comply to international Financial Standards. The accounts are prepared under the historical cost convention and modified to include revaluation of land, buildings and fixed assets.

**(b) Depreciation**

Freehold land is not depreciated as it is deemed to have an indefinite life.

Depreciation on fixed assets is calculated using the straight-line method so as to write off the cost or valuation of the assets over their estimated useful lives using the following annual rates:

	<u>Rate</u>
Freehold Land	Nil
Pavements (Runways, aprons, taxiways and roads)	4.0%
Permanent buildings	2.5%
Emergency Service Vehicles	10.0%
Other Motor vehicles	25.0%
Electrical -Mechanical Equipment	5.0%
Other Machinery	10.0%
Office Equipment, Furniture and Fixtures	20.0%
Computer and accessories	30.0%

Capital work in progress is not depreciated until such time as the asset is brought into use.

**(c) Grants**

Grants towards capital are deferred and brought into income on a basis consistent with the amortization of the related capital assets.

This is in compliance with IAS 20.

**(d) Accounting for Leases**

The Authority carries Leasehold land as an operating lease rental, stated at cost less accumulated amortisation. Amortisation is calculated to write down the cost of the lease over the lease term. This is in compliance with IAS 17.

**(e) Inventories**

These comprise mainly of items used for maintenance and repair of Authority's assets. First-In-First-Out valuation method is used and stocks are stated in the books at the lower of cost and market (net realizable value).

**(f) Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. All capital works are valued at cost.

**(g) Foreign exchange Transactions**

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

**(h) Revenue**

This includes both aeronautical and non-aeronautical revenues, but excludes investment income, and exchange gains on exchange rate fluctuations.

**(i) Retirement Benefits**

Any contributions made to the company's funded Pension Scheme in respect of current service are charged against income on the basis of actuarially established contribution rate.

**(j) Income Tax**

Current income tax expense is the amount charged in respect of the profit for the year and it is determined in accordance with The Kenya Income Tax Act.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized.

**(k) Revenue Recognition**

Revenue is recognized when existing airport services such as landing and parking are utilised. Others such as concession and rent are recognized when due.

**(l) Cash and Cash Equivalents**

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible into amounts of cash and which are within three months to maturity when acquired.

**(m) Comparatives**

Where necessary, comparatives figures have been adjusted to take into account the effect of prior year adjustment.

**(n) Trade and other Receivables**

Trade receivables are recognised and carried at original invoice amount less specific provision for uncollectable debts. The specific provision is based on review on a case by case basis of all doubtful debts. Bad debts are written off as incurred.

A summary of revenues for the year ended June 2005 is as follows

	2004/2005 Kshs.'000	2003/2004 Kshs.'000
<b>REVENUES</b>		
<b>1 Operating Revenue</b>		
<b>Aeronautical Revenue</b>		
Landing and Parking	1,954,116	1,967,431
Passenger Service Charge	928,221	-
Fuel Throughput	241,148	228,437
<b>Non-aeronautical Revenue</b>		
Rentals	279,663	299,710
Concessions	392,777	337,626
Other Non aeronautical revenue	155,253	146,579
<b>Total Operating Revenue</b>	<b>3,951,177</b>	<b>2,979,782</b>
<b>2 Operating Expenses</b>		
Salaries, wages and benefits	1,105,741	1,000,985
Other administration expenses	450,999	394,241
Professional fees		
Legal fees	9,593	39,315
Audit fees	1,400	1,400
Directors emoluments		
Fees	24,682	26,072
Other remuneration	20,009	27,135
Consumption of inventories	70,088	67,287
Repairs & Maintenance	135,241	91,462
Depreciation and amortisation expenses	583,672	907,768
General Expenses	316,687	71,157
<b>Total expenses</b>	<b>2,718,112</b>	<b>2,626,821</b>
<b>3 Non Operating Revenue/(Expenses)</b>		
Total Interest income	113,416	28,126
Interest expense	(151,609)	(148,076)
Net Gain/(Loss) on exchange	31,697	(192,454)
Gain/(Loss) on Disposal of Fixed Assets	(37,824)	164
Amortisation	-	-
<b>Total non operating revenue (Expenses)</b>	<b>(44,319)</b>	<b>(312,240)</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005

**4 Income tax expense**

Tax	2004/05 Kshs.'000	2003/04 Kshs.'000
<b>Balance Sheet</b>		
Balance bfwd	116,948	387,464
Charge for the year	297,030	225,605
Paid During the year	(320,205)	(496,121)
<b>Balance cfwd</b>	<b>93,773</b>	<b>116,948</b>
<b>Profit and Loss account</b>		
Current Tax at 30%( 2003/04: 30%) on on the taxable profit for the year	297,030	225,605
Prior year (over)/under provision	-	-
Deferred Taxation charge/(credit) (note 7)	(19,811)	145,206
<b>Tax Expense</b>	<b>277,219</b>	<b>370,811</b>

The income tax based on profit before income tax differs from the theoretical amount that would arise using the tax rate applicable as follows:

	2004/05 Kshs.'000	2003/04 Kshs.'000
Accounting profit before taxation	1,188,746	40,721
Tax applicable rate of 30% ( 2003/04) 30%)	356,624	12,216
Tax effects of:		
Income not subject to tax	427	(49)
Net expenses not deductible for tax purposes	(60,021)	213,438
(Reversing)/originating temporary differences	(19,812)	145,206
Prior year (over)/under provision	-	-
	<b>277,217</b>	<b>370,811</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005

5

**Property, Plant & Equipment**

	Freehold land	Leasehold land	Pavements and buildings	Motor Vehicles, Machinery and Equipment	Office Equip Furniture and Fittings	Work in progress	TOTAL
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
<b>Cost or valuation</b>							
As at July 2004	23,000	5,290,200	11,092,810	7,263,796	391,375	68,197	24,129,379
Adjustment for recognition of land at cost	35,500	1,404,745	-	-	-	-	1,440,245
Reversal of revaluation in excess of cost	-	-	(5,617,238)	-	-	-	(5,617,238)
Reclassification to operating lease	-	(6,694,945)	-	-	-	-	(6,694,945)
Additions	-	-	9,000	84,192	25,282	351,899	470,373
Disposals	-	-	-	(132,853)	(2,473)	-	(135,326)
As at June 2005	58,500	-	5,484,572	7,215,135	414,184	420,097	13,592,488
<b>Depreciation/Amortisation</b>							
As at July 2004	-	-	3,194,112	3,131,767	367,872	-	6,693,750
Adjustment for depreciation	-	-	-	606	(39,031)	-	(38,424)
Reversal of Accumulated depreciation on excess revaluation	-	-	(1,797,516)	-	-	-	(1,797,516)
Depreciation for the year	-	-	223,912	415,912	36,297	-	676,122
Disposals	-	-	-	(91,866)	(2,340)	-	(94,207)
As at June 2005	-	-	1,620,508	3,456,419	362,798	-	5,439,725
<b>Net book value</b>							
As at June 2005	58,500	-	3,864,065	3,758,716	51,386	420,097	8,152,763
<b>Restated June 2004</b>	58,500	-	4,078,977	4,131,423	62,534	68,197	8,399,631

1 Included in pavements and buildings are assets amounting to Kshs 1,998,620,000 transferred to the Authority by the Government of Kenya.

The grants are stated at cost at the date of recognition. Revaluation of Kshs. 5,617,238,000, in excess of cost relating to these assets has been reversed against the revaluation reserve.

2 Motor vehicles, machinery and equipment include assets amounting to Kshs. 148,657,000 transferred at different years, to the Authority by various donors

3 The leasehold land, now reclassified as an operating lease and freehold land have been revalued by B. Kavivya, a registered valuer and estate agent. Valuation was made based on cost at initial recognition of the leasehold land and freehold land.

4 The adjustment of Kshs.39,030,555.09 is a reversal of depreciation charged on Office Equip. Furniture & Fittings. The assets had been fully depreciated but continued to be depreciated further in the year 2003/04

5 The adjustment of Kshs 606,320 relates to plant and machinery reclassified to the correct class

6 Under work in progress, there is an amount of Kshs.236,705,033.68 for buildings constructed by Kenya Airports Authority for relocation of the Department of Defence. Total construction cost incurred shall determine the value of Embakasi terminal

7 The Authority is in possession of assets amounting to Kshs 3,616,894.61 not reflected in the above movement schedule. This is because the related assets are not deemed useful and the Authority intends to dispose them in due course. These assets had been acquired from Green Corner.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005

6 Intangible Assets	2004/05 Kshs.'000
Cost	
As at 1st July 2004	-
Additions during the year	1,465
As at 30th June 2005	1,465
Amortisation Charge for the year	(440)
As at 30th June 2005	1,026

Intangible assets comprise acquired computer website software. These costs are amortised over an estimated useful life of three years.

7 Operating Lease	Leasehold land Kshs.'000
Cost	
As at 1st July 2004	5,290,200
Adjustment for recognition of land at cost	1,404,745
Additions	-
Disposals	-
As at 30th June 2005	6,694,945
<b>Amortisation</b>	
As at 1st July 2004	-
Adjustment for prior years' amortisation	461,698
Charge for the year	67,626
Disposals	-
As at 30th June 2005	529,323
<b>Net book value</b>	
As at 30th June 2005	6,165,622
Restated June 2004	6,233,247

The reclassification of leasehold land from property plant and equipment is in compliance with IAS 17.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005

**8 Deferred tax assets**

Deferred income tax is calculated using the enacted income tax of 30% (2003/04 -30%).

The movements in the deferred income tax account were as follows:-

	2004/05 Kshs.'000	2003/04 Kshs.'000
At start of year	9,316	154,522
Profit and loss account debit credit/(debit)	19,811	(145,206)
<b>At end of year</b>	<b>29,127</b>	<b>9,316</b>

Deferred income tax assets and liabilities, deferred income tax credit in the profit and loss account and Deferred income tax credit in equity are attributable to the following items:

**Deferred income tax assets**

	At start of year Kshs.'000	Credit to profit and loss a/c Kshs.'000	At end of year Kshs.'000
<b>Property, Plant and equipment:</b>			
Accelerated tax depreciation	9,316	19,811	29,127
<b>Net deferred tax asset</b>	<b>9,316</b>	<b>19,811</b>	<b>29,127</b>

**9 Inventories**

Inventories comprises:-

	2004/05 Kshs.'000	2003/04 Kshs.'000
Spares	23,392	25,392
Fuel, Oil and Lubricants	2,818	1,395
Foam Compound	49,593	63,232
Plant and Equipment consumables	60,831	50,411
Other Inventories	15,594	7,793
	152,228	148,222
Less provision for obsolete stock	(17,653)	(19,075)
	<b>134,575</b>	<b>129,147</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005

	2004/05	2003/04
<b>10 (a) Trade and Other Receivables</b>	<b>Kshs.'000</b>	<b>Kshs.'000</b>
Gross trade receivables	1,039,918	1,172,280
Less: Provisions for Bad debts	10(b) (490,736)	(423,638)
Net trade receivables	549,182	748,641
<b>Other Receivables</b>		
Kenya Pipeline Co. Ltd.	103,698	181,846
World Food Program	48,882	62,432
Department of Defence	76,440	-
Prepayments	5,991	26,618
Advances to Staff	23,205	38,685
Other Debtors	29,566	9,315
	<b>836,962</b>	<b>1,067,539</b>
<b>(b) Bad Debts Provision</b>		
	<b>Specific</b>	<b>General</b>
As at July 1, 2004	-	423,638
Reclassification to specific provision	-	(423,638)
Specific provision for the year	490,736	-
As at June 30, 2005	<b>490,736</b>	<b>-</b>
<b>11 Reserve account</b>		
Reserve account	<b>520,098</b>	<b>534,471</b>

This is cash held in Bank of Africa (formerly Credit Agricole Indosuez) under special security arrangement with KBC Bank Belgium in respect of the long term loan for Jomo Kenyatta International Airport rehabilitation project. The funds are not available for day to day operations of the Authority.

	2004/05	2003/04
<b>12 Cash and Cash Equivalent</b>	<b>Kshs.'000</b>	<b>Kshs.'000</b>
Cash in hand and at bank	68,932	183,949
Short term deposits	2,049,983	1,008,145
Call deposits	96,803	-
	<b>2,215,718</b>	<b>1,192,094</b>

Short term deposits have a maturity period of three months from the date of placement. All deposits are placed in local banks.

13 Grants

Government / Donor grant	Freehold land	Operating lease rentals	Pavements and buildings	Motor Vehicles,	Machinery and Equipment	Furniture & fittings	Share capital	Amortisation of grant on leasehold	Stocks & spares	Debtors	Cash	Govt dues	Total Kshs. '000
At 30 June 2004- as Restated													-
Restated after adjusting for:-													-
Prior years' adjustment on													-
Adoption of IAS 20				1,931			5,306,275		3,408	189,349	13,109	82,641	5,596,713
Reclassification from Share Capital				148,657									148,657
Reclassification from Capital Reserve	23,000	5,290,200											5,313,200
Reclassification from Revaluation Reserve													
Adjustment for recognition of land at cost	35,500	1,404,745		(59,470)	(2,500,031)	(358,000)		(461,698)	(3,408)	(189,349)		(82,641)	1,440,245
Net adjustment for amortisation of grant			(1,139,213)		12,354								(4,793,810)
Additional grants			(79,945)		(12,944)								12,354
Amortisation of total govt/ donor grants		(67,626)	(79,945)										(160,515)
Balance at 30 June 2005	-	(67,626)	(79,945)	-	(590)	-	-	-	-	-	-	-	7,556,844

Prior year adjustments;

Adoption of IAS 20

Prior years' adjustments have been passed to recognise grants following the adoption of International Accounting Standard No. 20

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005

14 Statement of Changes in Equity for the year Ended 30 June 2005

	Capital reserves		Revaluation reserves		Retained earnings		Total	
	Kshs.'000		Kshs.'000		Kshs.'000		Kshs.'000	
At 30 June 2004	148,657		14,475,765		(3,505,106)		11,119,316	
As stated previously								
Prior years' adjustment on:								
Net deferred tax adjustment	-		-		9,316		9,316	
Adoption of IAS 20 and IAS 17								
Reclassification to Grant:								
-Capital Reserves-Motor Vehicles transferred and Funding for Flight Display Systems	(148,657)		-		-		(148,657)	
-Revaluation of land	-		(5,313,200)		-		(5,313,200)	
Adjustment for prior years' amortisation of leasehold land	-		-		(461,698)		(461,698)	
Reversal of revaluation in excess of cost and related depreciation charge:								
-Pavements and buildings	-		(5,617,238)		1,797,516		(3,819,722)	
-Plant & machinery (fully depreciated)	-		(1,707,989)		1,707,989		-	
-Fixtures & fittings (fully depreciated)	-		(52,088)		52,088		-	
Net adjustment for amortisation of grant	-		-		4,793,810		4,793,810	
Reversal of accumulated depreciation on assets	-		-		39,031		39,031	
Reclassification of depreciation on assets	-		-		(606)		(606)	
Forex loss on accrued interest on the KBC loan	-		-		-		-	
<b>Restated Balance</b>			1,785,250		4,432,340		6,217,591	
<b>Changes in equity for the year 2005</b>								
Adjustment of tax expenses	-		-		(44,454)		(44,454)	
Profit for the year	-		-		911,527		911,527	
<b>Balance at 30 June 2005</b>			1,785,250		5,299,413		7,084,664	

**Prior year adjustment;**

**Adoption of IAS 20**

Prior years' adjustments have been passed to recognise grants and to reverse the related revaluation surplus following the adoption of IAS 20.

**Adoption of IAS 17**

Leasehold land has been recognised as an operating lease and amortised over the lease term. This represents an adoption of IAS 17.

The Adjustment of Kshs.39,030,555.09 is a reversal of depreciation charged on Office Equip Furniture & Fittings

The assets had been fully depreciated but continued to be depreciated further in the year 2003/04

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005

**15 Long Term Loans**

	<b>2004/05</b>	<b>2003/04</b>
	<b>Kshs.'000</b>	<b>Kshs.'000</b>
KBC Bank (Belgium)	2,659,617	2,682,350
-Repayment	(352,048)	(319,686)
-Exchange movement	(77,074)	296,953
	<u>2,230,495</u>	<u>2,659,617</u>
World Bank	113,133	-
	<u><b>2,343,628</b></u>	<u><b>2,659,617</b></u>

The KBC Bank Loan was borrowed from KBC Bank- Belgium in 1999. The purpose of this loan was rehabilitation of Jomo Kenyatta International Airport. The World Bank Loan was acquired to fund various projects under Northern Corridor Transport Improvement Project.

The exchange movement relate to the effect of translation of the outstanding balance on loan to Kenya shillings equivalent at the exchange rate ruling at the balance sheet date.

**16 Payables and Accruals**

	<b>Kshs.'000</b>	<b>Kshs.'000</b>
Trade Payables	151,080	112,108
Security Deposits	19,667	19,112
Tax Provision	138,228	116,948
Back dated tax payable	619,003	619,003
Other Provisions	77,961	87,552
Retainage payable	50,063	18,886
Other Payables	14,754	9,624
	<u><b>1,070,756</b></u>	<u><b>983,233</b></u>

**17 Cash generated from operations**

	<b>Kshs.'000</b>	<b>Kshs.'000</b>
Operating Profit	1,233,065	352,961
<b>Ajustments:</b>		
Net Depreciation charge	583,672	907,768
Provisions for Bad Debts	-	67,156
Write back on over provision	(9,358)	-
	<u><b>1,807,380</b></u>	<u><b>1,327,885</b></u>
(Increase)/ decrease Inventories	(5,428)	1,750
(Increase)/ decrease in trade and other receivables	230,576	(7,683)
Increase in trade and accruals	58,057	9,298
<b>Cash generated from operations</b>	<u><b>2,090,585</b></u>	<u><b>1,331,250</b></u>
Interest paid	(143,422)	(148,076)
Income taxes paid	(320,205)	(496,121)
<b>Net cash from operating activities</b>	<u><b>1,626,958</b></u>	<u><b>687,053</b></u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005

**18 Commitments**

	<b>2004/05</b>	<b>2003/04</b>
	<b>Kshs.'000</b>	<b>Kshs.'000</b>
(a) Contracted but not provided for in the financial statements.	16,616	15,480
(b) Commitments approved and authorised by the Board but not contracted for at the close of the year.	58,389	-
	<u>75,006</u>	<u>15,480</u>

**19 Contingency**

Total exposure to KAA following legal suits filed by third parties is remotely estimated at Kshs. 200,000,000