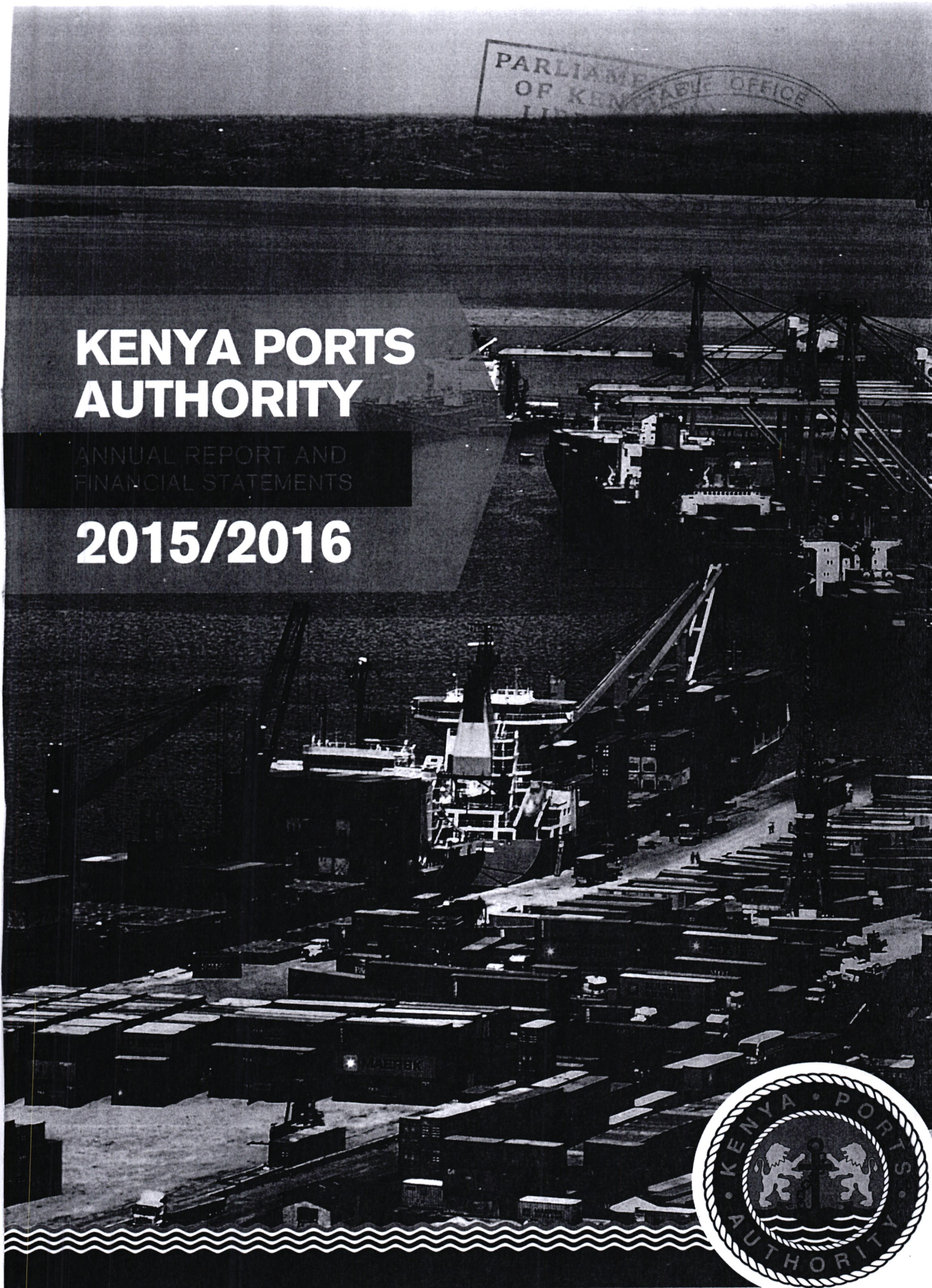


PARLIAMENTARY OFFICE
OF KENYA
LIVE

KENYA PORTS AUTHORITY

ANNUAL REPORT AND
FINANCIAL STATEMENTS

2015/2016





VISION:

World class seaports of choice.

MISSION:

To facilitate and promote global maritime trade through provision of competitive port services.

OBJECTIVES:



To be a competitive regional hub	To promote principles of good corporate governance	To enhance partnerships, collaborations and linkages	To manage business risks	To enhance financial sustainability	To revitalise the workforce for enhanced labour productivity	To revitalise Inland Container Depots (ICDs)	To develop a growth strategy for small ports	To develop and operationalise the port of Lamu
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Paper laid
by leader of
Majority Party
Tuesday 13/3/18
Ash



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KEY ENTITY INFORMATION

BACKGROUND INFORMATION

Kenya Ports Authority is a statutory body under the Ministry of Transport, Infrastructure and Housing and Urban Development. It was established by an Act of parliament Cap 391 on 20th January, 1978 with the mandate to develop, maintain, operate, improve and regulate all scheduled seaports along Kenya's coastline.



PRINCIPAL ACTIVITIES

Kenya Ports Authority's (KPA's) mandate is to develop, maintain, operate, improve and regulate all scheduled seaports along Kenya's coastline. Core activities include pilotage, towage, mooring, dockage, provision of navigational aids and maintenance of the channel, stevedoring and shore handling.

DIRECTORS:

Major (Rtd.) Marsden Madoka
 Catherine Mturi-Wairi
 Gichiri Ndua, MBS
 Henry Rotich
 Irungu Nyakera
 Atanas Maina
 Michael Maina
 Hafswa Dele
 Steven L'Okedi
 Kennedy Ogeto
 Eng. Fredrick Kirui
 Valentine Mwakamba
 Addraya E. Dena
 Muthoni Gatere

Chairman
 Managing Director
 Managing Director (Outgoing)
 Director (CS, National Treasury)
 Director (PS MoTI¹)
 Director (MD Kenya Railways)
 Director
 Director
 Director
 Director
 Director
 Director
 General Manager, Board & Legal Services
 General Manager, Board & Legal Services (Outgoing)

APPOINTED

September, 2015
 September, 2015
 September, 2015
 September, 2015
 November, 2015

Alternate Directors:

Esther Koimett, CBS
 Beatrice Nyamoita

Alternate Director to PS, National Treasury
 Alternate Director to PS, MoTI

Authority Secretary

Addraya E. Dena
 General Manager, Board & Legal Services

¹ State Department of Transport, Infrastructure, Housing and Urban Development



REGISTERED OFFICE:

Kenya Ports Authority
Administration Block, Kipevu
P.O. Box 95009-80104
Mombasa

CORPORATE CONTACTS:

Telephone: +254-412112999,
+254-412113999

Mobile: +254-709092999,
+254-709093999,
+254-730653999

Website: www.kpa.co.ke

PRINCIPAL BANKERS:

Citibank N.A
Citibank House, Nkrumah Road
P.O. Box 83615-80100
Mombasa

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

Equity Bank Ltd.
UTC Building, Moi Avenue
P.O. Box 84628-80100
Mombasa

National Bank of Kenya
Portway House, Moi Avenue
P.O. Box 87770-80100
Mombasa

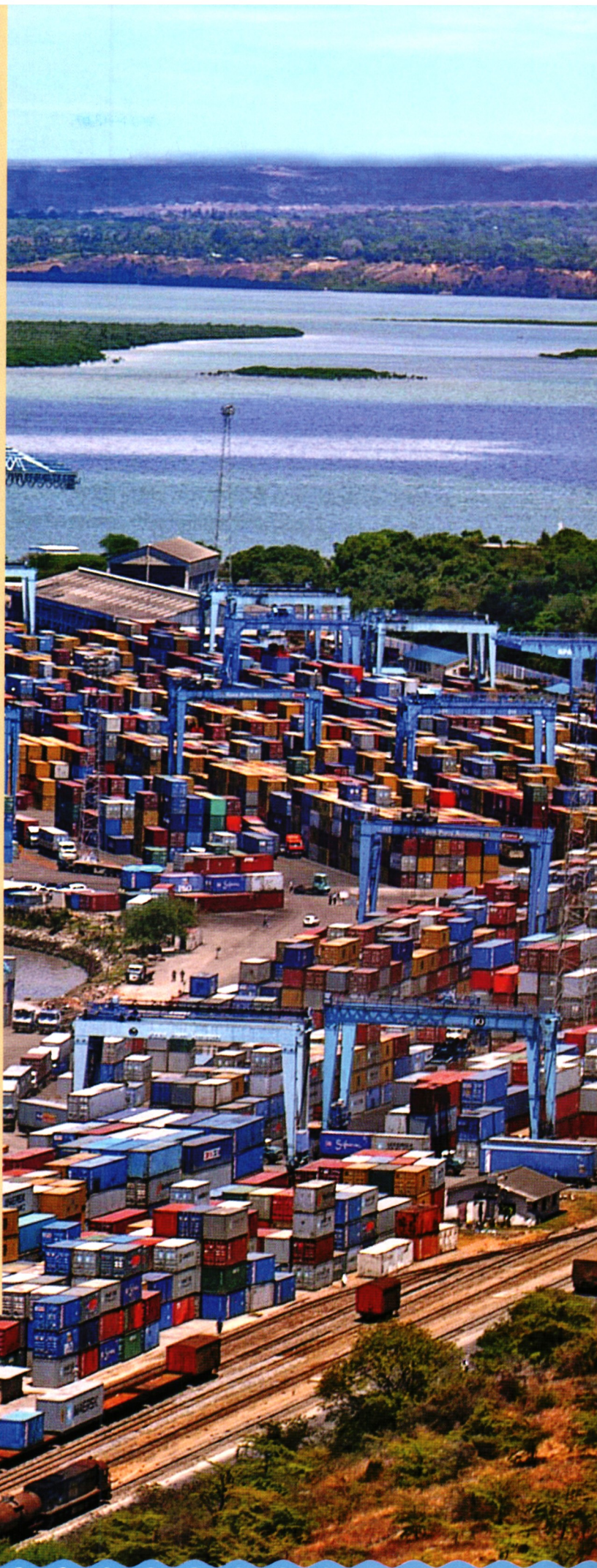
Kenya Commercial Bank Ltd.
Treasury Square Branch
P.O. Box 90254-80100
Mombasa

INDEPENDENT AUDITOR

Auditor General
Office of the Auditor-General
Anniversary Towers, University way
P.O. Box 30084-00100
Nairobi

PRINCIPAL LEGAL ADVISER

Addraya E. Dena
General Manager, Board & Legal Services
Kenya Ports Authority Administration Block, Kipevu
P.O. Box 95009-80104
Mombasa



Five Year Financial Review

Statement of Profit and Loss

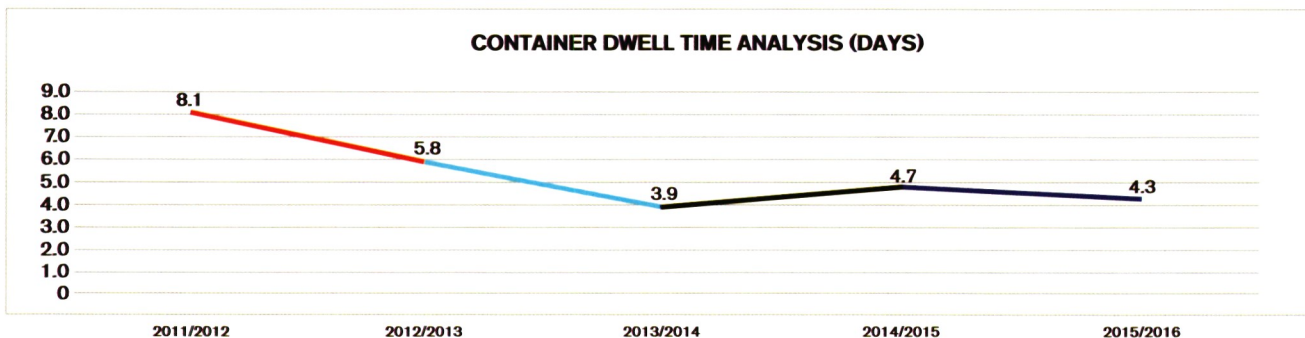
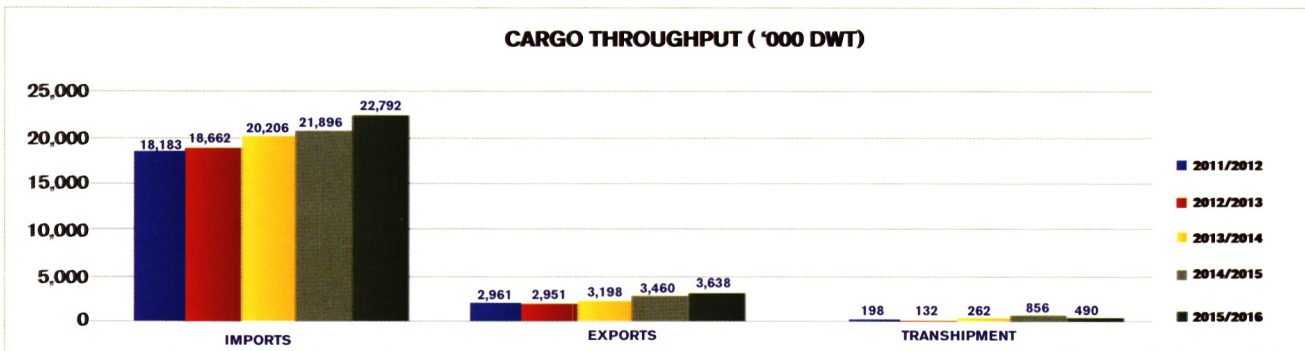
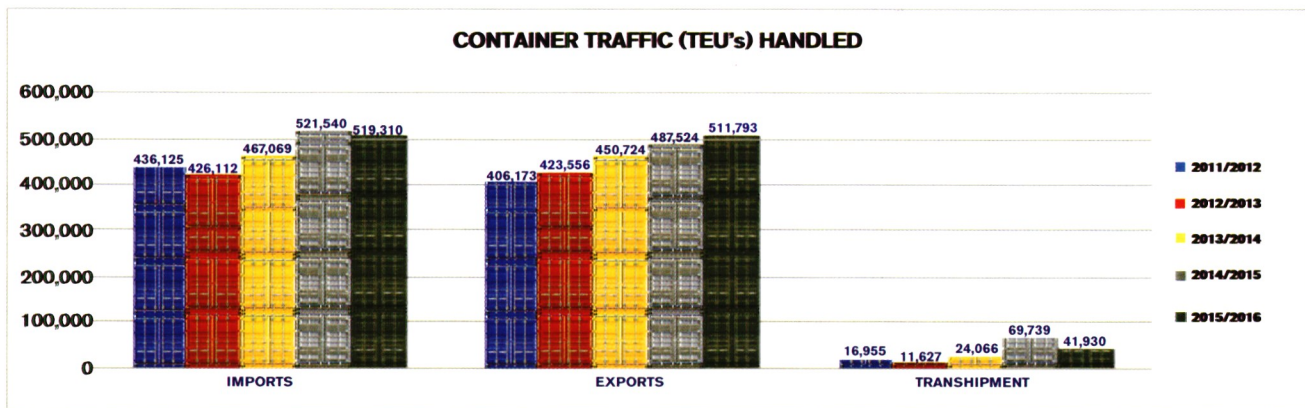
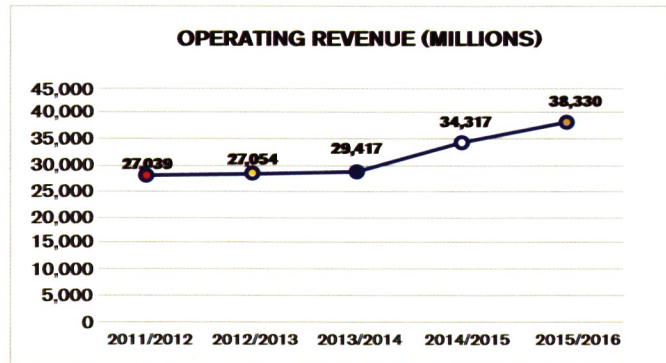
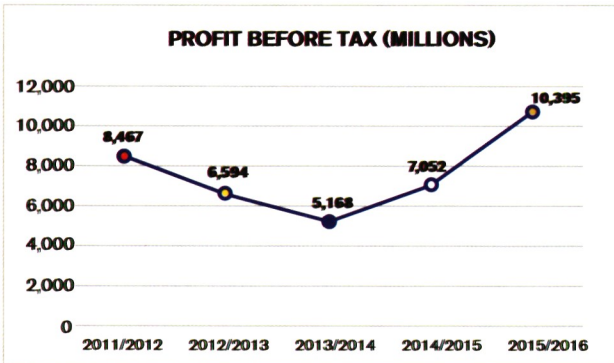
	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Operating Revenue	38,330,411	34,317,150	29,416,696	27,054,242	27,038,707
Gain/(Loss) on disposal of non-financial assets	3,645	(119,031)	21,004	28,446	(27,569)
Other Incomes	497,715	483,413	504,291	491,018	489,753
TOTAL REVENUES	38,831,771	34,681,532	29,941,991	27,573,706	27,500,891
LESS EXPENSES:					
Administrative Expenses	(3,194,375)	(2,412,340)	(1,820,730)	(2,019,505)	(1,762,862)
Establishment Expenses	(16,142,193)	(15,959,087)	(14,341,753)	(13,093,966)	(11,215,390)
Other Operating Expenses	(3,600,009)	(3,270,797)	(2,467,565)	(2,462,023)	(2,449,492)
Depreciation of PPE	(6,423,577)	(6,100,239)	(6,448,331)	(3,177,426)	(2,601,564)
Amortisation of Intangible assets	(193,852)	(673,149)	(523,442)	(217,395)	(62,255)
Total Operating Expenses	(29,554,006)	(28,415,612)	25,601,821	20,970,315	18,091,563
Operating Profit	9,277,765	6,265,920	4,340,170	6,603,391	9,409,328
Finance Income	1,711,995	896,544	892,996	506,227	431,842
Finance Cost	(501,930)	(146,293)	(104,920)	(163,677)	(473,235)
Impairment (Loss)/Gain	(92,652)	35,935	39,859	(352,236)	(901,040)
Profit before Tax	10,395,178	7,052,106	5,168,105	6,593,705	8,466,895
Tax Charge	(3,760,470)	(3,113,360)	(2,585,221)	(1,995,555)	(3,286,941)
Profit after Tax	6,634,708	3,938,746	2,582,884	4,598,150	5,179,954

Five Year Financial Review

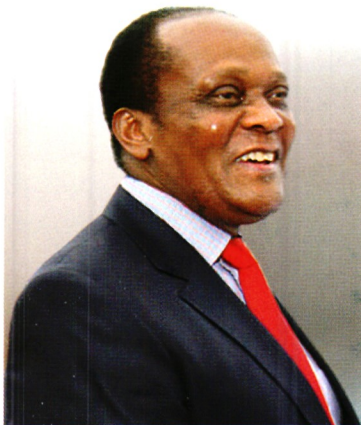
Statement of Financial Position

	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
NON-CURRENT ASSETS:					
Property Plant and Equipment	123,242,840	108,495,047	102,949,735	70,659,417	60,871,440
Intangible Assets	314,333	197,580	785,972	541,509	315,416
Assets held for Sale	934	0	0	0	0
Leased Property	814,772	857,251	899,730	171,406	178,012
Long-Term Investment	731,288	725,052	716,697	707,990	699,510
Retirement Benefit Asset	3,808,000	3,675,000	0	0	0
Total Non-Current Assets	128,912,167	113,949,930	105,352,134	72,080,322	62,064,378
CURRENT ASSETS:					
Inventories	381,501	335,212	313,027	331,490	281,413
Receivables & Prepayments	7,225,670	6,324,493	4,408,826	3,314,408	2,866,355
Tax Paid in Advance	814,510	0	0	1,357,325	0
Short-Term Deposits	12,540,442	9,237,884	10,972,612	2,684,415	3,020,979
Bank & Cash Balances	599,073	814,571	684,406	559,579	1,031,412
Total Current Assets	21,561,196	16,712,160	16,378,871	8,247,217	7,200,159
TOTAL ASSETS	150,473,363	130,662,090	121,731,005	80,327,539	69,264,537
CAPITAL AND RESERVES:					
Revaluation Reserves	48,084,237	52,525,540	58,763,932	24,616,679	24,846,131
Capital Reserves	0	0	0	14,797,010	14,797,010
General Reserves	61,741,226	49,353,730	34,253,139	18,727,740	13,792,024
Grants	106,268	121,196	428,422	0	0
Total Capital and Reserves	109,931,731	102,000,466	93,445,493	58,141,429	53,435,165
NON-CURRENT LIABILITIES:					
Borrowings	25,384,171	18,016,546	15,747,736	12,001,680	6,924,821
Deferred Tax	3,032,682	1,550,537	1,135,671	912,901	512,135
Retirement Benefit Obligations	0	0	1,573,327	1,813,327	1,669,327
GOK Project Funds	6,456,218	4,456,893	4,261,247	1,381,374	731,374
Total Non-Current Liabilities	34,873,071	24,023,976	22,717,981	16,109,282	9,837,657
CURRENT LIABILITIES:					
Borrowings	0	0	847,651	919,296	850,674
Trade and Other Payables	5,668,561	4,552,553	4,025,910	4,917,532	3,496,149
Retirement Benefit Obligations	0	0	240,000	240,000	1,008,000
Current Tax Payable	0	85,095	453,970	0	636,892
Total Current Liabilities	5,668,561	4,637,648	5,567,531	6,076,828	5,991,715
Total Capital & Liabilities	150,473,363	130,662,090	121,731,005	80,327,539	69,264,537

Port Performance



Board of Directors Profiles



Major (Rtd.) Marsden Madoka, K.St.J, EGH (born 1943)

He was appointed Chairman of the Board on April 2015. He did his army officer cadet training in the UK after his "A" Levels. He trained as a paratrooper and later commanded the Independent Parachute Company. He took courses on Intelligence, Strategic Planning and Financial Management. While in the Army he served as an ADC (Aide de Camp) to Mzee Jomo Kenyatta, Kenya's first President in 1966/67 and held various other senior appointments. He joined Kenya Breweries and E.A.B.L and served as Director of Personnel. He has wide experience in Human Resource Management and Corporate Governance. In 1997, he was elected as a Member of Parliament and was appointed Minister of State in the Office of the President in charge of Internal Security and Provincial Administration and later the Minister of Foreign Affairs.

He was bestowed by her Majesty Queen Elizabeth of UK a Knighthood as a Knight of Justice (K.St.J.). He is also an Elder of the Golden Heart of Kenya, EGH.



Catherine Mturi-Wairi, (born 1968)

Managing Director

She holds an MBA (Strategic Management), Bachelor of Science (Hons) – Finance & Accounting degrees from United States International University, Nairobi. She is a Certified Public Accountant (K), Certified Public Secretary (K) and a SAP Consultant, Finance. She is also a member of Institute of Directors, Kenya Institute of Management, Women in Marine Sector in East and Southern Africa and Association of Women Accountants of Kenya (AWAK).



Wilson Irungu Nyakera, PS MoTI (born 1982)

He holds a Diploma in Management Information Systems, a Bachelor's degree in Management Science Engineering from Stanford University in California, United States holds a Master's in Finance and Decision Engineering. He has worked with Citi Group in London after graduating from Stanford University in 2007. He later joined NIC Bank in 2008 as the senior associate of NIC Capital Investment Bank rising through the ranks from Deputy General Manager, General Manager then Managing Director. He has also worked as the Regional Head of East and Southern Africa at Frontier Markets Fund Managers, Guarantco and also Equity Bank where he helped to start the Equity Investment Bank as Managing Director until his appointment to the Government.



Henry Rotich, EGH, Cabinet Secretary, National Treasury

He holds a Master's Degree in Economics and a Bachelor's Degree in Economics, both from the University of Nairobi. He also holds a Master's Degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University, USA.

Mr. Rotich is charged with managing Kenya's national government finances, including spearheading an efficient and sustainable public financial management under a new devolved system of governance. Prior to his elevation as a Cabinet Secretary, Mr. Rotich was the Head of Macroeconomics at the Ministry of Finance, since March 2006. Before then, he worked at the Research Department of the Central Bank of Kenya since 1994. Between 2001-2004, he was attached to the International Monetary Fund (IMF) local office in Nairobi to work as an economist.

Mr. Rotich has also served as a Director on several Boards of State Corporations, including Industrial Development Bank, Communications Authority of Kenya, amongst others.



Valentine Mwakamba, (born 1958)

He was appointed to the Board on November 2015. He holds a Diploma in Business Administration. He has commendable experience in the coffee sector having served with Coffee Marketing Board (U) Ltd in various capacities within East Africa. He's also served in the Kenya National Chamber of Commerce & Industry (KNCCI) as both branch Secretary - Mombasa and in charge of the Membership Standing Committee. He's also a Manager of Linu Agencies (K) Ltd.



Kennedy Ogeto, (born 1962)

He joined the Board in September 2015. He holds a Bachelor of Laws (LLB) and a Master of Laws (LLM-Commercial Law) both from the University of Nairobi with a Diploma in Legal Practice from Kenya School of Law and is also a CPS(K). He is an Advocate of the High Court of 23 years standing with considerable experience in International and Municipal Law. He is a Managing Partner with Ogetto, Otachi & Co. Advocates. He has been a member of teams of legal counsels that have represented notable and distinguished persons and organisations in various legal proceedings locally and globally, co-authored a book and possesses wide experience in Public Procurement Law.



Michael Maina, (born 1980)

He joined the Board in December 2014. He holds a Bachelor of Science in Business Administration (Finance) from Goldey Beacon Delaware-USA. He is the Managing Director of Chester Springs Group of Companies, has been the Managing Director Parts Distribution X-Press and Account Manager Discover Card Services. He is a member of Naipolitan and St. John Ambulance as well as a youth mentor with MYSA.



Hafswa Abdalla Dele, (born 1984)

She joined the Board in September 2015. She holds a Bachelor of Business Management (Major in Finance & Banking and a Minor in Marketing & Human Resource) from Moi University and pursuing MBA (Operations Management) at the University of Nairobi. She is currently a Managing Director at Manizle Agencies.



Steven L'Okedi Ogowapit, BArch, RIBA, MAAK (born 1971)

He joined the Board in September 2015. He is a registered Architect (2002) and holds a Bachelor of Architecture (BArch) from the University of Nairobi and a Diploma in Business Administration (KIA). He is a member of Chartered Architect (2005), Royal Institute of British Architects (RIBA) and a Corporate Member of Architectural Association of Kenya (MAAK). He's been Chairman and Secretary of the Architectural Association of Kenya (AAK) Mombasa Branch. Currently, he is the Principal at Architronic Architects, an architectural practice registered in 2003 with a portfolio of numerous projects undertaken locally. In service to the community, he has held various positions with Rotary Club of Bahari Mombasa, Round Table Mombasa 2007 and Round Table of Eastern Africa 2014-2015.



Eng. Fredrick Kirui Kipnetich, (born 1974)

He joined the Board in September 2015. He is a registered Engineer with Engineers Registration Board (ERB) Kenya, member of the Institution of Engineers of Kenya and Registered Lead Expert, NEMA. He holds a Bachelor of Science from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and Masters in Civil Engineering from University of Nairobi. He has over 15 years experience in Water, Sanitation/Drainage and Irrigation Engineering and additional experience in GIS, Remote Sensing and Water Resources Modelling. He is also a lecturer at JKUAT and Kenyatta University, Director DELTA Consulting and Management Ltd and Chairman Board of Management Taita Towett Boys High School.



Atanas K. Maina, LLB Hons, Dip Law, FCPSK ., ACI Arb. (born 1966)

Mr. Maina is currently the Managing Director, Kenya Railways. Until his appointment, Mr. Maina was the General Counsel and Group Company Secretary at UAP Holdings Limited. He is an Advocate of the High Court of Kenya and a Certified Public Secretary (CPS-K). He previously worked with KR as Corporation Secretary and Head of Legal Services for seven (7) years. He was involved in the restructuring of the Kenya Railways between 2004 and 2011. Mr Maina, brings more than 20 years' experience in corporate and commercial law, corporate governance, management and administration, capital restructuring, mergers & acquisitions and transport and logistics to the corporation.



Addraya Dena (Ms.), (born 1970)

General Manager, Board and Legal Services

She holds a Bachelor of Laws LLB (Hons) degree from the University of Nairobi and a Diploma from the Kenya School of Law. She is also an Advocate of the High Court of Kenya and a Certified Public Secretary Kenya (CPS-K).

She is the Board Secretary and oversees the Contracts & Conveyance Department, Litigation & Disputes, Ethics & Integrity including Insurance & Claims and Archives and Maritime Museum.



Senior Management Team



Catherine Mturi-Wairi

Managing Director

She holds an MBA (Strategic Management), Bachelor of Science (Hons) – Finance & Accounting degrees from United States International University, Nairobi. She is a Certified Public Accountant (K), Certified Public Secretary (K) and a SAP Consultant, Finance. She is also a member of Institute of Directors, Kenya Institute of Management, Women in Marine Sector in East and Southern Africa and Association of Women Accountants of Kenya.



Addraya Dena (Ms.)

General Manager, Board and Legal Services

She holds a Bachelor of Laws LLB (Hons) degree from the University of Nairobi and a Diploma from the Kenya School of Law. She is also an Advocate of the High Court of Kenya and a Certified Public Secretary Kenya (CPS-K).

She is the Board Secretary and oversees the Contracts & Conveyance department, Litigation & Disputes, Ethics & Integrity including insurance & claims and Archives and Maritime Museum.



Patrick Wambugu Nyoike

Ag. General Manager, Finance

He holds a Masters Degree in Business Administration (MBA) and a Bachelor of Commerce Degree (Accounting) both from the University of Nairobi. He is a member of the Association of Financial Analysts (AFA), a Certified Public Accountant, CPA(K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

He is responsible for Financial Accounting, Management Accounting, Commercial and Procurement and Supplies Departments.



Amani Yuda Komora

General Manager, Human Resources and Administration

He Holds a Master of Science Degree from Jomo Kenyatta University of Agriculture & Technology (JKUAT) and is pursuing a Doctorate Degree in HR.

He is a member of the National General Wages Council (GWC) under the Labour Institutions Act, 2007, Federation of Kenya Employers (FKE) Coast Chapter Regional Committee, the Interim Governing Council of the Institute of Human Resource Management (IHRM) and a member of the Executive Committee-IHRM Coast Chapter.

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

Senior Management Team Continued



Engineer Joseph Atonga

General Manager, Engineering Services

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

His docket includes Mechanical Engineering, Terminal Engineering and Marine Engineering.



Engineer Abdullahi Samatar

General Manager, Infrastructure Development

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

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



Sudi Mwasinago

General Manager, Operations

He holds a Masters Degree in Maritime Affairs Science with a bias in Port Management from the World Maritime University in Malmo, Sweden. He has also attended the African Development Programme and studied Container Terminal Operations course at the University of Montana, School of Business Administration in the United States of America.

His docket includes all operations in the Conventional Cargo, Marine, Inland Container Depots and Container Terminal, Marine Operations, Logistics and Safety with a focus on overseeing development and implementation of port cargo operations, marine, logistics and Port safety policies and procedures.



Edward Kamau

General Manager, Corporate Services

He holds a Master in Business Administration, Bachelor of Commerce Degree (Marketing) both from the University of Nairobi and a postgraduate Diploma from the UK's Diageo Academy.

He is in charge of Corporate Development (Corporate Planning, Statistics & Research), Marketing (including Liaison offices of Uganda, Burundi & Rwanda) Corporate Affairs (Corporate Communication, Media & CSR) and ICT.



Major (Rtd.) Marsden Madoka, EGH, K.St.J
CHAIRMAN

“INVESTMENTS IN
INFRASTRUCTURE...
AS WELL AS THE
ECONOMIC GROWTH
OF THE ENTIRE REGION
IS NECESSARY”

Chairman's Statement

It gives me great pleasure to present the Kenya Ports Authority Annual Report and Financial Statements, on behalf of the Board of Directors, for the year ended 30th June, 2016.

This year's performance was impressive, with revenue from operating activities amounting to KShs. 38,330 million, compared to KShs. 34,317 million in the year 2014/15. This was a growth of 11.69 percent. The Profit before tax was also impressive, at KShs. 10,395 million compared to the performance contract target of KShs. 7,305 million and last year's 7,052 million. Capital expenditure during the period was KShs. 21,747.2 million bringing the development index to 42.3% which surpassed the performance contract target of 36.05% for the year.

During the year, Kenya received accolades in a global exhibition and conference on sea trade cruise for topping the list of countries with attractive ports and sceneries and promoting cruise tourism, under the umbrella of the Cruise Indian Ocean Association (CIOA). The World Travel Awards voted Mombasa Port as Africa's best cruise port and praised Kenya for being on the right track and making notable strides after the piracy setbacks that discouraged vessels to the port of Mombasa.

The Authority is upbeat and looking forward to working closely with key government agents in the sector and other stakeholders within East and South Africa region and the Islands to promote cruise tourism in Kenya. There is therefore need for the Authority to build a presentable cruise terminal now that the region has started regaining its lost glory in cruise tourism, thanks to the efforts of the Kenya Defense Forces and naval forces of the international community.

Corporate Social Responsibility

As the Authority continues to achieve the set strategic objectives, it considers Corporate Social Responsibility as an integral part of its core values. The Authority cares for its staff, the communities around and is sensitive to the environment within which it operates.

During the year, the Authority spent KShs. 38.16 million in various Corporate Social Responsibility initiatives, aimed at impacting positively on the lives of respective communities. These Corporate Social Responsibility activities were mainly focused on education services, religious initiatives, charity events and response to distress calls.

Dividends

The directors recommend a dividend payout of KShs. 497.6 million, which is 7.5% of the profits after tax, to the National Treasury in line with the dividend policy approved by the Board of Directors.

Future Outlook

Investments in infrastructure, aimed at improving competitiveness and widening the revenue base of the Authority, as well as the economic growth of the entire region are necessary. Several projects have been prioritised in the current business plan, for implementation. Some of the projects include the operationalisation of phase 1 and the construction of phases 2 & 3 of the second container terminal, the relocation of the Kipevu Oil Terminal, feasibility study for Shimoni Port, the construction of the first three berths of Lamu port, the conversion of berths 11-14 to container berths, equipment upgrade and modernisation, among others.

Appreciation

I take this opportunity to thank our customers and my colleagues in the Board for supporting me in providing leadership over the business over the past year. Their commitment contributed immensely to our performance in the year just ended. I commend management and staff for working tirelessly to achieve the level of business growth that we witnessed during the year. I am confident that they will spare no effort to attain and surpass the targets we have set for the new financial year and according to the 2015/16 - 2017/18 business plan.

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

God bless you all.

Major (Rtd.) Marsden Madoka, EGH, K.St.J
CHAIRMAN

42.3%
Development
index from
36.05%

11.7%
Growth in revenue
from operating
activities.

47.4%
Increase in profit
before tax.



Catherine Mturi-Wairi
MANAGING DIRECTOR

Managing Director's Port Review

INTRODUCTION

Over time the Authority has transformed itself towards becoming a world class institution, in-line with the vision "World Class Seaports". We have continued to aim higher towards greater competitiveness and efficiency in port operations. The Authority is keen on positioning the Port as a competitive regional hub and remains committed to operational excellence and quality services that exceed customer expectations.

Operational Performance

During this financial year (2015/16), the port handled an overall total cargo throughput of 26,430,000 Deadweight Tonnes (DWT), compared to 26,209,202 DWT realised in 2014/15; this was an increase of 220,798 DWT. There was however a reduction in the handling of transshipment cargo, which posted 490,000 DWT compared to 856,177 DWT registered in the year 2014/15. Similarly container traffic declined by 4,611 Twenty-foot Equivalent Units (TEUs) or 0.43 percent recording 1,073,033 TEUs in the year 2015/16 down from 1,077,644 TEUs handled in 2014/15.

The average berth occupancy during the year was 71.8 percent compared to 76.2 percent registered in the year 2014/15. There was also an improvement in the average waiting days per ship, with a net of 1.87 days compared to 2.99 days the previous year.

The average tonnage of dry cargo handled per ship's working day has been on an increasing trend, recording 6,493 in 2015/16 compared to 4,375 in 2014/2015. This was attributed to modern and efficient equipment, committed staff and the 24/7 work schedule adopted by the Authority.

Financial Performance

The Authority realised Total Revenues amounting to KShs. 40,544 million during the financial year ended 30th June, 2016, compared to KShs. 35,578 million during the financial year ended 30th June, 2015. This represents a growth of 14 percent, attributed to the growth in cargo through put and the depreciation of the Kenya shilling during the period. The total operating expenditure grew by 5.23 percent to KShs. 30,056 million from KShs. 28,562 million. The capital expenditure during the year was KShs. 21,747.2 million compared to last year's KShs. 11,603.7 million, consequently increasing the assets base by 13.1 percent from KShs. 113,950 in the year 2014/15 to KShs.128,912 million in the year 2015/16.

Investments

The Authority has escalated developments in infrastructure and modernisation of equipment to improve capacity as well as efficiency. Notable infrastructural developments include the Kipevu container terminal, which was completed in February 2016 and handled its maiden ship in April 2016. This new ultra-modern terminal has a capacity of 550,000 TEUs and raises the total port capacity to 1.5 million TEUs.

Other infrastructural projects completed during the year include repaving the container stacking yards by 18000 square meters, repaving of roads within the port, rehabilitation of verification sheds and Marine Engineering workshops, sheltering of slipways and the expansion of gates.

The ongoing equipment modernisation programme saw the Authority acquire 5No. Ship to Shore Cranes (including 2No. for the Kipevu

Container Terminal) 4No. Rubber Tyred Cranes for the Kipevu Container terminal, 8No. Empty container Handlers, 8No. Forklift trucks and 1No. 75 tonne mobile crane.

Other projects lined up for implementation in the near future include:

- Second Container Terminal Phase II
- Conversion of Berths 11 - 14 into Container Berths
- Relocation of KOT
- Lamu Port - construction of the first three berths
- Rehabilitation of ICDs

Strategic Plan

KPA aims at positioning itself as a world class seaports of choice and has a clear vision for development, having established a balanced structure for strategic objectives and goals, for the period 2015/16 to 2017/18. In the recent past, the Authority has undergone organisational transformation through the re-engineering of business processes, as well as the establishment of performance measurement tools, including the Wajibika program, change management, the balanced scorecard and the time management systems. These are aimed at the achievement of financial sustainability, competitiveness through high productivity and efficiency, modern equipment, infrastructure, productive manpower and stakeholder engagement among others. The strategic plan strives to put Kenya Ports Authority at the forefront in the development of the port and the region, in line with the Government of Kenya Medium Term Plan II and vision 2030

Risk Management

In view of the nature of work undertaken by KPA and the size of its operations, there are risks that are peculiar to the Authority's business. The risks relate to potential revenue loss, low throughput and profitability arising from negative externalities. The purpose of risk management is to identify such risks early before they mature and develop strategies to mitigate them. The Authority recently undertook capacity building and training on risk management for all staff, management and the Board and each department developed a risk register, which has been incorporated in the quality operating system processes. We however continue with periodic review of the quality operating system processes to incorporate emerging business trends.

Service Delivery and the Fixed Berthing Window System

In line with our core values of excellence, integrity, team work and social responsibility, the Authority operates a

24 hour working system to ensure delivery of quality and competitive port services that exceed customer expectations.

The Authority introduced the Fixed Berthing Window System at Berths No. 16 to 19. This system allocates berth slots to specific shipping lines and services so as to improve reliability of ship turnaround time. The system was introduced on trial basis, but has picked very well and has successfully resolved the challenges that the Authority faced with delays in the handling and clearing the vessels.

Safety, Health and Environment

Businesses are responsible for achieving good environmental practice and operating in a sustainable manner. The Authority is therefore committed to reducing environmental impact and continually improving environmental performance as an integral and fundamental part of business strategy and operating methods. It is our priority to encourage our customers, suppliers and all business associates to do the same.

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

This year saw the Authority embark on the process of implementing the green port policy whereby a number of environmental projects were initiated such as planting of about 7,000 trees in the five coastal counties, removal of asbestos roofing from all workshops and stores at the New Services area (Kapenguria) and replacing them with aluminium sheets, installing of water storage tanks and solar power panels on some of our workshops and procurement of eco-hoppers with the purpose of addressing air pollution as a result of handling of bulk and dusty cargoes at the conventional berths.

Appreciation

I would like to thank our customers and the Board for their support as well as the dedicated and talented staff for their efforts in making sure that the Authority achieves its goals and objectives. I also appreciate our service providers, the national & regional Governments and all other stakeholders for their respective contributions to the Authority during the year. I look forward to continued support as we strive to transform Mombasa Port to the port of choice in East and Central Africa.



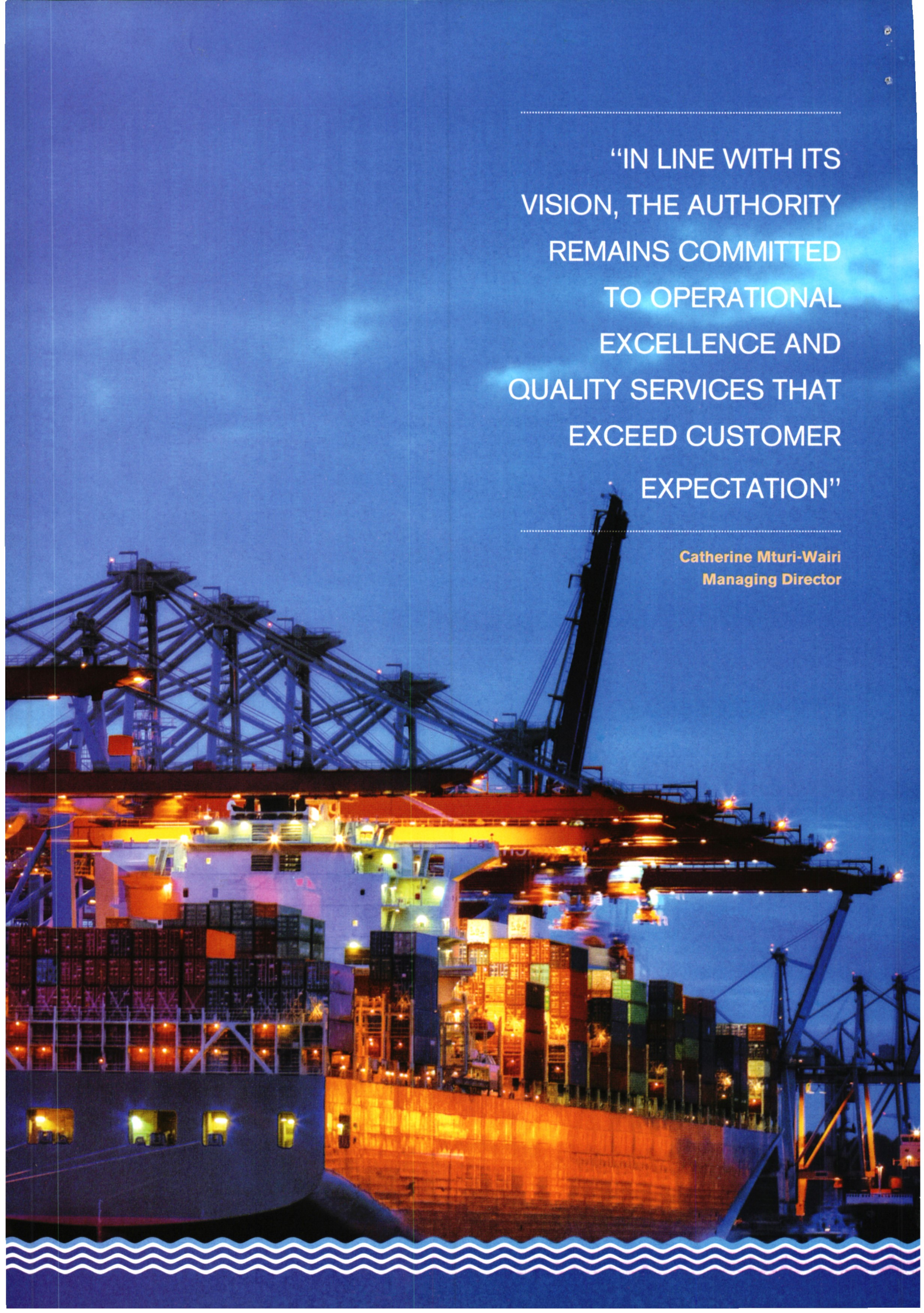
Catherine Mturi-Wairi
MANAGING DIRECTOR

.....

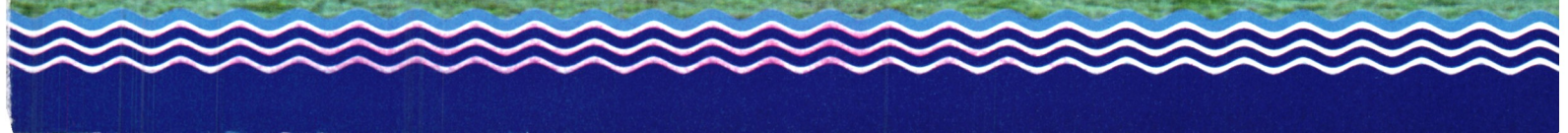
“IN LINE WITH ITS
VISION, THE AUTHORITY
REMAINS COMMITTED
TO OPERATIONAL
EXCELLENCE AND
QUALITY SERVICES THAT
EXCEED CUSTOMER
EXPECTATION”

.....

Catherine Mturi-Wairi
Managing Director



REPORT OF THE AUDITOR GENERAL



REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Ports Authority (KPA) set out on pages 40 to 93, which comprise the statement of financial position as at 30 June 2016, and the statement of Comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and believe, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

Report of the Auditor-General on the Financial Statements of Kenya Ports Authority for the year ended 30 June 2016

Promoting Accountability in the Public Sector

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1.0 Property Plant and Equipment

1.1 Alienated Properties

The statement of financial position as at 30 June 2016 reflects property plant and equipment balance of Kshs.123,242,840,000. The balance includes leased land valued at Kshs.6,162,840,000 and land and buildings valued at Kshs.22,384,283,000.

Information availed for audit indicated that twenty nine (29) properties valued at Kshs.313,400,000 belonging to the Authority were invaded by third parties. The management indicated that the invaders had purportedly acquired ownership rights over the properties and undertaken developments on the lands. The Authority has filed suits in various law courts which are pending determination, as outlined in the attached appendix marked I.

1.2 Land Without Title Documents

Included in the property plant and equipment balance of Kshs.123,242,840,000 for the year ended 30 June 2016 is land and buildings valued at Kshs.22,384,283,000 owned by the Authority. However, documents availed for audit review indicated that the Authority did not have title deeds for thirty four (34) parcels of land valued at Kshs.3,478,490,000, as shown in the attached appendix marked II.

Although the management has engaged a consultant to conduct verification of all its properties, no documents were presented for audit to confirm that the parcels were owned by the Authority and were free from encumbrances.

1.3 Idle Parcels of Land

As reported in previous years, the property and equipment balance of Kshs.123,242,840,000 as at 30 June 2016 includes 14 pieces of land measuring about 263.47 hectares and valued at Kshs.660,932,445 which are not utilized at all, as detailed in the attached appendix marked III.

Although the management has drawn a proposed action plan for each parcel of land, the envisaged actions have not been executed and therefore the status of the lands remains as reported in the previous year.

1.4 Reclaimed Land

1.4.1 Excision of Part of Harbour Area

As similarly reported in the previous financial year, KPA tariff book pronounces all the tidal waters encircling the Mombasa Island as harbour area. However, a firm of private developers has reclaimed part of the tidal waters encircling the Island adjacent to the Kenya Ports Authority offices.

The Authority vide a letter ref TSM/3/1/03 dated 20 September 2010 inquired from the firm why it was reclaiming land whose reallocation had not been communicated to the Authority. On 17 December 2015 the National Land Commission vide letter ref NLC/CHAIRMAN/VOL.XIII/310 notified the firm that some of land parcels (ref LR NO.MN/VI/4789, LR NO. VI 4180, 3819 and 3823) would be considered as reclaimed lands which according to the Commission, amounted to land allocations that required sanction by the Commission. The Commission requested the firm to submit for a letter of application for and approval to reclaim the land. The Commission further ordered for immediate cessation of any development on the land and its environs until the matter was determined.

In the year under review, the Authority did not provide any indication that the National Land Commission had sanctioned reclamation of the land and that the Minister responsible for transport had permitted change of the harbor area as required by Section 34 of the KPA Act Cap 391.

The developer has, therefore, illegally excised part of the harbor area and proceeded to develop the same against instructions issued by the National Land Commission.

1.4.2 Approval of Access Road

As similarly reported in the previous financial year, the Authority's Board approved construction by the same developer of a road linking the reclaimed parcels of land to the Port through a route on parcel MSA/BLOCK 1/691 reclaimed through dumping of material from the Port. The road is restricted for use by the developer only who has installed a weighbridge built and an office. The Authority indicated that the title for the reclaimed land was acquired by the developer on behalf of the Authority at the developer's cost. The reclaimed land forms part of the harbor area which can only be changed through a gazette notice issued by the Minister responsible for transport and not by the Authority's board or management.

The management has not explained how the developer applied for and acquired the title for the irregularly reclaimed land on behalf of the Authority and who authorized the management to initiate the transaction. The Authority therefore violated Part IV Section 8(e) of KPA Act that requires the board to ensure that no particular person or body is given any undue preference or advantage.

In light of the foregoing, it has not been possible to ascertain the accuracy, completeness and ownership of the property, plant and equipment balance of Kshs.123,242,840,000 as at 30 June 2016.

2.0 Intangible Assets

As reported in the previous financial year, the statement of financial position as at 30 June 2016 reflects intangible assets net balance of Kshs.314,333,000. The total costs as disclosed in Note 14 to the financial statements amounted to Kshs.496,354,000 which included Kshs.415,436,572 being cost of purchase software (Kwatos). However, a visit to marine operation offices revealed that the marine operating system procured as a part of Kwatos at a cost of Kshs.38,160,000(US\$ 522,750) was not in use and as a result, the marine operations department was recording vessel tracking data manually and transmitting it physically to the finance department for billing. The contract between the software vendors and the authority provided for integration of the software with Systems Application and Products (SAP) which however, had not been done at the time of the audit.

The asset has been fully depreciated in the Authority's books but there is no evidence that the Authority has derived any benefit from the asset since it was procured. Further, the Authority incurs maintenance costs amounting to Kshs.13,549,994 (US\$ 157,557.49) annually since the year 2010 being annual maintenance fees for the system.

In the circumstances, it has not been possible to confirm the validity of Kshs.38,160,000 in intangible assets of the Authority as at 30 June 2016 and propriety of the annual maintenance fee amounting to Kshs.13,549,994 incurred during the year ended 30 June 2016.

3.0 Receivables and Prepayments

As similarly reported in the previous year's financial report, the receivables and prepayments balance of Kshs.7,225,670,000 as at 30 June 2016, includes a long outstanding balance of Kshs.287,231,000.00 owed by the Ministry of Transport (Treasury/Dredgco). Although the Public Investment Committee in its ninth report recommended that the Chief Executive Officer communicates with both the Ministry and the National Treasury with a view to ensure that the debts are paid to the Authority, no progress has been made in this regard. Further, included in the receivables and prepayments balance are amounts totalling Kshs.591,459,937 in respect of debts owed by three firms which have been outstanding since 2004/2005 financial year. The firms are Kenol Kobil, Kobil Petroleum Limited and Kenya National Shipping Line which owed the Authority Kshs.134,684,891.20, Kshs.431,289,649 and Kshs.25,485,396 respectively.

Further, a Lessee holding a 33 year lease for Kipevu parcel LR No. MN/VI/3957 with the Authority, had an outstanding lease fee amount of Kshs.17,038,735 as at 30th June 2016. Records availed for audit revealed that the lessee's debt had been accumulated since the year 2011 and the Authority had issued the lessee with a

notice of termination dated 13 July 2015. However no money had been recovered from the lessee as at the time of this Audit.

Under the circumstances, the accuracy and completeness of the receivables and prepayments of Kshs.7,225,670,000 as at 30 June 2016 cannot be confirmed.

4.0 Short-term Deposits

The statement of financial position reflects short-term deposits balance of Kshs.12,540,442,000 as at 30 June 2016, an increase of Kshs.3,302,558,000 from balance of Kshs.9,237,887,000 as at 30 June 2015. During the financial year 2015/2016, the Authority invested Kshs.2,957,000 000 with Chase Bank. The bank was placed under receivership by the Central Bank on 7 April 2016 and as at the time of this audit, the Authority had not recovered these funds which had already matured.

Under the circumstance, it has not been possible to confirm recoverability of the short-term deposits totaling to Kshs.2,957,000,000 invested in Chase Bank as at 30 June 2016.

5.0 Current Liabilities

5.1 Trade and Other Payables Variances

The statement of financial position reflects trade and other payables balance of Kshs 5,668,561,000 as at 30 June 2016 as detailed in Note 27 to the financial statements. Included in other payables is general trade payables balance of Kshs.285,978,000, which KPA circularized vide letter referenced FA/12/01 dated July 2016 to 53 suppliers out of which only one supplier (2%) responded. The supplier stated that KPA owed them Kshs.4,730,596.64 and USD 287,708.65 while the Authority acknowledged owing Kshs.3,153,676 39 only resulting to a difference of Kshs.1,576,920.25 and USD 287,708.65 which the Authority's management had not explained as at the time of this audit.

5.2 Long Outstanding Balances

Included in the trade and other payables balance of Kshs.5,668,561,000 as at 30 June 2016 is a general trade balance of Kshs 285,978,000 out of which Kshs.87,843,356.60 is owed to Kenya Oil Company Limited since 2005.

Consequently, it has not been possible to confirm the accuracy and completeness of the trade and other payables totaling to Kshs.5,668,561,000 as at 30 June 2016.

6.0 Irregular Payments of Legal Fees

The statement of comprehensive income for the year ended 30 June 2016 reflects administrative expenses amounting to Kshs.3,194,375,000 which include legal fees amounting to Kshs.388,528,000 as detailed in Note 5 to the financial statements. Review of the legal records availed for audit revealed that the management did not

comply with the provisions of the Attorney-General Circular number AG/CONF/6/E/247/VOL.II which required that;

- (i) hire of services of private legal consultants by National Government entities be approved by the Attorney-General;
- (ii) all material litigation be notified to the Attorney-General within (3) three days after filing of any pleadings and
- (iii) legal fees paid to various law firms be approved and authorized by the Attorney-General.

Consequently, it has not been possible to confirm the propriety of the legal expenses amounting to Kshs.388,528,000 incurred during the year ended 30 June 2016.

7.0 Pension Scheme Expenses

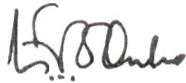
As similarly reported in the previous financial year, the statement of comprehensive income reflects total expenses amounting to Kshs.29,554,006,000 for the year ended 30 June 2016. Included in this amount are expenses paid by the Authority on behalf of the Kenya Ports Authority Pension Scheme amounting to Kshs.51,600,000, as detailed in the attached appendix marked IV.

This was done contrary to Treasury Circular 18/2010-52(10) of 24 November 2010 which requires the employer to meet the set-up costs for the pension scheme only in the first year of its establishment. Although the management has indicated that a process of delinking the pension scheme expenses from the Kenya Ports Authority has been initiated, the process had not been approved as at 30 June 2016.

Consequently, it has not been possible to confirm the propriety of Kshs.51,600,000 paid as pension scheme administration expenses during the year under review.

Qualified Opinion

In my opinion, except for the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Kenya Ports Authority as at 30 June 2016, and of its performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Ports Authority Act, Cap 391 of the Laws of Kenya.



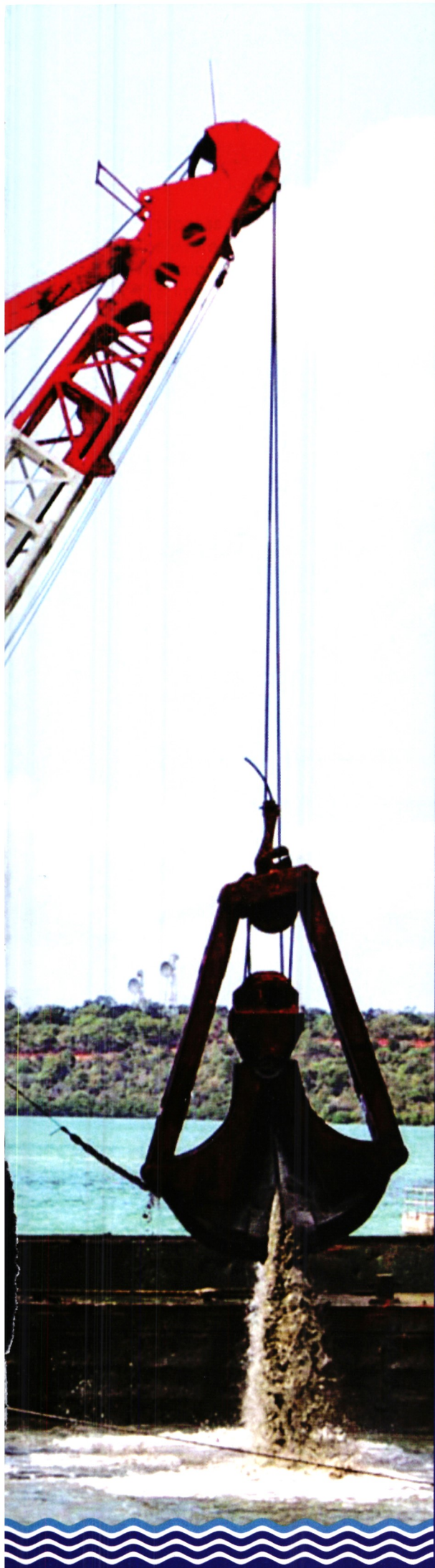
FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

07 July 2017

Report of the Auditor-General on the Financial Statements of Kenya Ports Authority for the year ended 30 June 2016





APPENDICES

Appendices to Office of the Auditor General Report

Appendix I

Properties of the Kenya Ports Authority Invaded by Third-Parties as at 30 June 2016

	Plot No.	Financial Statement value Kshs	Allocated To	Status	Case No / Lawyers
1.	XLVII/111 0.2833 Ha	0	Robert Mutiso P. O. Box 285587 Nairobi	2.No.semi-detached staff quarters. Authority's employees in occupation	HCCC No.495/01 Timamy & Co. Advocate A.B.Patel & Patel Advocates
2.	XLVII/112 0.7503 Acres	80m	Stone Wave Limited P. O. Box 82576 Mombasa Directors Abbasali A.G. Dossa Naushad A. Merali	Warehouses	HCCC NO. 499/01 Timamy & Co. Advocate A.B.Patel & Patel Advocates
3.	XLVII/113 0.535 Acres	31m	Supernova Properties P. O. Box 82077 Mombasa Directors Ashok L.Doshi Doshi Group of Companies	An office block has been constructed on the plot	HCCC NO. 40/05 Timamy & Co. Advocate A.B.Patel & Patel Advocates
4.	XLVII/114 0.363 Acres	19.8m	Suntania Limited P. O. Box 87270 Mombasa	A boundary stone wall has been built on the plot	HCCC NO. 40/05 Timamy & Co. Advocate A.B.Patel & Patel Advocates
5.	XLVII/115	23.2m	Freight Constructions Services	Boundary wall and offices constructed on the plot	HCCC No.43/05 Timamy & Co. Advocate A.B.Patel & Patel Advocates
6.	XLVII/116	35m	Freight Constructions Services	Boundary wall and offices constructed on the plot	HCCC No.43/05 Timamy & Co. Advocate A.B.Patel & Patel Advocates
7.	XLVII/117 0.558 Acres	22.9m	Nature System Limited P. O. Box 19002 Nairobi Directors Abdul-Gaffur Abdulgani Pastor Abdulgani Abdul-Gaffur Pastor	Boundary wall constructed	HCCC No. 496/01 Timamy & Company Advocates A.B.Patel & Patel Advocates

8.	XLVII/118	51.1m	TSS Grain Millers P. O. Box 85039 Mombasa	Boundary wall Constructed	HCCC No.41/2005 Timamy & Company Advocates A.B.Patel & Patel Advocates
9.	XLVII/179 0.0336 Ha	0	Akaba Investment P. O. Box 8997 Mombasa Directors Abdikarim Shigog	Construction had commenced but was stopped through a Court Order	HCCC No.124/01Karigithu & Company Advocates
10.	1/469 0.2501 Ha	0	Hydery (P) Limited P. O. Box 82576 Mombasa Masumali G. Merali Naushad A. Merali	Warehouse built on plot	No court case
11.	XXVII/508 0.1278 acres	0	Essam Properties P. O. Box 82578 Mombasa Directors Masumali G. Merali Naushad A. Merali	KPA house demolished. A boundary stone wall built on the plot	HCCC No. 497/01 Timamy & Co. Advocates A.B.Patel & Patel Advocates
12.	XXVI/928 0.900 acres	0	Kilifi Gardens Limited P. O. Box 82576 Mombasa Directors Masumali G. Merali Naushad A. Merali	KPA house demolished. A boundary wall built around the plot.	HCCC No. 498/01 Timamy & Company Advocates A.B.Patel & Patel Advocates
13.	XXVI/1001 0.1805 Ha	6m	Wayland Limited P. O. Box 12416 Nairobi Directors Not on company registry database Geometer Ltd – Directors Godon Wayumba , Alice Ochieng , Francis Odhiambo	KPA house occupied by OCPD Port	HCCC No. 500/01 Timamy & Company Advocates A.B.Patel & Patel Advocates
14.	XLVII/149	0	Osman Taraab and Zera Taraab	Warehouses	No court proceedings
15.	XLVII/150 0.1551 Ha	0	Sunnex Ent. Limited P. O. Box 82077 Mombasa Directors Ashok L.Doshi Doshi Group of Companies	Plot created from road reserve on either side of road at Dockyard and adjacent to Port fence	No record of court proceedings

16.	XLVII/151 0.450 Ha	0	Venezia Ent. Limited P. O. Box 86029 Mombasa Directors Abdul-Gaffur Abdulgani Pasta Abdulgani Abdul- Gaffur Pasta	As above. No development	No record of court proceedings
17.	XLVII/152 0.450 Ha	0	Venezia Ent. Limited P. O. Box 86029 Mombasa Abdul-Gaffur Abdulgani Pasta Abdulgani Abdul- Gaffur Pasta	As above	No record of court proceedings
18.	XLVII/153 0.450 Ha	0	As above	As above	As above
19.	XLVII/154 0.0450	0	As above	As above	As above
20.	XLVII/155 0.0675 Ha	44.4m	Oceanfreight (MSC) P. O. Box 80637 Mombasa	Grabbed and sold to MSC. Car Park built	As above
21.	XLVII/162 0.0451 Ha	0	Vanezia Ent. Limited P. O. Box 86029 Mombasa Abdul-Gaffur Abdulgani Pasta Abdulgani Abdul- Gaffur Pasta	As above. Plot created from road reserve being managed by KPA.	As above
22.	XLVII/163 0.0531	0	Osman Hajj Talab & Zera Osman Talab P. O. Box 98142 Mombasa	As above. Plot created from railway reserve Boundary wall and buildings	Railway siding plots allocated to private individuals. No Advocates are handling these cases.
23.	XLVII/164 0.500 Ha	0	As above	As above	As above
24.	XLVII/165 0.0496 Ha	0	As above	As above	As above
25.	XLVII/166 0.0497	0	Joseph Ngetich P. O. Box Mombasa	As above	As above
26.	XLVII/167 0.0502 Ha	0	Lumda Ent. P. O. Box 20712 Nairobi. Mwenda Mbogori Lucy G. Mwenda	As above	As above
27.	XLVII/168 0.0501 Ha	0	Gladys Tesot	As above	As above
28.	XLVII/169	0	Not registered	As above	As above
29.	I/528 & 529	0	Chembe Holdings and Musk Deer Daniel N Kihiko	Road reserve	Ethics & Anti- Corruption Commission

Report of the Auditor-General on the Financial Statements of Kenya Ports Authority for the year ended 30 June 2016

			Abbas M Yusuf		
	Total	313.4m			

Report of the Auditor-General on the Financial Statements of Kenya Ports Authority for the year ended 30 June 2016

Appendix II

Land and Buildings of the Kenya Ports Authority that Lacked Title documents as at 30 June 2016

	Land description	COUNTY	Value Kshs
1	Plot No. MSA/BLOCK XI/66-0.1773HA/TUDOR	Mombasa	15,000,000.00
2	Plot No. MSA/TUDOR/BLOCK XI/613 & 614 -0.1771HA	Mombasa	10,000,000.00
3	Plot No. MSA/BLOCK 1/315-3.13 ACRES SHIMANZI	Mombasa	68,000,000 00
4	MSA/BLOCK 1/358 0.389 ACRES SHIMANZI	Mombasa	10,000,000.00
5	L R. No MI/BLOCK 1/14R 7.29 ACRES (KHL) SHIMANZI	Mombasa	180,000,000 00
6	Plot No.Msa/ Shimanzi/Block 1/253(254-1 4043) HA	Mombasa	60,000,000 00
7	Plot No MSA/MBARAKI/BLOCK XLVII/155-0.4491HA	Mombasa	44,400,000 00
8	Plot No MSA/BLOCK XLVIII/131-1.796HA-MBARAKI	Mombasa	200,000,000.00
9	Plot No MSA/MBARAKI/BLOCK XLVIII/156-0.3024HA	Mombasa	30,000,000.00
10	Plot No MSA/MOI AVE/BLOCK XLVII/84-0.1854HA	Mombasa	27,480,000.00
11	Plot No. MSA/LIWATONI/BLOCK XLVII/67-0.8499HA	Mombasa	84,000,000 00
12	Plot No MSA/BLOCK XLVIII/43-3.7798HA-MBARAKI	Mombasa	373,600,000 00
13	Plot No. MSA/MBARAKI/BLOCK XLVIII/44-0.5140HA	Mombasa	50,800,000.00
14	Plot No MSA/MBARAKI/BLOCK XLVIII/45-7.3654HA	Mombasa	728,000,000 00
15	MSA BLOCK XLVIII/164-0.2017 HA MBARAKI	Mombasa	22,500,000.00
16	MSA BLOCK XLVIII/173- LIWATONI	Mombasa	213,500,000.00
17	MSA BLOCK XLVIII/189-0 2017 HA MBARAKI	Mombasa	23,500,000.00
18	MSA BLOCK XLVIII/558-0 5539 HA MBARAKI	Mombasa	64,000,000.00
19	MSA BLOCK XLVIII/119-0 1012 HA MBARAKI	Mombasa	9,000,000.00
20	Plot No Msa/MBARAKI/BLOCKXLVII/135-1.4314HA	Mombasa	141,400,000.00
21	Plot No Msa/MBARAKI/BLOCK XLVII/138-0.4249HA	Mombasa	42,000,000 00
22	Plot No.Msa/MBARAKI/BLOCK XLVII/140-0.8739HA	Mombasa	86,300,000 00
23	PLOT NO. XLVII/III -0.2849 ACRES-PUTNEY BRIDGE	Mombasa	35,190,000.00
24	PLOT NO XLVIII/121 -0 4571 Hectares-MBARAKI CLUB	Mombasa	48,900,000.00
25	PLOT NO .XLVIII/122 -0 2627 ACRES-MBARAKI CLUB	Mombasa	20,000,000.00
26	PL NO .BLK NO.XLVII/112 -0.7503 ACR BANDARI/W.HOUS	Mombasa	80,000,000.00
27	PL NO BLK XLVII/113 -0.2165 ACR-BANDARI/WHITE HSE	Mombasa	31,000,000.00
28	PL NO.BLKXLVII/114/14 -0 1496 ACR-BANDARI/WHITE HS	Mombasa	19,800,000 00
29	PL NO BLK XLVII/117 -0.2258 ACR-BANDARI/WHITE HSE	Mombasa	22,900,000.00
30	PL NO BLK XLVII/118 -0.3759 ACR-BANDARI/WHITE HSE	Mombasa	51,100,000 00
31	PLOT NO .XLVII 174/77/78/79 -2.4071 ACR-B/ COLLEGE	Mombasa	453,900,000.00

Report of the Auditor-General on the Financial Statements of Kenya Ports Authority for the year ended 30 June 2016

32	Plot No. MSA/BLOCK XLVII/106-1.3946 HA LIWATONI	Mombasa	59,000,000.00
33	PLOT NO. I/471 BLOCK 1MSA-SHIMANZI ESTATE	Mombasa	108,000,000.00
34	LR BLOCK 15/1817 - ICD ELDORET 17.63Ha	Eldoret	65,220,000.00
	Total		3,478,490,000

Report of the Auditor-General on the Financial Statements of Kenya Ports Authority for the year ended 30 June 2016

Appendix III

Plots of Land not Utilized by the Kenya Ports Authority as at 30 June 2016

	Parcel	County	Location (Area)	Size (Ha.)	Value (Kshs)	Status
1	MSA/XLVII/81, 82 & 83	Mombasa	Mombasa town along Moi Avenue	0.58	84,380,000	Six(6) very old and dilapidated developments
2	MN/III/528/E	Kilifi	Takaungu Area	173.21	233,783,200	Occupied by squatters
3	LR/9093	Kilifi	Opposite Malindi Airport	7	66,585,000	Occupied by squatters
4	MS/46/1	Mombasa	Likoni Area	5.07	9,000,000	Open field utilized for social activities by locals
5	MS/1682/I	Mombasa	Likoni Area	2.71	26,765,000	Occupied by squatters
6	MS/137/II	Mombasa	Mtongwe Area	2.46	21,600,000	Occupied by squatters
7	LR/16121	Kwale	Shimoni Area	2.50	9,325,550	Vacant
8	MV/V/1614	Mombasa	Kibarani Area	2.50	18,820,000	Occupied by squatters
9	MN/V/1683	Mombasa	Miritini Area	1.02	6,288,695	Vacant
10	MN/V/196	Mombasa	Jomvi Kuu Area	25.50	63,000,000	Vacant
11	LR 24588	Busia	Malaba town	9.181	19,650,000	Vacant and fenced
12	MN/17944/45	Kisumu	Kisumu town	2.40	8,500,000	Under cultivation by locals
13	MN/VII/3794	Mombasa	Chaani Area	12.24	90,735,000	Occupied by squatters
14	MN 5325	Taita-Taveta	Taita Taveta town	17.10	2,500,000	Vacant and fenced
	Total			263.47	660,932,445	

Report of the Auditor-General on the Financial Statements of Kenya Ports Authority for the year ended 30 June 2016

Appendix IV

Expenses paid by the Kenya Ports Authority on behalf on the Pension Scheme

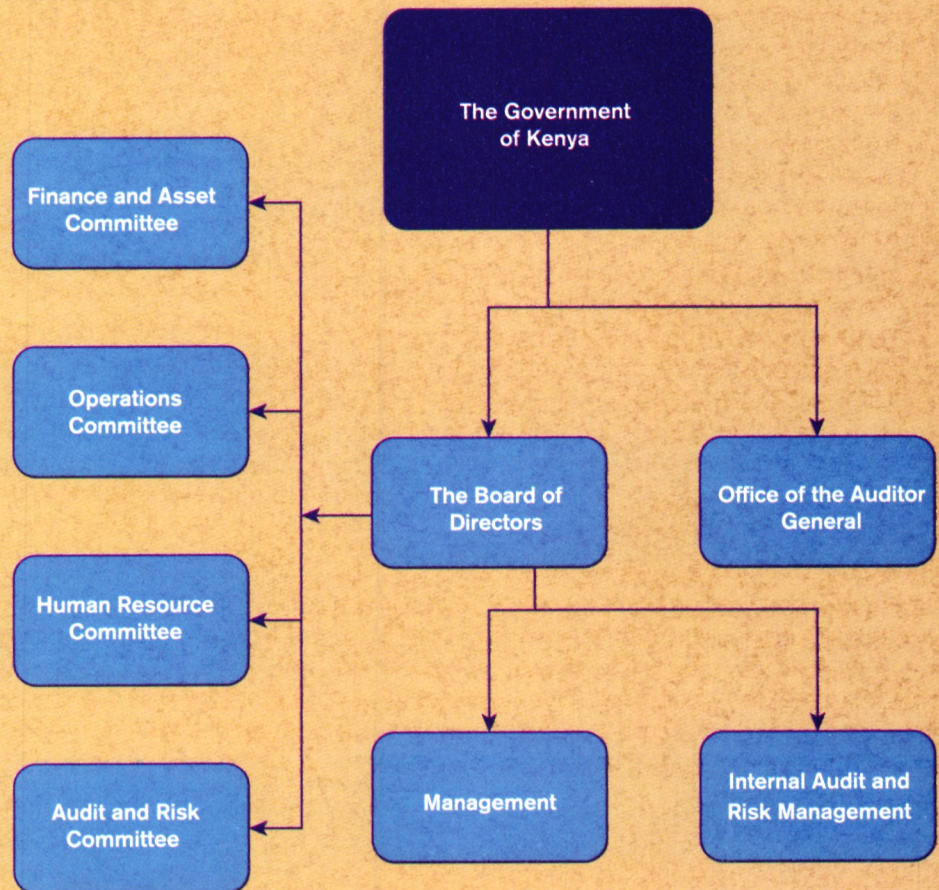
Code	Details	Amount Kshs
600111	Basic salary to Pension Employees	21,045,706
600114	Overtime to Pension Employees	5,513,780
600116	Pension Staff Allowance	2,733,024
600121	Pension Staff house Allowance	7,794,241
600131	Duty travel to pension employees	2,957,160
600132	Leave allowance to Pension Employees	922,100
600133	Transport Allowance	5,382,000
600211	Operation & Running Supplies for Pension Department	7,629
600221	Fuel for Pension Department	133,376
600232	Cleaning Implements & Detergents for Pension Department	115,649
600522	Printing & stationary for Pension Department	245,599
600523	Postage for Pension Department	117,227
600525	Office Incidentals for Pension Department	187,999
600643	Consultant fees for Pension Department	1,960,000
600654	Training Costs for Pension Department	2,193,000
600798	Victuals & Snacks for Pension Department	150,000
600801	Professional Education for Pension Employees	141,950
	Total	51,600,445



Statement of Corporate Governance

The Board is committed to ensuring that the Port is run in a professional, transparent, effective, efficient and equitable manner so as to protect and enhance shareholder value and satisfy the interest of stakeholders. The principles and standards adhered to by the Board have been developed with close reference to the Mwongozo Code of Governance for State Corporations, issued by the State Corporations and Advisory Committee (SCAC), guidelines on corporate governance issued by the Centre for Corporate Governance, the Capital Markets Authority for listed companies and the Government for Government Corporations.

Kenya Ports Authority's governance structure, by appointment is summarised in the chart below:



The Board Size, Composition and Independence

The Board consists of eleven Directors out of whom ten are Independent Non-Executive Directors including the Chairman. The Board composition draws a good mix of skills, experience and proficiencies in various fields.

The Non-Executive Directors are independent of Management. Their role is to advise, constructively challenge and monitor the success of Management in delivering the agreed strategy within the risk appetite and control framework set by the board.

Board Responsibility

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

A summary of the Board responsibilities are as follows:

- Providing entrepreneurial leadership to the Port within a framework of prudent and effective controls which allow risk to be assessed and managed
- Strategy formulation and ensuring that there are adequate policies, systems and structures to successfully implement the Port strategy
- Monitoring Port performance against strategic plans and objectives on a going concern basis, as well as holding mandatory quarterly meetings
- Approval for publication of financial statements.
- Selection, appointment and appraisal of Senior Managers
- Approve the risk management framework and ensuring that there are adequate structures and systems to identify measure and monitor key risks facing the Port
- Reviewing the effectiveness of systems for monitoring and ensuring compliance with laws and regulations.
- Reviewing and monitoring the Port's corporate governance's policies and practices
- Reviewing the Port capital levels to ensure that there is adequate capital for the planned growth and expansion within the strategic cycle
- Approval of among other things major capital expenditure, borrowings, budget, write offs, acquisition of land etc.

Chairman and Managing Director

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

Board Remunerations

The Non-Executive Board members are paid sitting allowances for every meeting attended. Director's fee are paid to Non-Executive Board members who are not representing any Government institution. Director's fee to Board members representing Government institutions are paid to the GoK.

Board and Strategy Meetings

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

The Board work plan together with the calendar of meetings for 2015/2016 were fixed in advance and

provided to all the Directors. Adequate notice was given for each meeting and the agenda and supporting papers were distributed in advance to all the Board and committee members to allow time for appropriate review.

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

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

Directors' External Activities and Conflict of Interest

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

Board Structure

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

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

The Board committees are namely; Finance and Assets, Audit and Risk, Human Resources and Operations. The members of the committees are shown on page 21.

All the committees have at least four Non-Executive Directors as members. The chair of the committees must be a Non-Executive director. The Chairman does not sit in any of the committees.

At every meeting of the full board, the chair of each committee presents a report on its activities, decisions and recommendations of their respective committees since the date of the previous meeting for further consideration and approval where necessary.

Details of the committees are given below:

- **Finance and Assets Committee**

The core functions of the Finance and Asset Committee shall be to ensure that the undertakings of the Authority are operated efficiently, according to sound commercial principles in accordance with Part V and VI of the Kenya Ports Authority Act 1978

- **Operations Committee**

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

- **Human Resources Committee**

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

- **Audit and Risk Committee**

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

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

Membership of Board Committees

The membership of the various committees of the Board comprises of non-executive members and is as follows:

Finance & Asset Committee:	Operations Committee:
Steven L. Okedi Esther Koimett Irungu Nyakera Hafswa A. Dele Eng. Fredrick Kirui	Eng. Fredrick Kirui Michael Maina Steven L. Okedi Valentine Mwakamba

Audit & Risk Committee:	Human Resource Committee:
Hafswa Dele Steven L. Okedi Esther Koimett Kennedy Ogeto	Hafswa Dele Steven L. Okedi Esther Koimett Kennedy Ogeto

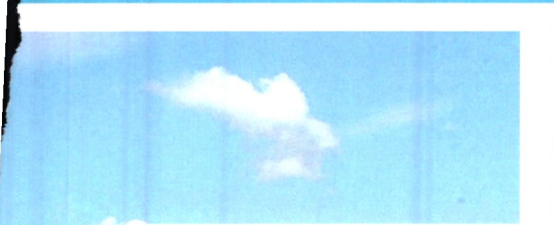
The Managing Director is not a member of any Board committee

Management Committees

A significant factor in the Authority's success is the strength of the Management team. Members of the Management team bring together vital leadership skills and extensive maritime trade experience from both local and international exposure. To harness their strength the Managing Director has established the Executive Management Committee (EXCOM). This committee meets regularly and at least monthly to discuss strategy formulation and implementation, policy matters and financial performance.

It is also responsible for ensuring compliance with the regulatory framework and guidelines and adherence to the Authority's policies and procedures. The committee also serves as the link between the Board and management. The Managing Director has also established other standing committees to execute various mandates and to support the EXCOM in realisation of its objectives. Some of the committees include Information Technology Steering Committee, Port Productivity Committee, Change Management Committee, Corporate Training committee, Tariff Committee among others.





Corporate Social Responsibility Statement

Kenya Ports Authority continues to give back to the community through corporate social responsibility programs (CSR), by making positive contributions to the environment and communities within which it operates. Some of the projects undertaken by the Authority during the year 2015/16 through the CSR programs include the following:

Construction of four classrooms and two office cubicles for Kadzandani Primary School located in Mombasa County

Located in Bamburi, the school was started in 1999 as a community Early Childhood Development (ECD) facility with a population of 150 pupils. It was later handed over to the Government in 2003 and since then it has remained the only public school in Kadzandani Ward. The school population has gradually increased and is currently having 898 students against 11 available classrooms, where one is a special unit for pupils with mental disabilities. It largely serves the slum population of Kwa Bulu Bamburi.



Block of two classrooms



Block of two classrooms and office cubicle

Construction of four classrooms of Mbuluni Primary School - Kwale County

The school is located in the interiors of Kwale County and has a population of 635 pupils. With only 5 classrooms to accommodate the entire population, the administration is compelled to hold over 100 pupils in each class, making it not conducive for quality learning.



Block of four classrooms

Sustainability Statement

Health and Safety at Work

The Authority regards good health and safety management as an integral element of its business processes. The Authority thus has an Occupational Health and Safety Policy as a testament that the Authority is committed to:

- Developing and maintaining effective health, safety and welfare arrangements to protect its staff and all who come into contact with its operations
- Continuous improvement of health and safety performance and following industry best practice
- Complying with legal and other relevant requirements
- Providing an effective Health and Safety Management System (HSMS) to help manage health and safety risks
- Providing suitable resources to deliver these commitments

Compliance with the Occupational Safety and Health Act (2007)

Safety Committees

We have endeavoured to implement the provisions of the OSHA (2007) in so far as provisions touching on Safety Committees are concerned. The Authority has in place Safety Committees at three levels:

• Corporate Safety Committee

This is the highest committee dealing with safety matters at corporate level. It is chaired by the Managing Director and the secretary is the Principal Safety Officer. Other members of the Committee include the General Managers in charge of Operations, Human Resources, Board and Legal Services, Infrastructure and Engineering Services.

• Safety Sub Committees:

Operations and Engineering Sub Committee 1

This is the second-tier committee dealing with safety matters in relation to Operational and Technical areas. Members of this committee include the heads of Terminal Engineering, Container Operations, Conventional Cargo Operations, Marine Operations, Conventional Cargo Engineering and Electrical Engineering. The Managing Director appoints the Chairman from any of the members. The Secretary is the Senior Occupational Safety Officer.

Workplace Health and Safety Sub Committee 2

This is the second-tier committee dealing with safety matters in relation to all other areas. Members of this committee include the heads of Human Resources, Medical Services, Civil Engineering, Projects Development and Port Environment Officer. The Managing Director appoints the Chairman from any of the members. The Secretary is the Senior Occupational Health Officer.

• Departmental Health, Safety Sub-Committees and Safety Awareness Campaigns

Departmental Safety Committees have been formed in both Operational and non-operational areas as accidents may also occur anywhere.

The Safety Branch has initiated a robust Safety Campaign aimed at accident prevention in the port. In this connection, relevant Heads of departments have been addressed to implement the following recommendations for mitigation of accidents:

- (i). All port employees, managers and port users should take safety very seriously. The need to meet productivity targets should not supersede safety of persons and or equipment.
- (ii). Proper marking of the port roads, terminal area and yards in order to ensure the bays and slots are identifiable for safe stacking of containers and other types of cargo.
- (iii). Safety violations should attract severe consequences in accordance with the Human Resources Manual in place.
- (iv). Toolbox talks should be held before commencement of any work in all shifts.
- (v). Permit to work systems should be developed and implemented for all high risk activities.

To further promote safe working practices in the port, the Authority hosts an annual event dubbed "Safety Week" in which different departments showcase their commitment to safety at work.

PPE Compliance

The Safety Branch has enforced the use of protective gear and compliance to safety regulations. In this regard, relevant Heads of departments have been addressed to ensure that:

- Full compliance in their respective departments in accordance with the Occupational Safety and Health Act (OSHA), 2007 as well as the Authority's Occupational Health and Safety Policy, 2013
- No employee in operational areas should be allocated work if not in proper PPE's

Failure to comply with this requirement attracts disciplinary action in accordance with the Human Resource Manual in force.

Stakeholder Engagement

Dealing with safety matters in the port require regular engagement with stakeholders both internal and external. We have strengthened collaboration with the Port Police, traffic department to deal with enforcement of speed limits within the port in order to eradicate road traffic related accidents that lead to unnecessary exposure to liability and claims. In this connection, we

Sustainability Statement (Continued)

have communicated to the OCPD Port Police and the Head of Security Services to do the following:

The OCPD Port Police

Requested to mount surveillance checks aimed at arresting those who contravene the traffic Act.

To advise to launch a program of using speed gun at least once every week to arrest motorists who breach traffic rules in the port.

The Head of Security Services

- Advised to cancel port movement control passes for those found contravening this requirement
- Advised to use the CCTV Cameras already available in the port to monitor cases of reckless/careless driving by motorists and equipment operators

In this financial year, KPA embarked on the process of implementing the green port policy. A number of environmental projects were initiated in our efforts to implement the policy.

- Tree planting: This entails planting of trees in five counties namely Mombasa, Kilifi, Kwale, Taita Taveta and Lamu. This will contribute to the national efforts of increasing the forest cover in the country as well mitigate greenhouse gas emissions. This program is going to be implemented in partnership with Trade Mark East Africa (TMEA) Kenya Forest service (KFS) and the county governments. Four county governments have already forwarded preferred sites for planting trees. We have also agreed with KFS and TMEA on how to progress with the project

KPA has also supported and participated in tree planting projects with other stakeholders as follows:

- KMA – planting of mangroves at Mkupe Beach near Dongo Kundu
- County government of Mombasa - planting of trees during the world environment day (5th June) at Girikani Primary School, Mwakirunge
- Removal and disposal of Asbestos: This entails removal of asbestos roofing from all workshops and stores at the New Services Area (Kapenguria), replacing with aluminium sheets, installing of water storage tanks. The project also includes installation of solar power panels on some of the workshops/stores. Asbestos is a hazardous material with extremely fine fiber which when released into the air and inhaled can cause serious chronic health problems. Removing this health hazard materials is part of the efforts by the authority to give priority in addressing issues that have the potential of affecting the health of the staff and port users. The installation of the solar panels supports KPA's green port initiative of using alternative energy and preferably Green energy like solar. The tendering process for this project which is supported by TMEA has been concluded
- Another project that has been initiated during the financial year is the procurement of eco-hoppers with the purpose of addressing air pollution as a result of handling of bulk and dusty cargoes at the conventional berths
- Maintenance of Uhuru Garden-the Authority has continued maintaining Uhuru Gardens as part of its CSR on environment protection and conservation at a cost of KShs. 2.8 million



Report of the Directors

The Board of Directors has the pleasure to submit the annual report and audited financial statements for the year ended 30th June, 2016 in accordance with the International Financial Reporting Standards and the Companies Act which discloses the state of affairs of the Authority.

Principal Activities

Kenya Ports Authority's (KPAs) mandate is to develop, maintain, operate, improve and regulate all scheduled seaports along Kenya's coastline. Core activities include pilotage, towage, mooring, dry docking, navigational aids and maintenance of the channel, stevedoring and shore handling and reception of cruise vessels in accordance with KPA Act CAP 391.

Results for the year

The net profit for the year 2015/16 of KShs. 6,634.7 million has been added to revenue reserves. The net profit for the year 2014/15 was KShs. 3,939 million.

Dividend

The Directors recommend a dividend of KShs. 497.6 million for the year 2015/16. Dividend for the year 2014/15 was KShs. 295 million. The dividends will be paid in conformity with the Authority's policy on dividends.

Directors

The Directors' who held office during the year and to date are shown on page 4.

Auditors

The Office of the Auditor General is responsible for the audit of the Authority's books, in accordance with Article 229 of the constitution of Kenya and section 7(1) of the Public Audit Act, 2015. The Audit is undertaken with due regard to the stipulations of the Kenya Ports Authority Act (Cap 391) of 1978, the State Corporations Act (Cap 446) of 1986, the Public Finance Management (PFM) Act, 2012, the Public Procurement and Disposal of Assets Act, 2015 and the various circulars and guidelines from the ministries of transport and the National treasury. The office of the Auditor General is empowered to nominate another Auditor to carry out the audit on their behalf.

By order of the Board



Addraya Dena

GENERAL MANAGER, BOARD & LEGAL SERVICES



Statement of Directors' Responsibilities

The Public Finance Management Act 2012 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 Authority as at the end of the financial year and of the operating results. It also requires the Directors to ensure that the Authority keeps proper records which disclose, with reasonable accuracy at any time, the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation of Financial Statements that 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 30 June 2016. The responsibility includes:

- (i). Maintain adequate financial management arrangements and ensure that this 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). Design, implement and maintain internal controls relevant to the preparation and presentation of the financial statement 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 annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards and in the manner required by the 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 financial affairs of the Authority's transactions during the financial year ended 30 June 2016 and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statement as well as the adequacy of the systems of financial control.

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

The Authority's financial statements were approved by the Board on 21st September, 2016 and signed on its behalf by:



Major (Rtd.) Marsden Madoka, EGH, K.St.J
CHAIRMAN



Catherine Mturi-Wairi
MANAGING DIRECTOR







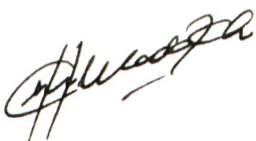


**FINANCIAL
STATEMENTS
2015/2016**

Statement of Profit & Loss and Other Comprehensive Income

For the Year Ended 30 June 2016

		2015/2016	2014/2015
	Notes	KShs.'000	KShs.'000
Operating Revenue	2	38,330,411	34,317,150
Gain/(Loss) on Disposal of Non-Financial Assets	3	3,645	(119,031)
Other Incomes	4	497,715	483,413
TOTAL REVENUES		38,831,771	34,681,532
LESS EXPENSES:			
Administrative Expenses	5	(3,194,375)	(2,412,340)
Establishment Expenses	6	(16,142,193)	(15,959,087)
Operating Expenses	7	(3,600,009)	(3,270,797)
Depreciation Property , Plant and Equipment	12,15	(6,423,577)	(6,100,239)
Amortisation of Intangible Assets	14	(193,852)	(673,149)
Total Operating Expenses		(29,554,006)	(28,415,612)
Operating Profit		9,277,765	6,265,920
Finance Income	8	1,711,995	896,544
Finance Costs	9	(501,930)	(146,293)
Impairment (Loss)/Gain	10	(92,652)	35,935
Profit Before Tax		10,395,178	7,052,106
Tax charge	11	(3,760,470)	(3,113,360)
Profit for the year		6,634,708	3,938,746
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income not to be reclassified to profit or loss in subsequent years			
Surplus resulting from Pension Valuation	17	133,000	3,675,000
Other Comprehensive Income to be reclassified to profit or loss in subsequent years			
Unrealised Foreign Exchange gains		74,082	351,682
TOTAL COMPREHENSIVE INCOME		6,841,790	7,965,428



Major (Rtd.) Marsden Madoka, EGH, K.St.J
CHAIRMAN



Catherine Mturi-Wairi
MANAGING DIRECTOR

Statement of Financial Position

As at 30 June 2016

		2015/2016	2014/2015
	Notes	KShs.'000	KShs.'000
Non-Current Assets:			
Property Plant and Equipment	12	123,242,840	108,495,047
Intangible Assets	14	314,333	197,580
Assets Held for Sale	13	934	0
Leased Property	15	814,772	857,251
Long-Term Investment	16	731,288	725,052
Retirement Benefit Asset	17	3,808,000	3,675,000
Total Non-Current Assets		128,912,167	113,949,930
Current Assets:			
Inventories	18	381,501	335,212
Receivables & Prepayments	19	7,225,670	6,324,493
Tax Paid in Advance	26	814,510	0
Short-Term Deposits	20	12,540,442	9,237,884
Bank and Cash Balances	20	599,073	814,571
Total Current Assets		21,561,196	16,712,160
TOTAL ASSETS		150,473,363	130,662,090
Capital and Reserves:			
Revaluation Reserves	21	48,084,237	52,525,540
General Reserves		61,741,226	49,353,730
Grants	22	106,268	121,196
Total Capital and Reserves		109,931,731	102,000,466
Non-Current Liabilities:			
Borrowings	24	25,384,171	18,016,546
Deferred Tax Liability	25	3,032,682	1,550,537
GOK Project Funds	23	6,456,218	4,456,893
Total Non-Current Liabilities		34,873,071	24,023,976
Current Liabilities			
Trade and Other Payables	27	5,668,561	4,552,553
Current Tax Payable	26	0	85,095
Total Current Liabilities		5,668,561	4,637,648
TOTAL CAPITAL & LIABILITIES		150,473,363	130,662,090

The financial statements were approved by the Board of Directors on 21st September, 2016 and signed on its behalf by:

Major (Rtd.) Marsden Madoka, EGH, K.St.J
CHAIRMAN

Catherine Mturi-Wairi
MANAGING DIRECTOR

Statement of Changes in Equity

For the Year Ended 30 June 2016

		REVALUATION RESERVES	GENERAL RESERVES	GRANTS	TOTAL
	Note	KShs. '000	KShs. '000	KShs. '000	KShs. '000
Balance as at 01.07.2015		52,525,540	49,353,730	121,196	102,000,466
Profit after Tax		0	6,634,708	0	6,634,708
Other Comprehensive Income:					
Unrealised Foreign Exchange gains		0	74,082	0	74,082
Pension Revaluation Surplus		0	133,000	0	133,000
Others:					
Revaluation effect/Adjustments	21	(4,418,217)	4,418,217	0	0
Government Grant (EATFP)		0	1,193,914*	0	1,193,914
Trade Mark East Africa	22	0	104,205	(14,928)	89,277
Dividends Paid	33	0	(193,716)	0	(193,716)
Revaluation effect/Derecognition of Assets	21	(23,086)	23,086	0	0
Balance as at 30.06.2016		48,084,237	61,741,226	106,268	109,931,731

* EATFP is reclassified as Equity

For The Year Ended 30 June 2015

		REVALUATION RESERVES	GENERAL RESERVES	GRANTS	TOTAL
	Note	KShs. '000	KShs. '000	KShs. '000	KShs. '000
Balance as at 01.07.2014		58,763,932	34,253,139	428,422	93,445,493
Profit After Tax		0	3,938,746	0	3,938,746
Other Comprehensive Income:					
Unrealised Foreign Exchange Gains		0	351,682	0	351,682
Pension Revaluation Surplus		0	3,675,000	0	3,675,000
Others:					
Revaluation effect/Adjustments		(6,238,392)	6,238,392	0	0
Government Grant (2 nd Container Terminal)		0	300,000	(300,000)	0
Trade Mark East Africa		0	125,298	(7,226)	118,072
Dividends Paid		0	(1,121,854)	0	(1,121,854)
Pension DB Deficit Adjustment		0	1,593,327	0	1,593,327
Balance as at 30.06.2015		52,525,540	49,353,730	121,196	102,000,466

Statement of Cash Flow

For the Year Ended 30 June 2016

		2016/2015	2014/2015
	Notes	KShs. '000	KShs. '000
Operating Activities:			
Cash Generated From/(Used in) Operations	28	16,158,229	11,824,355
Interest Received	4 & 8	1,490,914	871,852
Interest Paid	9	(1,386)	(8,266)
Tax Paid	26	(3,177,930)	(2,973,223)
Pension Paid		0	(220,000)
Dividends Paid	33	(193,716)	(1,121,854)
Net Cash Generated From/(Used in) Operating Activities		14,276,111	8,372,864
Investing Activities:			
Purchase of Property, Plant and Equipment	31	(21,651,993)	(11,509,820)
Direct Acquisitions Property, Plant and Equipment		(95,227)	(93,847)
Proceeds From Disposal of Assets		12,245	13,540
Purchase of Long-Term Investment	16	(6,236)	(8,355)
Proceeds From Sale of Surveyed Stock		5,305	4,248
Net Cash Used in Investing Activities		(21,735,906)	(11,594,234)
Financing Activities:			
Receipt of GoK Project Funds/Interest on Investments	32	2,000,000	195,647
Receipt of JICA Loans	24	8,546,855	2,368,632
Refund of EATTF Loan		0	(99,822)
Repayment of Borrowings		0	(847,651)
Net Cash (Used in)/Generated From Financing Activities		10,546,855	1,616,806
Net Increase/(Decrease) in Cash & Cash Equivalent		3,087,060	(1,604,564)
Cash and Cash Equivalents as at 1.07.2015		10,052,455	11,657,019
Cash and Cash Equivalents as at 30.06.2016 (Note 20)		13,139,515	10,052,455

Notes to the Financial Statements

For the Year Ended 30 June 2016

1. Summary of Significant Accounting Policies

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

(a) General Information

(i). Statement of Compliance

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and the International Financial Reporting Standards (IFRS). The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Authority's accounting policies.

The comparative figures for 2014/15 have been stated in the financial statements to conform to changes in presentation as stipulated under the adoption of and the standardisation of Financial Statements for Government Business Enterprises.

The financial statements were approved by the Board of Directors on 21st September, 2016.

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied.

(ii). Basis of Preparation

The financial statements are prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority and all values are rounded to the nearest thousand (KShs. '000). They are prepared on a historical cost basis, except for the recognition at fair value of financial instruments, impaired assets at their estimated recoverable amounts and actuarially determined assets at their present value.

(iii). Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances that prevailed during the period. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Critical estimates and assumptions are applied in the preparation of the financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2016

In the process of applying the Authority's accounting policies, management has made judgment in determining:

- The depreciation rates and impairment of property, plant and equipment
- The amortisation of intangible assets
- The impairment of long-term investments at Kenya National Shipping Line, Consolidated Bank and Kenya Ferry Services
- The recognition of Retirement Benefit Assets
- Impairment of trade receivables
- Provisions for obsolete inventory
- Deferred tax liabilities

Short-Term Deposits

As reported under Note 20 (a), Chase Bank was placed under receivership on 7th April, 2016; the Authority has had several discussions with the Management of Chase Bank, the Receiver Managers and the Kenya Deposit Insurance Corporation, on the unlocking funds invested with the bank. From the discussions, management is convinced that the funds will be recovered; a provision has therefore not been made.

Revenue Recognition

Further to Note C on Sales of services, the Authority only bills once the consignee for the cargo has been determined and upon lodgment of customs approved documents. It is only then that it is probable that future economic benefits will flow to the Authority and the amount of revenue can be measured reliably.

On rental income, where lease agreements are under preparation, billing is based on letters of offers, signed and accepted by the tenants. A signed letter of offer is a commitment from the tenant.

(b) New and Revised Standards

(i). Adoption of New and Revised Standards

During the year, new and revised standards and interpretations that have become effective for the first time in the financial year were adopted by the Authority.

Notes to the Financial Statements

For the Year Ended 30 June 2016

• IAS 19 – Employee Benefits

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions. Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application was permitted.

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting the criteria that they are:

- o Set out in the formal terms of the plan;
- o Linked to service; and
- o Independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The application of these amendment has not had any material impact on the amounts recognised in the financial statements.

• IAS 1 – Presentation of Financial Statements

Effective for annual periods beginning on or after 1 January 2016. Early application was permitted.

The amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.

The guidance on materiality in IAS 1 has been amended to clarify that:

- o Immaterial information can detract from useful information
- o Materiality applies to the whole of the financial statements
- o Materiality applies to each disclosure requirement in an IFRS

The guidance on the order of the notes (including the accounting policies) have been amended to:

- o Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements
- o Clarify that entities have flexibility about where they disclose accounting policies in the financial statements

The application of these amendments, has not had any material impact on the presentation of the financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2016

- **IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets**

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation. Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application was permitted.

Revenue-based Depreciation Banned for Property, Plant and Equipment

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

New Restrictive Test for Intangible Assets

The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The application of these amendments, has not had any material impact on the Authority's financial statements as it does not apply revenue-based methods of amortisation/depreciation.

(ii). New and Revised Standards and Interpretations Which Have Been Issued but are not yet Effective

The Authority has not applied the following revised standards and interpretations that have been published but are not yet effective.

IFRS 9 Financial Instruments (issued in July 2014) – this standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition:

- o IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
- o For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: The amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

Notes to the Financial Statements

For the Year Ended 30 June 2016

- o For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised
- o For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and nonfinancial risk exposures
- o The de-recognition provisions are carried over almost unchanged from IAS 39

The Authority does not plan to adopt this standard early and the extent of the impact has not yet been determined

IFRS 15 Revenue from Contracts with Customers (issued in May 2014) - the new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures and new or improved guidance

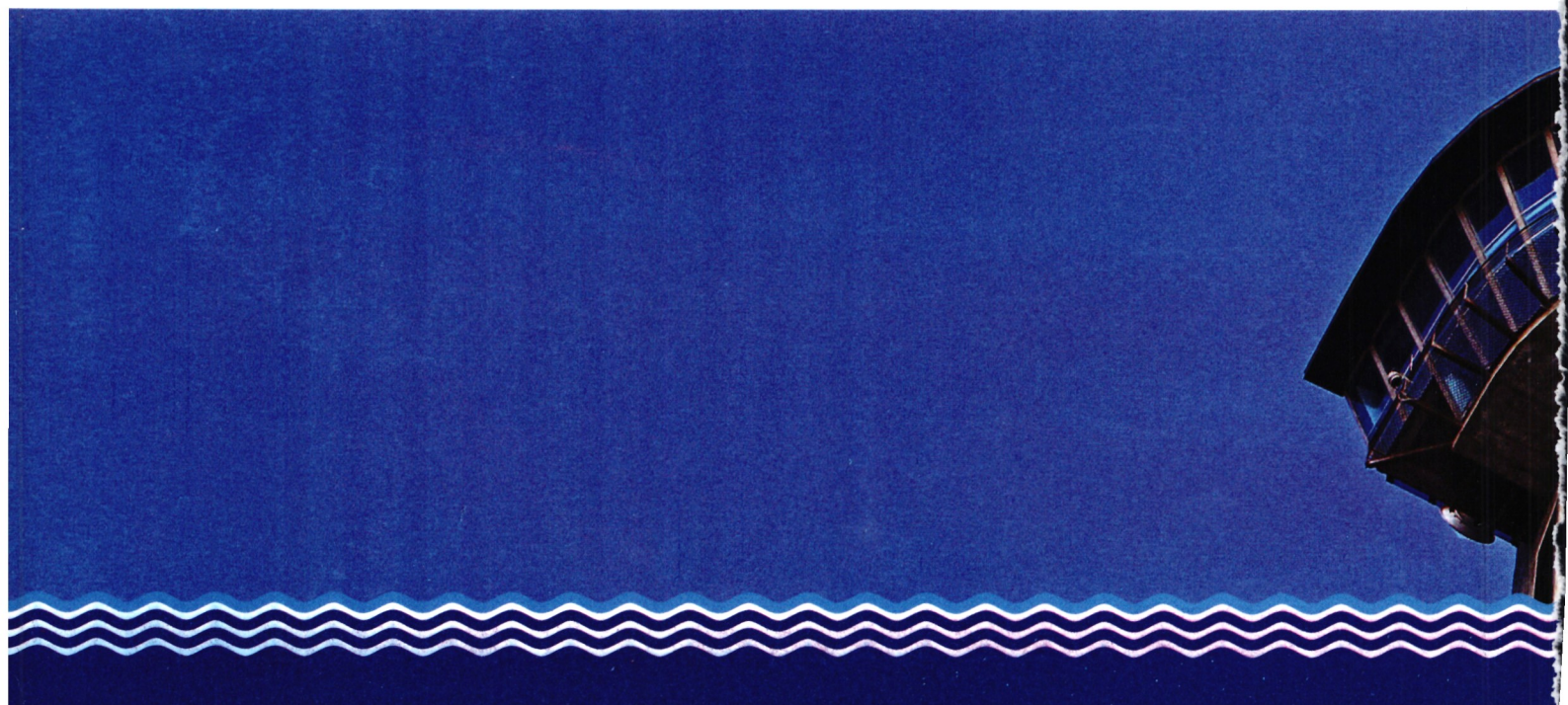
This standard is expected to be adopted by the Authority in the financial statements for the year ending 30 June 2019

IFRS 16, ‘Leases’ is effective for annual periods beginning on or after 1 January 2019. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. The recognition of additional lease liabilities has the potential to change gearing and other key operating ratios.

The Authority does not plan to adopt this standard early and the extent of the impact has not yet been determined. No other standards, amendments or interpretations that have been issued but are not yet effective are expected to materially impact the Authority’s financial statements

(iii). Early Adoption of Standards

During the year, the Authority did not early adopt any new or amended standard



Notes to the Financial Statements

For the Year Ended 30 June 2016

(c) Revenue Recognition

Revenue represents the fair value of consideration received or receivable for the sale of services in the course of the Authority's activities. It is recognised when it is probable that future economic benefits will flow to the Authority and the amount of revenue can be measured reliably.

It is stated net of Value Added Tax, rebates and trade discounts. Discounts are included as part of finance costs.

Sale of services are recognised upon performance of the services and customer acceptance.

Rental income is recognised at the time of billing as per the effective lease agreements, or letters of offer and/or acceptance.

Finance income comprises of interest receivable from bank deposits and investments in securities and is recognised in profit or loss on a time proportion basis using the effective interest rate.

(d) Translation of Foreign Currencies

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

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the Statement of Financial Position date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the Statement of Comprehensive Income in the year in which they arise.

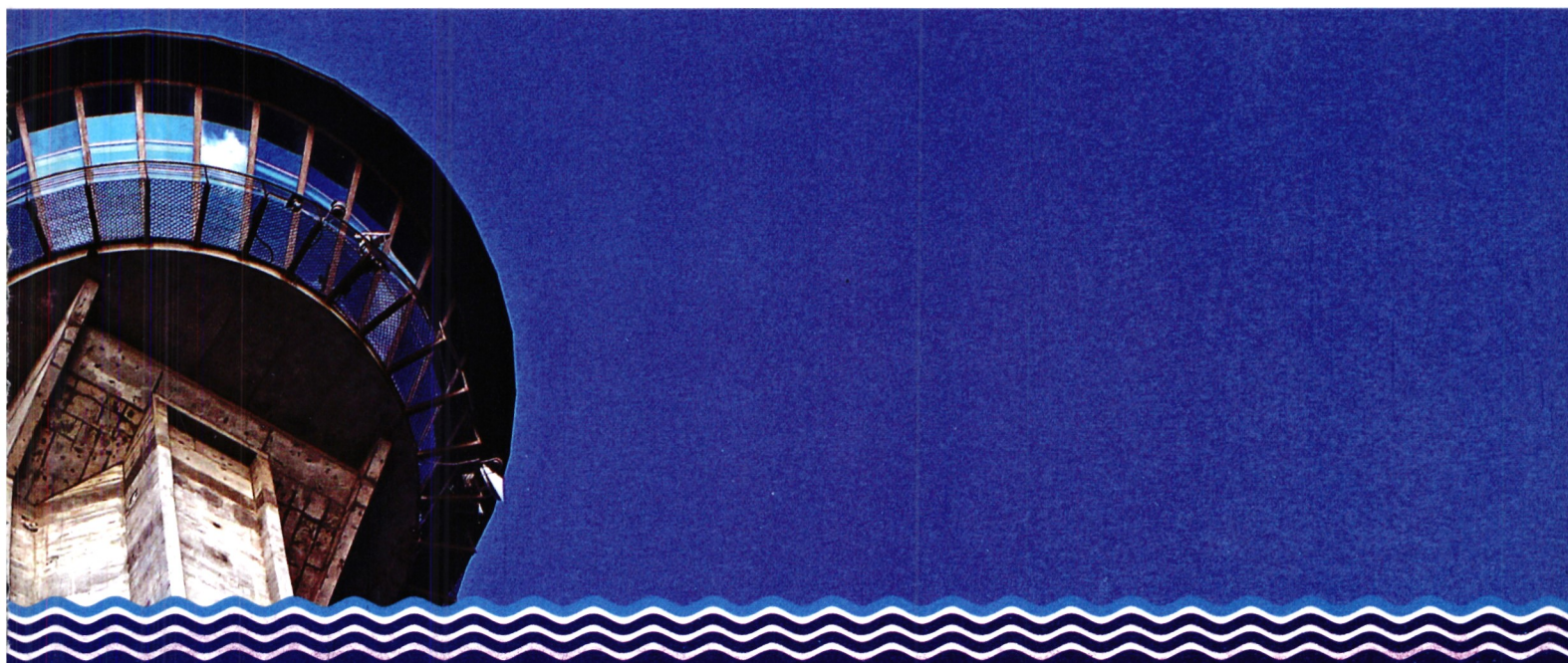
(e) Borrowing

Interest bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

(f) Borrowing Costs

Borrowing costs that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset. The costs refer to all costs incurred in the acquisition and management of the borrowed funds during the qualifying asset construction. In the case of general borrowings, the borrowing cost is charged to the Statement of Comprehensive income.

Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use are complete. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.



Notes to the Financial Statements

For the Year Ended 30 June 2016

(g) Financial Instruments

Financial instruments are tradeable assets of any kind. They can include cash evidence or an ownership interest in an entity or a contract or right to receive or deliver cash or another financial instrument.

In finance, a derivative is a contract that derives its value from the performance of an underlying asset. Non-derivatives means that the loan/receivables do not derive their values from the performance of KPA. They have fixed or determined payments.

• Classification

The corporation classifies its financial instruments into the following categories:

- (i). Financial assets and financial liabilities carried at fair value through profit or loss, which comprise of financial assets and financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term or to generate short-term profit-taking (AND/OR:) Financial assets and financial liabilities carried at fair value through profit or loss, which comprise financial assets or financial liabilities designated by the Authority at fair value through profit or loss and which are managed and their performance evaluated on a fair value basis in accordance with the Authority's investment strategy.
- (ii). Held-to-maturity investments, which comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Authority has a positive intention and ability to hold to maturity.
- (iii). Loans and receivables, which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude assets which the entity intends to sell immediately or in the near term or those which the entity upon initial recognition designates as at fair value through profit or loss or as available-for-sale financial assets.
- (iv). Financial liabilities, which comprise all financial liabilities except financial liabilities carried at fair value through profit or loss.

• Recognition and Measurement

Financial Assets:

All financial assets are recognised initially using the trade date accounting which is the date the Authority commits itself to the purchase or sale.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed in the Statement of Comprehensive Income. All other categories of financial assets are recorded at the fair value of the consideration given plus the transaction costs.

Notes to the Financial Statements

For the Year Ended 30 June 2016

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

The corporation assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset is impaired. If any such evidence exists, an impairment loss is recognised. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

Held-to-Maturity Investments and Loans and Receivables

In the case of the held-to-maturity investments and loans and receivables, the recoverable amount is the present value of the expected future cash flows, discounted using the asset's effective interest rate.

Changes in fair value of financial assets at 'fair value' through profit or loss are recognised in the Statement of Comprehensive Income.

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

Financial Liabilities

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

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



Notes to the Financial Statements

For the Year Ended 30 June 2016

• Presentation

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

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

• De-recognition

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

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expire.

• Offsetting

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liabilities simultaneously

(h) Retirement Benefits

The Authority operates a defined benefit and defined contribution plans for her eligible employees. The schemes are registered with the Retirement Benefits Authority. The Authority runs the two schemes in parallel with intention of facing out the defined benefit scheme in the long run. The defined benefit scheme was closed effectively on 31st December, 2012 to new entrants and future accrual of benefits for members below age 45 as at 31st December, 2011 and also those above age 45 who opted to accrue their future service benefits in the new defined contribution scheme.

In addition, the Authority makes contributions to the Social Security Fund for employees other than those covered under the retirement benefit scheme and those in other countries of operation, which are statutory, defined. KPA's obligations under these schemes are limited to specific contributions as legislated from time to time.

Notes to the Financial Statements

For the Year Ended 30 June 2016

Defined Benefit

The Kenya Ports Authority Pension Defined Benefits (DB) Scheme was established under a trust deed and operates on a defined benefits basis. The scheme commenced in 1992 and is sponsored by the Kenya Ports Authority. It was closed on 31st December, 2012 for new entrants and future accrual of benefits for members who were aged below 45 years as at 31st December, 2011 and those aged 45 years or more, who opted to join the new Defined Contribution (DC) Scheme, which became effective on 1st January, 2013.

M/s Alexander Forbes Financial Services (EA) Ltd was appointed by the Board of Trustees to undertake actuarial valuation of the DB scheme. On the other hand, PineBridge Investments (EA) Ltd and Old Mutual Investment Group provide the scheme with fund management services. The custodian of the assets of the scheme is CFC Stanbic Bank Ltd.

Employees who opted to remain in the DB scheme continue to make contributions to the scheme at an agreed rate of 7.5% of the pensionable salary, while the sponsor contributes at the rates advised on periodic basis by the actuarial valuer. The sponsor's current contribution is 22.5% of the pensionable salary.

KPA recognises actuarial gains and deficit in its books of accounts whenever an actuarial valuation of the scheme is done. Actuarial gains are recognised as non-current asset while deficits are recognised as a long-term liabilities. Where there is a deficit, KPA increases its contribution to the scheme to offset the actuarial deficit. Where there is a gain, KPA goes on a full or partial contribution holiday.

The asset recognised in the Statement of Financial Position in respect of the defined benefit scheme is the excess of accrued scheme assets less liabilities. The scheme is assessed annually by independent actuaries using the actuarial assumptions adopted. The valuation method used is known as the 'Attained Age Method'. Under this method, calculations are based on the contribution rate required to meet the cost of all future benefits for members using their age and accrued past services at the valuation date and based on projected earning at retirement or earlier exit.

Alexander Forbes, an independent actuary, carried out the latest actuarial valuation of the Scheme.

As at 31 December 2014, the scheme had an actuarial surplus of KShs. 3,808 million (KShs. 3,675 million; FY 2014/15) and the level of funding (the ratio of the value of the Assets to the past service liability) was 118.6% (119%; FY 2014/15) above the statutory minimum solvency standard of 100%.

Notes to the Financial Statements

For the Year Ended 30 June 2016

Defined Contribution

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

The employers contributions payable for DC scheme of KShs. 801 Million (FY 2014/2015: KShs. 777 Million) have been recognised in the Statement of Profit and Loss and Other Comprehensive Income.

(i) Short-Term Employee Benefits

The estimated monetary liability for employees' accrued at the Statement of Financial Position date is recognised as an employment cost accrual. Gratuity earned at Statement of Financial Position date is accrued and recognised as an employee cost in the Statement of Comprehensive income. The Authority does not accrue employee's leave entitlements where they are deemed immaterial.

(j) Property, Plant and Equipment

All categories of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system that is an integral part of the related hardware is capitalised as part of the computer equipment. Freehold land/buildings/plant and machinery/furniture and equipment/computers, copiers and faxes/motor vehicles are subsequently carried at a revalued amount, based on valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All items in an asset category are re-valued every 5 years.

Land and buildings were last revalued in 2009 while equipment's were last revalued in 2014. Terms of reference for the subsequent revaluation for both land and buildings and equipment have been developed and forwarded for the initiation of tender process. It is intended that the exercise is undertaken during the year 2016/2017; a budget provision has been made.

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

Notes to the Financial Statements

For the Year Ended 30 June 2016

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

(k) Depreciation and Impairment of Property, Plant and Equipment

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

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

Depreciation is charged from the date of asset recognition and ceases on the date of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

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

Notes to the Financial Statements

For the Year Ended 30 June 2016

(l) Intangible Assets

Intangible assets comprise purchased computer software licenses and other software, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

(m) Amortisation and Impairment of Intangible Assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

(n) Leased Property

Standalone properties for which lease rentals are received are treated in the Statement of Financial Position according to the nature of the asset.

(o) Impairment of Non-financial Assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired.

If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(p) Inventories

Inventories are stated at cost. The cost of inventories comprises purchase price, import duties, transportation and handling charges and is determined on first-in first-out (FIFO) basis. The Authority has a policy of stocking consumable strategic spare parts for a line of operational equipment. The spares are included in the inventory as of the Statement of Financial Position date.

The continued implementation of Just in Time management system has also led to a decrease in the fuel, oil and lubricants, motor vehicle spare parts, stationery and general stores and medicines stores.

Notes to the Financial Statements

For the Year Ended 30 June 2016

(q) Trade and other receivables

Trade receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts.

Objective evidence of impairment of the receivables is when there is significant financial difficulty of the counterparty or when there is a default or delinquency in payment according to agreed terms. When a trade receivable is considered uncollectible, it is written off against the Statement of Comprehensive Income while adjusting the impairment provision.

(r) Taxation

Income Tax

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

Current Tax

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

Deferred Tax

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period. The recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

(s) 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 which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

Notes to the Financial Statements

For the Year Ended 30 June 2016

(t) Trade and Other Payables

Trade and other payables are non-interest bearing and are carried at cost, which is consideration to be paid in future in respect of goods and services supplied, whether billed to the Authority or not.

(u) Dividends

Directors recommend dividend payout to the National Treasury in line with the policy approved by the Board of Directors.

(v) Assets Held for Sale

Non-current assets held for sale (or disposal) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at Net book Value.

(w) Comparative Figures

Comparative figures for 2014/15 have been stated in the financial statement to conform to changes in presentation as stipulated under adoption of IFRSs and the standardisation of Financial Statements for Government Business Enterprises (GBE's) as per circular AG.3/088Vol.6/(78) of 1st of July 2014.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2. Operating Revenue

	2015/2016	2014/2015
	KShs. '000	KShs. '000
Pilotage	546,080	509,445
Tug Services Dues	1,518,384	1,357,216
Mooring	296,507	277,350
Navigational Dues	239,646	208,327
Port Dues	532,063	460,066
Dockage	554,055	601,122
Fresh Water - Normal	4,539	5,579
Laid Up Vessels	0	399
Security	150,610	126,081
Stevedoring	12,358,043	11,294,741
Hire of Labour/Equipment	181,523	184,556
Handling of Containers	2,040,038	1,708,094
Shore handling	4,588,748	4,042,931
Re-Marshalling Charges	407,649	354,898
Container Stripping/Stuffing	1,901	1,847
Verification Charges	5,675	5,137
Storage of General Cargo	114,860	125,703
Storage-Empty Containers	147,837	13,650
Storage-Full Containers	2,254,429	2,027,202
Jetty Fees	1,215	1,334
Licenses	76,882	38,766
Other Revenue	74,750	65,985
Wharfage	12,189,588	10,849,942
Sale of Fresh Water	455	306
Other Miscellaneous Revenue	44,934	56,473
TOTAL	38,330,411	34,317,150

The increase in revenues was partly attributed to a marginal increase in total cargo throughput from 26,209,202 DWT 2014/15 to 26,430,000 DWT 2015/2016 and the depreciation of the Kenya shilling during the period.

3. Gain/(Loss) on Disposal of Non-Financial

	2015/2016	2014/2015
	KShs. '000	KShs. '000
Assets:		
Loss on sale of fixed assets	(1,660)	(123,279)
Profit on sale of surveyed stock	5,305	4,248
TOTAL	3,645	(119,031)

Notes to the Financial Statements

For the Year Ended 30 June 2016

4. Other Income:

	2015/2016 KShs. '000	2014/2015 KShs. '000
Rent & Rates Receivable	160,427	164,119
Bandari College	84,027	52,978
Recovery From Housed Employees	90,490	92,759
Sale of Passes	101,278	97,156
Sale of Books and Documents	107	201
Sundry Income	61,194	75,911
Interest on Staff Loans	192	289
TOTAL	497,715	483,413

5. Administrative Expenses:

	2015/2016 KShs. '000	2014/2015 KShs. '000
Telephone/Telex/Fax Services	12,149	13,965
Water Supply Services	87,728	99,880
City & Municipal Council Rates	72,564	65,770
Office Rental-Kampala	9,402	7,786
Library & Archives	18,876	6,426
Nursery Schools	3,652	1,246
Laundry	7,441	9,309
Provisions & Catering	35,764	42,040
Cleaning of Carpets & Curtains	375	292
Directors' Allowances	52,564	26,989
Furniture & Equipment	0	6
Printing & Stationery	78,588	88,214
Postage & Courier Services	7,827	7,947
Office Incidentals & Consumables	26,212	25,122
Entertainment Allowance	6,347	5,837
Club Membership Fees	2,151	1,831
Police Services	5,583	8,397
Security Guards Services	39,180	31,572
Port Passes	9,319	31,381
Radio Services	235	203
Publicity & Advertising	134,456	107,669
Subscriptions & Donations	15,469	9,267
Hire of Commuter Bus Service	94,231	38,193
Agricultural Society of Kenya Shows	28,389	23,427
Sports	49,299	88,010
Welfare	58,393	30,425

Notes to the Financial Statements

For the Year Ended 30 June 2016 (Cont'd)

Industrial Relations Costs	15,297	11,382
Development Studies	116,848	79,640
Consultant Fees	45,049	57,670
Training	289,737	270,884
Curriculum Development	20,500	36,573
Trade Testing Materials	1,440	3,713
Recruitment Costs	11,072	10,755
Accommodation Costs	387	499
Retirees Expenses	17,694	17,020
Survey Fees	145	785
Computer & Network Maintenance	189,682	301,702
Website	0	4,424
Licenses & Computers	730,572	335,007
Insurance Premier	342,612	246,087
Un-Insured Loss	6,439	1,815
Car Registration & Licenses	139	277
Stock Take Expenses	3,165	2,140
Corporate Social Responsibility	38,160	31,437
Victuals & Snacks	17,174	13,926
Wajibika	25,992	0
Professional Education	32,208	39,593
Value Added Tax Expenditure	25,556	77,702
Audit Fees	8,050	8,100
Bank Charges & Commission	11,735	10,916
Legal Fees	388,528	79,089
TOTAL	3,194,375	2,412,340

Notes to the Financial Statements

For the Year Ended 30 June 2016

6. Establishment Expenses:

	2015/2016	2014/2015
	KShs. '000	KShs. '000
Basic Salary	5,912,850	5,800,391
Overtime	2,457,307	2,392,051
Staff Allowances	1,468,185	1,452,957
Normal Staff Housing	2,308,157	2,360,583
Leased Staff Housing	26,744	18,549
Special Accommodation	7,236	6,537
Duty Travel	325,082	240,186
Leave Travel	310,853	379,832
Motor Mileage	1,442,722	1,501,038
Staff Pension-DC	800,752	776,673
Staff Pension-DB	221,420	242,995
Staff Gratuity	4,232	43,008
Long Service Awards	0	150
Social Security	21	274
Medicines	220,610	225,627
Hospital/Referral Bills	609,394	497,774
First Aid	5,786	5,369
Medical Education Expenses	15,506	12,785
Incentive Scheme	5,336	2,308
TOTAL	16,142,193	15,959,087

As at 30 June, 2016, the Authority had a total of 6,397. Approximately 29% of the employees are in the management cadre while 71% are in the union. A total of 402 employees left employment during the year through retirements, expiry of contracts, deaths, dismissals and forfeitures.

Notes to the Financial Statements

For the Year Ended 30 June 2016

7. Operating Expenses:

	2015/2016 KShs. '000	2014/2015 KShs. '000
Operational/Running Supplies	375,908	328,360
Marine Spares	184,856	251,457
Buoys	0	1,688
Flowers & Plants	637	340
Crane Spares	336,127	204,877
Fuel	602,146	663,201
Oils and Lubricants	100,466	76,249
Cleansing Agents	4,169	7,518
Gas Cutting/Welding Supplies	10	22
Uniforms & Clothing	290,209	301,850
Cleaning Implements/ Detergents	43,644	42,553
Workshop Tools And Equipment	42,712	25,742
Comm./Equipment Spares	21,014	17,070
Medical Equipment	8,832	8,424
Repairs: Port Infrastructure	769,608	635,047
Electricity Services	294,809	319,208
Mobile Plant Spares	201,411	117,469
Electrical Spares	124,641	122,010
Tyres and Tubes	158,525	114,465
Refrigeration/Air Conditioning	27,057	22,288
Batteries Charges and Clocks	13,228	10,959
TOTAL	3,600,009	3,270,797

8. Finance Income:

	2014/2015 KShs. '000	2014/2015 KShs. '000
Bank Interest Earnings	1,490,722	871,563
Realised Foreign Exchange Gain	221,273	25,278
Inventory Differences	0	(297)
TOTAL	1,711,995	896,544

Notes to the Financial Statements

For the Year Ended 30 June 2016

9. Finance Costs:

	2015/2016 KShs. '000	2014/2015 KShs. '000
Interest Charges - Long-Term Loans	1,386	8,266
Write-Off – PPE	381,430	0
Write-Off – Stock	4,467	36,256
Write-Off – Debtors	7,268	0
Price Difference Loss/(Gain)	3,003	(711)
Discounts	103,315	101,260
Compensation Cargo Claims	1,061	1,222
TOTAL	501,930	146,293

During the year under review, the Government of Kenya entered into an agreement with M/s China Road and Bridge Corporation (CBRC) for the construction of the Standard Gauge Railway (SGR) Port relief line in Mombasa (Phase 1), from berth No. 21 to berth No. 11. The project will also involve the expansion and development of the Inland Container Depot, Nairobi (ICDN). The contractor has commenced demolition of assets with a carrying amount of KShs. 381.4M, to pave way for the project.

10. Impairment (Gain)/Losses:

	2015/2016 KShs. '000	2014/2015 KShs. '000
Prov. Impairment (Gain)/Loss on Debtors	96,195	(40,036)
Prov. Impairment (Gain)/Loss on PPE	(3,543)	4,101
TOTAL	92,652	(35,935)

11. Income Tax Expense/(Credit):

	2015/2016 KShs. '000	2014/2015 KShs. '000
(a) Current taxation		
Current taxation based on the adjusted profit for the year at 30%	2,278,325	2,698,494
Current year deferred tax charge	1,482,145	414,866
Tax charge for the year	3,760,470	3,113,360
(b) Reconciliation of tax expense/(credit) to the expected tax based on accounting profit		
Profit before taxation	10,469,260	7,403,789
Tax at the applicable tax rate of 30%	3,140,778	2,221,137
Tax effects of expenses not deductible for tax purposes	254,159	343,201
Tax effects of income not taxable	(23,351)	(117,516)
Tax effects of excess capital allowances over depreciation/amortisation	(1,093,261)	251,671
Current taxation based on adjusted profit	2,278,325	2,698,494

Notes to the Financial Statements

For the Year Ended 30 June 2016

12. Property, Plant & Equipment for the Year Ended 30 June 2016

Cost/Valuation	Leased Land		Land And Buildings		Equipment, Motor Vehicles And Furniture		Services And Systems		Basic Constructions		Balance As At 30 June, 2016	
	KShs. '000	'000	KShs. '000	'000	KShs. '000	'000	KShs. '000	'000	KShs. '000	'000	KShs. '000	'000
Balance as at 01.07.2015	6,162,840	0	21,401,407	2,836,817	20,663,613	8,149,676	7,779,323	27,094,109	45,017,661	39,002,850	101,024,844	
Additions	0	0	2,836,817	0	8,149,676	0	922,248	0	27,094,109	0	(44,260)	
Disposals	0	0	0	0	(44,260)	0	0	0	0	0	(1,906)	
Held for Sale	0	0	0	0	(1,906)	0	0	0	0	0	(1,906)	
Write-off	0	0	(30,021)	0	(1,719)	0	(247,708)	0	(204,601)	0	(484,049)	
Balance as at 30.06.2016	6,162,840	0	24,208,203	2,806,796	28,765,404	8,147,957	8,453,863	27,094,109	71,907,169	39,002,850	139,497,479	
DEPRECIATION												
Balance as at 01.07.2015	0	0	1,418,348	0	6,524,233	895,144	0	5,607,076	0	30,355	14,444,801	
Eliminated on Disposal	0	0	0	0	(30,355)	0	0	0	0	0	(30,355)	
Charge for the year	0	0	336,163	0	3,208,884	569,453	0	2,266,598	0	6,381,098	6,381,098	
Held for Sale	0	0	0	0	(972)	0	0	0	0	0	(972)	
Write-off	0	0	(6,127)	0	(1,281)	0	(51,540)	0	(43,233)	0	(102,181)	
Balance as at 30.06.2016	0	0	1,748,384	0	9,700,509	1,413,057	0	7,830,441	0	20,692,391	20,692,391	
N.B.V as at 01.07.2015	6,162,840	0	19,983,059	2,836,817	14,139,380	6,884,179	0	39,410,585	0	86,580,043	118,805,088	
NBV as at 30.06.2016	6,162,840	0	22,459,819	2,806,796	19,064,895	7,040,806	0	64,076,728	0	118,805,088	118,805,088	
W.I.P as at 01.07.2015	0	0	5,885	0	553,348	193,425	0	21,458,769	0	22,211,427	22,211,427	
W.I.P as at 30.06.2016	0	0	117,418	0	136,296	615,199	0	3,861,718	0	4,730,631	4,730,631	
Sub-Total	6,162,840	0	22,577,237	(192,954)	19,201,191	7,656,005	0	67,938,446	(99,367)	123,535,719	123,535,719	
Impairments	0	0	(192,954)	0	(558)	0	0	(99,367)	0	(292,879)	(292,879)	
Grand Total	6,162,840	0	22,384,283	(192,954)	19,200,633	7,656,005	0	67,839,079	(99,367)	123,242,840	123,242,840	
Fully depreciated Assets												
Cost	0	0	22,790	0	3,114,046	89,046	0	49,501	0	3,275,383	3,275,383	
Would have been depreciation	0	0	2,272	0	367,138	4,418	0	12,375	0	386,203	386,203	

Notes to the Financial Statements
For the Year Ended 30 June 2016

Property, Plant & Equipment for the Year Ended 30 June 2015

Cost/Valuation	Leased Land		Land And Buildings		Equipment, Motor Vehicles And Furniture		Services And Systems		Basic Constructions		Balance As At 30 June, 2015 KShs. '000
	KShs. '000	KShs. '000	KShs. '000	KShs. '000	KShs. '000	KShs. '000	KShs. '000	KShs. '000	KShs. '000		
Balance as at 01.07.2014	6,162,840	0	21,285,328	16,540,095	1,411,145	701,410	6,430,063	44,334,738	94,753,064		
Additions	0	116,079	4,386,192	0	0	0	0	0	6,614,826		
Disposals	0	0	(261,913)	(761)	(61,885)	(18,487)	0	0	(261,913)		
Adjustments	0	0	0	(761)	(61,885)	(18,487)	0	0	(81,133)		
Balance as at 30.06.2015	6,162,840	21,401,407	20,663,613	7,779,323	45,017,661	101,024,844					
DEPRECIATION											
Balance as at 01.07.2014	0	1,087,356	3,526,544	421,942	3,476,294	8,512,136					
Eliminated on Disposal	0	0	(125,094)	0	0	(125,094)					
Charge for the year	0	330,992	3,122,783	473,202	2,130,782	6,057,759					
Balance as at 30.06.2015	0	1,418,348	6,524,233	895,144	5,607,076	14,444,801					
N.B.V as at 01.07.2014	6,162,840	20,197,972	13,013,551	6,008,119	40,858,444	86,240,926					
NBV as at 30.06.2015	6,162,840	19,983,059	14,139,380	6,884,179	39,410,585	86,580,043					
W.I.P as at 01.07.2014	0	61,157	40,819	1,077,083	15,822,071	17,001,130					
W.I.P as at 30.06.2015	0	5,885	553,348	193,425	21,458,769	22,211,427					
Sub-totals	6,162,840	19,988,944	14,692,728	7,077,604	60,869,354	108,791,470					
Impairments	0	(192,955)	(4,101)	0	(99,367)	(296,423)					
Grand Totals	6,162,840	19,795,989	14,688,627	7,077,604	60,769,987	108,495,047					
Fully Depreciated Assets	0	90	541,155	4,618	18,701	564,564					

Notes to the Financial Statements

For the Year Ended 30 June 2016

13. Non-Current Assets Held for sale

As at 30th June, 2016, there were two items of non-current assets held for sale, a tractor and a pickup truck, with carrying amounts of KShs. 534,375 and KShs. 399,625 respectively. Management has completed plans to immediately dispose the assets at the current fair market prices through a public tender.

Description	2015/2016	2014/2015
	KShs. '000	KShs. '000
Pickups 4x2 (11/4 Tonnes 15R KAW 595Z)	534	0
G section tractor TR 55	400	0
Total	934	0

14. Intangible Assets: As at 30 June 2016

Cost:	2015/2016	2014/2015
	KShs. '000	KShs. '000
Balance as at 1 July	1,496,354	1,411,597
Additions	310,605	90,001
Adjustments	0	(5,244)
Balance as at 30 June	1,806,959	1,496,354
Amortisation:		
Balance as at 1 July	1,298,774	625,624
Charge for the year	193,852	673,149
Balance as at 30 June	1,492,626	1,298,774
Net Book Values as at 30 June	314,333	197,580
Fully amortised Assets		
Cost	517,420	517,420
Would have been Depreciation	137,845	137,845

15. Leased Property as at 30 June 2016

COST/VALUATION	Buildings	Basic Construction	Services and Systems	Bal. as at 30.06.2016
	KShs. '000	KShs. '000	KShs. '000	
Balance as at 01.07.2015	83,791	861,503	11,890	957,184
Balance as at 30.06.2016	83,791	861,503	11,890	957,184
DEPRECIATION:				
Balance as at 01.07.2015	12,359	86,147	1,427	99,933
Charge for the year	2,095	39,640	744	42,479
Balance as at 30.06.2016	14,454	125,787	2,171	142,412
N.B.V as at 01.07.2015	71,432	775,356	10,463	857,251
N.B.V as at 30.06.2016	69,337	735,716	9,719	814,772

Notes to the Financial Statements

For the Year Ended 30 June 2016

As at 30 June 2015

	Buildings	Basic Construction	Services and Systems	Bal. as at 30.06.2015
COST/VALUATION	KShs. '000	KShs. '000	KShs. '000	KShs. '000
Balance as at 01.07.2014	83,791	861,503	11,890	957,184
Balance as at 30.06.2015	83,791	861,503	11,890	957,184
DEPRECIATION:				
Balance as at 01.07.2014	10,264	46,507	683	57,454
Charge for the year	2,095	39,845	539	42,479
Balance as at 30.06.2015	12,359	86,352	1,222	99,933
N.B.V as at 01.07.2014	73,527	814,996	11,207	899,730
N.B.V as at 30.06.2015	71,432	775,151	10,668	857,251

16. Long-Term Investments

	2015/2016	2014/2015
DESCRIPTION	KShs. '000	KShs. '000
1. Fixed Deposits:		
Housing Scheme Backup Funds- HFCK	374,574	357,756
Fixed Deposits- HFCK	24,535	35,475
Savings and Loan Ltd.	283,738	283,698
Eco-Bank Kenya Ltd	19,341	19,023
	702,188	695,952
2. Equities:		
Kenya National Shipping Line	54,346	54,346
Kenya Ferry Services	100,000	100,000
Impairment of Trade Investment	(154,346)	(154,346)
Consolidated Bank of Kenya	29,100	29,100
TOTAL	731,288	725,052

- (1). Funds invested with Housing Finance amounted to KShs. 399 million out of which KShs. 375 million is held as lien on loans advanced to staff under the House Ownership Mortgage Scheme (HOMS) and earns interest at 1.25% p.a. The balance of KShs. 24 million is held in a fixed deposit account and earns interest of 8.5% p.a.
- (2). Funds invested with ECO-Bank amounting to KShs. 19 million are held as security on loans advanced to staff under HOMS. They earn interest at 2% p.a.
- (3). Funds invested with Kenya Commercial Bank amounting to KShs. 284 million is held as security on loans advanced to staff under HOMS. They earn interest at 1.0% p.a.

Notes to the Financial Statements

For the Year Ended 30 June 2016

17. Retirement Benefits

The Authority operates a Defined Benefit and Defined Contribution scheme for its employees. The assets of the two schemes are held in a separate trustee administered funds which are funded by both contribution from the Authority and employees.

As stated under note (h) the schemes are administered by Alexander Forbes Financial Services (EA) Ltd while PineBridge Investments (EA) Ltd and Old Mutual Investment Group provides the Scheme with fund management services. The custodian of the Scheme assets is CFC Stanbic Bank Ltd.

The Authority's contribution to the Defined contribution scheme is the final obligation. The employers contributions payable for DC scheme was KShs. 801 Million (2014/2015: KShs. 777 Million) and have been recognised in the Statement of Profit and Loss and Other Comprehensive Income.

The Authority Defined Benefit retirement scheme was closed to new entrants and future accrual of benefits effectively on 31st December, 2012. The Authority only makes contribution to the scheme in respect of those members who opted to remain in the Defined benefit scheme. The results of the valuation carried out by Alexander Forbes, on the basis of the actuarial assumptions adopted, shows an actuarial surplus of KShs. 3,808 million for the 2015/2016. Actuarial surplus for the year 2014/2015 was KShs. 3,675 million giving a pension valuation surplus of KShs. 133 million. The level of funding (the ratio of the value of the Assets to the past service liability) is 118.6% (2014/15; 119%).

The scheme funding level is above the statutory minimum funding level of 100% at the valuation date. The scheme's liability profile is mature with a significant number of pensioners and maturing-in-service workforce.

The principal features of the actuarial basis adopted are as follows:

Valuation Method	:	Attained Age Valuation Method
Rate of Interest	:	10 % Per Annum
Rate of Salary Escalation	:	8 % Per Annum
Rate of Pension increases	:	0 % Per Annum
Normal Retirement Age	:	60 th Birthday
Mortality – Pre-retirement	:	1949/52 Ultimate
– Post-retirement	:	a (55) Males/Females Ultimate

Notes to the Financial Statements

For the Year Ended 30 June 2016

The amount included in the Statement of Financial Position arising from the Authority's obligation in respect of defined benefit scheme is as follows:

	FY 2015/2016	FY 2014/2015
	KShs. '000	KShs. '000
Value Placed on Sale of Assets	24,237,700	23,027,000
Accrued (Past) liability	(20,429,700)	(19,352,000)
Total	3,808,000	3,675,000

Reconciliation of the amounts included in the Statement of Financial Position is as follows:

(i) Planned Assets movement

	FY 2015/2016	FY 2014/2015
	KShs. '000	KShs. '000
Assets at the Start of the Period Income	23,026,600	15,755,300
	2,587,600	8,156,400
Contributions	310,000	327,000
Special Contribution	240,000	948,200
Net Investment Income	2,037,600	6,881,200
Outgoing:	(1,376,500)	(885,100)
Benefit Payments	(1,326,800)	(833,800)
Administration Expenses	(49,700)	(51,300)
Assets at end of the Period	24,237,700	23,026,600

(ii) Defined benefit Obligation movement

	FY 2015/2016	FY 2014/2015
	KShs. '000	KShs. '000
Accrued Liabilities		
Estimated liability in respect of outstanding benefit payments at the valuation date	661,500	402,000
Value of:		
Future benefits to current pensioners (including spouses & dependents pensions), suspended pensioners and deferred pensioners	6,417,100	6,109,000
Past service pension benefits for active members based on projected earnings	13,351,100	12,841,000
Total accrued (Past Service) Liabilities	20,429,700	19,352,000

Notes to the Financial Statements

For the Year Ended 30 June 2016

The Scheme's assets include investment property (Commercial and Residential), Financial Assets (Treasury Bonds, Treasury Bills, Corporate Bonds and Equity and Cash and Cash Equivalents (Cash at current accounts and Fund Managers, Fixed Deposits and Call Deposits.)

A summary of the distribution of the scheme assets based on the audited scheme accounts as at 31st December, 2014 is as shown below:

Assets	2015/2016		2014/2015	
	KShs. '000	%	KShs. '000	%
Properties Investments	8,751,200	36.1	8,748,870	38.0
Equities (Quoted and Unquoted)	4,990,700	20.6	4,365,700	19.0
Offshore Investments	611,300	2.5	570,490	2.5
Government Bonds	6,500,200	26.9	6,375,220	27.6
Commercial Paper and Corporate Bond	1,706,500	7.0	1,235,180	5.4
Fixed, Time and Cash Deposits	1,339,900	5.5	1,256,180	5.5
Net Current Assets	337,900	1.4	475,000	2.0
Total	24,237,700	100	23,026,640	100

18. Inventories:

	2015/2016	2014/2015
	KShs. '000	KShs. '000
Engineering Stores	322,647	290,405
Fuel, oil and Lubricants	1,199	2,034
Motor Vehicle Spare Parts	1,096	5,375
Stationery and General Stores	28,313	40,165
Medicines & Equipment	32,921	33,489
Sub-Total	386,176	371,468
Provision for Write-off of Stock	(4,675)	(36,256)
TOTAL	381,501	335,212

Inventories are stated at cost. The cost of inventories comprises purchase price, import duties, transportation and handling charges and is determined on first-in first-out (FIFO) basis. The Authority has a policy of stocking strategic consumable spare parts for a line of operational equipment. The spares are included in the inventory as of the Statement of Financial Position date. The continued implementation of Just in Time management system has also led to a decrease in the fuel, oil and lubricants, motor vehicle spare parts, stationery and general stores and medicines stores.

Inventory is evaluated for write-off periodically. In the year 2015-16, a provision for obsolete stock equivalent to KShs. 4,674,695 was approved.

Notes to the Financial Statements

For the Year Ended 30 June 2016

19. Receivables & Prepayments

		2015/2016	2014/2015
Trade Receivables	Note	KShs. '000	KShs. '000
Trade Cargo		1,401,092	1,221,573
Trade Marine		312,662	362,493
Rental		75,200	101,711
Subtotals	19a	1,788,954	1,685,777
Less; Provision For Impairment		(864,349)	(768,154)
Subtotals		924,605	917,623
Kenya National Shipping Line		1,507	1,507
Mot (Treasury/Dredgco)		287,231	287,231
Kenya Ferry Services		336,010	336,010
Impairment of Other Debtors		(624,748)	(624,748)
Subtotals		0	0
Other Receivables:			
Staff Advances		22,711	28,111
Advance Imprest & Subsistence		65,572	51,913
Advance Creditors		5,051,972	3,884,349
Deposit Others		17,176	17,156
Insurances Receivable Account		0	9,233
Valuation Adjustment		392,514	382,986
Tax Recoverable	19b	63,571	624,590
Prepayments & Accrued Income	19c	490,879	358,591
VAT in		117,428	0
Others		79,242	49,941
Subtotals		6,301,065	5,406,870
TOTAL		7,225,670	6,324,493

(a). As at June 30, the ageing analysis of the Trade and Rental receivables was as follows:

Period	2015/2016	2014/2015
	KShs. '000	KShs. '000
From 0 To 90	778,785	836,977
From 91 To 120	32,225	26,533
From 121 To 150	22,535	13,027
From 151 To 180	52,855	18,196
From 181 To 365	100,969	44,389
1 to 2 Years	88,272	68,676
Over 2 years	713,313	677,959
TOTAL	1,788,954	1,685,777

In compliance with the Authority's impairment policy and International Financial Reporting Standards, all overdue debts have been impaired. Debts over 2 years old have been impaired 100%.

Notes to the Financial Statements

For the Year Ended 30 June 2016

(b). Tax Recoverable:

Description	2015/2016 KShs. '000	2014/2015 KShs. '000
Balance as at 01 July	624,590	1,266,343
Total Output VAT	(2,025,984)	(1,599,714)
Total Input VAT	1,464,965	957,961
TOTAL	63,571	624,590

(c). Prepayments & Accrued Income:

Description	2015/2016 KShs. '000	2014/2015 KShs. '000
Accrued income	250,684	152,469
Rents & rates – prepaid	22,100	28,843
Insurance – prepaid	169,734	126,735
Prepayments Others	48,361	50,544
TOTAL	490,879	358,591

At the year-end, Trade and Other receivables increased over the previous year primarily due to advance payments related to equipment upgrade and modernisation and the construction of the Lamu Port.

20. Cash and Cash Equivalents

Description	Note	2015/2016 KShs. '000	2014/2015 KShs. '000
Short-Term Deposits	20 (a)	12,540,442	9,237,884
Cash on Hand and at Bank	20 (b)	599,073	814,571
TOTAL		13,139,515	10,052,455

(a). Short-Term Deposits:

Description	2015/2016 KShs. '000	2014/2015 KShs. '000
Treasury Bills 10.53%	5,718,624	0
Chase Bank 15.27%	2,956,547	0
Barclays Bank Fixed Deposit 13.5%	900,000	750,000
Citibank, on call 6.70%	400,000	300,000
Co-operative Bank, Fixed Deposit 9.28%	1,807,500	2,192,000
Equity Bank Fixed Deposit 10.5%	700,000	800,000
KCB Fixed Deposit 11.26%	0	3,854,600
HFCK Fixed Deposit 11%	0	1,341,284
Discount on Treasury Bills	57,771	0
TOTAL	12,540,442	9,237,884

Chase Bank was placed under receivership on 7th April, 2016, the Authority has had several discussions with the Chase Bank management, the receiver managers and Kenya Deposit Insurance Corporation on unlocking these funds. It is highly probable that the funds will be paid back together with the interest. A provision has therefore not being made.

Notes to the Financial Statements

For the Year Ended 30 June 2016

(b). Bank and Cash Balances

Name of Bank	2015/2016	2014/2015
	KShs. '000	KShs. '000
National Bank of Kenya	23,903	19,440
Kenya Commercial Bank	108,705	76,475
Citibank N,A	225,700	307,644
Equity	87,700	118,018
Stanbic Bank	139,706	289,253
Petty Cash	2,208	2,999
Cash in Transit	10,745	742
Collections	406	0
TOTAL	599,073	814,571

21. Movement in Revaluation Reserve

	2015/2016	2014/2015
	KShs.'000	KShs.'000
Opening Balance	52,525,540	58,763,932
Transfers to General Reserves:		
Asset Disposals	(23,086)	(185,970)
Depreciation as a result of Revaluation:		
Buildings	(171,235)	(173,888)
Plant & Equipments	(4,246,982)	(5,878,534)
Closing Balance	48,084,237	52,525,540

22. Government Grants

Grants represent funds provided by donors, either directly or via a sponsor for the purposes of financing specific capital projects of the Authority. During the year, the following grants in form of assets were received/realised from Trade Mark East Africa (TMEA) and transferred to the General reserves:

	1/7/2015	Received	Capitalisation	Cumulative
	KShs. '000	2015/16	2015/16	to 30/6/2016
	KShs. '000	KShs. '000	KShs. '000	KShs. '000
Trade Mark East Africa	121,196	89,277	(104,205)	106,268
TOTAL	121,196	89,277	(104,205)	106,268

TMEA has been a development partner of the Authority. They have funded several projects namely Yard No. 5, expansion works on Gates 18 & 20 (both capitalised). The donor is funding other ongoing projects which include the improvement of white house roundabout and extension works on the road to Gate 10.

23. Government Project Funds

Funds represent monies given to the Authority for specific government projects not in direct control of the Authority. During the year, the following funds were received/ transferred:

Notes to the Financial Statements

For the Year Ended 30 June 2016

	1/7/2015	Received 2015/16	Capitalization 2015/16	Cumulative to 30/6/2016
	KShs. '000	KShs. '000	KShs. '000	KShs. '000
Infrastructure Kisumu Port	50,000	0	0	50,000
Lamu Port Development	4,406,893	2,000,000	(675)	6,406,218
TOTAL	4,456,893	2,000,000	(675)	6,456,218

During the year, Kenya Ports Authority received KShs. 2 Billion from Ministry of Transport & Infrastructure for Lamu Port Development Project.

Lamu Port Project: Statement of Financial Position as at 30/06/2016

	KShs. '000	KShs. '000
Non-Current Assets		
Works in progress		3,314,891
Current Assets (Advance Payments)		
Yooshin Eng. Co. (Consultant)	7,576	
China Communication Construction Co.	4,001,185	4,008,761
Financed By:		7,323,652
Government Funds		6,406,218
KPA Funds*		917,434
		7,323,652

*The Authority paid KShs. 917million on behalf of the Government for the Lamu Port Project

24. Borrowings: As at 30/06/2016

Loans	Opening Balances	Disbursements	Principal	Repayments		Total	Closing Balances
	01/07/2015			Interest	30/06/2016		
	KShs. '000	KShs. '000	KShs. '000	KShs. '000	KShs. '000	Non-Current KShs. '000	
JICA	16,837,316	8,546,855	0	39,176*	39,176	25,384,171	
TOTAL	16,837,316	8,546,855	0	39,176	39,176	25,384,171	

As at 30/06/2015

Loans	Opening Balances	Disbursements	Principal	Repayments		Total	Closing Balances
	01/07/2014			Interest	30/06/2015		
	KShs. '000	KShs. '000	KShs. '000	KShs. '000	KShs. '000	Non-Current KShs. '000	
CFC Stanbic	847,651	0	847,651	8,266	855,917	0	
JICA	14,468,684	2,368,632	0	24,838	24,838	16,837,316	
EATTF**	1,279,052	0	99,822	0	0	1,179,230	
TOTAL	16,595,387	2,368,632	947,473	33,104	880,755	18,016,546	

Notes to the Financial Statements

For the Year Ended 30 June 2016

JICA Loan

Japan International Cooperation Agency funded the implementation of the Mombasa Port Development Project. The principal value of the loan is JPY 26,700 million, interest rate is 0.2 percent paid per annum paid semi-annually.

The loan is being disbursed in instalments. As at 30th June, 2016, amounts disbursed and which was also the outstanding balance for JICA loan was JPY 25,724 million translated to KShs. 25,384 million. The Loan repayment will be for thirty years, paid semi-annually on 20th May and 20th November, commencing on 20th November, 2017 to 20th November, 2047.

The loan is being used for purchases of goods and services from suppliers, contractors of consultants as the case may be to facilitate the implementation of the Mombasa Port Development Project. The Statement of the Financial Position as at 30th June, 2016 is shown below:

Kipevu Container Terminal Statement Of Financial Position as at 30th June 2016

Non-Current Assets	KShs. '000	KShs. '000
Land		842,424
Civil/Electrical Works		29,026,389
Equipment		2,651,379
		32,520,192
Current Liabilities		
Accounts Payable		
JPC	(20,633)	
Toyo	(611,206)	
Oriental	(14,721)	(646,560)
TOTAL		31,873,632
Financed By:		
GOK Grant		300,000
KPA Contribution		6,189,461
JICA Loan		25,384,171
TOTAL		31,873,632

Land includes Twenty three (23) parcels measuring 21.6 acres, civil works comprises of 2No. berths for vessels, 1No. small berth for boats, administrative buildings, workshops, roads, revetment works and a container stacking yard. Equipment comprise of 2No. STS and 4 RTGs while electrical works comprise a substation, high mast light towers and street lighting.

*The interest of KShs. 39 million has been accounted for in accordance with IAS 23 on borrowing costs up to the completion of the construction phase of the project. Subsequent interest will be recognised through the Statement of Profit and Loss and other Comprehensive Income.

** EATTF has been is reclassified as Equity.

Notes to the Financial Statements

For the Year Ended 30 June 2016

25. Deferred Tax:

The net deferred tax liability movement at year end is as shown below:

	2015/2016 KShs. '000	2014/2015 KShs. '000
Balance as at 1 st July	1,550,537	1,135,671
Movement for the year	1,482,145	414,866
TOTAL	3,032,682	1,550,537

26. Tax Payable/ (Paid in Advance)

	Note	2015/2016 KShs. '000	2014/2015 KShs. '000
Balance as at 1 st July		85,095	453,970
Income tax charge for the year	11	2,278,325	2,698,494
Under/(over) provision in prior year		0	(502)
Income tax paid during the year		(3,004,125)	(2,524,688)
Final tax paid		(173,805)	(542,179)
TOTAL		(814,510)	85,095

27. Trade & Other Payables:

	Note	2015/2016 KShs. '000	2014/2015 KShs. '000
Trade Payables:			
General Trade		285,978	856,076
General Foreign Suppliers		764,206	684,561
Payroll		333,571	343,836
Accrued Expenditure		2,430,837	1,477,062
Other Payables:			
Ministry of Finance/Dredgco		287,231	287,231
2 nd Terminal Suppliers		646,560	359,645
Stock Accruals		447,419	207,435
KRC		0	16,665
Advance Receipts	27 (a)	136,585	90,152
Kenya Ports Authority Directors		72	0
Creditors Valuation Adjustment		0	83,155
KCHS Provident Fund		6,426	0
Down Payment Cargo Customers		11,272	2,694
VAT Out		118,455	0
Others		199,949	144,041
TOTAL		5,668,561	4,552,553

Notes to the Financial Statements

For the Year Ended 30 June 2016

a. Advance Receipts

	2015/2016 KShs. '000	2014/2015 KShs. '000
Advance Marine Debtors	17,860	22,646
Advance Cargo Debtors	104,542	53,368
Advance Rental	14,183	14,138
TOTAL	136,585	90,152

At the year-end, Trade and Other payables increased over the previous year primary due to suppliers in connection to port expansion and modernisation and accrued expenditure. Accrued expenditure includes expenditure related to the period but not yet paid.

28. Reconciliation of Operating profit to Cash Generated From Operations

	Note	2015/2016 KShs. '000	2014/2015 KShs. '000
Cash Flow from Operating Activities:			
Operating profits before tax		10,395,178	7,052,106
Add/(Deduct):			
Interest Income		(1,490,914)	(871,852)
Interest Expense		1,386	8,266
Non-Cash Items:			
Depreciation of Property, Plant and Equipment		6,423,577	6,100,239
Amortisation of Intangible Assets		193,852	673,149
Decrease in Provision for Debts/Impairment		96,195	(40,036)
Increase/(Decrease) in Provision for Impairment Asset		(3,543)	4,101
Increase/(Decrease) in Provision for Impairment Stock		(31,581)	36,262
Write-off of PPE		381,430	0
Loss on Sale of Assets		1,660	123,279
Profit on Sale of Surveyed Stock		(5,305)	(4,248)
Net Foreign (gain)/loss		3,003	(414)
Operating Profit Before Working Capital Changes		15,964,938	13,080,852
Increase in Inventories		(14,708)	(58,441)
(Increase)/Decrease in Prepayments		(132,714)	109,856
Increase in Trade & Other Receivables	29	(840,431)	(1,816,822)
Increase in Trade & Other Payables	30	1,181,144	508,910
Cash Generated From Operations		16,158,229	11,824,355

Notes to the Financial Statements

For the Year Ended 30 June 2016

29. Reconciliation of Accounts Receivables:

	2015/2016 KShs. '000	2014/2015 KShs. '000	KShs. '000
Balance as at 30 th June	6,425,101	5,328,645	
Add:			
Increase In Impairment Of Trade Debtors	96,195	0	
Advance Payments-2nd Container Terminal	0	501,555	
Advance Receipts	136,585	90,152	
Creditors With Debit Balance	41,994	45,328	
Sub Total	6,699,875	5,965,680	
Less: Movement Debtors Valuation	106,236		
Reconciled Movement Amount	6,806,111	5,965,680	840,431

30. Reconciliation of Accounts Payable:

	2015/2016 KShs. '000	2014/2015 KShs. '000	KShs. '000
Balance as at 30 th June	5,341,561	3,900,879	
Add:			
Advance Receipts-2 nd Container Terminal	0	501,555	
Advance Receipts	136,585	90,152	
Creditors With Debit Balance	41,994	45,328	
Subtotal	5,520,140	4,537,914	
Less: Movement Creditors Valuation	198,918		
Reconciled Movement Amount	5,719,058	4,537,914	1,181,144

31. Purchase of PPE:

	2015/2016 KShs. '000	2014/2015 KShs. '000
Purchase of PPE as at 30 June	21,741,270	12,005,110
Less:		
TMEA Works	(89,277)	(118,072)
Restatement of JICA loan	0	(377,218)
Purchase of PPE as per Cash Flow	21,651,993	11,509,820

32. Grants:

	2015/2016 KShs. '000	2014/2015 KShs. '000
Lamu Port Development	2,000,000	195,647
Reconciled Movement	2,000,000	195,647

During the year Kenya, Ports Authority received KShs. 2 Billion from Ministry of Transport & Infrastructure for Lamu Port Development Project.

Notes to the Financial Statements

For the Year Ended 30 June 2016

33. Dividends Payable

Balance of Dividends payable to The National Treasury:

	2015/2016
	KShs. '000
Year 2015/2016	497,603
Year 2014/2015	295,406
TOTAL	793,009

During the year dividends of KShs. 193.716 million for FY 2013/14 was paid to the National Treasury.

34. Related Party Transactions

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

Description	2015/2016	2014/2015
	KShs. '000	KShs. '000
Kenya Ferry Services (Debtor)	336,010	336,010
Kenya Ferry Services (Investment)	100,000	100,000
Ministry of Transport	287,231	287,231
Kenya National Shipping Line (Debtor)	28,121	28,120
Kenya National Shipping Line (Investment)	54,347	54,347
Impairment Provision	(805,668)	(805,471)
Total	41	237
Retirement Benefit Asset	3,808,000	(1,813,327)
Total	3,808,000	(1,813,327)

Senior Management

During the year, the senior management team comprising seven Divisional Heads and the Chief Executive were paid KShs. 87.34 million as salary and other allowances. The Non-Executive Directors are entitled to receive KShs. 16.20 million out of which KShs. 3.6 million is payable to treasury.

Kenya Ferry Services (Debtor)

Kenya Ferry Services owes the Authority KShs. 336 million. The debt arose from advances made to the corporation on instructions from the Treasury. The debtor has been unable to pay the advances and the Authority has fully impaired the debt.

Kenya National Shipping Line

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

Notes to the Financial Statements

For The Year Ended 30 June 2016

Kenya Ports Authority Pension Scheme

The Authority operates defined benefit scheme, alongside the defined contributory scheme. The defined benefit scheme is valued annually by Alexander Forbes, an independent Actuary. At the end of the year, the scheme funding level was at 118.6% resulting in an actuarial surplus of KShs. 3,808 million.

35. Capital Commitments

The Authority is undertaking the underlisted projects with an objective of expanding capacity and modernisation of equipment to increase efficiency in port services.

As at 30 JUNE 2016

Project Description	Estimated Project Cost KShs. '000	Total Amount Paid KShs. '000	Pending Commitments KShs. '000	Completion date
1 Relocation Of Kipevu Oil Terminal	20,000,000	228,672	19,771,328	December, 2018
2 Lamu Port- Construction of First Three Berths	46,500,000	3,314,890	43,185,110	December 2020
3 Improvement of Facilities at Eldoret ICD	115,000	90,498	24,502	December, 2016
4 Widening & Construction of Road To 2 nd Container Terminal	120,000	92,538	27,462	November, 2016
5 Network Enhancement	112,000	101,865	10,135	December, 2016
6 60T Bollard Pull Azimuth Drive Tug	1,057,000	921,138	135,862	October/ November, 2016
Total	67,904,000	4,749,601	63,154,399	

Capital commitments on projects not yet contracted are shown below;

PROJECTS	ESTIMATED PROJECT COST (KShs. '000)
1 Feasibility Study for Shimoni Port	120,000
2 Feasibility Study for Dongo Kundu – Free Port Development	70,000
3 Development of Kisumu Port and Other Lake Victoria Ports	7,000,000
4 Rehabilitation of ICDs, Starting with Nairobi ICD	3,500,000
5 Bandari College as Centre of Excellence	1,464,000
Total	12,154,000

Notes to the Financial Statements

For the Year Ended 30 June 2016

36. Financial Risk Management Policies

The Authority's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Authority's overall risk management policies are set out by the board and implemented by the management and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Authority's performance by setting acceptable levels of risk. Management has developed a hedge policy for approval by the Board of Directors.

(i) Credit Risk Management

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

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution, as stated in the investment policy.

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

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

The carrying amount of financial assets recorded in the financial statements that represents the Authority's maximum exposure to credit risk obtained is as follows:

30-Jun-16	Fully Performing KShs. '000	Past due KShs. '000	Fully and Partially Impaired KShs. '000	Total KShs. '000
Due from related companies	0	0	805,708	805,708
Trade receivables:				
Marine	233,042	12,986	40,435	286,463
Cargo	426,151	92,389	882,137	1,400,677
Rental	7,492	6,725	60,983	75,200
Bank Balances	599,073	0	0	599,073
Total	1,265,758	112,100	1,789,263	3,167,121

Notes to the Financial Statements

For the Year Ended 30 June 2016

The analysis of the age of receivables that are past due but not impaired for the Authority is as shown below:

Age in Days	2015-2016
	KShs. '000
31-60 days	69,485
61-90 days	42,615
TOTAL	112,100

As at the end of the reporting period, collateral including bank guarantees and deposits worth at least KShs. 1.3 Billion was being held as a means of mitigating the risk of financial loss from default.

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low. Part of the debt that is past due is not impaired and continues to be paid. The finance department is actively pursuing this debt. The debt that is impaired has been provided for as per the Authority Credit control policy. Debts and investments worth KShs. 1,518 Billion is fully provided for and includes at least KShs. 595 Million that is under litigation. The finance department is pursuing various measures to recover the impaired amounts.

(ii) Liquidity Risk Management

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

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

The table below analyses the Authority's financial liabilities as at 30th June, 2016 that will be settled on a net basis on maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 30 June 2016

Payables	Less than 1 month KShs. '000	Between	Between	Over	Total KShs. '000
		1 - 3 months KShs. '000	4 - 6 months KShs. '000	6 months KShs. '000	
General Trade	142,726	46,250	6,997	90,005	285,978
General Foreign	21,693	739,864	757	1,892	764,206
Payroll	274,250	26,118	1,817	31,386	333,571
Total	438,669	812,232	9,571	123,283	1,383,755

Notes to the Financial Statements

For the Year Ended 30 June 2016

(iii) Market Risk Management

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

a) Currency Risk

The Authority is exposed to foreign exchange risk arising from various transactions denominated in foreign currencies, primarily with respect to the US dollar and Japanese Yen. This results in exposures to exchange rate fluctuations. The balances impacted in this regard are the balances due to foreign suppliers, balances due from debtors and bank balances. Exchange rate exposures are managed within approved policy parameters utilising matching of assets and liabilities.

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

Currency (USD)	<u>Liabilities</u>	<u>Assets</u>
	30-Jun 2015/16 USD '000	30-Jun 2015/16 USD '000
Assets		
Bank		4,823
Receivables		43,684
Liabilities		
Payables	7,295	
Total (USD)	7,295	48,507

As at 30th June, 2016, the outstanding liabilities in Japanese Yen amounted to JPY 90,921,150 equivalent to KShs. 89,921,017.

The sensitivity analysis in foreign currency arises from bank balances, trade receivables and payables denominated in foreign currency mainly US dollars (USD). At the year end, approximately 80 percent of receivable collections were in USD. The analysis adjusts the translation at the year end to a 10% change in foreign currency rates.

At 30 June 2016, if the Kenya Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, the impact on profit/(loss) before taxation for the year would have been KShs. 417M higher/lower, mainly as a result of translation of US dollar receivable, payables and bank balances.

Notes to the Financial Statements

For the Year Ended 30 June 2016

(b) Interest Rate Risk

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

(iv) Operational Risk Management

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

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

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

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

- Requirements for appropriate segregation of duties, including the independent authorisation and approval of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced by the entity and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and implementation of the proposed remedial solutions and actions;
- Development of contingency plans;
- Training and professional development for its staff; and
- Adherence to ethical and business standards.

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

37. Capital Risk Management

The corporation's objectives when managing capital are:

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

Notes to the Financial Statements

For the Year Ended 30 June 2016

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

The capital structure of the Authority consists of debt, which includes borrowings and capital, other reserves and retained earnings. The Authority monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital and reserves. Total debt is calculated as total non-current liabilities and current liabilities.

Description	2015/2016 KShs. '000	2014/2015 KShs. '000
Non-Current Liabilities	34,873,071	24,023,976
Current Liabilities	5,668,561	4,637,648
Total Debt	40,541,632	28,661,624
Total Capital and Reserves	109,931,731	102,000,466
Net Debt to Equity	37%	28%

Debt ratio, an alternative gearing ratio calculated as total debt divided by total assets is as shown below:

Description	2015/2016 KShs. '000	2014/2015 KShs. '000
Total Debt	40,541,632	28,661,624
Total Assets	150,473,363	130,662,090
Debt to Total Asset Ratio	27%	22%

Notes to the Financial Statements

For the Year Ended 30 June 2016

38. Contingent Liabilities

Claims lodged and cases filed against the Authority in respect of third party claims for loss of cargo, personal injury and loss of life is estimated as KShs. 7.46 Billion. Major claims and cases filed are quantified in the table below:

	File Reference	Summary of Facts/Nature of Claim	Status of The Case
1	MCS/4/3/2959 MSA CMCC No. 1089 of 2014 Julius Jeremiah Misiani, Josiah Otworu Misiani and Mary Kwamboka Misiani vs Kenya Ports Authority	Claim for wrongful dismissal and malicious prosecution.	Matter last listed in court on 14 th April, 2015 before Hon Kituku.
2	MCS/4/3/3062 MSA HCCC No. 410 of 2002 A.M Bahaji & Co. Ltd vs Kenya Ports Authority	Claim for loss of goods/container.	Matter was fixed for hearing in court on 26 th July, 2016. Awaiting update from A. B. Patel Advocates
3	MCS/4/3/4635 MSAHCCC No. 594 of 2000 Reliable Freight Services Ltd vs Kenya Ports Authority	Claim for loss of goods.	This is an ongoing matter which is next listed for hearing on 25 th October, 2016
4	MCS/4/3/4963 NBI HCCC 105 OF 2003 Kenya Petroleum Limited vs Kenya Ports Authority	Claim for refund paid to KPA by Kobil on account of shore-handling.	The matter is ongoing and was last listed for mention on 24 th March, 2016
5	MCS/4/3/5186 NBI HCCC No. 128 of 2004 Kobil Petroleum Limited vs Kenya Ports Authority	Claim allegedly arising from petroleum products sold to KPA by Kobil.	This is an ongoing matter which is set for hearing in court in August.
6	MCS/4/3/5582 MSA HCCC No. 1 OF 2006 Joseph Matheka Indo vs Kenya Ports Authority	Petition by the Administrators Estate of the Late Joseph Matheka Indo, claim for alleged wrongful termination of the deceased.	As per the Judgment delivered in the court of appeal on 1 st July, 2016, the appeal case was dismissed and therefore intends to appeal to the supreme court as per the notice of appeal served upon us on 20 th July, 2016.
7	MCS/4/3/5609 NBI HCCC No. 1332 of 2006 Ruth J.M. Onyancha vs Kenya Ports Authority and Brown M. M. Ondego	Suit for defamation and pre-mature early retirement.	Case still pending in court. The plaintiff has not fixed the matter for hearing.
8	MCS/4/3/5669 NBI HCCC 405 OF 2007 Baharini Oil Supply Services Limited versus Kenya Ports Authority & the AG	Claim for specific performance of a contract alleged to be loss of profit for the period of the alleged breach of contract and special damages incurred by plaintiff in performing its obligation under the contract, plus costs and interest. The agreement was for a concession to allow for the construction and managing of a berthing facility at Mbaraki Wharf.	Matter is ongoing.

Notes to the Financial Statements

For the Year Ended 30 June 2016 (Cont'd)

9	MCS/4/3/5818 NBI HCCC No. 216 of 2009 KENOL Vs Kenya Ports Authority	Claim for purchase price of petroleum allegedly sold and delivered to KPA between May and June 2008.	Matter pending in court. Awaiting update from the Advocate dealing.
10	MCS/4/3/5821 MSA HCCC 19 of 2009 Modern Holdings (EA) Limited versus Kenya Ports Authority	Claim for perishable goods that expired during post-election violence when boxes were transferred to Makupa Transit Shade in 2007/2008.	Matter is ongoing.
11	MCS/4/3/6344 Msa E&LR 118 of 2015 Bilton Etobo Okhanjo & Samson K.Nyeliley & 32 others–vs-Kenya Ports Authority	Claim for payment for promotion to grade HM4 for the period they were trainee.	Matter ongoing.
12	MCS/4/3/6354 Msa E&LR 480 of 2015 James Muthusi & 6 Others vs Kenya Ports Authority	Claiming for Acting as Engine room assistant want to be paid acting allowance.	Matter ongoing.
13	MCS/4/3/6405 Msa Employment & Labour Relations Court 604 of 2015 Dock worker Union vs Kenya Ports Authority	The claimant Dockworkers union was acting for 136 employee who had been issued with letters requesting them to show cause why their employment should not be terminated for having presented fake certificates to secure employment/promotion. The case was dismissed.	Matter ongoing.
14	MCS/4/3/6413 NRB High Court Misc Appl. No. 298 of 2015 APM Terminal BV –vs –Public Private Partnership Petition Committee & Kenya Ports Authority & BTT Corporation & Others	The Applicant filed Judicial Review proceedings to challenge the Public Private Petition Committee's decision to disallow their application seeking to have tender evaluation report produced.	Matter ongoing.
15	MCS/4/3/6416 Nrb High Court Misc Appl.325 of 2015 International Container Terminal Service vs Public Private Partnership Petition Committee & Kenya Ports Authority & APM Terminal BV	The Applicant filed Judicial Review proceedings to challenge the Public Private Petition Committee's decision to disallow their application seeking to have tender evaluation report produced.	Matter ongoing.
16	MCS/4/3/6394 Nrb Public Private Partnership Committee Petition No. 4 of 2015 International Container Terminal Services Inc (ICTS) – vs – Kenya Ports Authority	The Plaintiff is seeking damages for breach of statutory duty after it was disqualified at evaluation stage for procurement of concessionaire for phase 1 of the second container terminal at the Port of Mombasa.	Matter ongoing.
17	MCS/4/3/6393 Nrb Public Private Partnership Committee Petition No. 3 of 2015 Bollore & 4 Others – vs – Kenya Ports Authority	The Plaintiff is seeking damages for breach of statutory duty after it was disqualified at evaluation stage for procurement of concessionaire for phase 1 of the second container terminal at the Port of Mombasa.	Matter ongoing.

Notes to the Financial Statements

For the Year Ended 30 June 2016 (Cont'd)

18	MCS/4/3/6392 Nrb Public Private Partnership Committee Petition No. 2 of 2015 APM Terminal BV – vs – Kenya Ports Authority	The Plaintiff is seeking damages for breach of statutory duty after it was disqualified at evaluation stage for procurement of concessionaire for phase 1 of the second container terminal at the Port of Mombasa.	Matter ongoing.
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Notes to the Financial Statements

For the Year Ended 30 June 2016

39. Reporting Currency

The functional and reporting currency is Kenya Shillings (KShs.).

40. Subsequent Events

There were no events after the end year that could have had effect on the Authority's financial statements.

41. Enactment

The Authority was established through an Act of parliament Cap 391 on 20th January, 1978.



Additional Disclosures

For the Year Ended 30 June 2016

1. Statement of Comparison of Budget and Actual Amounts

As at 30 June 2016

	2015/2016 BUDGET	2015/2016 ACTUAL	Variance
	KShs. '000	KShs. '000	KShs. '000
Operating Revenue	33,888,000	38,330,411	4,422,411
Gain on disposal of non-financial assets	6,201	3,645	(2,556)
Other Incomes	441,820	497,715	55,895
Total Revenues	34,336,021	38,831,771	4,495,750
Less Expenses:			
Administrative Expenses	(3,227,301)	(3,194,375)	32,926
Establishment Expenses	(16,308,580)	(16,142,193)	166,387
Other Operating Expenses	(3,599,777)	(3,600,009)	(232)
Depreciation and amortisation	(6,687,506)	(6,617,429)	70,077
Total Operating Expenses	(29,823,164)	(29,554,006)	269,158
Operating Profit	4,512,857	9,277,765	4,764,908
Finance Income	713,978	1,711,995	998,017
Finance Cost	(117,229)	(501,930)	(384,701)
Impairment Loss	(93,607)	(92,652)	955
Profit Before Tax	5,015,998	10,395,178	5,379,180

Total Revenue

Total revenue earned during the period was KShs. 38,831.7 million the variance was mainly attributed to operating revenue and other income as explained below:

Operating Revenue Variance

The Authority's tariff is denominated in US Dollar. There was a huge gain on currency exchange during the period compared to budget. The US Dollar exchanged at an average of KShs. 102.2 to the US Dollar compared to a budget of KShs. 88 leading to the gain.

Other Income

The increase was mainly on Bandari College collections. The operationalisation of the 2nd Container Terminal necessitated more absorption of operation staff. They were therefore higher enrolments recorded on operation courses leading to higher collection in form of fees.

Total Operating Expenses

Expenditure recorded in the period was below budget with minimal overruns in other operating expenses. Variance under Establishment expenses is explained below:

Additional Disclosures

For the Year Ended 30 June 2016

Establishment Variance

Expenditure on cost of employment was generally controlled and within budget. Some of the areas of over-expenditure were on overtime and staff allowances. Overtime increased due to higher rates arising from salary increment. However, there were savings from staff turnover arising from retirements and natural attrition.

Finance Income

Finance income improved during the period due to increased bank interest earnings which brought in KShs.1,490.7 million. Prudent funds management by taking advantage of the money market in terms of good investment opportunities with better returns brought in more income. Realised foreign exchange gain of KShs. 221 million also contributed to the higher finance income.

Finance Cost

During the year, finance cost increased to KShs. 501 million mainly due to write-off of property, plant and equipment of KShs. 381.4 million. The Government of Kenya entered into an agreement with M/S China Road and Bridge Corporation for the construction of the Standard Gauge Railway (SGR) port relief line in Mombasa (Phase 1), from berth no. 21 to berth no. 11. The project will also involve the expansion and development of the Inland Container Depot, Nairobi. The contractor has commenced demolition of assets with a carrying amount of KShs. 381.4 million to pave way for the project.

Profit before Tax

A profit before tax of KShs. 10,395.1 million was realised during the period. This was above the revised budgeted profit of KShs. 5,016 million by KShs. 5,379 million. It is observed that the depreciation of the Kenya shilling against the US dollar resulting into foreign exchange gain had an effect on the profit levels. Profit recorded compares favourably with last year's profit of KShs. 7,052 million by KShs. 3,433 million. This was mainly because of increase in throughput recorded and other factors as explained above.



Additional Disclosures

For the Year Ended 30 June 2016

2. Progress on Follow-up of Auditor Recommendations

The following is the summary of some of the issues raised by the Office of the Auditor General, management comments, action taken and status;

Audit Report	Issue/Observations From the auditor	Management Comments	Status: (Resolved/ Not Resolved)
FY 2014/15	Stalled Projects (Canteen at Gate 18)	Project stalled due to dispute in land ownership.	Negotiations with the owner on land exchange are ongoing.
FY 2014/15	Unutilised Parcels of Land	Land policy has been approved and is being implemented. The policy recognises the provisions of the Law on Public Investment and specifically holding land for speculative purposes.	Policy is being applied.
FY 2014/15	Receivables; Ministry of Transport and Infrastructure (KShs. 287M) and Kenya Ferry Services Ltd (KShs. 336M)	Management is liaising with the National treasury, the Ministry of Transport and Infrastructure Development and Kenya Ferry Services with a view to recovering the debts.	Awaiting response from the Ministries.



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