

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA AIRPORTS AUTHORITY

FOR THE YEAR ENDED
30 JUNE 2017



KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2017

“Prepared in accordance with the Accrual Basis of Accounting Method
under the International Financial Reporting Standards (IFRS)

Vision Statement:

Globally competitive airport facilities and services

Mission Statement:

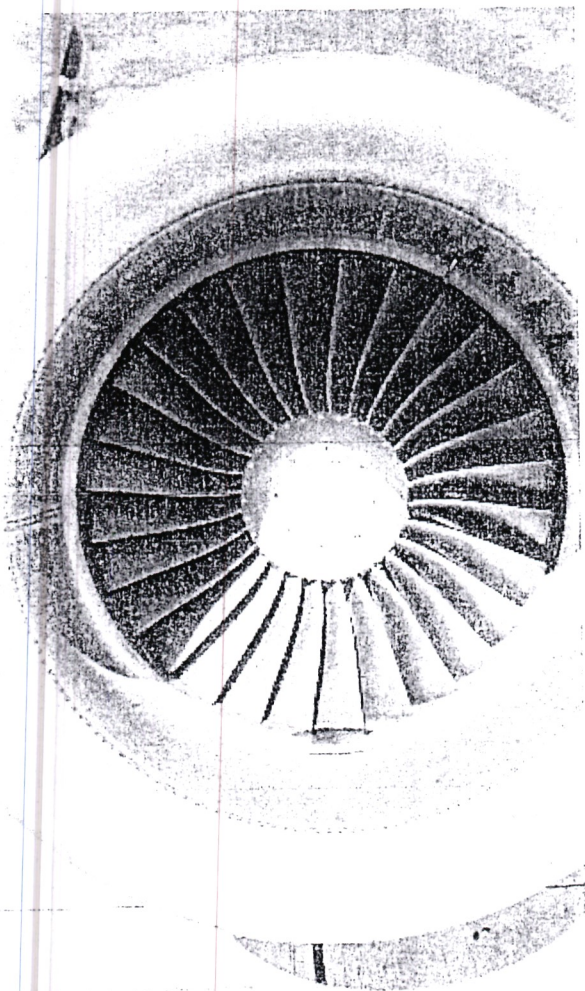
To provide efficient and effective airport facilities and services in a sustainable environment

Core Values:

- Customer focus
- Team spirit
- Integrity
- Professionalism
- Good governance
- Innovation

Quality Status:

KAA is certified in ISO 9001:2008 Quality Management System.



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Significant Statistics of the Year

Total Asset Base
Kshs. 74.49
Billion

Total Revenue
Kshs. 15.90
Billion

Profit before Tax
Kshs. 5.51 Billion

Capital Expenditure
Kshs. 2.68 Billion

Number of
Passengers
10.22 Million

Cargo Movement
Kgs 253 Million

Number of Aircrafts
Movement
301 Thousand

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KEY ENTITY INFORMATION

Background Information

Kenya Airports Authority is a body corporate in Kenya formed under the Kenya Airports Authority Act Cap 395, and is domiciled in Kenya.

Principal Activities

The principal activities of Kenya Airports Authority are:

- To construct, operate and maintain aerodromes and other related facilities;
- To construct or maintain aerodromes on an agency basis on the request of any Government department;
- To provide such other amenities or facilities for passengers and other persons making use of the services or the facilities provided by the Authority
- Construct any other necessary or desirable works required for the purposes of the Authority;
- Control the construction and use of prescribed aerodromes;
- Carry on any business that may be necessary or desirable for the purposes of the Authority and act as an agent for the Government in the provision of any agreed functions;
- Acquire, construct, manufacture, maintain or repair any works, plants or apparatus necessary or desirable for the purposes of the Authority;
- Determine, impose and levy rates, charges, dues or fees for any services performed by the Authority, or for use by any person of the facilities provided by the Authority, or for the grant to any person of a licence, permit or certificate.

Risk Management Framework and Policy Statement

KAA has adopted an Enterprise Risk Management (ERM) framework which forms an integral part of the reporting, controlling and planning procedures. The ERM framework supports value creation by enabling management to deal effectively with potential future events that create uncertainty and allows responses that reduce likelihood of downside outcomes.

The purpose of the risk management policy is to ensure that the KAA pursues a structured approach to management of risk. The Authority applies a consistent framework for the management of risk. This incorporates the application of risk management strategies, processes and infrastructure to support the Vision for risk management.

The strategic imperative of the risk management framework is to develop risk management as a core capability and assist the board and management determine the appetite for risk (choice of strategies and actions) and tolerance to risk (economic and operating sensitivities) and to communicate these throughout KAA.

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KEY ENTITY INFORMATION (Continued)

Key Risks

- Airport safety and security risks
- Increased competition from regional airports
- Project implementation delays
- Reputational risks
- Reliability of power, communication and related backup systems
- Operational and cyber security risks
- Protracted litigation
- Land grabbing and encroachment

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KEY ENTITY INFORMATION (Continued)

Directors

The Directors who served the entity during the year were as follows:

- | | | |
|-----|---|---|
| 1. | Mr. Issac Awuondo | Chairman Appointed on 23 rd May, 2018 |
| 2. | Gen. (Rtd) Dr. Julius W. Karangi,
EGH, CBS, DCO, LOM | (Retired on 1st January, 2018) |
| 3. | Mr. Jonny Andersen | Managing Director |
| 4. | Capt. Bootsy Mutiso | Director |
| 5. | Ms. Susan Kiama | Director |
| 6. | Mr. Mbatia Kimani | Director |
| 7. | Mr. William Ole Mayiani | Director |
| 8. | Ms. Jeridah Bosibori Mbaka | Director |
| 9. | Prof. Arch. Paul Mwangi Maringa | Director
Principal Secretary
Ministry of Transport & Infrastructure |
| 10. | Dr. Kamau Thugge, EBS | Director
Principal Secretary
National Treasury |
| 11. | Dr. Eng. Karanja Kibicho | Director
Principal Secretary
Ministry of Interior & Coordination of
National Government |
| 12. | Ms. Eunice Kigen | Alternate Director
National Treasury |
| 13. | Mr. Amos Gathecha | Alternate Director
Ministry of Interior & Coordination of
National Government |
| 14. | Ms Angelah Rugut | Alternate Director – Nominated on 22/05/2018
Ministry of Transport, Infrastructure, Housing
and Urban Development |
| 15. | Ms. Irene W. Ireri | Alternate Director – Replaced on 22/05/2018
Ministry of Transport, Infrastructure, Housing
and Urban Development |

Corporation Secretary
Katherine N. Kisila
Airport North Road
P. O. Box 19001-00501
NAIROBI

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KEY ENTITY INFORMATION (Continued)

Registered Office/Corporate Headquarters

Kenya Airports Authority- Headquarters
Airport North Road
P. O. Box 19001-00501
NAIROBI
Tel: +254-020-6822111/6611000/6612000
Mobile: +254 722 205 061/2/3/4/5/6/7/8
Email: talk2us@kaa.go.ke, info@kaa.go.ke
www.kaa.go.ke

BRANCH NETWORK

Jomo Kenyatta International Airport

P. O. Box 19087-00501
NAIROBI
Tel: +254-020-6822111/6611000/6612000
Mobile: +254 722 205 061/2/3/4/5/6/7/8

Moi International Airport

P. O. Box 93904-80115
MOMBASA
Tel: +254-041-3433211
Mobile: +254 726318515/6/7, 727417791

Eldoret International Airport

P. O. Box 2323
ELDORET
Tel: +254-053-2061299/ 2063377/ 2063844
Mobile: +254 712-452170, 712-452172, 712-452174

Kisumu International Airport

P. O. Box 13
KISUMU
Tel: +254- (057)2531186/2524399
Mobile: +254 728 765349/728 765360/1

Wilson Airport

P. O. Box 19005
NAIROBI
Tel: +254-020-501941/2/3
Mobile: +254 724256837, 724255343

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KEY ENTITY INFORMATION (Continued)

Lokichoggio Airport

P. O. Box 88

LOKICHOGIO

Tel: +254-054-32266/32441

Malindi Airport

P. O. Box 67

MALINDI

Tel: + 254-042-2131201/2131931

Mobile: +254 710230386, 710261550, 738231201

Kitale Airstrip

P. O. Box 1718

KITALE

Tel: +254-054- 31017

Wajir Airport

P. O. Box 512

WAJIR

Tel: + 254-046-421019/421362

Ukunda Airstrip

P. O. Box 139

KWALE

Tel: + 254-040-3202126/3203246

Manda Airstrip

P. O. Box 167

LAMU

Tel: +254-042-633018

Lodwar Airstrip

LODWAR

Eldoret Airstrip

ELDORET

Isiolo Airport

P.O. Box 817 - 60300

ISIOLO

Nanyuki Airstrip

P. O. Box 1436- 10400

NANYUKI

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KEY ENTITY INFORMATION (Continued)

Kabunde Airstrip

P. O Box 887
HOMABAY

Principal Bankers

Barclays Bank of Kenya Limited
Enterprise Road Branch
P. O. Box 18060-Nairobi
NAIROBI
Tel: +254 -020-530700-1

Citibank N.A
Upper Hill Branch
P.O Box 30711-00100
NAIROBI
Tel: +254 -020-2754800

Family Bank Limited
Family Bank Towers-Corporate Branch
P.O. Box 74145-00200
NAIROBI
Tel: +254 -020-318173

Kenya Commercial Bank
Moi Avenue Branch
P.O. Box 48400-00100
NAIROBI
Tel: +254-020-327000

National Bank of Kenya Limited
Jomo Kenyatta International Branch
P. O. Box 19230-00501-GPO Nairobi, Kenya
Tel: +254-020-827286, 0710-223623

Standard Chartered Bank of Kenya limited
Kenyatta Avenue Branch
P.O. Box 30001-00100
NAIROBI.
Tel: +254-020-329400

Equity Bank Limited
Equity Centre,
P.O Box 75104-00200
Nairobi, Kenya
Tel: +254-020-226200

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KEY ENTITY INFORMATION (Continued)

NIC Bank Limited
NIC House, Masaba Road,
P.O Box 44599-00100
Nairobi, Kenya
Tel: +254-020-2888217

Independent Auditor

Auditor General
Kenya National Audit Office
Anniversary Towers
P. O. Box 30084-00100
NAIROBI
Tel: +254-20-335777

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THE BOARD OF DIRECTORS



Mr. Isaac Awuondo

(Appointed on 23rd May, 2018)

Bachelor of Commerce (Accounting and Finance) degree from the University of Nairobi. He is a member of the Institute of Chartered Accountants in England and Wales (ACA) and member of the Institute of Certified Public Accountants of Kenya (CPA K).

He is chairman of the Financial Sector Board of KEPSA, chairman of the Council of Riara University and director of Bata Shoes Company Kenya Limited and Nairobi Java House Limited. He is also chairman of the Kenya Conservatoire of Music and the Kenya Hospital Association (Nairobi Hospital) and trustee of the Rhino Trust and Zawadi Africa Education Fund.



Gen. (Rtd) Dr. Julius W. Karangi, EGH, CBS, DCO, LOM

(Retired on 1st January 2018)

Masters of Science (MSc) Degree in Security & Risk Management - University of Leicester (UK)
Honorary Doctorate on Humane Letters (Honoris Causa) - Kenyatta University.

Retired General of the Kenya Defence Forces (KDF). Formerly Lieutenant General and Vice Chief of Defence HQs, the Commander of the Kenya Air Force, Moi Air Base, and Kenya Air Force Logisitics Command, Commandant Defence Staff College, Incharge of training, doctrine and procurement for KDF. He has received National Honors of Elder of the Order of the Golden Heart of Kenya (EGH), Chief of the Order of the Burning Spear (CBS), Distinguished Conduct Order (DCO) and Legion of Merit.

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THE BOARD OF DIRECTORS (Continued)



Mr. Jonny Andersen

Master of Science degree in Air Transport Management - Cranfield University, UK

Bachelor of Business Administration in Logistics - BI Norwegian School of Management in Norway

Chinese Business, Trade and Commerce course -Fundan University in China

Diploma in Aviation Law - CAE Inc in The Netherlands

Formerly Director of National Airports at Avinor AS, a state-owned firm that manages airports in Norway, with responsibility for seven state-owned airport hubs.



Dr. Eng. Karanja Kibicho

Principal Secretary, State Department of Interior and Coordination of National Government

Doctorate in Mechanical Engineering – University of Cape Town, South Africa

Master of Science (MSc) degree in Mechanical Engineering

Bachelor of Science (BSc) in Mechanical Engineering

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THE BOARD OF DIRECTORS (Continued)



Prof. Arch. Paul Mwangi Maringa

Principal Secretary, State Department of Transport, Ministry of Transport, Infrastructure, Housing & Urban Development

PhD – Environmental Planning
Masters of Arts in Planning, Urban and Regional Planning
Bachelor of Architecture Degree



Dr. Kamau Thugge, EBS

Principal Secretary, National Treasury

PhD Economics
Master of Arts (Economics),
Bachelor of Arts (Economics),
He has worked with the International Monetary Fund (IMF).



Capt. Bootsy Mutiso (MILM)

Director

Diploma in Airport Operations
Diploma in Business & Professional Administration,
City & Guilds of London Institute

Currently Managing Director, Flex Air Charters.
Member of the Institute of Leadership & Management of England

Currently pursuing a BA (Hons) in Business Management – University of Lincoln - (UK)

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Mr. Mbatia Kimani
Director

MBA
Bachelor of Commerce
CPA (K)

He has previously held diverse Multi-Country roles up to CFO level for ASSA ABLOY for the Africa/Middle region based in Johannesburg and as Head of Finance for Kenya Airways. In addition, he also worked for Coca-Cola Africa and Best Foods (Unilever) among others.



Ms. Jeridah Bosibori Mbaka
Director

Master of Business Administration
Higher Diploma in HR Management
Bachelor of Arts
Member of the Institute of Human Resource Management
She has a wide working knowledge of Human Resource Management Services, having worked in several institutions including NSSF, Plan International – Kenya and Directorate of Personnel Management

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THE BOARD OF DIRECTORS (Continued)



Mr. William Ole Mayiani
Director

Bachelor of Arts – Business Economics

Currently a Director at Skyrealtors Limited. He has vast management experience having worked at Shell Kenya Ltd, Total Kenya Ltd, Raiser Resource Group, Iphone Global Ltd, Marathon Marketing Ltd and Nairobi City Council



Ms. Susan Kiama
Director

Post Graduate Diploma in Personnel Management & Industrial Relations

Bachelor of Arts(Business Administration & Economics)

Fellow of the Chartered Institute of Personnel & Development UK, Fellow of the Institute of Human Resource Management- Kenya, Member of World at Work-USA, Member of Society for Human Resource Management- USA, member of Kenya Institute of Management.

Currently Managing Consultant with Three Green Apples Consulting Ltd. She has a vast working knowledge of Human Resource Management Services, having worked as Chief Human Resource Officer at Safaricom Ltd, Head of Human Resource at Citibank NA-Kenya, Principal Consultant with Deloitte & Touche Consulting-Kenya, and Tetra Pak-UK.



Ms. Eunice Kigen
Alternate Director, Principal Secretary, National Treasury

Executive MBA

Bachelor of Commerce (Accounting option)

CPA (K). Currently Senior Deputy Director of Budgets at the National Treasury.

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THE BOARD OF DIRECTORS (Continued)



Ms. Angelah C. Rugut

(Nominated on 22nd May, 2018)

Alternate Director, Principal Secretary, Department of Transport, Ministry of Transport, Infrastructure, Housing & Urban Development.

MBA – Strategic Management
Bachelor Degree Bsc (Applied Statistics)
Civil Aviation Management - Aviation hub:
Strategies and policies.



Ms. Irene W. Ireri

(Replaced on 22nd May, 2018)

Alternate Director, Principal Secretary, Department of Transport, Ministry of Transport, Infrastructure, Housing & Urban Development.

MBA in Aviation, Bachelor of Arts, Air Law, Aviation Management and various courses in Air Transport.

Currently Senior Assistant Director of Air Transport in the Ministry of Transport, Infrastructure, Housing & Urban Development.



Mr. Amos Gathecha

Alternate Director, Principal Secretary, Ministry of Interior and Coordination of National Government
Masters in International Studies

Graduate: National Defence College (Kenya)

Graduate: University of Nairobi - Political Science and Philosophy

Paramilitary training, Advanced Public Administration and Senior Leadership Development Course from Kenya School of Government

Currently Secretary, Security Operations, Policy and Structures

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SENIOR MANAGEMENT TEAM



Mr. Jonny Andersen

Master of Science degree in Air Transport Management - Cranfield University, UK

Bachelor of Business Administration in Logistics - BI Norwegian School of Management in Norway

Chinese Business, Trade and Commerce course - Fundan University in China

Diploma in Aviation Law - CAE Inc in The Netherlands



Mr. Alex Gitari

General Manager, Finance

MBA Finance,

Bachelor of Commerce, Accounting Option,
Certified Public Accountant (CPA-K),

Alumnus of Harvard Business School's Advanced Management Program

Member of Institute of Certified Public Accountants of Kenya.

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SENIOR MANAGEMENT TEAM (Continued)



Mr. Samson Kimilu
General Manager Risk Management & Internal Audit

MBA Strategic Management and Finance
Bachelor of Science in Business Administration,
Certified Public Accountant (CPA-K),
International Airport Professional (IAP),
Member of Institute of Certified Public Accountants
of Kenya.



Ms. Katherine N. Kisila, NDC (K)
Corporation Secretary

Master of Arts , International Studies,
Bachelor of Laws (LLB), Bachelor of Arts
(Economics & Sociology),
Certified Public Secretary (CPS-K),
Advocate of the High Court,
Commissioner for Oaths, Notary Public.



Mr. Kasaine Ole Pertet
General Manager, Information and Communication
Technology

MBA Finance,
Bachelor's Degree in Mathematics,
Certified Public Accountant (CPA-K),
Member of Institute of Certified Public Accountants
of Kenya.

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SENIOR MANAGEMENT TEAM (Continued)



Dr. Elizabeth Kalei

General Manager, Human Resource Development

PHD Human Resource Management
Masters of Arts (Communication Studies)
Bachelor of Arts
Higher Diploma (KNEC) – IHRM (HRM)
Ordinary Diploma – KIM – HRM
Certified Employee Engagement Productivity
(CDI –Africa)



Brig Gen (Rtd) George Kabugi Gikonyo

General Manager Security Services

Retired Brigadier General with thirty-seven years of military experience in Kenya and Africa.

Dip. International Studies
Graduate of National Defense Course
Dip. Army Armor – US Army.



Mr. Jimmy Kibati

General Manager, Marketing & Business Development

Executive Development Program Certification –
Gordon Institute of Business Science, University
of Pretoria

Certification in training low cost airlines
Bachelor of Arts

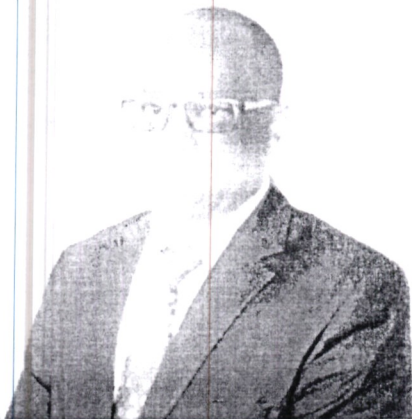
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SENIOR MANAGEMENT TEAM (Continued)



Arch. Fredrick Odawo
Ag. General Manager, Projects & Engineering Services

Postgraduate diploma in Airport Engineering
Bachelor's Degree in Architecture
Corporate Member – Architectural Society of Kenya
Associate Arbitrator.



Mr. Patrick Wanjuki
General Manager, Procurement & Logistics

Masters Degree in Public Procurement Law & Policy from the University of Nottingham,
Bachelor of Law Degree
Bachelor of Commerce Degree in Finance
Post Graduate Diploma in Purchasing and Supplies Management,
Post Graduate Diploma from the Kenya School of Law
Certified Public Accountant.



Mr. Henry Ogoye
Head of Corporate Planning

MBA Finance and MA(Economics),
Bachelor of Arts (Maths and Economics),
Diploma Financial Management.

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CHAIRMAN'S STATEMENT

Our flight and passenger traffic performed well in the year on account of robust domestic operations and recovery of the international sector. Cargo on the other hand declined marginally due to depressed demand of cut-flowers and fresh produce in the Euro Zone Market.

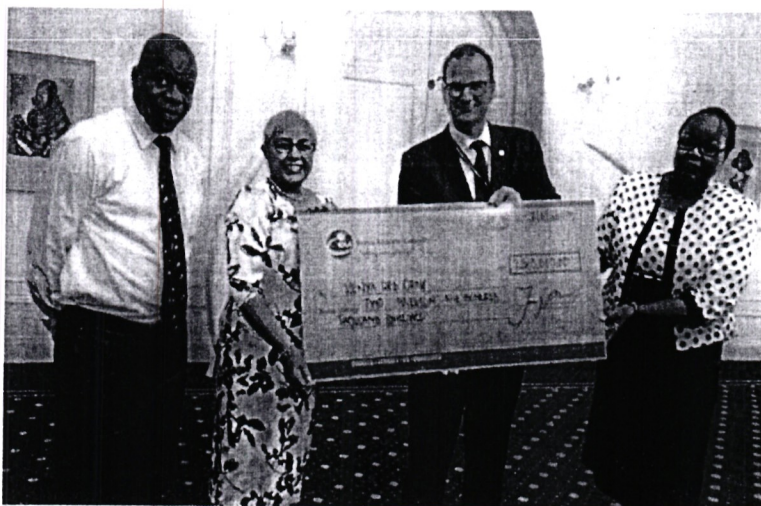
Despite mixed performance, the aggregate effect of the industry was in excess of 1.1% of the gross domestic product with direct revenue generation, capital expenditure and corporation tax payments of ksh. 15.90 billion, Ksh. 2.68 billion and Ksh. 256 million respectively. The industry also supported about 200,000 direct and indirect jobs and modern supply chain arrangements for businesses through just in time inventory management.

We are looking forward to enhanced cost effective air connectivity for the good of export and import trade including speedy delivery of perishable raw materials and essential supplies and overall productivity beginning with the anticipated direct flight operations between Kenya and the United States of America.

To this end, we will continue to match airside, terminal and landside capacity upgrade with traffic growth to avoid over-capitalization through an all-inclusive consultative and coordinated process including on time development and commissioning. This will be supported by optimal deployment of resources, environmental sensitivity, process clarity and compliance, commercial footprint and seamless acceptable service delivery.

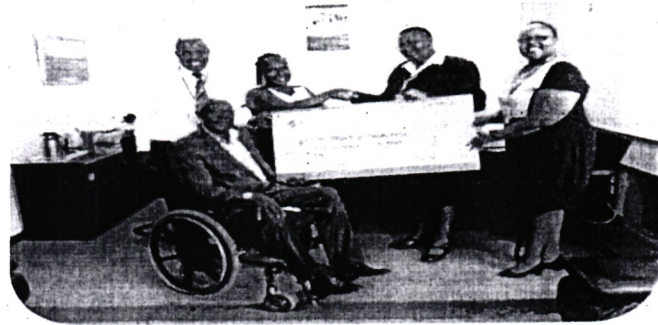
In complementing the Government resolve for the well-being of all Kenyans, the Authority spent close to Ksh. 8 million on various activities covering health, education and nutrition on 16 institutions as part of our Corporate Social Responsibility as follows: -

KENYA RED CROSS SOCIETY (KRS)



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The emerging business environment including the impending liberalization of the regional airspace will require in-house business re-engineering for the requisite infrastructure to attract inward investment, employment, productivity growth and general economic well-being. The Board, Management, Staff and the Stakeholders at large must therefore begin the journey in earnest within their respective mandates to make this happen. Finally, I take this opportunity to thank the Government, members of the Board, Management and Staff, Stakeholders and business partners for their respective support to our business in the year and urge them to keep up the spirit.

A large, stylized handwritten signature in black ink, positioned above a horizontal dotted line.

Mr. Isaac Awuondo
Chairman of the Board

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REPORT OF THE CHIEF EXECUTIVE OFFICER

In the year under review, the global economy grew marginally at 3.1%, on account of unclear policy direction under the Trump Presidency in the United States of America, economic aftermath of the UK exit of European Union, general insecurity and refugee crisis and recessionary state of commodity led economies. In Africa, economic powerhouses, Nigeria and South Africa registered negligible growth while Sub-Saharan Africa grew by 3.0% attributable to subdued commodity prices.

Domestically, the economy grew by about 5.8%, as a result of stable macro-economic environment leading to good performance in tourism and services. However, this growth could have been better in the absence of drought that affected the agricultural sector.

Operational Performance: Despite the global economic challenges, the aviation sector remained resilient. Flights and passenger numbers and cargo volume increased by 5.3%, 7.6% and 3.6% to 35.8 million, 3.8 billion and 54.3 million tons. Passenger load factor averaged 80.3% while capacity grew by 6.4%. The corresponding financial performance was US\$ 705 billion and US\$ 659 billion with respect to revenue and expenses.

Locally, the operational performance was equally strong with flights 6.3% up to 301,885 while passenger traffic also increased 8.0% to 10.2 million on account of a vibrant domestic sector notably by Fly540 COM, Jambo Jet and Safari Link and gradual rebound of the international demand entailing enhanced frequencies, route expansion and entry of new carriers. The Middle East, Far East and the Indian Ocean Islands experienced increased activity to and fro Jomo Kenyatta International Airport.

Cargo was marginally down to 253 million kilograms attributable to depressed economic status of its Euro Zone market. The scenario would have been better had our base carrier Kenya Airways expedited its business recovery in the year. Our runways, aprons and taxiways as well as terminal facilities across the network were maintained in functional state to support operations.

Financial Performance: revenue for the year 2016/2017 was Ksh. 15.90 billion up from Ksh. 12.51 billion in 2015/2016 mainly supported by favorable traffic performance, US\$10 increase in international airport passenger departure charge and a strong United States of America Dollar against the local currency. Operating expenses, on the other hand, rose by about 12% to 10.93 billion on account of growth in depreciation of property, plant and equipment and expenditure on intangible assets.

Assets and Liabilities: total assets expanded by 8% to ksh.74.49 billion at the close of the year attributable to increase in cash and cash equivalent while liabilities declined by 2.5% to Ksh.19.50 billion due to debt repayments and reduced disbursement of airstrips funds.

Infrastructure Capacity Improvements: upgrade program of network airside and landside infrastructure to meet demand growth continued in the year as described below.

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Jomo Kenyatta International Airport-JKIA Facilities: detailed design for remodeling of terminals IB, IC and ID to augment passenger handling capacity commenced in the year while the same work for the second runway was completed and the process to secure funds for development initiated. The second runway is meant to enhance airside capacity for long haul operations and also accommodate Code F aircrafts. Other activities carried out at the facility include provision of canopies at Terminals 1A and 1E for passenger comfort and convenience, operationalization of the parking garage with a capacity to handle 1,200 cars and design works to improve water supply, reticulation and waste water management.

Moi International Airport- MIA Facilities: focus was on preparatory activities to improve the pavement for capacity and safety with work expected to commence within 2017 for a period of two years. Other targeted auxiliary deliverables at the airport include enhanced water supply, reticulation and waste water management as well as stabilization of power supply.

Kisumu International Airport (KIA): 1.402 KM of the runway was widened and strengthened to handle Code "D" aircrafts i.e. B767 for passenger and cargo operations. 0.448KM of the works that remained will be finalized in 2017/2018.

Wilson Airport: work on the rehabilitation of pavement commenced with the provision of temporary facility to support operations in the intervening period.

Malindi Airport: improvement progressed on the apron and car parking capacity as well as on safety and security infrastructure. The process of land acquisition to extend the runway and also construct access roads, parking and security fence progressed in the year.

Isiolo Airport: new aircraft pavement and feeder road were completed to ready the facility for operations.

Other Projects: airstrips projects including Nanyuki, Voi-Ikanga, Suneka, Bomet, Lafey and Mandera earmarked for improvement encountered challenges of litigation, land encroachment and contractor capacity. Otherwise refurbishment of the Training Academy in terms of thermal comfort and general ambience was completed in the year. The facility offers training on aviation security, safety and fire management. Finally, the relocation of Mkwakwani Primary School to pave way for runway extension at Ukunda Airstrip was substantially complete except the classroom block and the washrooms.

Safety and Security: airside safety awareness program and safety management issues implemented across the airport network. Full emergency and table top drills were carried out at our international airports. Aviation security screening equipment were acquired, security monitoring towers installed and Integrated Security Management Systems implemented. Elsewhere, Transport Security and Administration (TSA) of USA carried out an assessment of JKIA in preparation for the direct flight operations between Kenya and the United States of America.

Automation: leverage on technology for business support continued in the year with the main activities being installation of Information Technology Systems (ITS) at Terminals 1A, 1D and 1E at JKIA and at Isiolo Airport. Integration of SAP - Supplier Relations Management with

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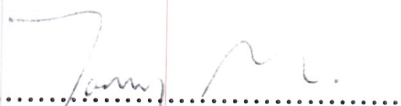
Integrated Financial Management Information System was finalized as well as the roll out of Airport Operation Data Base at Wilson, Moi, Eldoret and Kisumu Airports.

ISO 9001-2008 Certification: to maintain process clarity re-certification of our facilities by SGS was concluded in the year while the preparatory activities for transition to the 2015 strategy led standard commenced.

Human Capital Management: value addition of our human capital establishment of 2,021 inclusive of 10 with disabilities progressed in the year. 1,500 staff were trained on mission critical areas covering technical, security, safety and general administration. Additionally, 92 staff attended capacity enhancement conferences and seminars. Staff satisfaction rating was 70.5% and 75.6% as for the ambience of the work environment. Further support to staff involved screening and awareness creation on lifestyle diseases, HIV/AIDS and Alcohol and Drug Abuse with respective counselling and rehabilitation support as necessary.

Our staff were also sensitized on the need to uphold integrity at all times. 227 staff were sensitized on corruption, ethics and integrity. In addition, 4 staff were trained as Integrity Assurance Officers. Requisite reports were also submitted to Ethics and Anti-Corruption Commission.

Future outlook: the aviation industry is resilient and only requires affordable and adequate infrastructure and excellent service to meet demand growth. I therefore take this early opportunity to thank our stakeholders, the Board, Management and staff fraternity for their contribution in the just concluded business cycle and appeal for action beyond the call of duty to enhance business performance.



.....
JONNY ANDERSEN

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

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CORPORATE GOVERNANCE STATEMENT

The Kenya Airports Authority Board of Directors provide policy guidance on the overall well-being of the organization in meeting its legal mandate. To this end, the Board of Directors oversees the Authority's activities with respect to strategic direction, infrastructure development, operational efficiency and adherence to sound governance principles.

Board Membership

The Board is made up of nine members. Six of these members are independent directors, among them the Chair who is appointed by the President. The independent Directors are appointed by the Minister of Transport and Infrastructure. The appointment is guided by reference to expertise in civil aviation, aerodromes management, operation, commerce, industry, finance or administration generally. The independent directors are appointed for a renewable period of three years or for a shorter period as may be specified in the notice. The appointments are made at different times to vary the expiry dates. Discharge is provided for under Section 6(2) of the State Corporations Act (Cap 446).

The remaining Board members include Permanent Secretaries in the Department of Transport and National Treasury, alongside the Managing Director. Substantive members from the Government as above have alternates who attend Board meetings on their behalf whenever they are unable to attend. These alternates are deemed, for all purposes and intent, to be Board members. The Corporation Secretary provides secretarial services to the Board. Other than the Managing Director, the other Board members are non-executive.

Role of the Chairman and Other Directors

The Chairman provides overall leadership to the Board in areas of policy development and direction, maintains a harmonious working relationship with both Management and the Board, harnesses the collective skills of the Board and its Committees and those of the executive team for attainment of the corporate objectives and performance targets agreed with the Government, prompts the appointing authority to appoint Board Members in the event of a vacancy on the Board and encourages Directors to participate fully in the deliberations of the Board and its Committees.

Other responsibilities of the Chairman include ensuring that strategies are in place for constant monitoring and evaluation of the effectiveness of the Board, individual Directors, Senior Management and the entire Corporation, participation in setting of agenda for Board meetings, chairing and conducting Board meetings effectively, signing the confirmed Minutes of Board meetings, monitoring implementation of Board decisions, ensuring that new Board Members are properly inducted and that there are adequate training programs for Board Members to keep them abreast of developments in corporate governance, and signing the Performance Contract between the Government and the Authority. The Managing Director is responsible for the day-to-day operations of the Authority. Individual Directors are expected to serve the Board diligently while being faithful to performance, rule of law and to the principle of separation of powers, political neutrality, gender balance, integrity and confidentiality.

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CORPORATE GOVERNANCE STATEMENT (Continued)

Role of the Corporation Secretary

The Corporation Secretary arranges Board meetings and attendances, prepares agendas for meetings set by the Chairman in consultation with the Managing Director and the attendant minutes, keeps Common Seal of the Board and communicates Board decisions to Management.

Board Committees, Meetings, Procedures and Emoluments

The Board holds four statutory meetings in each financial year. Meetings are held at the registered office of the Authority. A quorum for meetings requires two-thirds of the total number of Members. Members may appoint one of their own to preside over the meeting in the absence of the Chairman. Decisions are made unanimously or by majority votes of the Members present. The Chairman has a casting vote in the event of a tie of votes. The Board has four standing committees dealing with respective delegated mandates prior to submitting to the Board for consideration and approval.

The Board has five standing committees detailed below with the responsibility of dealing with respective delegated mandates prior to submitting to the Board for consideration and approval.

Finance and Strategy Committee

The committee members are as follows:

Mr. Kimani Mbatia - **Chair**
Ms Angelah Rugut
Ms. Eunice Kigen
Mr. William Ole Mayiani
Managing Director

The responsibilities of the Finance Committee are to:

- a) Review and advise on proposals for raising of long-term capital to achieve and fund the strategic objectives of the Authority
- b) Review the financial Performance of the Authority and make appropriate recommendations to the Board.
- c) Adopt and periodically review the charges and rates levied, philosophy, strategy and principles that support the Authority's strategy.
- d) Oversee the preparation of the Financial Statements of the Authority and recommend to the board its adoption.
- e) Make recommendations to the Board on investments to be made by the Authority.
- f) Monitor the Expenditures of the Authority.
- g) Oversee the formulation, review and implementation of the Authority's Strategic Plans, Business Plans and Annual Budgets; and

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h) Oversee the Business Development of the Authority.

Human Resources Committee

The committee members are as follows:

Ms. Susan Kiama - Chair

Ms Angelah Rugut
Mr. Amos Gathecha
Capt. Bootsy Mutiso
Ms. Jeridah Mbaka
Managing Director

The Staff Committee's responsibilities include:

- a) Reviewing the Human Resource policies and practices of the Authority.
- b) Reviewing remuneration of staff by making recommendations to the Board regarding remuneration of Staff, incentive compensation and bonuses.
- c) Adopting and periodically reviewing the remuneration philosophy, strategy and principles that support the Authority's strategy; and
- d) Making recommendations to the Board in regard to the contributions to the Authority's Pension Scheme and matters related thereto.

Technical Committee

The committee members are as follows:

Capt. Bootsy Mutiso – Chair

Ms. Eunice Kigen
Ms Angelah Rugut
Ms. Susan Kiama
Mr. Amos Gathecha
Managing Director

The Technical Committee's responsibilities include overseeing:

- a) Major expansion projects of the Authority.
- b) The operations and engineering aspects of the Authority.
- c) Airports & airstrips management, operation and control and.
- d) Monitoring adequacy of the Authority's facilities, equipment and operations and their maintenance.

The Committee may in addition perform such other function as may be necessary for the performance of its duties and has the power to delegate its authority to subcommittees or individual members of the Committee, as it deems appropriate.

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Audit Committee

The committee members are as follows:

Mr. William Ole Mayiani - Chair

Mr. Kimani Mbatia

Mr. Amos Gathecha

Ms. Eunice Kigen

Ms. Jeridah Mbaka

The Committee assists the Board in fulfilling its oversight responsibilities in respect of:-

- a) Evaluating the integrity of the Authority's financial reporting process and financial statements.
- b) Reviewing and making recommendations to the Board of Directors in respect to Corporate Governance Policies and Practices of the Authority
- c) Developing and recommending to the Board Corporate Governance Principles applicable to the Authority.
- d) Compliance with legal and regulatory requirements applicable to the operations of the Authority.
- e) Assisting the Board in enhancing internal controls in order to improve efficiency, transparency and accountability.
- f) Reviewing audit issues raised by both internal and external auditors.
- g) Resolving Public Accounts and Public Investment Committees recommendations.
- h) Reviewing the systems established to ensure sound Public Financial Management and Internal Controls as well as compliance with policies, laws, regulations, procedures, plans and ethics.
- i) Initiating special audit/investigations on any allegations concerns and complaints regarding corruption, lack of accountability and transparency and
- j) Evaluating adequacy of the Authority's procedures with regard to issues relating to risk management, control and governance.

Security Committee

The committee members are as follows:

Mr. Amos Gathecha – Chair

Capt. Bootsy Mutiso

Ms Angelah Rugut

Managing Director

The responsibilities of the Security Committee are to:

- a) Review the security policies and practices of the Authority

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- b) Assess security risks posed to the Authority and make recommendations to the Board
- c) Continually assess operational requirements of the Authority to ensure smooth running of all security related functions
- d) Review Management's reports on security, safety and operations and make requisite recommendations to the Board
- e) Assure compliance with regulatory requirements through regular security, safety and operations reports, indicators, trends and recommend corrective measures
- f) Make regular recommendations to the Board to strategically support the Authority's operations
- g) Review findings from external audits by regulatory bodies and make appropriate recommendations to the Board
- h) Receive and review reports from management regarding major security, operational and safety projects
- i) Aviation security service provision
- j) Undertake such other activities as may be referred to it from time to time by the Board

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CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Kenya Airports Authority operates within social, economic and environmental dynamics that greatly influences management's decisions and actions on a day to day operation. Corporate Social Responsibility activities are one of the functions that KAA has leveraged on, to meet local and international best practices for airports, by maintaining a symbiotic relationship with the communities around the airport.

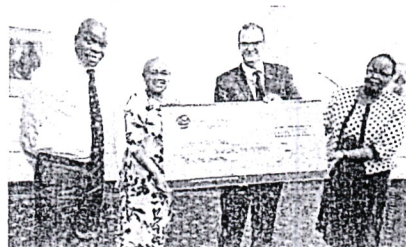
Through our Corporate Social Responsibility strategy the Authority continues to show commitment to behaving ethically in all our business transactions, and contributing to the economic development, while improving the quality of life of its workforce and their families as well as the community and society at large. Kenya Airports Authority has integrated social, environment and economic concerns into their values, culture, decision making, strategies and operations in a transparent and accountable manner and thereby establishing better practices within the organization for wealth creation and community empowerment.

Kenya Airports Authority CSR Policy document clearly stipulates areas of our engagement with society's social, environment and economic concerns and needs as follows:

- Education
- Environment and sustainability
- Health & Wellness
- Staff engagement in CSR programs

The above tenets guided the Authority's Corporate Social Responsibility activities and donations for the year 2016/2017, which greatly improved our corporate image and enhanced our relationship with communities around our stations.

Through our Corporate Social Responsibility strategy, KAA demonstrated a commitment to behaving ethically in all our business contributing to the economic development the quality of life of its workforce and well as the community and society at



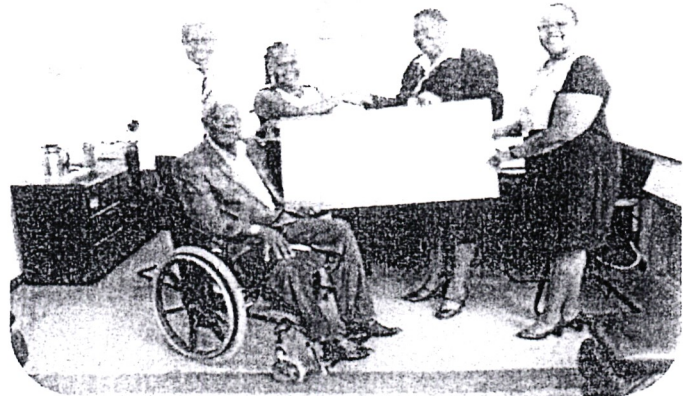
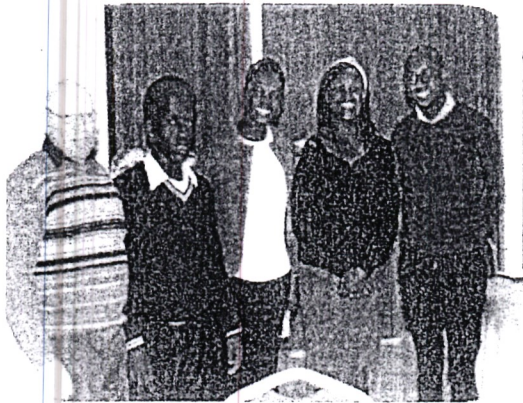
transactions, by and improving their families as large.

The CSR committee adopted a new model that ensured that ad-hoc requests

devolution and donations

from all airports and airstrips were considered for maximum impact. The tabulation below will show that donations were made across the board, targeting high government and non-governmental projects, and communities from across the country.

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Below are some of the organizations that Kenya Airports Authority partnered with, and activities it has engaged in, in the year under review:

	INSTITUTION	INITIATIVE
1.	KAA Initiative- EIA-Leberio Dispensary	Renovations and waste water drainage system and electricity connection and Medical equipment
2.	Kenya Red Cross	Donation to Kenya Drought Operation 2017
3.	Kenyan Paraplegic Organization.	Purchase of wheel chairs
4.	Don Bosco Missions-Nairobi	Class room renovations
5.	St. Josephs Parish Church, Lengut Plateau -Eldoret	Church Construction
6.	Love Dream Project-Children's Home-Kiserian	Purchase of food
7.	KAA Initiative-MIA Little Sisters of the Poor-Mombasa	Purchase of medical manual adjustable beds. It is a home that caters for the poor, vulnerable and elderly members of the society
8.	KAA Initiative-MIA Future Hope Community Centre-Mombasa	Purchase of food, clothes, books and water tank.
9.	Christ is the Answer Ministries-	To support medical Camp

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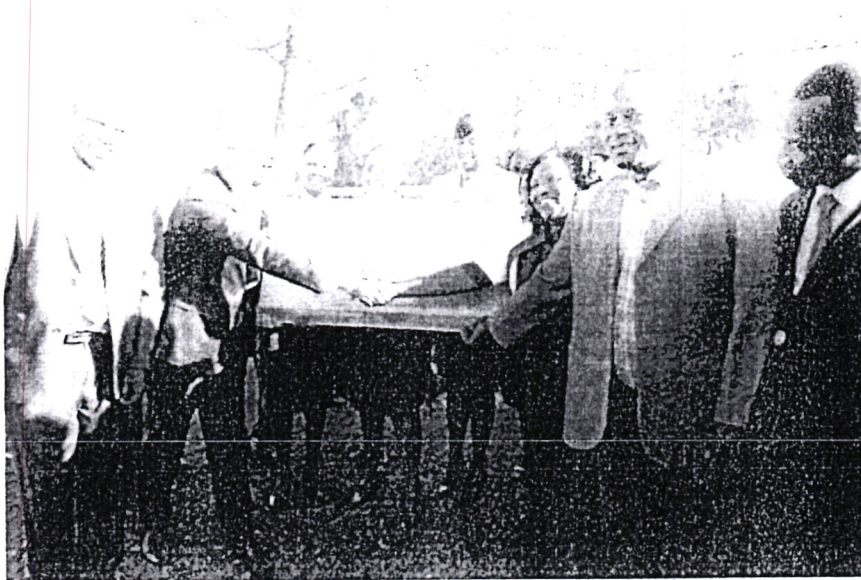
	CITAM Embakasi	
10.	Cerebral Palsy Society of Kenya	To support the June 2017 Cerebral Palsy Charity Walk
11.	Operation Ear Drop Kenya	Charity Golf Tournament-Sponsoring Children for ear surgery and Hearing for Education Program
12.	KAA Initiative-Rafiki Primary School-Kitale	Water Tank installation
14.	KAA Initiative-Kotetni Primary School-Kisumu	To build 8 pit latrines
15.	KAA Initiative-St. Michaels Kawalase Primary School-Lodwar	Funds to fence the school compound
16.	KAA Initiative-Baraton Primary School-Kitale	Provision of borehole and installation of water storage facility
	TOTAL AMOUNT DONATED	

We anticipate that the Authority shall continue to receive more donation requests and will engage in more projects and activities in the next financial year. We shall continue to adopt our devolution model to create maximum social and business impact across all communities surrounding all our airports and airstrips.

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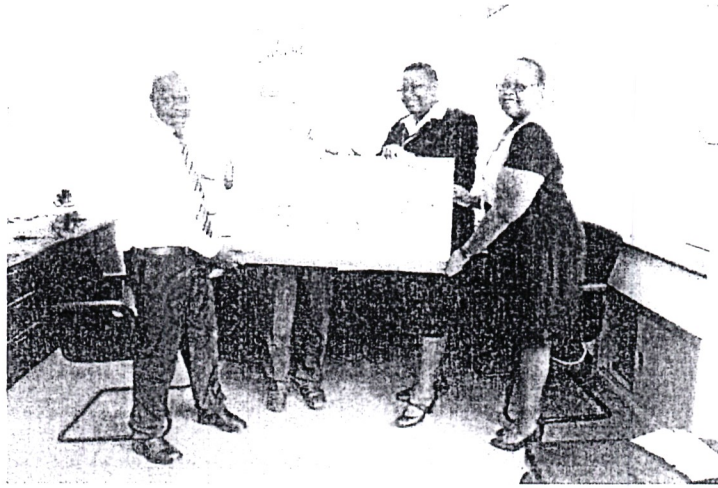


RECEIVING OF DONATION



RECEIVING OF DONATION

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TOP MANAGEMENT RECEIVING

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REPORT OF DIRECTORS

The Directors submit their report together with audited financial statements for the year ended 30 June 2017, which disclose the state of affairs of the corporation.

Principal Activities

The principal activities of Kenya Airports Authority are:

- To construct, operate and maintain aerodromes and other related facilities;
- To construct or maintain aerodromes on an agency basis on the request of any Government department;
- To provide such other amenities or facilities for passengers and other persons making use of the services or the facilities provided by the Authority
- Construct any other necessary or desirable works required for the purposes of the Authority;
- Control the construction and use of prescribed aerodromes;
- Carry on any business that may be necessary or desirable for the purposes of the Authority and act as an agent for the Government in the provision of any agreed functions;
- Acquire, construct, manufacture, maintain or repair any works, plants or apparatus necessary or desirable for the purposes of the Authority;
- Determine, impose and levy rates, charges, dues or fees for any services performed by the Authority, or for use by any person of the facilities provided by the Authority, or for the grant to any person of a licence, permit or certificate.

Results

The net profit for the year of Kshs 5.26 Billion (2016: Kshs 2.36 Billion) has been added to retained earnings.

DIRECTORS

The Directors who held office during the year and to the date of this report are set out on pages 11 to 15.

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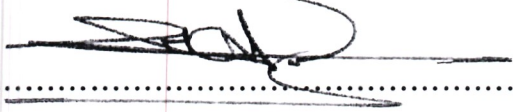
REPORT OF DIRECTORS (Continued)

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on

..... 2017 and signed on its behalf by:

Chairman



.....

By order of the Board

KKisila

.....

Katherine N. Kisila
Corporation Secretary
NAIROBI

Date..... 28.09.....2017

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ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2017

Telephone: +254-20-2711111
Fax: +254-20-2711112
E-mail: oas@kiaa.co.ke
Website: www.kiaa.co.ke

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance to the Kenya State Corporations Act Cap 446, the Directors are required to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Authority as at the end of the financial year and of its operating results for that year. It also requires the Directors to ensure the Authority keeps proper accounting records, which disclose with reasonable accuracy, the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They accept responsibility for:

- i. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements;
- ii. Selecting and applying appropriate accounting policies and
- iii. Making accounting estimates and judgments that are reasonable in the prevailing circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority as at 30th June 2017 and its profit/loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the State Corporations Act Cap 446.

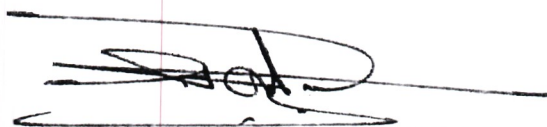
The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of Financial Statements, as well as adequate systems of internal financial control.

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

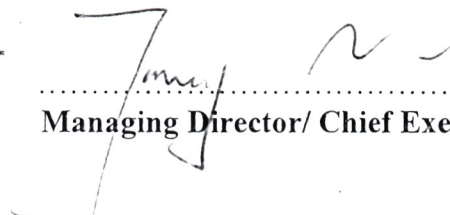
Approval of the financial statements

The Kenya Airports Authority financial statements were approved by the Board on

.....2017 and signed on its behalf by:



Chairman



Managing Director/ Chief Executive Officer

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA AIRPORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Airports Authority set out on pages 39 to 80, which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Airports Authority as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and comply with the Kenya Airports Authority Act, Cap.395 of the laws of Kenya.

In addition, as required by Article 229 (6) of the Constitution, based on the procedures performed, I confirm that, except for the matters described in the Basis for Qualified section of my report, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way..

Basis for Qualified Opinion

1.0 Non-Current Assets

The non-current assets balance of Kshs.51,643,374,000 as at 30 June 2017 reflects property, plant and equipment balance of Kshs.50,773,193,000 which includes an amount of Kshs.249,263,000 for freehold land and Kshs.5,520,788,000 for leasehold land.

Examination of these balances and supporting records revealed the following unsatisfactory observations:

Report of the Auditor-General on the Financial statements of Kenya Airports Authority for the year ended 30 June 2017



1.1 As similarly reported in the previous year, the leasehold land balance of Kshs.5,520,788,000 excludes Plot LR No.9042/668 measuring 3.29 acres in Embakasi village which had not been valued for inclusion in the financial statements as at 30 June 2017. The management has explained that this parcel of land was physically surrendered for construction of Embakasi Police Station and the Authority plans to transfer the title to National Police Service. However, documents and correspondences to show when and how the alleged surrender of the land took place as well as the consideration given to the Authority for the land was not availed for audit verification. In the circumstances it has not been possible to establish the validity and legality of the alleged transfer.

1.2 Unsupported Freehold Land Balance at Kisumu International Airport

Included in the freehold land balance of Kshs.249,263,000 above is Kshs.190,763,189 described as land acquired during Kisumu International Airport expansion but for which no further supporting documents were availed for verification.

1.3 Two title deeds for Kisumu International Airport

Records available at the Headquarters revealed that the Authority had two title deeds for the Kisumu International Airport. i.e. Title No.L.R.Municipality/Block No.1/8 for 206.09 Hectares, and title No.LR Municipality/Block No.1/21 for (362.9) Hectares. No satisfactory explanation was provided. In addition, no explanation was provided as to why the title L.R. Municipality/Block No.1/21 for (362.9) Hectares was reflected as negative.

1.4 Missing Title Deeds

Included under the leasehold and freehold land balance above are two parcels of land for Manda Airstrip and Ukunda Airstrip with values of Kshs.135,800,000 and Kshs.58,500,000 respectively whose ownership could not be confirmed as their title documents were missing at Kenya Airports Authority Headquarters. Further, although the management explained that the title deed for Ukunda Airstrip was submitted to Ethics and Anti-Corruption Commission on 1stSeptember, 2008 for investigations, as at the time of audit, the investigations had not been concluded.

1.5 Moi International Airport Land

The leasehold land balance above includes an amount of Kshs.583,000,000 for Moi International Airport land which differs with the amount of Kshs.538,000,000 in the valuation report on the same parcel of land resulting into overstatement by Kshs.45,000,000. In addition, the original title deed L.R No. MN/VI/3888 reflects blank lease registration stamps No. 7 to 12 stamped between 10 June 2003 and 5 May 2006 for which no explanation was provided.

1.6 Disputed Parcels of Land - Embakasi village

As reported in the previous year, an unregistered parcel of land under Ref. No.KAA-D1-DA at Embakasi village measuring 0.867 acres and valued at Kshs.4,335,000 was excluded from the leasehold land balance of Kshs.5,520,788,000. Information available indicates that the Authority obtained a letter of allotment from the National Land Commission for part of this parcel of land measuring 0.443 acres (0.1794 hectares) on 25 September, 2017 and that the other part measuring 0.47 acres (0.1902 hectares) was illegally excised and allocated to a third party. Though the management has written to the National Land Commission requesting investigation on this illegal excision, there was evidence to show if any investigation on this happened and the outcome of the same.

1.7 Disputed Parcels of Land – Jomo Kenyatta International Airport

As similarly reported in the previous year, the leasehold land balance of Kshs.5,520,788,000 includes two parcels of land within Jomo Kenyatta International Airport Land (L.R. No. 21919) under plots Nos.LR.13512 and 14231 both of which have been allocated to third parties. The land under LR.No.21919 measuring 4,674.60 Hectares in Nairobi was compulsory acquired by the Government of Kenya on 26 April 1971 vide Legal Notice No.1105/1106 for development of the Airport currently known as Jomo Kenyatta International Airport and the Authority acquired the title deed for the land on 26 July 1996.

As previously reported, around year 2002, Kenya Airports Authority discovered that a group of people had purportedly obtained title documents for the parcels Nos.LR.13512 and 14231 which are within the above mentioned land. The Authority moved to court and instituted two cases against the groups vide HCCC No.206 of 2004 and HCCC 489 of 2004 respectively, where it got temporary court orders to restrain defendants from dealing with the said piece of land. However, despite the court orders to maintain status quo, the defendants continued to sell, sub-divide and develop the land falling under the contentious area. In November 2011, the Kenya Airports Authority demolished houses belonging to private developers on the disputed land. The private developers have sued the Authority and both the Authority's and the private developer's cases are yet to be determined. Although management has explained that the land dispute is still pending in High Court through Court Cases No. HCCC No. 489 of 2004 (Kenya Airports Authority Vs. Uungani Self Help) and HCCC No. 206 of 2004 (Kenya Airports Authority Vs. Mlolongo Brothers) and that the matter came up for mention on 20th July 2016, as at time of the audit, it was not possible to determine the direction and the effect the ruling of the case may have on the Authority's land.

1.8 Disputed Parcels of Land – Wilson Airport

As previously reported, Wilson Airport Land LR 209/144443 of undetermined size and value was registered in favour of the Authority on 29 July 2003. However, two plaintiffs filed a civil case No. 437 of 2005 in the High Court of Kenya seeking temporary injunction restraining the Authority or their agents from demolishing or otherwise



interfering with the plaintiff's ownership or possession or right of use of the parcel of land until hearing and determination of the suit. Evidence available indicates that on 25 October 2006, the court declined to issue the injunction orders sought. However, although the Authority has explained that a letter was written to the National Land Commission on 24th October, 2017 requesting the Commission to intervene and revoke the irregularly issued title, as at 30 June 2017, no action had been taken and therefore the ownership of the property remains unresolved.

1.9 Disputed Parcels of Land – Malindi Airport

As similarly reported in the previous year, the leasehold land balance of Kshs.5,520,788,000 further includes a portion of Malindi Airport land under LR NO.7669 and measuring 0.8925 hectares, allocated to a church organization, but on the other hand, excludes land LR No.8540 measuring 5912.5sq.ft at the Airport, allocated to a petroleum company.

1.10 Disputed Parcels of Land – Airports/Airstrips

A further review of records and correspondences relating to the Authority's land revealed that there are ownership disputes affecting 85 parcels of land in seven Airports/Airstrips as summarized below:

No.	Airport/Airstrip	Land Reference	No. of Disputed Titles
1	JKIA	219191	46
2	WILSON AIRPORT	209/13080	8
3	MOI INT. AIRPORT	MV/VI/3888	10
4	KISUMU INT. AIRPORT	MUNICIPALITY/ BLOCK NO.1/21	3
5	KITALE AIRSTRIP	25001	2
6	ELDORET AIRSTRIP	ELD/MUNICIPALITY /BLOCK 10/926	13
7	MALINDI AIRPORT	10688	1
8	EMBAKASI	LR.No.9042/668 &F/R 228/88	2
Total			85

Management did not provide details on the nature of the disputes and the value of land involved as well as the parties involved and the current status on the same. It was also not possible to confirm if there are other parcels of land with disputes and the exposure these may have on Authority's claim to the land.

In the foregoing circumstances, the Authority's land is at risk and it has not been possible to confirm that the non-current assets balance of Kshs.51,643,374,000 is fairly stated as at 30 June 2017.

2.0 Construction of Terminal 4 Building, Parking Garage, Grade Parking and Other Associated Works at Jomo Kenyatta International Airport

As reported in the previous year, the contract for construction of Terminal IA (formerly 4) building, parking garage, grade parking and other associated works was awarded to a contractor at a contract sum of Kshs.4,147,677,413 with an estimated completion dates of 30 June 2011, 30 November 2011 and 31 May 2012 for grade parking, parking garage and Terminal IA (Formely 4) building respectively. However, although the grade parking, parking garage and Terminal IA building were taken over by the employer (KAA) on 25 September 2012, 9 August 2013 and 12 August 2014 respectively, various outstanding works for architectural, mechanical, electrical as well as general works as detailed in the list (booklet) dated 12 August 2014 by the Consultant remained outstanding as at 12 August 2014 and were to be completed during defects liability period which ended on 13 August 2015.

A review of the project in 2016/2017 showed that a performance certificate was given to the contractor on 31 May 2017 by the consultants but it stated that there were uncompleted works and a list was attached.

In the circumstances, it has not been possible to confirm that the various outstanding works listed will be completed to the satisfaction of the Authority and that value for money was obtained.

3.0 New Greenfield Terminal Package 5

3.1 As reported in the previous year, the above project was awarded to Anhui Construction Engineering Group Ltd in a joint venture with China Aero-Technology International Engineering Corporation at a contract sum of US\$ 653,782,815 (Kshs.64,745,354,325). The project supervision contract was awarded to Louis Berger Group & Runji Partners (LBG) at a contract price of US\$ 8.83M. This project was for construction of a new terminal building of 8.7 million capacity passengers per annum and floor area of 178,000 square meters. Once completed, it was to have 50 international and 10 domestic check positions, 32 contact and 8 remote gates, associated apron with 45 stands and linking taxiways. The terminal was to be an environmentally sustainable building and be certified by the World Green Building Council using either LEED or green star certification processes. The project was to be implemented on design and build contract.

3.2 Irregular Contract Award

Clause 5 of the Request for Proposal (RFP) documents required the contractor to secure a project a financier as a condition for award. However, the employer entered into a contract agreement with Anhui Construction Engineering Group Ltd in a joint venture with China Aero-Technology International Engineering Corporation on 13 November, 2013 and was given possession of site through a letter dated 6 December, 2013 before a project financier had been identified.

3.3 Exclusion of VAT in the signed Agreement

The letter of notification dated 16 December 2011 was clear that the contract sum of \$653,782,814 was inclusive of all taxes but the management entered into a contract agreement dated 13 November 2013 indicating that the above contract sum was exclusive of 16% VAT in unclear circumstances thereby overstating the contract sum.

3.4 Ground Breaking Expenses

A review of the project file showed that an amount of Kshs.75,020,680 was paid to the contractors on 9 June 2014 for what was described as a contract variation. Other information available indicated that this payment was in respect of preparation of Greenfield Terminal Ground Breaking ceremony in unclear circumstances

3.5 Termination of the Contract

In a letter ref. KAA/ES/JKIA/658/DB/CS/VOL.2(32) dated 29 March 2016, the management informed the contractor (ACEG) that the contract was void from the beginning and requested them to vacate the site. On the same date, the consultants were notified of termination of their contract vide a letter ref. KAA/ES/JKIA/723/DB/CS/VOL.2/ (33). There was no evidence to show if the contractors and contractors were in agreement and responses from the two parties were not availed for audit verification.

3.6 Nugatory Payments under the project

A review of the project further revealed that as at 30 June 2017, the contractor had been paid a total of Kshs.4,310,901,806 while Kshs.216,100,000 (USD 1,292,513) had been paid to the consultant but there was no evidence of work done. It was also noted that Price Water Coopers were contracted to provide technical advisory service on project financing at a contract price of Kshs.29,777,268 and the contract later terminated in unclear circumstances. The firm presented an invoice of Kshs.19,356,693 but was later paid Kshs.7,444,882 after negotiations but this amounts to a nugatory expenditure.

3.7 Legal Services

A review of the project file and the Board of Directors minutes for the year under review revealed that the management appointed Amolo & Gacoka Advocates to represent them in a dispute arising from the project termination. It was, however, not explained how the Advocates were identified and their terms of engagement. Further, in a special Board of Directors meeting held on 17 January, a representative of the Advocates who was in attendance requested approval to engage an international firm with expertise in quantum to conduct an analysis of the value of work undertaken by the contractor and the same was granted. Subsequently, the Advocates engaged White and Case/Blackrock for the exercise at fee of USD 1,158,520. It was not clear why the management sought the services of foreign consultants for valuation which could have been agreed between the Authority's Engineers and the contractors/consultants.

In the circumstances, it was not possible to confirm if value for money has been realized from resources already paid under the project and amounts that may become payable under the ongoing dispute.

Construction Works at Wilson Airport and Other Airports/Airstrips

4.0 Rehabilitation of Pavements at Wilson Airport - KAA/ES/WAP/955/C

The contract was awarded to M/s KIU Construction company Ltd at a contract sum of Kshs.298,557,714 on 2nd March 2016, and was for a contract period of 12 months starting from 24th June 2016 with an expected completion date of 23rd June 2017.

A review of the project during the year under audit revealed the following matters:

Variation of Scope

It was noted that the contract sum was revised from Kshs.298,557,714 to Kshs.352,838,360 an increase by Kshs.54,280,646 or 18% of the original contract sum. However, a review of correspondences leading to this variation showed that the request for this variation came from the Airport Manager who was not part of the contract team. Further, it was noted that though the variation was within the allowed limits, some works from the original scope were excluded to accommodate this variation. It was not clear what the cost of the excluded works was and the effect it had on the contract sum.

Exceeded Earthworks Bill of Quantities (BOQ)

A review of payment certificate no. 2 of Kshs.35,504,171 dated 24 March 2017 revealed that a total of Kshs.61,171,243 had been paid under item no. 5 in the BOQ earthworks which had a provision of Kshs.14,558,000 in the awarded BOQ's meaning it had been exceeded by 319%. Information available indicates that the Engineer instructed the contractor to undertake excavation for bitumen standards parking which was not provided for under the awarded scope.

In the circumstances it is possible that the above variation in scope was done irregularly as instructions were given to the contractor first and ratification from the Tender Committee sought afterwards.

Delay in Project Implementation

The project commenced on 06 June 2016 and was to be implemented in 12 months with the contract period ending on 05 June 2017. A review of progress report dated 09 October, 2017 showed that overall progress was at 25% while the original contract period had expired. The contractor is therefore behind schedule and this may lead to cost escalations.

Physical Verification

During a physical verification carried out on 20 April, 2018 it was noted that the contractor was not on site and there were no ongoing activities. Also, the materials laboratory had no equipment or chemicals and there was no furniture in the project manager's office and also no equipment on site which means that the contractor had not fully mobilized.

5.0 Construction of Tseikuru Airstrip

As reported in the previous year, a memorandum of understanding was entered into between the National Youth Service (NYS) and Kenya Airports Authority (KAA) on 20 November 2012 for the construction of Tseikuru Airstrip. The scope of works for phase 1 was for bush clearing and top soil stripping, to cut and fill formation including drainage, as well as gravel sub-base and base construction. It was however noted that the above Memorandum was never signed by both parties.

In addition, an advance payment of Kshs.50,000,000 was made to NYS on 16 July 2012 despite the fact that the Memorandum of Understanding had not been signed and there was no contract between the two parties. Further, although management has explained that the overall progress of works for phase 1 was at 85% as at 30 June 2013, no evidence of progress reports were availed for review and it was not satisfactory explained why the works had taken such a long time and when the same are expected to be completed.

A review of the project in 2016/2017 revealed that no progress was made despite an allocation of Kshs.117,993,000, Kshs.25,000,000 and Kshs.85,000,000 in 2013/2014, 2014/2015 and 2015/16 respectively. Management has not explained how the funds allocated in the above three financial years totaling to Kshs.227,993,000 were utilized.

6.0 Proposed Rehabilitation of Runway, Apron and Car Park at Nanyuki Airstrip

As reported in the previous year, the above project was awarded to Doch Company on 3 September, 2014 at a contract sum of Kshs.398,950,970. The contract period was 12 months which commenced on 24 November, 2014 with an expected completion date of 23 November, 2015.

A review of the project file and other related records however revealed the following matters:

Slow Progress

The initial contract period was 12 months with a completion date of 23 November 2015. The tender committee sitting on 12 November 2015 approved a 9 months extension which brought the revised completion date to 22 August 2016. A review of the last progress report dated 31 July 2016 showed that the overall progress was at 42% with

less than a month left to the end of the revised contract period, an indication that the project was behind schedule.

Temporary Runway/ Unapproved Variation of Scope

The scope under the contract as per tender documents and as per the signed agreement was as follows:

- Runway: 1500M Long and 23M wide
- Apron: Approximately 11,250M²
- Access Road: Approximate 2,500M²
- Carpark: Approximately 2,500M²

In a consultative meeting held on 12 November 2014, it was concluded that phasing out of works on the runway would pose safety challenges and recommended for construction of a temporary runway to allow runway rehabilitation works to proceed without interference on the Airstrip operations. However, site instructions for construction of the temporary runway and its cost estimation were not seen in the project file. The employer also did not respond to contractor's letters requesting for determination of applicable rates for this work as the rates used in the contract sum could not apply since this was new scope of works. There was also no evidence in the file to show whether the additional scope was presented to the tender committee for approval or how the concerns of the contractor on the applicable rates were addressed.

Lack of Inspection Report

The contractor gave a notice of completion of temporary runway in a letter ref. KAA/ES/NANYUKI/931/C dated 15 June 2015 indicating that a part of the runway was to be handed over for use on 17 June, 2015 and the remaining section was to be completed on 30 July 2015. There was, however, no correspondence in the project files to show if the temporary runway was completed or if it was inspected and approved for use. Further, a letter dated 29 February 2016 from Ag. General Manager (Engineering Services) to the contractor indicated that the temporary runway was in bad state and needed repair. This notwithstanding, an amount of Kshs.142,697,378 had been paid to the contractor by 30 June 2017.

Contractor's Claim on Temporary Runway

The contractor through their advocates, Zed Achoki & Company, has placed a demand of Kshs.120,610,876 for the temporary runway which is about 30% of the awarded contract sum and above the allowed limits of variation.

Other Claims on Termination of Contract

A review of the project file revealed that the contractor placed a claim of Kshs.955,275,371 for idle equipment and other costs related to contract termination through a letter Ref:Doch/NanyukiAirstrip/Claim/Jan.04/01 dated 24 January 2018 but there was no evidence to show that the management responded to this claim.

7.0 Demolition of Existing Arrivals Hall, Baggage Area and Multi-Storey Office Block at J.K.I.A-Contract No.KAA/ES/JKIA/908/C

As reported in the previous years, the contract above was awarded to Machiri Ltd for a contract sum of Kshs.326,695,830. The works had a contract period of 6 months which commenced on 9 July 2014 and was to end on 16 January 2015. There were three extensions of time approved for this contract which brought the revised completion date to 14 August 2015.

(i) Provision of temporary offices, stores and other facilities

In accordance with the awarded bill of quantities, the contract was to provide temporary offices, stores and other facilities at a cost of Kshs.23,624,979. However, there was no evidence such facilities were provided during the contract period while an amount of Kshs.292,802,679 equivalent to 90% of the contract sum had been paid by 30 June, 2017.

In addition, a review of the project during the year under audit revealed that the Contractor, vide letter dated 27 January 2017 had submitted a further claim amounting to Ksh.340,012,145 which had not been evaluated and no evidence of any action taken.

8.0 Contract Variation for the Runway Strengthening & Widening, Parallel Taxiway and Cargo Apron at Kisumu Airport Contract NO. KAA/ES/KSM/690/C

The project was awarded to China Overseas Construction Group Co. Ltd (COVEC) at a contract sum of Ksh.1,708,295,391 inclusive of 16% VAT. Works commenced in March 2012. The scope of work was scaled down in October 2013 due to inadequate provision of funds from the Ministry and then consequently divided into two stages.

Stage 1 – Construction of Parallel Taxiway, cargo apron and public car park
Stage 2 – Runway Strengthening and Widening

The contractor completed construction of parallel taxiway and cargo apron and public car park in February 2014 at a cost of Ksh.1,375,117,326 inclusive of 16% VAT. The works under this contract were originally awarded to China Overseas Construction Group Co. Ltd (COVEC) at a contract sum of Ksh.1,708,295,391. Due to financial constraints, the works completed by February 2014 were valued at Ksh.1,375,117,326 and treated as phase one. The contractor was issued with a completion certificate for phase I and his retention monies paid. An amount of Kshs.333,118,065 remained from the original

contract sum to be utilized for phase 2 works. Further, on 19 August, 2015 the employer and the contractor entered into an addendum for the remaining works packaged at a contract of Kshs.436,067,580 thereby revising original contract sum by Kshs.102,949,515 (from 1,708,295,391 to Kshs.1,811,244,906). Phase 2 works were to be executed in 28 Months. On 24 May 2016, and before the works started, another addendum was drawn and signed by the two parties which revised the initial contract sum further by an amount of Kshs.143,532,200. This second addendum brought the total variation to Ksh.246,481,715 (14.5%) with the revised contract sum being Kshs.1,954,777,106. The Tender Committee that approved this variation pointed out that there was erroneous omission of Kshs.190,156,845 in computation of the first variation and occasioned by failure to take into account the VAT component on amount paid in phase 1 works, but this could not be supported. In spite of the revision of contract sum as pointed above there was reduction in the initial contract scope. A review of Paragraph 6 of the addendum above showed that heavy duty manhole covers valued at Kshs.17,933,117 were excluded from the revised scope.

Management has not explained what occasioned the contract sum variation above or the logic behind Kshs.190,156,845 omission as approved by the Tender Committee as the original contract was inclusive of 16% VAT.

Further, the latest progress report for 15 January 2018 showed that overall progress was at 90% while the revised contract period elapsed on 8 June, 2017. The contractor is therefore behind schedule in project implementation but there was no evidence of recovery of liquidated damages by the employer in line with the conditions of contract.

9.0 Emergency Repairs Of Runway at Isiolo International Airport-Contract No:KAA/ES/ISIOLO/1105/C

The contract for above works was awarded to Star General E.A. Ltd on 10 March, 2017 at a contract sum of Kshs.82,434,788. The project had a contract period of 3 months with works which commenced on 7 April, 2017 and was to end on 7 July, 2017.

A review of the project file and procurement records revealed the following matters:

Procurement

The Ag General Manager (P&ES) through a letter Ref.KAA/ES/ISO.Vol.2 (94) dated 6 February, 2017 requested the Managing Director for approval to use restricted tender method for this contract and the same was granted. The management later obtained a list of 10 prequalified contractors from Kenya Rural Roads Authority (KERRA) vide a letter Ref.No.RM/KeRRA/9/Vol.1/67 dated 7 February, 2017 and bids were invited the same day. Bids were opened on 20 February, 2017 and only 4 bidders returned their tenders.

Evaluation

A review of evaluation report dated 28 February, 2017 revealed that 3 out of the 4 bidders who returned their bids failed at the preliminary stage. Further, it was noted that the three failed because they lacked experience in similar works undertaken in the last

3 years and did not have the required turnover. Considering that this was a restricted tender it would appear that the prequalified list of contractors obtained from KERRA was not for similar scope.

Slow Progress

The project had a contract period of 3 months starting from 7 April, 2017 and ending on 7 July, 2017. The only progress report availed was for July 2017 which indicated an overall progress of 37% while the contract period had elapsed by 5 months an indication that the works are behind schedule which may lead to escalation of Project costs. Further, there was no evidence of recovery of liquidated damages from contractor's payments in accordance with the contract terms.

10.0 Rehabilitation of Wajir International Airport (Runway, Taxiways, Apron and Access Road-KAA/ES/WAJIR/1075/C

The contract was awarded to M/s Halane Construction Co. Ltd. On 24 March, 2017 at a contract sum of Kshs.819,264,953 and works commenced on 24 April, 2017. A review of the project files and procurement records revealed the following:

Inadequate Budget Allocation for the Project

Procurement of above works was based on a budget allocation of Kshs.250M from the Airstrip funds investment income and the balance was to be provided for under supplementary budget for 2016/17. In a letter Ref.MOT&I/C/AT/024/3 VOL.VIII/76 dated 21 December 2016, the Permanent Secretary for Department of Transport wrote to the Managing Director advising him to stop the project due to the budgetary rationalization by the Treasury which would affect other priority projects. Subsequently, the procurement process was terminated and this communication was sent to all the bidders on 27 January, 2017. However, M/s Halane Construction Company Ltd successfully challenged the termination in the Public Procurement Administrative Review Board and the Authority was directed to award the tender. The management obliged and awarded the tender to the bidder on 24 March, 2017. However, it was not satisfactory explained why Management initiated the project implementation with inadequate budgetary provisions and why no appeal was made against the ruling.

Evaluation/Award

A review of the technical evaluation report dated 17 December, 2016 showed that only one bidder, Halane Construction co. Ltd was successful under the mandatory stage and was eventually awarded at a contract sum of Kshs.819,264,953.10 against an Engineer's stated estimate of Kshs. 830,000,000. However, no documentary evidence for the Engineers estimate of Kshs. 830,000,000 was availed for audit verification.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Airports Authority in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance

with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Contingent Liability

I draw attention to Note 50 to the financial statements which reflects an arbitration award of Kshs.4 billion (US\$ 49,000,000) awarded to World Duty Free case in 2012 for which the Authority has appealed against the arbitration award and has stated that no provision is required in the financial statements. There is also an amount of Kshs.1,357,550,000 for a plaintiff claiming ownership of property LR No. 13512 in the name of Mulolongo Brothers Association for which the Authority has sought the intervention of the National Land Commission. There is also a claim of Kshs.992,336,004 sought by one Patrick T. Kanyuira for damages sustained in demolition of illegal structure at Wilson Airport. The High Court and Court of appeal ruled in favor of the Authority but the claimant filed the matter before the Supreme Court and the matter is yet to be determined. The note also has a claim of Kshs.404,686,165 from Baseline Architects and 3 others for outstanding payments for work done for which the management has indicated that it shall pursue amicable settlement. An amount of Kshs.290,000,000 relating to a legal suit involving Diplomatic Duty Free Ltd/World Duty Free is also disclosed but the management is of the opinion that the liability will not crystallize. The note also includes a claim from Queens Quay Architects Inc. amounting to Kshs.3,337,709 for wrongful termination of contract and outstanding fee note for reorganization of existing passenger terminal facilities at JKIA. The note also indicates that the Ministry of Tourism has lodged a claim of Kshs.2,135,151,597 for Special Tourism Promotion Fund which it intends to create to be funded by Air Passenger Service Charge. Further, the note includes information on Greenfield Terminal project which was terminated for Authority's convenience but no amount of possible claim is disclosed. There are also several other claims which are pending arbitration and in the courts of law. Although in all the above cases the Authority has stated that the liabilities will not crystallize and has therefore not made any provision in the financial statements on the same, there is a high risk of liability before the cases are fully heard and determined.

My opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current year. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

Responsibilities of Management and Those Charged with Governance 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 the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Government either intends to liquidate the Authority or to cease operations or has no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

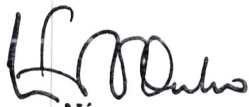
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue offering services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue offering services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

07 August 2018

KENYA AIRPORTS AUTHORITY
ANNUAL REPORT AND FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2017

		2016/2017	2015/2016
	Notes	KSHS' 000	KSHS' 000
REVENUES			
Operating Revenue	32(a)	15,899,029	12,505,471
Gain on Assets Disposal	32(c)	2,625	-
Other Income	33 (a)	190,152	177,173
Non Cash Income	33(b)	590,222	155,027
TOTAL REVENUES		16,682,027	12,837,671
OPERATING EXPENSES			
Administrative Expenses	35 (a)	7,531,015	7,786,580
Establishment Expenses	35(b)	3,365,549	1,916,144
Other Expenses	35(c)	34,477	25,343
TOTAL OPERATING EXPENSES		10,931,040	9,728,067
OPERATING PROFIT		5,750,987	3,109,605
Financial Income (Loss)	33(c)	517,899	(139,991)
Financial Costs	34	(756,817)	(371,330)
PROFIT BEFORE TAXATION		5,512,071	2,598,284
INCOME TAX EXPENSE	46	(256,284)	(238,922)
PROFIT AFTER TAXATION		5,255,787	2,359,362

The notes on pages 45 to 76 form an integral part of these financial statements

KENYA AIRPORTS AUTHORITY
ANNUAL REPORT AND FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2017

Notes	2016/2017 KSHS'000	2015/2016 KSHS'000	
ASSETS & LIABILITIES:-			
Non-Current Assets			
Property, Plant and Equipment	36	50,773,193	51,757,045
Intangible Assets	37	870,181	782,058
Total Non-Current assets	51,643,374	52,539,103	
Current Assets			
Inventories	38	147,994	76,944
Trade and Other Receivables	39(a)	10,604,369	9,038,475
Balances held in Reserve Accounts	40	2,221,651	2,007,239
Cash and Cash Equivalents	41(a)	8,274,294	3,686,793
Airstrips Fund Cash Balance	41(b)	1,366,998	1,778,085
Deferred Tax Asset	47	234,288	126,170
Total Current assets	22,849,595	16,713,706	
TOTAL ASSETS	74,492,969	69,252,809	
EQUITY AND LIABILITIES			
Capital and Reserves			
Government Grant	Pg 36	17,969,332	17,338,155
Revaluation Reserve	Pg 36	988,739	988,739
Retained Earnings	Pg 36	36,023,734	30,896,829
Capital and Reserves	54,981,805	49,223,724	
Non- Current liabilities			
Airstrip Fund	42	1,366,998	1,778,085
Long Term Loans	44	9,823,613	10,738,347
Deferred Tax Liability	47	-	-
Total Non-Current Liabilities	11,190,611	12,516,433	
Current Liabilities			
Trade and Other Payables	43	5,594,538	5,235,349
Current Portion of Long Term Loan	44(a) & 44(c)	825,785	510,184
Provisions for Liabilities and Charges	45	1,900,232	1,767,120
Total Current Liabilities	8,320,554	7,512,653	
TOTAL EQUITY AND LIABILITIES	74,492,969	69,252,809	

The notes on pages 45 to 76 form an integral part of these financial statements. The financial statements on pages 39 to 42 were approved by the Board on

25.09.
.....
Chairman

..... 2017 and were signed on its behalf by:
.....
Managing Director/ Chief Executive Officer

KENYA AIRPORTS AUTHORITY
ANNUAL REPORT AND FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

	Government Grants Kshs.'000	Revaluation Surplus Kshs.'000	Retained Earnings Kshs.'000	Total Kshs.'000
At 1st July 2015				
As previously reported	12,866,080	988,739	30,529,505	44,384,323
<u>Prior period adjustments:</u>				
Deficit on Defined Benefit Scheme*			(1,167,800)	(1,167,800)
Exchange rate adjustment on (AFD) loan			(795,352.00)	(795,352)
Reinstated as at 30 June 2015	<u>12,866,080</u>	<u>988,739</u>	<u>28,566,353.00</u>	<u>42,421,171</u>
Changes in equity in 2016				
Deferred Income for the year	(155,028)	-	-	(155,028)
African Development Bank **	806,908			806,908
Airstrip Funds***	1,702,452	-	-	1,702,452
World Bank****	2,117,741			2,117,741
Adjustment on valuation				-
Utilities and Services				-
Dividend provision reversed			100,000.00	100,000
Surplus/(deficit) on revaluation of property			-	-
Dividend payable			(128,886.00)	(128,886)
Profit/(loss) for the year			2,359,362.00	2,359,362.00
At 30th June 2016	<u>17,338,153</u>	<u>988,739</u>	<u>30,896,829</u>	<u>49,223,721</u>
Changes in equity in 2017				
Deferred Income for the year	(590,222)	-	-	(590,222)
AFD	21,651			21,651
Airstrip Funds***	983,259	-	-	983,259
World Bank****	216,491			216,491
Adjustment on valuation				-
Utilities and Services				-
Dividend provision reversed				-
Dividend payable			(128,886)	(128,886)
Profit/(loss) for the year	17,969,332	988,739	30,767,947	49,726,018
At 31 June 2017	<u>17,969,332</u>	<u>988,739</u>	<u>36,023,734</u>	<u>54,981,805</u>

**African Development Bank funded Kenya Airports Authority through the Government of Kenya, for the procurement and installation of the security screening equipment and the design, supply and Installation of Interim Passenger Terminal Building at Jomo Kenyatta International Airport to help restore the level of services at the Airport after they significantly deteriorated due to the 2013 fire inferno.

*** Airstrip Funds shown above are funds received from Ministry of Transport & Infrastructure which were used to finance JKIA Interim Terminal, JKIA Security Screening Yard, Isiolo, Kisumu International Airport projects, Manda and Wajir Airports projects

**** World Bank. These are funds received from the World Bank to KAA to finance emergency activities at JKIA.

The notes on pages 44 to 76 are an integral part of these financial statements

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STATEMENT OF CASH FLOWS

	Notes	2016/2017 Kshs.'000	2015/2016 Kshs.'000
Operating activities			
Cash generated from/ (used in) operations	48(a)	7,356,426	4,320,454
Interest received	33 (c)	155,661	98,809
Taxation paid		-	-
Net Cash generated from/ (used in) operating activities		<u>7,512,087</u>	<u>4,419,263</u>
Investing Activities			
Cash from Investing activities			
Purchase of Property, Plant and Equipment	36	(2,664,528)	(8,559,184)
Additions Intangible Assets	37	(2,953)	(45,858)
Cash from Asset/Stores Disposal		2,907	3,169
Net Cash generated from/ (used in) investing activities		<u>(2,664,574)</u>	<u>(8,601,873)</u>
Financing activities			
Cash flow from Financing activities			
Repayment of World Bank loan	44(a)	(200,231)	(200,231)
Repayment of AFD loan	44(c)	(625,553)	(309,953)
Refund of unutilized WB loan amount	44(a)	-	(33,647)
Proceeds from long term borrowing from World Bank	44(a)	-	68,206
Proceeds from long term borrowing from AFD Loan	44(c)	-	1,202,152
Proceeds from Airstrips Fund	42	687,963	850,535
Disbursement of Airstrips fund	42	(124,885)	(335,792)
Provisions Utilised during the year	45	(293,198)	(78,172)
Grant received from World Bank		216,491	2,117,741
Grant received from AFDB		21,651	806,908
Dividend payment		(128,886)	(100,000)
Net Cash generated from/ (used in) financing activities		<u>(446,651)</u>	<u>3,987,747</u>
Net Decrease (Increase) in cash and cash equivalents		4,400,862	(194,862)
Cash & cash equivalents at 1st July 2016		<u>7,472,118</u>	<u>7,639,225</u>
Effects of exchange rate changes		(10,038)	27,755
Cash and cash equivalents at 30th June 2017	48(c)	<u>11,862,942</u>	<u>7,472,118</u>

The notes on pages 45 to 76 are an integral part of these financial statements

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Budget Q4 June 2017	Actual Q4 June 2017	Variance	Budget Cumulative to June 2017	Actual Cumulative to June 2017	variance	Explanation
	Kshs.000	Kshs.000	Kshs.000	Kshs.000	Kshs.000	Kshs.000	
1.0 Revenue							
1.1 Aeronautical Revenue	2,724,789	5,394,913	2,670,124	12,299,236	13,341,805	1,042,570	(a)
1.2 Non-Aeronautical Revenue	677,972	558,058	(119,915)	2,824,272	2,557,224	(267,047)	(b)
1.3 Other revenue	75,478	1,050,186	974,708	322,916	1,300,898	977,982	(c)
Total revenue	3,478,240	7,003,157	3,524,917	15,446,423	17,199,928	1,753,505	
2.0 Operating Expenses							
2.1 Staff Costs	1,349,928	1,401,144	(51,216)	4,816,086	4,745,806	70,279	
2.2 Administration expenses	755,349	811,502	(56,153)	3,063,936	2,451,933	612,003	(d)
2.3 Purchase of Stores and spares	74,390	73,992	398	242,330	161,102	81,228	
2.4 Repairs and Maintenance	365,853	342,123	23,730	1,354,812	687,167	667,645	(e)
2.5 Depreciation & Amortization	295,556	1,064,618	(769,062)	1,174,099	2,678,381	(1,504,282)	(f)
2.6 Other operational costs	(730,645)	119,646	(850,291)	204,666	206,652	(1,986)	
Total recurrent costs	2,110,431	3,813,025	(1,702,595)	10,855,929	10,931,041	(75,113)	
Operating profit	1,367,809	3,190,132	1,822,323	4,590,494	6,268,887	(1,678,392)	
2.7 Finance charge	180,817	365,221	(184,405)	597,591	756,817	159,226	
3.0 Profit before tax	1,186,993	2,824,911	1,637,918	3,992,903	5,512,070	1,519,167	

- a) The positive variance was mostly due to increase in airport passenger service rates from US\$ 40 to US\$ 50 and Kshs 500 to Kshs 600 for both international and domestic passengers respectively. In addition there was depreciation of the Kenya shillings in comparison with the US Dollar.
- b) Total non-aeronautical revenues for year under review recorded a negative variance due to delays in implementation of the new duty free master concession and cargo concession rates.
- c) Other revenue recorded a positive variance due to deferred income of Kshs 590 million and foreign exchange gains of Kshs 363 million which were not considered in the budget.

- (d) The positive variance was due to realization of lower than budgeted utility costs (electricity and water) and savings realized in new contracts for environmental and cleaning services.
- (e) Repairs and Maintenance: The favourable variance is due to delayed finalization of the baggage handling maintenance contract.
- (f) Depreciation and Amortization: Increased capitalization of assets led to an increase in this expense.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Kenya Airports Authority Act.

**Application of new and revised International Financial Reporting Standards (IFRSs)
New standards and amendments to published standards effective for the year ended 30 June 2017**

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Authority does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Authority's financial statements.

IFRIC 21 Levies

IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Authority's financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets been allocated.

1. Statement of compliance and basis of preparation (Continued)

When there has been no impairment or reversal of impairment of the related CGU.

Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The application of the amendments to IAS 36 has had no material impact on the disclosures or on the amounts recognised in the Authority's financial statements since the Authority has had no impairment or reversal of impairment.

2. Annual Improvements 2010-2012 Cycle

The annual improvements 2010-2012 cycle makes amendments to the following standards:

- IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 — Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed

These IFRS improvements are effective for accounting periods beginning on or after 1 July 2015.

The new terminologies have been adopted in these financial statements. In other respects the application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3. Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application.

The application of the new standard has not had any impact on the disclosures or the amounts recognised in these financial statements as the Authority does not have any derivatives.

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

New and Amendments to
standards
IFRS 9

Effective for annual periods
beginning on or after
1 January 2018

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 15 Revenue from contracts
with customers 1 January 2017

(ii) **Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2017**

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting.

- Mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

The directors of the Authority anticipate that the application of IFRS 9 in the future will not have a significant impact on amounts reported in respect of the Authority's financial assets and financial liabilities.

IFRS 15 Revenue from Contracts with Customers

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Authority however derives a substantial amount of its revenue from cash sales, and the directors do not anticipate that the application of IFRS 15 will have a significant impact on the amounts reported in respect of the Authority's revenue from contracts with customers.

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2017)

Annual Improvements 2010-2012 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a Authority of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- a) the property meets the definition of investment property in terms of IAS 40; and
- b) the transaction meets the definition of a business combination under IFRS 3

The directors of the Authority do not anticipate that the application of these amendments will have a significant impact on the Authority's financial statements.

Annual Improvements 2011-2015 Cycle

Makes amendments to the following standards:

- IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.
- IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2016. The directors of the Authority do not anticipate that the application of these improvements to IFRSs will have a significant impact on the Authority's financial statements.

(i) Early adoption of standards

The Authority did not early-adopt any new or amended standards in the period.

Basis of preparation

The financial statements have been prepared under the historical cost basis of accounting.

4. Pronouncements from the Public Sector Accounting Standards Board (PSASB)

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazettted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the pronouncements made by the board have no significant impact on the entity's financial statement as "ENTITY name" has been preparing its financial statements in accordance to IFRS.

5. Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

	Rate
Freehold Land	Nil
Leasehold Land	99 years
Pavements (Runways, aprons, taxiways and roads)	4.0%
Permanent buildings	2.5%
Emergency Service Vehicles	10.0%
Other Motor vehicles	25.0%

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Electrical -Mechanical Equipment	5.0%
Other Machinery	10.0%
Office Equipment, Furniture and Fixtures	20.0%
Computer and accessories	33.0%

Depreciation of these assets, on the same basis of other property assets commences when the assets are ready for intended use.

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 recognized so that the asset is written down immediately to its estimated recoverable amount.

6. Intangible assets

Software license costs and computer software that is not an integral part of the related hardware are initially recognized at cost, and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Authority are recognized as intangible assets. Amortization is calculated using the straight line method to write down the cost of each license or item of software to its residual value over its estimated useful life using an annual rate of 33.3%.

7. Amortization and impairment of intangible assets

Amortization 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

8. Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

9. Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the *entity* are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

10. Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

11. Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

12. Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

13. Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

14. Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

15. Taxation

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognized directly in equity, in which case it is also recognized directly in equity.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realized or the deferred tax liability is settled

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Recognized and unrecognized deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognized amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

16. Cash and cash equivalents

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

17. Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the *entity* or not, less any payments made to the suppliers.

19. Retirement benefit obligations

Defined Benefit Scheme

The Authority operates a defined benefit scheme for all its employees, funded by contribution from employees. The scheme defines the benefits an employee will receive on retirement. The assets of the scheme are held in a separate trustee administered scheme. The Authority's contributions are charged to the profit and loss account in the year to which they relate.

The Authority changed to Defined Contribution scheme from Defined Benefit scheme with effect from 1/7/2011 in accordance with the Treasury circular no. 18/2010 dated 24th November 2010.

The Authority also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Authority's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200= per employee per month.

20. Provision for Staff leave pay

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an employment cost accrual. A provision is made for the estimated liability for annual leave at reporting date.

21. Exchange Rate Difference

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

22. 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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

23. Provision for liabilities and charges

Provisions are recognized when the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

24. Biological Assets

The Biological assets comprise of trees that were planted at Eldoret International Airport in the year 2006. All the costs incurred to date have been treated as expenses in determining the profit in each year they were incurred. The total proceeds from the sale of these trees minus the incidental costs shall be recognized as income in the year of sale. The assets were valued at fair value by Integrated Forestry Consultancy and Management Services as per IAS 41.

25. Comparative figures

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

26. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

27. Related Party Policy

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Jointly controlled entities are also considered as related parties. The companies transact business with parties that are related by virtue of common directorship and/or ownership and jointly controlled entities. The Authority's related parties include:

- Key Management and Directors are in charge of decision making for the Authority
- National Government: The Authority receives Grants and Funds to carry out projects.
- Ministry of Transport and Infrastructure: The Ministry has a representative in the Board of Directors.

28. Significant judgments and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Kenya Airports Authority, the directors make certain judgments and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgments and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

Going Concern: The financial statements have been prepared on a going concern basis on the belief that the Authority shall continue operations in the near future.

Impairment Losses: At each year end, the Authority reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, management estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets, vehicles and equipment: Critical estimates are made by the management in determining the useful life for intangible assets, vehicles and equipment.

Contingent liabilities: The management evaluates the status of any exposures to contingent liabilities on a regular basis to assess the probability of the Authority incurring related liabilities and the same is disclosed as a note in the financial statements. Provisions are only made in the financial statements where, based on the management's evaluation, a present obligation has been established.

29. Financial Instruments

Classification: The Authority classifies its financial instruments into the following categories:

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.

Financial liabilities: which comprise all financial liabilities except financial liabilities at fair value through profit or loss.

30. Risk management objectives and policies

Financial risk management

i) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Authority.

The credit risk exposures are classified in three categories;

- Fully performing
- Past due
- Impaired

Credit risk on Fixed, Call and Reserves with banking institutions is managed by dealing with institutions with good credit ratings. Credit risk on concessions, tenancies and similar business transactions is mitigated through requirement for performance guarantees issued by financial institutions with good credit ratings.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Impaired

Credit risk on Fixed, Call and Reserves with banking institutions is managed by dealing with institutions with good credit ratings. Credit risk on concessions, tenancies and similar business transactions is mitigated through requirement for performance guarantees issued by financial institutions with good credit ratings.

i) Credit Risk (Continued)

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 credit period for each customer.

The maximum exposure of the Authority to credit risk as at the balance sheet date is as follows:

30 th June 16	Fully Performing Kshs'000	Past due but not Impaired Kshs'000	Past due and Impaired Kshs'000	Total Kshs'000
Trade receivables	5,164,445	-	810,212	5,974,657
Other receivables	1,307,892	-	-	1,307,892
Fixed Deposits, Call Deposits & Treasury Bills	5,261,661	-	-	5,261,661
Reserve Account	2,221,651	-	-	2,221,651
Cash at bank	4,379,631	-	-	4,379,631
Gross Financial Assets	18,335,280	-	810,212	19,145,492

Past due and Impaired

As at 30th June

	2017 Kshs'000	2016 Kshs'000
Bad Debts	731,116	731,116
Term Deposits-Prudential Bank	78,790	78,790
Other Receivables	<u>306</u>	<u>306</u>
	<u>810,212</u>	<u>810,212</u>

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

30. Risk management objectives and policies (Continued)

i) Credit Risk (Continued)

An impairment provision of Kshs. 731 Million (**2016: Kshs. 731 Million**) is held against the impaired receivables. The Authority does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

ii) Liquidity risk

Liquidity risk is the risk that the Kenya Airports 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 table below summarizes the maturity analysis for financial liabilities to their remaining contractual maturities at the reporting date.

	Within 12 months Kshs'000	Over 12 months Kshs'000	Total
Year ended 30th June 2017			
Trade payables	1,959,128	-	1,959,128
Other payables	8,237	3,594,489	3,602,726
Interest bearing Loans	825,784	9,823,613	10,649,398
Total	2,793,150	13,418,103	16,211,253
Year ended 30th June 2016			
Trade payables	1,638,717	-	1,638,717
Other payables	9,714	3,586,916	3,596,630
Interest bearing Loans	510,184	10,738,347	11,248,531
Total	2,158,615	14,325,264	16,483,879

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

30. Risk management objectives and policies (Continued)

iii) Market risk

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 three types of risks: currency risk, interest rate risk.

Interest rate risk: The Authority is exposed to cash flow interest risk on its variable rate borrowings because of changes in market interest rates. The Authority manages this exposure by maintaining a high interest cover ratio, which is the extent to which profits are available to service borrowing costs. If the interest rates on the Authority's borrowings at the year-end were to increase/decrease by 1% percentage points, with all other factors remaining constant, the post-tax profit would be lower/higher by Shs.104 Million (2016: Shs 105 Million) respectively.

Price Risk: The Authority does not hold investment that would be subject to price risks: hence this risk is not relevant.

Foreign exchange risk: The Authority has foreign currency denominated bank accounts and it also transacts in foreign currency. The Authority receives US\$ denominated receipts as part of its revenue. These receipts are banked in dollar denominated bank accounts. The Authority mitigates against foreign exchange risks: By negotiating contracts based on the available currency (Dollar/KES). Secondly loans are negotiated and maintained in dollar equivalent to hedge against foreign exchange risk fluctuations.

The carrying amounts of the Authority's foreign currency denominated monetary assets at the balance sheet date are as follows:

	USD ' 000	USD ' 000
As at	30 th June 2017	30 th June 2016
Financial Assets		
Bank and cash balances	38,025	25,988
Term deposits	29,584	16,605
Trade receivables	28,958	12,649
Other receivables	1,072	38,543
Sub Total	97,639	93,785
Financial liabilities		
Trade payables	4	(5,108)
Other payables	1,867	628
Long Term Loans	75,718	79,138
Short Term loan (Payable within one year)	6,187	3,066
Sub Total	83,776	77,724
Net exposure	13,862	16,061

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

30. Risk management objectives and policies (Continued)

As at 30th June 2017, if the Kenyan shillings had strengthened or weakened by 5% against the US Dollars and with all other variables held constant, the impact on the surplus for the year would have been Kshs 154 Million (**2016- Kshs 170 Million**) higher/lower mainly as a result of US Dollar and bank cash balances.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risks as the year end exposure does not reflect the exposure during the year.

31. Capital Management

The Kenya Airports Authority's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximizing the return to its shareholders. The Authority is not subject to any external capital requirements. The Authority manages its capital by evaluating the working capital requirements and investment in non-current assets before borrowings and based on this requirement, setting an integral debt to equity ratio, which it monitors on a regular basis. The debt to equity ratio is as set below:

The gearing ratio at the year-end was as follows:

	2016/2017 Kshs'000	2015/2016 Kshs'000
Total borrowings (Note 45)	10,649,398	11,248,531
Less: cash and cash equivalents (Note 50 c)	11,862,943	7,472,118
Net debt/(savings)	(1,213,595)	3,776,414
Total equity	54,981,804	49,223,725
Gearing (net debt over total capital resources)	(2%)	7.7%

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Revenues	2016/2017 Kshs.'000	2015/2016 Kshs.'000
32(a) Operating Revenue		
Aeronautical Revenue		
Airport Passenger Service Charge Fund	9,567,298	6,719,313
Landing and Parking	3,273,616	3,031,646
Airbridge Charges	189,163	147,853
Fuel Uplift	298,809	282,755
Other Aeronautical Revenue	12,919	15,817
Total Aeronautical Revenue	<u>13,341,805</u>	<u>10,197,383</u>
Non Aeronautical Revenue		
Rentals	758,833	721,835
Concessions	1,700,977	1,488,146
Security Passes Income	96,675	97,745
Other Non aeronautical revenue	740	362
Total Non Aeronautical Revenue	<u>2,557,224</u>	<u>2,308,088</u>
Total Operating Revenue	<u>15,899,029</u>	<u>12,505,471</u>
32(c) Gain on Assets Disposal		
Gain on assets disposal	<u>2,625</u>	-
33 (a) Other Income		
Sale of Tender documents	422	637
Interest on Staff Loans	2,392	1,826
Fines and Penalties	2,935	4,275
Other Income	184,402	170,435
	<u>190,152</u>	<u>177,173</u>
33(b) Non Cash Income		
Provisions Reversed	-	-
Deferred Income	590,222	155,027
	<u>590,222</u>	<u>155,027</u>
33(c) Financial Income (Loss)		
Investment Income	128,951	72,537
Bank Interest	26,710	26,272
Exchange gain (loss) on Forex	362,238	(238,800)
	<u>517,899</u>	<u>(139,991)</u>
34 Financial Costs		
Interest Expense	756,817	371,330
	<u>756,817</u>	<u>371,330</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2016/2017	2015/2016
	Kshs.'000	Kshs.'000
Profit/(loss) before tax expenses/income		
35 (a) Administrative Expenses		
i) Staff Costs -Note 35 (d)	4,745,806	4,350,477
ii) Other Administrative expenses		
Electricity and Water	692,754	791,433
Communication services and supplies	23,538	22,776
Transportation, Travelling and Subsistence	99,854	94,213
Advertising, Printing , Stationery and Photocopyin;	18,935	22,319
Marketing and Promotion Expenses	77,110	36,501
Staff Training Tuition and Subsistence	80,172	77,137
Insurance costs	164,595	129,522
Bank charges	3,007	1,802
Loss on Assets Disposal		2,917
KRA Commission	220,750	136,473
Legal Fees	194,203	312,942
Consultancy Fees	28,189	115,770
Stores consumed	147,709	113,430
Cleaning Services	282,603	277,445
Environmental Preservation	159,828	225,785
VAT Expense -Non Allowable	470,891	769,991
Provision for bad debts	-	211,941
Reversed audit fees provision	-	(2,898)
Other Operating Expenses	121,075	96,602
	<u>2,785,210</u>	<u>3,436,103</u>
iii) Administrative Expenses	<u>7,531,015</u>	<u>7,786,580</u>
35(b) Establishment Expenses		
Repairs and Maintenance	687,167	1,012,320
Depreciation of property, plant and Equipment	2,369,030	866,419
Intangible Assets	309,351	37,405
	<u>3,365,549</u>	<u>1,916,144</u>
35(c) Other Expenses		
Directors' Emoluments	32,247	23,113
Audit Fees	2,230	2,230
	<u>34,477</u>	<u>25,343</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 (d) Staff Costs	2016/2017 Kshs.'000	2015/2016 Kshs.'000
Salaries and Wages	3,515,455	2,927,438
Contractual Staff (One month & above)	59,068	104,298
Pension Fund Costs	299,883	1,152,553
NSSF Company Contribution	4,937	4,964
Group Life Insurance Costs	15,051	23,469
Group Personal Accident (GPA)	11,724	8,656
Other Staff Costs	839,687	689,116
	<u>4,745,806</u>	<u>4,910,495</u>
Staff bonus reversed		(560,017)
	<u>4,745,806</u>	<u>4,350,477</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 Property, Plant & Equipment

2016	Freehold land Kshs.'000	Leasehold land Kshs.'000	Capital Work in Progress Kshs.'000	Pavements and Buildings Kshs.'000	Plant, Machinery, & Motor Vehicles, Kshs.'000	Office Equip. Furniture and Fittings Kshs.'000	TOTAL Kshs.'000
COST OR VALUATION							
At July 1, 2015	249,263	6,901,205	30,055,156	11,847,546	2,084,784	568,060	51,706,014
Additions - Cash			8,446,887	971	87,490	23,835	8,559,184
Additions - Non Cash			706,052				706,052
Transfers			(22,321,383)	13,860,439	7,823,243	637,701	0
Reclassification							0
Transfer to Intangible assets			(739,506)				(739,506)
Reclassification							-
Write off					(12,504)	(1,505)	(14,009)
Disposal							-
At June 30, 2016	249,263	6,901,205	16,147,206	25,708,956	9,983,013	1,228,091	60,217,734
DEPRECIATION							
At July 1, 2015	-	1,240,999		4,864,144	1,127,706	368,745	7,601,594
Charge for the year		69,709		471,117	229,188	96,404	866,418
Eliminated on disposal					(5,901)	(1,423)	(7,324)
At June 30, 2016	-	1,310,708	-	5,335,261	1,350,993	463,727	8,460,688
NET BOOK VALUE							
At June 30, 2016	249,263	5,590,497	16,147,206	20,373,695	8,632,020	764,364	51,757,046
2016							
COST OR VALUATION							
At July 1, 2016	249,263	6,901,205	16,147,206	25,708,956	9,983,013	1,228,091	60,217,734
Additions			2,611,266	-	46,635	19,396	2,677,297
Reclassification			(383,484)	(480,163)	(30,587)		(894,234)
Transfer			(13,136,094)	6,739,957	5,292,708	1,103,429	-
Transfer to Intangible assets			(397,474)				(397,474)
Disposal					(2,700)	(956)	(3,656)
At June 30, 2017	249,263	6,901,205	4,841,419	31,968,750	15,289,070	2,349,959	61,599,668
DEPRECIATION							
At July 1, 2016	-	1,310,708		5,335,261	1,350,993	463,727	8,460,688
Charge for the year		69,709		1,200,821	732,370	366,130	2,369,030
Eliminated on disposal					(2,291)	(954)	(3,245)
At June 30, 2017	-	1,380,417	-	6,536,082	2,081,072	828,902	10,826,473
NET BOOK VALUE							
At June 30, 2017	249,263	5,520,788	4,841,419	25,432,669	13,207,997	1,521,057	50,773,193
FULLY DEPRECIATED ASSETS							
At June 30, 2016	-	-	-	-	588,436	243,824	832,260
At June 30, 2017	-	-	-	-	793,696	314,912	1,108,608

Note

The freehold land was revalued in the financial year 2004/2005 by B Kavivya, a registered valuer. In the year 2011/2012, assets under the classes of Motor vehicles, machinery and equipment and office equipment, furniture and fittings were valued by Chapter Property Ltd, who are registered valuers. A loss on Revaluation due to impairment of Kshs. 796,509,710 was w/off to the reserves. Assets of Kshs. 1,108,608,000 had been fully depreciated as at the close of the year. These assets are however still in use by the Authority. Capital works in progress relates to runway capacities of JKIA through construction of the second runway and of Moi International Airport by rehabilitating the entire pavement with modern facilities, facility and infrastructure uplift for Malindi and Wilson Airports and Ukunda Airstrip etc.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 Intangible Assets	2016/2017 Kshs.'000	2015/2016 Kshs.'000
Cost		
At 1st July	857,175	71,811
Transfers from AUC	394,521	739,506
Additions during the year	2,953	45,858
At 30 June	<u>1,254,649</u>	<u>857,175</u>
Amortisation		
At 1st July	75,117	37,712
Charge for the year	309,351	37,405
At 30 June	<u>384,468</u>	<u>75,117</u>
Net book amount		
At 30 June	<u>870,181</u>	<u>782,058</u>

Intangible assets comprise costs incurred on acquisition of computer software. Amortisation is calculated on a straight line basis over estimated useful life not exceeding three years. The ERP software is fully amortized.

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38 Inventories	2016/2017 Kshs.'000	2015/2016 Kshs.'000
Inventories comprises:-		
Hardware	2,480	2,446
Electrical, Electronics & Electro-Mechanical	15,781	16,007
Stationery & Office Supplies	13,253	23,881
Petrol, Oil and Lubricants	8,951	8,482
Motor Vehicles Spares	1,166	1,272
Environment & Cleaning Materials	409	1,338
Fire & rescue spares	105,954	23,517
Inv-Obsolete Stocks	9,963	9,963
	<u>157,957</u>	<u>86,906</u>
Less provision for obsolete stock	(9,963)	(9,963)
	<u>147,994</u>	<u>76,943</u>

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.



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	2016/2017 Kshs.'000	2015/2016 Kshs.'000
39(a) Trade and Other Receivables		
Trade receivables	5,985,521	4,369,461
Term Deposit	78,790	78,790
Prepayments - Greenfield Project	4,043,684	4,043,684
Prepayments - Others	1,165,903	1,225,153
Staff receivables	140,683	131,599
Prepaid tax	-	-
Gross trade and other receivables	11,414,581	9,848,686
Provision for bad and doubtful receivables - Note 39 (b)	(731,116)	(731,116)
Investment Provisions -Note 39 (c)	(78,790)	(78,790)
Provision for other unrecoverable receivables	(306)	(306)
Total provisions	(810,212)	(810,212)
Net trade and other receivables	10,604,369	9,038,475
39(b) Bad Debts Provision (Specific)	2016/2017 Kshs.'000	2016/2017 Kshs.'000
As at July 1	731,116	518,851
Additions		211,941
Exchange rate Adjustment		323
As at June 30th	731,116	731,116

Trade receivables are recognised and carried at original invoice amount less specific provisions for uncollectable debts.

39 (c) Term Deposits

This relates to a Kshs.78,789,626.45 term deposit with Prudential Bank which is under Receivership. The amount has been fully provisioned for.

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40 Balances held in Reserve Accounts	2016/2017 Kshs.'000	2015/2016 Kshs.'000
Barclays Bank Paris-AFD Loan Reserve Account	1,778,072	1,560,639
Barclays Bank Kenya-AFD Loan Debt Service A/C	443,578	446,600
	<u>2,221,651</u>	<u>2,007,239</u>

These are cash balances held in both Barclays Bank (Paris) and Barclays Bank (Kenya) under special security arrangements with AFD in respect of servicing of the long term loan for Jomo Kenyatta International Airport rehabilitation, and Moi International Airport pavements and Expansion projects. These funds are not available for day to day operations of the Authority.

41(a) Cash and Cash Equivalents	2016/2017 Kshs.'000	2015/2016 Kshs.'000
Cash in hand and at bank	4,228,678	1,357,449
Call Deposits	75,332	42,378
Treasury Bills	523,210	97,877
Fixed Deposits	3,447,075	2,189,089
	<u>8,274,294</u>	<u>3,686,793</u>

Included in the Fixed deposit is an amount of Kshs.379,748,268 being a revolving fund facility with Housing Finance for mortgage facilities for the Authority's staff.

41(b) Airstrips Fund Cash Balance	2016/2017 Kshs.'000	2015/2016 Kshs.'000
Cash at bank	150,953	393,248
Treasury Bills	966,181	688,387
Fixed Deposits	249,864	696,450
	<u>1,366,998</u>	<u>1,778,085</u>

42 Airstrip Fund	2016/2017 Kshs.'000	2015/2016 Kshs.'000
As at 1 July	1,778,085	2,965,794
Received during the year	554,000	621,901
Interest earned	133,963	228,634
Total Receipts	687,963	850,535
Airport disbursements (GOK grants)	(983,259)	(1,702,452)
Airstrip disbursements	(115,791)	(335,792)
As at June 30th	<u>1,366,998</u>	<u>1,778,085</u>

The Airstrips fund relates to amounts received from the Ministry of Transport and Infrastructure by the Authority on an agency basis to be utilised on development, maintenance and rehabilitation of public airstrips in the country.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

43 Trade and Other Payables	2016/2017 Kshs.'000	2015/2016 Kshs.'000
Trade Payables	2,157,759	1,638,717
Pension Liability	1,841,154	2,021,154
Security Deposits	95,052	85,088
Tax Liability	669,513	532,417
Retention payable	824,058	948,258
Staff Creditors	7,003	9,714
	<u>5,594,538</u>	<u>5,235,348</u>
	2016/2017 Kshs.'000	2015/2016 Kshs.'000
44 Long Term Loans		
World Bank Loan -Note 45(a)	2,170,988	2,371,219
AFD Loan -Note 45(c)	8,478,410	8,877,312
	<u>10,649,398</u>	<u>11,248,531</u>
Due within 1 year	825,784	510,184
Due after 1 year	<u>9,823,613</u>	<u>10,738,347</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2016/2017 Kshs.'000	2015/2016 Kshs.'000
44(a) World Bank Loan		
Balance b/f	2,371,219	2,536,891
Received during the year	-	68,206
Refund of unutilised Loan to Int'l Development Association IDA	-	(33,647)
Repayments during the year	(200,231)	(200,231)
Total loan outstanding	2,170,988	2,371,219
less: Amounts due in one year	(200,231)	(200,231)
Balance c/f	1,970,757	2,170,988
44(b) Analysis of World Bank loan per project		
Northern Corridor Transport Improvement Project	2,072,680	2,274,012
Kenya Transport Sector Support Projects	98,308	97,207
	2,170,988	2,371,219
less: Amounts due in one year	(200,231)	(200,231)
	1,970,757	2,170,988

The Northern Corridor Transport Improvement loan is denominated in Kenya Shillings with a duration of 23 years from 2004, a grace period of 8 years and 5% interest rate per annum.

The Kenya Transport Sector Support Project loan is denominated in Kenya shillings with a duration of 23 years from 2011, a grace period of 8 years and interest rate of 5% per annum

	2016/2017 Kshs.'000	2015/2016 Kshs.'000
44(c) Agence Francaise De Developpement (AFD) Loan		
Balance as at 1st July	8,877,312	7,806,168
Amount Received	-	1,202,152
Exchange Loss	226,651	178,945
Loan Repayment	(625,553)	(309,953)
Total loan outstanding	8,478,410	8,877,312
less: Amount due in one year	(625,553)	(309,953)
Balance c/f	7,852,855	8,567,359

Agence Francaise De Developpement are co-financiers in the construction of Terminal 1A and a multi- storey car park which are part of the expansion and upgrade of facilities project at Jomo Kenyatta International Airport. The USD 93 million principal loan has a duration of 20 years from 2011, a grace period of 5 years and interest rate at libor plus 2.75% per annum.

45 Provision for liabilities and charges

	Staff Bonus Kshs.'000	Dividend Kshs.'000	Leave Pay Kshs.'000	Others Kshs.'000	Total Kshs.'000
At 1st July 2015	560,017	-	73,140	657,692	1,290,849
Under stated Opening Balance	-	-	-	-	-
Reclassification	-	-	-	-	-
Net increase charged to profit and loss	-	128,886	-	1,064,501	1,193,387
Utilized during the year	-	-	-	(78,172)	(78,172)
Unutilised & Reversed during the year	(560,017)	-	(20,370)	(58,557)	(638,944)
At 30 June 2016	-	128,886	52,770	1,585,464	1,767,120
Less: current portion	-	-	-	-	-
Non current portion	-	128,886	52,770	1,585,464	1,767,120
At 1st July 2016	-	128,886	52,770	1,585,464	1,767,120
Under stated Opening Balance	0	-	-	-	-
Reclassification	-	-	-	-	-
Net increase charged to profit and loss	-	128,886	13,049	993,993	1,135,928
Utilized during the year	-	(128,886)	-	(164,312)	(293,198)
Unutilised & Reversed during the year	-	-	-	(709,618)	(709,618)
At 30 June 2017	-	128,886	65,819	1,705,527	1,900,232

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46 Tax expense/ income

Tax	2016/2017 Kshs.'000	2015/2016 Kshs.'000
Balance Sheet		
Balance b/wd	277,952	(293,900)
Charge for the year	364,402	571,851
Balance c/wd	642,354	277,952
Profit and Loss account		
Current Tax at 30%(2016/17: 30%) on the taxable profit for the year	364,402	571,851
Deferred Taxation charge/(credit) (note 47)	(108,118)	(332,929)
Tax Expense	256,284	238,922

The income tax based on accounting profit before taxation differs from the theoretical amount that is computed using the applicable tax rate as follows:

	2016/2017 Kshs.'000	2015/2016 Kshs.'000
Accounting profit before taxation	5,512,071	2,598,284
Tax applicable rate of 30% (2016/2017: 30%)	1,653,621	779,485
Tax effects of:		
Net (revenue)/expense not deductible for tax purposes	(1,289,489)	(207,634)
(Reversing)/originating temporary differences	(108,118)	(332,929)
	256,014	238,922

NOTES TO THE FINANCIAL STATEMENTS (Continued)

47 Deferred Tax Liability

Deferred income tax is calculated using the income tax rate of 30% (2016/17 -30%).
The movement on the deferred income tax account is as follows:-

	2016/2017	2015/2016
	Kshs.'000	Kshs.'000
Balance at the beginning of the year	126,170	(206,759)
Charged/(credited) to Profit or Loss	108,118	332,929
At end of year	234,288	126,170

NOTES TO THE FINANCIAL STATEMENTS (Continued)

48 Notes to the Statement of Cashflows

4) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations

	2016/2017 Kshs.'000	2015/2016 Kshs.'000
Operating profit before tax		
Depreciation and Amortization Expense	5,512,071	2,598,284
Amortization Income	2,678,381	903,824
Write back on provision	(590,222)	(155,028)
Gain/(Loss) on Disposal of property, plant and equipment	63,858	(638,946)
Net Exchange loss/(gain) on Forex	(2,625)	2,917
Interest received	(362,238)	238,800
Reclassification from AUC	(155,661)	(98,809)
Material Inventory (loss)	248,473	
Provisions	10,291	170
	1,007,042	1,193,387
Operating profit/(loss) before working capital changes	8,409,370	4,044,599
(Increase)/decrease in inventories	(71,050)	(1,004)
(Increase)/decrease in trade and other receivables	(1,565,895)	93,921
Increase/(decrease) Trade payables and accruals	359,189	309,108
(Increase)/decrease Deferred Tax Assets	224,811	(126,170)
	(1,052,944)	275,855
Cash generated from/(used in) operations	7,356,426	4,320,453
Analysis of changes in loans		
Balance at beginning of the year		
Receipts during the year	10,274,230	9,547,704
Refund of unutilized WB loan amount	-	1,270,357
Repayments during the year		(33,647)
Balance at end of the year	(825,784)	(510,184)
	9,448,445	10,274,230
Analysis of cash and cash equivalents		
Balances held in Reserve Accounts		
Treasury Bills - KAA	2,221,651	2,007,239
Treasury Bills - Airstrip Fund	523,210	97,877
Short term deposits - KAA	966,181	688,387
Short term deposits - Airstrip Fund	3,522,407	2,231,467
Cash at hand and bank - KAA	249,864	696,450
Cash at hand and bank - Airstrip Fund	4,228,678	1,357,449
Balance at end of the year	150,953	393,248
	11,862,943	7,472,118

NOTES TO THE FINANCIAL STATEMENTS (Continued)

49 Commitments

	2016/2017 Kshs.'000	2015/2016 Kshs.'000
a) Contracted but not provided for in the financial statements.	906,849	230,727
b) Commitments approved and authorised but not contracted for at the close of the year.	269,446	173,687
c) Letter of credit issued	82,903	-

50 Contingent Liabilities

i) World Duty Free case arbitration Award was approximately (US\$ 49,000,000) Kshs 4 billion, Whereas the Authority has appealed against the arbitral award, there is positive indication of resolving the matter amicably therefore in the management's opinion, no provision is required in the financial statements as the liability will not crystallise.

ii) Arthur Omollo & 2 others vs AG & 2 others. A suit by the plaintiffs claiming ownership of property LR No.13512 in the name of Mulolongo Brothers Association at Kshs 1,357,550,000.

iii) H.C Misc. App. No. 86 of 2008. Republic vs M.D, Kenya Airports Authority, Exparte; Patrick T. Kanyuira HCCC No. 268 of 2012 Kenya Commercial Bank-vs- Patrick Thoithi, KAA (As 3rd Party). The Plaintiff is seeking compensation from KAA for loss and damages sustained in the sum of Kshs. 992,336,004.00 plus general damages of Kshs.10 million and costs.

iv) Galot Holdings Ltd vs KAA KCAA AG of Kshs 504,335,500. A suit by the claimant seeking an injunction to restrain KAA from acquisition of LR No. 24092 along Mombasa Rd .

v) Baseline Architects Ltd & 3 others vs KAA. Proceedings emanating from arbitral award by F.Kairu vs KAA of Kshs.404,870,293.

vi) Queensquay vs KAA for a claim seeking compensation for outstanding fees & wrongful termination of contract totalling US\$ 3,337,708.64 (Kshs.351,319,512).

vii) Kshs 290,000,000 relates to legal suits involving KAA vs Diplomatic Duty Free Ltd/World Duty Free. In the opinion of management, no provision is required in the financial statements as the liability will not crystallise

viii) Edward Mwaniki Njau & others vs National Lands Commission & KAA. The plaintiffs are seeking compensation for compulsory acquisition of their parcels of land in Embu at Kshs 112,078,940.

ix)HCCC No. 530 of 2011 Kensetsu Kaihatsu Ltd v KAA. The Plaintiff's claim is for the sum of Kshs. 87,379,514.00 as damages against the Authority for the unlawful use of its designs in the construction of the Isiolo Airport.

x) HCCC No 379 of 2009 David Marona Singale v Kenya Airports Authority Instructed on 29 July 2009 Claim by former employee for damages assessed in sum of Kshs 62,901,060 for alleged illegal and unfair dismissal.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

xi) The Ministry of Tourism has lodged a claim of Kshs. 2,135,151,597 citing the intension to create a Special Tourism Promotion Fund (STPF) to be funded through a share of Airport Passenger Service Charge (APSC). In the absence of a legislative framework for this fund, the Authority has accounted for the amount claimed by the Ministry of Tourism as part of its aeronautical revenue in accordance with the APSC Act.

xii) Greenfield Terminal: The contract between the Authority and the **Contractor** (ACEG-CATIC Joint Venture) was invalidated on account of inconsistencies in the contract and tender documents. The contract between the Authority and the **Consultant** (Louise Berger LBG incorporating Runji & Partners) was terminated for convenience. The Authority has engaged experts to advise on a strategy aimed at minimising it's exposure on the project.

xiii) Claim of Kshs. 538,156,681, being extra works carried out by the contractor, CATIC.

51 Revaluation Reserves

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

52 Currency

The financial statements are presented in Kenya Shillings Thousands.

53 Staff levels

The number of persons employed by the Authority at the year end was 2,021 (2015/16:2,087).

54 Biological Assets

The Biological assets comprise of trees that were planted at Eldoret International Airport in the year 2006. All the costs incurred to date have been treated as expenses in determining the profit in each year they were incurred. The total proceeds from the sale of these trees minus the incidental costs shall be recognized as income in the year of sale. The assets were valued at fair value by Integrated Forestry Consultancy and Management Services as per IAS 41 at Kshs 443M.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

55 Related Party Disclosures

Transactions between the Authority and its related parties are as stated below:

	2016/2017 Kshs.'000	2015/2016 Kshs.'000
a) Directors Emoluments		
Remuneration	960	960
Other Emoluments	31,287	22,153
	<u>32,247</u>	<u>23,113</u>
b) Key Management Compensations		
Salary	128,166	127,546
Other Benefits	29,142	23,438
	<u>157,309</u>	<u>150,984</u>
c) National Government		
Grants received through the Government	21,651	806,908
AFD	216,491	2,117,741
World Bank Grant	<u>238,141</u>	<u>2,924,649</u>
d) Ministry of Transport and Infrastructure		
Grants disbursed through the Ministry of Transport and Infrastructure		
Airstrip Funds	<u>983,259</u>	<u>1,702,452</u>
e) Kenya Civil Aviation Authority		
Amount paid to KCAA	1,230,575	483,775
Amount owing as at 30th June 2017	977,695	513,403
	<u>2,208,270</u>	<u>997,178</u>

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Additional Information (Continued)

Five year Financial and Statistical Records

	2012/13	2013/2014	2014/2015	2015/2016	2016/2017
Aeronautical Revenue	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
Landing and Parking	2,754,311	2,523,550	2,751,477	3,031,646	3,273,616
Airbridge Charges	-	19,369	120,308	147,853	189,163
Other Aeronautical Revenue	292,724	4,803	14,226	15,817	12,919
Rentals	570,406	567,041	584,323	721,835	758,833
Concessions	937,616	1,408,910	1,725,616	1,770,900	1,999,786
Other Non aeronautical revenue	369,898	287,496	77,434	98,107	97,414
Airport Passenger Service Charge	3,434,747	6,211,930	6,729,443	6,719,313	9,567,298
Total Operating Revenue	8,359,702	11,023,099	12,002,827	12,505,471	15,899,029
Other Revenue					
Other income	178,934	73,171	381,218	332,200	780,373.52
Financial Income		92,222	488,000	(139,991)	517,899
Total Revenue	8,538,636	11,188,494	12,872,044	25,203,150	17,197,302
Financial Costs	84,955	75,270	160,000	371,330	756,817
Staff Costs	2,545,440	3,097,080	3,787,544	4,350,477	4,745,806
Other Administrative expenses	1,399,681	1,410,282	2,711,062	3,436,103	2,785,210
Repairs and Maintenance Expenses	329,811	441,057	741,551	1,012,320	687,167
Depreciation and Amortization Expenses	740,248	804,053	804,530	903,824	2,678,381
Other Costs	34,156	56,462	29,173	25,343	34,477
Total costs	5,134,291	5,884,203	8,233,857	10,099,398	11,687,857
Profit Before Tax	3,404,343	5,304,289	4,661,066	2,598,284	5,512,071
Taxation	(939,180)	(1,812,000)	(233,430)	(238,922)	(256,284)
Profit After Tax	2,465,165	3,492,289	4,427,636	2,359,362	5,255,787

Additional Information (Continued)

Five year Financial Performance

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
	KSHS'000	KSHS'000	KSHS'000	KSHS'000	KSHS'000
ASSETS & LIABILITIES:-					
Non-Current Assets					
Property, Plant and Equipment	23,897,495	30,712,308	44,104,419	51,757,045	50,773,193
Intangible Assets	2,309	4,331	34,099	782,058	870,181
Operating Lease	5,799,624	5,729,915	-	-	-
Total Non-Current assets	29,699,428	36,446,555	44,138,517	52,539,102	51,643,374
Current Assets					
Inventories	82,965	93,259	75,941	76,944	147,994
Trade and Other Receivables	1,915,140	6,699,272	9,132,395	9,038,475	10,604,369
Reserve Account	733,864	1,022,676	1,430,347	2,007,239	2,221,651
Cash and Cash Equivalents	3,175,090	1,785,619	3,243,084	3,686,793	8,274,294
Airstrips Fund Cash Balance	1,691,564	1,596,956	2,965,794	1,778,085	1,366,998
Deferred Tax Asset	-	-	-	126,169	234,288
Total Current assets	7,598,623	11,197,782	16,847,561	16,713,706	22,849,595
TOTAL ASSETS	37,298,051	47,644,337	60,986,078	69,252,807	74,492,969
EQUITY AND LIABILITIES					
Capital and Reserves					
Government Grant	7,824,087	9,089,453	12,866,080	17,338,155	17,969,352
Revaluation Reserve	988,739	988,739	988,739	988,739	988,739
Retained Earnings	19,587,985	26,201,868	28,566,356	30,896,829	36,023,734
Capital and Reserves	28,400,811	36,280,061	42,421,173	49,223,723	54,981,805
Non- Current liabilities					
Airstrip Fund	1,691,564	1,596,956	2,965,794	1,778,085	1,366,998
Long Term Loans	3,944,606	5,343,200	10,169,556	10,738,347	9,823,613
Deferred Tax Liability	256,117	318,958	206,759	-	-
Total Non-Current Liabilities	5,892,287	7,259,114	13,342,109	12,516,433	11,190,611
Current Liabilities					
Trade and Other Payables	1,855,388	2,741,509	3,758,442	5,235,349	5,594,538
Current Portion of Long Term Loan	104,900	104,900	173,503	510,184	825,785
Provisions for Liabilities and Charges	1,044,659	1,258,754	1,290,849	1,767,120	1,900,232
Total Current Liabilities	3,004,947	4,105,162	5,222,794	7,512,652	8,320,556
TOTAL EQUITY AND LIABILITIES	37,298,045	47,644,337	60,986,078	69,252,809	74,492,972

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Additional Information (Continued)

Five year Operational Statistics

Aircraft (No.)

Airport/Airstrip	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Jomo Kenyatta Int. Airport	90,993	95,185	99,716	105,353	108,241
Moi Int. Airport	23,316	24,050	21,018	21,207	22,626
Eldoret Int. Airport	5,156	5,755	6,624	8,993	9,243
Wilson Airport	92,512	94,968	88,320	91,888	97,286
Kisumu Int. Airport	5,851	5,903	6,485	7,658	7,698
Malindi Airport	12,720	13,645	11,564	12,212	14,722
Lokichoggio Airport	3,610	3,419	2,720	2,737	
Wajir Airport	12,098	12,944	13,929	14,760	14,983
Manda Airstrip	3,804	3,765	3,222	3,553	4,732
Ukunda Airstrip	7,870	9,034	8,096	9,900	11,717
Lodwar Airstrip					3,673
Other Airstrips	-	-	-	5,050	6,347
Total	257,930	268,668	261,694	283,311	301,268

Passengers (No.)

Airport/Airstrip	2013/2014	2014/2015	2014/2015	2015/2016	2016/2017
Jomo Kenyatta Int. Airport	6,129,225	6,066,134	6,428,599	6,768,255	7,163,704
Moi Int. Airport	1,290,436	1,358,530	1,296,424	1,239,533	1,387,853
Eldoret Int. Airport	113,068	140,051	176,067	212,778	233,127
Wilson Airport	304,847	339,714	316,155	368,029	454,682
Kisumu Int. Airport	270,222	301,606	371,318	364,329	376,904
Malindi Airport	90,054	96,589	101,303	143,868	158,011
Lokichoggio Airport	11,993	7,398	5,585	5,768	4,888
Wajir Airport	82,542	83,681	101,275	117,183	116,102
Manda Airstrip	41,258	48,485	37,236	61,763	84,762
Ukunda Airstrip	56,686	59,335	55,207	114,791	128,441
Lodwar Airstrip					83,750
Other Airstrips	-	-	-	68,482	30,919
Total	8,390,331	8,501,523	8,889,169	9,464,779	10,223,143

Freight (Kgs)

Airport/Airstrip	2013/2014	2014/2015	2014/2015	2015/2016	2016/2017
Jomo Kenyatta Int. Airport	258,559,003	261,647,321	244,103,590	235,346,507	234,813,380
Moi Int. Airport	4,293,579	4,203,491	4,049,681	4,052,536	3,669,530
Eldoret Int. Airport	7,241,256	9,673,609	11,495,062	11,224,497	12,129,038
Wilson Airport	4,894,336	3,880,709	3,534,664	3,395,829	2,796,470
Malindi Airport	-	-	-	11,260	413
Lokichoggio Airport	864,854	1,071,900	1,131,509	252,966	60,824
Total	275,853,028	280,477,030	264,314,506	254,283,595	253,469,655

Additional Information (Continued)

Detailed analysis of the cash and cash equivalents

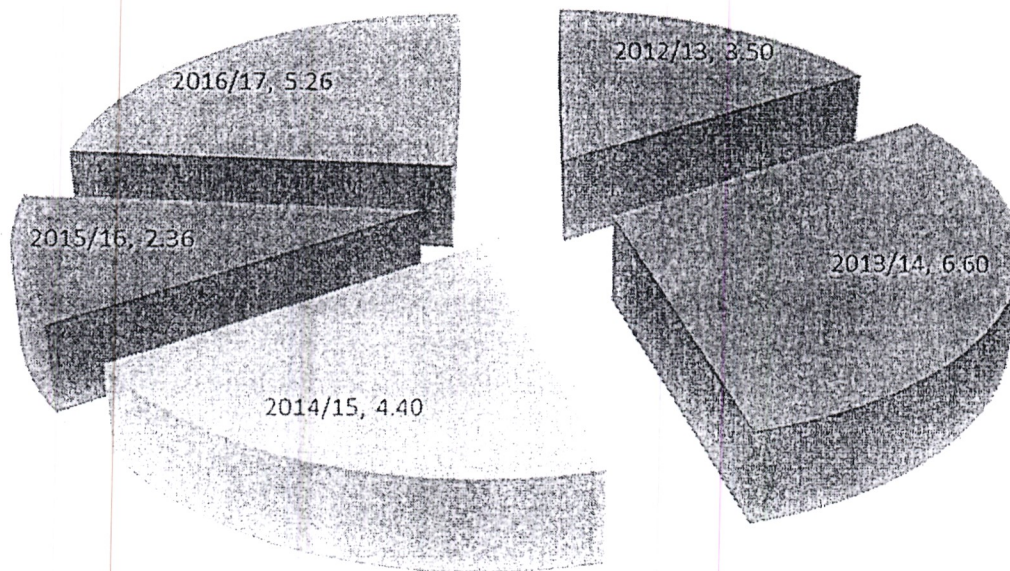
ANNEX I				
RESERVE ACCOUNTS				
Name of the Bank	Bank Account Number	Currency	2016/2017	2015/2016
			Kshs	Kshs
BARCLAYS BANK PARIS-JKIA PROJECT	0500000340	USD	1,335,190,855.93	1,215,248,444.00
BARCLAYS BANK KENYA	2021464751	USD	443,579,715.79	446,599,287.95
BARCLAYS BANK PARIS-MIA PROJECT	0500000342	USD	442,881,109.63	345,390,188.55
TOTAL			2,221,651,681.35	2,007,237,920.50
ANNEX II				
TREASURY BILLS				
Name of Bank	Type and tenor of deposit	Currency	2016/2017	2015/2016
			Kshs	Kshs
CENTRAL BANK OF KENYA	Treasury Bills	KES	1,489,390,300.00	786,264,050.00
ANNEX III				
SHORT TERM DEPOSITS				
Name of Bank	Type and tenor of deposit	Currency	2016/2017	2015/2016
			Kshs	Kshs
NATIONAL BANK OF KENYA	CALL	KES	5,535,391.00	5,397,133.48
HF COMPANY OF KENYA	CALL	KES	69,796,253.29	36,980,825.81
HF COMPANY OF KENYA	MORTGAGE	KES	379,748,267.61	409,140,016.38
BANK OF AFRICA LTD	Fixed Deposit	USD	-	-
COMMERCIAL BANK OF AFRICA	Fixed Deposit	USD	1,211,542,103.05	210,733,400.80
NIC BANK	Fixed Deposit	USD	1,024,664,288.47	687,594,461.75
NATIONAL BANK OF KENYA	Fixed Deposit	USD	830,976,236.82	566,875,976.15
FAMILY BANK	Fixed Deposit	USD	144,048.29	213,645,419.16
FAMILY BANK	Fixed Deposit	KES	-	101,100,000.00
NATIONAL BANK OF KENYA	Fixed Deposit	KES	249,864,327.63	419,009,994.84
KENYA COMMERCIAL BANK	Fixed Deposit	KES	-	277,439,549.96
TOTAL			3,772,270,916.16	2,927,916,778.33
ANNEX IV				
CASH AT HAND AND BANK				
Name of the Bank	Bank Account Number	Currency	2016/2017	2015/2016
			Kshs	Kshs
BARCLAYS BANK KENYA	2022988088	KES	100,797,051.06	191,767,236.24
BARCLAYS BANK KENYA	2021464654	USD	818,247,320.29	231,377,113.25
NATIONAL BANK OF KENYA	01003058234200	KES	48,145,550.63	9,931,175.32
NATIONAL BANK OF KENYA	02003058234700	USD	35,317,089.36	51,155,039.14
KENYA COMMERCIAL BANK	1108348521	KES	24,162,162.46	19,551,597.74
KENYA COMMERCIAL BANK	1128430460	USD	559,903.17	2,852,079.92
CITIBANK	300090001	KES	75,601,415.93	40,425,918.24
CITIBANK	300090012	USD	106,647,458.79	230,260,358.58
STANDARD CHARTERD BANK	108098894800	KES	-	11,319,146.55
STANDARD CHARTERD BANK	0104098894801	KES	160,040,706.80	370,878,251.45
BARCLAYS BANK KENYA	2029771084	USD	2,933,392,014.11	9,700,922.91
BARCLAYS BANK KENYA	2029771122	USD	-	-
BARCLAYS BANK KENYA	2029771114	KES	-	-
NIC BANK	10001206024	KES	64,902,443.87	85,317,372.05
EQUITY BANK	1480262341391	KES	20,830,461.79	222,460,249.94
EQUITY BANK	1480262341788	USD	49,498,051.62	251,159,921.26
FAMILY BANK	068000008283	KES	5,967.72	22,370,073.42
FAMILY BANK	06800012233	KES	-	-
CASH IN HAND		KES	108,837.69	145,670.00
CASH IN HAND		USD	2,591.65	25,376.65
TOTAL			4,438,257,530.38	1,750,697,815.07



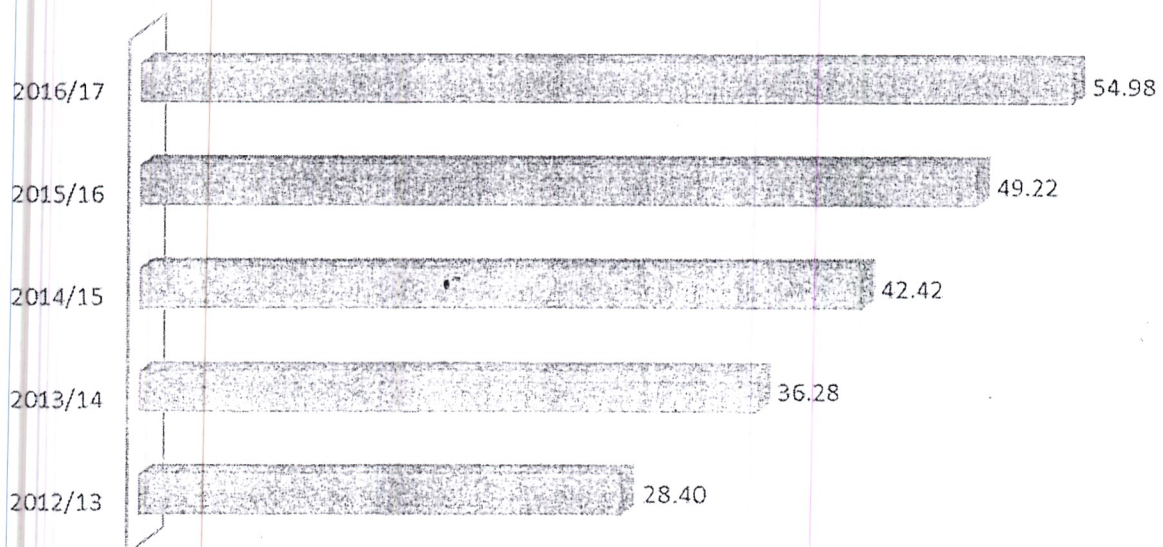
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Additional Information (Continued)

PROFIT AFTER TAX KSHS IN BILLIONS



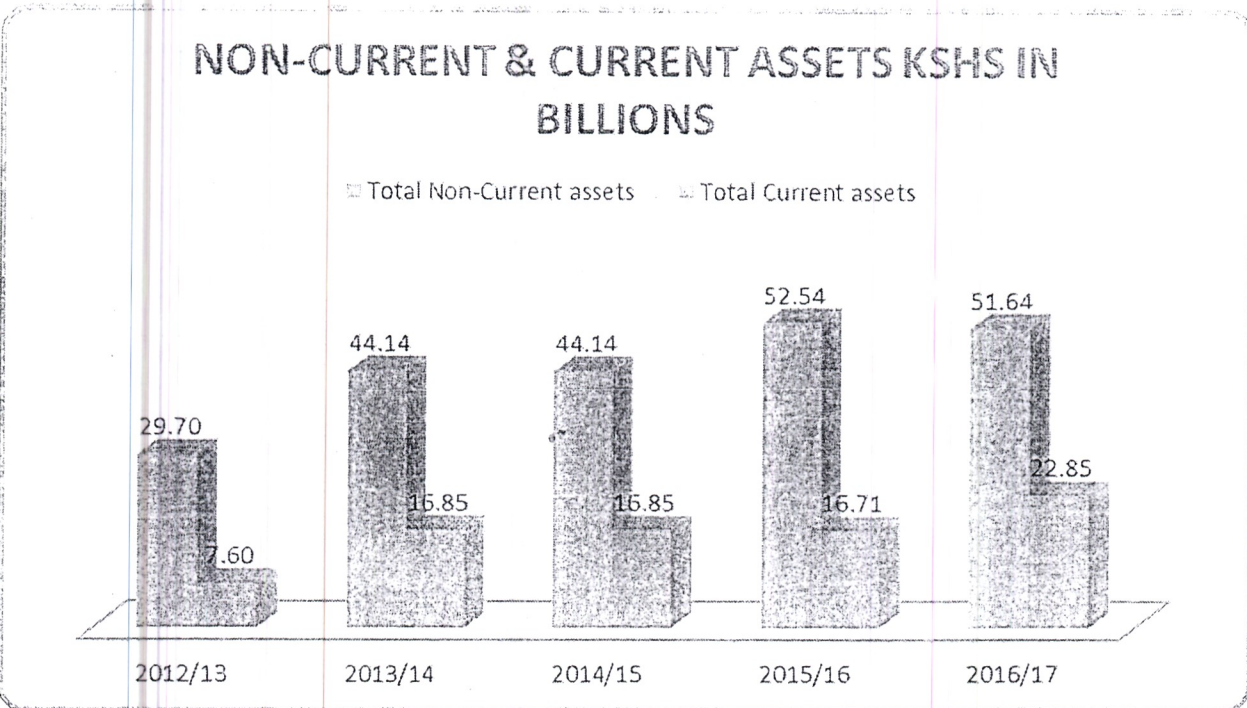
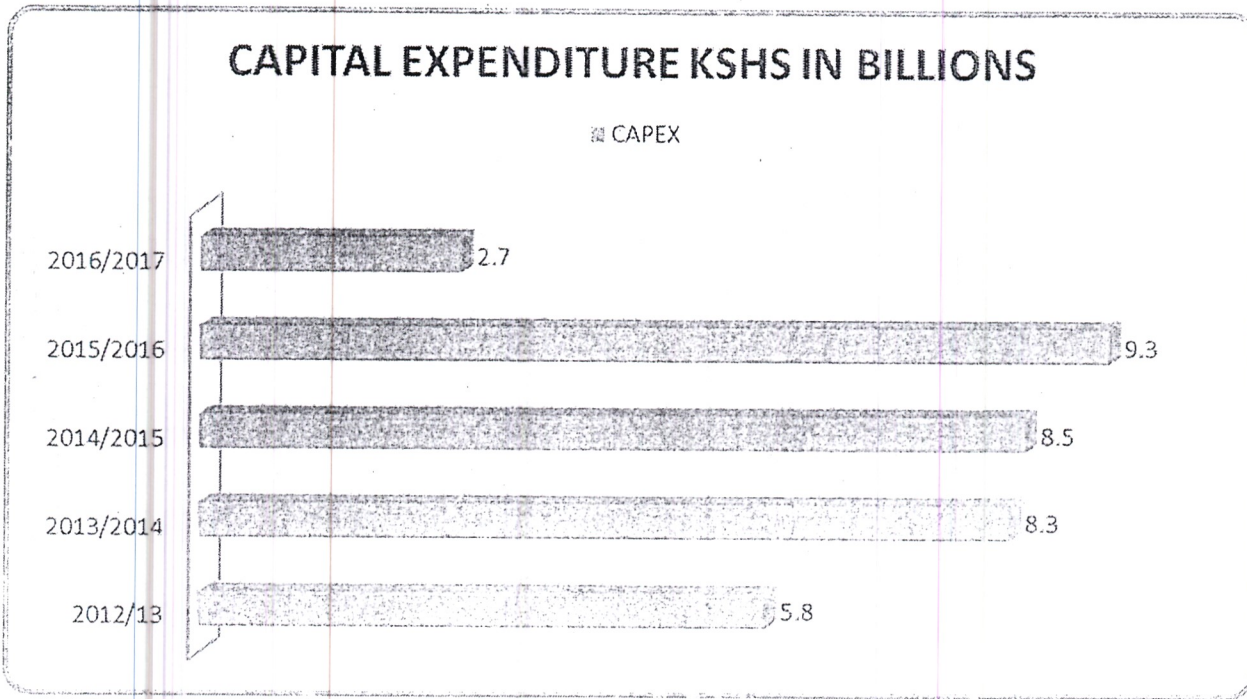
RESERVES KSHS IN BILLIONS



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Additional

Additional Information (continued)

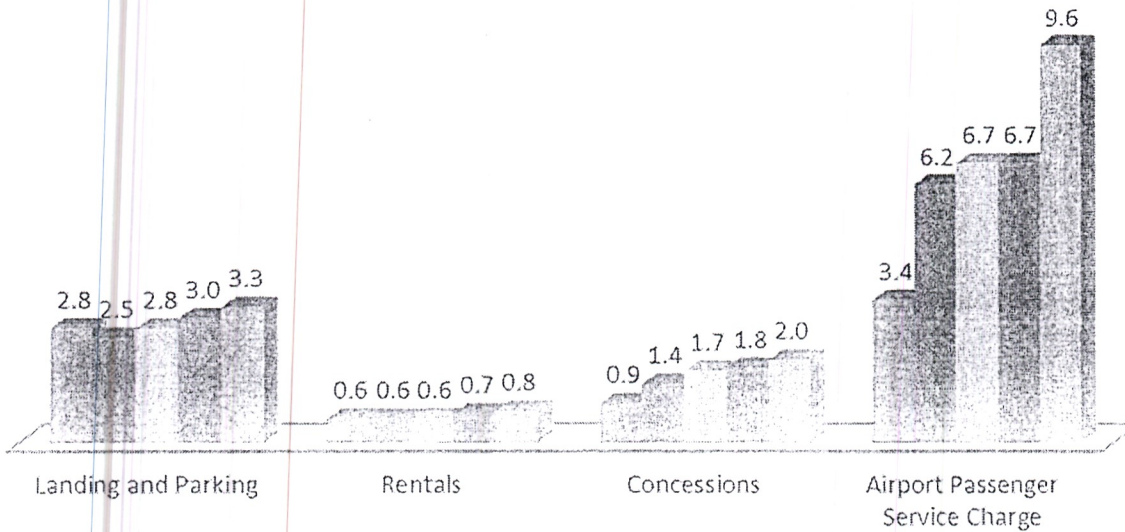


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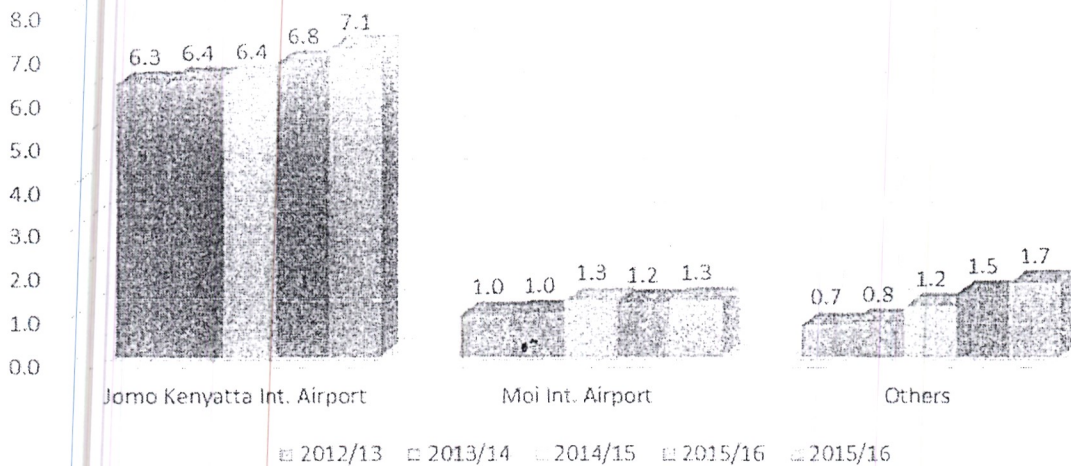
Additional Information (Continued)

MAJOR SOURCES OF REVENUE KSHS IN BILLIONS

■ 2012/13 ■ 2013/14 ■ 2014/15 ■ 2015/16 ■ 2016/17



TOTAL NUMBER OF PASSENGER TRAFFIC IN MILLIONS

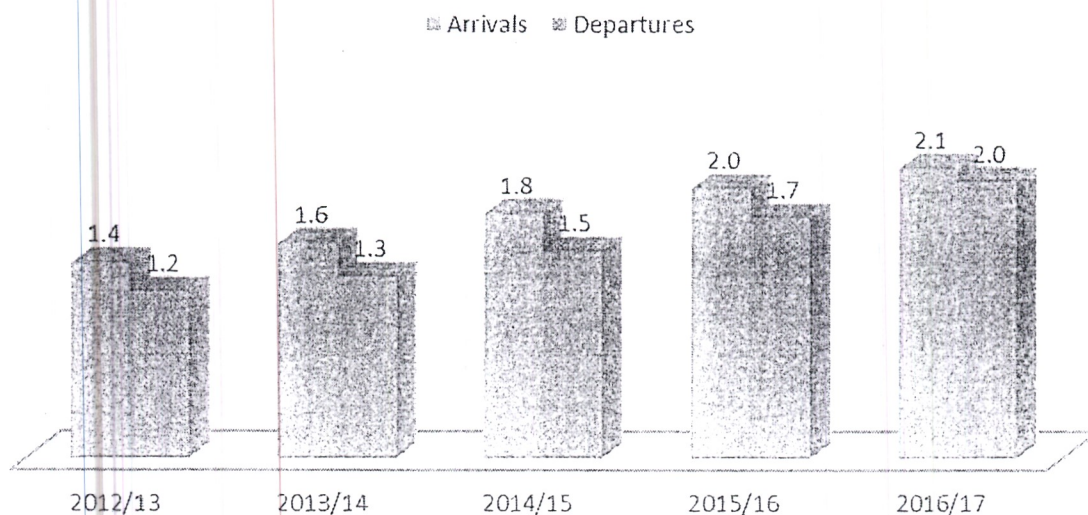


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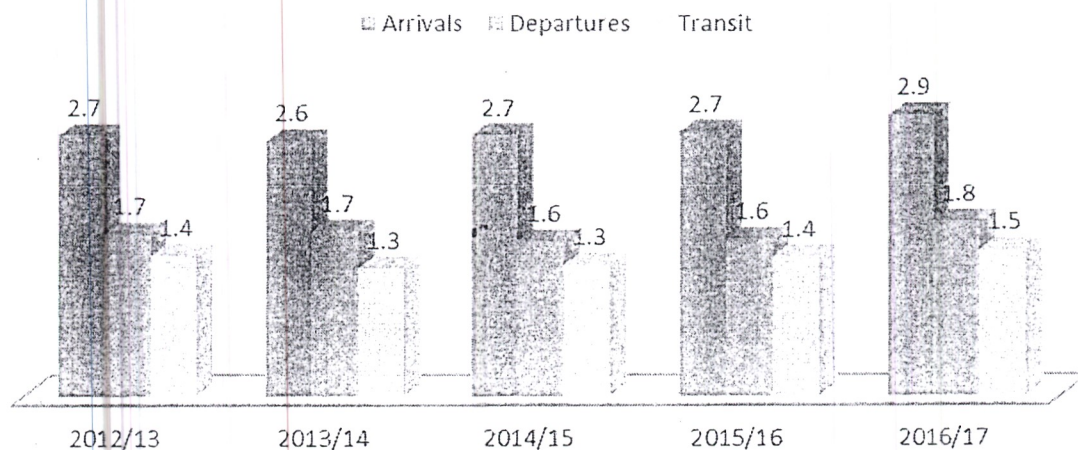
Additional Information (Continued)

Additional

**NUMBER OF DOMESTIC PASSENGERS IN
MILLIONS**



**NUMBER OF INTERNATIONAL PASSENGERS IN
MILLIONS**

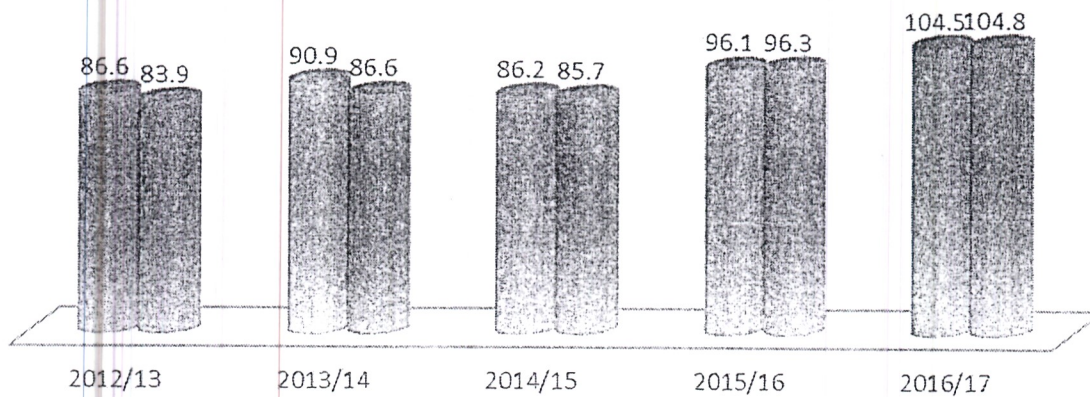


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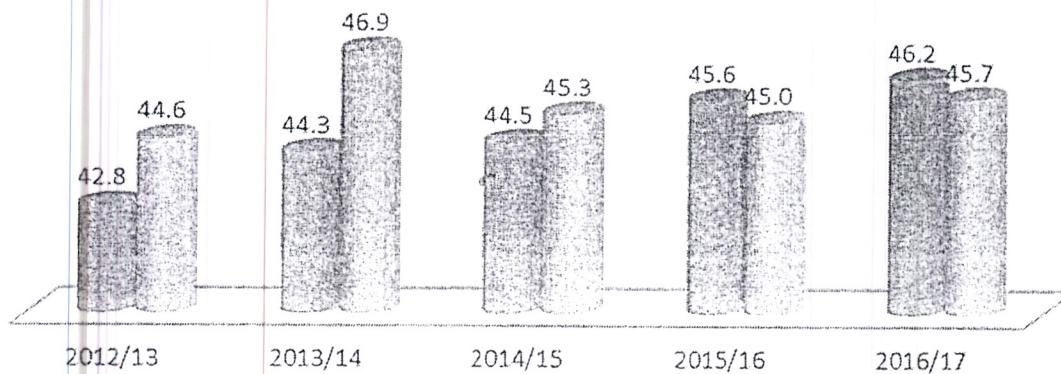
DOMESTIC AIRCRAFT MOVEMENT IN THOUSANDS

☐ Landings ☑ Take-offs



INTERNATIONAL AIRCRAFT MOVEMENT IN THOUSANDS

☐ Landings ☑ Take-offs



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Additional Information (Continued)

OUR AIRPORTS

JOMO KENYATTA INTERNATIONAL AIRPORT



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Additional Information (Continued)

MOMBASA INTERNATIONAL AIRPORT





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Additional Information (Continued)

ELDORET INTERNATIONAL AIRPORT

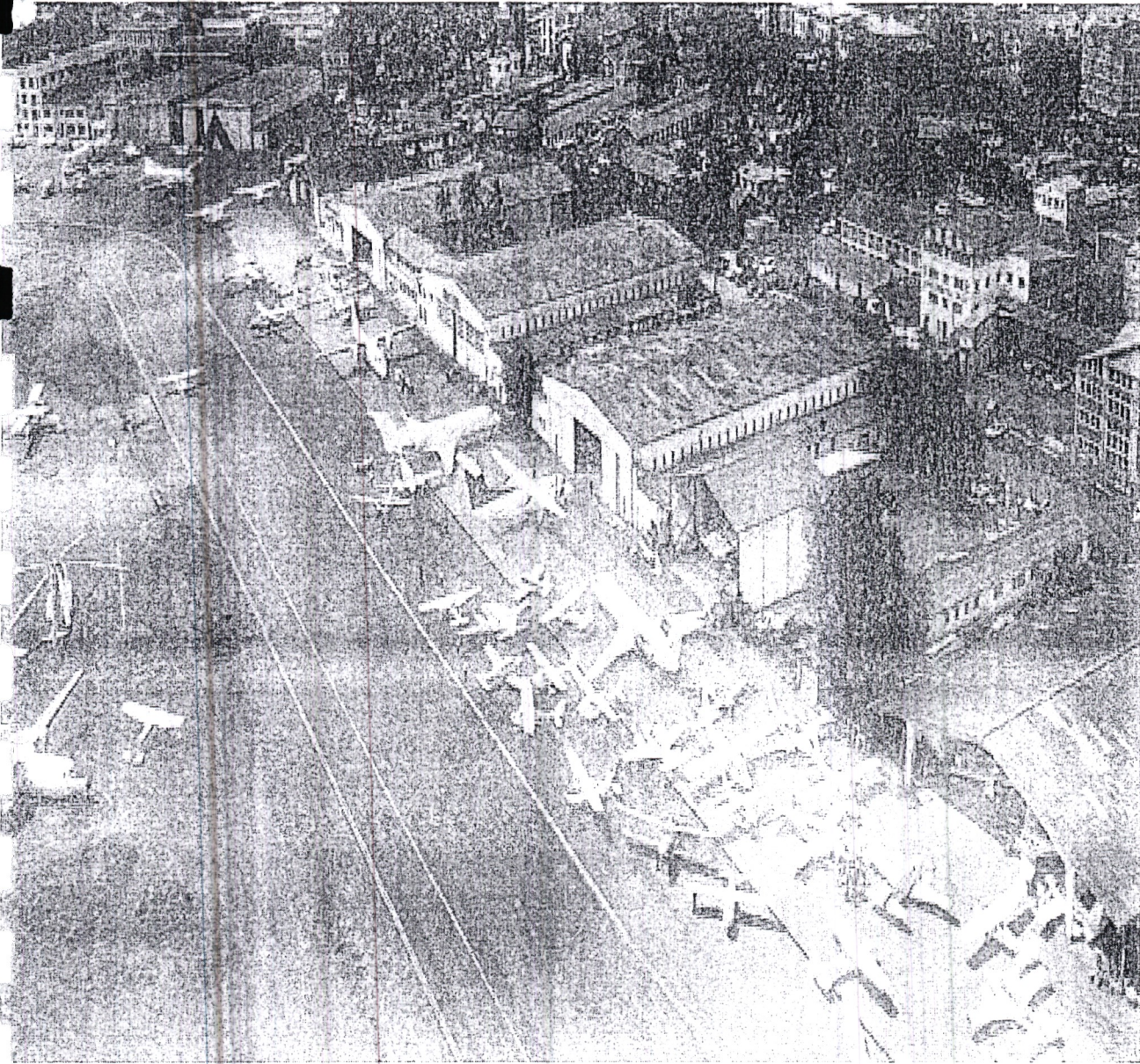


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ILSON AIRPORT



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Additional Information (Continued)

KISUMU INTERNATIONAL AIRPORT



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Additional Information (Continued)

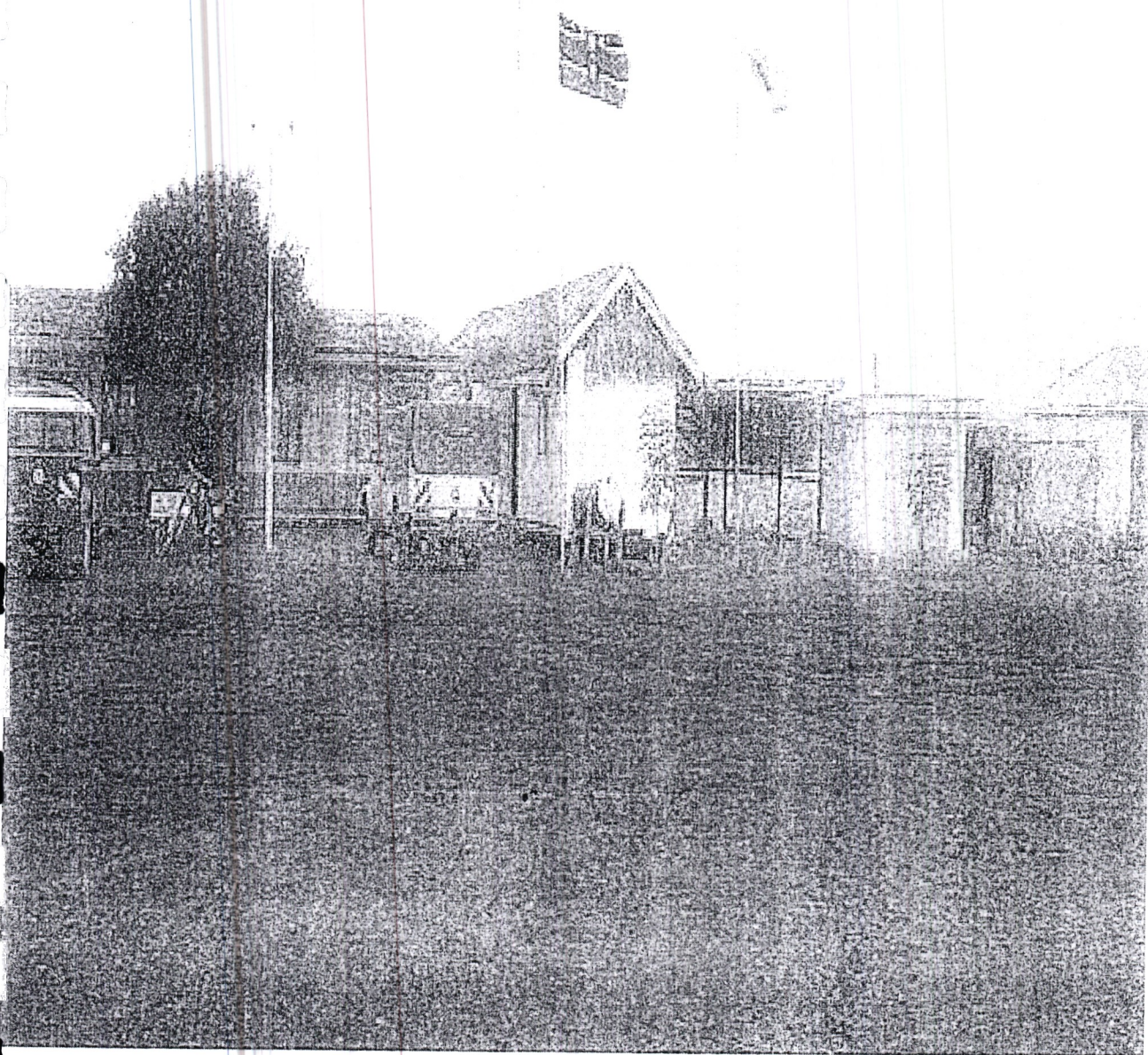
MALINDI INTERNATIONAL AIRPORT



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LOKICHOGGIO AIRPORT



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MANDA AIRPORT



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UKUNDA AIRPORT

