

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS Laid

DATE: 12 JUN 2024 Wednesday

TABLED Deputy Majority
Party

BY: Miriam Mado

OF

THE AUDITOR-GENERAL

ON

KENYA AIRPORTS AUTHORITY

FOR THE YEAR ENDED
30 JUNE, 2023



KAA Kenya Airports Authority

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

30 APR 2024

RECEIVED

KENYA AIRPORTS AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

Prepared in accordance with the International Financial Reporting
Standards (IFRS)

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023

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I. Abbreviation and Acronyms

List of abbreviation and acronyms used in the annual report and financial statements.

IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
MD	Managing Director
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
KAA	Kenya Airports Authority
JKIA	Jomo Kenyatta International Airport
MIA	Moi International Airport
CSR	Corporate Social Responsibility
AFD	Agence Francaise De Developpement
AUC	Assets Under Construction

KENYA AIRPORTS AUTHORITY
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2. Key Entity Information

a) 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.

b) 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 license, permit or certificate.

Kenya Airports Authority Vision Statement

Travel Stress Free

Mission Statement

To Provide Consistent and Delightful Travel Experience.

The Core Values are

- Customer Focus,
- Team Spirit,
- Integrity
- Innovation

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c) Key Entity Information (Continued)

Directors

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

- | | |
|-------------------------------|--|
| 1. Hon. Caleb Kositany | Chairman (Appointed on 17 th March 2023) |
| 2. Mr. Isaac Awuondo | Chairman (Left on 17 th March 2023) |
| 3. Mr Henry Ogoye | Ag. Managing Director/CEO (Appointed on 26 th August, 2023) |
| 4. Mr. Alex Gitari | Managing Director/CEO (Left on 26 th August , 2023) |
| 5. Ms. Serah Kimani | Director (Appointed on 5 th April, 2023) |
| 6. Mr. George Ngugi | Director (Appointed on 5 th April , 2023) |
| 7. Ms. Rebecca Lamong | Director (Appointed on 5 th April, 2023) |
| 8. Eng. Walter Ogola | Director (Appointed on 5 th April 2023) |
| 9. Maj. Rtd Iltasayon Neepe | Director (Appointedon 5 th July, 2022) |
| 10. Mr. Chris Diaz | Director (Left on 5 th April 2023) |
| 11. Mr. Peter Njoka | Director (Left on 5 th April 2023) |
| 12. Ms. Robina Omosa | Director (Left on 5 th April 2023) |
| 13. Mr. Thomas Wainaina Kairo | Director (Left on 5 th April 2023) |
| 14. Mr. Mohamed Dhagar | Director
Principal Secretary
Ministry of Roads and Transport
State Department for Transport |
| 15. Dr. Chris Kiptoo | Director
Principal Secretary
National Treasury |

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Key Entity Information (Continued)

16. Dr. Raymond Omolló
Director
Principal Secretary
Ministry of Interior and National Administration
State Department for Internal Security and National Administration.

Alternate Directors

17. Ms. Eunice Kigen
Alternate Director
Principal Secretary
National Treasury
18. Mr. Wilson Njega
Alternate Director
Principal Secretary
Ministry of Interior and National Administration
State Department for Interior and National Administration
19. Mr. Nicholas E. Bodo
Alternate Director
Principal Secretary
Ministry of Roads and Transport
State Department for Transport
20. Mr. Isaac Odek
Representative
Inspectorate of State Corporations

d) Ag. Corporation Secretary

Ms. Margaret Munene
Kenya Airports Authority Headquarters
Airport North Road
P. O. Box 19001-00501
NAIROBI

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Key Entity Information (Continued)

e) Registered Office

Kenya Airports Authority- Headquarters
Airport North Road
P. O. Box 19001-00501
Nairobi, KENYA

f) Corporate Headquarters

Kenya Airports Authority- Headquarters
Airport North Road
P. O. Box 19001-00501
Nairobi, KENYA

g) Corporate Contacts

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
Website: www.kaa.go.ke

h) Branch Network

i). 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

ii) Moi International Airport

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

iii) Eldoret International Airport

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

iv) Kisumu International Airport

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

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Key Entity Information (Continued)

v) Wilson Airport

P. O. Box 19005

NAIROBI

Tel: +254-020-501941/2/3

Mobile: +254 724256837, 724255343

vi) Lokichoggio Airport

P. O. Box 88

LOKICHOGIO

Tel: +254-054-32266/32441

vii). Malindi Airport

P. O. Box 67

MALINDI

Tel: + 254-042-2131201/2131931

Mobile: +254 710230386, 710261550, 738231201

Viii) Kitale Airstrip

P. O. Box 1718

KITALE

Tel: +254-054- 31017

ix) Wajir Airport

P. O. Box 512

WAJIR

Tel: + 254-046-421019/421362

x) Ukunda Airstrip

P. O. Box 139

KWALE

Tel: + 254-040-3202126/3203246

xi) Manda Airstrip

P. O. Box 167

LAMU

Tel: +254-042-633018

xii)Lodwar Airstrip

Tel + 254 708081418

LODWAR

xiii) Eldoret Airstrip

ELDORET

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Key Entity Information (Continued)

xiv) **Isiolo Airport**
Tel + 254 703482571
P.O. Box 817 - 60300
ISIOLO

xv) **Nanyuki Airstrip**
P. O. Box 1436- 10400
NANYUKI

xvi) **Kabunde Airstrip**
P. O Box 887
HOMABAY

xvii) **Migori Airstrip**
MIGORI

xviii) **Garissa Airstrip**
GARISSA

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Key Entity Information (Continued)

i) Corporate Bankers

i) Absa Bank Kenya Plc
Enterprise Road Branch
P. O. Box 18060-Nairobi
NAIROBI
Tel: +254 -020-530700-1

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

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

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

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

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

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

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Key Entity Information (Continued)

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

j) Independent Auditors

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

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3. The Board of Directors



Hon. Caleb Kositany

Chairman (Appointed on 17th March 2023)

Date of Birth: 1967

Bachelor of Commerce- Inoorero University
Former Member of Parliament- Soy Constituency
Previously served as Director- Kenya Pipeline Company
Former -Board Member- Lands Tribunal Board



Mr. Isaac Awuondo

Chairman (left on 17th March 2023)

Date of Birth: 1957

Bachelor of Commerce (Accounting and Finance) degree from the University of Nairobi. He is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA) and member of the Institute of Certified Public Accountants (K). He is Chairman of NCBA Bank Kenya PLC. Chairman the Council of Riara University. He is a Member of the Advisory Board of the Kenya Private Sector Alliance (KEPSA) and a director of Bata Shoes Company Kenya Limited. He is also Chairman of the Kenya Conservatoire of Music, WWF Kenya, The Rhino Trust and a Trustee of the Zawadi Africa Education.



Mr. Henry Ogoye

Ag. Managing Director/ CEO (Appointed on 26th August 2023)

Date of Birth: 1967

Master of Business Administration Finance and MA(Economics),
Bachelor of Arts (Mathematics and Economics),
Diploma Financial Management
Chairman, Karen South Welfare Association
Director, Airports Sacco Limited

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The Board of Directors (Continued)



Mr. Alex Gitari

Managing Director/ CEO (Left on 26th August 2023)

Date of Birth: 1964

MBA (Finance)
Bachelor of Commerce, Accounting Option,
Certified Public Accountant (K),
Alumnus of Harvard Business School's Advanced
Management Program
Member of Institute of Certified Public Accountants of
Kenya.



Mohamed Dhagar

**Director
Principal Secretary,
Ministry of Roads and Transport
State Department for Transport**

Date of Birth: 1985

BA, International relations USIU
Master in peace, Conflict and Development studies-
Universitat Jaume I, Spain
Wealth of experience in safety and security matters.



Dr. Raymond Omollo

**Director
Principal Secretary,
Ministry of Interior and National Administration
State Department for Internal Security and
National Administration**

Date of Birth 1979

(PhD) in Applied Statistics from Maseno University,
BSC degree in Statistics and a Master's of Science in
Applied Statistics from UON
Biostatistics and Epidemiology scholarship awardee from
the University of Washington based Seattle, USA.

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The Board of Directors (Continued)



Dr. Chris Kiptoo (CBS)

**Director
Principal Secretary
National Treasury**

Date of Birth 1967

Doctor of Philosophy Degree (PhD) in Finance (*International Macroeconomics Finance specialization*) from The Nairobi University, as well as a Master of Science (Ag. Economics) and Bachelor of Science (Ag. Economics) degree from Egerton University. He is also an Accredited Fellow in Macroeconomic Management Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI).



Mr. George Ngugi

Director (Appointed on 5th April, 2023)

Date of Birth: 1975

Bachelor of Business (Hons) in Business Administration. (Limkokwing University of Creative Technology, Malaysia)
MBA, University of South Wales (UK)
Managing Partner, Manpower Group Limited
Senior Associate at Niwali Consult Limited (Uganda)
Head of SME faculty and the lead trainer in the business stream at Timeless Women of Wonder Africa (TWOW).
Member of Professional Risk Managers Independent Assessors PRMIA, USA.



Eng. Walter Ogola

Director (Appointed on 5th April 2023)

Date of Birth 1980

Bachelor of Science Civil Engineering -University of Nairobi
Director- Civil Infrastructure at Girder Associates Ltd
Registered Consulting Engineer, Engineers' Board of Kenya
Corporate Member, Institution of Engineers of Kenya

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The Board of Directors (Continued)



Ms. Serah Kimani

Director (Appointed on 5th April, 2023)

Date of Birth: 1975

LL.M. in International Business Law, American University in Washington, D.C.

LL.M. in International Trade and Investment Law in Africa, University of Pretoria, South Africa

LL.B. in Bachelor of Laws, University of Nairobi

Founder and Managing Director, Ascend Group Limited

Professional Women Mentorship Girls Project

Board Member, The Village Enterprise



Ms. Rebecca Lamong

Director (Appointed on 5th April, 2023)

Date of Birth: 1983

PhD Candidate (Gender & Development Studies),

Masters of Philosophy (Development studies)

BEd (Science)

Higher Diploma KNEC (Human Resource and Entrepreneurship Development).

Member of Institute of Human Resource Management Associate

Member of Kenya Institute of Management

Member of Teachers Service Commission



Maj. Rtd Iltasayon Neepe

Director (Appointed on 5th July, 2022)

Date of Birth: 1972

Master's Degree in Armed Conflict and Peace Studies

(Ongoing) Degree in Business Development – Mt. Kenya University. Diploma in Armed Conflict and Peace Studies

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The Board of Directors (Continued)



Chris Diaz

Director (Left on 5th April 2023)
Date of Birth: 1968

MSc International Marketing from Chartered Institute of Marketing (CIM) – Wales, UK:
Post-Graduate Diploma in Marketing from Chartered Institute of Marketing (CIM) – Wales UK
Chartered Status and Fellow from CIM UK
Fellow from Marketing Society of Kenya
Bachelor of Commerce (Hons), Accounting from University of Nairobi



Mr. Thomas Wainaina Kairo

Director (Left on 5th April 2023)
Date of Birth: 1965

Director & Founding Partner- Platinum Helix Ventures Ltd.
Director & Founding Partner- Korolek Ltd.
Director Acom Ltd



Ms. Robina Omosa

Director (Left on 5th April 2023)
Date of Birth: 1976

Masters in Business Administration- for Finance Managers - Manchester Business School, University of Manchester.
Bachelor of Commerce Finance option - University of Nairobi
Certified Public Accountant (K)

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The Board of Directors (Continued)



Mr. Peter Njoka

Director (Left on 5th April 2023)
Date of Birth: 1970

Bachelor of Science – Mathematics & Physics (Hons.)
University of Nairobi.
Director- Finplus Group
Partner- Rhone Partners LLP



Ms. Eunice Kigen

Alternate Director
The National Treasury

Date of Birth: 1973

Executive Master of Business Administration
Bachelor of Commerce (Accounting option)
Certified Public Accountant (K).
Currently Senior Deputy Director of Budgets at the National Treasury.



Mr. Nicholas Bodo

Alternate Director
Ministry of Roads and Transport
State Department for Transport

Date of Birth: 1967

Bachelor of Arts degree from Osmania University, India.
Master of Business Administration (Laikipia University)
Certified Public Secretary (K)
Graduate Diploma in Aviation Management from the National University of Singapore and the Singapore Aviation Academy,
Certificate in Air Law from the Egyptian Aviation Academy.

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The Board of Directors (Continued)

Mr. Wilson Njega



Alternate Director
Ministry of Interior and National Administration
State Department for Internal Security and National Administration

Date of Birth: 1968

Bachelor of Arts- University of Nairobi
Masters of Arts - University of Nairobi

Ms Margaret Munene



Ag. Corporation Secretary

Date of Birth: 1971

Master of Arts, International Studies,
Bachelor of Laws (LLB),
Bachelor of Arts (Sociology),
Certified Public Secretary (K),
Advocate of the High Court, Commissioner for Oaths, Notary Public
Member of Institute of Certified Secretaries of Kenya

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4. Key Management Team



Mr. Henry Ogoye

Managing Director/ CEO (Appointed on 26th August 2023)

Master of Business Administration Finance and MA(Economics),
Bachelor of Arts (Mathematics and Economics),
Diploma Financial Management
Chairman, Karen South Welfare Association
Director, Airports Sacco Limited



Mr. Alex Gitari

Managing Director/ CEO (left on 26th August 2023)

Master of Business Administration (Finance)
Bachelor of Commerce, Accounting Option,
Certified Public Accountant (K),
Alumnus of Harvard Business School's Advanced Management Program
Member of Institute of Certified Public Accountants of Kenya.



CPA Dr. Mohamud M Gedi

General Manager, Finance

Doctor of Philosophy (Management and Leadership)
Executive Masters in Business Administration
Masters in Project Planning and Management
Bachelor of Commerce, Accounting Option
Certified Public Accountant (K),
Member of Institute of Certified Public Accountants of Kenya.
Member of Institute of Internal Auditors (IIA)

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Key Management Team (Continued)



Ms Margaret Munene

Ag. Corporation Secretary

Master of Arts, International Studies,
Bachelor of Law (LLB),
Bachelor of Arts (Sociology),
Certified Public Secretary (K),
Advocate of the High Court, Commissioner for Oaths,
Notary Public
Member of Institute of Certified Secretaries of Kenya



CPA Kasaine Ole Pertet

General Manager, Information and Communication Technology

Master of Business Administration (Finance),
Bachelor's Degree in Mathematics,
Certified Public Accountant (K),
Member of Institute of Certified Public Accountants of Kenya



CPA Samson Kimilu

General Manager Risk Management & Internal Audit

Master of Business Administration Strategic Management and Finance
Bachelor of Science in Business Administration,
Certified Public Accountant (K),
International Airport Professional (IAP),
Member of Institute of Certified Public Accountants of Kenya
Member of Association of Airport Internal Auditors (AAIA)
Member of Institute of Internal Auditors (IIA)

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Key Management Team (Continued)



Mr. Harrison Machio
General Manager Safety and Operations

Master of Business Administration (Aviation).
BA Hons. (Political Science & Linguistics)
International Airport Professional (IAP)



Mr. Anthony Muriithi Njagi
General Manager Human Resource & Development

Master of Business Administration (Human Resource)
Bachelor of Arts,
Higher National Diploma – Human Resource.



Mr Solomon Kaleli
Ag. General Manager Security Services

Graduate of National Defence College
Diploma in International Security Studies
Diploma in Leadership and Management
Silver Star of Kenya "SS"

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Key Management Team (Continued)



Ms Angela Tilitei

Ag. General Manager, Marketing & Business Development

Masters in Arts (International Studies)
Bachelor of Science in Education
Diploma in Teacher Education
Airport Management Accreditation Program (AMPAP) ACI-ICAO (ongoing)



Eng. Samuel Mochache

Ag. General Manager, Projects & Engineering Services

BSc (Hons) Civil Engineering
MSc Construction Management
Registered Consulting Engineer, Engineer's Board of Kenya
Corporate Member, Institute of Engineers of Kenya
Associate Member, Chartered Institute of Arbitrators (ACI Arb)



Mr Vincent C Korir

General Manager, Procurement and Logistics

Master of Business Administration (Finance)
Bachelor of Science Electrical & Electronic Engineering
Professional Diploma CIPS (UK)
Member of Kenya Institute of Supplies Management (KISM)
Member Chartered Institute of Procurement & Supply (CIPS) UK

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Key Management Team (Continued)



Mr. Matias Adasa

Ag. Head of Corporate Planning

MSc, Enterprise Development
Bed Hons. Economics, Accounting & ICT
Certificate in Intelligence Management
Certified Monitoring & Evaluation Specialist
Member of Kenya Association of Project Manager
(KAPM)

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5. Chairman's Statement

In response to the formidable challenges presented by the enduring Covid-19 pandemic and the geopolitical tensions surrounding the USSR-Ukraine conflict, the Kenya Airports Authority (KAA) has undertaken a meticulous strategic journey that brings us to the financial year ending on June 30, 2023. It is crucial to note that despite these adversities, the global aviation industry has displayed resilience and signs of improvement. KAA's direction is intricately woven into its comprehensive KAA 2023-2027 plan, a testament to the organization's unwavering commitment to navigating the adverse impacts on both operational and financial performance. Although the domestic aviation sector has made a full recovery, the international segment is steadily progressing towards regaining pre-pandemic performance by the promising year of 2024.

Within the local aviation landscape, we have witnessed remarkable progress, exemplified by a substantial recovery of 103% in passenger numbers compared to pre-Covid-19 levels. This resurgence has also been marked by an 8.6% growth in aircraft movements and a 0.6% upswing in cargo movements in comparison to the previous year ending June 30, 2023. KAA has exhibited robust financial performance, with revenues soaring by an impressive 27% to Kshs. 17.02 billion. There was prudent cost management practices within the year however, to enable the construction of Terminal 3 at JKIA the Authority through a planned negotiation and approval by the cabinet a write-off of Kshs 4.6 billion was factored during the period. This therefore made the Authority to finally register a pretax loss of Kshs 3.7 billion.

Throughout this challenging period, KAA remained steadfast in its commitment to maintaining and enhancing its facilities and infrastructure. Notable projects have included the refurbishment of terminals IB and IC at Jomo Kenyatta International Airport (JKIA), with the primary goal of elevating customer experiences and retail offerings. We have also made significant strides in the installation of state-of-the-art security equipment, apron improvements, and the successful rehabilitation of Migori, Kakamega, and Kitale airstrips, accompanied by the commencement of operations at these key regional assets.

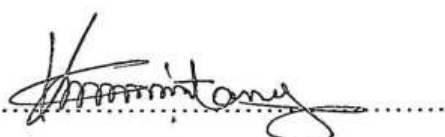
In our unwavering commitment to business continuity, KAA extended crucial support to airlines and concessionaires by granting waivers for aircraft parking and concession payments. We understand the pivotal role that human resources play in driving business growth, and thus, we continued to invest in staff competency development, motivation, and the creation of an enabling work environment. Employee well-being remained a paramount concern, as evidenced by our dedicated initiatives aimed at promoting mental health and general welfare.

Amid these challenges and triumphs, KAA tenaciously pursued its Strategic Plan for the period 2023-2027. This comprehensive strategy underscores capacity development, service excellence, and operational resilience as its key objectives. The collaborative efforts of our stakeholders, including the Board, Management, and Staff, have proven instrumental in KAA's ability to navigate the turbulent waters of the Covid-19 pandemic and supply chain disruptions.

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Chairman's Statement (Continued)

As we look to the future, we do so with a sense of optimism, guided by the belief that unity and determination will continue to illuminate the path toward a promising future in the aviation industry. The challenges may be enduring, but our commitment to safety, service excellence, and growth remains resolute. Together, we shall soar to new heights and navigate the uncertain skies ahead, knowing that the challenges we face today will shape the brighter tomorrow we envision for the aviation sector. Thank you for your unwavering support and trust in our services.

A handwritten signature in black ink, appearing to read 'Hon Caleb K. Kositany', is written over a horizontal dotted line.

Hon Caleb K. Kositany
Chairman of the Board

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6. Report of the Chief Executive Officer

In the aviation sector, the year ending June 2023 marked a significant turning point for our country. Despite the formidable challenges posed by the ongoing USSR-Ukraine conflict and its global ramifications, the sector showed signs of gradual recovery and resilience. One of the key highlights during this period was the recruitment of 113 security wardens to enhance safety and security at our airports, a critical aspect of our operations. Passenger traffic, a crucial indicator of our industry's health, exhibited remarkable growth, reaching a total of 11.15 million passengers. This achievement was a testament to the determination and adaptability of our aviation community in the face of adversity. Additionally, the number of flights increased substantially, totaling 2814 thousand, reflecting a positive trajectory in our sector's recovery.

The cargo business also demonstrated its resilience, with the transport of 377.9 million kilograms of cargo. This resilience was fueled by the gradual resumption of regular commercial merchandise transactions, which played a pivotal role in supporting our overall revenue and financial performance. Speaking of financial performance, our organization experienced a remarkable 27% surge in revenue during this period. The Authority registered a pretax loss of Kshs 3.7 billion as a resultant inclusion of the final settlement on the agreement to terminate the greenfield passenger terminal complex (T3). This was international dispute with its origin dating back 2017, the matter was successfully concluded and a write-off of Kshs 4.6 billion finally captured in these financial statement. The importance of this is that JKIA can now successfully procure a new terminal to enhance its capacity and continue its hub status with the East Africa region.

In terms of our assets and liabilities, we witnessed a substantial increase in our total asset base, which reached Kshs. 1.1 trillion. This growth was primarily attributed to the inclusion of revalued KAA land in our assets. It is a testament to our commitment to responsible financial management and sustainable growth. Our commitment to environmental stewardship also took a significant step forward as we embarked on a four-stage journey towards achieving Airport Carbon Accreditation for zero carbon emissions. This initiative was implemented across major airports, including JKIA, MIA, Eldoret, and Kisumu International Airports, aligning our operations with global sustainability goals.

Customer experience remained a focal point of our efforts, and it bore fruit as Airports Council International recognized JKIA and MIA as top airports in customer experience in the African region. JKIA, in particular, continued to serve a substantial passenger throughput ranging from 5 to 15 million passengers, further highlighting our dedication to providing world-class service. In addition to our operational achievements, we also prioritized the well-being of our employees and the communities we serve. We organized awareness workshops on crucial topics such as HIV/AIDS, drugs and substance abuse, mental health, and financial management, in collaboration with local hospitals and institutions. These initiatives fostered active participation and engagement, contributing to the overall wellness of our staff and the broader community.

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Report of the Chief Executive Officer (Continued)

Furthermore, our commitment to corporate social responsibility remained unwavering. Staff at Wajir Airport exemplified this commitment by making significant donations to individuals living with HIV/AIDS in their local community, demonstrating the positive impact our organization can have beyond aviation.

As we look ahead, the global economic landscape remains uncertain and challenging due to geopolitical instabilities, contracting global output, high inflation, and anticipated slowdowns in major markets. The world economy is projected to grow by only 3.1% in 2022 and 2023, underscoring the need for resilience and adaptability in our sector.

Nonetheless, we are resolute in our determination to maintain and expand our operational capacity, enhance efficiency, and uphold the highest service standards. These efforts will enable us to navigate the uncertain terrain ahead and work towards a return to business normalcy. As we continue to face challenges on the horizon, our commitment to excellence in aviation remains steadfast, ensuring that we play a pivotal role in our nation's recovery and growth.

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Henry Ogoye

Ag. Managing Director/CEO

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I. Statement of Performance against Predetermined Objectives for FY

2022/2023

Kenya Airports Authority has five (5) strategic pillars within the current Strategic Plan for the FY 2022/23 - FY 2026/27. These strategic pillars/ themes/ issues are as follows: -

Strategic Pillar 1: Business Growth

Strategic Pillar 2: Customer Experience

Strategic Pillar 3: Operation Excellence

Strategic Pillar 4: Environmental Stewardship

Strategic Pillar 5: Human Capital Development

Kenya Airports Authority developed its annual work plans based on the above 5 strategic pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 22/23 period for its five strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
1. Business Growth	Process 311,172 flights, 9.62M passengers and 396M Kg of cargo	Flights and passenger numbers and cargo volumes	Traffic Development and Customer Experience	281,445 flights, 11.15 million passengers and 377.9 million kg of cargo
	Optimize revenue growth to Ksh. 16.55B	Aeronautical and Non-Aeronautical Revenue	Traffic Development and commercial initiatives	Ksh. 17.02 billion
2. Customer Experience	Attain customer approval rating of 4.20	Customer Satisfaction Index	Operation Efficiency and Service Excellence	3.78 owing to: leaking spots during heavy rain in terminal buildings on passengers and passenger walkways, wayfinding / signages issues; and

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
				general maintenance concerns on equipment and building
3. Operation Excellence	Enhance Operation Efficiency	Terminal, Airside and Landside Capacity, Safety and Security Performance and Service Standards	Network growth Capacity availability, enhanced safety and security performance and service improvement	Implemented connectivity and capacity improvement projects at JKIA, MIA, EIA, KIA and a number of public airstrips
4. Environmental Stewardship	Strengthen Environment Stewardship	Green initiative Airport Carbon Accreditation	Pursue carbon neutrality realization program	Carbon Accreditation Level 2 achieved Commenced airport solar program for airport through feasibility studies
5. Human Capital Development	Develop Human Capital for productivity	Corporate performance	Implement corporate performance targets for 100% performance	98.1% project supervision and timely completion affected the planned targets on the corporate score

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2. 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. The KAA Board of Directors is committed to implementing and adhering to good governance and best practice.

Board Membership

The Board is made up of ten members. Six of these members are independent directors, among them the Chair who is appointed by the President through a gazette notice. The independent Directors are appointed by the Cabinet Secretary in charge of Roads and Transport. 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 term 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 powers and duties of the Board are stipulated in Part III, Sections 8 and 10 of the Kenya Airports Authority Act,

The remaining Board members include Principal Secretaries in the State Department for Transport, National Treasury and State Department for Interior & Citizen Services, 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 Board as per the Kenya Airports Authority Act is hereunder;

- (a) Provide by means of undertakings of the Authority, a co-ordinated system of aerodromes and facilities relating thereto;
- (b) Administer, control and manage aerodromes and any other property vested in it under this Act;
- (c) Provide, develop and maintain such services and facilities as are in its opinion necessary or desirable for the efficient operation of aircraft, excluding air navigational aids other than visual aids to navigation except with the consent of the Minister;
- (d) Provide rescue and firefighting equipment and services at aerodromes; and
- (e) Approve the establishment of private airstrips and control the operations thereof.
- (f) Construct, alter or maintain buildings at aerodromes or elsewhere;
- (g) Value land and property for the purposes of the Authority;
- (h) Purchase land or buildings;
- (i) Grant on such terms and conditions as the Authority deems fit, authority to carry on any trade or business at aerodromes; and
- (j) Carry on such activities as appear to it advantageous, necessary or desirable for or in connection with the exercise and performance of its functions

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Corporate Governance Statement (Continued)

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.

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.

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Corporate Governance Statement (Continued)

Attendance of Board meetings

Chairman

Hon. Caleb Kositany	(Appointed on 17 th March 2023)	-	10/16
Mr. Isaac Awuondo	(Left on 17 th March 2023)	-	5/16
Mr. Alex Gitari	(Left on 26 th August, 2023)	-	16/16
Ms. Serah Kimani	(Appointed on 5 th April, 2023)	-	10/16
Mr. George Ngugi	(Appointed on 5 th April, 2023)	-	10/16
Ms. Rebecca Lamong	(Appointed on 5 th April, 2023)	-	10/16
Eng. Walter Ogola	(Appointed on 5 th April 2023)	-	9/16
Maj. Rtd Itasayon Neepe	(Appointed on 5 th July, 2022)	-	14/16
Mr. Chris Diaz	(Left on 5 th April 2023)	-	6/16
Mr. Peter Njoka	(Left on 5 th April 2023)	-	6/16
Ms. Robina Omosa	(Left on 5 th April 2023)	-	5/16
Mr. Thomas Wainaina Kairo	(Left on 5 th April 2023)	-	5/16
Mr. Nicholas E. Bodo	Alternate-PS Transport	-	14/16*
Ms. Eunice Kigen	Alternate- PS National Treasury	-	12/16
Mr. Wilson Njega	Alternate- PS Interior	-	4/16
Mr. Isaac Odek	Representative Inspectorate	-	5/16

*Four of the meeting for Mr. Nicholas Bodo (Alternate to PS Transport) were attended by Mr James Ating'a.

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:

1. **M/s. Serah Kimani - Chair**
2. M/s. Eunice Kigen
3. Maj. Rtd Itasayon Neepe
4. 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.

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Corporate Governance Statement (Continued)

- 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
- h) Oversee the Business Development of the Authority

Committee meetings

During the year four meetings were held and attendance by the members were as follows

1. M/s. Serah Kiman	-	2/4
2. M/s. Eunice Kigen	-	4/4
3. Maj. Rtd Itasayon Neepe	-	1/4
4. Peter Njoka (Left)	-	2/4
5. Isaac Odek	-	2/4
6. Managing Director	-	4/4

Human Resources Committee

The committee members are as follows:

- 7. **M/s. Rebecca Lomong - Chair**
- 8. M/s. Serah Kimani
- 9. Mr. Nicholas Bodo
- 10. Managing Director

The Human Resource 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.

committee meetings

During the year three meetings were held and attendance by the members were as follows

1. M/s. Rebecca Lomong	-	1/3
2. M/s. Serah Kimani	-	1/3
3. Mr. Nicholas Bodo	-	3/3
4. Isaac Odek- (Left)	-	2/3
5. Mr. Chris Diaz (Left)	-	2/3
6. Ms. Robina Omosa (Left)	-	2/3
7. Managing Director	-	3/3

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Corporate Governance Statement (Continued)

Technical Committee

The committee members are as follows:

1. **Eng. Walter Ogolla - Chair**
2. Mr. Nicholas Bodo
3. Mr. George Ngugi
4. 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.

Committee meetings

During the year three meetings were held and attendance by the members were as follows

1. Eng. Walter Ogolla	-	2/3
2. Mr. Nicholas Bodo	-	3/3
3. Mr. George Ngugi	-	2/3
4. Isaac Odek	-	1/3
5. Mr. Peter Njoka (Left)	-	1/3
6. Mr. Thomas Wainaina Kairo(Left)	-	1/3
7. Managing Director	-	3/3

Audit Committee

The committee members are as follows:

1. **Mr. George Ngugi - Chair**
2. Eng. Walter Ogolla
3. M/s. Rebecca Lomong
4. M/s Eunice Kigen
5. Mr. Nicholas Bodo

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Corporate Governance Statement (Continued)

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.

committee meetings

During the year three meetings were held and attendance by the members were as follows

1. Mr. George Ngugi	-	2/6
2. Eng. Walter Ogolla	-	2/6
3. M/s. Rebecca Lomong	-	2/6
4. M/s Eunice Kigen	-	4/6
5. Mr. Nicholas Bodo	-	6/6*
6. Mr. Thomas Wainaina Kairo(Left)		3/6
7. Ms. Robina Omosa (Left)	-	4/6
8. Isaac Odek	-	1/6

*Angela Rugut attended one meeting on behalf of Mr Nicholas Bodo (Alternate to PS transport)

Security Committee

The committee members are as follows:

1. **Mr. Wilson Njega - Chair**
2. Maj. Rtd Iltasayon Neepe
3. M/S. Rebecca Lomong
4. Managing Director

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Corporate Governance Statement (Continued)

The responsibilities of the Security Committee are to:

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

Committee meetings

During the year one meetings were held and attendance by the members was as follows

1. Mr. Wilson Njega	-	1/1
2. Maj. Rtd Iltasayon Neepe	-	None
3. M/S. Rebecca Lomong	-	None
4. Mr. Chris Díaz (Left)	-	1/1
5. Managing Director	-	1/1

Induction and Training

All new directors receive a full induction as part of onboarding. In addition, detailed presentations are made by management to apprise directors of operations of the Authority.

Board members also undergo regular training and education to enable them to fulfil their responsibilities. The Board annual work plan includes training schedules for directors on the basis of one local and one international program on the Authority's key mandate. During the financial year under review, the Directors engaged in trainings on Airport Master plans, Governance and leadership development. A joint Board and Management retreat was also held on development of the Corporate Strategic Plan 2023 - 2027

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Corporate Governance Statement (Continued)

Conflict of Interest

The Board Directors are obligated to fully disclose to the Board any real or potential conflict of interest, which comes to any Director's knowledge. Directors are required to give advance notice of any conflict issues to the Chairman or Corporation Secretary. Declaration of a conflict of interest is also a standard agenda item which is addressed at the onset of each Board and committee meeting. No material conflicts were reported by Directors in the year under review.

Governance Audit

The Board undertook Governance Audit in compliance with the Mwongozo, Code of Governance for State Corporation. The Governance Audit was conducted by Ms. Helen Mungania under the Kenya School of Law. As at the date of this Annual report, the audit was ongoing. The opinion of the independent governance auditor will be presented to the Board and other relevant Government agencies.

Board Charter

The Board Charter is critical to the Authority's governance framework and conduct of board business. The charter offers guidance on matters including but not limited to the following: • The separation of the roles, functions, responsibilities and powers of the Board and its individual members and the roles of the various board committees. The Charter is implemented alongside other laws and regulations that govern the Authority.

Ethics and Conduct

The Authority entrenches ethical decision making and leadership to promote corporate social responsibility, fair business practices, sustainability and the triple bottom line that focuses on the society, the environment and profitability. The Board has implemented a Code of Ethics and Conduct which binds Directors and Employees and is subscribed to by all members of the organization. The Code has been integrated into the Company's operations through the development of various policies and reporting mechanisms.

Board Remuneration

The Directors remuneration are as per the guidelines issued by the Salaries and Remuneration Commission. The remuneration comprises sitting allowance for members while the chairman receives sitting allowance and Honoria.

Board and Member Performances

During the reporting period board evaluation was conducted under the guidance of the State Corporations Advisory Committee. Performance improvement matrix shall be developed to ensure closure of any areas of concern.

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9. Management Discussion and Analysis

a) Operational performance

In the year ending June 2023, the global economic recovery remained dim impacted by unrelenting inflation, rising interest rates and heightened geo-political tensions. This period witnessed a prolonged period of low growth as the lingering effects of the COVID-19 pandemic, the ever-worsening impact of climate change and macroeconomic structural challenges remain unaddressed. The Kenyan Economy, not being in an island of its own was equally impacted by the situation indicated above and worsened by some domestic political tensions

Despite the aforementioned challenges, operational performance for the Authority continued to recover, albeit at a slow pace. Cumulatively, the year ending June 2023 posted a 25.4% growth in the number of passengers served at the airports, reaching 11.15 million up from 8.89 million posted in the preceding year. Over the same period aircraft movements grew by 8.6% to 281.4 thousands. In the period under review, the amount of freight handled was 377.86 thousand tons, which was a marginal contraction of about 0.6% when compared to the amount handled last year. This was mainly because of slow growth of cargo defined by the current global economic circumstances. The notable increase in both passengers and aircraft movements was largely supported by enhanced scheduled movements as airlines increased their frequencies in tandem with demand. In addition, for aircraft movements, there was enhanced training flights at the main training facilities of Wilson, Malindi and Ukunda.

In comparison to the pre-COVID-19 performance, the year ending June 2023 recorded performance levels of 92.2%, 87.1% and 102.6% for passengers, aircraft movements and cargo throughput respectively.

As has been the case in the recent past, recovery in the country's aviation sector will, for the foreseeable future, continue to be pegged on how quickly and how well the COVID-19 aftershocks are managed and resolution of the Russia-Ukraine conflict that will definitely result in the easing of supply chain disruptions and thus lead to stable commodity prices. Domestically, proper management of the economic challenges will certainly propel the population towards increased partake of aviation services.

b) Financial performance

For the period ending 30th June 2023, the Authority recorded a pre-tax profit of Kshs 1,617 million against the budgeted pre-tax profit of Kshs 2,200 million, unfavorable budget variance of 26% (Kshs 582 million). In comparison with similar period in 2021/2022, it recorded an increase of 64% (Kshs. 635 million) from a pre-tax profit of Kshs. 982 million.

The total assets increased significantly from Kshs. 73.3 billion in June 2022 to Kshs 1,052.3 billion in June 2023. The increase was mainly due to revaluation of land by Kshs 980.4 billion.

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Management Discussion and Analysis (Continued)

c) Risk Management Framework and Policy Statement

Kenya Airports Authority is exposed to a wide range of risks which affects the achievement of our vision. To mitigate on this, the Authority has come up with an enterprise risk management policy & framework. The purpose of the risk management policy is to ensure that the Authority pursues risk management in a structured manner.

The strategic imperative of the risk management framework is to develop risk management as a core capability that assists the Board and management determine the risk appetite and tolerance to risk and communicate the same throughout the Authority.

The key risks are as follows:

- **Revenue Diversification:** The Authority's revenues are mainly aviation driven with minimal diversification to non-aviation.
- **Competition:** Lack of timely expansion to effectively compete with currently expanding regional airports particularly Addis Ababa's Bole International Airport, Kigali International Airport, Bugesera International Airport and Julius Nyerere International Airport. resulting to reduced market share.
- **Operational Risks:** Serious safety and security incidents that could arise from incidences of terrorism attacks, fires and aircraft accidents amongst other serious aviation events resulting to significant operational and financial losses.
- **Financial risk:** Credit risk that may arise due to high non-performing debts from operators particularly the national carrier holding more than 50% of the Authority's debts and exposure to foreign exchange losses due to foreign exchange volatility.
- **Infrastructure risk:** Ageing infrastructure and facilities affecting smooth operations and good customer experience.
- **Project Risks:** Failure to deliver project benefits on time, within budget and expected quality.
- **Cyber Security:** Threats and vulnerabilities which may compromise the Authority's networks, computers, programs and data resulting to attacks, damage or unauthorized access to the Authority's network and data storage.
- **Legal and regulatory risks:** This may be as a result of violation of laws and regulations, internal policies, including not able to meet our contractual obligations as they fall due.
- **People Risk:** Failure to attract and retain competent personnel, increased percentage of ageing work force without succession management plan and industrial action by employees.
- **Climate Change Risk:** This may result from extreme climate events such as rise in water level in Indian Ocean and Lake Victoria which may affect airport operations.

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Management Discussion and Analysis (Continued)

Material Arrears in Statutory obligation

There are no material arrears in statutory obligations.

Financial obligations-

No material arrears in financial obligation.

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10.Environmental and Sustainability Reporting

The Kenya Airports Authority (KAA) recognizes the critical importance of environmental sustainability in its operations and decision-making processes. The top management, especially the accounting officer, should make it a priority to refer to sustainable efforts within the organization. This involves not only complying with environmental regulations but also proactively pursuing initiatives to reduce the environmental impact of airport operations. KAA can implement measures such as energy-efficient lighting, waste reduction and recycling programs, and the adoption of green technologies to minimize its carbon footprint and ecological footprint.

i) Sustainability strategy and profile

It's evident that KAA management has keenly focused on certain aspects to promote sustainability within the organization: - **Environmental Sustainability:** Top management at KAA has demonstrated a strong commitment to environmental sustainability. They have implemented various initiatives aimed at reducing the environmental impact of airport operations. This includes energy-efficient lighting, waste reduction programs, and investments in green technologies. By prioritizing these efforts, KAA not only complies with environmental regulations but also actively contributes to reducing its carbon footprint, which is crucial for a greener aviation industry. **Regulatory Compliance:** - KAA's top management has been attentive to changes in political and regulatory landscapes. They have closely monitored and adapted to evolving environmental regulations and policies. This proactive approach ensures that KAA remains compliant with local and international environmental standards, reducing the organization's exposure to potential legal and reputational risks; and **Benchmarking Against Best Practices:** The top management of KAA has shown a willingness to benchmark the authority against international best practices in sustainability. By learning from leading airports globally, they aim to identify opportunities for improvement and innovation. This commitment to staying up-to-date with global sustainability trends ensures that KAA can maintain operational excellence while reducing its environmental impact.

Furthermore, referencing international best practices in environmental sustainability is paramount for KAA's long-term success. Learning from the experiences of leading international airports can provide valuable insights into effective strategies for reducing environmental impact while maintaining operational excellence. Sharing best practices with other airports globally can also help KAA contribute to the international aviation

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Environmental and Sustainability Reporting (Continued)

community's efforts to combat climate change and promote responsible environmental stewardship. By doing so, KAA can position itself as a leader in environmental sustainability within the aviation industry, attracting environmentally-conscious partners and travellers while fulfilling its commitment to a greener and more sustainable future.

ii) Environmental Performance

As an industry that contributes significantly to the growth of the global economy, it is imperative that the aviation sector implements environmental measures to sustain its economic and social development.

The Authority is cognizant of the impact of its activities on the environment and understands that responsible environmental stewardship is crucial in order to remain attractive for business while maintaining environmental sustainability. We demonstrate our environmental stewardship through continuous improvement of our environmental performance, efficient use of resources, reduction of carbon footprint, ecosystem protection, pollution prevention, and compliance with legal and regulatory requirements. This commitment is anchored in our Environmental and Sustainability Policy.

According to the Intergovernmental Panel on Climate Change (IPCC), aviation is responsible for between 2% and 3% of total current global human-induced carbon emissions, with airports accounting for approximately 2% of total global share. These are expected to increase if the key players in the sector do not take drastic measures to reduce their carbon footprint. We aim to become carbon-neutral (Level 3+) by 2030 and have embarked on an ambitious journey through the implementation of the Airport Carbon Accreditation (ACA) Program by the Airport Council International. A brief of the program is as below%;

In the year 2021, we attained Level 1 of ACA for Jomo Kenyatta International Airport (JKIA), Moi International Airport (MIA), Kisumu International Airport (KIA) and Eldoret International Airport (EIA) and our total mapped Scope 1 & 2 (emissions derived from the usage of fuel and electricity) was 9,314t CO₂e for the base year (2018);

In August 2023, we upgraded and attained Level 2 of Airport Carbon Accreditation for JKIA, MIA, KIA and EIA. Based on the verified data for ACA Level 2 our average emissions stood at 8,565t CO₂e for preceding years (2018, 2019 & 2021). This follows our spirited effort of reducing emissions by among others use of LEDs and commissioning of a solar farm in MIA. As a result of the realised reduction, we have set an absolute carbon reduction target of 20% (equivalent to 1,862.8t CO₂e) for the 4 international airports by 2030 relative to base year emissions. As part of our strategy for carbon footprint reduction, we intend to implement additional solar projects, fully adopt LED lighting, electrifying ground support equipment, charge to electric vehicles, and influence aviation stakeholders towards decarbonizing their activities and operations within airport boundaries;

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Environmental and Sustainability Reporting (Continued)

KAA is in the process of implementing ISO 14001:2015 Environmental Management Systems (EMS) and ISO 45001:2018 Occupational Health and Safety Management Systems (OHSMS). This will enable us to improve our environmental and occupational health and safety performance as well as sustain continual improvement;

KAA is a signatory of the United for Wildlife (UFW) Transport Taskforce Buckingham Palace Declaration which is a landmark agreement committing organizations to take steps to shut down the routes exploited by wildlife traffickers. We have deployed security strategies at our aerodrome facilities that enable detection through (screening of passengers and cargo), confiscation and arrest of traffickers in collaboration with other security agencies.

Through afforestation projects, we aim to offset our carbon footprint through carbon sequestration. The projects enhance our environment and play a vital role in ecological restoration and air quality regulation. KAA undertook a major afforestation project at Eldoret International Airport covering about 600 acres with 280,000 eucalyptus trees. Other afforestation projects have been undertaken at Eldoret Airstrip and Kitale Airstrip. We plan to extend this project to other aerodromes;

Current waste management practices in our operations entail responsible production, and disposal of products in a closed, circular system by engaging a NEMA registered recycling company that ensures reuse and recovery of resources as much as possible in order to minimize air, land and water pollution;

Noise from airports not only affect workers but also the surrounding communities and we have continuously endeavoured to adopt measures to mitigate the effect of noise through noise mapping and the development of noise monitoring plans; and

In our quest to achieve and maintain industry best practices, KAA endeavours to remain compliant to national and international rules, regulations, requirements and procedures set by both national and international regulators.

We continuously strive to be compliant with these requirements by obtaining requisite permits and licenses from statutory bodies as well as enforcing environmental standards.

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Environmental and Sustainability Reporting (Continued)

iii). Employee welfare

Gender ratio; The Authority, implements 30% gender rule during recruitment process,

Stakeholder engagements is done depending on the issue at hand i.e. training in airport operations, road safety etc

Efforts in improving skills and managing careers

The Authority gives staff will to develop their skills time off for evening

The Authority links with sponsors i.e. South Korea for mentorship programs

The Authority also nominates staff for regulatory trainings i.e. ICAO programs

The Authority fully pays for staff in various Professions i.e. IHRM and ICPAK to attend conferences and seminars

The Authority gives unpaid/leave of absence for self-sponsored employees

The Authority also sponsors Management development courses

Appraisal and reward systems

The Authority has institutionalized performance Management system as key to staff appraisal every annual cycle. Reward/reprimand is subjected during promotional interviews, responsibility profiling and disciplinary processes.

Policy on Safety and compliance with Occupational Safety and Health Act, 2007

The Authority has registered all workplaces except Agama Airstrip that is not yet commissioned

Safety and health committee have been institutionalized in all workplaces and staff trained

General Guidelines (Abstract) on OSHA has been displayed in all Workplaces

Quarterly inspections complied in all workplaces

Incidents/accidents reports in place

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Environmental and Sustainability Reporting (Continued)

iii) Market place practices

a) Responsible completion practices, Marketing and Advertisement, Product Stewardship

With the rapid development of aviation industry, ethics and social responsibility has also become an important factor in determining the success of KAA's Marketing and Business Development activities. Business ethics in the Aviation Industry is associated with the concept of honesty, loyalty, justice, fairness, equality and professionalism in all Product Development and Marketing activities. Stakeholders' engagement in a key pillar in KAA's Strategic Plan 23-27 and KAA will endeavour to excel in the same.

b) Responsible supply chain and supplier relations

The authority achieves these through the following:

1. Communicating regularly with the suppliers to ensure they are aware of the organization's expectations, needs, and feedback. Also creating confidence that The organization listens to the suppliers' concerns, suggestions, complaints and always trying to resolve them in a timely and respectful manner.
2. The department has also automated procurement processes to ease and provide friendly business environment.
3. The organization pays suppliers on time and avoids late payments, disputes, or deductions that could harm the suppliers' cash flow and reputation where the supplier has met its obligations satisfactorily.
4. Providing adequate lead times for the suppliers to fulfill the orders and deliver the products or services. The department will also utilize the automated process to also informs the suppliers of any changes in demand, specifications, or schedules on a timely manner.
5. The organization can also improve on effective communications and timely returns to the suppliers the products or services that are defective, damaged, or not as ordered, and provides valid reasons and evidence for the returns.
6. Creating transparency via technology by using online platforms, tools, or systems to share information, data, and documents with the suppliers. The department also intends to implement online invoicing which will allows the suppliers to access and monitor their performance, orders, payments, and feedback through the SRM-SAP platforms.
7. In addition to normal telephone communication, the Authority has enhanced communication by providing two email addresses namely tenders@kaa.go.ke and vendorsupport@kaa.go.ke which enables both bidders and suppliers to communicate to the Authority both within and outside working hours. Thereafter, responses are provided through the same emails. This is a cost effective and flexible mode of communication.

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Environmental and Sustainability Reporting (Continued)

v) Corporate Social Responsibility

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 2022/2023, 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 transactions, by contributing to the economic development and improving the quality of life of its workforce and their families as well as the community and society at large.

The CSR committee considers both ad-hoc requests and donations from all airports and airstrips for maximum community impact.

During the year 2022/2023 KAA minimized on all forms of donations including both ad hoc as well as planned medical camps, which forms part of the Government agenda 4 pillars on healthcare. In this financial year we managed to hold two medical camps in Trans Nzoia County and Kisii County. We also supported a few institutions in cash donations as attached below.

	INSTITUTION	INITIATIVE	AMOUNT
1.	Youth Fund Embakasi East Constituency	Support towards promotion of sports in Embakasi East Constituency	Kshs 250,000
3.	Christ the King Catholic Parish Embakasi	Financial Support towards education for mentally handicapped children	Kshs 250,000

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6.	CSR Medical camp Kisii County	2-day medical camp where more than 2800 patients were treated	Cost. Kshs 5,500,000
7.	CSR Medical camp Kitale Trans Nzoia County	2 Day medical camp where over 2700 were treated	Cost. Kshs 5,500,000
	Total		Kshs. 11,500,000

Our CSR budget has remained slightly lower than it was before the pandemic. This is so because of the slow recovery that the aviation industry has had after the Covid pandemic.

We however anticipate that the Authority shall continue to support some of the requests and engage in more projects and activities in the 2023/24 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.

KENYA AIRPORTS AUTHORITY
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II. Report of Directors

The Directors submit their report together with audited financial statements for the year ended 30 June 2023, which disclose the state of affairs of the corporation.

i) 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 license, permit or certificate.

ii) Results

The net loss for the year of Kshs. 0.474 billion **(2022: Net profit of Kshs 0.0433 billion)** has been added to retained earnings.


iii) Directors

The Directors who served during the year and to the date of this report are set out on pages xi-xvii.

iv) Auditors

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

By order of the Board


.....

Name: Ms. Margaret Munene

Ag. Corporation Secretary/ Secretary to the Board

Date: 28TH SEPTEMBER 2023
.....

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023

12. 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 give 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 are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2023. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) Safeguarding the assets of the Authority
- (v) Selecting and applying appropriate accounting policies.
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act Cap 446.

The Directors are of the opinion that the Authority financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2023, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

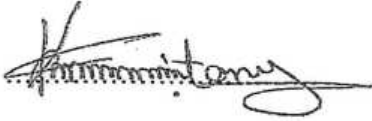
Nothing has come to the attention of the Directors to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

KENYA AIRPORTS AUTHORITY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
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Statement of Directors' Responsibilities (Continued)

Approval of the financial statements

The Kenya Airports Authority financial statements were approved by the Board on 28TH SEPTEMBER 2023 and signed on its behalf by:



Hon. Caleb Kositany
Chairman of the Board



Henry Ogoye
Accounting Officer

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA AIRPORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines, and manuals and whether public resources are applied in a prudent, efficient, economic, transparent, and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management, and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient, and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management, and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kenya Airports Authority set out on pages 1 to 54, which comprise of the statement of financial position as at

30 June, 2023, and the statement of profit or loss and other 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, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Kenya Airports Authority as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Kenya Airports Authority Act, Cap.395 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Under-Collection of Operating Revenue

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.15,941,021,000 in respect of operating revenue which, as disclosed in Note 37(a) to the financial statements comprises of Aeronautical Revenue and Non-Aeronautical revenue of Kshs.12,378,563,000 and Kshs.3,562,458,000 respectively. However, review of operating revenue schedules provided for audit revealed that no aeronautical and non – aeronautical revenue was collected from Nanyuki airstrip and Nyaribo airstrip despite the airstrips being active on domestic flights. There was no satisfactory explanation why Kenya Airports Authority did not collect any revenue from the Airstrips.

Further, field inspection carried out on the facility revealed that a number of private businesses were operating within the Nanyuki Airstrip offering various services. However, no records showing that the business operators were on official lease and that they were paying rent.

The Authority therefore lost revenue estimated at Kshs.14,763,637 in respect of landing and parking fees and Airport Passenger Service Charge (APSC) of Kshs.12,081,637 and Kshs.2,682,000 and other undetermined rental income respectively.

2. Understatement of Rental Income on Non – Aeronautical Revenue

Review of non-aeronautical revenue customer accounts provided for audit showed that an amount of Kshs.982,884,000 was collected under rentals. However, sampled spot check and physical verification at a company operating at Jomo Kenyatta International Airport revealed that the total area in square feet was estimated at 8343 square feet (sq. ft.) but the actual physical ground area occupied by the company (club) has a larger area than estimated size resulting to unbilled amounts. The amounts that should have been billed could not be quantified.

Further, the Authority offered to lease to a company office space area of 64,583 sq. ft. (1.48 acres) at a rate of Kshs.20 per sq. ft. per annum for a period of 45 years effective 1 August, 2007. The offer letter signed by the Corporation Secretary was issued to the company but was rejected due over charge. The Authority later issued another offer with revised terms for the same area of 64,583 sq. ft with a revised rate of Kshs.6 per sq. ft per annum for a period of 45 years. The offer was accepted and signed by the Company.

However, the basis of variation in rate by 70% was not supported by any valuation or professional advice. In addition, there was no rate escalation clause for a duration of forty-five (45) years to cover inflationary and other economic dynamics thereby disadvantaging the Authority. Further, it was noted that the land lease rates for the other concessionaires within Wilson Airport (WAP) as at time were significantly higher than Kshs.6 per sq. ft that was being charged. As per the Government valuation, the land rates for the other concessionaires ranged from Kshs.20 per sq. ft to Kshs.122 per sq. ft per annum and therefore the Authority was losing between Kshs.904,162 and Kshs.7,491,628. Management did not provide any plausible explanation why it offered low rate of Kshs.6 per sq. ft. that significantly differed with the ruling rates in the area and not the ruling/current market rate at the time.

In the circumstances, the rental income of Kshs.982,884,000 has been grossly understated and could not be confirmed.

3. Unreconciled Concession Income

The statement of profit or loss and other comprehensive income and as disclosed in Note 37(a) to the financial statements reflects an amount of Kshs.15,941,021,000 in respect of operating revenue which includes Kshs.2,504,250,000 in respect of concession income which further includes cargo concessions income of Kshs.180,548,295. However, the following was noted;

3.1. Cargo Concession Revenue

The cargo handling agents declare the quantities of the cargo they handle to Kenya Revenue Authority (KRA) who in turn remits amounts received to the Kenya Airports Authority. The Authority recognizes the amounts received from KRA without in any way authenticating the quantity of the cargo handled as the Authority does not have access rights to information pertaining the cargo processed and handled by the agents and the amount remitted to KRA by the cargo handling agents. This implies that the Authority does not have any control of the revenue and the amounts remitted by KRA cannot be verified by KAA.

Further, it was noted that the current cargo chargeable rate of Kshs.250 per air bill is low and not based on the gross weight of cargo handled but the units of parcels. The proposed but not approved minimum concession rate of Kshs.0.50 per kg would have resulted to a revenue increase of Kshs.8,381,874 based on the 377,860,339 freight weight in kilograms handled during year under review.

3.2. Unbilled Facilitation Concession

Further, the balance includes facilitation concession income balance of Kshs.7,575,557. However, it was noted that seven (7) concessionaires/facilitation firms were issued with airport access passes to operate within the airport during the year under review but no contracts or agreements between the Authority and the firms was provided for audit review. The basis of revenue declared by the unauthorised firms operating at the airport was not supported by any contract agreement. As a result, the declarations by the firms and legality of their operation could not be determined. In absence of contracts agreement stipulating the terms of operation, there is a possibility of revenue loss through undeclared and unremitted facilitation concession income.

3.3. Unsupported Manual Car Park Revenue Collection

Further, the balance of Concession income includes car parks income balance of Kshs.447,060,039 collected from all the airports across the country. However, field verification carried out in the month of February, 2024 revealed that revenue collection in Kisumu International Airport, Malindi International Airport and Eldoret International Airport was based on manual systems with issuance of physical receipts and at times no receipts at all. It was therefore not possible to ascertain the completeness and accuracy of car park revenue declared and collected for these airports.

3.4. Unsupported Contracted Car Park Revenue Collection System

Included in the car park income of Kshs.447,060,039 is an amount of Kshs.296,660,298 being car parks income collections at the Jomo Kenyatta International Airport (JKIA). The collection of the car parks revenue at JKIA was concessioned to Kenya Airports Parking Services (KAPS). Consequently, KAPS installed, operated and maintained the Automated Car Parking Management System at JKIA. The concessionaire pays to the Authority revenue at the rate of 82% of parking revenue collected, subject to a Minimum Annual Guarantee (MAG) of Kshs.250,000,000. However, the following weakness were noted on management and control of car parks revenue collections by KAPS;

- (i) The JKIA bills the car parks fees based on the Concessionaire's (KAPS) reports and not electronic point of sale (ePOS) reports as per contract requirement. This expose the Authority to loss of funds as it solely relies on the report from KAPS for billing purposes. No data verification and reconciliation is undertaken to ensure accuracy of the information declared by Concessionaire.
- (ii) The ePOS is connected to the KAPS System, reports generated from two systems showed unexplained variance of Kshs.101,873,256 between the month of January, 2023 to May, 2023 in a span of five (5) months.
- (iii) Although the KAPS database was not exposed to the cyber security attack that the Authority experienced, the details of the revenue collections for the months of July, 2022 to December, 2022 was not provided and could not be accessed through KAPS system.

- (iv) Audit interview and review of the system data showed that there was deficiency in integration between the Authority's ePOS and KAPS whereby data was partially transmitted to the Authority's ePOS from KAPS with numerous instances of critical data reflecting as null details. This indicates that ePOS could only extract selected data as shared from KAPS system via its Application Protocol Interface (API) thereby restricting the ability of the Authority to validate any information from the Concessionaire.
- (v) The automated car parking management system from KAPS at JKIA is not fully car registration number plate controlled as the system sometimes captures and prints symbol on the tickets instead of the specific car registration number. This exposes the Authority to loss of revenue because one car ticket can be used by a different car to exit creating a lapse in the security system.
- (vi) It was noted that at the point of exit from the airport, some users were paying in cash to the KAPS operators and the collections were not recorded in the system. Other users would present the tickets and be allowed to exit.
- (vii) Although the consolidated monthly car parks fees from the KAPS was provided for audit, the Authority did not provide the daily car park fees data/ report to show the specific cars that entered the airport, the time spent in the airport and the actual fee payable.
- (viii) The exit point has manual operation that enables car exit without actual payments.
- (ix) There is no documented definite way by which the concessionaire declares monthly collection to ensure there is full disclosure of revenues from the Airport.
- (x) The Authority does not have sufficient and accurate data from ePOS to compute the correct monthly revenue in order to bill monthly in arrears as stipulated in the contract and as such the Authority relied on sales data provided by KAPS, which is not verifiable.

In the circumstances, the accuracy and completeness of concession income balance of Kshs.2,504,250,000 could not be confirmed.

4. Unsupported Administrative Expenses

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.9,107,552,000 in respect of administrative expenses which, as disclosed in Note 40(a) (iii) to the financial statements includes other administrative expenses amount of Kshs.3,577,153,000. However, review of the ledgers and supporting schedules revealed legal fees amounting to Kshs.154,050,000 out of which an amount of Kshs.12,349,674 relates to fees to lawyers who represented the Authority in various disputes. However, the Authority did not provide relevant documents to show how the legal services were procured, the scope of work per firm and the terms and conditions of engagement.

In the circumstances, the accuracy, completeness and regularity of payment of legal fees amount of Kshs.12,349,674 could not be confirmed.

5.0 Establishment Expenses: Write – Off of Advance Payments on Greenfield Terminal Project

The statement of profit or loss and other comprehensive income and as disclosed in Note 40(b) to the financial statements reflects establishment expenses of Kshs.9,474,376,000 which include write off in respect of Greenfield Terminal amounting to Kshs.5,329,384,000. The amount however does not agree with the total amount of Kshs.5,407,133,984 that is disclosed in Note 60 of the financial statements and the variance has not been reconciled. Although the write off was purportedly approved by the Cabinet, there was no evidence of communication of the approval of the write off by the Cabinet to the Accounting Officer through the Cabinet Secretary in writing with a copy to the Auditor-General.

Further, the Cabinet Memorandum on the final settlement on the agreement was not provided for audit review despite the fact that a copy of the memorandum had been dispatched to the Accounting Officer by the Solicitor General.

In addition, and as detailed in Note 60 to the financial statements, the Authority negotiated with a contractor for final mediation settlement on their claim of Kshs.17.6 billion in respect of construction of the Greenfield Passenger Terminal Complex and Associated Works at Jomo Kenyatta International Airport. The parties agreed for a full and final payment of Kshs.614,328,659 and a write off of prepaid amount of Kshs.4,792,805,325.

Review of the arbitration records revealed that the Consents Arbitral Award issued thereto under Article 33 of the ICC Arbitration Rules was not made as advised by the Attorney General.

The Attorney General made an advisory to the Authority through the Cabinet Secretary via letter dated 6 September, 2023 which had not been heeded to including: -

- (i) Obtaining Cabinet approval of write offs in accordance with Section 69 of the Public Finance Management Act, 2012 and Regulation 148 of the Public Finance Management (National Government) Regulations, 2015.
- (ii) Issuing instructions to Authority's legal counsel in the International Chamber of Commerce (ICC) Arbitration Case No. 26941/SP so that they may initiate the relevant steps to record with the Arbitral Tribunal and the ICC Secretariat that the subject matter at arbitration has been fully and finally settled by way of mediation between the parties so that a consent arbitral award is issued thereto under Article 33 of the ICC Arbitration Rules.
- (iii) Obtaining from the Contractor a certified copy of an Order from the Chinese Court duly translated in English and confirming that the suit(s) relating to the Advance Payment Guarantee(s) has been withdrawn by consent of the contractor (as Plaintiff or Applicant whichever the case may be).

In the circumstances, the legal status of arbitral award, validity and completeness of the write off could not be confirmed

6.0 Long Outstanding Trade and Other Receivables

The statement of financial position reflects a balance of Kshs.11,757,140,000 in respect of trade and other receivables which as disclosed in Note 44(a) to the financial statements is net of gross trade and other receivables balance of Kshs.20,505,880,000 which includes trade receivables of Kshs.15,182,381,000. However, review of trade receivables customer accounts provided for audit revealed that Kshs.13,054,247,582 or 86% of the trade receivables had been outstanding for more than 270 days. Management did not demonstrate any efforts to recover the old debts.

6.1 Kenya Airways Debt

Included in the trade receivables balance of Kshs.15,182,381,000 is an amount of Kshs.5,896,715,017 owed by Kenya Airways Limited. This constitutes 38.8% of the total trade receivables, an increase of Kshs.1,604,224,628 from Kshs.4,292,490,389 as at 30 June, 2022 to Kshs.5,896,715,017 as at 30 June, 2023. Further, out of the trade receivables balance of Kshs.15,182,381,000 an amount of Kshs.463,103,179 was owed by Kenya Airfreight Handling Limited, a subsidiary company of Kenya Airways Limited. effectively bringing the Company indebtness to Kshs.6,359,818,196 or 42%. It was also observed that the balance owed has not been attracting any interest to protect the interests of the Authority neither has there been recoveries during the year.

6.2 Receivables from Kenya Revenue Authority

Included in the trade receivables balance of Kshs.15,182,381,000 is a total amount of Kshs.3,158,784,011 due from Kenya Revenue Authority (KRA). This amount arose from invoicing of Airport Passenger Service Charge (APSC) amount of Kshs.2,482,656,017 and cargo handling concession of Kshs.676,127,994. The amount due from KRA constitutes 20.8% of the total trade receivables disclosed in Note 44(a) to the financial statements.

Further, out of the receivables of Kshs.3,158,784,011 due from KRA, an amount of Kshs.662,377,128 had been outstanding for over a period of over two years. However, the KRA ledger from the SAP system showed significant un-cleared (unreconciled) items casting doubt on the validity of the receivable amount.

6.3 African Cargo Handling Limited

Included in the trade receivables balance of Kshs.15,182,381,000 is a balance of Kshs.1,482,072,129 owed by the African Cargo Handling Limited. This constitutes 9% of the total trade receivables disclosed in Note 44(a) to the financial statements. It was also observed that the balance has not been attracting any interest to protect the interests of the Authority and an amount of Kshs.1,259,905,121 was more than 270 days old.

6.4 Unremitted Car Parking Revenue

The concession agreement for the installation, operation and maintenance of an automated car parking management system at Jomo Kenyatta International Airport, Nairobi was entered into on 1 August, 2019 between Kenya Airports Authority and Kenya Airports Parking Services Limited (KAPS). Article III Clause 3 of the agreement on concession fees states that; "The concessionaire shall pay to the Authority a concession fee at the rate of 82% of parking revenue collections, subject to a minimum annual guarantee of Kshs.250,000,000. This amount shall be payable in equal monthly instalments by the 5th of every month, in arrears.

However, review of revenue records revealed that KAPS Limited had not remitted revenue totalling Kshs.171,447,056 as at 30 June, 2023. Management did not disclose any efforts towards the recovery of the outstanding amounts. The service provider is in breach of the concession agreement and the recoverability of the outstanding revenue is doubtful.

6.5 Staff Receivables

Included in the gross trade and other receivables balance of Kshs.20,505,880,000 are staff receivables balance of Kshs.199,181,000 which includes payments of Kshs.195,494,496 made to staff based on a job evaluation outcome of 2006 that was subsequently rescinded by the Board of Directors. Management has not effected the Board decision through instituting salary deduction to the staff and full recoverability of the debts is doubtful.

6.6 Term Deposits

The statement of financial position reflects net trade and other receivables balance of Kshs.11,757,140,000 as at 30 June, 2023 which includes a term deposit amount of Kshs.78,789,626 with Prudential Bank which is under receivership. However, the approval by the Board of Directors to place the term deposit with the bank was not provided. Although the term deposit amount has been fully provisioned for during the year under review, there were no records such as Board minutes or authority to fully provide for the deposit.

6.7 Unconfirmed One Time Customer Account Balances

Included in the trade receivables amount of Kshs.15,182,381,000 is a balance of Kshs.17,588,430 in respect of one-time customers in various airports. Included in the later amount is Kshs.16,172,099 that has been outstanding for a period of over 270 days. The one-time customers were cash operators with no credit facility with the Authority who were expected to pay their dues before take-off but were provided with credit facilities without any credit arrangements. No explanation was provided on why the Authority offered services and allowed one-time customers to take off without making payments despite previous years' experience on non - recoverability of the same. The Authority could not provide any contractual documentation to support any arrangements with the customers.

In the circumstances, the recoverability of trade receivables balance of Kshs.15,182,381,000 could not be confirmed.

7.0 Inventories not Disposed off

The statement of financial position and as disclosed in Note 43 to the financial statements reflects inventories balance of Kshs.120,763,000 which is net of Kshs.10,862,000 in respect of provision for obsolete stock. However, included in the provision amount is stock valued at Kshs.1,903,201 that was destroyed by fire in 2013 and the Authority compensated for the loss. According to an internal memo dated 25 September, 2020, the said items were to be disposed off in the financial year 2020/2021. However, the items were still in store at the time of audit in February, 2024.

In the circumstances, the fair value of inventories balance of Kshs.120,763,000 could not be confirmed.

8.0 Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.1,029,642,388,000 as at 30 June, 2023 which as disclosed in Note 41 to the financial statements includes balances of Kshs.900,763,000 and Kshs.985,646,386,000 in respect of freehold and leasehold land respectively. However, examination of the land balances and the supporting records revealed the following unsatisfactory observations.

8.1 Unsupported Land Acquisition

The balance includes capital work in progress (Assets Under Construction – AUC) balance of Kshs.4,465,930,000 which in turn includes an amount of Kshs.538,179,827 transferred to National Land Commission being the value of land for compensation to landowners and illegal settlers within Malindi Airport which the Authority had intention to compulsorily acquire. However, it was noted that the land has been fenced by the Authority but no ownership documents were provided for audit. Further, records showing details of beneficiaries of the acquired land such as the names, national identification numbers, size/acreage of land acquired, valuation and the corresponding payments were not provided to support land compensation.

8.2 Land Without Ownership Documents

As previously reported, the leasehold land balance excludes land of undetermined value measuring 3.29 acres located at Nairobi - Embakasi Village. Although Management explained that the parcel of land on which the Kenya Airports Authority Police Station is located will be surrendered to the National Police Service, documents and correspondences in evidence of the surrender and its consideration were not provided for audit review.

Further, included in the freehold land balance is the cost of acquisition of land amounting to Kshs.190,763,189 for the expansion of Kisumu International Airport. However, the ownership documents were not provided for audit review.

In addition, records at the Headquarters indicated that the Authority had two title deeds for the Kisumu International Airport but with different acreage measuring 206.09 and 362.9 hectares. However, no satisfactory explanations were provided for the duplicated ownership documents and which is legitimate.

8.3 Omitted Biological Assets

The audited financial statements for the financial year 2020/2021 disclosed biological assets comprised of trees that were planted at Eldoret International Airport in the year 2006 and were valued at Kshs.443,000,000 as at 30 June, 2021. However, the value of the trees was not incorporated in the financial statements as at 30 June, 2023.

Further, two (2) parcels of land measuring 253.61 hectares and 47.15 hectares of undetermined value at Isiolo and Garissa airstrips, respectively were also excluded from the property, plant and equipment balance.

8.4 Misstatement of Capital Work in Progress

Further, the balance includes capital work-in-progress balance of Kshs.4,465,930,000 which includes payment for consultancy services, compulsory acquisition of land and interim provisional certificates amounting to Kshs.1,719,942,355 made in the financial year 2016/2017. Although the payments have been made towards construction of facilities, there has been no significant progress in realization of these projects and continued capitalization of the cost misstates the value of the disclosed property plant and equipment.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.1,029,642,388,000 could not be confirmed.

9.0 Parcels of Land in Dispute

Verification of records revealed that various parcels of land owned by the Authority continue to be disputed as detailed below:

9.1 Nairobi – Embakasi

An unregistered parcel of land measuring 0.867 acres at Embakasi Village valued at Kshs.4,335,000 had not been incorporated in the leasehold land balance. Information available indicated that the Authority obtained partial allotment for the parcel of land measuring 0.443 acres from the National Land Commission on 25 September, 2017. The other part measuring 0.47 acres had been illegally excised and allocated to a third party. Although Management wrote to the Commission requesting for investigation of the illegal excision, there was no evidence of follow up and the outcome.

9.2 Jomo Kenyatta International Airport

Two parcels of land within the original Jomo Kenyatta International Airport land were excised and allocated to third parties. Although court proceedings were instituted vide HCCC Nos. 206 and 489 both of 2004 and temporary orders issued restraining the third parties, the latter proceeded to subdivide, resell and develop the land parcels. To vacate

the land, the Authority demolished the illegal structures in 2011. The private developers subsequently sued the Authority and the case is still pending in court.

9.3 Wilson Airport

A parcel of land on which Wilson Airport is situated was registered in favour of the Authority on 29 July, 2003. The land is valued at Kshs.32,800,000 but the size is yet to be determined. However, a case challenging the registration was filed in the High Court by third parties. The plaintiffs sought temporary injunction restraining the Authority or their agents from demolishing or otherwise interfering with their ownership or possession or right of use of the parcel of land until hearing and determination of the case. Information available indicated that on 25 October, 2006, the court declined to issue the injunction orders sought. Management did not act until 24 October, 2017 when the Authority wrote to the National Land Commission requesting it to intervene and revoke the title issued irregularly but no action had been taken and ownership of the property remained in dispute.

9.4 Malindi Airport

As previously reported, the leasehold land balance also includes a portion of land measuring 0.8925 hectares at Malindi Airport, irregularly allocated to a church organization. Further, land measuring 0.0549 hectares at the Airport was also irregularly allocated to a petroleum company and had been excluded from the reported leasehold land balance.

9.5 Non-Disclosure of land - Airports, Airstrips and Staff Quarters

Review of records and correspondences relating to the Authority's land revealed ownership disputes affecting other eighty-five (85) parcels of land at eight (8) airports/airstrips. Management did not provide details on the nature and the value of land in dispute as well as the parties involved and their current status.

9.6 Land Allocated/Leased to Kenya Pipeline Company

Included in the leasehold land balance is parcel of land with a book value of Kshs.5,210,102,489 which was allocated by the Government in 1976 to Kenya Pipeline Company where Embakasi depot sits. The property is registered in the name of the Authority and was supposed to be transferred to the Company. However, the Authority has never transferred title to allottee. Management did not explain the reason for non-transfer of the title. The leaseholds property has critical, strategic and high value infrastructure which serves the Jomo Kenyatta International Airport.

Further, a portion of land located in Mombasa County was leased to Kenya Pipeline Company Limited. The Company continues to hold critical, strategic and high value infrastructure in the two parcels of land which serves the Moi International Airport. The lease for the land expired on 1 July, 2019 and was yet to be renewed.

In the circumstances, the accuracy, ownership and completeness of land balance could not be ascertained.

10.0 Non-Compliance with IAS 16 on Property, Plant and Equipment and IAS 8 on Accounting Policies, Changes in Accounting Estimates and Errors

The statement of financial position and as disclosed in Note 41 to the financial statements reflects property, plant and equipment cost or valuation balance of Kshs.1,057,219,659,000 which includes revalued assets amounting to Kshs.980,418,701,000. The following anomalies were observed in accounting for these revalued assets:-

- (i) The revalued assets have been included in the accounting records in the financial year under review even though the valuation was provided as at 30 June, 2018, the valuation has never been taken into account over the years.
- (ii) There is no documented accounting policy for the Authority that defines the assets revaluation policy including frequency, the basis and accounting treatment for revalued assets.
- (iii) The revaluation has been adopted in the financial statements on all the assets under the freehold and lease hold land but not to the pavement, buildings, plant and machinery and office furniture which were all included in the valuation report but have not been included in the financial statements. No justification or explanation has been provided for non-recognition of these categories of revalued assets.
- (iv) The freehold land includes leasehold land acquired after 30 June, 2018 but has not been revalued and the value reported in the financial statements is the original value. The standard requires the entire category of the asset to be revalued when applying the revaluation model for property, plant and equipment.
- (v) The accumulated depreciation on leasehold land of Kshs.1,774,159,000 as at 01 July, 2022 has not been eliminated on revaluation thereby misstating the reported value of the asset.
- (vi) The airstrips in Garissa, Wajir and Mandera have not been included in the valuation. The management alleges that Mandera Airstrip is not operated by the Authority and therefore any values derived therefrom has not been accounted for. The Wajir and Garissa Airstrips though operated by the Authority staff was not revalued contrary to IAS 16 which requires that if a class of asset is revalued, then the entire class needs to be revalued.
- (vii) The recognition of the revalued amounts whose valuation dates back to 30 June, 2018 means that the reported assets balance since then have been erroneous and the correction was not done in line with International Accounting Standards No.8 (IAS 8). The standards require the restatement of financial statements from the year the error occurred. The retrospective restatement is required to correct recognition, measurement and disclosure of amounts as if the error had never occurred.

- (viii) Although the valuation report is indicated to include land valuation, the report does not indicate the details of the valued land registration numbers, the acreage or even confirm the existence of title deed in the name of the Authority.

In the circumstances, the financial statements do not comply with International financial reporting standards and the accuracy of property, plant and equipment, the statement of charges in equity and the operating results as reported in the financial statements could not be confirmed.

11.0 Unsupported Long-term Loans

The statement of financial position reflects long term loans balance of Kshs.13,250,548,000 which comprised of World Bank and Agence Francaise De Development (AFD). Review of the loan supporting documents provided revealed that on 24 October, 2016, an amount of USD 5,000,000 (Kshs.450,044,000) in respect of loan for Kenya Aviation Modernization Project (KAMP) was received from the World Bank to facilitate preparation of a proposed project designed to improve security, safety and service provision at Jomo Kenyatta International Airport to meet international standards and enhance public oversight capabilities for the aviation sector in the recipient territory. However, there was no evidence to show that this loan has been repaid and the loan balance was not included in the loan repayment schedule.

Further, the loan repayment schedule showing repayment period, principles and interest components to be paid every year and correspondence with The National Treasury and the World Bank showing the period over which loan repayments should cover were not provided.

In the circumstances, the accuracy, completeness and regularity of long terms loan balance of Kshs.450,044,000 could not be confirmed.

12.0 Balance Due to Kenya Civil Aviation Authority

The statement of financial position reflects trade and other payables balance of Kshs.6,272,207,000 which as disclosed in Note 48 to the financial statements includes trade payables balance of Kshs.4,714,702,582 which further includes a balance of Kshs.1,057,046,038 due to Kenya Civil Aviation Authority (KCAA). However, records at KCAA indicated that a balance of Kshs.23,827,113 was owed by Kenya Airports Authority as at 30 June, 2023 resulting to unexplained variance of Kshs.1,033,218,925.

In the circumstances, the accuracy and completeness of the trade payables balance of Kshs.1,057,046,038 due to Kenya Civil Aviation Authority could not be confirmed.

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

Emphasis of Matter

Contingent Liabilities

As disclosed in Note 56 to the financial statements, the Authority had contingent liabilities totaling to Kshs.13.83 billion arising from pending cases in court and tax assessments and disputed pending contracts' claims of Kshs.10.64 billion and Kshs.3.20 billion respectively. Although the liabilities have not crystallized to warrant recognition in the financial statements by way of provisions, the financial impact on the Authority would be significant if the rulings are not favourable.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issues remained unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Unsatisfactory Project Implementation

Over the years, the Authority has undertaken a number of projects and programmes to enhance its infrastructure across all its installations and stations in the Country. An audit inspection exercise was carried out in the month of February, 2024 on a sample of such stations to assess the level of progress and the completion. Physical verification revealed the following unsatisfactory observations.

1. Delayed Construction of Terminal 1A Concrete Apron at Jomo Kenyatta International Airport

The Authority awarded a contract to a company for the construction of Terminal 1A Concrete Apron at Jomo Kenyatta International Airport at a contract sum of Kshs.265,950,358. The works commenced on 27 November, 2019 with expected completion date of 26 November, 2020. The amount of works certified and paid by the time of the audit was Kshs.147,596,947 and the percentage of completion was at 80% of the total works while time lapsed was 276% of contract period an indication of delayed works. The scope of the works entailed removal of existing asphalt pavements in selected areas, removal of underlying layers in gravel and Graded Crashed Stones (GCS) average 600mm deep in selected areas and building up of new underlying layers to include gravel sub base and cement stabilized GCS base 200mm thick, construction of concrete pavements 375mm thick panels complete with dowels, sealing of Joints and application of new pavement markings.

Physical verification carried out revealed that the contractor abandoned site and the works has stalled since February, 2021. The Authority issued a notice of termination on 22 February, 2022 but the contractor did not respond. It was further noted that uneven surface, loose chippings and depressions had developed due to the weight of aircrafts on the unattended aprons especially the aprons towards parking bays 15 and 16 which was approximately 20% complete.

In the circumstances, delayed completion of the project denied the public benefits that could have accrued from completed project and value for Kshs.147,596,947 already incurred had not been realized.

2. Unsatisfactory Workmanship on Waterproofing and Heating, Ventilation and Air Conditioning (HVAC) at Terminal 1B & C at Jomo Kenyatta International Airport

The Authority engaged a contractor for the proposed water proofing works and heating, ventilation and air conditioning (HVAC) works at a contract sum of Kshs.175,036,826. The project commencement and completion date were 9 February, 2022 and 9 June, 2022 respectively. Completion date was extended to 28 September, 2022 and the project completion certificate was issued on 1 November, 2022.

Physical verification carried out in the month of February, 2024 revealed that the project was 100% complete. However, it was noted that the problem of water leakages persisted despite extra protection having been done on the affected areas of the roof due to the differential movement of the expansion joints creating gaps. The fact that the issue of water leakages persisted after project completion raises concerns about the effectiveness of the initial solution and the quality assurance measures during construction.

In the circumstances, the value for money incurred had not been realized and the safety and comfort of passengers and staff during rainy season is compromised.

3. Stalled Construction of VIP Lounge at Nyaribo Airstrip in Nyeri

The contract for the proposed construction of VIP lounge in Nyaribo Airstrip was awarded on 24 August, 2020 at a contract sum of Kshs.39,920,629. The scope of the works entailed construction to completion of VIP Lounge and associated works. The contract duration was nine (9) months and the contract start and completion dates were 8 October, 2020 and 8 July, 2021 respectively. The contract completion date was later revised to 22 August, 2022.

Physical verification carried out in February, 2024 revealed that the project was 89% complete. The completed works comprised of the main building works, electrical and mechanical installation works. Works which were yet to be completed included fencing of the VIP lounge, construction of the storm water drainage system, installation of culverts at the entrance, sanding of cabro carpark, main gate fabrication and installation, installation of window blind, fitting of fire extinguishers, clearance of site debris and general finishing. At the time of the audit, a sum of Kshs.24,460,792 had been certified and paid to the contractor. Further, it was noted that the performance guarantee expired on 13 January, 2023 but had not been renewed. The contractor was not on site at the time of physical verification. Although the Management has stated that mutual winding up of the project, site re-measurements were done on 5 December, 2023 and the final accounts assessment is ongoing, there were no records to show why the works stalled and site re-measurements documents were not provided for audit.

In the circumstances, the value for money incurred of Kshs.24,460,792 had not been realized.

4. Delayed Rehabilitation Works for Nanyuki Civil Airstrip

The contract for proposed rehabilitation works for Nanyuki Civil Airstrip was awarded to a company at a contract sum of Kshs.329,853,681. The scope of works comprised site clearing and top soil stripping, runway, taxiway and apron earthworks to details, laying of pavement structural layers, laying of Asphalt surfacing layer, culverts and drainage works, application of new pavement markings and preliminary items for mobilization among others. The initial contract period was 15 months. The contract commencement and end dates were on 3 July, 2020 and 3 October, 2021 respectively with a defect liability period of 12 months. The contract provided for liquidated damages amount of Kshs.200,000 per day and limited liquidated damages to 10% of the contract sum. The contract completion date had been extended five (5) times and the last extension completion date was 17 November, 2023 which had already expired by the time of audit in February, 2024.

Physical verification of the project in the month of February, 2024 revealed that the project was 81% complete based on physical progress. The contract completion date had lapsed and the contractor had given a notice for extension of time (EoT). The total amount of works certified as at 28 August, 2023 was Kshs.189,772,477 which represented 57% of the contract sum. The pending works include tarmacking of approximately 881m length of the runway, rehabilitation of taxiway (Twy) B and part of taxiway A and C and the contractor is yet to commence the stabilization works for the Aprons (both 1 and 2) asphalt

concrete works. Although the contractor's equipment was on site, there were no staff on site except for the security officers manning the equipment.

During the physical inspection in February, 2024, the audit team was informed that the last time the contractor was on site was on 12 February, 2024 during the Kenya Airports Authority's Board visit to the airstrip. It was noted that the drainage works were also incomplete and there was poor workmanship on some areas including uneven and bumpy spots on the newly constructed asphalt/ tarmac runway of the airstrip. Further, cracks were already visible on the newly constructed runway. The asphalt layer on the runway is very thin and may not withstand landing and takeoff of aircrafts. Inadequate quality control and supervision during construction resulted to substandard workmanship, compromising the structural integrity and aesthetics of the built environment, necessitating costly repairs and maintenance in the future.

In the circumstances, the value for money incurred of Kshs.189,772,477 had not been realized.

5. Delayed Construction of Cargo Processing Facility at Isiolo International Airport

The contract for the proposed construction of cargo processing facility was awarded to a company at a contract sum of Kshs.20,983,496 for main works and a contract sum of Kshs.3,349,119 for associated electrical and mechanical works.

During the physical inspection in February, 2024, it was observed that the contractor had abandoned the site and the main works were at 95% complete. The time lapse was at 475% from the intended completion date. The total amount of works certified was Kshs.12 million. The incomplete works include finishing works for the roller shutters, landscaping and external works, construction of ramp to the airside and attending to the instructions issued by the Project Manager/Engineer.

The contract for associated electrical and mechanical works were at 65% complete and the contract period had expired. Incomplete works included termination of cable at the terminal building, mirror lights at the washrooms, power pedestals, installation of the fire alarm system, installation of the fire suppression system and attending to the instructions issued by the engineer for both electrical and mechanical installations. The audit team noted that the contractor had abandoned the site.

Delayed completion of the projects may lead to increased costs, contractual disputes, and negative impacts on project stakeholders.

6. Delayed Fencing of Malindi Airport – Phase I

The Authority awarded a contract for fencing of Malindi Airport – Phase I to a company at a contract sum of Kshs.28,868,123 on 19 November, 2021. The contract commencement and completion dates was 6 January, 2022 and 27 November, 2022 respectively. The scope of the work comprised site clearance and top soil stripping, road furniture including chain link fence, precast concrete posts and ground beams and preliminary items.

During the physical verification of the project in February, 2024, it was noted that the project was at 97% complete and an amount of Kshs.25,041,990 had been certified. The total cumulative length of fence expected to be constructed was 2884.5m out of which 2,813.72m had been done representing 98% of the works. The outstanding/incomplete 71m of the proposed fence was dispute between the Authority and residents who had not been compensated for their structure. This represents the 2% work not completed. The structures include two (2) households, a church and a portion of a petrol station.

No explanation was provided why the owners had not been compensated despite the fact that the Authority had in previous financial year transferred Kshs.538,179,827 to the National Land Commission (NLC) to pay squatters occupying land neighboring Malindi Airport which the Authority had intention to compulsorily acquire. It was also noted that there were unauthorized human activities such as farming and illegal dumping within KAA land which disrupted construction activities, compromise site safety for landing and take-off of aircrafts and hinder project progress.

In the circumstances, the value for money incurred had not been realized and the Authority's aviation navigation equipment's are exposed to vandalism.

7. Delayed and Poor Workmanship on the Alterations to Stem Rainwater Ingress into Passenger Terminal Building at Kisumu International Airport (KIA)

The contract for the proposed alterations to stem rainwater ingress into passenger terminal building was awarded to a company at a contract sum of Kshs.15,699,840. The works commenced on 7 November, 2019 with expected completion date of 23 November, 2020. The amount certified and paid to date was Kshs7,446,086 while the works was at 85% complete.

Review of records revealed that the Contract Implementation Team (CIT) report dated 23 August, 2022 recommended termination of the contract due to various lapses by the contractor. Further, a memo to the Managing Director/Chief Executive Officer from General Manager - Procurement and Logistics dated 30 August, 2022 recommended termination of the contract.

Physical verification carried out in February, 2024 revealed that there were roof leakages and persistent cracking and falling down of canopy glasses in a large portion which had not been rectified. The project completion period had lapsed.

Delayed completion of the project may result to costs escalation, contract disputes, and negative impacts on service delivery to the public.

8. Delayed Construction of Aircraft Pavements at Lanet Airstrip - Phase 1

The contract for the construction of aircraft pavements was awarded to a company at an initial contract sum of Kshs.406,761,592 and varied to contract sum of Kshs.455,020,173 for a contract period of 18 months. The contract commencement date and expected contract completion date was 23 February, 2021 and 22 December, 2022 respectively. The project completion date was revised to 22 August, 2023 and then to

30 December, 2023. The total amount of certified works and paid to date was Kshs.321,659,784. The scope of the works comprised rehabilitation of the 1.7km long runway to bitumen standards, ducting for future use, construction of 5 taxiways, construction of one (1) apron and drainage works.

Physical verification in the month of February 2024 revealed that cement improved sub-base layer on the runway was about 97% complete. The laying of cement improved graded crushed stones (GCS) base layer on pavements, taxiways and apron was complete and in progress at the runway. The project stalled due to dispute between the contract parties' undergoing arbitration. The contract period had lapsed on 30 December, 2023 and contractor had abandoned the site.

The Authority and the Contractor held a 4th Management meeting on 5 February, 2024 to deliberate on the outstanding contentious issues. The Contractor agreed to address the contentious issues through arbitration process but at varied contract price and a notice on the same was communicated to Authority. At the time of audit, the Authority was still reviewing variation of prices by the contractor.

Delayed completion of the project may result to costs escalation, contract disputes, and negative impacts on service delivery to the public.

9. Proposed Construction of Passenger Terminal Building at Lanet Airstrip - Phase 1B

The contract for the construction of Passenger Terminal Building at Lanet Airstrip - Phase 1B was awarded to a company at contract sum of Kshs.99,551,486. The contract commencement date and expected contract completion date was 01 April, 2022 and 01 April, 2023, respectively. The contract period was 12 months. The total amount of certified works and paid to date was Kshs.17,737,952. The percentage of work completion was at 34% with time lapse of 167% an indication of delayed completion.

Physical verification in the month of February 2024 revealed that the works stalled in October, 2022 and the contractor abandoned the site without notice.

Delayed completion of the project may result to costs escalation, contract disputes, and negative impacts on service delivery to the public.

10. Poor Workmanship of Pavements Rehabilitation Works at Kakamega Airstrip

The contract for proposed pavements rehabilitation works at Kakamega Airstrip was awarded to a company at contract sum of Kshs.174,715,462. The contract commencement date was 15 September, 2021. The total amount of certified works and paid to date was Kshs.174,715,462 and the work was 100% complete. The scope of work included rehabilitation works including makings on runway of 1.2Km length by 24m wide, 1 Apron, 3 taxi ways, perimeter fence with box wire mesh and barbed wire and stone pitched drainage works.

Physical verification in the month of February, 2024 showed many failed areas with both longitudinal and vertical cracks on the runways, taxiways and apron which had developed

after the runway had been rehabilitated. The cracks developed within the defect liability period although the contractor had vacated the site an indication of substandard work.

In the circumstances, the value for money incurred of Kshs.174,715,462 had not been realized.

11. Proposed Rehabilitation and Expansion of Angama (Olkurruk) Airstrip – Phase 1

The contract for the proposed rehabilitation and expansion of Angama Airstrip was awarded to a company at a contract sum of Kshs.243,933,564. The contract commencement date and original expected contract completion date was 17 December, 2021 and 16 December, 2022 respectively. The original contract period was 12 months. The project completion date was later revised to 28 April, 2023. The total amount of certified works and paid to date was Kshs.41,704,492 and the percentage of work completion was at 32% with time lapsed at 167%. The scope of the works comprised site clearing and top soil stripping, runway, taxiway and apron details, construction of 611m by 7m access road, application of new pavement markings and construction of 4461m long chain link fence.

The progress report dated 30 September, 2023 revealed that between 14 to 30 September, 2023, there was no contractor's activity on site and the contractor did not notify the resident project team on reasons for abandoning the site. A letter reference OW/CONT/9/23/L/252 dated 6 December, 2023 revealed that the honorable court referred the matter to arbitration or mediation and reserved the matter.

Physical verification carried out revealed that only murram works had been done on the runway. Heaps of earth removed from the runway were on both sides of the runway covering apron and taxiway. There was no evidence of any construction materials on site.

Delayed completion of the project may result to costs escalation, contract disputes, and negative impacts on service delivery to the public.

12. Poor Workmanship on Pavements Rehabilitation at Moi International Airport (MIA) - Mombasa

The Authority engaged a company at a contract sum of Kshs.7.008 billion and the project commencement date was 28 May, 2018. By 30 June, 2023, the Kenya Airports Authority had paid the contractor a total of Kshs.5,309,702,130 including VAT.

Review of the Project status report as at 31 December, 2021 showed progress of work was at 91.7% and various components had been executed thus; pavements (runways, taxiways and aprons) – 99.1%, rehabilitation of taxiways complete, rainwater harvesting tank construction for four (4) tanks in progress, drainage works in progress was at 88.2%, airfield ground lightings (AGL) works were complete and in use pending final testing and commissioning, ground stabilization works in progress and staff houses was at 99.4%.

However, physical verification carried out revealed that the pavements rehabilitation of the runway, taxi ways, aprons and installation of AGL works were complete and in use and the AGL had been tested and commissioned. Although the contractor had

demobilized all their equipment and machineries and abandoned the site, the project's components on slope stabilization and rainwater harvesting had not been completed.

On the slope/soil stabilization, it was noted that on runway approach 2-1, soil erosion had started barely 80m from the shoulders of the runway and the existing perimeter fence is already falling off due to erosion. On runway approach 1-5-3-3, the runway ends where soil erosion starts. This area is heavily affected and the threshold has been displaced. On Gate 14 near approach 2.1, the soil movement was already taking place. Further, sinking holes have developed barely 100m from the runway approach 03. The incomplete components especially on ground stabilization are very crucial and thus posing a danger to rehabilitated runway in that several earth cracks had already developed near the runway.

The construction of the rain harvesting for three tanks was complete but not in use while the construction of the fourth and the biggest water harvesting tank was abandoned and had water leakages. The incomplete tank and those not put into use may disintegrate if not properly maintained and put into the intended use.

In the circumstances, the value for money expended on the project amounting to Kshs.5,309,702,130 had not been realized.

13. Stalled Refurbishment of the Freight Terminal Building at Moi International Airport – Mombasa

The Authority engaged a company for refurbishment of the freight terminal building at a contract sum of Kshs.18,420,325. The project commenced on 13 January, 2020. As at 30 June, 2023, the Authority had certified works of Kshs.3,803,500 including VAT.

The detailed components of the project entail rehabilitation of the cargo terminal and the offices. This involves demolition of the failing walls at the cargo terminal, construction of wet areas and cargo pre-screening area.

However, physical verification carried out revealed that the project had already stalled, and was hardly halfway done. In addition, the floor screed was dilapidated and in bad state at the time of audit showing evidence of poor workmanship or lack of proper supervision by the Project Manager. The security of the building is also compromised as the walling was temporarily done using corrugated roofing sheets. The contractor had already abandoned the site and Management had issued a notice of termination of the contract.

In the circumstances, the value for money expended on the project amounting to Kshs.3,803,500 could not be confirmed.

14. Delayed Construction of Perimeter Wall at Moi International Airport

The Authority engaged a company to erect a fence on reclaimed land at AGL approach 21 at a contract sum of Kshs.75,000,000. Although the tender documents was forwarded to Head of Procurement for contract signing on 9 March, 2020, it had not been signed at the time of audit. Further, field verification revealed that the land to be fenced had been

encroached by informal settlers to a very great extent along Approach - 21 thus posing a security threat to the aircrafts and endangering the lives of the informal settlers and passengers alike.

In the circumstances, the effectiveness and efficient use of public resources could not be confirmed.

15. Delayed Construction of Security Fence at Ukunda Airstrip

The contract for the proposed construction of security fences was awarded to a company on 07 November, 2019 at a contract sum of Kshs.40,335,653. The contract commencement date was 18 February, 2020 and was to run for a contract period of 9 months. The project's components entailed construction of security fence at the Ukunda Airstrip and the newly constructed Mkwakwani Primary School, construction of public road outside the airstrip perimeter fence and provision of gates at the two sites.

During the physical verification done in February, 2024, it was observed that the construction of the security perimeter fence around the newly constructed school was complete. However, the construction of the security perimeter fence around the airstrip was not complete since some pockets of the fence of approximately 200m had been encroached by informal settlers and the dispute had not been resolved. It was also observed that local residents had encroached the airport land up to 20m and had constructed houses in the airside of the airstrip. Further, the construction of public road outside and around the airstrip fence had not been completed due to the aforementioned disputes from the local community.

Delayed completion of the project denied public benefits that could have accrued. Further, existence of houses inside the airstrip poses a security threat to the aircrafts and the local residents.

16. Irregular Payment of Acting Allowance for a Period of More than Six Months

Review of the payroll and human resources records showed that twenty (20) employees were serving in acting capacities in various sections. These employees had acted for a period of over six (6) months. This was contrary to Section C.14(1) of the Human Resource Policies and Procedure Manual for the Public Service. Management has not disclosed the effort it is taking to fill the vacancies.

In the circumstances, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Kenya Airports Authority Malware / Cyber Attack

The Kenya Airports Authority's Information, Communication and Technology (ICT) Systems were breached on 24 February, 2023 rendering services unavailable. The ransomware attacked the virtualization infrastructure and encrypted storage area. This resulted to loss of data from the period 27 August, 2022 to 24 February, 2023. However, recovery was done from the Offsite Tape Backup where Systems Applications and Products (SAP) related Modules were recovered. In the absence of the current financial year back up data, the authority prepared the financial statements manually from primary records. Manual recording is prone to errors and mis-posts.

In the circumstances, the effectiveness of internal controls on Authority information communication technology systems could not be confirmed.

2. Concession Agreements

Note 37(a) to the financial statements reflects total non-aeronautical revenue of Kshs.3,562,458,000 which includes income from concessions of Kshs.2,504,250,000 or 70% of total non-aeronautical revenue. However, the following internal control weakness were noted in revenue collection:

2.1. Ineffective Integration of ePOS System

On 31 October, 2016, the Kenya Airports Authority entered into a contract with two firms in a joint venture at a contract sum of Kshs.68,967,336. The contract sum was inclusive of maintenance cost of Kshs.13,855,272 in respect of supply, delivery and testing of electronic point of sale integration solutions for the Authority. The commencement date was fourteen (14) days after the contract signing date and the contractor was to carry out the works within four (4) months. The service contract was to be carried out for a period of five (5) year with a mid-term review. The contract expired on 31 March, 2022. On 15 January, 2020, Kenya Airports Authority and the firms in joint venture entered a further contract for the extension of electronic point of sale (ePOS) system at the JKIA at a contract sum of Kshs.40,547,233 inclusive of applicable taxes for installation, dual currency implementation and training with a rider component of maintenance at a cost of Kshs.5,366,995 per annum. The contract was to run for a three-year (3) period that expired on 15 January, 2023.

The scope of works included development, supply, installation, configuration, testing, training users and maintaining all necessary components to establish an effective, reliable, cost effective and user friendly integration to point of sale solution, provide in-depth technical training both on site and off site, allowing a seamless integration with Systems Applications and Products (SAP) and third party systems using open standard, ability to utilize all master and transactional data contained within SAP, ability to provide customized sales reports, ability to have data consolidation across all stores, accessibility of all records and transactions of the POS from within SAP, ability to deploy the proposed solution to a wide range of end user access platforms, dual currency capability – ability to capture data for multiple base currencies, enable billing and provide reports in multiple base currencies among others as indicated under Section V:5.6 of the contract. The total implementation cost of the ePOS was Kshs.95,659,297 exclusive of maintenance costs of Kshs.19,222,267.

Review of the system showed that the ePOS system was integrated to fourteen (14) concessionaires (retailers) operating within Jomo Kenyatta International Airport (JKIA). However, the ePOS system was not integrated to the Authority's System Applications and Products (SAP). Although the ePOS system was integrated to the various retailers and concessionaires, there were variances in data between the ePOS Systems and the retailers' data as evidenced by the car park fees in the ePOS report and that from Kenya Airports Parking Services (KAPS). It was noted that the ePOS reports generated gives less amounts compared to the concessionaires (retailers') reports provided to the Authority.

Although the contract for ePOS integration between the Kenya Airports Authority and the two firms had expired, the Authority continued to engage the firms without a valid contract despite the systems shortcomings noted.

2.2. Lack of Service Contract - Integration of ERP System

The Authority engaged two firms for the proposed refurbishment of Terminals 1B and 1C at Jomo Kenyatta International Airport at a contract sum of Kshs.963,541,535. Included in this contract sum was Kshs.28,000,000 being provision of ePOS systems to all outlets at Terminal 1B and C. The installation of the ePOS system was to be done by the main contractor. The provision of the ePOS systems at Terminal 1B and C was sub -contracted to another firm at an initial cost of Kshs.28,000,000. This firm's ePOS system was integrated to twenty-one (21) concessionaires (retailers) operating within Jomo Kenyatta International Airport (JKIA).

Review of the system showed that the entire ERP system belongs to the Authority with the concessionaire entirely running their transactions on the system hence transparency of transactional data. The system provides complete visibility of the entire cycle of transactions from inventory to turnover thus eliminating chances of off-system sales. Further, KAA fully controlled data and resources in the system. This enhances transparency and visibility while introducing challenges of requirement of enhanced Information Security (Risk of cyber-attacks, Data loss and Data leakage). The system provided services 72 hours of offline capability as per the contract. However, the system

was not supported by a service contract for maintenance services and therefore it is not clear how the ePOS system will be serviced.

In the circumstances, the effectiveness of internal controls on implementation, operations and management of ePOS System could not be confirmed.

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

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 May, 2024

KENYA AIRPORTS AUTHORITY ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30,2023

**14. STATEMENT OF PROFIT or LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
YEAR ENDED 30TH JUNE 2023**

		2022-2023	2021-2022
REVENUES	Notes	Kshs' 000	Kshs' 000
Operating Revenue	37(a)	15,941,021	12,216,940
Loss on Assets Disposal	37(b)	(7,306)	-
Other Income	38(a)	185,950	170,679
Amortisation Income	38(b)	900,882	900,715
TOTAL REVENUES		17,020,546	13,288,333
OPERATING EXPENSES			
Administrative Expenses	40(a) (iii)	(9,107,552)	(7,847,650)
Establishment Expenses	40(b)	(9,474,376)	(3,540,020)
Other Expenses	40(c)	(29,074)	(19,917)
TOTAL OPERATING EXPENSES		(18,611,003)	(11,407,588)
OPERATING (LOSS)/PROFIT		(1,590,457)	1,880,746
Financial Income (Loss)	38 (c)	(1,386,890)	(247,548)
Financial Costs	39	(734,756)	(651,287)
(LOSS)/PROFIT BEFORE TAXATION		(3,712,102)	981,911
TAX EXPENSE/INCOME	51	(492,213)	(938,583)
(LOSS)/PROFIT AFTER TAXATION		(4,204,315)	43,328

The notes on pages 8 to 41 form an integral part of these financial statements

15. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

		2022-2023	2021-2022
	Notes	Kshs' 000	Kshs' 000
ASSETS & LIABILITIES:-			
Non-Current Assets			
Property, Plant and Equipment	41	1,029,642,388	51,455,247
Intangible Assets	42	16,312	37,139
Total Non-Current assets		1,029,658,699	51,492,386
Current Assets			
Inventories	43	120,763	105,353
Trade and Other Receivables	44(a)	11,757,140	12,493,254
Balances held in Reserve Accounts	45	2,970,254	289,838
Cash and Cash Equivalents	46(a)	6,970,488	6,446,050
Airstrips Fund Cash Balance	46(b)	2,360,574	2,473,782
Total Current assets		24,179,219	21,808,278
TOTAL ASSETS		1,053,837,919	73,300,664
EQUITY AND LIABILITIES			
Capital and Reserves			
Government Grant		16,259,916	16,780,395
Revaluation Reserve		981,408,540	989,839
Retained Earnings		28,887,717	33,091,914
Other Comprehensive Income		-	2,497
Capital and Reserves		1,026,556,173	50,864,646
Non- Current liabilities			
Airstrip Fund	47	2,360,574	2,473,782
Long Term Loans	49	13,250,548	11,923,240
Deferred Tax Liability	52	1,751,356	130,461
Total Non-Current Liabilities		17,362,478	14,527,483
Current Liabilities			
Trade and Other Payables	48	6,272,207	4,394,290
Current Portion of Long Term Loan	49(b) & (c)	1,422,338	1,053,837
Provisions for Liabilities and Charges	50	2,224,721	2,460,408
Total Current Liabilities		9,919,266	7,908,535
TOTAL EQUITY AND LIABILITIES		1,053,837,919	73,300,664

The notes on pages 8 to 41 form an integral part of these financial statements. The financial statements on pages 1 to 4 were approved by the Board on

28th SEPTEMBER

2023 and were signed on its behalf by:

Mr. Henry Ogoye
Ag. Managing Director/ CEO

CPA Dr. Mohamud M Gedi
General Manager Finance
ICPAK No: 24505

Hon. Caleb Kositany
Chairman of the Board

KENYA AIRPORTS AUTHORITY ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2023

	Government Grants	Revaluation Surplus	Retained Earnings	Other Comprehensive income	Total
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
At 30th June 2022	17,399,655	989,839	33,044,685	-	51,434,180
Re-instatements					
Adjustment for Dep. eliminated on disposal-			267		267
Adjustment for amortisation on recapitalization-	(48,872)				(48,872)
As at 30 June 2022	17,350,783	989,839	33,044,952		51,385,574
Amortization income for the year	(900,715)				(900,715)
Airstrip Funds	336,634				336,634
Addustment for Grant on KTSSP	(6,307)				(6,307)
Adjustment for prior year expenses			12,720		12,720
Adjustment for prior year revenue			(9,086)		(9,086)
*Other comprehensive income				2,497	2,497
Profit for the year			43,328		43,328
At 30th June 2022	16,780,395	989,839	33,091,914	2,497	50,864,646
Amortization income for the year	(900,882)				(900,882)
Airstrip Funds	167,636				167,636
USA TSA- Donated assets	212,766				212,766
Revaluation of Assets- land		980,418,701			980,418,701
Adjustment for prior year expenses			28,233		28,233
Consumption of Other comprehensive income*				(2,497)	(2,497)
Reversal of dividend provision			256,886		256,886
Dividend Payment			(285,000)		(285,000)
	16,259,916	981,408,540	33,092,033	-	1,030,760,489
Gain for the year	-	-	(4,204,315)	-	(4,204,315)
At 30th June 2023	16,259,916	981,408,540	28,887,717	-	1,026,556,173

* Other comprehensive income is surplus of sponsorship funds, held to enable support of future sports activities. The funds were utilised during FY 2022-2023

The notes on pages 8 to 41 are an integral part of these financial statements

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2023

		2022-2023	2021-2022
	Notes	Kshs.'000	Kshs.'000
Operating activities			
Cash generated from/ (used in) operations	53(a)	5,868,414	4,189,513
Interest received	38 (c)	226,780	137,621
Taxation paid		(542,602)	-
Net Cash generated from/ (used in) operating activities		5,552,593	4,327,133
Investing Activities			
Cash from Investing activities			
Purchase of Property, Plant and Equipment	41	(1,281,778)	(2,022,909)
Net Cash generated from/ (used in) investing activities		(1,281,778)	(2,022,909)
Financing activities			
Cash flow from Financing activities			
Repayment of World Bank loan	49(a)	(206,505)	-
Repayment of AFD loan	49(c)	(1,215,832)	(1,053,837)
Proceeds from long term borrowing from AFD Loan	49(c)	1,044,700	-
Proceeds from Airstrips Fund	47	293,170	1,330,440
Disbursement of Airstrips fund	47	(238,742)	(663,624)
Provisions Utilised during the year	50	(330,599)	(473,362)
Dividend Payment		(285,000)	-
Other comprehensive income		(2,497)	2,497
Net Cash generated from/ (used in) financing activities		(941,305)	(857,886)
Net Decrease (Increase) in cash and cash equivalents		3,329,509	1,446,338
Cash & cash equivalents at 1st July 2022		9,209,670	7,699,874
Effects of exchange rate changes		(237,863)	63,458
Cash and cash equivalents at 30th June 2023	53 (c)	12,301,316	9,209,670

KENYA AIRPORTS AUTHORITY FINANCIAL STATEMENTS FOR QUARTER ENDED 30TH JUNE 2023

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2023

	Original budget	Adjustments	Final budget	budget for 12 months ending June 2023	Actual on comparable basis	Performance difference	%difference
	2022-2023		2022-2023	2022-2023	2022-2023	2022-2023	
Revenue	Kshs		Kshs		Kshs	Kshs	
Aeronautical Revenues	9,199,605,246	2,784,377,967	11,983,983,213	11,983,983,212.63	12,378,562,743	394,579,531	3%
Non Aeronautical Revenue	4,655,201,340	(300,015,000)	4,355,186,340	4,355,186,339.68	3,579,586,126	(775,600,213)	-18%
Other Revenues	239,443,878	20,000,000	259,443,878	259,443,878.13	1,298,443,527	1,038,999,649	400%
Total Revenues	14,094,250,463	2,504,362,967	16,598,613,430	16,598,613,430	17,256,592,397	657,978,966	4%
Expenses							
Staff Costs	4,862,160,152	1,224,290,750	6,086,450,903	6,086,450,902.62	5,527,331,001	559,119,902	9%
Depreciation & Amortiza	2,781,409,520	-	2,781,409,520	2,781,409,519.84	3,064,846,633	(283,437,113)	-10%
Repairs & Maintenance	1,356,328,931	416,524,321	1,772,853,252	1,772,853,252.48	1,080,144,877	692,708,375	39%
Purchase of stores	276,199,580	85,352,588	361,552,168	361,552,168.16	308,281,762	53,270,406	15%
Administration Expenses	1,779,046,412	974,330,194	2,753,376,606	2,753,376,606.12	2,361,761,882	391,614,724	14%
Interest On loans	613,937,974	29,199,848	643,137,822	643,137,821.85	734,755,711	(91,617,889)	-14%
	11,669,082,570	2,729,697,701	14,398,780,271	14,398,780,271	13,077,121,866	1,321,658,405	9%
forex (Gain)/loss	100,000,000			-	1,613,669,407	(1,613,669,407)	
Provision for bad debts					751,078,423	(751,078,423)	
VAT Expense					190,133,923	(190,133,923)	
Gain on disposal					7,305,997	(7,305,997)	
Settlement cost on Greenfield Terminal- Write off					4,658,498,252	(4,658,498,252)	
Other related costs Greenfield Terminal - Write off					670,886,454	(670,886,454)	
Total Expenses	11,769,082,570	2,729,697,701	14,398,780,271	14,398,780,271	20,968,694,322	(6,569,914,051)	-46%
Operating Profit/ (Loss)	2,325,167,893	(225,334,734)	2,199,833,159	2,199,833,159	(3,712,101,925)	5,911,935,085	269%
Capital Expenditure	8,897,643,264		8,897,643,264	8,897,643,264	1,494,544,771	7,403,098,493	83%

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ANNUAL REPORTS AND FINANCIAL STATEMENTS
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Statement Of Comparison Of Budget And Actual Amounts (Continued)

The budget and actual variances in respect of each of the revenue and expenditure streams are analysed here below;

Revenue

I. Aeronautical revenues: favourable Variance 4%

The revenues include Airport Passenger Service Charge, Landings and parking fees, Air bridge fees and Aviation fuel Uplift

The revenues recorded favourable variance due to increase in passenger numbers, increased aircraft operations and depreciation of Kshs against US dollar.

I. Non Aeronautical and Other revenues, the revenues recorded unfavourable variances as follows:

- a) Rentals revenues (building and land) recorded combined unfavourable against the budget. The unfavourable variance is mainly attributable to the delay in completion and operationalisation of Terminal B and C and late implementation of new rental rates at Wilson Airport. The billings for terminal I B & C commenced in December 2022 instead of July 2022 as anticipated at the time of budgeting.
- b) Duty Free income had unfavourable variance mainly due to delay in operationalisation of terminal I B & C and waiver of minimum guaranteed income due to effects of Covid-19.
- c) Retail income recorded a favourable budget variance. The favourable variance is in tandem with growth in passenger traffic.
- d) Cargo concession recorded unfavourable budget variance. The unfavourable variance is attributable to consolidation of cargo by shippers thereby reducing the number documents processed.
- e) Ground Handling income recorded unfavourable budget variance. The unfavourable variance is attributable to slower recovery of the business than what was projected during the budget.
- f) Advertisement income had unfavourable variance. This is largely because the new advertising agent was still in the rollout stage of the contract in the period under review that was characterised by low revenue. We expect to register remarkable growth in the coming quarters.
- g) Car Park revenues had unfavourable variance The unfavourable variance is attributable to lower vehicular traffic than anticipated during the budget at JKIA. We also intended to implement a parking managing system in Moi International Airport, Kisumu International Airport, Eldoret International Airport, Malindi Airport and Ukunda airstrip but the process was suspended by the court.

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Statement Of Comparison Of Budget And Actual Amounts (Continued)

- h) Ground transport recorded an adverse budget variance because taxi operators who withdrew or reduced their fleet at the time of Covid-19 have not returned to full operations as anticipated during budgeting.
- i) Other Income includes anticipated sale of tree at Eldoret international airport of Kshs.50 million in the first quarter. This sale did not take place due to the ongoing court case.
- j) Amortization Income is income derived from the use of assets received as grants, where the Authority has adopted the income approach of recognizing the amortization over the useful life of the asset. This accounting treatment complies with International Financial Reporting Standards (IFRS) for government grants. This income was not budgeted for on the basis that it has no cash implication.

Recurrent expenditure (favourable variance 9%)

The actual total recurrent expenditure of Kshs. 13,077 million represents a favourable variance of Kshs 1,321 million against the budget of Kshs 14,399 million. The variance was due to the following reasons.

- a. **Staff Costs:** Staff costs recorded favourable variance of 9%. The favorable variance is mainly because some employees who exited had not been paid the salary increment awarded by the court in addition to the fact that the recruitment of additional staff anticipated during budgeting has not been undertaken.
- b. **Repairs and Maintenance:** There was a favorable variance of 39% in the period under review. This is mainly because of the ongoing maintenance projects that were not concluded by the end of the financial year such as repair of runway in Eldoret International Airport.
- c. **Environmental Expenses:** There was a favorable variance that was due to the fact that the anticipated increase in cost during the renewal of contracts occurred later than date used when budgeting.
- d. **Cleaning Services:** There was a favorable variance due to the delay in awarding the outsourced contracts as envisaged during the budget formulation.
- e. **Purchase of Stores and Spares:** This expenditure recorded a favorable budget variance. The variance is attributable to lower than budgeted consumption levels of various store and spares items.

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19. Notes to the Financial statements

1. General Information

Kenya Airports Authority is established by and derives its authority and accountability from Kenya Airports Authority Act Cap 395. The entity is wholly owned by the Government of Kenya and is domicile in Kenya. The entity principal activity is to develop, maintain, operate, improve and regulate all aerodromes and other related facilities in Kenya.

For the Kenyan Companies Act reporting purposes, in these financial statements, the balance sheet is represented by the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

2. Statement of Compliance & Basis of Preparation

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

Where necessary the comparative figures for the previous financial year 2021/2022 have been stated in the financial statements to conform to changes in presentation.

The financial statements were approved by the Board of Directors on 28th September 2023.

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

The Authority adopted all the new and revised IFRS as adopted by the PSASB and IASB that are relevant to its operations and are effective for accounting periods beginning on 1st January 2023.

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

a. Going concern

Based on the financial performance of the Authority and the risk management policies, the Board is of the opinion that the Authority is well placed to continue business in the foreseeable future. The financial report is therefore prepared on the going concern basis, which contemplates the continuity of normal business activities, the realization of assets and the settlement of liabilities in the ordinary course of business.

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

3. Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except for land and buildings, which have been measured at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving more judgement or complexity, or where assumptions and estimates are significant to the financial statements.

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Notes to the Financial Statements Continued

4. Application of New and Revised International Financial Reporting Standards (IFRS)

- i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	<p>The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.</p> <p><i>The Authority does not issue insurance contracts.</i></p>	Effective for annual periods beginning on or after 1 st January 2023.
IAS 8- Accounting Policies, Errors, and Estimates	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.</p> <p>The Authority adopted new policy in depreciation /amortisation for leasehold land and has been disclosed as a note in the financial statements.</p>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their	The amendments are effective for annual

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Title	Description	Effective Date
Accounting Policies (issued in February 2021)	material accounting policy information rather than their significant accounting policies. Change in accounting policy on depreciation/ amortisation of leasehold land has been disclosed as a note.)	periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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Notes to the Financial Statements (Continued)

Application of New and Revised International Financial Reporting Standards (IFRS)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Title	Description	Effective Date
Amendments to IAS I titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS I for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS I titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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Notes to the Financial Statements (Continued)

(The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements).

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year

5. Depreciation and impairment of property, plant and equipment

a) 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	Nil
Pavements (Runways, aprons, taxiways and roads)	4.0%
Permanent buildings	2.5%
Emergency Service Vehicles	10.0%
Other Motor vehicles	25.0%
Electrical -Mechanical Equipment	5.0%
Other Machinery	10.0%
Office Equipment, Furniture and Fixtures	20.0%
Computer and accessories	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.

b) Change in accounting policy- depreciation on Leasehold land

Due to change in accounting policy, leasehold land will no longer be amortised over the lease period with effect from financial year 2023. The financial effects of the change therefore is that the annual amortization cost of 76 million will not no longer be recorded.

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

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Notes to the Financial statements (Continued)

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 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.

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Notes to the Financial Statements (Continued)

11. 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.

12. 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.

13. 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.

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.

14. 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.

15. 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

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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

16. 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

period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

17. 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 based on the directive of this circular. Currently, Defined Benefit Scheme is in deficit hence cannot be wound-up until it is in surplus. Therefore, the Authority has two (2) Schemes in place, the Defined Benefit Scheme although closed for new membership and Defined Contribution Scheme.

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

18. 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.

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Notes to the Financial Statements (Continued)

19. 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.

20. 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.

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

22. Biological Assets

The Biological assets comprise of trees that were planted at Eldoret International Airport and Eldoret Airstrip 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.

23. Comparative figures

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

24. 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, 2023

25. 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.

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Notes to the Financial Statements (Continued)

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 Roads and Transport- State Department for Transport
The Ministry has a representative the Board of Directors.
- Kenya Civil Aviation Authority and Tourism Promotion Fund who receive a share of Airport Passenger Service charge as per APSC act.

26. 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.

27. 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.

28. 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 have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated 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.

29. 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.

30. Revaluation reserve: The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. Further the Authority revalued Land during the year 2021 and the revaluation surplus is included as indicated in the Statement of Changes in Equity, this is stated

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after transfer of excess depreciation net of related deferred tax to retained earnings.

Revaluation surpluses are not distributable.

31. Retained earnings: The retained earnings represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilised to finance the entity's business activities.

32. 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.

33. 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

i) Credit risk on Fixed, Call and Reserves with banking institutions is managed by dealing with institutions with good credit ratings. Credit risk on concessions,

ii) Tenancies and similar business transactions is mitigated through requirement for performance guarantees issued by financial institutions with good credit ratings.

Credit Risk

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.

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Notes to the Financial Statements (Continued)

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:

	Fully Performing	Past due but not Impaired	Past due and Impaired	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
30th June 2023				
Trade receivables	6,512,431		8,669,950	15,182,381
Other receivables	3,645,894		78,790	3,724,684
Fixed Deposits, Call Deposits & Treasury Bills	5,994,731			5,994,731
Reserve Account	2,970,254			2,970,254
Cash at bank	3,336,331			3,336,331
Gross Financial Assets	22,459,641	-	8,748,740	31,208,381
30th June 2022				
Trade receivables	5,111,542		7,918,872	13,030,414
Other receivables	7,381,712		78,790	7,460,502
Fixed Deposits, Call Deposits & Treasury Bills	7,185,821			7,185,821
Reserve Account	289,838			289,838
Cash at bank	1,734,010			1,734,010
Gross Financial Assets	21,702,924	-	7,997,662	29,700,586

Past due and Impaired

As at 30th June	2023	2022
	Kshs'000	Kshs'000
Bad Debts	8,669,644	7,918,566
Term Deposits-Prudential Bank	78,790	78,790
Other Receivables	306	306
	<u>8,748,740</u>	<u>7,997,662</u>

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34. Risk management objectives and policies (Continued)

i) Credit Risk (Continued)

An impairment provision of Kshs.8.75 Billion (2022: Kshs. 8.0 Billion) 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 2023			
Trade payables	4,940,227		4,940,227
Other payables		1,331,980	1,331,980
Interest bearing Loans	1,422,338	13,250,548	14,672,886
Total	6,362,565	14,582,528	20,945,093
Year ended 30th June 2022			
Trade payables	3,155,080		3,155,080
Other payables		1,239,210	1,239,210
Interest bearing Loans	1,053,837	11,923,240	12,977,078
Total	4,208,917	13,162,451	17,371,367

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Notes to the Financial Statements (Continued)

35. 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 Kshs. 7.35 Million (**2022: Kshs. 6.51 Million**) respectively.

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

Foreign currency sensitivity 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:

	KSHS ' 000	KSHS ' 000
As at	30 th June 2023	30 th June 2022 (Restated)
Financial Assets		
Bank and cash balances	4,931,213	441,605
Term deposits	2,622,448	3,374,676
Trade receivables	12,190,760	8,489,419
Sub Total	19,744,421	3,896,694
Financial liabilities		
Trade payables	780,263	894,798
Long Term Loans	12,719,319	10,817,006
Sub Total	13,499,582	11,711,804
Net exposure	6,244,838	(7,815,111)

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Notes to the Financial Statements (Continued)

36. Capital Risk Management

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

	2022/2023	2021-2022
	Kshs '000	Kshs '000
Revaluation reserve	981,408,540	989,839
Retained earnings	27,288,902	33,091,914
Capital reserve	16,259,916	16,780,395
Other comprehensive Income	-	2,497
Total funds	1,024,957,358	50,864,646
Total borrowings	14,672,886	12,977,078
Less: cash and bank balances	(12,301,316)	(9,209,670)
Net debt/(excess cash and cash equivalents)	2,371,570	3,767,408
Gearing	0.23%	7%

Notes to the Financial Statements (continued)

	2022-2023	2021-2022
Revenues	Kshs' 000	Kshs.'000
37(a) Operating Revenue		
Aeronautical Revenue		
Airport Passenger Service Charge Fund	7,883,351	5,517,493
Landing and Parking	3,926,973	3,268,587
Airbridge Charges	267,167	212,613
Fuel Uplift	288,493	251,572
Other Aeronautical Revenue	12,579	9,745
Total Aeronautical Revenue	12,378,563	9,260,010
Non Aeronautical Revenue		
Rentals	982,884	961,938
Concessions	2,504,250	1,908,310
Security Passes Income	75,074	86,451
Other Non aeronautical revenue	250	230
Total Non Aeronautical Revenue	3,562,458	2,956,930
Total Operating Revenue	15,941,021	12,216,940
37(b) Loss on Assets Disposal		
Gain/(loss) on assets disposal	(7,306)	-
38 (a) Other Income		
Interest on Staff Loans	1,864	2,689
Fines and Penalties	1,896	1,894
Utility Recoveries	169,109	151,833
Other Income	13,081	14,263
	185,950	170,679
38 (b) Amortization Income		
Amortization Income	900,882	900,715
	900,882	900,715
38 (c) Financial Income (Loss)		
Investment Income	214,381	124,432
Bank Interest	12,399	13,189
Exchange gain (loss) on Forex	(1,613,669)	(385,169)
	(1,386,890)	(247,548)
39 Financial Costs		
Interest Expense	734,756	651,287
	734,756	651,287

Notes to the Financial Statements (continued)

	2022-2023	2021-2022
Profit/(loss) before tax expenses/income		
40 (a) Administrative Expenses	Kshs' 000	Kshs.'000
i) Staff Costs -Note 40 (d)	5,530,399	4,805,090
ii) Other Administrative expenses		
Electricity and Water	811,343	689,787
Communication services and supplies	84,637	60,691
Transportation, Travelling and Subsistence	107,137	74,884
Advertising, Printing , Stationery and Photocopying	74,739	41,004
Marketing and Promotion Expenses	84,460	86,084
Staff Training Tuition and Subsistence	111,337	46,426
Insurance costs	150,405	131,194
Bank charges	3,621	4,071
KRA Commission	132,690	126,742
Legal Fees	154,050	49,863
Consultancy Fees	18,011	10,242
Stores consumed	260,841	216,432
Cleaning Services	290,466	173,622
Environmental Preservation	98,137	88,863
VAT Expense	190,134	383,970
Provision for bad debts	751,078	646,774
Other Operating Expenses	254,068	211,912
	3,577,153	3,042,560
iii) Administrative Expenses	9,107,552	7,847,650
40(b) Establishment Expenses		
Repairs and Maintenance	1,080,145	776,831
Depreciation of property, plant and Equipment	3,032,017	2,688,412
Intangible Assets	32,830	74,777
Settlement cost on Greenfield Terminal-Write off	4,658,498	-
Other related costs Greenfield Terminal -Write off	670,886	-
	9,474,376	3,540,020
40(c) Other Expenses		
Directors' Expenses	25,596	17,917
Audit Fees	3,478	2,000
	29,074	19,917

Notes to the Financial Statements (continued)

	2022-2023	2021-2022 Restated
40 (d) Staff Costs	Kshs' 000	Kshs.'000
Salaries and Wages	3,836,206	3,290,659
Staff Allowances	500,454	478,010
Medical Expenses	441,861	448,185
Contractual Staff (One month & above)	119,593	98,643
Pension Fund Costs	369,893	354,423
NSSF Company Contribution	16,354	4,385
Group Life Insurance Costs	57,987	22,273
Group Personal Accident (GPA)	27,742	11,947
Other Staff Costs	160,309	96,566
	5,530,399	4,805,090

NOTES TO THE FINANCIAL STATEMENTS (Continued)

41 Property, Plant & Equipment

2022	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, 2021	309,263	7,593,345	9,847,409	35,729,878	17,870,387	2,969,381	74,319,665
Additions	-	-	1,656,583	268,869	77,753	19,703	2,022,909
Transfers	-	-	(119,462)	2,200	105,268	11,994	-
Reclassification to Provisions	-	-	(236,801)	(11,675)	-	-	(248,476)
Transfer from AUC	-	-	-	-	-	-	-
Transfer to Intangible assets from AUC	-	-	-	-	-	-	-
Provisions paid during the year	-	-	-	-	-	-	-
Capitalised from acquisition	-	-	-	-	-	-	-
Transfer to Operating expenses	-	-	(4,245)	-	-	-	(4,245)
At June 30, 2022	309,263	7,593,345	11,143,484	35,989,273	18,053,408	3,001,079	76,089,850
DEPRECIATION							
At July 1, 2021	-	1,648,587	-	11,948,290	5,708,765	2,593,697	21,899,338
Eliminated on disposal	-	-	-	-	(260)	(7)	(266)
Post capitalisation	-	48,872	-	(1,751)	-	-	47,121
Adjusted Depreciation 1 July 2021	-	1,697,459	-	11,948,290	5,708,505	2,593,690	21,947,944
Charge for the year	-	76,700	-	1,411,748	989,797	210,167	2,688,412
Post capitalisation	-	-	-	-	-	-	-
At June 30, 2022	-	1,774,159	-	13,358,287	6,698,302	2,803,858	24,634,605
NET BOOK VALUE							
At June 30, 2022	309,263	5,819,186	11,143,484	22,630,986	11,355,106	197,222	51,455,247
2023							
COST OR VALUATION							
At July 1, 2022	309,263	7,593,345	11,143,484	35,989,273	18,053,408	3,001,079	76,089,850
Additions	-	-	1,171,760	-	239,315	83,470	1,494,545
Transfers	-	-	(7,166,425)	6,208,956	868,583	88,886	(0)
Reclassification to Provisions	-	-	-	-	-	-	-
Transfer from AUC	-	-	-	-	-	-	-
Transfer to Intangible assets from AUC	-	-	(12,002)	-	-	-	(12,002)
Revaluations	591,500	979,827,201	-	-	-	-	980,418,701
Capitalised from acquisition	-	-	-	-	-	-	-
Transfer to Operating expenses	-	-	-	-	-	-	-
Transfer to Intangible assets from acquisition	-	-	-	-	-	-	-
Write off	-	-	(670,886)	-	-	-	(670,886)
Disposal	-	-	-	-	(81,732)	(18,816)	(100,548)
At June 30, 2023	900,763	987,420,546	4,465,930	42,198,229	19,079,574	3,154,618	1,057,219,659
DEPRECIATION							
At July 1, 2022	-	1,774,159	-	13,358,286	6,698,302	2,803,858	24,634,605
Charge for the year	-	-	-	1,912,638	981,744	137,635	3,032,017
Eliminated on disposal	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Post capitalisation	-	-	-	-	-	-	-
Eliminated on retirement	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	(70,532)	(18,816)	(89,348)
At June 30, 2023	-	1,774,159	-	15,270,924	7,609,513	2,922,677	27,577,273
NET BOOK VALUE							
At June 30, 2023	900,763	985,646,386	4,465,930	26,927,306	11,470,061	231,942	1,029,642,388
FULLY DEPRECIATED ASSETS							
At June 30, 2022	-	-	-	148,530	1,554,555	2,136,453	3,839,537
At June 30, 2023	-	-	-	2,144,457	1,604,672	2,895,451	6,644,580

Note

During the year the valuation of land, pavement and buildings was completed by the Ministry of land and physical planning, at a revalued amount of 1.2 trillion as per policy the Authority has disclosed the revalued amount while maintaining the assets at costs in the financial statement. 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. 3,046,941,576 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 JKIA T1BCD consultancy, JKIA T1BC Rehabilitation, Greenfield payments, Lanet Airstrip, Ukunda Runway Rehab, Lamu Apron Rehab and Various Airstrips ongoing works etc.

Notes to the Financial Statements (continued)

	2022-2023	2021-2022
42 Intangible Assets	Kshs' 000	Kshs.'000
Cost		
At 1st July	1,488,201	1,488,201
Transfers from AUC	12,002	(0)
Additions during the year	-	-
At end of the year	<u>1,500,203</u>	<u>1,488,201</u>
Amortisation		
At 1st July	1,451,062	1,376,285
Charge for the year	32,830	74,777
At end of the year	<u>1,483,892</u>	<u>1,451,062</u>
Net book amount		
At end of the year	<u>16,312</u>	<u>37,139</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. Intangible Assets of Kes 1.48 Billion have been fully amortised but are still in use.

Notes to the Financial Statements (continued)

	2022-2023	2021-2022
	Kshs' 000	Kshs.'000
43 Inventories		
Inventories comprises:-		
Hardware	7,786	4,907
Electrical, Electronics & Electro-Mechanical	12,487	11,862
Stationery & Office Supplies	40,282	33,477
Petrol, Oil and Lubricants	4,520	4,366
Motor Vehicles Spares	805	1,018
Environment & Cleaning Materials	558	388
Fire & rescue spares	54,325	49,334
Inventory-Obsolete Stocks	10,862	10,862
	131,625	116,215
Less provision for obsolete stock	(10,862)	(10,862)
	120,763	105,353

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.

Notes to the Financial Statements (continued)

	2022-2023	2021-2022
	Kshs' 000	Kshs.'000
44(a) Trade and Other Receivables		
Trade receivables	15,182,381	13,030,414
Term Deposit	78,790	78,790
Prepayments - Greenfield Project	-	4,043,684
Prepayments - Others	1,468,760	1,381,827
Staff receivables	138,251	199,181
Other Taxes Prepaid	3,632,259	1,751,580
Prepaid Corporation Tax	5,441	5,441
Gross trade and other receivables	20,505,880	20,490,916
Provision for bad and doubtful receivables - Note 44 (b)	(8,669,644)	(7,918,566)
Investment Provisions -Note 44 (c)	(78,790)	(78,790)
Provision for other unrecoverable receivables	(306)	(306)
Total provisions	(8,748,740)	(7,997,662)
Net trade and other receivables	11,757,140	12,493,254

44(b) Bad Debts Provision (Specific)

As at July 1	7,918,566	7,271,791
Additions	751,078	646,774
As at June 30	8,669,644	7,918,566

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

44 (c) Term Deposits

As at July 1	78,790	78,790
As at June 30	78,790	78,790

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

Notes to the Financial Statements (Continued)

	2022-2023	2021-2022
45 Balances held in Reserve Accounts	Kshs' 000	Kshs.'000
Barclays Bank Paris-AFD Loan Reserve Account	2,889,247	287,795
ABSA Kenya-AFD Loan Debt Service A/C	81,007	2,043
	<u>2,970,254</u>	<u>289,838</u>

These are cash balances held in both Barclays Bank (Paris) and ABSA Bank (Kenya) under special security arrangements with Agence Francaise De Developpement 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.

46(a) Cash and Cash Equivalents

Cash in hand and at bank	3,205,570	1,275,636
Call Deposits	243,632	175,044
Fixed Deposits	3,521,286	4,995,370
	<u>6,970,488</u>	<u>6,446,050</u>

46(b) Airstrips Fund Cash Balance

Cash at bank	130,761	458,375
Treasury Bills	2,229,813	2,015,407
	<u>2,360,574</u>	<u>2,473,782</u>

47 Airstrip Fund

As at beginning of the year	2,473,782	2,193,600
Received during the year	96,000	1,183,202
Interest earned	197,170	147,237
Total Receipts	<u>293,170</u>	<u>1,330,440</u>
Airport disbursements (GOK grants)	(167,636)	(336,634)
Refund of Airstrip Funds-(Wanguru Stadium)	-	(50,000)
Airstrip disbursements	(238,742)	(663,624)
As at end of the year	<u>2,360,574</u>	<u>2,473,782</u>

Notes to the Financial Statements (Continued)

48 Trade and Other Payables	2022-2023	2021-2022
	Kshs' 000	Kshs.'000
Trade Payables	4,714,703	3,151,661
Security Deposits	316,947	278,900
Tax Liability	6,622	412
Retention payable	1,015,034	960,310
Staff Creditors	218,903	3,007
	6,272,207	4,394,290
 49 Long Term Loans		
World Bank Loan -Note 49(a)	1,953,566	2,160,072
AFD Loan -Note 49(c)	12,719,319	10,817,006
	14,672,886	12,977,078
 Due within one year	1,422,338	1,053,837
 Due after one year	13,250,548	11,923,240

Notes to the Financial Statements (Continued)

	2022-2023	2021-2022
49(a) World Bank Loan		
	Kshs' 000	Kshs.'000
Balance b/f	2,160,072	2,153,764
Loan Adjustments	-	6,307
Repayments during the year	(206,505)	-
Total loan outstanding	1,953,566	2,160,072
less: Amounts due in the year	(206,505)	-
Balance c/f	1,747,061	2,160,072

49(b) Analysis of World Bank loan per project

Northern Corridor Transport Improvement Project	1,385,037	1,582,343
Kenya Transport Sector Support Projects	118,484	125,074
Kenya Aviation Modernization Project	450,044	452,655
	1,953,566	2,160,072
less: Amounts due during the year	(206,505)	-
	1,747,061	2,160,072

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

Kenya Aviation Modernisation Project: This was an advance given by the World Bank to finance consultancy services for rehabilitation of existing passenger terminal facilities at JKIA (unit 1B, C, and D buildings), Nairobi.

49(c) Agence Francaise De Developpement (AFD) Loan

Balance as at 1st July	10,817,006	10,904,901
Amount Received	1,044,700	-
Exchange Loss	2,073,446	965,942
Loan Repayment	(1,215,832)	(1,053,837)
Exchange (Gain)/Loss		
Total loan outstanding	12,719,319	10,817,006
less: Amount due during the year	(1,215,832)	(1,053,837)
Balance c/f	11,503,487	9,763,169

Agence Francaise De Developpement were co-financiers in the construction of Terminal 1A and a multi-storey car park which were part of the expansion and upgrade of facilities project at Jomo Kenyatta International Airport. These have been completed. The related USD 90 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. Agence Francaise De Developpement also funded the rehabilitation of Moi International Airport airside. The related USD 66 million principal loan has a duration of 20 years from 2014 with a grace period of 5 years and interest rate at Libor plus 3.78% per annum.

Notes to the Financial Statements (Continued)

50 Provision for liabilities and charges

	Dividend Kshs.'000	Leave Pay Kshs.'000	Others Kshs.'000 Note	Total Kshs.'000
At 1st July 2022	256,886	17,014	2,186,508	2,460,408
At end of year	256,886	17,014	2,186,508	2,460,408
Less: current portion	-	-	-	-
Non current portion	256,886	17,014	2,186,508	2,460,407
At 1st July 2022	256,886	17,014	2,186,508	2,460,408
Net increase charged to profit and loss	-	13,316	338,483	351,799
Utilized during the year	-	-	(330,599)	(330,599)
Unutilised & Reversed during the year	(256,886)	-	-	(256,886)
At 30th June 2023	-	30,330	2,194,392	2,224,722

Notes to the Financial Statements (Continued)

51 Tax expense/ income	2022-2023	2021-2022
Tax	Kshs' 000	Kshs.'000
Balance Sheet		
Balance b/wd	1,064,466	412,729
Charge for the year	(1,128,681)	651,737
Paid during the year	(542,602)	-
Balance c/wd	(606,817)	1,064,466
Profit and Loss account		
Current Tax at 30%		
on the taxable profit for the year	(1,128,681)	651,737
Deferred Taxation charge/(credit) (note 52)	1,620,894	286,846
Tax Expense/Income	492,213	938,583

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

Accounting profit before taxation	(3,712,102)	981,911
Tax applicable rate of 30%	(1,113,631)	294,573
Tax effects of:		
Net (revenue)/expense not deductible for tax purposes	(838,861)	891,538
(Reversing)/originating temporary differences	1,620,894	286,846
	(331,597)	1,472,957

Notes to the Financial Statements (Continued)

52 Deferred Tax Liability

Deferred income tax is calculated using the income tax rate of 30%

The movement on the deferred income tax account is as follows:-

	2022-2023	2021-2022
	Kshs' 000	Kshs.'000
Balance at the beginning of the year	(130,461)	156,385
Charged/(credited) to Profit or Loss	(1,620,894)	(286,846)
At end of year	(1,751,356)	(130,461)

Notes to the Financial Statements Continued)

53 Notes to the Statement of Cashflows

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

	2022-2023	2021-2022
	Kshs' 000	Kshs.'000
Operating (loss) before tax	(3,712,102)	981,911
Depreciation and Amortization Expense	3,064,847	2,763,189
Amortization Income	(900,882)	(900,715)
Gain /(Loss) on Disposal of property, plant and equipment	7,306	-
Net Exchange loss/ (gain) on Forex	2,385,181	899,064
Interest received	(226,780)	(137,621)
Reclasiffication from AUC	-	248,476
Material Inventory (loss) & Price Difference	(196)	1,079
Provisions	338,483	181,764
Provisions for bad debts	751,078	646,774
Greenfield Terminal- ACEG -Write off	4,658,498	-
Greenfield Terminal- related costs -Write off	670,886	-
	7,036,320	4,683,921
(Increase)/decrease in inventories	(15,410)	(14,399)
(Increase)/decrease in trade and other receivables	(2,387,852)	(1,294,726)
Increase/(decrease) Trade payables and accruals	1,235,356	823,803
Insurance compensation	-	(9,086)
	(1,167,905)	(494,409)
Cash generated from/(used in) operations	5,868,414	4,189,513

53(b Analysis of changes in loans

Balance at beginning of the year	12,977,078	13,058,665
Receipts during the year	1,044,700	-
Exchange(Gain)/Loss	2,073,446	965,942
Adjustment for WB- KTSSP	-	6,307
Repayments during the year	(1,422,338)	(1,053,837)
Balance at end of the year	14,672,886	12,977,078

53(c Analysis of cash and cash equivalents

Balances held in Reserve Accounts	2,970,254	289,838
Short term deposits - KAA Fund	3,764,918	5,170,414
Cash at hand and bank - KAA funds	3,205,570	1,275,636
Treasury Bills - Airstrip fund	2,229,813	2,015,407
Cash at hand and bank - Airstrip Fund	130,761	458,375
Balance at end of the year	12,301,316	9,209,670

NOTES TO THE FINANCIAL STATEMENTS (Continued)

54 Related Party Disclosures

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

	2022-2023	2021-2022
	Kshs' 000	Kshs.'000
a) Directors Expenses		
Remuneration	990	707
Other Expenses	24,606	17,211
	<u>25,596</u>	<u>17,917</u>
b) Key Management Compensations		
Salary	89,764	181,303
Other Benefits	28,746	32,224
	<u>118,511</u>	<u>213,527</u>
 c) Ministry of Transport, Infrastructure, Housing, Urban development and Public works		
Grants disbursed through the Ministry of Transport , Infrastructure, Housing, Urban development and Public works		
Airstrip Funds	<u>96,000</u>	<u>336,634</u>
 d) Kenya Civil Aviation Authority (KCAA) & Special Tourism Promotion Fund (STPF)		
Amount paid to KCAA	3,299,891	1,920,806
Amount paid to Special Tourism Promotion Fund	2,015,256	1,166,654
Total Paid	<u>5,315,147</u>	<u>3,087,460</u>
 e) National Intelligence Services		
Amount Paid	<u>112,895</u>	<u>33,089</u>

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Notes to the Financial Statements (Continued)

55. Commitments

	2022-2023 Kshs 000	2021-2022 kshs 000
a) Contracted but not provided for		
For in the financial statements.	634,132	458,548
b) Letters of Credit	-	-

56. Contingent liabilities (Kshs 13.83 billion)

A. Pending cases in court and tax assessment

These are pending court cases involving KAA and other third parties & tax assessment claims by Kenya Revenue Authority (KRA). The amounts claimed by the petitioners are estimated at **Kshs. 10.64 billion**. The following are summaries of the main cases: -

(i) KRA has submitted a tax assessment claim of Kshs. 4,219,186,112 for financial years 2014 to 2016. The Authority has objected to this tax assessment on the grounds that Air Passenger Service Charge (APSC) is a statutory charge collected by KRA and remitted to KAA and is therefore not subject to tax. KRA has informed that they have sort for calendar of mediation meetings from the Attorney General's Office for all matters withdrawn by the State Agencies. The Attorney General requested both KAA and KRA to send their submissions for mediation.

(ii) Mitu Bell and 2 Others vs KAA. The High Court ruled in the plaintiffs' favour and held that KAA had illegally evicted the plaintiffs and demolished their houses and further that the Authority should acquire alternative land for the displaced people. The Authority sucessfully appealed the High Court decision and the High Court judgement was set aside. The plaintiffs have made an application before the Supreme Court seeking to challenge the court of Appeal's decision. The plaintiff's claim for compensation is Kshs. 766,250,000.

(iii) KAA/JKIA/CS/752 VOL. 1(12) Relief & Mission Logistics Vs KAA. The plaintiff is seeking to be paid Kshs. 719,712,373.28 as compensation for termination of contract for concession agreement for passenger transfer services at JKIA on 15th May, 2015. The Arbitral Award of Ksh

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150,871,247 plus interest was issued on 4th February 2021, total award plus interest was Kshs 221,669,195 as at 30th June 2023. The Attorney General's legal advisory was issued on 3rd May, 2021 advising the Authority to set aside the award. The Authority has filed an application at the High Court to challenge the award and seeking to set aside the same.

(iv) Baseline Architects Ltd & 3 others vs KAA. An arbitral award of Kshs. 404,870,293 was given against the Authority in 2013. The Authority has filed an appeal seeking to set aside the arbitral award.

(v) Roder Hts: The contractor is claiming Kshs.156, 111,049.23 for unpaid certificate, extension of time, demurrage charges and interest on delayed payments. The arbitration proceedings are yet to commence.

(vi) CATIC: The Contractor has lodged claims amounting to Kshs 2,408,225,307 million relating to works done on JKIA's apron stands, arrival and departure terminals (T1A) and interest thereon.

vii) Sogea Satom/Razel BEC JV: The Contractor has lodged claims amounting to Kshs 595,461,914 million relating to works done on Rehabilitation of Airside Pavements and Airfield Ground Lighting at MIA.

B. Disputed pending contracts' claims

These comprise unverified and disputed claims lodged by various contractors. As at 30th June 2023, the gross value of these claims amounted to **Kshs 3.20 billion**.

The main claims include: -

- i. Sino Hydro Corporation Kshs.1,532,491,071 relates to the runway capacity and ILS upgrade and rehabilitation of aircraft pavement works at JKIA demanded by the contractor for the work done and disputed taxes.
- ii. Machiri Ltd: The Contractor is claiming Kshs.388,210,697 for interest on late payments of interim certificates and deducted retention amounts; the claim also includes accelerated cost, extension of time and unpaid certificates.
- iii. Doch company Ltd : The claim of 955,275,371 is anchored in a dispute involving the refurbishment of Nanyuki Airstrip. The contractor seeks a declaration that the termination of contract was unlawful, null and void with no legal effect and an injunction restraining the Authority from continuing with or carrying out any civil works at the airstrip. The matter under is arbitration.

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57. Currency

The financial statements are presented in Kenya Shillings Thousands.

58. Staff levels

The number of persons employed by the Authority as at 30th June 2023 was 1,845 (2021/2022 – 1,801).

59. The closing rate of exchange as at 30th June, 2023 was Kshs.140.5235 per 1 USD

60. Greenfield Terminal- ACEG -Write off – During the year the Authority held negotiations with the contractor Anhui Construction Engineering Group Co Ltd (ACEG) for a final mediation settlement on their claim of Kshs 17.6 billion. The parties agreed for a full and final Payment of Kshs 614,328,659 and a write-off of Kshs 4,792,805,324.69. The write-off was approved by Cabinet.

APPENDIX 1: Implementation status of Auditor-General prior year recommendations

	OAG Observation 2021-2022	Management Response	Addressed / Not Addressed	Timeline
1.1	Unreconciled Car Park Revenue	The ePOS system integration to the KAA ERP system by Ms. Eastr Solutions Limited was done in 2022 and performance reports are now available in KAA ERP. This was however interrupted by the recent cyber incident that affected Authority's ERP systems and restoration of the integration is ongoing and shall be completed by June 024.	Addressed partially	June 2024
1.2	Unbilled Facilitation Concession Income	The licensed operators did not operate during period July-December 2021 as the Authority had not stopped operation of unlicensed operators who had security passes that facilitated their operations. The Authority is in the process of regularizing the activities of all the firms engaged in providing facilitation services at JKIA. The Authority has started billing one of the licensed operators with effect from April 2023.	Addressed partially	June 2024
2	Unsupported Expenditure on Staff Cost	The Board in its 314th sitting held on 2nd December, 2019 approved payment of annual increment for 2016-2019. However, on its own volition Management decided to wait for conclusion of the 2016-2019 CBA so that they could be paid together with Unionisable staff. While awaiting the conclusion of CBA, the Covid-19 Pandemic struck. As part of the austerity measures adopted by the Authority in view of the reduced cash flow as a result of NOTAM and cessation of movement, the payment was shelved until business recovery. It is against this background that staff were paid in April 2022 as per the Board Approval. The additional amount on basic salaries was payment of 2016 management annual increment arrears that were paid in April 2022. The necessary documents are available for review.	Addressed	
3	Property, Plant and Equipment			

		OAG Observation 2021-2022	Management Response	Addressed / Not Addressed	Timeline
3.1	I	Leasehold Land at Nairobi – Embakasi	The value of the land as determined by the Government valuer in 17th June 2019 has been included in the financial statements for the year ended 2020/2021. The Authority has not surrendered the land and title documents to National Police Service and remains the registered proprietor of the land. The Authority's Board of Directors at its meeting held on 30th October, 2020 approved issuance of a Lease to the National Police Service as per the Authority's policy on Leases, Licenses and Concessions. The draft lease document are under preparation and expected to be finalized by June 2024	Not Addressed Discussed in 24th PIC	June 2024
	II	Freehold Land Balance at Kisumu International Airport	The requisite documents were availed to the auditor for verification. The matter was closed in the 24th PIC report.	Addressed Discussed in 24th PIC	N/A
	III	Duplicate Title Deeds for Kisumu International Airport	The matter was discussed and closed in the 24th PIC report	Addressed Discussed in 24th PIC	N/A
3.2	I	Parcels of Land in Dispute - Nairobi - Embakasi	<p>A follow-up letter to National Land Commission dated 9th June, 2020 has been done and we await their reply. A reminder has been sent following subsequent meetings on 1st April 2021 and 20th May 2021 with NLC on the same. The last reminder letter to NLC dated 28th April 2023 on all encroachment and irregular allocation of titles</p> <p>The Authority has also filed a Petition in the Environment & Land Court and obtained a favourable order of temporary injunction pending hearing and determination of the Application. The order has been served on the irregular allottee. The matter came up for inter partes hearing on 12th October, 2020 when the orders issued in favour of the Authority were revised to exclude the order of eviction. Judgement is scheduled to be delivered on 24th February 2024.</p>	Not Addressed Discussed in 24th PIC	2023/2024

	OAG Observation 2021-2022	Management Response	Addressed / Not Addressed	Timeline
II	Parcels of Land in Dispute-Jomo Kenyatta International Airport	A follow -up letter to National Land Commission dated dated 9th June, 2020 has been done and we await their reply. A reminder has been sent following subsequent meetings on 1st April 2021 and 20th May 2021 with NLC on the same.. The last reminder letter to NLC dated 28th April 2023 on all encroachment and irregular allocation of titles	Addressed	
III	Parcels of Land in Dispute- Wilson Airport	On receipt of the ruling abovementioned, the Plaintiffs failed to prosecute the matter and when the Authority applied to have the matter dismissed for want of prosecution, the Plaintiffs instead withdrew the case. The NLC in its response dated 29th January 2018 only addressed three (3) matters excluding the suit parcel. The Authority has written to NLC following up on the status of the revocation in light of its application for renewal of term through a letter to NLC dated 11th June, 2020. The NLC in their response dated 25th August, 2020 scheduled a meeting with the Authority on 10th September, 2020. The Authority by way of a letter dated 19th October, 2020 requested to schedule the meeting at the Commission's earliest convenience. The Authority and NLC held meetings 1st April 2021 and 20th May 2021 to address all outstanding land matters affecting the airports. The Authority awaits NLC's position on the matter and a reminder was sent on 28th April 2023.	Not Addressed Discussed in 24th PIC	2023/2024

	OAG Observation 2021-2022	Management Response	Addressed / Not Addressed	Timeline
IV	Parcels of Land in Dispute- Malindi Airport	<p>LR No. 10688 (Malindi Airport land) measures 100.6 Ha as delineated on survey plan No. 21701 annexed to title C.R No. 21701 (Copy attached). L.R No. 7669 and Portion 8540 measuring 0.8925 Ha and 0.0450 Ha respectively are within and form part of Malindi Airport and are included in the financial statement (Copies of titles attached) The Government in a letter dated 16th June, 1988 allocated portion No. 8540 measuring 0.0450 Ha located within Malindi Airport to Kenya Oil for oil depot and aviation facilities. The Authorityin a letter dated 24th December, 2010, appealed to the Principal Secretary, Ministry of Lands to revoke title to L.R. No. 8540 which was within Malindi Airport land. Further, the Authorityfollowed up all Malindi land matters with NLC. The National Land Commission visited the site on 27th February, 2017 to familiarize with the Authority's land concerns. The Authority is presently liaising with the National Land Commission to resolve all outstanding land matters. The Authorityintends to expand the Airport through land acquisition and invited NLC to undertake the process. The Authorityawaits the advice from the NLC on the matter and a reminder was sent on 28th April 2023</p>	<p>Not Addressed</p> <p>Discussed in 24th PIC</p>	2023/2024
V	Airports and Airstrips land	<p>The Authority on 5th September, 2013 wrote to NLC seeking guidance on the lodging of caveats with respect to individual parcels within airport land that had been allocated to third parties. Subsequently, NLC commenced the review of the JKIA title and issued a report which was published through gazette notice dated 15th February, 2019. NLC further visited Wilson and Mombasa Airports to address similar problems. However, before the process was concluded, the Commission's constitutional powers for review lapsed. The Authority is presently liaising with the National Land Commission to resolve all outstanding land matters.. The Authority awaits the advice from the NLC on the matter and a reminder was sent on 28th April 2023</p>	<p>Not Addressed</p> <p>Discussed in 24th PIC</p>	2023/2024
VI	Land Parcels at Isiolo and Garissa Airstrips	<p>The value of land for both Isiolo and Garissa airstrips has been included in Financial Statements for FY 2020/2021 as recommended.</p>	Addressed	N/A

		OAG Observation 2021-2022	Management Response	Addressed / Not Addressed	Timeline
	VII	Kenya Pipeline Land - Embakasi deport	Discussions between the Authority and Kenya Pipeline Company are ongoing.	Not Addressed	
	VIII	Kenya Pipeline Land - Moi International Airport			
3.3		Misstatement of Capital Work in Progress	Ksh 4,245,338 which was a transfer to operating expenses from Capital Works in Progress was included but the respective row in the excel sheet was inadvertently hidden. this has since been corrected.	Addressed	N/A
4		Failure to Incorporate Values of Revalued Assets	The valuation of land has been included in Financial statement for 2022/2023.	Addressed	N/A
5		Omitted Biological Assets	In line with environmental objective of reducing carbon footprint, the Authority's trees have been accounted for through recording and subsequent expensing of the initial acquisition costs. Given the imminent disposal of the mature trees, sale proceeds will be recognized in the profit or loss account less any costs incurred. The value of trees has been disclosed vide a note in the financial statements.	Addressed	N/A
6.1		Long Outstanding Trade Receivables	Debts relating Kenya Airways including their subsidiaries Kenya Airfreight Handling and African Cargo Handling Limited The Authority is pursuing the debts through negotiation with the support from the Parent Ministry and National Treasury. The customer has provided a payment plan which we intend to ensure is adhered to.	Not Addressed Discussed in 24th PIC	

		OAG Observation 2021-2022	Management Response	Addressed / Not Addressed	Timeline
			This debt mainly constitutes of APSC revenue owed to KRA majorly by two airlines, KQ and Fly 540, accrued in our books after reconciling the same. The Authority is pursuing the KQ debt with the assistance of the Parent Ministry. KRA as the mandated collecting agent, is also pursuing the recovery of all APSC debt.	Not Addressed	
6.2		Unremitted Car Parking Revenue	The Authority and the concessionaire have reconciled the outstanding amounts and a proposed payment plan agreed.	Addressed	
6.3		One Time Customer Account Balances	Currently, no one-time customer is allowed to take off without clearing their debt. The cash operators are known and the Authority is following up to recover the outstanding debt.	Not Addressed	continuous
6.4		Staff Receivables	So far we have recovered 56million of the Job evaluation debt totaling to 78million from staff arrears already paid. The outstanding amount that relates to exits shall be recovered progressively until the amount is fully recovered. The receivables balance also entails outstanding car loans and insurance which are recovered on a monthly basis	Partially Addressed and continuous recovery of other loans outstanding. Discussed in 24th PIC	continuous
6.5		Term Deposits	The matter was discussed in 8th PIC report. The Authority has consistently made communications to Kenya Insurance Deposit Insurance Corporation on any amounts they have been able to recover. On getting enough funds to pay depositors, the Corporation will advertise in the news media for depositors to lodge their claims.	Not Addressed Discussed in 8th PIC	N/A
7		Administration Expenses	The disclosure details requested is now in place.	Addressed	N/A

	OAG Observation 2021-2022	Management Response	Addressed / Not Addressed	Timeline
		<p>a) The Authority anticipated to contract for cleaning services and environmental preservations, since the procurement process was not completed the Authority used casuals to do the services and their costs charged to cleaning and Environmental accounts.</p> <p>b) There was no over expenditure on account of cleaning services. Budget for the year on cleaning services was increased by Kshs 21,982,011 through reallocation</p>	Addressed	N/A
8	Inventories	<p>The Authority is seeking for expert on environmental matters to commence the process of disposal of hazardous (asbestos roofing sheets, Lead acid batteries, used oil among others) and the Authority proprietary items through destruction with relevant authorities. Most of the obsolete items are with the Authority logos, confidential documents e.g. payment vouchers, request for purchase books, landing & parking invoices, surrender & proof of travel books, pays lips, good issue books diskettes due to automation of all KAA processes. The Authority will therefore continue to seek the most appropriate method to dispose the printed material without exposing the Authority. Other items in the list that are yet to be disposed as they are obsolete, not usable, and therefore recommended for destruction.</p>	Not Addressed	2023/2024
Emphasis of Matter				
	Contingent Liabilities	<p>The Authority has taken the following measures to mitigate against crystallization of the above contingent liabilities. a) Negotiations and mediation for an amicable settlement. b) Engagement of lawyers. c) Regular follow up of the matters d) Land Matters- the involvement of National Land Commission and other agencies in land issues have reduced the land</p>	partially Addressed	Continuous
Other Matter				

		OAG Observation 2021-2022	Management Response	Addressed / Not Addressed	Timeline
1		Budgetary Control and Performance	<p>a) The correct figures for original and final expenditure budget was Kshs 10,894,702 which was revised to Kshs 12,797,662.</p> <p>b) The Authority revised the budget (revenue and Expenditure) estimates for the year considering the recoveries made after COVID-19 effect. Approval documents are available for review.</p>	Addressed	N/A
UnAddressed Prior Year Matters					
1		Stalled Projects			
		Asset Description			
		Malindi Land Acquisition	The Amount relate to payment received and paid to NLC to pay squatters for their investment on the land that KAA intended to acquire through compulsory acquisition. The cost shall be capitalised as per IAS 16 once the project is completed, this will be after the payment of land owners and title deeds transferred in the name of Authority.	Not Addressed	INPROCE SS
		World Bank Loan Interest (AUC)-Loan No.4926			
		Consultancy Service -Runway Design MIA	The cost relate to consultancy service and borrowing cost for MIA project which has since been capitalised	Addressed	N/A
		Consultancy Design (AGL)-MIA			
		Consultancy Services Water -MIA	The designs are valid and will be applicable during implementation of water reticulation and sewerage disposal. Authority is sourcing for funds to continue with the next phase	Not Addressed	
		New Greenfield Terminal	The costs relate to consultancy services and other payments to contractor for work done. The mediation process has been concluded and approved by cabinet. The cost has been written off with other GFT expenses.	Addressed	N/A
		New Greenfield Terminal-JKIA			

	OAG Observation 2021-2022	Management Response	Addressed / Not Addressed	Timeline
	Total			
2	Irregular Payment of Allowances	Management has communicated about this irregularity to the concerned staff and advised on the cessation of the same. However, the issue will be re-looked into as some of the overtime for instance at JKIA was incurred on operational reasons is under review.	Not Addressed	Dec 2023
3	Payment of Acting Allowance for More than Six Months	The eleven (11) staff acted for more than six months since there was an embargo on recruitment and populating the organization structure. The Authority's HR Instruments had not been approved by State Corporations Advisory Committee(SCAC) and thus the positions could not be filled up substantively. However, the positions were advertised on 8th August, 2023, some have since been filled while.	Not Addressed	In Progress
4	Irregular Management of Leave Days	The forty-seven (47) staff failed to avail themselves for annual leave of their own volition, and despite there being no underlying exigencies of work declared in their sections. In accordance with the Authority's HR Policies and Procedures Manual, the unutilized leave remains forfeited as laid down in policies and procedures in human resource practice.	Addressed	N/A
5	Irregularities in Recruitment of Security Personnel	The names that were removed from the list were for the candidates that had not met the minimum requirements as per the set criteria. The removed names were replaced with the candidates that had met the criteria and were best ranked as per the interview results. The matter was investigated by Ethics and Anti – Corruption Commission which confirmed that in replacement of the names, there was no malpractice and the same was done as per the criteria set.	Addressed	
6	Anomalies in Project Implementation			

	OAG Observation 2021-2022	Management Response	Addressed / Not Addressed	Timeline
6.1	Proposed Refurbishment of Terminals 1B and 1C at Jomo Kenyatta International Airport	Refurbishment works were scoped and KAA provided a budgetary allocation of Kshs. 1.435 billion in the 2019/2020 budget with a provision in the revised 2019/2020 budget of Kshs.235 million and Kshs.665 million in the 2020/2021 Financial Year budget.		
		Treasury had granted an approval for the works implemented at a cost of Kshs.1.2 billion, creating a shortfall of Kshs.235 million.		
		The Project Team therefore had to consider works originally scoped as part of this project that could be handled later to fit the approved budget. HVAC and waterproofing were some of the items that had to be dropped.		
		When the works began came it became apparent that Waterproofing and HVAC works that were earlier dropped needed to be carried out at an estimated cost of Kshs.169 million (ex-VAT) for the building to operate optimally.		
		The project was tendered with an Engineer's Estimate of Kshs.1.2 billion but the works was awarded at a cost of Kshs.963 million which provided a surplus of Kshs.237 million of the already approved budget of Kshs.1.2 billion. This covered for the Waterproofing and HVAC works	Addressed	
		The omission of HVAC system on Level 0 was by design in a bid to promote sustainable design through the use of Natural Lighting and Ventilation towards adoption of 'Green Building' design. Double tinting of the glass around the Atriums was done to mitigate against the earlier experienced high temperatures. Having reviewed the electrical and electronics systems and equipment in readiness for operations in both Terminals T1B and 1C, the additional works were similar and hence were to be procured using direct procurement having met the requirements of section 103(2)(d) of the PPDA (2015).		

	OAG Observation 2021-2022	Management Response	Addressed / Not Addressed	Timeline
		A separate budgetary re-allocation from the JKIA Maintenance budget in the 2020/2021 Financial Year was used to finance the works.		
		The defective works on the floors and ceilings in Level 1 noted earlier were due to the works done by third party retailers as they were doing their fit-outs and the works have since been completed and the defective works restored with full operations ongoing in the terminals.		
		The lifts to the smoking area has been repaired and is functional.		
6.2	Maintenance of Tango Access Roads JKIA	The road is a gravel road whose works involved bush clearing, grading, drainage improvement and surface improvement with hardcore fill layer. Gravel roads require regular routine maintenance after every rainy season. The works were completed, inspected and accepted in April 2022. By the date of the Audit (on 7th February 2023) the roads had been exposed to two rainy seasons (11 months duration) while in use thus were subject to deterioration and naturally will develop potholes. The Authority is however undertaking routine maintenance of this road to keep it motorable.	Addressed	N/A
6.3	Pavements Rehabilitation at Moi International Airport	The Contractor terminated the Contract and demobilized from site on 13th October 2021. Disputes regarding the project were escalated to arbitration and the parties have asked the tribunal for a stay of proceedings in view of resolving the matter amicably. Negotiations are ongoing and if parties reach an agreement, the matter shall be closed by end of 29th February 2024. Tender documents for the remaining works have been finalized and a contractor is to be procured to complete the project and repair the defective works. Funding has been factored in the proposed revised budget of 2023/24 FY..	Not Addressed	2024/25
6.4	Stalled Refurbishment of the Freight Terminal Building at Moi International Airport – Mombasa	The project CIT reconsidered the termination after the Contractor resumed works, however the contractor was paid for work done and charged liquidated damages for delays as per the contract. Currently the work is at 85% and terminal process is underway.	Not Addressed	2024/25

		OAG Observation 2021-2022	Management Response	Addressed / Not Addressed	Timeline
6.5		Perimeter Wall Fencing at Moi International Airport	Scoping and tender documentation were done and finalized in March 2020. Tendering was however affected by the emergence of COVID -19 later that month, as austerity measures were put in place to secure the operations of the Authority due to the reduced operations, one of which was to halt procurement of new projects. Subsequently, the fencing works were included in the Pavements and AGL Rehabilitation project by SOGEA/Razel BEC JV. The Contract was however terminated by the Contractor and KAA is preparing tender documents to procure another Contractor to complete the works. Funding for the project is included in the approved budget of 2023/24 FY. There are also land encroachment at this section that need to be Addressed before the project commences.	Not Addressed	June 2024
6.6		Proposed Construction of Security Fence at Ukunda Airstrip	The project is 90% complete. As noted in the audit, the remaining areas had not been completed due to encroachment and protracted land disputes by the community. The community had filed a matter of land ownership at the Environment and Land Court of Kwale. To unlock the stalemate, NLC initiated tripartite negotiations with the community to settle the matter out of Court. However, the community declined. To safeguard the Authority against litigation and claims by the Contractor for idle time due to restricted access to site, the project was closed and Contractor released pending resolution of the ownership matter. The Court on 31st March 2023 issued a determination on the matter in favour of KAA. The remaining section of the works (about 500m length) will now be budgeted for in the revised 2023/24 FY. There are permanent houses/ encroachment on the remaining section that needs to be Addressed to enable works at the remaining section to be completed.	Not Addressed	JUNE 2024
6.7		Phase I of the Proposed Emergency Works, Rehabilitation of Turnpad and Pavement Markings at Eldoret International Airport	The works were procured directly due to urgency to repair the pavement as the affected sections we being used by cargo aircraft. A contractor based in the locality was identified for quick mobilization.	Addressed	
			Turning pad – This was reconstructed and is performing well.		
			Painting and marking – this was re-marked		
			Containerized office – This was provided.		

	OAG Observation 2021-2022	Management Response	Addressed / Not Addressed	Timeline
		Performance Guarantee – This was extended to 13 July 2023 covering the entire contract period.		
6.8	Proposed Alteration to Stem Rainwater Ingress into Passenger Terminal Building	KAA regrets the delays experienced in the project owing to poor performance of the Contractor. Opinion on termination was sought from the Office of the Attorney General in September 2022 and we await to be guided. There is high probability that OAG will affirm our proposal to terminate after which KAA shall procure a contractor to remedy the defects and complete the works.	Not Addressed	2023/2024
Basis for Conclusion				
1	Electronic Point of Sale (ePOS) at Jomo Kenyatta International Airport (JKIA)	The ePOS system integration to the KAA ERP system by Ms. Eastr Solutions Limited was done in 2022 and performance reports are now available in KAA ERP. This was however interrupted by the recent cyber incident that affected Authority's ERP systems and restoration of the integration is ongoing and shall be completed by 30th November 2023.	Not Addressed	JUNE 2024
2	Cargo Concession Revenue	The Authority has made a formal request to the Kenya Revenue Authority to be granted access to their Integrated Customs Management System (ICMS) that will enable KAA view cargo movement real-time. A couple of meetings have been held by a team, formed to look at the modalities of actualizing this request, with the latest communication on 6th October 2023.	Not Addressed	JUNE 2024
3	Vulnerability of the Power House at Eldoret International Airport	The following measures have been put in place to protect the power house: a) The Power House is now under lock and key controlled by the Officer In Charge (OIC) Engineering b) Access to the Power House yard is controlled by KAA Security. c) The Authority has established a log book for access control and record	Addressed	N/A

APPENDIX II -PROJECTS UPDATE – JUNE, 2023

Ref	Name of Project	Project cost	Total expenditure to date	Progress to Date	budget	Source of funds
1)	Proposed Waterproofing and HVAC at Terminal IB and IC at JKIA	175,036,826.10	Amount Certified to Date: Kshs. 169,497,809.10	Percentage Completion: 100%	Budget Provision FY 2021-2022: Kshs. 175M	KAA
2)	Proposed Replacement of Existing Thermoplastic Polyolefin (TPO) Roofing Covering at TIB & C LEVEL Zero AT JKIA	63,600,600	Amount Certified to Date: Nil	Percentage Completion: 40%	Budget Provision FY 2022-2023: Kshs. 70M	KAA
3)	Proposed Supply, Installation and Commissioning of Electrical Works for Terminal IB and IC at JKIA	269,374,014.48	Amount Certified to Date: Kshs. 253,377,392.92	Percentage Completion: 98%	Budget Provision FY 2021-2022: Kshs. 270M	KAA
4)	Rehabilitation of Apron Pavements at JKIA	265,950,358	Amount Certified to Date: Kshs. 147,596,947.76	Percentage Completion: 80%	Budget Provision FY 2019-2020: Kshs. 500M	KAA
5)	Replacement of 11KV Technical Ring Switchgear and low voltage boards at SSM, cargo, HQ and technical ring electrical substations at JKIA	199,979,023.30	Amount certified to Date: Kshs. 174,796,034.22	Percentage Completion: 95%	Budget Provision FY 2019-2020: Kshs. 200M	KAA

Ref	Name of Project	Project cost	Total expenditure to date	Progress to Date	Budget	Source of funds
6)	Replacement of the two (2No) old 1400 KVA Blackstone Generators at M-Station with two new 2MVA generators at JKIA	162,360,078.00	: Amount Certified to Date: Kshs. 110,365,764.00	Percentage Completion: 90%	Budget Provision FY 2019-2020: Kshs. 150M	KAA
7)	Supply and Installation of Electrical Cables and Jointing Kits to Various Substations at JKIA.	5,954,645	Amount Certified to Date: Nil	Percentage Completion: 95%	Budget Provision FY 2019-2020: Kshs. 5,954,645	KAA
8)	Direct Procurement for Supply & Replacement of Taxiway Lighting Fittings and Damaged Signage at JKIA.	€ 956,559.42	Amount Certified to Date: Nil	Percentage Completion: 0%	Budget Provision FY 2019-2020: Kshs. 140M	KAA
9)	Contract for Consultancy Services of Gap Analysis & Implementation of: Integrated EBS Management System ISO: 14001:2015, ISO: 45001:2018 at JKIA & MIA: & Airport Carbon Accreditation Level 2 at JKIA MIA, KIA and EIA.	17,963,107.85	Amount Certified to Date: Nil		Budget Provision FY 2022-2023: Kshs. 17,963,107.85	KAA
10)	Proposed Fencing work at JKIA:	Kshs 21,578,130.00	Amount Certified to Date: Kshs. 19,438,340.40	Percentage Completion: 98%	Budget Provision FY 2020-2021: Kshs. 25M	KAA

Ref	Name of Project	Project cost	Total expenditure to date	Progress to Date	budget	Source of funds
11)	Proposed Musa gate Access Road and Civil Works at JKIA	Kshs. 32,990,000	Amount Certified to Date: Kshs. 9,380,081.47	Percentage Completion: 95%	Budget Provision FY 2021-2022: Kshs. 30M	KAA
12)	Pavements Rehabilitation at MIA:	Kshs. 7,008B	Amount Certified to Date: Kshs. 5,411,498,398.31	Percentage Completion: 91.7	Budget Provision FY 2019-2020: Kshs. 7B	AFD/KAA
13)	Proposed Refurbishment of the Freight Terminal Building at MIA:	Kshs. 18,420,325.00	Amount Certified to Date: 11,389,750.00	Percentage Completion: 68%	Budget Provision FY 2020-2021: Kshs. 20M	KAA
14)	Proposed construction of Crisis/Emergency Operations Centre at MIA:	Kshs. 13,995,131.66	Amount Certified to Date: Nil	Percentage Completion: 0%	Budget Provision FY 2020-2021: Kshs. 15M	KAA
15)	Proposed Enhancement of the Arrivals and Departures Lounges, Grade Parking, Construction of the Mezzanine Floor and Pedestrian Walkways at KIA:	Kshs. 240,240,249.12	Amount Certified to Date: Kshs. 240,087,611.87	Percentage Completion: 100%	Budget Provision FY 2021-2022: Kshs. 250M	KAA
16)	Proposed Alterations to Stem Rainwater Ingress into Passenger Terminal Building at KIA:	Kshs. 15,699,840.20	Amount Certified to Date:	Percentage Completion: 96.5%	Budget Provision FY 2019-2020: Kshs. 15M	KAA

Ref	Name of Project	Project cost	Total expenditure to date	Progress to Date	Budget	Source of funds
			Kshs. 7,446,086.44			
17)	Maintenance & Repair of Airfield Ground Lighting (AGL) Control Panel Equipment at Kisumu International Airport:	€ 38,420.21	Amount Certified to Date: € 7,373.27 - Advance payment which is 20% of contract sum	Percentage Completion: 0%	Budget Provision: € 30,000	KAA
18)	Replacement of AGL Cables and Accessories at EIA:	US\$ 720,993.64 and Kshs. 64,983,524.81/-	Amount Certified to Date: US\$ 132,754.44 Kshs. 11,965,220.44 -	Percentage Completion: 4%	Budget Provision FY 2022-2023: Kshs. 150M	KAA
19)	Proposed Emergency Works, Rehabilitation of turn-pad and Pavement markings (Phase I) at EIA:	Kshs. 93,060,219.00	Amount Certified to Date: Kshs. 8,910,497.08	Percentage Completion: 100%	Budget Provision FY 2022-2023: Kshs. 94M	KAA
20)	Proposed Refurbishment of VIP Lounge at Malindi Airport:		Amount Certified to date: Kshs. 2,216,849.20	Percentage Completion: 96%	Budget provision Kshs. 20M	KAA

Ref	Name of Project	Project cost	Total expenditure to date	Progress to Date	budget	Source of funds
21)	Fencing of acquired land Kwa-chocha at Malindi Airport:		Works Amount Certified to date: Kshs. 25,041,990.14	Percentage Completion: 97%	Budget provision Kshs. 28,868,123.08	GOK
22)	15KVA Centralized UPS & AVR at Malindi Airport:	Kshs. 3,997,920.00	Amount Certified to date: Kshs. 2,122,800	Percentage Completion: 95%	Budget provision Kshs. 4M	KAA
23)	Proposed Construction of Cargo Processing Facility at Isiolo International Airport:	Kshs. 20,983,495.50 Kshs. 3,349,119 - (Associated Electrical & Mechanical works	Amount certified to Date: Kshs. 15,843,915.68	Percentage Completion 93% - Building & Civil Works. 65% - Associated Electrical & Mechanical works	Budget Provision 2021-2022: Kshs. 25M	GOK
24)	Construction of Aircraft Pavements at Lanet Airstrip Phase I:	Kshs. 445,372,402.36	Amount certified to date: Kshs. 253,191,419.14	Percentage Completion: 80%	Budget provision Kshs. 400M	GOK

Ref	Name of Project	Project cost	Total expenditure to date	Progress to Date	budget	Source of funds
25)	Proposed Construction of Passenger Terminal Building at Lanet Airstrip Phase I(b):	Kshs. 99,551,486	Amount aCertified to date Kshs. 17,737,952.00	Percentage Completion 32%	Budget provision 2021-2022 Kshs. 100M	GOK
26)	Nanyuki Civil Airstrip:	KShs. 329,853,680.94	Amount Certified to Date: Kshs. 171,380,026.31	Percentage Completion 81%	Budget provision 2020-2021 Kshs. 350M	GOK
27)	Proposed Rehabilitation of Terminal Building at Wajir International Airport:	Kshs. 41,714,047.76	Amount and percent Certified to date Kshs 26,777,186.73	Percentage Completion 98%	Budget provision 2022-2023 Kshs. 40M	GOK
28)	Reconstruction of Taxiway and Apron at Manda Airport:	Kshs. 121,726,189	Amount Certified to date Kshs. 67,339,500.28	Percentage Completion 73.5% - Works		KAA
		Kshs. 18,696,343.45	Amount Certified to date Kshs. 1,696,343.45	45% - Logistics		KAA
29)	Completion of Security Fence at Manda Airport:	Kshs. 17,176,747.56		Percentage Completion		GOK

Ref	Name of Project	Project cost	Total expenditure to date	Progress to Date	budget	Source of funds
			Amount Certified to date Kshs. 13,204,823	100%		
30)	Proposed 200m Runway and Apron Extension at Ukunda Airstrip:	Kshs. 173,702,292.96	Amount Certified to date: Kshs 89,139,550.29	Percentage Completion: 54%	Budget provision Kshs. 185M	Tourism Promotion Fund
31)	Proposed Pavements Rehabilitation Works at Kakamega Airstrip	174,715,461.90	Amount Certified to date Kshs. 174,419,034.57	Percentage Completion 100%	Budget provision 2021-2022 Kshs. 80M Budget provision 2022-2023 Kshs. 90M	
32)	Proposed VIP Lounge at Nyaribo Airstrip at Nyeri:	Kshs. 39,920,629.12	Amount Certified to date Kshs. 24,460,792.48	Percentage Completion 89%	Budget provision Kshs. 40M	GOK
33)	Rehabilitation of Bute Airstrip at Wajir:	Kshs. 42,800,081.35	Amount and percent Certified to date Nil	Percentage Completion 0%	Budget provision 2022-2023 Kshs. 50M	GOK
34)	Rehabilitation of Kapenguria Airstrip:	Kshs. 28,407,840.30	Amount Certified to date: NIL	Percentage Completion: 5%	Budget provision Kshs. 33M	GOK

Ref	Name of Project	Project cost	Total expenditure to date	Progress to Date	budget	Source of funds
35)	Rehabilitation of Tseikuru Airstrip (Phase II):	Kshs. 77,443,582.79	Amount Certified to date: NIL	Percentage Completion: 0%	Budget provision 2022-2023 Kshs. 85M	GOK
36)	Rehabilitation of Marsabit Airstrip:	Kshs. 61,257,506.20	Amount Certified to date Kshs. 23,041,335.20	Percentage Completion 70%	Budget provision 2022-2023 Kshs. 70M	GOK
37)	Proposed Rehabilitation and Expansion of Angama (Olkurruk) Airstrip (Phase I):	Kshs. 243,933,563.51	Advance Payment: Kshs. 21,934,387.00 Amount Certified to date Kshs. 41,704,491.86	Percentage Completion 31.2%	Budget provision 2022-2023 Kshs. 128M	GOK
38)	Proposed Land Acquisition for the Expansion of the Airstrip at Kabunde Airstrip:	Works Contract Contract Price: TBA	Certified to date Nil	Percentage Completion 30%	Budget provision 2022-2023 Kshs. 128M	GOK

Ref	Name of Project	Project cost	Total expenditure to date	Progress to Date	budget	Source of funds
39)	Runway rehabilitation Phase II at Lokichoggio Airport:	Kshs. 281,041,000	Advance Payment: Kshs. 26,765,849.10 Amount Certified to date Kshs. 79,394,198.23	Percentage Completion 34.5%	Budget provision 2021-2022 Kshs. 280M	GOK

APPENDIX III : Additional Information**Five year Financial and Statistical Records**

	2018/2019 020 (*Restated)		2020/2021	2021/2022	2022/2023
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
Aeronautical Revenue					
Landing and Parking	3,413,243	2,903,830	2,375,671	3,268,587	3,926,973
Airbridge Charges	227,271	162,941	132,965	212,613	267,167
Fuel Uplift	312,807	261,354	193,505	251,572	288,493
Other Aeronautical Revenue	10,370	6,430	3,549	9,745	12,579
Rentals	985,719	1,019,531	876,281	961,938	982,884
Concessions	2,329,149	1,761,239	1,388,677	1,908,310	2,504,250
Other Non aeronautical revenue	103,593	89,337	261,897	86,682	75,323
Airport Passenger Service Charge	7,655,347	5,868,102	2,194,152	5,517,493	7,883,351
Total Operating Revenue	15,037,498	12,072,765	7,233,193	12,216,940	15,941,021
Other Revenue					
Other income	318,335	348,426	182,552	170,679	178,644
Amortisation income	857,549	840,753	974,239	900,715	900,882
Financial Income	496,466	318,124	52,318	(247,548)	(1,386,890)
	16,709,849	13,580,068	8,442,302	13,040,785	15,633,656
Financial Costs	464,634	490,389	440,660	651,287	734,756
Staff Costs	4,691,259	5,681,244	4,649,295	4,805,090	5,530,399
Other Administrative expenses	3,317,939	2,707,823	7,733,356	3,042,560	3,577,153
Repairs and Maintenance Expenses	786,204	860,263	753,275	776,831	1,080,145
Depreciation and Amortization Expenses	3,273,507	2,914,251	2,821,172	2,763,189	3,064,847
Other Costs	34,476	41,051	9,329	19,917	5,358,459
	12,568,019	12,695,020	16,407,086	12,058,875	19,345,758
Profit Before Tax	3,829,022	885,047	(7,964,784)	981,911	(3,712,102)
Taxation	(784,805)	(595,719)	1,291,777	(938,583)	(492,213)
Profit After Tax	3,044,217	289,328	(6,673,007)	43,328	(4,204,315)

APPENDIX IV: Additional Information (Continued)**Five year Financial Performance**

	2017/2018	2018/2019	19/2020 (*Restat)	2020/2021	2021/2022	2022/2023
	KSHS'000	KSHS'000	KSHS'000	KSHS'000	KSHS'000	KSHS'000
ASSETS & LIABILITIES:-						
Non-Current Assets						
Property, Plant and Equipment	50,360,119	49,207,591	49,194,863	52,420,326	51,455,247	1,029,642,388
Intangible Assets	484,567	199,276	156,371	111,916	37,139	16,312
Operating Lease	-	-	-	-	-	-
Total Non-Current assets	50,844,686	49,406,867	49,351,234	52,532,242	51,492,386	1,029,658,699
Current Assets						
Inventories	128,894	107,655	102,146	90,954	105,353	120,763
Trade and Other Receivables	14,321,565	16,334,627	16,222,417	12,497,039	12,493,254	11,757,140
Reserve Account	2,324,107	2,521,401	2,528,263	728,038	289,838	2,970,254
Cash and Cash Equivalents	11,791,943	15,006,891	7,452,617	4,778,236	6,446,050	6,970,488
Airstrips Fund Cash Balance	2,301,414	2,062,287	2,794,578	2,193,600	2,473,782	2,360,574
Deferred Tax Asset	545,126	17,489	226,237	156,385	-	-
Total Current assets	31,413,051	36,050,351	29,326,258	20,444,252	21,808,278	24,179,219
TOTAL ASSETS	82,257,737	85,457,217	78,677,492	72,976,495	73,300,664	1,053,837,919
EQUITY AND LIABILITIES						
Capital and Reserves						
Government Grant	18,158,970	17,800,388	17,642,284	17,399,655	16,780,395	16,259,916
Revaluation Reserve	988,739	989,839	989,839	989,839	989,839	981,408,540
Retained Earnings	43,383,699	46,299,910	38,930,051	33,044,685	33,091,914	28,887,717
Other Comprehensive Income	-	-	-	-	2,497	-
Capital and Reserves	62,531,408	65,090,138	57,562,175	51,434,180	50,864,646	1,026,556,173
Non- Current liabilities						
Airstrip Fund	2,301,414	2,062,287	2,794,578	2,193,600	2,473,782	2,360,574
Long Term Loans	8,996,746	9,141,867	10,166,716	12,034,359	11,923,240	13,250,548
Deferred Tax Liability	-	-	-	-	130,461	1,751,356
Total Non-Current Liabilities	11,298,161	11,204,154	12,961,294	14,227,959	14,527,483	17,362,478
Current Liabilities						
Trade and Other Payables	5,279,334	6,480,985	5,044,394	3,521,657	4,394,290	6,272,207
Current Portion of Long Term Loan	821,501	811,660	974,065	1,024,307	1,053,837	1,422,338
Provisions for Liabilities and Charges	2,327,331	1,870,278	2,135,564	2,768,392	2,460,408	2,224,721
Total Current Liabilities	8,428,167	9,162,924	8,154,022	7,314,356	7,908,535	9,919,266
TOTAL EQUITY AND LIABILITIES	82,257,736	85,457,216	78,677,491	72,976,494	73,300,664	1,053,837,918

APPENDIX V: Additional Information (Continued)

Five year Operational Statistics

Aircraft (No.)

Airport/Airstrip	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Jomo Kenyatta Int. Airport	114,201	91,968	57,905	86,119	99,279
Moi Int. Airport	28,364	21,628	15,875	23,946	26,956
Eldoret Int. Airport	9,118	6,888	5,852	7,604	6,328
Wilson Airport	99,891	72,938	65,512	86,641	88,599
Kisumu Int. Airport	11,255	8,046	6,640	11,998	10,924
Malindi Airport	12,981	9,083	7,641	12,237	14,722
Lokichoggio Airport	1,746	1,269	971	1,255	813
Wajir Airport	11,653	10,432	4,024	3,715	6,577
Manda Airstrip	6,299	4,083	3,355	4,998	3,768
Ukunda Airstrip	12,451	7,519	4,885	9,059	9,000
Isiolo Airport		526	272	271	388
Other Airstrips**	15,197	12,082	7,829	11,382	14,091
Total	323,156	246,462	180,761	259,225	281,445

Passengers (No.)

Airport/Airstrip	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Jomo Kenyatta Int. Airport	8,123,681	6,187,601	2,563,491	5,398,201	7,395,105
Moi Int. Airport	1,551,502	1,176,239	646,498	1,193,545	1,482,047
Eldoret Int. Airport	262,662	204,362	164,142	273,212	265,743
Wilson Airport	911,959	577,922	383,953	753,264	778,555
Kisumu Int. Airport	505,098	358,184	298,189	543,685	538,545
Malindi Airport	181,660	128,547	133,308	242,690	230,481
Lokichoggio Airport	4,786	2,901	898	1,339	997
Wajir Airport	115,836	112,981	51,296	65,906	60,873
Manda Airstrip	121,641	74,795	61,724	104,435	95,029
Ukunda Airstrip	188,676	128,198	126,683	242,344	197,476
Isiolo Airport	-	922	541	784	1,125
Other Airstrips**	117,622	86,772	43,072	73,541	101,820
Total	12,085,123	9,039,424	4,473,795	8,892,946	11,147,796

Freight (Kgs)

Airport/Airstrip	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Jomo Kenyatta Int. Airport	350,818,919	335,989,918	342,728,719	366,154,468	367,229,796
Moi Int. Airport	4,638,373	1,478,439	1,475,494	2,675,182	2,151,347
Eldoret Int. Airport	12,079,467	13,128,281	12,879,372	11,237,071	8,296,158
Wilson Airport	591,402	87,892	-	-	83,428
Kisumu Int. Airport	-	-	-	1,522	-
Lokichoggio Airport	-	-	-	76,333	99,610
Isiolo Airport	-	700	15,325	12,401	-
Total	368,128,161	350,685,230	357,098,910	380,156,977	377,860,339

** Kitale, Lodwar, Eldoret, Kahumle, Kakamega, Nanyuki & Migori

KENYA AIRPORTS AUTHORITY ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
JUNE 30, 2023

APPENDIX VI: Additional Information (continued)

Detailed analysis of the cash and cash equivalents				
			30th June 2023	30th June 2022
RESERVE ACCOUNTS				
			Kshs.	Kshs.
Name of the Bank	Bank Account Number	Currency		
BBK RES Current (USD) Main A/C-0500000340	0500000340	USD	1,689,092,470	-
ABSA KENYA(USD) Main A/C -2021464654	2021464654	USD	491,491,159	607,840
ABSA D/SERVICE Current (USD) Main A/C-2021464751	2021464751	USD	123,031	164,430
ABSA RES Current (USD) Main MIA A/C-2032129067	2032129067	USD	80,463,216	372,584
ABSA D/SERVICE Current(\$)/MIA Main A/C-2032129091	2032129091	USD	697,497	1,007,743
ABSA Current(\$)/Main MIA A/C-2032129156 OPERATIONAL	2032129156	USD	78,092	498,349
BB PARIS RESERVE USD (MIA)-0050000342	0500000342	USD	1,200,154,293	287,795,379
k			3,462,099,758	290,446,324
TREASURY BILLS				
CENTRAL BANK OF KENYA	Treasury Bills	KES	2,229,813,000	2,015,407,000
SHORT TERM DEPOSITS				
Name of Bank	Type and tenor of deposit	Currency		
HF COMPANY OF KENYA	CALL	KES	243,632,352	175,044,141
HF COMPANY OF KENYA	MORTGAGE	KES	658,532,533	722,394,925
ABSA KENYA	Fixed Deposit	USD	573,720,233	
NCBA	Fixed Deposit	USD	-	1,120,248,839
KENYA COMMERCIAL BANK	Fixed Deposit	USD	926,472,468	425,809,707
NATIONAL BANK OF KENYA	Fixed Deposit	USD	548,534,792	898,503,681
EQUITY BANK	Fixed Deposit	USD	-	930,113,405
BARCLAYS BANK KENYA	Fixed Deposit	USD	573,720,233	
TOTAL			3,524,612,612	4,272,114,698
CASH AT HAND AND BANK				
Name of the Bank	Bank Account Number	Currency		
ABSA KENYA	2022988088	KES	220,200,561	114,388,241
NATIONAL BANK OF KENYA	02003058234700	USD	83,369,216	50,083,451
KENYA COMMERCIAL BANK	1108348521	KES	2,375,836	4,088,912
KENYA COMMERCIAL BANK	1128430460	USD	1,118,359	979,899
CITIBANK	300090001	KES	369,233,052	241,617,902
CITIBANK	300090012	USD	1,384,961,892	100,095,492
CITIBANK - JKIA	300090613	KES	16,908,604	19,895,609
CITIBANK - MIA	300090621	KES	1,001,500	1,001,500
STANDARD CHARTERED BANK	0104098894801	KES	130,753,819	458,367,051
CASH IN HAND		KES	(26,839)	79,864
CASH IN HAND		USD	(336,063)	-
TOTAL			2,942,289,533	1,828,041,853

