KAA Kenya Airports Authority

AUDITED

FINANCIAL STATEMENTS

FOR FINANCIAL YEAR

2009/ 2010.

KENYA AIRPORTS AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2010

CONTENT **PAGE**

BOARD OF DIRECTORS AND COMMITTEE MEMBERS

Hon. Martin Wambora (Appointed on 8th Jan 2010)	Chairman
Mrs Catherine Kuria	Director
Mr. Kibuchi Muriithi	Director
Mr. George Muhoho (Retired on 2nd April 2010)	Managing Director
Eng. Stephen Gichuki (Appointed on 23rd April 2010)	Managing Director
Mr Hassan Kulow	Director
Mr Joseph Denar	Director
Mr. Macharia Njeru (Appointed on 10th July 2009)	Director
Dr. Eng. Cyrus Njiru PS Ministry of Transport	Director
Mr. Francis Kimemia PS Office of the President Internal Security & Provincial Administration	Director
Mr. Joseph Kinyua PS Ministry of Finance	Director
Mr Aggrey Busena Internal Security & Provincial Administration	Alternate Director
Mrs. Beatrice Gathirwa Ministry of Finance	Alternate Director
Mrs. Philomena Koech Ministry of Transport	Alternate Director

BOARD OF DIRECTORS AND COMMITTEE MEMBERS (CONTINUED)

STAFF COMMITTEE
Macharia Njeru – Chairman
Catherine Kuria
Hassan Kulow
Managing Director
Permanent Secretary, Ministry of Transport
Permanent Secretary, Office of the President

FINANCE COMMITTEE
Catherine Kuria – Chairperson
Macharia Njeru
Managing Director
Permanent Secretary, Ministry of Finance
Permanent Secretary, Ministry of Transport

TECHNICAL COMMITTEE
Joseph Denar – Chairman
Kibuchi Muriithi
Managing Director
Permanent Secretary, Office of the President

AUDIT COMMITTEE
Kibuchi Muriithi – Chairman
Hassan Kulow
Managing Director
Permanent Secretary, Ministry of Finance
Permanent Secretary, Ministry of Transport

COMPANY INFORMATION

Incorporation
Kenya Airports Authority is a body corporate in Kenya under the Kenya Airports Authority Act Cap 395, and is domiciled in Kenya .The address of the registered offices are set out on page 1.

Principal Activities
The principal activities of Kenya Airports Authority are:

i) To construct, operate and maintain aerodromes and other related facilities on an agency basis on the request of any Government, or if the works is necessary or desirable for the purposes of the authority and to control such construction and use of prescribed aerodromes
ii) In addition, it provides such other amenities or facilities for passengers and other persons making use of the services or facilities provided by the Authority as may appear to the Board necessary or desirable and to carry out any business that may be necessary or desirable for the purposes of the Authority and act as agent for the Government in the provision of any agreed functions.

Registered Office

Kenya Airports Authority Headquarter
Airport North Road
P. O. Box 19001-00501
NAIROBI
Tel: 6611000/6612000
Fax: 822078

BRANCH NETWORK
Jomo Kenyatta International Airport
P. O. Box 19087-00501
NAIROBI
Tel: 822111
Fax: 822930

Moi International Airport
P. O. Box 93004
MOMBASA
Tel: 041-43321/432212
Fax: 434434

COMPANY INFORMATION (CONTINUED)

Eldoret International Airport
P. O. Box 2323
ELDORET
Tel: 053-63377/63844/5
Fax: 61337

Kisumu Airport
P. O. Box 13
KISUMU
Tel:057- 41976

Lokichoggio Airport
P. O. Box 88
LOKICHOGIO
Tel: 054-32266

Wilson Airport
P. O. Box 19005
NAIROBI
Tel: 501941/2/3

Malindi Airport
P. O. Box 67
MALINDI
Tel:042-31201
Fax: 20806

Kitale Airstrip
P. O. Box 1718
KITALE
Tel: 054- 31017

Wajir Airport
P. O. Box 512
WAJIR
Tel: 046-421019

Ukunda Airstrip
P. O. Box 139
KWALE
Tel: 040-3202126

COMPANY INFORMATION (CONTINUED)

Manda Airstrip
P. O. Box 167
LAMU
Tel: 042-633018

Corporation Secretary

Mr. John Tito

Independent Auditor

Auditor General
Kenya National Audit Office
Anniversary Towers
P. O. Box 30084-00100
NAIROBI
Tel: +254-20-335777
Fax: +254-20-330829

Principal Bankers
National Bank of Kenya Limited
Hospital Branch
P. O. Box 30763 00100-GPO Nairobi, Kenya
Tel: +254-020-2724608/2724815/2719123/4
Fax 020-2716248

Barclays Bank of Kenya limited
Enterprise Road Branch
P. O. Box 18060-Nairobi
Tel: +254 –020-530700-1
Fax: 020-543388

Citibank N.A.
Citibank House
Upper Hill Road
P. O. Box 30711 00100-Nairobi.
Tel: +254-020 2711221
Fax: 020-2714811

COMPANY INFORMATION (CONTINUED)

Bank of Africa
Reinsurance Plaza, Taifa Road,
P. O. Box 69562-00400
NAIROBI
Tel: +254 –020-3275000
Fax: 020-214166

Kenya Commercial Bank
Kencom House
P.O.Box 48400-000
NAIROBI
Tel: +254 327000, Fax: 2216405

COMPANY INFORMATION (CONTINUED)

SENIOR MANAGEMENT STAFF

Matthew Wamalwa
Deputy Managing Director

John Thumbi
General Manager-Finance

Ken Kaunda
General Manager-Human Resource Development

Lucy Mbugua
General Manager-Marketing & Business Development

Stanley Mutungi
General Manager-Safety & Security Services

Anthony Wachira
General Manager-Information & Communication Technology

Eng. Philemon Chamwanda
Ag. General Manager-Projects & Engineering Services

Allan Muturi
Manager-Procurement & Logistics

John Tito
Corporation Secretary/Chief Legal Officer

Samson Kimilu
Head of Internal Audit

Henry Ogoye
Head of Corporate Planning

CHAIRMAN'S STATEMENT

Kenya Airports Authority does not leave its future to chance. To this end, we reviewed our Strategic Plan (2010-2014) covering strategic model and thematic areas of focus to benchmark with the best in the World. Thus our new Vision statement is "To be the Airport System Hub of Choice". The corresponding Mission statement is "To facilitate seamless connectivity through provision of efficient and effective airport facilities and services in an environmentally sustainable manner to exceed stakeholder expectations". The Plan focuses on revenue enhancement and cost management; infrastructure and facilities expansion and upgrade; boosting safety and security; business process automation; augmenting employee productivity and retention; environment sustainability; and customer service and corporate image. The activities on infrastructure and facilities expansion and upgrade are as per the National Airport System Plan which was at the final stage by the close of the year. Corporate image incorporates corporate social responsibility meant to strengthen relationships with our business neighbours.

The Board and the Management are passionate about the implementation of the Plan and in the same year signed two loan agreements with Agence Francaise De Developpement (AFD) and European Investment Bank (EIB) towards the expansion and upgrade of facilities at Jomo Kenyatta International Airport. The Government also extended financial support towards the improvement of runway capacity and the construction of new terminal facilities at Kisumu Airport. Projects in other airports also progressed and were at the various stages of implementation. Encroachment of airport land undermines safety and security of airport facilities and community as well as infrastructure expansion. The issue is being addressed with the assistance of the Government.

The Authority participated in business development forums to attract more airline operators. The implementation of the Land use Plan, an output of National Airport System Plan will assist in leveraging commercial revenue sector. Our marketing activities have been recognized globally with Jomo Kenyatta International Airport won the Routes Marketing Award for the African region for the third successive year.

With regard to performance, the Authority was in the very good category with a composite score of 2.1446. No doubt our business partners, stakeholders, the aviation fraternity as a whole and indeed the Authority's own staff have made tremendous contribution towards this performance and I urge them to better this performance.

In conclusion, I wish to retaliate our pursuit of enhanced quality service delivery as envisioned in the Strategic Plan 2010-2014.

HON. MARTIN NYAGA WAMBORA

.... 6/1/11 ....

Chairman, Board of Directors

MANAGING DIRECTOR'S REPORT

Kenya Airports Authority posted positive results in the face of the adverse effects of global recession, in the year under review. Aircraft movements improved by 7.0% to 211,234 from 197,137 recorded in the previous year. Passenger numbers increased by 8.0% to 7.16 million in the same year. The impressive performance resulted from progressive recovery in the tourism industry as exhibited by growth in passenger throughput in the coastal aerodromes. Total cargo handled in the same period, however, dropped by 4.8% to 281 thousand tons due to the effect of global recession in the main export markets in Europe.

On the financial front, a pre-tax profit of Ksh.2, 253 million was realized, reflecting an increase of 49% above the previous year's performance. This was attributable to sound operational performance leading to a revenue growth of 8.5% from Ksh. 5,707 million to Ksh. 6,195 million. Aeronautical revenue improved by 9.4% from Ksh. 4,349 million to Ksh. 4,759 million. Non-aeronautical revenue also improved by 5.8% to Ksh. 1,436 million from Ksh. 1,358 million. Operating expenditure declined by 3.4% from Ksh. 4,070 million to Ksh. 3,934 million attributable mainly to reductions in administrative expenses from Ksh. 1,053 million to Ksh. 977 million and establishment expenses from Ksh. 1,345 million to Ksh. 1,035 million. There was a provision for tax expense for the year of Ksh. 827 million.

Assets and Liabilities

Total assets increased by 6.6% from Ksh.24 billion to Ksh. 25.6 billion on account of work-in-progress on the expansion of the aprons, terminal buildings and allied facilities and cash obtained from the Government for maintenance works of public airstrips. Liabilities, on the other hand, increased by 6.5% from Ksh.4.19 billion to Ksh.4.46 billion due to financial support from the World Bank for projects under the Northern Corridor Transport Improvement Project.

Infrastructure Capacity Improvements

KAA implemented the following projects involving expansion of airport infrastructure and capacity to enhance service delivery:

JKIA Modernization and Upgrading Projects

i) Unit 4 Building and Parking Garage (Package 2)

The contract for construction of Unit 4 and a multi-storey car park costing US$75.5million and financed by KAA, the World Bank and Agence Francaise De Developpement (AFD) was signed with China Aero Technological Engineering Company on 24th May 2010. Works were expected to commence in August 2010 for a period of 21 months under the supervision of Netherlands Airports Consultants.

MANAGING DIRECTOR'S REPORT (CONTINUED)

ii) Aircraft Pavement and Airfield Lighting System

The work involved capacity enhancement through rehabilitation of pavements, provision of additional rapid exit taxiways, improvement of airfield lighting system and instrument landing system (ILS). Request for proposals was finalized. The project is co-funded by the World Bank and Agence Francaise De Developpement (AFD).

iii) Renovation, modification and expansion works on existing facilities (Package 3)

The scope included renovation, modification and expansion works on the ring building which include Terminal Unit 1 (T1) Terminal Unit 2 (T2) Terminal unit 3 (T3) and the arrivals building. The works also include new construction of infill's and separation corridor. Tender documents were expected from Consultant in September 2010 and the works expected to commence in August 2011 for a construction period of 28 months. The project is being financed by the European Investment Bank (EIB).

iv) 2nd runway and associated facilities

Request for proposals on Consultancy for preliminary design and preparation of tender documents for construction of the second runway, a new greenfield terminal and additional remote stands were completed and ready for invitation of consultancy proposals.

Redevelopment of Kisumu Airport

Substantial progress was achieved in re-development of Kisumu Airport, with considerable work having been done on the pavements and terminal facilities. The works are being financed by both KAA and the Kenya Government

Other Airports Projects

Work on the terminal building projects for Malindi Airport and Manda Airstrip were substantially completed while fencing and asphalt works on the pavement and access roads at Wajir Airport were completed in the year.

National Airports System Plan

The final report on the National Airports System Plan including land use plan was awaited by the close of the year.

Rehabilitation of Category 4 Public Airstrips

Works involving runway repairs, fencing, bush clearing and installation of supportive infrastructure such as wind sock and caretaker house were carried out on nine (9) airstrips in the year to spur socio-economic activities and facilitate emergency services in the country. The airstrips were Nyeri- Nyaribo, Mitunguu, New Taveta, Kehancha, Masalani, Garissa, Bomet and Kericho Kerenga.

MANAGING DIRECTOR'S REPORT (CONTINUED)

Automation
Computer hardware and software upgrade plan was implemented. In addition progress was made on the negotiations on the implementation of Common User Terminal Equipment (CUTE).

Service Delivery
Various actions were undertaken to improve service delivery. These included installation of standby generator at Wilson Airport to back up power supply requirements and customer satisfaction surveys at the airports to determine customer requirements. Action on the customer feedbacks received was embarked on including replacement of lounge seats and provision of adequate space for passenger comfort.

Integrity Policy, Code of Conduct, Service Charter and customer complaints tracking system were also finalized in the year, all geared towards enhancing service excellence.

Safety and Security
A total of 800 personnel from airline operators, ground handling companies and KAA were trained on airside safety awareness. Construction of fire shades at Malindi and Manda was in progress.

Human Resources Development
A total of 77 members of staff were trained on management and technical skills. Employee work climate survey was done for purposes of providing feedback to enhance staff welfare while preparations for the implementation of performance management system were finalized. On HIV/AIDS activities, 11 sensitization workshops were held in the year, 484 staff participated in the VCT program and adequate condoms were availed to staff and airport community.

Closing Remarks
I wish to thank our operators for their unwavering support, the Government for providing policy direction, our Board of Directors for their policy guidance and strategic oversight, our development partners for the support and our staff for their dedication to work.

I wish to reiterate our commitment on infrastructure expansion and upgrade and service delivery improvement to meet and exceed our customer and stakeholders' expectations.

ENG. S.M. GICHUKI

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MANAGING DIRECTOR

DIRECTORS' REPORT

The Directors submit their report together with audited financial statements for the year ended 30 June 2010, which disclose the state of affairs of the corporation.

Results
The net profit for the year of Kshs 1,425.687 Million **(2009: KShs 992.485 Million)** has been added to retained earnings.

Directorate
The Directors who held office during the year and to the date of this report are set out on page 2.

By order of the board

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Chairman, Board of Directors

Nairobi........................6/11/11..........**2010**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan 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 company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the Authority keeps proper accounting records, which disclose with reasonable accuracy, the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority.

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

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

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority as at 30th June 2010 and its profit/loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the State Corporations Act Cap 446.

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

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

Approved by the Board of Directors on ....6.1.11.........2010 and signed on its behalf by:

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Chairman, Board of Directors **Board Member**

REPUBLIC OF KENYA

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Website: www.kenao.go.ke

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA AIRPORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2010.

I have audited the accompanying financial statements of Kenya Airports Authority for the year ended 30 June 2010 set out at pages 15 to 38, which comprise the Statement of Financial Position as at 30 June 2010, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, together with a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such 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.

Responsibility of the Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

1. Long Term Loan

As similarly reported in the previous year, the Authority paid Kenya Revenue Authority withholding tax amounting to Kshs.7,668,155 on interest payable against a loan of Kshs.3,186,421,047 (Euros 34,599,359), extended to the Authority by a foreign bank (KBC).

However, and under normal circumstances, such tax ought to have been borne by the bank.

2. Operating Lease

The non-current assets balance of Kshs.21,436,102,000 as at 30 June 2010 includes an amount of Kshs.6,008,752,000 described as operating lease. The operating lease amount however excludes plot No. LR 9042/668 measuring 3.29 acres in Embakasi village which had not been valued for inclusion in the financial statements as at 30 June 2010, as its ownership is apparently in dispute. A further examination of the lease balance revealed the following other unsatisfactory observations:-

(i) An unregistered parcel of land under Ref.KAA-D1-D4 measuring 0.867acres and valued at Kshs.4,335,000 was, as in the previous year, excluded from the balance of Kshs.6,008,752,000.

(ii) An undetermined value of land at Lokichoggio Airport was also excluded from the balance.

(iii) The figure of Kshs.6,008,752,000 includes two parcels of land under Ref. LR.No.13512 and LR.No. 14231 at Jomo Kenyatta International Airport and other unidentified parcels at Wilson Airport, all of which have been allocated to third parties. Additional information indicates that this matter is pending in a court of law.

(iv) The figure of Kshs.6,008,752,000 further includes a portion of Malindi Airport land under LR No.7669 and measuring 0.8925 hectares, allocated to a church organization, but on the other hand, excludes land LR No.8540 measuring 5912.5 sq. ft at the Airport, allocated to a petroleum company.

Under the circumstances, it has not been possible to confirm that the non-current balance of Kshs.21,436,102,000 is fairly stated as at 30 June 2010.

3. Embakasi Housing Scheme

As similarly observed in 2008/2009, the Authority owns 515 housing units at Embakasi Village, out of which 320 units are occupied by former staff of the Authority, Government employees and other un-identified occupants. The Authority took the three categories of tenants to court for non-payment of rent and illegal occupancy. However, and although the court ruled in June 2005 in favour of the Authority, no action appears to have been taken so far to enforce the decision of the court, and to evict the tenants and occupants.

Opinion

Except for the foregoing reservations, in my opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as 30 June 2010 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Kenya Airports Authority Act (Cap. 395 of the Laws of Kenya).

A.S.M. Gatumbu
AUDITOR GENERAL

Nairobi

31 January 2011

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2009/10 Kshs.000	2008/09 Kshs.000
Operating Revenue	4	6,195,182	5,707,133
Other Income/(Expenses)	5	109,626	174,871
Total Revenue		**6,304,809**	**5,882,004**
Financial Costs	6	116,854	303,352
Administrative Expenses	7	2,898,944	2,724,802
Establishment Expenses	7	1,035,334	1,345,520
Total Operatng Expense		**3,934,278**	**4,070,322**
Total Expenses		**4,051,133**	**4,373,674**
Profit/(loss) before tax expenses/income		**2,253,676**	**1,508,330**
Corporation tax	8	(793,391)	(562,978)
Deferred Taxation credit/(charge)		(34,598)	47,132
Tax expense/income		**(827,989)**	**(515,846)**
Profit for the Period		**1,425,687**	**992,485**

The notes on pages 19 to 38 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2010

	Notes	2009/10 Kshs.'000	2008/09 Kshs.'000
REPRESENTED BY:			
Non-current assets			
Property, plant and equipment	12	15,427,350	14,271,785
Intangible Assets	13	-	5,669
Operating lease	14	6,008,752	6,078,461
		21,436,102	**20,355,915**
Current assets			
Inventories	15	97,156	91,778
Trade and Other Receivables	17	1,255,006	1,687,410
Reserve Account	18	390,741	375,248
Cash and cash equivalents	19(a)	1,475,471	534,590
Airstrips Fund Cash Balance	20(b)	952,293	984,830
		4,170,667	**3,673,857**
Current Liabilities			
Trade and other payables	16	1,294,521	1,081,530
Current portion of long term loan	9(a)	331,071	311,836
Provision for liabilities and charges	11	625,243	510,155
		2,250,835	**1,903,521**
Net current assets/(Liabilities)		**23,355,934**	**22,126,251**
EQUITY			
Grants		6,975,678	7,097,081
Revaluation Reserve		1,785,250	1,785,250
Retained Earning		12,381,333	10,955,646
Total Equity		**21,142,261**	**19,837,977**
Non-current Liabilities			
Long Term Loans-KBC Bank	9(a)	331,070	623,676
-World Bank	9(b)	662,029	446,085
Deferred tax liability	10	268,281	233,684
Airstrips Fund	20(b)	952,293	984,830
		2,213,673	**2,288,275**
Total Funds		**23,355,934**	**22,126,251**

The notes on pages 19 to 38 are an integral part of these financial statements.
The financial statements on pages 15 to 38 were approved by the Board of Directors on

..............................6.|.1.|.11.... .....2010 and were signed on its behalf by:

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Chairman, Board of Directors **Managing Director**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Governmant Grants (Note 20 (a))	Revaluation Surplus	Retained Earnings	Total
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
At 1st July 2008				
As previously reported	7,260,723	1,785,250	9,963,161	19,009,134
Prior period adjustments				
As restated	7,260,723	1,785,250	9,963,161	19,009,134
Changes in equity in 2009				
Amortization for the year	(163,642)			(163,642)
Profit/(loss) for the year		-	992,485	992,485
At 30 June 2009	7,097,081	1,785,250	10,955,646	19,837,977
At 1st July 2009				
As previously reported	7,097,081	1,785,250	10,955,646	19,837,977
Prior period adjustments				
As restated	7,097,081	1,785,250	10,955,646	19,837,977
Changes in equity in 2010				
Amortization for the year	(165,388)			(165,388)
Airstrip Funds	43,985			43,985
Profit/(loss) for the year		-	1,425,687	1,425,687
At 30 June 2010	6,975,678	1,785,250	12,381,333	21,142,262

The notes on pages 19 to 38 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2010

	Notes	2009/10 Kshs.'000	2008/09 Kshs.'000
Cash flows from operating activities			
Profit before income tax		2,253,676	1,508,331
Adjustments for:			
Net Depreciation charge		717,260	766,664
Gain on exchange		(100,956)	124,085
Provisions		256,879	
Gain/(Loss) on Insurance Compensation		-	(14)
Write back on provision		-	(30,540)
Provision for Bad debts		10,097	597
Interest Paid		77,717	97,983
Interest received		(52,771)	(93,573)
Operating profit/(loss)before working capital changes		3,161,902	2,373,532
Decrease/(Increase) in :			
Inventories		(5,379)	8,876
Trade and other receivables		144,222	(345,308)
Increase/(Decrease) in :			
Provision for liabilities and charges		115,086	71,638
Trade payables and accruals		139,228	(118,654)
		393,158	(383,447)
Cash generated from operations		**3,555,060**	**1,990,085**
Interest paid		(68,802)	(89,527)
Interest Received		6,971	10,926
Income taxes paid		(431,446)	(480,679)
Net cash from Operating activities		3,061,783	1,430,806
Cash from Investing activities			
Purchase of Property, Plant and Equipment		(1,933,139)	(3,223,330)
Investment income		35,873	77,330
Net Cash used in Investing activities		(1,897,266)	(3,145,999)
Cash flow from Financing activities			
Realized forex exchange gain(loss)		2,928	(49,830)
Repayment of long term loan		(312,508)	(315,721)
Proceeds from long term borrowing		215,943	23,324
Proceeds from Airstrips Fund		858,903	716,253
Dividend Paid		(130,000)	-
Disbursement of Airstrips fund		(891,440)	(394,263)
Net Cash used in Financing activities		(256,174)	(20,236)
Net Increase in cash and cash equivalents		**908,344**	**(1,735,431)**
Cash & cash equivalents at 1st July 2009		**1,519,420**	**3,254,851**
Cash and cash equivalents at 30th June 2010	19(a)20(b)	2,427,764	1,519,420

The notes on pages 19 to 38 are an integral part of these financial statements.

NOTES

1. Accounting Policies

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

(a) Basis of preparation:

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand, which is also the functional currency.

(b) New and revised standards

Adoption of new and revised standards

IAS 1 - Presentation of Financial Statements (revised 2007) became effective from 1st January 2009 and has been adopted. This has resulted in the addition of a Statement of Comprehensive Income and changes in the presentation of the Statement of Changes in Equity.

The following new and revised standards and interpretations have also become effective for the first time and have been adopted by the corporation where relevant to its operations:

- IAS 23 (amendment) –Borrowing Costs
- IFRS 7 (amendment) - Improving Disclosures about Financial Instruments
- The annual improvements project published in May 2008, with amendments to 15 standards that could result in changes in presentation, recognition or measurement principles, while another 9 standards have been amended for editorial or terminology changes

The adoption of the above has had no material effect on the corporation's accounting policies or disclosures.

NOTES (CONTINUED)

ii) New and revised standards and interpretations which have been issued but are not effective

The following revised standards and interpretations have been published and will be effective for the first time in the year ending 31st December 2010. The Corporation has not earlier adopted any of these amendments or interpretations.

- IAS 27 (Revised) - Consolidated and Separate Financial Statements
- IFRS 5 (Amendment) - Non-current Assets Held for Sale and Discontinued Operations
- The annual improvements project published in April 2009

The Directors have assessed the potential impact of the above and expect that they will not have a significant impact on the company's financial statements for 2010.

(c) Foreign exchange Transactions

Transactions during the year are converted into Kenya shilling at exchange rates ruling at the transaction dates. Monetary assets and liabilities, which are expressed in foreign currencies, are translated into Kenya shillings at exchange rates ruling at the balance sheet date. 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.

(d) 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.

(e) Revenue Recognition

This includes both aeronautical and non-aeronautical revenues, but excludes investment income, and exchange gains on exchange rate fluctuations. The revenue is recognized when existing airport services such as landing and parking are utilized. Others such as concession and rent are recognized when due.

NOTES (CONTINUED)

f) Property, plant and equipment

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

All categories of property, plant and equipment are initially recognized at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, which is an integral part of the related hardware is capitalized as part of the computer equipment. Freehold land/buildings/plant and machinery/furniture and equipment/computers, copiers and faxes/motor vehicles are subsequently carried at a revalued amount, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

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

	Rate
Freehold Land	Nil
Leasehold Land	99 years
Pavements (Runways, aprons, taxiways and roads)	4.0%
Permanent buildings	2.5%
Emergency Service Vehicles	10.0%
Other Motor vehicles	25.0%
Electrical -Mechanical Equipment	5.0%
Other Machinery	10.0%
Office Equipment, Furniture and Fixtures	20.0%
Computer and accessories	33.3%

As no parts of items of property, plant and equipment have a cost that is significant in relation to the total cost of the item, the same rate of depreciation is applied to the whole item.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

NOTES (CONTINUED)

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

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

g) Intangible assets

Software license costs and computer software that is not an integral part of the related hardware are initially recognized at cost, and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company 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%.

h) Inventories

Inventories are stated at cost or net realizable value for items whose costs cannot be established. Costs of issues are calculated using first-in-first out valuation method.

i) Retirement benefit obligations

Defined benefit scheme

The company operates a defined benefit scheme for all its employees, funded by contributions from the company and the 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 company's contributions are charged to the profit and loss account in the year to which they relate.

The company and the employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to the profit and loss account in the year to which they relate.

NOTES (CONTINUED)

j) Employee entitlements

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

(k) Accounting for Leases

Prepaid leasehold land is recorded as lease rental and amortized over the term of the lease in accordance with IAS 17.

(l) Income taxes

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

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

Deferred income tax
Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit nor loss. Deferred income tax is determined 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.

NOTES (CONTINUED)

(m) Provision for liabilities and charges

Provisions are recognized when the company 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.

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

(o) Grants

Grants towards capital are deferred and brought into income on a basis consistent with the amortization of the related capital assets. This is in compliance with IAS 20.

2. Significant judgments and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the company, 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.

NOTES (CONTINUED)

The judgments made by the directors in the process of applying the company's accounting policies that have the most significant effect on the amounts recognized in the financial statements include:

Whether it is probable that that future taxable profit will be available against which temporary differences can be utilized.

3. Risk management objectives and policies

a) Financial risk management

The company's activities expose it to a variety of financial risks including credit, liquidity and market risks. The company's overall risk management policies are set out by the board and implemented by the management, and focuses on the unpredictability of changes in the business environment and seek to minimize the potential adverse effects of such risks on the company's performance by setting acceptable levels of risk. The company does not hedge against any risks.

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 Kenya Airports Authority.

The credit risk exposures are classified in three categories;

- Fully performing
- Past due
- Impaired

Credit risk on Fixed, Call and Reserves with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

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

NOTES (CONTINUED)

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

	Fully performing Shs'000	Past due not impaired Shs'000	Past due and impaired Shs'000	Total Shs'000
30th June 2010				
Trade receivables	1,012,038	-	568,194	1,580,232
Other receivables	243,275	-	-	243,275
Fixed and Call Deposits	943,222	-	-	943,222
Reserve Account	390,741	-	-	390,741
Cash at bank	532,249	-	-	532,249
Gross financial assets	**3,121,525**	**-**	**568,194**	**3,689,719**
30th June 2009				
Trade receivables	1,005,922	-	558,096	1,564,018
Other receivables	393,613	-	-	393,613
Fixed and Call Deposits	483,645	-	-	483,645
Reserve Account	375,248	-	-	375,248
Cash at bank	50,946	-	-	50,946
Gross financial assets	**2,309,375**	**-**	**558,096**	**2,867,470**

Past due and Impaired

As at 30th June	2010 Shs'000	2009 Shs'000
Bad Debts	481,261	471,163
Prudential Bank	86,627	86,627
Other Receivables	306	306
	568,194	**558,096**

NOTES (CONTINUED)

Financial risk management (continued)

The ageing analysis of past due but not impaired trade receivable is:

	2010 Shs'000	2009 Shs'000
0-3 months	374,668	355,317
3-6 months	15,040	53,853
	389,708	**409,170**

The past due debtors are not impaired and continue to be paid. An impairment provision of Shs. 481 Million (**2009: Shs. 471 Million**) is held against the impaired receivables. The company does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

NOTES (CONTINUED)

	2009/10 Kshs.'000	2008/09 Kshs.'000
4 ANALYSIS OF OPERATING REVENUE		
Aeronautical Revenue		
Landing and Parking	2,018,210	1,907,142
Passenger Service Charge	2,476,833	2,184,396
Fuel Throughput	263,702	257,414
Non-aeronautical Revenue		
Rentals	507,982	459,764
Concessions	743,341	697,738
Other Non aeronautical revenue	185,115	200,679
Total Operating Revenue	6,195,182	5,707,133

	2009/10 Kshs.'000	2008/09 Kshs.'000
5 Other income		
Investment Income	40,836	82,647
Bank Interest	6,971	10,926
Gain/(Loss) on Insurance Compensation	-	14
Exchange gain/(loss) on operations	61,819	81,284
	109,626	174,872
6 Financial Costs		
Interest expense	77,717	97,983
Net foreign echange (gain)/loss on borrowings	39,137	205,369
	116,854	303,352

7 Profit/(loss) before tax expenses/income

Items charged appendix 1
Administration expenses

	2009/10 Kshs.'000	2008/09 Kshs.'000
a) Employment expenses	1,921,820	1,671,683
b) Other administration expenses	977,124	1,053,119
	2,898,944	2,724,802
Establishment expenses	1,035,334	1,345,520
Total Expenditure	3,934,278	4,070,322

(b) Employement Expenses

The following items are included in employement Expense:

Retirement benefit costs
Defined benefit scheme
National Social Security Fund

NOTES (CONTINUED)

8 Tax expense/ expense

Tax	**2009/10**	**2008/09**
	Kshs.'000	**Kshs.'000**
Balance Sheet		
Balance bfwd	(288,182)	(370,481)
Charge for the year	793,391	562,978
Paid During the year	(431,446)	(480,679)
Balance cfwd	**73,763**	**(288,182)**
Profit and Loss account		
Current Tax at 30%(2009/10: 30%) on the taxable profit for the year	793,391	562,978
Deferred Taxation charge/(credit) (note 9)	34,598	(47,131)
Tax Expense	**827,989**	**515,846**

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

	2009/10	**2008/09**
	Kshs.'000	**Kshs.'000**
Accounting profit before taxation	2,253,676	1,508,331
Tax applicable rate of 30% (2009/10 30%)	676,103	452,499
Tax effects of:		
Net expenses not deductible for tax purposes	117,288	110,478
(Reversing)/originating temporary differences	34,598	(47,131)
	827,989	**515,846**

NOTES (CONTINUED)

9 Long Term Loans

9(a) **KBC Bank (Belgium)**	**2009/10 Kshs.'000**	**2008/09 Kshs.'000**
Balance as at 1st July	935,512	1,045,864
Loan Repayment	(312,508)	(315,721)
Exchange Gain (Loss)	39,137	205,369
Total loan outstanding	662,141	935,512
less: Amount due in one year	**(331,071)**	**(311,836)**
	331,070	**623,676**

The KBC Bank loan was borrowed from KBC Bank- Belgium in 1999. The purpose of this loan was to fund rehabilitation of Jomo Kenyatta International Airport. The loan is repayable semi-annually until 31 May 2012.

The exchange rate fluctuation relates to the effect of translation of the outstanding balance to Kenya shillings equivalent at the exchange rate ruling at the balance sheet date.

9(b) **World Bank**	**2009/10 Kshs.'000**	**2008/09 Kshs.'000**
Balance b/f	446,085	422,761
Received during the year	215,943	23,324
Balance c/f	**662,029**	**446,085**

The Authority receives financial support from the World Bank to fund various projects under the Northern Corridor Transport Improvement Project.

NOTES (CONTINUED)

10 Deferred income assets/(liability)

Deferred income tax is calculated using the income tax rate of 30% (2009/10 -30%). The movements in the deferred income tax account were as follows:-

	2009/10	2008/09
	Kshs.'000	Kshs.'000
At start of year	(233,684)	(280,815)
Profit and loss account debit	(34,598)	47,131
At end of year	(268,281)	(233,684)

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

Deferred tax assets/(liability)

	At start of year	Debit to profit and loss a/c	At end of year
	Kshs.'000	**Kshs.'000**	**Kshs.'000**
Property, Plant and equipment:			
Accelerated tax depreciation	(233,684)	(34,598)	(268,281)
Net deferred tax liability	**(233,684)**	**(34,598)**	**(268,281)**

NOTES (CONTINUED)

11 Provisions for liabilities and charges

	Staff Bonus Kshs.'000	Dividend Kshs.'000	Others Kshs.'000	Total Kshs.'000
At 1st July 2008	144,219	130,000	164,299	438,518
Net increase charged to profit and loss	89,361		19,357	108,719
Utilized during the year	-	-	(37,080)	(37,080)
At 30 June 2009	**233,580**	**130,000**	**146,576**	**510,156**
Less: current portion	(89,361)	-	(19,357)	(108,719)
Non current portion	144,219	130,000	127,219	401,438
At 1st July 2009	233,580	130,000	146,576	510,156
Net increase charged to profit and loss	117,939		132,204	250,142
Utilized during the year	-	(130,000)	(5,055)	(135,055)
At 30 June 2010	**351,519**	-	**273,724**	**625,243**
Less: current portion	(117,939)	-	(132,204)	(250,142)
Non current portion	**233,580**	-	**141,521**	**375,101**

NOTES (CONTINUED)

12 Property, Plant & Equipment

	Freehold land	Pavements and buildings	Motor Vehicles, Machinery and Equipment	Office Equip. Furniture and Fittings	Work in Progress	TOTAL
	Kshs.'000	**Kshs.'000**	**Kshs.'000**	**Kshs.'000**	**Kshs.'000**	**Kshs.'000**
As at 1st July 2008						
Cost or valuation	58,500	8,706,345	7,750,815	648,210	1,977,455	19,141,324
Accumulated depreciation		2,213,688	4,662,274	478,990	-	7,354,952
Net carrying amount	58,500	6,492,657	3,088,541	169,220	1,977,455	11,786,372
Year ended 30 June 2009						
opening carrying amount	58,500	6,492,657	3,088,541	169,220	1,977,455	11,786,372
Revaluation surplus						-
Additions		19,593	370,009	29,625	2,933,993	3,353,219
Transfers	103,294	2,566,582	164,010		(2,833,887)	(0)
Reclassification	-	-	-	-	(12,825)	(12,825)
Disposal	-	-		(639)	-	(639)
Depreciation charge	-	328,024	492,535	34,136		854,695
Acc. Depre. On disposal				(354)		(354)
Closing carrying amount	**161,794**	**8,750,808**	**3,130,024**	**164,424**	**2,064,736**	**14,271,786**
As at 30th June 2009						
Cost or valuation	**161,794**	**11,292,520**	**8,284,834**	**677,196**	**2,064,736**	**22,481,080**
Accumulated depreciation	-	2,541,712	5,154,809	512,772	-	8,209,294
Net carrying amount	**161,794**	**8,750,808**	**3,130,024**	**164,424**	**2,064,736**	**14,271,786**
Year ended 30 June 2010						
Opening carrying amount	**161,794**	**8,750,808**	**3,130,024**	**164,424**	**2,064,736**	**14,271,786**
Additions		-	63,979	15,851	1,895,854	1,975,684
Transfers	17,882	386,942	187,649		(592,474)	-
Reclassification					(12,852)	(12,852)
Disposal						-
Depreciation charge	-	327,962	394,918	84,388		807,269
Acc. Depre. On disposal						-
Closing carrying amount	**179,677**	**8,809,788**	**2,986,734**	**95,886**	**3,355,265**	**15,427,350**
As at 30th June 2010						
Cost or valuation	179,677	11,679,462	8,536,462	693,047	3,355,265	24,443,912
Accumulated depreciation	-	2,869,674	5,549,728	597,161	-	9,016,563
Net carrying amount	179,677	8,809,788	2,986,734	95,886	3,355,265	15,427,350

Note

The freehold land was revalued in the financial year 2004/2005 by B. Kavivya, a registered valuer included in the asset costs are various assets costing Kshs. 2,323,215,448.3 which have been fully depreciated.These assets are however still being used by the Authority. Capital works in progress relates to construction works on the expansion of Kisumu airport apron,taxiways, parking, roads, and terminal building, Malindi and Manda Terminal buildings.

NOTES (CONTINUED)

13 Intangible Assets-computer software costs

	2009/10 Kshs.'000	2008/09 Kshs.'000
Cost		
At 1st July	17,704	17,704
At 30 June	17,704	17,704
Amortisation		
At 1st July	12,034	6,133
Charge for the year	5,669	5,901
At 30 June	17,704	12,034
Net book amount		
At 30 June	-	5,669

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.

14 Operating Lease

Leasehold land

	2009/10 Kshs.'000	2008/09 Kshs.'000
Cost		
At 1st July	6,901,205	6,901,205
At 30 June	6,901,205	6,901,205
Amortisation		
At 1st July	822,744	753,035
Charge for the year	69,709	69,709
At 30 June	892,453	822,744
Net book value		
At 30 June	6,008,752	6,078,461

The reclassification of leasehold land from property plant and equipment is in compliance with IAS 17. Operating lease rental relates to cost incurred in acquiring interests in leasehold land. As these assets were transferred to the Authority by the government at no cost, related cost of acquisition was determined by a registered valuer, B.Kavivya. The cost is included in the financial statement as a long term prepayment which is amortised to the profit and loss account on a straight line basis over the terms of various leases.

The balance brought forward on Operating lease includes kshs 206,260,000 which relates to a portion of land at Embakasi Village that was transferred to the Authority by the government at no cost. An unregistered parcel of land measuring 0.867 Acres, cost of acquisition totaling kshs 4,335,000, shall be incorporated in the financial statements upon registration. Cost of acquisition was determined by a registered Valuer, Ms Regent International (K) Ltd

NOTES (CONTINUED)

15 Inventories

	2009/10 Kshs.'000	2008/09 Kshs.'000
Inventories		
Inventories comprises:-		
Spares	4,110	7,645
Fuel, Oil and Lubricants	4,995	4,772
Foam Compound	45,732	36,162
Plant and Equipment consumables	30,848	25,293
Other Inventories	24,316	29,385
	110,001	103,257
Less provision for obsolete stock	(12,845)	(11,479)
	97,156	91,778

Movement in provision for stock write-down

As at 1st July	11,479	14,860
Net increase/(decrease) charged to profit a	1,366	(3,382)
Provisions utilised		
At 30 th June	12,845	11,479

16 Payables and Accruals

	2009/10 Kshs.'000	2008/09 Kshs.'000
Trade Payables & accruals	744,481	649,016
Security Deposits	45,029	44,271
Tax Provision	73,764	-
Retention payable	422,333	379,787
Accrued Interest long term loan	8,915	8,456
	1,294,521	**1,081,530**

NOTES (CONTINUED)

		2009/10	2008/09
17 (a) Trade Receivables and Prepayments		**Kshs.'000**	**Kshs.'000**
Gross trade receivables		1,493,299	1,477,086
Prudential Bank		86,627	86,627
		1,579,926	1,563,713
Less: Provisions for Bad debts	(b)	(481,261)	(471,163)
Provision for Prudential Bank	[c]	(86,627)	(86,627)
Net Receivables		1,012,038	1,005,922
Prepayments		105,920	284,478
Other Debtors			
World Food Program		8,745	7,526
Prepaid tax		-	288,182
World Bank		-	56,149
Advances to Staff		36,051	29,645
Other Debtors		92,559	15,815
Other receivables		(306)	(306)
		1,255,006	**1,687,410**

(b) Bad Debts Provision (Specific)	2009/10	2008/09
	Kshs.'000	**Kshs.'000**
As at July 1, 2009	471,163	470,567
Specific provision for the year	10,097	597
As at June 30, 2010	**481,261**	**471,163**

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

	2009/10	2008/09
(c) Prudential Bank Provision	**Kshs.'000**	**Kshs.'000**
As at July 1, 2009	86,627	86,627
As at June 30, 2010	**86,627**	**86,627**

Kshs.86,627,373 is an investment with Prudential Bank which is under Receivership.

18 Reserve account	2009/10	2008/09
	Kshs.'000	**Kshs.'000**
	390,741	**375,248**

This is cash held in Bank of Africa (formerly Credit Agricole Indosuez) under special security arrangement with KBC Bank, Belgium in respect of the long term loan for Jomo Kenyatta International Airport rehabilitation project carried out in 1998-2000 period.The funds are not available for day to day operations of the Authority.

19(a) Cash and Cash Equivalents	2009/10	2008/09
	Kshs.'000	**Kshs.'000**
Cash in hand and at bank	532,249	50,946
Call Deposits	605,040	89,614
Term deposits	338,182	394,031
	1,475,471	**534,590**

Included in the Call and Term deposit is an amount of Kshs.85,772,252.70 being a revolving fund facility with Housing Finance Limited to facilitate purchase of houses by staff members under the Authority's staff housing scheme.

NOTES (CONTINUED)

		2009/10	2008/09
20	**Grants**		
20(a)	**Government and Donor Grants**	**Kshs.'000**	**Kshs.'000**
	At 1st July	7,097,081	7,260,723
	Prior years' adjustment on:		
	Additional grants (Airstrips Fund-Payment in WIP)	37,000	-
	Additional grants (Airstrips Fund-Purchase of Motor Ve	6,985	
	Amortisation of total govt/ donor grants	(165,388)	(163,642)
	At end of year	**6,975,678**	**7,097,081**

Government grant relates to assets transferred from the government to the Authority. These comprise of freehold land, operating lease rentals, pavements and buildings, motor vehicles, machinery and equipments, furniture and fittings ,stocks and spares, debtors and cash.

		2009/10	2008/09
20(b)	**Airstrips Fund**	**Kshs.'000**	**Kshs.'000**
	As at 1 July 2009	984,830	662,840
	Received during the year	816,347	663,558
	Utilised during the year	(891,440)	(394,263)
	Interest earned	42,556	52,695
	As at 30.6.2010	**952,293**	**984,830**

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

NOTES (CONTINUED)

21 Commitments

	2009/2010	2008/2009
	Kshs.'000	Kshs.'000
(a) Contracted but not provided for in the financial statements.	292,985	37,308
(b) Commitments approved and authorised but not contracted for at the close of the year	103,546	953,546

22 Contingency

Total exposure to KAA following legal suits filed by third parties is remotely estimated at Kshs. 100,000,000

23 Comparatives

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

24 Currency

The financial statements are presented in Kenya Shillings thousands.

23 Staff levels

The number of persons employed by the Authority at the year end was 1,407 (2008/09:1,410).