

# Annual Report & Financial Statements **FY 2020 | 2021**



# Key highlights

## THE FY 2020-2021



### LAUNCH OF PORT OF LAMU

- Operationalization of the First Berth



### CONTINUED PORT EXPANSION / INVESTMENT

Acquired 4 New Eco-Hoppers

Ongoing projects;

- MPDP II
- Relocation of KOT
- Consultancy on Dongo Kundu SEZ
- Consultancy on Shimoni Fishing Port



### INVESTMENT IN HUMAN CAPITAL;

- Recruitment of 43 interns
- Trained 5,108 staff
- Conducted Ethics and Integrity Awareness campaign



### FINANCE

- Strong financial performance recorded Profit before tax of Kshs 13,818 Billion
- Total Asset of Kshs. 304 Billion
- Remitted Special Dividend of Kshs. 4.95 Billion



### GROWING PORT THROUGHPUT

Continued growth with 36 Million MTs handled in the year



### CONTINUED MANAGEMENT OF BIODIVERSITY AND ENVIRONMENT

- Adopted the Green Port Policy
- Planted 10,000 trees



### CORPORATE SOCIAL INVESTMENTS (CSI)

- Kshs. 311 Million on CSI
- Rehabilitated the Lamu jetties

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# Abbreviations

<b>AG</b>	Attorney General	<b>NBV</b>	Net Book Value
<b>AD</b>	Alternate Director	<b>NEMA</b>	National Environment Management Authority
<b>Ag.</b>	Acting	<b>NT</b>	National Treasury
<b>Amb.</b>	Ambassador	<b>OSHA</b>	Occupational Safety and Health Act
<b>C</b>	Chairman	<b>PAT</b>	Profit After Tax
<b>CBS</b>	Chief of Burning Spear	<b>PBT</b>	Profit Before Tax
<b>CoK</b>	Constitution of Kenya	<b>PFM Act</b>	Public Finance Management Act
<b>CT2</b>	Second Container Terminal	<b>PPE</b>	Property Plant & Equipment
<b>D</b>	Director	<b>Rtd.</b>	Retired
<b>DB</b>	Defined Benefit	<b>SDT</b>	State Department of Transport
<b>DC</b>	Defined Contribution	<b>TEUs</b>	Twenty Feet Equivalent units
<b>DWT</b>	Dead Weight Tonnage	<b>TMEA</b>	TradeMark East Africa
<b>EGH</b>	Elder of the Order of the Golden Heart	<b>WIP</b>	Works in Progress
<b>EXCOM</b>	Executive Management Committee		
<b>FVOCI</b>	Future Value Through Comprehensive Income		
<b>FVTPL</b>	Future Value Through Profit & Loss		
<b>Gen.</b>	General		
<b>GM</b>	General Manager		
<b>GoK</b>	Government of Kenya		
<b>HOMS</b>	Home Ownership Mortgage Scheme		
<b>IAOs</b>	Integrity Assurance Officers		
<b>ICDK</b>	Inland Container Depot Kisumu		
<b>ICDN</b>	Inland Container Depot Nairobi		
<b>ICT</b>	Information Communication Technology		
<b>IFRSs</b>	International Financial Reporting Standards		
<b>ISPS</b>	International Ship & Port Facility Security		
<b>ISS</b>	Integrated Security System		
<b>JICA</b>	Japan International Cooperation Agency		
<b>JPY</b>	Japanese Yen		
<b>KFS</b>	Kenya Ferry Services		
<b>KMA</b>	Kenya Maritime Authority		
<b>KOT</b>	Kipevu Oil Terminal		
<b>KRC</b>	Kenya Railways Cooperation		
<b>KTNL</b>	Kenya Transport & Logistics Network		
<b>LAPSSET</b>	Lamu Port South Sudan Ethiopia Transport		
<b>MD</b>	Managing Director		
<b>MoH</b>	Ministry of Health		
<b>MoTIHUD</b>	Ministry of Transport and Infrastructure, Housing, Urban Development and Public Works		
<b>MPDP</b>	Mombasa Port Development Project		
<b>MTs</b>	Metric tonnes or tons		

# Who We Are

## Establishment

Kenya Ports Authority (KPA) is a statutory body under the ministry of National Treasury and Planning. It was established by an Act of Parliament Cap 391 on 20<sup>th</sup> January 1978 with the mandate to develop, maintain, operate, improve and regulate all seaports along the coastline and inland waterways in Kenya. At the cabinet level, KPA is represented by the Cabinet Secretary for National Treasury and Planning. KPA is domiciled in Kenya with liaison offices in Uganda, Rwanda and Burundi.

## Vision

“World Class Ports of choice”

## Mission

“To Provide Efficient and Competitive Port Services to Facilitate Global Trade”

## Strategic Objectives



**Improve port services**



**Improve customer satisfaction**



**Sustain business growth**



**Improve labour productivity**



**Enhance risk management and environmental sustainability**

KPA Strategy is focused on 4 (four) strategic themes.

- Having well developed ICT systems that are integrated with other cargo facilitating systems to transform our ports into e-ports

- Increasing productivity of our resources
- Increasing and modernizing our port(s) capacity
- Reducing operational costs
- 24/7 service

## Customer Service Excellence

KPA is consistently delivering superior customer experience by;

Enhanced effective customer relations and service programs

Enhancing regional presence and Knowledgeable, collaborative, consultative relationships that Meet customer expectations

## Business Growth

KPA is focused on;

- Increasing throughput
- Growing market share
- Ensuring financial stability and
- Ensuring strong partnerships

## Good Governance

KPA is undertaking the following strategic approaches:

- Compliance with international standards and guidelines, all statutory laws and regulations
- Ensuring social and environmental sustainability
- Building a strong, competent, cohesive, engaged and multi skilled workforce
- Promoting a performance culture that is guided by structured planning and enabling policies, accountability, transparency, responsiveness, equity, inclusiveness, effectiveness, efficiency and participation
- Ensuring a conducive environment that promotes good work ethics and
- Ensuring structured enterprise risk management

# Who We Are (continued)

## Principal Activities

KPA's mandate is to develop, maintain, operate, improve, and regulate all scheduled seaports along Kenya's coastline and inland waterways. Core activities include: -

- i. Pilotage
- ii. Towage
- iii. Mooring
- iv. Dockage
- v. Provision of navigational aids and maintenance of the channel
- vi. Stevedoring and shore handling services: cargo handling services for containers, general cargo, dry bulk and bulk liquid
- vii. Reception of cruise passengers
- viii. Storage of cargo awaiting onward shipment

# Authority information

## Directors

Name	Position	Appointed/Exit
Gen. (Rtd) Joseph. R. E. Kibwana	Chairman	Exited on 5 <sup>th</sup> June 2021
Eng. Rashid K. Salim	Ag. Managing Director	Exited on 1 <sup>st</sup> July 2021
Amb. John Mwangemi	Ag. Managing Director	Appointed on 1 <sup>st</sup> July 2021
Delilah Ngala	Director	
Ukur Yatani	Director (CS National Treasury)	
Paul K. Kariuki	Director (Attorney General)	
Solomon Kitungu	Director (PS SDT)	
Philip J. Mainga	Director (KRC)	
Nilfat Kassim Ali	Director	Appointed-November 2020
Peter K. Gibendi	Director	Exited - August 2020
Lydia J. Yator	Director	Exited on 5 <sup>th</sup> June 2021
Mary W. Ngari	Director	Exited on 5 <sup>th</sup> June 2021
Alice M. Mwaisaka	Director	Exited - August 2020
Conrad Thorpe	Director	Exited on 5 <sup>th</sup> June 2021
Dr. Peter N. Muracia	Director	Exited - August 2020
Darius Mobe	Director	Exited on 5 <sup>th</sup> June 2021
Addraya E. Dena	GM, Board & Legal Services	Exited - June 2021
Turasha Kinyanjui	Ag. GM, Board & Legal Services	Appointed June 2021
Alex Mbuvi	Alternate Director to AG	
Oscar Iredi	Alternate Director to AG	
Beatrice Nyamoita	Alternate Director to MoTIHUD	



# Authority information (continued)

## Registered Office:

### Kenya Ports Authority

Administration Block, Kipevu

P.O Box 95009-80104

Telephone: +254-41-2112999, +254-41-2113999

Mobile: +254-709092999, 709093999, 730653999

Website: [www.kpa.co.ke](http://www.kpa.co.ke)

### Mombasa

### Corporate Secretary

Turasha Kinyanjui

Ag. General Manager, Board & Legal Services

Kenya Ports Authority Administration Block,

P.O Box 95009-80104

### Mombasa

### Independent Auditor

Auditor General

Office of The Auditor General

Anniversary Towers, University way

P.O. Box 30084-00100

### Nairobi

### Principal Legal Adviser

The Attorney General

State Law office

Harambee Avenue

P.O. Box 40112-00100

### Nairobi

## Principal Bankers:

### Citibank N. A

Citibank House, Nkrumah Road

P.O. Box 83615-80100

### Mombasa

### Equity Bank Ltd

UTC Building, Moi Avenue

P.O. Box 84628-80100

### Mombasa

### National Bank of Kenya

Portway House, Moi Avenue

P.O. Box 87770-80100

### Mombasa

### Kenya Commercial Bank Ltd

Treasury Square Branch

P.O. Box 90254-80100

### Mombasa

### Kenya Commercial Bank Ltd

Avenue Pierre NGENDANDUMWE

P.O. Box 6119

Bujumbura

### Burundi

### Stanbic Bank

Crested Towers Plot 17, Hannington Rd

P.O Box 7131

Kampala

### Uganda



# The Board of Directors



**Gen. (Rtd) Joseph. R. E. Kibwana, EGH, CBS**  
**(born 1947)**

He is the immediate former Chairman and was appointed the Chairman of the Board of Directors of Kenya Ports Authority in June 2018.

A career Naval officer, he rose through the ranks upto his retirement as a General in 2005. During his military service, he served as Chief of the General Staff of the Kenya Armed Forces (2000-2005); Commandant of the National Defense College (1998-2000); Commander of the Kenya Navy (1988-1998); Chief of Military Intelligence (1982-1985) among other senior appointments.

Upon retirement from the armed forces, he was appointed Chairman of the Board of Directors of Kenya Ports Authority (2005-2008). He has also served as Chairman of Kenya Trade Network Agency (KENTRADE) (2011-2014 and 2015-2018); and also as Non-Executive Director on the Boards of KCB Bank group Plc. (2012-2017); KCB Bank Burundi (2013-2015) and is currently Chairman of KCB Bank South Sudan.

He is an alumni of the Britannia Royal Naval college (UK); Farady House Engineering College (UK); the US Naval Staff College and the US Naval War College.



**Amb. Ukur Yatani Kanacho**  
**CS, National Treasury**

**(born 1967)**

He has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom and Bachelor of Arts in Economics, Egerton University.

He has served as Assistant Minister for Science & Technology and has also served in different positions in Kenya's Public Administration including a District Commissioner.

He has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. He is the 1st Governor of Marsabit County, has been the MP for North Horr Constituency (2006-2007), served as Kenya's Ambassador to Austria with accreditation to Hungary & Slovakia and Permanent Representative to the United Nations in Vienna.

He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others.

# The Board of Directors (continued)



**Solomon Kitungu, Ps State Department of Transport, MoTIHUD & PW**

**(born 1961)**

A graduate of the University of Nairobi and Manchester University (UK). Prior to his appointment he served as an Investment Director at the National Treasury, an Executive Director of the Privatization Commission from 2009 – 2017 and Investment Director at the National Treasury from 2003 – 2009. He is currently the alternate director for the CS National Treasury in the Board of Directors of the Insurance Regulatory Authority, Postbank and Kenyatta University Teaching, Referral & Research Hospital. Previously while at the National Treasury he served in other Boards such as the Agricultural Finance Corporation, KCB, NBK, KENGEN, KPLC, KPRL and Kenya National Assurance (2001).

He has attended the Advanced Management Programme at Strathmore Business School and University of Navara Barcelona, Spain, and has extensive experience in public sector investments and reforms, privatizations and Public Private Partnerships



**Nilfat Kassim Ali,**

**(born 1989)**

She joined the Board in November 2020.

She is an advocate of the High Court of Kenya with a Masters of Laws (LLM) degree in International Economic Law from the Chinese University of Hong Kong and a Bachelor of Laws (LLB) from Moi University, Kenya. She is soon to be a certified Islamic Finance Expert.

She is a member of the Law Society of Kenya and also the Association of Young Arbitrators.

She has both a legal and finance background having worked in the legal sector and advised financial institutions in Kenya on compliance and risk management.

Nilfat has also published on sustainable development in the African Journal of International Commercial Law.

# The Board of Directors (continued)



**Delilah K. Ngala**

**(born 1960)**

She was appointed to the Board in February 2019.

She holds an MBA (Strategic Management) and B.Com, (Business Administration) both from the University of Nairobi. Currently pursuing diploma in counselling psychology at Amani counselling and training centre. She has served in various Board memberships including Maseno University council member as chairperson executive committee, Pwani university council member as chairperson of the Audit committee, Kenya Tourist Development Corporation as chairperson of the operations committee, Kenya Institute of Bankers as chairperson Mombasa local center, amongst many others.

She is a strategic thinker with over 27 years experience in banks' branch management, operations and unit leadership.

She was a member of the IAAF world under 18 years youth championships, 2017 and has lean six sigma-yellow belt certification from KIM (2014).



**Lydia J. Yator**

**(born 1978)**

She joined the Board in August 2020.

She is a final year Doctorate of Philosophy student in Business Administration at the University of Nairobi. She has an MBA and a Bachelor of Commerce degree both from the University of Nairobi. An alumni of Kenya Utalii College and an Associate Member (CIM & CIMA), she is also undergoing Breakthrough Leadership Transformation Programme.

She is the GM Lake Bogoria Group and also serves as a board member of Lord Errol Gourmet and Restaurant and Kabarak University Business Enterprise Ltd. A member of Women in Tourism, Hotel Managers Association, a Vice Chair North Rift Tourism Association, a Mentor at Global Women Mentorship Programme, a trainer and aspiring leadership coach and also actively involved in uplifting girl child from the less privileged society in the rural areas through awarding scholarships, motivational talks and spearheads fight against FGM.

She is a visionary and experienced leader in handling various functions, from managing hotels supply chain, designing, organizing, stewarding and evaluating operations in retail and hospitality establishments. She has a vast wealth of experience in the role of senior management of over 15 years within East Africa. She has been accredited in turning around organizations to profitable institutions leading to growth and expansion of its operations, she believes in leading and elevating others sustainably for higher purpose.

# The Board of Directors (continued)



**Darius Mobe**

**(born 1978 )**

He joined the Board in August 2020.

He has Bachelor of Arts in Business Management (BABM) from University of Sunderland (UK).

He is the Country Director (South Sudan) of Lukiza Group of Companies.

He has served as a franchise director of Punctureseal Sudan Ltd (2007-2009), MD of Saphyre Onyx Investments (2006-2008), Harrow Wield Investments (2004-2006) amongst other positions.

He has excellent Business acume skills, leadership skills, an excellent Board Room Negotiator amongst other key skills.



**Mary W. Ngari HSC, CBS**

**(born 1956)**

She joined the Board in June 2018.

She holds a Bachelor of Arts Degree (Hons) in Political Science and Sociology from the University of Nairobi and a Master's Degree in Psychotherapy and Counseling from Daystar University. She has over 30 years of Administrative work experience in the Public Service rising through the ranks to serve as PS Ministry of Medical Services 2010-2013 and PS Ministry of State for the Development of Northern and Other Arid Lands. She has served as a Director on the boards of various State Corporations. She also previously worked at the East African Portland Cement Company as Acting MD.

She holds a Presidential Commendation Award for sterling contribution towards the commemoration of 25 years of Kenya's Independence. He is immediate former Ambassador to the Republic of Djibouti and previously Ambassador to the Republic of Rwanda. Previously, he held senior executive positions in the corporate world both locally and internationally. Amb. Mwangemi studied Agronomy at the institute of Agronomy, University of Clermont Ferrand France. He is fluent in French Language and alumnus of Liverpool University School of Business where he undertook his Master of Business Administration (MBA).



# The Board of Directors (continued)



**Conrad Thorpe**

**(born 1964)**

He joined the Board in June 2018.

An industry leader with 15 years of experience of leading a multi-national, pan-African and Asian risk management business. He founded Salama Fikira, an enterprise risk management company in Kenya. Today the company has offices in seven countries and a presence in eight others. The Group has management certification of ISO9001, 28007, 18001 and 14001, as well as ABC certification through Trace®. It is also the only African Risk Management company with the German Police Licence. The Group operates across 80% of Africa with increased service delivery in Asia and parts of Europe. In addition to his core duties at the Board of the KPA, he is also the Chairman of the Board of a London-listed company, as well as being on the Board of a Kenya conservation Not-for-Profit. He also served in HM Royal Marines and attended the Advanced Command and Staff Course with an MA in War Studies and Defence Technology. As a youth he excelled at sport, playing rugby for the 1st XV for Kenya Schools and representing his country as the Captain of the national swimming team.



**Philip J. Mainga**

**Managing Director KRC**

**(born 1966)**

He holds a Masters in Project Planning and Management (MAPM) from the University of Nairobi, a Master of Arts in Economics (M.A.) and a Bachelor of Arts (B.A.) both from University of Mysore, India. He also holds a certificate from Harvard University in Driving Government Performance. He is a member of Certified Finance Management for Project Managers (FMPM), Associate member MEGADEV Consultants and member Kenya Institute of Management (KIM).

Before being appointed the Acting MD, he was the GM Business and Operations, a role that covered the operations of the Madaraka Express, SGR Freight services and Estates management.

He has over 20 years in the Planning and Research profession and has worked in several capacities holding Corporate Planning and Research Manager Position.

Mr. Mainga is author of Economics and Ethics first edition 2010 – (Book), doing business in Kenya 2006 – Hand book (UNDP –Kenya).

# The Board of Directors (continued)



**Amb. John Mwangemi**

**Ag. Managing Director**

**(born 1959)**

He is the immediate former Ambassador to the Republic of Djibouti and also served as the Ambassador to the Republic of Rwanda. Previously, he held senior executive positions in the corporate world both locally and internationally.

Ambassador Mwangemi studied Agronomy at the Institute of Agronomy, University of Clermont Ferrand France. He is fluent in french language and alumnus of Liverpool University School of Business where he undertook his Master of Business Administration (MBA).



**Turasha Kinyanjui**

**Ag. General Manager, Board and Legal Services**

**(born 1972)**

He is the acting Board Secretary

He holds a Bachelor of laws LLB degree from the University of Nairobi and a diploma from Kenya School of Law. He is an advocate of the High Court of Kenya and is a Certified Public Secretary Kenya, CPS (K) and a member of the Institute of Credit Management Kenya.

He is also a former lecturer of Kenya School of Credit Management, a former Credit Officer at Co-operative Bank of Kenya and has served as a legal officer at Industrial and Commercial Development Corporation (ICDC) and as a manager legal services at Agricultural Finance Corporation (AFC).

He oversees the Contracts & Conveyance department, Litigation & Disputes, Ethics and Integrity including Insurance & claims and Archives and Maritime Museum.



**Management  
team**



# Management team



**Amb. John Mwangemi**

**Ag. Managing Director**

He is immediate former Ambassador to the Republic of Djibouti and also served as the Ambassador to the Republic of Rwanda. Previously, he held senior executive positions in the corporate world both locally and internationally.

Amb. Mwangemi studied Agronomy at the institute of Agronomy, University of Clermont Ferrand France. He is fluent in French Language and alumnus of Liverpool University School of Business where he undertook his Master of Business Administration (MBA).



**Eng. Rashid K. Salim, IEng. IMarEng**

**Former Ag. Managing Director**

He is also the current GM Engineering Services

He holds an HND in Marine Engineering (UK) and the Chief Engineer Certificate of Competency (CoC) from South Shields Marine College (now South Tyneside College) UK.

He is a Registered Incorporated Marine Engineer and the Engineering Council (UK). He is also a Member with the Institute of Marine Engineering, Science and Technology (UK).

His docket included Marine Engineering, Terminal Engineering and Mechanical Engineering as well as Head of Inland Waters.

## Management team (continued)



**CPA Patrick W. Nyoike**

**General Manager, Finance**

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

He is responsible for Financial Accounting, Management Accounting, Commercial services and Procurement & Supplies functions.



**Turasha Kinyanjui**

**Ag. General Manager, Board and Legal Services**

He holds a Bachelor of laws LLB degree from the University of Nairobi and a diploma from Kenya School of Law. He is an advocate of the High Court of Kenya and is a Certified Public Secretary Kenya, CPS (K) and a member of the Institute of Credit Management Kenya.

He is also a former lecturer of Kenya School of Credit Management, a former Credit Officer at Co-operative Bank of Kenya and has served as a legal officer at Industrial and Commercial Development Corporation (ICDC) and as a manager legal services at Agricultural Finance Corporation (AFC)

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

# Management team (continued)



**Eng. Vincent S. Esyepet**

**General Manager, Infrastructure Development**

He holds a Master of Arts in Project Planning and Management from the University of Nairobi, a Bachelor of Science in Civil Engineering from the Jomo Kenyatta University of Agriculture and Technology. He also holds a Postgraduate Program for Management Development from Strathmore University and Gordon Institute of Business Science, Diploma in Advanced Concrete Technology from the Institute of Concrete Technology in the UK and a Certificate in Concrete Technology from the Cement & Concrete Institute in South Africa. He's a Registered Consultant and Professional Civil Engineer with the Engineers Board of Kenya and a Fellow of the Institution of Engineers of Kenya.

He has over Twenty-One (21) years of progressive professional experience in the construction industry, business planning and logistical management, corporate governance and has interpersonal skills gained through working with various organizations both in the public and corporate sector including but not limited to, Egis International / Kenya Consulting Engineers, Bamburi Cement Limited, Howard Humphreys East Africa Limited, Gibb Africa Limited and Norconsultant A.S. National Water Conservation and Pipeline Corporation.

Eng. Vincent has also served as a Member of the Board of the National Water Conservation and Pipeline Corporation and Joint Secretary, National Concrete Pavements Steering Committee – Kenya.

His docket covers Civil Engineering, Project Development & Management and Port Electrical Engineering Departments.



**Daniel O. Ogutu, MBS, EBS**

**General Manager, Human Resources and Administration**

He holds Masters in Business Administration (MBA) from Eastern & Southern Africa Management Institute (ESAMI) TZ and Maastricht School of Management, Bachelors of Education Arts (Kenyatta University), Higher National Diploma in Human Resources Management – KNEC, Kisumu Polytechnic.

He has undertaken various professional training in Strategic Leadership Program, Quality Management Systems (KBS), Kenya Labour laws (IHRM), Human Resources Management and Development (ESAMI), Diploma in Marketing (Institute of Commercial Management) and in Management (University of Witwatersrand Johannesburg).

He has vast experience in HR profession having served in various Government Ministries in different capacities namely; at the Directorate of Personnel Management and Ministry of State for Provincial Administration and Internal Security as the Principal Human Resources Management Officer and went on to work for the Ministry of State for Public Service on the same capacity and later joined Agricultural Finance Corporation (AFC) as the General Manager Human Resources and Administration and most notably as a Commissioner and Vice Chair at the Salaries and Remuneration Commission (SRC).

His docket covers Human Resources, Employee Relations, Administration and Medical services Departments.

## Management team (continued)



**Captain William K. Ruto, MNI**

**General Manager, ICD Kisumu**

He holds a Master Mariner Certificate of Competency (UK), an MBA in Strategic Management from Jomo Kenyatta University of Agriculture & Technology (JKUAT) and various professional qualifications including the Global Maritime Distress and Safety System General Operator's Certificate (GMDSS GOC-UK). He is also a member of the Nautical Institute (MNI), a member of the International Harbour Master's Association (IHMA) and has served as the chair of the Inter-Agency Committee comprising of Government Agencies working in the port and with stakeholders

His docket includes all operations in ICD Kisumu.



**Sudi Mwasinago**

**General Manager, Operations**

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

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

## Management team (continued)



**Edward Kamau**

**General Manager, Corporate Services**

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

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



**Eng. Abdullahi Samatar**

**General Manager, Lamu port**

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

He is incharge of the Lamu port project.





## Chairperson's statement

**Despite the unprecedented challenges posed by the global Covid-19 pandemic, the Board remained focused providing strategic guidance to ensure attainment of goals for business continuity and stability.**





# Chairperson's statement

## Introduction

I am delighted to present the Annual Report and Financial Statements of the Kenya Ports Authority, for the financial year ended 30<sup>th</sup> June 2021. Despite the unprecedented challenges posed by the global Covid-19 pandemic, the Board remained focused providing strategic guidance to ensure attainment of goals for business continuity and stability. Indeed, our efforts during the period have borne fruit based on our performance.

## Operational Performance

During the FY 2020/2021, the Port cumulatively handled total throughput of 36.054 million tons representing a growth of 2.433 million tons or 7.2% compared to 33.621 million tons handled in 2019/20. The performance surpassed the forecasted target of 35.770 million tons by 0.8%. Similarly, during the period under review, total container traffic recorded 1,458,944 TEUs against the forecasted target of 1,444,147 TEUs exceeding by 14,787 TEUs or 1.0%. This shows an increase of 74,506 TEUs or 5.4% when compared to the 1,384,438 TEUs handled in the same period in FY 2019/20. Transshipment containers also improved by 6.5% from 207,168 TEUs in FY 2019/20 to 220,690 TEUs in FY 2020/21. However, Transit traffic declined marginally by 0.9% to record 9.902 million tons during the period under review compared to 9.991 million tons handled in the previous FY 2019/20, largely because of the Covid 19 pandemic.

The growth is evident that the Authority has continued playing its role in facilitation of trade, as well as significantly contributing to the Government's economic blueprint Vision 2030 and the Big Four Development Agenda, focusing on Food Security, Affordable Housing, Manufacturing and Access to Universal Healthcare.

## Dividends

The directors recommend a dividend payout of Kshs 587.9 million which is 7.5% of the PAT to the National Treasury in line with the Dividend policy. However, KPA has intentions to seek an exemption on the payment due to the huge cash outflows required to fund critical ongoing projects. During the year under review, the Authority remitted to the National Treasury Kshs 4,950 million as special Dividends totaling to Kshs 18,000 million for the two FYs.

## Risk Management

KPA's business strategy is based on taking precautions of calculated risks to ensure they do not jeopardize the direct interests of different stakeholders. Sound assessment of risk enables us to anticipate and respond to changes in our business environment, as well as make informed decisions under conditions of uncertainty.

## Corporate Social Investment

The Authority is committed to providing solutions to the benefits of the society and therefore CSI is an integral part of our business. 'Care' is one of our core values because we care for our staff, the communities around us and are sensitive to the environment within which we operate.

The Authority's CSI Policy is rooted in the organization's values, guided by international standards and best practices that are driven by the spirit of excellence in overall performance of business.

The Authority spent at least Kshs 311 million in various CSI initiatives in the FY 2020/2021, aimed at impacting positively on the lives of communities within and beyond the Coast region. These CSI activities were mainly focused on sports, education services, religious initiatives, charity events, humanitarian Aid and relief, response to distress calls and various community projects.

To enhance environmental conservation, the Authority adopted an elaborate Green Port Policy (GPP). Through the GPP policy, the Authority acquired four new Eco- hoppers which are environment friendly. The equipment helps to improve dust containment when dealing with dry bulk materials thus eliminating environmental pollution.

## Future Outlook

To enhance capacity, improve competitiveness and support the Government development agenda, the Authority will endeavor to continuously improve its services and invest in infrastructure development and capacity expansion programs ahead of demand. The Authority has progressed development of Phase II of the Second Container Terminal which involves construction of Berth 22 with a depth of 15m, a length of 300m and a capacity of 450,000 TEUs. The overall project progress is at 81.5 percent and is expected to be completed in 2022.

# Chairperson's statement (continued)

The relocation of Kipevu Oil Terminal from its present location between berths 19 and 20, towards the far eastern side of the Tsunza headland opposite Berth 16, has progressed to 90 percent. Once completed, the new terminal will have 4 berths able to accommodate tanker vessels of 170,000 DWT. To catalyze implementation of Mombasa Special Economic Zones, construction of the first berth at Dongo Kundu is in progress with detail design expected to be completed in 2021.

As part of the contribution to the country's Blue Economy initiatives, the Authority has also progressed the development of Shimoni Fishing Port. The Environmental and Social Impact Assessment (ESIA) has been completed and the Bathymetric and Geotechnical surveys are at 98 percent and 85 percent respectively. Similarly, arising from the Presidential Directive on revival of the regional shipping industry to enhance transport across Lake Victoria, the revitalization programme for Kisumu is complete, awaiting commissioning of the Port.

## Conclusion

Finally, I take this opportunity to thank my colleagues in the Board and the management team for their considerable contribution. I also commend staff for working tirelessly to achieve the level of business growth that we have witnessed despite the challenges that came with the Covid 19 Pandemic. Equally, many thanks to the Government, our stakeholders, and the community for their support. I am confident that we will continue to do our very best to attain and surpass the targets set for the new financial year. Let us remain united in our journey to world class ports of choice. Together we make the economy! God bless us all.

God bless us all.



**Nilfat Kassim Ali**

**DIRECTOR**

**We have remained  
visionary and resilient  
in our commitment  
to operational  
excellence despite  
the challenges of the  
Covid-19 pandemic.**



# Managing Director's port review

## Introduction

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

The Port of Mombasa remains the primary Gateway to Eastern and Central Africa with direct connectivity to over 80 ports worldwide. This port plays a key role in facilitating international seaborne trade and is a driving force in the region's economy. The Authority remains committed to facilitating and promoting the delivery of quality port related services.

The operationalization of the first berth of the Port of Lamu by H.E President Uhuru Kenyatta, on May 20, 2021 marked another major milestone by the Authority. The port, which is Kenya's second commercial seaport is planned to not only serve the transshipment market, but all kinds of cargo destined for the hinterland and transit markets. We are glad since its operationalization the facility which has a wider channel that can accommodate post-panamax ships has during the year under review received two vessels.

## Operational Performance

Over the past five years, the port has steadily grown with a compound annual growth rate of 5.7 percent from 27.364 million tons in FY2016/2017 to 36.054 million tons in FY2020/2021. During the period, the Port handled 36.054 million tons in cargo throughput against 33.621 million tons registered in the corresponding period in 2019/2020 representing a notable growth of 7%. Container traffic registered 1.45 million TEUs during the period under review against 1.38 million TEUs handled in the corresponding period in 2019/2020, a growth of 5%. This was due to a notable increase of imports by 5.0%, export by 5.3% and transshipment by 6.5% an indication of economic resurgence.

## Financial Performance

The Authority realized total revenues (including finance income and gains) amounting to Kshs 53,520 million during the year under review compared to Kshs 50,164 million in FY 2019/2020, which represents a growth of Kshs 3,356 million or 6.69%. In terms of expenditure, the Authority recorded a decrease of Kshs 2,284 million or 5.44 % on total operating expenditure (including finance cost and other losses) from Kshs 41,986 million recorded in the last FY to Kshs 39,702 million in the reporting FY.

Profit before tax increased by Kshs 5,640 million or 68.97 % from Kshs 8,178 million to Kshs 13,818 million. The Authority maintained a healthy Balance Sheet with an increased Net Asset base of Kshs 304,216 million up from Kshs 294,769 last FY.

## Investments and Strategic Plan

The Authority is alive to the dynamic key trends in the global ports and maritime industry, and we must keep abreast with the changes to remain competitive.

The Shipping industry has brought about innovations and new inventions such as ships sizes having grown, smart and green port operations, sustainable infrastructure development, private sector participation, creation of hubs and matters of cooperation as opposed to competition etc.

The KPA strategic plan 2018-2022 was developed with a focus on the customer and thus we concentrate on strategic investments to modernize existing facilities in tandem with future industry demands. This entails developing new port infrastructure, acquisition, and modernization of equipment, and devising innovative ideas to improve and sustain efficiency.

Projects are prioritized based on the following key considerations: -

- i. Realignment to Vision 2030 and the 3<sup>rd</sup> Medium Term Plan (MTP 111)
- ii. Alignment to the sustainable Development Goals (SDGs)
- iii. Improving KPA's core services to the customer
- iv. Alignment to the "BIG FOUR" National Agenda, earmarked for implementation namely;
  - Food Security
  - Affordable Housing
  - Manufacturing, and
  - Access to Universal Healthcare.



# Managing Director's port review (continued)

## Second Container Terminal

Construction of the Second Phase of the Second Container Terminal which consists of construction of Berth No. 22 (300 meters and 350 meters deep) is ongoing. Upon completion, it will give the Port of Mombasa an additional annual capacity of 450,000 TEUs.

## Relocation of Kipevu Oil Terminal (KOT)

To create additional handling capacity, the Authority embarked on the project to relocate the KOT to a safer location with capacity to handle post panamax vessels. The new modern and bigger oil terminal consisting of four Berths will be able to handle bigger vessels of up to 17,000 DWT. The facility will be able to handle four bigger tankers at once and serve LPG needs. It will improve on the capacity and efficiency of handling energy products.

## Lamu Port Project

Upon completion of the construction of the first three berths (container, general and bulk) and corresponding storage yard on reclaimed land of a total area of approximately 113 ha, it will create an additional capacity of 1.2 M TEUs and 13.5 M DWT. The first berth is complete 100% and is now operational. The superstructures of the three berths have been completed. Yard 1 is complete while Yards 2 and 3 are scheduled to be ready by November 2021. The Authority is responsible for the construction of the mega port which is expected to have a total of 23 Berths with a depth of 17.5 m to 18 m.

## Kipevu Road

The project entailed the expansion of Kipevu Road from Gate 18 to Changamwe Roundabout into six lanes with provision for pedestrian walkways.

The completed road has improved the speed of evacuation of cargo and reduced congestion at the gates while reducing the turnaround times.

## Risk Management

In view of the nature of work undertaken by the Authority and the size of its operations, there are risks that are peculiar to the Authority's business. The risks relate to potential revenue loss, low throughput and profitability arising from negative externalities. The purpose of Risk Management is to identify such risks early and develop strategies to mitigate them. The Authority has undertaken capacity building and training on risk

management for all staff, management and the Board and each department developed a risk register, which has been incorporated in its respective quality operating system processes and continues with periodic reviews to incorporate emerging business trends.

## ISO Certification

We are committed to complying with the requirements of ISO 9001:2015 Quality Management System (QMS) and ISO 27001:2013 Information System Management System (ISMS) Standards, applicable statutory regulations, and aligning our management system policies and processes with Risk management. This in the long run will enable the Authority to effectively implement and continually improve our management system policies, processes, and capabilities.

## Safety, Health, and Environment

The Authority is committed to guaranteeing Health and Safety of all port users in accordance with Safety and Health Act (OSHA) 2007 and other legal requirements. To achieve this goal, KPA has implemented programs such as safe work person, safe working environment and workplace occupational health programs. As is the norm, businesses are responsible for achieving good environmental practice and operating in a safe sustainable environment. The Authority is therefore committed to reducing environmental impact and continually improving environmental performance as an integral and fundamental part of business strategy and operating methods. It is our priority to encourage our customers, suppliers, and all business associates to do the same.

To ensure safe work practices in compliance with IMO standards, the maintenance of appropriate health and safety standards remains a key responsibility of all employees and the Authority is committed to the proactive management of health and safety risks associated with operations. Our objective is to identify, reduce and control material risks relating to fires, accidents or injuries to employees, customers, and cargo.

## Conclusion

The Authority continues to develop new port infrastructure, acquire, and modernize its equipment and devise innovative ideas that will improve and sustain efficiency. We continue to rely on our Human Resources to attain the set goals and targets.

# Managing Director's port review (continued)

## Conclusion (cont'd)

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



**Amb. John Mwangemi**

**Ag. MANAGING DIRECTOR**

# Statement of performance against predetermined objectives

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statements, a statement of the National Government entity's performance against predetermined objectives.

The Authority has 4 strategic themes and 5 strategic objectives within the current Strategic Plan 2018-2022. The Strategic Plan 2018-2022 defines the Authority's Vision to be "World Class Ports of Choice", and Mission to "Provide Efficient and Competitive Port Services to Facilitate Global Trade". The strategic plan is anchored on Vision 2030, the 3rd medium Term Plan, the Big 4 agenda, among other policy documents. Working towards realization of the vision and mission, KPA's strategic model is premised on four Strategic themes. These strategic themes are as follows:

- **Theme 1:** Operational Excellence
- **Theme 2:** Customer Service Excellence
- **Theme 3:** Business Growth
- **Theme 4:** Good Governance

The five (5) key Strategic Objectives addressing the stated themes are:-

- Improve Port Services
- Improve Customer Satisfaction
- Sustain Business Growth
- Improve Labour Productivity
- Enhancing Risk Management and Environmental Sustainability

Kenya Ports Authority develops its annual work plans based on the above Five (5) strategic objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The actual performance compared to the targets set for the FY 2020/2021 for the 4 strategic pillars are summarized below:

Strategic Theme	Objective	Key Performance Indicators	Activities	Remarks
Operational Excellence	Improve Port Services	<b>Ship Turnaround time (Hrs.):</b> Target: 65 Actual: 80	Review and implement a new Terminal Operating System	There was a delay in progressing the tender process due to inadequacy of funds.
		<b>Truck turnaround time (Hrs.):</b> Target:4.5 Actual: 6.4	Develop business plan for ICDs	Draft report has been submitted by the consultant
		<b>Crane productivity (Moves per hour):</b> Target: 21 Actual:17.7	Construction of Lamu Port First Three Berths	Construction progressed to 91.6% by 30 <sup>th</sup> June 2021
			Mombasa Port Development Project Phase II	Construction progressed to 81.5% by 30 <sup>th</sup> June 2021
		<b>Gross Train Productivity (Moves per train per hour)</b> Target: 32 Actual: 32.2	Relocation of Kipevu Oil Terminal	Construction progressed to 89.6% by end of 30 <sup>th</sup> June 2021
			Construction of 1 <sup>st</sup> Berth at Dongo Kundu	Detailed designs for the first berth (DK1) are ongoing
			Full Implementation of the ISS at the CT2, ICDN, Lamu and all Port facilities.	ISS fully Implemented at CT2; it will be implemented in phases for ICDN, Lamu and other port facilities.
			Enforce compliance to the ISPS code	The Authority is 99.9% compliant to the requirements of the ISPS Code.



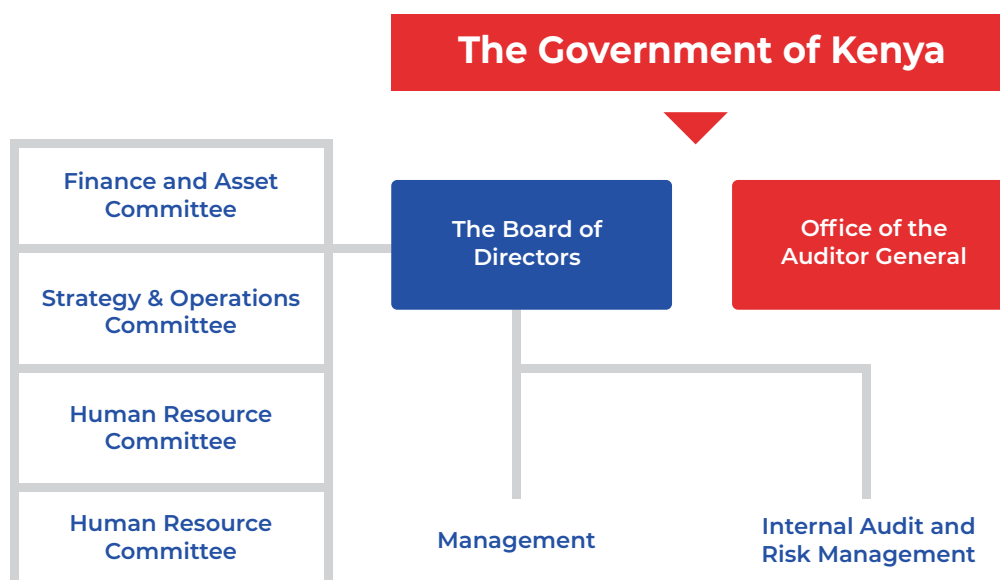
# Statement of performance against predetermined objectives (continued)

Strategic Theme	Objective	Key Performance Indicators	Activities	Remarks
Customer Service Excellence	Improve Customer Satisfaction	<b>Customer Service Index (%):</b> Target: 67 Actual: 71	Develop KPA Mobile Application	KPA Mobile Application developed and deployed to Google Play store.
		<b>Compliance to Service Charter (%):</b> Target: 100% Actual: 100%	Manage communication to customers and media	Communication Strategy for 2021-2024 is under implementation
Business Growth	Sustain Business Growth	<b>Port Throughput (Mn Dwt):</b> Target:35.4 Actual:36.1	Develop a marketing strategy	KPA Marketing strategy 2018-2022 under implementation
		<b>Container Traffic (Mn TEUs):</b> Target: 1.45 Actual: 1.38	Identify and explore new revenues streams	The cruise terminal construction was completed but is yet to be operationalized.
		<b>Profits before Tax (Kshs Mn):</b> Target: 13,785 million Actual: 13,818 million	Develop statistical policy and manual to enhance accuracy in throughput reporting	A draft of the statistical manual developed.
			Curb Revenue leakages and Wastages	90% of manual processes and operations automated to curb revenue leakages
			Undertake automation of processes and operations	
			Development of Shimoni port	Tendering process for construction has begun
Good Governance	Improve Labour Productivity	<b>Percentage of workforce meeting performance standards (%):</b> Target:100 Actual:66 <b>Number of Industrial Disputes:</b> Target: 0 Actual: 0	Facilitate Development of Performance Plans for all staff	All management staff have been put under performance management System.
			Improve/Redesign the Performance management system.	The old appraisal system was reviewed and improvements done through automation.
			Carry out a skills gap analysis and implement the recommendations	Skills gap analysis done for staff
			Alignment of organization structure to the strategy	The structure developed and forwarded to State Corporation Advisory Committee (SCAC) for approval
	Enhance Risk Management and Environmental Productivity	<b>Compliance to Environmental Audits (%):</b> Target:100 Actual: 70 <b>Corruption Perception Index</b> Target: <4 Actual: 4.15	Embed risk management in all processes and systems	Risk Management has been adopted across the entire organization through profiling of risks, documenting, monitoring and reporting
			Implement policy on handling corruption cases	All reported corruption cases are completed and closed as per Anti-corruption Policy and procedures
			Implement ISO 14001 and ISO 45001	Policy manual and procedures developed.
			Review of KPA ACT	Draft Kenya Ports Authority Bill has been prepared. Public consultations to follow
			Development of alternative and renewable energy	A total of 1,060 kilowatts capacity solar power plants have been installed

# Statement of corporate governance

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

Kenya Ports Authority's governance structure, by appointment is summarized in the chart below;



controls which allow risk to be assessed and managed.

- Strategy formulation and ensuring that there are adequate policies, systems, and structures to successfully implement the Port strategy.
- Monitoring Port performance against strategic plans and objectives on a going concern basis, as well as holding mandatory quarterly meetings.
- Approval for publication of financial statements.
- Selection, appointment, and appraisal of Senior Managers.

## The Board Charter

Board protocols are regulated by a Board Charter as well as provisions of Schedule 1 of the Kenya Ports Authority Act (KPA Act) Chapter 391 of the Laws of Kenya, including the State Corporations Act where the constitutive statute is silent.

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

A summary of the Board responsibilities are as follows:

- Providing entrepreneurial leadership to the Port within a framework of prudent and effective

- Approve the risk management framework and ensuring that there are adequate structures and systems to identify measure and monitor key risks facing the Port.
- Reviewing the effectiveness of systems for monitoring and ensuring compliance with laws and regulations.
- Reviewing and monitoring the Port's corporate governance's policies and practices.
- Reviewing the Port Capital levels to ensure that there is adequate capital for the planned growth and expansion within the strategic cycle.
- Approval of among other things major capital expenditure, borrowings, budget, write offs, acquisition of land etc.

# Statement of corporate governance

## (continued)

### The Board Size, Composition, and Independence

The Board consists of Eleven (11) directors out of whom seven are independent non-executive directors including the Chairman. The Board composition draws a good mix of skills, experience, and proficiencies in various fields. The directors' biographies are shown on pages 9 to 14.

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

### Chairman and Managing Director

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

### Board and Strategy Meetings

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

The board work plan together with the calendar of meeting for 2020/2021 were fixed in advance and provided to all the directors. Adequate notice was given for each meeting and the agenda and supporting papers were distributed in advance to all the board and committee members to allow time for appropriate review.

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

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

# Statement of corporate governance

## (continued)

### Board Meetings

During the year under review, the Authority had 11 regular Board meetings, 5 Special Board meetings and 1 Strategic Board meeting with several meetings of the Committees of the Board.

Director Name	Designation	Full Board/Special		Strategy Meetings		Finance & Asset		Operations		Audit & Risk		Human Resource	
		No. of Mtgs	No. of Mtgs attended	No. of Mtgs	No. of Mtgs attended	No. of Mtgs	No. of Mtgs attended	No. of Mtgs	No. of Mtgs attended	No. of Mtgs	No. of Mtgs attended	No. of Mtgs	No. of Mtgs attended
Gen. (Rtd) Joseph R. Kibwana	Chairman	11	(11 Regular)	1	1								
		5	(5 Special)										
Rashid Salim	Ag. MD	11	(5 Regular)										
		5	(4 special)										
Conrad Thorpe	Director	11	(11 Regular)	1	1	7	7					4	4
		5	(5 Special)										
Festus King'ori	AD (NT)	11	(11 Regular)			7	7	4	4	5	3		
		5	(5 Special)										
Mary Ngari	Director	11	(11 Regular)	1	1			4	4	5	5		
		5	(5 Special)										
Delilah Ngala	Director	11	(11 Regular)	1	1					5	5	4	4
		5	(5 Special)										
Darius Mobe	Director	11	(11 Regular)	1	1			3	2			2	1
		5	(4 Special)										
Lydia Yator	Director	11	(10 Regular)	1	1					4	4	3	3
		5	(3 special)										
Nilfat K Ali	Director	11	(6 Regular)	1	1	2	2	2	2				
		5	(3 Special)										
Solomon Kitungu	Director	11	(7 Regular)	1	1	7	3			1	1	4	1
		5	(4 Special)										
Beatrice Nyamoita	AD (MoTIHUD)	11	(5 Regular)			7	6	4	4	1	1	4	3
		5	(3 Special)										
Oscar Eredi	AD (AG)	11	(11 Regular)	1	1				5	4		4	4
		5	(5 Special)										
Phillip Mainga	MD (KRC)	11	(0 Regular)			7	2						
		5	(1 Special)										
David Njogu	AD (KRC)	11	(4 Regular)			7	2	4	3				
		5	(1 Special)										
Peter Gibendi	Director	11	(0 Regular)			1	1					1	1
		5	(1 Special)										
Alice Mwaisaka	Director	11	(0 Regular)					1	1			1	1
		5	(1 Special)										
Peter Muracia	Director	11	(0 Regular)					1	1	1	1		
		5	(1 Special)										
Ngalaah Chuphi	Director	11	(4 Regular)					1	1				
		5	(1 Special)										
Chrisologus Makokha	Insp. Gen. State Corps.	11	(10 Regular)	1	1								
		5	(4 Special)										
		5	(1 Special)										

# Statement of corporate governance

## (continued)

### Compliance with Mwongozo Code

The Authority has endeavored to comply with the Mwongozo Code of Governance for State Corporations in the discharge of its mandate through the Board. It is however recognized that the code will be implemented on a 'comply or explain' basis and organizations will be allowed time to fully comply at a pace that is realistic in their circumstances and to learn from the experience of others. The Authority discloses the following instances of noncompliance; -

**Competitive recruitment of Board members:** The Authority is not privy to any interview process undertaken by the Cabinet Secretary in appointment of Board Directors. The power to appoint is vested in the Cabinet Secretary and this remains a policy issue.

**Governance Audits:** The Government policy requires that governance audits to be undertaken by States Corporation Advisory Committee. However, SCAC has not yet rolled out this exercise. They have indicated that they are still training and compiling list of accredited Governance Audit Auditors and thereafter roll out the same. The proposal is to outsource due to capacity constraints.

**Succession Plan:** Board has not formalized the succession plan but has in place a structure that ensures business continuity in the absence of the Chief Executive Officer where any of the General Managers can perform the duties of the office of the Managing Director.

There is no financial expert among the independent members of the Board. However, one independent director has vast experience in the financial sector. Appointment is by the Cabinet Secretary and the Authority has no influence over this.

### Board Remunerations

The non-executive Board members are paid sitting allowances of Kshs 12,000 for every meeting attended as provided by GoK circulars. Director's fees are paid to directors subject to approval by the National Treasury. Non-executive Board members not representing any Government institutions are paid Directors' fees directly while Directors' fees for those representing the Government and/or its institutions are paid to the Cabinet Secretary, National Treasury as a body corporate. Director's fee of Kshs 600,000 per annum or pro rata for any part served thereof, for each eligible Director has been provided for. The Authority

granted no loans to its directors during the year. The Directors' remuneration has been disclosed under note 8. No bonuses were paid to the Directors during the year. The Directors are also provided with personal insurance cover.

### Directors' External Activities and Conflict of Interest

Directors have a statutory duty to avoid situations in which they have interests which may conflict with the interests of the Authority. A conflict-of-interest register is signed at every meeting and any emerging interest recorded.

### Board Structure

The Board operates under a comprehensive structure made up of committees established to assist in discharging its responsibilities and obligations as guided by the State Corporation Act Cap 446, section 9 and Mwongozo Code of Conduct Chapter 1 Section 1.7. These committees assist the board in carrying out its functions and ensuring that there is independent oversight of internal controls and risk management.

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

The Mwongozo Code of Conduct further provides for the establishing of not more than four committees of the Board and for the Authority these are namely; Finance & Assets Committee, Audit & Risk Committee, Human Resources Committee and Strategy & Operations Committee.

All committees have at least four non- executive directors as members. The chair of the committees is a non- executive director. The chairman of the Board does not sit in any of the committees.

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

# Statement of corporate governance

## (continued)

Details of the committees are given below:

### Finance and Assets Committee

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

Director		Meetings		% Attendance
		Held	Attended	
Conrad Thorpe	Chairperson	7	7	100%
Nilfat Kassim	Member	2	2	100%
Festus King'ori	Member	7	7	100%
Beatrice Nyamoita	Member	7	6	86%
Eng. Phillip Mainga	Member	7	2	29%
Solomon Kitungu	Member	7	3	43%
David Njogu	Member	7	2	29%
Peter Gibendi	Member	1	1	100%

### Strategy & Operations Committee

The Committee focuses on ensuring that productivity is maintained according to international standards. It also identifies obstacles that may hamper smooth operations and formulates policies on improvement of port performance. It also focuses on the implementation of the Authority's Strategic Plan and any emerging challenges and makes recommendations to the Board.

Director		Meetings		% Attendance
		Held	Attended	
Mary Ngari	Chairperson	4	4	100%
Festus King'ori	Member	4	4	100%
Beatrice Nyamoita	Member	4	4	100%
David Njogu	Member	4	3	75%
Peter Muracia	Member	1	1	100%
Alice Mwaisaka	Member	1	1	100%
Ngalaah Chuphi	Member	1	1	100%
Darius Mobe	Member	3	2	67%
Nilfat Kassim	Member	2	2	100%

# Statement of corporate governance

## (continued)

### Human Resources Committee

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

Director		Meetings		% Attendance
		Held	Attended	
Delilah Ngala	Chairperson	4	4	100%
Peter Gibendi	Member	1	1	100%
Conrad Thorpe	Member	4	4	100%
Beatrice Nyamoita	Member	4	3	75%
Solomon Kitungu	Member	4	1	25%
Darius Mobe	Member	2	1	50%
Lydia Yator	Member	3	3	100%
Oscar Eredi	Member	4	4	100%
Darius Mobe	Member	2	1	50%
Alice Mwaisaka	Member	1	1	100%

### Audit and Risk Committee

The committee plays a vital role in ensuring the integrity of financial statements prior to their review and approval by the board. To this end, the committee reviews the accounting policies financial reporting and regulatory compliance of the Authority. The committee also continually evaluates the effectiveness of risk management programs. The committee receives reports of the Internal and External Auditors and management's corrective response to the findings. The committee also reviews the overall scope, annual plans for the internal audit function's activities and oversees the alignment of risk management programs and internal audit activities.

The committee reviews all key internal audit reports and has regular direct access to the Head of Internal Audit and Risk Management.

Director		Meetings		% Attendance
		Held	Attended	
Delilah Ngala	Chairperson	5	5	100%
Mary Ngari	Member	5	5	100%
Lydia Yator	Member	4	4	100%
Festus King'ori	Member	5	3	60%
Solomon Kitungu	Member	1	1	100%
Oscar Eredi	Member	5	4	80%
Beatrice Nyamoita	Member	1	1	100%
Peter Muracia	Member	1	1	100%
Lilian Kamau	Secretary	5	5	100%



# Statement of corporate governance

## (continued)

### Board and Committee Evaluation results;

Name	Position	Term		Raw	%
		Start	End	Score	Score
Gen. (Rtd) Joseph R E Kibwana	Chairman	06/06/2018	05/06/2021	4.6389	92.78%
Conrad Thorpe	Member	06/06/2018	05/06/2021	4.4154	88.31%
Mary Ngari	Member	06/06/2018	05/06/2021	4.4092	88.18%
Delilah Ngala	Member	08/02/2019	07/02/2022	4.3297	86.59%
Festus King'ori	Alt. Member	-	-	4.4836	89.67%
Beatrice Nyamoita	Alt. Member	-	-	4.4885	89.77%
David Njogu	Alt. Member	-	-	3.9816	79.63%
Oscar Mmene Eredi	Alt. Member	-	-	4.2738	85.48%

### Board Trainings

The trainings conducted for the Directors and their attendance is as below;

Board Training session in undergoing interviewing skills training & related Issues held on 22 <sup>nd</sup> February 2021 at Crowne Plaza Hotel, Upperhill, Nairobi	Audit & Risk Committee induction workshop held on 24 <sup>th</sup> & 25 <sup>th</sup> May 2021 at the Vipingo Ridge Golf & Resort, Kilifi
Gen (Rtd) Joseph R Kibwana	Delilah Ngala
Mary Ngari	Mary Ngari
Lydia Yator	Lydia Yator
Festus King'ori	Oscar Eredi
Darius Mobe	
Conrad Thorpe	
Delilah Ngala	
Nilfat Ali	
Beatrice Nyamoita	

### Process of appointment and removal of directors, roles and functions of the Board

The KPA Act vests the mandate to appoint members of the Board in the Cabinet Secretary Ministry of Transport. The KPA Board of Directors comprises 11 members out of which Seven (7) are independent Directors, well above the 1/3 requirement. The Managing Director of KPA is also a member of the Board in tandem with the Mwongozo Code of Governance and the KPA Act. The composition of the Board has met the parameters of Article 27 of the Constitution of Kenya 2010 regarding equal opportunities. Out of the 7 independent directors, three (3) are female. It has also captured a diversity of skills and competencies required for the achievement of the organization's long-term goals, as evidenced by the Director's data submitted herein.

Removal of directors is guided by the provisions of the State Corporations Act. The power to appoint also envisages the inherent power to remove or fire, and as long the power to appoint is vested in the Cabinet Secretary, members of the Board can only recommend removal.

The Independent directors are not in the service of the National or County Governments and do not hold positions in more than two state corporations.

# Statement of corporate governance

## (continued)

### Management Committees

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

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

### Ethics and Integrity Statement

KPA has adopted risk-based approach in mitigating against integrity and unethical issues. The approach is consistent with ISO-37001, which the Authority is working towards and will enhance good corporate governance as per the Authority's strategic plan.

Consequently, during the year, several measures were employed to inculcate ethical climate such as, ethics and integrity risk assessment, intelligence based advisory opinion, ethics and integrity risk-based training and role-based training to meet specific risks of job cadres. Additionally, the following ethics and integrity risk-based policies were approved by the Board:

- Procurement and asset disposal anti-fraud policy,
- Conflict of Interest policy and
- Public Complaint Policy.

The Authority continues to comply with performance contracting (PC) indicators by coordinating corruption prevention, mainstreaming of national values and management of public complaints and access to information as illustrated below;

### Ethics and integrity programs

Activities carried out in the year were under the following thematic areas.

- i. Facilitated departmental corruption prevention committees' meetings Including Corporate corruption prevention committee
- ii. Coordinated development of Corruption Risk Assessment register as per EACC guidelines with focus on the following areas.
  - a. Core mandate: cargo handling- ship operations
  - b. Information communication technology
  - c. Payroll management
  - d. Procurement and financial management

# Statement of corporate governance

## (continued)

### Training and sensitization

Staff trainings and sensitizations were conducted as part of implementation of risk mitigation measures which included;

- Board and senior management training
- Head of departments were trained.
- Staff sensitization program at ICDN where staff were sensitized and newly employed staff at Lamu port were sensitized on ethics and integrity principles.
- Staff Sensitization which targeted the waivers committees and commercial staff was conducted.

### Capacity building on promotion of good governance

During the period, 27 new Integrity Assurance Officers (IAO) based in ICDN were trained to enhance efficiency in carrying out ethics and integrity activities at the ICD. Additionally, the 27 IAOs were also trained on public complaints management and National values and principles of governance.

### Strengthening business process integrity Controls

Generally, the following milestones have been covered in strengthening integrity of our business processes.

- a. Ethics and Integrity risk assessment for ICDN
- b. Ethics and Integrity risk assessment for commercial branch, security and procurement and supplies services and management accounting were conducted.
- c. Revised integrity pact form for procurement adhoc committees

### Investigation reports and advisories

A total of 41 reports touching on unethical issues and other complaints against 18 report for the previous year were received by the Ethics and Integrity department, twenty-five (25) advisory opinions were issued to the management as a precautionary measure against occurrence of some of the unethical issues in the Organization.

### Accrued benefits

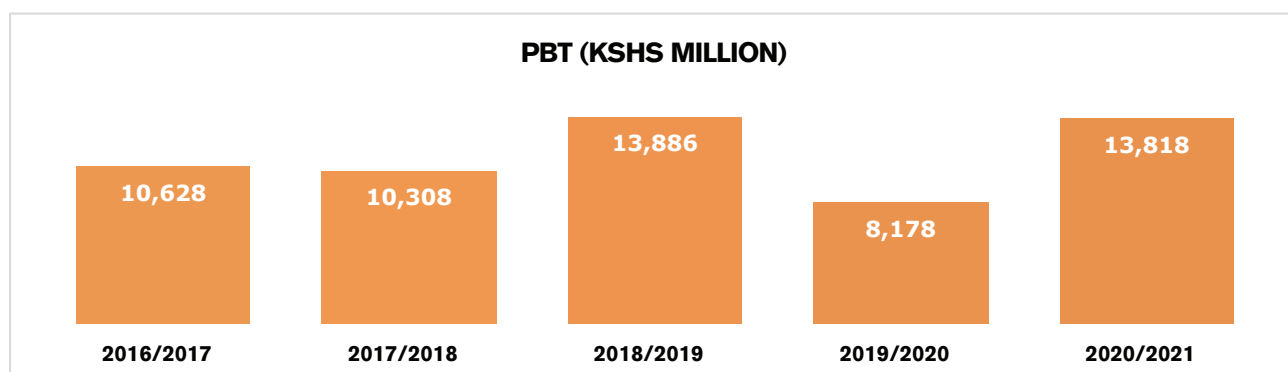
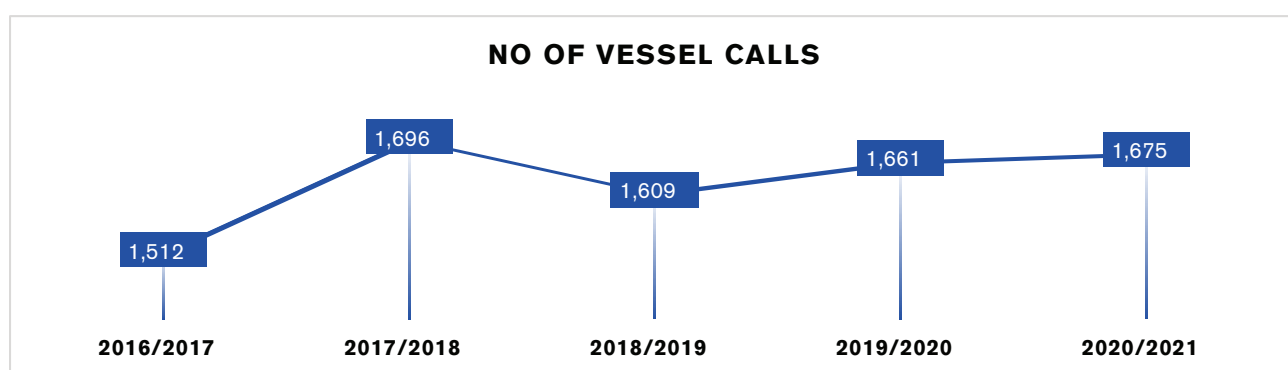
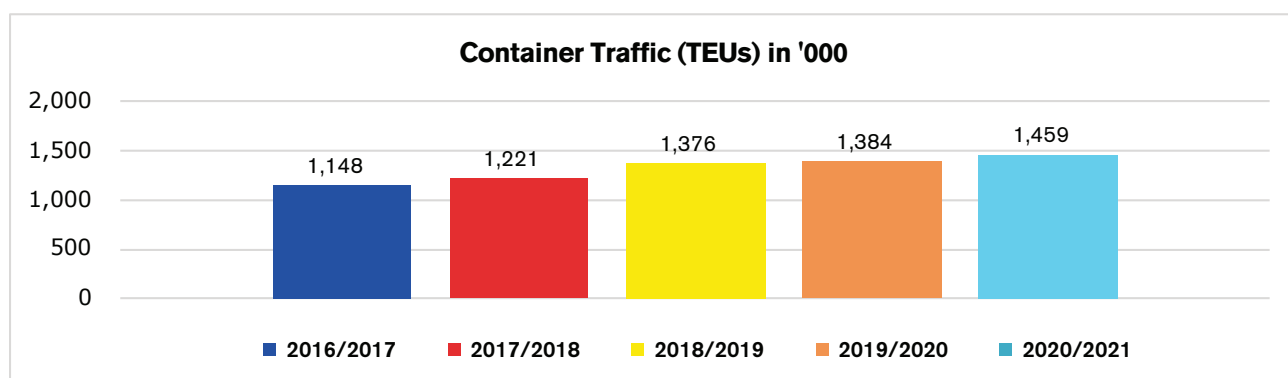
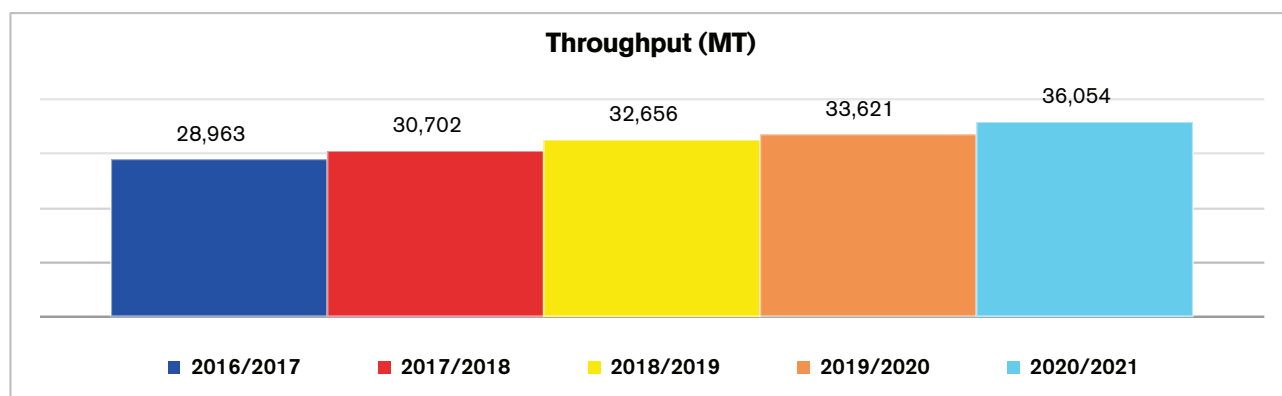
Adoption of ethics and integrity risk-based approach during the year led to improved customer satisfaction which is evidenced by compliments from clients and general safeguard to risks that may injure corporate image and loss of revenue.

The Authority also has other policies in place in the fight against corruption, namely.

- The Anti-Corruption Policy
- The Whistle-Blowing Policy and
- The Code of Ethics and Conduct

Additionally, unethical corrupt practices are reported through [stopcorruption@kpa.co.ke](mailto:stopcorruption@kpa.co.ke)

# The year in review



# Management discussion and analysis on port performance

## 1.0 Introduction

Management wishes to present an analysis of the Authority's financial performance for the period ending 30<sup>th</sup> June 2021.

## 1.1 End-Year Performance Overview

Below is a summary of the performance as at 30<sup>th</sup> June 2021 on throughput, revenue, expenditure and profit achievements

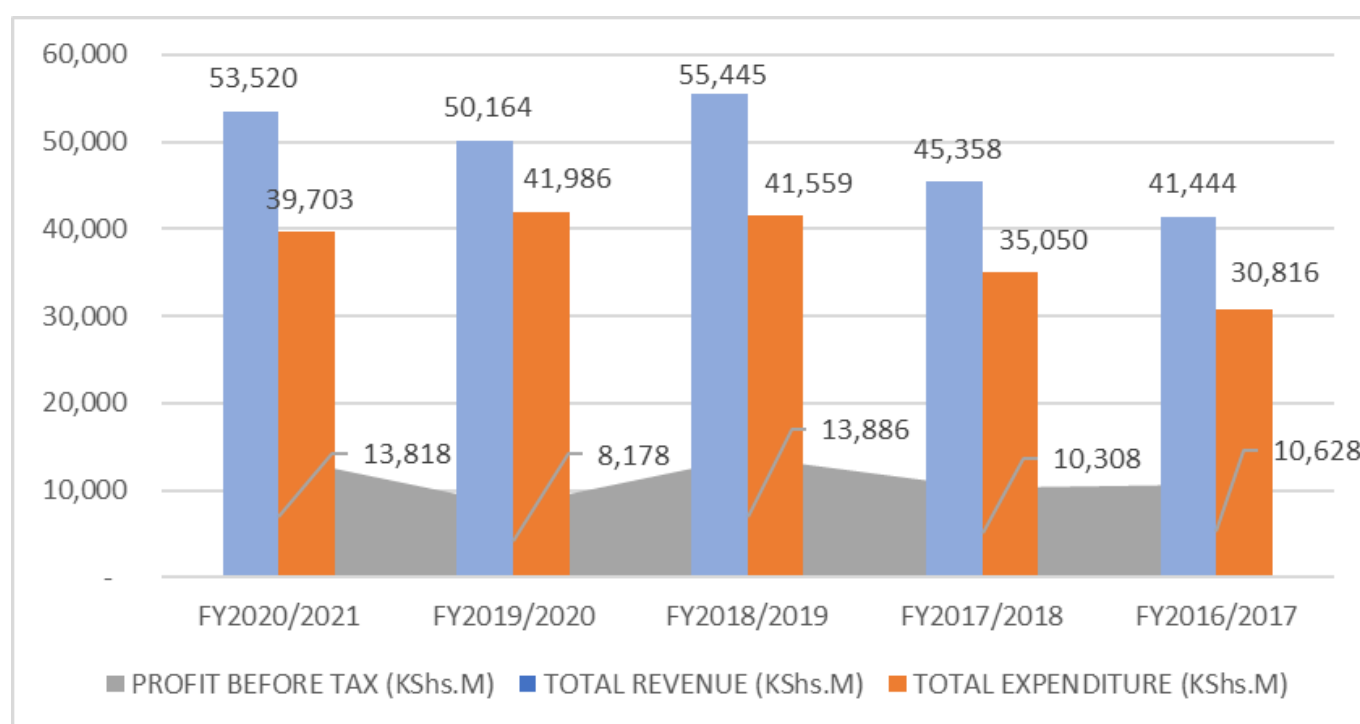
Summary of the actual performance on throughput, revenue, expenditure, and profit

	Actual	Budget	Actual Vs Budget	Actual	Actual Vs. Actual
	July-June 2020/21	July-June 2020/21	% Variance	July-June 2019/20	% Variance
Throughput (MT 'Thousand)	36,054	35,770	1%	33,621	7%
Total Revenue (Kshs 'M')	53,520	53,150	1%	50,164	7%
Total Cost (Kshs 'M')	39,702	44,296	-10%	41,986	-5%
Profit Before Tax (Kshs 'M')	13,818	8,854	56%	8,178	69%

## Five-year Profit performance Overview

The profit for the year of Kshs. 13,818 million was above the final budget profit of Kshs. 8,854 million by Kshs. 4,964 million or 56%. The profit recorded was also higher than last financial year's profit of Kshs. 8,178 million by Kshs. 5,640 million or 69%.

The profit increased in tandem with higher economic activities following easing of covid-19 restrictions. The growth was mainly in construction sector which led to increased importation of clinker and iron ore. In addition, the overall expenditure decreased driven by deferred or cancelled activities due to Covid-19. Also, overtime capping has led to a favourable outcome.





# Management discussion and analysis on port performance (continued)

## 2.0 Throughput Overview

During the year, the Port handled total throughput of 36.05 million tons representing a growth of 2.43 million tons or 7.2% when compared to 33.62 million tons handled in 2019/20. It is important to note that all categories of Cargo recorded growth with conventional cargo being the highest segment, growing by 0.72 million tons or 36.8%. Liquid Bulk, Dry Bulk and Container segments also posted positive increases of 8.5%, 4.6% and 4.2% respectively. Total throughput surpassed the set target of 35.77 million tons by 0.28 million tons or 0.8%.

Non-Containerised cargo recorded the highest volume increase at 1.79 million DWTs or 9.7%. Containerised cargo increased to 15.69 million DWTs compared to 15.05 million DWTs in the previous year's, an increase of 0.64 million DWTs or 4.2% percentage. The increase was on imports, transshipment and restows cargo handled in the period.

Performance overview by broad categories is summarized below:

Imports: recorded an increase from 26.93 million DWTs in the period 2019/2020, to 29.02 million DWTs in the current period representing an increase of 2.09 million DWTs or 7.8%. This was mainly driven by higher imports of clinker and iron ore.

Exports: recorded an increase from 4.28 million DWTs in the period 2019/2020 to 4.44 million DWTs recorded in the current period, representing a volume increase of 0.16 million DWTs or 3.7%.

Transshipments: recorded an increase in volume posting 2.48 million DWTs of cargo in the period compared to 2.31 million DWTs handled in the corresponding period in 2019/2020 reflecting an increase by 0.17 million DWTs or 7.4%.

## 3.0 Revenue Overview

### 3.1 Revenue Performance

Revenue performance during the year recorded Kshs 53,520 million compared to Kshs 50,164 million recorded last financial year. This reflected an increase of Kshs 3,356 million or 6.69%.

The total revenue of Kshs 53,520 Million is made up of Kshs 52,130 Million, Kshs 720 Million, Kshs 168 Million and Kshs 502 Million representing operating, non-operating, finance incomes and other gains respectively. The performance was slightly above the budgeted figure of Kshs 53,150 million by Kshs 370 million or 0.70%.

Operating revenue improved to 52,130 million compared to Kshs.48,162 registered during the previous year, a growth of Kshs. 3,968 million or 8.2%, this correlates with the throughput increase of 7.2% compared to FY 2019/2020. The increase in operating revenue is attributed to throughput growth of 36.05 million tons compared to 33.62 million tons registered in the corresponding period.

The revenue generated from Container traffic increased compared to the corresponding period and budget. During the period, container traffic recorded 1.45 million TEUs against 1.38 million TEUs handled in FY 2019/2020 reflecting a positive performance by 0.7 million TEUs or 5%.

Conventional cargo throughput for the period under review was 20.36 million DWTs. This was a growth from last financial year's throughput of 18.57 million DWTs by 1.79 million DWTs or 9.6%. This is demonstrated by the higher revenues recorded during the current period compared to last year same period. The growth was mainly in clinker and iron ore imports.

Improved efficiency at the ICD that has led to reduced revenue from storage and re-marshalling.

Marine revenue performed above the budget resulting to favourable variance of Kshs 186 million or 4%. Marine revenue performance was also better than last year This is driven by higher income from higher number of chargeable vessels handled. A total number of 1,675 ships were handled in the year compared to 1,661 ships recorded in same period last year.

# Management discussion and analysis on port performance (continued)

VESSEL TYPE	NO. OF VESSELS	
	FY 2020/2021	FY 2019/2020
Barge	16	29
Bulk	326	296
Car Carrier	139	152
Container	560	538
Fishing	86	81
Gen Cargo	117	161
Passenger	2	2
Roro	41	37
Tanker	221	201
Tug	30	47
Naval	8	18
LPG	42	46
Landing Craft	62	37
Others	25	16
<b>TOTAL</b>	<b>1,675</b>	<b>1,661</b>

Revenue earned from finance income during the period had unfavourable variance. The decrease was mainly caused by drop in bank interest earnings, which decreased to Kshs 168 million compared to Kshs 1,310 million in FY 2019/2020. In FY2019/2020, the National Treasury directed the Authority to remit Kshs. 18 billion to the National Exchequer as Special Dividends. At the close of the year the Authority had remitted the balance of Kshs 4.95 Billion (2019/2020;Kshs 13.05 Billion) which decreased the bank interest earnings.

The favorable variance under other gains was mainly due to the weakening of the Kenya shillings and the realized forex.

## 4.0 Total Expenditure Kshs 39,703 million

### 4.1 Expenditure Performance Overview

Total Expenditure recorded during the period under review was Kshs 39,703 million. The expenditure consists of Kshs 39,320 Million, Kshs 139 Million and Kshs 243 Million representing total operating expenses, finance cost and impairment losses respectively.

The performance was below the final budget figure of Kshs 44,296 million resulting to a favourable variance of Kshs 4,594 million or 10.37%. It was also less than last year's expenditure of Kshs 41,986 million by Kshs 2,283 million or 5.44%.

Expenditure on Establishment expenses was below the budget resulting to a favourable variance. The favourable variance was mainly from overtime. The total overtime expenditure during the period was Kshs 1,312 million against a budget of Kshs 1,725 million. It was also less than last financial year expenditure of Kshs 2,442 million by Kshs 1,130 million or 46.27%.

The overall expenditure on operating expenses decreased and was also below the budget. The decrease is mainly driven by management of repairs expenses.

# Management discussion and analysis on port performance (continued)

## 5-year review of Statement of Profit or Loss

	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Operating Revenue	52,130,085	48,161,579	52,758,959	42,738,520	39,603,677
Other Incomes	720,475	692,047	498,843	891,023	593,624
<b>Total Revenues</b>	<b>52,850,560</b>	<b>48,853,626</b>	<b>53,257,802</b>	<b>43,629,543</b>	<b>40,197,301</b>
<b>Less Expenses:</b>					
Administrative Expenses	(4,429,215)	(3,995,660)	(4,044,431)	(3,450,148)	(2,924,092)
Establishment Expenses	(17,906,332)	(19,520,491)	(19,992,244)	(17,789,138)	(16,673,130)
Other Operating Expenses	(5,284,137)	(6,852,267)	(5,976,959)	(4,899,622)	(3,593,881)
Depreciation & Amortization	(11,700,460)	(11,043,683)	(10,609,168)	(7,658,763)	(7,499,056)
<b>Total Operating Expenses</b>	<b>(39,320,144)</b>	<b>(41,412,101)</b>	<b>(40,622,802)</b>	<b>(33,797,671)</b>	<b>(30,690,159)</b>
<b>Operating Profit</b>	<b>13,530,416</b>	<b>7,441,525</b>	<b>12,635,000</b>	<b>9,831,872</b>	<b>9,507,142</b>
Finance Income	167,636	1,310,374	2,187,175	1,728,950	1,247,301
Finance Cost	(139,391)	(135,164)	(166,309)	(170,624)	(142,237)
Impairment Losses	(243,118)	(218,888)	(646,129)	(1,037,395)	(111,913)
Other Gains/(Losses)	502,277	(219,739)	(124,232)	(44,324)	127,949
<b>Profit Before Tax</b>	<b>13,817,820</b>	<b>8,178,108</b>	<b>13,885,505</b>	<b>10,308,479</b>	<b>10,628,242</b>
Tax Charge	(5,978,260)	(4,473,012)	(4,137,870)	(3,426,742)	(3,928,448)
<b>Profit After Taxation</b>	<b>7,839,560</b>	<b>3,705,096</b>	<b>9,747,635</b>	<b>6,881,737</b>	<b>6,699,794</b>

## 5.0 Financial Position Kshs 304,216 million

Total assets grew from Kshs 294,769 million in FY 2019/2020 to Kshs 304,216 million in FY 2020/2021 translating to 3.20% increase occasioned by additions/capitalisation of new assets.

### 5.1 Non-Current Assets

Non-current assets amounted to Kshs 280,791 million in the reporting period, up from Kshs 270,337 million reported last FY 2019/2020. The increase of 3.87% is attributed to additions of new assets.

### 5.2 Current Assets

Current assets stood at Kshs 23,425 million compared to Kshs 24,433 million recorded last financial year, a 4.1% decrease.

#### 5.2.1 Receivables and Prepayments

Receivables were Kshs 19,881 million as at close of FY2020/2021, compared to Kshs 17,378 million recorded last FY. This is mainly driven by advances to contractors.

### 5.2.2 Cash & Cash Equivalents

Cash in bank & at hand amounted to Kshs 2,460 million at the close of the reporting FY, down from Kshs 3,003 million recorded last FY. A total of Kshs 13,950 million was remitted to Treasury in FY2019/20. In the reporting financial year, Kshs 4,950 million was remitted.

### 5.3 Current Liabilities

The balance as at the end of the current period was Kshs 17,147 million down from Kshs 21,080 million recorded last year. The drop was mainly driven by payment of special dividend to the Treasury.

### 5.4 Borrowings

The JICA loan for the 1st phase of the 2nd Container Terminal stands at Kshs 22,661 million as at 30th June, 2021 with a total of Kshs 456 million being paid during the year. The current portion for FY 2021/2022 is equivalent to Kshs 1,259 million.

# Management discussion and analysis on port performance (continued)

## 5.4 Borrowings (continued)

On 15 April 2020, the G20 together with the Paris club announced a Debt Service Suspension Initiative (DSSI) in order to assist developing countries, tackle Covid 19. Following GoK application to the Paris club and in line with DSSI, JICA temporary suspended the obligation from 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2021 and has not issued an invoice for the May 2021 instalment. The Authority is awaiting conclusion of the exchange of notes between JICA and GoK to release the May instalment equivalent to Kshs 429 million.

The JICA loan for the 2nd phase of the 2nd Container Terminal opened with Kshs 16,336 million on 1st July, 2020 and closed with Kshs 18,518 million as at 30th June, 2021 disbursements equivalent to Kshs 2,643 million contributed to the increase.

## 5.5 Dividends Payment to National Treasury.

The Authority was directed to remit to the National Treasury Kshs 18 billion in FY2019/2020. A total of Kshs 13.05 billion was remitted to GoK in FY2019/2020 with the balance of Kshs 4.95 billion remitted in the reporting FY 2020/2021. Normal dividend of 2018/2019 and 2019/2020 totalling to Kshs 1.009 billion was still outstanding at the close of the year. The proposed dividend for the year ended 2020/2021 is Kshs 587.9 million. Owing to the huge commitments the Authority is facing especially on the Lamu Port Project and the recent placement of Ferry Services under Kenya Ports Authority. Management is pursuing waiver of the normal dividends by the NT so that the same is utilised towards Lamu Port operationalisation and other urgent commitments.

# Management discussion and analysis on port performance (continued)

## 5-year review of Statement of Financial Position

	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
<b>Non-Current Assets:</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
Property Plant and Equipment	278,119,616	267,063,658	241,554,138	144,614,772	133,409,067
Assets held for Sale	0	400	11,618	400	1,224
Intangible Assets	987,687	1,205,422	1,151,296	675,383	487,133
Leased Property	648,215	671,246	717,063	805,819	772,292
Long Term Investment	1,035,690	1,396,168	1,748,887	3,244,997	3,973,618
Retirement Benefit Asset	0	0	0	0	2,980,174
<b>Total Non-Current Assets</b>	<b>280,791,208</b>	<b>270,336,894</b>	<b>245,183,002</b>	<b>149,341,371</b>	<b>141,623,508</b>
<b>Current Assets:</b>					
Inventories	443,609	495,536	404,813	407,965	410,591
Receivables & Prepayments	19,881,232	17,377,585	15,946,216	14,500,357	8,848,612
Tax paid in advance	265,685	2,388,639	0	873,216	0
Short term deposits	374,054	1,167,706	25,099,818	17,988,504	14,928,395
Bank & Cash balances	2,459,942	3,003,068	859,114	788,363	693,457
<b>Total Current Assets</b>	<b>23,424,522</b>	<b>24,432,534</b>	<b>42,309,961</b>	<b>34,558,405</b>	<b>24,881,055</b>
<b>TOTAL ASSETS</b>	<b>304,215,730</b>	<b>294,769,428</b>	<b>287,492,963</b>	<b>183,899,776</b>	<b>166,504,563</b>
<b>Capital and Reserves:</b>					
Revaluation Reserves	93,784,610	103,132,900	111,646,031	39,881,910	43,296,547
General Reserves	97,076,196	80,874,208	90,620,573	78,426,542	73,813,608
Grants	2,015,030	3,468,561	5,318,100	5,044,052	581,153
<b>Total Capital and Reserves</b>	<b>192,875,836</b>	<b>187,475,669</b>	<b>207,584,704</b>	<b>123,352,504</b>	<b>117,691,308</b>
<b>Non-Current Liabilities:</b>					
GOK Project Funds	43,386,157	37,386,157	27,386,157	16,212,039	13,041,039
Borrowings	39,919,684	39,070,959	32,729,833	29,493,976	24,166,431
Deferred tax	7,310,667	6,650,083	5,231,256	5,281,505	4,123,829
Retirement benefit obligations	3,576,200	3,106,800	786,300	1,767,500	0
<b>Total Non-Current Liabilities</b>	<b>94,192,708</b>	<b>86,213,999</b>	<b>66,133,546</b>	<b>52,755,020</b>	<b>41,331,299</b>
<b>Current Liabilities:</b>					
Dividend Payable	0	4,950,000	0	0	0
Borrowings	1,258,939	857,934	820,134	791,109	810,331
Trade and other Payables	15,353,047	14,736,626	11,212,048	7,001,143	6,439,802
Retirement benefit obligations	535,200	535,200	535,200	0	0
Tax Payable	0	0	1,207,331	0	231,823
<b>Total Current Liabilities</b>	<b>17,147,186</b>	<b>21,079,760</b>	<b>13,774,713</b>	<b>7,792,252</b>	<b>7,481,956</b>
<b>TOTAL CAPITAL &amp; LIABILITIES</b>	<b>304,215,730</b>	<b>294,769,428</b>	<b>287,492,963</b>	<b>183,899,776</b>	<b>166,504,563</b>



# Environmental and sustainability reporting

The Authority exists to transform lives. This is our purpose; the driving force behind everything we do as per Strategic Plan 2018-2022 implementation matrix. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant services, and operational excellence.

- In fulfilling the Mwongozo code's sustainability goals & strategy, the Board;
- Integrated sustainability into the organization's strategy and management practices
- Focused on the future sustainability of the organization
- Adopted a holistic approach to economic, social and environmental issues in their core business strategy
- Considered in their decision making, the impact of their organization's operations on the community and the environment
- Worked closely with management to ensure long-term goals are well formulated and subsequently met
- Focused on long-term talent development
- Ensured continuous innovation of its processes, products and services

## Launch of Port of Lamu

The Port of Lamu roared to life with the operationalization of the first berth, presided over by His Excellency President Uhuru Kenyatta. The 310 billion port marks a major milestone as it becomes the second commercial port in Kenya which is expected to transform the shipping and maritime industry in Africa. The Port received two container vessels on the launch date with MV Cap Carmel making history as the first vessel to call the modern facility. She was followed by MV Seago Bremerhaven.

As a critical pillar of the Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) corridor project, Lamu port will connect Kenya to South Sudan and Ethiopia and is also expected to link northern Kenya to the Middle Belt of Africa which runs from Dakar, Senegal in the west to Lamu in the east.

As the port begins operations, Kenya Ports Authority in conjunction with Kenya Revenue Authority announced a promotional tariff to encourage the use of the facility by customers

The port of Lamu is envisaged to have a total of 23 modern berths with a quay length of 400metres each and a depth of minus 17.5metres capable of accommodating Panamax and new Panamax vessels with a capacity of over 10,000 TEUs.

Phase one of the project comprises three berths with the first already operational and the remaining two expected to be ready by October this year.

Phase two will have 16 berths; three bulk, three container, six general cargo, one liquid bulk, one coal, one LNG and one product oil.

Final phase of Lamu port will see the construction of four berths comprising one container and three general cargo berths.

Accompanied by several Cabinet Secretaries, Governors and Senior Government Officials, the Head of State witnessed the berthing of Lamu Port's maiden ship MV CAP Carmel.



# Environmental and sustainability reporting (continued)

Below is an outline of other activities that promote sustainability.

## 1. Quality Management System

Over the years of ISO 9001 Quality Management System (QMS) certification, the Authority has undergone numerous surveillance and internal audits that have ascertained its continued compliance to international quality standards and enhanced service delivery and customer satisfaction. Kenya Ports Authority attained certification for her Quality Management System (QMS) to ISO 9001:2008 in June 2009. The Authority's QMS was recertified in March 2012 and May 2015. The revision to the ISO 9001 standard in 2015, necessitated the KPA QMS transition and was certified to the new standard ISO 9001:2015 in May 2018. The Authority is now on its 5<sup>th</sup> cycle of the QMS certification having successfully completed recertification in May 2021.

The success of the Quality Management System has led KPA to have in its strategic plan the initiative to implement a number of other ISO based Management Systems. These include;

- Information Security Management System based on ISO 27001:2013;
- Environmental Management System based on ISO 14001:2015;
- Occupational Health and Safety Management System based ISO 45001:2018

## Information Security Management System based on ISO 27001:2013;

The standards are at various stages of implementation; however the implementation of an Information Management System is at a more advanced stage. The standard is designed to help KPA to enhance the Confidentiality controls on its information, improve the Accuracy and correctness of information we share internally and to our external stakeholders and also ensure that relevant information is available to relevant personnel when required. KPA is due for recertification audit for ISO 27001 ISMS in December 2021.

## Environment Management System and Occupation Health and Safety Management System

Kenya Ports Authority has also been implementing an Environmental Management System (EMS) based on ISO 14001:2015 standard and an Occupational

Health and Safety Management System (OHSMS) based on ISO 45001:2018 standard. The two systems (EMS & OHSMS) are due for certification in December 2021.

## 2. Enterprise Risk Management

Kenya Ports Authority operates a single risk framework to manage all business risks. The framework is based on ISO 31000:2018 International Risk Management Standard and includes Committee of Control Organizations control activities. This ensures our strategic and operational risks are identified, managed and reported in a consistent way.

Our Risk Management Framework is evolving as we continually seek to improve and enhance our risk management processes and designed to be responsive to the ever-changing environments in which we operate. The Risk landscape has for instance been altered with emergent of COVID-19 Pandemic.

The Authority enhanced its responsiveness to the uncertainties by having in place contingencies and business plans as a critical service provider in the region. This approach drives risk management according to business and strategic objectives, stakeholders' needs, our desired risk culture, emerging risks and integrated control assurance aspirations as per Treasury's guidelines and the Mwongozo code of Governance.

## Identifying our Strategic risks

We identified the strategic risks that may impact achievement of key business objectives in line with our Framework. This represents an assessment of overarching risks which provides the Risk Management Committee and Board insight on the key risks facing the Authority to enable informed risk-based decision-making. A robust enterprise risk management process supports the identification and mitigation of these key risks and exploitation of opportunities.

Disruption of the macro-economic landscape by COVID-19 has influenced financial and business resilience risks and contingencies that had to be made. The launching of the Port of Lamu, the Inland Depot in Naivasha and the collaboration under the umbrella of the KTLN, portend opportunities for growth, improved customer experience and our competitiveness in promotion and facilitation of regional trade. We continue to be committed to robust risk management practices as an integral part of good corporate governance.

# Environmental and sustainability reporting (continued)

## Top business risks

The heat map below depicts residual risks after implementation of the mitigating controls.

Impact	Critical	5					
	High	4					
	Moderate	3					
	Low	2					
	Minor	1					
KEY	LOW		1	2	3	4	5
	MEDIUM		Rare	Unlikely	Possible	Likely	Certain
	HIGH		Likelihood/Probability				

Business Continuity and Resilience Planning (BCP)		Rating: HIGH	Strategic Risk Category	Operational
Risk Definition and Context	The Authority is a critical service provider and is required to maintain uninterrupted services. KPA operates in a unique environment that calls for adequate planning and engagement with other stakeholders to ensure efficient and effective evacuation of cargo to the customers.			
Mitigating controls	<p>Conceptualized and updated Business Continuity and Technical Resilience Plans (BCP) clearly articulating on how to keep business running in uncertain environments.</p> <p>Rolled out measures on disaster preparedness including a review of critical processes</p> <p>Continued update of the Business Continuity and Disaster recovery preparedness across business units</p>			

# Environmental and sustainability reporting (continued)

Information Communication Technology Risks		Rating: HIGH	Strategic Risk Category	Operational	
Risk Definition and Context	The Authority runs on ICT infrastructure in most processes. External cyber-attacks or internal breaches could result in service interruption and/or the breach of confidential data.				
Mitigating controls		Continuous legacy (systems) renewal process to phase out outdated systems and technologies  Continuous implementation of systems automation strategies to streamline processes  Surveillance and upscaling of our information security infrastructure to avert any attacks (cyber fusion).  Continuous awareness and sensitization of staff.  Enforced ICT Security Policy including the Disaster Recovery Plan to ensure a secure fall back plan.  Real-time onsite and offsite data backup for all Authority systems.  Ensured that the anti-malware and anti-virus software is up-to-date and is deployed as required.  Limiting Virtual Private Network to staff in critical functions			
Financial Risks: Slowed Business Growth & Internal Liquidity challenges		Rating: HIGH	Strategic Risk Category	Strategic/External	
Risk Definition and Context	Negative performance in Key Performance Indicators due to disrupted trade routes, blank sailings, fewer vessel calls and reduced customer activity due to reduced purchasing power because of pandemics or other reasons.  Liquidity Challenges: Stress on both short-term and long-term capital requirements due to delayed payment and reduction in business volumes would have an impact the Authority’s bottom-line.				
Mitigating controls		Formulated both short and medium-term adjustments to the business model.  Re-formulation of working capital requirements to bridge cash flow requirements  Rescheduled capital investment related plans and infrastructure projects  Adopted the Long-term Planning Framework as encapsulated in the Port Master Plan.			
Interruption of the Geo-Political Supply Chain		Rating: HIGH	Strategic Risk Category		Strategic/ External
Risk Definition and Context	There is a possibility of an increase in cargo dwell time leading to congestion in the yards and pressure on storage spaces arising from travel restrictions to and in the neighboring transit markets, curfew and mandatory testing of truck drivers at borders for the transit cargo.				
Key Actions and Mitigating controls		Continuous customer engagement and communication to stakeholders  Identified peripheral storage facilities in the ICDN and Naivasha ICD for transit cargo.			

# Environmental and sustainability reporting (continued)

<b>Risk of Non-implementation of Capital Programmes</b>	<b>Rating: HIGH</b>	<b>Strategic Risk Category</b>	<b>Operational</b>
Risk Definition and Context	Capital Projects that had been earmarked for implementation may be affected due to reallocation of budgets because of the COVID-19 Pandemic.		
Mitigating controls	<p>Continuous alignment of the strategic plan initiatives with the budgeting cycle to utilize internal funding</p> <p>Continuous monitoring and evaluation of the projects' milestones to inform prioritization of on-going projects to match reduced revenues</p> <p>Continuous validation business cases prior to investment decisions</p> <p>Focusing on to key high priority transformative Programmes/projects</p>		
<b>People Risks: Inadequate Succession Planning</b>	<b>Rating: HIGH</b>	<b>Strategic Risk Category</b>	<b>Operational</b>
Risk Definition and Context	To enhance employee productivity and competence by tapping the existing talent establishment, the Authority faces the risk of loss of Organizational knowledge and skills due to lack of an elaborate succession program.		
Mitigating controls	<p>Operationalize the succession planning policy and allied programs</p> <p>Work understudy programs in technical and operations business units</p>		
<b>Stakeholder and Third-Party Risks</b>	<b>Rating: HIGH</b>	<b>Strategic Risk Category</b>	<b>Strategic/External</b>
Risk Definition and Context	The Authority is exposed to third party risks (environmental, operational, reputation financial, and health & safety) as a result of collaboration with other stakeholders and cargo intervention processes.		
Mitigating controls	<p>Continuous structured Stakeholders engagement and collaboration</p> <p>Continuous Corporate Social Investments to make an impact and build confidence in the Society around the Port.</p>		
<b>Insecurity and Threats of Terrorism</b>	<b>Rating: HIGH</b>	<b>Strategic Risk Category</b>	<b>Strategic/External</b>
Risk Definition and Context	Cases of increased general insecurity arising from COVID-19 pandemic that has contributed to slowed economic activity and possible terror threats on the Authority's establishments e.g., at the Port of Lamu.		
Mitigating controls	<p>The Authority has put in place scanners at all Port entry points</p> <p>The Authority has embraced inter- agency approach to security enhancement in our Ports</p>		
<b>Re-organization of the Authority's Operating Structures</b>	<b>Rating: HIGH</b>	<b>Strategic Risk Category</b>	<b>Strategic/External</b>
Risk Definition and Context	Ferry services have been placed under KPA, the Authority has also entered into a collaboration agreement with entities under the Kenya Transport & Logistics Network (KTLN) umbrella to enhance efficiency and effectiveness in passenger movement and cargo evacuation respectively. The restructuring program has the potential to affect efficiency and effective delivery of Port Services		
Opportunities	<p>Implementation plans (people, systems and processes) in the running of the Port and Ferry Services alongside the Operating Entities in the KTLN arrangement.</p> <p>Evaluation of the Assets base, liabilities and staffing needs of the merged entities to assure value add and operational efficiencies.</p> <p>Implementation of a change management program for all staff</p>		



# Environmental and sustainability reporting (continued)

## Environment & Health and Safety

The Kenya Ports Authority commits to ensuring environmental compliance and integration of environmental sustainability in the development and in operations. This is in line with our vision of becoming world class port of choice. This is demonstrated in the Authority's strategic plan 2018-2022 under the strategic objective of enhancing Risk Management and Environmental Sustainability.

Under this objective, KPA recognizes that Port operations have a direct impact on the environment including carbon emissions and that climate change and its negative effects require long term planning and adequate resources hence the need to comply with National and international environmental/maritime laws, regulations, and policy guidelines. To achieve these objectives the following initiatives have been proposed:

- Development of alternative and renewable energy sources
- Implementation of the green port policy initiatives
- Implementation of an integrated waste management plan
- Implementation of ISO 14001
- Improvement of the quality of air

## Environmental Policy

The Authority has an environmental policy that guides on Environmentally friendly port operations and development and gives the way forward on addressing the negative Environmental impact in infrastructure development and port operations. The policy also focusses on the significant reduction of greenhouse emissions through adoption of green initiatives and projects. The Authority has been implementing the Green Port Policy through several projects with focus on green energy, health, sanitation, waste management, restoration of biodiversity and conservation efforts.

Several sanitation-related projects have been completed in the form of installation of biodigesters at several locations in the port for the purpose of managing sewage waste in an environmentally sustainable manner. While challenges have been there in the maintenance of the systems, improvements and rehabilitation works on the same are currently ongoing.

The use of renewable solar energy in some parts of the port and biodiversity restoration activities completed in the last financial year are part of the Authority's efforts in implementing the policy.

## Compliance

The Authority's environmental sustainability activities and programmes mostly complies with the National environmental Law, the Environment Management and Coordination Act CAP 387 and regulations under the Act.

Similarly, the Authority strives to meet or exceed development partners environmental and social consideration standards such as the JICA, world bank and EU standards.

**Environmental and Social Impact Assessment (ESIA) Studies-** KPA's major projects are subjected to a full environmental and Social Impact Assessment and the Authority complies with the all the provision of the Environmental Act and regulations with respect to the studies.

In FY 2020/2021, the Authority in liaison with development partners undertook social and environmental studies including Resettlement Action Plan for the proposed Dongo Kundu project, Livelihood recovery plan for the fishermen affected by development projects, Environmental Social Impact Assessments for revitalization of Kisumu port and ESIA for proposed Shimoni fishing port.

**Monitoring-** KPA takes seriously implementation and monitoring of Environmental Management Plans (EMPs) and EIA License Conditions for all ongoing infrastructural projects. Monitoring reports for mega projects such as the KOT and MPDP are uploaded monthly in the KPA portal for public and regulatory Authorities' access.

**Environmental Audits-** Statutory environmental audits were conducted on annual basis and reports submitted to NEMA. In the period under review, the audits were conducted in November 2020 and the subsequent reports submitted to NEMA.

**Stakeholder Engagement-** undertaking of stakeholder mapping and comprehensive engagement for all major projects are ongoing.

# Environmental and sustainability reporting (continued)

## Environment & Health and Safety (cont'd)

Waste management- Engagement of firms licensed by NEMA in the management and disposal of solid and sewage waste in compliance with waste management Regulations.

Disposal Sites: use of approved and licensed disposal sites especially for the disposal hazardous waste.

## Biodiversity Management

The Authority has been committing resources towards protection and conservation of both of terrestrial and marine biodiversity through restoration, maintenance, and rehabilitation of degraded systems.

The following are some of the efforts in respect to biodiversity management.

Planting of trees at Tudor creek where KPA has adopted a site of about 6ha from 2019 to date and a total of 28,000 mangrove trees planted so far. In the last financial year 10,000 trees were planted the 4th quarter of the year. This was done in collaboration of community-based organization who undertake regular monitoring and maintenance of the adopted site with a 100% survival rate of the planted trees.

These efforts by the Authority are contributing to the national tree planting campaign dubbed 'Panda Miti, Boresha Maisha' which is aimed at mitigating the current environmental degradation and achieving a 10% forest cover by 2022.

Maintenance of Uhuru Garden as part of our corporate social responsibility in environmental protection and conservation. The Authority maintains the garden on behalf of the National Museums of Kenya for the benefit of the public. This was done at a cost about Kshs. 2.5 million during the year under review.

Regular monitoring of marine biodiversity especially in areas where KPA is undertaking marine based projects to prevent and detect impacts of the projects to the existing habitats.

Pollution from land-based sources has been a long-standing challenge especially at berth 14 area where discharge of untreated wastewater has been polluting the marine environment. The malfunction of Mombasa Water Supply and Sanitation Company (MOWASCO) Kipevu treatment plant has also exacerbated the situation by releasing sewage waste into the ocean through the Kipevu storm drain.

As part of our efforts to protect the marine biodiversity, the Authority took up the matter with the National Environment Management Authority and MOWASCO was taken to task to repair the plant. The repair works are ongoing.



KPA adopted site

# Environmental and sustainability reporting (continued)



A multi-Agency joint inspection of the Kipevu sewage treatment plant on June 2nd 2021

## Energy Management

One of the areas the Authority's environmental policy focusses on is the use of green/renewable energy and solar Power was identified as best alternative renewable energy source for the port.

In the last financial year, a 300kW Peak solar power plant with solar water heating systems at the Cruise terminal. This can cover all the power needs for the terminal during the day and the surplus may be in nearby buildings. This is in addition to the existing two Solar Power Plants currently in operation at Kapenguria with a combined capacity of 750kW.



Roof top Solar panels at the Cruise ship terminal

Retrofitting of all yard Lighting Lanterns with LED ones and the solar/wind powered security lighting are other energy efficiency projects that are ongoing

# Environmental and sustainability reporting (continued)

## Waste Management

The Authority's is implementing a waste management strategy that focusses on waste reduction, waste segregation, proper waste storage, collection, transportation, and disposal. The strategy is in line with the requirements and provisions of the Waste management regulations 2006. Some of the waste categories generated in the port and management strategy in place are outlined below.

Waste category	Management	Remarks
General office waste, garden waste, food waste and sweepings	Stored at designated waste collection station from where a licensed firm collect and transported to the disposal site.	Waste tracking sheets are used to ensure compliance
Scrap- machines, parts, tyres, used items	Managed through procurement disposal process by selling the items through a competitive tendering process	Included in the corporate procurement and asset disposal plan for the respective year.
Waste oil	Selling to licensed firms through a competitive tendering process	
Ship waste/sludge	Managed by private ship contractors. The Authority ensures the contractors are licensed to handle such waste and monitors the removal process to prevent marine pollution.	The reception facilities for the waste are outside the port
Biomedical waste	Properly stored and incinerated at bandari clinic incinerator	A bigger incinerator is currently being installed at terminal two
Condemned cargo waste	Transported to licenced waste disposal facilities mainly in Mombasa for incineration	
Sewage waste	This is managed through the services of licensed sewage waste handler.	
Construction waste	Removed by the construction contractors. Part of the tender requirement	Environmental site clearance certificate is issued before payment



# Environmental and sustainability reporting (continued)

## Climate Change Initiatives

The Environmental policy guides on efforts to reduce emissions from ship and other sources. The Authority has taken several initiatives in relation to climate change

- Climate Change Mitigation in the Maritime Shipping Industry- KPA in Partnership with Kenya Maritime Authority and Jomo Kenyatta University of Agriculture and Technology (JKUAT) and Kenya Maritime Authority (KMA) is participating in climate change and emission reduction projects undertaken through Maritime Technology Cooperation Centre (MTCC- Africa).
- The Centre which is hosted by JKUAT focusses on capacity Building intended to enable developing countries e.g., Africa, to effectively implement energy-efficiency and emissions reduction measures.
- The Centre is currently undertaking a project with the objective of estimating emissions from ships calling at the port of Mombasa through the technical assistance of KPA and KMA staff working with the centre on part-time basis.
- Working with the Ministry and the State Department of Transport to institutionalize climate change-related functions within the department and capacity building and KPA has been part of the team. Through this initiative there are ongoing efforts to establish emission data from the maritime industry.
- The construction at the Lamu port has integrated infrastructure for the provision of shore power to ships. The Authority has also recently commissioned a jetty with shore power infrastructure at Dockyard. The use of electric power by marine crafts is one of best ways of reducing emissions as guided by the environmental policy.

However, there are some areas where the Authority has faced challenges especially air pollution because of emissions from the bulk cargo operations. The periodic Air and water quality monitoring was also affected and were not undertake in the better part of the financial year.

## Health Check Campaigns

The Authority addresses wellness and diseases prevention in various platforms such as: Employee Assistance Program (EAP), Health Talks and Weight Management Program (Simply Healthy).

EAP is a work-based intervention program designed to assist employees in resolving personal problems that may be adversely affecting the employee's performance. EAPs covers a broad range of issues such as Alcohol, Drug and Substance Abuse (ADSA), HIV/AIDS, relationship challenges, financial or legal problems, wellness matters such as Non-Communicable Diseases (NCDs) and traumatic events like workplace violence.

Medical personnel address the NCDs daily. The Authority also carried out bi-annual Health Week to screen and create awareness for employees, dependents, and port users. This allows for primary prevention, early detection, and treatment. Despite the stringent measures of the Covid-19 pandemic, a total of 434 Health education talks were conducted in the year which were distributed into different areas. The purpose of health education is to positively influence the health behavior of employees and their dependents.

A health program dubbed 'Simply Healthy' program was rolled out to select employees. The competitive weight reduction program was closely monitored by the medical personnel.

## Health and safety

The safety branch of the Authority takes the primary role of ensuring compliance to OSHA 2007, which provides regulations to ensure the safety of persons in the port and safe work environment.

To achieve this mandate the Safety Branch has put in place various Programs aimed at:

- Creating safety awareness and sensitization to all persons in the port.
- Ensuring safe cargo handling including dangerous cargo.
- Identifying workplace hazards and risks and recommending control measures.
- Compliance with Occupational Health and safety (OSH)

The following compliance measures have been carried out;



# Environmental and sustainability reporting (continued)

The Authority's workplace has been registered in line with OSHA ACT 2007, Part V, on Registration of Workplaces

Annual HSE Audit and inspection of workplace was carried out in the financial period 2020/2021; as Per OSHA Act 2007; Part II General Duties, Section 11 on Safety, and health audits.

Annual Medical Examinations of employees is ongoing on regulations on Health Surveillance as per Medical Examination) Rules, 2005.

- Risks Assessment of Workplace, Processes, Activities, PART II General Duties, 6 (3). (Duties of Occupiers, OSHA Act 2007).
- Training, Induction, Awareness Programmes, PART II General Duties, (Duties of Occupiers, OSHA Act 2007).
- Statutory Inspections of Equipment's Part VII Machinery Safety (72 Examination and testing of plants)
- Safety Committee Meetings Legal Notice 31, (Safety and Health Committee Rules 2004).

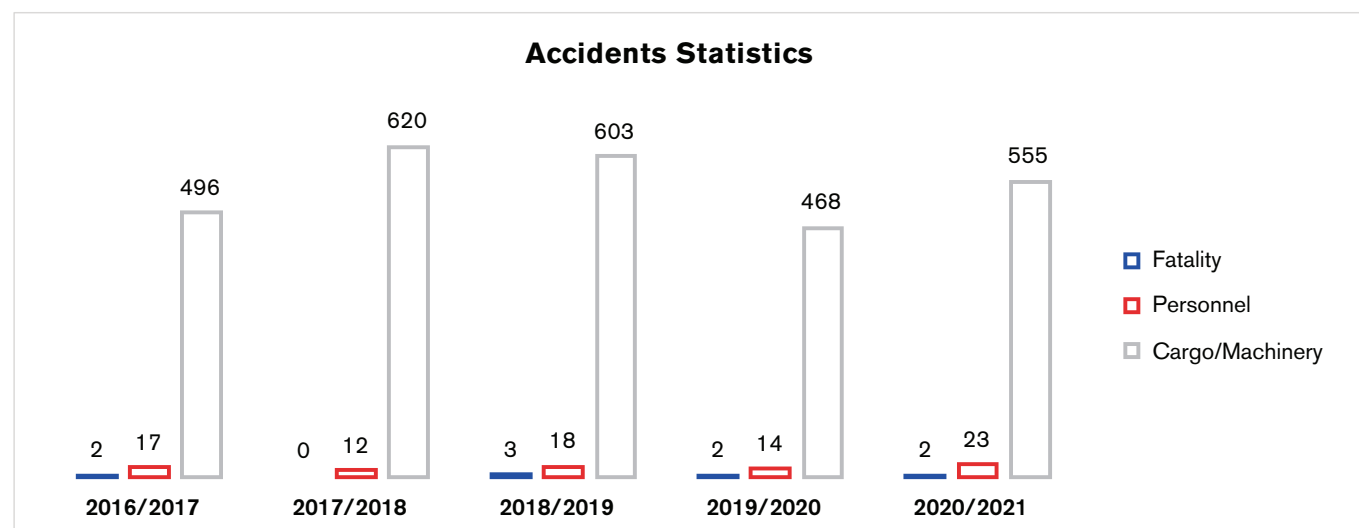
## Accident occurrence

The Authority has in place a health and safety policy in line with the requirements of the OSHA Act, 2007. The policy denotes the Authority's commitment to ensure the safety of persons and that the Port is maintained as a safe work environment.

The Authority has in place Control Measures to prevent accident recurrence and implement recommendation from accident investigations all within the set time limits.

## Measures taken to prevent work-related injuries and ill health

1. Inspections of Workplaces to identify unsafe acts and conditions for the purpose of eradicating hazard elements in work environment
2. Investigations of workplace incidents & accidents to identify root causes and recommendation of prevention strategies
3. Carrying out risk assessments of workplaces, operations, processes, and activities for the purposes of identification, evaluation and control of health, safety and environmental hazards and their potential risks at workplaces
4. Carrying out safety training, inductions, awareness and monitoring of contractors, Port Users, employees, to ensure necessary information is shared to all parties on safe work practices
5. Handling of Dangerous & Hazardous Cargo is done in line with International Maritime Dangerous Goods (IMDG) Code and Explosive Act of Kenya. Two dangerous cargo Classes 1 and 5.1 UN1942 are inspected onboard vessels before discharge
6. Surveys of damaged cargoes to determine the extent of damages, its relationship with occurred accidents, causative, and preventive measures.



# Environmental and sustainability reporting (continued)

## Safety Enforcement

To ensure compliance with port safety rules and regulations, Safety enforcement exercises are continuously carried out to enforce safe practices in the port. These are carried out together with Port Security Officers and Port police. These ongoing activities include:

**Monitoring of contractors:** This is done periodically during the working time of a contractor to ensure they are working safe.

**Port Roads Speed limits:** Speed cameras have been installed along port roads and the same are being monitored at the security control room and the safety office. Over speeding motorists are flagged, and appropriate action taken.

**PPEs compliance:** Enforcement PPEs compliance in operational areas is ongoing.

**Traffic Offences:** Monitoring of safe road practices by motorists is a continuous activity.

## Performance Management

At the beginning of the Performance Management cycle for the year, both management and Unionisable staff were trained on improved performance management system and guided to develop their scorecards.

The training and facilitation for development of scorecards was undertaken for staff stationed at the headquarters in Mombasa, ICD Nairobi, ICD Kisumu, ICD Naivasha, Lamu Jetty and Kampala liaison office.

An improved appraisal system was automated so that appraisal is aligned to the improvements made on the scorecard template used for performance objective setting.

Training was conducted for 101 staff (Appraisal Support Teams i.e., Performance and Change Management staff, Administrators and Balanced Scorecard Champions). These teams are expected to offer end user support in the performance appraisal process.

On rewarding performance, currently, it is six Departments in Operations and Engineering which are rewarded for performance based on surpassing the set performance targets under Berth Productivity Incentive Scheme (BPIS).

- i. Container Terminal Operations
- ii. Container Terminal Engineering
- iii. Marine Operations
- iv. Marine Engineering
- v. Conventional Cargo Operations
- vi. Conventional Cargo Engineering

Not all staff in the above departments receive the incentive. There are approved tiers and designations. Plans are underway to operationalize an Annual Incentive Scheme for all staff based on individual performance.

## Performance Appraisal Policy

The highlights of the policy are as captured below: -

Employees will be accorded an opportunity to conduct a self-appraisal before they are appraised by their Team leader/supervisor.

During the mid-year evaluation discussions (appraisal interview) both the Team Leader/supervisor and employee will assess and measure progress for the first 6 months against the set performance standards.

At the end of the year, employee's overall performance will be assessed, and new performance targets set for the next review period.

## Employee Skills & Trainings

Cognizant of the fact that employees are the most valuable assets, the Authority is committed to training and developing all its employees.

A total of 80 training programs were conducted for a total number of 5,108 staff during the financial year. The training programs fall under the following categories.

- Onboarding
- Technical skills development
- Soft skills development
- Leadership/Managerial Training
- Compliance training
- Health, Safety & Security Trainings
- Mandatory programs (certifications)

Learning and development plays an important role in helping the Authority to run efficiently and to be responsive to changes in the business.

# Environmental and sustainability reporting (continued)

However, lack of an inhouse training facility coupled with the COVID-19 containment measures made it increasingly difficult to develop employees through classroom training. It is imperative for the Authority to adopt blended learning which includes both classroom training and e-learning. Therefore, the Authority will embark on implementing e-learning solution (system) during the financial year 2021/2022.

The implementation of the e-learning system will reduce the cost of conducting classroom training, improve the management of employee learning and development, provide anytime-anywhere online learning to the staff. The subsequent increased reach and access to learning opportunities will enhance cost savings, performance, and productivity improvements.

Other efforts towards improvement of employee skills development include:-

- Promotion of inhouse training and upskilling of internal training facilitators

- Procurement of a cellphone for bulk SMS to staff for purposes of improving the training nomination process and attendance to various training programs.

The performance appraisal process has been automated. The system will be used for identifying employee training needs through the mid and end of year employee appraisal based on performance gaps identified.

## Internship

During the year, 43 interns were recruited for a one-year internship program across the Authority effective from May 2021.

# Environmental and sustainability reporting (continued)

## ICT Systems

During the year, the Authority ICT systems operated in a secure environment and ensured business continuity. Below are the achievements during the year.

Key Activities	Achievement
New ICT systems or upgrades	Procurement of two Internet Service Providers (ISPs) at Port of Mombasa and ICD Nairobi.
	Implementation of Data Center Interconnect for primary Data center and secondary data center.
	Upgrade of Network Access Switches at Port of Mombasa
	Implementation of Vehicle Portpass Module – Integration with Nice Label (Pending Training/Go-live).
	Automated Fuel Management System (AFMS) – Phase 2 (Bowser System Integration).
Impact of the ICT investment on KPA operations, stakeholders, and economy	Implementation of OpenDNS solution
	The solution is a platform for inspecting web traffic by providing first line defense against cyber security threats on the internet.
	Stops attacks before they launch and correlates live data by analyzing cyber security threats to identify patterns, detect anomalies and create models to uncover threat vectors.
	Automated Fuel Management System (AFMS)
	Management of fueling of equipment now better, transparent, and controlled.
Robustness of the IT systems to handle the demand of employees, customers, suppliers etc.	Accountability of payment now enhanced and based on actual fueling data.
	Increased truck turnaround time to ease cargo evacuation and improve port efficiency in ICD Nairobi
	Three data centers in place to provide high availability of information systems
KPA preparedness to cyber threat/security; any cases of leaks or loss of data and how it was managed. If not a brief statement to support the fact.	Two ISPs in place to guarantee uptime of 99% Internet connection
	KPA is part of the National CIRT receiving latest briefs on cyber security threat landscape and how to contain and manage them.
Key achievements and challenges during the financial year	Implemented two tiers/layers of security both at the perimeter and data center. Both layers use Sandbox to contain emerging threats.
	Automation of Lamu business processes (KWATOS/Finance/ Procurement& Plant maintenance)
	Truck booking System for ICD Nairobi

# Environmental and sustainability reporting (continued)

## Stakeholder Engagement

The Authority engaged stakeholders in several forums as part of business collaborations geared towards sustainability. Stakeholders' engagement is very important in the business world for growth and resolving challenges and finding permanent solutions to make the port efficient.

The Authority engaged with stakeholders in Lamu county for the support of initiatives aimed at uplifting the community. The Authority donated Kshs 6 million for the construction of a safe center at Mokowe, that will provide a haven for women and girls escaping gender-based violence. It also donated to the Football Kenya Federation (FKF) development program that will support the implementation of a proposed Vijana cup Tournament. The adoption of the Vijana Cup tournament will improve sporting activity in Lamu and grow talent at the grassroot level. The Authority believes that successful relationships with stakeholders are essential to the organization's success.

The Authority also held discussions with Lamu fishermen stakeholders meeting was held at the County Commissioners office in Lamu County by Kenya Ports Authority with the goal of engaging with the critical stakeholders to ensure their interests are taken care of and the project has a positive impact on the community. The meeting's agenda was to finalize the process of compensating Lamu fishermen affected by the construction of the Lamu Port. KPA cares about the community and is dedicated to uplifting the communities in which it operates.

Additionally, the Authority as the project proponent facilitated and embarked on a two-week exercise running from 25<sup>th</sup> April to 8<sup>th</sup> May 2021 that entailed verifying and validating 4,734 fisher folks to be compensated. The meeting involved verifying and validating the fishermen list and deliberations of the mode of payment.

The Authority held an opinion leader's meeting on 17<sup>th</sup> May 2021, prior to the main event which was the official commissioning of the first three berths at the Port of Lamu on 20<sup>th</sup> May 2021. Some of the key stakeholders invited in the meeting include Lamu members of Parliament, Lamu civil society, Lamu youth representatives, religious leaders, and the Lamu County government.

The Authority also met with other stakeholders from neighboring countries, the shipping industry including representatives of Shipping Lines, Clearing and Forwarding agents and transporters in Lamu.

## CORPORATE SOCIAL RESPONSIBILITY

The Authority is committed to uplifting the standards of living of communities. This commitment is entrenched in and supported by our CSI Policy. It is rooted in the organization's values, guided by international standards and best practices, and driven by its aspiration for excellence in the overall performance of the business.

The Authority's CSI plan was founded on three basic principles:

- Kenya Ports Authority was the single largest employer within the Coast Province and thus the need to invest in various community projects in each of the districts.
- The Coast region was largely lacking in education facilities, especially for primary schools and thus there was a need for the Authority to invest in promoting this area. This has since extended to include secondary schools as well.
- The Authority also incorporated healthcare as a focus for the outreach program through construction of healthcare facilities and holding of medical camps.

The Authority's CSI Policy is rooted in the organization's values, guided by international standards and best practices, and driven by its aspiration for excellence in the overall performance of the business. Through the efforts of each of the employees, KPA is determined to take pride in being responsible, respected, and welcomed in every place where it has its presence.



# Environmental and sustainability reporting (continued)

## CORPORATE SOCIAL RESPONSIBILITY (Cont'd)

### Education

#### Dr. Kraft Library Block.

Dr. Kraft Secondary School is in Mazeras, Kilifi County and the school had a need of library block for its students.



#### Gozani Primary School



#### Kajiwe Primary School

The Authority donated Kshs 5 million to the school, Kajiwe Primary School in Rabai sub-county, Kilifi County to go towards the project's labor costs. The school was able to secure funds, therefore, the donation will go towards labor costs of their ongoing school projects- construction of classrooms administration block and washrooms. The construction at the moment is still on going. This gesture will not only be a good opportunity for KPA to be involved in this major school project but also go a long way in cementing the already good relations that the Authority enjoys with the community.





# Environmental and sustainability reporting (continued)

## CORPORATE SOCIAL RESPONSIBILITY (cont'd)

### Donation to Riambase DEB Primary school

The Authority donated Kshs 5 million that went towards the construction of 8 classrooms to the school. The project is still on going. Supporting the above course will not only go a long way in assisting the school achieve its goal of providing adequate learning infrastructure to its students but also initiate a cordial relationship between the Authority, the school institution and community at large. It will also enable the Authority to realize one of its (Community Directed Intervention) CDI strategy goals to reach out to the larger community beyond the coastal region.



### Donation to Mumbuni Primary School

Mumbuni primary school in Machakos sub county received a donation of 50 desks from Kenya Ports Authority as part of the Authority's Corporate Social Investment initiative. The desks were valued at a cost of Kshs 0.2 million will see 100 pupils in the school seat comfortably while observing social distancing to curb the spread of Covid-19. The donation is consistent with the CSI focus areas of education and health.



### Donation to Machakos rescue center

The Machakos rescue center benefited from food donation worth Kshs 0.1 million. The school caters for children who are lost and separated from their parents as well as those who are mentally challenged. The school, which has a student body of 49 girls, is subsidized by the government. The donation is in line with the KPA core value "We care" and the CSI core focus area "Humanitarian & Aid".



# Environmental and sustainability reporting (continued)

## Donation of Computers to Port Reitz School for the Physically Handicapped

The Authority, through its Corporate Social Investment program, donated new computers to Mombasa's Port Reitz School for the Physically Handicapped. The Kshs 1.2 million worth computers will be crucial in implementing ICT and digital learning at the school. The donation is in line with one of the CSI policy's core focus areas, which is education.



## Lamu Medical Camp

The Authority in partnership with Lamu County conducted its first medical camp in Hindi Ward, Lamu county at a cost of Kshs 2.4 million. The free medical exercise included free screening, diagnosis and treatment of various diseases including cancer, non- communicable diseases eye checkups, ear, nose, and throat (ENT). The medical camp which was held in Hindi Ward at Hindi Primary school saw more than 800 patients benefit from free consultants, diagnosis, free medicine, and treatment.



## Donation to National Authority for the Campaign against Drug Abuse (NACADA)

The Authority donated Kshs 1 million to the Miritini Rehabilitation center in Mombasa to support treatment and rehabilitation programs. This is a partnership with the National Authority for the Campaign against Drug

Abuse NACADA, the Authority comes on board to support government effort to fight drug and substance abuse: a major challenge affecting the youth. The donation is part of an empowerment plan for the youth which the Authority supports.



## Donation to NEMA

KPA collaborated with Kenya's National Environment Management Authority (NEMA) to commemorate this year's World Environment Day, which was hosted at the County of Garissa. The focus of the day was primarily on the UN's recently launched Decade on Ecosystem Restoration, which promotes reversal of the status quo. The Authority donated Kshs 500,000 to this cause.

In support of emergency household relief and nutrition project for COVID-19, the Authority complemented the County Government of Mombasa program and donated Kshs 2 million to support the people of Mombasa during the period of the pandemic and economic slowdown. The Authority also donated Kshs 1.5 million to support orphans at Our Lady of Perpetual Help Education Centre (OLPHEC). The orphanage home caters for about 185 destitute children.

## Engagement with the Kenya Defense Forces (KDF), Mariakani Garrison

The Authority held talks with the KDF in regards towards the construction of a community borehole. The KDF had requested for partnership to tackle a water shortage challenge that they, together with its environs are experiencing. They had proposed sinking of a water borehole which will be used by the soldiers and the local population. The Authority donated Kshs 2.22 million which will be used in the funding of the Water Borehole Project.



# Environmental and sustainability reporting (continued)

## Long and Short Rain Tree Planting Exercise

The Authority adopted 4 sites within Mkupe and Ganahola in Tudor Creek with combined area of 31.5 hectares. These sites have open patches, caused by ecological imbalances due to human activities and requires incessant tree replacement. To attain the intended goal of replenishing the adopted sites and the objective of planting the quantity of trees envisioned, the Authority donated Kshs 3.35 million detailing the activities and program to be undertaken in line with the important national tree planting exercise.

As reported in the last Financial Year (FY), the Authority was requested by the State Department of Public Works under the parent ministry to make a contribution for the rehabilitation and construction of Mokowe, Mtangawanda Lamu Terminal and Manda jetties. An expenditure of Kshs 140 million was incurred in this FY. Reconstruction of Mokowe jetty is still ongoing while the other jetties have been completed.



## Sports

The Authority continues to support Bandari FC in the Kenya Premier League, basketball teams (men & women), volleyball teams, and netball teams amongst other sporting activities

The Authority's basketball teams recorded an impressive performance in the Annual basketball competitions held in Malawi. The Dockers lifted trophies after topping in the tournament where the ladies were unbeaten with the men losing only one game in the entire tournament.



The Authority's men's volleyball team participated in the African Volleyball Club Championships held in Tunis, Tunisia.

## Environment

The Authority continues to maintain and landscape the Uhuru gardens in Mombasa County collaborating with the County government in beautifying Mombasa which is a major tourist site in the world map considering Moi Avenue is where the large, monumental elephant tasks are situated.



# Report of the directors

The Board of Directors submit the annual report together with the audited financial statements for the year ended 30 June 2021 which show the state of the Authority's affairs.

## Principal Activities

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

## Results for the year

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Profit Before Tax	13,817,820	8,178,108
Tax	(5,978,260)	(4,473,012)
<b>Net Profit</b>	<b>7,839,560</b>	<b>3,705,096</b>

## Dividend

The Directors recommend dividends of Kshs 587.967 million for the year 2020/2021. Dividends for the year 2019/2020 was Kshs 277.882 million. The dividends are supposed to be paid in conformity with the Authority's policy on dividends. However, due to the huge cash outflows required to fund critical ongoing projects, KPA has intentions to seek an exemption on the payment of the dividends and plough back the funds to fund the operationalization of the Lamu Port. During the year, the Authority also remitted Kshs 4,950 million (Kshs 13,050 million FY2019/2020) to the National Exchequer as Special Dividends.

## Directors

The directors' who held office during the year and to date are shown on page 7.

## Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. In accordance with section 23 of the Public Audit Act 2015, the Auditor General is empowered to nominate another Auditor to carry out the audit on their behalf.

By order of the Board



Turasha Kinyanjui

**Ag. GENERAL MANAGER, BOARD & LEGAL SERVICES**



# Statement of directors' responsibilities

Section 81 of the Public Finance Management Act 2012, Section 14 of the State Corporations Act, 1986 and Section 20 of Kenya Ports Authority Act, 1978 requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Authority as at the end of the financial year and of the operating results. It also requires the directors to ensure that the Authority keeps proper records which disclose, with reasonable accuracy at any time, the financial position of the Authority. The directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation of Financial Statements that give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on 30 June 2021. The responsibility includes:

- i. Maintain adequate financial management arrangements and ensure 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. Design, implementing and maintain internal controls relevant to the preparation and presentation of the financial statement and ensuring that they are free from material misstatements, whether due to error or fraud
- iv. Safeguarding the assets of the Authority
- v. Selecting and applying appropriate accounting policies, and
- vi. Making accounting estimates that are reasonable in the circumstances

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards and in the manner required by the Public Finance Management Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of financial affairs of the Authority's transactions during the financial year ended 30<sup>June</sup> 2021 and of the Authority's financial position as at that date. The directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statement as well as the adequacy of the systems of internal financial control.

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

The Authority's financial statements were approved by the Board of Directors on 16 September 2021 and signed on its behalf by:



Nilfat Kassim Ali  
**Director**



Amb. John Mwangemi  
**Ag. Managing Director**

# Report of the Auditor General

## REPUBLIC OF KENYA

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### REPORT OF THE AUDITOR-GENERAL ON KENYA PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021

#### 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 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

##### Qualified Opinion

I have audited the accompanying financial statements of Kenya Ports Authority set out on pages 82 to 150, which comprise the statement of financial position as at 30 June, 2021, 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

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*Report of the Auditor-General on Kenya Ports Authority for the year ended 30 June, 2021*

# Report of the Auditor General

## (continued)

budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Ports Authority as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Kenya Ports Authority Act, CAP 391 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Operating Revenue**

As disclosed in Note 6 to the financial statements, the statement of profit or loss and other comprehensive income reflects operating revenue totalling Kshs.52,130,085,000. The following unsatisfactory observations were made:

##### **1.1 Loss of Revenue on Waivers**

The balance includes an amount of Kshs.4,519,604,000 in respect of revenue from storage of full containers. The amount is net off waiver of Kshs.1,914,950 granted by Management after approval by the Corporate Waiver Committee and Inland Container Depot's (ICD's) Waiver Committee on storage revenue chargeable on dangerous cargo. However, this is contrary to Paragraph 5.0(d) of the Waiver Policy, 2018 which states that, 'Waiver shall not be granted on dangerous cargo rent.'

Further, information provided indicated that the Authority has not set aside and designated with the necessary infrastructure to respond to any peril and suitable place for storage of dangerous cargo to ensure that employees and the Authority's assets are not exposed to risks posed by dangerous cargo.

##### **1.2 Non-Collection of Jetty Fees**

Further, the balance includes an amount of Kshs.553,000 relating to jetty fees. Review of records provided indicated that there were eighty-two (82) private commercial facilities (jetties) along the Kenyan coast line as per a survey report of 2019. During the year under review, the Authority sent demand notes totalling Kshs.38,071,050 to sixty-seven (67) of the facilities for jetty fees as required by Clauses 9.1 and 9.2 of the Authority's tariffs. However, sixty (60) of the facilities with a total fee demand of Kshs.37,542,585 did not respond and the same was not billed.

Further, details of jetties and facilities (names of jetty, locations, facility owners or operators, jetty fees payable and amounts due) on inland and other water ways and ports were not provided for audit review.

# Report of the Auditor General

## (continued)

### 1.3 Unconfirmed Credit Revenue

In addition, the balance includes an amount of Kshs.978,029,000, in respect of re-marshalling charges revenue. Review of the re-marshalling charges ledger revealed cumulative credit memos totalling to Kshs.147,711,088 given to cargo customers. The credit memos were supported by dispute electronic mails from the customers. However, details of original bills and evidence to support each of the disputes/claims by the customers for the alleged wrong billings prior to approval of credit memos were not provided for audit review. Wrong data capture in the system for billing purposes which is later reversed using the credit memos is an indication of weaknesses in the revenue capturing and billing system.

In the circumstances, the accuracy and completeness the revenue from re-marshalling charges of Kshs.980,497,283 for the year ended 30 June, 2021 could not be confirmed.

### 2. Other Income

As disclosed in Note 7 to the financial statements, the statement of profit or loss and other comprehensive income for the year ended 30 June, 2021 reflects other income of Kshs.720,475,000. The following unsatisfactory observations were made:

#### 2.1 Unconfirmed Income from Rental Properties Without Lease Agreement

The balance includes an amount of Kshs.221,263,000 in respect of rent and rates receivables. However, review of documents provided by Management indicated that thirty (30) businesses and institutions with premises at the Authority's Mombasa Port precincts were not paying rent and did not have lease agreements with the Authority. Another five (5) businesses whose lease agreements were also not provided for audit had been closed with the tenants vacating the premises without settling undetermined amount of outstanding rents. However, the entities were issued with documents (port passes) which allows the staff and employees of the institutions and businesses access to Mombasa Port. This is a clear indication that the Authority lost undetermined rental revenue chargeable to the occupants/users of the said premises.

#### 2.2 Undercharging of Rent for Housed Staff

Included also under Note 7 to the financial statement is an amount of Kshs.115,681,000 in respect of recovery from housed employees. Audit review of the rent charged and rent chargeable as per the Authority's market survey indicated that the housed employees were undercharged by about Kshs.90,160,200 during the year under review. Further, records provided for audit indicated that a seven per cent 7% increment was implemented in September, 2020 with intended gradual increments to match the market rates. However, Management had not revised the rent upwards as of December, 2021.

In addition, the Authority was not paying fringe benefits to Kenya Revenue Authority for provision of houses to the employees at discounted rates as required by Section 21B of the Income Tax Act Cap 470.

In the circumstances, the accuracy and completeness of rent from housed employees of Kshs.336,944,000 for the year ended 30 June, 2021 could not be confirmed.



# Report of the Auditor General

## (continued)

### 3. Irregular Overtime Allowances

As disclosed in Note 9 to the financial statements, the statement of profit or loss and other comprehensive income reflects establishment expenses totalling to Kshs.17,906,332,000. However, the balance includes an overtime allowances totalling to Kshs.1,311,988,000. However, review of overtime records revealed that Management approved and paid overtime allowances amounting to Kshs.504,718,989, in excess of the 30% and 20% required for operational and administrative employees, respectively. This contravened Paragraph C.9 (h) of the Kenya Ports Authority Human Resource Manual, 2017 which requires overtime hours payable at the applicable rates be limited to a maximum of thirty per cent (30%) enhanced time of the normal monthly working hours for operational employees and twenty per cent (20%) for administrative and non-operational employees.

Management did not provide for audit review, details of specific duties and evidence of work allocation to justify the requests and approvals for overtime by the supervisors.

Further, overtime records provided for audit review indicated that Management approved and paid an amount of Kshs.59,142,351 in respect of overtime allowances to employees on training grades. This is contrary to Paragraph C.9(f) of the Kenya Ports Authority Human Resource Manual, 2017 which prohibits payment of overtime to this category of employees.

In the circumstances, the regularity and propriety of the overpayment of Kshs.563,861,340 in respect of the overtime allowances and training could not be confirmed.

### 4. Administrative Expenses

As disclosed in Note 8 financial statements, the statement of profit or loss and other comprehensive income reflects administrative expenses of Kshs.4,429,215,000. The following unsatisfactory observations were made:

#### 4.1 Unsupported Insurance Premiums

The balance includes an expenditure on insurance premiums of Kshs.490,620,000. Records provided for audit indicated that the Authority extended thirty (30) insurance policy covers with three (3) different insurance companies for a period of one year after a similar extension done the previous year expired. The extensions were done under the previous terms without spelling out the contractual obligations of the insurer and amounts/values of assets insured.

A review of the Authority's fixed assets register showed that the Authority acquired additional assets at a cost of Kshs.12,102,990,000 during the year under review and Kshs.6,063,771,000 in the previous financial year (2019/2020), all totalling to Kshs.18,166,761,000. The Authority provided for endorsement of assets valued at Kshs.5,154,916,929 in respect of additional assets included in the extended contracts. However, Management did not provide evidence to show that assets valued at Kshs.13,011,844,710 acquired during the two years were insured and therefore were exposed to loss in case of a peril.



# Report of the Auditor General

## (continued)

Further, disclosed in the financial statements is a transfer of assets with a net book value of Kshs.1,670,405,000 to Bandari Maritime Academy. The assets were included among the assets insured by the Authority. The extended policies also included policies covered Kenya Ports Authority's pension scheme assets and liability of unknown value. In both situations, the Authority did not have insurable interest in the assets, thus could not be indemnified in case of loss.

### **4.2 Unsupported Corporate Social Responsibility Expenses**

Disclosed also under Note 8 to the financial statements are corporate social responsibility expenses totalling to Kshs.311,151,000. Included in the expenses is an amount of Kshs.140,397,089 in respect of part funding of four (4) jetties construction in Lamu County. Records provided for audit indicated that the Authority set aside Kshs.474,100,000 for joint partnership with the Ministry of Public Works to fund the four (4) jetties. However, the procurement, supervision and management of the project was done by the Ministry of Public Works, thus overriding the mandate of the Authority's Accounting Officer as provided under Section 68 of the Public Finance Management Act, 2012. Further, the payment made by the Authority were authorised and approved by the Ministry of Public Works officers without the supporting measured bills of quantities.

Physical verification done in the month of December 2021 revealed that rehabilitation of Mtangawanda Jetty was complete, with the contractor having left the site. However, there were cracks on the jetty flooring and stairs while a section of the Jetty had collapsed/caved in, thereby exposing reinforcement bars.

In the circumstances, the regularity, accuracy and completeness of corporate social responsibility expenses of Kshs.631,017,089 could not be confirmed.

### **5. Unsupported Expenses on Operating Expenses**

As disclosed in Note 10 financial statements, the statement of profit or loss and other comprehensive income reflects operating expenses balance of Kshs.5,284,137,000. The following observations were made:

#### **5.1 Unsupported Retention Monies**

The balance includes expenditure on repairs of port infrastructure balance of Kshs.1,414,815,000 disclosed in Note 10 to the financial statements includes retention monies totalling to Kshs.2,511,439. The latter relates to tender for demolition, installation and repairs of navigation masts and related civil works at Malindi, Kipini and Likoni which had been awarded at a contract sum of Kshs.59,796,187. The works were procured using the biennial contract for repairs and maintenance works included demolition of old masts and installation of new ones.

During physical verification in the month of November, 2021, it was noted that the mast at Malindi was fibre reinforced in design. This was not part of bills of quantities provided for audit review. Further, Management showed the audit team three different masts in Likoni without specifying the ones relating to this contract. In addition, instructions to the contractor and measurements of actual works done in comparison to the previous existing installations for the items were not provided for audit review.

# Report of the Auditor General

## (continued)

### 5.2 Overhaul of Marine Engine

Further, the balance includes an expenditure on marine spares of Kshs.403,001,000, out of which an amount of Kshs.23,191,300 relates to overhaul of Marine Engine Model 3412 for a tugboat - Tangelizi II. The services were procured using request for quotations from two local suppliers. However, evidence to confirm that the winner was an appointed distributor and dealer of the product in Kenya was not provided for audit review. Further, the winning bidder did not include in the quotation a detailed schedule of spares to be supplied.

### 5.3 Unsupported Expenditure on Caretaker Service Providers

In addition, the balance includes an expenditure of Kshs.584,194,000 in respect of operational/running supplies, out of which an amount of Kshs.12,420,000 relates to payments made to two caretaker service providers at dockyard and at terminal engineering sections. Records provided for audit indicated that the service providers through a letter to the head of administration requested for additional scope of work at the dockyard area. Further, the service providers issued the Authority with invoices totalling to Kshs.11,340,000 in the month of April, 2021 for services rendered for a period of twenty-one (21) months.

However, no documentary evidence was provided to confirm that the service was procured in line with Section 91(1) of the Public Procurement and Asset Disposal Act, 2015 which states that, "open tendering shall be the preferred procurement method for procurement of goods, works and services." Further, a signed contract or a local purchase order for the service was not produced for audit verification.

### 5.4 Unsupported Expenditure on Provision of Services by National Youth Services in Kisumu

The balance also includes an expenditure on repairs of port infrastructure balance of Kshs.1,414,815,000, out of which an amount of Kshs.71,767,166 relates to payments made to National Youth Service for rehabilitation of Kisumu Port. The following observations were made:

- i. The amount of Kshs.71,767,166 includes advance payments of Kshs.47,663,594 for works and services to be provided by NYS while Kshs.24,1023,57 was reimbursement of expenditure incurred by the Service. However, no reports of work done were produced to support utilization of the advance payments.
- ii. Further, included in the amount of Kshs.71,767,166 is Kshs.1,000,000 which was released without evidence of budgetary provision detailing how the funds were to be utilized.
- iii. The amount of Kshs.71,767,166 also includes daily subsistence allowances of Kshs.15,317,200 for supervisors and senior staff of NYS for which evidence of utilization was provided for audit verification.
- iv. It was noted during physical verification done in the month of December, 2021 that already existing works valued at Kshs.40,456,257 were demolished. The works

# Report of the Auditor General

## (continued)

were claimed to have been on land delineated by the Kenya Shipyards Limited, a Company under the Ministry of Defence.

In the circumstances, the regularity, completeness and accuracy of the expenditure of Kshs.167,174,653 incurred on repairs of port infrastructure could not be confirmed.

### **6. Rehabilitation of Kisumu Port and Deepening of Mbita Causeway**

As disclosed in Note 11 to the financial statements, the statement of financial position reflects repeated work in progress balance of Kshs.59,120,480,000 under basic constructions out of which an amount of Kshs.260,000,000 relates to maintenance dredging works at Kisumu Port and deepening of Mbita Causeway. However, review of documents and information provided by Management revealed the following anomalies:

- i. The Authority had a multi-year capital expenditure projects budget of Kshs.500,000,000 for Kisumu Port for the financial year 2019/2020. Following an environmental and social impact study, the Management advertised provision of the works through a tender in April, 2020. However, the tender was non-responsive and was therefore cancelled.
- ii. The tender was re-advertised in June, 2020 which was also cancelled due to non-responsiveness upon evaluation committee's recommendation.
- iii. The Cabinet Secretary, Ministry of Defence (MoD) notified the Cabinet Secretary, Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works (MOTIHUD) that a Presidential directive instructed that dredging of Mbita and Kisumu Ports be expedited to enhance water transport in Lake Victoria region. Further, the Letter indicated that the MoD had conducted a reconnaissance and established the scope of works at estimated cost of Kshs.260,000,000. Through the letter it was proposed that MoD undertakes the works as a security project to fast track implementation.
- iv. The Authority vide Letter Ref: MCS/4/7/209 dated 5 January, 2020 requested the Cabinet Secretary, The National Treasury for authority to transfer funds for the estimated project cost of Kshs.260,000,000 to The National Treasury for reallocation to MoD for implementation. The same was approved and was followed by transfer of funds on 13 January, 2021.
- v. However, the Ministry of Defence has not provided details of the extent of completion and utilization of the amount of Kshs.260,000,000 as at the time of this audit.

In the circumstances, the existence, completeness and accuracy of the amount of Kshs.260,000,000 treated as part of work in progress could not be confirmed.

### **7. Trade and Other Payables**

The statement of financial position reflects Kshs. 15,353,047,000 in respect of trade and other payables which as disclosed in Note 31 to the financial statements includes an accrued expenditure of Kshs.3,455,799,000, out of which an amount of Kshs.563,538,760 and Kshs.587,876,217 relates to accrued bonuses for the financial years 2018/2019 and

# Report of the Auditor General

## (continued)

2019/2020, respectively. However, the Board's approval of the provision for payments was not provided for audit verification.

In the circumstances, the accuracy of the accrued expenditure of Kshs.3,455,799,000 could not be confirmed.

### **8. Property, Plant and Equipment**

As disclosed in Note 11 to the financial statements, the statement of financial position reflects property, plant and equipment of Kshs.278,119,616,000. The following observations were made:

#### **8.1 Irregular Capitalization of and Depreciation of Non-Existent Assets**

The balance includes a balance of Kshs.117,582,946,000 in respect to basic constructions out of which an amount of Kshs.27,156,080 relates to net book value of fences around two parcels of land in Kilifi. However, during physical verification of assets in the month of December, 2021, it was noted that the fences did not exist on the said properties. The value of the fences has been carried in the assets register since capitalization in February, 2017.

#### **8.2 Concrete Works at Nairobi Shed 1 Phase 1**

Further, the balance includes an expenditure on repairs of port infrastructure of Kshs.1,414,815,000, out of which an amount of Kshs.145,419,644 relates to concrete works at Nairobi Inland Container Depot Shed 1. No explanation was given for treating the costs of the concrete works as part of operating expenses instead of capital expenditure. Review of the bill of quantities and physical inspection of the works in the month of November, 2021 revealed that the works were carried out in a space that used to be a shed yet the bills of quantities provided for general clearance at a cost of Kshs.6,163,830. The Management did not provide evidence of existence of any vegetation or original state of the area to justify the cost of clearance.

#### **8.3 Concrete Works at Makongeni**

In addition, the balance includes work in progress balance of Kshs.93,568,938,000, out of which an amount of Kshs.313,098,245 relates to concrete works at Makongeni Inland Container Depot. Information and records provided for audit indicated that the Authority was not in possession of the land, did not have ownership documents for the same or was it utilizing the asset.

In the circumstances, the ownership and rights and obligations of concrete works valued at Kshs.313,098,245 could not be confirmed.

#### **8.4 Supply and Commissioning of Forklifts**

The balance also includes a balance of Kshs.31,046,475,000 in respect of equipment, motor vehicles and furniture. Included in the balance is an amount of Kshs.58,612,668 in respect of three (3) sixteen-ton and two (2) five-ton forklifts. Records provided for audit indicated that the Management advertised for supply and commissioning of forklifts vide a tender on 9 July, 2019. The tender was processed and awarded to one local supplier at a total bid price of Kshs.67,680,000. However, the following anomalies were noted:

# Report of the Auditor General

## (continued)

- i. The delivery period was six (6) months from the date of award and the winning bidder issued a performance bond of Kshs.6,768,000, being 10% of the amount of the contract from a local bank dated 11 December, 2019 which was valid until 11 March, 2020. However, the forklifts were supplied in November, 2020 after expiry of the bond and no evidence of renewal of the same was provided for audit review.
- ii. Further, the contract provided for liquidated damages at a rate of 2.5% per week of 1/3 of the contract price for delayed delivery. The forklifts were delivered 10 weeks later on 28 October, 2020 from the expected date of 15 August, 2020. However, Management did not charge the liquidated damages amounting to Kshs.5,640,000.
- iii. Through a Memo from the Senior Mechanical Engineer indicated that the forklifts were jointly inspected against itemized technical parameters and found to lack the requirement for truck control and monitoring but noted that the equipment was to be delivered and installed by an engineer from the Company. The Management did not provide evidence that this was done.
- iv. One of the mandatory requirements in the tender document was 'a Duly Completed Original Manufacturer's Authorization Form' by the manufacturer where the bidder is not the manufacturer and a written guarantee of the tenderer's ability to supply spares for at least 10 years for the forklifts. The winning bidder indicated that the firm would supply Caterpillar equipment and provide Supplier's Authorization and Manufacturer's Warranty. However, according to Caterpillar website, Mantrac (K) Limited is the only authorized supplier of Caterpillar equipment and the spares. Further, Mantrac Kenya confirmed that the supplier's Authorization and Manufacturer's Warranty were not from Mantrac Group. In addition, the contract data sheet Clause 21 of the General Conditions of the Contract Clause 24.4 provided that, 'in the event of corrupt or fraudulent practice or any breach of integrity declaration, the supplier shall be liable to pay to the procuring entity 100% of the contract price'. Provision of forged document constituted a fraudulent practice. However, there is no evidence that Management invoked this Clause or explained the failure to do so.
- v. The contract provided for training at a cost of Kshs.200,000 at the factory site. Although the amount was spent, Management did not provide any evidence that the training was done.

A physical inspection of the equipment and spares revealed the following matter:

  - i. The equipment had CAT logo which was not similar to the known CAT equipment logo fitted on the equipment and was peeling off.
  - ii. The equipment was fitted with Cummins engine which is not a brand used by Caterpillar on their equipment.
  - iii. All the spares were labelled in chinese language. However, the bidder had indicated that the spares would be supplied from european countries.



# Report of the Auditor General

## (continued)

- iv. The spares had not been captured by the stores department staff due to difficulty in identification and matching with existing spares and as such the same had not been utilized.

In the circumstances, the authenticity and value of the forklifts, and validity and accuracy of the expenditure of Kshs.58,612,668 incurred on the fork-lifts could not be confirmed.

### **9. Accrued Liability for Defined Contribution (DC)**

The statement of financial position reflects retirement benefits on-current liability of Kshs.3,576,200,000 and current liability of Kshs.535,200,000, all totalling to Kshs.4,111,400,000. Audit review of the actuarial valuation report of the Scheme indicates a total of 3,490 active members under the Defined Benefits (DB) Scheme, out of whom 2,675 are members who moved to Defined Contributions (DC) Scheme although a portion of their pension benefits was still held in DB scheme.

However, the actuarial valuation report indicated that the valuation of assets was based on 3,490 members instead of 795 members under DB Scheme, contrary to The National Treasury Circular Ref. No. EPN 171/07 Vol. Q (94) dated 16 June, 2011 which directed the Authority not to grant revaluation to those who choose to move to the DC Scheme or to those who had to move to the DC Scheme because they were below 45 years. The valuation may have been materially overstated by inclusion of outstanding defined benefits portions retained when the 2,675 members moved to the defined contribution scheme.

In the circumstances, the accuracy and fair presentation of retirement benefits liability of Kshs.4,111,400,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Ports 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 qualified opinion.

### **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**

### **Prior Year Matters**

In the audit report of the previous year, several matters 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. Although the Management has indicated that some of the issues have been resolved, the matters have remained unresolved as the Public Investments Committee of the Parliament has not yet deliberated on them.

# Report of the Auditor General

## (continued)

### REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

#### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

#### Basis for Conclusion

##### 1. Non-Compliance with the Public Service Commission Human Resource Policies and Procedures Manual, 2016

Review of the payroll data provided for audit review indicated that as at 30 June, 2021, the Authority had paid basic salary to 6,519 employees. However, analysis of the payroll records revealed that out of the 6,519 employees, 415 employees committed their salary beyond the two thirds of the basic, contrary to Paragraph C.1(3) of Public Service Commission Human Resource Policy and Procedures Manual, 2016.

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

##### 2. Non-Compliance with the National Cohesion and Integration Act, 2008

Review of establishment indicated that the Authority had a total of 6,519 employees as at 30 June, 2021, out of whom 2,258 (35%) were from one community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that, "No public establishment shall have more than one third of its staff from the same ethnic community."

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

##### 3. Procurement from Suppliers with Expired Contracts

Included in Note 10 to the financial statements for the year ended 30 June, 2021 is an expenditure on uniforms and clothing of Kshs.164,919,000. Documents produced for audit review indicated that two local companies were awarded contracts in 2011 for supply of various uniforms and personal protective equipment for a period of two years. The contract was to end in 2013, but the same was extended until June, 2015. In June 2015, the Authority's Tender Committee approved the extension of the contract for a further one year until June, 2016 and again to December, 2016 without justification. In addition, Management did not provide approvals of the extensions beyond 2016 for audit review. The Authority however procured uniforms and personal protective equipment amounting to Kshs.53,408,855 based on expired contracts.

Further, the Authority signed another uniforms supply contract with a local company in 2017 for three years and procured the items at a cost of Kshs.1,427,838 during the year under audit review. However, no evidence of a new contract or an extension of the existing contract was produced for audit verification.

# Report of the Auditor General

## (continued)

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

#### **4. Non-Compliance with the Public Procurement and Asset Disposal Act, 2015**

Records provided for audit indicated that the Authority awarded a contract for provision of housekeeping services (preference group) to various service providers in October, 2018 for a period of one year, non-renewable, starting 1 November, 2018 to 31 October, 2019. However, the Authority communicated extension of contracts for an additional period of two years, effective 1 November, 2019. This was done contrary to Section 139(2) of the Public Procurement and Asset Disposal Act, 2015 which states that, 'An accounting officer of a procuring entity, on the recommendation of an evaluation committee, may approve the request for the following, which request shall be accompanied by a certificate from the tenderer making a justifications for such cost'. This is an indication that the service providers were engaged, operated and were paid for three months without valid contracts.

Further, the extension of the contract resulted to an overall incremental cost by Kshs.13,932,353.70 or 200% of the original contract sum, contrary to Section 139(4)(b) and (e) of the Act which states that, 'the quantity variation for goods and services does not exceed fifteen per cent of the original contract quantity.'

In addition, the Accounting Officer approved a further extension of nine (9) months following a request through a professional opinion from the Head of Procurement and Supplies.

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, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

##### **Basis for Conclusion**

#### **1. Effectiveness of the Board Composition**

Review of records provided for audit indicated that, six (6) out of the eight (8) Board Members were in the last year of service with their terms ending on 5 June, 2021, leaving

# Report of the Auditor General

## (continued)

only two existing Board members whose contract terms were still valid. There was no evidence that at least one of the Board members is a financial expert, contrary to Paragraph 1.1(6) of the Mwongozo Code of Governance for State Corporations which requires at least one Board member be a financial expert and a bona-fide member of a professional body regulating the accounting profession while the Board had appointed one member to serve in both the Finance and Audit Committee. This contravened the Circular Ref. No. OP/CAB.9/1A dated 11 March, 2020 which prohibits members from serving in both Finance and Audit Committees.

In the circumstances, the effectiveness of the Board could not be confirmed.

### **2. Business Licensing at the Port**

Audit review of the Authority's licenses processing revealed that the Authority uses manual processes for the application, review of approval and issuance of licenses. However, the manual license books which are accountable documents were not designated to a specific person for safe keeping. Further, Management provided an approved operational procedure for application, review/appraisal, approval and issuance of the licenses. However, the procedure did not include any requirement for the licensing committee to confirm that the applicant has a valid lease agreement for the space, area or building hosting the business within the Port precincts. In addition, the Authority did not produce valid tenancy agreements (businesses licensed to operate at the Port) or details of their locations while there was no policy on the identification of business and Port users' needs, process of identifying the licensees and means of controlling their businesses within the Port.

In the circumstances, the effectiveness of the internal control systems mechanisms are weak and prone to manipulation and abuse.

### **3. Allocated Work Shifts Substitution**

The Authority has work schedules/rules, which are implemented by the supervisors that detail work allocation per employee including shifts. These schedules are submitted to the time management office for creation and allocation in SAP. It was however, observed that, the supervisors made 51,914 substitutions (changes in the work rule maintained in the time management system). Out of these substitutions, 35,800 were made either on or after the date the employee started working, which means that the changes were unauthorized. Further, details and justifications for the substitutions were not provided for audit review. Substitution of employees' schedules negates for time management system since the supervisors have the sole discretion on work attendance. This could lead to manipulation of shifts to justify claim for and payment of overtime allowances.

In the circumstances, the effectiveness of the mechanism to ensure and effective work shift substitution is weak and prone to manipulation and abuse.

### **4. Time Management Roles Assigned to Junior Employees**

Records produced for audit review indicated that the Management had assigned time management rights to various employees. However, it was observed that nineteen (19) junior employees (clerks) had been assigned time management rights instead of

# Report of the Auditor General

## (continued)

supervisors in management positions. This resulted to junior employees performing various supervisory roles including initiation, execution and approval of overtime transactions which were then transferred to payroll for processing of payments.

In the circumstances, the effectiveness of the supervisory roles cannot be confirmed.

### **5. Inventory/Stock Management**

Documents produced for audit review indicated that the Authority had inventory valued at Kshs.443,609,000 in various stores. The Authority's store policy of 31 May, 2010 indicated that stock levels for common user items equivalent to three (3) months' consumption were to be maintained, and procurement be done at one month's consumption balance level. However, procurement records provided for audit review indicated that orders were made by raising requisitions to stores as and when there was a request from users. This posed the risk of avoidable stockouts or stockholding costs.

In the circumstances, the effectiveness of the stock management system cannot 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 processes and systems of internal control, 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 the 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, 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 terminate 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



# Report of the Auditor General

## (continued)

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 control in order to give an assurance on the effectiveness of internal controls, risk management and 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 control would not necessarily disclose all matters in the internal control 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 control 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 Authority 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

# Report of the Auditor General

## (continued)

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 Kenya Ports 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**05 August, 2022**

# Statement of profit or loss and other comprehensive income

## For the year ended 30 June 2021

		2020/2021	2019/2020
	Note	Kshs '000	Kshs '000
Operating Revenue	6	52,130,085	48,161,579
Other Incomes	7	720,475	692,047
<b>Total Revenues</b>		<b>52,850,560</b>	<b>48,853,626</b>
<b>Less Expenses:</b>			
Administrative Expenses	8	(4,429,215)	(3,995,660)
Establishment Expenses	9	(17,906,332)	(19,520,491)
Operating Expenses	10	(5,284,137)	(6,852,267)
Depreciation Property, Plant and Equipment	11,12	(11,277,393)	(10,742,418)
Amortization of Intangible Assets	13	(423,067)	(301,265)
<b>Total Operating Expenses</b>		<b>(39,320,144)</b>	<b>(41,412,101)</b>
<b>Operating Profit</b>		<b>13,530,416</b>	<b>7,441,525</b>
Finance Income	14	167,636	1,310,374
Finance Cost	15	(139,391)	(135,164)
Impairment Loss	16	(243,118)	(218,888)
Other Gains/(Losses)	17	502,277	(219,739)
<b>Profit Before Tax</b>		<b>13,817,820</b>	<b>8,178,108</b>
Tax Charge	18	(5,978,260)	(4,473,012)
<b>Profit for the Year</b>		<b>7,839,560</b>	<b>3,705,096</b>
<b>Other Comprehensive Income (OCI)</b>			
<b>OCI not to be reclassified to Profit or Loss in subsequent years</b>			
Deficit resulting from Pension Valuation	32	(4,111,400)	(3,642,000)
<b>OCI to be reclassified to Profit or Loss in subsequent years</b>			
Unrealized Foreign Exchange Gain/(Loss)	26	(766,610)	1,132,129
Forex Gain/(Loss) from Valuation of JICA Loan	29	964,169	(1,760,734)
<b>Earning /(Loss) reported after above adjustments</b>		<b>3,925,719</b>	<b>(565,509)</b>

# Statement of financial position

## As at 30 June 2021

		2020/2021	2019/2020
	Note	Kshs '000	Kshs '000
<b>Non-Current Assets:</b>			
Property Plant and Equipment	11	278,119,616	267,063,658
Assets Held for Sale	19	0	400
Intangible Assets	13	987,687	1,205,422
Leased Property	12	648,215	671,246
Long Term Investment	20	1,035,690	1,396,168
<b>Total Non- Current Assets</b>		<b>280,791,208</b>	<b>270,336,894</b>
<b>Current Assets:</b>			
Inventories	21	443,609	495,536
Receivables and Prepayments	22	19,881,232	17,377,585
Tax paid in advance	23	265,685	2,388,639
Short Term deposits	24	374,054	1,167,706
Bank & Cash Balances	24	2,459,942	3,003,068
<b>Total Current Assets</b>		<b>23,424,522</b>	<b>24,432,534</b>
<b>TOTAL ASSETS</b>		<b>304,215,730</b>	<b>294,769,428</b>
<b>Capital and Reserves:</b>			
Revaluation Reserves	25	93,784,610	103,132,900
General Reserves	26	97,076,196	80,874,208
Grants	27	2,015,030	3,468,561
<b>Total Capital and Reserves</b>		<b>192,875,836</b>	<b>187,475,669</b>
<b>Non-Current Liabilities:</b>			
GOK Project Funds	28	43,386,157	37,386,157
Borrowings	29	39,919,684	39,070,959
Deferred tax Liability	30	7,310,667	6,650,083
Retirement Benefit Liability	32	3,576,200	3,106,800
<b>Total Non- Current Liabilities</b>		<b>94,192,708</b>	<b>86,213,999</b>
<b>Current Liabilities</b>			
Dividend Payable	38	0	4,950,000
Borrowings	29	1,258,939	857,934
Trade and Other Payables	31	15,353,047	14,736,626
Retirement Benefit Liability	32	535,200	535,200
<b>Total Current Liabilities</b>		<b>17,147,186</b>	<b>21,079,760</b>
<b>TOTAL CAPITAL &amp; LIABILITIES</b>		<b>304,215,730</b>	<b>294,769,428</b>

The financial statements were approved by the Board of Directors on 16 September 2021 and signed on its behalf by



Nilfat Kassim Ali  
**DIRECTOR**



CPA Geoffrey Kavate  
**Ag. GM. FINANCE**  
ICPAK M/No: 6399



Amb. John Mwangemi  
**Ag. MANAGING DIRECTOR**

# Statement of changes in equity

## For the year ended 30 June 2021

		Revaluation Reserves Kshs '000	General Reserves Kshs '000	Grants Kshs '000	Total Kshs '000
	Note				
Balance as at 01.07.2020		103,132,900	80,874,208	3,468,561	187,475,669
Profit After Tax		0	7,839,560	0	7,839,560
<b>Other Comprehensive Income;</b>					
Unrealized Foreign Exchange Loss		0	(766,610)	0	(766,610)
<b>Others;</b>					
Revaluation Effect/Adjustments	25	(9,348,290)	9,348,290	0	0
Other Adjustments		0	16,366	0	16,366
Increase in Pension Deficit		0	(1,004,600)	0	(1,004,600)
Grants	27	0	1,475,217	(1,453,531)	21,686
Revaluation effect of JICA Loan	26	0	964,169	0	964,169
Transfers due to Disposal		0	(1,670,404)		(1,670,404)
<b>Balance as at 30.06.2021</b>		<b>93,784,610</b>	<b>97,076,196</b>	<b>2,015,030</b>	<b>192,875,836</b>

		Revaluation Reserves Kshs '000	General Reserves Kshs '000	Grants Kshs '000	Total Kshs '000
	Note				
Balance as at 01.07.2019		111,646,031	90,620,573	5,318,100	207,584,704
Profit After Tax		0	3,705,096	0	3,705,096
<b>Other Comprehensive Income;</b>					
Unrealized Foreign Exchange Gain	26	0	1,132,129	0	1,132,129
<b>Others;</b>					
Revaluation Effect/Adjustments	25	(6,405,984)	6,423,494	0	17,510
Adjusting of Dep. write back on Revaluation		(2,107,147)	0	0	(2,107,147)
Increase in Pension Deficit		0	(2,855,700)	0	(2,855,700)
Grants	27	0	2,125,480	(1,849,539)	275,941
Revaluation Effect of JICA Loan	26	0	(1,760,734)	0	(1,760,734)
GoK Dividends		0	(18,516,130)	0	(18,516,130)
<b>Balance as at 30.06.2020</b>		<b>103,132,900</b>	<b>80,874,208</b>	<b>3,468,561</b>	<b>187,475,669</b>



# Statement of cash flow

## For the year ended 30 June 2021

		2020/2021	2019/2020
	Notes	Kshs '000	Kshs '000
<b>OPERATING ACTIVITIES:</b>			
Cash Generated from Operations	33	23,251,045	21,446,996
Interest Received	14	167,636	1,310,374
Interest Paid	15	(18,119)	(42,717)
Tax Paid	23	(3,194,722)	(6,650,155)
Dividends Paid	38	0	(516,130)
Special Dividend paid	38	(4,950,000)	(13,050,000)
Pension paid		(535,200)	(535,200)
Pension reimbursement		39,277	48,254
<b>Net cash generated from Operating Activities</b>		<b>14,759,917</b>	<b>2,011,422</b>
<b>INVESTING ACTIVITIES:</b>			
Purchase of Property, Plant and Equipment	36	(24,048,019)	(38,570,386)
Direct Acquisitions Property, Plant and Equipment		(255,339)	(223,282)
Proceeds from Disposal of Assets		4,769	36,611
Purchase of Long-Term Investment	20	(360,478)	(21,335)
Transfer of SBM deposits to short term deposits		374,054	374,054
Proceeds from sale of Surveyed Stock		1,000	2,230
<b>Net Cash used in Investing Activities</b>		<b>(24,284,013)</b>	<b>(38,402,108)</b>
<b>FINANCING ACTIVITIES:</b>			
Receipt of GoK Project Funds	37	6,000,000	10,000,000
Payment of JICA I Loan	29	(455,548)	(835,798)
Receipt of JICA II Loan	29	2,642,866	5,438,326
<b>Net Cash generated from Financing Activities</b>		<b>8,187,318</b>	<b>14,602,528</b>
<b>Net decrease in Cash and Cash Equivalent</b>		<b>(1,336,778)</b>	<b>(21,788,158)</b>
Cash and Cash Equivalents as at 1 July		4,170,774	25,958,932
<b>Cash and Cash Equivalents as at 30 June</b>	<b>24</b>	<b>2,833,996</b>	<b>4,170,774</b>

# Statement of Comparison of Budget and Actual Amounts

## For the year ended 30 June 2021

	<b>Final Budget</b>	<b>Actual on</b>	<b>Performance</b>	
	<b>2020/2021</b>	<b>Comparable Basis</b>	<b>Difference</b>	<b>%</b>
	<b>Kshs '000</b>	<b>2020/2021</b>	<b>2020/2021</b>	
	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	
<b>Revenue</b>				
Operating Revenue	52,640,884	52,130,085	(510,799)	-0.97%
Other Incomes	466,170	720,475	254,305	54.55%
<b>Total Revenues</b>	<b>53,107,054</b>	<b>52,850,560</b>	<b>(256,494)</b>	
<b>Expenses:</b>				
Administrative Expenses	(4,805,632)	(4,429,215)	376,417	7.83%
Establishment Expenses	(19,906,265)	(17,906,332)	1,999,933	10.05%
Operating Expenses	(8,061,981)	(5,284,137)	2,777,844	34.46%
Depreciation & Amortization	(11,280,000)	(11,700,460)	(420,460)	-3.73%
<b>Total Operating Expenses</b>	<b>(44,053,878)</b>	<b>(39,320,144)</b>	<b>4,733,734</b>	
<b>Operating Profit</b>	<b>9,053,176</b>	<b>13,530,416</b>	<b>4,477,240</b>	
Finance Income	43,000	167,636	124,636	289.85%
Finance cost	(132,300)	(139,391)	(7,091)	-5.36%
Impairment Loss	(110,000)	(243,118)	(133,118)	-121.02%
Other Gains	0	502,277	502,277	100.00%
<b>Profit Before Tax</b>	<b>8,853,876</b>	<b>13,817,820</b>	<b>4,963,944</b>	<b>56.07%</b>

Note: PFM Act section 81 (2) ii and iv requires Kenya Ports Authority, a national government entity, to present appropriation accounts showing the status of votes compared with the appropriation for the vote. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements and a statement explaining any variations between actual expenditure and the sums voted.

Explanation of variations of 10% over/under between actual and final budgeted amounts are provided under additional disclosures I.

# Notes to the Financial statements

## For the year ended 30 June 2021

### 1. General Information

Kenya Ports Authority is established by and derives its authority and accountability from Cap 391 of the laws of Kenya. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to develop, maintain, operate, improve, and regulate all scheduled seaports along Kenya's coastline and inland waterways in Kenya.

### 2. Statement of Compliance and Basis of Preparation

#### 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 2019/2020 have been stated in the financial statements to conform to changes in presentation.

The financial statements were approved by the Board of Directors on 16 September 2021.

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 1 January 2020. The adoption of the standards did not have a material effect in the financial statements.

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.

#### 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.

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

#### i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

At the reporting date certain new standards, amendments to the existing standards and interpretations have become mandatory. No standard, amendments or interpretations are expected to have a material impact.

#### IAS 39-Financial Instruments: Recognition and Measurement

Description: IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.

Effective date: The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

#### IFRS 7- Financial Instrument Disclosures

Description: IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.

Effective date: The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### IFRS 16- Leases

Description: IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.

Effective date: The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

#### ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

##### IAS 1 – Presentation of Financial Statements.

Description: IAS 1 “Presentation of Financial Statements” sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

Effective Date: The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

##### IAS 12 – Income Taxes

Description: IAS 12, “Income Taxes” implements a so-called ‘comprehensive balance sheet method’ of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity’s assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a ‘probable profits’ test.

Effective Date: Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted

##### IAS 16 – Property, Plant and Equipment

Description: IAS 16 “Property, Plant and Equipment” outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.

Effective Date: The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

##### IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

Description: IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).

Effective Date: The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

##### IFRS 1 – First-time Adoption of International Financial Reporting Standards

Description: IFRS 1 “First-time Adoption of International Financial Reporting Standards” sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general-purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.

Effective Date: The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

#### iii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in the year.

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### 4. Summary of Significant Accounting Policies

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

##### a. Revenue Recognition

IFRS 15 replaced the previous revenue recognition requirements in IAS 18 Revenue and applies to all revenue arising from contracts with customers. According to the new standard, revenue is recognized when a customer obtains control of the goods or services.

Revenue represents the fair value of consideration received or receivable for the sale of services in the course of the Authority's activities. It is recognized when it is probable that future economic benefits will flow to the Authority and the amount of revenue can be measured reliably. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

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

The Authority's revenue mainly consists of revenue from port related services and lease rentals. Where the Authority is an agent between a service provider and the end customer, an administrative fee is recognized as revenue on satisfaction of the performance obligation.

Revenues earned by the Authority are recognized on the following basis;

**Sale of services** are recognized upon performance of the services and customer acceptance. The Authority only bills once the consignee for the cargo has been determined and upon lodgment of customs approved documents. It is only then that it is probable that future economic benefits will flow to the Authority and the amount of revenue can be measured reliably.

**Rental income** is recognized at the time of billing as per the effective lease agreements. Where lease agreements are under preparation, billing is based on letters of offers, signed, and accepted by the tenants. A signed letter of offer is a commitment from the tenant.

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

##### b. Property, Plant and Equipment

All categories of property, plant and equipment are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system that is an integral part of the related hardware is capitalized as part of the computer equipment. All items in an asset category are re-valued every 5 years.

The categories of assets listed below were re-valued during the financial year 2018/2019: -

Land and Buildings	Services and systems
Plant and Equipment	Intangible Assets
Basic Constructions	

The exercise was undertaken by M/s Sec & M Limited. Details and qualification for the director of M/s Sec & M Ltd are;

- Director Name; H.M. Kaburu,
- M.A. (Valn & Ppty Mgmt.) University of Nairobi, MRICS No. 1280168
- B.A Land Econ (Hons) University of Nairobi, MISK No. 690, REA
- NEMA EIA/EA Lead Expert No 1025
- Chartered Valuation Surveyor/RV 405

The methodology, basis of valuation and significant assumptions made were in accordance with the procedures and guidelines as laid down by the international Assets Valuation Standards Committee. M/s Sec & M Co. Ltd valuations and appraisals are carried out in accordance with the RICS Appraisal and Valuation Standards and are Uniform Standards of Professional Appraisal Practice (USPAP) compliant. The valuer therefore considers all the three approaches to valuation.

Subsequent costs are included in the assets 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 Authority and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit or loss account in the year in which they are incurred.



# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### Property, Plant and Equipment (continued)

Increases in the carrying amount arising on revaluation are recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognized in other comprehensive income.

All other decreases are charged to the Statement of Profit or Loss and Other Comprehensive Income. Annually, the difference between depreciation charge based on the valued carrying amount of the asset charged to the Statement of Profit or Loss and Other Comprehensive Income and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to retained earnings.

#### c. Depreciation and impairment of property, plant and equipment

Freehold land and capital works in progress are not depreciated. Capital works 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 calculated using the straight-line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates;

	Rate
Dredging/reclamation	2.5%
Building commercial and non-commercial	2.5%
Rail lines	2.5%
Roads and Bridges	2.5%
Quays/wharves	2.5%
Berthing Tugs	5%
Pilot & Mooring Boats and Navigational Aids	10%
Cranes	10%
Forklifts/Reach takers	20%
Tractors/Trailers	20%
Vehicles	20%
Equipment	20%
Furniture	20%
Data processing equipment	33.33%
Software/ Intangibles	33.33%

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

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

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

#### d. Impairment of non-financial assets

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

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

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

#### e. Intangible Assets

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

#### f. 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.

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### g. Assets Held for Sale

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

#### h. Leased Property

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

#### i. Retirement Benefits

The Authority operates a defined benefit and defined contribution plans for eligible employees. The Authority is running the two schemes in parallel with intention of facing out the defined benefit scheme in the long run.

The defined benefit scheme was closed effectively on 31<sup>st</sup> December 2012 to new entrants and future accrual of benefits for members below age 45 as at 31<sup>st</sup> December 2011 and also those above age 45 who opted to accrue their future service benefits in the new defined contribution scheme.

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

#### Defined Benefit

The Scheme is established and governed by a trust deed with effect from 1 January 1998. The scheme's is administered by Zamara Actuaries, Administrators and Consultants Ltd. The scheme's investments were managed by Britam Asset Manager (K) Ltd and Co-op Trust Investment Services Ltd. Employees contribute to the fund at the rate of 7.5% of their respective basic salary while the employer's current contribution rate is 14.7% of the basic salary.

KPA recognizes actuarial gains and deficit in its books of accounts whenever an actuarial valuation of the scheme is done. Actuarial gains are recognized as non-current asset (excess of accrued scheme assets less liabilities) while deficits are recognized as long term

liabilities. Where there is a deficit, KPA increases its contribution to the scheme to offset the actuarial deficit. Where there is a gain, KPA stops payment of additional contributions to the scheme.

The scheme is assessed annually by independent actuaries using the actuarial assumptions adopted. The valuation method used is known as the "Attained Age Method". Under this method, the future service contribution rate is calculated as the level percentage of payroll which would be adequate to fund the cost of future benefits of existing members arising over the full period to their normal retirement date. Allowances have been made for assumed future salary increase and pension increase, mortality, and investment returns.

The objective of this method of funding is to aim for a funding level equal to 100% and then accumulate sufficient surplus in the earlier years to maintain the contribution rate even though the average age of the membership will increase.

As at 30 June 2021, the scheme had an actuarial deficit of Kshs 4,111.4 million (Kshs 3,642 million deficit FY 2019/20). The actuarial report as at 31 December 2020 showed an actuarial deficit of Kshs 4,379 million. Within the year the Authority made additional payments of Kshs 44.6 million monthly as part of the remedial plan to fund the deficit revealed in the actuarial valuation as at 31 December 2017. The remedial plan as per the amortization schedule runs for six (6) years.

The last discretionary pension increase was awarded as of 31 December 2017 and effected in November 2018 in line with Rule 17, the next pension increase shall be actuarially determined. There were no pension increases granted to pensions in payments and deferred pensions during the inter-valuation period. Rule 17 of the Deed of Amendments dated 12 May 2020 stipulates that 'The Founder and the Trustees shall once every (3) years review the level of pensions in payment.

The Scheme was underfunded as at 31 December 2020. The assets taken at market value represented 84% of the accrued liabilities at this date.

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### Retirement Benefits (continued)

##### Defined Contribution

The Authority started a defined contribution scheme for her employees who were below the age of 45 as at 31<sup>st</sup> December 2012. The employees contribute 10% of their basic salary while the employer contributes 20% of the employee's basic salary.

The employer's contribution is charged to the Statement of Profit or Loss and Other Comprehensive Income for the period it relates. Both the employee and employer contribution are paid to an independent scheme which manages the resources pooled. Employees will benefit from the employer's contributions on meeting specific criteria set out in the pension scheme trust deed.

The employer's contributions payable for DC scheme of Kshs 1,227 million (FY 2019/2020 Kshs 1,470 million) have been recognized in the Statement of Profit or Loss and Other Comprehensive Income.

#### j. Inventories

Inventories are stated at cost which include the purchase price, import duty, transport and handling charges. Inventories are managed using FIFO method. Just in Time (JIT) strategy is applied by the Authority to increase efficiency and decrease wastage.

A provision for obsolete inventories has been made in accordance with the Authority policy. The Authority has lodged a request for approval of write off of obsolete inventories from the books with the GoK.

#### k. Trade and other receivables

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

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

#### l. Financial Instruments

On initial recognition a financial asset is classified and measured at:

#### Amortized cost;

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gains and losses are recognized in profit or loss when the asset is derecognized or impaired. The Authority's financial assets measured at amortized cost includes trade receivables, other receivables and cash and cash equivalents.

Trade receivables are amounts due from customers for or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional. The Authority holds the trade receivables with the objective to collect the contractual cash flows. Details about the Authority's impairment policies and the calculation of the loss allowance are provided in Risk Management.

#### Fair value through other comprehensive income ('FVOCI') –

**Debt instrument:** A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Equity instrument:** On initial recognition of an equity investment that is not held for trading, the Authority may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### Financial Instruments (continued)

##### Fair value through profit or loss ('FVTPL').

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

In addition, on initial recognition, the Authority may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition unless the business model changes for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. At the reporting date, the Authority has not identified a change in its business model.

##### Derecognition of financial assets

The Authority derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred and it does not retain control of the financial asset.

##### Impairment of non-derivative financial assets

The financial assets at amortized cost consist of trade receivables and cash and cash equivalents.

Trade and other receivables are initially recognized at fair values and subsequently measured at amortized cost using the effective interest method, less an allowance for Expected Credit Loss ("ECL").

The Authority applied the 'simplified approach' for determining the allowance for ECL for trade receivables, where lifetime ECL are recognized in the Profit and Loss at initial recognition of receivables and updated at each reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the receivable. When determining the allowance for ECL, the Authority's considers reasonable and supportable information that is relevant and available for customer types. This includes both qualitative and quantitative information based on the Authority's historical experience and

general economic factors. Loss events include financial difficulty or bankruptcy of the debtor, and breaches of contracts.

Trade and other receivables are written off against the allowance for ECL when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are recognized in the Profit and Loss. The Authority assumes that the credit risk on a financial asset increases significantly if it is more than 90 days past due.

##### Non-derivative financial liabilities Classification, initial recognition, and measurement

The Authority's non-derivative financial liabilities consist of loans and borrowings, amounts due to related parties, and trade and other payables. All non-derivative financial liabilities are recognized initially at fair value less any directly attributable transaction costs. The Authority classifies all its non-derivative financial liabilities as financial liabilities to be carried at amortized cost using effective interest method.

The subsequent measurement of non-derivative financial liabilities is carried at their amortized cost using the effective interest method.

The Authority derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Authority also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

##### • 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 liabilities simultaneously.

##### m. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### **n. Borrowing**

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

#### **o. Borrowing Costs**

Borrowing costs that are attributable to acquisition, construction or production of a qualifying asset are capitalized as part of the asset. The costs refer to all costs incurred in the acquisition and management of the borrowed funds during the qualifying asset construction.

In the case of general borrowings, the borrowing cost is charged to the Statement of Profit or Loss and Other Comprehensive Income.

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

#### **p. Trade and other payables**

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

#### **q. Taxation**

##### **Income Tax**

Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognized in the Statement of Profit or Loss and Other Comprehensive Income 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 Tax**

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Recognized and unrecognized deferred tax assets are reassessed at the end of each reporting period. 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.

#### **r. Translation of Foreign Currencies**

On initial recognition, all transactions are recorded in the functional currency, which is Kenya Shillings. Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the Statement of Financial Position date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date.

The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognized on a net basis in the Statement of Profit or Loss and Other Comprehensive Income in the year in which they arise.

#### **s. Short term employee benefits**

The estimated monetary liability for employees accrued at the Statement of Financial Position date is recognized as an employment cost accrual. Gratuity earned at Statement of Financial Position date is accrued and recognized as an employee cost in the Statement of Profit or Loss and Other Comprehensive Income.

#### **t. Dividends**

Dividends are charged to equity in the period in which they are paid. The dividends are supposed to be paid in conformity with the Authority's policy on dividends. However, due to the huge cash outflows required to fund critical ongoing projects, KPA has intentions to seek an exemption on the payment of the dividends and plough back the funds to fund the operationalization of the Lamu Port. During the year, the Authority also remitted Kshs 4,950 million (Kshs 13,050 million FY2019/2020) to the National Exchequer as Special Dividends.



# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### u. Grants from donors and the National Government

The grants are received in form of direct payments to suppliers or contractors for the construction of specific capital projects of the Authority. The grants are recognized in the Statement of Financial Position and realized in the Statement of Profit or Loss and Other Comprehensive Income over the useful life of the assets.

#### v. Comparative figures

Where necessary the comparative figures for the previous financial year 2019/2020 have been amended to conform to changes in presentation.

#### w. 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 30 June 2021.

#### 5. Significant Judgements and Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances that prevailed during the period.

The Board has reassessed its assumptions and estimates used in the measurement of assets and liabilities at the reporting date against the background of the effects of COVID-19 pandemic. There is no indication of any significant impairment or valuation risks for existing receivables and other assets or liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

- The depreciation rates and impairment of property, plant and equipment,
- Property, plant and equipment balances represent a significant component of the Authority's assets. Property, plant and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. The management reviews the estimated useful lives of property, plant and equipment on an annual basis based on factors such as expected level of usage, forecasts, and assumptions. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above.
- Basis of Valuation and fair value measurement – in estimating the fair value of assets and liabilities, management uses market observable data where available. Where not available the management uses value of identical assets and liabilities or engages a third party to perform the valuation.

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### 5. Significant Judgements and Sources of Estimation Uncertainty (continued)

- Expected Credit Loss of Trade receivables,
- At each reporting date, the Authority assesses whether trade receivables are credit-impaired. Management makes judgement on the collectability of individual customer accounts taking into consideration the credit worthiness and financial condition of those customers. The Authority also records an allowance for receivables based on management's collective assessment of their collectability taking into consideration the factors such as including historical experience of credit losses, and the aging of the receivables with allowances generally increasing as the receivable ages.
- The amortization of Intangible assets
- The impairment of long-term investments in Kenya National Shipping Line, Consolidated Bank, deposits in Chase Bank Ltd in receivership (CBLR) and Kenya Ferry Services,
- Provisions for obsolete inventory,
- Deferred tax liabilities
- The recognition of Retirement Benefit Asset/Liability,
- Judgments required by actuaries in respect of discount rates, future salary increments, mortality rates and inflation rates used for computation of defined benefit liability.

#### Chase Bank (IR) and SBM Bank Deposits

Chase Bank Ltd was placed under receivership on 7th April 2016. Based on the Kenya Gazette notice No 6833 dated 6th July 2018, a transfer of 75% of the deposits moved to SBM (Kenya) Ltd while 25% was retained by Kenya Deposit Insurance Corporation. The transition process was completed on 17th August 2018 and SBM Kenya Ltd transferred a total of Kshs. 1,175 million in FY2018/19. In line with Kenya Gazette notice, the first and second equal instalments of cash deposits previously held with Chase Bank Kenya (In Receivership) were received by the Authority from SBM Kenya Ltd. The remaining deposits (last instalment) are on fixed deposit account earning interest at 6.3% p.a with restricted access; and will be released in August 2021.

#### Revenue Recognition

As stated in Note 4 (a) on Sales of services Revenue represents the fair value of consideration received or receivable for the sale of services in the course of the Authority's activities. It is recognized when it is probable that future economic benefits will flow to the Authority and the amount of revenue can be measured reliably. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

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

#### Contingent Liabilities

The management consults with its legal counsel on matters related to litigation, and other experts both within and outside the Authority with respect to matters in the ordinary course of business. As at the reporting date, the Authority was involved in various legal proceedings where it has been vigorously defending its claims. Assessment on whether the risk of loss is remote, possible or probable requires significant judgment given the complexities involved.

#### Accounting for leases

Accounting for leases under IFRS 16 involves the use of judgements, estimates and assumptions that impact the amounts recognized as right-of-use assets and lease liabilities. The Authority does not also recognize leases of low-value assets and or leases it has no right of control on the Statement of Financial Position, but instead recognizes an expense on a straight-line basis.

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### 6. Operating Revenue

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Pilotage	646,397	596,018
Tug Services Dues	1,885,204	1,752,147
Mooring	351,310	319,864
Navigational Dues	279,262	260,397
Port Dues	625,946	583,788
Dockage	718,800	640,933
Fresh Water - Normal	3,394	1,350
Laid Up Vessels	0	1,206
Security	168,257	157,688
Stevedoring	16,200,328	13,926,760
Hire of Labor/Equipment	235,622	196,374
Handling of Empty Containers	2,576,609	2,434,564
Handling of Full Containers	0	11
Shore handling	5,917,993	5,336,676
Re Marshaling Charges	978,029	1,498,388
Container Stripping/Stuffing	1,902	1,619
Verification Charges	26,736	16,384
Storage of General Cargo	148,063	122,625
Storage - Empty Containers	331,038	561,383
Storage-Full Containers	4,519,604	5,612,671
Jetty Fees	553	3,987
Licenses	251,192	176,143
Other Revenue	61,114	126,528
Wharfage	16,137,540	13,764,414
Sale of Fresh Water	159	199
Other Miscellaneous Revenue	65,033	69,462
<b>TOTAL</b>	<b>52,130,085</b>	<b>48,161,579</b>

Operating revenue improved to 52,130 million compared to Kshs.48,162 registered during the previous year, a growth of Kshs. 3,968 million or 8.2%, this correlates with the throughput increase of 7.2% compared to FY 2019/2020. The increase in operating revenue is attributed to throughput growth to 36.05 million tons compared to 33.62 million tons registered in the corresponding period.

Conventional cargo throughput was 20.36 million DWTs being a growth (1.79 million DWTs or 9.7%) from last year's 18,57 million DWTs. The increased revenue was mainly driven by higher import clinker and iron ore. Container traffic recorded 1.45 million TEUs against 1.38 million TEUs handled in FY 2019/2020 reflecting a positive performance of 5%.

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### 7. Other Income:

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Rent & Rates Receivable	221,263	272,492
Bandari College	414	19,729
Recovery from Housed Employees	115,681	109,743
Sale of Passes	133,331	99,784
Sundry Income	249,786	190,299
<b>TOTAL</b>	<b>720,475</b>	<b>692,047</b>

### 8. Administrative Expenses:

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Telephone/Telex/Fax Services	11,485	8,737
Water Supply Services	282,569	321,660
City & Municipal Council Rates	57,011	55,654
Office Rental-Kampala	9,656	9,827
Library & Archives	2,622	5,106
Nursery Schools	2,739	4,607
Laundry	47	881
Provisions & Catering	13,077	26,030
Cleaning of Carpets & Curtains	345	384
Directors Allowances	42,751	54,119
Furniture & Equipment	4,680	3,583
Printing & Stationery	65,345	72,962
Postage & Courier Services	3,312	8,998
Office Incidentals & Consumables	28,581	34,581
Entertainment Allowance	5,178	4,102
Club Membership Fees	1,901	2,225
Police Services	13,368	12,842
Security Guards Services	62,150	64,500
Port Passes	15,649	3,555
Publicity & Advertising	171,921	195,401
Subscriptions & Donations	10,720	8,026
Hire of Commuter Bus Service	183,218	138,131
Agricultural Society of Kenya Shows	2,201	53,335
Sports	87,623	72,299
Welfare	28,159	33,206
Industrial Relations Costs	15,400	7,405
Development Studies	101,587	150,070
Consultant Fees	30,309	34,196
Training	317,350	289,752
Curriculum Development	0	16,654

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

<b>Administrative Expenses (continued)</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Trade Testing Materials	0	1,643
Recruitment Costs	7,448	30,661
Retirees Expenses	22,401	16,065
Survey Fees	5,366	4,661
Computer & Network Maintenance	561,827	182,130
Website	0	2
Licenses & Computers	989,730	805,840
Insurance Premiums	490,620	449,592
Un-Insured Loss	17,892	124,758
Car Registration & Licenses	268	313
Stock Take Expenses	1,728	1,733
Corporate Social Responsibility	311,151	313,320
Victuals & Snacks	23,397	41,583
Wajibika	11,318	21,186
Professional Education	47,245	38,197
WHT Imported Services	9,502	30,397
Audit Fees	8,050	8,050
Bank Charges & Commission	8,938	10,740
Legal Fees	303,617	221,961
Revaluation Fees	37,763	0
<b>TOTAL</b>	<b>4,429,215</b>	<b>3,995,660</b>

The Authority is the single largest employer within the Coast Province and thus it continues to contribute to worthy causes such as education, rehabilitation/construction of jetties in Lamu County, sponsorships & donations and is also a sponsor of Bandari FC.



# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### 9. Establishment Expenses:

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Basic Salary	6,909,758	7,473,722
Overtime	1,311,988	2,441,884
Staff Allowances	1,936,771	2,228,097
Normal Staff Housing	2,603,301	2,678,496
Leased Staff Housing	14,000	11,933
Special Accommodation	25,157	11,535
Duty Travel	308,927	300,208
Leave Travel	235,991	249,304
Transport Allowance	1,546,553	1,588,144
Intern Allowances	1,075	0
Staff Pension-DC	1,226,937	1,469,606
Staff Pension-DB	123,657	145,970
Staff Gratuity	29,350	15,668
Social Security	17,307	178
Medicines	338,840	306,467
Hospital/Referral Bills	730,481	564,015
First Aid	5,950	7,950
Medical Education Expenses	17,585	12,524
Incentive Scheme	522,704	14,790
<b>TOTAL</b>	<b>17,906,332</b>	<b>19,520,491</b>

At the close of the FY the staff strength was 6,511 (FY 2019/20 6,654) of which male were 5,111 (78.50%) and women 1,400 (21.50%). In as much as port operations & related activities are Labour intensive, the Authority progressively and deliberately continues working towards having a workforce satisfying the 1/3 gender rule.

The overall expenditure on cost of employment decreased in the reporting year. The favourable variance was mainly from overtime. The total overtime expenditure during the period was Kshs 1,312 million against last financial year expenditure of Kshs 2,442 million a decrease of Kshs 1,130 million or 46.27%.

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### 10. Operating Expenses:

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Operational / Running Supplies	584,194	749,801
Marine Spares	403,001	372,543
Buoys	1,232	25,970
Flowers & Plants	148	1,075
Crane Spares	417,647	471,072
Fuel	1,022,610	905,470
Oils and Lubricants	75,517	63,705
Cleansing Agents	5,129	6,655
Uniforms & Clothing	164,919	324,391
Cleaning Implements/ Detergents	24,255	37,552
Workshop Tools and Equipment	59,439	81,323
Comm./ Equipment Spares	133,287	26,251
Medical Equipment	7,297	50,082
Repairs: Port Infrastructure	1,414,815	2,541,375
Electricity Services	465,655	415,801
Mobile Plant Spares	296,737	329,711
Electrical Spares	72,310	217,809
Tyres and Tubes	93,305	172,570
Refrigeration/ Air Conditioning	27,937	44,290
Batteries Charges and Clocks	14,703	14,821
<b>TOTAL</b>	<b>5,284,137</b>	<b>6,852,267</b>

The overall expenditure on operating expenses decreased by 22.88%. The decrease is mainly driven by management of repairs expenses.

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### 11. Property, Plant& Equipment

	Land Leased Out	Land and Buildings	Equipment, Motor Vehicles and Furniture	Services and Systems	Basic Constructions	Balance as at 30 June,2021
<b>COST / VALUATION</b>						
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance as at 01.07.2020	15,190,900	76,030,139	40,848,370	10,049,049	72,659,429	<b>214,777,887</b>
Additions	0	1,184,150	1,333,261	825,562	8,760,017	<b>12,102,990</b>
Disposals	0	0	(77,683)	0	0	<b>(77,683)</b>
Transfer to Bandari Maritime	0	(1,298,640)	(611,056)	(168,352)	(18,340)	<b>(2,096,388)</b>
Re-classification Adj.	0	(86)	0	0	86	<b>0</b>
<b>Balance as at 30.06.2021</b>	<b>15,190,900</b>	<b>75,915,563</b>	<b>41,492,892</b>	<b>10,706,259</b>	<b>81,401,192</b>	<b>224,706,806</b>
<b>DEPRECIATION</b>						
Balance as at 01.07.2020	0	1,313,775	7,664,776	3,521,223	16,461,426	<b>28,961,200</b>
Charge for the year	0	506,581	3,716,027	592,295	6,439,459	<b>11,254,362</b>
Eliminated on Disposal	0	0	(26,087)	0	0	<b>(26,087)</b>
Transfer to Bandari Maritime	0	(32,229)	(302,080)	(83,500)	(8,174)	<b>(425,983)</b>
Re-classification Adj.	0	(1)	157	0	1	<b>157</b>
<b>Balance as at 30.06.2021</b>	<b>0</b>	<b>1,788,126</b>	<b>11,052,793</b>	<b>4,030,018</b>	<b>22,892,712</b>	<b>39,763,649</b>
N.B.V as at 01.07.2020	15,190,900	74,716,364	33,183,594	6,527,826	56,198,003	<b>185,816,687</b>
<b>NBV as at 30.06.2021</b>	<b>15,190,900</b>	<b>74,127,437</b>	<b>30,440,099</b>	<b>6,676,241</b>	<b>58,508,480</b>	<b>184,943,157</b>
W.I.P as at 01.07.2020	0	1,812,899	2,174,621	18,691,215	58,885,146	<b>81,563,881</b>
<b>W.I.P as at 30.06.2021</b>	<b>0</b>	<b>328,300</b>	<b>646,446</b>	<b>33,473,712</b>	<b>59,120,480</b>	<b>93,568,938</b>
<b>Sub totals</b>	<b>15,190,900</b>	<b>74,455,737</b>	<b>31,086,545</b>	<b>40,149,953</b>	<b>117,628,960</b>	<b>278,512,095</b>
Impairment	0	(304,541)	(40,070)	(1,854)	(46,014)	<b>(392,479)</b>
<b>Grand Total</b>	<b>15,190,900</b>	<b>74,151,196</b>	<b>31,046,475</b>	<b>40,148,099</b>	<b>117,582,946</b>	<b>278,119,616</b>

At the end of the FY, Bandari College assets were transferred to Bandari Maritime College and derecognized by the Authority, the costs of affected assets are as shown below;

<b>Cost of Assets</b>	<b>0</b>	<b>1,298,640</b>	<b>602,368</b>	<b>177,039</b>	<b>18,340</b>	<b>2,096,387</b>
<b>Accumulated Dep.</b>	<b>0</b>	<b>32,229</b>	<b>293,505</b>	<b>92,075</b>	<b>8,174</b>	<b>425,983</b>

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### Property, Plant& Equipment

#### For the Year Ended 30 June 2020

<b>COST / VALUATION</b>	<b>Land Leased Out</b>	<b>Land and Buildings</b>	<b>Equipment, Motor Vehicles and Furniture</b>	<b>Services and Systems</b>	<b>Basic Constructions</b>	<b>Balance as at 30 June, 2020</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
Balance as at 01.07.2019	15,190,900	74,455,828	39,243,097	9,982,596	70,468,164	<b>209,340,585</b>
Additions	0	1,574,311	1,752,284	53,313	2,683,863	<b>6,063,771</b>
Disposals	0	0	(148,083)	0	(492,598)	<b>(640,681)</b>
Revaluation Adjustment	0	0	1,072	13,140	0	<b>14,212</b>
<b>Balance as at 30.06.2020</b>	<b>15,190,900</b>	<b>76,030,139</b>	<b>40,848,370</b>	<b>10,049,049</b>	<b>72,659,429</b>	<b>214,777,887</b>
<b>DEPRECIATION</b>						
Balance as at 01.07.2019	0	815,684	2,239,316	2,920,743	10,518,489	<b>16,494,232</b>
Charge for the year	0	448,124	3,628,490	595,184	6,024,803	<b>10,696,601</b>
Eliminated on Disposal	0	0	(25,258)	0	(311,523)	<b>(336,781)</b>
Revaluation Adjustments	0	49,967	1,822,228	5,296	229,657	<b>2,107,148</b>
<b>Balance as at 30.06.2020</b>	<b>0</b>	<b>1,313,775</b>	<b>7,664,776</b>	<b>3,521,223</b>	<b>16,461,426</b>	<b>28,961,200</b>
N.B.V as at 01.07.2019	15,190,900	73,640,144	37,003,781	7,061,853	59,949,675	<b>192,846,353</b>
<b>NBV as at 30.06.2020</b>	<b>15,190,900</b>	<b>74,716,364</b>	<b>33,183,594</b>	<b>6,527,826</b>	<b>56,198,003</b>	<b>185,816,687</b>
W.I.P as at 01.07.2019	0	1,657,538	2,669,498	3,676,553	41,198,141	<b>49,201,730</b>
<b>W.I.P as at 30.06.2020</b>	<b>0</b>	<b>1,812,899</b>	<b>2,174,621</b>	<b>18,691,215</b>	<b>58,885,146</b>	<b>81,563,881</b>
<b>Sub totals</b>	<b>15,190,900</b>	<b>76,529,263</b>	<b>35,358,215</b>	<b>25,219,041</b>	<b>115,083,149</b>	<b>267,380,568</b>
Impairment	0	(199,819)	(70,460)	(617)	(46,014)	<b>(316,910)</b>
<b>Grand Total</b>	<b>15,190,900</b>	<b>76,329,444</b>	<b>35,287,755</b>	<b>25,218,424</b>	<b>115,037,135</b>	<b>267,063,658</b>
<b>Fully depreciated. Assets</b>	<b>0</b>	<b>22,790</b>	<b>1,106,009</b>	<b>353,724</b>	<b>133,113</b>	<b>1,615,636</b>
<b>Would have been Dep.</b>	<b>0</b>	<b>570</b>	<b>221,202</b>	<b>70,745</b>	<b>3,327</b>	<b>295,844</b>

At the end of the FY, the transition process of transferring Bandari College to Bandari Maritime College was still ongoing, the costs of affected assets are as shown below;

<b>Cost of Assets</b>	<b>0</b>	<b>1,298,640</b>	<b>601,057</b>	<b>168,352</b>	<b>18,340</b>	<b>2,086,388</b>
<b>Accumulated Dep.</b>	<b>0</b>	<b>24,318</b>	<b>235,927</b>	<b>70,912</b>	<b>7,351</b>	<b>338,508</b>

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### 12. Leased Property

<b>As at 30 June 2021</b>	<b>Buildings</b>	<b>Basic Construction</b>	<b>Services and Systems</b>	<b>Bal. as at 30 June 2021</b>
<b>Cost/Valuation</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
Balance as at 01.07.2020	183,579	502,261	18,474	704,314
Balance as at 30.06.2021	183,579	502,261	18,474	704,314
Depreciation:				
Balance as at 01.07.2020	15,246	15,153	2,669	33,068
Charge for the year	5,002	17,072	957	23,031
<b>Balance as at 30.06.2021</b>	<b>20,248</b>	<b>32,225</b>	<b>3,626</b>	<b>56,099</b>
N.B.V as at 01.07.2020	168,333	487,108	15,805	671,246
<b>N.B.V as at 30.06.2021</b>	<b>163,331</b>	<b>470,036</b>	<b>14,848</b>	<b>648,215</b>

<b>As at 30 June 2020</b>	<b>Buildings</b>	<b>Basic Construction</b>	<b>Services and Systems</b>	<b>Bal. as at 30 June 2020</b>
<b>Cost/Valuation</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
Balance as at 01.07.2019	183,579	502,261	18,474	704,314
<b>Balance as at 30.06.2020</b>	<b>183,579</b>	<b>502,261</b>	<b>18,474</b>	<b>704,314</b>
Depreciation:				
Balance as at 01.07.2019	10,244	(24,568)	1,575	(12,749)
Charge for the year	5,002	39,721	1,094	45,817
<b>Balance as at 30.06.2020</b>	<b>15,246</b>	<b>15,153</b>	<b>2,669</b>	<b>33,068</b>
N.B.V as at 01.07.2019	173,335	526,829	16,899	717,063
<b>N.B.V as at 30.06.2020</b>	<b>168,333</b>	<b>487,108</b>	<b>15,805</b>	<b>671,246</b>

### 13. Intangible Assets:

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
<b>Cost:</b>		
Balance as at 1 July	2,105,015	1,749,624
Additions	205,332	355,391
Balance as at 30 June	2,310,347	2,105,015
<b>Amortization:</b>		
<b>Balance as at 1 July</b>	<b>899,593</b>	<b>598,328</b>
Charge for the year	423,067	301,265
<b>Balance as at 30 June</b>	<b>1,322,660</b>	<b>899,593</b>
<b>Net Book Values as at 30 June</b>	<b>987,687</b>	<b>1,205,422</b>



# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### 14. Finance Income:

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Bank Interest Earnings	167,636	1,310,374
<b>TOTAL</b>	<b>167,636</b>	<b>1,310,374</b>

The reduction in finance income was as a result of remittance of funds to the National Treasury in form of special dividends.

### 15. Finance Costs:

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Interest Charges - Long Term Loans	18,119	42,717
Price Difference Gain	(519)	(2,422)
Discounts	119,161	92,840
Fringe Benefit Tax	2,137	1,281
Compensation Cargo Claims	493	748
<b>TOTAL</b>	<b>139,391</b>	<b>135,164</b>

### 16. Impairment Losses/(Gains):

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Prov. Impairment Loss Debtors	167,549	395,922
Prov. Impairment Loss/(Gain) on PPE	75,569	(177,034)
<b>TOTAL</b>	<b>243,118</b>	<b>218,888</b>

### 17. Other Gains/(Losses)

	Note	2020/2021	2019/2020
		Kshs '000	Kshs '000
Loss on Disposal of Non-Financial Assets	17(a)	(44,336)	(276,276)
Inventory difference Gain		0	34
Realized exchange Gain		546,613	56,503
<b>TOTAL</b>		<b>502,277</b>	<b>(219,739)</b>

#### 17. a. Gain/(Loss) on Disposal of Non-Financial Assets:

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Loss on sale of fixed assets	(47,224)	(278,506)
Profit on sale of surveyed stock	2,888	2,230
<b>TOTAL</b>	<b>(44,336)</b>	<b>(276,276)</b>

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### 18. Income Tax Expense

	2020/2021	2019/2020
	Kshs '000	Kshs '000
<b>(a) Current Taxation</b>		
Current taxation based on the adjusted profit for the year	5,317,676	3,054,185
Current year deferred tax charge	660,584	1,418,827
<b>Tax charge for the year</b>	<b>5,978,260</b>	<b>4,473,012</b>
<b>(b) Reconciliation of tax expense to the expected tax based on accounting profit</b>		
<b>Profit before taxation</b>	<b>13,817,820</b>	<b>8,178,108</b>
Tax at the applicable tax rate	4,145,346	2,044,527
Tax effects of expenses not deductible for tax purposes	1,270,100	666,055
Tax effects of income not taxable	(360,785)	(924)
Tax effects of excess capital allowances over depr. / amort.	263,015	344,527
<b>Current taxation based on adjusted profit</b>	<b>5,317,676</b>	<b>3,054,185</b>

At the close of the year, KRA was undertaking a Tax compliance audit for FY2015/2016 to FY2017/18.

### 19. Non-Current Assets Held for sale

Item of non-current assets held for sale as 30<sup>th</sup> June 2021 are as below indicated;

	2020/2021	2019/2020
	Kshs '000	Kshs '000
G section tractor TR 55	0	400
<b>Total</b>	<b>0</b>	<b>400</b>

### 20. Long Term Investment

As at 30 June 2021	Note	2020/2021	2019/2020
		Kshs '000	Kshs '000
Fixed Deposits:	(a)		
Housing Scheme Backup Funds- HFCK		279,626	263,666
Fixed Deposits- HFCK		290,996	296,457
KCB Mortgage		414,925	412,200
Eco-Bank Kenya Ltd		21,043	20,691
SBM Bank Ltd.		0	374,054
<b>Subtotal</b>		<b>1,006,590</b>	<b>1,367,068</b>
<b>Equities:</b>	(b)		
Kenya National Shipping Line		54,346	54,346
Kenya Ferry Services		100,000	100,000
Impairment of Trade Investment		(154,346)	(154,346)
Consolidated Bank of Kenya		29,100	29,100
<b>Subtotal</b>		<b>29,100</b>	<b>29,100</b>
<b>Other Investment:</b>	(c)		
KDIC -Chase bank Deposits		748,108	748,108
Impairment		(748,108)	(748,108)
<b>Subtotal</b>		<b>0</b>	<b>0</b>
<b>TOTAL</b>		<b>1,035,690</b>	<b>1,396,168</b>

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### Long Term Investment (continued)

Chase Bank Ltd was placed under receivership on 7th April 2016. Based on the Kenya Gazette notice No 6833 dated 6th July 2018, a transfer of 75% of the deposits moved to SBM (Kenya) Ltd while 25% was retained by Kenya Deposit Insurance Corporation. The transition process was completed on 17th August 2018 and SBM Kenya Ltd transferred a total of Kshs. 1,175 million in FY2018/19. In line with Kenya Gazette notice, the first and second equal instalments of cash deposits previously held with Chase Bank Kenya (In Receivership) were received by the Authority from SBM Kenya Ltd. The remaining deposits (last instalment) are on fixed deposit account earning interest at 6.3% p.a with restricted access; and will be released in August 2021.

#### a. Fixed Deposits

Details and movement of the fixed deposits are shown below;

	Balance 1 July 2020 Kshs '000	Charges Kshs'000	Interest Kshs '000	Inter Account Transfer Kshs '000	Balance 30 June 2021 Kshs '000
Housing Scheme Backup- HFCK	263,666	(1)	0	15,961	279,626
Fixed Deposits- HFCK	296,457	0	10,500	(15,961)	290,996
KCB Mortgage	412,200	0	2,725	0	414,925
Eco-Bank Kenya Ltd	20,691	0	352	0	21,043
SBM Bank Ltd	374,054	0	0	(374,054)	0
<b>TOTAL</b>	<b>1,367,068</b>	<b>(1)</b>	<b>13,577</b>	<b>(374,054)</b>	<b>1,006,590</b>

- Funds invested with Housing Finance amounted to Kshs 571 million out of which Kshs 280 million is held as lien on loans advanced to staff under the HOMS and earns interest at 2% pa. The balance of Kshs 291 million is held in a fixed deposit account and earns interest of 7% pa.
- Funds invested with Kenya Commercial Bank amounting to Kshs 415 million is held as security on loans advanced to staff under HOMS. They earn interest at 2% p.a.
- Funds invested with ECO-Bank amounting to Kshs 21 million are held as security on loans advanced to staff under HOMS. They earn interest at 2% p.a.
- SBM Bank Ltd. funds represent the remaining investment in Chase Bank Ltd. (in receivership) and continue to earn interest at 6.3% per annum. The first portion was released in August 2019 & second portion was released in August 2020. The remaining instalment will be released in August 2021.

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### Long Term Investment (continued)

##### b. Equities:

Details of the equities are shown below.

Entities	Direct shareholding	Effective shareholding	Nominal value of shares	Value of shares less impairment 2020/2021	Value of shares less impairment 2019/2020
	%	%	Kshs '000	Kshs '000	Kshs '000
Kenya National Shipping Line	45%	0%*	54,346	0	0
Kenya Ferry Services	20%	0%*	100,000	0	0
Consolidated Bank of Kenya	2.60%	2.60%	29,100	29,100	29,100
<b>TOTAL</b>				<b>29,100</b>	<b>29,100</b>

\*The effective shareholding is 0% because the investments were fully impaired.

##### c. Other Investment:

Chase Bank Ltd. was placed under receivership in April 2016 by Central Bank of Kenya. The Authority's Board made a 25% impairment provision on the deposits during the 336<sup>th</sup> regular meeting held in December 2017. Cash deposits including interest amounting to Kshs 1,175 million previously held with Chase Bank Kenya (In Receivership) were remitted to the Authority in FY 2018/2019. The remaining balance is classified as short-term deposits and continues to earn interest at 6.3% per annum. The first portion was released in August 2019 while the second portion in August 2020. The remaining instalment will be released in August 2021.

#### 21. Inventories

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Engineering stores	414,885	417,966
Fuel, oil and lubricants	532	1,809
Motor vehicle spare parts	6,370	19,808
Stationery and general stores	17,366	47,600
Medicines	39,902	43,799
<b>Sub-Total</b>	<b>479,055</b>	<b>530,982</b>
Provision for Write-off	(35,446)	(35,446)
<b>Totals</b>	<b>443,609</b>	<b>495,536</b>

Inventories are stated at cost which include the purchase price, import duty, transport and handling charges.

Inventories are managed using FIFO method. Just in Time (JIT) strategy is applied by the Authority to increase efficiency and decrease wastage.

A provision for obsolete inventories has been made in accordance with the Authority policy. The Authority has lodged a request for approval of write-off of obsolete inventories from the books with the GoK.

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### 22. Receivables & Prepayments

		2020/2021	2019/2020
Trade Receivables	Note	Kshs '000	Kshs '000
Trade Cargo		4,379,053	4,086,190
Trade Marine		695,417	477,751
Rental		133,554	151,598
<b>Subtotals (i)</b>	(a)	<b>5,208,024</b>	<b>4,715,539</b>
Railways Debtors		504,482	497,147
Misc. A/C Receivables		13,185	12,961
<b>Subtotals (ii)</b>		<b>517,667</b>	<b>510,108</b>
Less; Provision for Impairment (iii)		(2,274,084)	(2,106,536)
<b>Subtotals (i+ii-iii)</b>		<b>3,451,607</b>	<b>3,119,111</b>
KNSL		1,507	1,507
National Treasury (Dredgco)		287,231	287,231
Impairment of Other Debtors		(288,738)	(288,738)
<b>Subtotals</b>		<b>0</b>	<b>0</b>
<b>Other Receivables:</b>			
Staff Advances		33,412	38,536
Advance Imprest & Subsistence		120,202	21,895
Prepayments & Accrued Income	(b)	507,506	313,970
Advance Creditors	(c)	6,031,411	5,213,997
Deposit Others		97,983	97,787
Valuation Adjustment		708,001	1,416,160
Tax Recoverable	(d)	7,406,853	6,224,394
VAT in		521,939	453,214
Others		1,002,318	478,520
<b>Subtotals</b>		<b>16,429,625</b>	<b>14,258,474</b>
<b>TOTAL</b>		<b>19,881,232</b>	<b>17,377,585</b>



# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### Receivables & Prepayments (continued)

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

<b>Ageing Analysis</b>	<b>2020/2021</b>	<b>2019/2020</b>
<b>Period</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
From 0 To 90	2,252,521	1,840,684
From 91 To 120	241,557	193,259
From 121 To 150	183,357	157,546
From 151 To 180	112,330	126,430
From 181 To 365	495,359	666,908
1 To 2 Years	571,138	734,219
Over 2 years	1,351,762	996,493
<b>Total</b>	<b>5,208,024</b>	<b>4,715,539</b>

In compliance with the Authority's impairment policy and IFRSs, all overdue debts have been impaired. The Authority assumes that the credit risk on a financial asset increases significantly if it is more than 90 days past due. Debts over 2 years old have been impaired 100%.

<b>b. Prepayments &amp; Accrued Income</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Accrued income	41,328	48,868
Rents & rates – prepaid	26,101	26,159
Insurance – prepaid	250,170	210,867
Prepayments Others	189,907	28,076
<b>Total</b>	<b>507,506</b>	<b>313,970</b>

<b>c. Advance Creditors</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Advance Other Creditors	2,954,710	1,306,940
2nd Terminal Suppliers	2,651,787	1,987,229
Lamu Port Project Suppliers	424,914	1,919,828
<b>Total</b>	<b>6,031,411</b>	<b>5,213,997</b>

<b>d. Tax Recoverable</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
Balance as at 01 July	6,224,394	2,538,069
Total Output VAT	(2,864,645)	(3,312,572)
Total Input VAT and Withheld output VAT	4,047,104	6,998,897
<b>Total</b>	<b>7,406,853</b>	<b>6,224,394</b>

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### 23. Tax Payable/ (Paid in Advance)

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Balance as at 1st July	(2,388,639)	1,207,331
Income tax charge for the year	5,317,676	3,054,185
Income tax paid during the year	(3,163,998)	(4,536,221)
Final Tax paid	0	(2,041,943)
Overpaid tax utilized	(30,724)	(71,991)
<b>Total</b>	<b>(265,685)</b>	<b>(2,388,639)</b>

### 24. Cash and Cash Equivalents

	Note	2020/2021	2019/2020
		Kshs '000	Kshs '000
Short Term Deposits	(a)	374,054	1,167,706
Bank and Cash Balances	(b)	2,459,942	3,003,068
<b>Total</b>		<b>2,833,996</b>	<b>4,170,774</b>

#### a. Short Term Deposits:

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Citibank T/Bills	0	754,743
Discount on Treasury Bills	0	38,909
SBM Bank Ltd.	374,054	374,054
<b>Total</b>	<b>374,054</b>	<b>1,167,706</b>

As stated under note 20, cash deposits including interest amounting to Kshs 1,175 million previously held with Chase Bank Kenya (In Receivership) were remitted to the Authority between February 2019 and April 2019 by SBM Bank Kenya Ltd. In August 2019, in line with Kenya Gazette notice, the first of the three equal instalments of cash deposits previously held with Chase Bank Kenya (In Receivership) were received by the Authority from SBM Kenya Ltd. The remaining investment in Chase Bank Ltd. (in receivership) continues to earn interest at 6.3% per annum. The first portion was released in August 2019 and the second portion was released in August 2020. The portion for August 2021 has been classified as a current asset.

#### b. Bank and Cash Balances

Name of Bank	2020/2021	2019/2020
	Kshs '000	Kshs '000
National Bank of Kenya	325,028	507,284
Kenya Commercial Bank	6	(10)
Citibank N. A	1,963,736	1,653,864
Equity	149,628	815,530
Stanbic Bank	2,939	4,691
Petty Cash	3,264	3,243
Safaricom Mpesa	15,341	18,466
<b>Total</b>	<b>2,459,942</b>	<b>3,003,068</b>

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### Cash and Cash Equivalents (continued)

Details of cash and cash equivalents are as follows;

Financial Institution	Bank Account		2020/2021	2019/2020
i) Current account	Nos.	Curr.	Kshs '000	Kshs '000
	1003057307400	Kshs	1,400	260,220
National Bank of Kenya	2003057307400	USD	158,904	245,664
	1003000909000	Kshs	164,724	1,400
	1107638127	Kshs	1	1
Kenya Commercial Bank	1146962908	USD	0	0
	6690361829	BIF	0	(14)
	6690361837	USD	5	3
	300046401	Kshs	832,590	68,888
Citibank N, A	300046428	USD	1,131,146	1,584,976
	1560267794795	Kshs	95,353	457,672
Equity	1560261552619	USD	54,269	357,858
	4002200349395	RWF	6	0
Stanbic bank	9030008175933	USD	2,639	4,498
	9030005614383	UGX	300	193
<b>Sub-total</b>			<b>2,441,337</b>	<b>2,981,359</b>
ii) Others;				
Petty Cash		Kshs	3,264	3,243
Safaricom Mpesa	929929	Kshs	15,341	18,466
<b>Sub-Total</b>			<b>18,605</b>	<b>21,709</b>
iii) Fixed Deposit Account				
Treasury Bills		Kshs	0	754,743
Discount on Treasury Bills		Kshs	0	38,909
<b>Sub-Total</b>			<b>0</b>	<b>793,652</b>
iv) SBM Bank Ltd.	0223305760001/ 0043305760011/ 0043305760014/ 0043305760015/	Kshs	374,054	374,054
<b>Grand-Total</b>		<b>Kshs</b>	<b>2,833,996</b>	<b>4,170,774</b>

#### 25. Movement in Revaluation Reserves

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Opening Balance	103,132,900	111,646,031
Transfers to General Reserves:		
Effects on Revaluation	(9,348,290)	(8,513,131)
<b>Closing Balance</b>	<b>93,784,610</b>	<b>103,132,900</b>

Effects on Revaluation resulted from revaluation of the Authority's non-current assets conducted by M/s Sec & M Ltd.

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### 26. Movement in General Reserves

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Opening Balance	80,874,208	90,620,573
<b>Adjustments for:</b>		
Profit After Tax	7,839,560	3,705,096
Revaluation Effects	9,348,290	6,420,196
Grants	1,475,217	2,125,480
Other Adjustments	16,366	1,443
Increase in Pension Deficit	(1,004,600)	(2,855,700)
Transfers due to Disposal	(1,670,404)	0
Unrealized Foreign Exchange Gain/(Loss)	(766,610)	1,132,129
Other Valuation Gain	0	1,855
Dividends Paid	0	(516,130)
Special Dividends	0	(18,000,000)
JICA Loan Revaluation Effects	964,169	(1,760,734)
<b>Closing Balance</b>	<b>97,076,196</b>	<b>80,874,208</b>

### 27. Grants

Grants represent funds provided by donors, in this case TMEA, either directly or via a sponsor for the purposes of financing specific capital projects of the Authority. They are in the form of assets. Such assets include Eco Terracing, expansion of gate 18 among others.

		Received	Capitalized/ Adjusted	Cumulative
	1/7/2020	2020/21	2020/21	to 30/6/2021
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Trade Mark East Africa	1,392,751	21,686	(1,162,733)	251,704
SGR	2,075,810	0	(312,484)	1,763,326
<b>Total</b>	<b>3,468,561</b>	<b>21,686</b>	<b>(1,475,217)</b>	<b>2,015,030</b>

### 28. Government Project Funds

GoK project funds are disbursed to the Authority for specific GoK projects not in direct control of the Authority. During the year, the movement was as below:

	1/7/2020	Received	Cumulative
		2020/21	to 30/6/2021
	Kshs '000	Kshs '000	Kshs '000
Infrastructure Kisumu Port	50,000	0	50,000
Lamu Port Development	37,336,157	6,000,000	43,336,157
<b>Total</b>	<b>37,386,157</b>	<b>6,000,000</b>	<b>43,386,157</b>

During the year Kenya Ports Authority received Kshs 6 Billion from the parent Ministry for the Lamu Port development project.

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### Lamu Port Project Statement of Financial Position As at 30 June 2021

	Notes	Kshs'000	Kshs'000
Non-Current Assets	a		43,572,351
			<b>43,572,351</b>
<b>Financed By:</b>			
Government funds		42,720,252	
Interest on GoK funds		195,647	
KPA funds*		2,042,473	
Funds for Dongo Kundu utilized on PAPs		431,374	
Unutilized Funds		(4,245,123)	41,144,623
Current Liabilities	c		2,427,728
			<b>43,572,351</b>

\*The Authority contributed Kshs 2.04 Billion towards the Lamu port project.

#### a. Non-current Assets

	Kshs'000
Boundary wall – National youth service	20,000
Police station & staff quarters (Vaghjiyani Enterprises- up to certificate 16)	619,816
Works in progress;	
1. Civil works	
1 <sup>st</sup> Three Berths – China Communications (Forex, Taxes Included)	39,888,363
2. Consultancy	
1 <sup>st</sup> Three berths – Yooshin Engineering (Forex, Taxes Included)	1,000,026
<b>3. PAPs</b>	
Kenya Forestry Services	64,939
Lamu Municipal council – Approval fee	35,000
National Land Commission	1,925,348
Compensation for local fishermen	18,859
	<b>43,572,351</b>

#### b. Currents Assets

	Kshs
Unrecovered advance up to certificate no 22 (China Communications)	0
	0

#### c. Current liabilities

	Kshs
China Communications (Retention up to certificate 23);	
Kshs & USD portion	2,381,979
Yooshin Engineering	45,749
	<b>2,427,728</b>



# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### 29. Borrowings:

As at 30 June 2021

Loans	Opening Balances 01 July	Disburse- ments	Repayments			Valuation effects	Closing Balances		
			Principal	Forex Gain	Interest		Total	Current	Non-Current
	Kshs '000	Kshs '000	Kshs '000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
JICA-1	23,593,189	0	(455,548)	26,581	22,896	(503,317)	22,660,905	1,258,939	21,401,966
JICA-2	16,335,704	2,642,866	0	0	0	(460,852)	18,517,718	0	18,517,718
<b>Total</b>	<b>39,928,893</b>	<b>2,642,866</b>	<b>(455,548)</b>	<b>26,581</b>	<b>22,896</b>	<b>(964,169)</b>	<b>41,178,623</b>	<b>1,258,939</b>	<b>39,919,684</b>

As at 30 June 2020

Loans	Opening Balances 01 July	Disburse- ments	Repayments			Valuation effects	Closing Balances		
			Principal	Forex Gain	Interest		Total	Current	Non-Current
	Kshs '000	Kshs '000	Kshs '000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
JICA-1	23,373,808	0	(835,798)	15,664	42,902	1,039,515	23,593,189	857,934	22,735,255
JICA-2	10,176,159	5,438,326	0	0	0	721,219	16,335,704	0	16,335,704
<b>Total</b>	<b>33,549,967</b>	<b>5,438,326</b>	<b>(835,798)</b>	<b>15,664</b>	<b>42,902</b>	<b>1,760,734</b>	<b>39,928,893</b>	<b>857,934</b>	<b>39,070,959</b>

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### Borrowings (continued)

##### JICA Loan 1 (KE-P25, KE-P25A)

Japan International Cooperation Agency funded the implementation of the Mombasa Port Development Project phase I. The principal value of the loan is JPY 26,711 million, interest rate is 0.2% paid per annum paid semi-annually.

The loan disbursements were completed. Total amounts disbursed was JPY 26,329 million translated to Kshs 24,359 million as at 30th June 2017. The Loan repayment will be for thirty (30) years, paid semi-annually on 20th May and 20th November. The loan repayment commenced on 20th November 2017 and the last instalment will be repaid on 20th November 2047. As at 30 June ,2021 the outstanding balance for JICA loan was JPY 23,302 million translated to Kshs 22,661 million.

On 15 April 2020, the G20 together with the Paris club announced Debt Service Suspension Initiative (DSSI) to assist developing countries tackle Covid 19. Following GoK application to the Paris club and in line with DSSI, JICA temporary suspended the obligation from 1<sup>st</sup> January 2021 to 31<sup>ST</sup> December 2021 and has not issued an invoice for the May 2021 instalment. The Authority is awaiting conclusion of the exchange of notes between JICA and GoK to release the May instalment equivalent to Kshs 429 million.

The loan was for the purchase of goods and services from suppliers, contractors of consultants as the case may be to facilitate the implementation of the Mombasa Port Development Project Phase I (berth 20 and 21).

##### JICA Loan 2 (KE-P30)

Japan International Cooperation Agency funded the implementation of the Mombasa Port Development Project phase II. The principal value of the loan is JPY 32,116 million, interest rate is 0.1% paid per annum paid semi-annually.

As at 30 June 2021 amounts disbursed and which was also the outstanding balance for JICA loan at the time was JPY 18,697 Million translated to Kshs 18,518 Million. The Loan agreement became effective on 24 August 2016 and the final disbursement shall be made not later than 24 August 2023. The Loan repayment will be for thirty (30) years, paid semi-annually on 20 March and 20th September commencing on 20 March 2025 to 20 March 2055.

The loan is for the purchase of goods and services from suppliers, contractors of consultants as the case may be to facilitate the implementation of the MPDP Phase II.

#### 30. Deferred Tax:

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

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Balance as at 1 July	6,650,083	5,231,256
Movement for the year	660,584	1,418,827
<b>Total</b>	<b>7,310,667</b>	<b>6,650,083</b>

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### 31. Trade & Other Payables

	Note	2020/2021 Kshs '000	2019/2020 Kshs '000
<b>Trade Payables:</b>			
General Trade		1,518,235	2,474,214
General Foreign Suppliers		428,038	56,419
Payroll		657,229	417,063
Accrued Expenditure		3,455,799	2,263,706
<b>Other Payables</b>			
National Treasury/Dredgco		287,231	287,231
2 <sup>nd</sup> Terminal Suppliers		0	184,481
Creditors Valuation		38,644	0
Stock accruals		2,822,846	1,452,820
Contractors Deposit		3,243,369	4,569,072
KOT Project Suppliers		1,983,769	2,390,342
SOT Port Project Suppliers		62,487	0
KRC		273,868	87,619
Advance Receipts	(a)	91,781	144,166
KPA Directors		118	506
KCHS Provident Fund		0	6,426
Down Payment Cargo Customers		11,772	11,772
VAT Payable		253,552	204,602
Verification Payable		54,502	41,707
Others		169,807	144,480
<b>Total</b>		<b>15,353,047</b>	<b>14,736,626</b>
<b>a. Advance Receipts</b>		<b>2020/2021 Kshs '000</b>	<b>2019/2020 Kshs '000</b>
Marine		11,621	18,283
Cargo		57,556	86,876
Rentals		22,604	39,007
<b>Total</b>		<b>91,781</b>	<b>144,166</b>

Trade and other payables increase were mainly due to port expansion and ongoing modernization projects.

### 32. Retirement Benefits

The Authority operates a Defined Benefit and Defined Contribution scheme for its employees. The assets of the two schemes are held in a separate trustee administered funds which are funded by both contributions from the Authority and employees. The schemes are administered by Zamara Actuaries, Administrators and Consultants Ltd. While Britam Asset Managers (K) Ltd, African Alliance (K) Ltd, Investment Bank Ltd and Stanlib (K) Ltd, provides custodial services to the Scheme.

The Authority's contribution to the Defined contribution scheme is the final obligation. The employer's contributions payable for DC scheme was Kshs 1,227 Million (FY 2019/2020 Kshs 1,470 Million) and has been recognized in the Statement of Profit or Loss and Other Comprehensive Income.

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### Retirement Benefits (continued)

The Authority Defined Benefit retirement scheme was closed to new entrants and future accrual of benefits effectively on 31st December 2012. The Authority only makes contribution to the scheme in respect of those members who opted to remain in the Defined Benefit scheme. The actuarial report as at 31 December 2020 showed an actuarial deficit of Kshs 4,379 million. The Authority as the sponsor contributes Kshs 44.6 Million per month as part of the remedial plan to clear the deficit. A total of Kshs 535.2 million was remitted in FY 2020/2021. As at 30 June 2021, the scheme had an actuarial deficit of Kshs 4,111.4 million (Kshs 3,642 million deficit FY 2019/20), out of which Kshs 535.2 million is classified as current.

	2020/2021	2019/2020
	Kshs '000	Kshs '000
Valuation at beginning	3,642,000	1,321,500
Payments	(535,200)	(535,200)
Changes in valuation (Increase)	1,004,600	2,855,700
<b>Valuation at end</b>	<b>4,111,400</b>	<b>3,642,000</b>

#### 33. Reconciliation of operating profit to cash generated from operations

	Note	2020/2021	2019/2020
		Kshs '000	Kshs '000
<b>Cash Flow from Operating Activities:</b>			
Operating profits before tax		13,817,820	8,178,108
<b>Add/(Deduct):</b>			
Interest income		(167,636)	(1,310,374)
Interest expense		18,119	42,717
<b>Non-Cash Items:</b>			
Depreciation of Property Plant and Equipment	11,12	11,277,393	10,742,418
Amortization of Intangible Assets	13	423,067	301,265
Increase in Provision for impairment of debts		167,549	395,922
Increase/(Decrease) in Impairment of Asset-PPE		75,569	(177,034)
Loss on sale of assets		47,224	278,506
Profit on sale of Surveyed stock		(2,888)	(2,230)
Net foreign Gain		(519)	(2,456)
<b>Operating Profit before working capital changes</b>		<b>25,655,698</b>	<b>18,446,842</b>
(Increase)/Decrease in Inventories	21	51,927	(90,723)
Increase in Prepayments	22(b)	(193,536)	(43,074)
Increase in Trade & other receivables	34	(2,857,096)	(376,745)
Increase in Trade & other payables	35	594,052	3,510,696
<b>Cash generated from operations</b>		<b>23,251,045</b>	<b>21,446,996</b>

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### 34. Reconciliation of Accounts Receivables:

	2020/2021	2019/2020	
	Kshs '000	Kshs '000	Kshs '000
Balance as at 30 June	19,881,232	17,377,585	
<b>Add/(Less):</b>			
Vendor adjustment	(161,174)		
Prepayment	(507,506)	(313,970)	
<b>Subtotal</b>	<b>19,212,552</b>	<b>17,063,615</b>	
Less: Valuation Adjustment	(708,001)	(1,416,160)	
<b>Reconciled Movement Amount</b>	<b>18,504,551</b>	<b>15,647,455</b>	<b>2,857,096</b>

### 35. Reconciliation of Accounts Payables:

	2020/2021	2019/2020	
	Kshs '000	Kshs '000	Kshs '000
Balance as at 30 June	15,353,047	14,736,626	
<b>Add/(Less):</b>			
Adjusted KCHS fund	6,426		
<b>Subtotal</b>	<b>15,359,473</b>	<b>14,736,626</b>	
Less: Creditors Valuation Adjustment	(38,644)	(9,849)	
<b>Reconciled Movement Amount</b>	<b>15,320,829</b>	<b>14,726,777</b>	<b>594,052</b>

### 36. Purchase of PPE

	2020/2021	2019/2020
	Kshs '000	Kshs '000
<b>Purchase of PPE</b>	<b>24,048,019</b>	<b>38,570,386</b>

### 37. GoK Project Funds

	2020/2021	2019/2020
	Kshs '000	Kshs '000
<b>Lamu Port Development</b>	<b>6,000,000</b>	<b>10,000,000</b>

During the year Kenya Ports Authority received Kshs 6 Billion from the parent Ministry for the Lamu Port development project.

### 38. Dividends

	2020/2021	2019/2020
	Kshs '000	Kshs '000
<b>Dividends (Special)</b>		
Special Dividends	4,950,000	18,000,000
Paid during the year	(4,950,000)	(13,050,000)
<b>Balance at end of the year</b>	<b>0</b>	<b>4,950,000</b>



# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### Dividends (continued)

	2020/2021	2019/2020
	Kshs '000	Kshs '000
<b>Normal Dividends</b>		
FY 2017/18	0	516,130
FY 2018/19	731,073	731,073
FY 2019/20	277,882	277,882
FY 2020/21	587,967	0
<b>Paid within the year:</b>		
Dividends	0	(516,130)
<b>Balance as 30 June</b>	<b>1,596,922</b>	<b>1,008,955</b>

The Authority was directed to remit to the National Treasury Kshs 18 billion in FY2019/2020. A total of Kshs 13.05 billion was remitted to GoK in FY2019/2020 with the balance of Kshs 4.95 billion remitted in the reporting FY 2020/2021. Normal dividend of 2018/2019 and 2019/20 totalling to Kshs 1.009 billion was still outstanding at the close of the year. The proposed dividend for the year ended 2020/2021 is Kshs 587.9 million. Owing to the huge commitments the Authority is facing especially on the Lamu Port Project and the recent placement of ferry services under Kenya Ports Authority. Management is pursuing waiver of the normal dividends by the NT so that the same is utilised towards Lamu Port operationalisation and other urgent commitments.

#### 39. Related Party Transactions

The Government of Kenya is the principal shareholder of the Authority, holding 100% of the KPA equity interest. Included in debtors and investments are balances owing or receivable from the following related parties:

	2020/2021	2019/2020
Description	Kshs '000	Kshs '000
Kenya Ferry Services (Investment)	100,000	100,000
Ministry of Transport	287,231	287,231
Kenya National Shipping Line (Debtor)	28,178	28,178
Kenya National Shipping Line (Investment)	54,347	54,347
Impairment provision	(469,756)	(469,756)
<b>Total</b>	<b>0</b>	<b>0</b>
<b>DB Retirement Benefit Liability</b>	<b>4,111,400</b>	<b>3,642,000</b>
<b>Total</b>	<b>4,111,400</b>	<b>3,642,000</b>

#### Kenya Railway Corporation

##### • SGR

The Authority expected full reimbursement of actual costs from the Railway Development Levy Fund. In the reporting year, the Joint Boards from KPA and KRC deliberated and shelved the matter.

As at 30 June 2021, a total of 1,301 containers were erroneously railed to ICD Nairobi. The anticipated loss is USD 692,265.

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### Kenya Railway Corporation (continued)

##### • Take or Pay Arrangement

The TOPA places the Authority as guarantor for minimum traffic and commits to pay KRC any shortfall. This arrangement increases the level of commitment and hence the risk on KPA cash flows. The agreement provides for a possible crystallization of the liability, relating to the SGR project.

In this event, the liability will be charged to the Statement of Profit or Loss during the period of occurrence and the agreement does not provide for reversal of such realized payment. The minimum tonnage for the calendar year 2021 is 5,723,333 tones, while for the calendar year 2020 was 6,000,000 tones. If these tonnages are prorated for conversion into the reporting financial year 2020/2021, it means that for the financial year 2020/2021, KPA should have railed 5,861,667 tones. However, 5,145,677 tones were railed and USD 101,521,801 remitted to the SGR escrow account, against the expected USD 118,377,194. The maximum reduction of profit or the contingent liability for the year 2020/2021 is therefore USD 16,855,393. There is however a moratorium up to December 2021.

##### • Transfer of Naivasha ICD assets to KPA

At the close of the FY, KRC was still in the process of transferring facilities at the Naivasha ICD to the Authority.

##### • Transfer of Lake Victoria Ports to KPA

At the close of the FY, KRC was still in the process of transferring facilities at the Lake Victoria Ports to the Authority.

##### • Transfer of SGR assets at Port Reitz to KPA

A joint Committee of Kenya Ports Authority, Kenya Railways and the Operator (CRBC) undertook a technical audit of the SGR loading and offloading equipment located at Port Reitz yard with the aim of officially handing over the same to KPA, together with the associated SGR loan component. The Equipment in question and the associated loan and Grant element is broken down in the below table;

Description	Qty.	Initial Cost per Unit US\$	Initial Total Cost US\$	Initial Total Cost Kshs @106	KPA Treatment of the Funds.
Rail Mounted Gantry (RMG Cranes)	2	2,597,509	5,195,018	550,671,908	n/a
Reach Stacker	8	576,100	4,608,800	488,532,800	n/a
<b>Total Cost</b>			<b>9,803,818</b>	<b>1,039,204,708</b>	<b>n/a</b>
Loan Amount			8,333,245	883,324,002	Proposed Loan Take-over by KPA. KPA to pay
GOK Funds			1,470,573	155,880,706	KPA Take-over-KPA to treat GOK Funds as Grant money.

##### • Kenya Transport and Logistics Network (KTLN)

Kenya Transport and Logistics Network (KTLN) was established following an Executive Order No. 5 of 2020 with the objective of creating a framework for the management, coordination and integration of the Public Port, Railway Network and Pipeline services. The Network brings together Kenya Ports Authority (KPA), Kenya Railways Corporation (KRC) and Kenya Pipeline Company Limited (KPC) under the coordination of the Industrial and Commercial Development Corporation (ICDC). The three State agencies KPA, KPC and KRC entered into a joint operations agreement, on 8th September 2020, to reorganize individual entity structures, resources, operations, and services. The reorganization is meant to help in the establishment of a seamless and coordinated national transport and logistics network.

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### Kenya Ferry Services Limited

A business and assets transfer agreement between the Government of Kenya, Kenya Ports Authority (KPA) and Kenya Ferry Services Limited (KFS), was signed on 18th June, 2021, effectively placing the operations of the ferry services and the Likoni floating pedestrian bridge under Kenya Ports Authority. The two entities operated as one for only 12 days during the year 2020/2021 and a summarized financial performance of the defunct Kenya Ferry Services Limited is detailed below.

#### Kenya Ferry Services Limited Statement of Financial Position For the year ended 30 June 2021

	2020/2021 Kshs '000	2019/2020 Kshs '000
<b>Non-current assets</b>		
Property, plant, and equipment	4,322,315	4,311,179
Capital work in progress	399,501	336,527
Investment property	299,019	306,888
Prepaid operating lease rentals	1,462	1,728
Software	22,857	0
<b>Total Non-current assets</b>	<b>5,045,155</b>	<b>4,956,321</b>
<b>Current assets</b>		
Inventories	88,488	107,754
Trade and other receivables	412,617	403,110
Cash and cash equivalents	336,795	621,554
<b>Total Current assets</b>	<b>837,899</b>	<b>1,132,419</b>
<b>TOTAL ASSETS</b>	<b>5,883,055</b>	<b>6,088,741</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders Funds</b>		
Share capital	499,904	499,904
Revaluation reserve	542,280	542,280
Retained earnings	(911,097)	(677,101)
Deferred income	5,310,331	5,395,280
<b>Total Current assets</b>	<b>5,441,419</b>	<b>5,760,363</b>
<b>Current liabilities</b>		
Trade and other payables	441,635	328,376
	<b>5,883,055</b>	<b>6,088,741</b>

From 1st July 2021, all the transactions of the ferry services and the Likoni floating pedestrian bridge will be reported under KPA as per the relevant IFRS/IAS.

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### Key Management Compensation

During the year, the senior management team comprising of divisional and departmental heads, and the MD were paid Kshs 336 million as salaries and other allowances. The non-executive directors are entitled to receive Kshs 48 million as director fees out of which Kshs 14.4 million is payable to the National Treasury for directors representing the Government and its agencies.

#### Kenya National Shipping Line

KNSL enjoyed secretarial services from the Authority on the understanding that this would be paid for. The line has however operated under difficulties and has been unable to pay. The Authority has fully impaired the investment and the debt as per the impairment policy. Negotiations on the revival of operations and the restructuring of the shareholding of KNSL are ongoing with the GoK.

#### Concession of 2nd Container Terminal

The GoK and other Stakeholders are in negotiations to concession the terminal to a third party to operate. The expected transaction fees from the concession are expected at a minimum to cover the JICA loan repayment and have a reasonable return to the KPA investment. The terminal has Land, buildings, and equipment's with a total NBV of Kshs 26.117 billion. After series of negotiations, the Technical Committee has closed discussions on the Revenue Share Whereas Equipment lease is still under negotiations.

#### Kenya Ports Authority Pension Scheme

The Authority operates Defined Benefit (DB) scheme alongside the Defined Contributory (DC) scheme. The DB scheme is valued by Zamara Actuaries, Administrators and Consultants Ltd. The actuarial report as at 31 December 2020 indicated a funding level of 84.0% resulting in an actuarial deficit of Kshs 4,379 Million. The Authority as the sponsor contributes Kshs 44.6 million per month as part of the remedial plan to fund the deficit. A total of Kshs 535.2 million was contributed in FY 2020/2021. As at 30 June 2021, the scheme had an actuarial deficit of Kshs 4,111.4 million (Kshs 3,642 million deficit FY 2019/20), with Kshs 535.2 million being classified as current. The Authority as the sponsor decided to let the schemes be autonomous and run as a separate entity from the sponsor. The handing over process was implemented in phases. At the close of the year, the scheme had been delinked with no further support by the sponsor on the administration costs. The schemes have reimbursed the Authority Kshs 39 million being staff administration cost.

#### Bandari College

Bandari College was transferred to Bandari Maritime Academy, as per Executive Order No. 1/2018. Assets amounting to Kshs 1.67 billion were transferred. Revenue earned and recognized in the Authority's books of accounts from the college was Kshs 414,250 in FY 2020/21 (Kshs 19.7 million FY 2019/20). Expenditure incurred courtesy of the college was Kshs 160 million in FY 2020/21 (Kshs 191 million FY 2019/20).

# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### 40. Capital Commitments

As at 30 June 2021 the Authority was undertaking the under listed projects with an objective of expanding capacity and modernization of equipment to increase efficiency in port services.

PROJECT DESCRIPTION	Estimated Cost	Completion	Estimated	Sources
	Kshs	%	Completion date	of Funds
Lamu Port Project (Civil, Consultancy & PAPs)	45,000,000,000	91.6%	October, 2021	KPA/GoK
Mombasa Port Development Project - (MPDP Phase II)	38,000,000,000	81.5%	May, 2022	KPA/JICA
Relocation Of Kipevu Oil Terminal	40,000,000,000	90%	December, 2021	KPA

Projects currently being implemented by the Authority's and development partners include;

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Mombasa Port Development Phase II	KE-P30	JICA	Ongoing	Civil works, Buildings, Equipment, Security system and Consulting Services	No	Yes
Lamu Port Development Project	NIL	GoK	Ongoing	Civil works	No	Yes
Trade Mark East Africa	NIL	TMEA	Ongoing	Civil works, Buildings and Equipment	No	Yes
Dongo Kundu SEZ	NIL	JICA	Ongoing	Consultancy	No	Yes



# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### 41. Financial Risk Management Policies

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

The Authority's financial risk management objectives and policies are detailed below;

##### i. Credit Risk Management

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

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

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by considering the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilization of the credit limits and the credit period is monitored by management on a monthly basis. The amounts presented in the Statement of Financial Position are net of provisions for impairment.

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

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

	Fully Performing	Past due	Impaired	Total
30-Jun-21	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Due from related companies	0	0	469,756	469,756
<b>Trade receivables;</b>				
Marine	475,532	66,667	153,218	695,417
Cargo	1,755,598	683,958	1,939,497	4,379,053
Rental	21,391	28,833	83,330	133,554
Bank balances	2,441,337	0	0	2,441,337
Mpesa balance	15,341	0	0	15,341
<b>Total</b>	<b>4,709,199</b>	<b>779,458</b>	<b>2,645,801</b>	<b>8,134,458</b>

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### Financial Risk Management Policies (continued)

30-Jun-20	Fully Performing Kshs '000	Past due Kshs '000	Impaired Kshs '000	Total Kshs '000
Due from related companies	0	0	469,756	469,756
<b>Trade receivables;</b>				
Marine	295,222	43,959	112,371	451,552
Cargo	1,495,047	785,477	1,805,194	4,085,718
Rental	50,414	28,320	72,864	151,598
Bank balances	2,981,359	0	0	2,981,359
Mpesa balance	18,466	0	0	18,466
<b>Total</b>	<b>4,840,508</b>	<b>857,756</b>	<b>2,460,185</b>	<b>8,158,449</b>

The customers are paying their debts as they continue trading. The Authority is actively pursuing this debt and holds collaterals including bank guarantees and deposits against credit and rental accounts as a means of mitigating the risk of financial loss from default. The debt that is impaired has been provided for as per the Authority Credit control policy. Debts and Investments worth Kshs 3,465 Million (2019-20; Kshs 3,298 Million) is provided for and includes at least Kshs 950 Million that is under litigation. The Authority is pursuing various measures to recover the impaired amounts including reviewing and implementing a new credit policy

### ii. Liquidity Risk Management

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

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

The table below analyses the Authority's financial liabilities as at 30 June 2021 that will be settled on a net basis on maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

### As at 30 June 2021

Payables	Less than 1 month Kshs '000	Between 1 – 3 months Kshs '000	Between 4 - 6 months Kshs '000	Over 6 months Kshs '000	Total Kshs '000
General Trade	1,382,752	8,119	80,332	47,032	1,518,235
General Foreign	91,175	31,014	305,849	0	428,038
Payroll	327,874	46,298	90,390	192,667	657,229
Borrowings-Current portion	0	0	839,293	419,646	1,258,939
<b>Total</b>	<b>1,801,801</b>	<b>85,431</b>	<b>1,315,864</b>	<b>659,345</b>	<b>3,862,441</b>

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### Liquidity Risk Management (continued)

As at 30 June 2020

Payables	Less than 1 month Kshs '000	Between 1 – 3 months Kshs '000	Between 4 - 6 months Kshs '000	Over 6 months Kshs '000	Total Kshs '000
General Trade	1,125,061	349,714	490,690	508,749	2,474,214
General Foreign	221	21,323	1,589	33,286	56,419
Payroll	267,836	14,524	20,270	114,433	417,063
Borrowings-Current portion	0	0	428,967	428,967	857,934
<b>Total</b>	<b>1,393,118</b>	<b>385,561</b>	<b>941,516</b>	<b>1,085,435</b>	<b>3,805,630</b>

### iii. Market risk Management

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

#### a. Currency Risk

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

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

Currency (USD)	Liabilities		Assets		Liabilities		Assets	
	30-Jun		30-Jun		30-Jun		30-Jun	
	2020/21		2020/21		2019/20		2019/20	
	Kshs'000	USD'000	Kshs'000	USD'000	Kshs'000	USD'000	Kshs'000	USD'000
<b>Assets</b>								
Bank			1,346,963	12,497			2,163,238	20,301
Receivables			8,856,005	83,956			7,140,513	68,625
<b>Liabilities</b>								
Payables	5,222,053	49,972			4,689,746	44,952		
<b>Total</b>	<b>5,222,053</b>	<b>49,972</b>	<b>10,202,968</b>	<b>96,453</b>	<b>4,689,746</b>	<b>44,952</b>	<b>9,303,751</b>	<b>88,926</b>

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### Currency Risk (continued)

Currency (JPY)	Liabilities		Assets		Liabilities		Assets	
	30-Jun		30-Jun		30-Jun		30-Jun	
	2020/21		2020/21		2019/20		2019/20	
	Kshs '000	JPY '000	Kshs '000	JPY '000	Kshs'000	JPY'000	Kshs'000	JPY'000
<b>Assets</b>								
Receivables			2,651,786	2,809,884			1,979,432	2,211,582
<b>Liabilities</b>								
Borrowings- Current	1,258,939	1,294,539			857,934	863,026		
Payables	100,864	111,064			214,903	211,862		
<b>Total</b>	<b>1,359,803</b>	<b>1,405,603</b>	<b>2,651,786</b>	<b>2,809,884</b>	<b>1,072,837</b>	<b>1,074,888</b>	<b>1,979,432</b>	<b>2,211,582</b>

### Foreign currency sensitivity analysis

The sensitivity analysis in foreign currency arises from bank balances, trade receivables and payables denominated in foreign currency mainly US dollars (USD) and Japanese Yen.

The following table demonstrates the effect on the Authority's Statement of Profit or Loss and Other Comprehensive Income on applying the sensitivity for a reasonable possible 10% change in the exchange rate of the main foreign transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Exchange rate	Change in currency rate	Effect on Profit before tax
			Kshs'000
<b>2021</b>			
USD	107.78	10%	500,978
JPY	0.9725	10%	136,566
<b>2020</b>			
USD	106.56	10%	468,591
JPY	0.9941	10%	112,999

### Interest Rate Risk

The Authority is exposed to interest rate risk as it borrows and invests funds. Borrowings are mainly in fixed rates thus minimizing the exposure to the interest rate risk. The interest earning financial assets that the Authority holds include short term deposits whose rates of return are predetermined. The Authority regularly monitors the interest rate movements to ensure that the optimum interest rates are obtained.

### Interest rate sensitivity Analysis

As at 30 June 2021, an increase/decrease of 1 % change, with all other variables held constant, would have resulted in a decrease /increase in profit for the year of Kshs 25 million (2019/2020 Kshs 161 million), mainly as a result of higher/lower interest charges on Long term investments.

# Notes to the Financial statements

## For the year ended 30 June 2021

(continued)

### iv. Fair value of financial assets and liabilities

#### a. Financial instruments measured at fair value

##### Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Authority's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Authority considers relevant and observable market prices in its valuations where possible.

As at 30 June 2021, the Authority held the following financial instruments measured at fair value.

	Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
<b>At 30 June 2021</b>				
<b>Financial Assets</b>				
Treasury Bills+	0	0	0	0
SBM Bank Ltd*	0	0	374,054	374,054
<b>Total</b>	<b>0</b>	<b>0</b>	<b>374,054</b>	<b>374,054</b>
<b>Financial Liability</b>				
Borrowings - Jica 1	22,660,905	0	0	22,660,905
Jica 2	18,517,718	0	0	18,517,718
<b>Total</b>	<b>41,178,623</b>	<b>0</b>	<b>0</b>	<b>41,178,623</b>

	Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
<b>At 30 June 2020</b>				
<b>Financial Assets</b>				
Treasury Bills+	793,652	0	0	793,652
SBM Bank Ltd*	0	0	750,108	750,108
<b>Total</b>	<b>793,652</b>	<b>0</b>	<b>750,108</b>	<b>1,543,760</b>
<b>Financial Liability</b>				
Borrowings - Jica 1	23,593,189	0	0	23,593,189
Jica 2	16,335,704	0	0	16,335,704
<b>Total</b>	<b>39,928,893</b>	<b>0</b>	<b>0</b>	<b>39,928,893</b>

There were no transfers between levels during the year.

\* Chase Bank Ltd was placed under receivership on 7th April 2016. Based on the Kenya Gazette notice No 6833 dated 6th July 2018, a transfer of 75% of the deposits moved to SBM (Kenya) Ltd while 25% was retained by Kenya Deposit Insurance Corporation. The transition process was completed on 17th August 2018 and SBM Kenya Ltd transferred a total of Kshs. 1,175 million in FY2018/19. In line with Kenya Gazette notice, the first and second equal instalments of cash deposits previously held with Chase Bank Kenya (In Receivership) were received by the Authority from SBM Kenya Ltd. The remaining deposits (last instalment) are on fixed deposit account earning interest at 6.3% p.a with restricted access; and will be released in August 2021.



# Notes to the Financial statements

## For the year ended 30 June 2021

### (continued)

#### b. Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

#### v. Operational Risk Management

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

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

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

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

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

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

#### 42. Capital Risk Management

The corporation's objectives when managing capital are:

- i. To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- ii. To maintain financial strength to support business growth; and
- iii. To safeguard the corporation's ability to continue as a going concern so that it can continue to provide adequate returns to its Government and value to all other stakeholders. The corporation has a number of sources of capital available to it and seeks to optimize its debt-to-equity structure in order to ensure that it can consistently maximize returns to Government. Capital adequacy is monitored regularly by the corporation's management and quarterly by the Board of Directors.

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

# Additional disclosures

## For the year ended 30 June 2021

### Capital Risk Management (continued)

Description	2020/2021 Kshs '000	2019/2020 Kshs '000
Non-Current Liabilities	94,192,708	86,213,999
Current Liabilities	17,147,186	21,079,760
<b>Total Debt</b>	<b>111,339,894</b>	<b>107,293,759</b>
<b>Total Capital and reserves</b>	<b>192,875,836</b>	<b>187,475,669</b>
<b>Net debt to Equity</b>	<b>58%</b>	<b>57%</b>

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

Description	2020/2021 Kshs '000	2019/2020 Kshs '000
Total Debt	111,339,894	107,293,759
<b>Total Assets</b>	<b>304,215,730</b>	<b>294,769,428</b>
<b>Debt to Total Asset ratio</b>	<b>37%</b>	<b>36%</b>

### 43. Contingent Liabilities

Claims lodged and cases filed against the Authority are estimated in the table below;

Contingent Liabilities	2020/2021 Kshs '000	2019/2020 Kshs '000
Court cases against KPA	10,639,378	10,400,590
Court cases against Defunct KFS	13,125	0
<b>Total</b>	<b>10,652,503</b>	<b>10,400,590</b>

No provisions are provided in the financial statements as the liabilities are not expected to crystallize. At the close of the year, the Authority had no contingent asset.

### 44. Reporting Currency

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

### 45. 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 30 June 2021.

### 46. Enactment

The Authority was established through an Act of parliament Cap 391 on 20<sup>th</sup> January 1978.

# Additional disclosures

## For the year ended 30 June 2021

### (continued)

#### I. Notes to the Statement of Comparison of Budget and Actual Amounts

As stated under the Statement of Comparison of Budget and Actual amounts variances (over/under 10%) between the actual and final budgeted amounts are explained below;

##### Total Revenue

Total revenue during the period was Kshs 53,520 Million made up of Kshs 52,130 Million, Kshs 720 Million, Kshs 168 Million and Kshs 502 Million representing operating, non-operating, finance incomes and other gains respectively.

##### Operating Revenue

Operating revenue performance was marginally unfavorable mainly due to lower revenue from storage and remarshalling charges. This was largely due to improved efficiency in cargo clearance and uptake by owners. However, they was higher number of vessels handled, increased container traffic and cargo throughput in tandem with higher economic activities following the easing of covid-19 restrictions.

##### Other Income

Revenue earned from Rent to staff quarters, increase of new applications for Port passes, and sundry income had a favorable variance compared to budget.

##### Other Gains

The favorable variance under other gains was mainly due to the weakening of the Kenya shillings and the realized forex.

##### Total Expenditure

Total Expenditure has a favorable variance compared to the budget. The overall cost decreased driven by deferred or cancelled activities due to Covid-19.

##### Cost of Employment

Overall expenditure on cost of employment was below the budget thresholds. The favourable variance was mainly on overtime, salaries among others.

##### Operating expenses

Overall expenditure under operating expenditure was favourable. Mainly due to management of repairs and deferred works.

##### Administrative expenses

Administrative expenditure recorded a reduction from budget because some activities were deferred or cancelled due to effects of Covid 19 pandemic like ASK shows, KECOSO.

##### Impairment Loss

The unfavorable balance was mainly due to impairment losses on disputed bills which increased trade receivables. The Authority has set up a dispute resolution committee to resolve disputes.

##### Profit Before Tax

A net operating profit of Kshs 13,818 million was realized during the period. The profit recorded was above the final budgeted profit mainly due to economic resurgence and deferred or cancelled activities due to Covid-19.

# Additional disclosures

## For the year ended 30 June 2021

### (continued)

#### II. Progress on Follow-up of Auditor recommendations

At the close of the year, issues raised by the Office of the Auditor- General for FY 2017-2018, 2018-2019 and 2019-2020 had yet to be deliberated on by the Parliamentary Investment Committee (PIC). The following is a summary of issues raised by the Office of the Auditor General, management comments and status;

Audit Report	Issue/ Observations From the auditor	Management Comments	Status: (Resolved/ Not Resolved)
FY 2019/20	Under-Charging of Revenue from Storage of Containers	Recognition of revenue amounting to Kshs. 688,589,750 associated with Under-Charging of Revenue from Storage of Containers. The amount was not billable because it had not met the revenue recognition criteria set out in our revenue recognition policy.	Not Resolved
	Un-Confirmed Licenses Revenue	Africa Oil and Gas Ltd remits to the Authority on a quarterly basis a Quarter of their annual revenue share generated from the use of the facility.  The figures of the handled units was certified by an independent surveyor before submitted to KPA to recognize the revenue.	Not resolved
	Basic Salary Paid for Hours not Worked	Management was in the process of configuring the system so that staff granted "authority to work" will only be paid for the actual hours worked.	Not Resolved
	Overtime Allowances	As regards the system paying full remuneration, the system was configured to pro rate an employee's remuneration for the days he/she is absent from duty.	Not Resolved

# Additional disclosures

## For the year ended 30 June 2021

(continued)

### Progress on Follow-up of Auditor recommendations (continued)

Audit Report	Issue/Observations From the auditor	Management Comments	Status: (Resolved/ Not Resolved)
FY 2019/20	Overtime Allowances Paid to Employees on Training Grades	Management will recover the overtime payments from the employees who benefitted irregularly and will ensure that employees on Training Grades are not paid overtime as stipulated in the Human Resource Manual, 2017.	Not Resolved
	Payments Made for Work Allocated After End of Employee Shift	Management undertakes to introduce system controls to ensure work allocation payments are done within the correct time frames.	Not Resolved
	Irregular Payment of Berth Productivity Incentive	The Authority is in the process of rolling out a Performance Management System for all employees. Therefore, future incentive payments will be pegged on individual employee performance upon an achievement above the set performance targets.	Not Resolved
	Unsupported Expenditure – Operating Expenses (Fuel)	Fuel is not bought to be stocked but rather the vendor manages their stocks and KPA pays for what it consumes.	Not resolved
	Repair, Renovations and Rehabilitation of Kisumu Pier and Dock Infrastructure	The matter of Kisumu Port followed a presidential directive that the Port be revived and handed over to KPA to be operated. The land owned by KR was to be handed over to KPA. The exercise involved survey and creation of title of the land to be transferred to KPA. The renovation of the Port and survey of land were undertaken simultaneously. This is work in progress. The titles are expected to be handed over to KPA soon.	Not Resolved



# Additional disclosures

## For the year ended 30 June 2021

(continued)

### Progress on Follow-up of Auditor recommendations (continued)

Audit Report	Issue/Observations From the auditor	Management Comments	Status: (Resolved/ Not Resolved)
FY 2019/20	Unclaimed Value-Added Input Tax	VAT Act does not allow for claiming/deducting of input VAT for expenses incurred not directly for generation of income, thus an amount of Kshs 1,435,372 was non claimable. Kshs 26,893,244 was Time barred VAT not claimable since it had surpassed the six-month period for claiming as stipulated in the VAT Act. Action has been taken to recover the time barred VAT on officers who caused the delay	Not Resolved
	Inclusion of Bandari Maritime College Expenditure	Bandari College is now Bandari Maritime. Through a special request Bandari Maritime Academy requested KPA to support them with staff strength for some period before our staff are re-deployed. The request was approved,	Not resolved
	Unsupported Trade and Other Payables	Expenditure is accrued when incurred and only reversed in the following financial year when the invoice(s)/ payments are received and processed.	Not resolved

# Additional disclosures

## For the year ended 30 June 2021

### (continued)

#### Progress on Follow-up of Auditor recommendations (continued)

Audit Report	Issue/Observations From the auditor	Management Comments	Status: (Resolved/ Not Resolved)
FY 2019/20	Accrued Liability for Defined Contribution (DC) Members	An actuarial deficit is created when the liabilities are higher than the assets after an actuarial valuation has been undertaken. This can be as a result of many factors. One main factor that has created the deficit was the compliance of the scheme to the Treasury Circular provisions. The main provision that impacted the scheme's funding level (and in effect increased the deficit) was the requirement to amend the scheme Final Pensionable Salary to be in line with the provisions of the Circular	Not resolved
	Property, Plant and Equipment (Alienated Properties & Land Without Title Documents)	This issue was deliberated in the PIC hearings held in 2019 and not yet concluded.  The Authority has filed several cases. In the month of January 2018, the National Land Commission informed the Authority it has published a notice listing parcels illegally alienated from KPA and gave the registered parcel owners 90 days to vacate the parcel.	Not resolved
	Inclusion of Assets Donated to the Bandari Maritime College	The assets will be removed from the Authority's asset upon getting an appropriate approval from the Cabinet, Ministries and the Board are received.	Not Resolved
	Land and Buildings - Impairment	During revaluation the value of these properties was reached having catered for the cost of evicting the squatters. Therefore, we could not have gone ahead to impair whereas the same had already been factored in their values	Not resolved

# Additional disclosures

## For the year ended 30 June 2021

### (continued)

#### Progress on Follow-up of Auditor recommendations (continued)

Audit Report	Issue/Observations From the auditor	Management Comments	Status: (Resolved/ Not Resolved)
FY 2019/20	Dividends Payable Variance	As per the Authority's dividends policy, dividend liability is recognized upon completion of the statutory audit and issuance of the Audit Certificate. The audit certificate for FY 2018/2019 and 2019/2020 was yet to be issued hence the proposed dividends of Kshs 1,040,281,000 had not been recognized as a liability.	Not Resolved
	Land Without Documents of Title	The Authority has contracted KPMG consultants to conduct an audit of all its properties, including the status of the parcels, the accuracy of the titles, the existence of the parcels, regularity of use, ownership, etc.	Not Resolved
	<b>Key Audit Matters</b>		
	<b>Prior Year Matters</b>		
	Irregular Payment of Acting Allowances	The eight employees continued to act while awaiting the substantive filling of the positions through a competitive interview process which was at the final stages at Board level.	Not Resolved
	Hospital/Referral Bills Not Supported by Any Policy	All KPA employees are admitted to private hospitals when needing in-patient care. The room provision in these hospitals is as per the grade of the employee. Private hospitals are pre-qualified to provide medical services through a procurement process. We use government institutions for some services.	Not resolved
	Operational/Running Supplies	While varying the contracts, the Authority considered and was following section 103 (2) (d) of the Public Procurement Act, 2015	Not resolved

# Additional disclosures

## For the year ended 30 June 2021

(continued)

### Progress on Follow-up of Auditor recommendations (continued)

Audit Report	Issue/Observations From the auditor	Management Comments	Status: (Resolved/ Not Resolved)
FY 2019/20	Non-Compliance with the National Cohesion and Integration Act, 2008 on Ethnic Composition	Much as the current staff numbers and composition are historical in nature i.e., the dominant community may over time have had more representation especially before the Act came into existence in 2008	Resolved
	Non-Compliance with the Public Service Commission Human Resource Policies and Procedures Manual, 2016 - Over Commitment of Salary	Authority has engaged financial institutions (Cooperatives and Banks) towards having the staff, who are their clients restructure the terms of the loans in order to avoid the risks associated with over commitment	Resolved
	Non-Compliance with the Employment Act, 2007 on Recruitment of Employees	Port and Shipping industry being one of the most male-dominated industries in the world, the Authority has made great efforts to enact the gender provisions contained in the PSC HR Policy and procedural manual for Public Service 2015.	Not Resolved
	Unapproved Human Resource Policy Instruments	The organization structure has since been approved by the Board of Directors and submitted to the State Corporations Advisory Committee through the parent Ministry for approval.	Not Resolved
	Employees Appointed to Positions not in the Staff Establishment	The appointment of staff to positions designated as supernumerary was on a necessity basis that was dictated by the circumstances of the business, notably the Port's expansion plan, growth in cargo through-put and SGR	Not resolved
	Non-Compliance with the Human Resource Policies and Procedures Manual, 2015 on Employees Above Sixty (60) Years	Two employees who were still in employment beyond the mandatory retirement age of 60 years because of the unique expertise and critical pilotage skills required by the Authority	Not resolved

# Additional disclosures

## For the year ended 30 June 2021

(continued)

### Progress on Follow-up of Auditor recommendations (continued)

Audit Report	Issue/Observations From the auditor	Management Comments	Status: (Resolved/Not Resolved)
FY 2019/20	Unconfirmed Contracts for Provision of Containers Storage Facilities	The Authority selected firms through a restricted tender and invited bids through Memo No. 029/2018-19 dated 17th September 2018.	Not resolved
	<b>Report On Effectiveness Of Internal Controls, Risk Management And Governance</b>		
	Manual Processing of Marine Bills	Marine Module has been in operation and is being used to generate Interim and Final Bills in SAP	Not resolved
	Manual Processing of Overtime	In the current financial year 2020/2021 all payments have been synchronized to be done online through the ESS Overtime Pre-Approval system in liaison with the outer ports.	Not resolved
	Un-Approved Time Management Policy	Management undertakes to have same approved before the end of FY2020/2021 to facilitate its implementation.	Not resolved
	Lack of an Independent ICT Function	The matter is being addressed at the Board	Not resolved
	Provision of Services Before Issuance of Purchase Orders	In future all POs shall be issued before training and should there be discrepancies on the approved numbers available for training a credit note shall be sought.	Not resolved



Amb. John Mwangemi  
Ag. Managing Director



# Additional disclosures

## For the year ended 30 June 2021

(continued)

### III. Inter- entity transfers from other government entities

Name of the MDA/Donor Transferring the funds	Nature of Development Funds	Date received	Amount received Kshs '000	Total Amount Kshs '000	Where Recorded/ recognized	Total Transfer FY 2020/2021 Kshs '000
					Statement of Financial Performance	
		28.08.2020	2,502,564			
State Department for Transport	Lamu Port Project	07.09.2020	497,436		Non-Current Liabilities	
		30.12.2020	3,000,000	6,000,000		6,000,000
<b>Total</b>			<b>6,000,000</b>	<b>6,000,000</b>		<b>6,000,000</b>

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