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KENYA FERRY SERVICES LIMITED

AUDIT REPORT OF THE

CONTROLLER AND AUDITOR-GENERAL

ON THE FINANCIAL STATEMENTS

OF KENYA FERRY SERVICES LIMITED

FOR

THE YEAR ENDED 30TH JUNE 2007

REPUBLIC OF KENYA

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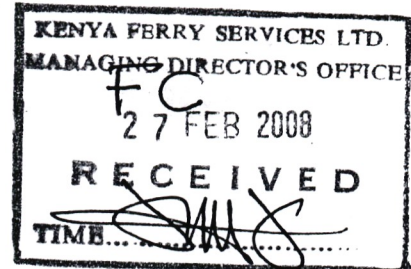
P.O Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

Ref: KFS/167/2006/2007/(34)

22 February 2008

The Managing Director,
Kenya Ferry Services,
P. O. Box 95187,
MOMBASA.



Dear Sir,

**AUDIT REPORT OF THE CONTROLLER AND AUDITOR-GENERAL ON THE
FINANCIAL STATEMENTS OF KENYA FERRY SERVICES FOR THE YEAR
ENDED 30 JUNE 2007**

Please find enclosed two sets of the audited financial statements for the year ended 30 June 2007 for your Ferry duly certified and with the seal of the Controller and Auditor-General affixed thereon for your retention and necessary action.

You should make arrangements to print audited financial statements and submit 250 copies to your parent ministry for tabling before the National Assembly in accordance with the Public Audit Act, 2003. Please send to us five (5) copies of the printed financial statements.

Enclosed, please find our Audit fee Invoice No.0000802 for Kshs.200,000 (two hundred thousand) in respect of year 2007 audit payable to the Controller and Auditor General, Kenya National Audit Office.

Yours faithfully

S. N. KIINI
For: CONTROLLER AND AUDITOR-GENERAL

Encl. (2)

c.c.

The permanent Secretary,
Ministry of Transport,
P. O. Box 52692-00100,
NAIROBI.

REPUBLIC OF KENYA

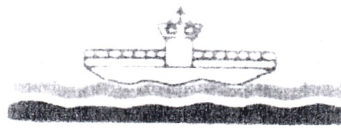


KENYA NATIONAL AUDIT OFFICE

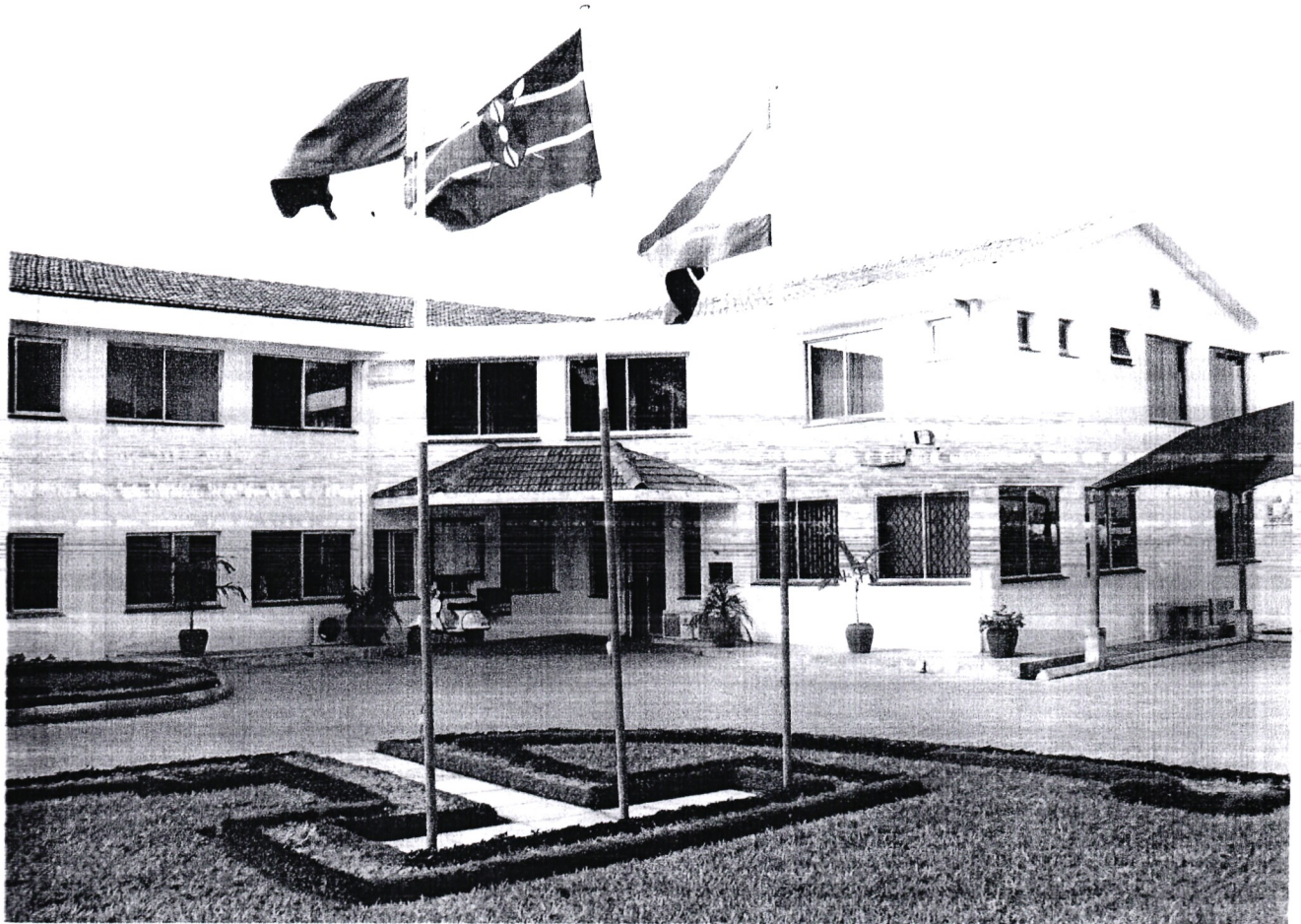
**REPORT
OF
THE CONTROLLER
AND AUDITOR-GENERAL**

ON

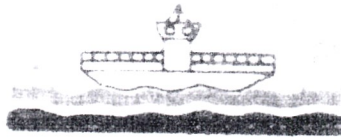
**THE FINANCIAL STATEMENTS OF KENYA
FERRY SERVICES LIMITED FOR THE
YEAR ENDED 30 JUNE 2007**



KENYA FERRY SERVICES LIMITED



Kenya Ferry Services Limited,
Peleeza Headquarters,
P.O. Box 95187, Mombasa, Kenya.
Tel.2451126,2451351
Fax:2451062/2451039
Email: info@kenyaferry.co.ke



KENYA FERRY SERVICES LIMITED

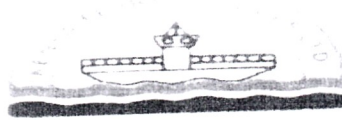
FERRYING YOU ACROSS TO THE FUTURE



*DIVERSIFYING FROM CORE FERRY BUSINESS BY INVESTING IN MARKET STALLS TO
REDUCE DEPENDANCE*

KENYA FERRY SERVICES LIMITED ANNUAL REPORT

**And Financial Statements
30th June 2007**

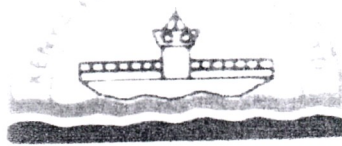


Our Vision

To be a leader in providing ferry services in the Eastern African Region.



ADVERTISEMENT POTENTIAL AVAILABLE AT FERRY RAMP APPROACHES AND ON BOARD FERRY VESSELS



Our Mission

To operate a commercially sustainable ferry service that is safe, reliable, efficient, and secure to meet present and future customer needs.



WINDING ABOUT THE STATE, WE CAN PROVIDE YOU WITH THE BEST FROM IT



BOARD OF DIRECTORS



ALI MANDHRY
CHAIRMAN



J.J. RIA
MANAGING DIRECTOR



GERISHON IKIARA
DIRECTOR
PS – TRANSPORT



JOSEPH KINYUA
DIRECTOR
PS - TREASURY



A. G. WARUI
DIRECTOR



A.H. MWARUWA
DIRECTOR



A.M. GUNDA
DIRECTOR



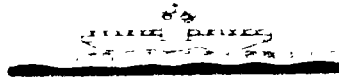
IRENE ARINA
ALTERNATE DIRECTOR
TO PS – TRANSPORT



C. K. KIMELI
ALTERNATE DIRECTOR
TO PS – TREASURY



MUTHONI GATERE
COMPANY SECRETARY



DIRECTORS	ALI MANDHRY JOHN J. RIA JOSEPH KINYUA GERISHON IKIARA A. G. WARUI ALI HAJI M. GUNDA A.H. MWARUWA C.K. KIMELI	CHAIRMAN MANAGING DIRECTOR PS TREASURY PS TRANSPORT DIRECTOR DIRECTOR DIRECTOR ALTERNATE TO JOSEPH
KINYUA	IRENE ARINA	ALTERNATE TO GERRISHON
IKIARA		
SECRETARY	MUTHONI GATERE	COMPANY SECRETARY
REGISTERED OFFICE AND PLACE OF BUSINESS	PELELEZA LIKONI P.O. BOX 95187 - 80104, MOMBASA, KENYA.	
BANKERS	NATIONAL BANK OF KENYA LTD PORTWAY HOUSE BRANCH P.O. BOX 87770 MOMBASA.	
AUDITORS	CONTROLLER AND AUDITOR GENERAL KENYA NATIONAL AUDIT OFFICE P.O. BOX 30084-00100 GPO NAIROBI.	



SENIOR MANAGEMENT



JOHN JOEL RIA
MANAGING DIRECTOR
BA (HONS)



DECHE KASHERO
Financial Controller
BCOM (HONS) CPA (K)



S.S. JANOOWALLA
Chief Engineer



A.D. MADZUNGU
Operations Manager
BA (HONS)



P. Nyaga
Human Resource &
Administration Manager
MBA, CPS(K)



Muthoni Gatere
Company Secretary
LLB (HONS)



**KENYA FERRY SERVICES LIMITED
DIRECTOR'S REPORT
FOR THE YEAR ENDED 30TH JUNE 2007**

The directors submit their report together with the financial statements for the year ended 30th June 2007, which disclose the state of affairs of the company.

The company was incorporated in Kenya in November 1989 under the company's Act Cap 486 and is domiciled at Mombasa, Kenya.

The company's mainstay occupation is the provision of a ferry link to both pedestrian and vehicle traffic. Pedestrian constitute about 70% of the total business volume, whereas vehicles account for 30%. Vehicles pay a government approved toll charges, while pedestrians cross free of charge. The Government compensates the company in form of subsidy for the free pedestrian services.

The company owns and operates five ferry vessels namely M.V Nyayo, Harambee, Kilindini, Pwani and Mvita. The company transports an average of 57 million pedestrians and 1.1 million vehicles annually.

The company has attracted fairly qualified human capital and currently has a staff strength of 220 workers.



KENYA FERRY SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2007

We, the directors certify that:

1. We are responsible for the preparation of financial statements, which present a true and fair view of the state of affairs of the Corporation and of its operating results.
2. The financial statements have been prepared in accordance with International Financial Reporting Standards.
3. We are responsible for safeguarding the assets of the corporation.
4. We are responsible for establishing and maintaining systems of Internal Control designed to provide reasonable assurance as to the integrity and reliability of the corporation's financial reporting.
5. The directors are of the opinion that the financial statements for the year ended 30th June 2007 fairly present the financial position and operating results of the corporation.
6. Nothing has come to the attention of the directors to indicate that the corporation will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Directors by:-

**A. Mandhry
CHAIRMAN**

**J.J. Ria
MANAGING DIRECTOR**



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA FERRY SERVICES LIMITED FOR THE YEAR ENDED 30 JUNE 2007

I have audited the financial statements of Kenya Ferry Services Limited set out on pages 10 to 22 which comprise the balance sheet as at 30 June 2007, the income statement, the statement of changes in equity, the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

The Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements which give a true and fair view of the Company's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor General

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

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

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

1. Financial Position

During the year ended 30 June 2007, the Company incurred a deficit of Kshs.110,996,040 (2006 – Kshs.138,965,847) which brought its accumulated deficit to Kshs.1,132,207,204 (2006 Kshs.1,021,211,164). The Company attributes the deficit to under funding by the Government for the last four (4) years contrary to the memorandum of Understanding of 18 August 2003 signed between the Company and the Treasury. The financial statements have therefore been prepared on a going concern basis on the assumption of continued financial support from the Government and Kenya Ports Authority.

2. Kenya Ports Authority Advance – Kshs.325,507,569

The balance sheet as at 30 June 2007 reflects a balance of Kshs.325,507,569 against non-current liabilities. The amount which is in respect of advances from Kenya Ports Authority (KPA), however, differs by Kshs.115,681,567.44 from the figure in Kenya Ports Authority records of Kshs.441,189,136.44. Management attributes this difference to Kenya Ports Authority accruing interest on the balance, contrary to year 2000 Agreement that KPA should stop charging interest on the outstanding advance, while Kenya Ferry Services does not. In the absence of the year 2000 signed Agreement between the two parties, it is not possible to confirm the propriety of the balance of Kshs.325,507,569 as at 30 June 2007.

Opinion

Except for the reservations set out in the preceding paragraphs, in my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the state of the financial affairs of the Company as at 30 June 2007 and of its deficit and cashflows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Kenya Companies Act, Cap 486 of the Laws of Kenya.



**P. N. KOMORA, C.B.S.
CONTROLLER AND AUDITOR GENERAL**

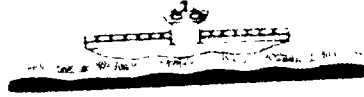
Nairobi

30 January 2008



**Income and Expenditure Statement for the year ended 30th
June 2007**

		2007 Kshs.	2006 Kshs.
INCOME	Note		
Income from operations	1	138,987,176	136,697,015
Interest Income	2	20,970,593	12,293,714
Other income	3	3,459,810	3,691,797
Government Grants	4	210,000,000	173,742,184
Total		<u>373,417,579</u>	<u>326,424,710</u>
EXPENDITURE			
Staff & Administrative Cost	5	193,748,542	181,643,544
Operational Costs	6	195,525,337	170,536,307
Depreciation Expenses	8	85,151,871	78,781,675
Provision for Obsolete stock		-	11,734,987
Mtongwe Compensation	21	9,987,869	22,693,953
TOTAL		<u>484,413,619</u>	<u>465,390,557</u>
Surplus or Deficit from Operation		(110,996,040)	(138,965,847)
Net Surplus/Deficit for the year		<u>(110,996,040)</u>	<u>138,965,847)</u>




KENYA FERRY SERVICES LIMITED

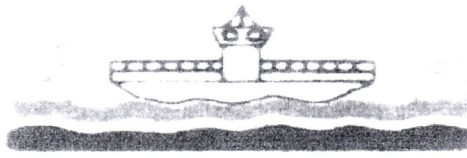
BALANCE SHEET AS AT 30TH JUNE 2007

	NOTE	2007	2006 KSHS.
NON-CURRENT ASSETS			
Property, Plant & Equipment	7	259,438,966	231,398,696
Capital Works in Progress	8	510,503,125	172,141,816
		<u>769,942,091</u>	<u>403,540,512</u>
CURRENT ASSETS			
Short term Investments	9	150,978,695	418,356,972
Inventory	10	78,235,926	69,985,793
Trade and Other Receivables	11	17,943,598	12,453,762
Bank and Cash Balance	12	437,877	344,592
		<u>247,596,096</u>	<u>501,141,119</u>
		<u>1,017,538,187</u>	<u>904,681,631</u>
TOTAL ASSETS			
SHAREHOLDERS FUNDS AND LIABILITIES			
Share Capital	13	499,904,000	499,904,000
Accumulated Losses	14	(1,132,207,204)	(1,021,211,164)
Revaluation Reserves	15	346,472,073	346,472,073
Government Funds	16	911,340,103	711,340,103
		<u>625,508,972</u>	<u>536,505,012</u>
Non-Current Liabilities			
Advances from KPA	17	<u>325,507,569</u>	<u>325,507,569</u>
		<u>325,507,569</u>	<u>325,507,569</u>
Current Liabilities			
Trade and Other Payables	18	63,343,770	40,911,042
Bank Overdraft	19	3,177,876	1,758,008
		<u>66,521,646</u>	<u>42,669,050</u>
		<u>1,017,538,187</u>	<u>904,681,631</u>
Total Equity and Liabilities			

The financial statements on pages 10 to 22 were approved for issue by the board of directors on 27/09/2007 and were signed on its behalf by:

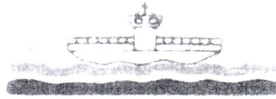

A. MANDHRY
 CHAIRMAN


JOHN J. RIA
 MANAGING DIRECTOR



**STATEMENT OF CHANGES IN EQUITY FOR THE
YEAR ENDED 30TH JUNE 2007**

	<u>Share Capital</u>	<u>Revaluation Reserve KSHS.</u>	<u>Accumulated Losses KSHS.</u>	<u>Govern- ment Funds</u>	<u>TOTAL</u>
At 1.7.2006	499,904,000	346,472,073	-1,021,211,164	711,340,103	536,505,012
Net Surplus/Deficit for the year			-110,996,040		-110,996,040
Receipt of Government funds for purchase of ferries & Investment				200,000,000	200,000,000
At 30th June 2007	499,904,000	346,472,073	-1,132,207,204	911,340,103	625,508,972



CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2007

	NOTE	2006 KSHS.	2006 KSHS.
OPERATING ACTIVITIES			
Cash generated from operating activities	20	184,268,458	<u>295,341,720</u>
Investment Activities			
Purchase of Property, Plant & Equipment	8	113,192,141	27,154,038
Capital Works in Progress		338,361,309	68,738,593
Net Cash (used) in Investing Activities		<u>451,553,450</u>	<u>95,892,631</u>
Financing Activities			
Repayment of KPA advance		-	<u>-</u>
Net Cash used in financing in financing Activities		-	
(Decrease)/Increase in cash and cash equivalent		<u>(267,284,992)</u>	<u>199,449,089</u>
Movement in cash and cash equivalent			
At start of year		418,701,564	219,252,475
(Decrease)/Increase		(267,284,992)	199,449,089
At end of year		<u>151,416,572</u>	<u>418,701,564</u>



Accounting Policies

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

(a) **Basis for preparation**

The financial statements are prepared under the historical cost convention as modified by the carrying of investment property at revalued value and are in compliance with International Financial Reporting Standards.

(b) **Revenue Recognition**

- (i) Revenue from vehicular toll and ferry pass holders is recognized in the year in which it is due.
- (ii) Interest income is recognized on a time proportion basis that takes into account the effective yield on the asset.
- (iii) Other income which is mainly sale of advertisement space is recognized when it is received.
- (iv) Government Grant or Subvention.
This is recognized when received. The Government of Kenya and the company have a signed memorandum of understanding whereby the Government is to compensate the company for providing free pedestrians services and for charging motorists at rates lower than market rates.

(c) **Property, Plant and Equipment**

Property, Plant and equipment is stated at historical or revalued cost less accumulated depreciation.

Depreciation is calculated on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life using the following rates.

- (i) Ferry crafts – over 20 years or 5%
- (ii) Motor vehicles – over 4 years or 25%
- (iii) Ferry plants, tools and Equipment – over 8 years or 2.5%
- (iv) Office furniture + Equipment – Over 8 years or 12.5%
- (v) Standby Generator – Over 8 Years or 12.5%
- (vi) Computers and software – over 4 years or 25%
- (vii) Leasehold land/Buildings - over 30 years term of lease on land or 3%
- (viii) Drive way, Watchtower and Crew boat – over 10 years or 10%
- (ix) Permanent Buildings over 50 years or 2%
- (x) Freehold land is not depreciated.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the surplus/deficit for the year.



(d) Inventories are stated at the lower of cost and net realizable value.

Cost is determined by first in first out (FIFO) method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(e) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprises cash in hand and short term deposits held at call with banks.

(f) Retirement Benefit Obligations

The company operates a defined contribution scheme for all its employees. The scheme is administered by Insurance Company of East Africa and is funded by contribution from both the company and the employees. The company's contributions to the defined contribution retirement benefit scheme are charged to the Income and Expenditure Statement in the year to which they relate.

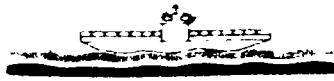
The company also contributes to a statutory defined benefit scheme, the National Social Security Fund (NSSF). Contribution is determined by legal statute and is currently limited to Kshs.200 per employee per month. The company's contribution to the above scheme is charged to the Income and Expenditure Statement in the year to which they relate.

(g) Employee Entitlement

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

(h) Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.



NOTES TO THE ACCOUNTS

NOTE 1 Income earned from Principal Activity

	2006/07	2005/06
	Kshs.	Kshs.
Income from vehicle ferry crossing	137,252,321	135,443,825
Sale of ferry passes	1,389,355	1,102,190
Hire of ferry	345,500	151,000
	<u>138,987,176</u>	<u>136,697,015</u>

NOTE 2 Net Interest Income from Short term deposit

	2006/07	2005/06
	Kshs.	Kshs.
Interest Income	21,621,723	12,856,643
Less Bank charge and Interest on overdraft	<u>(651,130)</u>	<u>562,929)</u>
	<u>20,970,593</u>	<u>12,293,714</u>

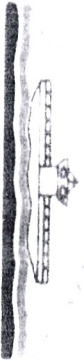
NOTE 3 Other Income

	2006/2007	2005/06
	Kshs.	Kshs.
Other Income	6,077,114	3,398,731
Less Advertisement cost	(2,617,304)	(526,034)
CASH on disposal of fxd. Assets	<u>0</u>	<u>819,100</u>
	<u>3,459,810</u>	<u>3,691,797</u>

This is income from renting space at ferry, sale of pre-qualification forms ,sale of tender documents less the Advertisement Costs.



	2006/2007	2005/2006
	Kshs.	Kshs.
NOTE 4 Government Grants/Subvention	210,000,000	173,742,184
NOTE 5 Staff/Administrative Costs		
	2006/2007	2005/2006
(i) Salaries & Wages	139,210,598	129,996,719
(ii) Staff Transport	7,132,233	4,998,294
(iii) NSSF	518,800	460,100
(iv) Provident/Pension Contribution	6,584,355	5,110,224
(v) Gratuity	3,000,000	1,657,023
(vi) Service Pay Benefits	2,858,566	2,907,698
(vii) Medical Expenses	18,782,495	21,983,921
(viii) Staff Uniforms	1,377,580	3,006,062
(ix) Staff Welfare Expenses	3,358,360	2,470,674
(x) Staff Training	5,403,825	4,010,712
(xi) HIV/AIDS awareness	1,832,480	1,445,879
(xii) Leave Traveling Expenses	3,689,250	3,596,238
	<u>193,748,542</u>	<u>181,643,544</u>
Number of staff	<u>220</u>	<u>206</u>
NOTE 6 Operational Costs		
(i) Fuel/Oil Expenses	50,018,928	42,312,245
(ii) Cost of ferry repairs and Maint.	29,619,574	34,182,419
(iii) Ferry Dry-docking	14,848,485	15,943,870
(iv) Ferry Insurance	27,545,983	22,948,754
(v) Licence, Inspection & Survey	3,959,755	4,281,275
(vi) Office building repair + Maint.	603,530	502,839
(vii) Office furniture & Equipment	989,124	982,898
(viii) Ferry Safety, Equipment & Repair	2,806,680	1,017,711
(ix) Board Expenses & Directors fees	4,077,966	2,961,104
(x) Motor vehicle running expenses	2,447,629	2,482,001
(xi) Professional fees	232,000	795,090
(xii) Publicity & Public Relations	962,609	992,148
(xiii) Entertainment	1,976,561	1,799,742
(xiv) Legal Expenses	1,902,899	1,418,160
(xv) Motor vehicle Insurance	587,159	579,732
(xvi) Other Insurance	4,610,098	2,159,381
(xvii) Rents and Rates	615,800	1,427,237
(xviii) Electricity and Water	2,321,931	2,711,467
(xix) Telephone + Postage	4,090,903	2,993,888
(xx) Printing & Stationery	2,998,872	3,006,918
(xxi) Traffic/Crowd Control	20,754,718	12,858,927
(xxii) Newspaper + Periodicals	466,272	446,400
(xxiii) Laundry Expenses	638,966	683,210
(xxiv) Donation and Subscription	355,200	241,683
(xxv) General Office Expenses	2,305,648	1,995,483
(xxvi) Money transits Services	673,078	609,278
(xxvii) Planning Research & Dev.	3,422,292	1,008,170
(xxviii) Human Resources Consultancy	1,815,538	-
(xxix) Contingency	-	2,718,191
(xxx) Duty Travel & Conn. Expenses	3,392,232	3,504,007
(xxxi) I.T. Implementation + Training	4,484,907	972,170
	<u>195,525,337</u>	<u>170,536,307</u>



NOTE 7 Property, plant and Equipment

COST	FERRY VESSELS	FERRY PLANTS & TOOLS	MOTOR VEHICLES	COMPUTERS	OFFICE EQUIPMENT	FREEHOLD LAND	BUILDINGS	DRIVE WAY WATCH- TOWER CREW BOAT GARDEN	LEASED BUILDING	LEASED LAND	STANDBY GENE- RATOR	GUARD RAILS	TOTAL
At 1.7.2006	988,486,728	132,086,404	17,034,206	27,973,974	25,793,993	16,537,108	56,484,733	29,536,461	8,000,000	2,000,000	2,278,530	-	1,306,212,137
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	74,553,358	2,126,165	-	1,323,968	11,000,237	-	-	17,733,033.00	-	-	-	6,455,380	113,192,141
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
30.6.2007	1,063,040,086	134,212,569	17,034,206	29,297,942	36,794,230	16,537,108	56,484,733	47,269,494	8,000,000	2,000,000	2,278,530	6,455,380	1,419,404,278
Depreciation													
1.7.2006	896,667,702	113,486,991	15,526,505	25,987,231	11,494,276	-	2,546,571	5,125,784	2,539,151	1,069,598	569,632	-	1,074,813,441
Disposal													
Adjustment													
Charge for the													
year	53,152,004	16,776,571	1,707,701	827,678	4,599,279	-	1,129,695	4,726,949	266,667	66,666	284,816	1,613,845	85,151,871
At 30.6.2007	949,819,706	130,263,562	17,034,206	26,814,909	16,093,555	-	3,676,266	9,852,733	2,805,818	1,136,264	854,448	1,613,845	1,159,965,312
NET BOOK VALUE													
At 30.6.2007	113,220,380	3,949,007	0	2,483,033	20,700,675	16,537,108	52,808,467	37,416,761	5,194,182	863,736	1,424,082	4,841,535	259,438,966
At 30.6.2006	91,819,026	18,599,413	1,707,701	1,986,743	14,299,717	16,537,108	53,938,162	24,410,677	5,460,849	930,402	1,708,998	-	231,398,696



NOTE 8 CAPITAL WORKS IN PROGRESS KSHS.

	2007	2006
	KSHS.	KSHS.
Bus Park, Likoni Walkways	510,503,125	172,141,816

This represent work in progress at bus park and business stalls at the Likoni mainland and Building of two new ferry vessels.

NOTE 9 SHORT TERM INVESTMENTS KSHS.150,978,695

This represents funds held in fixed deposit A/Cs at National bank of Kenya, the funds are ment for the purchase of two new Ferries. The funds are on call as and when they shall be required by the ferry builders

A/C 0135057007201	<u>150,978,695.00</u>	<u>418,356,972.00</u>
	<u>150,978,695.00</u>	<u>418,356,972.00</u>

NOTE 10 Inventories

	2007	2006
	Kshs	Kshs
Fuel, Oil stocks	2,621,061	1,711,126
Stationery stocks	1,284,007	1,083,744
Spares Stocks	<u>74,330,858</u>	<u>67,190,923</u>
	<u>78,235,926</u>	<u>69,985,793</u>

NOTE 11 RECEIVABLES

	2007	2006
	Kshs	Kshs.
Public Sector debtor	1,396,555	1,525,278
Private Sector Debtor	<u>1,987,440</u>	<u>2,020,078</u>
Toll Collector Debtor	105,953	70,845
Refundable deposit	300,000	100,000
Staff Imprests	2,363,838	211,676
Salary advances	11,789,812	7,513,648
Group Life Clearing A/C	<u>-</u>	<u>1,012,237</u>
	<u>17,943,598</u>	<u>12,453,762</u>

NOTE 12 Bank and Cash Balance

Bank Account	-	-
Cash on Hand at Likoni	394,961	329,668
Petty Cash/Cash on hand at Peleleza	42,916	14,924
	<u>437,877</u>	<u>344,592</u>

NOTE 13 Share Capital
par value per share :Shs.100.00

	<u>No. of shares</u>		
Authorized share Capital	5,000,000	<u>500,000,000.00</u>	<u>500,000,000.00</u>
Issued Share Capital			
Government of Kenya :	3,999,040	399,904,000	399,904,000
Kenya Ports Authority:	1,000,000	100,000,000	100,000,000
		<u>499,904,000</u>	<u>499,904,000</u>

NOTE 14 Accumulated Losses

		2006
		Kshs.
At start of year	(1,021,211,164)	(882,245,317)
Adjustments for prior year [Pension funds in Kenya		
Deficit for the year	(110,996,040)	(138,965,847)
	<u>(1,132,207,204)</u>	<u>(1,021,211,164)</u>

NOTE 15 Revaluation Reserves - Kshs.346,472,073

The company's assets were revalued in 1996/97 by Tysons valuers resulting into a revaluation reserve of Kshs.346,472,073.

	346,472,073	346,472,073
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NOTE 16 Government Funds for Capital Works

	2007	2006
	Kshs.	Kshs.
Funds for Purchase of Maintenance Facility	58,340,103	58,340,103
Funds for Purchase of ferries	753,000,000 00	553,000,000
Funds for Construction Of Bus Park and Stall	100,000,000	100,000,000
	<u>911,340,103</u>	<u>711,340,103</u>

NOTE 17 Kenya Ports Authority Advances

		2006
		Kshs.
At start of year 1.7.06	325,507,569	<u>325,507,569</u>
At end of year 30.6.07	<u>325,507,569</u>	<u>325,507,569</u>

NOTE 18 Trade and Other Payables

Trade Payables	53,318,668	37,475,948
Pension payable	-	1,087
Provision and Accruals	200,000	200,000
Service Pay Benefits Payable	68,472	89,466
VAT & Withholding tax	9,756,630	3,144,541
	<u>63,343,770</u>	<u>40,911,042</u>

Provision and Accruals

This is in respect of Audit fee payable on certification of the accounts.

NOTE 19

BANK OVERDRAFT	Kshs.	3,177,876	1,758,008
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NOTE 20 CASH GENERATED FROM OPERATIONS

	2007	2006
	KSHS.	KSHS.
Deficit for the year	(110,996,040)	(138,965,847)
Adjustment for depreciation (8)	85,151,871	78,781,675
Provision for bad debts	-	-
Government funds received for capital projects	200,000,000	353,000,000
Designated Funds used (Ferries)	(31,950,265)	(15,865,544)
Interest Income	21,621,723	12,856,643
Interest Expense	(651,130)	(562,929)
Proceeds on Disposal of fixed Assets	-	819,100
Adjustment for Provision of obsolete stock (23)	-	11,734,987
Receivables	5,489,836	(3,699,166)
Inventories	(8,250,134)	(4,483,883)
Payables	23,852,597	1,726,684
Cash Generated from Operations	184,268,458	295,341,720

NOTE 21 Mtongwe Compensation - Kshs .9,987,869

This is amount which had been concluded by the Court and paid as at end of financial year for Mtongwe victims

NOTE 22 CURRENCY

These financial statements are presented in Kenya Shillings (Shs.)