

Kenya Ports Authority

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FINANCIAL STATEMENTS

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2006/2007





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* separate report



KENYA PORTS AUTHORITY

VISION, MISSION AND OBJECTIVES

VISION

To be rated among the top twenty ports in the world in terms of reputation and performance by the year 2010.

MISSION

To facilitate sea-borne trade in the most efficient manner by progressively benchmarking our operational targets against international standards

KEY OBJECTIVES

The following are key objectives of Kenya Ports Authority:-

- To improve service delivery and customer satisfaction through the attainment of operational indicators
- To enhance financial performance by increasing ROI
- To progress approved infrastructural and capital developments to sustain growth in cargo traffic
- To reform policies and regulatory framework to integrate good corporate governance
- To align staff complement to organizational needs to increase productivity
- To manage business risks through the application of appropriate risk management methodologies



CORPORATE GOVERNANCE

Corporate governance is the process by which companies are directed, controlled and held to account. The Authority applies corporate governance to direct and manage its business affairs towards enhancing prosperity and corporate accounting with the ultimate objective of realizing goals.

The Board of Directors is responsible for the Authority's corporate governance in all its operations and ensures adherence to the best business practices in providing services to our customers.

The Board achieves this through:

Regular and Special Board meetings

Performance trends are analyzed and Management is directed on the best action plans.

COMMITTEES OF THE BOARD

Subject to fundamental, strategic, policy and formal matters reserved for its decision, the Board has delegated some of its responsibilities to a number of Standing Committees which operate within defined terms of reference laid down by the main Board. The Board currently has three Standing Committees as highlighted below.

Governance and Risk Management Committee

This Committee focuses primarily on good corporate governance, business risk management and corporate strategy. It sits quarterly or as required.



Finance and Asset Management Committee

This Committee meets six times in a year or so as required. It monitors the overall financial and operational performance. It is also charged with the responsibility of making sure that the best accounting practices are adhered to in conformity with International Financial Reporting Standards

Human Resource Committee

This Committee sits four times in a year or as required. Its primary responsibility is to look into the human resource aspects, particularly those that touch on remuneration and other staff matters.

MANAGEMENT COMMITTEES

Management Committees are applied in a similar fashion. Currently, the Authority operates four Standing Management Committees under specific terms of reference.

Included here are:

- Executive Management Committee
- Corporate Training Committee
- Land Use Development Committee
- Tariff Interpretation Committee

There are also several ad-hoc Management Committees formed by Management from time to time as the need arises.



CHAIRMAN'S STATEMENT

I am pleased to report that the Authority registered satisfactory performance during the year ended 30th June 2007. Despite difficult operating circumstances in the year, we were able to exceed expectations in key financial and operational indicators.

Pre-tax profit for the year was Kshs. 2,622 million against Kshs 3,121 million the previous year. Despite the marginal growth in revenues occasioned by weaker dollar and the suspension of storage charges in the year under review, satisfactory achievement in profitability was enabled by the disciplined expenditure regime without compromising the quality of service.

Total cargo throughput reached 15.2 million DWT registering appreciable increase of 10% buoyed by predictable economic growth in the domestic market and the hinterland. The highest sectoral growth continued to be recorded in containerized cargo where modernization efforts to enhance container handling and operational capabilities were substantially completed.

Significant investment in capital replacement program was concluded during the year. In addition, investment in computerization, including waterfront traffic management and community based systems were progressed in order to facilitate documentation clearance and service delivery. The Authority is also on course in meeting the ISM/ISPS code requirements.

I am also pleased to report that the Authority made significant inroads in marketing its services to customers in the domestic market, the Great Lakes and Southern Sudan where our missions were well received by customers. We wish to thank all our customers for their continued support during the year.

It is encouraging to report that key financial, operating, planning and dynamic targets as prescribed in the performance contract for 2006/2007 were met.



KENYA PORTS AUTHORITY

I wish to note that appreciable progress has been made towards the implementation of the Authority's Master plan, its roadmap for the next 25 years. We are confident to enhance our core values as we embark on the implementation process. Notable projects at hand include the development of second container terminal, free trade zone, modern cruise ship facilities, and capital dredging at the port.

We at KPA place the customer at the centre of everything we do. It is in recognition of this that our Customer Charter was officially launched by the Hon. Minister for Transport in March 2007. We also consulted the customer extensively in our tariff review, which was concluded in the year. We are grateful to the Hon. Minister for granting his approval to permit implementation by December 2007.

We wish to recognize the continued support from the Government in meeting our scheduled targets. It is significant to note the Authority is working in partnership with the Government to enhance private-public participation in progressively transforming itself to landlord status.

As we enter into the fourth year under performance contract, we will endeavor to take every opportunity to tackle the challenges ahead in order to achieve our vision.

Last but not least, I wish to thank my fellow Board Members, Management and Staff for their contribution during the year under review.



**GENERAL (RET) J. R. KIBWANA, EGH CBS
CHAIRMAN**



BOARD OF DIRECTORS

The Directors who served the Authority during the year are:

Directors:

General J. R. Kibwana, EGH, CBS	Chairman
Mr. Abdallah H. Mwaruwa	Managing Director
Dr. Gerrishon K. Ikiara, MBS	Director (PS Ministry of Transport)
Mr. Joseph Kinyua, CBS	Director (PS Ministry of Finance)
Mr. Michael K. Mure	Director
Mr. Erick N. Konchela	Director
Mr. Komora M. Jilo	Director
Eng. Vitalis A. Ong'ong'o	Director (MD Kenya Railways)
Mr. Mohamed Jahazi	Director
Mrs. Khadija Karim	Director
Mr. Ngugi Waireri	Director

Alternate Directors and Advisors:

Hon. Amos Wako, EGH EBS MP	Attorney General
Mr. Peter Ondieki	Inspector General (Corporations)
Mrs. Esther Koimett, CBS	Alternate Director to PS Treasury
Mr. G. G. Irungu	Alternate Director to PS, MOT

Corporation Secretary:

Ms. Muthoni Gatere

Registered Office

KPA Headquarters, Kipevu
PO Box 95009 MOMBASA

Auditors

Kenya National Audit Office
Anniversary Towers, 49384 NAIROBI



REPORT OF THE DIRECTORS:

The Directors present their report together with the financial statement for the year ended 30th June, 2007.

The Principal activities of the Authority are provision of port cargo handling facilities and services in accordance with KPA Act CAP 391.

FINANCIAL RESULTS:

	2006/07	2005/06
	Kshs '000'	Kshs '000'
Profit before tax	2,622,056	3,120,845
Tax for the year	(1,181,808)	(1,074,245)
Profit after tax	1,440,248	2,046,600
Proposed dividends	(216,037)	(307,000)
Retained profit for the year	<u>1,224,211</u>	<u>1,739,600</u>

DIVIDEND:

The Directors recommend a dividend of Kshs 216 million for the year. This dividend will be paid in conformity with the Authority's policy on dividend.



KENYA PORTS AUTHORITY

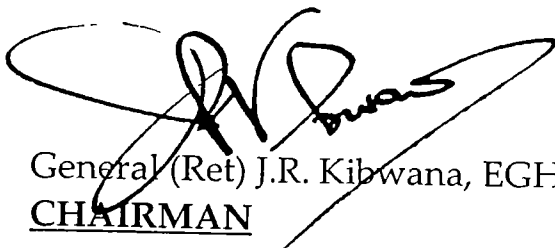
DIRECTORS' RESPONSIBILITIES

It is the responsibility of the Directors to prepare financial statements that 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 profit or loss and cash flow for the year. In preparing those financial statements, the directors are required to:

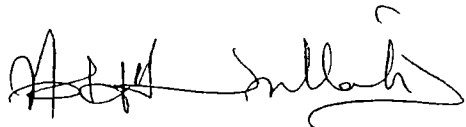
- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Authority will continue in business

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority. They are also responsible for safeguarding the Assets of the Authority and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors do hereby accept responsibility for the annual financial statements, which have been prepared in conformity with the International Financial Reporting Standards. Nothing has come to the attention of the directors to indicate that the Authority will not remain a going concern in the foreseeable future.



General (Ret) J.R. Kibwana, EGH, CBS
CHAIRMAN

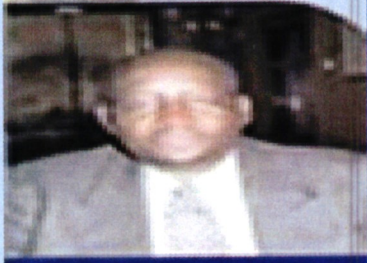


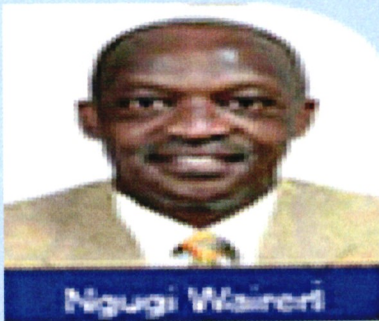


Abdallah H. Mwaruwa
MANAGING DIRECTOR



KENYA PORTS AUTHORITY

Board Members

 <p>Gerrison Ikaria</p>	 <p>General (Rtd) J.R.E. Kibwana, EGH, mac (USA) pac (USA)</p>	 <p>Joseph Kinyas</p>
 <p>Eng. Vitalis Ong'ong'o</p>	 <p>ABDAL-LAHDE BOUDJEMA MED</p>	 <p>Eric N. Konchella</p>
 <p>Michael K. Muro</p>	 <p>Mohamed Jahauri</p>	
 <p>Khadija Karim</p>	 <p>Ngugi Wainori</p>	 <p>Komora Mabudi Jilo</p>

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

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

ON

**THE FINANCIAL STATEMENTS OF KENYA
PORTS AUTHORITY FOR THE YEAR ENDED
30 JUNE 2007**



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2007

I have audited the financial statements of Kenya Ports Authority set out on pages 11 to 41 which comprise the balance sheet as at 30 June 2007, the income statement, the statement of changes in equity, and the cash flow statement for the year then ended, together with 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 Authority'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 Authority's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

1. Trade and Other Receivables – Kshs.2,352,986,000

As disclosed in note 6 to the financial statements, Trade and Other receivables balance of Kshs.2,352,986,000 as at 30 June 2007 includes amounts of Kshs.287,231,402 and Kshs.441,189,136 owed by the Ministry of Transport and Kenya Ferry Services Limited respectively. The amounts have been outstanding for more than eleven (11) years. The Public Investments Committee in its eighth and ninth reports recommended that the Chief Executive liaises with the parent ministry and the Treasury with a view to ensuring that the money is paid to the Authority without further delay. In spite of this recommendation, no progress has been made towards recovery of the debts. Further no provision been made in these financial statements in respect of these amounts. Also included in trade and other receivables figure of Kshs.2,352,986,000 is Kshs.818,268,734 owed by various clients that have been outstanding for over five years. Although the management has been seeking legal redress in respect of a number of trade debtors, no recovery has so far been made. Consequently, I am unable to confirm whether or if so, when the Authority will be able to recover both the Kshs.728,420,538 owed from the Ministry of Transport and Kenya Ferry Services Limited and Kshs.818,268,734 owed from various clients as at 30 June 2007.

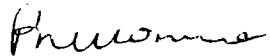
2. Bank Reconciliations Discrepancies – Kshs.41,472,444

Included in the balance sheet is cash and bank figure of Kshs.943,701,000 which is at variance with bank reconciliations cash book figure of Kshs.902,228,556 resulting in an unreconciled difference of Kshs.41,472,444. The explanation seen indicate that the unreconciled differences arose from the inability of the Authority's accounting system to apply the appropriate foreign exchange ruling rate as prescribed by IAS No.21. In the circumstances, it is not possible to confirm the cash and bank balance of Kshs.943,701,000 as at 30 June 2007.

Opinion

Except for the foregoing reservations, 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 Authority as at 30 June 2007 and of its profits and cashflows for the year then ended in accordance with the

International Financial Reporting Standards and comply with the Kenya Ports Authority Act, Cap 391 of the Laws of Kenya.



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

Nairobi

25 March 2008

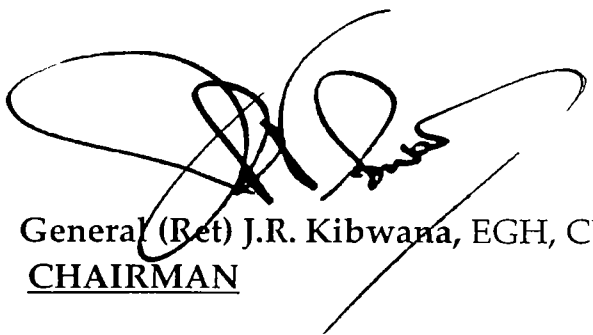


KENYA PORTS AUTHORITY

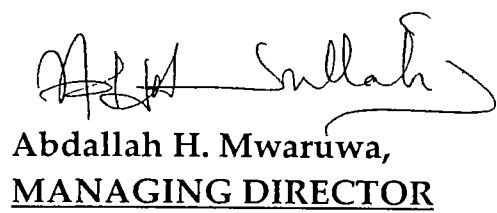
PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	2006/07	2005/06
		Kshs '000'	Kshs '000'
INCOME	2	13,185,472	12,774,858
EXPENDITURE	2	10,561,246	9,654,013
PROFIT BEFORE TAXATION		2,624,226	3,120,845
TAXATION	10	1,171,808	1,074,245
PROFIT AFTER TAX		1,452,418	2,046,600



General (Ret) J.R. Kibwana, EGH, CBS
CHAIRMAN



Abdallah H. Mwaruwa,
MANAGING DIRECTOR

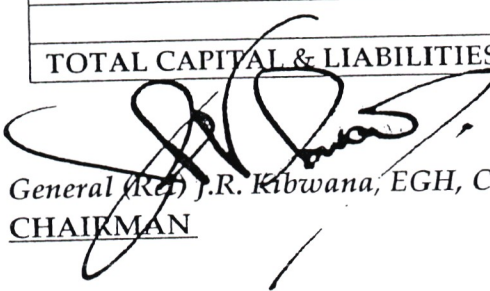
27 July 2007

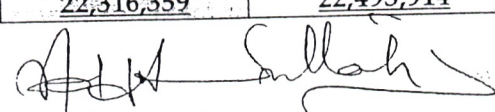


KENYA PORTS AUTHORITY

BALANCE SHEET AS AT 30 JUNE 2007

ASSETS:	NOTE	2006/07 Kshs '000'	2005/06 Kshs '000'
Non Current Assets			
Land & buildings	3a	5,664,174	5,850,719
Investment property	3b	416,305	197,466
Plant & equipment	3c	13,502,553	13,916,326
Long term investment	4a	813,941	805,571
Intangible assets	3e	108,486	542,430
		20,505,459	21,312,512
Current Assets			
Short term investment	4b	1,395,459	1,665,381
Inventories	5	391,630	335,616
Trade & other receivables	6	2,352,986	1,877,682
Tax recoverable	11		551,000
Prepayments & accrued income	7b	78,032	53,445
Cash & bank	7a	943,701	730,578
		5,161,808	5,213,702
Less current liabilities:			
Trade and other payables	8	1,216,517	1,380,341
Corporation tax	11	98,385	-
Pension liability: current portion	10	1,131,000	1,644,000
External debt : current portion	9a	905,006	1,007,959
		3,350,908	4,032,300
		22,316,359	22,493,914
TOTAL NET ASSETS			
LIABILITIES			
Capital and Reserves			
General Reserves	14	560,750	(843,694)
Capital Reserves	14	15,759,726	15,759,726
Proposed dividend	1k	217,863	307,000
GOK grants	9b	503,000	-
		17,041,339	15,223,032
Non-Current Liabilities			
External Debt	9a	997,324	2,118,739
Accrued Pension Liability	10	3,752,000	4,795,952
Deferred tax	11	525,696	356,191
		5,275,020	7,270,882
		22,316,359	22,493,914
TOTAL CAPITAL & LIABILITIES			


 General (Ret) J.R. Kibwana, EGH, CBS
CHAIRMAN


 Abdallah H. Mwaruwa,
MANAGING DIRECTOR



KENYA PORTS AUTHORITY

CASH FLOW FOR THE YEAR ENDED 30 JUNE 2007

	2006/07	2006/07	2005/06	2005/06
OPERATING ACTIVITIES	Kshs '000'	Kshs '000'	Kshs '000'	Ksh '000'
Operating profits before tax		2,622,056		3,120,845
Add/deduct:				
Depreciation	2,179,141		1,979,061	
Write off: trade receivables	-		306,252	
Interest income	(132,088)		(150,000)	
Interest expense	227,749		264,995	
Unrealized exchange loss/gain	169,193	2,443,995	(96,446)	2,303,862
Net Cash generated from operations		5,066,051		5,424,707
Working Capital changes				
Inventories	(56,014)		(39,432)	
Prepayments	(24,607)		(48,020)	
Receivables	(473,304)		96,894	
Creditors	(163,824)	(717,749)	339,791	349,233
Net cash from operating activities		4,348,302		5,773,940
Tax paid	(352,322)		(1,485,815)	
Pension Paid	(1,557,000)		(444,000)	
Net cash out flow		(1,909,322)		(1,929,815)
Investing Activities				
Capital Works	(1,336,850)		(2,473,897)	
GOK dividend	(307,000)		(405,000)	
Long term loan	(8,369)		(18,901)	
Interest income	132,088		150,000	
Direct acquisition/capitalization	(26,531)	(1,546,662)	(136,385)	(2,884,183)
Financing Activities				
Repayment of long term loans	(1,224,368)		(1,559,312)	
Grants	503,000		-	
Interest paid	(227,749)	(949,117)	(264,995)	(1,824,307)
Net increase in cash & cash equivalent		(56,799)		(865,364)
Cash and cash equivalents as at 1.07.2006		2,395,959		3,261,323
Cash and cash equivalents as at 30.06.2007 (Note 4c)		<u>2,339,160</u>		<u>2,395,959</u>



KENYA PORTS AUTHORITY

STATEMENT OF CHANGES IN EQUITY: 30 JUNE 2007

	CAPITAL RESERVES Kshs '000'	GENERAL RESERVES Kshs '000'	CURRENCY ACCOUNT Kshs '000'	DIVIDENDS Kshs '000'	TOTAL Kshs '000'
Balance as at 01.07.2006	15,759,726	(963,860)	119,687	307,000	15,222,553
Profit after tax		1,440,248			1,440,248
Dividends paid/payable		(216,037)		(307,000)	(523,037)
Proposed dividends				216,037	216,037
Currency fluctuation			170,368		170,368
Balance 30.06.2007	<u>15,759,726</u>	<u>260,351</u>	<u>290,055</u>	<u>216,037</u>	<u>16,526,169</u>
Add:					
Grants					503,000
Balance as at 30.06.2007					<u>17,029,169</u>



1. ACCOUNTING POLICIES

Principal Accounting Policies adopted in the preparation of the financial statements are set out below:

a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Authority adopts the historical cost basis of accounting as modified by the revaluation of certain fixed assets.

b) Revenue recognition

Revenue is recognized at the time of billing while interest income is accrued on a time basis by reference to the outstanding principal outstanding and the applicable interest rate.

Expenditure is recognized when the Authority is invoiced. Expenditure which can be ascertained is accrued at year-end.

c) Leasehold property

Leasehold property has not been amortized since they are infinite in life and the monthly amortization is not material.

d) Foreign currency transactions

Foreign currency items are expressed in Kenya Shillings at the rate of exchange ruling at the balance sheet date. Transactions during the year are accounted for at the rates ruling when the transactions took place. The resultant realized profit or losses are dealt with in the profit and loss account.



e) **Debtors**

Debtors are recognized at cost. A general provision of 5% has been made on the trade debtors' balance to cater for doubtful debtors.

f) **Stocks**

Stocks are recognized at the lower of current cost and net realizable value. A provision of 5% of the stock value has been made to cater for losses arising from deterioration and obsolescence of stocks.

g) **Investments**

The Authority recognizes its investment at cost. Provision for impairment is only made where the Board is of the opinion that the historical cost does not reflect the fair market values. Interest is recognized as and when earned.

h) **Retirement Benefits Policy**

Provisions have been made to meet contributions to staff Pension Scheme. The Authority operates a defined benefits scheme for its employees. The Scheme is administered by a Board of Trustees and is funded by contributions from both the Authority (as the Sponsor) and the employees. Contributions to the Scheme are charged to profit and loss account in the year to which they relate.

i) **Cash and cash equivalents**

For purposes of Cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call and Treasury Bills.

j) **Taxation**

Income tax expense represents the sum of current tax payable and deferred taxation.

- (i) **Current taxation** is provided on the basis of the results for the year as shown in the financial statements adjusted in accordance with tax legislation.



- (ii) **Deferred income tax** is provided, under the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Currently enacted tax rates are used to determine deferred income tax.

k) Dividend policy

Dividend is charged on profit after tax at the predetermined rate as agreed by the Board and the shareholder under performance contract. For the year under review, the applicable rate is 15% of profit after tax.

l) Comparatives

Where applicable comparatives have been restated to conform to changes in presentation

m) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. Fixed assets in the books as at 30th June 1994 were revalued by Tyson's Ltd, registered property valuers. The Authority revalues assets as and when Management deems it necessary.

Depreciation is calculated on the straight line basis at annual rates estimated to write off the carrying values of the assets over their expected useful lives. The annual rates used are stated below:-



DEPRECIATION RATES

FOR THE YEAR ENDED 30 JUNE 2007

No of years Rate (%)

Dredging works	40	2.5
Buildings	40	2.5
Rail Lines	40	2.5
Roads	40	2.5
Quays	40	2.5
Cranes	20	5
Forklift Trucks	5	20
Tractors	5	20
Vehicles	5	20
Tugs	20	5
Telecom Equipment	10	10
IT software and equipment	3	33.3
Pilot Boats	10	10



KENYA PORTS AUTHORITY

DETAILED PROFIT & LOSS ACCOUNT: 30 JUNE 2007

		2006/07		2005/06	
		Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
	Notes				
Operating Revenue	2a		12,372,111		11,970,809
Operating Expenditure					
Establishment Expenses	2b(i)	5,494,009		4,676,385	
Administrative Expenses	2b(ii)	793,595		739,245	
Other Operating Expenses	2b(iii)	3,438,719	9,726,323	2,757,000	8,172,630
Gross Operating Profit			2,645,788		3,798,179
Non Operating Income	2a(i)		813,361		804,049
Profit before Finance Costs			3,459,149		4,602,228
Finance & Legal Costs	2c&d		837,093		1,481,383
Profit before Tax			2,622,056		3,120,845
Tax for year	10		1,181,808		1,074,245
Profit after Tax			1,440,248		2,046,600
Dividends			216,037		307,000
Retained Earnings			1,224,211		1,739,600



DETAILED NOTES TO THE FINANCIAL STATEMENTS

PROFIT & LOSS ACCOUNT SCHEDULES

NOTE 2a: OPERATING REVENUE

	2006/07	2005/06
	Kshs '000'	Kshs '000'
PILOTAGE	205,215	189,281
TUG SERVICES DUES	343,803	319,651
MOORING	33,852	33,345
NAVIGATIONAL DUES	53,548	51,730
PORT DUES	177,511	171,386
DOCKAGE	197,802	178,753
FRESH WATER - NORMAL	8,221	5,115
LAI D UP VESSELS	424	2,177
STEVEDORING	3,703,073	3,355,325
HIRE OF LABOUR/EQUIPMENT	58,948	49,142
HANDLING OF EMPTY CONTAINERS	512,435	483,056
SHOREHANDLING	4,824,342	4,418,770
REMOVAL CHARGES	84,266	122,265
CONTAINER STRIPPING/STUFFING	5,931	8,673
VERIFICATION CHARGES	351,698	327,812
STORAGE OF GENERAL CARGO	64,523	198,022
STORAGE - EMPTY CONTAINERS	10,854	24,138
STORAGE-FULL CONTAINERS	1,718,520	2,014,902
JETTY FEES	745	1,910
LICENCES	1,635	2,047
OTHER REVENUE	5,498	3,962
MARINE CHARGES	693	1,588
SALE OF FRESH WATER	1,187	1,676
OTHER MISCELLANEOUS REVENUE	6,307	5,652
HANDLING OF FULL CONTAINERS	1,080	431
	12,372,111	11,970,809



KENYA PORTS AUTHORITY

NOTE 2a (i): NON OPERATING REVENUE

	2006/07	2005/06
	Kshs '000'	Kshs '000'
RENT & RATES RECEIVABLE	80,293	94,018
BANDARI COLLEGE	30,097	22,162
RECOVERY FROM HOUSED EMPLOYEES	127,019	127,791
P/L - SALE OF SURVEYED STOCK	17,896	1,643
SALE OF PASSES	44,875	31,358
SALE OF BOOKS AND DOCUMENTS	10,460	8,182
SUNDRY INCOME	54,877	48,433
P/L ON SALE OF FIXED ASSETS	(1,634)	8,313
REALISED FOREIGN EXCHANGE GAIN	315,407	41,826
UNREALISED FOREIGN EXCHANGE GAIN	(9)	242,363
INVENTORY DIFFERENCE GAIN	442	3,165
INTEREST ON STAFF LOANS	8,755	14,686
INVESTMENT INCOME	123,333	159,977
RENT FOR LEASED HOUSES	-	10
OTHERS	1,550	122
	813,361	804,049

NOTE 2b (ii): UTILITIES

	2006/07	2005/06
	Kshs. '000'	Kshs. '000'
ELECTRICITY SERVICES	123,938	115,278
TELEPHONE/TELEX/FAX SERVICES	23,387	24,705
WATER SUPPLY SERVICES	42,093	32,666
CITY & MUNICIPAL COUNCIL RATES	32,802	31,716
OFFICE RENTAL-KAMPALA	732	768
	222,952	205,133



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NOTE 2b (i): ESTABLISHMENT EXPENSES

	2006/07	2005/06
	Kshs '000'	Kshs '000'
BASIC SALARY	2,045,319	1,704,525
SURVEY ALLOWANCES	7,459	6,570
OVERTIME	742,522	636,896
STAFF ALLOWANCES	323,966	319,844
WAGES CASUALS	200,031	139,855
OVERTIME CASUALS	130,951	88,486
NORMAL STAFF HOUSING	738,314	676,084
LEASED STAFF HOUSING	10,399	17,962
HOUSEHOLD EQUIPMENTS	2,089	1,983
SPECIAL ACCOMMODATION	8,392	7,497
DUTY TRAVEL	196,507	89,974
LEAVE TRAVEL	100,639	97,029
MOTOR MILEAGE	188,200	158,942
STAFF PENSION	449,982	410,173
STAFF GRATUITY	37,806	51,184
LONG SERVICE AWARDS	3,751	6,833
SOCIAL SECURITY	33,185	9,901
MEDICINES	78,928	73,128
REFERRALS	21,424	23,832
HOSPITAL BILLS	82,568	92,630
X-RAY COSTS	5,427	7,041
LABORATORY SERVICES	1,377	2,955
FIRST AID	3,667	3,058
MEDICAL EDUCATION EXPENSES	1,994	1,308
STAFF HOUSES REPAIR	78,482	43,010
INCENTIVE SCHEME	-	3,901
AIDS TREATMENT	322	1,362
PRESERVATION CHARGES	221	288
OTHERS	87	134
	5,494,009	4,676,385



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NOTE 2b (ii): GENERAL OFFICE ADMINISTRATIVE EXPENSES

	2006/07	2005/06
	Kshs '000'	Kshs '000'
LIBRARY & ARCHIVES	1,354	1,557
NURSERY SCHOOLS	891	659
LAUNDRY	(355)	995
PROVISIONS & CATERING	969	5,590
CLEANING OF CARPETS & CURTAINS	125	56
DIRECTORS EXPENSES	34,260	27,379
FURNITURE & EQUIPMENT	(1,670)	8,771
PRINTING & STATIONERY	69,400	62,715
STAMP FRANKING & COURIER SERV.	2,125	2,317
PHOTOCOPYING SERVICES	3,041	2,364
OFFICE EQUIPMENT AND CONSUMABLES	11,197	7,684
ENTERTAINMENT ALLOWANCE	3,848	3,290
CLUB MEMBERSHIP FEES	1,313	1,535
PRINTING MATERIALS	13,233	27,099
POLICE SERVICES	3,479	3,533
SECURITY GUARDS SERVICES	31,743	30,350
PORT PASSES	8,660	6,911
RADIO SERVICES	1,000	365
OUTREACH	10,000	9,633
DONATIONS	3,210	5,762
VALUE ADDED TAX EXPENDITURE	44,776	34,586
	242,599	243,151



NOTE 2b (ii): DEVELOPMENT STUDIES & PR COSTS

	2006/07	2005/06
	Kshs '000'	Kshs '000'
PUBLICITY & ADVERTISING	49,261	35,458
SUBSCRIPTIONS & DONATIONS	3,900	2,745
HIRE OF COM. BUS SERVICE	29,169	22,023
AGRICULTURAL SOCIETY OF KENYA SHOWS	12,000	9,398
KENYA COMMUNICATION SPORTS ORGANIZATION	6,984	6,459
OTHER SPORTS	10,664	6,321
WELFARE	21,222	13,719
INDUSTRIAL RELATIONS COSTS	2,291	2,563
DEVELOPMENT STUDIES	48,017	69,045
CONSULTANT FEES	2,000	-
TRAINING - OTHER LOCAL	10,146	175
TRAINING - OTHER ABROAD	84,151	76,091
TRAINING -Industr. ATTACHMENT	1,817	1,067
TRAINING LEVY	3,133	982
CURRICULUM DEVELOPMENT	4,229	4,024
RECRUITMENT COSTS	4,330	2,935
ACCOMMODATION COSTS	1,537	2,601
RETIRES TOKEN GIFTS	8,593	9,135
RETIRES TRAVEL WARRANTS	8,506	8,287
RETIRES PERSONAL EFFECTS COST	15,304	17,061
CONFERENCES & SEMINARS	-	379
TRADE TESTING MATERIALS	74	77
GUEST HOUSE COSTS	389	209
MARKETING EXPENSES	327	207
	328,044	290,961



NOTE 2b (iii): MAINTENANCE COSTS

	2006/07	2005/06
	Kshs '000'	Kshs '000'
HARDWARE BUILDING MAINTENANCE	146,546	133,256
RUNNING STORES	400	1,524
MARINE SPARES	18,010	8,238
DIVING & SIGNAL EQUIPMENT	37	344
BUOYS	2,774	868
ANTI-POLLUTION MATERIALS	940	12
FLOWERS & PLANTS	861	402
CRANE SPARES	36,799	53,063
FUEL	335,499	271,997
OILS	19,884	20,605
LUBRICANTS AND CLEANISING AGENTS	17,335	11,178
GAS CUTTING AND WELDING SUPPLIES	3,826	2,037
FIRE FIGHTING & SAFETY	(372)	918
UNIFORMS & CLOTHING	49,436	49,674
CLEANING IMPLEMENTS AND DETERGENTS	19,983	19,553
WORKSHOP TOOLS AND EQUIPMENT	10,674	6,305
COMMUNICATION & EQUIPMENT SPARES	7,533	5,270
MEDICAL EQUIPMENT	458	(1,600)
REPAIRS: PORT INFRASTRUCTURE WORK	354,153	76,907
MOBILE PLANT SPARES	132,964	97,556
MOBILE PLANT SPARES	491	112
ELECTRICAL SPARES	19,986	18,533
TYRES AND TUBES	49,404	57,702
REPAIRS OF OFFICE MACHINERY	219	-
REFRIGERATION AND AIR CONDITIONING	8,350	3,590
BATTERIES CHARGES AND CLOCKS	3,848	4,291
CAPITAL MINOR WORKS	1	(136,242)
STORES MAINTENANCE	62	6
THIRD PARTY REPAIRS	3	-
EXTERNAL SERVICES	17,801	71,814
REPAIRS OF MOBILE EQUIPMENT	1,668	26
	1,259,573	777,939



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NOTE 2c: FINANCE COSTS

	2006/07	2005/06
	<u>Kshs '000'</u>	<u>Kshs '000'</u>
DISCOUNT ALLOWED TO CUSTOMERS	3,515	12,245
AUDIT FEES	6,840	-
BANK COMMISSION	3,802	14,211
BANK CHARGES	6,145	6,420
SURVEY FEES	806	27
INTEREST CHARGES ON OVERDRAFT	77	89
FRINGE BENEFIT TAX	-	-
CONSULTANT FEES	-	1,337
INTEREST CHARGES- L/TERM LOANS	227,749	264,995
WRITE-OFFS -STOCK	-	(1,326)
WRITE-OFFS - TRADE DEBTORS.	-	295,657
TAX ARREARS ,INTEREST AND PENALTIES	-	230,164
REALISED FOREIGN EXCHANGE LOSS	94,044	202,815
UNREALISED FOREIGN EXCHANGE LOSS	218,522	145,917
COMPUTER BUREAU	18,325	23,558
MICROCOMPUTER DEVELOPMENT	9,150	2,989
WEBSITE	17	821
LICENCES :COMPUTERS	70,662	154,794
PROVISION FOR OBSOLETE STOCK	3,336	2,115
GENERAL PROV. BAD DEBT	15,650	5,396
INVENTORY DIFFERENCES LOSS	(3,223)	13,086
STOCK-TAKE EXPENSES	1,455	1,968
MISCELLANEOUS EXPENSES	10,887	11,261
PROFESSIONAL EDUCATION EXPENSES	1,345	2,608
MISCELLANEOUS WORK IN PROGRESS	(19,058)	(18,067)
PRICE DIFFERENCE :LOSS	1,048	35
	671,094	1,373,115



NOTE 2d: LEGAL COSTS

	2006/07	2005/06
	Kshs '000'	Kshs '000'
INSURANCE PREMIA	123,304	65,605
ACCIDENT CLAIMS	3,083	980
UN-INSURED LOSS/CLAIMS	4,876	2,387
COMPEN.CLAIMS/CARGO INTERESTS	14,329	1,908
WORKMAN'S COMPENSATION	2,437	500
COURT FEES	17,592	36,197
CAR REGISTRATION & LICENCES	94	408
REGISTRATION: LEGAL DOCUMENTS	283	285
	165,998	108,270

NOTE 2b (iii): DEPRECIATION

	2006/07	2005/06
	Kshs '000'	Kshs '000'
ANNUAL DEPRECIATION	2,179,141	1,979,061

NOTE 2b (iii): HIRE OF EQUIPMENT

HIRE OF EQUIPMENT	5	-
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NOTE 3a: LAND & BUILDINGS

	30 JUN 2007	30 JUN 2006
DESCRIPTION	Kshs '000'	Kshs '000'
COST OR VALUATION		
Balance as at 01.07.2006	7,393,383	7,788,048
Additions	18,537	7,726
Disposals	(6,150)	(1,700)
Reclassification	(258,289)	(394,269)
Adjustment	-	(6,422)
Balance as at 30.06.2007	7,147,481	7,393,383
DEPRECIATION		
Balance as at 01.07.2006	2,083,800	2,099,163
Charge for the year	163,131	206,360
Eliminated on disposal	(1,999)	-
Reclassification	(17,969)	(221,723)
Balance as at 30.06. 2007	2,226,963	2,083,800
N.B.V.		
As at 01.07.2006	5,309,582	5,953,126
As at 30.06.2007	4,920,518	5,309,582
WIP		
As at 01.07.2006	541,136	93,081
Movement in the year	202,520	448,055
As at 30.06.2007	743,656	541,136
TOTAL as at 30.06.2007	5,664,174	5,850,719



NOTE 3c: PLANT, PROPERTY & EQUIPMENT

30 JUNE 2007

DESCRIPTION	MOTOR VEHICLES, BOATS, FORKLIFTS, TUGS & CRANES	EQUIPMENT, SERVICES, & SYSTEMS	ROADS, BRIDGES, JETTIES & WHARVES	TOTAL
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
COST OR VALUATION				
Balance as at 01.07.2006	14,327,216	1,335,282	7,229,758	22,892,256
Additions	321,000		39,202	360,202
Disposals	(34,147)			(34,147)
Adjustment	(237,157)			(237,157)
Balance as at 30.06.2007	14,376,912	1,335,282	7,268,960	22,981,154
DEPRECIATION				
Balance as at 01.07.2006	6,804,353	900,308	4,180,090	11,884,751
Charge for the year	1,159,315	112,641	288,629	1,560,585
Eliminated on disposal	(34,147)			(34,147)
Balance as at 30.06. 2007	7,929,521	1,012,949	4,468,719	13,411,189
N.B.V.				
As at 01.07.2006	7,522,850	434,974	3,049,668	11,007,492
As at 30.06.2007	6,447,391	322,333	2,800,241	9,569,965
WIP:				
Opening balance 01.07.2006	2,137,666	651,421	119,746	2,908,833
Movement during the year	646,050	254,161	123,544	1,023,755
Closing balance 30.06.2007	2,783,716	905,582	243,290	3,932,588
TOTAL as at 30.06.2007	9,231,107	1,227,915	3,043,531	13,502,553



NOTE 3b:

INVESTMENT PROPERTY

30 JUNE 2007

DESCRIPTION	LAND & BUILDINGS	BASIC CONSTRUCTION	SERVICES & SYSTEMS	TOTAL
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
COST:				
Balance 01.07.2006	365,497	73,903	24,361	463,761
Reclassification	258,289			258,289
Balance 30.06.2007	623,786	73,903	24,361	722,050
DEPRECIATION:				
Balance 01.07.2006	210,529	41,606	14,160	266,295
Reclassification	17,969			17,969
Charge for the year	17,741	2,522	1,218	21,481
Balance 30.06.2007	246,239	44,128	15,378	305,745
NBV:				
Balance 30.06.2006	154,968	32,297	10,201	197,466
Balance 30.06.2007	<u>377,547</u>	<u>29,775</u>	<u>8,983</u>	<u>416,305</u>

NOTE 3e: INTANGIBLE ASSETS

30 JUNE 2007

COST			DEPRECIATION			NBV	
01.07.2006	ADDITION	30.06.2007	1.07.2006	CHARGE	30.06.2007	30.06.2006	30.06.2007
Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
1,301,832	-	<u>1,301,832</u>	<u>759,402</u>	<u>433,944</u>	<u>1,193,346</u>	<u>542,430</u>	<u>108,486</u>



NOTE 4a: LONG TERM INVESTMENTS

<u>DESCRIPTION</u>	2006/07 Kshs '000'	2005/06 Kshs '000'
1. Fixed Deposits:		
Housing Scheme Backup Funds- HFCK	245,422	225,373
Fixed Deposits- HFCK	80,460	172,485
Savings and Loan Ltd.	283,302	203,296
East African Building Society	21,310	20,971
	630,494	622,125
2. Equities:		
Kenya National Shipping Line	54,347	54,347
Consolidated Bank of Kenya	29,100	29,100
Kenya Ferry Services Ltd	100,000	100,000
	183,447	183,447
Total	<u>813,941</u>	<u>805,572</u>



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- (i) Funds invested with Housing Finance amounted to Kshs. 325 million out of which Kshs 245 million were held as lien on loans advanced to staff under the House Ownership Mortgage Scheme (HOMS). The mortgage funds earn interest at 1.125% p.a. while the rest of the funds held earn 7.3% p.a.
- (ii) Funds invested with EABS amounting to Kshs. 21 million are held as security on loans advanced to staff under HOMS. They earn interest at 2% p.a.
- (iii) Funds invested with Savings and Loan Ltd amounting to Kshs. 283 million are held as security on loans advanced to staff under HOMS. They earn interest at 1.0% p.a.



NOTE 4b: SHORT TERM INVESTMENTS

Description	2006/07	2005/06
	Kshs '000'	Kshs '000'
182 Days Treasury Bills Effective rate 7.9% (2005/6: 8.1%)	795,272	612,170
91 Day Treasury bills Effective rates 0% (2005/6: 6.9%)	-	798,008
Call deposit: Citibank- effective rate 5.8% (2005/6: 7.5%)	600,000	250,000
Call deposit: Barclays	187	5,203
TOTAL	<u>1,395,459</u>	<u>1,665,381</u>

NOTE 4c: CASH & CASH EQUIVALENTS

Description	2006/07	2005/06
	Kshs '000'	Kshs '000'
Cash on hand and at bank	943,701	730,578
Short term investments	1,395,459	1,665,381
TOTAL	<u>2,339,160</u>	<u>2,395,959</u>



NOTE 5: INVENTORIES

Description	2006/07	2005/06
	Kshs '000'	Kshs '000'
Terminal stores	237,168	194,039
Marine Engineering stores	46,708	48,292
Main Central store	48,492	44,198
General	14,055	9,091
Technical	33,125	33,842
Building	1,312	1,265
ICD stores	54,583	35,100
Technical	45,437	31,551
General	4,520	1,454
Fuel	4,626	2,095
Medical stores	25,291	32,449
Main	16,985	25,762
Bandari	7,271	4,194
Kipevu	1,035	2,493
Provision for obsolescence	(20,612)	(18,462)
TOTAL	<u>391,630</u>	<u>335,616</u>



NOTE 6: TRADE & OTHER RECEIVABLES

Description	2006/07	2005/06
	Kshs '000'	Kshs '000'
Trade debtors		
Trade cargo debtors	607,699	394,082
Trade marine debtors	358,991	259,606
Provision for bad debts	(48,335)	(33,685)
Staff debtors		
Staff advances	129,552	196,495
Advance imprest & subsistence	57,317	40,649
Ministry of Finance / Dregco	287,231	287,231
Kenya Ferry Services	441,189	441,189
Projects mobilization	90,623	111,029
Advance creditors (LCs)	195,155	584
Deposits	12,702	1,682
Discount on TBs	31,328	14,422
Non trade debtors	91,565	108,265
VAT: suppliers	24,653	66
RVR: TBL	60,414	46,090
Others	10,902	9,977
TOTAL	<u>2,350,986</u>	<u>1,877,682</u>



NOTE 7a: CASH AND BANK BALANCES

Name of the bank	2006/07 Kshs '000'	2005/06 Kshs '000'
National Bank of Kenya	146,862	96,206
Kenya Commercial Bank	1,097	461
Standard Chartered Bank	331,618	359,850
Citibank N.A	435,110	171,635
Stanbic Uganda	(812)	(5,056)
Barclays Bank of Kenya	7,553	5,292
Petty cash	2,186	5,801
Cash in Transit	19,070	94,857
Collections	1,011	1,526
Crown Agents	6	6
Total	<u>943,701</u>	<u>730,578</u>

NOTE 7b: PREPAYMENTS & ACCRUED INCOME

Description	2006/07 Kshs '000'	2005/06 Kshs '000'
Prepaid insurance	66,684	46,974
Prepaid land rates & rent	8,326	751
Withholding tax receivable	-	359
Accrued investment income	3,022	5,342
Total prepayments	<u>78,032</u>	<u>53,426</u>



NOTE 8: TRADE & OTHER PAYABLES

Description	2006/07	2005/06
	Kshs '000'	Kshs '000'
Trade creditors		
General trade creditors	336,410	328,546
General foreign creditors	8,058	27,436
Payroll creditors	116,226	119,850
Other creditors		
Contract deposits	219,467	175,280
Accrued expenditure	157,669	86,440
Ministry of Finance / Dregco	287,231	287,231
Tax clearing account	6,046	3,262
Advanced investment income	13,426	13,504
VAT	63,766	32,546
Stock accruals	12	229,144
KMA	6,917	45,292
RVR	(25,245)	(2,817)
Others	26,534	34,627
TOTAL	<u>1,216,517</u>	<u>1,380,341</u>



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NOTE 9a: EXTERNAL DEBTS

Loan	Unit	Interest rate %	Balances as at 30/06/2006	Balances as at 30/06/2007	Payable 2006/07 (Current)	Over 1 Year (Non Current)
Bank Loans						
Consortium	USD	8.86	3,126,699	1,902,330	905,006	997,324
TOTAL			3,126,699	1,902,330	905,006	997,324

NOTE 9 b: GRANTS:

Grants represent funds provided by the Government, either directly or via a sponsor for the purposes of financing specific capital projects of the Authority.

During the year, the following grants were received:

	2006/07	2005/06
	Kshs '000'	Kshs '000'
Dredging funds from MOT	400,000	-
ISS & CBS funds from the World Bank	103,000	-
TOTAL	503,000	-

NOTE 10: ACCRUED PENSION LIABILITY:

	TOTAL	Payable 2006/07	Over 1 Year
Balance as 01.07.2006	3,326,048	1,644,000	4,795,952
Repayments in the year	1,557,000	513,000	1,044,000
Balance as at 30.06.2007	4,882,952	1,131,000	3,751,952



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NOTE 11: TAXATION

Installment taxes totaling to Kshs 352 million were paid during the year. A self-assessment on corporation tax of Kshs 1,181 million for the year has been provided in these accounts. Taxes recoverable amounting to Kshs 551 M from the previous year were utilized during the year.

Corporation Tax	2006/07 Kshs '000'	2006/05 Kshs '000'
Balance 01.07.2006	(551,378)	121,107
Tax for the year	1,016,813	815,294
Final tax paid		(118,143)
Instalment taxes paid	(352,322)	(1,366,672)
(Over)/under provision in previous yrs	(4,510)	(2,964)
Balance 30.06.2007	108,603	(551,378)
<u>Deferred Tax</u>		
Balance 01.07.2006	356,191	97,240
Charge for the year	169,505	258,951
(Over)/under-provision in previous yrs	-	-
Balance 30.06.2007	<u>525,696</u>	<u>356,191</u>



NOTE 12: CORPORATE SOCIAL RESPONSIBILITY

The Authority is committed to the principle of responsible corporate citizenship. Corporate Social Responsibility (CSR) is an integral part of the Authority's annual business plan and funds are put aside to finance related activities.

The Authority sponsors local, regional and national activities and regularly donates towards charitable causes of all kinds. During the year, a total of Kshs 65 million was donated towards CSR activities and projects.

NOTE 13: CONTINGENT LIABILITIES:

- (i) Cases filed against the Authority in respect of third party claims for loss of cargo, personal injury and loss of life are quantified under contingent liabilities. Estimated contingent liability associated with such cases amounted to Kshs. 200 million.
- (ii) The Authority has recognized contingent tax liability in penalties and interests which qualify for waiver but are yet to be waived by the Minister for Finance. Despite several applications for waiver, no formal response from the Treasury has been received. The contingent liability associated with this case is estimated at Kshs 800 million.

NOTE 14: RESERVES

Capital reserves arose from the revaluation of asset carried out in 1994 by Tyson Ltd, professional registered valuers.

General reserves are created from accumulated retained earnings or deficit. This account was in deficit until this year. The negative balance arose from the recognition of actuarial deficit following actuarial investigation conducted by Alexander Forbes Financial Services, Staff Pension Scheme actuary in 2003 in accordance with RBA Legislation.



NOTE 15: RELATED PARTY TRANSACTIONS

Included in debtors and investments are balances owing or receivable from the following related parties:

Description	2006/07	2005/06
	Kshs '000'	Kshs '000'
Kenya Ferry Service (Debtor)	441,189	441,189
Kenya Ferry Services (Equity)	100,000	100,000
Kenya National Shipping Line (Equity)	54,347	54,347
Kenya National Shipping Line (Debtor)	27,493	24,226

NOTE 16: INCORPORATION

The Authority is domiciled and incorporated in Kenya under the Kenya Ports Authority Act CAP 391

NOTE 17: CURRENCY

These financial statements are expressed in Kenya Shillings thousands (Kshs '000')