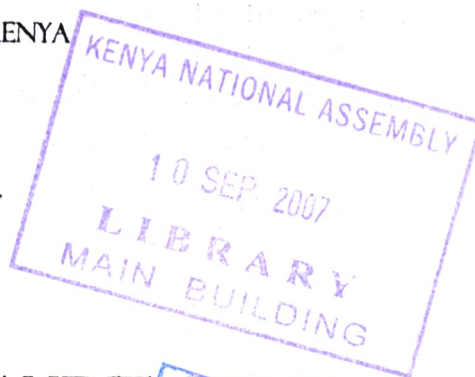


REPUBLIC OF KENYA



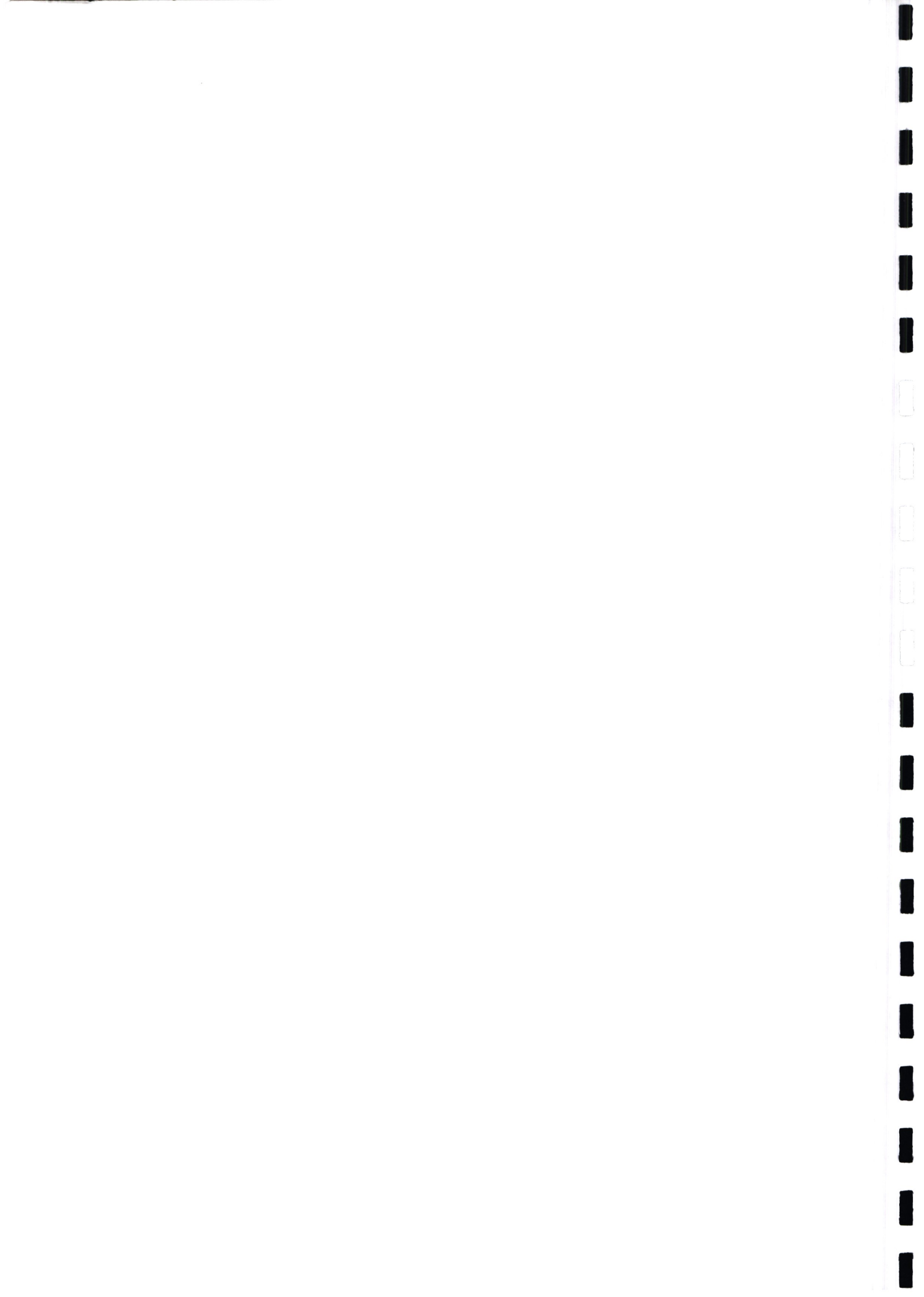
KENYA NATIONAL AUDIT OFFICE



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

ON

**THE FINANCIAL STATEMENTS OF
KENYA MARITIME AUTHORITY FOR
THE 18 MONTHS ENDED 30 JUNE 2006**

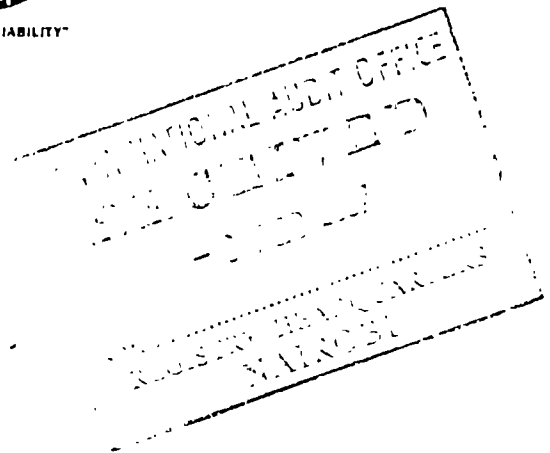


KENYA MARITIME AUTHORITY

Telephone: +254 41 2318397/8/9
Fax: +254 41 2220831
Email



Moi Avenue
P.O. Box 95076-80104
MOMBASA - KENYA

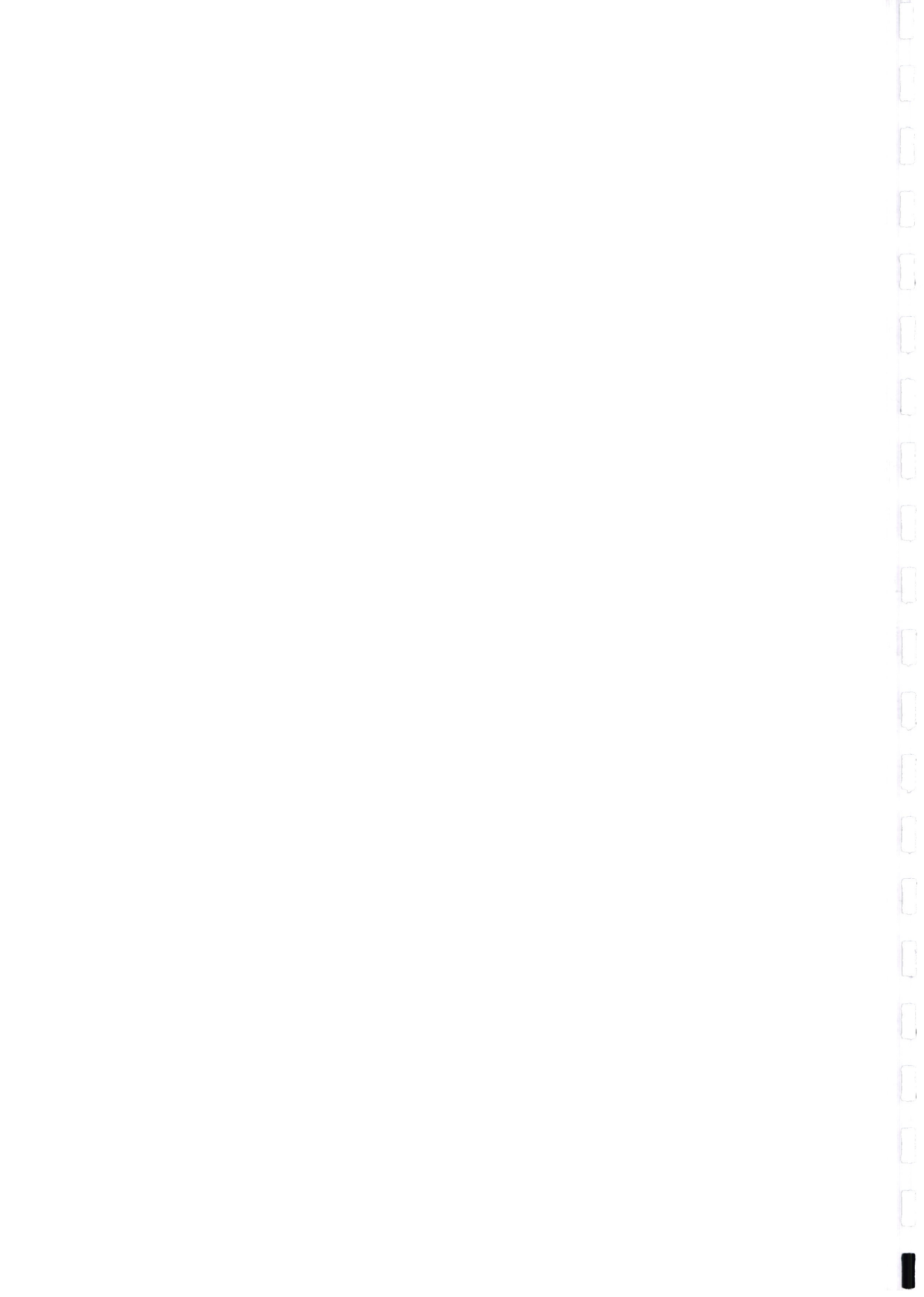


ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 2005 TO
30TH JUNE 2006

KENYA MARITIME AUTHORITY

TABLE OF CONTENTS	PAGE
CORPORATE INFORMATION	1
MANDATE OF THE AUTHORITY	2
STATEMENT FROM THE DIRECTORS REPORT	3
DIRECTORS RESPONSIBILITY	4
BALANCE SHEET	5
INCOME AND EXPENDITURE STATEMENT	6
CASH FLOW STATEMENT	7
FIXED ASSETS MOVEMENT SCHEDULE	8
NOTES TO THE ACCOUNTS	9-13



KENYA MARITIME AUTHORITY
CORPORATE INFORMATION ON THE AUTHORITY

DIRECTORS

		DATE OF APPOINTMENT
1.	COL.J.N. NGURU- CHAIRMAN	05 01/2005
2.	CAPTAIN F.O. WAHUTU- Ag. DIRECTOR GENERAL (RETIRED)	18 02/2005-10 05/2005
3.	NANCY W. KARIGITHU (MRS) DIRECTOR GENERAL	10.05/2006
4.	GERRISHON IKIARA-P S. MINISTRY OF TRANSPORT	Legal Notice No.79/2004 21.06/2004
5.	CAPTAIN JOHN M ODHACHI-MEMBER	06.01/2005
6.	CAPTAIN MESHILLAM MUTHAMI-MEMBER	06 01/2005
7.	AHMED A. MRAJA-MEMBER	06.01/2005
8.	CAPTAIN MAFATA NYAKEYA-MEMBER	06 01/2005
9.	LEUTNANT COL. HARJIT KELLY-MEMBER	06 01/2005
10.	SIMON INDIMULI-INSP. OF STATE CORPORATIONS	-
11.	KENNEDY ONDIEKI- MINISTRY OF FINANCE	-
12.	JUSTER NKOROI- ATTORNEY GENERAL	29 04/2006
13.	RAHA JILO- AG. CORPORATION SECRETARY	7.02/2005

SECRETARY

RAHA JILO
 BOX 95009-80101

REGISTERED OFFICE

WHITE HOUSE
 MOI AVENUE
 PO BOX 95076
 MOMBASA

MAIN BANKERS

KENYA COMMERCIAL BANK KILINDINI BRANCH
 BOX 90300- MOMBASA

AUDITORS

CONTROLLER AND AUDITOR GENERAL
 KENYA NATIONAL AUDIT OFFICE
 PO BOX 30084-00100
 NAIROBI

KENYA MARITIME AUTHORITY

MANDATE OF THE AUTHORITY

Kenya Maritime Authority was established on 21st June, 2004 vide legal Notice No. 79/2004.

Its Mandate is to regulate, coordinate and oversee activities in the maritime industry for maximum socio-economic benefits in line with national and international standards and conventions. Kenya Maritime Authority is funded largely through levies on the shipping industry and a grant from the Government.

KENYA MARITIME AUTHORITY

Telephone +254 41 2318398/9
Fax +254 41 2318397
Email: info@maritimeauthority.co.ke



Moi Avenue
P.O. Box 95076-80104
MOMBASA -KENYA

ANNUAL REPORT AND ACCOUNTS 2005/2006

Kenya Maritime Authority came into being through Legal Notice Number 79 of 2004, dated 21st June, 2004. The Board of Directors was appointed in January, 2005, and inaugurated by the Minister on 24th March, 2005.

During the second half of 2004/2005 activities of the Board and the Authority were funded solely by the Ministry of Transport and Kenya Ports Authority. During 2005/2006 operating staff were still seconded from KPA and the Central Government. The Institutional Structures were however approved and the exercise of recruiting staff started.

The accounts for 2005/2006 show a surplus of 117 million. This under-utilization of funds is attributed to low Institutional capacity. These resources will fund development projects outlined in the Strategic Plan.

Attempts had been made to hire office accommodation for the Authority, but available premises proved too expensive. It was resolved to negotiate with the KPA to lease the White House where the Merchant Shipping Office (a department of Ministry of Transport) was already operating. In order to accommodate the Board, and make the offices more habitable, necessary renovations had to be undertaken as the lease negotiations progressed.

Several Bills are pending before Parliament, the enactment of which will give the Authority additional regulatory/enforcement capacity;



These are:-

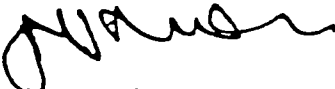
- (i) The merchant Shipping Bill.
- (ii) Marine Pollution Bill.

The Authority is also in the process of revising the Merchant Shipping fees and the Merchant Shipping Levy which if approved will reduce the Authority's dependence on the Exchequer.

The Authority has a Strategic Plan for the period 2006/2015, which will be formally launched in early 2007. The Plan together with the enhanced legal framework will equip the Authority with the capacity to more fully meet its mandate.

KMA aspires to be a modern State Corporation in terms of operational effectiveness, employee and customer satisfaction and social responsibility. To this end during the current financial year, the Authority will have a complete makeover of the office building and its environs, a state of the art ICT and Library facilities and implement an elaborate programme of employee training and customers/stakeholders awareness.

Finally, I take this opportunity to extend my gratitude and that of the Board of Directors to the Ministry of Transport, the Government, staff of Kenya Maritime Authority and all our customers/ Stakeholders for the great support extended to us and assure all that together, we have the capacity to make KMA a truly great public Institution.


Col. (Rtd) J.N. Nguru, EBS
CHAIRMAN

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

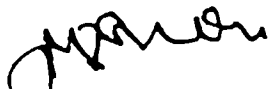
The Directors have the responsibility to ensuring that the Authority prepares financial statements for each financial year which give a true and fair view of the state of affairs of the Authority and the operating results for that financial year.

The State Corporations Act requires that the Directors ensure the Authority keeps proper accounting records, which disclose with reasonable accuracy the financial position of the organization. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the 2005/2006 accounts, which includes six months of 2004/2005 financial year.

The accounts have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimate in conformity with Internal Financial Reporting Standards and in a manner required by the State Corporations Act. The Directors accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of Financial Statements as well as adequate systems of internal financial control.

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


COL. (RTD) J.N. NGURU
CHAIRMAN


NANCY W. KARIGITHU
DIRECTOR GENERAL

DATE: 20 Jan 2007



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA MARITIME AUTHORITY FOR THE 18 MONTHS ENDED 30 JUNE 2006

I have audited the financial statements of Kenya Maritime Authority for the 18 months ended 30 June 2006 in accordance with the provisions of Section 14 of 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 financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and the Controller and Auditor General

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. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require 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 includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

1. Balance Sheet Assets, Funds and Liabilities

The Kenya Maritime Authority was established as a body corporate under State Corporations Act vide Legal Notice No.79/2004 dated 21 June 2004. According to Section 9 (b) of the legal notice, the Authority's mandate includes administration of its assets and funds for the best interest of the Authority.

The Kenya Maritime Authority balance sheet as at 30 June 2006 reflects total assets of Kshs.119,376,597.00 and total equity and liabilities of Kshs.119,376,597.00. The assets and liabilities were held by the Merchant Shipping Superintendent, a department of the Kenya Ports Authority, before Kenya Maritime Authority was established. No signed documents between the

Kenya Ports Authority and Kenya Maritime Authority were produced for audit verification to confirm the transfer of the assets and liabilities and funds formerly held by the Merchant Shipping Superintendent to Kenya Maritime Authority. In the absence of signed agreements or transfer documents, it was not possible to confirm the accuracy and completeness of the Assets, liabilities and funds reflected in the financial statements as at 30 June 2006.

It is observed that Kenya Maritime Authority Act, 2006 was enacted establishing Kenya Maritime Authority also as a body corporate. The commencement of this Act would be by notice by the Minister in a Kenya Gazette. No such notice has so far been seen. It is also not clear why Kenya Maritime Authority would be created as a body corporate under Section 3 of the State Corporation Act in 2004 and later as body corporate by an Act of Parliament in 2006.

2. Office Renovation - Kshs.1,550,312

Included in the operating and other costs figure of Kshs.16,631,803 for the period ended 30 June 2006 is an amount of Kshs.1,550,312 reflected as office renovations at white house building belonging to Kenya Ports Authority (KPA) whose tenancy agreement has not been signed. In the absence of a tenancy agreement, it is not possible to ascertain how the expenditure of Kshs.1,550,312 will be treated in the books of account.

Opinion

Except for the matters referred to in the preceding paragraphs, in my opinion, proper books of account have been kept and the financial statement give a true and fair view of the state of affairs of the Authority as at 30 June 2006 and of its surplus and cash flows for the period then ended in accordance with International Financial Reporting Standards and comply with Kenya Maritime Authority's Legal Notice No. 79/2004 dated 21 June 2004.

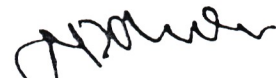

P.N. KOMORA
CONTROLLER AND AUDITOR GENERAL

Nairobi

06 March 2007

KENYA MARITIME AUTHORITY BALANCE SHEET AS AT 30-06/2006

ASSETS	NOTES	IAN 2005-30-06-2006
NON CURRENT ASSETS		
PROPERTY PLANT & EQUIPMENT	1	9,729,145.00
CURRENT ASSETS		
TRADE AND OTHER RECEIVABLES	2	45,287,930.00
BANK AND CASH BALANCES	3	64,359,522.00
TOTAL ASSETS		119,376,597.00
EQUITY AND LIABILITIES		
CAPITAL & RESERVES	4	1,500,000.00
REVENUE RESERVE	5	117,477,449.00
TOTAL EQUITY		118,977,449.00
CURRENT LIABILITIES		
TRADE AND OTHER PAYABLES	6	399,148.00
TOTAL EQUITY & LIABILITIES		119,376,597.00


 COL. J.N. NGURU
 CHAIRMAN


 NANCY W. KARIGITHU (MRS.)
 DIRECTOR GENERAL



KENYA MARITIME AUTHORITY

ANNUAL INCOME AND EXPENDITURE STATEMENT FOR THE PERIOD JANUARY 2005 TO 30TH JUNE 2006		
DETAILS	NOTES	30/06/2006
A. Recurrent income		Kshs.
MSS Levy		85,289,266.00
GOK GRANT		126,844,688.00
TOTAL INCOME		212,133,954.00
Recurrent Expenditure		
Staff costs	7	42,377,320.00
Board Expenditure	8	19,525,714.00
Domestic & Overseas Travel	9	10,395,727.00
Motor Vehicle Expenses	10	1,128,956.00
AUDIT FEES		100,000.00
Conferences and Seminars	11	2,932,070.00
Operations and Other Costs	12	16,631,803.00
Depreciation		1,564,915.00
Total Expenditure		94,656,505.00
Surplus		117,477,449.00



KENYA MARITIME AUTHORITY

CASH FLOW STATEMENT FOR THE PERIOD 1ST JANUARY 2005 TO 30TH JUNE 2006	
	2005/2006
OPERATING ACTIVITIES	Kshs.
SURPLUS / DEFICIT	117,477,449.00
ADJUSTMENT FOR ITEMS NOT INVOLVING MOVEMENT OF FUNDS	
DEPRECIATION	1,564,915.00
OPERATING SURPLUS / DEFICIT BEFORE WORKING CAPITAL CHANGES	119,042,364.00
CHANGES IN WORKING CAPITAL	
INCREASE / DECREASE IN DEBTORS	(45,287,930.00)
INCREASE / DECREASE IN CREDITORS	399,148.00
INVESTING ACTIVITY	
PURCHASE OF FIXED ASSETS	(9,794,060.00)
CASH & CASH EQUIVALENT AS AT 30/06/2006	64,359,522.00
NOTE	
Cash and Cash equivalent at the end of the period comprises;	
Cash at Bank	64,165,645.00
Cash on Hand	193,877.00
Total	64,359,522.00



KENYA MARITIME AUTHORITY

FIXED ASSETS MOVEMENT SCHEDULE AS AT 30TH JUNE 2006

ASSETS	Motor Vehicle	Computers	Furniture & Fittings	Kshs.
COST-JANUARY 2005	2,938,600.00			2,938,600.00
Additions	5,955,000.00	854,060.00	46,400.00	6,855,460.00
Balance as at 30th June 2006	8,893,600.00	854,060.00	46,400.00	9,794,060.00
DEPRECIATION				
charge for the Year	1,278,580.00	284,402.00	1,933.00	1,564,915.00
Valuation			1,500,000.00	1,500,000.00
Net Book Value as at 30th June 2006	7,615,020.00	569,658.00	1,544,467.00	9,729,145.00

KENYA MARITIME AUTHORITY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2006

ACCOUNTING POLICIES

(a) BASES OF PREPARATION

The financial statements have been prepared under the historical cost convention. Both donated and acquired have been modified by estimated valuation..

(b) REVENUE

- I) The revenue is collected on our behalf by Kenya Ports Authority.
- II) Government grants have been taken as revenue as per the requirements of IAS 20, subsection 12.

(C) EXPENDITURE

Expenditure is on accrual basis. Expenses paid directly by the Authority and those paid on our behalf by the Kenya Ports Authority have been taken as supported by payments vouchers and journal entries respectively.

1. FIXED ASSETS

-Fixed assets are reported net of depreciation.

The annual depreciation rates are as follows:-

Motor Vehicles	20%
----------------	-----

Computers and IT equipments 33.3%

Furniture Equipments and Fittings 12.5%

- Expenses incurred on renovation of the KMA Premises have been expensed, primarily because the Lease agreement has not been finalized with the Landlord- Kenya Ports Authority.
- The Furniture and Equipment was inherited from Kenya Ports Authority as they were being used by the then Merchant shipping Superintendent Department. A committee of senior officers was constituted to undertake valuation exercise on the equipments. The valuation of Shillings 1,500,000.00 is based on the current market value .

2. TRADE AND OTHER RECEIVABLES-45,287,930.00

This constitutes of money owed to the Authority by Kenya Ports Authority being net of MSS Levy collected through its system and expenditure incurred on behalf of Kenya Maritime Authority.

3. BANK AND CASH BALANCES-64,359,522.00

The Authority had a cash balance of Kenya Shillings One Hundred Ninety Three Thousand Eight Hundred Seventy Seven (193,877.00) and Kenya Shillings Sixty Four Million One Hundred Sixty Five Thousand Six Hundred and Forty Five (64,165,645.00) in the bank.

4. CAPITAL & RESERVES-1,500.000.00

The above figure is made up of Furniture and Equipments held by the Authority whose cost could not be established but were valued for purpose of record.

5. REVENUE RESERVE – 117,477,449.00

This is the surplus funds during the financial Year after all the recurrent expenditure and depreciation.

6. TRADE AND OTHER PAYABLES-399,148.00

The payables constitute Kshs.216,202.00 owed to Swift Global for installation of Internet for the KMA which was not completed as at the end of the Financial Year. Also owed was Kshs.82,946.00 for Motor Mileage payable to one of the Directors which was not paid due to insufficient funds in the Directors Vote and provision for audit fees of Kshs. 100,000.00.

7. STAFF COSTS- 42,377,320.00

The staff costs are broken down as follows:-

➤ Salary	26,580,389.00
➤ House allowance	4,231,012.00
➤ Other allowances	1,687,639.00
➤ Overtime	882,441.00
➤ Recruitment	2,514,741.00
➤ Training	2,684,896.00
➤ Leave	297,989.00
➤ Commuter Allowance	1,572,491.00
➤ Pension	<u>1,925,722.00</u>
Total	<u>42,377,320.00</u>

8. BOARD EXPENDITURE- 19,525,714.00

The board expenses are broken down as follows:-

➤ Sitting allowances	13,798,000.00
➤ Accommodation	3,104,000.00
➤ Taxi Fare	221,218.00
➤ Air Fare	1,346,433.00
➤ Honoraria	973,117.00
➤ Mileage Claim (due)	<u>82,946.00</u>
Total	<u>19,525,714.00</u>

An expenditure of Kshs.3,906,088.00 was incurred during the period January to 30th June, 2005 which has been incorporated into the Accounts.

9. DOMESTIC AND OVERSEAS TRAVEL-10,395,727.00

The amount was incurred for both Local and overseas travel on subsistence and transport costs by the officers on official duty.

10. MOTOR VEHICLE EXPENSES-1,128,956.00

The above amount is broken down as follows:-

➤ Fuel	247,828.00
➤ M.V. Maintenance	461,210.00
➤ M.V. Insurance	<u>419,918.00</u>
Total	<u>1,128,956.00</u>

11. CONFERENCE AND SEMINARS- 2,932,070.00

The Authority utilized the above amount on hire of conferences during performance contract negotiations and briefings.

12. OPERATING AND OTHER COSTS-16,631,803.00

The above figure is broken down as follows:-

➤ Entertainment	354,530.00
➤ Water	281,716.00
➤ Electricity	692,588.00
➤ Stores	999,953.00
➤ Print & Computer exp.	3,990,506.00
➤ Repair & Maintenance	19,710.00
➤ Club Fees	23,220.00
➤ Publicity & Awareness	4,574,626.00
➤ Incidentals	501,121.00
➤ Medical	2,419,863.00
➤ Rent	209,356.00
➤ Renovation	1,550,312.00
➤ Communication	734,185.00
➤ ICT (Internet Installation)	216,202.00
➤ Bank Charges	<u>63,915.00</u>
Total	<u>16,631,803.00</u>