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KENYA FERRY SERVICES LIMITED



**REPORT OF THE
CONTROLLER AND AUDITOR GENERAL
ON THE
FINANCIAL STATEMENTS OF
KENYA FERRY SERVICES LIMITED
FOR THE YEAR ENDED 30 JUNE 2004**

KENYA NATIONAL ASSEMBLY
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NAIROBI

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, 2004



BOARD OF DIRECTORS



ALI MANDHRY
CHAIRMAN



J.J. RIA
MANAGING DIRECTOR



GERISHON IKIARA
DIRECTOR
PS - TRANSPORT

JOSEPH KINYUA
DIRECTOR
PS - TREASURY



A. WARUI
DIRECTOR



A.M. GUNDA
DIRECTOR



B.M.M. ONDEGO
DIRECTOR



A.M. GAKERE
Alternate DIRECTOR
To PS - Transport

J. GICHUHI
Alternate DIRECTOR
To PS - Treasury

MUTHONI GATERE
COMPANY SECRETARY

CORPORATE INFORMATION

DIRECTORS	ALI MANDHRY	CHAIRMAN
	JOHN J. RIA	MANAGING DIRECTOR
	JOSEPH KINYUA	PS TREASURY
	GERISHON IKIARA	PS TRANSPORT
	A. G. WARUI	DIRECTOR
	ALI HAJI M. GUNDA	DIRECTOR
	B.M.M. ONDEGO	DIRECTOR
	J. GICHUHI	Alternate to Joseph Kinyua
	A.M. Gakere	Alternate to Gerishon Ikiara
Secretary	Muthoni Gatere	Company Secretary
Registered office and Place of Business	PELELEZA	
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
CPS (K)

Muthoni Gatere
Company Secretary
LLB (HONS)

**KENYA FERRY SERVICES LIMITED
DIRECTOR'S REPORT
FOR THE YEAR ENDED 30TH JUNE 2004**

The directors submit their report together with the financial statements for the year ended 30 June 2004, which disclose the state of affairs of the company.

The company was incorporated in November 1989 under the company's Act Cap 486.

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 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 210 workers.

Principal Activities

The principal activities of the company is ferrying vehicles and pedestrians across the Likoni channel and only pedestrians across the Mtongwe channel.

Vehicles pay toll charges controlled by the Government while pedestrian cross free of charge. However, the Government gives the company Grant to compensate the free pedestrian services.

KENYA FERRY SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004


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 30 June 2004 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, 2004

I have audited the financial statements of Kenya Ferry Services for the year ended 30 June, 2004 in accordance with the provisions of Section 14 of the Public Audit Act 2003. I have obtained all the information and explanations considered necessary for the purpose of the audit. Proper books of account have been maintained and the financial statements are in agreement therewith and comply with the companies Act Cap 486.

Respective Responsibilities of the Directors and the controller and Auditor General

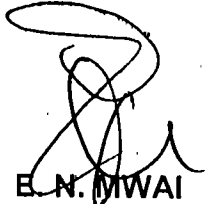
The Directors are responsible for the preparation of financial statements which give a true and fair view of the company's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

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 misstatements. An audit includes an examination, on a text basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluation of the overall financial statements presentation. I believe my audit provides reasonable basis for the opinion.

Opinion

In my opinion, the financial statements when read together with the notes thereon present fairly the financial position of the company as at 30 June 2004 and of its surplus and cash flows for the year then ended.



E. N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

23 June 2005

**Income and Expenditure Statement for the year ended
30th June 2004**

		2004 Kshs.	2003 Kshs.
INCOME			
	Note		
Income from operations	2	103,530,291	101,539,948
Interest Income	3	3,893,755	453,375
Other income	4	3,514,245	1,230,636
Government Grants	5	200,000,000	200,000,000
		<hr/>	<hr/>
Total		<u>310,938,291</u>	<u>303,223,959</u>
 EXPENDITURE			
Staff & Administrative Cost	6	127,333,474	120,479,656
Operational Costs	7	154,387,837	159,376,608
Depreciation Expenses	8	79,678,716	66,986,370
Provision for fund in KFB	14	1,966,508	413,340
Provision for Mtongwe Compensation	23	13,005,642	-
		<hr/>	<hr/>
TOTAL		<u>376,422,177</u>	<u>347,255,973</u>
Surplus or Deficit from Operation		(65,483,886)	(44,032,014)
Add extraordinary Exceptional income	24	56,096,902	-
		<hr/>	<hr/>
Net Surplus/Deficit for the year		<u>(9,386,984)</u>	<u>(44,032,014)</u>

KENYA FERRY SERVICES LIMITED

BALANCE SHEET AS AT 30TH JUNE 2004

	<u>NOTE</u>	<u>2004</u> <u>KSHS.</u>	<u>2003</u> <u>KSHS.</u>
<u>NON-CURRENT ASSET</u>			
Property, Plant & Equipment	8	298,628,668	365,367,889
Capital Works Progress	9	<u>51,271,921</u> ✓	<u>10,644,184</u>
		<u>349,900,589</u>	<u>376,012,073</u>
<u>CURRENT ASSETS</u>			
Short term Investments	10	308,379,339 ✓	28,439,376
Service Pay Benefit	11	-	1,966,508
Stocks	12	87,167,607 ✓	82,094,142
Trade and Other debts	13	6,349,796 ✓	5,859,399
Bank and cash balance	14	<u>277,357</u> ✓	<u>242,133</u>
		<u>402,174,099</u>	<u>118,601,558</u>
<u>TOTAL ASSETS</u>		<u>752,074,688</u>	<u>494,613,631</u>
<u>SHAREHOLDERS FUNDS AND LIABILITIES</u>			
Share Capital	15	499,904,000	499,904,000
Reserves	16	-816,307,788	-807,157,455
Revaluation Reserves	17	346,472,073	346,472,073
Government funds	18	<u>358,340,103</u>	<u>58,340,103</u>
		<u>388,408,388</u>	<u>97,558,721</u>
<u>Non Current Liabilities</u>			
Advances from KPA	19	<u>323,399,146</u>	<u>379,496,048</u>
		<u>323,399,146</u>	<u>379,496,048</u>
<u>Current Liabilities</u>			
Trade and other payables	20	39,540,300	14,413,294
Bank Overdraft	21	<u>726,854</u> ✓	<u>3,145,568</u>
		<u>40,267,154</u>	<u>17,558,862</u>
Total Equity and Liabilities		<u>752,074,688</u>	<u>494,613,631</u>



A. MANDHRY
CHAIRMAN



JOHN J. RIA
MANAGING DIRECTOR

**STATEMENT OF CHANGES IN EQUITY FOR THE
YEAR ENDED 30TH JUNE 2004**

	<u>Share Capital</u>	<u>Revaluation Reserve KSHS.</u>	<u>Revenue Reserve KSHS.</u>	<u>Government Funds</u>	<u>TOTAL</u>
At 1.7.2002	486,504,000	335,012,573	-764,264,700	-	57,251,873
Transfer of revaluation surplus	-	11,459,500	-	-	11,459,500
Share Capital paid by GOK	13,400,000	-	-	-	13,400,000
Adjustment for capital - Computers	-	-	1,139,259	-	1,139,259
Net Profit/Deficit for year	-	-	-44,032,014	-	-44,032,014
Funds for Purchase of Maintenance of facility	-	-	-	58,340,103	58,340,103
At 30th June 2003	499,904,000	346,472,073	-807,157,455	58,340,103	97,588,721
At 1.7.2003	499,904,000	346,472,073	-807,157,455	58,340,103	97,588,721
Net Surplus/Deficit for the year	-	-	-9,386,985	-	-9,386,985
Adjustment for valuation - Divecon	-	-	236,652	-	236,652
Receipt of Government funds for purchase of ferries & Investment	-	-	-	300,000,000	300,000,000
At 30th June 2004	499,904,000	346,472,073	-816,307,788	358,340,103	388,408,388

CASHFLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2005

	<u>NOTE</u>	<u>2005</u> KSHS.	<u>2004</u> KSHS.
OPERATING ACTIVITIES			
Cash generated from operating activities	20	33,301,411	392,062,351
Investment Activities			
Purchase of Property, Plant + Equipment	8	59,114,029	12,943,812
Capital Works in Progress		62,864,939	40,627,737
Net Cash (used) in Investing Activities		121,978,968	53,571,549
Financing Activities			
Repayment of KPA advance		-	56,096,902
Net Cash used in financing Activities		-	56,096,902
(Decrease)/Increase in cash and cash equivalent		-88,677,557	282,393,900
Movement in cash and cash equivalent			
At start of year		307,929,841	25,535,941
(Decrease)/Increase		-88,677,557	282,393,900
At end of year		219,252,284	307,929,841

NOTES TO FINANCIAL STATEMENTS

Note 1: Accounting Policies

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

(a) Basis of 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 annual 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 12.5%
- (iv) Office furniture + Equipment – Over 8 years or 12.5%
- (v) Computers and software - over 4 years or 25%
- (vi) Leased Buildings - over 30 years or 3 % term of the lease on land
- (vii) Permanent Buildings over 50 years or 2%.
- (viii) 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) Stocks are stated at lower of cost and net realizable value
Cost is determined by first in first out (FIFO) method and includes cost of purchase and other charges incurred in bringing the stock to the present location.

(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 contribution 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 are determined by legal statute and are currently limited to Kshs.200 per employee per month. The company's contribution to the above scheme are 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.

NOTE 2 Income earned from Principal Activity

	2003/04	2002/03
	Kshs.	Kshs.
Income from vehicle ferry crossing	102,173,022	100,327,328
Sale of ferry passes	1,265,734	1,160,620
Hire of ferry	91,535	52,000
	<u>103,530,291</u>	<u>101,539,948</u>

NOTE 3 Net Interest Income from Short term deposit

	2003/04	2002/03
	Kshs.	Kshs.
Interest Income	4,206,564	902,572
Less Bank charge and Interest on overdraft	(312,809)	(449,197)
	<u>3,893,755</u>	<u>453,375</u>

NOTE 4 Other Income

This is income from renting space at ferry, sale of pre-qualification forms, and sale of tender documents.

	2003/04	2002/03
	Kshs.	Kshs.
NOTE 4 Other Income	4,715,471	2,452,206
Less Advertisement cost	(124,068)	(42,208)
Printing cost (50%)	(1,077,158)	(1,179,362)
	<u>3,514,245</u>	<u>1,230,636</u>

	2003/04 Kshs.	2002/03 Kshs.
NOTE 5 Government Grants/ Subvention	200,000,000	200,000,000
NOTE 6 Staff/Administrative Costs		
	2003/2004	2002/2003
(i) Salaries & Wages	93,614,644	93,091,001
(ii) Staff Transport	3,860,556	4,301,606
(iii) NSSF	491,000	659,684
(iv) Provident/Pension Contribution	4,787,846	2,372,991
(v) Service Pay Benefits	2,982,242	-
(vi) Medical Expenses	13,749,072	13,378,547
(vii) Staff Uniforms	2,162,280	1,693,993
(viii) Staff Welfare Expenses	1,188,000	1,832,856
(ix) Staff Leave Entitlement	1,693,334	-
(x) Leave Traveling Expenses	2,804,500	3,148,948
	<u>127,333,474</u>	<u>120,479,656</u>
Number of staff	206	204

NOTE 7 Operational Costs

(i) Fuel/Oil delivery Expenses	31,878,488	31,985,538
(ii) Cost of ferry repairs and Maint.	42,883,062	42,143,968
(iii) Ferry Dry-docking	14,663,236	15,937,171
(iv) Ferry Insurance	17,571,791	20,436,046
(v) Licence, Inspection & Survey	887,813	664,098
(vi) Office building repair + Maint.	498,048	1,186,441
(vii) Office furniture & Equipment	458,455	661,253
(viii) Ferry Safety, Equipment & Repair	445,929	856,035
(ix) Board Expenses & Directors fees	1,863,725	667,671
(x) Motor vehicle running expenses	2,771,205	3,021,274
(xi) Professional fees	143,940	355,950
(xii) Publicity & Public Relations	352,538	671,236
(xiii) Entertainment	1,406,278	1,209,051
(xiv) Legal Expenses	1,221,875	32,900
(xv) Motor vehicle Insurance	467,520	1,228,553
(xvi) Other Insurance	2,228,177	1,338,685
(xvii) Rents and Rates	145,211	165,318
(xviii) Electricity and Water	1,461,106	1,091,422
(xix) Telephone + Postage	3,758,957	3,914,176
(xx) Printing & Stationery	1,077,158	1,179,362
(xxi) Traffic/Crowd Control	9,721,125	9,878,738
(xxii) Newspaper + Periodicals	337,613	313,115
(xxiii) Laundry Expenses	480,936	706,834
(xxiv) Donation and Subscription	248,841	446,895
(xxv) General Expenses	1,512,715	2,086,925
(xxvi) Money transits Services	555,310	472,095
(xxvii) Planning Research & Dev.	2,217,408	918,000
(xxviii) Human Resources Consultancy	344,220	2,025,437
(xxix) Contingency	3,116,186	-
(xxx) Staff recruitment + Training	4,066,402	2,175,956
(xxxi) Duty Travel & Conn. Expenses	3,514,111	3,808,105
(xxxii) HIV/AIDS awareness	1,610,502	1,208,820
(xxxiii) I.T. Implementation + Training	527,956	4,999,560
(xxxiv) Ferry Operation & Maintenance	-	1,589,980
	<u>154,437,837</u>	<u>159,376,608</u>

NOTE 8 Property, Plant, and Equipment

<u>COST</u>	<u>FERRY VESSELS</u>	<u>FERRY, PLANTS & TOOLS</u>	<u>MOTOR VEHICLES</u>	<u>COMPUTERS</u>	<u>OFFICE EQUIPMENT</u>	<u>FREEHOLD LAND</u>	<u>BUILDINGS</u>	<u>LEASED BUILDING</u>	<u>LEASEHOLD LAND</u>	<u>TOTAL</u>
At 1.7.2003	983,850,045	131,862,830	12,920,020	20,693,124	6,472,777	16,532,791	20,629,770	8,000,000	2,000,000	1,202,961,357
Additions	-	-	1,607,655	4,748,558	6,587,599	-	-	-	-	12,943,812
30.6.2004	983,850,045	131,862,830	14,527,675	25,441,682	13,060,376	16,532,791	20,629,770	8,000,000	2,000,000	1,215,905,169
Depreciation										
1.7.2003	748,858,362	63,986,873	7,150,266	12,384,965	2,608,569	-	-	1,739,150	869,600	837,597,785
Charge for the year	49,192,502	16,482,853	3,631,919	6,360,420	3,265,094	-	412,595	266,667	66,666	79,678,716
At 30.6.2004	798,050,864	80,469,726	10,782,185	18,745,385	5,873,663	-	412,595	2,005,817	936,266	917,276,501
NET BOOK VALUE										
At 30th June 2004	185,799,181	51,393,104	3,745,490	6,696,297	7,186,713	16,532,791	20,217,175	5,994,183	1,063,734	298,628,668
At 30th June 2003	234,991,683	67,875,957	5,769,754	8,308,159	3,864,208	16,532,791	20,629,720	6,265,217	1,130,400	365,367,889

NOTE 9 Capital Works in Progress Kshs.51,271,921

This represent works in progress of a bus park and business stalls at the Likoni mainland.

NOTE 10 Short Term Investments Kshs.308,379,339

	2004 Kshs.	2003 Kshs.
Build up of service pay benefits funds	4,485,584	2,085,584
Funds for construction of Bus Park and stalls	100,000,000	-
Funds for purchase of ferries	200,000,000	-
Recurrent funds in fixed deposit	3,893,755	26,353,792
	<u>308,379,339</u>	<u>28,439,376</u>

NOTE 11 Provision for bad debts Kshs.1,966,508
Service Pay Benefits deposited with Kenya Finance Bank, which is in liquidation.

NOTE 12 Inventories

	2004 Kshs.	2003 Kshs.
Fuel, Oil stocks	1,137,851	1,094,099
Stationery stocks	2,018,014	1,729,730
Spares stocks	84,011,742	79,270,313
	<u>87,167,607</u>	<u>82,094,142</u>

NOTE 13 Trade debtors & Other Receivables Kshs.6,349,796

Trade debtors – Private Sector	2,149,289	2,276,794
Public Sector	1,054,705	1,856,612
	<u>3,203,994</u>	<u>4,133,406</u>
Less Provision for bad debts	(808,315)	(808,315)
	<u>2,395,679</u>	<u>3,325,091</u>
Other Receivables	-	12,589
Toll Collectors	67,286	-
Interest receivable	1,869,290	-
Refundable	100,000	50,000

Staff Imprests	875,060	510,954
Salary Advances	1,041,448	1,960,766
Kenindia	1,033	-
	<u>6,349,796</u>	<u>2,534,309</u>

NOTE 14 Cash & Cash Equivalent

	2004	2003
Cash on hand	233,369	233,369
Petty Cash	43,988	8,764
	<u>277,357</u>	<u>242,133</u>

NOTE 15 Share Capital

Government of Kenya	399,904,000	399,904,000
Kenya Ports Authority	100,000,000	100,000,000
	<u>499,904,000</u>	<u>499,904,000</u>

NOTE 16 Accumulated Reserves

	2004	2003
	Kshs.	Kshs.
At 1.7.2003	(807,157,455)	(764,264,700)
Adjustments for prior year - Valuation fees for Divecon facility Expensed last year now capitalized	236,652	1,139,259
Deficit for year	(9,386,985)	(44,032,014)
	<u>(816,307,788)</u>	<u>(807,157,455)</u>

NOTE 17 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.

NOTE 18 GOVERNMENT FUNDS FOR CAPITAL WORKS

	2004	2003
	Kshs.	Kshs.
Funds for Purchase of Maintenance Facility	58,340,103	58,340,103
Funds for Construction Of Bus Park and Stalls	100,000,000	-

Funds for Purchase of ferries	200,000,000	-
	<u>358,340,103</u>	<u>58,340,103</u>

NOTE 19 Kenya Ports Authority Advances

	2004	2003
	Kshs.	Kshs
At 1.7.2003	379,496,048	379,496,048
Received during year	-	-
Repaid during year	56,096,902	-
At 30th June 2004	<u>323,399,146</u>	<u>379,496,048</u>

NOTE 20 Trade Creditors and Other payables Kshs.39,540,300

Trade creditors	9,962,039	11,561,384
Sundry debtors & Creditors		
National Youth Service	573,300	-
PAYE	2,982,391	312,410
NHIF	47,680	47,560
NSSF	-	78,000
Bandari Sacco	605,523	57,145.35
Kivuko	1,020,000	-
Kenya Ferry Service Welfare	98,500	-
British America Insurance	5,060	15,529.30
Co-operate Insurance	-	7,579.65
Pan African Insurance	21,025	20,957.80
Cannon Insurance	-	20,993
Madison Insurance	7,455	3,316.60
Kennidia Insurance	-	26,198.90
Tawu	740	27,170
Salary Control	-	70,594
Payroll Control	-	28,468
Alico Insurance Co.	12,312	12,499.85
LASC	-	11,200
ART (K)	7,936	27,612
Amedo Centre	38,790	83,410
Post Bank	-	780
Mbarak Sports Club	-	5,400
Group Life	-	63,339.15
Mossnet Industries	8,191	-
National Bank of Kenya	12,312	-
ICEA	609,000	6000
VAT	3,125	-
Khadhis Court	-	6,592.70
Staff debt clearing a/c	4,548	

Provision and Accruals	600,000	1,000,000
Overseas Ferry Insurance Payable	7,287,967	-
Mtongwe compensation payable	13,005,642	-
Staff leave days payable	1,693,334	-
Service Pay Benefits Payables	933,430	933,430
	<u>39,540,300</u>	<u>14,427,570.30</u>
NOTE 21 Bank Overdraft	<u>(726,854)</u>	<u>(3,145,568)</u>
	<u>726,854</u>	<u>3,145,568</u>

NOTE 22 Cash Generated from Operations
Reconciliation of surplus/deficit to cash generated from Operations.

	2004 Kshs.	2003 Kshs.
Deficit for year	(9,386,985)	(44,032,014)
Adjustment for		
Depreciation (8)	79,678,716	66,986,370
Provision for bad debt KFB	(1,966,508)	-
Add Adjustment for valuation fees	280,230	-
Government funds used for		
Capital Projects	-	413,340
Share Capital Paid by Government	-	13,400,000
Government funds received	300,000,000	58,340,103
For Capital Projects		
Interest Income	4,206,564	902,572
Interest expense	(312,809)	(449,197)
Changes in Working Capital		
Receivables	(490,397)	1,385,838
Inventories	(5,073,464)	(18,855,295)
Payables	25,127,004	(12,144,971)
Cash generated from Operations	<u>392,062,351</u>	<u>65,946,746</u>

Note 23 Provision for Mtongwe Compensation Kshs.13,005,642
The company has provided for Kshs.13,005,642 as liability for Mtongwe compensation.

NOTE 24 Extraordinary Income Kshs.56,096,902

There was excess Overseas Insurance premiums refunds which had been expensed over the year.

NOTE 25 Currency

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