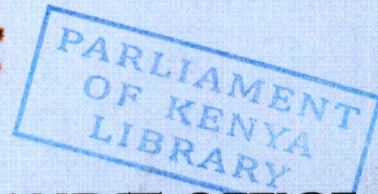


REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
MECHANICAL AND TRANSPORT FUND**

**FOR THE YEAR ENDED  
30 JUNE 2014**

**MINISTRY OF TRANSPORT AND  
INFRASTRUCTURE**

*Paper laid  
By Hon. A. Suake  
(Lomb) on Thursday  
11.06.2015.  
MMW*

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON MECHANICAL AND TRANSPORT FUND FOR THE YEAR ENDED 30 JUNE 2014 - MINISTRY OF TRANSPORT AND INFRASTRUCTURE

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Mechanical and Transport Fund set out on pages 1 to 12, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, the statement of changes in net assets and statement of cash flows for the year then ended, together with a summary of significant accounting policies and other explanatory information in accordance with provisions of Article 229 of the Constitution of Kenya and Section 8 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.

#### **Management's Responsibility for the Financial Statements**

The Accounting Officer - Ministry of Transport and Infrastructure is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Accounting Officer is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Sections 6 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether 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 control 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Basis for Qualified Opinion**

#### **1. Travel and Subsistence allowance**

Included in the Travel and Subsistence Allowance expenditure of Kshs.43,574,068.40 reflected in the fund's statement of financial performance for the period ending 30 June 2014 is an expenditure of Kshs.3,813,000.00 incurred to cater for a Ministerial Team Building Retreat at the Great Rift Valley Lodge held from 17 to 20 July 2013 on the premise that the same would be refunded to the Fund by the Parent Ministry.

However, as at 30 June 2014 there was no evidence that the same had been refunded by the Parent Ministry and therefore the total expenditure of Kshs3,813,000 is ineligible and should not be a charge to the Fund's Account.

#### **2. Supply of Computers and Related Equipments**

Included in Annex 2A –analysis of pending bills of the financial statements of Kenya National Highways Authority for the year ended 30 June 2014 is Invoice No. 812 from a supplier of computers dated 19 November 2013. The supplier was competitively awarded the contract for the supply of the three (3) Rack-Mount type computer servers; ninety four (94). Standard Desktop Computers; twelve (12). Touch Smart Desktop Computers; eight (8) Laptop Computers and forty six (46) Integrated Service Routers on 13 June 2103 at the tender sum of Kshs.25,564,350.00 all of which were purchased for Mechanical and Transport Fund under Northern Corridor Transport Improvement Project, IDA Credit Nos. 3930 - KE and 4571- KE.

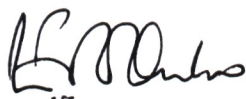
The supplier is said to have delivered the goods to Mechanical and Transport Fund of Ministry of Transport and Infrastructure on 19 November 2013 vide delivery note No. 1063. The Inspection and Acceptance Committee inspected and accepted only eight (8) laptop computers and nineteen (19) Integrated service routers all valued at Kshs. 2,975,150.00. It's reported that the rest of the goods though delivered were stolen before they could be inspected by the Inspection and Acceptance Committee.

Despite the forgoing and although the Goods Received Notes were not issued, Kenya National Highways Authority paid for all the goods vide Payment Voucher Number 17690 dated 23 July 2014 for Kshs.22,589,200.00.

In the circumstances, no value for money was obtained from the expenditure of Kshs.22,589,200.

### **Qualified Opinion**

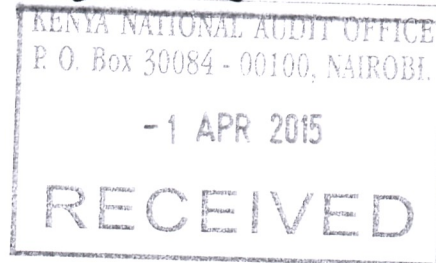
In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of Mechanical and Transport Fund of the Ministry of Transport and Infrastructure as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards and comply with Legal Notice No. 140 of 2003 and Public Financial Management Act, 2012 of the Laws of Kenya.



**Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**13 May 2015**



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**MINISTRY OF TRANSPORT AND INFRASTRUCTURE  
STATE DEPARTMENT OF INFRASTRUCTURE  
MECHANICAL AND TRANSPORT DIVISION  
MECHANICAL AND TRANSPORT FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2014**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector  
Accounting Standards (IPSAS)**

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## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Mechanical and Transport Fund (MTF) was established in 2003 through Legal Notice No. 140. The objective and purpose of the Fund is to provide enough funds required for maintenance and renewal of vehicles, plants and equipment for the operations and maintenance for effective, economical and efficient Mechanical and Transport services in Kenya. The initial capital of the Fund of Kshs. 22 million was appropriated by parliament in the 2003/2004 financial year. The Kenya Government entered into an EDCF loan agreement with the Republic of Korea culminating into the signing of the agreement on 15<sup>th</sup> April, 2005 between the two Governments for Kshs. 2 billion.

### **(b) Principal Activities**

To provide Mechanical, Transport and plant services. These services include provision of equipment for development and maintenance of infrastructure, and a wide range of mechanical and Technical services to public and private sectors in Kenya.

### **(c) Key Management**

The Mechanical and Transport Fund day-to-day management is under the following key organs:

- Principal Secretary, State Department of Infrastructure
- Chief mechanical and Transport Engineer
- Fund Management Committee

### **(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2014 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Principal Secretary	<b>Eng. John Mosonik, EBS</b>
2.	Senior Principal Supt. Engineer -Roads	<b>Eng. Francis Gitau,</b>
3.	Chief Mechanical And Transport Engineer	<b>Eng. Paul T. Mukiri</b>

### **(e) Entity Headquarters**

Mechanical and Transport Division  
P.O. 30043-00100  
Nairobi.

### **(f) Entity Contacts**

Telephone: (254) 551960/1-5  
E-mail: cmte&mechanical.go.ke  
Website: www.transport.go.ke

**(g) Entity Bankers**

1. Kenya Commercial Bank  
Industrial Area Branch  
002 – 1102590339

**(h) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084 – 00100  
Nairobi - Kenya

**(i) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112 - 00200  
Nairobi – Kenya



## II. MANAGEMENT TEAM

Senior Principal Supt. Engineer (Roads)	Chairman
Chief Finance Office	Member
Principal KIHBT	Member
Chief Finance Officer	Member
Principal Accounts Controller	Member
Head of Central Planning	Member
Director Human Resources	Member
Chief Mechanical & Transport Engineer	Secretary

### **III. CHAIRMAN'S STATEMENT**

I am delighted to present the Mechanical and Transport Fund Annual report and financial statements for the year 2013-2014.

During the period under review, the MTF performed exceptionally well for the financial year compared to last financial years performance and improved its financial standing with revenues growing by an estimated 8.8% from Kshs.1, 251, 430, 575.25 (Kenya Shillings one billion, two hundred fifty one million, four hundred thirty thousand, five hundred and seventy five, cents twenty five) in 2012/2013 financial year to Kshs.1, 358, 590, 896.68(Kenya Shillings one billion three fifty eight million, five hundred ninety thousand, eight hundred and ninety six, cents sixty eight) in 2013/2014. This is an indication that the fund has great potential for growth.

### **CHALLENGES**

Some of the challenges experienced during the year include equipment hiring rates that are not competitive which at times made contractors opt for cheaper alternatives; aging equipment's resulting in frequent breakdowns and longer repair period with lesser working hours; sharp rise in inflation rate leading to high fuel and spare parts prices and stiff competitor environment that further led to reduced use of MTF equipment. However, despite all these challenges the Fund realized the set targets for the year under review.


### **FINANCIAL PERFORMANCE**

During the year, significant steps were taken to strengthen the business fundamentals which ensured that the Fund continued posting growth as it has done since its inception. Major among these were; Strengthening of internal controls, improved service delivery; formulation and standardization of equipment rental rates for use by both Public and Private sectors; purchase of key new equipment and training of staff. In addition the management team is currently mooting proposals to improve the business plan for approval by the patron.

### **APPRECIATION**

The success of Mechanical and Transport Fund is attributable to the tremendous support and guidance by the Accounting Officer, Ministry of Transport and Infrastructure; the expertise and hard work of the management committee and staff of Mechanical and Transport Department. I am grateful to the members of the Management Committee for their continued endeavor to improve the business strategies of the Fund.

• I would like to take this opportunity to thank the Principal Secretary Ministry of Transport and Infrastructure and the Government of Kenya for the support they have given to the Fund Management Committee. I would also like to thank the management and staff for their dedication in the provision of services with diligence that has greatly contributed to the success of the Fund. Mechanical and Transport Fund looks forward to working Closely with the rest of the Ministry of Transport and Infrastructure divisions, Roads Authorities' Kenya National Highways Authority, Kenya Urban Roads Authority, Kenya Rural Roads Authority, and other Government of Kenya Ministries and Departments and the private sector to further ensure the continued success of the fund and also the improvement of road infrastructure and service to the Nation at large.



**Eng. Francis Gitau**

**CHAIRMAN**

**MTF - MANAGEMENT COMMITTEE**

#### **IV. REPORT OF THE CHIEF MECHANICAL & TRANSPORT ENGINEER**

The performance of the Mechanical and Transport Fund in the financial year 2013-2014 improved despite the challenges that faced the country and the fund. During the year under review, the management embraced operational efficiency through provision of services by ensuring availability and serviceability of vehicles, plant and equipment; procurement of new supervision vehicles, key plant and equipment to replace those that were found to be uneconomical to repair. The management also sought to improve and re-equip the Central and County workshops in order to provide quality services that would guarantee effective and efficient utilization of available resources. Formulation and standardization of the rental rates for both Public and Private Sectors ensured most of the plants and equipment in the fund were engaged for most of the year.

Despite many challenges, the fund maintained a strong financial position and revenue rose to Kshs. 1,358,590,896.68 in 2013/2014 from Kshs. 1,251,430,575.25 in 2012/2013.

##### **ACHIEVEMENT:-**

During the period under review, 2013/2014 Financial Year, the following was achieved through the Fund:-

- (i) Increased availability and serviceability of vehicles, plant and equipment.
- (ii) Additional funding from the National Government.
- (iii) Identification and disposal of vehicles, plant and equipment that was uneconomical to repair.
- (iv) Procurement of additional key vehicles, plant and equipment.
- (v) Improvements to the Central and county workshops including re-equipping of the same in order to provide quality services for effective and efficient utilization of available resources.
- (vi) Promotion of Mechanical and Transport services.

- i. Plant operators' refresher course.
- ii. Driver's First Aid and Advanced Driving course.
- iii. Strategic leadership development program for senior staff.

The regions that performed well were; Nakuru, Nairobi, Turkana, and Eldoret. Most of these regions had projects within their areas of operation hence the equipment worked almost throughout the year. Others like West Pokot, Uasin Gishu, Narok, and Nandi had also opted to extensively employ the MTF equipment.

#### **CHALLENGES:-**

The following challenges affected Mechanical and Transport Fund in the 2013/2014.

- (i) Long rains experienced throughout the country during the months from March through May, 2014. This made it impossible for the equipment to carry out any roads works thereby limiting working hours to a minimal level.
- (ii) Anxiety and uncertainty during the period the Governors were agitating for the equipment to be devolved to the counties thus killing the MTF
- (iii) The hire rates for some equipment were on higher side resulting to contractors opting for private competitors in the provision of equipment. These are being revised
- (iv) High prices of materials particularly fuel and spare parts,
- (v) Generally, the equipment are aging thus requiring more intensive maintenance and repairs due to frequent breakdowns costing MTF loss of revenue due to longer down time.
- (vi) Insecurity threats posed by AL-Shabaab and inter clan wars contributing to low revenue in Wajir, Garissa Marsabit, Isiolo and Tana River Counties.
- (vii) A good number of lower carder staff was also offloaded during the civil service retrenchment exercises. The Fund therefore needs to recruit new staff in all carders to stop reliance on casual labour in key areas. The envisaged recruitment of staff in this category the financial year 2012/2013 did not take place and has not been revisited due to factors beyond the Department and the Ministry.
- (viii) Delay in release of funds to roads authorities and CDF for Road construction projects

#### **INTERNAL CONTROLS:-**

It is worthwhile to point out that the Department has put up important internal controls with a view to closing any foreseeable loopholes in the fund and improving management of the Fund.

Important among this is the installation of Vehicle Tracking Devices in the vehicles and plan to monitor movement of the same in the whole country to avoid misuse. The introduction of Fuel Cards System in our fleet has greatly reduced the expenditure on fuel consumption.

With the assistance of the Funds banker, collections country-wide and their subsequent banking on daily basis is electronically monitored and this has improved the checks and balances at all the levels. This has also made it possible for the bank reconciliation to be done daily.

### **BUDGET: FINANCIAL YEAR 2014-2015**

Most challenges encountered in the year under review are not expected this financial year and the fact that the National Government extended additional funding for purchase of more equipment by Kshs. 1.5 billion, the Fund revenue is expected to go beyond the printed estimates of Kshs. 1.505 billion. This figure shall be revised based on the collections to be realised in the first half of the financial year.

### **ACKNOWLEDGEMENTS**

Mechanical and Transport Fund success is as result of support and guidance from the Accounting Officer, Ministry of Transport and Infrastructure; MTF management Committee; other Divisions in the Ministry; the Roads Authorities' Kenha, KURA, Kerra, other GOK ministries and departments and the stake holders in the private sector. I would also wish to commend the team spirit and continued commitment of staff of Mechanical and Transport Department. I would wish to attribute to all these groups the tremendous achievements of the Department realized during the review period.



**ENG. PAUL T. MUKIRI**  
**CHIEF MECHANICAL AND TRANSPORT ENGINEER**

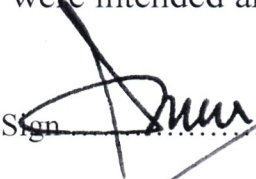
**V. STATEMENT OF THE ACCOUNTING OFFICER AND FUND CO-ORDINATOR**


The Accounting Officer, Ministry of Transport and Infrastructure and the Chief Mechanical and Transport Engineer are responsible for preparing the Funds Financial Statements which give a true and fair view of the state of affairs of the fund as at the end of the accounting period. This responsibility includes maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund; implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and ensuring that they are free from material misstatement whether due to fraud or error; safeguarding the assets of the fund; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Accounting Officer and the Chief Mechanical and Transport Engineer, accept responsibility for the funds financial statements, which have been prepared using international public sector accounting standards and policies and financial reporting in accordance with section 11.10.3 of the Government Financial Regulations and Procedures.

The Accounting Officer and the Chief Mechanical and Transport Engineer are of the opinion that the financial statements give a true and fair view of the state of the Fund financial position as at 30<sup>th</sup> June, 2014. The Accounting Officer and the Chief Mechanical and Transport Engineer further confirm the completeness of the accounting records maintained for the fund which have been relied upon in the preparation of the financial statements as well as the adequacy of the internal control systems.

The Accounting Officer and the Chief Mechanical and Transport Engineer confirm that the Fund has complied fully with the terms and conditions of the Financing Covenants in accordance with the legal Agreement and the applicable Government Regulations, and the funds received during the period under review were for the eligible purposes for which they were intended and were properly accounted.

ENG. JOHN K. MOSONIK, EBS Sign  Date 13/3/15  
ACCOUNTING OFFICER

ENG. PAUL T. MUKIRI Sign  Date 12/03/2015  
CHIEF MECHANICAL AND TRANSPORT ENGINEER

## **Management's responsibility for the financial statements**

The Mechanical and Transport Fund Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors' responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether 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 auditors' 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 control relevant to the Mechanical and Transport Fund 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at June 30, 2014, and its financial performance as well as cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

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Auditor General

---

Date

**VI. STATEMENT OF FINANCIAL PERFORMANCE**  
**For the year ended 30 June 2014**

<b>INCOME</b>		<u><b>2013-2014</b></u>	<b>2012-2013</b>
<b>ITEMS</b>	<b>NOTE</b>	<b>Kshs</b>	<b>Kshs</b>
Hire Of Equipment and Miscellaneous Services	3	1,303,874,073.68	1,239,503,621.22
Sale Of Boarded Items	4	43,991,823.00	11,926,954.00
Government Grant	5	10,725,000.00	
<b>TOTAL INCOME</b>		<b>1,358,590,896.68</b>	<b>1,251,430,575.22</b>
<b>EXPENDITURE</b>			
Travel and subsistence allowance	6	43,505,955.30	31,450,751.95
Routine Maintenance of Vehicles, Equipment's and other assets	7	629,158,328.60	588,498,973.13
Administrative expenses	8	453,917,612.83	54,713,654.45
Security services	9	31,223,447.80	40,588,222.80
<b>TOTAL EXPENSES</b>		<b><u>1,157,805,344.52</u></b>	<b><u>715,251,602.33</u></b>
<b>SURPLUS FOR FOR THE YEAR</b>		<b><u>200,785,552.16</u></b>	<b><u>536,178,972.89</u></b>

ENG. JOHN K. MOSONIK, EBS

ENG. PAUL T. MUKIRI

Accounting officer

Chief Mechanical and Transport Engineer

Sign

Date

Sign

Date

*[Handwritten signature and date 13/03/15]*

*[Handwritten signature and date 13/03/2015]*

**VII. STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2014

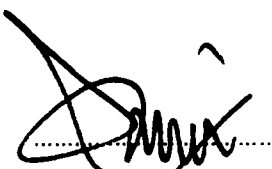
<u>ASSETS</u>	<u>Notes</u>	<u>2013-2014</u> <u>(Kshs)</u>	<u>2012-2013</u> <u>(Kshs)</u>
<b><u>Non- Current Assets</u></b>			
Property, Plants & Equipments	10	<u>3,729,095,477.02</u>	<u>3,212,611,399.05</u>
<b><u>Current Assets</u></b>			
Inventory	11	169,833,806.79	135,048,294.27
Receivables	12	24,166,963.00	130,640,045.87
Outstanding imprests	13	592,900.00	88,752.00
Cash at Bank		<u>1,386,693,304.25</u>	<u>132,787,703.05</u>
		<b><u>1,581,286,974.04</u></b>	<b><u>398,564,795.19</u></b>
<b><u>Total Assets</u></b>		<b><u>5,310,382,451.06</u></b>	<b><u>3,611,176,194.24</u></b>
<b><u>LIABILITIES</u></b>			
<b><u>Current Liabilities</u></b>			
Creditors	14	<u>24,889,396.41</u>	<u>26,468,691.75</u>
<b><u>Long-Term Liabilities</u></b>			
Donor-Export-Import Bank of Korea-:	15		
a) Supply of Equipments		1,821,483,859.15	1,821,483,859.15
b) Spare parts		55,908,640.00	55,908,640.00
c) After sales Technical services		77,600,000.00	77,600,000.00
d) Investigation and Training Services		6,024,000.00	6,024,000.00
e) Service Charge		<u>2,000,000.00</u>	<u>2,000,000.00</u>
		<b><u>1,963,016,499.15</u></b>	<b><u>1,963,016,499.15</u></b>
<b><u>Total Liabilities</u></b>		<b><u>1,987,905,895.56</u></b>	<b><u>1,989,485,190.90</u></b>
Capital fund	16	1,500,000,000.00	-
Reserves		1,621,691,003.34	1,085,512,030.45
Retained Earnings		<u>200,785,552.16</u>	<u>536,178,972.89</u>
<b>Total</b>		<b><u>5,310,382,451.06</u></b>	<b><u>3,611,176,194.24</u></b>

ENG. JOHN K. MOSONIK, EBS

Accounting officer

Sign

Date

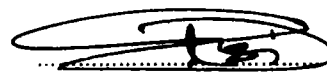
  
12/31/15

ENG. PAUL T. MUKIRI

Chief Mechanical and Transport Engineer

Sign

Date

  
13/02/2015

**VIII. STATEMENT OF CHANGES IN RESERVES**  
**For the year ended 30 June 2014**

	<u>Accumulated surplus</u>	<u>Capital Fund</u>	<u>Total Reserves</u>
	Kshs		Kshs
<b>Balance as at 30 June 2012</b>	1,085,512,030.45		<b>1,085,512,030.45</b>
Retained Earnings	536,178,972.89		<b>536,178,972.89</b>
<b>As at 30<sup>th</sup> June 2013</b>	<b><u>1,621,691,003.34</u></b>		<b><u>1,621,691,003.34</u></b>
<b>Balance as at 30 June 2013</b>	<b>1,621,691,003.34</b>		<b>1,621,691,003.34</b>
Capital Fund		1,500,000,000.00	<b>1,500,000,000.00</b>
Retained Earnings	200,785,552.16		200,785,552.16
<b>Balance as at 30 JUNE 2014</b>	<b><u>1,822,476,555.50</u></b>	<b><u>1,500,000,000.00</u></b>	<b><u>3,322,476,555.50</u></b>

## IX. STATEMENT OF CASH FLOWS

	Note	2013-2014	2012-2013
		Kshs	Kshs
Net Cash flow from Operating Activities	17	517,685,868.76	466,140,019.62
Net Cash flow from investing activities	18	663,457,014.75	(547,618,387.15)
Net Changes in working capital	19	<u>72,762,717.69</u>	<u>(80,977,793.67)</u>
Net Increase/Decrease in Cash and cash Equivalent		1,253,905,601.20	(162,456,161.20)
Cash and cash Equivalent at 01 July 2013		132,787,703.05	295,243,864.25
<b>Cash and cash equivalents at 30 June 2014</b>		<b>1,386,693,304.25</b>	<b>132,787,703.05</b>

## **X. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of compliance and basis of preparation – IPSAS 1**

The Mechanical and Transport Fund financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Mechanical and Transport Fund and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

### **2. Summary of significant accounting policies**

#### **a) Revenue recognition**

##### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

#### **b) Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

#### **c) Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

#### d) Basis of Depreciation

The diminishing balance method is applied whereby the book value of plants, machinery and vehicles goes on decreasing as its existence continues. A certain percentage of the current book value is taken as the depreciation.

Depreciation is in accordance with Mechanical Engineering of Plants, Machinery, Vehicles and Equipments valuation policy (**Annex A**)

	<u>2013-2014</u>	<u>2012-2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
<b>3. Hire Of Equipment and Services Rendered</b>		
Receipts during the year	1,305,694,528.85	1,113,935,674.50
Less: Debtors as at 30.06.2013	(130,640,045.87)	(56,020,962.25)
Add : Debtors as at 30.06.2012-2014	<u>24,166,963.00</u>	<u>130,640,045.87</u>
	<b><u>1,199,221,445.98</u></b>	<b><u>1,188,554,758.12</u></b>
Miscellaneous income	59,567,001.00	50,948,863.10
Bank interest income	<u>45,085,626.70</u>	
	<b><u>1,303,874,073.68</u></b>	<b><u>1,239,503,621.22</u></b>
<b>4. Sale of boarded items</b>	<b><u>43,991,823.00</u></b>	
<b>5. DEVELOPMENT VOTE MINISTRY OF TRANSPORT AND INFRASTRUCTURE</b>		
The National Government provided a Recapitalisation amount of Kshs. 10,725,000.00 during the year under review 2013-2014 for Refurbishment of buildings and other civil works for the Mechanical and Transport Fund.		
<b>6. Travel/Subsistence Allowance</b>		
Domestic travel/subsistence allowance	43,373,715.30	30,625,666.95
Foreign travel/subsistence allowance	<u>132,240.00</u>	<u>825,085.00</u>
	<b><u>43,505,955.30</u></b>	<b><u>31,450,751.95</u></b>
<b>7. Routine Maintenance</b>		
<b><u>Routine Maintenance of vehicles &amp; Other Transport Equip</u></b>		
Inventory Balance B/Fwd	126,673,304.47	
Payments during the year	504,717,539.20	506,023,331.18
Less: Pending bills as at 30.06.2013	(8,214,007.35)	
Add: Pending bills as at 30.06.2014	<u>9,965,801.55</u>	<u>8,214,007.35</u>
	<u>633,142,637.87</u>	<u>514,237,338.53</u>
Inventory C/Fwd	<u>(147,888,713.35)</u>	
	<b><u>485,253,924.55</u></b>	
<b><u>Fuel oils and lubricants</u></b>		
Inventory B/Fwd	4,390,809.60	
Payments during the year	118,210,678.20	50,311,028.60
Add: Pending bills as at 30.06.2014	1,625,100.00	0.00
Inventory B/Cwd	<u>(16,296,223.05)</u>	
	<b><u>107,930,364.75</u></b>	
<b>Routine Maintenance &amp; Other assets</b>	28,409,975.30	16,899,226.00
<b>Purchase of specialised Materials</b>	<u>7,564,064.00</u>	<u>7,051,380.00</u>
	<b><u>629,158,328.60</u></b>	<b><u>588,498,973.13</u></b>
<b>8. Administrative expenses</b>		
Printing, advertising & information supplies services	4,138,560.00	2,697,197.20

Communication supplies & services	3,993,835.00	4,663,416.00
Hospitality supplies & services	2,431,539.00	2,372,162.00
Inventory <b>B/FWD</b>	3,984,180.00	
General Office Supplies	14,481,436.05	22,896,828.75
Inventory <b>C/FWD</b>	(5,648,870.40)	
<b>General office supplies for the year</b>	<b><u>12,816,745.65</u></b>	
Utilities, Water & Conservancies	3,956,017.30	4,384,899.60
Add: Pending bills	304,198.90	250,723.60
Bank charges	599,773.45	186,100.40
Training	1,114,500.00	3,300,815.00
Basic wages for Temporary employees	15,996,385.00	13,961,511.90
Depreciation	<u>408,566,058.33</u>	
	<b><u>453,917,612.83</u></b>	<b><u>54,713,654.45</u></b>

**9. Security services**

Payments during the year	31,650,112.65	38,784,062.80
Less: Pending bills as at 30.06.2013	(3,823,760.00)	(2,019,600.00)
ADD: Pending bills as at 30.06.2014	<u>3,397,095.15</u>	<u>3,823,760.00</u>
	<b><u>31,223,447.80</u></b>	<b><u>40,588,222.80</u></b>

**10. Plant, Machinery and Equipment**

Direct Payments made during the year	910,440,800.00	477,189,508.85
Less: Pending bills as at 30.06.2012	0.00	(13,500,000.00)
Add Pending bills as at 30.06.2014	<u>0.00</u>	<u>0.00</u>
	<b><u>910,440,800.00</u></b>	<b><u>463,689,508.85</u></b>

Year ended 30th June 2014	SUPERVISORY VEHICLES (BELOW 3 TON)	PLANTS AND EQUIPMENT	TRUCKS (OVER 3 TON)	COMPUTER EQUIPMENT & ACCESS	OFFICE EQUIPMENTS	I C T INFRASTRUCTURE & TELEPHONY	OFFICE FURNITURE	TOTAL
<i>Rate</i>				10%	10%	10%	10%	
<b>COST</b>	<b>KSHS.</b>							
As At 01.07.2013	319,502,748.95	4,287,804,587.98	960,730,962.00	11,184,708.00	13,838,281.00	10,073,126.00	6,398,100.00	5,609,532,513.93
Additional	8,686,000.00	901,754,800.00	-	2,386,120.00	4,973,607.50	-	7,220,134.00	925,020,661.50
<b>As At 30.06.2013</b>	<b>328,188,748.95</b>	<b>5,189,559,387.98</b>	<b>960,730,962.00</b>	<b>13,570,828.00</b>	<b>18,811,888.50</b>	<b>10,073,126.00</b>	<b>13,618,234.00</b>	<b>6,534,553,175.43</b>
<b>Depreciation</b>								
As At 01.07.2013	132,621,656.82	1,712,607,996.72	539,686,424.44	4,464,387.80	3,568,927.70	3,110,836.60	831,410.00	2,396,891,640.08
Period charge	25,395,616.48	329,796,412.72	47,766,621.48	1,357,082.80	1,881,188.85	1,007,312.60	1,361,823.40	408,566,058.33
<b>As At 30.06.2014</b>	<b>158,017,273.30</b>	<b>2,042,404,409.44</b>	<b>587,453,045.92</b>	<b>5,821,470.60</b>	<b>5,450,116.55</b>	<b>4,118,149.20</b>	<b>2,193,233.40</b>	<b>2,805,457,698.41</b>
<b>Net Book Value AS AT 30-06-2014</b>	<b>170,171,475.65</b>	<b>3,147,154,978.54</b>	<b>373,277,916.08</b>	<b>7,749,357.40</b>	<b>13,361,771.95</b>	<b>5,954,976.80</b>	<b>11,425,000.60</b>	<b>3,729,095,477.02</b>

**11. Inventory**

i. Spare parts &tyres	147,888,713.34	126,673,304.47
ii. Lubricants and oils	16,296,223.05	4,390,809.60
iii. Stationery & computer items	5,648,870.40	3,984,180.20
<b>Total</b>	<b><u>169,833,806.79</u></b>	<b><u>135,048,294.27</u></b>

**12. Receivables**

i. GEOTHERMAL DEV COMPANY - JUNE 2014		13,983,193.00
ii. KENGEN OKARIA- JUNE 2014		<u>10,183,770.00</u>

**24,166,963.00****13. Outstanding imprests**

Name	P/No.	
i. ALUSA RONARD ARADI	1987105289	12,000.00
ii. BONIFACE NEKO OYUGI	1988047257	162,750.00
iii. GEORGE Y. NYAMANGA	2005021140	200,000.00
iv. JULIUS M. MULWA	1984030922	8,000.00
v. JOSEPH K MUTISO	1990163709	89,650.00
vi. ROBERT M CHIIRA	1989115311	120,500.00

<b>14. Creditors</b>		
<b>a) Tender deposits;</b>	<b>2013-2014</b>	<b>2012-2013</b>
Balance B/fwd	14,637,200.80	<b>8,585,107.80</b>
Tender Deposits	5,534,000.00	10,400,093.00
Refund Of Deposits	(10,574,000.00)	(4,348,000.00)
<b>Un-refunded Deposits</b>	<b>9,597,200.80</b>	<b>14,637,200.80</b>
<b>b) Suppliers and services providers</b>		
<b>i. Routine maintenance payables</b>		
A. TORQUE AUTO SPARES		616,150.00
B. TRUWORTH COMMERCIAL SUPPLIES		600,000.00
C. AUTOXPRESS LTD		287,100.00
D. JOMANN ENTERPRISES LTD		324,120.00
E. HALCA AUTO SPARES		495,000.00
F. EASTERN GEN MERCHANTILE		51,470.00
G. BENCON ENTERPRISES LTD		723,630.00
H. MWITA AGENCIES		514,000.00
I. VIABLE DEC AGENCIES		274,800.00
J. BROADLINK GEN MERCHANTS		431,850.00
K. NJITECH SERVICES		99,000.00
L. WINTER ENTERPRISES LTD		99,980.00
M. SUANIR EQUIPMENT CO. LTD		195,000.00
N. OPEN SOURCE MOTORS		653,920.00
O. EVERHARD ENTERPRISES		306,240.00
P. TRANYON ENGINEERING LTD		905,124.00
Q. HALCA AUTO SPARES		480,000.00
R. SUANIR EQUIPMENT CO. LTD		1,131,412.00
S. SUANIR EQUIPMENT CO. LTD		471,940.00
T. BENCON ENTERPRISES LTD		552,500.06
U. RIVER CROSS TRACKING LTD		282,615.50
V. EVERHARD ENREPRISES		469,950.00
		<b>9,965,801.56</b>
<b>ii) utility supplies</b>		
A. Kenya Power And Lighting Co. Ltd-Nbi		221,647.50
B. Kenya Power And Lighting Co. Ltd-Mombasa		43,299.60
C. Kenya Power And Lighting Co. Ltd-Eldoret		26,116.30
D. Eldoret Water Sanitation Company		13,135.50
		<b>304,198.90</b>
<b>iii) Contracted Guards /Security Services</b>		
A. Total Security Surveillance Ltd		2,596,295.15
B. Gyto Success Company		800,800.00
		<b>3,397,095.15</b>
<b>iv) Fuel Oils And Lubricants</b>		
A. R. H. Devani Ltd		1,030,100.00
B. Korahey Filling Station		375,000.00
C. Halal Petroleum		220,000.00
		<b>1,625,100.00</b>
		<b>15,292,195.61</b>
<b>Total creditors</b>		<b>24,889,396.41</b>

## **15. DONOR-EXPORT-IMPORT BANK OF KOREA LOAN**

The loan agreement was entered into between the Government of the Republic of Korea on 15<sup>th</sup> April, 2005 concerning EDCF Loans to be extended to the Government of the Republic of Kenya or its designated agency for the implementation of projects to be agreed upon between those two Governments.

The EDCF Loan arrangement dated 10<sup>th</sup> May, 2005 concerned the financing and the implementation of Road Maintenance Equipment Renewal Project.

Repayment of the loan by the National Government shall be made in forty (40) semi-annual consecutive instalments on date of 20<sup>th</sup> April and 20<sup>th</sup> October at an interest rate of 1% from the 11<sup>th</sup> year after the signing of the Loan agreement.

## **16. CAPITAL FUND- MINISTRY OF TRANSPORT AND INFRASTRUCTURE**

The National Government provided a Recapitalisation amount of Kshs. 1,500,000,000.00 during the year under review 2013-2014 for purchase of Equipments and plants for the Mechanical and Transport Fund.

## **17. CASH FLOWS FROM OPERATING ACTIVITIES**

Hire of Equipment's	1,305,694,528.85
Receipts from sales, miscellaneous services rendered	59,567,001.00
Tender deposits	5,534,000.00
Min of Trans & infrast- dev	10,725,000.00
Domestic travel/subsistence allowance	(43,373,715.30)
Foreign travel	(132,240.00)
Routine maintenance - Vehicles	(577,807,603.29)
Fuel oils and lubricants	(118,210,678.20)
Routine maintenance - other assets	(28,409,975.30)
Specialised materials	(7,564,064.00)
Printing, advertising & information supplies services	(4,138,560.00)
Communication supplies & services	(3,993,835.00)
Hospitality supplies & services	(2,431,539.00)
General Office Supplies	(14,481,436.05)
Utilities, Water & Conservancies	(3,956,017.30)
Basic wages	(15,996,385.00)
Training	(1,114,500.00)
Security services	(31,650,112.65)
Refund of Tender Deposits	<u>(10,574,000.00)</u>
<b>Cash generated from operating activities</b>	<b><u>517,685,868.76</u></b>

## **18. CASHFLOW FROM INVESTING ACTIVITIES**

Recapitalisation - Min of Trans & Infrast	1,500,000,000.00
Purchase of specialised plant, machinery and equipment	(910,440,800.00)
Purchase of Furniture and office Equipments	(14,579,861.50)
Proceeds From sale of Boarded Items	43,991,823.00
Purchase of office furniture and other assets	(14,579,861.50)
Bank interest	45,085,626.70
Bank charges	<u>(599,773.45)</u>
<b>Cash generated from investing activities</b>	<b><u>663,457,014.75</u></b>

**19. MOVEMENT IN WORKING CAPITAL**

Decrease in Receivables	106,473,082.87
Increase Outstanding imprests	(504,148.00)
Decrease payables	1,579,295.34
Increase in inventory	<u>(34,785,512.52)</u>
<b>Cash Generated From working capital</b>	<b><u>72,762,717.69</u></b>

**XI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
F- 25	<p>The statement of financial position as at 30 June 2013 reflects receivables amounting to Kshs. 130,640,045 in respect of hire of services contrary to section 19.2 (c) of the Mechanical and Transport Fund rules, procedures and guidelines which require that payments of hire of equipment and services be made in advance on the strength of proforma invoices. In the circumstances it has not been possible to confirm full recoverability of the receivables balance of Kshs. 130,640,045. The Fund was also in breach of the law</p>	<p>It is true that the statement of the financial position reflected receivables amounting to Kshs. 130,640,045.00 contrary to section 19.2 (c) of Mechanical and Transport Fund rules, procedures and guidelines, which requires that payments for hire of equipment and services be made in advance on the strength of pro forma invoices. I wish to state that the debts arose due to conflicts of this rule with other Government Agencies rules of operation including Government procurement and disposal Act, 2005 that do not allow payment for services not yet rendered on the strength of our pro forma invoice. These amounts were owed by Roads authorities i.e. KERRA, KURA, and KeHNA and the bulk of the amount was owed by electric generation companies.</p> <p>There are two contracts signed between the Ministry and Kenya Electricity Generation Company Ltd (Kengen) and Geothermal Development Company (GDC), the annual contracts signed between the two power generation companies run to approximately</p>	Chief Mechanical and Transport Engineer	Resolved	

		<p>Kshs.442,600,000.00  (Four hundred and forty two million six hundred thousand) per annum. The contracts started in 2010/2011 financial year and are expected to run till 2015/2016 financial year. The agreement is that the department provides the equipment for the whole month and then an equipment utilization return is prepared. The invoice is then prepared on the actual hours worked by each equipment. I wish to state that the companies have cleared all the amounts.</p>		
F-26	<p>As reported in the previous year the Fund lost through theft 550 ltrs of engine oil, 430 litres of hydraulic oil and 2 tyres in Mombasa region and 1 daewoo tipper each in nakuru and embu regions respectively all valued at Kshs. 6,215,195.00. Although the loss matters were reported to the National Treasury, no evidence of appropriate action being taken to recover the losses was seen.</p>	<p>It is true that during the financial year 2011/2012 the reported theft took places in Mombasa region. I.e. The loss of the two (2) tyres, engine and hydraulic oils. The same was reported to the Accounting Officer and as per the attached documents and a Fact Finding Committee was set up to investigate the incident and to come up with recommendations on who should be held accountable. The same loss was reported to the police and up- to now; they have not been able to give their findings. The Fact Finding Committee made recommendations and the department has acted on them as follows:</p> <ol style="list-style-type: none"> <li>1. As per recommendation (i), one of the engineers Eng. Simeon</li> </ol>	<p>Chief Mechanical and Transport Engineer</p>	<p>Resolved</p>

Nyakundi has since been transferred from Mombasa to Wajir Region leaving the Regional Mechanical Engineer who has since been appointed director motor vehicle inspection unit.

2. A Superintendent Mechanical, Mr. Gerald Kanari has been moved to Embu region.
3. The Supplies Chain Management Assistant has already taken over the stores.
4. Apex Security denied responsibility as per their attached letter to the RME and also during interviews with the Fact Finding Team. The Ministry has since engaged another more responsible firm Gyto Security. The firm has better trained guards who are more motivated.

The two thefts involving Daewoo Tippers in both Embu and Nakuru were at gun point when vehicles were on the road and the respective Regional Mechanical Engineers reported the incidences

		<p>to the police. According to the police, investigations are still ongoing and a final report is still awaited. However as this two cases have taken too long the Ministry has written to the Director of Criminal Investigations for his assistance and has further requested Treasury to consider writing off the loss of these Vehicles. (Correspondence availed for audit verification). To ensure that these kind of thefts do not occur again, all trucks and pickups which are more prone to cases of this kind of thefts have been fitted with tracking devices.</p>		
F - 27	<p>As reported in the previous year, the Statement of Financial position as at 30 June 2013 reflects a comparative bank balance of Kshs. 295,243,864.60 which differs with the Cashbook balance and board of survey report as at 30 June 2012 of kshs. 198,463,489.30 by reconciled difference of Kshs. 96,780,375.30. the bank balance was therefore overstated by Kshs. 96,780,375.30.</p>	<p>It is true that the Statement of the financial position of the Mechanical and Transport Fund shows the Bank statement balance of Kshs. 295,243,864.60 which differs with the Cash book balance of Kshs. 198,463,489.30 by Kshs. 96,780,375.30 as at 30<sup>th</sup> June, 2012. The two figures represent the Cash Book bank balance of Kshs. 198,463,489.30 and the Bank Statement end of June bank balance of Kshs. 295,243,864.60. The two balances have been reconciled in the bank reconciliation of June, 2012. Board of Survey Report and Bank reconciliation</p>	Chief Mechanical and Transport Engineer	Resolved

		for June 2012 availed for audit verification.			
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***Guidance Notes:***

- i) Use the same reference numbers as contained in the external audit report;
- ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

## REPUBLIC OF KENYA

Date: 1ST JULY, 2014

Report of the Board of Survey on the cash and Bank Balances of *MECHANICAL AND TRANSPORT FUND (MTF)* as at the close of business on 30<sup>th</sup> JUNE, 2014.

The Board, consisting of – (names of official titles).

<u>MR. ERICK MUGO</u>	-	<u>CHAIRMAN</u>
<u>MR. JOHN OLIMA</u>	-	<u>MEMBER</u>
<u>MR. JOSEPH TARUS</u>	-	<u>SECRETARY</u>

Assembled at the office of **CM & TE CASH OFFICE** .....

At **9.00a.m** (time) on the 1<sup>st</sup> July, 2014.

And the following was produced:-

Notes .....	Ksh.	..... <u>NIL</u>
Silver .....	Ksh.	..... <u>NIL</u>
Copper .....	Ksh.	..... <u>NIL</u>
Cheques (as per details on reverse) .....	Ksh.	..... <u>NIL</u>
		..... <u>NIL</u>

It was observed that cheques amounting to Ksh. .... NIL ..... Cts had been on hand for more than 14days prior the date of survey. The cash consist of Kenyan currency and does not contain any demonetized coin or notes.

The Cash Book reflected the following balances as at the close of business on the 30<sup>th</sup> June, 2014

Cash on hand .....	Ksh.	..... <u>NIL</u>
Bank balance .....	Ksh.	..... <u>1,386,693,304.25</u>
Total		..... <u>1,386,693,304.25</u>

The Bank Certificate of Balance showed a sum of kshs. *One Billion six hundred and one and seventy six thousand, three hundred and forty cents twenty only (Kshs.1,601,176,340.20.)* standing to the credit of the account on 30<sup>th</sup> June, 2014.

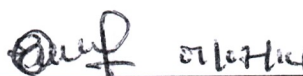
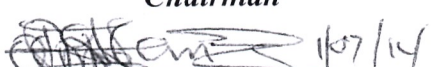
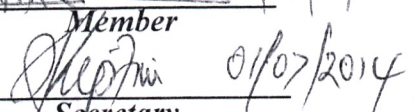
The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation Statement (F. O. 30) attached.

1. MR. ERIC MUGO

Date 1st July, 2014.

2. MR. JOHN OLIMA

3. MR. JOSEPH TARUS

	
Chairman	
	1/07/14
Member	
	01/07/2014
Secretary	



Industrial Area Branch  
Enterprise Building  
P.O. Box 18031 Nairobi, Kenya  
Email: industrialarea@kcb.co.ke  
Website: http://www.kcb.co.ke

Tel: +254 20 530468/530130  
Mobile: +254 711 012 000 / 734 108 200  
SMS: 22522  
Email: contactus@kcbbankgroup.com  
24h interactive website: kcbbankgroup.com

1218 CA 41 BRANCHES  
CERTIFICATE OF BALANCE

KENYA COMMERCIAL BANK LIMITED  
(Incorporated in Kenya)

CERT1418258709

KCB INDUSTRIAL AREA  
.....

01 JUL 2014  
.....

Certified that the balance at the CREDIT Of MECHANICAL AND TRANSPORT FUND  
.....

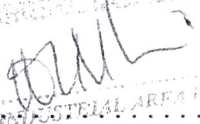
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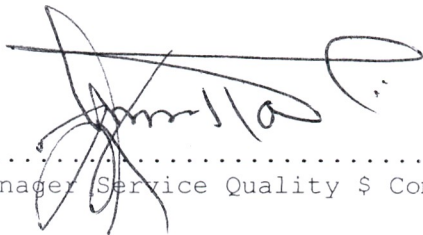
at the close of business on 30 JUN 2014 Was KES  
.....

ONE BILLION SIX HUNDRED AND ONE MILLION ONE HUNDRED AND SEVENTY SIX THOUSAND  
THREE HUNDRED AND FORTY CENTS TWENTY

.....  
.....

KES 1,601,176,340.20  
.....

For and on behalf of  
KENYA COMMERCIAL BANK LTD.  
Examined by   
.....  
Ass. Manager Service Quality & Compliance

  
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Manager Service Quality & Compliance

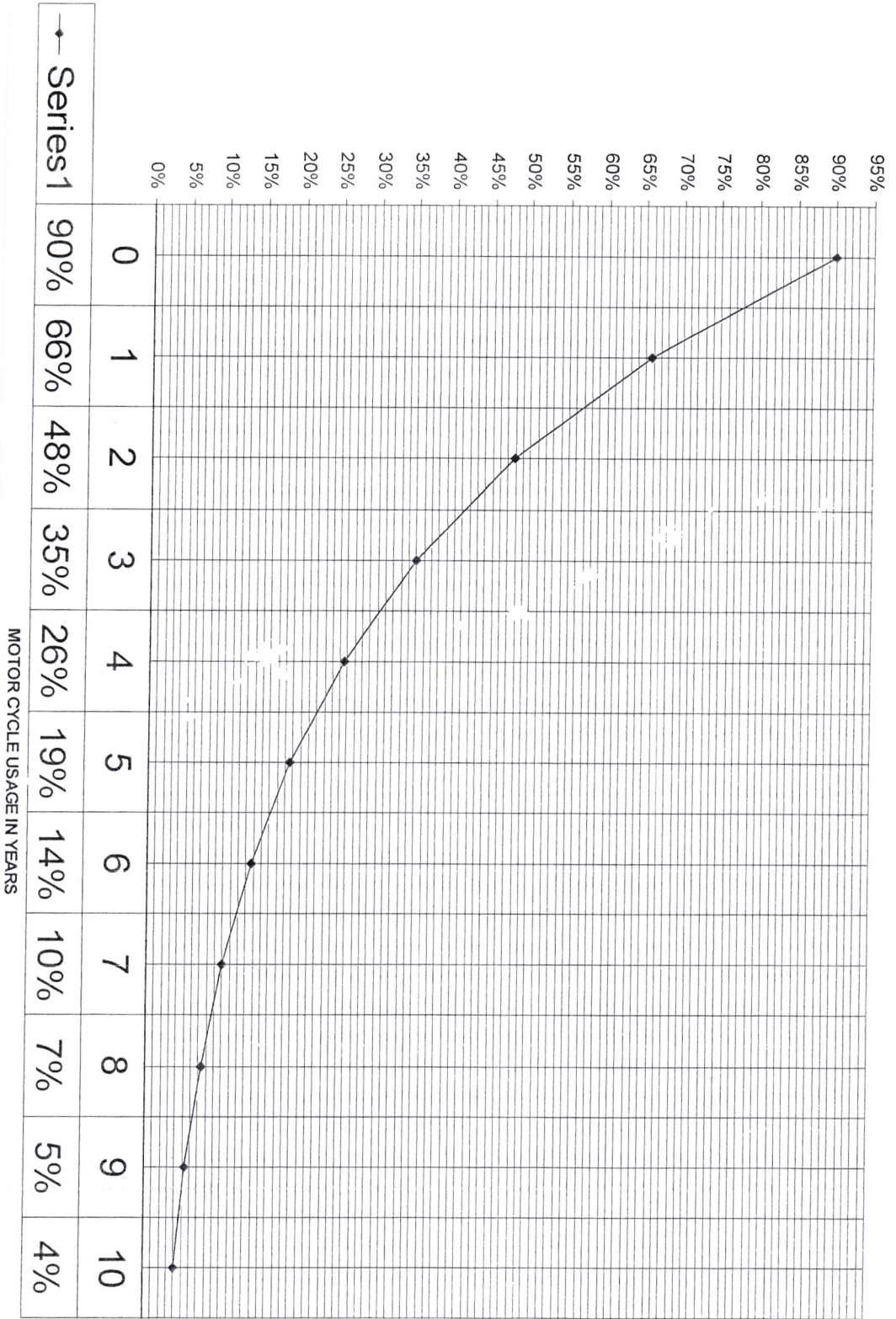
**VALUATION GRAPH - for motor cycles**  
**DIMINISHING BALANCE METHOD**

- 1 Deduct 10% of actual price (from original cost)
- 2 Deduct 27% of the remainder for each year the item is in use  
 The remainder is the chargeable price for the buyer.

Year	Discount Factor	Discount value	Remainder value. (FSV)
0	0.1	0.1	90%
1	0.27	0.2430000	66%
2	0.27	0.1773900	48%
3	0.27	0.1294947	35%
4	0.27	0.0945311	26%
5	0.27	0.0690077	19%
6	0.27	0.0503756	14%
7	0.27	0.0367742	10%
8	0.27	0.0268452	7%
9	0.27	0.0195970	5%
10	0.27	0.0143058	4%

**MOTOR CYCLE VALUATION GRAPH (10 Years Economical life, 10% Salvage, Fair Wear and Tear)**

MOTOR CYCLE  
VALUE EXPRESSED IN % OF ORIGINAL PRI



Series 1

## VALUATION PROCEDURE FOR SMALL VEHICLES (UPTO 3 TONS)

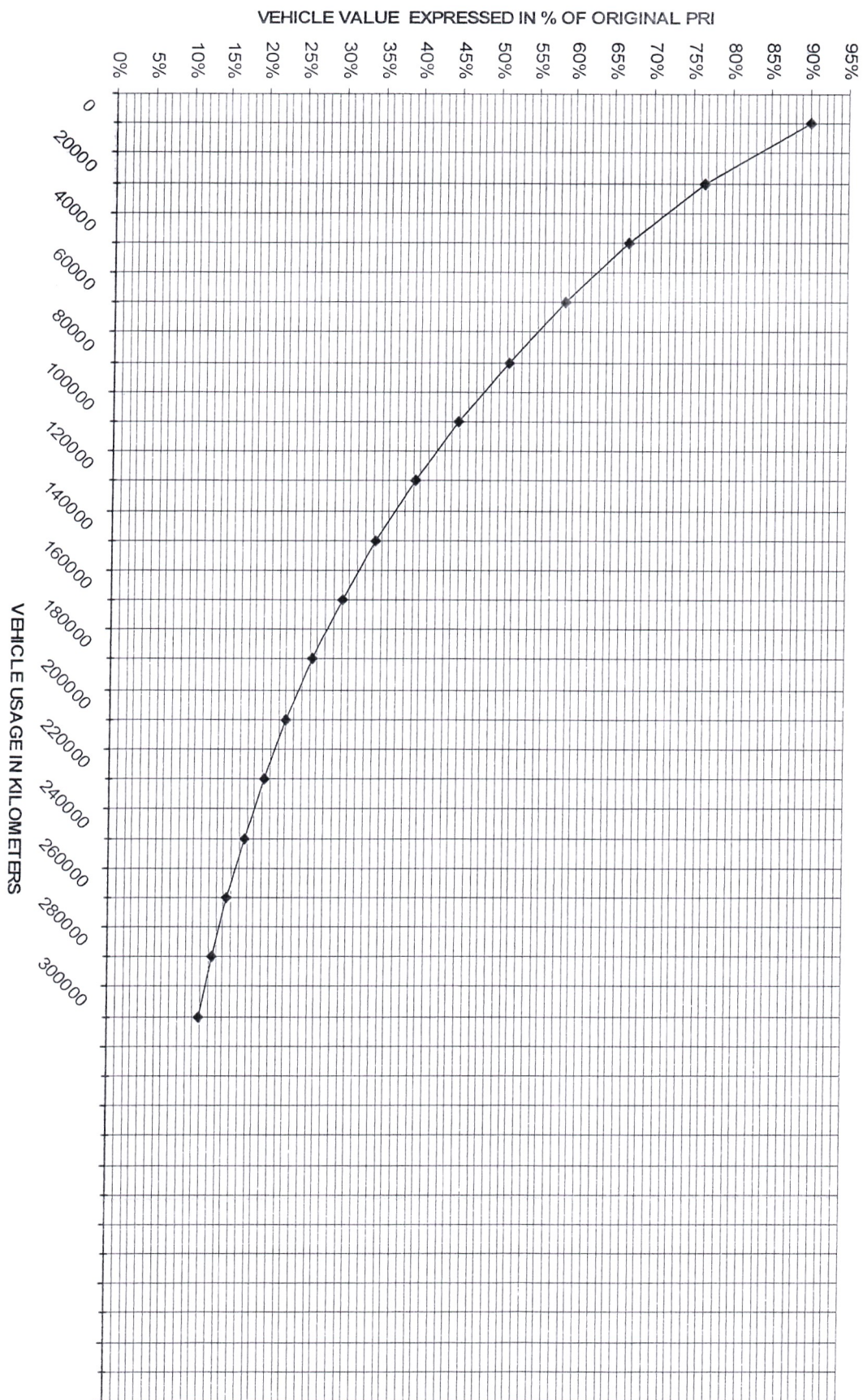
### DIMINISHING BALANCE METHOD- STANDARD GRAPH

Under this method, the book value of the machine goes on decreasing as its existence continues. 10 percent of the initial cost is deducted immediately the vehicle leaves the show room and then a certain percentage based on life expectancy is taken as the annual depreciation.

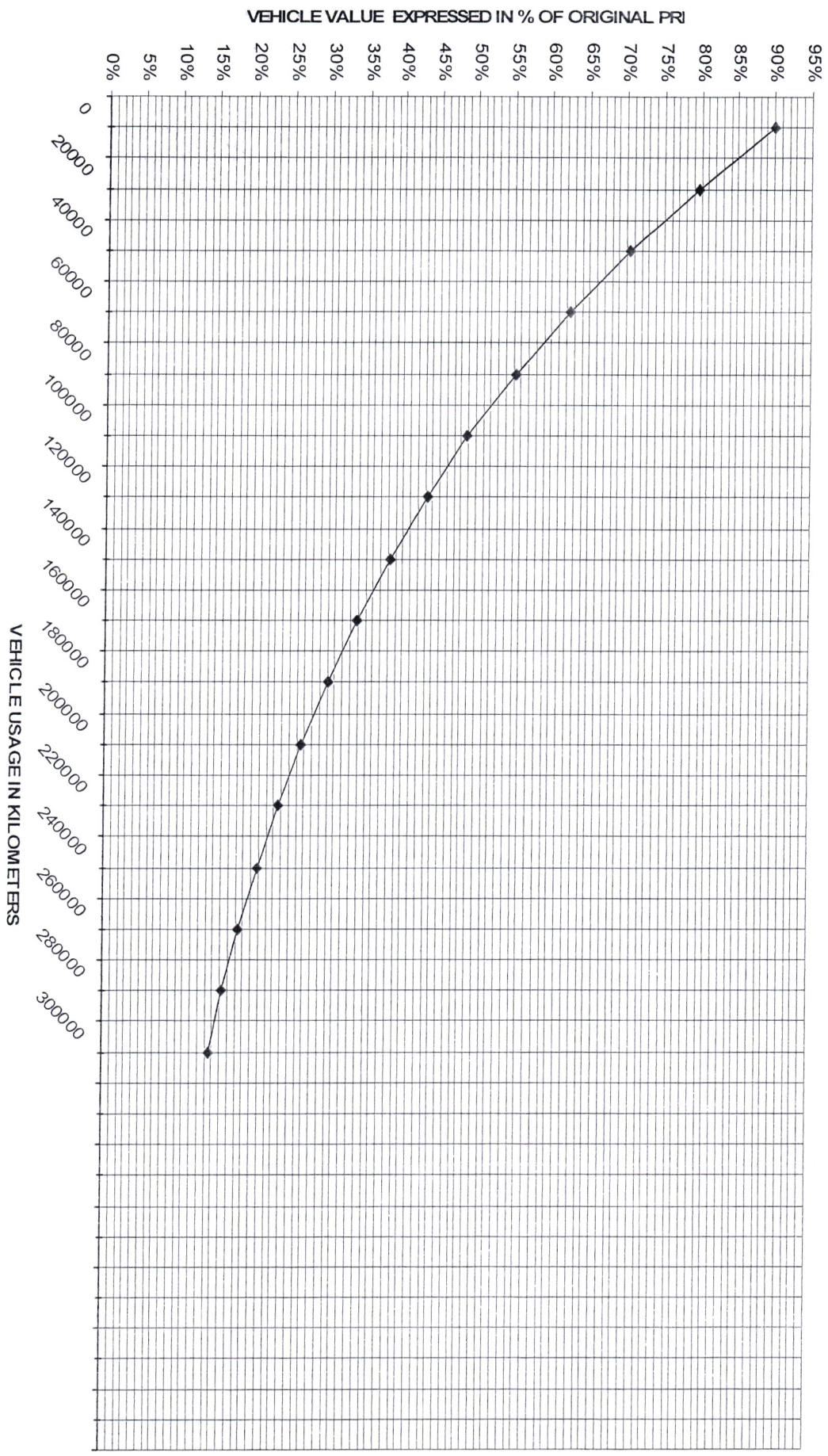
- 1 Deduct 10% of actual price(from original cost)
- 2 Deduct 15%of the remainder for the first 20,000 Kms
- 3 Deduct 12.5%of the for every extra 20,000 for the extra numbers of km
- 4 Deduct cost of repairs and replacement.
- 5 Add estimated value of extras fitted to the vehicle.
- 6 The remainder is the chargeable price for the buyer.

	Mileage	Discount Factor	Discount value	Remainder value. FSV
	0	0.1	0.1	90%
1	20000	0.15	0.135	77%
2	40000	0.125	0.0956250	67% ✓
3	60000	0.125	0.0836719	59% ✓
4	80000	0.125	0.0732129	51%
5	100000	0.125	0.0640613	45% ✓
6	120000	0.125	0.0560536	39%
7	140000	0.125	0.0490469	34% ✓
8	160000	0.125	0.0429161	30%
9	180000	0.125	0.0375515	26% ✓
10	200000	0.125	0.0328576	23% ✓
11	220000	0.125	0.0287504	20% ✓
12	240000	0.125	0.0251566	18%
13	260000	0.125	0.0220120	15%
14	280000	0.125	0.0192605	13%
15	300000	0.125	0.0168530	12%

# VEHICLE VALUATION GRAPH



# VEHICLE VALUATION GRAPH



**VALUATION PROCEDURE FOR VEHICLES OVER 3 TON**

- 1 Deduct 10% of actual price(from original cost)
- 2 Deduct 11.5%of the remainder for the first 20,000 Kms
- 3 Deduct 11.5%of the for every extra 20,000 for the extra numbers of km
- 4 The remainder is the chargeable price for the buyer.

	Mileage	Discount Factor	Discount value	Remainder value. FSV
	0	0.1	0.1	90%
1	20000	0.115	0.1035	80%
2	40000	0.115	0.091598	70%
3	60000	0.115	0.081064	62%
4	80000	0.115	0.071741	55%
5	100000	0.115	0.063491	49%
6	120000	0.115	0.05619	43%
7	140000	0.115	0.049728	38%
8	160000	0.115	0.044009	34%
9	180000	0.115	0.038948	30%
10	200000	0.115	0.034469	27%
11	220000	0.115	0.030505	23%
12	240000	0.115	0.026997	21%
13	260000	0.115	0.023892	18%
14	280000	0.115	0.021145	16%
15	300000	0.115	0.018713	14%

## VALUATION PROCEDURE FOR PLANT

- 1 Deduct 8% of actual price(from original cost)
- 2 Deduct 12%of the remainder for the first 1440 hours.
- 3 Deduct 10%of the for every extra 1440 for the extra numbers of hours.
- 4 The remainder is the chargeable price for the buyer.

YEARS	HOURS	Discount Factor	Discount value	Remainder value. FSV
	0	0.08	0.08	92%
1	1440	0.12	0.1104	81%
2	2880	0.1	0.08096	73%
3	4320	0.1	0.072864	66%
4	5760	0.1	0.065578	59%
5	7200	0.1	0.05902	53%
6	8640	0.1	0.053118	48%
7	10080	0.1	0.047806	43%
8	11520	0.1	0.043025	39%
9	12960	0.1	0.038723	35%
10	14400	0.1	0.034851	31%
11	15840	0.1	0.031366	28%
12	17280	0.1	0.028229	25%
13	18720	0.1	0.025406	23%
14	20160	0.1	0.022865	21%
15	21600	0.1	0.020579	19%
16	23040	0.1	0.018521	17%
17	24480	0.1	0.016669	15%
18	25920	0.1	0.015002	14%
19	27360	0.1	0.013502	12%
20	28800	0.1	0.012152	11%

# PLANT VALUATION GRAPH

