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KENYA PORTS AUTHORITY



**Annual Report &
Financial Statements 2007 - 2008**





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VISION

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

MISSION

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

KEY OBJECTIVES

The following are key objectives of Kenya Ports Authority:-

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



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

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

The Board achieves this through:

Regular and Special Board meetings

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

COMMITTEES OF THE BOARD

The Board believes that the Authority benefits from its collective wisdom, and therefore the Board as a whole will deal with major corporate decisions. There are, however, certain key areas that shall require more in-depth examination than might be possible at a full Board meeting. Accordingly, the Board has established the following standing Committees under Section 10(d) of the Act:-

FINANCE AND ASSET COMMITTEE

The Finance and Asset Committee will assist the Board in determining the sources and application of the funds of the Authority, reviewing liabilities and looking after all the assets of the Authority.

The core functions of the Finance and Asset Committee shall be to ensure that the undertaking of the Authority is operated efficiently, according to sound Commercial Principles in accordance with Part V and VI of the Kenya Ports Authority Act 1979.



HUMAN RESOURCES COMMITTEE

The Human Resources Committee shall assist the Board in ensuring that the Authority has in place a motivated and disciplined workforce whose relationship with the Authority is governed by contemporary labour laws, performance contracts and KPA Staff Regulations.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee will have the responsibility for independent in-depth review of the system of internal control, risk management, operational structures and procedures.

The Audit and Risk Committee shall have non executive status and shall serve in an advisory capacity to the Board.

Members of the Committee shall meet at least on a quarterly basis.

MANAGEMENT COMMITTEES

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

Included here are:

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

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



I am delighted to present the annual report and financial statements of Kenya Ports Authority, for the financial year ended 30th June, 2008. The year started with high expectations in the global markets in terms of industrial growth albeit with fears of a surge in energy costs. World oil prices continue to rise and may rise to between \$150 and \$200 a barrel within two years if the current trend continues. This sharp rise in fuel prices continue to impact negatively on transport and the manufacturing sector. The Authority's plant and equipment operational and maintenance costs will be adversely affected.

Financial Performance.

Kenya Ports achieved a profit before tax of Ksh.1.485b, in the year compared to Ksh.2.624b for the prior year. This translates to a decline of 43.4% with a net margin of 4.6% compared to 11% in the prior year.

The massive decline in profitability was occasioned by a write off of Ksh.1b in a book cleaning exercise which involved the write off of bad debts, obsolete stocks and some fixed assets. During the year, the shareholders funds were further reduced following an actuarial valuation of the Kenya Ports Authority staff pension fund. The report returned an additional deficit of Ksh.3.5b

The corporation was however able to conserve and grow its cash resources to Ksh.1.481b up from the prior year's Ksh.944m at the close of the year.

Operational Performance

Traffic performance in the year was at a record 16.3DWT up from prior year's 15.2DWT. This translates to an impressive 7% growth. Containerization of cargo continued to grow in popularity. During the year, 608,661 TEUs were handled at the port compared to 526,676 TEUs handled in the prior year giving a growth of 15.6%.



Business Processes

During the year, the corporation computerised all the waterfront operations through the Kilindini Waterfront Terminal Operations (KWATOS). With the go live of KWATOS in the last quarter of the year, KPA now has computerised all the business processes in the port of Mombasa, Nairobi, Kisumu ICDs and Kampala liaison office which are all linked through VSAT.

Future Outlook

Going forward, we will continue our growth strategy by expanding our operational capacity and attracting more transit and transshipment traffic to enhance our earnings and significantly contribute positively to shareholder value as strive towards our mission.

A handwritten signature in black ink, appearing to read 'Shukri Baramadi'.

**Shukri Baramadi, CBS
CHAIRMAN**



**KENYA PORTS
AUTHORITY**

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BOARD OF DIRECTORS

The Directors who served the Authority during the year are:

Directors:

Shukri Baramadi, CBS	Chairman (Appointed on 31.10.2008)
General J.R. Kibwana, EGH, CBS	(Retired Chairman on 09.08.2008)
Mr. James M. Mulewa	MD (Appointed on 31.10.2008)
Mr. Abdallah H. Mwaruwa	(Retired MD on 31.10.2008)
A. A. Ali	Director (PS Ministry of Transport)
Mr. Joseph Kinyua, CBS	Director (PS Ministry of Finance)
Mr. Ian Karanja	Director
Mr. Erick N. Konchellah	Director
Mr. Komora M. Jilo	Director
Joseph N. Muli	Director (MD Kenya Railways)
Mr. Mohamed Jahazi	Director
Mrs. Khadija Karim	Director
Mr. Ngugi Waireri	Director

Alternate Directors and Advisors:

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

Corporation Secretary:

Ms. Muthoni Gatere

Registered Office

KPA Headquarters, Kipevu
PO Box 95009 80104 MOMBASA

Auditors

The Controller & Auditor General
Anniversary Towers,
P. O. Box 49384- 00100 NAIROBI



The Directors present their report together with the financial statement for the year ended 30th June, 2008.

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

FINANCIAL RESULTS:

	2007/08	2006/07
	Kshs '000'	Kshs '000'
Profit before tax	1,485,153	2,622,056
Tax for the year	(841,861)	(1,181,808)
Profit after tax	643,292	1,440,248
Proposed dividends	(96,493)	(216,037)
Retained profit for the year	546,798	1,224,211

DIVIDEND:

The Directors recommend a dividend of Kshs 96.5 million for the year. This dividend will be paid in conformity with the Authority's policy on dividend.



It is the responsibility of the Directors to prepare financial statements that give a true and fair view of the state of affairs of the Authority as at the end of the financial year and of the profit or loss and cash flow for the year. In preparing those financial statements, the directors are required to:

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

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

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

Shukri Baramadi, CBS
CHAIRMAN

James M Mulewa
MANAGING DIRECTOR

BOARD OF MEMBERS



**KENYA PORTS
AUTHORITY**



Annual Report & Financial Statements 2007-2008



James M. Mulewa



Shukri Baramadi



Jilo Komora



Ian Karanja



Ngugi Waireri



Abdulrazak A Ali



Erick Konchellah



Muthoni Gatere
Corporation Secretary



**KENYA PORTS
AUTHORITY**

Annual Report & Financial Statements 2007-2008

REPORT OF THE AUDITORS

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: cag@kenyaweb.com



P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2008

I have audited the financial statements of Kenya Ports Authority set out on pages 11 to 40 which comprise the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Acts, 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.

Directors' Responsibility for the Financial Statement

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

Responsibility of the Controller and Auditor General

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgement, including the assessment of the risks of materials misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to



design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

1. Unauthorized Excess Expenditure

During the year under review, the Authority, without the approval of both the board and treasury incurred an over-expenditure of Kshs. 1,546,801,822 against thirty nine (39) expenditure items. The over-expenditure was in contravention of Section 12 of the State Corporations Act, Cap 446 which requires the prior approval in writing of the Minister and the Treasury be sought before a Corporation incurs any expenditure of which provisions has not been made in the annual estimates. Further, the propriety of the excess expenditure of Kshs. 1,546,801,822 could not be ascertained.

2. Trade and Other Receivables

Similar to the previous year and as disclosed in Note 6 to the financial statements, Trade and Other Receivables balance of Kshs. 2,225,107,000 as at 30 June 2008 includes amounts of Kshs. 287,231,402 and Kshs. 342,599,000 owed by the Ministry of Transport and Kenya Ferry Services Limited respectively. These amounts have been outstanding for more than twelve (12) years. Although the Public Investments Committee in its eighth and ninth reports recommended that the Chief Executive liaises with the parent ministry and the Treasury with a view to ensuring that the receivables are paid to the Authority without further delay minimal or no progress has been made towards recovery of the debt so far. Further, no provision has been made in these financial statements in respect of the debts. Consequently, it was not possible to confirm the recoverability of the amount of Kshs. 287,231,402 and Kshs. 342,599,000 owed by the Ministry of Transport and Kenya Ferry Services Limited, respectively, as at 30 June 2008.

Opinion

Except for the reservations referred to the preceding paragraphs, in my opinion, proper books of account have been kept and accompanying financial statements give a true and fair view of the financial positions of the Authority as at 30 June 2008 and of its profit and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the Kenya Ports Authority Acts, Cap 391.

A handwritten signature in black ink, appearing to read 'A. S. M. Gatumbu'.

A. S. M. Gatumbu

CONTROLLER AND AUDITOR GENERAL

Nairobi

09 February 2009



PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	2007/08	2006/07
		Kshs '000'	Kshs '000'
INCOME	2	13,889,895	13,185,472
EXPENDITURE	2	<u>12,404,742</u>	<u>10,561,246</u>
PROFIT BEFORE TAXATION		1,485,153	2,624,226
TAXATION	10	<u>841,861</u>	<u>1,171,808</u>
PROFIT AFTER TAX		<u>643,292</u>	<u>1,452,418</u>

Shukri Baramadi, CBS
CHAIRMAN

James M Mulewa
MANAGING DIRECTOR

27 July 2008

FINANCIAL STATEMENT



**KENYA PORTS
AUTHORITY**



Annual Report & Financial Statements 2007-2008

BALANCE SHEET AS AT 30 JUNE 2008

ASSETS:	NOTE	2007/08	2006/07
		Kshs '000'	Kshs '000'
Non Current Assets			
Land & buildings	3a	5,615,279	5,664,174
Plant & equipment	3c	13,148,185	13,502,553
Investment property	3b	394,912	416,305
Long term investment	4a	823,012	813,941
Intangible assets	3e	-	108,486
		19,981,388	20,505,459
Current Assets			
Short term investment	4b	598,186	1,395,459
Inventories	5	242,253	391,630
Trade & other receivables	6	2,225,107	2,352,986
Tax recoverable	11	224,097	-
Prepayments & accrued income	7b	69,412	78,032
Cash & bank	7a	1,481,437	943,701
		4,840,492	5,161,808
Less current liabilities:			
Trade and other payables	8	1,943,444	1,216,517
Corporation tax	11	-	98,385
Pension liability: current portion	10	1,131,000	1,131,000
External debt : current portion	9a	880,701	905,006
		3,955,145	3,350,908
TOTAL NET ASSETS		20,866,735	22,316,359
LIABILITIES			
Capital and Reserves			
General Reserves	14	(2,543,170)	560,750
Capital Reserves	14	15,759,726	15,759,726
Proposed dividend	1k	96,493	217,863
GOK grants	9b	803,000	503,000
		14,116,049	17,041,339
Non-Current Liabilities			
External Debt	9a	89,839	997,324
Accrued Pension Liability	10	6,199,952	3,752,000
Deferred tax	11	460,895	525,696
		6,750,686	5,275,020
TOTAL CAPITAL & LIABILITIES		20,866,735	22,316,359

Shukri Baramadi, CBS
CHAIRMAN

James M Mulewa
MANAGING DIRECTOR



CASH FLOW FOR THE YEAR ENDED 30 JUNE 2008

	2007/08	2007/08	2006/07	2006/07
	Kshs '000'	Kshs '000'	Kshs '000'	Ksh '000'
OPERATING ACTIVITIES				
Operating profits before tax		1,485,153		2,622,056
Add/deduct:				
Interest income	(100,966)		(132,088)	
Interest expense	118,538		227,749	
Non – cash items				
Depreciation	1,693,544		2,179,141	
Write off: trade receivables & stocks	1,094,705		-	
Loss on sale of assets	6,638			
Net foreign gain/loss	20,780	2,833,239	169,193	2,443,995
Cash generated from operations		4,318,392		5,066,051
Working Capital changes				
Inventories	149,377		(56,014)	
Prepayments	8,620		(24,607)	
Receivables	125,879		(473,304)	
Creditors	726,927	1,010,803	(163,824)	(717,749)
Net cash from operating activities		5,329,195		4,348,302
Tax paid	(1,229,143)		(352,322)	
Pension Paid	(1,044,000)		(1,557,000)	
Net cash out flow		(2,273,143)		(1,909,322)
Investing Activities				
Capital Works	(2,416,079)		(1,336,850)	
Long term investment	(9,072)		(8,369)	
Interest income	100,966		132,088	
Direct acquisition/capitalization	(23,213)	(2,347,398)	(26,531)	(1,239,662)
Financing Activities				
Repayment of long term loans	(931,790)		(1,224,368)	
Government dividend	(217,863)		(307,000)	
GOK Grants	300,000		503,000	
Interest paid	(118,538)	(968,191)	(227,749)	(1,256,117)
Net increase in cash & cash equivalent		(259,537)		(56,799)
Cash and cash equivalents as at 1.07.2007		2,339,160		2,395,959
Cash and cash equivalents as at 30.06.2008 (Note 4c)		2,079,623		2,339,160



STATEMENT OF CHANGES IN EQUITY : 30TH JUNE 2008

	CAPITAL RESERVES Kshs '000'	GENERAL RESERVES Kshs '000'	CURRENCY ACCOUNT Kshs'000'	PROPOSED DIVIDENDS Kshs '000'	TOTAL Kshs '000'
Balance as at 01.07.2007	15,759,726	260,351	290,055	216,037	16,526,169
Profit after tax		643,292			643,292
Pension charge		(3,492,000)			(3,492,000)
Adjustment		(70,946)			(39,064)
Dividends paid/payable		(96,493)		(216,037)	(312,530)
Proposed dividends				96,493	96,493
Currency fluctuation			(77,429)		(77,429)
Balance 30.06.2008	15,759,726	(2,755,796)	212,626	96,493	13,313,049
<i>Add: Grants</i>					300,000
Balance as at 30.06.2008					13,613,049



1. ACCOUNTING POLICIES

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

a) Basis of accounting

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

b) Revenue recognition

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

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

c) Leasehold property

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

d) Foreign currency transactions

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



e) **Receivables and other advances**

Trade receivables and other advances are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts

f) **Inventories**

Stocks are recognized at the lower of current cost and net realizable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred to bring the inventories to their present location and condition.

g) **Investments**

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

h) **Retirement Benefits Policy**

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

i) **Cash and cash equivalents**

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

j) **Taxation**

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



- (i) **Current taxation** is provided on the basis of the results for the year as shown in the financial statements adjusted in accordance with tax legislation.
- (ii) **Deferred income tax** is provided, under the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

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

b) Dividend policy

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

c) Comparatives

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

d) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. During the just ended year, the Authority contracted four independent valuers to value its lands and buildings. Due to the amount of work involved, the valuers could not finish and send in their returns in time for incorporation into the books. The new values will be incorporated in the books at the beginning of the next financial year



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

DEPRECIATION RATES

	No. of years	Rates (%)
Dredging works	40	2.5
Buildings	40	2.5
Rail Lines	40	2.5
Roads	40	2.5
Quays	40	2.5
Cranes	20	5
Forklift Trucks	5	20
Tractors	5	20
Vehicles	5	20
Tugs	20	5
Telecom Equipment	10	10
IT software and equipment	3	33.3
Pilot Boats	10	10



DETAILED PROFIT & LOSS ACCOUNT: 30 JUNE 2008

	Notes	2007/08		2007/08	
		Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Operating Revenue	2a		13,333,504		12,372,111
Operating Expenditure					
Establishment Expenses	2b(i)	6,531,727		5,494,009	
Administrative Expenses	2b(ii)	955,287		793,595	
Other Operating Expenses	2b(iii)	3,121,449	10,608,463	3,438,719	9,726,323
Gross Operating Profit			2,725,041		2,645,788
Non Operating Income	2a(i)		556,391		813,361
Profit before Finance Costs			3,281,433		3,459,149
Finance & Legal Costs	2c&d		1,796,279		837,093
Profit before Tax			1,485,153		2,622,056
Tax for year	10		841,861		1,181,808
Profit after Tax			643,292		1,440,248
Dividends			96,493		216,037
Retained Earnings			546,799		1,224,211

**DETAILED NOTES TO THE FINANCIAL STATEMENTS****PROFIT & LOSS ACCOUNT SCHEDULES****NOTE 2a: OPERATING REVENUE**

	2007/08	2006/07
	Kshs '000'	Kshs '000'
Pilotage	197,918	205,215
Tug Services Dues	413,085	343,803
Mooring	59,074	33,852
Navigational Dues	58,844	53,548
Port Dues	171,238	177,511
Dockage	235,038	197,802
Fresh Water - Normal	5,548	8,221
Laid Up Vessels	2,024	424
Security	15,471	0
Stevedoring	4,147,376	3,703,073
Hire Of Labour/Equipment	78,750	58,948
Handling Of Empty Containers	561,315	512,435
Shorehandling	4,075,530	4,824,342
Re Marshalling Charges	131,338	84,266
Container Stripping/Stuffing	5,149	5,931
Verification Charges	246,984	351,698
Storage Of General Cargo	140,014	64,523
Storage - Empty Containers	8,830	10,854
Storage-Full Containers	1,615,216	1,718,520
Jetty Fees	861	745
Licences	1,380	1,635
Crew List	420	0
Other Revenue	12,002	5,498
Marine Charges	671	693
Wharfage	1,134,212	0
Sale Of Fresh Water	1,180	1,187
Other Miscellaneous Revenue	8,394	6,307
Handling Of Full Containers	5,642	1,080
	13,333,504	12,372,111



NOTE 2a (i): NON OPERATING REVENUE

	2007/08	2006/07
	Kshs '000'	Kshs '000'
Rent & Rates Receivable	176,417	80,293
Bandari College	19,164	30,097
Recovery From Housed Employees	126,411	127,019
P/L - Sale Of Surveyed Stock	8,690	17,896
Sale Of Passes	53,375	44,875
Sale Of Books And Documents	4,954	10,460
Sundry Income	76,530	54,877
P/L On Sale Of Fixed Assets	(6,638)	(1,634)
Realised Foreign Exchange Gain	(3,470)	315,407
Unrealised Foreign Exchange Gain	(8)	(9)
Inventory Difference Gain	-	442
Interest On Staff Loans	4,105	8,755
Bank Interest Earnings	96,861	123,333
Rent For Leased Houses	-	-
Others	-	1,550
	556,391	813,361

NOTE 2b (ii): UTILITIES

	2007/08	2006/07
	Kshs '000'	Kshs '000'
Electricity Services	165,290	123,938
Telephone/Telex/Fax Services	32,840	23,387
Water Supply Services	28,957	42,093
City & Municipal Council Rates	49,914	32,802
Office Rental-Kampala	1,657	732
	78,658	222,952



NOTE 2b (i): ESTABLISHMENT EXPENSES

	2007/08	2006/07
	Kshs '000'	Kshs '000'
Basic Salary	2,330,879	2,045,319
Survey Allowances	-	7,459
Overtime	899,810	742,522
Staff Allowances	408,450	323,966
Wages Casuals	215,942	200,031
Overtime Casuals	134,657	130,951
Normal Staff Housing	872,708	738,314
Leased Staff Housing	17,036	10,399
Household Equipments	-	2,089
Special Accommodation	10,217	8,392
Duty Travel	233,044	196,507
Leave Travel	123,445	100,639
Motor Mileage	240,650	188,200
Staff Pension	708,669	449,982
Staff Gratuity	43,823	37,806
Long Service Awards	1,553	3,751
Social Security	7,930	33,185
Medicines	113,708	78,928
Referrals	2,210	21,424
Hospital/Referral Bills	147,932	82,568
X-Ray Costs	131	5,427
Laboratory Services	136	1,377
First Aid	4,450	3,667
Medical Education Expenses	4,077	1,994
Staff Houses Repair	-	78,482
Incentive Scheme	10,268	-
Aids Treatment	-	322
Preservation Charges	-	221
Others	2	87
	6,531,727	5,494,009



NOTE 2b (ii): GENERAL OFFICE ADMINISTRATIVE EXPENSES

	2007/08	2006/07
	Kshs '000'	Kshs '000'
Library & Archives	3,235	1,354
Nursery Schools	2,041	891
Laundry	408	(355)
Provisions & Catering	13,106	969
Cleaning Of Carpets & Curtains	64	125
Directors Allowances	38,937	34,260
Furniture & Equipment	982	(1,670)
Printing & Stationery	94,748	69,400
Stamp Franking & Courier Serv.	5,248	2,125
Photocopying Services	-	3,041
Office Equipment And Consumables	12,033	11,197
Entertainment Allowance	2,661	3,848
Club Membership Fees	1,347	1,313
Printing Materials	-	13,233
Police Services	762	3,479
Security Guards Services	36,601	31,743
Port Passes	11,755	8,660
Radio Services	105	1,000
Corporate Social Responsibility	19,881	10,000
Donations	-	3,210
Value Added Tax Expenditure	54,754	44,776
	298,668	242,599



NOTE 2b (ii): PERSONNEL AND PUBLIC RELATION COSTS

	2007/08	2006/07
	Kshs '000'	Kshs '000'
Publicity & Advertising	49,106	49,261
Subscriptions & Donations	1,885	3,900
Hire Of Com. Bus Service	33,349	29,169
Agricultural Society Of Kenya Shows	12,942	12,000
Kenya Communication Sports Organization	-	6,984
Sports	25,121	10,664
Welfare	11,901	21,222
Industrial Relations Costs	3,956	2,291
Development Studies	71,648	48,017
Consultant Fees	5,383	2,000
Training - Other Local	-	10,146
Training - Other Abroad	122,091	84,151
Training - Industr.Attachment	-	1,817
Training Levy	-	3,133
Curriculum Development	5,632	4,229
Recruitment Costs	5,275	4,330
Accommodation Costs	353	1,537
Retirees Token Gifts	29,105	8,593
Retirees Travel Warrants	2	8,506
Retirees Personal Effects Cost	-	15,304
Conferences & Seminars	-	-
Trade Testing Materials	-	74
Guest House Costs	211	389
Marketing Expenses	-	327
	377,960	328,044



NOTE 2b (iii): MAINTENANCE COSTS

	2007/08	2006/07
	Kshs '000'	Kshs '000'
Hardware Building Maintenance	162,040	146,546
Running Stores	-	400
Marine Spares	47,934	18,010
Diving & Signal Equipment	275	37
Buoys	1,197	2,774
Anti-Pollution Materials	-	940
Flowers & Plants	346	861
Crane Spares	134,153	36,799
Fuel	424,305	335,499
Oils	34,972	19,884
Lubricants And Cleanising Agents	5,078	17,335
Gas Cutting And Welding Supplies	(579)	3,826
*Fire Fighting & Safety	-	(372)
Uniforms & Clothing	50,705	49,436
Cleaning Implements And Detergents	16,256	19,983
Workshop Tools And Equipment	15,802	10,674
Communication & Equipment Spares	13,784	7,533
Medical Equipment	3,296	458
Staff Houses Repair	77,907	-
Repairs: Port Infrastructure Work	163,708	354,153
Mobile Plant Spares	134,686	132,964
Mobile Plant Spares	5,323	491
Electrical Spares	55,551	19,986
Tyres And Tubes	68,825	49,404
Repairs Of Office Machinery	26	219
Refrigeration And Air Conditioning	7,777	8,350
Batteries Charges And Clocks	6,437	3,848
Capital Minor Works	-	1
Stores Maintenance	-	62
Third Party Repairs	-	3
External Services	(1,973)	17,801
Repairs Of Mobile Equipment	74	1,668
	1,427,905	1,259,573

The credit balances arose from reversal of over- provisions from previous periods. These are accounting estimates and have been dealt with as required under IAS 8 and IAS37.



NOTE 2b (iii): DEPRECIATION

	2007/08	2006/07
	Kshs '000'	Kshs '000'
ANNUAL DEPRECIATION	1,693,544	2,179,141

NOTE 2c: FINANCE COSTS

	2007/08	2006/07
	Kshs '000'	Kshs '000'
Discount Allowed To Customers	24,031	3,515
Audit Fees	13,680	6,840
Bank Commission	10,876	3,802
Bank Charges	-	6,145
Survey Fees	91	806
Ext.audit Reimbursements	52	77
Consultant Fees	-	-
Interest Charges- L/term Loans	118,538	227,749
Write-offs -stock	138,346	-
Write-offs – Fixed Assets	599,747	-
Write-offs –bad Debts	317,547	-
Revaluation Fees	91,240	-
Tax Arrears ,interest And Penalties	71,413	-
Realised Foreign Exchange Loss	46,056	94,044
Unrealised Foreign Exchange Loss	48,675	218,522
Computer & Network Maintenance	48,048	18,325
Microcomputer Development	-	9,150
Website	-	17
Licences :computers	67,056	70,662
*provision For Obsolete Stock	(941)	3,336
General Prov. Bad Debt	(1,776)	15,650
Inventory Differences	106	(3,223)
Stock-take Expenses	274	1,455
Victuals And Snacks	4,592	10,887
Professional Education Expenses	4,591	1,345
**miscellaneous Work In Progress	(2,698)	(19,058)
Price Difference :loss	1,055	1,048
	1,600,599	671,094

- * The credit balance of Kshs 0.9 million was as a result of a decrease in provision in obsolete stock
- ** The Credit balance of Kshs 2.6 million arose from utilization of own overheads like labour in maintenance works. The job costing allocates overheads which include labour, power etc to the maintenance expense account. But since these are paid for separately(salaries, wages and Overtime) they are reflected as a credit balance. The actual entries are a debit to maintenance account and a credit to overhead application account tied to miscellaneous work in progress above.



NOTE 2d: LEGAL COSTS	2007/08 Kshs '000'	2006/07 Kshs '000'
Insurance Premia	131,776	123,304
Accident Claims	-	3,083
Un-insured Loss/claims	7,710	4,876
Compen.claims/cargo Interests	-	14,329
Workman's Compensation	731	2,437
Legal Fees	55,259	17,592
Car Registration & Licences	50	94
Registration: Legal Documents	156	283
	195,682	165,998



NOTE 3a: LAND & BUILDINGS

DESCRIPTION COST OR VALUATION	30 JUN 2008 Kshs '000'	30 JUN 2007 Kshs '000'
Balance as at 01.07.2007	7,147,481	7,393,383
Additions	543,099	18,537
Disposals		(6,150)
Reclassification		(258,289)
Adjustment	-	-
Balance as at 30.06.2008	7,690,580	7,147,481
DEPRECIATION		
Balance as at 01.07.2007	2,226,963	2,083,800
Charge for the year	205,548	163,131
Eliminated on disposal		(1,999)
*Reclassification		(17,969)
Balance as at 30.06. 2008	2,432,511	2,226,963
N.B.V.		
As at 01.07.2007	4,920,518	5,309,582
As at 30.06.2008	5,258,069	4,920,518
WIP		
As at 01.07.2007	743,656	541,136
Movement in the year	(386,446)	202,520
As at 30.06.2008	357,210	743,656
TOTAL as at 30.06.2008	5,615,279	5,664,174



NOTE 3c: PLANT, PROPERTY & EQUIPMENT

30 JUNE 2008

DESCRIPTION	MOTOR VEHICLES,BOATS, FORKLIFTS, TUGS & CRANES	EQUIPMENT, SERVICES, & SYSTEMS	ROADS, BRIDGES, JETTIES & WHARVES	TOTAL
COST	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Balance as at 01.07.2007	14,376,912	1,335,282	7,268,960	22,981,154
Additions	108,354	5,559	685,398	799,311
Disposals	(1,243,436)			(1,243,436)
Settlement	964			964
Write off	(1,324,937)			(1,324,937)
Balance as at 30.06.2008	11,917,857	1,340,841	7,954,358	21,213,056
DEPRECIATION				
Balance as at 01.07.2007	7,929,521	1,012,949	4,468,719	13,411,189
Charge for the year	1,001,946	49,144	307,002	1,358,092
Eliminated on disposal	(1,220,924)			(1,220,924)
Write off	(925,568)			(925,568)
Balance as at 30.06. 2008	6,784,975	1,062,093	4,775,721	12,622,789
N.B.V.				
As at 01.07.2007	6,447,391	322,333	2,800,241	9,569,965
As at 30.06.2008	5,132,882	278,748	3,178,637	8,590,267
WIP:				
Opening balance 01.07.2007	2,783,716	905,582	243,290	3,932,588
Period Movement	(440,235)	562,943	502,623	625,331
Closing balance 30.06.2008	2,343,481	1,468,525	745,913	4,557,919
TOTAL as at 30.06.2008	7,476,363	1,747,273	3,924,550	13,148,186


NOTE 3b: INVESTMENT PROPERTY
30 JUNE 2008

DESCRIPTION	LAND & BUILDINGS	BASIC CONSTRUCTION	SERVICES & SYSTEMS	TOTAL
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
COST:				
Balance 01.07.2007	623,786	73,903	24,361	722,050
Balance 30.06.2008	623,786	73,903	24,361	722,050
DEPRECIATION:				
Balance 01.07.2007	246,239	44,128	15,378	305,745
Charge for the year	17,856	2,312	1,225	21,393
Balance 30.06.2008	264,095	46,440	16,603	327,138
NBV:				
Balance 30.06.2007	377,547	29,775	8,983	416,305
Balance 30.06.2008	359,691	27,463	7,758	394,912

NOTE 3e: INTANGIBLE ASSETS
30 JUNE 2008

COST			DEPRECIATION			NBV	
01.07.2007	ADDITION	30.06.2008	1.07.2007	CHARGE	30.06.2008	30.06.2007	30.06.2008
Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
1,301,832	-	1,301,832	1,193,346	108,486	1,301,832	108,486	0



NOTE 4a: LONG TERM INVESTMENTS

DESCRIPTION	2007/08 Kshs '000'	2006/07 Kshs '000'
1. Fixed Deposits:		
Housing Scheme Backup Funds- HFCK	263,234	245,422
Fixed Deposits- HFCK	71,182	80,460
Savings and Loan Ltd.	283,459	283,302
East African Building Society	21,691	21,310
	639,566	630,494
2. Equities:		
Kenya National Shipping Line	54,346	54,347
Consolidated Bank of Kenya	29,100	29,100
Kenya Ferry Services Ltd	100,000	100,000
	183,446	183,447
Total	823,012	813,941



- (i) Funds invested with Housing Finance amounted to Kshs. 334 million out of which Kshs 263 million were held as lien on loans advanced to staff under the House Ownership Mortgage Scheme (HOMS). The mortgage funds earn interest at 1.125% p.a. while the rest of the funds held earn 7.3% p.a.
- (ii) Funds invested with EABS amounting to Kshs. 22 million are held as security on loans advanced to staff under HOMS. They earn interest at 2% p.a.
- (iii) Funds invested with Savings and Loan Ltd amounting to Kshs. 283 million is held as security on loans advanced to staff under HOMS. They earn interest at 1.0% p.a.



NOTE 4b: SHORT TERM INVESTMENTS

Description	2007/08	2006/07
	Kshs '000'	Kshs '000'
182 Days Treasury Bills Effective rate 7.9% (2005/6: 8.1%)	597,990	795,272
91 Day Treasury bills Effective rates 0% (2005/6: 6.9%)	-	-
Call deposit: Citibank- effective rate 5.8% (2005/6: 7.5%)	-	600,000
Call deposit: Barclays	196	187
TOTAL	598,186	1,395,459

NOTE 4c: CASH & CASH EQUIVALENTS

Description	2007/08	2006/07
	Kshs '000'	Kshs '000'
Cash on hand and at bank	1,481,437	943,701
Short term investments	598,186	1,395,459
TOTAL	2,079,623	2,339,160



NOTE 5: INVENTORIES

Description	2007/08	2006/07
	Kshs '000'	Kshs '000'
Terminal stores	253,960	237,168
Marine Engineering stores	46,950	46,708
Main Central store	37,310	48,492
General	6,290	14,055
Technical	29,402	33,125
Building	1,618	1,312
ICD stores	40,783	54,583
Technical	34,264	45,437
General	4,055	4,520
Fuel	2,464	4,626
Medical stores	14,424	25,291
Main	11,776	16,985
Bandari	1,816	7,271
Kipevu	832	1,035
Provision for obsolescence	(151,174)	(20,612)
TOTAL	242,253	391,630



NOTE 6: TRADE & OTHER RECEIVABLES

Description	2007/08	2006/07
	Kshs '000'	Kshs '000'
Trade debtors		
Trade cargo debtors	785,776	607,699
Trade marine debtors	145,386	358,991
Provision for bad debts	(46,558)	(48,335)
Staff debtors		
Staff advances	90,388	129,552
Advance imprest & subsistence	59,953	57,317
Ministry of Finance / Dregco	287,231	287,231
Kenya Ferry Services	342,599	441,189
Projects mobilization	109,332	90,623
Advance creditors (LCs)	258,787	195,155
Deposit Others	12,847	12,702
Discount on TBs	11,110	31,328
Non trade debtors	74,967	91,565
VAT: suppliers	62,962	24,653
RVR: TBL	22,537	60,414
Others	7,790	10,902
TOTAL	2,225,107	2,350,986



NOTE 7a: CASH AND BANK BALANCES

Name of the bank	2007/08	2006/07
	Kshs '000'	Kshs '000'
National Bank of Kenya	55,474	146,862
Kenya Commercial Bank	1,490	1,097
Standard Chartered Bank	419,386	331,618
Citibank N.A	984,881	435,110
Stanbic Uganda	762	(812)
Barclays Bank of Kenya	(57)	7,553
Petty cash	3,575	2,186
Cash in Transit	14,787	19,070
Collections	1,139	1011
Crown Agents	0	6
Total	1,481,437	943,701

NOTE 7b: PREPAYMENTS & ACCRUED INCOME

Description	2007/08	2006/07
	Kshs '000'	Kshs '000'
Prepaid insurance	59,994	66,684
Prepaid land rates & rent	8,094	8,326
Withholding tax receivable	-	-
Accrued investment income	1,324	3,022
Total prepayments	69,412	78,032



NOTE 8: TRADE & OTHER PAYABLES

Description	2007/08	2006/07
	Kshs '000'	Kshs '000'
Trade creditors		
General trade creditors	416,432	336,410
*General foreign creditors	(69,988)	8,058
Payroll creditors	178,220	116,226
Other creditors		
Pension actuarial/Employees cont.	291,445	-
Contract deposits	215,925	219,467
Accrued expenditure	542,302	157,669
Ministry of Finance / Dregco	287,231	287,231
Tax clearing account	21,866	6,046
Advanced investment income	3,296	13,426
VAT	52,130	63,766
Stock accruals	(63,009)	12
KMA	7,622	6,917
RVR	14,291	(25,245)
Others	45,681	26,534
TOTAL	1,943,444	1,216,517

Down payments and LC's open in favour of foreign suppliers as per the contracts terms


NOTE 9a: EXTERNAL DEBTS

Loan	Unit	Interest rate %	Balances as at 30/06/2007	Balances as at 30/06/2008	Payable 2007/08 (Current)	Over 1 Year (Non Current)
Bank Loans						
Consortium	USD	6.18063	1,902,330	970,540	880,701	89,839
TOTAL			1,902,330	970,540	880,701	89,839

NOTE 9 b: GRANTS:

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

During the year, the following grants were received:

	2007/08	2006/07
	Kshs '000'	Kshs '000'
Dredging funds from MOT	300,000	400,000
ISS & CBS funds from the World Bank	0.00	103,000
TOTAL	300,000	503,000

NOTE 10: ACCRUED PENSION LIABILITY:

	TOTAL	Payable 2007/08	Over 1 Year
Balance as 01.07.2007	4,882,952	1,131,000	3,751,952
Additions during the year	3,492,000		3,492,000
Repayments in the year	1,044,000		1,044,000
Balance as at 30.06.2008	7,330,952	1,131,000	6,199,952



NOTE 11: TAXATION

Installment taxes totaling to Kshs 1,229 million were paid during the year. A self-assessment on corporation tax of Kshs 935 million for the year has been provided in these accounts.

	2007/08	2006/07
Corporation Tax	Kshs '000'	Kshs '000'
Balance 01.07.2007	108,603	(551,378)
Provision for the year	906,662	1,016,813
Final tax paid	(108,603)	0
Installment taxes paid	(1,130,758)	(352,322)
(Over)/under provision in previous yrs	0	(4,510)
Balance 30.06.2008	(224,097)	108,603
DEFERRED TAX		
Balance 01.07.2007	525,696	356,191
Movement for the year	(64,801)	169,505
(Over)/under-provision in previous yrs	-	-
Balance 30.06.2008	460,895	525,696

**NOTE 12: CORPORATE SOCIAL RESPONSIBILITY**

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

The Authority sponsors local, regional and national activities and regularly donates towards charitable causes of all kinds. During the year, a total of Kshs 20million was donated towards CSR activities and projects.

NOTE 13: CONTINGENT LIABILITIES:

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

NOTE 14: RESERVES

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

General reserves are created from accumulated retained earnings or deficit. The negative balance in the year has been caused by the recognition of an actuarial deficit following an actuarial valuation of the Staff Pension Scheme in 2007 in accordance with RBA Legislation. This valuation was undertaken by Alexander Forbes Financial Services.



NOTE 15: RELATED PARTY TRANSACTIONS

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

Description	2007/08	2006/07
	Kshs '000'	Kshs '000'
Kenya Ferry Service (Debtor)	342,599	441,189
Kenya Ferry Services (Equity)	100,000	100,000
Kenya National Shipping Line (Equity)	54,347	54,347
Kenya National Shipping Line (Debtor)	27,493	27,493

NOTE 16: INCORPORATION

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

NOTE 17: CURRENCY

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



