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KENYA FERRY SERVICES LIMITED



REPORT OF THE

CONTROLLER AND AUDITOR GENERAL

ON THE FINANCIAL STATEMENTS

OF KENYA FERRY SERVICES LIMITED

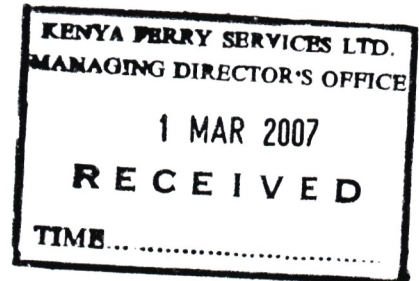
FOR

THE YEAR ENDED 30TH JUNE 2006

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



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

ON

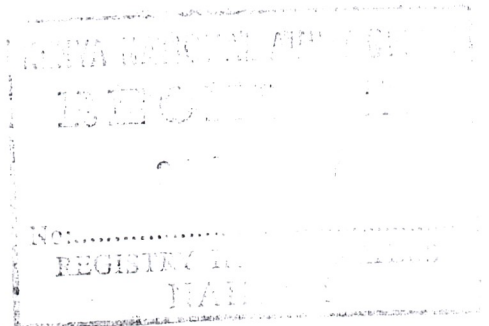
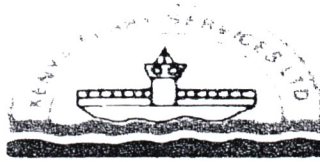
**THE FINANCIAL STATEMENTS OF
KENYA FERRY SERVICES LIMITED FOR
THE YEAR ENDED 30 JUNE 2006**

KENYA NATIONAL ASSEMBLY
Accession: 10012876

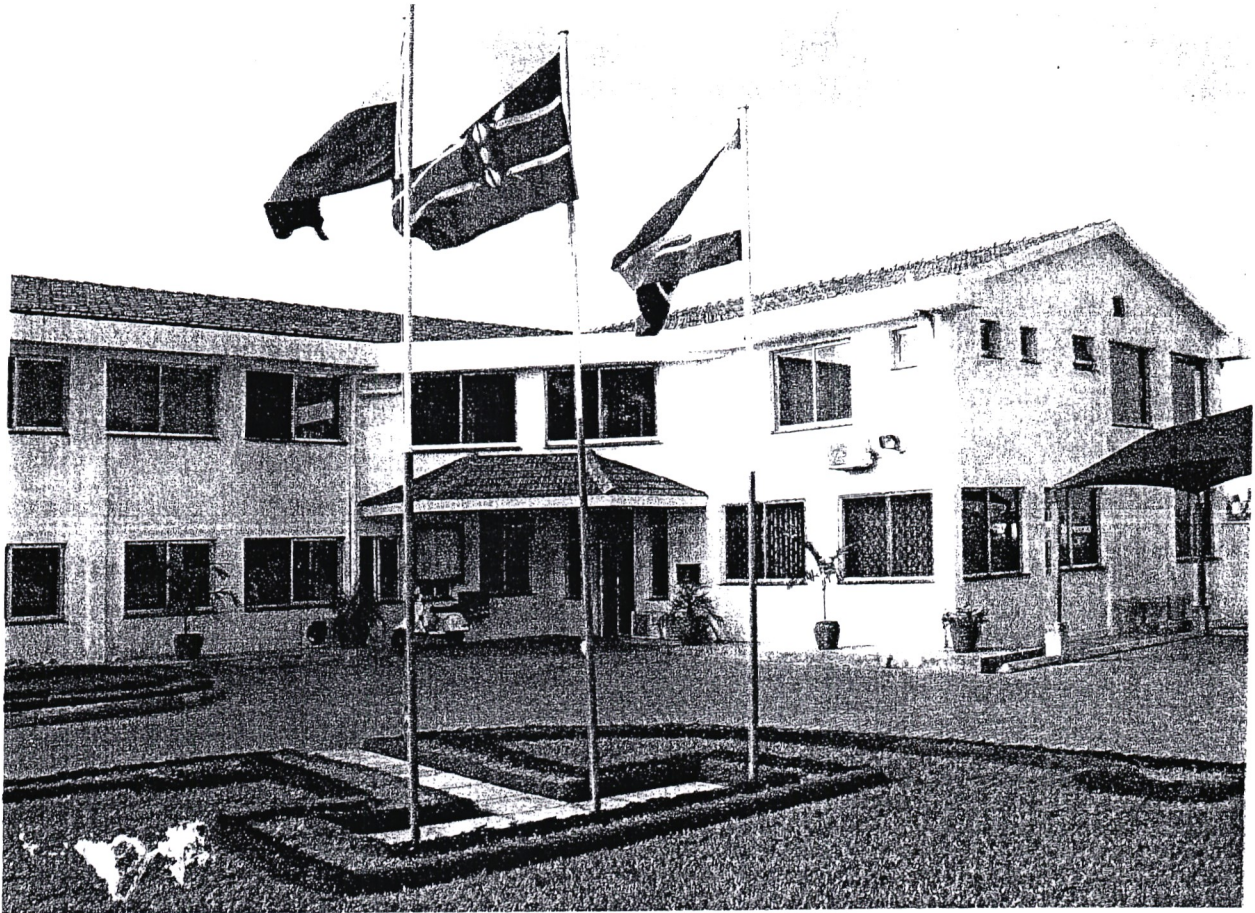
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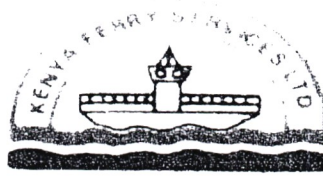




KENYA FERRY SERVICES LIMITED

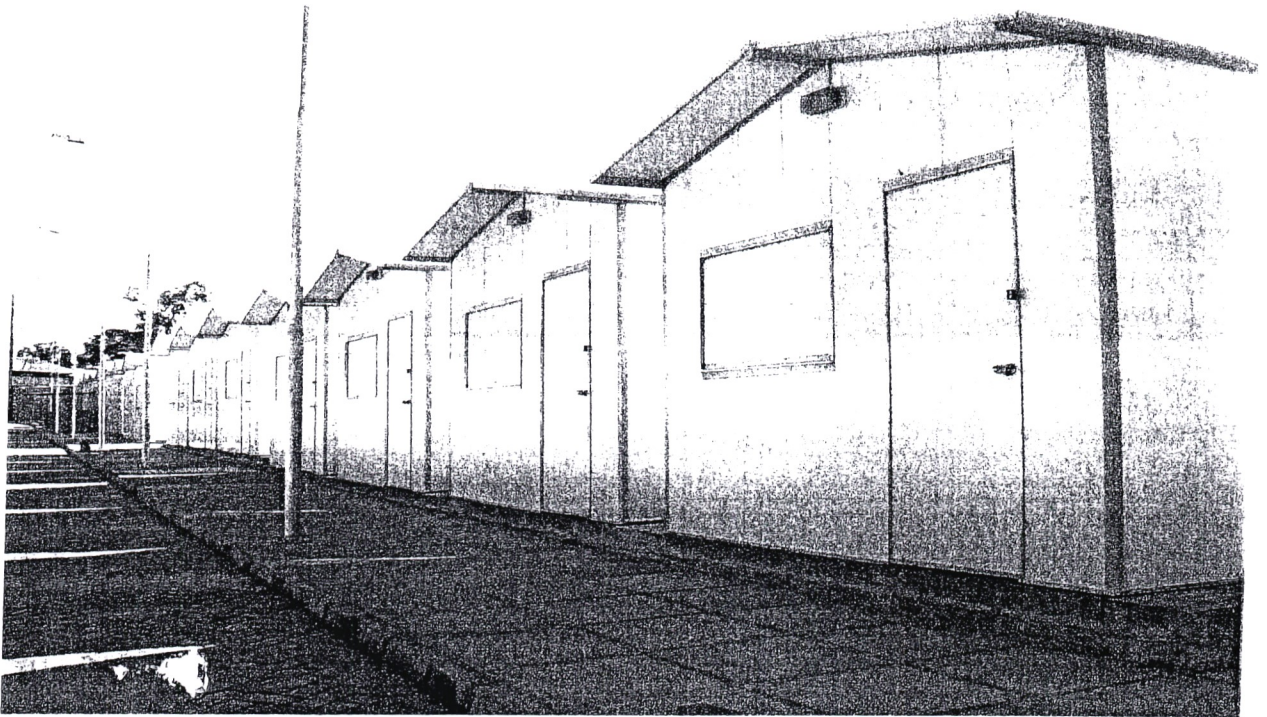


Kenya Ferry Services Limited,
Peleleza Headquarters,
P.O. Box 95187, Mombasa, Kenya.
Tel.2451126,2451351
Fax:2451062/2451039
Email: info@kenyaferry.co.ke



KENYA FERRY SERVICES LIMITED

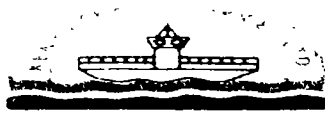
FERRYING YOU ACROSS TO THE FUTURE



*DIVERSIFYING FROM CORE FERRY BUSINESS BY INVESTING IN MARKET STALLS TO
REDUCE DEPENDANCE*

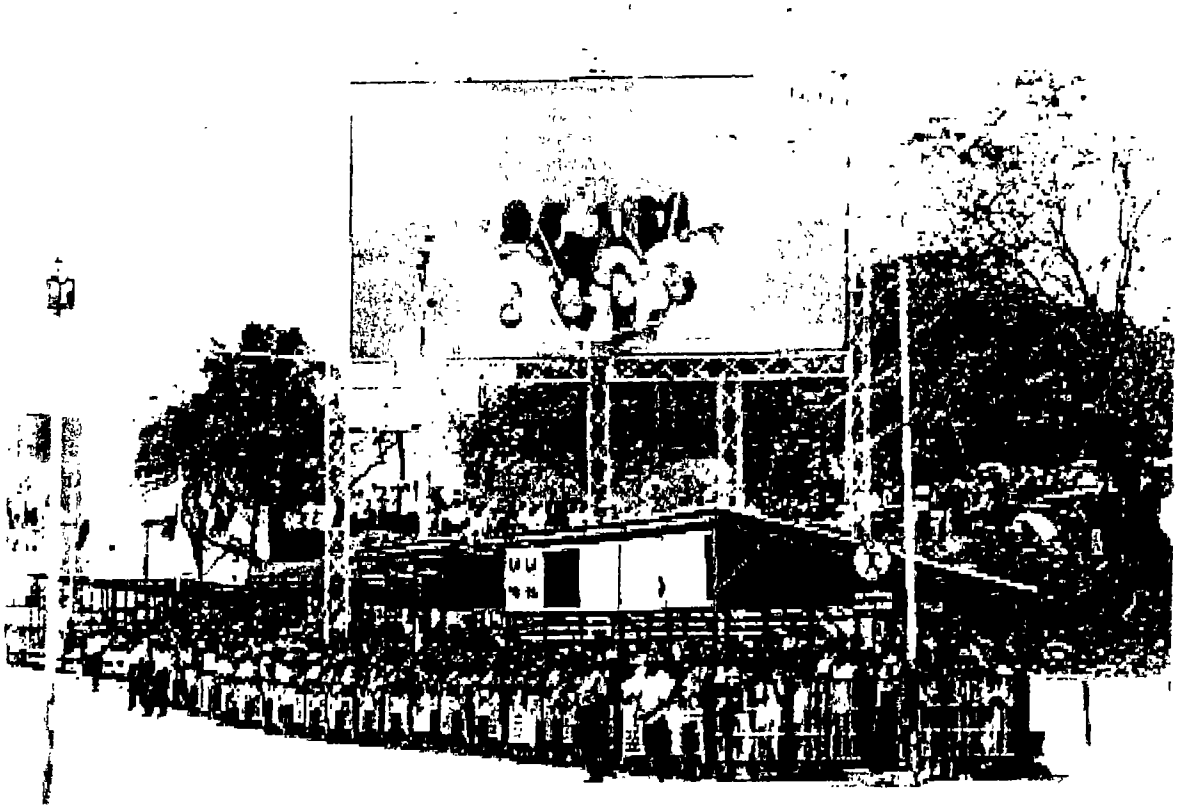
KENYA FERRY SERVICES LIMITED ANNUAL REPORT

**and Financial Statements
30th June 2006**

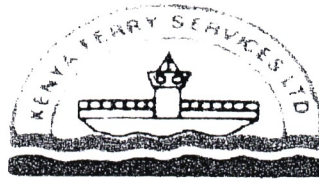


Our Vision

To be a leader in providing ferry services in the Eastern African Region.

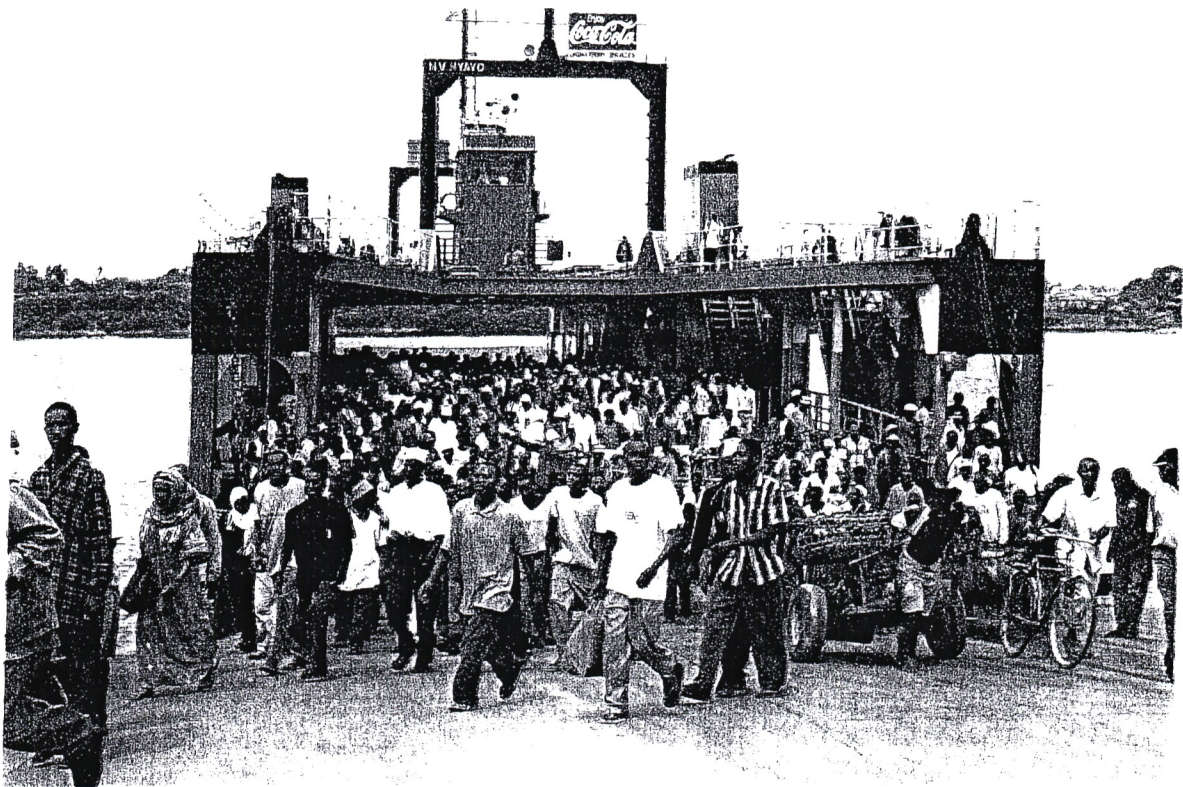


ADVERTISEMENT POTENTIAL AVAILABLE AT FERRY RAMP APPROACHES AND ON BOARD FERRY VESSELS



Our Mission

To operate a commercially sustainable ferry service that is safe, reliable, efficient, and secure to meet present and future customer needs.



MINDING ABOUT THE SAFETY OF USERS AS PEDESTRIANS DISEMBARK FROM M.V. NYAYO



BOARD OF DIRECTORS



ALI MANDHRY
CHAIRMAN



J.J. RIA
MANAGING DIRECTOR



GERISHON IKIARA
DIRECTOR
PS – TRANSPORT



Joseph Kinyua
DIRECTOR
PS - TREASURY



A. G. WARUI
DIRECTOR



A.H. MWARUWA
DIRECTOR



A.M. GUNDA
DIRECTOR



IRENE ARINA
ALTERNATE DIRECTOR
TO PS – TRANSPORT



C. K. KIMELI
ALTERNATE DIRECTOR
TO PS – TREASURY



MUTHONI GATERE
COMPANY SECRETARY



DIRECTORS ALI MANDHRY
 JOHN J. RIA
 JOSEPH KINYUA
 GERISHON IKIARA
 A. G. WARUI
 ALI HAJI M. GUNDA
 A.H. MWARUWA
 C.K. KIMELI
 IRENE ARINA

CHAIRMAN
MANAGING DIRECTOR
PS TREASURY
PS TRANSPORT
DIRECTOR
DIRECTOR
DIRECTOR
ALTERNATE TO JOSEPH KINYUA
ALTERNATE TO GERRISHON IKIARA

SECRETARY MUTHONI GATERE COMPANY SECRETARY

REGISTERED OFFICE
AND PLACE OF
BUSINESS PELELEZA LIKONI
 P.O. BOX 95187,
 MOMBASA , KENYA.

BANKERS NATIONAL BANK OF KENYA LTD
 PORTWAY HOUSE BRANCH
 P.O. BOX 87770
 MOMBASA.

AUDITORS CONTROLLER AND AUDITOR GENERAL
 KENYA NATIONAL AUDIT OFFICE
 P.O. BOX 30084-00100 GPO
 NAIROBI.



SENIOR MANAGEMENT



JOHN JOEL RIA
MANAGING DIRECTOR
BA (HONS)



DECHE KASHERO
Financial Controller
BCOM (HONS) CPA (K)



S.S. JANOOWALLA
Chief Engineer



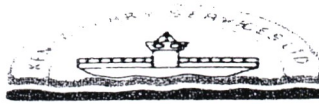
A.D. MADZUNGU
Operations Manager
BA (HONS)



P. Nyaga
Human Resource &
Administration Manager
MBA, CPS(K)



Muthoni Gatere
Company Secretary
LLB (HONS)



**KENYA FERRY SERVICES LIMITED
DIRECTOR'S REPORT
FOR THE YEAR ENDED 30TH JUNE 2006**

The directors submit their report together with the financial statements for the year ended 30 June 2006, which disclose the state of affairs of the company.

The company was incorporated in Kenya in November 1989 under the company's Act Cap 486 and is domiciled at Mombasa, Kenya.

The company's mainstay occupation is the provision of a ferry link to both pedestrian and vehicle traffic. Pedestrian constitute about 70% of the total business volume, whereas vehicles account for 30%. Vehicles pay a government approved toll charges, while pedestrians cross free of charge. The Government compensates the company in form of subsidy for the free pedestrian services.

The company owns and operates five ferry vessels namely M.V Nyayo, Harambee, Kilindini, Pwani and Mvita. The company transports an average of 57 million pedestrians and 1.1 million vehicles annually.

The company has attracted fairly qualified human capital and currently has a staff strength of 206 workers.



KENYA FERRY SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

We, the directors certify that:

1. We are responsible for the preparation of financial statements, which present a true and fair view of the state of affairs of the Corporation and of its operating results.
2. The financial statements have been prepared in accordance with International Financial Reporting Standards.
3. We are responsible for safeguarding the assets of the corporation.
4. We are responsible for establishing and maintaining systems of Internal Control designed to provide reasonable assurance as to the integrity and reliability of the corporation's financial reporting.
5. The directors are of the opinion that the financial statements for the year ended 30 June 2006 fairly present the financial position and operating results of the corporation.
6. Nothing has come to the attention of the directors to indicate that the corporation will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Directors by:-

**A. Mandhry
CHAIRMAN**

**J.J. Ria
MANAGING DIRECTOR**



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA FERRY SERVICES LIMITED FOR THE YEAR ENDED 30 JUNE 2006

I have audited the financial statements of Kenya Ferry Services Limited for the year ended 30 June 2006 in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief were, necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and the Controller and Auditor General

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

Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those Standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

1. Financial Performance

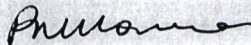
During the year ended 30 June 2006, the Company incurred a deficit of Kshs.138,965,847 (2005 - Kshs.64,084,792) which brought its accumulated deficit to Kshs.1,021,211,164 (2005 - Kshs.882,245,317). The Company attributes the deficit to under funding by the Government for the last three years contrary to the Memorandum of Understanding of 18 August 2003 signed between the Company and the Treasury. The financial statements have therefore been prepared on a going concern basis on the assumption of continued financial support from the Government and Kenya Ports Authority.

2. Kenya Ports Authority Advance - Kshs.325,507,569

Included in the non-current liabilities as at 30 June 2006 is Kshs.325,507,569 in respect to Kenya Ports Authority (KPA) advances which is at variance with the figure in Kenya Ports Authority records of Kshs.441,189,136.44 – a difference of Kshs.115,681,567.77. Management attributes this difference to Kenya Ports Authority accruing interest on the balance while Kenya Ferry Services Ltd does not. In the absence of a reconciliation between the two figures it is not possible to confirm the propriety of the balance of Kshs.325,507,569 as at 30 June 2006.

Opinion

Except for the reservations set out in the foregoing paragraphs, in my opinion, proper books of account have been kept and the financial statements give true and fair view of the state of the affairs of the Company as at 30 June 2006 and of its deficit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with Kenyan Companies Act (Cap 486).



**P. N. KOMORA
CONTROLLER AND AUDITOR GENERAL**

Nairobi

12 February 2007



Income and Expenditure Statement for the year ended 30th June 2006

		2006	2005
		Kshs.	Kshs.
INCOME	Note		
Income from operations	1	136,697,015	111,764,740
Interest Income	2	12,293,714	8,941,461
Gain on Forex Exchange	3	-	2,489,351
Other income	4	3,691,797	262,720
Government Grants	5	173,742,184	250,000,000
Total		<u>326,424,710</u>	<u>373,458,272</u>
EXPENDITURE			
Staff & Administrative Cost	6	181,643,544	164,992,018
Operational Costs	7	170,536,398	176,290,936
Depreciation Expenses	8	78,781,675	84,037,532
Mtongwe Compensation	22	22,693,953	12,222,578
Provision for obsolete stock	23	11,734,987	-
TOTAL		<u>465,390,557</u>	<u>437,543,064</u>
Surplus or Deficit from Operation		(138,965,847)	(64,084,792)
Net Surplus/Deficit for the year		<u>(138,965,847)</u>	<u>(64,084,792)</u>



KENYA FERRY SERVICES LIMITED

BALANCE SHEET AS AT 30TH JUNE 2006

	NOTE	2006 KSHS.	2005 KSHS.
Non-Current Assets			
Property, Plant & Equipment	8	231,398,696	283,040,824
Capital Works in Progress	9	<u>172,141,816</u>	<u>103,403,223</u>
		<u>403,540,512</u>	<u>386,444,047</u>
Current Assets			
Short term Investments	10	418,356,972	193,594,750
Inventory	11	69,985,793	74,469,676
Trade and Other Receivables	12	12,453,762	8,754,596
Bank and Cash Balance	13	<u>344,592</u>	<u>25,657,725</u>
		<u>501,141,119</u>	<u>302,476,747</u>
Total Assets		<u>904,681,631</u>	<u>688,920,794</u>
Share Holders Funds and Liabilities			
Share Capital	14	499,904,000	499,904,000
Accumulated Losses	15	(1,021,211,164)	(882,245,317)
Revaluation Reserves	16	346,472,073	346,472,073
Government Funds	17	<u>711,340,103</u>	<u>358,340,103</u>
		<u>536,505,012</u>	<u>322,470,859</u>
Non-Current Liabilities			
Advances from KPA	18	<u>325,507,569</u>	<u>325,507,569</u>
		<u>325,507,569</u>	<u>325,507,569</u>
Current Liabilities			
Trade and Other Payables	19	40,911,042	40,942,366
Bank Overdraft	20	1,758,008	-
		<u>42,669,050</u>	<u>40,942,366</u>
Total Equity and Liabilities		<u>904,681,631</u>	<u>688,920,794</u>

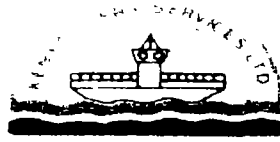
A. MANDHRY
CHAIRMAN

JOHN J. RIA
MANAGING DIRECTOR



**STATEMENT OF CHANGES IN EQUITY FOR THE
YEAR ENDED 30TH JUNE 2006**

	<u>Share Capital</u>	<u>Revaluation Reserve KSHS.</u>	<u>Accumulated Losses KSHS.</u>	<u>Govern- ment Funds</u>	<u>TOTAL</u>
At 1 7 2004	499,904,000	346,472,073	(816,307,788)	358,340,103	388,408,388
Net Surplus/Deficit for the year	-		(64,084,792)	-	(64,084,792)
Adjustment for Provision of bad debts	-		(1,852,737)		(1,852,737)
At 30th June 2005	499,904,000	346,472,073	(882,245,317)	358,340,103	322,470,859
At 1 7 2005	499,904,000	346,472,073	(882,245,317)	358,340,103	322,470,859
Net Surplus/Deficit for the year			(138,965,847)	-	(138,965,847)
Receipt of Government funds for purchase of ferries & Investment				353,000,000	353,000,000
At 30th June 2006	499,904,000	346,472,073	(1,021,211,164)	711,340,103	536,505,012



**CASH FLOW POSITION STATEMENT FOR THE YEAR ENDED
30TH JUNE 2006**

	NOTE	2006 KSHS.	2005 KSHS.
OPERATING ACTIVITIES			
Cash generated from operating activities	21	295,341,720	31,899,594
Investment Activities			
Purchase of Property, Plant & Equipment	8	27,154,038	68,445,658
Capital Works in Progress		68,738,593	52,131,302
Net Cash (used) in Investing Activities		95,892,631	120,576,960
Financing Activities		-	-
(Decrease)/Increase in cash and cash equivalent		199,449,089	-88,677,366
Movement in cash and cash equivalent			
At start of year		219,252,475	307,929,841
(Decrease)/Increase		199,449,089	-88,677,366
At end of year		418,701,564	219,252,475



Accounting Policies

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

(a) Basis of preparation

The financial statement are prepared under the historical cost convention as modified by the carrying of investment property at revalued value and are in compliance with International Financial Reporting Standards.

(b) Revenue Recognition

- (i) Revenue from vehicular toll and ferry pass holders is recognized in the year in which it is due.
- (ii) Interest income is recognized on a time proportion basis that takes into account the effective yield on the asset.
- (iii) Other income which is mainly sale of advertisement space is recognized when it is received.
- (iv) Government Grant or Subvention.
This is recognized when received. The Government of Kenya and the company have a signed memorandum of understanding whereby the Government is to compensate the company for providing free pedestrians services and for charging motorists at rates lower than market rates.

(c) Property, Plant and Equipment

Property, Plant and equipment is stated at historical or revalued cost less accumulated depression.

Depreciation is calculated on the straight line basis to write down the cost of each assets to its residual value over its estimated useful life using the following rates.

- (i) Ferry crafts – over 20 years or 5%
- (ii) Motor vehicles – over 4 years or 25%
- (iii) Ferry plants, tools and Equipment - over 8 years or 12.5%
- (iv) Office furniture + Equipment – Over 8 years or 12.5%
- (v) Standby Generator – Over 8 Years or 12.5%
- (vi) Computers and software - over 4 years or 25%
- (vii) Leasehold land/Buildings - over 30 years term of lease on land or 3%
- (viii) Drive way, Watchtower and Crew boat – over 10 years or 10%
- (ix) Permanent Buildings over 50 years or 2%
- (x) Freehold land is not depreciated.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the surplus/deficit) for the year.



(d) Inventories are stated at the lower of cost and net realisable value.
Cost is determined by first in first out (FIFO) method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(e) Cash and cash equivalents
For the purposes of the cash flow statements, cash and cash equivalents comprises cash in hand and short term deposits held at call with banks.

(f) Retirement Benefit Obligations
The company operates a defined contribution scheme for all its employees. The scheme is administered by Insurance Company of East Africa and is funded by contribution from both the company and the employees. The company's contribution to the defined contribution retirement benefit scheme are charged to the Income and Expenditure Statement in the year to which they relate.

The company also contributes to a statutory defined benefit scheme, the National Social Security Fund (NSSF). Contribution are determined by legal statute and are currently limited to Kshs.200 per employee per month. The company's contributions to the above scheme are charged to the Income and Expenditure Statement in the year to which they relate.

(g) Employee Entitlement
The estimated monetary liability for employees accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

(h) Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

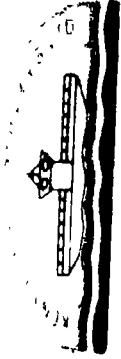


	2005/06	2004/05
	Kshs.	Kshs.
NOTE 5 Government Grants/Subvention	<u>173,742,185</u>	<u>250,000,000</u>
NOTE 6 Staff/Administrative Costs		

	2005/2006	2004/2005
(i) Salaries & Wages	129,996,719	121,545,503
(ii) Staff Transport	4,998,294	4,060,704
(iii) NSSF	460,100	799,159
(iv) Provident/Pension Contribution	5,110,224	4,242,679
(v) Gratuity	1,657,023	1,110,005
(vi) Service Pay Benefits	2,907,698	2,948,876
(vii) Medical Expenses	21,983,921	21,695,758
(viii) Staff Uniforms	3,006,062	2,145,264
(ix) Staff Welfare Expenses	2,470,674	1,874,467
(x) Staff Leave Entitlement	-	601,303
(xi) Leave Traveling Expenses	3,596,238	3,968,300
(xii) Staff training	4,010,712	-
(xiii) HIV/AIDS Awareness	1,445,879	-
	<u>181,643,544</u>	<u>164,992,018</u>
Number of staff	206	<u>209</u>

NOTE 7 Operational Costs

(i) Fuel/Oil delivery Expenses	42,312,245	33,409,533
(ii) Cost of ferry repairs and Maint.	34,182,419	45,516,392
(iii) Ferry Dry-docking	15,943,870	10,768,449
(iv) Ferry Insurance	22,948,754	24,698,172
(v) Licence, Inspection & Survey	4,281,275	1,613,406
(vi) Office building repair + Maint.	502,839	306,573
(vii) Office furniture & Equipment	982,898	2,706,316
(viii) Ferry Safety, Equipment & Repair	1,017,711	2,856,765
(ix) Board Expenses & Directors fees	2,961,104	1,215,781
(x) Motor vehicle running expenses	2,482,001	3,091,095
(xi) Professional fees	795,090	276,715
(xii) Publicity & Public Relations	992,148	1,510,673
(xiii) Entertainment	1,799,742	1,478,106
(xiv) Legal Expenses	1,418,160	1,530,914
(xv) Motor vehicle Insurance	579,732	500,643
(xvi) Other Insurance	2,159,381	2,509,283
(xvii) Rents and Rates	1,427,237	294,535
(xviii) Electricity and Water	2,711,467	1,557,333
(xix) Telephone + Postage	2,993,888	4,191,397
(xx) Printing & Stationery	3,006,918	2,863,491
(xxi) Traffic/Crowd Control	12,858,927	10,229,520
(xxii) Newspaper + Periodicals	446,400	350,415
(xxiii) Laundry Expenses	683,210	554,804
(xxiv) Donation and Subscription	241,683	492,521
(xxv) General Expenses	1,995,483	1,871,561
(xxvi) Money transits Services	609,278	597,795
(xxvii) Planning Research & Dev.	1,008,170	1,918,400
(xxviii) Human Resources Consultancy	-	414,236
(xxix) Contingency	2,718,191	4,900,035
(xxx) Staff Training	-	4,496,812
(xxxi) Duty Travel & Conn. Expenses	3,504,007	3,819,538
(xxxii) HIV/AIDS awareness	-	1,293,507
(xxxiii) I.T. Implementation + Training	<u>922,170</u>	<u>2,456,220</u>
	<u>170,536,398</u>	<u>176,290,936</u>



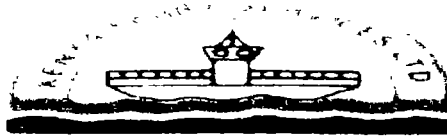
NOTE 8 Property, Plant and Equipment

COST	FERRY		FERRY		MOTOR	COMPUTERS	OFFICE		BUILDINGS		DRIVE WAY		LEASED		STANDBY		TOTAL
	VESSELS	PLANTS & TOOLS	VEHICLES	EQUIPMENT			FREEHOLD LAND	BUILDINGS	WATCH-TOWER	CREW BOAT	GARDEN	LEASED BUILDING	LEASED LAND	GENE-RATOR	RATOR		
30.6.2005	983,850,045	132,051,720	22,331,251	19,052,686	16,532,791	50,214,031	21,721,384	8,000,000	2,000,000	2,278,530	1,284,350,827						
Adjustments																	
Additions	4,636,683	34,684	-	6,741,307	-	6,270,702	7,815,077	-	-	-	-	-	-	-	-	-	4,317
Disposals			(5,297,045)														27,154,038
30.6.2006	988,486,728	132,086,404	17,034,206	25,793,993	16,537,108	56,484,733	29,536,461	8,000,000	2,000,000	2,278,530	1,306,212,137						
Depreciation																	
1 7 2005	847,243,366	96,976,191	16,364,998	8,251,219	-	1,416,876	2,172,138	2,272,484	1,002,932	284,816	1,001,310,003						
Disposals			(5,297,045)														(5,297,045)
Adjustment																	
Charge for the year	49,424,336	16,510,800	4,258,552	3,224,249	-	1,129,695	2,953,646	266,667	66,666	284,816	78,781,675						
At 30.6.2006	896,667,702	113,486,991	15,326,506	11,494,276	-	2,546,571	5,125,784	2,539,151	1,069,598	569,632	1,074,813,441						
NET BOOK VALUE																	
At 30.6.2006	91,819,026	18,599,413	1,707,701	14,299,717	16,537,108	53,938,162	24,410,677	5,460,849	930,402	1,708,898	231,398,696						
At 30.6.2005	136,606,679	35,075,529	5,966,253	993,406	16,532,791	48,797,155	19,549,246	5,727,516	997,068	1,993,714	283,040,824						



SCHEDULE OF HIRE OF FERRIES

AUGUST	21,000 00
OCTOBER	24,000 00
NOVEMBER	8,000 00
DECEMBER	10,000 00
MARCH	8,000 00
APRIL	24,000 00
MAY	56,000 00
TOTALS	151,000.00



NOTE 9 CAPITAL WORKS IN PROGRESS KSHS.172,141,816

	2006	2005
	KSHS.	KSHS.
Bus Park, Likoni Walkways	172,141,816	103,403,223

This represent work in progress at a bus park and business stalls at the Likoni mainland and office blocks at Peleleza.

NOTE 10 SHORT TERM INVESTMENTS KSHS.418,356,972

This represents funds held in fixed deposit A/Cs at National bank of Kenya, the funds are ment for the purchase of two new Ferries. The funds are on call as and when they shall be required.

A/C 0133457007204	-	2,930,473.20
A/C 0135057007201	<u>418,356,972</u>	<u>190,664,277.50</u>
	<u>418,356,972</u>	<u>193,594,750.70</u>

NOTE 11 Inventories

	2006	2005
	KSHS.	KSHS.
Fuel, Oil stocks	1,711,126	1,157,978
Stationery stocks	1,083,744	2,064,914
Spares Stocks	<u>67,190,923</u>	<u>71,246,784</u>
	<u>69,985,793</u>	<u>74,469,676</u>

NOTE 12 Trade Debtors and Other Receivables

	2006	2005
	Kshs.	Kshs.
Public Sector debtor	1,525,278	2,165,879
Private Sector Debtor	<u>2,020,078</u>	<u>1,383,072</u>
	<u>3,545,356</u>	<u>3,548,951</u>
Provision for bad debts	-	<u>(709,790)</u>
	<u>3,545,356</u>	2,839,161
Toll Collector Debtor	70,845	58,330
Interest Receivable	-	1,352,128



Refundable deposit	100,000	100,000
Staff Imprests	211,676	178,869
Salary advances	7,513,648	2,691,836
Kenindia Assurance	-	-
Withholding tax African Marine	-	1,534,272
Group Life Clearing A/C	1,012,237	-
	<u>12,453,762</u>	<u>8,754,596</u>

NOTE 13 Bank and Cash Balance

Bank Account	-	25,119,470
Cash on Hand at Likoni	329,668	301,675
Petty Cash/Cash on hand at Peleleza	14,924	236,580
	<u>344,592</u>	<u>25,657,725</u>

NOTE 14 Share Capital

Par value per Share : KSHS. 100.00

	<u>No. of shares</u>		
Authorized share Capital	5,000,000	500,000,000	<u>500,000,000.00</u>
Issued Share Capital			
Government of Kenya:	3,999,040	399,904,000	399,904,000
Kenya Ports Authority:	1,000,000	100,000,000	100,000,000
		<u>499,904,000</u>	<u>499,904,000</u>

NOTE 15 Accumulated Losses

		2005
		Kshs.
At start of year	(882,245,317)	(816,307,788)
Adjustments for prior year [Pension funds in Kenya Finance Bank whose recoverability is in doubt]	-	(1,852,737)
Deficit for year	(138,965,847)	(64,084,792)
	<u>(1,021,211,164)</u>	<u>(882,245,317)</u>

NOTE 16 Revaluation Reserves - Kshs.346,472,073

The company's assets were revalued in 1996/97 by Tysons valuers resulting into a revaluation reserve of Kshs.346,472,073.

346,472,073	346,472,073
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NOTE 17 Government Funds for Capital Works

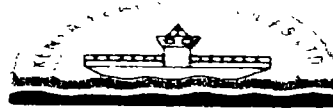
	2006 Kshs.	2005 Kshs.
Funds for Purchase of Maintenance Facility	58,340,103	58,340,103
Funds for Purchase of ferries	553,000,000	200,000,000
Funds for Construction Of Bus Park and Stall	100,000,000	100,000,000
	<u>711,340,103</u>	<u>358,340,103</u>

NOTE 18 Kenya Ports Authority Advances

	2006 Kshs.	2005 Kshs.
At start of year 1.7.04	325,507,569	323,399,146
Amount paid by KPA on our Behalf to Mtongwe victims	-	2,108,423
Amount repaid to KPA	-	-
At end of year 30.6.05	<u>325,507,569</u>	<u>325,507,569</u>

NOTE 19 Trade and Other Payables

Trade Payables	37,475,948	28,952,315
Ferry Insurance Payable	-	6,636,000
Prepaid Passes	-	182,160
Staff Leave days payable	-	601,303
NSSF	-	41,800
Pension Payable	1,087	
Provision and Accruals	200,000	300,000
Service Pay Benefits Payable	89,466	199,503
VAT& Withholding tax	3,144,541	4,029,285
	<u>40,911,042</u>	<u>40,942,366</u>



	<u>Kshs.</u>	<u>Kshs.</u>
NOTE 20		
BANK OVERDRAFT	1,758,008	-

**NOTE 21 CASH GENERATED FROM OPERATIONS
RECONCILIATION OF SURPLUS/DEFICIT TO CASH GENERATED
FROM OPERATIONS**

	2006	2005
	KSHS.	Kshs.
Deficit for the year	(138,965,847)	(64,084,792)
Adjustment for depreciation (8)	78,781,675	84,037,532
Provision for bad debts	-	1,852,737
Government Funds received for capital Projects	353,000,000	-
Designated Funds used (Ferries)	(15,865,544)	(14,413,462)
Interest Income	12,856,643	9,387,024
Interest Expense	(562,929)	(445,563)
Gain on Disposal of fixed assets	819,100	-
Adjustments for Provision of obsolete stock (23)	11,734,987	-
Gain on Forex (Euros to Shillings)	-	2,489,351
Receivables	(3,699,166)	(2,404,800)
Inventories	(4,483,883)	12,697,932
Payables	<u>1,726,684</u>	<u>2,783,635</u>
Cash Generated from Operations	<u>295,341,720</u>	<u>31,899,594</u>

NOTE 22 Mtongwe Compensation	22,693,953	12,202,578
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This is an amount which had been concluded by the Court as at end of financial year for Mtongwe victims

NOTE 23 Obsolete Stock	11,734,987	-
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This being stock of spares and stationery whose machines became unserviceable and those for Mtongwe I and II vessels and St. Michael which were scrapped and were disposed off.



NOTE 24

CURRENCY

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