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KENYA FERRY SERVICES LIMITED

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**REPORT OF THE CONTROLLER AND
AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF
KENYA FERRY SERVICES LIMITED
FOR THE YEAR ENDED 30 JUNE 2001**

KENYA NATIONAL ASSEMBLY

Accession: 10012880

Call No: 657.45 KFL





**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF KENYA FERRY SERVICES LIMITED FOR THE
YEAR ENDED 30 JUNE 2001**

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF KENYA FERRY SERVICES LIMITED FOR THE
YEAR ENDED 30 JUNE 2001**

I have examined the financial statements of Kenya Ferry Services for the year ended 30 June, 2001 in accordance with the provisions of Section 29 of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations considered necessary for the purpose of the audit. Proper books of account have been kept by the Company and the financial statements, which have been prepared under the historical cost convention, are in agreement therewith and comply with the Company's Act (Cap 486)

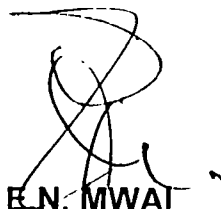
Except for the reservations set out herebelow in my opinion the financial statements when read together with the notes thereon, give a true and fair view of the Company's state of financial affairs as at 30 June, 2001 and of its deficit and cash flow for the year then ended.

1.0 FINANCIAL POSITION

During the year ended 30 June 2001 the Company realized a loss of Kshs.34,855,332 compared to a loss of Kshs51,381,774 for the year 1990/2000. The loss of Kshs.34,855,332 increased the restated accumulated deficits after prior year adjustment of Kshs.18,391,316 to Kshs.713,412,191. The outstanding long-term liabilities totaling Kshs.413,589,509 were, however, not repaid as at 30 June 2001. Evidently, the company was still facing serious financial problems and its continued operation as going concern was dependent upon the support of Kenya Government and the Kenya Ports Authority.

2.0 PURCHASE OF MOTOR VEHICLE

The company purchased a motor vehicle for the Chief Executive worth Kshs.1,875,000. This vehicle was not registered with blue number plates as required by regulations. The company was therefore in breach of the regulations as it did not obtain exemption from Government for its action.



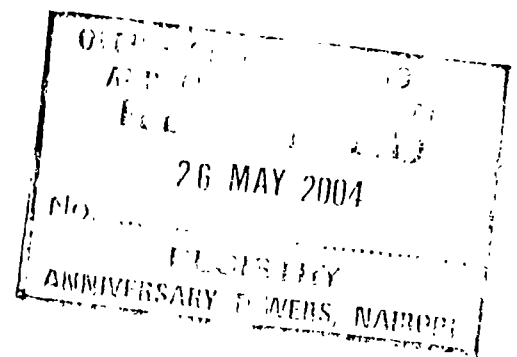
E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

10 May, 2004

KENYA FERRY SERVICES LIMITED

BALANCE SHEET AS AT 30TH JUNE 2001



	<u>NOTE</u>	<u>2000/2001</u> <u>KSHS.</u>	<u>1999/2000</u> <u>KSHS.</u>
<u>ASSET EMPLOYED</u>			
Freehold land	2	28,152,289	28,152,289
Leasehold land and Building(s)	3	10,000,000	10,000,000
Fixed Assets	4	479,161,455	519,673,018
Other Assets	5	34,165,570	29,546,217
<u>INVESTMENTS</u>			
Service Pay Benefits (KFB)	6	2,093,480	2,093,480
Fixed Deposit	7	20,844,320	34,005,662
Pension Fund (ICEA)	8	9,848,512	4,037,735
		<u>584,265,626</u>	<u>627,508,401</u>
<u>CURRENT ASSETS</u>			
Stocks	9	68,962,695	54,505,229
Trade Debtors/Prepayments	10	3,534,168	8,878,371
Sundry Debtors		6,317,134	7,086,714
Cash on hand		365,816	257,995
Total Current Assets		<u>79,179,813</u>	<u>70,728,309</u>
<u>CURRENT LIABILITIES</u>			
Bank Overdraft		3,830,772	7,423,864
Trade Creditors		50,368,681	30,200,005
Sundry Creditors		1,563,762	5,218,646
Provisions & Accruals		249,488	249,488
Total Current Liabilities		<u>56,012,703</u>	<u>43,092,003</u>
Net Current Assets		<u>23,167,110</u>	<u>27,636,306</u>
Total Assets Employed		<u>607,432,736</u>	<u>655,144,707</u>

FINANCED BY:

Share Capital

Authorised share capital

5,000,000 shares @ Kshs.100

11 500,000,000 500,000,000

Issued and paid share capital

12 486,504,000 486,504,000

Accumulated Deficit

13 -713,412,191 -660,165,543

Revaluation Reserve

14 420,751,418 420,751,418

LONG TERM LIABILITIES

Advances from KPA

15 401,060,108 401,060,108

Service Pay Benefits

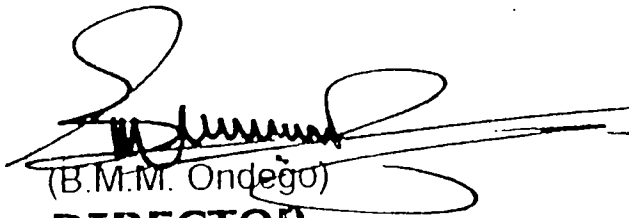
2,956,990 2,956,989


Pension Funds (ICEA)

9,572,411 4,037,735

607,432,736

655,144,707


(B.M.M. Ondego)
DIRECTOR


(A.S. Ole-Leteipan)
DIRECTOR

STATEMENT NO. 3

KENYA FERRY SERVICES LIMITED

FIXED ASSETS SCHEDULE AS AT 30TH JUNE 2001

	FERRY CRAFT(S)	MOTOR VEHICLES	COMPUTERS	OFFICE EQUIPMENT	FERRY PLANTS AND TOOLS	LEASEHOLD LAND AND BUILDINGS	TOTAL
<u>COST</u>	<u>KSHS.</u>	<u>KSHS.</u>	<u>KSHS.</u>	<u>KSHS.</u>	<u>KSHS.</u>	<u>KSHS.</u>	<u>KSHS.</u>
At July 1, 2000	1,087,612,383	7,912,618	-	13,160,741	90,555,881	38,152,289	1,237,394,112
Additions	13,373,386	2,080,230	5,126,897	769,981	21,016,779	-	42,367,273
Disposals	-	-	-	-	-	-	-
At June 30, 2001	<u>1,100,986,269</u>	<u>9,992,848</u>	<u>5,126,897</u>	<u>13,930,722</u>	<u>111,572,660</u>	<u>38,152,289</u>	<u>1,279,761,535</u>
<u>DEPRECIATION</u>							
At July 1, 2000	624,360,760	5,138,866	-	3,424,076	46,645,392	-	679,569,094
Charge for the year	55,049,313	1,213,496	1,538,045	1,313,331	8,115,909	-	67,230,094
Prior year adjustments	15,443,524	205,230	-	-	-	-	15,648,754
At June 30, 2001	<u>694,853,597</u>	<u>6,557,592</u>	<u>1,538,045</u>	<u>4,737,407</u>	<u>54,761,301</u>	<u>-</u>	<u>762,447,942</u>
<u>NET BOOK VALUE</u>							
At June 30, 2000	<u>463,252,123</u>	<u>2,773,752</u>	<u>-</u>	<u>9,736,665</u>	<u>43,910,489</u>	<u>38,152,289</u>	<u>557,825,318</u>
At June 30, 2001	<u>406,132,679</u>	<u>3,435,256</u>	<u>3,588,852</u>	<u>9,193,315</u>	<u>56,811,359</u>	<u>38,152,289</u>	<u>517,317,750</u>

KENYA FERRY SERVICES LIMITED

STATEMENT NO. 2

DETAILED INCOME AND EXPENDITURE ACCOUNT FOR THE
YEAR ENDED 30TH JUNE 2001

	<u>2000/2001</u>	<u>1999/2000</u>
	<u>KSHS.</u>	<u>KSHS.</u>
A. Operating Income		
Toll collection	88,996,842	89,186,908
Ferry passes	854,160	1,093,186
Port Cruises	10,000	42,000
Interest on Fixed deposit	540,800	827,368
Other income	3,552,742	1,326,850
Government Subsidy	200,000,000	200,000,000
Total Income	<u>293,954,544</u>	<u>292,476,312</u>
B. Operating Expenditure		
Salary and Wages	70,244,289	55,334,615
Ferry Insurances	21,000,254	25,198,216
Licence, inspection & Survey	2,449,395	2,022,274
Fuel/oil delivery	29,104,616	24,320,527
Ferry repairs/Maintenance	44,601,928	44,754,472
Ferry dry-docking	17,362,618	12,328,457
Maintenance Sundries	10,505,703	10,392,675
Motor vehicle expenses	3,956,860	4,495,000
Audit/professional fees	621,500	400,000
Staff transport	2,434,871	2,240,689
Publicity/Public relations	853,626	2,000,000
Staff recruitment/training	5,714,537	4,929,534
Entertainment	602,890	500,027
Legal expenses	1,453,905	929,350
Advertisement	174,770	142,000
Duty Travel	4,218,224	2,324,422
Directors fees	462,325	242,304
Bank charges and interest	334,935	363,650
Motor vehicle insurances	842,000	601,112
Other insurances	1,032,369	830,709
Rents and rates	1,072,128	681,204
Interest on KPA advances		47,219,745

NSSF	337,244	297,744
Gratuities/Pension contribution	1,051,541	727,455
Electricity/water	1,311,734	940,562
Medical expenses	9,826,062	11,469,257
Telephone/Postages	4,014,879	3,616,151
Staff uniforms	1,288,260	2,758,132
Printing & Stationery	1,937,377	2,313,989
Security services	10,304,511	10,381,780
Newspapers/periodicals	278,800	287,415
Laundry expenses	194,107	290,160
Office buildings repairs and Maintenance	888,223	1,000,000
Office furniture and equipment repairs	1,706,486	1,080,070
Donations & Subscriptions	497,380	366,156
Staff welfare expenses	1,321,045	3,000,000
General expenses	1,686,226	2,500,000
Leave travelling expenses	1,857,048	3,004,000
Provision for bad debts	4,035,115	550,000
Provision for Permanent dimunition in value	-	9,225,000
C TOTAL EXPENDITURE BEFORE DEPRECIATION	<u>261,579,781</u>	<u>296,058,673</u>
D SURPLUS/DEFICIT BEFORE DEPRECIATION	<u>32,374,762</u>	<u>-3,582,361</u>
E DEPRECIATION	<u>67,230,094</u>	<u>47,799,413</u>
F TOTAL EXPENDITURE AFTER DEPRECIATION	<u>328,809,876</u>	<u>343,853,086</u>
G NET SURPLUS/DEFICIT	<u>-34,855,332</u>	<u>-51,381,774</u>

STATEMENT NO.4

KENYA FERRY SERVICES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH
JUNE 2001

1. (a) Basic of Accounting

The accounts are prepared in accordance with and comply with international accounting standard. The accounts are prepared under the historical cost convention as modified by revaluation of fixed assets.

(b) Revenue Recognition

Revenue and Expenditure are recognised on the accrual basis

(c) Stocks

Stocks have been stated at the lower of cost and net realisable value.

(d) Depreciation

Depreciation has been provided on all fixed assets as follows:-

(i) Ferry crafts	5% straight line
(ii) Motor vehicles	25% reducing balance
(iii) Ferry tools & Plants	12.5% reducing balance
(iv) Office Equipment, Furniture	12.5% reducing balance
(v) Computers	30% reducing balance

2. FREEHOLD LAND KSHS.28,152,289

This refers to land at Kisauni (Bunty Estate) valued at Kshs.22.5 million and land at Likoni mainland valued at Kshs.5.65million.

3. LEASEHOLD LAND AND BUILDINGS KSHS.10,000,000

This refers to leasehold land at Mbaraki High level Block XLVIII valued at Kshs.10 million.

4. **FIXED ASSETS KSHS.479,161,635**

Fixed assets have been stated at revalued cost and depreciation charges are therefore based on this. Details of the fixed assets are shown in statement number 3

5. **OTHER ASSETS KSHS.34,165,579**

This refers to the capitalised value of the cost of rehabilitating the ferry ramps, Mlongwe jetties and the walkway

6. **SERVICE PAY BENEFITS KSHS.2,093,480**

This represents funds for staff taken over from Kenya Bus Services invested in Kenya Finance Bank.

7. **FIXED DEPOSIT KSHS.20,844,320**

This fixed deposit account held by National bank of Kenya represents the build up of pension fund for staff taken over from Kenya Bus Services Ltd and funds set aside to pay overseas insurers and other major creditors.

8. **PENSION FUND KSHS.9,848,512**

This represents contributions by employees and employer to the pension fund managed by Insurance Company of East Africa (ICEA) and ICEA investment services inclusive of interest

9. **STOCKS KSHS.68,962,695**

This comprises of:-

Cost of fuel/oil stocks

Kshs 513,948

Stationery stocks

Kshs. 1,140,885

Spares stocks

Kshs 67,307,862

10. **TRADE DEBTORS/PREPAYMENTS KSHS.3,534,168**

This comprises of

Public debtors

Kshs 882,302

Private sector debtors

Kshs.2,612,336

11. SHARE CAPITAL KSHS.500 MILLION

The company has an authorised share capital of Kshs.50 million.

12. ISSUED AND PAID SHARE CAPITAL KSHS.486,504,000

The company's issued and paid up share capital is Kshs.486,504,000.

This is made up of

Government of Kenya	Kshs.386,504,000
Kenya Ports Authority	Kshs.100,000,000

The Government is yet to pay Kshs.13,496,000 so as to have fully paid share capital.

13. ACCUMULATED DEFICIT (KSHS.713,412,191)

This is arrived as follows:-

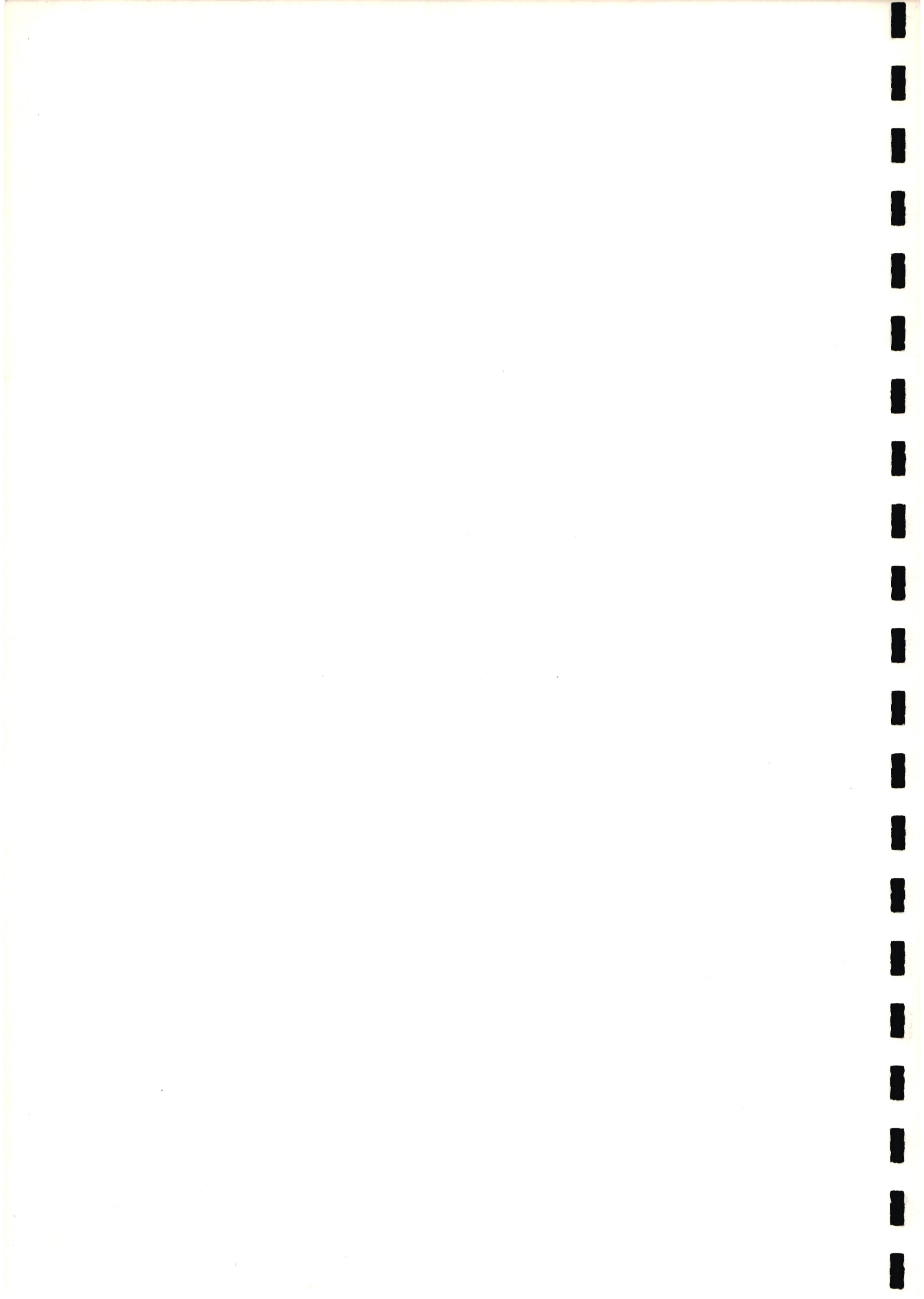
Balance as at July 1 2000	660,165,543
Deficit for the year	34,855,332
Prior year adjustment	18,391,316
	<u>(713,412,191)</u>

14. REVALUATION RESERVES KSHS.420,751,418

The Kshs.420,751,418 represents a reserves created after the ferry assets were revalued by Tyson Ltd.

15. ADVANCES FROM KENYA PORTS AUTHORITY KSHS.401,060,108

This is made up of Kenya Ports Authority advances as at 30.6.1999 as no advances were made to the year 2000/2001.



KENYA FERRY SERVICES LIMITED

CASHFLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2001

	<u>2000/2001</u> <u>KSHS.</u>	<u>1999/2000</u> <u>KSHS.</u>
OPERATING ACTIVITIES		
Deficit for the year	-34,855,332	-51,381,774
ADJUSTMENT FOR ITEMS NOT INVOLVING MOVEMENT OF FUNDS		
Depreciation	67,230,094	47,799,413
(Gain) loss on sale of fixed assets	-	-86,063
Interest income	-540,800	-827,368
Interest expense	-	47,219,745
Amount written off on KPA advances	-	<u>186,172,092</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	31,833,962	228,896,045
Decrease in trade and other receivables	6,113,783	2,638,236
Decrease (increase) in inventories	-14,457,466	19,910,689
(Decrease) increase in trade and other Payable	<u>16,513,792</u>	<u>-30,201,221</u>
CASH GENERATED FROM OPERATIONS	40,004,071	221,243,749
Interest paid	-	-172,752,355
Net cash from operating activities	<u>40,004,071</u>	<u>48,491,394</u>
INVESTING ACTIVITIES		
Transfer of amount owing to Kenya Govern.	-	-486,504,000
Purchase of property, plant equipment	-42,367,273	-13,222,185
Purchase of other assets	-4,619,353	-2,290,400
Investment in pension fund ICEA	-2,565,817	-423,031
Proceeds from sale of property, plant & Equip.	-	-
Interest received	540,800	827,368
Net cash used in investing activities	<u>49,011,643</u>	<u>-501,612,248</u>
FINANCE ACTIVITIES		
(Transfers) Advances from KPA	-	-7,346,428
Proceeds from issuance of share capital	-	486,504,000
Net cash used in financing activities	<u>-</u>	<u>479,157,572</u>
Net increase/(decrease) in cash and cash equivalent	-9,461,429	24,793,330
Cash and cash equivalents at beginning of period	26,840,793	2,047,463
Cash and cash equivalents at end of period	<u>17,379,364</u>	<u>26,840,793</u>

