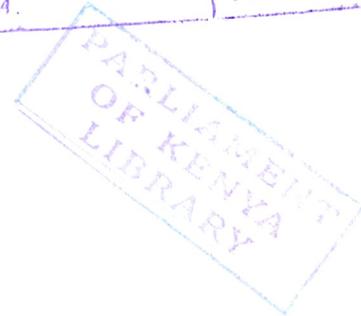




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Kenya Ports Authority

*Annual Accounts and Audit
Report for the year ended
30th June, 1994*

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF
KENYA PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 1994

Ref: MAC/2/3/02

27th October, 1994.

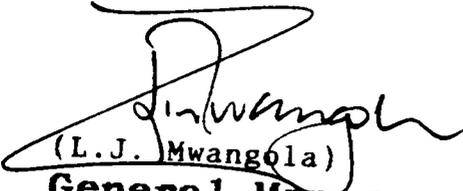
**The Auditor General (Corporations),
P.O. Box 49384,
N A I R O B I**

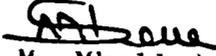
Dear Sir,

**KENYA PORTS AUTHORITY ACCOUNTS FOR THE
YEAR ENDED 30TH JUNE, 1994.**

In accordance with Section 20 (1) of the Kenya Ports Authority Act 1978, we submit the Income and Expenditure Account for the year ended 30th June, 1994 and the Balance Sheet as at that date, together with statements numbered 1 to 3. Upon receipt of your certification and report thereon, the Authority shall, in accordance with Section 20 (B) of the Act, submit the accounts to the Minister for Transport and Communications.

Yours faithfully,


(L.J. Mwangola)
General Manager (F)


(S.M. Mkalla)
Managing Director

KENYA PORTS AUTHORITY

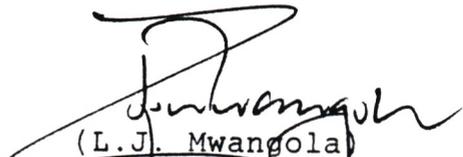
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED ON 30TH
JUNE, 1994

	1993/94 Khs.	1992/93 Kshs.
A. <u>OPERATING REVENUE</u>		
Marine	561,751,299	359,367,600
Cargo Handling - Stevedoring	2,971,107,008	1,750,205,447
Cargo Handling - Shorehandling	312,986,174	321,067,339
Wharfage	2,196,745,992	1,476,490,169
Storage	322,512,751	180,123,115
Miscellaneous	1,550,872	3,990,171
Non-Operating Revenue	<u>377,511,895</u>	<u>221,677,088</u>
Total Revenue	<u>6,744,165,991</u>	<u>4,312,920,929</u>
B. <u>OPERATING EXPENDITURE</u>		
Marine Division	331,312,357	244,786,915
Conventional Cargo Division	638,416,727	504,554,222
Containerised Cargo Division	466,204,487	363,942,710
Dry Ports Division	78,896,922	57,644,590
Administration Division	1,924,610,061	1,331,923,694
Foreign Currency Fluctuations	<u>(17,591,216)</u>	<u>1,131,945,302</u>
Total Expenditure	<u>3,421,849,338</u>	<u>3,634,797,433</u>
Surplus for the year	<u>3,322,316,653</u>	<u>678,123,496</u>

KENYA PORTS AUTHORITY

BALANCE SHEET AS AT 30TH JUNE, 1994

	Notes	1993/94 Kshs.	1992/93 Kshs.
Assets			
Employed			
Fixed Assets	(2)	7,061,791,389	5,705,237,005
Long-Term Investments	(3)	688,536,473	649,229,928
		<u>7,750,327,862</u>	<u>6,354,466,933</u>
Current Assets			
Short-Term Investments	(3)	939,534,035	1,103,011,756
Stocks	(4)	1,137,435,794	814,171,629
Debtors	(4)	1,413,622,467	793,718,450
Cash & Bank Balances	(4)	<u>266,179,656</u>	<u>318,644,595</u>
Total Current Assets		3,756,771,952	3,029,546,430
Less: Current Liabilities			
Loan repayable in the next 12 months	(7)	422,212,574	574,569,862
Other Creditors		<u>783,770,077</u>	<u>987,946,818</u>
Total Current Liabilities			1,562,516,680
Net Current Assets		1,205,982,651	1,467,029,750
Provisions	(5)	(331,623,961)	(383,886,137)
Total Assets employed		<u>9,969,493,202</u>	<u>7,437,610,546</u>
Financed By:-			
Distributable reserves			
Capital Reserves	(6)	5,351,734,972	5,010,304,493
Loan Capital	(6)	243,463,033	243,463,033
Total Funds Employed	(7)	<u>4,374,295,197</u>	<u>2,183,843,020</u>
		<u>9,969,493,202</u>	<u>7,437,610,546</u>


 (L.J. Mwangola)
 GENERAL MANAGER (FINANCE)


 (S.M. Mkalla)
 MANAGING DIRECTOR

**NOTES ON THE ACCOUNTS FOR THE YEAR ENDED
30TH JUNE, 1994**

1. **Accounting Policies**

(a) **Basis of Accounting**

The accounts have been prepared under the historical cost convention except for the inclusion of certain Assets which are at valuation.

(b) **Conversion of Foreign Currencies**

Assets and Liabilities in foreign currencies have been translated at the rate ruling on the date of the transactions while the end of the year balances were converted using the exchange rate ruling on 30th June, 1994.

(c) **Revenue Recognition**

Revenue and expenditure are recognised on the accrual basis.

(d) **Fixed Assets and Depreciation**

Fixed assets are included at valuation or cost. Depreciation of fixed assets is calculated on the straightline basis using the following annual rates:-

Intangible Assets:

Dredging	2.5%
Mediators Revaluation	5.0%

Immovable Assets:

Land	2.5%
Buildings	2.5%
Rail lines	2.5%
Roads	2.5%
Quays	2.5%

Movable Assets:

Cranes	10%
Forklifts	10%
Tractors	20%
Vehicles	20%
Tugs/Boats	20%
Telecom.Equipments	5%
Data Processing Eqp.	20%

(e) **Bad Debts**

Specific bad debts are provided for at 100%. A general provision for bad and doubtful debts is maintained at 5% of the debtors.

(f) **Stocks Obsolescence**

Stocks have been valued at the lower of cost or net realisable value. A provision of 5% of the stock value has been made for obsolescence and deterioration.

2. **Fixed Assets**

Details of Fixed Assets and cumulative depreciation are given in statement No. 1.

All Fixed Assets were revalued as at 31st December, 1974 on the basis of the then current replacement cost and all subsequent acquisitions have been incorporated in the books at actual cost.

3. **Investments**

(a) Both long Term and Short Term Investments include amounts in Fixed Deposit Accounts and Government Bonds maturing on various dates between three months and seven years. Also included in Short Term Investments are funds placed on seven days notice, specifically to cater for loan repayments in the next twelve months.

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(b) Also included under Long Term Investments are the cost of shares held in the following companies:-

(i) Kenya National Shipping Lines
Kshs.70,023,000/=.

(ii) Consolidated Bank of Kenya Ltd.
Kshs. 29,000,000/=.

4. Current Assets

(a) Stores Stocks

These are shown at cost less provision for obsolescence and deterioration which has been based on 5% of the Actual Stock Holding at the end of the year.

(b) Trade Debtors

This represents bills outstanding for Marine and Cargo Handling Services which were rendered to port users upto 30th June, 1994. A provision for Bad and Doubtful debts has been made.

(c) Cash and Bank Balances

These represent balances in the Authority's Bank Accounts and Cash held in the offices as at 30th June, 1994.

5. Provisions

Provisions have been made to meet Staff Pension and Gratuity Liabilities payable under the Kenya Ports Authority's Pension and Gratuity Regulations.

6. Reserves

Movements in Revenue and Capital Reserves are shown in Statement No. 3.

7. Loan Capital

Details of Loan Capital as at 30th June, 1994 are shown in statement No. 2.

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2. Taxation.

(i) The authority will, for the first time, be liable for taxation commencing with the profits for the financial year 1994/95.

(ii) During the year 1993/94 an advance of Shs. 150 million was paid to the Government against future tax liability.

3. Profit and Loss Account.

A detailed Profit and Loss Account is attached to these Accounts as appendix "A".

KENYA PORTS AUTHORITY

Statement No.1

FIXED ASSETS AS AT 30TH JUNE, 1994

Descrip- tion	Intangible Assets Kshs.	Immovable Assets Kshs.	Movable Assets Kshs.	Total Kshs.
Fixed Assets				
Balance on 1st July, 1993	550,257,000	4,991,053,453	2,693,843,006	8,235,153,459
Adjust- ments & w/off	-	-	358,000 CR	358,000 CR
Additions	-	1,206,577,200	24,782,500	1,231,359,700
Works-in- progress	-	-	-	1,077,661,196
Total Assets	550,257,000	6,197,630,653	2,718,267,506	10,543,816,355
Depre- ciation				
Balance on 1st July, 1993	209,824,035	1,313,126,683	1,588,150,909	3,111,101,627
Adjust- ments & w/off	-	394,572 DR	-	394,572 DR
Charge for the year	24,381,828	137,828,188	209,107,895	371,317,911
Total Depre- ciation	234,205,863	1,450,560,299	1,797,258,804	3,482,024,966
Net Book Value	<u>316,051,137</u>	<u>4747,070,354</u>	<u>921,008,702</u>	<u>7,061,791,389</u>

KENYA PORTS AUTHORITY

Statement No. 2

LOANS AS AT 30TH JUNE, 1994

	Balance as at 1st July, 1993 KSHS.	Balance as at 30th June, 1994 KSHS.	PAYABLE 94/95 KSHS.	OVER 1 YEAR KSHS
IBRD 428	33,857,762	33,857,762	12,824,910	21,032,852
IBRD 638	146,925,683	-	-	-
IBRD 865	323,187,530	178,227,701	46,419,858	131,807,843
SCHROD.1	217,133,491	5,696,928	-	5,696,928
SCHROD.2	68,282,961	2,881,683	-	2,881,683
EIB LOAN	633,091,638	411,121,929	42,975,689	368,146,240
DUTCH NIO	305,591,401	224,843,810	-	224,843,810
<u>ON-LENT LOANS</u>				
DUTCH	126,537,956	260,632,696	18,300,721	242,331,975
FRENCH	454,086,428	674,655,604	61,331,418	613,324,186
BRITISH (101M) BRIT.	83,800,901	194,502,385	8,000,923	186,501,462
(CRANES) BRIT. PIP	90,982,648	82,286,480	3,417,086	78,869,394
FRENCH FOREIGN BELGIUM LOAN	-	2,401,350,760	218,304,614	2,183,046,146
	-	26,705,684	2,670,567	24,035,117
EAR&H (1986) ZAMBIA LOAN	12,242,792	-	-	-
	<u>151,456</u>	<u>154,510</u>	-	<u>154,510</u>
	<u>2,758,412,882</u>	<u>4,796,507,771</u>	<u>422,212,574</u>	<u>4,374,295,197</u>

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KENYA PORTS AUTHORITY Statement No. 3

A. DISTRIBUTABLE RESERVES

DESCRIPTION	1993/94	1992/93
OPENING BALANCE	5,010,304,493	4,326,141,781
PROFIT & LOSS ACCOUNT	3,322,316,653	678,123,496
ADJUSTMENTS	(2,980,886,274)	6,039,216
TOTAL:	5,351,734,972	5,010,304,493

B. There was no change in Capital Reserves during the year.

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STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1993/94 KSHS.M.	1992/93 KSHS.M.
1. OPERATING NET SURPLUS	3.322	678
ADD BACK		
Items not involving movement of funds	371	303
Depreciation	293	61
Provision of retirement benefits	-	61
Prior year	-	102
Other provisions		
LESS		
Gains on foreign Currency Fluctuation	(17)	1.132
Total funds from operations	3.969	2.337
FUNDS FROM OTHER SOURCES		
Loans		236
Total funds	<u>3.969</u>	<u>2.600</u>
2. LESS:		
Application of funds		
Acquisition of fixed assets	3.360	1.869
Loan repayments	942	296
Investments	39	79
Pension payments	345	143
	<u>4.686</u>	<u>2.387</u>
Increase/decrease in Wrk capital	<u>(717)</u>	<u>213</u>
" " Short Term Invst.	163	308
" " in stores	(322)	(203)
" " in Debtors	(620)	(381)
" " in Creditors	(204)	501
Movement in Liquid Assets	266	(12)
Increase/Decrease in W/C	<u>(717)</u>	<u>213</u>

APPENDIX A.

Period: 01/1994
To: 12/1994

	PERIOD ACTUAL FIGURES (KSHS)	PERIOD 1993/1994 REV. BUDGET (KSHS)	MONTH BUDGET VARIANCE (KSHS)	Y-T-O ACTUAL FIGURES (Ksh.)	Y-T-O REV. BUDGT 1993/94 (KSH)	Y.T.O BUDGET VARIANCE (KSHS)
REVENUE						
OPERATING REVENUE	6,366,654,095.79	6,057,394,200.12	309,259,895.67	6,366,654,095.79	6,057,394,200.12	309,259,895.67
NON OPERATING REVENUE	377,511,895.45	304,336,860.00	73,175,035.45	377,511,895.45	304,336,860.00	73,175,035.45
	6,744,165,991.24	6,361,731,060.12	382,434,931.12	6,744,165,991.24	6,361,731,060.12	382,434,931.12
EXPENDITURE						
STAFF COSTS	1,686,458,353.36	1,550,397,789.84	(136,060,563.52)	1,686,458,353.36	1,550,397,789.84	(136,060,563.52)
MATERIALS	739,053,324.03	466,036,999.96	(273,016,324.07)	739,053,324.03	466,036,999.96	(273,016,324.07)
DEPRECIATION	371,138,138.96	331,599,850.08	(39,538,288.88)	371,138,138.96	331,599,850.08	(39,538,288.88)
UTILITIES	89,659,448.51	76,210,500.00	(13,448,948.51)	89,659,448.51	76,210,500.00	(13,448,948.51)
ADMINISTRATION & OFF. EXPENSES	192,718,974.22	126,786,999.92	(65,931,974.30)	192,718,974.22	126,786,999.92	(65,931,974.30)
PERSONNEL & PUBLIC RELATIONS	116,225,476.45	108,426,000.04	(7,799,476.41)	116,225,476.45	108,426,000.04	(7,799,476.41)
FINANCE & LEGAL COSTS	226,595,622.92	1,170,237,000.00	943,641,377.08	226,595,622.92	1,170,237,000.00	943,641,377.08
	3,421,849,338.45	3,829,695,139.84	407,845,801.39	3,421,849,338.45	3,829,695,139.84	407,845,801.39
NET OPERATING PROFIT	3,322,316,652.79	2,532,035,920.28	790,280,732.51	3,322,316,652.79	2,532,035,920.28	790,280,732.51

END OF REPORT

Period: 01/1994
To: 12/1994

	PERIOD ACTUAL FIGURES (KSHS)	PERIOD 1993/1994 REV. BUDGET (KSHS)	MONTH BUDGET VARIANCE (KSHS)	Y-T-D ACTUAL FIGURES (Ksh.)	Y-T-D REV. BUDGET 1993/94 (KSH)	Y.T.D BUDGET VARIANCE (KSHS)
REVENUE						
OPERATING REVENUE						
Marine	561,751,299.69	559,513,800.00	2,237,499.69	561,751,299.69	559,513,800.00	2,237,499.69
Cargo Handling - Stevedoring	2,971,107,008.20	2,925,770,399.76	45,336,608.44	2,971,107,008.20	2,925,770,399.76	45,336,608.44
Cargo Handling - Shorehandling	312,986,174.05	289,271,100.08	43,715,073.97	312,986,174.05	289,271,100.08	43,715,073.97
Wharfage	2,196,745,992.20	2,235,498,100.32	(38,752,108.12)	2,196,745,992.20	2,235,498,100.32	(38,752,108.12)
Storage & Late Docu. Charges	322,512,750.85	36,958,800.00	255,553,950.85	322,512,750.85	36,958,800.00	255,553,950.85
Lamu	580,033.10	320,000.04	260,033.06	580,033.10	320,000.04	260,033.06
Miscellaneous	970,837.70	61,999.92	908,837.78	970,837.70	61,999.92	908,837.78
TOTAL OPERATING REVENUE	6,366,654,095.79	6,057,394,200.12	309,259,895.67	6,366,654,095.79	6,057,394,200.12	309,259,895.67
NON - OPERATING REVENUE						
Non-Operating Revenue	377,511,895.45	304,336,860.00	73,175,035.45	377,511,895.45	304,336,860.00	73,175,035.45
TOTAL REVENUE	6,744,165,991.24	6,361,731,060.12	382,434,931.12	6,744,165,991.24	6,361,731,060.12	382,434,931.12
EXPENDITURE						
STAFF COSTS						
Salary & Allowances	855,102,673.46	864,804,409.92	9,701,736.46	855,102,673.46	864,804,409.92	9,701,736.46
Housing	155,217,289.15	181,892,999.96	26,675,710.81	155,217,289.15	181,892,999.96	26,675,710.81
Staff travel	130,373,713.00	85,740,379.96	(44,633,333.04)	130,373,713.00	85,740,379.96	(44,633,333.04)
Pension/gratuity	292,935,085.20	305,145,000.00	12,209,914.80	292,935,085.20	305,145,000.00	12,209,914.80
Medical costs	252,929,592.55	112,815,000.00	(140,014,592.55)	252,929,592.55	112,815,000.00	(140,014,592.55)
MAINTENANCE COSTS						
Materials & Running stores	588,106,359.33	298,099,999.92	(290,006,359.41)	588,106,359.33	298,099,999.92	(290,006,359.41)
Oil	88,794,561.20	70,976,000.04	(17,818,561.16)	88,794,561.20	70,976,000.04	(17,818,561.16)
Uniforms & Clothing	14,810,929.12	26,610,000.00	11,799,070.88	14,810,929.12	26,610,000.00	11,799,070.88
Tools & plant	8,642,414.87	7,401,000.00	(1,241,414.87)	8,642,414.87	7,401,000.00	(1,241,414.87)
Sundry Other	38,699,059.51	62,950,000.00	24,250,940.49	38,699,059.51	62,950,000.00	24,250,940.49
DEPRECIATION						
Depreciation	371,138,138.96	331,599,850.08	(39,538,288.88)	371,138,138.96	331,599,850.08	(39,538,288.88)
UTILITIES						
Services						
Electricity	33,076,756.38	22,507,500.00	(10,569,256.38)	33,076,756.38	22,507,500.00	(10,569,256.38)
Telephone Telex Fax	20,003,349.22	14,800,000.00	(5,203,349.22)	20,003,349.22	14,800,000.00	(5,203,349.22)
Water Supply	23,207,268.56	18,903,000.00	(4,304,268.56)	23,207,268.56	18,903,000.00	(4,304,268.56)
Rent & Rates	13,372,074.35	20,000,000.00	6,627,925.65	13,372,074.35	20,000,000.00	6,627,925.65
ADMINISTRATION & OFFICE						
Administration Costs	8,797,631.05	5,460,000.00	(3,337,631.05)	8,797,631.05	5,460,000.00	(3,337,631.05)
Office Expenses	124,123,852.71	67,580,999.92	(56,542,852.79)	124,123,852.71	67,580,999.92	(56,542,852.79)
External Security	59,797,490.46	53,746,000.00	(6,051,490.46)	59,797,490.46	53,746,000.00	(6,051,490.46)
PERSONNEL & PUBLIC RELATIONS						

Period: 01/1994

To: 12/1994

	PERIOD ACTUAL FIGURES (KSHS)	PERIOD 1993/1994 REV. BUDGET (KSHS)	MONTH BUDGET VARIANCE (KSHS)	Y-T-O ACTUAL FIGURES (Ksh.)	Y-T-O REV. BUDGET 1993/94 (KSH)	Y.T.O BUDGET VARIANCE (KSHS)
Advertising	11,742,712.90	8,600,000.00	(3,142,712.90)	11,742,712.90	3,600,000.00	(3,142,712.90)
Public relations	7,039,503.05	11,400,000.00	4,360,496.95	7,039,503.05	11,400,000.00	4,360,496.95
Shows sports & Welfare	43,174,107.65	37,490,000.04	(5,684,107.61)	43,174,107.65	37,490,000.04	(5,684,107.61)
Development Studies	307,490.75	3,000,000.00	2,692,509.25	307,490.75	3,000,000.00	2,692,509.25
Training	53,005,577.95	45,636,000.00	(7,369,577.95)	53,005,577.95	45,636,000.00	(7,369,577.95)
Bandari College	489,977.50	1,300,000.00	810,022.50	489,977.50	1,300,000.00	810,022.50
Recruitment Costs	466,106.65	1,000,000.00	533,893.35	466,106.65	1,000,000.00	533,893.35
FINANCE & LEGAL						
FINANCE COSTS						
Audit Fees	1,246,365.00	1,500,000.00	253,635.00	1,246,365.00	1,500,000.00	253,635.00
Agents Commission	5,043,913.20	3,000,000.00	(2,043,913.20)	5,043,913.20	3,000,000.00	(2,043,913.20)
Exchange Brokerage	400.00	50,000.00	49,600.00	400.00	50,000.00	49,600.00
Bank Charges	3,136,130.00	4,000,000.00	863,870.00	3,136,130.00	4,000,000.00	863,870.00
Interest Charges	109,579,417.60	280,000,000.00	170,420,582.40	109,579,417.60	280,000,000.00	170,420,582.40
Write-offs	42,799,252.50	88,000,000.00	45,200,747.50	42,799,252.50	88,000,000.00	45,200,747.50
Foreign Exchange Movements	(17,591,216.03)	700,000,000.00	717,591,216.03	(17,591,216.03)	700,000,000.00	717,591,216.03
Computer Services	6,473,114.90	9,000,000.00	2,526,885.10	6,473,114.90	9,000,000.00	2,526,885.10
Insurance Costs	71,673,206.95	81,557,000.00	9,883,793.05	71,673,206.95	81,557,000.00	9,883,793.05
LEGAL COSTS	4,235,038.80	3,130,000.00	(1,105,038.80)	4,235,038.80	3,130,000.00	(1,105,038.80)
TOTAL EXPENDITURE	3,421,849,338.45	3,829,695,139.84	407,845,801.39	3,421,849,338.45	3,829,695,139.84	407,845,801.39
NET OPERATING PROFIT	3,322,316,652.79	2,532,035,920.28	790,280,732.51	3,322,316,652.79	2,532,035,920.28	790,280,732.51

END OF REPORT

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS
OF KENYA PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 1994

I have examined the accounts of the Kenya Ports Authority for the year ended 30 June 1994 in accordance with Section 29 (2) of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations that I required for the purpose of the audit. Proper books of account have been kept and the accounts which have been prepared under the historical cost convention are in agreement therewith and comply with the Kenya Ports Authority Act, (Cap 391).

Subject to the reservations set out herebelow, in my opinion, the report when read together with the notes thereon, give a true and fair view of the Authority's financial position as at 30 June 1994 and of its surplus and source and application of funds for the year ended on that date.

1. Advances to Kenya Ferry Services Kshs.103,276,823/=

As reported in my previous years report the Kenya Ports Authority started running the Ferry Services at Likoni and Mtongwe through Kenya Ferry Services Limited. The Authority continued to advance some money to the Kenya Ferry Services Limited and these advances increased from Kshs.47,823,966 in the previous year to Kshs.103,276,823 as at 30 June 1994. The advances include Kshs.6,975,000 and Kshs.2,250,000 paid on behalf of the Kenya Ferry Services Limited to a private ocean company to acquire 30% shares in the company and to clear its overdraft respectively. The ocean company has been dormant and the Authority is unlikely to recover the amount or even receive any benefit from this investment. Similarly, the Kenya Ferry Services has been making losses in its operations and the Authority is unlikely to get refunds or to get returns in the event of the advance being converted into shares. I have however been informed that the Government approved the restructuring of the Kenya Ferry Services Limited in 1994 whereby the share capital of the company is to be increased to Kshs.500 million with 80:20 share holding between the Government and the Authority respectively. Further the Government will continue subsidizing the company for free pedestrian services until this restructuring is effected and the profitability of the company assured but until the viability of the company is attained, the recoverability of these advances will remain in doubt.

2. Inland Container Depot - Eldoret

As was reported in the previous audit report, the contract to build the above Depot was awarded to a construction company for a total sum of Kshs.279,681,849 to be completed within a period of 108 weeks with effect from 17th June 1991. As at 30th June 1994, which is a year after the agreed completion date, the project had not been completed. Although available information indicates that the contractor was given an extension of time of 52 weeks, the project remains incomplete to date and the contractor is seeking further extension of completion period. The Authority has not so far claimed any liquidated damages from the contractor for these delays.

3. Investments

In my previous year's report, I pointed out that the Authority was likely to lose about Kshs.93,479,918.00 placed in private financial institutions in complete disregard of the Treasury's advice and instructions. The management accepts that they could not recover some Kshs.73,479,918.00 from six financial institutions which have since stopped operating. The Authority has not provided for this apparent loss in this year's accounts although the chances of recovery are very slim.

4. Fixed Assets - Kshs.7,061,791,389.00

The Authority's fixed assets figure shown in the Balance Sheet included seven pieces of land valued at Kshs.14,802,000.00 whose title deeds have not been issued by the relevant authorities. I am informed that the Authority does not have title deed or letters of allotment, an indication that the Authority does not own the said plots. I am further informed that in an effort to acquire the title deeds, the Authority has instituted court cases against the Commissioner of Lands and until these court cases are determined, the ownership of the said plots is still doubtful.

5. Debtors - Kshs.1,413,633,467.00

Included in debtors figure shown in the Balance Sheet is an amount of Kshs.287,231,401.00 paid to a dredging company on behalf of the Ministry of Transport and Communications on the understanding that the Treasury was to offset the amount against Uganda compensation and the on lent loans. The Ministry of Transport and Communications in the last Public Investment Committee promised to make good the payment but I am informed that payment has not been received.

6. Long-Term Investments - Kshs.688,536,473.00

Included in the Long-Term Investments figure shown in the Balance Sheet is a figure of Kshs.70,023,000.00 being shares in Kenya National Shipping Line Limited. This is 70% of the Company's share capital. The audited accounts for the year 1993 for the Company shows a loss of Kshs.72,066,000.00 as compared to Kshs.17,368,000.00 the previous year. The Balance Sheet of the Company then showed a negative working capital and the share holders money had been eroded by the cumulative losses. These audited accounts indicate that the Company was insolvent and the investment of the Authority in the Company might not be worth the value shown in the Authority's Balance Sheet. The management has not given any satisfactory explanation why it continues to invest more money in the Kenya National Shipping line Limited under these circumstances.

7. Taxation

The Authority has not been paying corporation tax since inception and the Commissioner of Income Tax has raised estimated assessments back dated to 1986 totalling Kshs.1,654,870,000.00 including penalties and interests. These amounts have not been provided for in these accounts. I am informed that non payment of taxes and non provision

for tax liabilities in the accounts arose from a wrong impression the Authority had of being tax exempt. I am further informed that arrangements have been made to clear the liability and to reflect the correct position in 1994/95 accounts.



W.K. KEMEI
AUDITOR-GENERAL (CORPORATIONS)

12 July 1995