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KENYA NATIONAL AUDIT OFFICE

REPORT
OF
THE CONTROLLER
AND AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA TOURIST DEVELOPMENT
CORPORATION (KTDC) – UTALII
INVESTMENTS LIMITED FOR THE
YEAR ENDED 30 JUNE 2006

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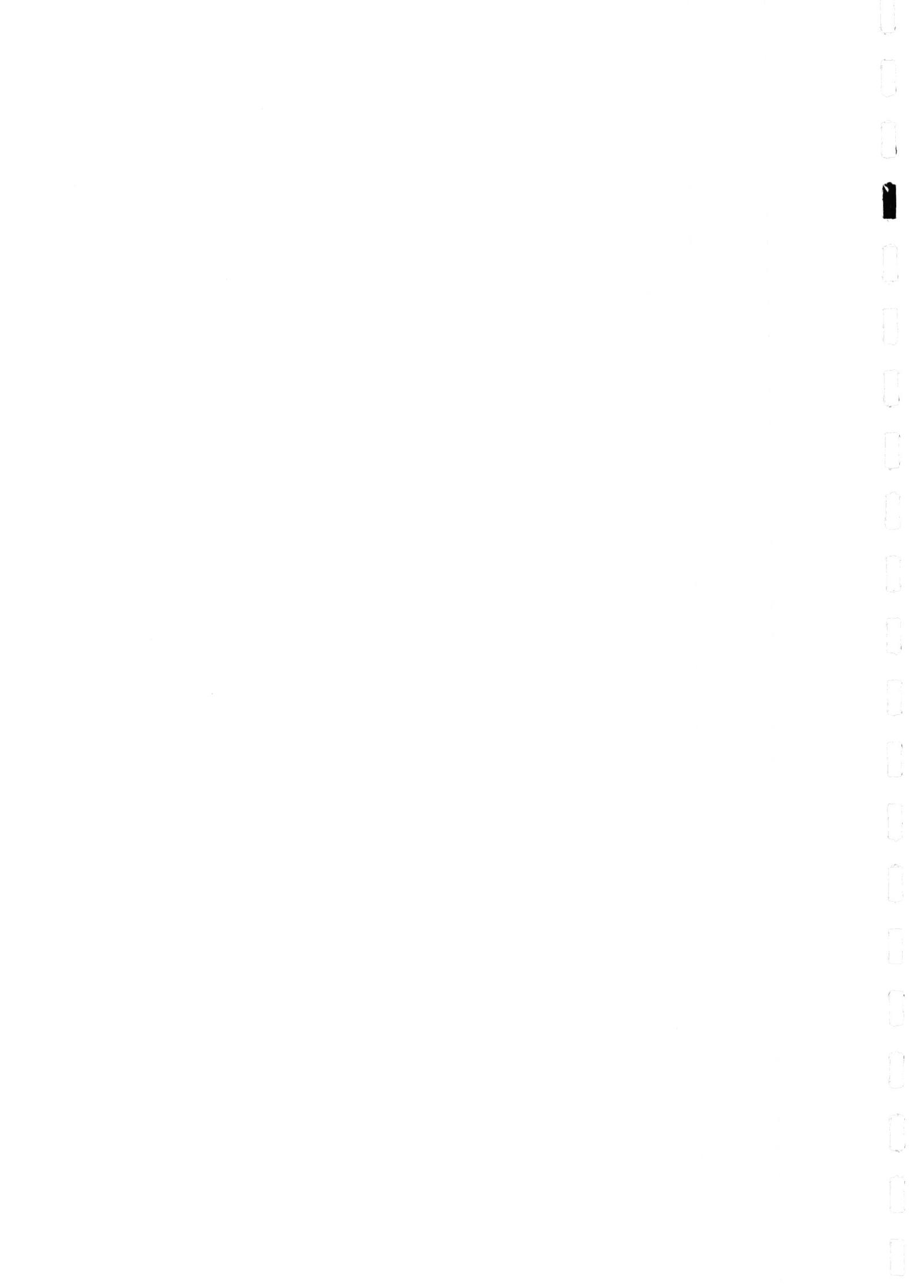




KTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

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KTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

BOARD OF DIRECTORS AS AT 30 JUNE 2006

- | | |
|-------------------------|--|
| Mr. Mutua P. Nzoka | -Chairman upto 31 May 2006 |
| Mr. Obondo Kajumbi | -Ag. Chairman from 13 March 2006 |
| Mrs Rebecca M. Nabutola | -The Permanent Secretary
Ministry of Tourism and Wildlife |
| Mr. Joseph Kinyua | -The Permanent Secretary,
Ministry of Finance |
| Mr. Hassan M. Kiage | -Member |

COMPANY SECRETARY

Mrs. Jane Ikiunga Kyaka

REGISTERED OFFICE

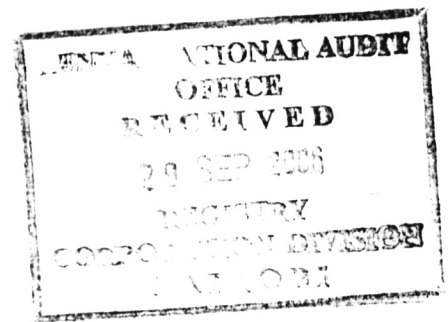
Utalii House
Uhuru Highway
P.O Box 42013
NAIROBI

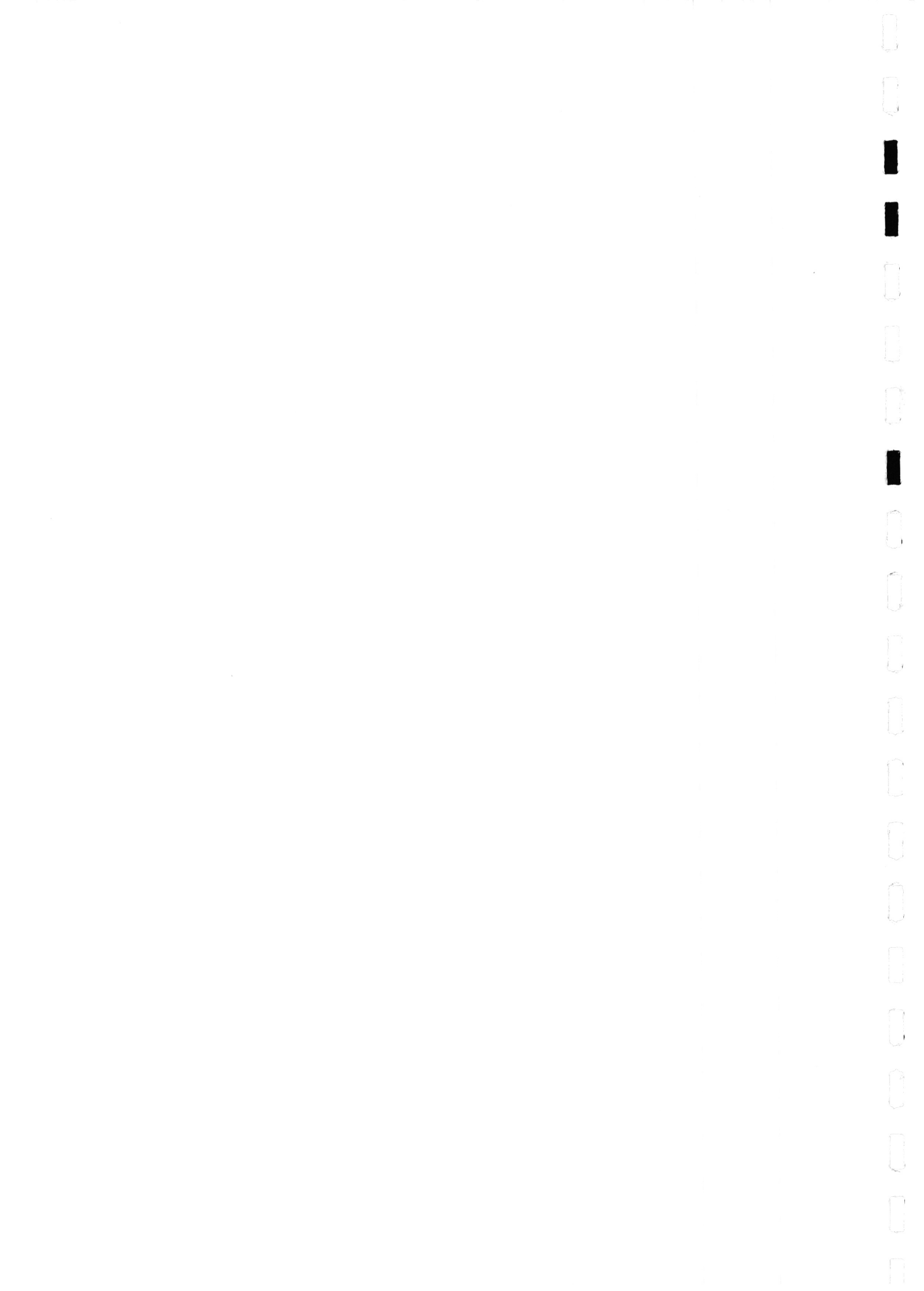
AUDITORS

Controller and Auditor General,
P.O Box 30084-00100
NAIROBI

BANKERS

Kenya Commercial Bank Limited
P.O Box 7206
NAIROBI





KTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

REPORT OF THE DIRECTORS

1. The Directors have pleasure in submitting their Report and Audited Accounts for the year ended 30 June 2006.


2. **Principal Activity**

The Principal Activity of the Company is to carry out business of an investment Company.

3. **Dividend**

The Directors do not recommend payment of any dividend.

BY ORDER OF THE BOARD


Mrs. Jane Ikiunga Kyaka
COMPANY SECRETARY

Date 29/6/2006



KTDC UTALII INVESTMENTS LIMITED

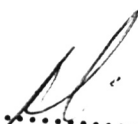
STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30TH JUNE 2006.

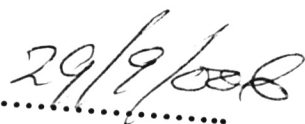
The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of the company as at the end of the financial year and its operating results for that year. It also requires the directors to ensure that the company keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the asset of the company.

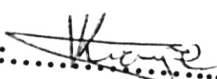
The directors accept the responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept the responsibility for the maintenance of accounting records that may be relied upon in preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

Director:.....

Date:.....

Director:.....

Date:.....



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA TOURIST DEVELOPMENT CORPORATION (KTDC - UTALII INVESTMENTS LIMITED FOR THE YEAR ENDED 30 JUNE 2006

I have audited the financial statements of the Kenya Tourist Development Corporation (KTDC) – Utalii Investments 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 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 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. Advances from Privatization Proceeds

In the previous years' reports, concern was expressed over privatization proceeds of Kshs.10,214,358 withdrawn from a fixed deposit account and used to finance house loans for two senior officers without signed loan agreements and without approval of the Board and Treasury contrary to Treasury Circular No.351/03 of 26 April 1993. Similarly an amount of Kshs.23,171,461 was paid to Kenya Tourist Development Corporation being the holding company and is

treated as a debtor without explanation. As at 30 June 2006, the two officers had outstanding balances on these loans of Kshs.1,198,825 and Kshs.5,958,922 respectively. Although one officer is servicing the loan and instructions have been given for security realization for the other, the contravention of Government policy has not been justified.

2. Corporation Tax

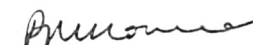
Included under current liabilities as at 30 June 2006 is a provision for Corporation Tax of Kshs.2,899,784 payable to Kenya Revenue Authority while only Kshs.3,326 was paid during the year as Withholding Tax and Corporation Tax. The policy on provision of Corporation Tax has not been disclosed and the adequacy or otherwise of the provision cannot be ascertained.

3. Going Concern

Without further qualifying my opinion, I draw attention to note 3 to the financial statements which gives disclosure on the winding up of the Company as per the Board's resolution after which all assets including cash would revert to KTDC. No action has been taken because Treasury approval has not been given.

Opinion

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



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

Nairobi

04 January 2007

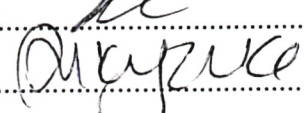
KTDC UTALII INVESTMENTS LIMITED**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006****BALANCE SHEET AS AT 30 JUNE 2006**

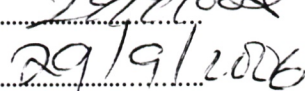
	Note	2006 KShs	2005 KShs
ASSETS			
Non-Current Assets			
Investments at Cost	2	446,711	446,711
		<u>446,711</u>	<u>446,711</u>
Current Assets			
Debtors	3	30,329,928	30,126,277
Cash and cash Equivalents	4	40,884	63,082
		<u>30,370,812</u>	<u>30,189,359</u>
TOTAL ASSETS		<u>30,817,523</u>	<u>30,636,070</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital	5	2,000,000	2,000,000
Profit and Loss Account		25,859,439	25,684,614
		<u>27,859,439</u>	<u>27,684,614</u>
Current Liabilities			
Creditors and Provisions	6	58,300	123,270
Corporation Tax	7	2,899,784	2,828,186
		<u>2,958,084</u>	<u>2,951,456</u>
TOTAL EQUITY AND LIABILITIES		<u>30,817,523</u>	<u>30,636,070</u>

The accounts on Pages 5 to 12 have been signed on behalf of the Board of Directors by:

OBONDO KAJUMBI.....  Ag. CHAIRMAN

DATE.....  29/9/2006

JANE IKIUNGA KYAKA.....  COMPANY SECRETARY

DATE.....  29/9/2006

Statement of Directors' Responsibilities is on Page 3.
Report of the Auditors is on Page 4.

The balance sheet, profit and loss account and cash flow statement are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 12.



KTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 <u>KShs</u>	2005 <u>KShs</u>
<u>TURNOVER</u>	8 & 9	<u>270,179</u>	<u>311,012</u>
Net Profit after taxation		<u>174,825</u>	<u>194,119</u>
Retained Profit For the Year		<u>174,825</u>	<u>194,119</u>

STATEMENT OF RETAINED PROFITS

01 July as stated	25,684,614	25,490,495
Retained Profit for the year	<u>174,825</u>	<u>194,119</u>
Carried forward on 30 June	<u>25,859,439</u>	<u>25,684,614</u>



KTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2006

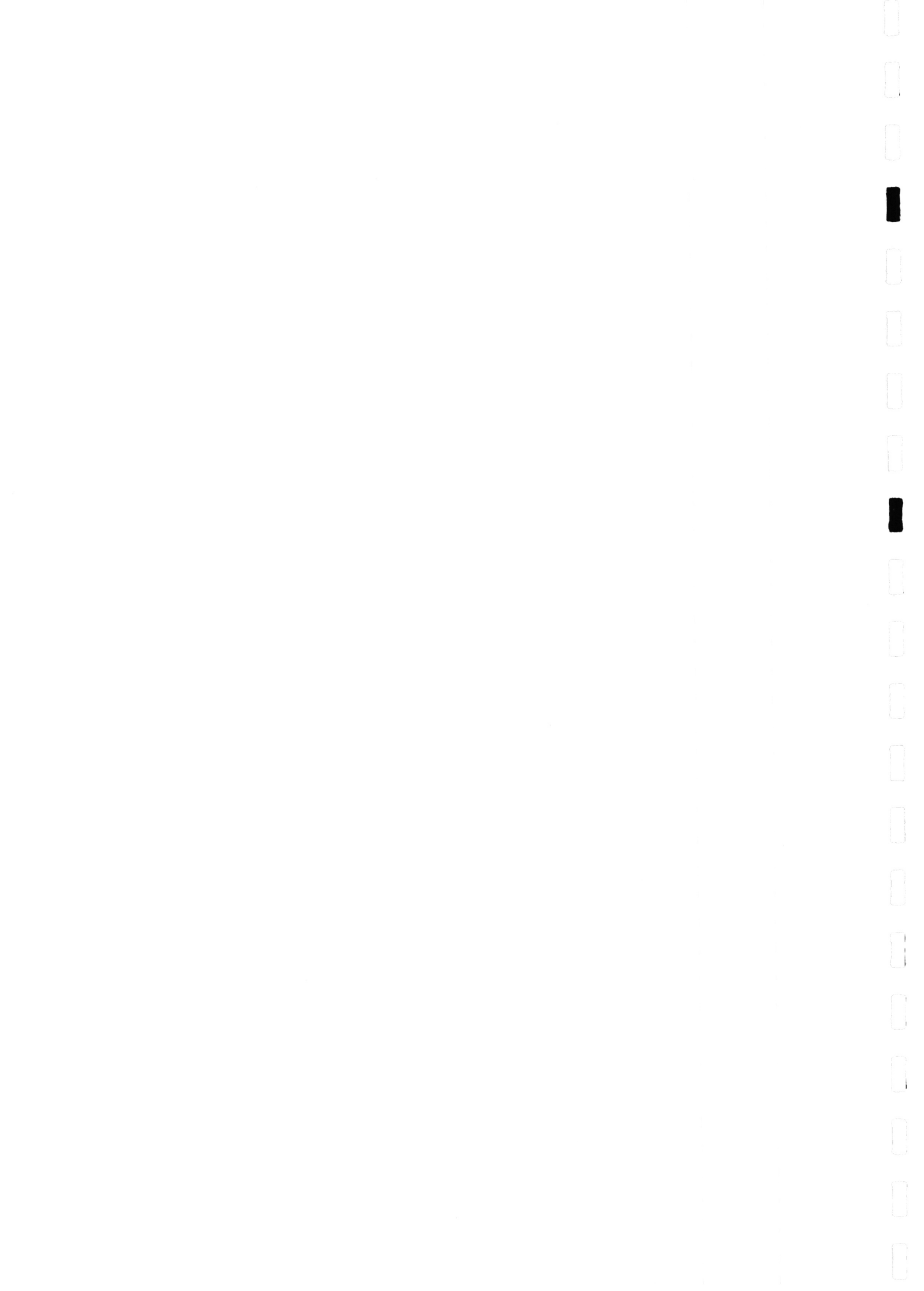
	Note	2006 <u>KShs</u>	2005 <u>KShs</u>
<u>TURNOVER</u>		<u>270,179</u>	<u>311,012</u>
<u>INCOME</u>			
Dividend Income	8	66,528	66,441
Other Income	9	203,651	244,571
TOTAL INCOME		<u>270,179</u>	<u>311,012</u>
<u>EXPENSES</u>			
Printing & Stationery	10	(2,470)	10,800
Audit fees	11	20,000	20,000
Bank charges	12	2,900	2,900
TOTAL EXPENSES		<u>20,430</u>	<u>33,700</u>
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION		249,749	277,312
Less: Provision for Taxation		74,924	83,193
RETAINED PROFIT FOR THE YEAR		<u>174,825</u>	<u>194,119</u>

KTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 <u>KShs</u>	2005 <u>KShs</u>
<u>Cash flows from operating activities:</u>			
Profit for the year before taxation		249,749	277,312
Adjustments:			
Investment Income (Dividend)		(66,528)	(66,441)
Operating Profit/(Loss) before Working Capital Changes		<u>183,221</u>	<u>210,871</u>
(Increase)/Decrease in Debtors		(203,651)	(528,071)
Increase/(Decrease) in Creditors		(64,970)	30,800
Cash generated from operations		<u>(85,400)</u>	<u>(286,400)</u>
Income Tax paid	7	(3,326)	(3,322)
Net Cash inflow/(outflow) from Operating Activities		<u><u>(88,726)</u></u>	<u><u>(289,722)</u></u>
<u>Cash flows from Investing Activities</u>			
Dividends received		66,528	66,441
Net Cash inflow/(Outflow) from Investing Activities		<u>66,528</u>	<u>66,441</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		(22,198)	(223,281)
Cash and Cash Equivalents at beginning of the period		63,082	286,363
Cash and Cash Equivalents at end of the period		<u><u>40,884</u></u>	<u><u>63,082</u></u>
<u>Note</u>			
<u>Cash & Cash Equivalents</u>			
Cash at Bank and in Hand		40,884	63,082
Cash and Cash Equivalents at end of the period		<u><u>40,884</u></u>	<u><u>63,082</u></u>



KTDC UTAHII INVESTMENT LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

1. ACCOUNTING POLICIES

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

(a) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance to and in Compliance with the International Accounting Standards. They are prepared under the historical cost convention.

(b) INCOME RECOGNITION

Income is obtained from dividends from investments in ordinary shares and also interest charged to house loans. These are accounted for on an accrual basis and recognised in the period in which they are declared in case dividends and period in which they are earned in case of interest.

(c) INVESTMENTS

Investment in Ordinary shares is stated at actual balances at cost.

(d) CASH AND CASH EQUIVALENTS

These comprise cash at bank and in hand. As at 30 June 2006 there was no cash in hand. These are net of bank overdrafts where applicable.

KTDC UTALII INVESTMENT LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

2. SCHEDULE OF INVESTMENTS AT COST

		2006 <u>Kshs</u>	2005 <u>Kshs</u>
	No. Of Shares	Cost paid <u>Kshs</u>	Cost paid <u>Kshs</u>
1. Express (K) Limited	330,800	418,268	418,268
2. CFC Bank Limited	79,200	28,443	28,443
	<u>410,000</u>	<u>446,711</u>	<u>446,711</u>

3. DEBTORS

These Comprise:

	2006 <u>Kshs</u>	2005 <u>Kshs</u>
Robert Kiattu House loan	1,198,825	1,661,294
Patrick Mutemi House loan	5,958,922	6,030,922
KTDC	23,171,461	22,433,341
KCB University Way	720	720
	<u>30,329,928</u>	<u>30,126,277</u>

Amount due from KTDC, the parent Company, refer to payments made by this company to KTDC ahead of its winding up per Board approval after which all its assets including cash will revert to KTDC. A Stock Broker, Dyer and Blair Investments, was appointed in June 2004 to handle the sale of shares held in Express Kenya and in CFC Bank. Duly executed Board minutes, sale transfer forms and share certificates for the two companies were delivered to the Broker during the previous year 2004/2005. As at 30th June 2006, the sale of these shares had not been effected as Treasury approval to sell them had not been given.

Amount due from KCB University way refer to a Cheque book requested once but Bank charged twice and Bank has been requested to reverse this second entry. This reversal had not been done as at 30 June 2006.

The Loan repayment by Patrick Mutemi remained, as was the case the previous year, irregular and realised only Ksh. 72,000 during the current year (2005 Ksh. 216,000). Interest accrual has been suspended as indicated in note 9.

4. CASH AND CASH EQUIVALENTS

These comprise:

	2006 <u>Kshs</u>	2005 <u>Kshs</u>
Cash at Bank and In Hand	40,884	63,082
	<u>40,884</u>	<u>63,082</u>

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

5. **SHARE CAPITAL**

The share capital of the company is KShs 2,000,000 comprising 100,000 ordinary shares of shs. 20 each fully paid for by Kenya Tourist Development Corporation (KTDC).

6. **CREDITORS AND PROVISIONS**

	2006	2005
	<u>Kshs</u>	<u>Kshs</u>
Audit fees	40,000	80,000
Provision for printing	18,300	43,270
	<u>58,300</u>	<u>123,270</u>

Provision for printing is the amount provided for the spiral binding of the Annual Report and Accounts after the audit. Binding of the accounts for 2001/2002, 2002/2003 and 2003/2004 was done during the current year 2005/2006. Payments for the binding and for the audit fees for these three years were made in the current year, hence the reduction in creditors and provisions.

The resulting excess provision of KShs. 9,970 for printing and stationery was reversed against the expense as indicated in note 10.

7. **TAXATION**

	2006	2005
	<u>Kshs</u>	<u>Kshs</u>
Brought forward on 01 July	2,828,186	2,748,315
Provision for the year	74,924	83,193
	<u>2,903,110</u>	<u>2,831,508</u>
Less: Withholding & Corporation taxes paid	(3,326)	(3,322)
Carried forward on 30th June	<u>2,899,784</u>	<u>2,828,186</u>

8. **DIVIDEND INCOME**

	2006	2005
	<u>Kshs</u>	<u>Kshs</u>
This was declared within the year and earned from the shares held in:		
CFC Bank Limited	66,528	66,441
	<u>66,528</u>	<u>66,441</u>

Express Kenya Limited did not declare dividend for its financial year ended 31 December 2005 (2004 - Nil).

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

9.	OTHER INCOME	2006	2005
		<u>Kshs</u>	<u>Kshs</u>
	This refers to the following:		
	Interest on Robert Kiattu House Loan	<u>203,651</u>	<u>244,571</u>
		<u>203,651</u>	<u>244,571</u>

The accrual of interest due on Patrick Mutemi House loan was first suspended during 2003/2004 year as it was evident that it may not be realised since loan repayment was irregular then. The loan repayment continued to be irregular subsequently even during the current year. Consequently, as with the last two years, the interest charged during the current year of Ksh 1,203,383 has not been accrued (2005 Ksh 1,000,965).

However, interest is still being charged to the loan statement and is demanded.

10.	PRINTING AND STATIONERY	2006	2005
		<u>Kshs</u>	<u>Kshs</u>
	This refers to the accrual of binding of the accounts after the audit.		
	Binding provision accrued for the year	<u>7,500</u>	<u>10,800</u>
	<u>Less: Reversal of excess provision made</u>		
	- for the year 2001/2002	(4,720)	-
	- for the year 2002/2003	(4,650)	-
	- for the year 2003/2004	(600)	-
		<u>(9,970)</u>	<u>-</u>
		<u>(2,470)</u>	<u>10,800</u>

Provision for binding accounts for the years 2001/2002, 2002/2003 and 2003/2004 had been accrued at KShs 12,220, KShs 12,150 and KShs 8,100 respectively. However, actual payments per quotations for the three years were made during the current year 2005/2006 at KShs 22,500 resulting into savings of KShs 9,970 which was reversed against creditors and provisions as indicated in note 6.

11.	AUDIT FEES	
	These fees are the annual provision made in the books and are due to Kenya National Audit Office (KENAO) at rate of KShs 20,000 per annum.	

12.	BANK CHARGES	
	These charges were levied to the company's Bank account at Kenya Commercial Bank Ltd., University way during the year. They comprised monthly account maintenance fees of KShs 200 or KShs 2,400 annually and commission charges for issuance of requested certificate of balance at end of the year of KShs 500 to total at KShs 2,900 as was the case the previous year.	