

REPUBLIC OF KENYA



*Paper Laid  
on Tuesday  
4/8/15  
Lom by me  
Date. Hon. Gen*

KENYA NATIONAL AUDIT OFFICE



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
TOURISM FUND**

**FOR THE YEAR ENDED  
30 JUNE 2014**





***Annual Report and Financial Statements***

***For the year ended 30<sup>th</sup> June 2014***

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## **MANDATE**

Mobilize resources to finance the development of a sustainable tourism industry in Kenya.

## **VISION**

To be the lead mobilizer of funding for the sustainable development of Tourism Industry in Kenya.

## **MISSION**

To effectively manage the Tourism Fund through policy development, collection of tourism levy and other funds for funding the development and sustenance of the tourism industry.

## **CORE VALUES**

<b>TEAM WORK;</b>	To create one family focused to deliver
<b>CUSTOMER FOCUS;</b>	Meet and surpass expectations of all our customers
<b>INTEGRITY;</b>	To uphold good conduct and ethics in all our operations
<b>ACCOUNTABILITY;</b>	Transparent and socially responsible
<b>PROFESSIONALISM;</b>	Committed to excellence through continuous improvement
<b>INNOVATION;</b>	To promote and reward creativity and embrace best practices in service delivery
<b>EQUITY;</b>	Committed to fairness in all our undertakings

## TOURISM FUND

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### CORPORATE INFORMATION

**Who we are:** Tourism Fund is a statutory body established by an Act of Parliament under Section 66 of The Tourism Act, 2011.

**Principal activities:** Collect the Tourism Levy imposed under section 105 of the Tourism Act or any other written law.

: Establish, equip and control such other tourism and hospitality training institutions.

: Establish a tourism training revolving fund.

: Finance various functions in the tourism sector as stipulated in the Sec 68 of the Tourism Act.

**Location:** **Head Office.**

NHIF Building, Car Park Tower 5th Floor,

P.O Box 46987-00100, Nairobi, Kenya

Tel: 020-2714900/1/2

Website: [www.tourismfund.co.ke](http://www.tourismfund.co.ke)

**Regional Offices:** **Nairobi Regional office**

NHIF Building, Car Park Tower 5th Floor,

P.O Box 46987-00100, Nairobi, Kenya

Tel: 020-2730708

**Mombasa Regional Office**

Sheetal Plaza 1<sup>st</sup> Floor Aga Khan Road

P.O. Box 99832-80100 Mombasa, Kenya

Tel: 041-220493

**Kisumu Regional Office**

Reinsurance Plaza 7<sup>th</sup> Floor Oginga Odinga Road

P.O. Box 1406-40100 Kisumu, Kenya

Tel: 057-2022247

**Nakuru Regional office**

AFC Building, Mezzanine Floor, Kijabe off Kenyatta Avenue

P.O. Box 2812-20100 Nakuru, Kenya

Tel: 051-2215660

**Nyeri Regional office**

Sohan Plaza 4<sup>th</sup> Floor Nyayo Road

P.O Box 348-10100 Nyeri, Kenya

Tel: 061-2030778

**Bankers:**

**Kenya Commercial Bank**

K.I.C.C Branch, Harambee Avenue

P.O. Box 48400-00100 Nairobi

**National Bank of Kenya Ltd**

Harambee Avenue Branch.

P.O Box 73866-00100 Nairobi

**Auditors:**

Auditor-General

Kenya National Audit Office

Anniversary Towers-University way

P.O BOX 30084-00100, Nairobi, Kenya

## CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure used to direct and manage the business affairs of the Trustees.

The Board of Directors is the supreme forum for formulating and interpreting policy and charting out the roadmap for goal attainment including plans of action. The directors attach great importance to the need to conduct the business and operations of the Trustees with integrity, professionalism and in accordance with generally accepted international corporate practice.

The Board meets on a regular basis to review management performance including revenue collection, operational issues and future planning. The directors are given appropriate and timely information to enable them maintain full and effective control over strategic, financial, and operational revenue and compliance issues.

The Board is responsible for the management of the affairs of the trustees including:

- Review and approval of the policy of the trustees
- Monitoring the performance of the Trustees in carrying out its core functions
- Offering general direction and guidelines for the overall operations of Tourism Fund.

### Committees of the Board

The Board has five standing committees that meet under the terms of reference set out by the Board, namely:

- **Finance Committee**

The finance committee reviews the annual budget and is responsible for the financial policies of the Trustees.

The members were : Mr. Martine Ole Kamwaro (Chairman), Mr.Wycliffe Anyasi, Mr. Abdulqadir Omar, Ms Anne Musau and Ms. Margaret Onyimbo.

- **Audit Committee**

The committee is responsible for reviewing audit reports, compliance with relevant laws, procedures and standards, quality of financial reporting and oversight on internal controls among others.

The committee meets quarterly and the members were : Mr. Saad Faraj (Chairman), Ms Anne Musau, Dr. Kenneth Ombongi and Mr. Wycliffe Anyasi.

- **Staff and Technical Committee**

The committee is responsible for monitoring and appraising the performance management, reviewing of human resource policies and making recommendations on issues to do with general staff welfare to the board.

The committee meets quarterly and the members were Ms. Amina Kasinga (Chairperson), Mr. Wycliffe Anyasi, Mr. Abdulqadir Omar, Mr. Martine Kamwaro, Mr. Saad Faraj and Ms. Anne Musau.

## **BOARD OF TRUSTEES**

1. Ms. Amina Kasinga	Acting Chairperson
2. Mr. Saad Faraj Ahmed	Member
3. Mr. Abdulqadir Omar	Member
4. Mr. Martine Ole Kamwaro	Member
5. Mr. Wycliff Anyasi	Member
7. Mrs. Anne Musau	Representative (Permanent Secretary- Ministry of Tourism)
8. Mrs. Margaret Onyimbo	Representative (Permanent Secretary- Ministry of Finance)
9. Dr. Kenneth Ombongi	Kenya Utalii College

### **Note**

The appointment of the above members of the board was revoked on 20<sup>th</sup> July 2012 except for Ms. Amina Kasinga and a new board appointed. However, the new board did not take over the office since immediately after, the old board filed a court case challenging the appointment. However, this case was withdrawn on May 2013 and we are awaiting the Cabinet Secretary's directive on the way forward.

## ORGANIZATION STRUCTURE

Tourism Fund has an approved organization structure comprising of top level management, middle level, supervisory and support staff. The Current top level management comprises of:

- |                        |  |
|------------------------|--|
| 1) Mr. Joseph Cherutoi | Ag. Chief Executive Officer                          |
| 2) Ms. Margaret Njoka  | Ag. Head of Human Capital and Administration         |
| 3) Mr. Charles Okeyo   | Ag. Head of Levy Operations                          |
| 4) Ms. Nancy Siboe     | Ag. Head of Legal Services                           |
| 5) Ms. Patricia Ondeng | Ag. Corporate Affairs Manager                        |
| 6) Mr. Samuel Obote    | Ag. Information, Communication and Technical Manager |

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**STATEMENT OF BOARD OF TRUSTEES RESPONSIBILITIES ON THE FINANCIAL STATEMENTS**

It is the responsibility of the Trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of Fund and its operating results for that year. It is also the Board's responsibility to ensure that the Fund keeps proper accounting records, which disclose with reasonable accuracy, the financial position of the Fund. The Board is also responsible for safeguarding the assets of the Fund and maintenance of adequate system of internal financial control.

The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in accordance with International Public Sector Accounting Standards (IPSAS). The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Fund and its operating results.

Nothing has come to the attention of the Trustees to indicate that Tourism Fund will not remain a going concern for at least the next twelve months from the date of this statement. At the time of preparation of the accounts, the appointment of the Trustees listed on page 7 had been revoked. Appointment of new Trustees was challenged through a court case Miscellaneous Application No.317/2012 (Abdulkarim M. Omar & Others vs. Minister of Tourism and Others). The appointment of new trustees was therefore not effected. However, this case was withdrawn in May 2013 but there has been no directive issued by the Cabinet Secretary on the Board of Trustees.



Joseph R. Cherutoi

**For: Chairman of the Board of Trustees**

16<sup>th</sup> April 2015

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON TOURISM FUND FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Tourism Fund set out on pages 10 to 28, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows for the year then ended, statement of comparison of budget and actual amounts and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and 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.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and to submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether 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 statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Basis of a Qualified Opinion**

#### **1. Receivables from Non-Exchange Transactions**

- i) The receivables from non-exchange transactions balance of Kshs.5,976,438 as at 30 June 2014 excludes an amount of Kshs.16,617,045 relating to dishonored cheques brought forward from the previous year for various levy collections for which a provision of the total amount has been made in the financial statements. The Fund was since enjoined in the winding up case No.1 of 2005 in the High court of Kenya at Mombasa against the creditor in pursuit of a debt of Kshs.9,500,000. In a ruling made on 19 June 2014, the court ruled that the creditor be wound up and an official receiver was appointed as provisional liquidator. Although the creditors' meetings are ongoing, the outcome is yet to be determined.
- ii) Further, the receivables balance includes an amount of Kshs.2,415,575 described as other debtors which had minimal movement during the year under audit. Although management has explained that the debtors relate to former employees and that the same has been fully provided for, no satisfactory explanation was given as to why the management did not recover the dues from the former employees before they left the Fund.

In the circumstances, it has not been possible to confirm that the receivables from non-exchange transactions balance of Kshs.5,976,438 is fairly stated as at 30 June 2014.

#### **2. Proposed Office Block**

Included in the property, plant and equipment balance of Kshs.1,383,600,840 as at 30 June 2014 is Kshs.1,016,261,798 being work in progress for construction of the Fund's office block along Valley Road, Nairobi that was still ongoing by the time of the audit. However, examination of the contract agreement revealed that the intended completion date for the construction work was 30 November 2012. No approval for project extension period was given after expiry of the initial contract duration. In addition, the contract cost has escalated from the original sum of Kshs.811,717,150 due to delay in completion of the project to Kshs.1,016,261,798.

## **Qualified Opinion**

In my opinion, except for effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Tourism Act, No 28 of 2011.

## **Other Matter**

I draw attention that the Cabinet Secretary is supposed to appoint the Board of Directors as per Section 6(1)(e) of the State Corporations Act, Cap 446 and gazettes the appointment. The Board's responsibilities are laid down under Legal Notice No.93 of 10 August 2004 on Performance Contracting Section 4 (2) and Tourism Act, No. 28 of 2011.

The then Minister for Tourism revoked appointment of the board members with effect from 20 July 2012 through Gazette Notice No. 10232 dated 19 July 2012 and using the same, subsequently appointed other board members. However, the newly appointed members did not take up their duties due to a court case filed by the degazetted board members of various State Corporations under the Ministry of Tourism, whose three years terms of previous appointments had not expired. The case was however withdrawn in May 2013.

As a result, the Fund continues to operate without a board of directors which contravenes Section 6(1)(e) of the State Corporations Act, Cap 446 and Tourism Act No. 28 of 2011. My opinion is not qualified in respect to this matter.



**Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**15 May 2015**

TOURISM FUND

**STATEMENT OF FINANCIAL PERFORMANCE**

**For the year ended 30 June 2014**

	Note	2013-2014 Kshs	2012-2013 Kshs
<b>Revenue from non-exchange transactions</b>			
Levy Income	2	1,835,867,805	1,622,234,697
<b>Total revenue from non-exchange transactions</b>		<b>1,835,867,805</b>	<b>1,622,234,697</b>
<b>Revenue from exchange transactions</b>			
Interest on Loans & Investment	3	4,079,782	22,082,947
Registration fee	4	-	36,000
Interest on Staff Loans	5	324,001	287,496
Disposal Income	6	-	237,950
Miscellaneous Revenue	7	409,000	1,413,400
<b>Total revenue from exchange transactions</b>		<b>4,812,783</b>	<b>24,057,793</b>
<b>Total revenue</b>		<b>1,840,680,588</b>	<b>1,646,292,490</b>
<b>Expenses</b>			
Administrative Expenses:			
Board expenses	8 (i)	80,000	2,355,156
Compensation of employees	8 (ii)	351,440,969	332,444,685
Depreciation and Amortization	26	32,509,136	34,520,361
Contracted Services	9	145,607,438	159,026,024
Grants and Subsidies	10	579,904,205	660,553,885
General Operating Expenses	11	170,567,655	123,130,045
Other Expenses	12	9,529,600	3,234,714
<b>Total expenses</b>		<b>1,289,639,003</b>	<b>1,315,264,870</b>
<b>Other gains/(losses)</b>			
Loss on sale of assets	13	1,691,010	280,800
<b>Surplus for the period</b>		<b>549,350,575</b>	<b>330,746,820</b>

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	14	644,160,995	130,539,066
Receivables from exchange transactions	15	7,065,269	15,216,253
Receivables from non-exchange transactions	16	5,976,438	9,466,738
<b>Total Current Assets</b>		<b>657,202,702</b>	<b>155,222,057</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	17	1,383,600,840	1,014,370,967
Investments (Fixed deposit and interest)	18	3,100,000	3,100,000
Intangible assets	19	16,581,014	21,926,604
<b>Total Non-Current Assets</b>		<b>1,403,281,854</b>	<b>1,039,397,571</b>
<b>Total Assets</b>		<b>2,060,484,556</b>	<b>1,194,619,628</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	20	341,079,680	13,218,783
Overdraft	21	-	11,346,545
<b>Total Liabilities</b>		<b>341,079,680</b>	<b>24,565,328</b>
<b>Net Assets</b>			
Accumulated Surplus		1,719,404,876	1,170,054,300
<b>Total Net Assets</b>		<b>1,719,404,876</b>	<b>1,170,054,300</b>
<b>Total Net Assets and Liabilities</b>		<b>2,060,484,556</b>	<b>1,194,619,628</b>


**Aq. Chief Executive Officer**16<sup>th</sup> April 2015

**Principal Secretary, Ministry of East Africa  
Affairs, Commerce and Tourism**16<sup>th</sup> April 2015

## TOURISM FUND

### STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2014

	Revenue Reserves	Accumulated Surplus / (Deficit)	Total
	Kshs	Kshs	Kshs
<b>Balance as at 30 June 2012 (Bal b/d 1.7.2012)</b>	(52,617,003)	891,924,483	839,307,480
Surplus for the period	-	330,746,821	330,746,821
<b>Balance as at 30 June 2013 (Bal b/d 1.7.2013)</b>	<b>(52,617,003)</b>	<b>1,222,671,304</b>	<b>1,170,054,301</b>
Surplus for the period		549,350,575	549,350,575
<b>Balance as at 30 June 2014 (Bal b/d 1.7.2014)</b>	<b>(52,617,003)</b>	<b>1,772,021,879</b>	<b>1,719,404,876</b>

**Note:** The nature of reserves is levy collected.

TOURISM FUND

**STATEMENT OF CASHFLOWS**

	Note	2013-2014 Kshs	2012-2013 Kshs
<b>Cash flows from operating activities</b>	<b>27</b>		
<b>Surplus for the year before tax</b>		<b>549,350,575</b>	<b>330,746,820</b>
<b>Adjusted for:</b>			
Depreciation	17	27,163,544	26,427,362
Impairment	19	5,345,591	8,092,999
Gains and losses on disposal of assets	13	1,691,010	280,800
Finance income	22	(4,812,783)	(23,783,843)
<b>Working capital adjustments:</b>			
Decrease in receivables		11,641,284	(8,930,955)
Increase in payables		316,514,352	(333,345,163)
<b>Net cash flows from operating activities</b>		<b>906,893,573</b>	<b>(511,980)</b>
<b>Cashflows from investing activities</b>			
Purchase of property, plant, equipment	17	(394,448,189)	(240,853,364)
Proceeds from sale of property, plant, equipment	17	(4,128,000)	2,830,000
<b>STATEMENT OF CASHFLOWS</b>			
Sale of fixed assets proceeds		491,762	
Finance income - Interest on Loans & Investments	22	4,812,783	23,783,843
<b>Net cash flows used in investing activities</b>		<b>(393,271,644)</b>	<b>(214,239,521)</b>
<b>Cashflows from financing activities</b>		-	-
<b>Net increase in cash and cash equivalent</b>		<b>513,621,929</b>	<b>(214,751,501)</b>
Add Cash and Cash Equivalent 1st July 2013		130,539,066	345,290,567
Cash and Cash Equivalent 30th June 2014	14	<b>644,160,995</b>	<b>130,539,066</b>

## TOURISM FUND

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE, 2014

	Final approved budget 2013-2014 Kshs.	Actual on comparable basis 2013-2014 Kshs.	Performance difference 2013-2014 Kshs.	Remarks
<b>Revenue</b>				
Fines, penalties and levies	2,205,278,000	1,835,867,805	369,410,195	This is attributed to decline in Tourism growth nationally.
Finance Income (Interest)	9,500,000	4,812,783	4,687,217	The surplus funds recognised were seldom invested in Treasury Bills but were utilized in Work-In-Progress. In addition, the envisioned take-up of staff loans did not take place as expected hence a reduced interest on staff loans.
Government grants and subsidies	600,000,000	-	600,000,000	The expected funds from the Government were not received.
Other Income	104,750,000	-	104,750,000	The construction of office block was not complete, hence rental income could not be realized.
<b>Total income</b>	<b>2,919,528,000</b>	<b>1,840,680,588</b>	<b>1,078,847,412</b>	
<b>Expenses / Payments.</b>				
Administrative expenses:				
(i) Board expenses	9,442,000	80,000	9,362,000	A new board was not appointed as was provided for.
(ii) Compensation of employees	427,377,243	351,440,969	75,936,274	Cost cutting measures were implemented as a result of the falling levy income.
Rent paid	19,220,182	27,881,884	(8,661,702)	Budget provision was for half year with expectation of moving into the new office. However, the office was not yet completed. In addition, new larger office space in Mombasa regional office was leased.
Grants and subsidies paid	810,000,000	579,904,205	230,095,795	This was as a result of falling levy collection.
Capital expenses	659,235,000	394,448,188	264,786,812	Budgeted to buy land but it did not take place.
Other payments	394,252,907	332,022,955	62,229,952	Cost cutting measures were implemented as a result of the falling levy income.
<b>Total expenditure</b>	<b>2,319,527,332</b>	<b>1,685,778,201</b>	<b>633,749,131</b>	
<b>Surplus for the period</b>	<b>600,000,668</b>	<b>154,902,387</b>	<b>445,098,281</b>	

## Notes to the Financial Statements for the year ended 30th June 2014

Tourism Fund prepares its general purpose financial statements in accordance with International Public Sector Accounting Standards (IPSAS). In the preparation of the said statements for the financial year under review, Tourism Fund elected to comply with the The Public Finance Management Act 2012 section 192 and Kenya Gazette No. 5440 pronouncement dated 8<sup>th</sup> August 2014, as detailed below:

2.2.3 The state and County Corporations carrying out commercial activities shall apply IFRS while regulatory and noncommercial State and County Corporations shall apply IPSAS Accrual.

The IPSAS that Tourism Fund has complied with in line with the pronouncement in the preparation of its financial statements are: IPSAS: 1, 2, 3, 9, 17, 19, and 20. These standards that Tourism Fund complied with were effective by 30<sup>th</sup> June 2014.

The notes in the financial statements provided and the respective disclosures made refer to the above applied standards.

### (a) Basis of Preparation

The financial statements are prepared under the historical cost basis of accounting as modified by the revaluation of assets and fair value adjustments to investments. They are presented in Kenya Shillings (Kshs.) and comply with International Public Sector Accounting Standards (IPSAS).

### (b) Income Recognition

- (i) **Levy Income:** In accordance with the Tourism Act 2011, levy income is a % charge on gross sales levied by enterprises providing tourism activities and services as stipulated in the ninth schedule. The rate is gazette by the Cabinet Secretary in charge of Tourism and the levy income is deemed as earned when received.
- (ii) **Other Income:** Interest income is recognized on a time basis at the effective interest rate applied on the principal amounts outstanding.

Other incomes are recognized when earned.

## Notes to the Financial Statements for the year ended 30th June 2014

### (c) Property and Equipment

All categories of property and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost or valuation of each asset to its residual value where applicable over the expected useful life of the asset in equal installments. A full year's depreciation is charged in the year of purchase but no charge is made in the year of disposal.

The estimated rates are as follows

(i) Computers and Accessories	30%
(ii) Furniture, Fittings & Equipment	12.5%
(iii) Motor Vehicles	25%
(iv) Land	2%

### (d) Intangible Assets

Intangible assets consist of various computer software systems purchased for use by the Trustees. These assets are recognized as purchased separately at cost less accumulated amortization. Amortization is charged 30% same as the category of computers and accessories.

### (e) Retirements Benefits Obligations

The Trustees operates a Defined Contributory scheme. The assets of the scheme are held in a separate trustee administered fund. The cost of providing pension and other post retirement benefit for employees is charged to the fund.

### (f) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and short term deposits held with the banks.

### (g) Taxation

The Trustee is a wholly owned government organization hence is exempt from taxation on investment income.

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**Notes to the Financial Statements for the year ended 30th June 2014**

<b>2 LEVY INCOME</b>		
ALL BRANCHES	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Nairobi Region	1,045,466,021	973,792,617
Coast Region	392,295,299	368,836,641
Western Region	84,655,383	85,909,592
Rift Valley Region	205,266,164	99,027,445
Central Region	108,184,938	94,668,402
	<b><u>1,835,867,805</u></b>	<b><u>1,622,234,697</u></b>
<b>3 INTEREST ON LOANS AND INVESTMENTS</b>		
	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest on Loans & Investment	4,079,782	22,082,947
	<b><u>4,079,782</u></b>	<b><u>22,082,947</u></b>
<b>4 REGISTRATION FEE</b>		
	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Registration fee	-	36,000
	<b><u>-</u></b>	<b><u>36,000</u></b>
<b>5 INTEREST ON STAFF LOANS</b>		
	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest on staff loans	324,001	287,496
	<b><u>324,001</u></b>	<b><u>287,496</u></b>
<b>6 DISPOSAL INCOME</b>		
	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Disposal Income	-	237,950
	<b><u>-</u></b>	<b><u>237,950</u></b>

TOURISM FUND

**Notes to the Financial Statements for the year ended 30th June 2014**

**7 MISCELLANEOUS REVENUE**

	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Miscellaneous Revenue	409,000	1,413,400
	<b>409,000</b>	<b>1,413,400</b>

**8 ADMINISTRATIVE EXPENSES**

	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>

**(i) BOARD EXPENSES**

Chairman's Honorarium	-	693,333
Trustees Sitting Allowance	80,000	620,000
Trustees Travelling & Accommodation	-	1,041,823
<b>Sub-total</b>	<b>80,000</b>	<b>2,355,156</b>

**(ii) COMPENSATION OF EMPLOYEES**

Basic Pay	183,274,482	167,686,627
Pension and Gratuity	34,272,944	32,854,574
House Allowance	57,690,001	54,445,105
Acting Allowance	1,710,482	1,543,950
Leave Allowance	4,091,771	4,294,894
Transfer Allowance	2,807,631	2,434,177
Transport Allowance	13,672,267	12,916,396
Remunerative Allowance	360,000	360,000
Staff Development (Training)	18,396,758	22,138,298
Staff Uniforms	643,232	34,130
Staff Tea	3,233,693	2,892,369
Staff Incentives - Awards	4,575,000	4,967,555
Medical Insurance	26,686,241	25,726,250
Staff Contingencies	26,467	150,360
<b>Sub-total</b>	<b>351,440,969</b>	<b>332,444,685</b>

<b>Grand Total</b>	<b>351,520,969</b>	<b>334,799,841</b>
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**Notes to the Financial Statements for the year ended 30th June 2014**
**9 CONTRACTED SERVICES**

	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Rebranding	49,689,608	295,420
Tourism Dvpt (Semin & Wkshp)	30,038,705	12,587,756
HIV Programmes	419,192	697,102
Office Cleaning	3,079,119	3,068,702
P.C.Surveys	12,365,932	20,864,331
ISO 9001-2008 Expenses	9,981,610	4,723,668
Tourism Act and Constitution	700,000	65,445,165
ICT Repair Expenses	32,365,523	30,931,731
Legal Fees	6,590,749	20,035,149
Audit Fees	377,000	377,000
	<b>145,607,438</b>	<b>159,026,024</b>

**10 GRANTS AND SUBSIDIES (RELATED PARTY TRANSACTIONS)**

	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Grants to Kenya Utalii College	305,000,000	325,000,000
Grants to Kenya Tourist Board	265,000,000	320,000,000
Grants to Ronald Ngala College	7,904,205	1,548,220
Grants - Other Training Activities	2,000,000	14,005,665
	<b>579,904,205</b>	<b>660,553,885</b>

TOURISM FUND

**Notes to the Financial Statements for the year ended 30th June 2014**

**11 GENERAL OPERATING EXPENSES**

	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Subsistence & Travel	39,593,096	25,841,321
General Insurances	19,677,107	17,146,901
Office Security	796,092	732,895
Electricity & Water	2,293,286	2,037,306
Telephone & Postage Expenses	6,117,058	5,760,705
E-Mail& Internet Connectivity	13,435,398	11,593,900
Printing & Stationery	7,449,338	9,007,527
Newspapers & Periodicals	1,353,260	1,393,110
Office Rent-H/O & Branches	27,881,884	18,433,936
Land Rent, Rates & Services	-	605,009
Entertainment & Public Relatio	8,870,249	4,336,475
Shows And Exhibitions	2,094,490	1,337,063
Advertisement & Publicity	7,893,363	2,892,187
General Office Expenses	972,724	1,437,238
Subscriptions	675,100	822,845
Repair & Maint-Motor Vehicles	6,584,124	4,020,621
Repair & Maint-Equip	16,527,962	7,968,880
Repair & Maint-Building	93,460	54,810
Fuel Expenses	5,395,858	5,552,228
Repair & Maint- Furniture	131,130	501,485
Bank Charges	2,732,676	1,653,603
	<b>170,567,655</b>	<b>123,130,045</b>

**12 OTHER EXPENSES**

	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Corporate Social Responsibility	9,529,600	3,234,714
	<b>9,529,600</b>	<b>3,234,714</b>

**13 LOSS ON SALE OF ASSETS**

	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Loss on sale of assets	1,691,010	280,800
	<b>1,691,010</b>	<b>280,800</b>

## Notes to the Financial Statements for the year ended 30th June 2014

### 14 CASH AND CASH EQUIVALENTS

	2013-2014 Kshs	2012-2013 Kshs
Kenya Commercial Bank	119,080,970	117,225,835
National Bank	7,444,318	136,956
Co-operative Bank	4,852,963	5,965,382
NBK - RNUC a/c	501,285,093	506,663
M-pesa collection a/c	11,492,651	6,704,230
Pettycash imprest a/c	5,000	-
	<u>644,160,995</u>	<u>130,539,066</u>

### 15 RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2013-2014 Kshs	2012-2013 Kshs
Deposits	7,065,267	6,015,222
Prepayments	2	9,201,031
	<u>7,065,269</u>	<u>15,216,253</u>

### 16 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2013-2014 Kshs	2012-2013 Kshs
Levy debtors	14,525,859	16,617,045
Other debtors	2,415,575	2,475,802
Provision for rd cheques	(20,443,841)	-
Provision for doubtful debts	-	(20,443,841)
Staff imprest	3,950,888	3,752,982
Advances	3,004,864	2,998,800
Staff housing loans	2,362,443	3,905,300
Cash office imprest	160,650	160,650
	<u>5,976,438</u>	<u>9,466,738</u>

## TOURISM FUND

### Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2014

17 PROPERTY, PLANT AND EQUIPMENT								
COST	Furniture & Fittings	Partitions	Office Equipment	Computer Accessories	Motor Vehicles	Land	WIP	Total
	<i>12.50%</i>	<i>12.50%</i>	<i>12.50%</i>	<i>30%</i>	<i>25%</i>	<i>2%</i>		
At 1 <sup>st</sup> July 2012	9,912,727	40,337,063	3,201,507	32,190,457	32,990,000	285,000,000	429,710,060	833,341,814
Additions	1,061,145	-	1,126,685	8,512,422	-	-	230,153,112	240,853,364
Disposals	-	-	-	-	(4,444,000)	-	-	(4,444,000)
<b>At 30<sup>th</sup> June 2013</b>	<b>10,973,872</b>	<b>40,337,063</b>	<b>4,328,192</b>	<b>40,702,879</b>	<b>28,546,000</b>	<b>285,000,000</b>	<b>659,863,172</b>	<b>1,069,751,178</b>
Additions	1,049,899	30,276,655	1,688,229	9,162,779	-	-	356,398,626	398,576,189
Disposals	(165,800)	-	(204,860)	(3,757,340)	-	-	-	(4,128,000)
<b>At 30<sup>th</sup> June 2014</b>	<b>11,857,971</b>	<b>70,613,718</b>	<b>5,811,561</b>	<b>46,108,318</b>	<b>28,546,000</b>	<b>285,000,000</b>	<b>1,016,261,798</b>	<b>1,464,199,367</b>
<b>DEPRECIATION</b>								
At 1 <sup>st</sup> July 2012	1,239,091	5,042,133	400,188	9,657,137	8,247,500	5,700,000	-	30,286,049
Disposals	-	-	-	-	(1,333,200)	-	-	(1,333,200)
Charge for the year	1,216,848	4,411,866	491,001	9,313,722	5,407,925	5,586,000	-	26,427,362
<b>At 30<sup>th</sup> June 2013</b>	<b>2,455,939</b>	<b>9,453,999</b>	<b>891,189</b>	<b>18,970,859</b>	<b>12,322,225</b>	<b>11,286,000</b>	<b>-</b>	<b>55,380,211</b>
Disposals	(38,859)	-	(48,014)	(1,858,355)	-	-	-	(1,945,228)
Charge for the year	1,175,254	7,644,965	615,047	8,198,055	4,055,944	5,474,280	-	27,163,544
<b>At 30<sup>th</sup> June 2014</b>	<b>3,592,334</b>	<b>17,098,964</b>	<b>1,458,221</b>	<b>25,310,559</b>	<b>16,378,169</b>	<b>16,760,280</b>	<b>-</b>	<b>80,598,527</b>
<b>NET BOOK VALUES</b>								
<b>At 30<sup>th</sup> June 2014</b>	<b>8,265,638</b>	<b>53,514,754</b>	<b>4,353,340</b>	<b>20,797,759</b>	<b>12,167,831</b>	<b>268,239,720</b>	<b>1,016,261,798</b>	<b>1,383,600,840</b>
<b>At 30<sup>th</sup> June 2013</b>	<b>8,517,933</b>	<b>30,883,064</b>	<b>3,437,003</b>	<b>21,732,020</b>	<b>16,223,775</b>	<b>273,714,000</b>	<b>659,863,172</b>	<b>1,014,370,967</b>

The land as indicated above is a parcel of land wholly owned by the organization and is located along Valley Road. The parcel has leasehold of 50 yrs. The 2% amortization rate is meant to take care of the amortization of the land over the lease period. The last valuation was done in August 2011.

Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2014

## 18 INVESTMENTS

	2013-2014 Kshs	2012-2013 Kshs
Shares-Consolidated Bank	3,100,000	3,100,000
Shares-Institutions under Liquidation	62,600,000	62,600,000
Provision for Doubtful Debts	<u>(62,600,000)</u>	<u>(62,600,000)</u>
	<u><b>3,100,000</b></u>	<u><b>3,100,000</b></u>

## 19 AMORTIZATION – 2013/2014

ITEM	Licenses, Back-up software, Bank software
Cost / Value as at 30 <sup>th</sup> June 2013	21,926,605
Amortization as at 01 <sup>st</sup> July 2013	5,345,591
<b>Net Book Value 30<sup>th</sup> June 2014</b>	<b>16,581,014</b>

## 20 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2013-2014 Kshs	2012-2013 Kshs
Trade creditors	8,370,291	-
Withholding tax	(2,386,393)	-
V.A.T. account	1,306,038	-
Accrued expenses	107,756,681	41,738,951
Ronald Ngala Utalii College	225,590,060	(35,608,940)
Statutory Payables	443,003	1,488,772
Pension Deficit	-	5,600,000
	<u><b>341,079,680</b></u>	<u><b>13,218,783</b></u>

## 21 OVERDRAFT

	2013-2014 Kshs	2012-2013 Kshs
Overdraft (National Bank)	-	11,346,545
	<u>-</u>	<u><b>11,346,545</b></u>

TOURISM FUND

**Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2014**

**22 FINANCE INCOME (INTEREST)**

	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest on Loans & Investment	4,079,782	22,082,947
Interest on Staff Loans	324,001	287,496
Miscellaneous revenue	409,000	1,413,400
	<b>4,812,783</b>	<b>23,783,843</b>

**23 OTHER INCOME**

	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Registration fee	-	36,000
Disposal Income	-	237,950
	<b>-</b>	<b>273,950</b>

**24 RENT PAID**

	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Rent paid	27,881,884	18,433,936
	<b>27,881,884</b>	<b>18,433,936</b>

**25 OTHER PAYMENTS**

	<b>2013-2014</b>	<b>2012-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Subsistence & travel	39,593,096	25,841,321
General insurances	19,677,107	17,146,901
Office security	796,092	732,895
Electricity & water	2,293,286	2,037,306
Telephone & postage expenses	6,117,058	5,760,705
E-mail& internet connectivity	13,435,398	11,593,900
Printing & stationery	7,449,339	9,007,527
Newspapers & periodicals	1,353,260	1,393,110
Land rent, rates & services	-	605,009
Entertainment & public relations	8,870,249	4,336,475
Shows and exhibitions	2,094,490	1,337,063
Advertisement & publicity	7,893,363	2,892,187

## Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2014

	2013-2014	2012-2013
	Kshs	Kshs
Rebranding	49,689,608	295,420
Corporate social responsibility	9,529,600	3,234,714
Tourism dvpt (seminar & workshop)	30,038,705	12,587,756
Hiv programmes	419,192	697,102
General office expenses	972,724	1,437,238
Office cleaning	3,079,119	3,068,702
Subscriptions	675,100	822,845
Pc surveys	12,365,932	20,864,331
Iso 9001-2008 expenses	9,981,610	4,723,668
Tourism act and constitution	700,000	65,445,165
Repair & maint-motor vehicles	6,584,124	4,020,621
Repair & maint-equip	16,527,962	7,968,880
Repair & maint-building	93,460	54,810
Fuel expenses	5,395,858	5,552,228
Repair & maint- furniture	131,130	501,485
ICT repair expenses	32,365,523	30,931,731
Legal Fees	6,590,749	20,035,149
Audit Fees	377,000	377,000
Bank Charges	2,732,676	1,653,603
Loss on Disposal	1,691,010	-
Gain on sale of assets	-	280,800
Depn - furniture	1,175,254	1,216,848
Depn - partitions	7,644,965	4,411,866
Depn - computers	8,198,055	9,313,722
Depn - motor vehicles	4,055,944	5,407,925
Depn - land	5,474,280	5,586,000
Depn - intangible assets	5,345,590	8,092,999
Depn - off equipment	615,047	491,001
	<b>332,022,955</b>	<b>301,758,008</b>

TOURISM FUND

**Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2014**

**26 DEPRECIATION AND AMORTIZATION**

	2013-2014	2012-2013
	Kshs	Kshs
Depn - furniture	1,175,254	1,216,848
Depn - partitons	7,644,965	4,411,866
Depn - computers	8,198,055	9,313,722
Depn - motor vehicles	4,055,944	5,407,925
Depn - land	5,474,280	5,586,000
Depn - intangible assets	5,345,591	8,092,999
Depn - office equipment	615,047	491,001
	<u>32,509,136</u>	<u>34,520,361</u>

**27 CASH FLOWS FROM OPERATING ACTIVITIES**

	Note	2013-2014	2012-2013
		Kshs	Kshs
<b>Receipts</b>			
Fines, penalties and levies	2	1,835,867,805	1,622,234,697
Finance Income (Interest)	22	4,812,783	23,783,843
Other Income	23	-	273,950
		<u>1,840,680,588</u>	<u>1,646,292,490</u>
<b>Payments</b>			
Administrative expenses	8	351,520,969	334,799,841
Rent paid	24	27,881,884	18,433,936
Grants and subsidies paid	10	579,904,205	660,553,885
Other payments	25	332,022,955	301,758,008
		<u>1,291,330,013</u>	<u>1,315,545,670</u>
<b>Surplus for the year before tax</b>		<u>549,350,575</u>	<u>330,746,820</u>

**Notes to the Financial Statements for the year ended 30<sup>th</sup> June 2014****CONTINGENT LIABILITY**

Trustees have a pending court case whereby it has been sued by 174 employees retrenched back in the year 2001. The employees were paid all the full benefits at the time but have filed a case which is ongoing. This is as per IAS 37 and IPSAS 19.

**COMPARATIVES**

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

**FINANCIAL RISK MANAGEMENT**

The Fund's financial liabilities comprises of trade and other payables. The main purpose of these financial liabilities is to raise finance for the Fund's operations. The Fund has also various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations. Arising out of these financial liabilities and assets is the credit / default risk and liquidity risk that the management ensures it is reduced to acceptable levels.

- (i) On financial liabilities (credit risk), the Fund has set credit limits (60 days) within which its trade payables must be settled. It is important to note that it's because of the existence of credit limits that payables which would not have been settled at the balance sheet date are accrued and settled immediately in the next financial year to avoid the default risk premium. The Fund also ensures that there are no significant concentrations of the credit risks by offsetting most of its financial liabilities within the credit limit period.
- (ii) On financial assets, the Fund has managed its risk to a shortage of funds through a set deadline within which levy revenues (cash) should be remitted to the Fund and any defaults are fined and penalized. It is against this backdrop that the Fund has established a Levy Compliance, Enforcement and Monitoring Unit as a way of enhancing compliance levels with levy revenues which is the major source of cash inflows for the Fund.

## TOURISM FUND

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- (iii) The Fund also advances soft loans to employees (salary advances and engine overhaul) at no interest rates as a social benefit. To manage defaults on repayment, the Fund has a policy which ensures that repayment is by way of a payroll deduction on a monthly basis until the loan is fully serviced within the loan agreement period of 3 years (engine overhaul) and one (1) year (salary advance) as per TF's policy.

These actions by management therefore ensure that the Fund's exposure to bad debts arising from its receivables is not so significant as to affect its operations.

- (iv) On short term deposits, the Fund enters into agreements with the respective banks for on call deposits or for three months renewable maturity periods depending on the Fund's need. The deposits earn interest at the respective short-term deposit rates as agreed which is used to finance the Fund's ongoing operations of the time.

On currency risk, all the Fund's branches are locally based and thus the Fund's financial statement items are not subjected to foreign exchange translations into Kenya shillings at the financial statement date. The Fund is therefore not exposed to currency translations that may give rise to negative foreign exchange differences.

### **CURRENCY**

The financial statements are presented in Kenya Shillings (Kshs.)