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REPORT

OF

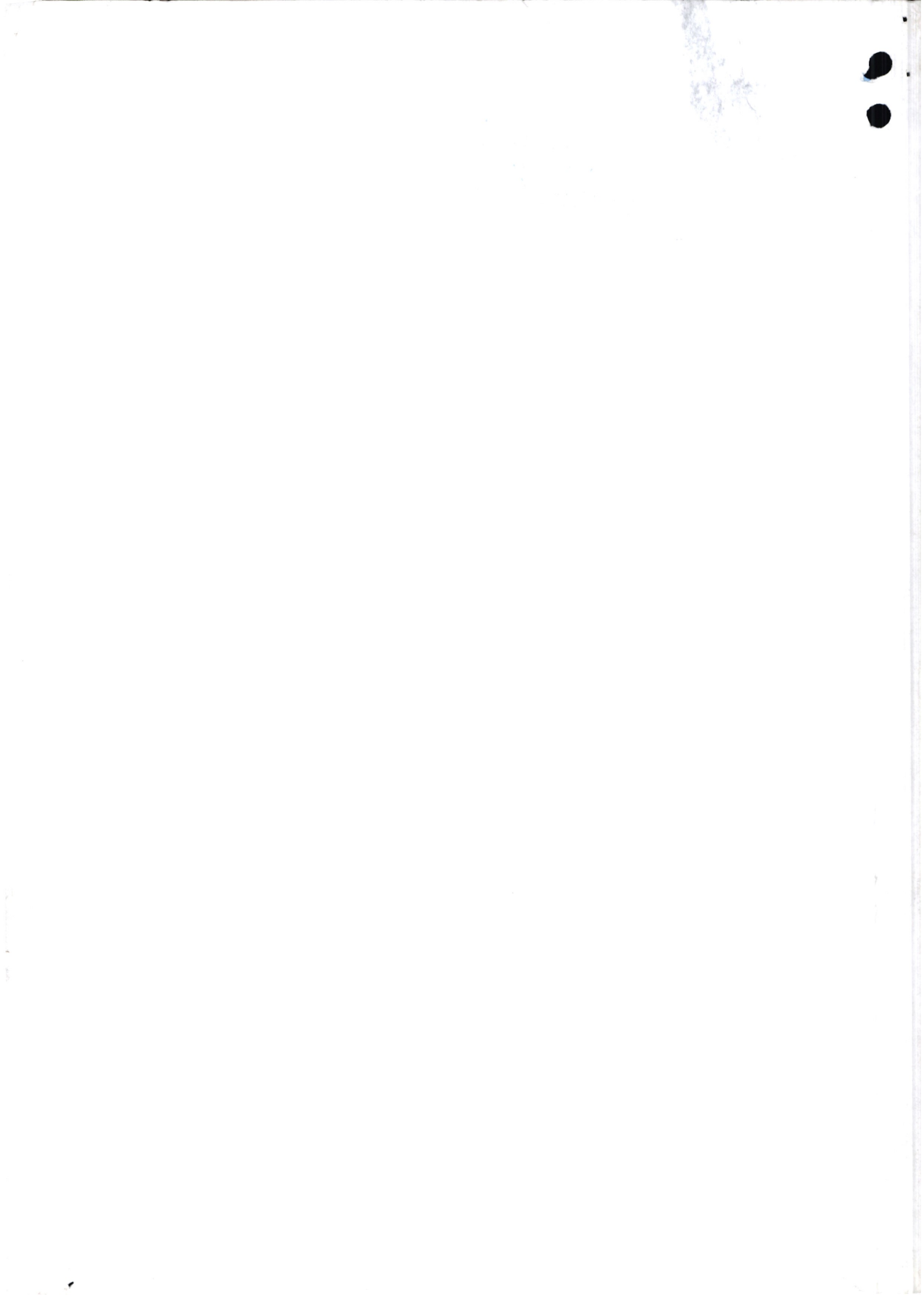
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
YOUTH ENTERPRISE DEVELOPMENT
FUND BOARD

FOR THE YEAR ENDED
30 JUNE 2013

Indexed





**YOUTH ENTERPRISE DEVELOPMENT
FUND BOARD**

**UNAUDITED FINANCIAL STATEMENTS
FOR THE FY 2012/13**

YOUTH ENTERPRISE DEVELOPMENT FUND BOARD

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YOUTH ENTERPRISE DEVELOPMENT FUND BOARD

CORPORATE INFORMATION

Directors

Appointment date

Mr. James Gitau Singh	Chairman	Private Sector	Tenure lapsed on Dec 31, 2012
Mr. Evans Gor Semelango	Chairman	(Private Sector)	16 th January 2013
Ms Susan Auma Mang'eni	Member	(Private Sector)	2 nd January 2010
Mr. Edward Gacheru Mungai	Member	(Private Sector)	2 nd January 2010
Mr. Richard Nzioki Muteti	Member	(Private Sector)	2 nd January 2010
Mr. Martin Kipruto Keino	Member	(Private Sector)	2 nd January 2010
Ms. Leah Chepkoskei	Member	(Public Sector)	20 th January 2011
Ms. Janet Nkirote Mugo	Member	(Public Sector)	20 th January 2011
Mr. Thedius Bwire Ojiambo	Member	(Public Sector)	20 th January 2011
Mr. Mwatata Juma Mwangala	Secretary to the Board 23 rd March 2011		
PS. Treasury			
PS Ministry of Youth Affairs and Sports			
Mr. Samuel Macharia	Alternate to PS Treasury		
Mr. G. K. Somba	Alternate to PS Ministry of Youth Affairs and Sports		

Management Team

Mr. Mwatata Juma Mwangala	Chief Executive Officer
Miss Catherine Namuye	General Manager
Mrs. Truphena Omung'ala	Human Resource Manager
Mr. Benson Muthendi	Public Relations Manager

Registered Office

National Bank of Kenya Building
8th Floor
Harambee Avenue

Auditors

Auditor General
Anniversary Towers
Nairobi

Bankers

Equity Bank Limited
P.O Box 75104-00200
Nairobi

Kenya Commercial Bank
P.O Box 48400-00100
Nairobi

YOUTH ENTERPRISE DEVELOPMENT FUND BOARD.

REPORT OF THE BOARD MEMBERS.

The Youth Enterprise Development Fund Board presents its report together with the financial statements for the period ended 30th June 2013. This according to the legal Notice No.63 section 14(b) which states;

“All assets and liabilities of the former Fund and the former Board shall be transferred to and vested in the Fund and the Board as the case may be without further assurance than this order and the Board shall have powers necessary to take possession of, recover and deal with such assets and discharge such liabilities”.

This is because at the inception, the Youth Fund was a programme under the Ministry of Youth Affairs and was gazetted as a parastatal on 11th May 2007.

BACKGROUND OF YOUTH ENTERPRISE DEVELOPMENT FUND

Unemployment is one of the most daunting economic challenges facing Kenya. The government has consequently placed job creation at the top of its policy agenda. The Youth defined as age 18 - 34 years constitute two thirds of the economically active population. The Youth account for 61% of the unemployed. Ninety two percent (92%) of the unemployed Youth have no job training other than formal schooling, hence unemployment is not just a lack of jobs, but also a lack of job skills.

The government mooted the idea of establishing a Youth Enterprise Development Fund in mid 2006 as one of the bold and radical interventions to address the Youth unemployment problem. The government's commitment was reflected in the National Budget of June 2006 when Kenya Shillings one billion (Kshs.1 billion) was set aside for the Youth Enterprise Development Fund. A further Kshs.750 million, Kshs 500million, Kshs 550 million and Kshs 550million were allocated in the 2007/ 2008, 2008/ 2009, 2009/ 2010 2010/2011 and 2011/ 2012 financial year respectively, bringing the total government allocation to 3.77 billion.

The Board has worked since 2006 to develop the Youth fund's management structures and guidelines in consultations with key stakeholders such as the Youth, Financial Intermediaries and development partners.

THE TARGET GROUP

The target group of the youth enterprise development fund are the Youths aged 18-34 years who intend to start or expand businesses.

YOUTH ENTERPRISE DEVELOPMENT FUND BOARD

THE FUND'S LOAN PRODUCTS

The Fund developed new products during the year to cater for the following needs of the Kenyan youth. These products were rolled out in the financial year as follows:

C-yes Rausha- targets start up group businesses only and the maximum amount is Ksh50, 000 payable within one year

C-yes Inua- Is for business expansion purposes and the maximum amount is Ksh.400, 000 payable in two years.

C-yes Special – targets special business projects across various economic sectors and the maximum amount is Ksh.400, 000 payable within two years

E-yes Smart- targets youth within groups to start or expand their personal businesses, the maximum amount is Ksh.100, 000.

E-yes Swift- targets youth in groups which may not have benefitted from C-yes Scheme. The Maximum amount is Ksh.100, 000

Agri Vijana Loan – Currently handling asset financing for youth groups interested in green house farming at a cost of Kshs. 358, 344.00 repayable within 3 years.

OBJECTIVES OF THE FUND

The Fund was established in order to:

- Provide loans to existing Micro –Finance Institutions (MFIs), registered non-governmental organisations involve in micro financing and Savings and Credit Co-operative Organisations (SACCOs) for on-lending to youth enterprises.
- Attract and facilitate investment in micro, small and medium enterprises oriented commercial infrastructures such as business or industrial parks, markets or business incubators that will be beneficial to youth enterprises.
- Support youth oriented micro, small and medium enterprises to develop linkages with large enterprises.
- Facilitate marketing of products and services of youth enterprises both in the domestic and international markets.
- Facilitate employment of youth in the international labour market.

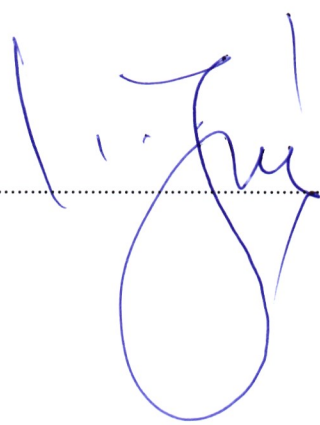
YOUTH ENTERPRISE DEVELOPMENT FUND BOARD

AUDITORS

The accounts of the Board shall be audited by the Auditor General or by an auditor appointed by the Board with the written approval of the Auditor-General.

BY ORDER OF BOARD;

Secretary.....

Date..... 10/02/2014

YOUTH ENTERPRISE DEVELOPMENT FUND BOARD

STATEMENT OF THE BOARD MEMBER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS.

The State Corporation Act chapter 446 section 14 and legal notice No.63 of 11th May 2007 section 11 requires the Board to prepare financial statements for each financial year which give a true and fair view of state of the affairs of the corporation at the end of the financial year and of operating results of the period. It also requires the Board to ensure that the corporation keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the corporation .They are also responsible for safeguarding the assets of the corporation.

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

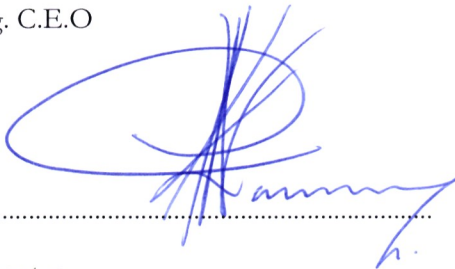
The Board accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates,in conformity with international Financial Reporting Standards and in manner required by the State Corporations Act. The Board is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the corporation and of its operating results. The Board further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial controls.

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

Catherine Namuye

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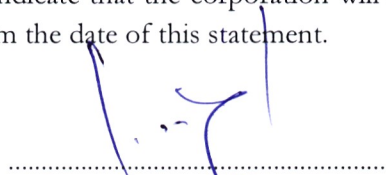
Ag. C.E.O



Signature

10/02/2014

Date



Board Member

.....

Signature

10/02/2014

Date

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON YOUTH ENTERPRISE DEVELOPMENT FUND BOARD FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Youth Enterprise Development Fund Board for the year ended 30 June 2013, set out on pages 7 to 21, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, 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 Financial Reporting 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(2) and (3) of the Public Audit Act, 2003 and 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 Board'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 for Qualified Opinion

1. Trade and Other Receivables

1.1 Micro-finance Loans

The trade and other receivables balance of Kshs.1,334,668,941 as at 30 June 2013 includes loans to Financial Intermediaries amounting to Kshs.252,329,262 out of which an amount of Kshs.75,000,000 was advanced to Kenya Industrial Estates in the year 2007. No plausible explanation has been provided for failure to recover this long outstanding debt from a government institution.

1.2. Welfare Group Loans

As in the previous year's report, the trade and other receivables include loans balances totaling Kshs.150,000 and Kshs.500,000 disbursed in 2007 to Copper Group in Ijara District and Nomads Welfare in Dujis in Garissa welfare groups that cannot be traced.

1.3. Default Penalty on Financial Intermediaries

As indicated under Note (10), the trade and other receivables balance also include default penalty on financial intermediaries totalling Kshs.204,534,550 (Year 2011/2012 – Kshs.19,546,726). This huge increase in the default penalty by 1,046% during the year under review has not been justified.

1.4. Loans Repaid Unidentified

Further as disclosed in Note (10) to the financial statements, trade and other receivables balance of Kshs.1,334,668,941 has been arrived at after netting off an amount of Kshs.15,637,800 described as loans repaid unidentified. Under the circumstances, trade and other receivables balance of Kshs.1,344,668,941 as at 30 June 2013 has not been confirmed as correct.

2. Cash and Cash Equivalents

2.1. Suspense Account

As reported in the previous years, amounts totalling Kshs.7,372,568 deposited in various banks and M-Pesa accounts were held in a suspense account. According to the information available, the amount represents direct credits in respect of loan repayment from various youth groups, whose loan beneficiaries had not been identified.

2.2. Bank Reconciliation

The cash and cash equivalents balance of Kshs.960,254,500 as at 30 June 2013 includes an amount of Kshs.5,877,728 described in the KCB Repayment Account bank reconciliation statement as the difference between cash and bank balance, which has remained outstanding since July 2010. As reported previously, this balance has not been analysed or explained. Consequently, it has not been possible to confirm accuracy of cash and cash equivalents balance of Kshs.960,254,500 as at 30 June 2013.

3. Supply of Micro Computer Automatic Hatching Machines

Contract of Kshs.208,530,000 for the supply, installation and commissioning of No.1,050 (one thousand and fifty) micro-computer automatic hatching machines was awarded to a supplier in August 2012. The supplier was to deliver the machines within 2 (two) months of the execution of the agreement. The machines were to be issued to five (5) youth groups in each constituency for the purposes of poultry business.

The supplier according to the contract was to receive as 1st payment, 30% (Kshs.62,559,000) of the contract price upon execution of the agreement but subject to provision of an advance payment bond equal to 30% of the contract price to the procuring entity. However, the supplier provided a bond for Kshs.10,426,500 and no justification has been provided for this irregularity.

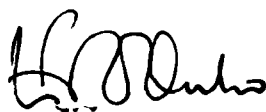
According to the agreement, the supplier was to receive payment 30% (Kshs.62,559,000) of the contract price upon delivery of the said machines. Although the 2nd payment was made on 9 November 2012, no evidence has been provided to confirm that the machines were delivered to the respective constituencies. Available information indicates that the 1,050 machines were supplied, delivered, received and stored at Kasarani Stadium on 5 November 2012.

The 3rd payment or 40% (Kshs.83,412,000) of the contract price was to be made upon issuance of a certificate of completion by the procuring entity. This provision was, however, changed under unclear circumstances through an addendum to the agreement dated 20 May 2013, to split the payments into two installments such that an amount of Kshs.60,000,000 was to be paid upon execution of the addendum and the balance of Kshs.23,412,000 upon issuance of a certificate of completion by the procuring entity.

Available information indicates that only twenty (20) machines out of the 1,050 had been issued out as at 30 June 2013. In addition, payments totalling Kshs.185,118,000 out of the contract price Kshs.208,530,000 had been made to the supplier as at that date. It is apparent, therefore, that the Board procured the machines without prior assessment of the need of the same by targeted beneficiaries.

Qualified Opinion

In my opinion, except for the 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 Board as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Youth Enterprise Development Fund Order, 2007.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

12 May 2014

Youth Enterprise Development Fund Board
Annual Report and Financial Statements.
For The Year Ended 30 June 2013

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

		2012/ 2013	2011 / 2012
	Notes	Shs	Shs
Income Earned	2	400,006,514	299,881,109
Programmes Expenses	3	(10,565,002)	(229,730,062)
Administration Expenses	4	(272,891,966)	(268,050,480)
Operating Expenses	5	<u>(91,111,348)</u>	<u>(82,773,766)</u>
Surplus for the period		<u><u>25,438,198</u></u>	<u><u>(280,673,200)</u></u>

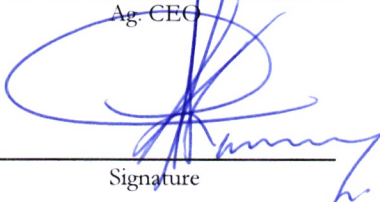
Youth Enterprise Development Fund Board
 Annual Report and Financial Statements.
 For The Year Ended 30 June 2013

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Notes	2012/2013 Shs	2011/2012 Shs
Assets			
Non current assets			
Property, plant & equipment	6	87,632,639	87,701,406
Intangible Asset	7	10,389,494	2,946,917
Loans	8	535,675,143	343,550,000
		<u>633,697,276</u>	<u>434,198,323</u>
Current assets			
Prepayments	9	781,594	827,594
Trade and other receivables	10	1,334,668,941	803,008,482
Cash and cash equivalents	12	960,254,500	1,381,311,712
Inventory	11	195,700,000	-
		<u>2,491,405,035</u>	<u>2,185,147,788</u>
Total assets		<u>3,125,102,311</u>	<u>2,619,346,111</u>
Equity and liabilities			
Equity			
Accumulated fund	13	59,913,254	(210,568,739)
Revolving fund	14	3,040,414,170	2,809,414,170
		<u>3,100,327,424</u>	<u>2,598,845,431</u>
Current liabilities			
Trade and other payables	15	24,774,887	20,500,680
		<u>24,774,887</u>	<u>20,500,680</u>
Total equity and liabilities		<u>3,125,102,311</u>	<u>2,619,346,111</u>

The Financial statements on pages 7-21 were approved by Ag. CEO and a Board member and were signed on its behalf by :

Ms Catherine Akello Namuye

Ag. CEO

 Signature
 10/02/2014
 Date

Board Member

 Signature
 20/02/2014
 Date

Youth Enterprise Development Fund Board
 Annual Report and Financial Statements.
 For The Year Ended 30 June 2013

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013.

	Accumulated Fund	Revolving Fund	Total Equity
	Shs	Shs	Shs
Year ended 30 June 2012			
Balance as at 1st July 2011	70,104,461.46	2,520,664,170.00	2,590,768,631.46
Surplus/ deficit for the year	(280,673,200.10)		(280,673,200.10)
Addition during the year	-	288,750,000.00	288,750,000.00
Balance as at 30 June 2012	(210,568,738.64)	2,809,414,170.00	2,598,845,431.36

	Accumulated Fund	Revolving Fund	Total Equity
	Shs	Shs	Shs
Year ended 30 June 2013			
Balance as at 1st July 2012	(210,568,738.64)	2,809,414,170.00	2,598,845,431.36
Surplus/ deficit for the year	25,438,198.06	-	25,438,198.06
Prior year adjustment	245,043,794.96		245,043,794.96
Addition during the year	-	231,000,000.00	231,000,000.00
Balance as at 30th June 2013	59,913,254.38	3,040,414,170.00	3,100,327,424.38

Youth Enterprise Development Fund Board
Annual Report and Financial Statements.
For The Year Ended 30 June 2013

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2012/2013 Shs	2011/2012 Shs
Surplus (Deficit) for the period		25,438,198.06	(280,673,200.10)
Adjustments for:			
Depreciation	6	27,774,015.84	28,824,599.54
Amortization	7	3,376,192.98	1,622,438.98
Prior year adjustment		245,043,794.96	-
Loss on disposal		192,155.00	-
Operating profit before working capital changes		301,824,356.84	(250,226,161.58)
Increase in trade and other receivables	10	(531,660,458.82)	(76,849,964.86)
Decrease in prepayments	9	46,000.00	778,260.00
Decrease (increase) in trade and other payables	15	4,274,207.50	(58,285,788.04)
Increase in inventory		(195,700,000.00)	
Net cash used in operating activities		(723,040,251.32)	(134,357,492.90)
Cashflows from investing activities			
Increase in loans	8	(192,125,143.00)	(117,975,000.00)
Purchase of Fixed & Intangible assets	7	(40,916,174.00)	(70,795,710.40)
Sale of Motor Vehicles		2,200,000.00	
Net cash flows from (net cash used in) investing activities		(230,841,317.00)	(188,770,710.40)
Cashflows from Financing activities			
Capitalization from G.O.K.	14	231,000,000.00	288,750,000.00
Net cash flows from financing activities		231,000,000.00	288,750,000.00
Net Decrease in cash		(421,057,211.48)	(284,604,364.88)
Cash & cash equivalent at the beginning of the period		1,381,311,711.39	1,665,916,076.27
Cash & cash equivalents at the end of the period	12	960,254,500.22	1,381,311,711.39

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies remain unchanged from the previous year unless otherwise stated.

a) Basis of accounting

The financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS). They are prepared under the historical cost basis of accounting as modified by the revaluation of certain investment to fair value and are presented in the functional currency, Kenya shillings(Kshs) rounded to the nearest shilling.

The presentation format is in line with the revised IFRS

b) Revenue recognition

Grants are recognised when received. Other revenues are recognised in accordance with the accruals concept. Interest income on loans is recognised when it falls due. Other interest income is recognised in the period which it is earned.

c) Legal status

The Fund was gazetted as a State Corporation according to the Legal Notice No. 63 of 11th May 2007.

d) Taxation

Youth Enterprise Development Fund Board is exempt from income taxes under the Kenya Income Tax Act.

e) Property, Plant and Equipment.

Property, Plant & Equipment are depreciated on a reducing balance basis over their estimated useful lives at the following annual rates:

Motor vehicles	25%
Furniture and Fittings	12.50%
Office Equipment	12.50%
Computers & Accessories	33.33%
Motor Cycles	25%

Property, Plant & Equipment are stated at cost less depreciation and any accumulated impairment losses. A full year's depreciation is charged on the Fund's Property, Plant & Equipment in the year of acquisition and none in the year of disposal.

f) Inventory

Inventory is valued at the lower of cost and net realisable value as per IAS 2

f) Intangible assets - computer software development costs

Costs incurred on computer software are initially accounted for at cost as intangible assets and subsequently at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the estimated useful lives not exceeding a period of 5 years.

g) Revolving Fund

The revolving Fund represents money that has been set aside for onward lending to the youth. This Fund grows by the annual allocations from the Government under the Development vote.

h) Investments

Investments made by the Fund are in the form of call deposits held at Chase bank. The average effective interest rate on the call deposits was 18% per month on all the investments.

i) Cash and bank balances

Cash and bank balances comprise cash at bank, cash in hand and the balance in the M-PESA utility account. For purposes of the statement of cash flows, cash and cash equivalents comprise cash and bank balances as defined above and includes on calls deposits held at various banks.

j) Risks arising from loans disbursed

Credit risk

The Fund's activities expose it to a variety of financial risks but mainly to credit risks. The Fund's overall risk management programme focuses on the likelihood of borrowers failing to meet their debt obligations and seeks to minimise the same.

k) Collateral

For the C-YES and Easy-YES loans, no security is given by the youth to the Fund. However, for the Financial Intermediaries, collateral in the form of Bank Guarantees, Promisorry notes and Cash flow assignments are given.

l) Board emoluments

This encompasses honoraria paid to the Board's chairperson during the financial year.

m) Change in the presentation formart of expenditure items in the financial statements

The fund has changed the expenditure line items from the classifications previously used and has adopted a classification similar to the budget line items in line with IAS 1 & IPSAS 1. Further, the financial statements for the previous financial year have been reclassified to match the current reporting format for comparative purposes

n) Lending / credit

The budget allocation for the f/y 2012-2013 reduced significantly. It follows that the fund had to revise down its expenditure. The decrease in expenses under the lending vote head came about due to a cut down on monitoring and evaluation as well as cheque presentation ceremonies field trips by the YEDFB. The Fund also stopped payment to MOYAS officers meal allowances since we hired constituency officers as part of our workforce.

o) Commercial infrastructure

Decrease in expenses in commercial infrastructure was informed firstly by a reduction in the government allocation and subsequently a reduction by management of the amounts allocated to this program expense.

p) Market linkages.

Decrease in expenses in market and linkages was informed by a reduction on the government allocation and therefore management reduced the amounts allocated to this expenditure.

q) Capacity building of youth enterprises

Reduction in expenses in youth capacity building came about because the fund did not undertake capacity building and trainings for the youths in a large scale as the previous year.

This was due to the fact that the fund had budgetary constraints that have been highlighted before.

s) YEDF lobby and advocacy

Since the fund was approaching the conclusion of the development of the Fund's sessional paper, the costs incurred reduced significantly since the initial drafting that cost the fund heavily had already been incurred in the previous year.

t) Enhancing Fund's public image

The reduction in this line of expenditure came about because in the previous year the Fund had carried out two major activities namely the 5th year anniversary and the county sensitizations done around the country to inform the youths of the new products.

In the subsequent financial year 2012-2013, the fund did not take activities of this nature in a large scale.

u) Human capital expenses

Increase of this expense is attributed to the recruitment of additional staff and constituency officers countrywide.

v) Board emoluments

Reduction in this expense was occasioned because there were no international trips unlike in the previous f/y 2011-2012.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2. Income earned

	2012/13	2011/12
	Shs	Shs
Income from Treasury	242,560,000.00	134,700,174.50
Sale of Tender documents	2,645,000.00	1,473,100.00
Interest earned from FI's	6,951,120.36	5,273,111.30
Mgt fees - C-YES	12,363,750.00	9,289,315.00
Interest earned- Call deposit	119,864,804.67	146,433,368.49
Mgt fees - Easy -YES	2,928,400.00	2,712,040.00
Mgt fees - Direct Funding Loans	294,650.00	-
Interest from Direct Funding Loans	339,976.00	-
Interest on loan guarantee scheme	1,523,328.02	-
Mgt fees on credit guarantee scheme	9,375,000.00	-
Interest earned on Fund Accounts- KCB Main	1,034,592.00	-
Interest earned on Fund Accounts- Equity Main	125,893.15	-
	400,006,514.19	299,881,109.29

Interest from FI's

Interest on Loans to the Financial Intermediaries is charged at 1% for three years except for loans to Financial Intermediaries with the leverage financing agreement that are leveraging on a 1:1 basis, that is, First Community Bank Limited which is at 2% and a loan of Ksh 60Million to Family Bank Limited that is charged interest at 2.5%. Also, new Financial Intermediaries such as Ramat Livestock at 3%, Murata Sacco at 2.75%, WECOGE at 3%, Thika Teachers at 2.75% , Wananchi at 2.75%, Muki Sacco at 3% and Interlead Ltd at 3%.

Management fees.

Management fees on C-YES loans is at 5% and 8% on Easy-YES loans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2012/13	2011/12
	Shs	Shs
3. Programme expenses		
Lending/ credit	4,010,971	117,989,934
Youth Enterprise Scheme Abroad	-	11,485,772
Commercial Infrastructure	169,140	8,684,154
Market Linkages	995,315	26,362,668
Capacity building for youth enterprises	440,795	47,287,721
YEDF Lobbying and Advocacy	2,498,401	9,104,645
Research Unit	-	1,583,350
Audit	244,992	2,098,187
Monitoring and Evaluation	2,205,388	5,133,632
	<u><u>10,565,002</u></u>	<u><u>229,730,062</u></u>
4. Administration expenses		
Enhancing Fund's public image	19,343,199	60,005,032
Human capital expenses	243,499,297	186,201,787
Board expenses	10,049,470	21,843,661
	<u><u>272,891,966</u></u>	<u><u>268,050,480</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

5. Operating costs

	2012/13	2011/12
	Shs	Shs
Travelling Costs	3,789,860	6,425,766
Telephone Costs	2,525,474	3,632,964
Office Rent and Maintainance	22,335,670	14,910,623
Office Partitioning & Facelift	-	299,976
Newspapers/Magazines/Journals	400,777	621,924
Vehicle Fuel and Maintainance	6,798,326	6,461,641
Motorcyle Fuel & Maintainance	116,750	1,119,819
Office Stationery	7,895,586	7,658,405
Audit Fees	1,392,000	1,200,000
Legal Fees	3,336,664	1,996,856
Insurance for Motor Vehicle and Equipments	4,553,160	2,445,568
Email Expenses	1,059,300	1,061,400
Soft Ware Support & Equipment Maintainance	1,052,393	1,263,392
Website Maintainance	-	129,560
Hospitality	57,924	2,327,844
Courier/Postal Services	536,741	383,755
Depreciation Expense	27,774,016	28,824,600
Amotization Expense	3,376,193	1,622,439
Bank Charges	357,479	387,234
Provision for bad debts	3,560,880	-
Loss on disposal	192,155	-
	91,111,348	82,773,766

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

6. Property, plant and equipment movement schedule

Cost	Motor Vehicles	Furniture and Fittings	Computers & Accessories	Motorcycles	Total
	Shs	Shs	Shs	Shs	Shs
At start of year	20,338,297.00	11,153,310.00	15,310,848.00	31,915,000.00	78,717,455.00
Additions	19,294,500.40	6,306,285.00	11,183,925.00	33,663,000.00	70,447,710.40
At end of year	39,632,797.40	17,459,595.00	26,494,773.00	65,578,000.00	149,165,165.40
Depreciation					
At start of year	12,560,690.50	3,272,875.38	8,826,843.99	7,978,750.00	32,639,159.87
Charge for the year	6,768,026.73	1,773,339.95	5,883,420.36	14,399,812.50	28,824,599.54
At end of year	19,328,717.23	5,046,215.33	14,710,264.35	22,378,562.50	61,463,759.41
Net book value as at 30 June 2012	20,304,080.18	12,413,379.67	11,784,508.65	43,199,437.50	87,701,405.99

Year ended 30 June 2013

Cost	Motor Vehicles	Furniture and Fittings	Computers & Accessories	Motorcycles	Total
	Shs	Shs	Shs	Shs	Shs
At start of the period	39,632,797.40	17,459,595.00	26,494,773.00	65,578,000.00	149,165,165.40
Additions	16,594,800.00	7,831,022.00	5,671,582.00	-	30,097,404.00
Disposals	(9,462,881.00)	-	-	-	(9,462,881.00)
At end of the period	46,764,716.40	25,290,617.00	32,166,355.00	65,578,000.00	169,799,688.40
Depreciation					
At start of the period	19,328,717.23	5,046,215.33	14,710,264.35	22,378,562.50	61,463,759.41
Disposals	(7,070,725.72)	-	-	-	(7,070,725.72)
Charge for the period	8,626,681.22	2,530,550.21	5,816,925.04	10,799,859.38	27,774,015.84
At end of the period	20,884,672.73	7,576,765.54	20,527,189.39	33,178,421.88	82,167,049.53
Net book value as at 30th June 2013	25,880,043.67	17,713,851.46	11,639,165.61	32,399,578.13	87,632,638.87

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

7. Intangible assets

The fund has two computer softwares: The ABN vote book system and the Microsoft Dynamics NAV. ABN was purchased by the Fund for the purposes of tracking loan repayments and interest thereon by Youthgroups and Financial Intermediaries.

The Fund also maintains a comprehensive Management Information System. The modules in this system are the Finance module, Procurement, HR and payroll. Loans module and Asset management module.

Cost	Shs
At start of the period	8,112,195
Additions	<u>10,818,770</u>
At end of period	<u>18,930,965</u>
Amortization	
At start of the period	5,165,278
Charge for the period	<u>3,376,193</u>
At end of the period	<u>8,541,471</u>
Net book value as at 30 June 2013	<u><u>10,389,494</u></u>
Net book value as at 30 June 2012	<u><u>2,946,917</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8. Loans	Kshs
Financial Intermediaries- Non Current	281,703,143
Credit Guarantee Scheme Loans	250,000,000
Hatcheries Loans	3,972,000
Total	<u>535,675,143</u>

Financial Intermediaries- Non Current

This is the principal loan balance outstanding on the loans which have been advanced to Financial Intermediaries for onward lending to various youths and youth groups in the country. These loans fall due in more than one year from the date of the final accounts and are such classified as non current assets.

Credit Guarantee Scheme Loans

This component is comprised of 2 items:

- a) Indo Africa Finance- ksh. 150,000,000
- b) Rafiki DTM- Ksh. 100,000,000
- c) Hatchery loans - Kshs 3,972,000

9. Prepayments	2012/2013	2011/2012
	Shs	Shs
Prepayment- Rent Deposits	781,594.00	827,594.00
	<u>781,594.00</u>	<u>827,594</u>

10. Trade and other receivables	2012/2013	2011/2012
	Shs	Shs
Sector Specific Loans-agri vijana	3,225,096	-
C-YES loans	642,906,160	495,277,149
Loans through Financial Intermediaries	252,329,262	209,475,000
Easy YES loans	69,269,860	49,552,438
Direct Funding Loan	28,705,025	-
Staff imprest	3,818,917	4,155,807
Salary advances	203,200	-
Interest receivable on direct funding loans	64,253	-
Interest receivable from FI's	1,875,585.59	-
Loans repaid unidentified	(15,637,800)	(11,624,727)
Interest receivable on call deposits	20,379,712	36,626,089
Fuel imprests	2,496,000	-
MOYAS	124,060,000	-
Default Penalty on Fis	204,534,550	19,546,726
Provision for bad debts	(3,560,880.10)	-
	<u>1,334,668,941</u>	<u>803,008,482</u>

Interest receivable from FI's

Interest receivable from FI's is formed of two components:

- a) Normal interest due from Financial Intermediaries on the principal which is Ksh. 833,807.51
- b) 5% penalty charged on amount due from F.Is that have not paid the loan which is Ksh. 205,877,624
- c) Provision for bad debts has been charged at 0.5% of the C -Yes & E-yes portfolio

Loans repaid unidentified

KCB Repayment A/c	12,364,341.00
Equity Repayment A/c	2,049,407.00
MPESA A/c	364,217.00
KCB Main A/c	115,112.00
Equity direct funding a/c	31,500.00
Equity main	713,223.00
	<u>15,637,800.00</u>

11. Inventory	2012/20123	2011/2012
	Shs	Shs
Incubator (Hatcheries)-1030 Incubators	195,700,000.00	-
	<u>195,700,000.00</u>	<u>-</u>

Inventory represents cost price of 1030 incubators available for disbursement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12. Cash and cash equivalents

	2012/2013	2011/2012
	Shs	Shs
Guarantee Fund Partnership (Family Bank)	32,337,807.06	30,444,102.00
Equity Bank Direct Funding Account	8,990,440.25	-
Equity Bank Operations Account	32,410,649.85	-
Family bank (on call deposits)	-	500,000,000
Equity Bank Main Account	51,774,466.18	2,261,578.88
KCB Repayment Account	818,087.60	(10,922,274.00)
Equity Repayment Account	1,389,896.00	1,058,215.60
KCB Main Account	49,196,794.54	2,606,880.29
National Bank of Kenya (on call deposit)	-	200,000,000.00
Chase Bank (on call deposits)	781,738,680.74	651,661,000.00
M-PESA A/c	1,479,075.00	4,192,892.00
Petty Cash	118,603.00	9,317.00
	<u>960,254,500</u>	<u>1,381,311,712</u>

The balance represented by the cash and cash equivalents figure of Kshs 959,998,442.00 in the cash flow statement is part of the monies which are disbursed as loans to youth groups through Financial Intermediaries. The disbursements are usually released in tranches periodically.

13. Accumulated funds

	2012/2013	2011/2012
	Shs	Shs
Balance b/f	(210,568,739)	70,104,461.46
Add : Surplus (Deficit) for the year	25,438,198	(280,673,199.61)
Prior year Adjustment	245,043,795	
At 30th June 2013	<u>59,913,254</u>	<u>(210,568,738)</u>

14. Revolving fund

	2012/2013	2011/2012
	Shs	
Balance b/f	2,809,414,170	2,520,664,170
Add: Received during the year	<u>231,000,000</u>	<u>288,750,000</u>
At 30th June 2013	<u>3,040,414,170</u>	<u>2,809,414,170</u>

The balance outstanding in the Revolving Fund is part of the monies which are disbursed as loans to youth groups through Financial Intermediaries and direct lending.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

15. Trade and other payables

	2012/2013 Shs	2011/2012 Shs
Creditors	20,886,031.00	16,244,333.00
Audit Fees	2,592,000.00	2,400,000.00
Accruals	-	152,034.00
Interest from FI's received in advance	1,296,856.00	1,704,312.50
	<u>24,774,887.00</u>	<u>20,500,679.50</u>

16. Prior year Adjustment

There was a prior year adjustment of Kes 245,043,795 arrived at as follows :

Interest from FI	1,822,230.00
Default interest on call deposit	294,739.00
Default penalty on FI	206,300,737.00
Interest on call deposit	36,626,089.00
	<u>245,043,795.00</u>

