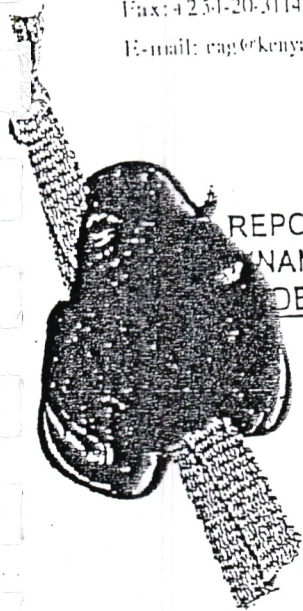




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# KENYA NATIONAL AUDIT OFFICE

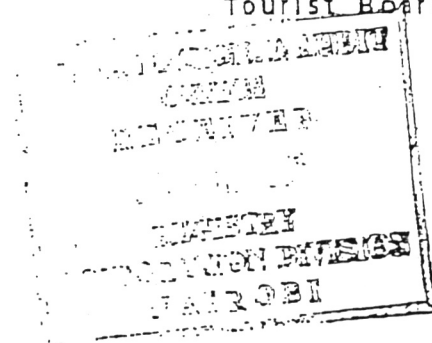
REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF KENYA TOURIST BOARD FOR THE YEAR  
ENDED 30 JUNE 2002



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# KENYA TOURIST BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS

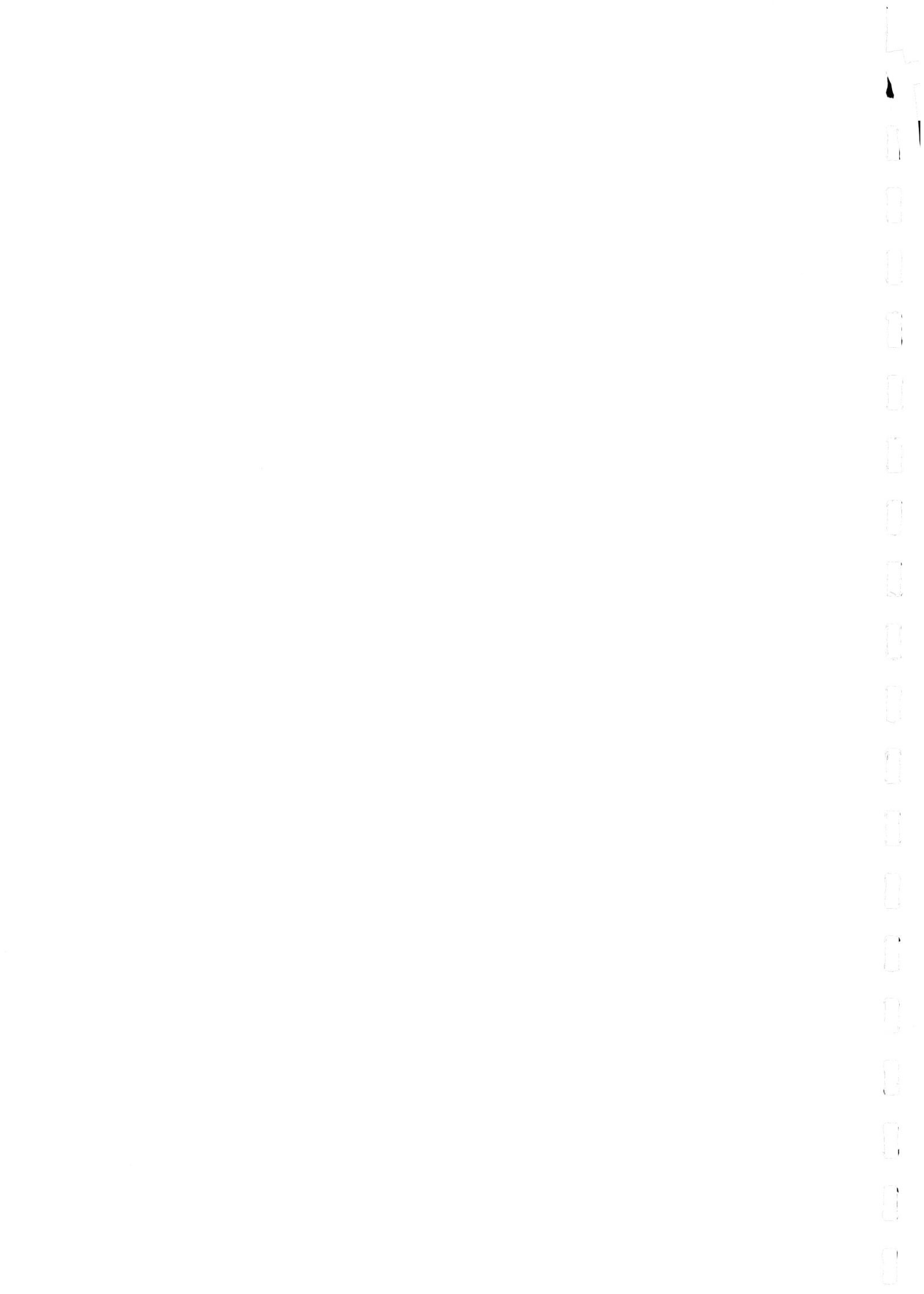
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KENYA TOURIST BOARD  
BOARD'S REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2002

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Report of the Independent Auditors	5
Balance Sheet	6
Income and Expenditure Account	7
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KENYA TOURIST BOARD  
BOARD INFORMATION  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2002

PRINCIPAL PLACE OF BUSINESS

Kenya Re Towers, 7<sup>th</sup> Floor,  
Ragati Road, Upper Hill,  
P.O Box 30630 – 00100  
NAIROBI

BANKERS

Kenya Commercial Bank Ltd.  
Moi Avenue Branch  
P.O Box 484 – 00100  
NAIROBI

Commercial Bank of Africa  
Commercial Bank Building  
Wabera Street  
P.O Box 30437 – 00100  
NAIROBI

SOLICITORS

Kaplan & Stratton  
Williamson House, 9<sup>th</sup> Floor  
P.O Box 40111 – 00100  
NAIROBI

AUDITORS

Controller and Auditor General  
Kenya National Audit Office  
Kencom House  
P.O Box 30084 – 00100  
NAIROBI

KENYA TOURIST BOARD  
REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2002

The Directors submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June 2002, which show the state of the Board's affairs.

### 1. PRINCIPAL ACTIVITIES

Kenya Tourist Board was formed as a State Corporation, through Kenya Gazette Supplement No. 9 dated February 1997. The mandate of Kenya Tourist Board as per the Gazette supplement are:-

- (a) To promote and market Kenya as a tourist destination locally and Internationally.
- (b) To establish public relations services to address issues concerning the image of the tourism industry in Kenya and facilitate the resolutions of conflicts within the industry.
- (c) To work in partnership with national, regional and International organizations, and local authorities in order to improve the tourism environment.
- (d) To monitor the quality and standards of facilities available to both local and international tourists and advise the private and government agencies on how to improve the facilities for the targeted markets.
- (e) To develop and maintain professional personnel to deal with issues that adversely affect the targeted markets.
- (f) To initiate education and awareness programmes on tourism locally and abroad.

### 2. RESULTS

The results for the year are shown on page 6.

### 3. DIRECTORS

The Directors who served during the year and to date of this report are:-

- (i) Mr. Raymond Matiba
- (ii) Mrs. B. N. A Buyu
- (iii) Mr. M. Odour-Otieno – Alternate M. Byama
- (iv) Mrs. E. Koimet– Alternate Mr. S. Okungu
- (v) Mrs. A. Pijpers
- (vi) Mrs. Mia Dunford
- (vii) Mr. Z. Cheruiyot – Alternate Mr. D. M. Mwangi
- (viii) Mr. Tom Fernandes
- (ix) Mr. J.M. Kioko
- (x) Mr. Khalid Shapi
- (xi) Ms. Lucy Mbugua
- (xii) Mr. W. K. B. Chelashaw
- (xiii) Mr. L. C. B. Sassoon
- (xiv) Mr. Jake Grieves Cook

By order of the Board



Managing Director

Date..... 25. 7. 2006 .....

STATEMENT OF DIRECTORS' RESPONSIBILITIES  
ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2002.

It is the responsibility of the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Board as at the end of the financial year and of its operating results for that year. It is also the Directors' responsibility to ensure that the Board keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.

The Directors accept 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. 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 Board and of its operating results. The Directors further accept 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 control.

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

Dr. Ongong'a Achieng'

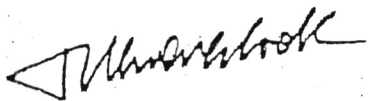


.....  
MANAGING DIRECTOR

25. 7. 2006

.....  
DATE

Jake Grieves - Cook



.....

CHAIRMAN

25. 7. 2006

.....  
DATE





## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA TOURIST BOARD FOR THE YEAR ENDED 30 JUNE 2002

---

I have audited the financial statements of Kenya Tourist Board for the year ended 30 June 2002 in accordance with the provisions of section 29 of the Exchequer and Audit Act, (Cap 412). 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 Controller and Auditor General

---

As set out in the statement of directors responsibilities, the directors are responsible for the preparation of financial statements which give a true and fair view of the Board's state of affairs and of 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 the 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.

#### Financial Position

During the year ended 30 June 2002, the Board incurred a deficit of Kshs.73,205,535 (2001 - surplus of Kshs.49,951,262) thereby reducing the General Fund from Kshs.62,634,479 in the previous year to a negative balance of Kshs.(10,571,056) as at 30 June 2002. It would appear the unsatisfactory performance was as a result of a shortfall in financing. In addition, the balance sheet as at 30 June 2002 reflects a negative working capital of Kshs.30,022,255 indicating that the Board was experiencing liquidity problems and therefore

unable to meet its maturing obligations including some Kshs.69,632,438 owed to International Creditors. The Board's continued operations as a going concern will therefore depend mainly on its control of expenditure, increased grants from Government, Catering Levy and the support of its creditors and bankers.

Opinion

Except for the foregoing reservation, 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 Board as at 30 June 2002 and of its deficit and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the Board's Executive Order of February 1997.

*P.N. Komora*

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

Nairobi

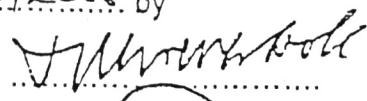
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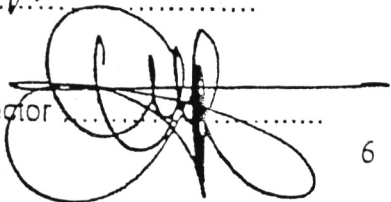
**KENYA TOURIST BOARD**

BALANCE SHEET AS AT 30TH JUNE 2002

	NOTES	30-Jun-02 KSHS	30-Jun-01 KSHS
<b>FIXED ASSETS</b>	2	19,714,770	18,226,795
		19,714,770	18,226,795
<b>CURRENT ASSETS</b>			
PETTY CASH	12	34,355	27,805
BANK ACCOUNTS	13	3,918,061	58,122,003
TREASURY BILLS	14	416,625	
INVENTORIES	15	1,646,677	
PREPAYMENT	3	1,793,927	897,872
RECEIVABLES	4	46,901,645	368,890
		54,711,352	59,416,569
<b>CURRENT LIABILITIES</b>			
CREDITORS AND ACCRUALS	5	84,433,605	13,913,546
AUDIT FEE PAYABLE	11	300,000	300,000
		84,733,605	14,213,546
<b>NET CURRENT ASSETS</b>		(30,022,255)	45,203,023
<b>TOTAL ASSETS</b>		(10,307,485)	63,429,818
<b>FINANCED BY</b>			
GENERAL FUND	16	(10,571,056)	62,634,479
CAPITAL GRANTS (EU)	17	263,571	795,340
		10,307,485	63,429,818

The financial accounts were approved and signed on behalf of the Board on 25/7/2006 by

Chairman 

Managing Director 

# KENYA TOURIST BOARD

## INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED 30TH JUNE 2002

	NOTE	30-Jun-02 KSHS	30-Jun-01 KSHS
<b>INCOME</b>			
GOVERNMENT GRANT	8	156,000,000	90,000,000
CATERING LEVY	9	42,545,198	32,000,000
OTHERS	6	73,848,823	75,058,007
<b>EXPENDITURE</b>		<b>272,394,020</b>	<b>197,058,007</b>
RECURRENT EXPENDITURE	7	339,984,759	144,221,772
DIRECTORS EXPENSES	10	444,292	-
DEPRECIATION	2	5,020,503	2,734,972
AUDIT FEE	11	150,000	150,000
SURPLUS / (DEFICIT)		345,599,555	147,106,745
		(73,205,535)	49,951,262
<b>GENERAL FUND</b>			
OPENING BALANCE		62,634,479	12,683,217
SURPLUS / (DEFICIT) FOR THE YEAR		(73,205,535)	49,951,262
CLOSING BALANCE		(10,571,056)	62,634,479

KENYA TOURIST BOARD  
 STATEMENT OF CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED 30 JUNE 2002

	EUROPEAN UNION	GENERAL	TOTAL
	KShs.	KShs.	KShs.
-			
As at 1st July 2000	-	12,683,217	12,683,217
Surplus/ (Deficit) for the year	795,340	49,951,262	50,746,602
Balance as at 30th June 2001	795,340	62,634,479	63,429,819
-			
As at 1st July 2001	795,340	62,634,479	63,429,819
Surplus/ (Deficit) for the year	(531,769)	(73,205,535)	(73,737,304)
Balance as at 30th June 2005	263,571	(10,571,056)	(10,307,485)

**KENYA TOURIST BOARD**

**CASH FLOW STATEMENT FOR THE PERIOD ENDED 30TH JUNE 2002**

	30-Jun-02 KSHS	30-Jun-01 KSHS
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
OPERATING SURPLUS / (DEFICIT)	(73,205,535)	49,951,262
<u>ADJUSTMENT</u>		
DEPRECIATION	5,020,503	2,734,972
AMORTIZATION-EU CAPITAL GRANT	(531,769)	(531,769)
<u>CHANGES IN WORKING CAPITAL</u>		
(INCREASE) / DECREASE IN DEBTORS	(49,075,489)	1,954,030
INCREASE / (DECREASE) IN CREDITORS	70,520,060	3,995,606
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(47,272,229)</b>	<b>58,104,104</b>
<b>INVESTING ACTIVITIES</b>		
PURCHASE OF FIXED ASSETS	(6,508,477)	(16,788,475)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(6,508,477)</b>	<b>(16,788,475)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(53,780,706)</b>	<b>41,315,629</b>
<b>CASH &amp; CASH EQUIVALENTS 1ST JULY</b>	<b>58,149,808</b>	<b>16,834,179</b>
	<b>4,369,102</b>	<b>58,149,808</b>
<b>ANALYSIS OF BALANCES OF CASH &amp; CASH EQUIVALENTS</b>		
PETTY CASH	34,355	27,805
BANK BALANCE	3,918,061	58,122,003
TREASURY BILLS	416,686	
	<b>4,369,102</b>	<b>58,149,808</b>

**1 ACCOUNTING POLICIES**

- (a) **Basis of Accounting**  
The financial statements are prepared under the historical cost basis of accounting.
- (b) **Depreciation**  
Depreciation is calculated to write off the cost of assets over their estimated useful lives by equal annual installments at the following rates; -
- |                              |       |
|------------------------------|-------|
| Motor vehicles               | 25%   |
| Office Equipment & Furniture | 12.5% |
| Computers                    | 30%   |
- (c) **Foreign Currency transactions**  
Revenue received and expenditure incurred in foreign currencies is translated into Kenya Shillings at the rates of exchange prevailing on the transaction dates.
- (d) **Inventories**  
Inventories are valued at purchase cost using the First in First out (FIFO) formula.
- (e) **Revenue-recognition**  
Income recognised on accrual basis. Grants from the Government of Kenya and Catering Levy Trustees are recorded when realized. Grants from the European Union are recognized once the conditions for disbursements are met.
- (f) **Retirement benefit costs**  
The Board contributes to a defined contribution pension scheme, at the rate of 10% of basic pay and to the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to KShs 200 per employee per month.
- The Board's contributions to the above scheme are charged to the income and expenditure account in the period to which they relate.
- (g) **Employee entitlements**  
The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.  
Employee entitlements to gratuity are recognised when they accrue to employees. A provision is made for the liability for such entitlements as a result of services rendered by employees up to the balance sheet date.
- (h) **Cash and cash equivalents**  
For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 91 days of maturity from the balance sheet date.

## KENYA TOURIST BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002 (continued)

## 2 FIXED ASSETS SCHEDULE AS AT 30TH JUNE 2002

	OFFICE EQUIPMENT	COMPUTERS	FURNITURE	MOTOR VEHICLES	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS
<u>COST / VALUATION</u>					
As at 1st July 2001	2,368,469.	4,922,010	13,725,472	3,211,087	24,227,03
Additional during the year	322,794.	1,838,985	5,900	4,340,799	6,508,477
	2,691,263	6,760,995	13,731,372	7,551,886	30,735,516
<u>DEPRECIATION</u>					
As at 1 st July 2001	543,167	1,645,333	793,031	3,018,712	6,000,243
Charge for the year	322,127	1,972,757	1,719,344	1,006,275	5,020,503
	865,294	3,618,090	2,512,375	4,024,987	11,020,746
<b>NET BOOK VALUE</b>	<b>1,825,969</b>	<b>1,3,142,905</b>	<b>11,218,997</b>	<b>3,526,899</b>	<b>19,714,770</b>

## 3 PREPAYMENTS

Refund Serena		15,982
KP & T Deposit	57,500	57,500
Insurances	805,771	110,862
Kenya Airports Authority	-	37,500
Imprest	703,556	502,342
Others	227,099	173,686
	<u>1,793,927</u>	<u>897,872</u>

## 4 RECEIVABLES

	30-Jun-02	30-Jun-01
Jim Flannery	208,308	208,308.00
Staff Advances	31,625	184,260.00
EU Grant Receivables	45,650,820	-
Others	1,241,857	207,285.00
	47,132,609	599,853
Provision for bad debts	(230,963)	(230,963)
	<u>46,901,646</u>	<u>368,890</u>

The Board approved the write off of the amount receivable from Jim Flannery subject to the approval of the Minister

## KENYA TOURIST BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002 (continued)

5 CREDITORS AND ACCRUALS

Local Creditors	10,196,685	10,327,882
International Creditors	69,632,438	2,067,706
Miscellaneous Creditors	4,604,482	1,517,957
	<u>84,433,606</u>	<u>13,913,546</u>

6 OTHER INCOME

	30-Jun-02 Kshs	30-Jun-01 Kshs
Industry contribution	25,614,847	21,555,786
EU Grant	45,650,820	50,000,000
Miscellaneous	2,051,386	2,970,453
Amortization -EU Capital Grant	531,769	531,769
	<u>73,848,823</u>	<u>75,058,008</u>

7 RECURRENT EXPENDITURE

	30-Jun-02 Kshs	30-Jun-01 Kshs
Bank charges	778,482	385,918
Salaries and wages	42,839,790	27,161,106
Staff Medical & Insurance	2,929,566	1,172,423
Subscriptions & Donations	542,929	388,024
Pension	2,655,951	547,919
Staff training	901,738	793,931
Staff Recruitment	617,140	616,673
R & M for Motor Vehicle, Computers & Office Equip.	1,734,503	1,469,332
Insurance for Motor Vehicle, Computers & Office Equip.	377,590	130,923
Rent	6,600,541	5,186,249
Postage	326,567	60,573
Telephone and internet	6,089,255	3,327,621
Relocation Expenses	251,534	2,287,980
Stationery	363,938	525,354
Office general expenses	1,656,888	798,725
Staff uniforms	-	71,639
Entertainment	402,346	257,962
Committees, Conferences & Meetings	471,134	202,508
Local Traveling & Accommodation	1,100,756	768,753
Marketing and promotion	268,711,333	97,045,503
Exchange Loss/(Gain)	632,676	-
Bad Debt Expense	-	22,656
	<u>339,984,759</u>	<u>144,221,772</u>

KENYA TOURIST BOARD  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002 (continued)

8. **GOVERNMENT GRANT.**  
 Government Grant-annual consists of annual Grants to the Board as voted for in the Government budget for the financial year. The expected receipts from Government are thus well known before the start of the year and the same are released on a quarterly basis
9. **CATERING LEVY**  
 The revenue from the Catering Levy Trustees is a share of the Hotel catering levy of 2% levied to hotel establishments. The enhanced collection is a reflection of the improved performance of the tourism sector.
10. **DIRECTORS EXPENSES**  
 The Directors expenses relate to sitting allowances paid to Directors and other expenses incurred in transacting Directors activities as far as they relate to the Board.
11. **AUDIT FEES**  
 This comprises of the fees expected to be paid to our Auditors for work done in relation to the financial year. The amount charged in the current financial statements is an estimate based on the fees paid in the previous year
12. **PETTY CASH.**  
 Petty cash is held to enable the Board pay for minor expenses of less than KShs. 5,000 and where such expenses can not be well planned for in advance.
13. **BANK ACCOUNTS**
- |                          | 30-June -2002    | 30-June-2001      |
|--------------------------|------------------|-------------------|
|                          | Kshs             | kshs              |
| Kenya shillings accounts | 1,847,602        | 56,559,818        |
| Euro accounts            | 25,273           | 1,444,735         |
| USD accounts             | 1,999,077        | -                 |
| GBP account              | 46,109           | 117,450           |
| <b>Total</b>             | <b>3,918,061</b> | <b>58,122,003</b> |
14. **TREASURY BILLS**  
 Treasury bills amounting to KShs 416,686 are held as security for the staff car loan scheme as approved.
15. **INVENTORY.**  
 The inventory comprises of stationery and promotional giveaways.
16. **GENERAL FUND**  
 The General fund is composed of the accumulated surplus over the period of the Board's existence.

KENYA TOURIST BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002 (continued)

17. CAPITAL GRANTS (EU)  
The capital grants (EU) arose from donations made by the European Union in form of Equipment and whose value will be amortized over their useful lives. The Capital grants account will thus be amortized over the same time.
18. CONTINGENT LIABILITIES  
At 30th June 2002 there was a contingent liability arising from a claim by a former employee representing damages for alleged wrongful dismissal, the subject of a court case. It is not practicable to estimate the eventual liability. The company has been advised by its lawyers that it is possible, but not probable, that the action will succeed and accordingly no provision for any liability has been made in this financial statement.
19. COMPARATIVES  
Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparative figures have been adjusted to take into account the effect of the prior year adjustment.
20. CAPITAL COMMITMENTS.  
The Board is not involved in any capital projects and has therefore no capital commitments outstanding.
21. TAX EXEMPTION  
The Board's income is exempt from tax by the Minister for Finance under section 13(2) of the Income Tax Cap 470 vide Kenya Gazette Supplement No. 121 dated 20th December 2002
21. EMPLOYEES  
The average number of employees for the Board during the period was 29 (June 2001 - twenty nine).
22. CURRENCY RISK  
The Board operates within and without the country and its assets and liabilities are reported in the local currency. It held no significant foreign currency exposure as at 30 June 2002.
23. CURRENCY  
These financial statements are presented in Kenya Shillings (KShs).