



**KENYA TOURIST DEVELOPMENT
CORPORATION**

Report presented to the

PUBLIC INVESTMENT COMMITTEE (PIC)

in

**RESPONSE TO THE AUDITOR GENERAL
AUDIT QUERIES FOR THE YEAR ENDING 30TH
JUNE 1997 TO 30TH JUNE 2012**

1. AUDIT REPORT FOR THE YEAR ENDING 30TH JUNE 1998

1.1 PRIVATISATION PROCEEDS

ISSUES RAISED

As at 30th June 1998 the Corporation held a total of Kshs 527,999,542 of privatization proceeds as fixed deposits in four banking institutions. All the four (4) fixed deposits accounts were, however, operated by the Corporation alone contrary to the Treasury Circular No. 351/03 dated 26 April 1993 which required privatization proceeds to be held in accounts operated jointly by the State Corporation concerned and the PS Treasury.

It was also noted that the sale proceeds were first banked and held in a current account and that it was out of this current account that transfers to fixed deposits were subsequently made. Since the current account was also operated by the management of KTDC alone, it has not, however, been possible to confirm that all the withdrawals or transfers from the account were affected for the purposes stated in the Treasury Circular under reference.

MANAGEMENT RESPONSE

It is true that the privatization proceed account was operated by the Corporation contrary to the requirement of the Treasury Circular No. 351/03 of 26th April 1993 (**Annex I – Treasury Circular**) where privatization accounts are supposed to be operated jointly between the Corporation and the National Treasury. It is also true that some of the withdrawals and or transfers made from the privatization proceeds account were not for the intended purposes for the account.

1.2 REVOLVING FUNDS

ISSUES RAISED

Concern expressed in the previous year's report regarding the poor performance on the recovery on the revolving fund loans.

MANAGEMENT RESPONSE

Whereas as at 30 June 1998, the outstanding loan balance in regard to revolving fund was KShs. 142,483,686 the situation has since improved to KShs. 47,685,066 comprising of principal balance of KShs. 12,813,006, loan arrears of KShs. 17,132,919 and interest arrears of 17,739,141 as at 31 July 2013.

In 2006, the loans the Corporation began to clean up the loan portfolio through writing off loan balances against specific and general provisions as well interest suspense. Other loans were redeemed through realization of their respective securities.

Out of the current portfolio of six loans under this program, loan balances for Delight Dream Land and Kenya Agro Business are fully provided and their interest is in suspense.

This reduction is a culmination of the Corporation's efforts from 2006 to clean up the loan portfolio. The portfolio currently consists of only six loans and the collection effort is still on going for these remaining loans.

1.3 DEBTORS AND PREPAYMENTS

ISSUES RAISED

The Balance Sheet Debtors & Prepayments balance of KShs 85,423,875 as at 30 June 1998 includes trade debtors of KShs 49,984,659 out of which debtors of KShs 19,157,121 have been dormant for a period of between three and eight years. In the circumstances, it is not possible, therefore, to ascertain and confirm the collectability of such dormant debts as at 30 June 1998.

MANAGEMENT RESPONSE

It is true that debtors amounting to KShs 19,157,121 have been dormant for a long period as noted by the audit report. These are debtors due from former Utalii House office tenants who left their premises with balances but had lease agreements and also former parking tenants who had no leases. The Corporation however continued to pursue these former tenants. Other debtors are amounts recorded as due from the corporation's subsidiary companies in terms of dividends, directors fees, management & consultancy fees and secretarial fees. These amounts have cleared as the years went by.

1.4 WATALII STREET INVESTMENT PROJECT

ISSUES RAISED

Expenditure on the abandoned Watalii Street Project

MANAGEMENT RESPONSE

It is true that the Corporation paid a total of Kshs. 38,659,077.15 towards Watalii Street Investment Project. This was the consultancy fee paid to various consultants who were hired to design the project. Copies of vouchers paid to the various consultants amounting to Kshs 38,659,077.15 as shown below :- (**Annex ii – Payment Vouchers**).

October 1995 Gesaplan Consortium Chq 064603	8,067,627.60
June 1996 Gesaplan Consortium Chq. 146623	26,126,260.55
August 1996 KPMG Peat Marwick Chq. 147363	218,500.00
August 1996 Gesaplan Consortium Chq. 142214	3,918,939.00
April 1997 KPMG Peat Marwick chq. 000013	218,500.00
April 1997 KPMG Peat Marwick chq. 079649	109,250.00
	<u>38,659,077.15</u>

The amount was intended to be the Corporation's contribution in the form of an equity investment once the project was completed. This amount was later capitalized in the Corporation's books of account since then.

Since the project stalled and there is no possibility of actualizing the project, the Corporation intends to impair the asset (equity amount) from the books of accounts of the Corporation.

1.5 IRREGULAR PAYMENTS OF ALLOWANCES TO PUBLIC SERVANTS

ISSUES RAISED

During the year 1997/98 a total amount of KShs 416,000 was paid in form of sitting allowances and bonuses to public servants in receipt of salary from public funds including the Corporation's Chief Executive, contrary to provisions of Section 10 of the State Corporations Act, (CAP 446).

MANAGEMENT RESPONSE

It is true that KShs 416,000 was paid to public servants as sitting allowances and bonuses. These public servants were those who represented the Permanent Secretaries (PSs) in the Corporation's Board who were paid allowances after attending meetings and also the managing director. They were also paid bonuses at end of the calendar year 1997 which was also applicable to staff members.

2. AUDIT REPORT FOR THE YEAR ENDING 30TH JUNE 1999

2.1 PRIVATIZATION PROCEEDS

ISSUES RAISED

The Corporation held privatization proceeds totalling Kshs 386,347,440 as at 30th June 1999 all in the form of Fixed Deposits at one Government controlled commercial bank. As in previous years the accounts holding the Fixed Deposits were still being managed by the Corporation alone, contrary to provisions of Treasury Circular No. 351/03 of 26th April, 1993 which required privatization proceeds to be held in bank accounts operated jointly by the Corporation and the Permanent Secretary (PS) Treasury.

During the year 1998/99 a sum of Kshs 134,089,192 comprising of Kshs 109,089,192 and Kshs 25,000,000 was paid out respectively to International Hotel (K) Ltd (Hilton - Nairobi) and Kenya Tourist Board from privatization proceeds apparently without prior approval of the Board and the Treasury as required by Section 15(1) and 12 of the State Corporations act, Cap 446.

MANAGEMENT RESPONSE

It is true that the privatization proceed account was managed by the Corporation alone contrary to the provision of the Treasury Circular No. 351/03 of 26th April 1993 where privatization accounts are supposed to be operated jointly between the Corporation and the National Treasury. It is also true that some of the withdrawals and or transfers made from the privatization proceeds account were not for the intended purposes for the account. The payment for the Hilton - Nairobi and the grant for formation of Kenya Tourism Board was a directive from the PS, Ministry of Tourism.

2.2 INTERNATIONAL HOTEL KENYA LTD - HILTON NAIROBI - RIGHTS ISSUE

ISSUES RAISED

At its 175 Special Meeting held on 5 November, 1998 the Corporation's Board reaffirmed, under Minute No. 22/98, its earlier decision to dispose of KTDC shares in the (IHKL) for US \$ 1 million to forgo a Rights Issue valued at Kshs 109,089,192. The Board upheld its earlier decision to dispose of the Hilton Shares at Kshs 60 million and not to make a further investment of Kshs 109,089,192 in the Hilton Rights Issue. However, despite having been represented at both the Board meetings when the decisions not to invest further funds in the Hilton Hotel were made, the PS, Ministry of Tourism on 12 November 1998 vetoed the Board decision and directed the corporation to pay and take up its Rights Issue of Kshs. 109,089,192. Accordingly

and resulting from the directive the amount of Kshs 109,089,192 was paid to M/s Hilton Hotel the following day on 13 November 1998 out of the privatization proceeds.

Apart from the fact that the viability of this additional investment of Kshs 109,089,192 has not been fully justified or confirmed, there was also no budgetary provision for this quite substantial expenditure in the Corporation's Budget for the year 1998/99.

It is also not clear why the amount was drawn from the privatization funds without approval of the Treasury, as required under Treasury Circular No. 351/03 dated 26 April, 1993 or even as required by Section 12 of the State Corporation.

MANAGEMENT RESPONSE

We agree that the Treasury Circular requirement were violated while operating the privatization proceeds account. It is true that the Board of Directors of KTDC declined to take up the Hilton Nairobi Rights Issue which was overruled by the PS, Ministry of Tourism directive. It is also true that the Corporation made payment towards the rights issue from the Privatization Proceeds Account to comply with the PS, Ministry of Tourism directive.

2.3 INVESTMENTS AND COMMERCIAL LOANS

ISSUES RAISED

Recovery of loans issued from the revolving and commercial fund account:

MANAGEMENT RESPONSE

These were loan amounts advanced to the Corporation Subsidiaries and their Interest is suspended.

The Board has already approved the debt to be converted into equity in the respective units.

The issue of the revolving fund has already been addressed under the response for 1997/98

2.4 DEBTORS AND PREPAYMENTS

ISSUES RAISED

The Balance Sheet Debtors and Prepayments figure of Kshs. 98,010,529 includes trade debtors of Kshs. 50,419,968 the analysis of which shows 50% of them as having been dormant for a period between four (4) and nine (9) years. Also included in Debtors and Prepayments is a total amount of Kshs. 391,774 owed by ex-staff of the Corporation who left employment over 3 years ago and whose recoverability is in doubt.

MANAGEMENT RESPONSE

It is true that debtors amounting to 50% of the total have been outstanding for more than three years and that their recoverability is in doubt as noted by the audit report. These are debtors due from former Utalii House office and parking tenants who left their premises with balances but did not have lease agreements a.

The Corporation however continued to pursue these former tenants through all possible means including hiring of private investigators. As a result the amounts have proved uncollectable and KTDC board approved that the Corporation begins to provide for these amounts.

These amounts will be fully provided for in the financial year 2012/2013

Refer to annex iii – Report from private investigator

2.5 TAX AND LONG-TERM LIABILITIES

ISSUES RAISED

During the year 1998/99 the Corporation's unsettled tax liability increased from Kshs. 65,730,884 as at 30 June 1998 to Kshs. 86,337,625 as at 30 June 1999.

Although the Corporation has explained that the outstanding tax will be paid to the Authority as soon as the correct amount payable is agreed with the Kenya Revenue Authority there is still the risk of further expenditure resulting from penalty charges on the overdue taxes.

MANAGEMENT RESPONSE

We agree with the audit report as regarding the outstanding tax liability. This tax liability was paid and cleared in the 2000/2001 financial year and therefore the matter stopped being an audit query.

2.6 BOARD OF DIRECTORS AND IRREGULAR PAYMENTS OF ALLOWANCES - 30TH JUNE 1999

ISSUES RAISED

Irregular Board Meeting and sitting allowances

MANAGEMENT RESPONSE

It is true that the Board meetings held were irregular and hence any sittings allowances paid were irregular.

From the information provided, there was no Board during the period following the expiry of the term of the previous Board and having no other in place. There were business to be conducted which needed Board decisions and in the absence of the Board, the Management consulted with the Parent Ministry which recalled the previous Board and allowed them to transact business.

3. AUDIT REPORT FOR THE YEAR ENDING 30TH JUNE 2001

3.1 PRIVATIZATION PROCEEDS

ISSUES RAISED

The Balance Sheet Cash and Cash Equivalent figure of Kshs. 380,906,840 includes Kshs 380,454,287 which is privatization proceeds held in fixed deposit accounts with three (3) banking institutions as at 30th June 2001. Records also show that the Corporation operated these amounts alone contrary to Treasury requirements.

As previously reported the Corporation had paid from privatization proceeds account some Kshs 15,455,200 to a foreign company in the United Kingdom on behalf of the Parent Ministry. Further the Corporation was holding Kshs 105,259,553 in fixed deposits with two private banks even though current rules require that surplus funds to be invested in Treasury Bills and Bonds. Although the maturity dates of these deposits were between 30 March 2001 and 7 May 2001, there is no record to indicate whether the fixed deposits were rolled over or recalled. In addition, the Corporation has not indicated why accrued interest on the four fixed deposit with private banks totaling to Kshs 6,172,585 for the period up to their maturity was not accounted for and included in the books of account.

Under the circumstances, it has not been possible to confirm the security of the fixed deposits totaling Kshs 105,259,553 and the accuracy of the Accounts without the accrued interest of Kshs 6,172,585. It is also not clear why Treasury instructions were not complied with the result that the Corporation funds were put at risk. The Management has not also satisfactorily explained why it has to pay a foreign firm Kshs 15,455,200 directly on behalf of the Parent Ministry.

MANAGEMENT RESPONSE

(i) **Fixed Deposit of Kshs 380,454,286.35**

It is true that the Corporation held a total of Kshs 380,454,286.35 as fixed deposit in three different banking institutions as follows:

1	Daima Bank Ltd	53,589,792.45
	FDR No. 063095	26,696,312.55
	FDR No. 063425	26,893,479.90
2	KCB University Way	275,194,733.00
3	Euro Bank	51,669,760.90
	Total	380,454,286.35

This was contrary to Treasury Circular No. 351/03 of 26th April 1993 (**Annex I – Treasury Circular**) where privatization accounts are supposed to be operated jointly between the Corporation and the Treasury. Except for the amount in Euro Bank all the other deposits were transferred to KCB University Way Branch. Euro Bank was placed under receivership and the amount is being pursued through the Liquidation Agent at the Central Bank of Kenya (CBK). The Corporation has received only Kshs 100,000 vide cheque No. 006742 being the protected deposit. (**Annex iv – Receipt for Payment**).

The then Chief Executive Officer Mr. William Chelashaw was charged in court for abuse of office in relation to Euro Bank deposit (**Annex v – Mr. Chelashaw Charge Sheet**).

(ii) Fixed Deposit of Kshs 105,259,553 With Two Private Banks

As per the report of the Auditor General, for the year ended 30th June 2001, it is true that the Corporation had two fixed deposits amounting to Kshs. 105,259,553 split into four fixed deposit receipts in Daima and Euro Banks. It is true that the funds were held in these banks contrary to the requirement that surplus funds be invested in Treasury Bills and Bonds.

It is also true that there were no records to indicate that the fixed deposit was rolled-over or recalled and that the accrued interest was not disclosed or included in the Books of Account of the Corporation

The accrued interest on the Fixed Deposits held in Daima bank was correctly calculated and appropriately factored in the books of accounts in the 2001/2002 FY and 2002/2003 FY. (**Annex vi – Adjustments to Accounts for 2001/2002**).

For the fixed deposits held at Euro Bank accrued interest was not adjusted since the bank was under at this time and through the advice of Kenya National Audit it was not prudent to capture it in our books. The interest was Kshs. 10,023,217.10 this included in our claim from the Liquidation Agent. (**See Annex vii – Claim for Liquidation Agent**)

(iii) Payment of Kshs 15,455,200 (US \$ 200,000) on behalf of the Parent Ministry to UK Company.

The expenditure of Kshs 15,455,200 to P.M Communication of United Kingdom on behalf of the Parent Ministry was incurred on request by the Permanent Secretary (PS).

The Board approved payments of Kshs 15,455,200 as requested by the PS Ministry of Tourism, Trade and Industry (**Annex viii – 181 Board Meeting MIN 12/2000**) & (**Annex ix – Copy of Request Letter from PS**)

3.2 INVESTMENTS AND COMMERCIAL LOANS

ISSUES RAISED

Recovery of loans issued from the revolving and commercial fund account

MANAGEMENT RESPONSE

This has been addressed under the response on the query raised in the year 1998/1999.

3.3 DEBTORS AND PREPAYMENTS

ISSUES RAISED

The Debtors and Prepayments balance of Kshs. 74,080,998 as at 30 June 2001 includes debts totalling Kshs. 2,728,847 outstanding against the Corporation's Chief Executive in form of car loan, salary advances and travel imprest some of which have remained outstanding for over four years. As in the previous years, the Corporation has not given any indication as to why these debts were not being recovered. The management has not also indicated why the rent of Kshs. 11,057,638 which had been outstanding for more than one year and included in the debtors was not being recovered.

MANAGEMENT RESPONSE

The debt due from the then chief executive officer were recovered from the benefits other than the amount of imprest that has continued to remain at KShs 1,885,225.35 and car loan at KShs 120,008.20 but the corporation still holds the log book.

These amounts are still due from him.

The corporation has made every effort to recover the debt including committal to civil jail

All efforts have been made to recover the ex-tenants amounts of KShs 11,057,638 as stated above. Refer to management response for the financial year ending 30th June 1999.

Ref to annex iii – Private Investigators report

The corporation has made provisions for these doubtful debts in its books of accounts as listed in the attached (Annex x – Rent analysis report as at 30th June 2001 on ex-tenants).

3.4 IRREGULAR AWARD AND IMPLEMENTATION OF SALARY

ISSUES RAISED

During the year 2000/2001, the Corporation implemented a salary increase of 60% for all the staff effective from 1 January 2001 without the approval of the Parent Ministry and the state Corporation Advisory Committee contrary to the provisions of Section 5(3) of the State Corporations Act (Cap 446). No explanation has been given as to why the requirements of the States Corporation Act (Cap 446) were not adhered to and in the absence of proper authority, the increments and payments may not constitute proper charge on public funds.

MANAGEMENT RESPONSE

The award of the salary was approved by the Board of Directors of the Corporation at its meeting held on 01 July 1997. After the approval, the Corporation wrote to the Parent Ministry on 16 July 1997 seeking authorization to implement the award. The Parent Ministry in turn wrote to the Permanent Secretary to the Cabinet and Head of Public Service on 06 August 1997 expressing the Parent Ministry's support of the revised salary.

The Salaries were increased pursuant to the approval from the Head of civil service and secretary to the Cabinet upgrading the status of the Corporation from category D to C of state Corporations vide letter dated 13th February 1997.

Refer to annex xi – Approval from the Head of Civil Service.

3.5 BANK OVERDRAFT

ISSUES RAISED

The Balance Sheet reflects a Bank overdraft balance of Kshs. 15,562,032 as at 30 June 2001. Although the Corporation's Board of Directors in December 2000 authorized the Corporation to increase the overdraft facilities from Kshs. 10 million to a maximum of Kshs. 15 million. The Corporation has not produced any record to show that the increased overdraft ceiling was approved by the Minister in charge of the Parent Ministry and whether the consent of the Minister for Finance was sought and obtained as required by the provisions of the Kenya Tourist Development Corporation Act. (Cap.446)

MANAGEMENT RESPONSE

The corporation's board sitting on 7th of December 2000 authorized the corporation to operate an overdraft facility with Kenya Commercial Bank for up to a maximum of KShs 15 million. It is true that this overdraft ceiling was not approved by the Minister in charge of the parent ministry and no consent was sought from the Minister of Finance.

This was against the provisions of the KTDC Act (CAP 382) sec. 9.

This situation was corrected thereafter and the current limit is now KShs 10 million as per the Act and as authorized by the board.

4. AUDIT REPORT FOR THE YEAR ENDING 30TH JUNE 2002

4.1 PRIVATIZATION PROCEEDS

ISSUES RAISED

The Cash and Cash Equivalents balance of Kshs 321,986,328 as at 30 June 2002 includes Kshs 313,417,584 in respect of privatization proceeds held in fixed deposits. As previously reported, the Corporation operated these accounts alone without involving the PS to the Treasury contrary to provisions of Treasury Circular No. 351/03 of 26th April, 1993.

Further, during the year under audit two amounts of Kshs 46,500,000 and Kshs 40,000,000 were withdrawn from the privatization account to finance commercial loans and for general use in the Corporation respectively contrary to existing financial regulations. Further in the report of the year 2000/2001, concern was expressed over four fixed deposit receipts totaling Kshs 105,259,553 held at Daima and Euro banks whose fate were unknown since they were held on behalf of the Corporation's finance department or to the auditors of Kenya National Audit Office. Details receive from Daima Bank after the Managing Director was sent on compulsory leave revealed that a total of Kshs 38,000,000 was withdrawn on 17 April 2001 and 15 June 2001 to finance commercial loans to Garden Hotel Co. Ltd in Machakos and Church Road Development Co. Ltd. These loans together with accumulated interest thereon were not reflected in Corporation's books of accounts for 2000/2001.

Although the two loans amounting to Kshs 38,000,000 and interest totaling Kshs 10,107,616 have been reflected in the financial statements for 2001/2002, the loanees had not serviced the principal loan and the accrued interest as at 30 June 2002. It is not clear under what circumstances the Corporation loaned money and the chance of their recovery appear slim.

The Post Balance Sheet events indicate that the Euro Bank where the Corporation held fixed deposits totaling Kshs 61,692,978 is under receivership. Under the foregoing circumstances it has not been possible to confirm the recoverability of the total fixed deposits of Kshs 313,417,584 held by the Corporation as at 30th June 2002.

MANAGEMENT RESPONSE

(i) Fixed Deposit of Kshs 313,417,564.00

It is true that the Corporation held a total of Kshs.313,417,584 as fixed deposit in three banking institutions as follows:

1.	Daima Bank Ltd	9,965,534.80
2.	KCB University Way	251,782,268.30
3.	Euro Bank	51,669,760.90
	Total	313,417,564.00

This was contrary to the Treasury Circular No. 351/03 of 26th April 1993 where privatization accounts are supposed to be operated jointly between the Corporation and the National Treasury.

Except for the amount in Euro Bank all the other deposits were transferred to KCB University Way Branch. Euro Bank went under and the amount is being pursued through the Liquidation Agent at Central Bank of Kenya (CBK). The Corporation has received only Kshs. 100,000 being the protected deposit.

It is also true that two amounts of Kshs 46,500,000 and Kshs 40,000,000 were withdrawn from the privatization account to finance commercial loans and for general use in the Corporation respectively. This also was contrary to the Treasury Circular No. 351/03 of 26th April 1993 (**Annex I – Treasury Circular**) where privatization accounts are supposed to be operated jointly between the Corporation and the National Treasury.

(ii) Commercial Loans

While it is true that the loan amounts totalling Kshs 38,000,000 were disbursed without following disbursement procedures, the securities have been perfected and the current status are as follows:

Loan to Garden Hotel, Machakos

Garden Hotel offered a full and final settlement of KShs. 25 million which was enhanced by the Board to KShs. 27 million during its meeting on 10th July 2007. The borrower accepted and paid KShs. 27 million and the residual balance written off against specific provisions. A total of KShs 32,057,394 was therefore recovered against the initial loan of KShs. 20 million.

In the Board meeting held on the 10th July 2007 the board resolved to write off KShs. 14,431,660 against general provisions as follows

	<u>KShs</u>	<u>KShs</u>
Disbursed loan	20,000,000	
Outstanding balance		54,459,594.30
Less: Full and Final settlement Offer		<u>27,000,000.00</u>
		27,459,594.30
Less: Interest in Suspense		<u>13,027,934.00</u>
		14,431,660.30
Less: General Provisions		<u>23,999,074.35</u>
General Provision Surplus		(9,567,414.05)

Church Road Development Company Ltd

As for the Church Road, the securities were realized in 2006 at KShs. 40 million bringing the total amount received to KShs. 43.6 million from the initial loan of KShs. 28 million.

The amount received from the sale was not adequate to cover the loan balance. Therefore the corporation engaged a private investigator to establish whether the directors are people of means or not. The report revealed that the guarantors have properties through proxies and these assets can be pursued in a civil court for the remaining loan balance.

Being that chasing this loan further, would have been lengthy and too expensive considering it would have entailed court proceedings, and the cost would have been more than the amount recoverable. The Corporation's board during a meeting held on the 30th and 31st March 2010 resolved to write off the remaining balance against specific and general provisions as follows.

	<u>KShs</u>	<u>KShs</u>
Disbursed loan	28,000,000	
Outstanding balance		56,402,275.60
Less: Interest in Suspense		<u>28,294,622.60</u>
		28,107,653.00
Less: Specific Provisions		<u>12,772,824.00</u>
		15,334,829.00
Less: General Provisions		<u>15,334,829.00</u>
		Nil

(iii) Fixed Deposits of Kshs. 105,259,553 with two private banks

As per the report of the Auditor General for the year ended 30th June 2001, it is true that the Corporation had two fixed deposits amounting to Kshs. 105,259,553 split into four fixed deposit receipts (FDR) in Daima and Euro Banks. The funds were held in these banks contrary to the requirement that surplus funds be invested in Treasury Bills and Bonds.

It is true that there were no records to indicate that the fixed deposits were rolled-over or recalled and that the accrued interest on the fixed deposits held in Daima Bank was correctly calculated and appropriately factored in the Books of Accounts in the Financial Years 2001/2001 and 2002/2003

For the fixed deposits held at Euro Bank accrued interest was not adjusted since the bank went under at that time and through the advice of Kenya National Audit Office, it was not prudent to capture it in the Corporation books of accounts. The interest was calculated at Kshs. 10,023,217.10. This is in our claim from the Liquidation Agent Refer to **Annex iv**.

5. AUDIT REPORT FOR THE YEAR ENDING 30TH JUNE 2003

5.1 PRIVATIZATION PROCEEDS

ISSUES RAISED

The cash and cash equivalent balance of Kshs 352,795,509 as at 30 June 2003 includes Kshs 349,276,598 which was in respect of privatization proceeds held in fixed deposits. As previously reported, the Corporation operated these accounts alone without involving the PS to the Treasury contrary to provisions of Treasury Circular No. 351.03 of 26th April, 1993. The fixed deposit of Kshs 349,276,598 also includes Kshs 51,669,761 held in Euro Bank which collapsed during the year under audit. Under the circumstance, it has not been possible to confirm the recoverability of the fixed deposits in full.

MANAGEMENT RESPONSE

It is true that the Corporation held a total of Kshs. 349,276,598 as fixed deposit in various banking institutions. It is also true that the Corporation operated this privatization proceeds account without involvement of the PS to the National Treasury. This was contrary to the Treasury Circular No. 351/03 of 26th April 1993 where privatization accounts are supposed to be operated jointly between the Corporation and the National Treasury.

5.2 INVESTMENTS AND COMMERCIAL LOANS

ISSUES RAISED

Recovery of loans issued from the revolving and commercial fund account

MANAGEMENT RESPONSE:

Whereas as at 30 June 1998, the outstanding loan balance in regard to revolving fund was KShs. 142,483,686 the situation has since improved to KShs. 47,685,066 comprising of principal balance of KShs. 12,813,006, loan arrears of KShs. 17,132,919 and interest arrears of 17,739,141 as at 31 July 2013.

In 2006, the loans the Corporation began to clean up the loan portfolio through writing off loan balances against specific and general provisions as well interest suspense. Other loans were redeemed through realization of their respective securities.

Out of the current portfolio of six loans under this program, loan balances for Delight Dream Land and Kenya Agro Business are fully provided and their interest is in suspense.

This reduction is a culmination of the Corporation's efforts from 2006 to clean up the loan portfolio. The portfolio currently consists of only six loans and the collection effort is still on going for these remaining loans.

6. AUDIT REPORT FOR THE YEAR ENDING 30TH JUNE 2004

6.1 IRREGULAR CONTRACT AWARD

ISSUES RAISED

The Corporation awarded HR Consultancy contract without competitive bidding and budget provisions. The Parent Ministry nor Treasury did not approve the expenditure.

MANAGEMENT RESPONSE

The Corporation awarded a one-year HR Consultancy contract to Mr. Peter M. Nteere on 15th December, 2003. The Terms of Reference were:

- i. To study and advise on the appropriateness and/or otherwise in regard to the existing Human Resources Systems.
- ii. To study and advise on the existing organization structure and recommend on appropriateness to meet the organisation's overall mission.
- iii. To study and advise on the existing Human resources policies and procedures.
- iv. To study and advise on the appropriateness of the existing job descriptions and job objectives.
- v. To determine and advise on the existing staff benefit programmes and salary administration.

In a memo dated 17th November, 2003, the then Deputy Managing Director informed the Managing Director that he had held a meeting with the Consultant to discuss the Consultancy in Human Resources. He intimated that he had informed the Consultant that he would be offered a one-year consultancy with the possibility of a further one year, subject to his performance and the improvement of the Corporation's operations.

He would be paid Kshs.2,000.00 per day, payable monthly at Kshs.60,000.00 and transport allowance of Kshs.6,000.00 per month. The Managing Director approved.

The Consultant submitted a report at the end of the consultancy period.

Refer to Annex xii-Human Resources Consultant Report

6.2 PRIVATIZATION PROCEEDS

ISSUES RAISED

The cash and cash equivalents net balance of Kshs 275,894,333 as at 30 June 2004 includes Kshs 324,410,008 in respect of privatization proceeds held in fixed deposits. As previously reported, the Corporation operated these accounts alone without involving the PS to the Treasury contrary to provisions of Treasury Circular No. 351/03 of 26th April, 1993. Under the circumstances it is clearly evident that the Corporation was in breach of Treasury instructions and it has not been possible to confirm that any moneys withdrawn from the privatization proceeds account have been applied in accordance with the Treasury Circular NO. 35/03 of 26 April 1993.

MANAGEMENT RESPONSE

It is true that the Corporation held a total of Kshs. 324,410,008 as fixed deposit in various banking institutions. It is further true that the Corporation operated this privatization proceeds account without involvement of the PS to the National Treasury. This was contrary to the Treasury Circular No. 351/03 of 26th April 1993 where privatization accounts are supposed to be operated jointly between the Corporation and the National Treasury.

7. AUDIT REPORT FOR THE YEAR ENDING 30TH JUNE 2005

7.1 COMMERCIAL LOANS

7.1.1 Loan to Metro Enterprises

ISSUES RAISED

Approval of a loan of KShs. 60 million to M/S Metro Enterprises limited without following the Corporation lending policy.

MANAGEMENT RESPONSE:

The borrower applied for a loan of KShs.60 million which was approved on 29th July 2004 for development of a 60 room hotel on Koinange Street, Nairobi.

Being a start up the project's audited accounts was not applicable.

The securities being a charge debenture and personal guarantee were provided and perfected as per the lending policy noting that the same adequately secures the loan as per the lending policy.

It is true it was directly disbursed to the borrower contrary to the provisions of the lending policy at the time. However the loan is adequately secured by a charge of a property LR No 209/928/8 valued at KShs. 90 million

The Corporation has since revised the lending policy in line with market trends and best practices and the policy now allows that the Corporation can now disburse directly to the borrower on certain conditions.

7.1.2 Loan to Kithyululu Farm Limited

ISSUE:

Loan recoverability due to not effecting the transfer of Title No 12767/30 from Mr. Mulinge to Mr. Muthembwa a co-director.

RESPONSE:

A loan of KShs 19.5 million was approved in the year 1997 for modernization and extension of Park Place Village. The loan was secured by a parcel of land LR 12767/29 and 12767/30 in the names of Cosmas Muthembwa and James Mulinge respectively. When Mr. Mulinge ceased being a director the title was to be transferred to the remaining shareholder Mr. Muthembwa, however the transfer was not effected. That notwithstanding the Corporation followed up on the loan and the borrower gave a full and final settlement offer of KShs 20,000,000 that was presented to the board and an approval was given for the same in its sitting on the 30th and 31st March 2010.

A total of KShs 34,469,686.00 was recovered against the initial loan of Kshs.19.5 million.

It should be noted that this loan has been paid off in line with the Board approval.

7.1.3 Loans to Garden Hotel Limited (Machakos) and Church road Development limited.

ISSUE:

Inadequate collateral and slow recovery progress

RESPONSE:

During the financial year 2000/2001, Garden Hotel Limited (Machakos) and Church Road Development Company Ltd were advanced loans of KShs 20.5 million and 28 million respectively.

9.1.3.1 Garden Hotel Limited (Machakos)

Garden Hotel offered a full and final settlement of KShs. 25 million which was enhanced by the Board to KShs. 27 million during its meeting on 10th July 2007. The borrower accepted and paid KShs. 27 million and the residual balance written off against specific provisions. A total of KShs 32,057,394 was therefore recovered against the initial loan of KShs. 20 million.

In the Board meeting held on the 10th July 2007 the board resolved to write off KShs. 14,431,660 against general provisions as follows

	<u>KShs</u>	<u>KShs</u>
Disbursed loan	20,000,000	
Outstanding balance		54,459,594.30
Less: Full and Final settlement Offer		<u>27,000,000.00</u>
		27,459,594.30
Less: Interest in Suspense		<u>13,027,934.00</u>
		14,431,660.30
Less: General Provisions		<u>23,999,074.35</u>
General Provision Surplus		(9,567,414.05)

9.1.3.2 Church road Development limited

As for the Church Road, the securities were realized in 2006 at KShs. 40 million bringing the total amount received to KShs. 43.6 million from the initial loan of KShs. 28 million.

The amount received from the sale was not adequate to cover the loan balance. Therefore the corporation engaged a private investigator to establish whether the directors are people of means or not. The report revealed that the guarantors have properties through proxies and these assets can be pursued in a civil court for the remaining loan balance.

Being that chasing this loan further, would have been lengthy and too expensive considering it would have entailed court proceedings, and the cost would have been more than the amount recoverable. The Corporation's board during a meeting held on the 30th and 31st March 2010 resolved to write off the remaining balance against specific and general provisions as follows.

	<u>KShs</u>	<u>KShs</u>
Disbursed loan	28,000,000	
Outstanding balance		56,402,275.60
Less: Interest in Suspense		<u>28,294,622.60</u>
		28,107,653.00
Less: Specific Provisions		<u>12,772,824.00</u>
		15,334,829.00
Less: General Provisions		<u>15,334,829.00</u>
		Nil

7.1.4 Loans to Mt. Elgon Agencies Ltd and Hotel Big Five Limited.

ISSUE:

Whether Mt Elgon agencies and Hotel Big five were properly and adequately secured.

MANAGEMENT RESPONSE

9.1.4.1 Mt. Elgon Agencies Ltd

The loan was properly secured and the charge was available but the title had been misplaced .The Corporation thus applied for a replacement of the title and this was obtained.

The Corporation further made efforts to recover the outstanding loan by accepting a full and final settlement offer of KShs. 5.0 million during its board meeting of 22nd June 2006. The offer was honoured and paid up by the borrower thus realizing a total of KShs. 8.9 million against an initial loan of KShs. 4 million. The residual balance was written off against the specific and general provisions.

9.1.4.2 Hotel Big Five Limited

The loan is fully secured by the following: -

- A first legal charge over L.R.Central Karachuonyo/Konyango/1545 & 2590 which has an open market value of KShs 12.6 million and forced sale vale of KShs. 8.8 million.
- A first legal charge over LR Kisumu/pandpieri/1399 with an open market value KShs. 4.8 million mortgage value and forced sale vale KShs. 3.4 million .

The Corporation's effort to foreclose this loan was thwarted by the borrower who sought court relief. The Corporation is however defending its position aggressively and we are optimistic that the court will allow the Corporation to go ahead with the foreclosure to recover the loan in full.

7.2 DEBTORS AND PREPAYMENTS

ISSUES RAISED

The Corporation's balance sheet debtors and prepayments net balance of Kshs. 116,522,840 as at 30 June 2005 includes Kshs. 4,750,541 and Kshs. 43,028,101 owed by ex-staff debtors and ex-tenants debtors respectively. The ex-staff debtors included income tax paid on their behalf on allowances earned and paid before they left the services of the Corporation while the ex-tenants debtors relate to rent due for occupation of the Corporation's premises at Utalii House. No evidence of any efforts to recover the debts was seen and in the absence of any security on these debts, recoverability cannot be ascertained.

MANAGEMENT RESPONSE

It is true per the audit report as regarding amounts paid by KTDC as tax on allowances due to former employees. Kenya Revenue Authority (KRA) conducted an audit after the employees had left and found that these employees had been paid taxable telephone and entertainment allowances outside payroll where tax had not been recovered. KRA directed KTDC to pay the taxes that were levied for these former officers. These were W. Chelashaw KShs 2,276,616, S. Githegi KShs 66,600, D. Odette KShs 52,500, P. Mutemi KShs 115,200 and R. Kiattu KShs 104,400..

The corporation has pursued these debts totalling to KShs 2,615,316 from these former officers but to date there has been no success.

It is true that debtors amounting to 50% of the total have been outstanding for more than three years and that their recoverability is in doubt as noted by the audit report. These are debtors due from former Utalii House office and parking tenants who left their premises with balances but did not have lease agreements.

The Corporation however continued to pursue these former tenants through all possible means including hiring of private investigators. As a result the amounts have proved uncollectable and KTDC board approved that the Corporation begins to provide for these amounts.

These amounts will be fully provided for in the financial year 2012/2013

Refer to annex iii – Report from private investigator

7.3 PRIVATIZATION PROCEEDS

ISSUES RAISED

As disclosed in Note 5 to the accounts, cash and cash equivalents net balance of Kshs. 117,790,889 in the balance sheet as at 30 June 2005 includes Kshs 157,716,962 in respect of privatization proceeds held in fixed deposits. As previously reported, the Corporation operated these fixed deposit accounts at KCB University Way Branch without approval from the Treasury contrary to Treasury Circular No. 351/03 of 26th April, 1993, which stipulates that the bank account will be operated jointly by the Corporation and the PS Treasury.

MANAGEMENT RESPONSE

It is true that the Corporation held a total of Kshs. 117,790,889 a fixed deposit in KCB University Branch. It is also true that the Corporation operated this privatization proceeds account contrary to the provision of the Treasury Circular No. 351/03 of 26th April 1993 where privatization account is supposed to be operated jointly between the Corporation and the PS to the National Treasury.

7.4 INVESTMENTS

ISSUES RAISED

The balance sheet investments figure of Kshs 331,947,847 are carried at cost. This treatment does not comply with the requirements of International Accounting Standard No. 39 which requires entities with financial assets and liabilities to carry them at fair value.

MANAGEMENT RESPONSE

It is correct that the investments amounting to Kshs. 331,947,847 were disclosed at cost in the books of account of the Corporation as at 30th June 2005. It is also correct that this treatment does not comply with the requirements of International Accounting Standards (IAS) number 39. We need to bring to the attention of the Members that this has been the reporting practice ever since the Corporation committed funds in the respective subsidiary investments.

However in recognition of this anomaly the Corporation competitively engaged the services of PKF Consulting (Accountants and Business Advisers) in May 2013 to conduct procedures and practice compliance review for the Corporation and its subsidiaries. The objectives of this exercise are to ensure that the Corporation will be reporting in line with International Financial Reporting Standards and International Accounting Standards. (**Annex xiii- PKF Correspondences**).

8. AUDIT REPORT FOR THE YEAR ENDING 30TH JUNE 2006

8.1 PROPERTY, PLANT AND EQUIPMENT

ISSUES RAISED

The Property, Plant and Equipment balance of Kshs. 561,843,402 as at 30 June 2006 includes land valued at Kshs. 15,838,675. The value of the land, however, excludes undetermined value of parcels of land in Mombasa and Kitale whose certificates of lease were issued in 1992 and 2002 respectively. However, according to information received and the notes to the accounts, the undetermined value of the two parcels of land are included under investments and loans in the amount of Kshs. 6,180,471 and Kshs. 2,658,534 respectively as equity investments with co-investors. In the circumstances it has not been possible to confirm the correctness of Kshs. 561,843,402 reflected under Property, Plant and Equipment and also Investment balance of Kshs. 332,047,847 plus loans of Kshs. 384, 500,645 both totalling Kshs. 716,548,492.

MANAGEMENT RESPONSE

The values of Mombasa Island Plot KShs 6,180,471 and Kitale Plot KShs 2,658,538 are the cost values at which they were originally recognized and included under Investments as the corporation's intention was to develop hotels on them.

These were however reclassified under property, plant and equipment both totalling to KShs 8,839,005 during the 2007/2008 financial year so as to correct the situation as the intended hotel projects did not materialize.

8.2 DEBTORS AND PREPAYMENTS

ISSUES RAISED

The Debtors and Prepayments net balance of Kshs. 114,733,920 as at 30 June 2006 includes Kshs. 4,750,541 and Kshs. 50,626,675 respectively owed by ex staff and ex tenants respectively. The ex-staff debtors include income tax paid on their behalf on allowances earned and paid before they left the services of the corporation while the ex tenants debtors relate to rent due from occupation of the corporations premises at Utalii House. In the absence of any security on the debts, the management has resorted to court process but the debts recoverability remains doubtful. Also included in the debtor's figure of Kshs. 114,733,920 are Hotel and Lodges debtors amounting to Kshs. 59,882,288 as at 30 June 2006, whose recoverability is doubtful in the absence of details from the various Hotels and Lodges. In the absence of adequate provision for bad and doubtful debts, the propriety of the debtors balance of Kshs. 114,733,920 cannot be confirmed.

MANAGEMENT RESPONSE

It is true as indicated in the report as regards these dormant debtors on ex staff taxes on their allowances paid by KTDC to KRA after they left and also on ex tenants

debts. Also the amount due from various hotels and lodges of KShs 59,882,288 is also true.

The corporation has continued to increase the provisions for bad debts on these dormant debts which stood at KShs 31,250,386 as at 30th of June 2006(2005 KShs 23,711,891) to cushion against possible losses from non-recoverability of these debts.

8.3 COMMERCIAL LOANS

8.3.1 Garden Hotel Limited Machakos

It is true that the loan was disbursed against the Corporations' Mandate.

Garden Hotel offered a full and final settlement of KShs. 25 million which was enhanced by the Board to KShs. 27 million during its meeting on 10th July 2007. The borrower accepted and paid KShs. 27 million and the residual balance written off against specific provisions. A total of KShs 32,057,394 was therefore recovered against the initial loan of KShs. 20 million.

In the Board meeting held on the 10th July 2007 the board resolved to write off KShs. 14,431,660 against general provisions as follows:

	<u>KShs</u>	<u>KShs</u>
Disbursed loan	20,000,000	
Outstanding balance		54,459,594.30
Less: Full and Final settlement Offer		<u>27,000,000.00</u>
		27,459,594.30
Less: Interest in Suspense		<u>13,027,934.00</u>
		14,431,660.30
Less: General Provisions		<u>23,999,074.35</u>
General Provision Surplus		(9,567,414.05)

8.3.2 Loan to Metro Enterprises

It is true that the loan was disbursed against the Corporations' lending policy.

The borrower applied for a loan of KShs.60 million which was approved on 29th July 2004 for development of a 60 room hotel on Koinange Street, Nairobi.

Being a start up the project's audited accounts was not applicable.

The securities being a charge debenture and personal guarantee were provided and perfected as per the lending policy noting that the same adequately secures the loan as per the lending policy.

It is true it was directly disbursed to the borrower contrary to the provisions of the lending policy at the time. However the loan is adequately secured by a charge of a property LR No 209/928/8 valued at KShs. 90 million

The Corporation has since revised the lending policy in line with market trends and best practices and the policy now allows that the Corporation can now disburse directly to the borrower on certain conditions.

LOANS WRITE-OFF ISSUES RAISED

Write offs given to Lake Turkana El-Molo, New Milimani Inn limited, Wajir Hotel Ltd, Monalisa Ltd, Farm View Hotel, Kendu-Bay hotel and Garden Hotel Machakos without exhausting the lending policy recovery methods.

MANAGEMENT RESPONSE

The only write-off against a specific provision is Lake Turkan El Molo lodge and this was after the board was directed by the head of Civil Service.

And as regards all the other loans, all means were explored before full and final settlements were accepted by the board.

All the above seven loans have since been redeemed as per attached full and final settlement report and the securities discharged.

Annex xiv – Report on final settlements.

8.4 PRIVATIZATION PROCEEDS

ISSUES RAISED

The cash and cash equivalents net balance of Kshs 111,503,668 as at 30 June 2006, includes Kshs 141,973,860 in respect of privatization proceeds held in fixed deposits. As previously reported, the Corporation operated these accounts alone without involving the PS to the Treasury contrary to provisions of Treasury Circular No. 351/03 of 26th April, 1993. It has also not been possible to confirm that moneys withdrawn from the privatization proceeds fixed account have been utilized in accordance with the Treasury Circular which stipulates that priority be given to liquidating external debts and overdue debts of the Holding Company among others as stipulated in the circular.

MANAGEMENT RESPONSE

It is true that the Corporation held a total of Kshs. 141,973,860 a fixed deposit in KCB University Branch. It is also true that the Corporation operated this privatization

proceeds account contrary to the provision of the Treasury Circular No. 351/03 of 26th April 1993 where privatization account is supposed to be operated jointly between the Corporation and the PS to the National Treasury.

However, the Corporation in August 2006 informed the PS to the National Treasury the irregularities and non-compliance to the provisions as outlined in Treasury Circular No. 351/03 of 26th April 1993 in respect to the operation of the privatization proceeds account (**Annex xv - Disclosure of Irregularities to Treasury**). Since then the privatization proceeds account has been operated in compliance to the provision of Treasury Circular No. 351/03 of 26th April 1993.

8.5 DIRECTORS EMOLUMENTS AND EXPENSES

ISSUES RAISED

During the year under audit, the corporation incurred an expenditure of Kshs. 5,224,878 on Directors emoluments and expenses against a budgetary provision of Kshs. 4,050,296 thereby exceeding the budget by Kshs. 1,174,582. This is contrary to the provisions of Section 12 of the State Corporations Act, which states that no corporation shall, without prior approval in writing of the Minister and the Treasury, incur any expenditure for which provision has not been made in annual estimate prepared and approved in accordance with Section 11 was due to special Board meetings held. However, the excess expenditure would have required Treasury approval. No such approval has been seen.

MANAGEMENT RESPONSE

During the year ending 30th June 2006, the Corporation spent Kshs.1,174,582 over and above the budgeted amount on Directors emoluments and expenditure due to extraneous factors which were beyond the control of the Management. The over expenditure was as a result of investigations on the conduct of the then Managing Director by the Kenya Anti-Corruption Commission as it was then. This necessitated unscheduled meetings to discuss the matter and give direction following the suspension of the then Managing Director and subsequent appointment of an Acting Managing Director. Under such circumstances, it was not possible for the management to seek and obtain re allocation of funds noting that the same can only be done during budgetary review. The Corporation was however within the overall approved budget amount during the said financial year.

9. AUDIT REPORT FOR THE YEAR ENDING 30TH JUNE 2007

9.1 PROPERTY, PLANT AND EQUIPMENT

ISSUES RAISED

The Property, plant and equipment figure of Kshs. 547,474,680 as at 30 June 2007 includes land valued at Kshs. 15,838,675. As previously reported, the value of the land excludes undetermined value of the two parcels of land in Mombasa and Kitale whose certificates of lease were issued in 1992 and 2002 respectively. Available information indicates that, the land is included in investment balance of Kshs. 332,047,847 as equity investment of Kshs. 6,180,471 and Kshs. 2,658,534 against Mombasa Island Hotel Project and Kitale Hotel Project respectively. However these investment projects have not been analysed of details given indicating the value of land and other costs for audit verification. In the circumstances, it has not been possible to verify the correctness of either Kshs. 547,474,680 reflected under property, plant and equipment or Kshs. 332,047,874 reflected under investments in the balance sheet.

MANAGEMENT RESPONSE

The values of Mombasa Island Plot KShs 6,180,471 and Kitale Plot KShs 2,658,538 are the cost values at which they were originally recognized and included under Investments as the corporation's intention was to develop hotels on them. These were however reclassified under property, plant and equipment both totalling to KShs 8,839,005 during the 2007/2008 financial year so as to correct the situation as the intended hotel projects did not materialize.

9.2 DEBTORS AND PREPAYMENTS

ISSUES RAISED

The debtors and prepayments net balance of Kshs. 90,840,068 as at 30 June 2007 includes Kshs. 50,391,675 owed by ex-tenants, Kshs. 4,750,541 owed by ex-staff and a further sum of Kshs. 49,902,709.30 owed by the Corporations subsidiary units. Available information indicates that these debts are being pursued by Corporation lawyers and correspondence with subsidiary units. However, until the recovery process is completed the chances of recoverability cannot be ascertained and the provision for bad debts amounting to Kshs. 48,053,906 may not be adequate. Consequently it has not been possible to confirm the correctness of the net debtors and prepayments figure of Kshs. 90,840,068 reflected in the accounts.

MANAGEMENT RESPONSE

It is true as indicated in the report as regards these dormant debtors on ex staff taxes on their allowances paid by KTDC to KRA after they left and also on ex tenants debts. Also the amount due from the subsidiary units of KShs 49,902,709.30 is also true.

The corporation has continued to increase the provisions for bad debts on these dormant debts which stood at KShs 48,053,906 as at 30th of June 2007(2006 KShs 31,250,386) to cushion against possible losses from non-recoverability of these debts.

10. AUDIT REPORT FOR THE YEAR ENDING 30TH JUNE 2008

10.1 NON-CURRENT ASSETS – LOANS

ISSUES RAISED

Non-recoverability of Buffalo springs loan

MANAGEMENT RESPONSE

As previously reported and as indicated in note 3 (b) to financial statements, and included in the loan balance of Kshs. 976,557,866 is an amount of Kshs. 8,467,395 (2010/11 – Kshs. 4,944,310) loaned to Buffalo Springs Limited (BSL), an associate of KTDC. According to information available, the premises in which the Company operated were leased to another tenant by Isiolo Town Council (ICC), effectively crippling operations of the Company. In the circumstances the recoverability of loans amounting to Kshs. 8,467,395 is doubtful.

MANAGEMENT REPOSENSE

(i) Ownership

It is true that the premises in which the company operated was leased out to another tenant, Mara Simba Lodges Limited, by the ICC in 2006. This was done without the knowledge and approval of majority shareholder, KTDC. It should be noted that ICC is both the landlord and a shareholder of the BSL. BSL is not an associate as disclosed by the KNAO but it is a subsidiary of the Corporation as KTDC owns 64.05% (Directly 42% and indirectly 22.05%).

Events Leading to the Repossession of BSL by Isiolo County Council (ICC)

- It should be noted that the ICC had not refused to renew the lease for non-payment of land rent. What is true is that the ICC evoked the forfeiture clause 4(2) of the lease agreement between Buffalo Springs Lodge Ltd.
- This communication was via letter dated 11th January 2006 – *a whole two years before the lease agreement was due to end.* The contents of this letter was not brought to the attention of the Management Committee until September of the same year.)
- Consequently on the 13th of February 2006, the ICC moved to lease the Lodge through tender notice number “ICC/22/2005/2006” in the Daily Nation. On the same date Management of KTDC informed the Ministry of Tourism & Wildlife, the Investment Secretary – Ministry of Finance, the Buffalo Springs Board and the KTDC Board.

- The Corporation continued to object through several correspondences as unprejudicial information was received at the Corporation on the award of the said tender to Mara Simba Lodges Ltd. This portrayed very bad business practice on behalf of the minority shareholder.
- In November, 2006 the PS Ministry of Tourism called a meeting between KTDC Management and Members of the ICC which resolved that legal advice be sought from the Solicitor General.
- On receiving the legal opinion, the PS Ministry of Tourism called for a second meeting where the legal opinion of the Solicitor General was discussed.
- It is at this meeting that was held on 28th March 2007 that both parties agreed that a forensic audit be carried out by the Auditor General to determine the equitable rights of both parties in an effort to attain equitable relief.
- KTDC submission to the PS Ministry of Tourism copied to the PS Ministry of Finance, PS Ministry of Local Government and the Inspector General State Corporations was handed in on the 16th of October 2006.
- As it stands the lodge has been repossessed by the ICC since 2006. The situation remains status quo to date.

(ii) Loan Recoverability

It is true that the loan amount outstanding is Kshs. 8,467,395. The Company has not been servicing the loan as per the loan agreement. Having recognized this, the Corporation made a specific provision of Kshs. 4,944,310 in the financial accounts 2011/2012 which was equivalent to the book balance of the loan as at that period. The account balance on this loan is Kshs 8,467,395. The difference between this balance and book balance of Kshs. 4,944,310 is Kshs. 3,523,085 which is interest charged but held in suspense and not recognized as interest income in line with the current international accounting standards and treatment of bad and doubtful debt in our Credit Policy.

The matter has even been referred to the office of the Auditor General for a forensic audit but the request was turned down.

Annex xvi – Buffalo spring lodge Ltd

11. AUDIT REPORT FOR THE YEAR ENDING 30TH JUNE 2009

11.1 NON-CURRENT ASSETS – LOANS

ISSUES RAISED

Non- recoverability of Buffalo springs loan

MANAGEMENT RESPONSE

As previously reported and as indicated in note 3 (b) to financial statements, and included in the loan balance of Kshs. 976,557,866 is an amount of Kshs. 8,467,395 (2010/11 – Kshs. 4,944,310) loaned to Buffalo Springs Limited (BSL), an associate of KTDC. According to information available, the premises in which the Company operated were leased to another tenant by Isiolo Town Council (ICC), effectively crippling operations of the Company. In the circumstances the recoverability of loans amounting to Kshs. 8,467,395 is doubtful.

MANAGEMENT REPOSENSE

(iii) Ownership

It is true that the premises in which the company operated was leased out to another tenant, Mara Simba Lodges Limited, by the ICC in 2006. This was done without the knowledge and approval of majority shareholder, KTDC. It should be noted that ICC is both the landlord and a shareholder of the BSL. BSL is not an associate as disclosed by the KNAO but it is a subsidiary of the Corporation as KTDC owns 64.05% (Directly 42% and indirectly 22.05%).

Events Leading to the Repossession of BSL by Isiolo County Council (ICC)

- It should be noted that the ICC had not refused to renew the lease for non-payment of land rent. What is true is that the ICC evoked the forfeiture clause 4(2) of the lease agreement between Buffalo Springs Lodge Ltd.
- This communication was via letter dated 11th January 2006 – *a whole two years before the lease agreement was due to end.* The contents of this letter was not brought to the attention of the Management Committee until September of the same year.)
- Consequently on the 13th of February 2006, the ICC moved to lease the Lodge through tender notice number “ICC/22/2005/2006” in the Daily Nation. On the same date Management of KTDC informed the Ministry of Tourism & Wildlife, the Investment Secretary – Ministry of Finance, the Buffalo Springs Board and the KTDC Board.

- The Corporation continued to object through several correspondences as unprejudicial information was received at the Corporation on the award of the said tender to Mara Simba Lodges Ltd. This portrayed very bad business practice on behalf of the minority shareholder.
- In November, 2006 the PS Ministry of Tourism called a meeting between KTDC Management and Members of the ICC which resolved that legal advice be sought from the Solicitor General.
- On receiving the legal opinion, the PS Ministry of Tourism called for a second meeting where the legal opinion of the Solicitor General was discussed.
- It is at this meeting that was held on 28th March 2007 that both parties agreed that a forensic audit be carried out by the Auditor General to determine the equitable rights of both parties in an effort to attain equitable relief.
- KTDC submission to the PS Ministry of Tourism copied to the PS Ministry of Finance, PS Ministry of Local Government and the Inspector General State Corporations was handed in on the 16th of October 2006.
- As it stands the lodge has been repossessed by the ICC since 2006. The situation remains status quo to date.

(iv) Loan Recoverability

It is true that the loan amount outstanding is Kshs. Kshs 8,467,395. The Company has not been servicing the loan as per the loan agreement. Having recognized this, the Corporation made a specific provision of Kshs. 4,944,310 in the financial accounts 2011/2012 which was equivalent to the book balance of the loan as at that period. The account balance on this loan is Kshs 8,467,395. The difference between this balance and book balance of Kshs. 4,944,310 is Kshs. 3,523,085 which is interest charged but held in suspense and not recognized as interest income in line with the current international accounting standards and treatment of bad and doubtful debt in our Credit Policy.

The matter has even been referred to the office of the Auditor General for a forensic audit but the request was turned down.

Annex xvi – Buffalo spring lodge Ltd

11.2 TAXATION

ISSUES RAISED

According to Note 19 to the financial statements there was a contingent liability as at 30 June 2006 resulting from penalties and interest charged by the Kenya Revenue

Authority (KRA) on outstanding tax for the period 1993 to 1999. The Note further observes that negotiations have been on-going for a waiver of the interest and penalties between the Corporation and KRA. However, evidence available indicates that, although the Corporation had been granted a 50% waiver of the accrued penalties and interest totalling Kshs. 84,844,517, the balance of 50% had not been paid as at 30 June 2009. Under the circumstances, it is clear that the Corporation had a tax liability of 50% of penalties and interest due to KRA as at 30 June 2009.

MANAGEMENT RESPONSE

Following approval in board meeting held on 14th and 15th of June 2010 the corporation engaged a tax consultant PKF Taxation Services Ltd to carry out negotiations with Kenya Revenue Authority (KRA).

This resulted into principal taxes due and that were paid for years of income 2000 KShs 1,442,792 and 2001 KShs 1,843,862 so as to qualify for application for waiver of penalties and interest on both years amounting to KShs 29,575,483 as noted in the report.

The Corporation therefore applied for total waiver for penalties and interest of KShs 83,844,517 and of KShs 29,575,483 the result of which is included in the 2011/2012 submissions.

12. AUDIT REPORT FOR THE YEAR ENDING 30TH JUNE 2010

12.1 NON-CURRENT ASSETS – LOANS

14.1.1 BUFFALO SPRINGS LOAN

ISSUES RAISED

Non- recoverability of Buffalo springs loan

MANAGEMENT RESPONSE

As previously reported and as indicated in note 3 (b) to financial statements, and included in the loan balance of Kshs. 976,557,866 is an amount of Kshs. 8,467,395 (2010/11 – Kshs. 4,944,310) loaned to Buffalo Springs Limited (BSL), an associate of KTDC. According to information available, the premises in which the Company operated were leased to another tenant by Isiolo Town Council (ICC), effectively crippling operations of the Company. In the circumstances the recoverability of loans amounting to Kshs. 8,467,395 is doubtful.

MANAGEMENT REPOSENSE

(v) Ownership

It is true that the premises in which the company operated was leased out to another tenant, Mara Simba Lodges Limited, by the ICC in 2006. This was done without the knowledge and approval of majority shareholder, KTDC. It should be noted that ICC is both the landlord and a shareholder of the BSL. BSL is not an associate as disclosed by the KNAO but it is a subsidiary of the Corporation as KTDC owns 64.05% (Directly 42% and indirectly 22.05%).

Events Leading to the Repossession of BSL by Isiolo County Council (ICC)

- It should be noted that the ICC had not refused to renew the lease for non-payment of land rent. What is true is that the ICC evoked the forfeiture clause 4(2) of the lease agreement between Buffalo Springs Lodge Ltd.
- This communication was via letter dated 11th January 2006 – *a whole two years before the lease agreement was due to end.* The contents of this letter was not brought to the attention of the Management Committee until September of the same year.)
- Consequently on the 13th of February 2006, the ICC moved to lease the Lodge through tender notice number “ICC/22/2005/2006” in the Daily Nation. On the same date Management of KTDC informed the Ministry of Tourism & Wildlife,

the Investment Secretary – Ministry of Finance, the Buffalo Springs Board and the KTDC Board.

- The Corporation continued to object through several correspondences as un prejudicial information was received at the Corporation on the award of the said tender to Mara Simba Lodges Ltd. This portrayed very bad business practice on behalf of the minority shareholder.
- In November, 2006 the PS Ministry of Tourism called a meeting between KTDC Management and Members of the ICC which resolved that legal advice be sought from the Solicitor General.
- On receiving the legal opinion, the PS Ministry of Tourism called for a second meeting where the legal opinion of the Solicitor General was discussed.
- It is at this meeting that was held on 28th March 2007 that both parties agreed that a forensic audit be carried out by the Auditor General to determine the equitable rights of both parties in an effort to attain equitable relief.
- KTDC submission to the PS Ministry of Tourism copied to the PS Ministry of Finance, PS Ministry of Local Government and the Inspector General State Corporations was handed in on the 16th of October 2006.
- As it stands the lodge has been repossessed by the ICC since 2006. The situation remains status quo to date.

(vi) Loan Recoverability

It is true that the loan amount outstanding is Kshs. Kshs 8,467,395. The Company has not been servicing the loan as per the loan agreement. Having recognized this, the Corporation made a specific provision of Kshs. 4,944,310 in the financial accounts 2011/2012 which was equivalent to the book balance of the loan as at that period. The account balance on this loan is Kshs 8,467,395. The difference between this balance and book balance of Kshs. 4,944,310 is Kshs. 3,523,085 which is interest charged but held in suspense and not recognized as interest income in line with the current international accounting standards and treatment of bad and doubtful debt in our Credit Policy.

The matter has even been referred to the office of the Auditor General for a forensic audit but the request was turned down.

14.1.2 LOANS NOT BEING SERVICED

ISSUES RAISED

Recoverability of loan totalling KShs. 43,526,041 is doubtful.

MANAGEMENT RESPONSE

a) New Milimani Inn Ltd Meru – KShs. 2,966,783

In the Board meeting of 30.05.2011 resolved to write off KShs. 2,966,783 as follows

	<u>KShs.</u>	<u>KShs.</u>
Loan disbursed	425,000.00	
Current loan balance as at 30/04/2011		8,209,554.50
Less: Specific Provision		<u>2,966,782.50</u>
		5,242,772.00
Less: Interest in suspense		<u>5,242,772.00</u>
Profit on waiver of interest		<u>0.00</u>

b) Kenya Agribusiness Ltd

The Board meeting of 30th March 2012 resolved to write down the loan to Kshs.800,000

c) Kabarnet Hotel Ltd.

The amount to Kabarnet was not written-off rather the accruals of this Subsidiary Company's Loan interest were suspended per approval of the Board meeting of 25/07/2011, as the Corporation works out modalities for conversion of the same into equity.

d) African Tours and Hotels

In the Board meeting of 30th March 2012, the Board approved a write off of the loan against the specific provisions.

This was after considering the Receivers report which clearly showed that there were no more AT&H assets or funds that could have been utilized to pay off the loan to KTDC and as such, with the company on the verge of winding up, write off against specific provisions was the only option left as the way out of this loan.

e) Marsabit Hotel Ltd

The Board meeting of 30th March 2012 resolved to write off the loan against interest in suspense and specific provisions. This was a results of incorrect recognition of the transaction relating to the loan and the disposal of the asset Marsabit Hotel Limited. Refer Annex xiv – Write-offs

f) Mt. Elgon lodge Ltd.

The amount to Mt. Elgon was not written-off rather the accruals of this Subsidiary Company's Loan interest were suspended per approval of the Board meeting of 25/07/2011 , as the Corporation works out modalities for conversion of the same into equity.

12.2 TAXATION

ISSUES RAISED

According to Note 19 to the financial statements there was a contingent liability as at 30 June 2006 resulting from penalties and interest charged by the Kenya Revenue Authority (KRA) on outstanding tax for the period 1993 to 1999. The Note further observes that negotiations have been on-going for a waiver of the interest and penalties between the Corporation and KRA. However, evidence available indicates that, although the Corporation was through a letter dated 21 January 2005, granted a 50% waiver of the accrued penalties and interest amounting to Kshs. 83,844,517, the balance of equivalent amount had not been settled as at 30 June 2010. In the circumstances, and until the tax liability of Kshs. 83,844,517 is settled or resolved, the amount may continue to attract other penalties and additional interest.

MANAGEMENT RESPONSE

Following approval in board meeting held on 14th and 15th of June 2010 the corporation engaged a tax consultant PKF Taxation Services Ltd to carry out negotiations with Kenya Revenue Authority (KRA).

This resulted into principal taxes due and that were paid for years of income 2000 KShs 1,442,792 and 2001 KShs 1,843,862 so as to qualify for application for waiver of penalties and interest on both years amounting to KShs 29,575,483 as noted in the report.

The Corporation therefore applied for total waiver for penalties and interest of KShs 83,844,517 and of KShs 29,575,483 the result of which is included in the 2011/2012 submissions.

12.3 INVESTMENTS HELD IN KTDC – UTALII INVESTMENT LTD. (dissolved)

ISSUES RAISED

The current assets balance of Kshs. 740,638,915 as at 30 June 2010 includes an amount of Kshs. 15,677,294.40 held in KTDC – Utalii Investment Ltd. Bank account. However, and according to information to information available, the company was dissolved vide Kenya Gazette Notice No. 9389 of 3 October 2008, before transfer of the Company's assets to the Corporation was effected.

Although additional information indicates that the Management has written to the Attorney General seeking issuance of a Notice of Disclaimer in order to facilitate transfer of the assets including the amount of Kshs. 15,677,294.40 to the Corporation, no communication had been received as at 30 June 2010.

In the circumstances, it has not been possible to ascertain the completeness and accuracy of the current assets balance of Kshs. 740,638,915 as at 30 June 2010.

MANAGEMENT RESPONSE

We note with acceptance the report on the Utalii Investments Ltd funds that were transferred to the corporation.

The Honourable Attorney General issued the said notice of disclaimer though the attached Legal Notice no. 130 of 5th of August 2010 for KShs 15,677,294.40. However the amount had grown with interest and the actual amount transferred on 14th of April 2011 was KShs 15,873,624.10(i.e. book amount KShs 15,875,124.10 less transfer charges KShs 1,500) as per attached copy of bank statement.

Refer to annex xviii – Disclaimer by the Attorney General

13. AUDIT REPORT FOR THE YEAR ENDING 30TH JUNE 2011

13.1 LOANS

15.1.1 BUFFALO SPRINGS LOAN

ISSUES RAISED

Non- recoverability of Buffalo springs loan

MANAGEMENT RESPONSE

As previously reported and as indicated in note 3 (b) to financial statements, and included in the loan balance of Kshs. 976,557,866 is an amount of Kshs. 8,467,395 (2010/11 – Kshs. 4,944,310) loaned to Buffalo Springs Limited (BSL), an associate of KTDC. According to information available, the premises in which the Company operated were leased to another tenant by Isiolo Town Council (ICC), effectively crippling operations of the Company. In the circumstances the recoverability of loans amounting to Kshs. 8,467,395 is doubtful.

MANAGEMENT REPOSENSE

(vii) Ownership

It is true that the premises in which the company operated was leased out to another tenant, Mara Simba Lodges Limited, by the ICC in 2006. This was done without the knowledge and approval of majority shareholder, KTDC. It should be noted that ICC is both the landlord and a shareholder of the BSL. BSL is not an associate as disclosed by the KNAO but it is a subsidiary of the Corporation as KTDC owns 64.05% (Directly 42% and indirectly 22.05%).

Events Leading to the Repossession of BSL by Isiolo County Council (ICC)

- It should be noted that the ICC had not refused to renew the lease for non-payment of land rent. What is true is that the ICC evoked the forfeiture clause 4(2) of the lease agreement between Buffalo Springs Lodge Ltd.
- This communication was via letter dated 11th January 2006 – *a whole two years before the lease agreement was due to end.* The contents of this letter was not brought to the attention of the Management Committee until September of the same year.)
- Consequently on the 13th of February 2006, the ICC moved to lease the Lodge through tender notice number “ICC/22/2005/2006” in the Daily Nation. On the same date Management of KTDC informed the Ministry of Tourism & Wildlife, the Investment Secretary – Ministry of Finance, the Buffalo Springs Board and the KTDC Board.

- The Corporation continued to object through several correspondences as unprejudicial information was received at the Corporation on the award of the said tender to Mara Simba Lodges Ltd. This portrayed very bad business practice on behalf of the minority shareholder.
- In November, 2006 the PS Ministry of Tourism called a meeting between KTDC Management and Members of the ICC which resolved that legal advice be sought from the Solicitor General.
- On receiving the legal opinion, the PS Ministry of Tourism called for a second meeting where the legal opinion of the Solicitor General was discussed.
- It is at this meeting that was held on 28th March 2007 that both parties agreed that a forensic audit be carried out by the Auditor General to determine the equitable rights of both parties in an effort to attain equitable relief.
- KTDC submission to the PS Ministry of Tourism copied to the PS Ministry of Finance, PS Ministry of Local Government and the Inspector General State Corporations was handed in on the 16th of October 2006.
- As it stands the lodge has been repossessed by the ICC since 2006. The situation remains status quo to date.

(viii) Loan Recoverability

It is true that the loan amount outstanding is Kshs. 8,467,395. The Company has not been servicing the loan as per the loan agreement. Having recognized this, the Corporation made a specific provision of Kshs. 4,944,310 in the financial accounts 2011/2012 which was equivalent to the book balance of the loan as at that period. The account balance on this loan is Kshs 8,467,395. The difference between this balance and book balance of Kshs. 4,944,310 is Kshs. 3,523,085 which is interest charged but held in suspense and not recognized as interest income in line with the current international accounting standards and treatment of bad and doubtful debt in our Credit Policy.

The matter has even been referred to the office of the Auditor General for a forensic audit but the request was turned down. We will therefore take up the issue with the PS Treasury in a bid to bring this long outstanding issue to an amicable close.

**13.2 TAXATION
ISSUES RAISED**

According to Note 19 to the financial statements there was a contingent liability as at 30 June 2006 resulting from penalties and interest charged by the Kenya Revenue Authority (KRA) on outstanding tax for the period 1993 to 1999. The Note further

observes that negotiations have been on-going for a waiver of the interest and penalties between the Corporation and KRA. However, evidence available indicates that, although the Corporation was through a letter dated 21 January 2005, granted a 50% waiver of the accrued penalties and interest amounting to Kshs. 83,844,517, and the Corporation engaged the services of a tax consultant during the year under review, the balance of Kshs. 23,844,517 and penalties and interest for years 2000 and 2001 amounting to Kshs. 29,575,483 had not been settled as at 30 June 2011

In the circumstances, and until the outstanding principal and penalties and interest balance of kshs.83,844,517 and Kshs. 29,575,483 respectively is settled or resolved, the amount may continue to attract other penalties and additional interest.

MANAGEMENT RESPONSE

Following approval in board meeting held on 14th and 15th of June 2010 the corporation engaged a tax consultant PKF Taxation Services Ltd to carry out negotiations with Kenya Revenue Authority (KRA).

This resulted into principal taxes due and that were paid for years of income 2000 KShs 1,442,792 and 2001 KShs 1,843,862 so as to qualify for application for waiver of penalties and interest on both years amounting to KShs 29,575,483 as noted in the report.

The Corporation therefore applied for total waiver for penalties and interest of KShs 83,844,517 and of KShs 29,575,483 the result of which is included in the 2011/2012 submissions.

14. AUDIT REPORT FOR THE YEAR ENDING 30TH JUNE 2012

14.1 LOAN TO BUFFALO SPRINGS

ISSUES RAISED

As previously reported and as indicated in note 3 (b) to financial statements, and included in the loan balance of Kshs. 976,557,866 is an amount of Kshs. 8,467,395 (2010/11 – Kshs. 4,944,310) loaned to Buffalo Springs Limited (BSL), an associate of KTDC. According to information available, the premises in which the Company operated were leased to another tenant by Isiolo Town Council (ICC), effectively crippling operations of the Company. In the circumstances the recoverability of loans amounting to Kshs. 8,467,395 is doubtful.

MANAGEMENT REPOSENSE

(ix) Ownership

It is true that the premises in which the company operated was leased out to another tenant, Mara Simba Lodges Limited, by the ICC in 2006. This was done without the knowledge and approval of majority shareholder, KTDC. It should be noted that ICC is both the landlord and a shareholder of the BSL. BSL is not an associate as disclosed by the KNAO but it is a subsidiary of the Corporation as KTDC owns 64.05% (Directly 42% and indirectly 22.05%).

Events Leading to the Repossession of BSL by Isiolo County Council (ICC)

- It should be noted that the ICC had not refused to renew the lease for non-payment of land rent. What is true is that the ICC evoked the forfeiture clause 4(2) of the lease agreement between Buffalo Springs Lodge Ltd.
- This communication was via letter dated 11th January 2006 – *a whole two years before the lease agreement was due to end.* The contents of this letter was not brought to the attention of the Management Committee until September of the same year.)
- Consequently on the 13th of February 2006, the ICC moved to lease the Lodge through tender notice number “ICC/22/2005/2006” in the Daily Nation. On the same date Management of KTDC informed the Ministry of Tourism & Wildlife, the Investment Secretary – Ministry of Finance, the Buffalo Springs Board and the KTDC Board.
- The Corporation continued to object through several correspondences as unprejudicial information was received at the Corporation on the award of the said

tender to Mara Simba Lodges Ltd. This portrayed very bad business practice on behalf of the minority shareholder.

- In November, 2006 the PS Ministry of Tourism called a meeting between KTDC Management and Members of the ICC which resolved that legal advice be sought from the Solicitor General.
- On receiving the legal opinion, the PS Ministry of Tourism called for a second meeting where the legal opinion of the Solicitor General was discussed.
- It is at this meeting that was held on 28th March 2007 that both parties agreed that a forensic audit be carried out by the Auditor General to determine the equitable rights of both parties in an effort to attain equitable relief.
- KTDC submission to the PS Ministry of Tourism copied to the PS Ministry of Finance, PS Ministry of Local Government and the Inspector General State Corporations was handed in on the 16th of October 2006.
- As it stands the lodge has been repossessed by the ICC since 2006. The situation remains status quo to date.

(x) **Loan Recoverability**

It is true that the loan amount outstanding is Kshs. Kshs 8,467,395. The Company has not been servicing the loan as per the loan agreement. Having recognized this, the Corporation made a specific provision of Kshs. 4,944,310 in the financial accounts 2011/2012 which was equivalent to the book balance of the loan as at that period. The account balance on this loan is Kshs 8,467,395. The difference between this balance and book balance of Kshs. 4,944,310 is Kshs. 3,523,085 which is interest charged but held in suspense and not recognized as interest income in line with the current international accounting standards and treatment of bad and doubtful debt in our Credit Policy.

The matter has even been referred to the office of the Auditor General for a forensic audit but the request was turned down. We will therefore take up the issue with the PS Treasury in a bid to bring this long outstanding issue to an amicable close.

14.2 **TAXATION**

ISSUES RAISED

According to Note 19 to the financial statements there was a contingent liability as at 30 June 2006 resulting from penalties and interest charged by the Kenya Revenue Authority (KRA) on outstanding tax for the period 1993 to 1999. The Note further observes that negotiations have been on-going for a waiver of the interest and penalties between the Corporation and KRA. However, evidence available indicates that, although the Corporation was through a letter dated 21 January 2005, granted a

50% waiver of the accrued penalties and interest amounting to Kshs. 83,844,517, and the Corporation engaged the services of a tax consultant during the year under review, the balance of Kshs. 23,844,517 and penalties and interest for years 2000 and 2001 amounting to Kshs. 29,575,483 had not been settled as at 30 June 2011

In the circumstances, and until the outstanding principal and penalties and interest balance of kshs.83,844,517 and Kshs. 29,575,483 respectively is settled or resolved, the amount may continue to attract other penalties and additional interest.

MANAGEMENT RESPONSE

Following approval in board meeting held on 14th and 15th of June 2010 the corporation engaged a tax consultant PKF Taxation Services Ltd to carry out negotiations with Kenya Revenue Authority (KRA).

This resulted into principal taxes due and that were paid for years of income 2000 KShs 1,442,792 and 2001 KShs 1,843,862 so as to qualify for application for waiver of penalties and interest on both years amounting to KShs 29,575,483 as noted in the report.

The Corporation therefore applied for total waiver for penalties and interest of KShs 83,844,517 and of KShs 29,575,483 the result of which is included in the 2011/2012 submissions.

14.3 INVESTMENTS

ISSUES RAISED

Note 3(A) of the financial statements reflects investment totaling Kshs 360,847,917 out of which investments worth Kshs 341,141,037 were not supported with share certificates. Further, the existence of investment in one of the investment Companies amounting to Kshs 38,659,077 could not be verified as no further details were seen.

In the circumstances, the accuracy and validity of the balance of investments amounting to Kshs 360,847,917 could not be confirmed as at 30th June 2012.

In the circumstances, the accuracy and validity of the balance of investments amounting Kshs 360,847,917 could not be confirmed as at 30 June 2012.

MANAGEMENT RESPONSE

(i) Missing Share Certificates

	Kshs
Total Investment Amount	360,847,917
Less: Investments supported with share certificates (Kshs)	
Bomas of Kenya Ltd	5,080,000
Mt. Elgon Lodge Ltd.	

	1,345,780	
Sunset Hotel Ltd	11,450,000	
Buffalo Springs Ltd	1,000,000	
Maralal Safari Lodge	802,000	
AT&H (pref. shares)	29,100	
		<u>-19,706,880</u>
Investments not supported		<u>341,141,037</u>

The Kenya National Audit Office disclosed that investments amounting to Kshs 341,141,037 were not supported with share certificates out of the total carrying amount of Kshs 360,847,917 as at 30 June 2012 reproduced below;

It is true that some investments were not supported with share certificates amounting to Kshs. 5,345,780 for Mt. Elgon Lodge (Kshs. 445,780) and Kabarnet Hotel (Kshs. 4,900,000) and not the figure disclosed by Kenya National Audit Office of Kshs. 341,141,037. All the share certificates of the remaining investments are available.

The Corporation noticed that some certificates were missing and began the exercise of verifying and obtaining share certificates in 2008 via Treasury's letter dated 25th august 2008 and our response dated 15th September 2008 (**Annex xix – Report and correspondences on share certificates**).

Initiatives taken to Replace the Missing Share Certificates

It should be highlighted that the Corporation noted this anomaly of missing share certificates and the following steps have been taken (see attached Appendix IV (b))

- The Corporation initiated a process to replace all missing share certificates. To progress the process, the Corporation has held several consultative meetings with the Registrar of Companies, between August and September 2012, and was advised the modalities of replacing the missing certificates;
- The Corporation has since identified the genesis of all the missing share certificates of respective subsidiaries;
- Replacement of share certificates will be implemented by the Company Secretary of the respective subsidiary after obtaining a Board Resolution on the same. Once the KTDC Board is reconstituted, this issue shall be tabled for approval.

(ii) **Watalii Street Investment Project**

It is true that the Corporation paid a total of Kshs. 38,659,077.15 towards Watalii Street Investment Project. This was the consultancy fees paid to various consultants who were hired to design the project. Copies of vouchers paid to the various consultants amounting to Kshs 38,659,077.15 as shown below :- (**Annex ii – Payment Vouchers**).

October 1995 Gesaplan Consortium Chq 064603	8,067,627.60
June 1996 Gesaplan Consortium Chq. 146623	26,126,260.55
August 1996 KPMG Peat Marwick Chq. 147363	218,500.00
August 1996 Gesplan Consortium Chq. 142214	3,918,939.00
April 1997 KPMG Peat Marwick chq. 000013	218,500.00
April 1997 KPMG Peat Marwick chq. 079649	<u>109,250.00</u>
	<u>38,659,077.15</u>

The amount was intended to be the Corporation's contribution in the form of an equity investment once the project was completed. This amount was later capitalized in the Corporation's books of account since then.

Since the project stalled and there is no possibility of actualizing the project, the Corporation intends to impair the asset (equity amount) from the books of accounts of the Corporation.

October 1995 Gesaplan Consortium Chq 064603	8,067,627.60
June 1996 Gesaplan Consortium Chq. 146623	26,126,260.55
August 1996 KPMG Peat Marwick Chq. 147363	218,500.00
August 1996 Gesplan Consortium Chq 142214	3,918,939.00
April 1997 KPMG Peat Marwick chq. 000013	218,500.00
April 1997 KPMG Peat Marwick chq. 079649	<u>109,250.00</u>
	<u>38,659,077.15</u>

14.4 BUDGETARY CONTROL

ISSUES RAISED

Over-expenditure

MANAGEMENT RESPONSE

The overspent budgetary items have totalled to Kshs.11,851,751 out of total expenditure budget of Kshs.298,435,135 (or 3.97%)

a) Directors Expenses (Variance Kshs.4,094,810)

This was overspent by Kshs.4,094,810

Directors Expenses were more than the budget as there were more meetings held during the year due to additional meetings that were called by the Minister for Tourism towards the end of the financial year to deliberate on specific issues and which were outside the scheduled meetings.

There were 2 additional board members added through gazette notice No. 11979 of 30th September 2011, who were not budgeted for and were also appointed as committee members.

b) Entertainment (variance Kshs.88,449)

It is true that this expenditure was more than the budget by Kshs.88,449.

This expenditure is paid as a monthly allowance to Heads of Department as provided in the terms of services . The expenditure was incurred due to full component of HOD recruited and under-budgeted amounts of Kes 400,000.

This has been rectified and will not be repeated.

c) Travelling Costs (Variance Kshs.2,818,797)

It is true that this expenditure was over the budget by Kshs.2,818,797.

Travelling Costs were more compared to Budget as there was increased travel compared to 2011 for project appraisals, evaluation of newly disbursed loans, inspection and audit of the subsidiaries. The Corporation will endeavour to increase the travelling costs as the business needs increase.

a) Telephone & Postages (Variance Kshs.876,334)

This is true, telephone and postage budget item was under-budgeted during the financial year 2011/2012. The staff terms and conditions were revised and enhanced to include officers who were not entitled in the previous year. This has since been rectified.

b) Property and Lift maintenance (Variance Kshs.3,577,362)

This expenditure was more than budget by Kshs.3,577,362.

This expenditure includes security, cleaning, Generator, general and lift maintenance. Monthly lifts services Contract increased by 10% from Kshs.418,018 per quarter to Kshs.459,819 per quarter in 2011/2012 financial year. Security guards were increased as a result of terrorists alerts.

The fuel costs increased tremendously due to frequent power cuts and the overall increase in fuel costs.

c) ASK Shows (Variance Kshs.396,000)

The ASK shows budget was contained under the main Public Relations(PR) Budget of Kshs.34,500,000 as the Show activities are of Publicity and Exhibitions in nature and this particular PR budget was not overspent.

However, though there were overspending in the observed expenses, there were great savings in majority of them which resulted in overall savings from the budget.

Actual total expenditure as per the financial statements was Kshs.261,937,247 compared to total expenditure budget of Kshs.298,435,135 resulting into savings of Kshs.36,497,888 or 12.23% from the Budget and this wholesome savings were within the provisions of section 12 of the State Corporations Act.

14.5 PROCUREMENT OF MARINA PROJECT LAND

ISSUES RAISED

Not following procurement procedures

MANAGEMENT RESPONSE

This land is for a very specific purpose. The land is for putting up a marina and was identified with the help and advice of Kenya Ports Authority the only government

agency specialized in such matters and with the mandate to manage coastal waters and ports in Kenya. Because of its unique nature in access and location for the mooring of yachts, it would not have been easy and or feasible to identify the land by any other method.

To initiate the process of acquisition of the land, the management prepared a paper and tabled before the board for authority and the board at its meeting of 9th December 2010 granted the approval.

The land was secured by paying a refundable commitment fee to the owners lawyer as stakeholders as it is the only parcel of land available on the Shimoni peninsula suitable for the purpose of developing a Marina.

The development of a Marina is well within the Corporations mandate as a DFI to open up remote areas for tourism investment. It is also a vision 2030 project.

It has also been accepted by the public private partnership steering committee (PPP) as a PPP project to proceed with further development of the project. However, the project has since stalled and no contract has been signed to acquire the land with the absence of a functional KTDC board.

Refer to annex xx – Concept paper on Marina and Approval from Permanent Secretary Treasury.

The acquisition of land requires the approval of the Board which was obtained on 9th December 2010. It should be well noted that the Corporation has not acquired the land as yet as this can only happen on registration of the transfer.

14.6 ADVANCE OF KSHS.50 MILLION TO AN INVESTMENT COMPANY

ISSUES RAISED

The Corporation advance KShs. 50 million to a firm that had 37% shareholding by Kenyans contravening clause 4.1.1 of the credit policy.

MANAGEMENT RESPONSE

These funds were lent to a borrower by the name of Lagoon Development Limited in Kilifi Creek but not a Greek Resort Project or an investment company as stated.

The Credit Policy is formulated by the Board of KTDC and they have full powers under clause 1.3 to review it or lift it according to KTDC mandate and management recommendations.

Clause 1.3 states that “the authority to approve the Credit policy shall rest on the Board.”

Accordingly, the Board exercised that power and waived requirement 4.1.1. On 51% Kenyan Shareholding threshold in order to catalyze the Kshs.3.78 Billion project by Lagoon Development Ltd in Kilifi which only had 37% Kenyan shareholding. Management clearly pointed this out to the Board and the decision to waive this requirement for this project was by the Board with full disclosure. The Board also considered the size and impact the project would have on economic development of the country. These types of projects have increasingly become the norm and we are revising our credit policy to include them.

It is therefore not possible for the Board to contravene any part of a policy that it has formulated given that it has express power to vary, except or even repeal the Credit Policy in part or in total.

Needless to say, the loan is up to date in terms of repayments and the development was rated the best in Africa in 2012. We do reiterate that the Board forms policy and was give full disclosure given the impact.

14.7 DEBTORS AND PREPAYMENTS

ISSUES RAISED

The Africa Investment Forum procurement

MANAGEMENT RESPONSE

MANAGEMENT RESPONSE

The Hotel investment forum is an annual event organized in various parts of the world over by bench Events the only organizer of the event and events of this nature globally.

The Africa Hotel Investment Forum is organized in partnership with the sponsoring Country's Tourism Ministry and or the relevant agency of that ministry (KTDC) in this case. The agreement therefore is that of partnership and not that of a service provider.

This partnership arrangement came into being on 25th January 2012 when the corporation and the organisers, Bench events signed the document certifying the coming together of the Ministry, the corporation and the organisers to officially announce the launch of the 2012 Africa Hotel Investment Forum.

The process of the forum begun way back in 2011 when the management informed the Board at its meeting of 8th December 2011 that the Corporation had been approached by bench Events for a partnership in organizing and Kenya hosting the event. The Board was further informed and noted that consultations between the corporation and the Ministry of Tourism with regard to the sponsorship was still on going and the outcome of which to be tabled later.

The outcome of the consultations between the Corporation and the Ministry was tabled before the Board at its meeting of 26th January 2012 when the board was informed and noted that the Minister for Tourism then Hon. Najib Balala had agreed to be the patron of the event and Kenya to the Host.

Following the approval by the Board at its meeting aforesaid for the Corporation to partner with Bench events and to be the main sponsor of the event, the Corporation engaged Bench Events and the two parties signed the necessary documentations being the partnership agreement signed on 25th January 2012, sponsorship agreement signed on 2nd February 2012.

The Agreement being of a partnership in nature does not fall within the provisions of the Public Procurement and Disposal Act and the regulations. All that was required were the necessary approvals by the board which were dully obtained as per the above said minutes.

This is the standard practice world over for such events. Similar events are like the International Tourism Bourse and World Tourism Market

Annex I - Treasury Circular No. CONF.351/03



ANNEX 1

Annex 11

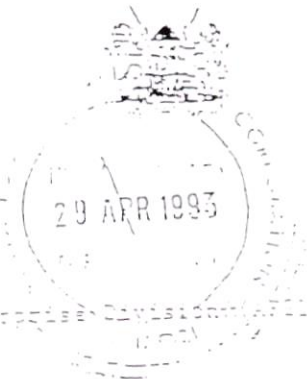
2/40

REPUBLIC OF KENYA
MINISTRY OF FINANCE

Telegraphic Address:
FINANCE NAIROBI
Telephone: 228111
When replying please quote
ref. No: CONF. 251/93.
and date

THE TREASURY
P.O. Box 30007
NAIROBI
KENYA

26th April 1993



Mr. Irfan Aileen,
Task Manager,
Public and Private Enterprise Division (AFIE),
The World Bank,
Washington D.C. 20433,
U.S.A.

Dear Mr. Musyaka,

REF: PARASTATAL REFORM AND PRIVATISATION TECHNICAL
ASSISTANCE PROJECT - POLICY ON PROCEEDS OF
PRIVATISATION

As desired by you, we have integrated into earlier policy statement (dated July 17, 1992) the elaboration forwarded to you vide our letter of 5th April 1993. A policy statement is now issued afloat with copies to ICDC, IDB and NTDC. Please confirm compliance of Government with respect to this condition of effectiveness.

Yours Sincerely,

G.M. MITINE
Investment Secretary
Government Investments and Public Enterprises

c.c.

The Executive Director, ICDC

The Managing Director, IDB

The Managing Director, NTDC



PARASTATAL REFORM AND PRIVATIZATION POLICY
ON ALLOCATION OF PROCEEDS OF PRIVATIZATION

OBJECTIVES:

The Policy on allocation of divestiture proceeds is an important component of the Privatization Programme, and must be formulated to ensure that objectives of the privatization and reform programme are not compromised. There are two broad objectives of the reforms that are especially relevant to the policy on allocation of divestiture proceeds.

- (a) reduce the demand of the Public Enterprises on the Exchequer so as to improve the use of Kenya's scarce resources (in other words to curtail budget deficit), and
- (b) to ensure sustainable operations of existing "holding companies" with a view to aid the development of private enterprises by provision of venture capital. Possible options for the use of privatization proceeds, keeping in view the above mentioned broad objectives, include:
 - (a) the reduction of overdraft in the PMG account;
 - (b) the funding of a Safety Net for employees made redundant by the privatization process;
 - (c) the clean up of the enterprise balance sheets;
 - (d) the preparation of parastatals for sale, and
 - (e) the recapitalization of the holding companies

POLICIES, PRINCIPLES & GUIDELINES

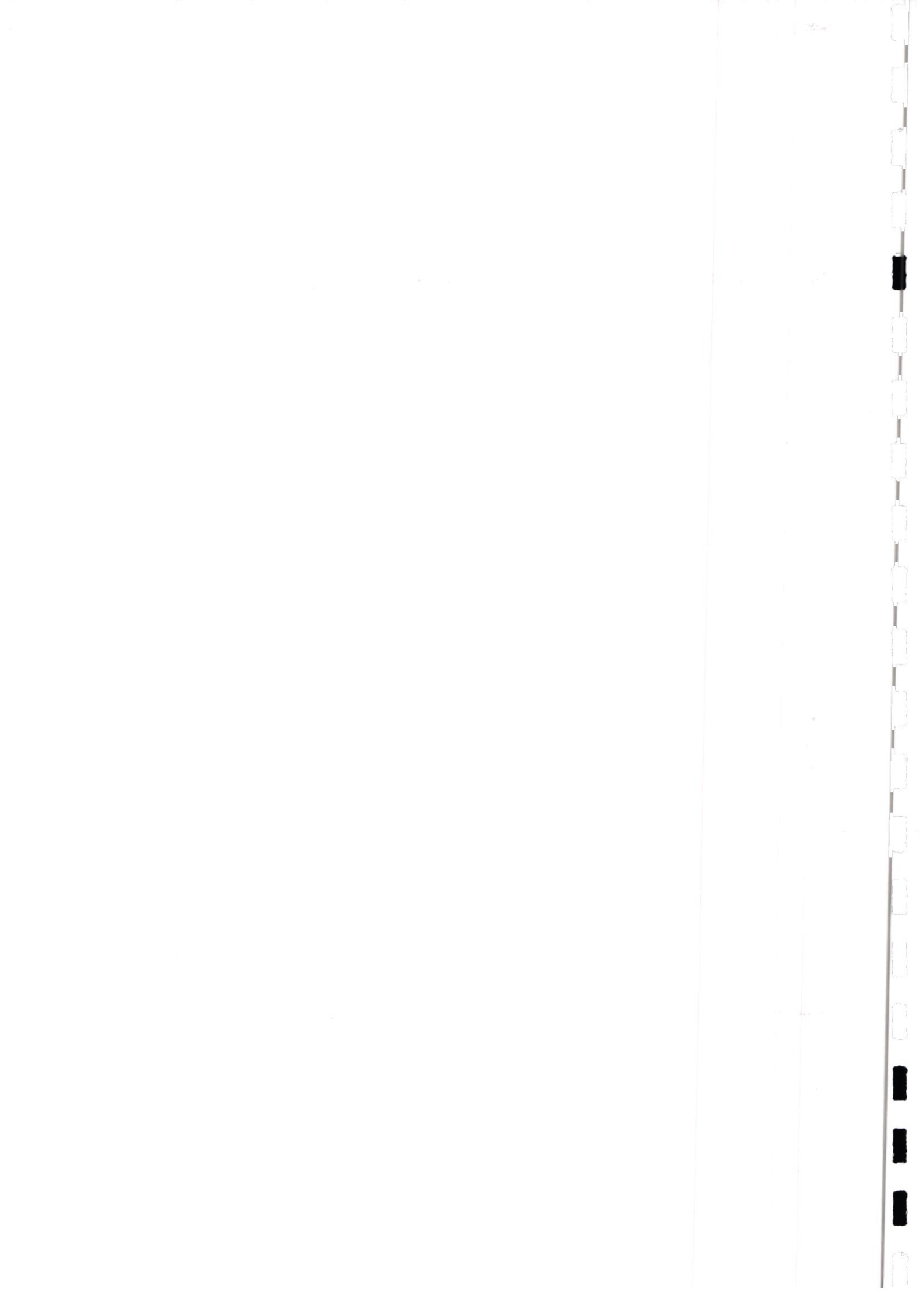
The following policies, principles and guidelines will apply to the allocation of proceeds of Privatization, consistent with the objectives enunciated above:-

1. The proceeds from the sale of direct equity holdings of the Government will be placed in a special account at the Central Bank of Kenya and accounted as a receipt to the budget, and used to reduce the Pay Master General's (PMG) overdraft.
2. The proceeds from the sale of indirect equity holdings (e.g. investments held by Industrial and Commercial Development Corporation (ICDC), Industrial Development Bank (IDB) and Kenya Tourism Development Corporation (KTDC) etc) will be placed in interest bearing special accounts



Established by each of the "holding company" at commercial banks, and accounted as receipt by the respective "holding companies" to protect erosion of their balance sheets. The bank accounts will be operated jointly by the Chief Executive Officer of the relevant "holding company", and the Permanent Secretary, Treasury. The balances accruing in these accounts will be managed in a manner consistent with Government policy with regard to macro-economic aspects to pre-empt any adverse effects in form of monetary expansion. The divestiture proceeds can only arise when divestiture takes place. When privatisation is pursued through sale of additional shares to finance expansion or rehabilitation of an enterprise, the funds are retained by relevant Public Enterprise; and applied towards new investment (including working capital). As regard to the funds accruing to the "Holding Companies" as a result of divestiture of sale of equity or assets of investments in their respective portfolios, the priorities for allocation of proceeds of divestiture will be in the following order:

- 2.1. First Priority: To liquidate external (indebtedness to a creditor other than the "Holding Company") indebtedness related specifically to the investment being sold. In case of state certificates in respect of shares being sold, having been pledged to a commercial bank, the proceeds of sale of such shares will be first applied towards liquidation of bank facility against the share certificates; unless the bank is willing to accept dilution of its securities and release the charge over the share certificates without insisting on repayment. The "Holding Companies" will not, in future, pledge any share certificates related to these equity investments scheduled for sale in the current phase of privatisation programme;
- 2.2. Second Priority: To liquidate overdue debts owed by the "Holding Company", including overdue debts owed to the Treasury;
- 2.3. Third Priority: Towards contribution to the cost of Safety Net for the "parastatal" before privatization, and cost of Safety Net for the relevant "Holding Company";
- 2.4. Fourth Priority: Towards the cost of financial restructuring of the parastatal prior to divestiture, provided, the cost of financial restructuring (i.e. additional equity investment to reduce debt), does not exceed 10% of current outstanding of the parastatal to the "holding company";



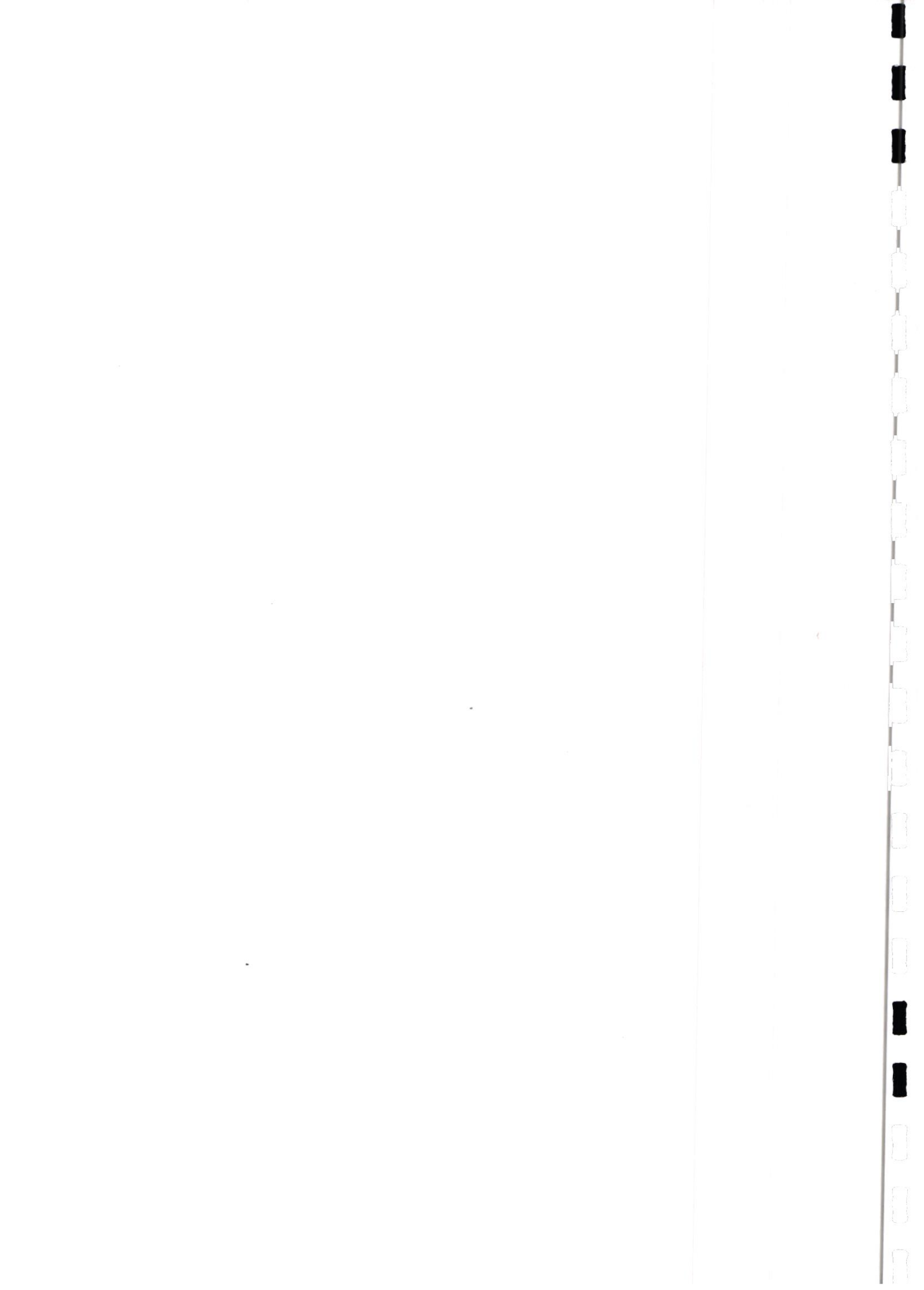
✓ 2.5 Fifth Priority: Towards venture capital investments in new projects (with the prior approval of P.S. Treasury, pending completion of the restructuring of the "Holding Company"; once restructuring of the "Holding Company" is accomplished the approval of the P.S. Treasury will not be necessary);

2.6 The deposits in Special Accounts into which divestiture proceeds are held, should not be pledged for borrowings by the "Holding Companies" of Treasury;

✓ 2.7 The interest accrued in the accounts holding proceeds of divestiture may be released to the "Holding Company", as per agreed monthly budget.



Annex II - Copies of Vouchers paid to Watalii Street
Consultants



payment in respect of architectural
 services rendered of Plot L.R.
 09/9733 - Nairobi

8,067,627 60

TDC Corporation

Telephone 229751 (4 lines) & 22348

Eight million sixty seven thousand six
 hundred twenty nine cents sixty only

TOTAL Shs. 8,067,627 60

TDC/8/12/VOL
 TDC/ /
 TDC/ /

PAID

Signature of Authorized Officer

DESIGNATION GM (F) *[Signature]*

PREPARED BY A/C *[Signature]*

CHECKED BY CA *[Signature]*

QUANTITY AND RATE	AMOUNT	
	Shs.	Cts.
	8,067,627	60
TOTAL Shs.	8,067,627	60

VOUCHER NO. *54/10*

KENYA TOURIST DEVELOPMENT CORPORATION
 CHEQUE NO. 11 087 1128
 CHEQUE ISSUED *084303*

AMOUNT

Shs. C

8,067,627

(8,067,627

TOTAL Shs. 8,067,627 60

Signature of Authorized Officer

GM (F) *[Signature]*

PREPARED BY A/C *[Signature]*

CHECKED BY CA *[Signature]*

QUANTITY AND RATE	AMOUNT	
	Shs.	Cts.
	8,067,627	60
TOTAL Shs.	8,067,627	60

Tourist Development Corporation

Utalii House, Uhuru Highway

Telephone 229751 (4 lines) & 22348

PAYEE'S NAME AND ADDRESS

KNTS HOUSE

Gesaplan Consortium
 NAIROBI

TDC/8/12/VOL

TDC/ /

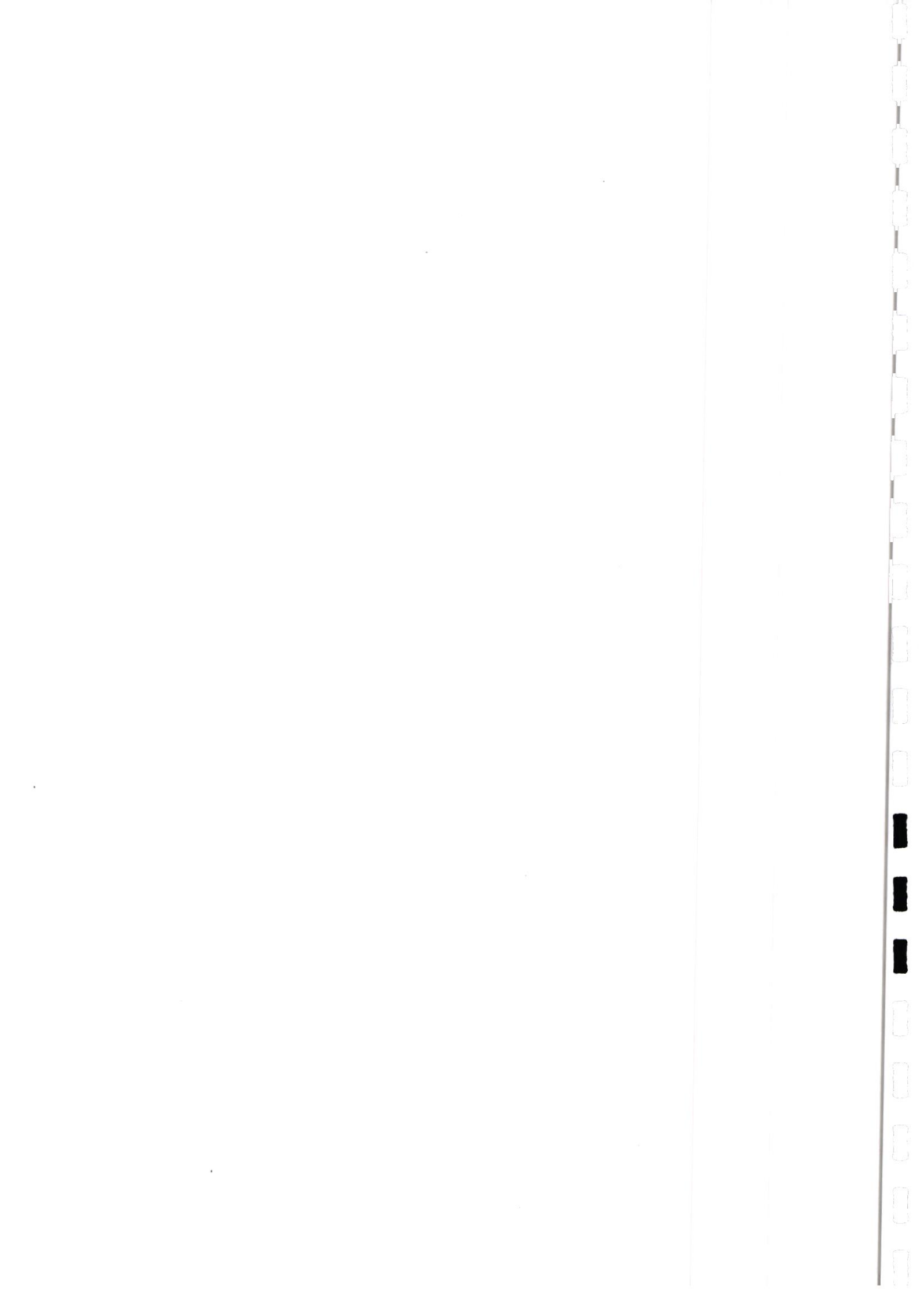
TDC/ /

ARTICULARS OF PAYMENT

QUANTITY AND

AMOUNT

Shs. Cts.



MEMO

To: General Manager (I)

Ref: TDC /C/3/21

From: Managing Director

Date: 09 October 1995

RE-DEVELOPMENT ON PLOT L.R.
NO.209/9733 - NAIROBI.

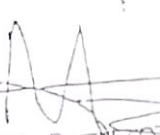
During the last Board meeting held on 23 September 1995, Directors noted with satisfaction that plans for the re-development of the Plot LR. No.209/9733 on Watalii Street, Nairobi had received Nairobi City Council approval.

The Board consequently approved payment of Architectural fees amounting to KShs.8,067,629.60 to M/s Gesaplan Consortium.

This is to request for your approval of the payment.

① AcF
P'se raise
Pv
Ln 9/10

W) CA
Pls process
payment
9/10/95

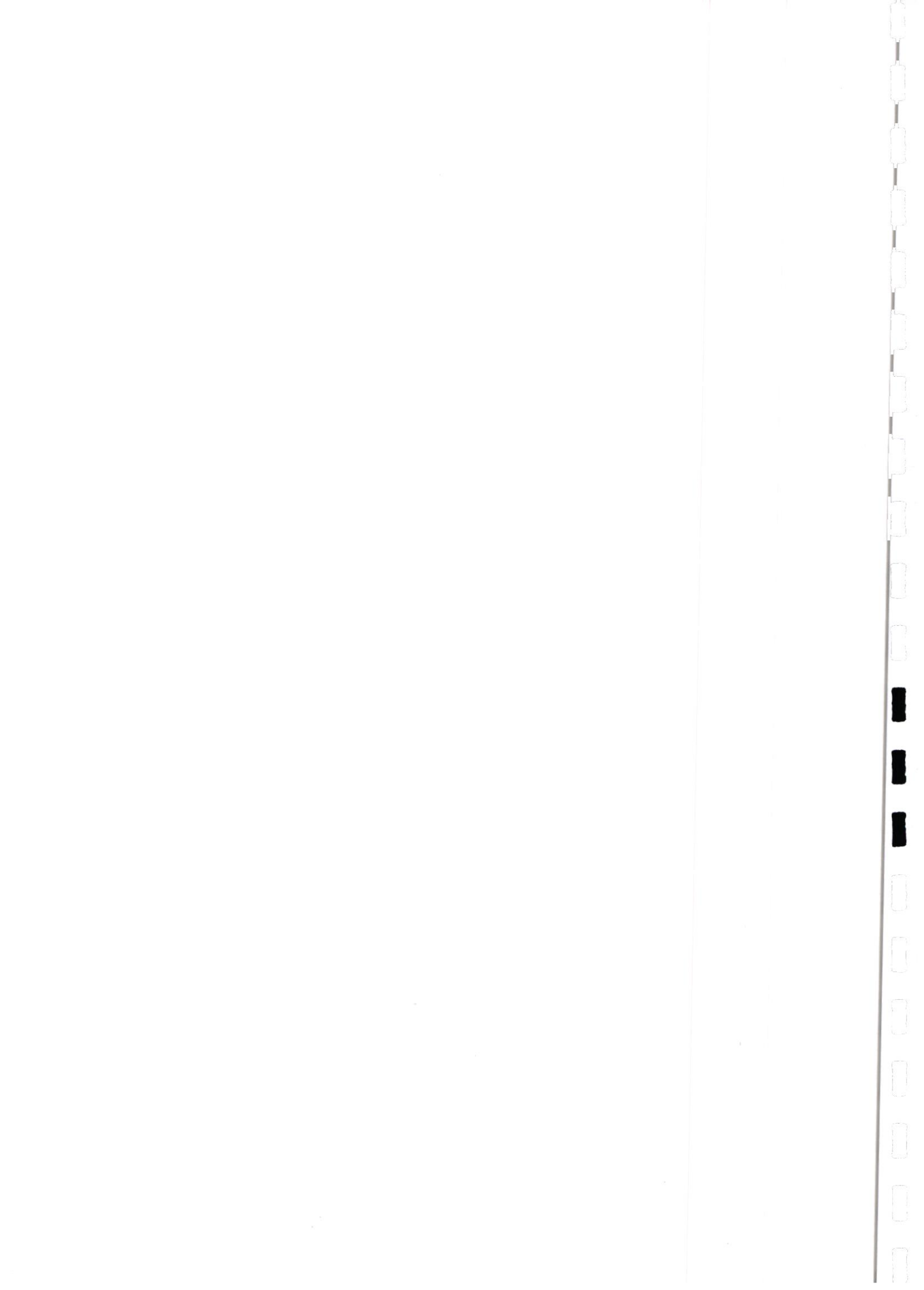

MUTUA P. NZOKA
GENERAL MANAGER (INVESTMENTS)

- a) GMP

Note that the ~~board~~ ~~has~~ ~~approved~~ ~~the~~ ~~contract~~ ~~for~~ ~~the~~ ~~redevelopment~~ ~~of~~ ~~the~~ ~~plot~~ ~~by~~ ~~Gesaplan~~ ~~planned~~ ~~organised~~ ~~to~~ ~~pay~~

1/mm.

9/10/95



The Kenya Tourist Development Corporation

P.O. Box 42013, Nairobi

Utalii House, Uhuru Highway

Telephone 229751 (4 lines) & 223483

PAYEE'S NAME AND ADDRESS

Gesaplan Consortium
NAIROBI.

TDC/3/12/VOL
 TDC//
 TDC//

PARTICULARS OF PAYMENT	QUANTITY AND RATE	AMOUNT	
		Shs.	Cts.
Being payment in respect of the professional services rendered in the redevelopment on Plot LR 209/9733 - Watalii Street Nairobi (KNTB)		26,126,260	55
AUTHORITY ^{million} Twenty six thousand one hundred twenty six thousand two hundred sixty cents fifty five only	TOTAL Shs	26,126,260	55

DATE 20.06.96

DESIGNATION GM (F)

Signature of Authorized Officer _____

HEAD D 16

SUB-HEAD KTDC

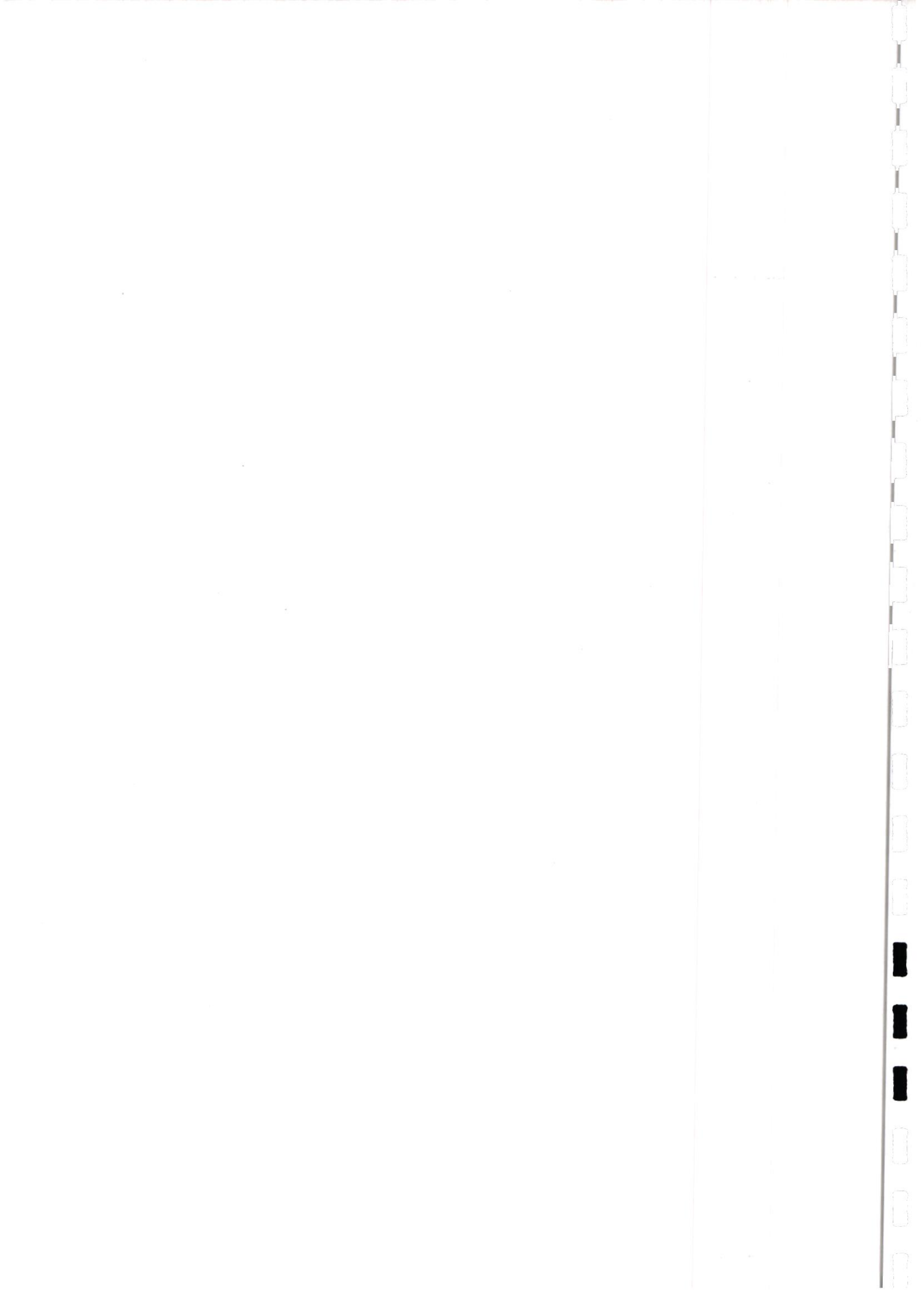
ITEM KNTB

PREPARED BY A/C *Amia*

CHECKED BY CA *[Signature]*

ACCOUNT NO	VOUCHER NO.	CHEQUE NO	AMOUNT	
			Shs	Cts
600/280 721/100	<u>5</u> /06	<u>14623</u>	26,126,250 (26,126,260	55 55)

CHEQUE ISSUED 14623



21st March 1996.

20/6/96

UNIT
Process Payment

REDEVELOPMENT ON PLOT LR 209/9733 - WATALIP STREET
NAIROBI FOR KENYA TOURSIT DEVELOPMENT CORPORATION

FEE NOTE NO. 2

This Fee Note is based on:-

1. CAP 525 LAWS OF KENYA - for Architectural and Quantity Surveying Services.
2. ASSOCIATION OF CONSULTING ENGINEERS CONDITIONS OF ENGAGE-
MENT FOR DESIGN AND SUPERVISION OF ENGINEERING SYSTEMS
IN BUILDING AND OTHER PROJECTS, 1981 EDITION - for Engineering
Services.

Gesapian Consortium present their compliments
and request payment of Kshs. Twenty Six
Million, One Hundred Seventy One thousand
sixteen, cents twenty only, in settlement of
fees for professional services rendered as
follows:-

A. ARCHITECTURAL SERVICES	4,945,400.00
B. QUANTITY SURVEYING SERVICES	8,659,250.00
C. STRUCTURAL/CIVIL ENGINEERING SERVICES	6,506,652.00
D. MECHANICAL/ELECTRICAL ENGINEERING SERVICES	8,133,304.00

TOTAL

LESS 7.5% CONSORTIUM DISCOUNT

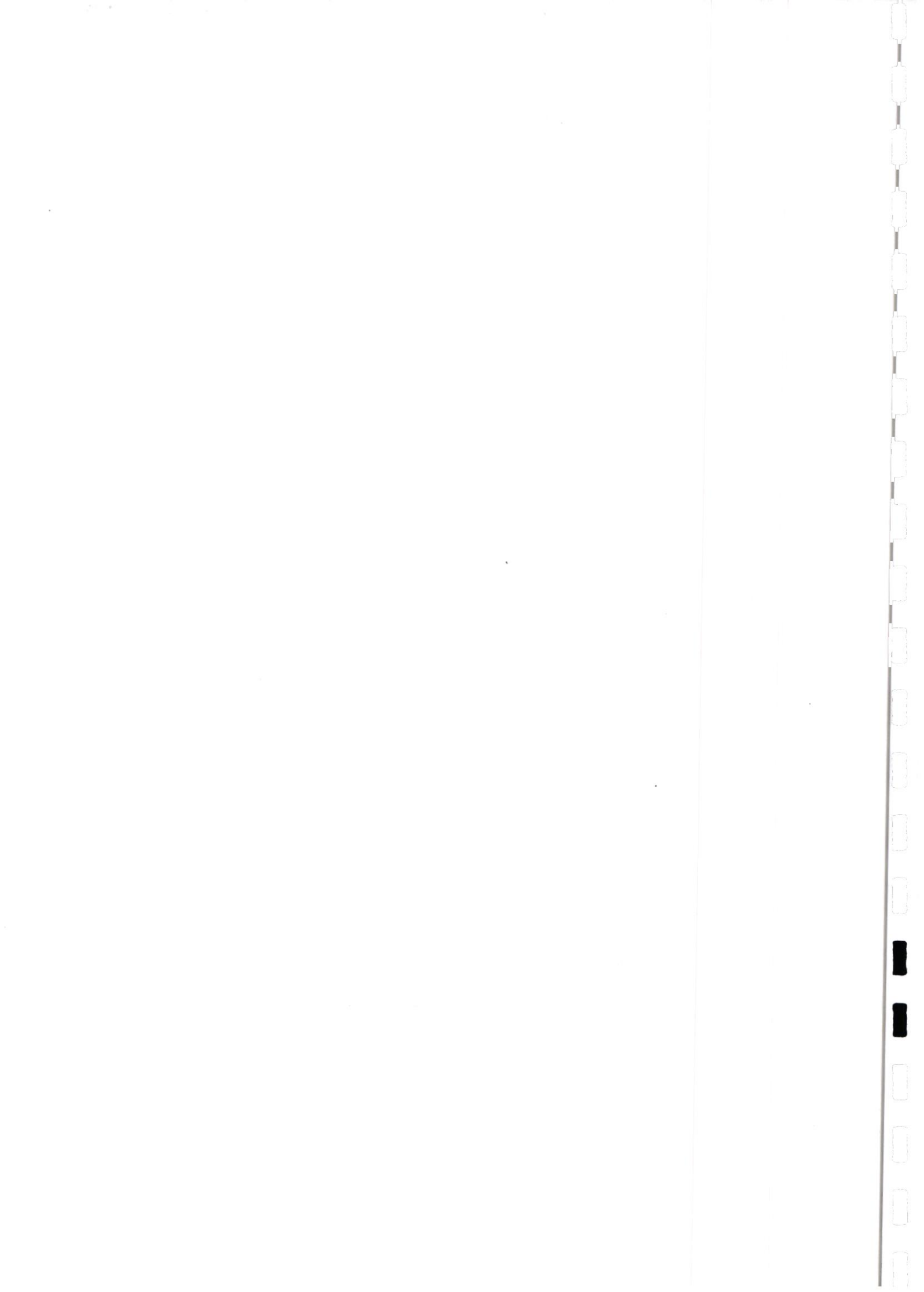
AMOUNT NOW DUE

28,244,600.00

2,118,345.45

26,126,250.55

With Compliments.



The Kenya Tourist Development Corporation

P. O. Box 42013, Nairobi

Utalii House, Uhuru Highway

Telephone 229751 (4 lines) & 223488

PAYEE'S NAME AND ADDRESS

KPMG Peat Marwick Consultants Ltd,
P.O. Box 40612
NAIROBI.

TDC/8/12/VOL

TDC//

TDC//

PARTICULARS OF PAYMENT	QUANTITY AND RATE	AMOUNT	
		Shs. -	Cts.
Being Payment in respect of the feasibility study of the proposed redevelopment on plot LR No. 209/9733 Nairobi		218,500	00
PAID			
AUTHORITY Two hundred eighteen cents five hundred only	TOTAL Shs.	218,500	00

DATE 01.08.96

FINANCE DEPARTMENT INITIAL
2/8/96
Luk 18/9

Signature of Authorized Officer

DESIGNATION GM (F)

HEAD D 16

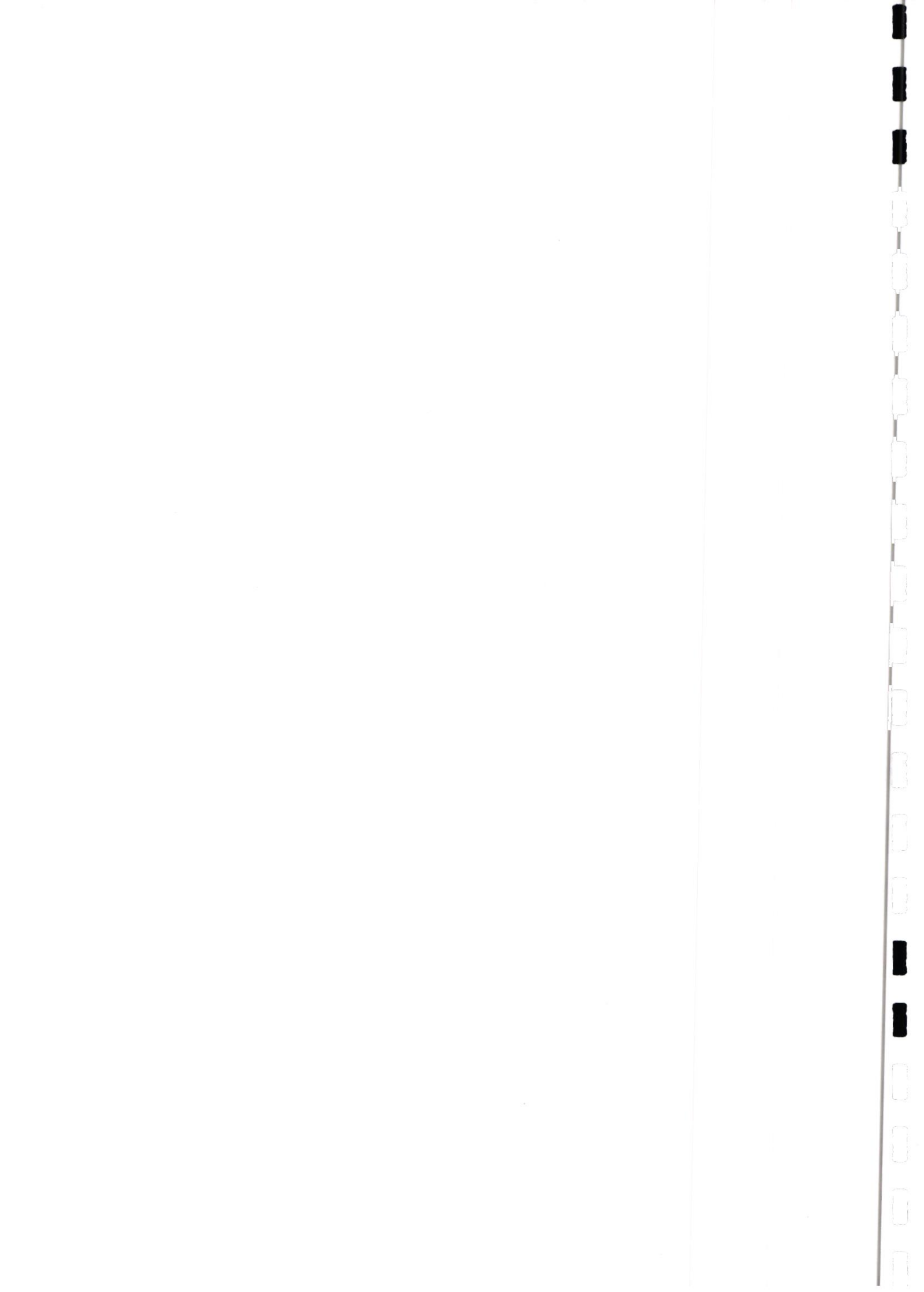
SUB-HEAD KTDC

ITEM KNTB

PREPARED BY

CHECKED BY

ACCOUNT NO.	VOUCHER NO.	CHEQUE NO.	AMOUNT	
			Shs.	Cts.
600/280 721/100	24 /08	KENYA TOURIST DEVELOPMENT CORPORATION 5 AUG 1996 CHEQUE ISSUED 147363	218,500 (218,500	00 00)

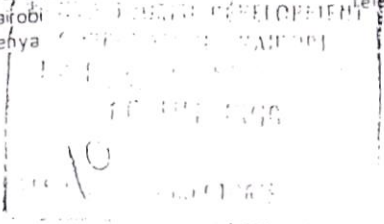


KPMG Peat Marwick Consultants Limited (83)

Office address
 Jubilee Insurance Exchange
 Mama Ngina Street
 Nairobi
 Kenya

Mail address
 P O Box 40612
 Nairobi
 Kenya

Telephone 222852
 Fax 254-2-215695
 Telex 25074 PMMNBI



No. 5608

Interim Payment Request Note

Mr GG Njoroge
 Kenya Tourist Development Corporation
 Utalii House, 11th Floor
 Uhuru Highway
 Nairobi

Our ref K/013/08/azs/co

DKD OK
Payment recommended.
Please authorise.

15 July 1996

16/7/96

Dear Sir

Feasibility study of the proposed redevelopment on plot LR No. 209/9733, Nairobi

We would be grateful if you would settle the interim request note for a mobilisation fee for the above assignment

40% Fee	KShs 190,000 00
VAT @ 15%	KShs 28,500 00
	KShs 218,500 00

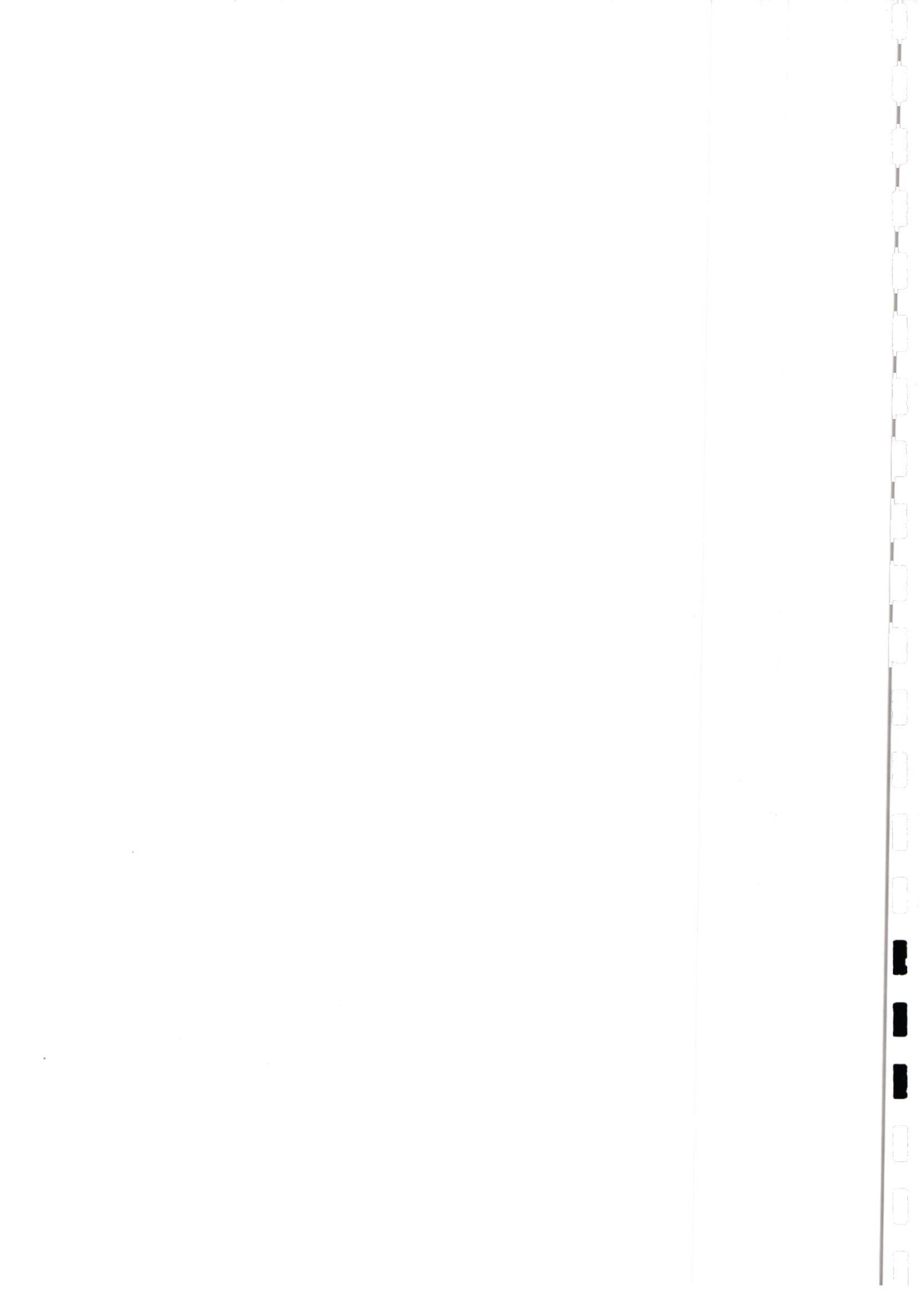
Note: A fee note will be sent to you as soon as the transaction has been completed. This is not a tax invoice

com (1)
Process payment
16/7/96

Yours faithfully

Peat Marwick Consultants





The Kenya Tourist Development Corporation

P. O. Box 42013, Nairobi

Utalii House, Uhuru Highway

Telephone 229751 (4 lines) & 223488

PAYEE'S NAME AND ADDRESS

Gasaplan Consortium
P.O. Box 52729
NAIROBI.

TDC/8/12/VOL

TDC//

TDC//

PARTICULARS OF PAYMENT	QUANTITY AND RATE	AMOUNT	
		Shs.	Cts.
Being payment of 15% VAT on the earlier payment of KShs 26,126,260.55 in respect of the Redevelopment on plot No. 209/9733 - Watalii Street Nairobi.		3,918,939	00
AUTHORITY	TOTAL Shs.	3,918,939.00	

FINANCE DEPARTMENT
A/C NO. CHECKED BY
DATE
POSTED BY
DATE

INITIAL
12/8
19/96

Signature of Authorized Officer

DATE 12/8/96

PAID

DESIGNATION GMF

HEAD D/6

PREPARED BY A/C

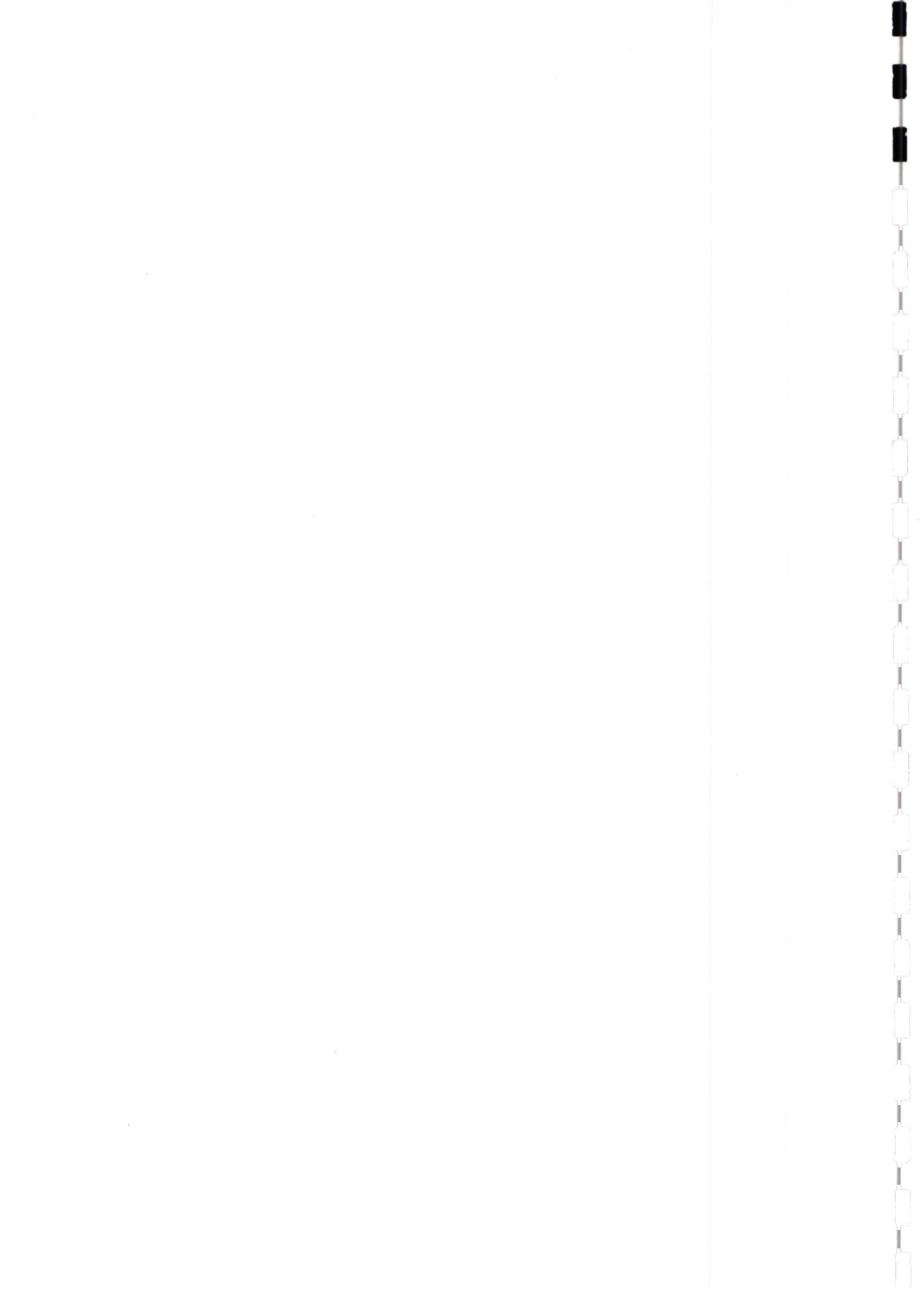
SUB-HEAD KTDC

ITEM KNTB

CHECKED BY C.A

ACCOUNT NO.	VOUCHER NO.	CHEQUE NO.	AMOUNT	
			Shs.	Cts.
600/280 721/100	75/08	142214	3,918,939 (3,918,939	00 00)

KENYA TOURIST DEVELOPMENT CORPORATION
12 AUG 1996
CHEQUE ISSUED

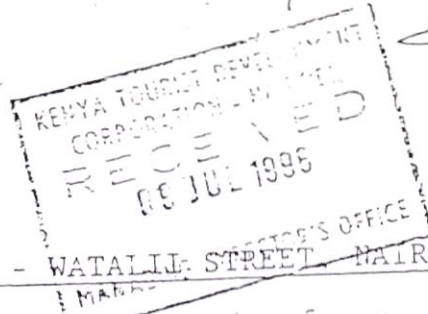


Ref:

Date: 9 July, 1996

The Managing Director
K.T.D.C.
Utalii House
NAIROBI.

G.M. (D)
Fin. a.
9/7



a/a a file
9/7

Dear Sir,

REF: REDEVELOPMENT ON PLOT NO. 209/9733 - WATALII STREET NAIROBI.

We wish to express our sincerest gratitude in regards of our fees towards the design of the above project which we received from yourselves a while past.

Kindly do take note that our fee notes did not include Value Added Tax which we must now settle to avoid any queries.

Please therefore release the same (based on 15% of our total fees) to the bearer of this letter (who is our appointed representative), for onward transmission to the department of VAT.

We look forward to a fruitful working relationship.

Yours faithfully,

Arc. Dr. Jerry Magutu
Lead Consultant

G.M. (D)
D.M.D.

I suggest we pay the VAT as required.

9/7

b) G.M. (F)

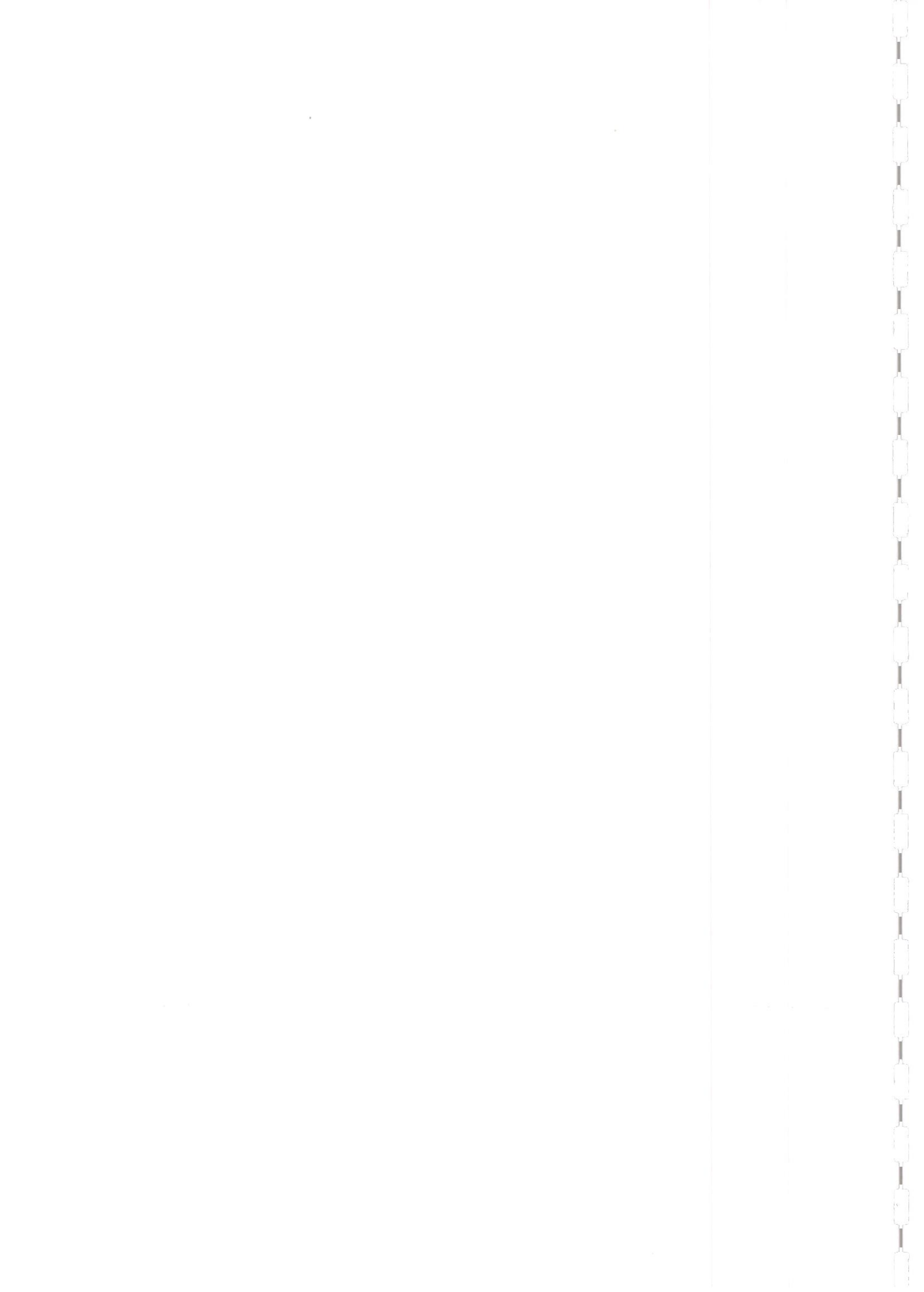
Process payment also
was approved by the
Board with the order letter.
9/2/96

c) G.M.

1/3 process
payment sh. 3, 7, 15, 13, 15
22 invoice F. 56 PSC that will
19/2/96

d) A.C.F.

PSC raise R
R 9/8



The Kenya Tourist Development Corporation

P. O. Box 42013, Nairobi

Utalii House, Uhuru Highway

Telephone 229751 (4 lines) & 223488

PAYEE'S NAME AND ADDRESS

KPMG Peat Marwick
P.O. Box 40612
NAIROBI.

TDC/8/12/VOL

TDC//

TDC//

PARTICULARS OF PAYMENT	QUANTITY AND RATE	AMOUNT	
		Shs.	Cts.
Being payment of your Fee Note No. K/013/2027 for feasibility study of the proposed redevelopment Plot LR No. 209/9733 Nairobi		218,500	00
AUTHORITY Two hundred eighteen thousand five hundred only	TOTAL Shs	218,500	00

[Signature]
Signature of Authorized Officer

DATE 9.04.97

FINANCE DEPARTMENT	INITIAL
POSTED BY <i>[Signature]</i>	DATE 29/04

DESIGNATION GM (F) *[Signature]*

HEAD D 16

PREPARED BY A/C *[Signature]*

SUB-HEAD KTDC

CHECKED BY Acct. *[Signature]*

ITEM KNTB

ACCOUNT NO.	VOUCHER NO.	CHEQUE NO.	AMOUNT	
			Shs.	Cts.
600/280	/04	11 APR 1997	218,500	00
721/100		CHEQUE ISSUED 000013	(218,500)	00



KPMG Peat Marwick

110/1

Certified Public Accountants

AZS/DK/08

P.O. Box 40612
 Jubilee Insurance Exchange
 Mama Ngina Street
 Nairobi
 Kenya

COPY

Telephone: 222862
 Telefax: 254-2-215695
 Telex: 25074 PMMNEI
 Telegrams: Veritatem Nairobi

Mr GG Njoroge
 Kenya Tourist Development Corporation
 Utalii House
 11th Floor
 Uhuru Highway
 Nairobi

VAT No. 0010940 B
 19 September 1996

Date:

FEE NOTE NO.

K/013/2027 -

Professional services rendered in connection with:

Being for feasibility study of the proposed redevelopment on
 Plot LR No 209/9733 Nairobi

Handwritten: ch BCF
 1/2/97
 9/4

Mobilisation fee 40%

Kshs. 190,000 00

VAT @ 15%

Kshs. 28,500 00

Handwritten: e) Recd
 1/2/97
 19/4/97

Payment received 7 August 1996

KShs 218,500 00

Kshs. 218,500 00

NIL

Handwritten: C.M.F.

Fee on submission of draft report 40%

Kshs. 190,000 00

VAT 15%

Kshs. 28,500 00

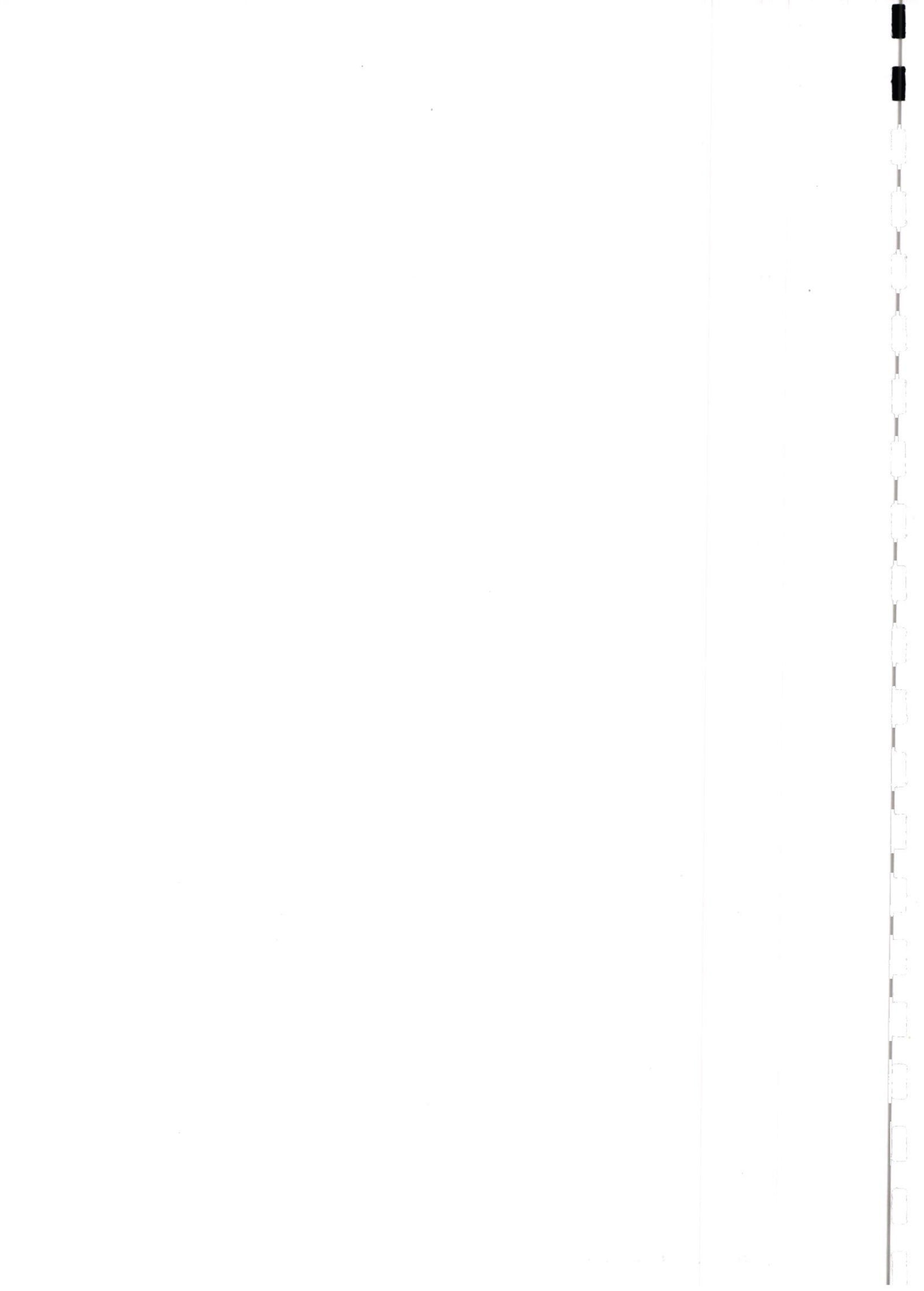
Handwritten: Please pay
 25/2/97

Handwritten: Payment Approved.
 24.2.97

Kshs. 218,500 00

With Compliments

Handwritten: Peat Marwick
 [Stamp]





Peat Marwick Consultants Limited (110)

Office address
Jubilee Insurance Exchange
Mama Ngina Street
Nairobi
Kenya

Mail address
P O Box 40612
Nairobi
Kenya

Telephone 222862
Fax 254-2 215695
Telex 25074 PMMNEI

Mr RM Chibole
Kenya Tourist Development Corporation
Utalii House
11th Floor
Uhuru Highway
Nairobi



Our ref K/013/08/azs/dk

13 January 1997

Dear Mr Chibole

Re: Fee Note for feasibility study of the proposed redevelopment on Plot LR No.209/9733 Nairobi. Our Ref: K/013/2027

We acknowledge receipt of your letter ref. TDC/3/21 dated 10 January 1997. Enclosed please find a copy of the original fee note we sent you for the above work

Kindly arrange payment as soon as possible

Yours sincerely

Abdul Zahir Sheikh
Director

a) Mr Chibole
Please see me. By the

ALD
Payment recommended
Please authorize.
20/2/97
16.1.97

c) AG (copy)
See file 110/2
24.2



Member Firm of
ICAAAC International

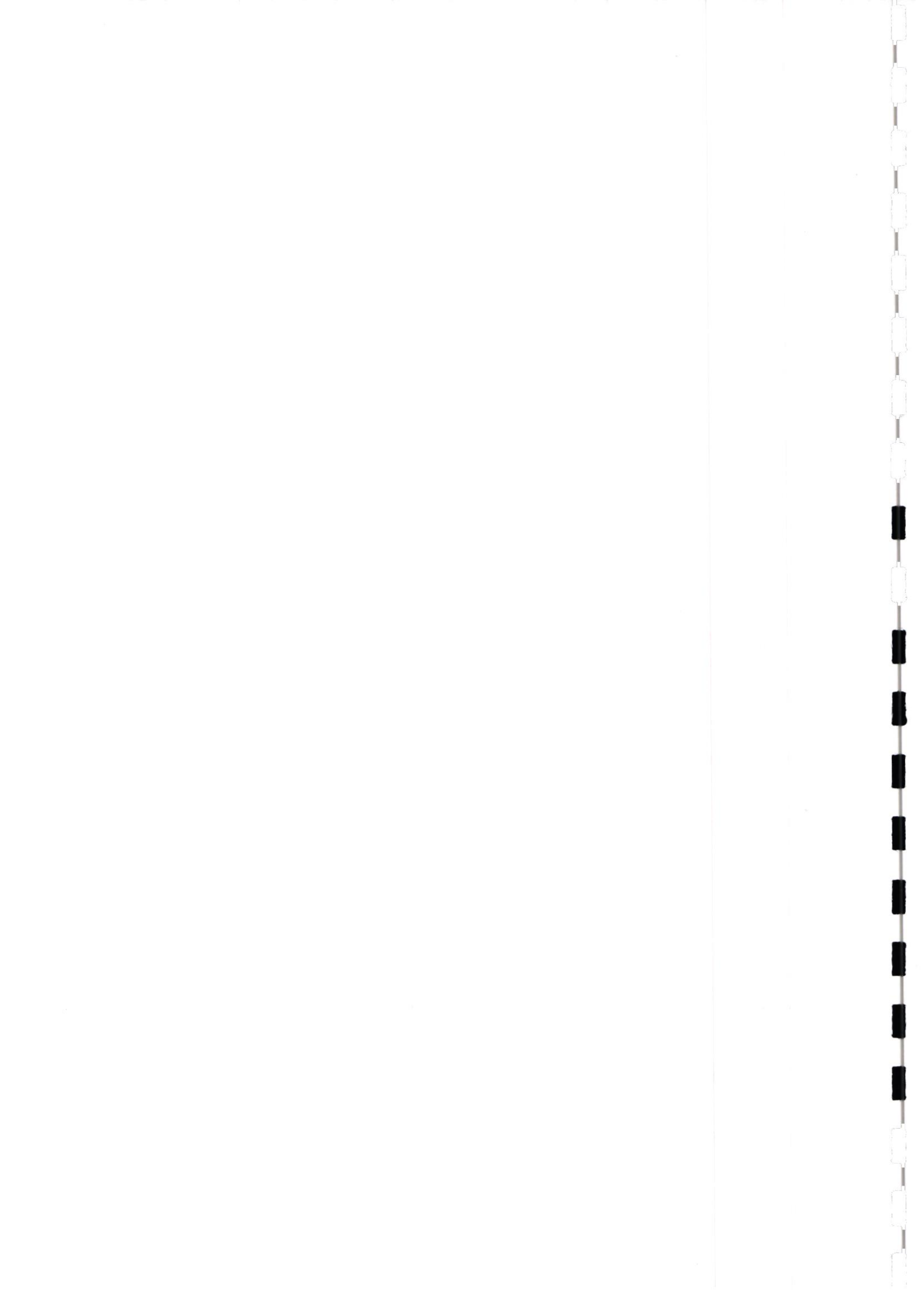
Directors

P.C.C. Ansdison
R.D. Cahill
A.U. Gregory

A.M. Pribunderwalla
W.H. Mullin
A.W. Fringle

D.G. Powell
S.M. Woods
A.Z. Sheikh

(British)



The Kenya Tourist Development Corporation

P. O. Box 42013, Nairobi.

Utalii House, Uhuru Highway

Telephone 229751 (4 lines) & 223488

PAYEE'S NAME AND ADDRESS

KPMG Peat Marwick
Jubilee Insurance Exchange
Mama Ngina Street
NAIROBI.

TDC/8/12//01

TDC//

TDC//

PARTICULARS OF PAYMENT	QUANTITY AND RATE	AMOUNT	
		Shs	Cts
Being payment in respect of feasibility study of the proposed redevelopment of Plot LR. No. 209/9733 as per attached letter		109,250	00
AUTHORITY One hundred and nine thousand two hundred fifty only	TOTAL Shs	109,250	00

[Signature]
Signature of Authorized Officer

DATE 8.04.98

DESIGNATION GM (F) *[Signature]*

HEAD C
SUB-HEAD KTDC
ITEM KNTB Project

PREPARED BY *[Signature]*
CHECKED BY *[Signature]*
A/C *[Signature]*

ACCOUNT NO.	VOUCHER NO.	CHEQUE NO.	AMOUNT	
			Shs	Cts
600/280 721/100	29 / 04	079649	109,250 (109,250	00 00)



SDM/DK/08

Mr GG Njoroge
Kenya Tourist Development Corporation
Utalii House
11th Floor
Uhuru Highway
Nairobi

12 May 1997

K/013/3591

Being for feasibility study of the proposed redevelopment on Plot LR No.
209/9733 Nairobi.

Fee on submission of final report 20%

KShs. 95,000.00

VAT @ 15%

KShs. 14,250.00

Amount due

KShs. 109,250.00

MS
MS approved for
7.23/98

Kenya Tourist Development Corporation

Payments approved.

Q 6.3.98



KPMG Peat Marwick

Certified Public Accountants

Office address
Jubilee Insurance Exchange
Mama Ngina Street
Nairobi
Kenya

Telephone 222862
Telefax 254 -2 -215695
Telex 25074 PMMNBI

To Mr W Arap Chelashaw
Organisation Kenya Tourist Development Corporation
Fax 252404

Page 1 of 4

Copy to

From Mukulu Kasinga
Department KPMG Nairobi
Telephone 254 2 222862
Fax 254 2 215695

Date 16 December 1997

Our Ref: K/013/08/mk/dk

Subject

Attached please find copies of our fee notes for your quick action.

Regards

Mukul Kasinga



If not well received please immediately telephone the sender.

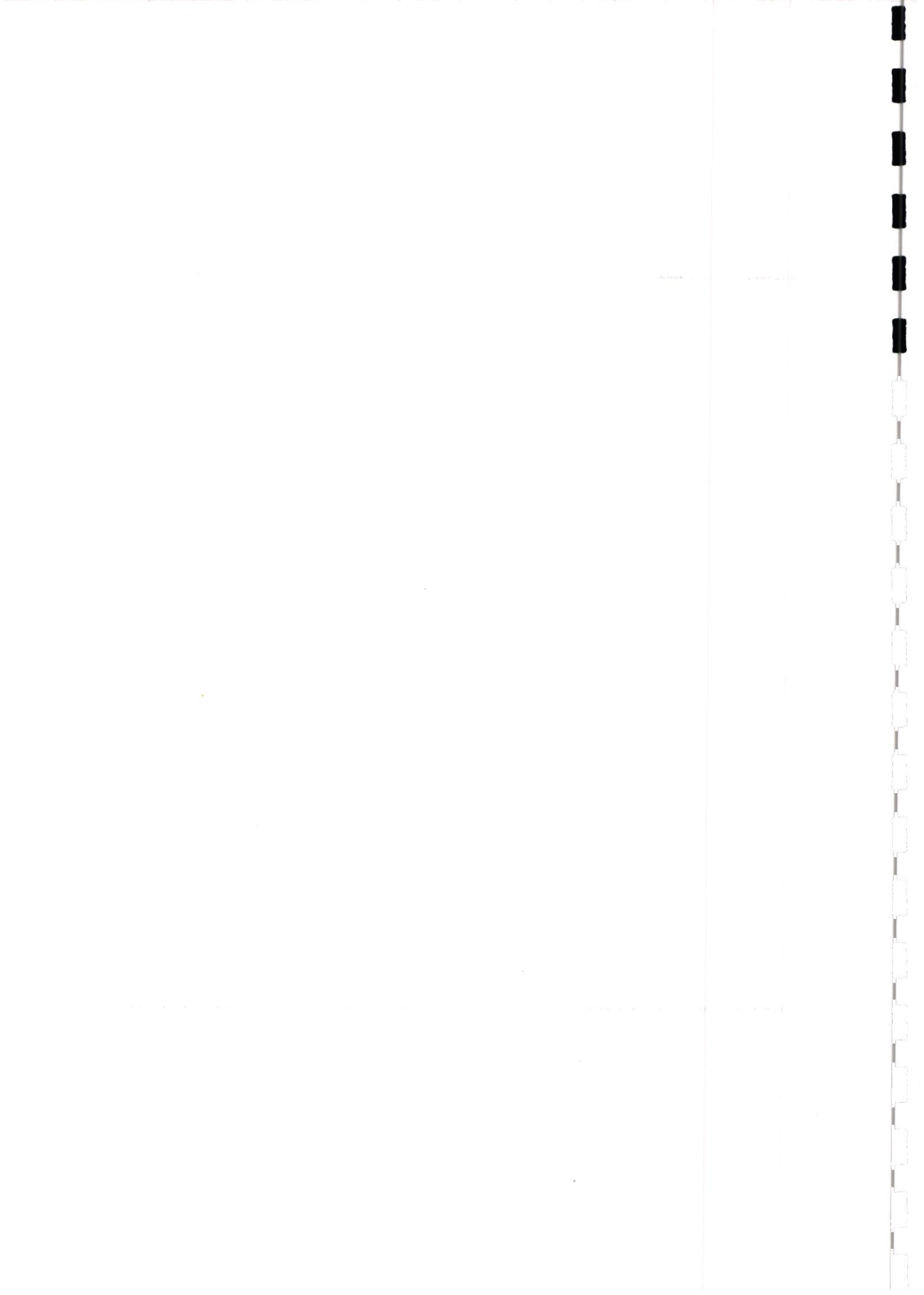
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It may contain privileged and confidential information and, if you are not the intended recipient, you must not copy or distribute it or take action in reliance on it.

If you have received this fax transmission in error, please notify us as soon as possible and return it to us by post.
Member firm of Klynveld Peat Marwick Goerdeler.

1
))

Annex III - Private Investigation Report



BSA

BENLE SERVICES AGENCY



Court Process Servers, Private Enquiry Agents, Investigators, Debt Collectors & Commission Agents

12th floor
Protection House
Nairobi

P. O. Box 625
00200-City Square
Nairobi

Date 7th June, 2006 Our Ref BSA/0715/2006 Your Ref 60/K0056/17

To: **Hamilton Harrison & Mathews Advocates**
I.C.E.A. Building
4th Floor
NAIROBI

Attn: Mr. Paul Ogunde

Dear Sirs,



SKYPERTH ENTERPRISES LIMITED

We refer to your letter dated 22nd May, 2006.

We have completed our investigations on the above named company and we append herebelow our report.

INVESTIGATIONS:

Further to our report dated 21st March, 2006 we proceeded to City Hall, Water Tabulation Department and placed a search on P.O. Box 43502 said to be used by the defendant company herein. The results we got the revealed that the said Box number was not indexed to anyone.

Further information we gathered at your client's offices about the defendant company was that the attached assets were for SANNEX Auctioneers and the lawyers who put an injunction to stop Marchet auctioneers from selling the assets were Messrs Githinji, Kimano & Co. Advocates of 4th Floor, Room 454, Uniafric House, Nairobi.

We discretely visited the said lawyers' offices and met their court clerk in.

Audience with the said clerk revealed that after the advocates blocked the auctioneers from selling the attached goods, the two directors Messrs M. Nderi and John K. Mburu went to the said Advocates' offices and indeed talked to them about getting back their attached assets and they disagreed.

Marchet auctioneers later sold the attached assets. It is here that the 2 directors of the defendant company started going underground.

Principal of H. H. & M.



NB: The defendant company was associated with prominent people of the former Regime (KANU) such as Honourables, Kulei, Biwott, etc.

Further investigations revealed that one of the defendant company's directors Mr. John K. Mburu is seen around the city streets conducting unknown business.

The said court clerk of Githinji, Kimano & Co. Advocates told us that he sometime meets with Mr. Mburu at Times Tower but he could not establish what type of business he conducts there.

The other director, Mr. J. Nderi's whereabouts remains unknown.

Having spent a couple of days with the said court clerk and walking together with him to Times Tower, we never met with Mr. Mburu. We also enquired from the Kenya Revenue Authority if they could be knowing the said company and they denied knowing it.

Since the defendant company used to deal in the work of clearing and forwarding, we have since contacted other clearing agents at Jomo Kenyatta Airport and we have had no luck in getting vital clues on the defendant company/directors.

CONCLUSION

We are convinced that the defendant company is no longer trading since its assets were attached and sold, and it is not known at the areas we extended our enquiries to such as Jomo Kenyatta International Airport and at the offices of Kenya Revenue Authority.

We shall forward to you our disbursements invoice for settlement.

Yours faithfully,

For: BENLE SERVICES AGENCY



FRANCIS KIONGO CHABARI

Mobile No. 0733-861904

BSA

BENLE SERVICES AGENCY

Court Process Servers, Private Enquiry Agents, Investigators, Debt Collectors & Commission Agents



12th floor
Protection House
Nairobi

P. O. Box 625
00200-City Square
Nairobi

Date **21st March, 2006**

Our Ref **BSA/0715/2006**

Your Ref **60/K0056/17**

To: **Hamilton Harrison & Mathews Advocates**
I.C.E.A. Building
4th Floor
NAIROBI

Attn: Mr. Paul Ogunde

Dear Sirs,



SKYPERTH ENTERPRISES LIMITED

We acknowledge receipt of your letter dated 13th March, 2006 and herebelow we append our preliminary investigation report.

SCOPE OF THE INVESTIGATION:

You instructed us to carry out an investigation to trace the defendant company and see if it has any attachable assets.

INVESTIGATIONS:

We started our investigations by contacting your client on 11th floor of Utalii House and requested for the file containing the defendant company's details.

We were given the file and indeed we perused it. The details we gathered here were that:

- (i) the defendant had an Head Office at Jethalal Chambers along Tubman Street, Box number 43502, Telephone Numbers 020-210979 and 0723-77726;
- (ii) further details indicated that the Marketing Manager and the Managing Director of the defendant company were Mr. J. Nderi and Mr. John K. Mburu respectively; and
- (iii) the other details were that before the defendant company left their Utalii House office, on the 1st floor, the auctioneers invaded their offices and attached the assets. These were, MARCHET AUCTIONEERS of 1st floor Gill House.

Having these details, we proceeded to Telkom (K) Ltd and placed a search on telephone number: 020-210979.

The search revealed that the said telephone number was indexed to another firm called WASP AFRICA of P.O. Box 016666, 00100-GPO, NAIROBI.

Principal: F. K. Chabari



We immediately telephoned and successfully talked to them. They indeed informed us that they are situated at the Longonot Place. We proceeded there and enquired from them whether they knew the 2 persons named above (Mr. J. Nderi and Mr. John K. Mburu). They denied knowing the two and they maintained that the firm Wasp Africa was owned by the Longonot Place and does the work of communications for the place.

We also enquired from them to know how they got similar telephone number as that one for SKYPERTH ENTERPRISES and they said they only applied for the telephone line at offices of Telkom (K) Ltd and were given that number.

They even informed us that there many more other people who calls the number and asks for the defendant company in question.

We proceeded to City Hall, Nairobi Water Company and placed a search on P.O. Box 43502, Nairobi. We were later informed that the Box number was missing from the records and we were requested to give them sufficient time to go through their records and then shall go back there for the details of the said Box number.

We visited the offices of Marchet Auctionners in Gill House and again enquired about the defendant company's directors. They informed us that they of course attached the defendant's assets in Utalii house but they never met with the defendant's directors. From there, we extended our enquiries to Companies Registry and again place a search on the defendant company.

The Registrar informed us that the file for the defendant company was missing and he could not trace it at all.

We are therefore chasing for the results of the said Box number at City Hall, and shall revert back to you shortly informing the progress made in tracing the defendant or its directors.

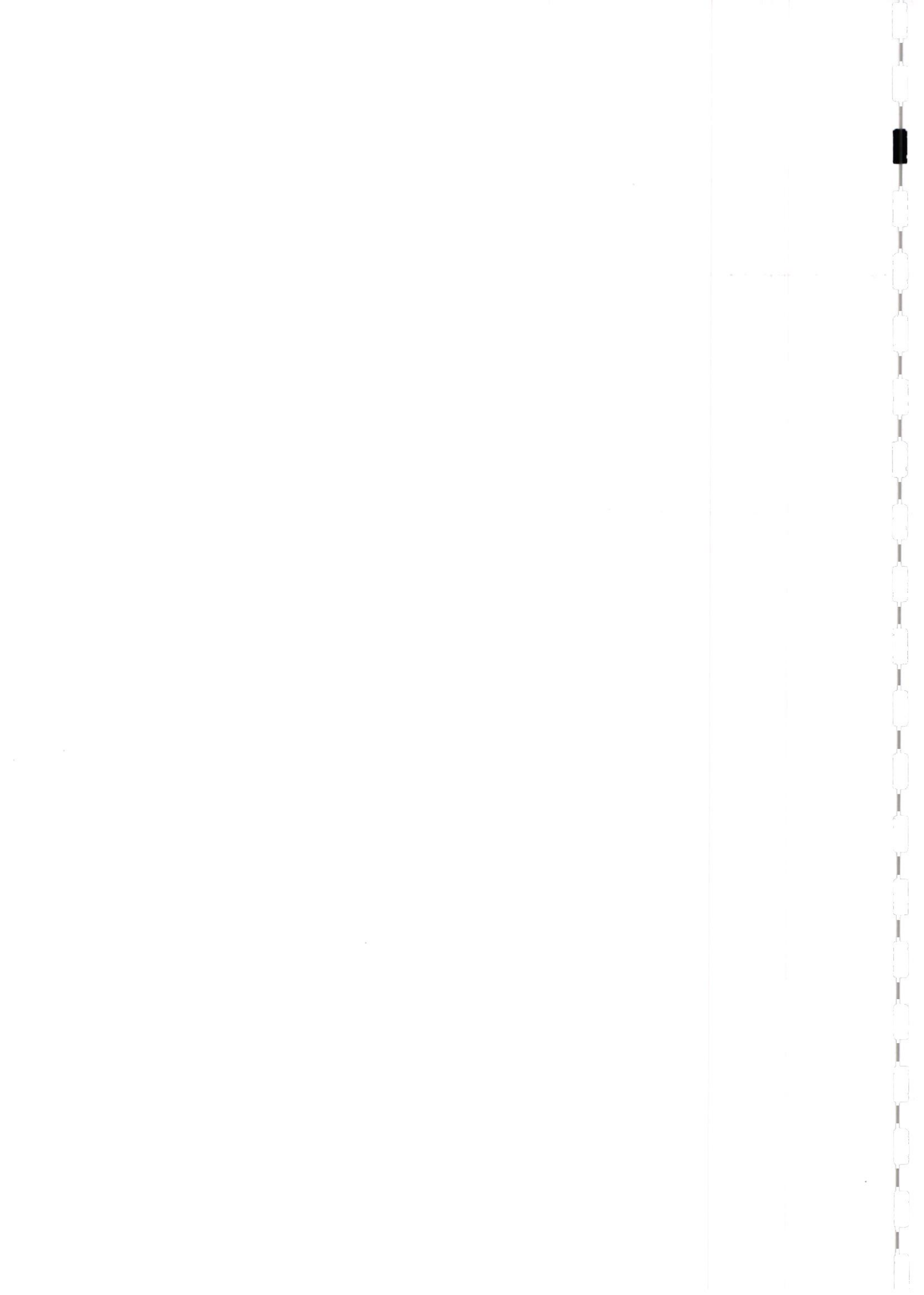
Yours faithfully,

For: **BENLE SERVICES AGENCY**



FRANCIS KIONGO CHABARI

Mobile No. 0733-861904



5/19/99

HAMILTON HARRISON & MATHEWS

ADVOCATES, NOTARIES PUBLIC
COMMISSIONERS FOR OATHS

ICEA BUILDING
KENYATTA AVENUE
P.O. BOX 30333
GPO - NAIROBI - 00100

TELEPHONES :
254 - 20 - 225981-7 / 311594-5
CELLPHONES :
0722 - 453202
0723 - 382341
FAX / 254 - 20 - 222318
E-mail: hhm@hfm.co.ke
DROPPING ZONE NO. 144

CS

COPY

K. A. Fraser*
R. Omwela
K. Kimani
G.G. Murugara
A. Khawaja
D.W. Muriu
H.N. Gitonga
P.V. Shah
*British

Consultants
M.L. Somen
P. Le Pelley S.C.

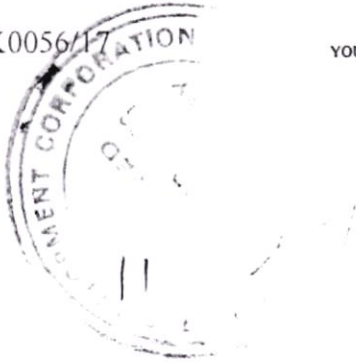
WHEN REPLYING PLEASE QUOTE OUR REF:

60/K0056/17

YOUR REF:

February 7, 2006

Benle Services Agency
Gill House
NAIROBI



Dear Sirs

SKYPERTH ENTERPRISES LIMITED

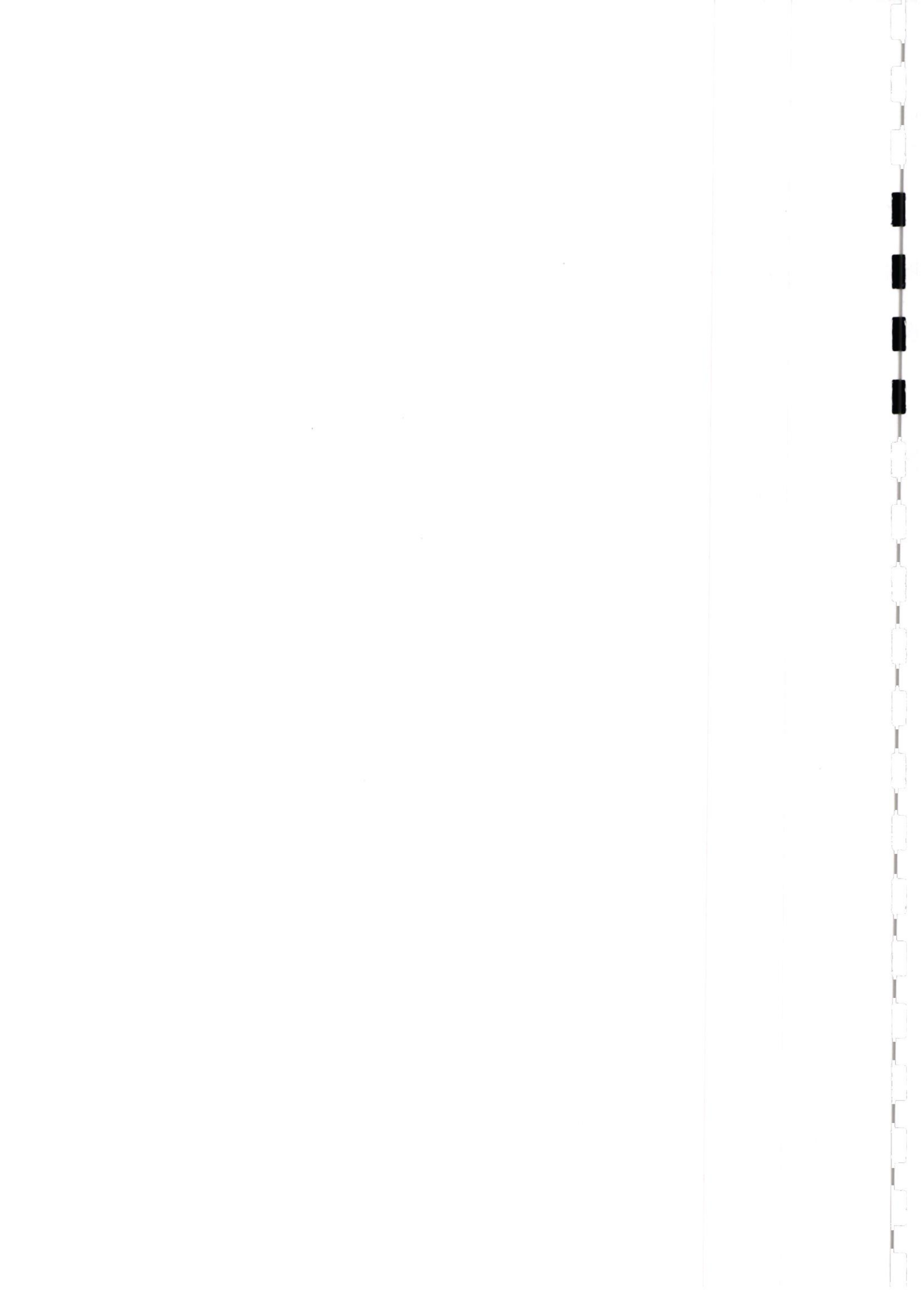
We act for Kenya Tourist Development Corporation who have requested us to instruct an investigator to ascertain whether the above-mentioned company has any attachable assets. That company used to be a tenant of our client's premises. Could you urgently let us know what your charges for conducting the investigation will be to enable us obtain our client's approval.

Yours faithfully
for **HAMILTON HARRISON & MATHEWS**

PAUL OGUNDE

bc Kenya Tourist Development Corporation
Utalii House
Uhuru Highway
NAIROBI TDC/5/9/99

Attention: Mrs Jane Ikiunga Kyaka



Your Ref. 31/K0056/17

Our Ref. TDC/5/1/9/99

16th February, 2006

Hamilton Harrison & Mathews
Advocates
ICEA Building – Kenyatta Avenue
P.O. Box 30333 – 00100 GPO
NAIROBI

Attention: Paul Ogende

Dear Sirs,

RE: SKYPERTH ENTERPRISES LTD

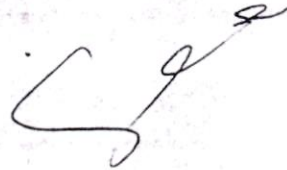
Yours of February 10, 2006 refers.

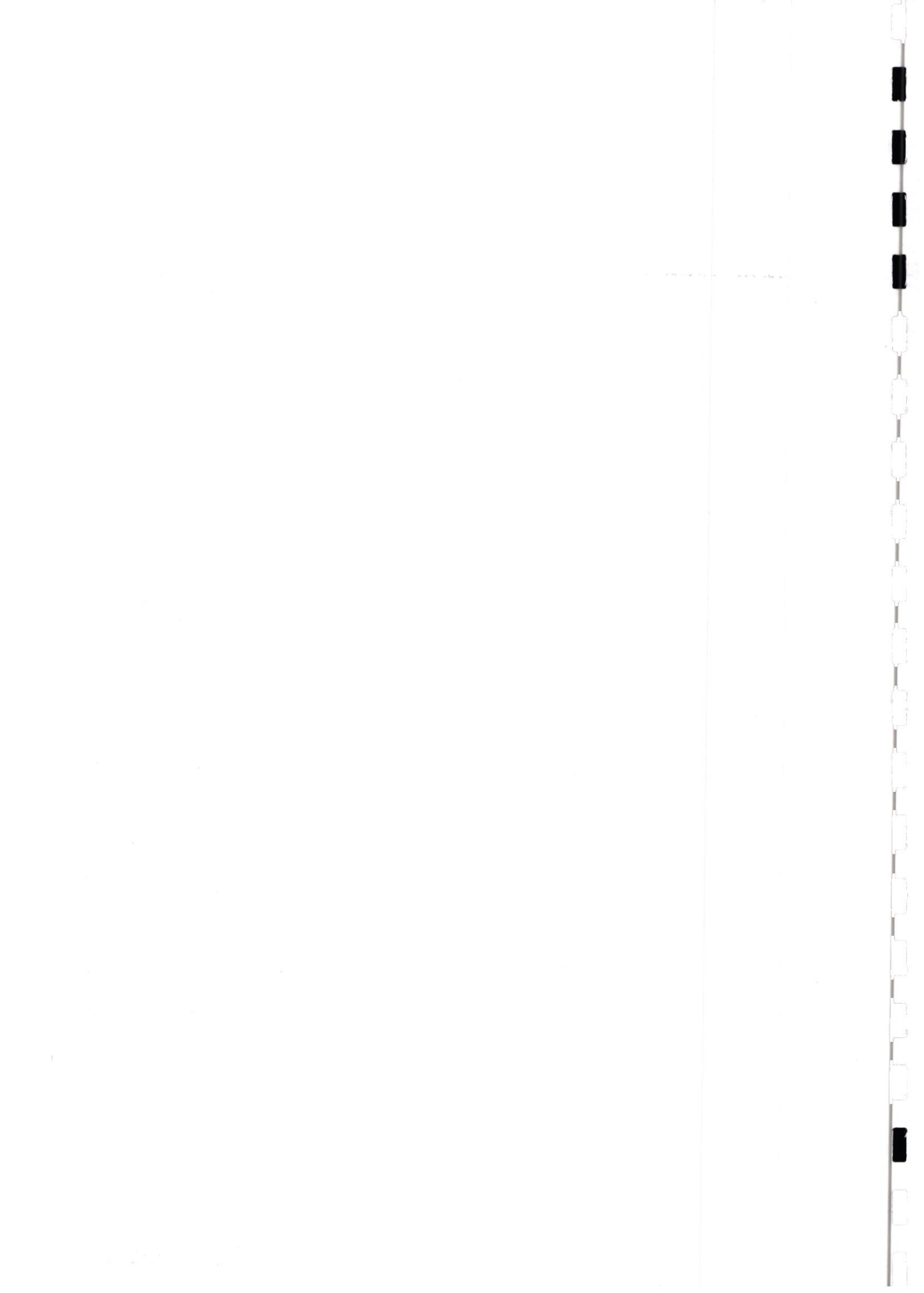
We are agreeable to the proposal by Benle Services Agency.

Please proceed and instruct them accordingly.

Yours faithfully,

JANE IKIUNGA KYAKA (MRS)
CORPORATION SECRETARY
FOR: MANAGING DIRECTOR





Your Ref. 31/K0056/17

Our Ref. TDC/5/1/9/99

27th January, 2006

Hamilton Harrison & Mathews
Advocates
ICEA Building – Kenyatta Avenue
P.O. Box 30333 – 00100 GPO
NAIROBI

Attention: Adil Khawaja

Dear Sirs,

RE: SKYPERTH ENTERPRISES LTD

Please proceed to instruct an investigator to establish the attachable assets of the company.

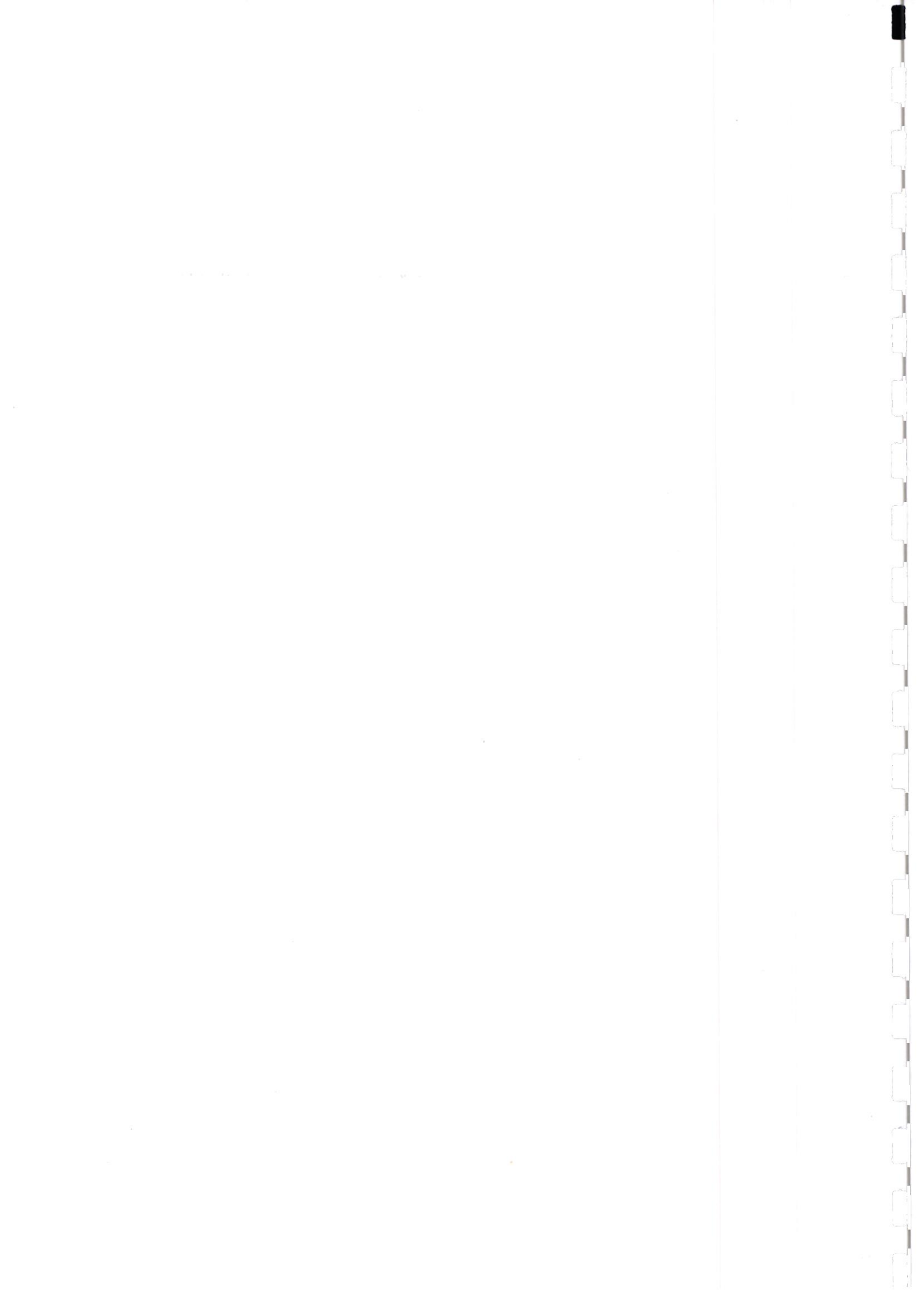
We are processing the Deposit Request Note and shall get back to you shortly.

Yours faithfully,

**JANE IKIUNGA KYAKA (MRS)
CORPORATION SECRETARY
FOR: MANAGING DIRECTOR**



Annex IV - Cheque No. 006742



ANNEX 1(a)



Kenya Tourist Development Corporation

Utalii House, Uhuru Highway
P.O. Box 42013,
Nairobi, Kenya, East Africa
Tel: 330820 / 229751 / 223488
Telegrams: "Tourist" Nairobi
Telex: 23009
Fax: 254 (2) 227815
Email: ktdc@wananchi.com
Website: www.ktdc.co.ke

21536

CR ACCOUNT NO: 72.01 New

DATE: 11/10/00

CONTRA KTDC /4 72.01/200

RECEIVED FROM Central Bank of Kenya

THE SUM OF K SHS Shs. 1,000,000/-

IN RESPECT OF (KTDC fixed deposit)

WITH THANKS

Shs. 1,000,000/-

SIGNATURE OF THE ISSUING OFFICER

CASH / CHEQUE 006742



Annex V - Chelashaw Charged Sheet

4.

CHARGE SHEET

DATE TO COURT 11/4/03 (61)

O.B. No.

COURT FILE NO. A/C 27/2003

Christian Names in full or Name	Surname or Father's Name	Identity Card No.	Sex	Nationality or Tribe	Apparent Age	ADDRESS (include District and Location where applicable)
WILLIAM KIPRUTO BIRIR ARAP CHELASHAW			M	KIYO	A	

CHARGE	
COUNT 1	ABUSE OF OFFICE CONTRARY TO SECTION 101(1) OF THE PENAL CODE CAP. 63 LAWS OF KENYA

PARTICULARS OF OFFENCE (See Second Schedule of C.P.C.)

WILLIAM KIPRUTO BIRIR ARAP CHELASHAW: On 19th June 2000 at the Kenya Tourist Development Corporation offices in Nairobi, within Nairobi Area, being an officer employed in the public service to wit Managing Director of the Kenya Tourist Development Corporation, in abuse of the authority of the said office, arbitrarily and in breach of the provisions of The Kenya Tourist Development Corporation Act (Cap 382 Laws of Kenya) and Treasury Circulars, invested KShs. 30,000,000 in a fixed deposit account at Euro Bank Limited, an act which was prejudicial to the Kenya Tourist Development Corporation.

(FOR OTHER COUNT SEE ATTACHED SHEET)

If Accused Arrested	Date of Arrest	Without or with Warrant	Date Apprehension Report to Court	Bond or Bail and Amount	Is Application made for Summons to Issue
YES	10/4/03	W/O		ON BOND	NIL

Remanded or Adjourned to

Complainant and Address

Witnesses	1 REPUBLIC OF KENYA THRO' KENYA POLICE (ACPU).	6
	2	7
	3 TO BE STATED	8
	4	9
	5	10

Sentence

Court and date ... **NAIROBI LAW COURTS ON 11/4/03**

OFFICER IN CHARGE

CENTRAL POLICE STATION

Date _____ If fine paid _____

KILIMANI

Officer in Charge Police Station

COUNT TWO

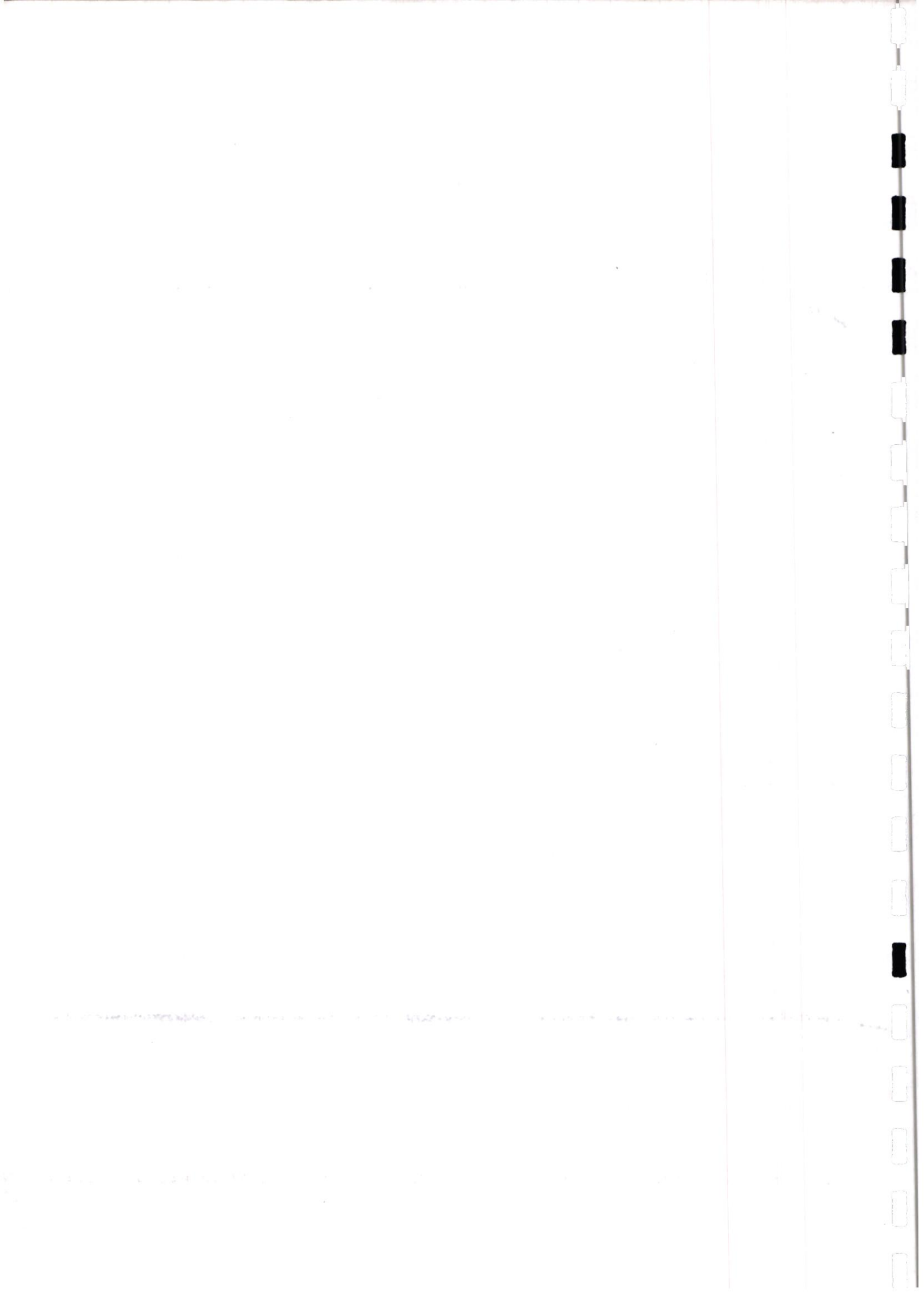
CHARGE: Abuse of office contrary to section 101(1) of the Penal Code Cap. 63
Laws of Kenya

PARTICULARS: WILLIAM KIPRUTO BIRIR ARAP CHELASHAW: On 30th
December 2000 at the Kenya Tourist Development Corporation offices in
Nairobi, within Nairobi Area, being an officer employed in the public
service to wit Managing Director of the Kenya Tourist Development
Corporation, in abuse of the authority of the said office, arbitrarily and in
breach of the provisions of The Kenya Tourist Development Corporation
Act (Cap 382 Laws of Kenya) and Treasury Circulars, invested KShs.
20,000,000 in a fixed deposit account at Euro Bank Limited, an act which
was prejudicial to the Kenya Tourist Development Corporation.



OFFICER IN-CHARGE KILIMANI

Annex VI - Adjustment to Accounts for 2001/2002 &
2002/2003



ANNEX

11

5

TDC/16/1

20 February 2004

The Controller and Auditor General
P.O Box 30084
NAIROBI

OFFICE OF THE CONTROLLER
AND AUDITOR GENERAL
RECEIVED
26 FEB 2004
No. ...
REGISTRY
ANNIVERSARY TOWERS, NAIROBI

Att: Mr. Nvachio

Dear Sir,

M.D.
The accounts were delivered with M.D's signature only as agreed so that Nvachio can start working on them and prepare Report. Chairman said he will sign after they are brought before Board. 26/2/04

RE: ADJUSTMENTS TO ACCOUNTS FOR 2001/2002 AND 2002/2003

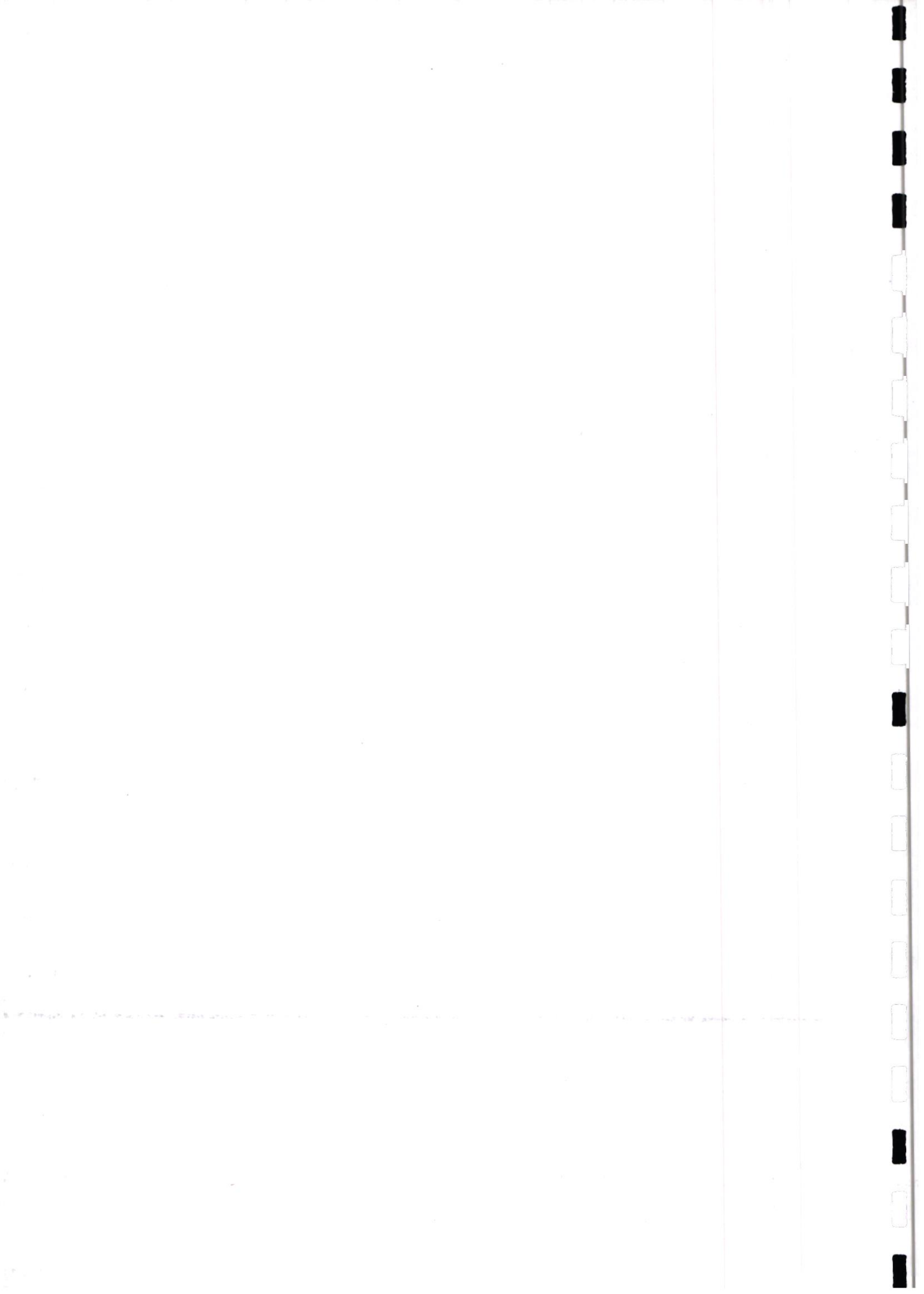
The KTDC Accounts for the year 2001/2002 did not take into account transactions made from two Fixed Deposit accounts held with Daima Bank Ltd and also two Fixed Deposit accounts held with the collapsed Euro Bank Ltd. These transactions were entered and reflected in the year 2002/2003, the year when they were disclosed for accounting recording.

However, following your recommendations in the management letter for the year 2001/2002 the accounts 2001/2002 year have now been adjusted and amended to reflect all transactions relating to these Deposit accounts. Consequent amendments have been effected in the accounts for 2002/2003.

The following is the highlight of the changed items.

1. Loan Disbursement

	Approved Loan KSh.	Earlier Disbursed and Recorded KSh.	Disbursed and not recorded then KSh.
Garden Hotel Ltd	20,000,000	1,500,000	18,500,000
Church Road Dev. Co. Ltd	28,000,000	8,500,000	19,500,000
	<u>48,000,000</u>	<u>10,000,000</u>	<u>38,000,000</u>



D
A
I
M
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The amount of Ksh 38,000,000 has been recognised in 2001/2002. Investments and Loan figures in the Balance sheet increase by the same amounts while Fixed Deposits decrease proportionately. Please note that records show these disbursements were from Daima Bank.

2. Interest from Commercial Loans

This interest up to June 2002 has now been reflected in 2001/2002 and reversed in 2002/2003. The amount is:

	<u>Kshs.</u>
Garden Hotel Ltd	5,357,843
Church Road Dev. Co. Ltd	4,750,133
	<u>10,107,976</u>

The Amount of Ksh. 10,107,976 now increases to Investments and Loans and adds to profit for 2001/2002 whereas the same is reversed in each case for 2002/2003.

3. Fixed Deposits Interest

The Interest earned for 2001/2002 has been reversed from 2002/2003 accounts where it had been included. The amount is:

	<u>Kshs</u>
Gross	3,383,248.70
Less: W/Tax paid	507,487.35
Net	<u>2,875,761.35</u>

The Gross Interest adds to Profits for 2001/2002 while reducing the profits for 2002/2003 after reversal. The W/Tax recovered has been adjusted in the cash flow statement as an addition to taxes paid in 2001/2002 and as a reduction to taxes paid in 2002/2003. The net Interest adds to the Fixed Deposits in the 2001/2002.

In summary, the items in the Balance sheet for 2001/2002 affected by the changes are Investments and Loans, Cash and Cash Equivalents (i.e. Fixed Deposits), General Fund and Corporation Tax. Since the inclusion of the transactions in 2001/2002 sees a reversal of the same in 2002/2003 i.e. only creating a cut-off, the Balance Sheet balances for these items for 2002/2003 do not change from what was reflected in the same year before the amendments. The Income statement Profit or Loss changes as below:



	Before Amendment Profit/(Loss) Retained <u>Ksh</u>	After Amendment Profit/(Loss) Retained <u>Ksh</u>
2001/2002	(136,251,402)	(122,760,177)
2002/2003	<u>(68,270,787)</u>	<u>(81,762,012)</u>
Combined Profit/(Loss)	<u>(204,522,189)</u>	<u>(204,522,189)</u>

After the disclosure of the Deposit transactions in Daima Bank in March 2003, the remaining Ksh. 10,474,961 was recalled and deposited at KCB University way at Sh 11,500,000 (including some other funds in privatisation current account).

The transactions in Euro Bank Ltd have not been included. We took your advice that we include a note (see Note 5 on page 9 for 2001/2002) to the effect that the company had collapsed at the time of finalizing the accounts and would be imprudent to include any interest at this stage, while being aware of these facts. Provision for loss on this Investment was made 2002/2003 accounts, (i.e. note 12).

Please find attached five (5) sets of signed accounts for each of the two financial years for your necessary action. The relevant adjustment vouchers and entries in the books are available for you to examine and audit.

Yours faithfully,

MUTUA PATRICK NZOKA
MANAGING DIRECTOR



Annex VII - Claim a payment of Deposit



C/8/3/14 ANNEX II (A)



Kenya Tourist Development Corporation

Utalii House,
Uhuru Highway
P.O Box 42013
Nairobi, Kenya, East Africa
Tel: 330820/229751/223488
Telegrams: "Tourist" Nairobi
Telex: 23009
Fax: 254 (2) 227815
E-mail: info@ktdc.co.ke
Website: www.ktdc.co.ke

TDC/C/8/3/14

14 April 2004

The Liquidation Agent
Euro Bank Ltd (In Liquidation)
c/o Central Bank of Kenya
Central Bank Building, 3rd Floor
P. O. Box 45983-00100
NAIROBI

Att: Mr. M. A. Mohamud



Dear Sir,

RE: CLAIM FOR PAYMENT OF DEPOSITS

We refer to your letter dated 5 April 2004 on the above claim for our Fixed Deposit of Kshs. 61,692,978.00 and wish to express our gratitude to your confirmation of this deposit.

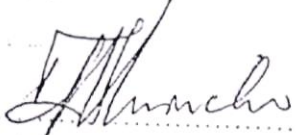
As requested, we attach the original Fixed Deposit Receipt (FDR) No. 001745 for Kshs. 61,692,978.00 to enable you process this claim.

Please acknowledge receipt of the FDR by signing the attached copy of this letter.

Yours faithfully,

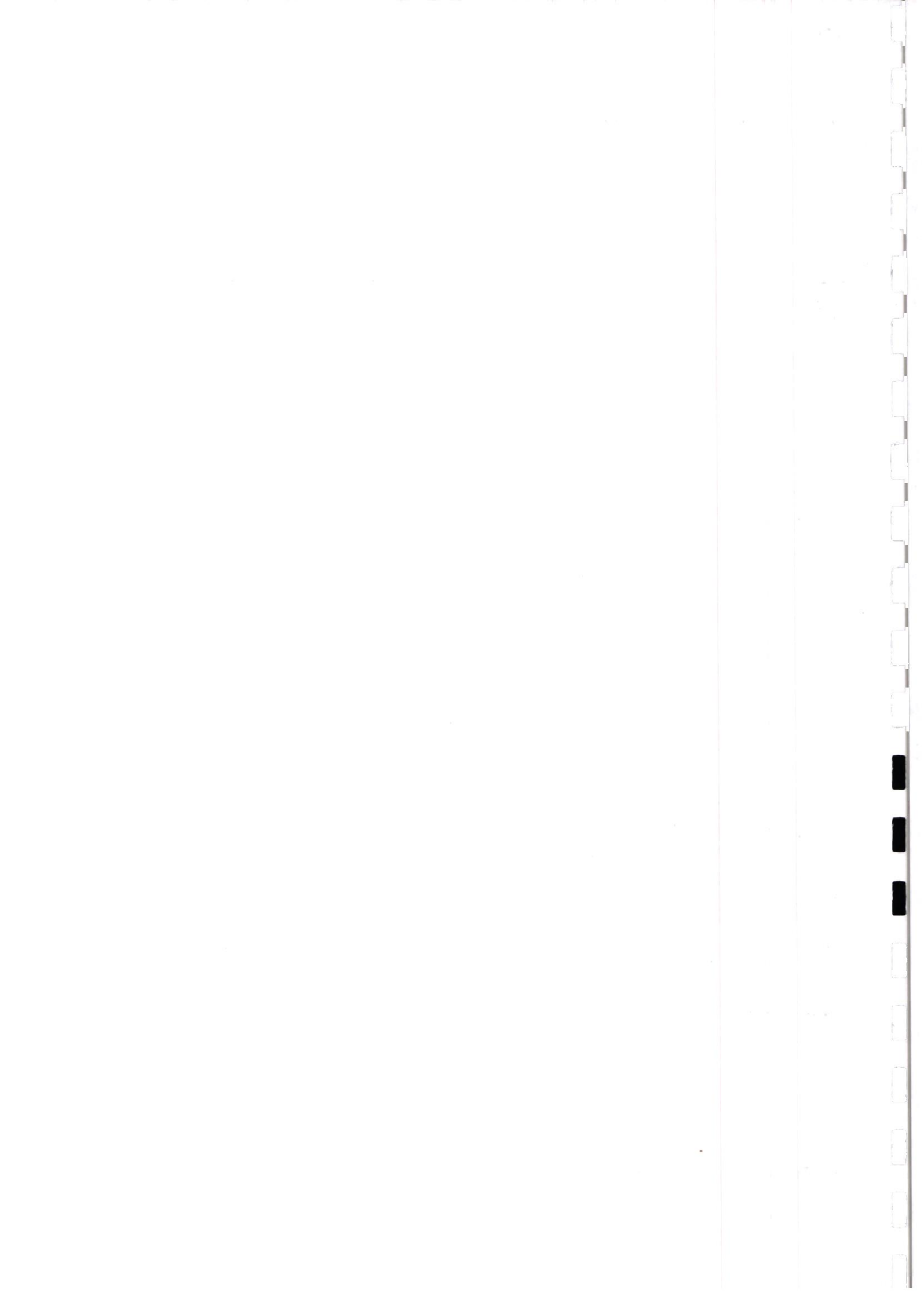

MUTUA P. NYOKA
MANAGING DIRECTOR

I have received the original FDR 001745 for Kshs. 61,692,978.00 from Kenya Tourist Development Corporation (KTDC).

Name: J.N. Muriato Signature: 



Official stamp



KENYA TOURIST DEVELOPMENT CORPORATION

SUMMARY OF INTEREST EARNED FROM FIXED DEPOSITS AT DAIMA BANK LTD

1 FDR O63095 – KSHS 26,696,312.55

	<u>Gross Interest KShs.</u>	<u>15% W/Tax KShs.</u>	<u>Net Interest KShs.</u>
06/01/01 – 16/04/01 at 13%	865,253.10	129,788.00	735,465.10
17/04/01 – 17/07/01 at 12.5%	278,353.35	41,753.00	236,600.35
17/07/01 – 17/10/01 at 12%	277,312.05	41,596.80	235,715.25
17/10/01 – 17/01/02 at 11%	260,738.15	39,110.75	221,627.40
17/01/02 – 17/04/02 at 9.25%	<u>219,545.55</u>	<u>32,931.85</u>	<u>186,613.70</u>
Adjusted to 2001/2002 Accounts	<u>1,901,202.20</u>	<u>285,180.40</u>	<u>1,616,021.80</u>
17/04/02 – 07/01/03 at 7%	498,681.65	74,802.25	423,879.40
07/01/03 – 26/02/03 at 6.5%	<u>91,144.35</u>	<u>13,671.65</u>	<u>77,472.70</u>
Adjusted to 2002/2003 Accounts	<u>589,826.00</u>	<u>88,473.90</u>	<u>501,352.10</u>
Total Adjusted	<u>2,491,028.20</u>	<u>373,654.30</u>	<u>2,117,373.90</u>

2 FDR 063425 – KSHS 26,893,479.90

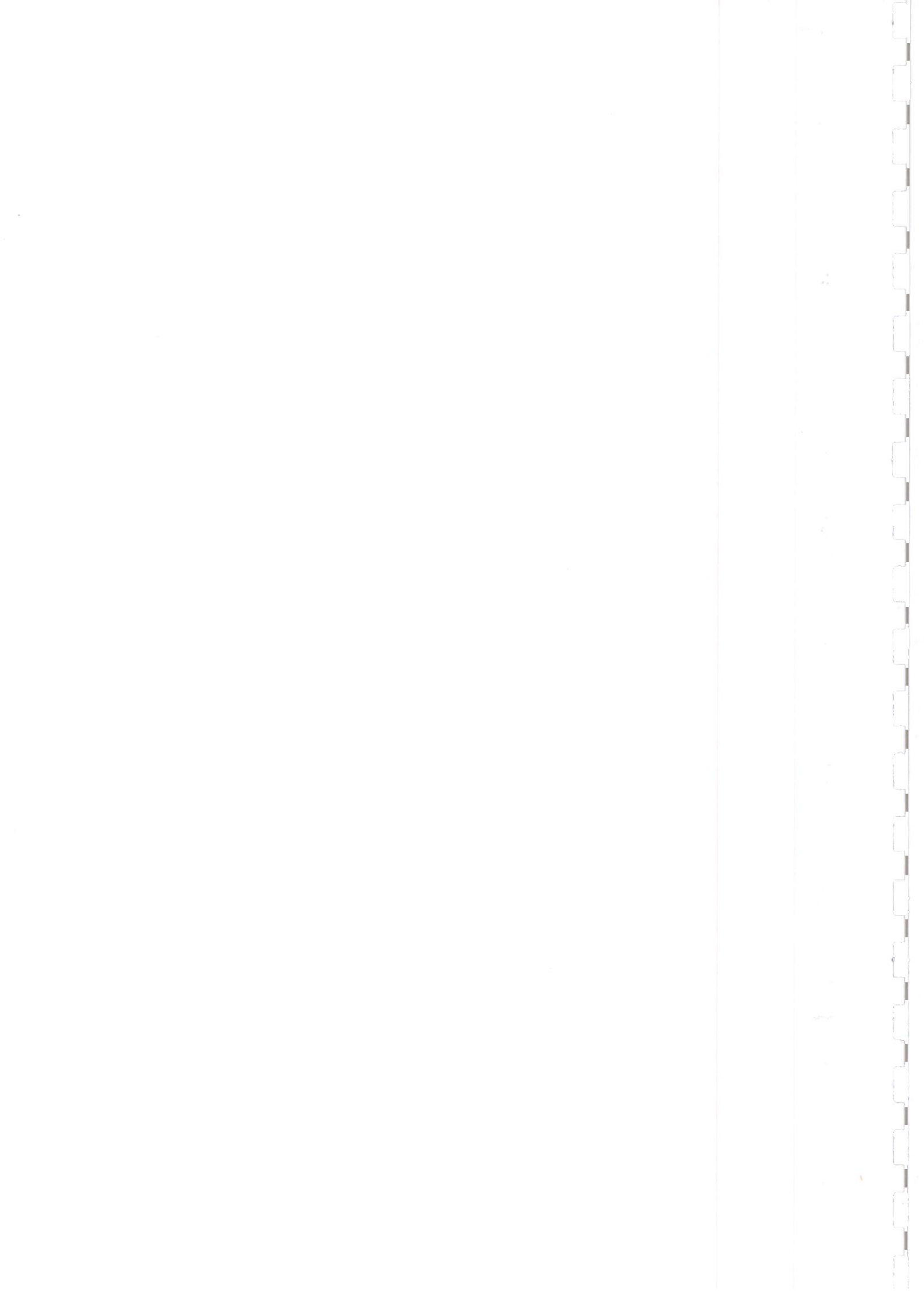
06/02/01 – 07/05/01 at 13.5%	895,221.30	134,283.20	760,938.10
07/05/01 – 15/06/01 at 10.5%	295,485.55	44,322.80	251,162.75
15/06/01 – 05/10/01 at 11%	283,717.15	42,557.55	241,159.60
05/10/01 – 07/01/02 at 11%	4,156.95	623.55	3,533.40
07/01/02 – 07/04/02 at 9.25%	<u>3,465.95</u>	<u>519.85</u>	<u>2,945.70</u>
Adjusted to 2001/2002 Accounts	<u>1,482,046.55</u>	<u>222,306.95</u>	<u>1,259,739.55</u>
07/04/02 – 06/01/03 at 7%	8,051.35	1,207.70	6,483.65
07/01/03 – 26/02/03 at 6.5%	<u>1,425.20</u>	<u>213.75</u>	<u>1,211.45</u>
Adjusted to 2002/2003 Accounts	<u>9,476.55</u>	<u>1,421.45</u>	<u>8,055.10</u>
Total Adjusted	<u>1,491,523.05</u>	<u>223,728.40</u>	<u>1,267,794.65</u>

SUMMARY ADJUSTMENT 2001/2002

FDR 063095 Adjusted to 2001/2002	1,901,202.20	285,180.40	1,616,021.80
FDR 063425 Adjusted to 2001/2002	<u>1,482,046.55</u>	<u>222,306.95</u>	<u>1,259,739.55</u>
Adjustments per letter dated 20/2/04	<u>3,383,248.75</u>	<u>507,487.35</u>	<u>2,875,761.35</u>

SUMMARY ADJUSTMENT 2002/2003

FDR 063095 Adjusted to 2002/2003	589,826.00	88,473.90	501,352.10
FDR 063425 Adjusted to 2002/2003	<u>9,476.55</u>	<u>1,421.45</u>	<u>8,055.10</u>
Total adjusted to 2002/2003	<u>599,302.55</u>	<u>89,895.35</u>	<u>509,407.20</u>

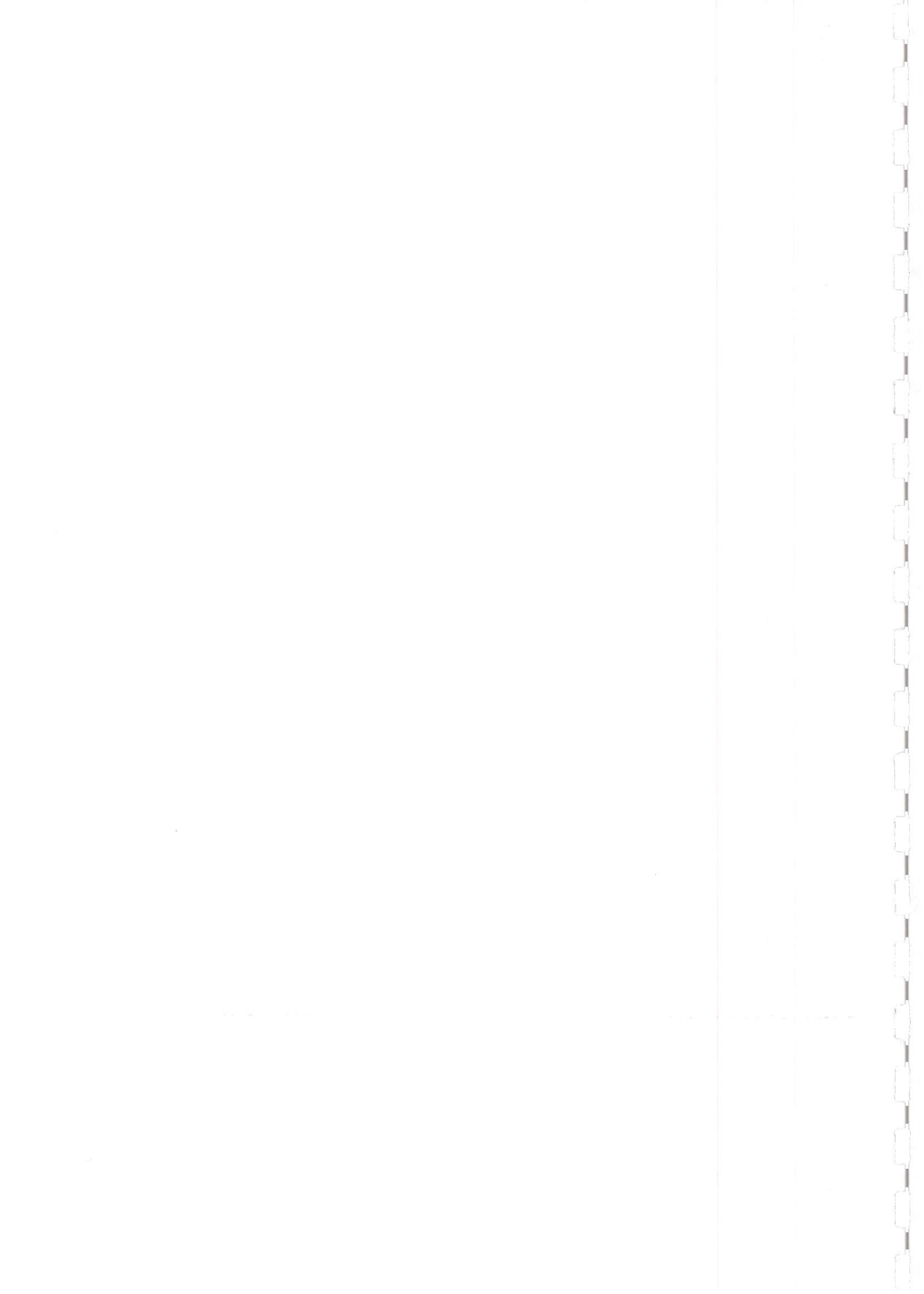


RO BANK

Kshs

Amount per FDR 001745 at time of Bank collapse	61,692,978.00
Less: Book Value of amount invested	<u>(51,669,760.90)</u>
Net Interest upto time of collapse	<u>10,023,217.10</u>

This interest was not included in the books since it was only known at time when Bank had collapsed as indicated in letter to the Controller and Auditor General dated 20 February 2004 and also on page 9 of Financial Statements for 2001/2002 (Note 5).



DETAIL WORKINGS
DAIMA BANK DEPOSITS

(268)

1) FDR No. 063095 (16.01.01 - 16.04.01) 91 days

FDR amount Kshs. 26,696,312.55

Gross Interest @ 13% p.a. = 865,253.10

Less W/T 129,788.00 735,465.10

27,431,777.65

Less: Loan to M/s Garden Hotel on 17.04.01

18,500,000.00

FDR (17.04.01 - 17.07.01) - 91 days

8,931,777.65

Gross Interest @ 12.5% p.a. = 278,353.35

Less: W/T 41,753.00

236,600.35

FDR (17.07.01 - 17.10.01) - 92 days

9,168,378.00

Gross Interest @ 12% p.a. = 277,312.05

Less: W/T 41,596.80

235,715.25

FDR (17.10.01 - 17.01.02) - 92 days

9,404,093.25

Gross Interest @ 11% p.a. = 260,738.15

Less: W/T 39,110.75

221,627.40

FDR (17.01.02 - 17.04.02) - 90 days

9,625,720.65

Gross Interest @ 9.25 % p.a. = 219,545.55

Less: W/T 32,931.85

186,613.70

FDR (17.04.02 - 07.01.03) - 265 days

9,812,334.35

Gross Interest @ 7 % p.a. = 498,681.65

Less: W/T 74,802.25

423,879.40

FDR (07.01.03 - 26.02.03) - 50 days

10,236,213.75

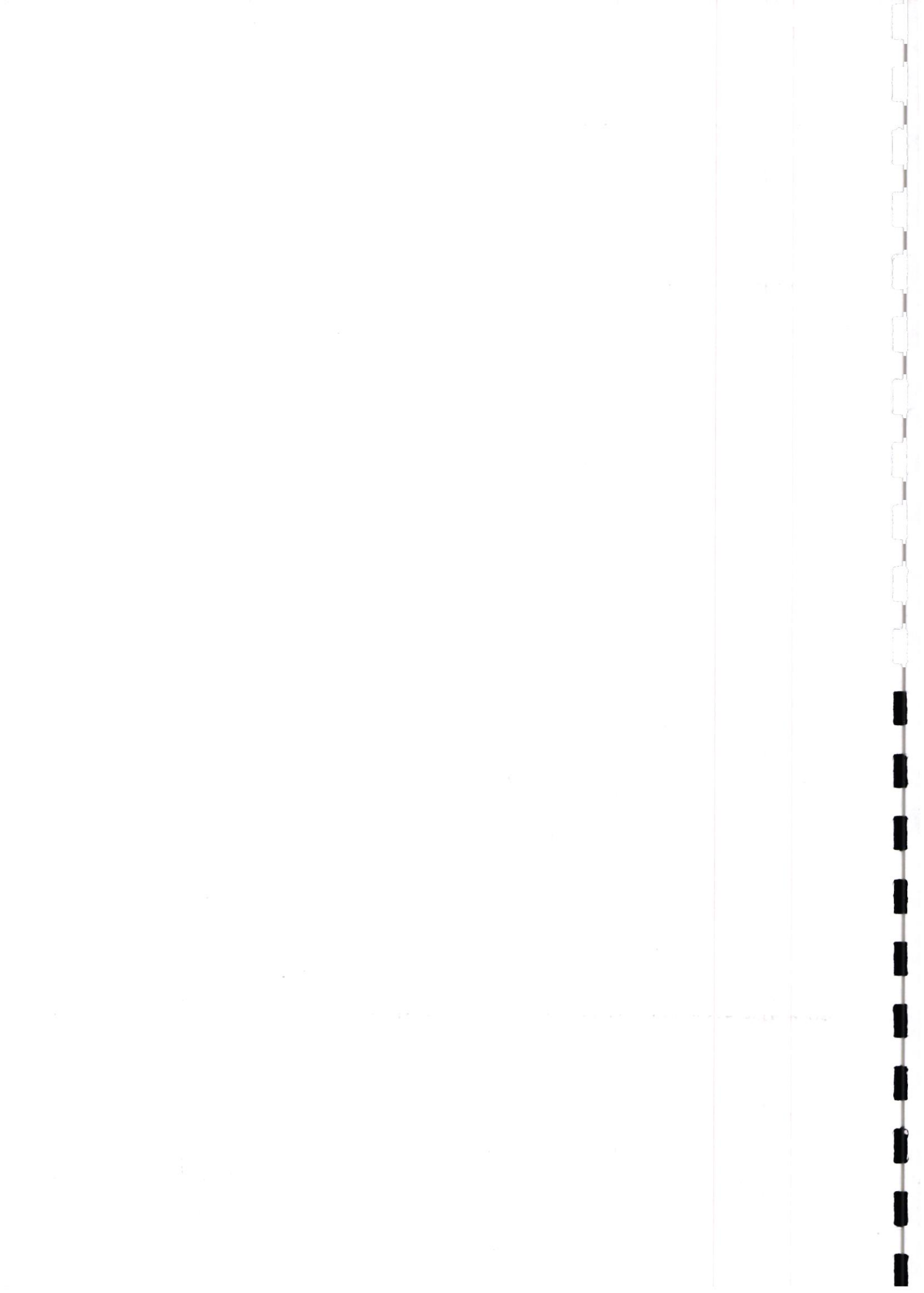
Gross Interest @ 6.5 % p.a. = 91,144.35

Less: W/T 13,671.65

77,472.90

Paid on 26.02.03 by bankers cheque No. 37571

10,313,686.45



Detailed workings

2) FDR No. 063425 (06.02.01 - 07.05.01) 90 days

FDR amount Kshs. 26,893,479.90

Gross Interest @ 13.5% p.a. = 895,221.30

Less W/T 134,283.20 760,938.10

On call (07.05.01 - 15.06.01) - 39 days

Gross Interest @ 10.5% p.a. = 295,485.55

Less: W/T 44,322.80

251,162.75

27,905,580.75

Less: Loan to Church Road

Development on 15.06.01

19,500,000.00

FDR (15.06.01 - 05.10.01) - 112 days

8,405,580.75

Gross Interest @ 11% p.a. = 283,717.15

Less: W/T 42,557.55

241,159.60

8,646,740.35

Less: Amount withdrawn (KTDC) →

8,500,000.00 ×

FDR (05.10.01 - 07.01.02) - 94 days

146,740.35

Gross Interest @ 11 % p.a. = 4,156.95

Less: W/T 623.55

3,533.40

FDR (07.01.02 - 07.04.02) - 91 days

150,273.75

Gross Interest @ 9.25 % p.a. = 3,465.55

Less: W/T 519.85

2,945.70

FDR (07.04.02 - 06.01.03) - 274 days

153,219.45

Gross Interest @ 7% p.a. = 8,051.35

Less: W/T 1,207.70

6,843.65

FDR (07.01.03 - 26.02.03) - 50 days

160,063.10

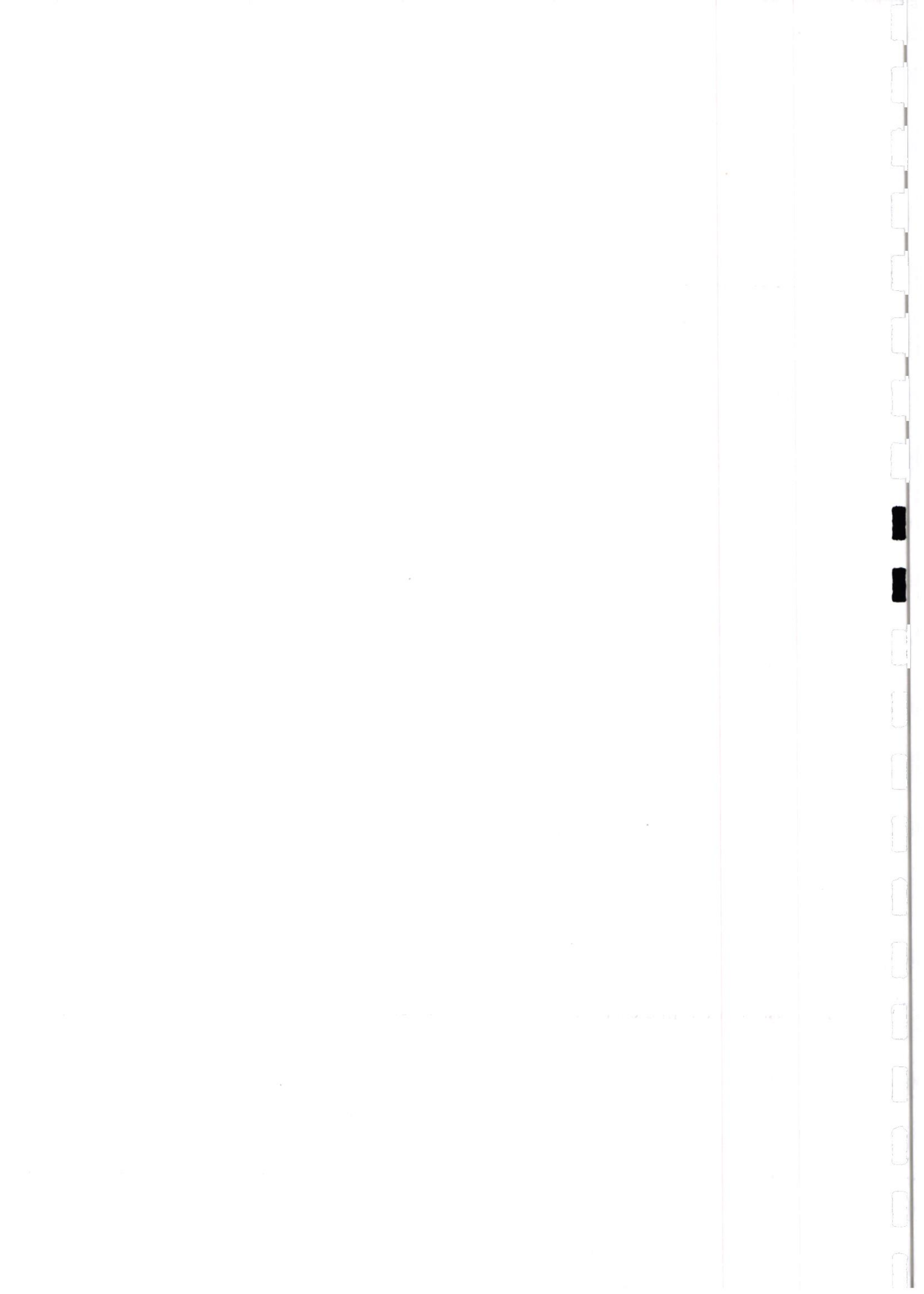
Gross Interest @ 6.5% p.a. = 1,425.20

Less: W/T 213.75

1,211.45

Paid on 26.02.03 by bankers cheque No. 37570

161,274.55



DETAILED WORKINGS

2). FDR No. 063425 (06.02.01 - 07.05.01) 90 days

FDR amount		Kshs. 26,893,479.90
Gross Interest @ 13.5% p.a.	=	895,221.30
Less W/T		<u>134,283.20</u>
		760,938.10

On call (07.05.01 - 15.06.01) - 39 days

Gross Interest @ 10.5% p.a.	=	295,485.55
Less: W/T		<u>44,322.80</u>
		<u>251,162.75</u>
		27,905,580.75

Less: Loan to Church Road

Development on 15.06.01		<u>19,500,000.00</u>
-------------------------	--	----------------------

FDR (15.06.01 - 05.10.01) - 112 days

8,405,580.75

Gross Interest @ 11% p.a.	=	283,717.15
Less: W/T		<u>42,557.55</u>

241,159.60

8,646,740.35

Less: Amount withdrawn (KTDC) →
FDR (05.10.01 - 07.01.02) - 94 days

8,500,000.00 ×

146,740.35

Gross Interest @ 11 % p.a.	=	4,156.95
Less: W/T		<u>623.55</u>

3,533.40

FDR (07.01.02 - 07.04.02) - 91 days

150,273.75

Gross Interest @ 9.25 % p.a.	=	3,465.55
Less: W/T		<u>519.85</u>

2,945.70

FDR (07.04.02 - 06.01.03) - 274 days

153,219.45

Gross Interest @ 7% p.a.	=	8,051.35
Less: W/T		<u>1,207.70</u>

6,843.65

FDR (07.01.03 - 26.02.03) - 50 days

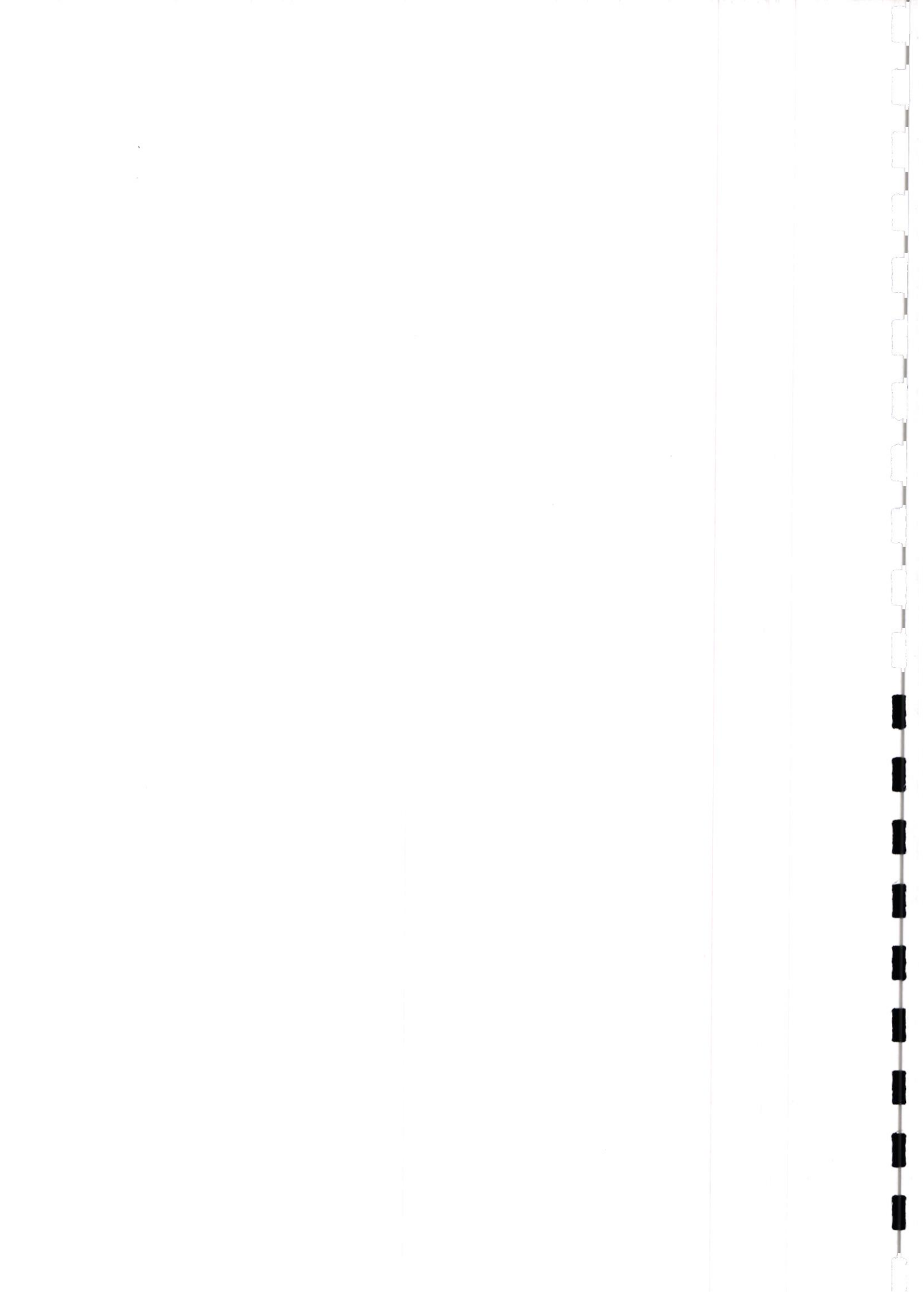
160,063.10

Gross Interest @ 6.5% p.a.	=	1,425.20
Less: W/T		<u>213.75</u>

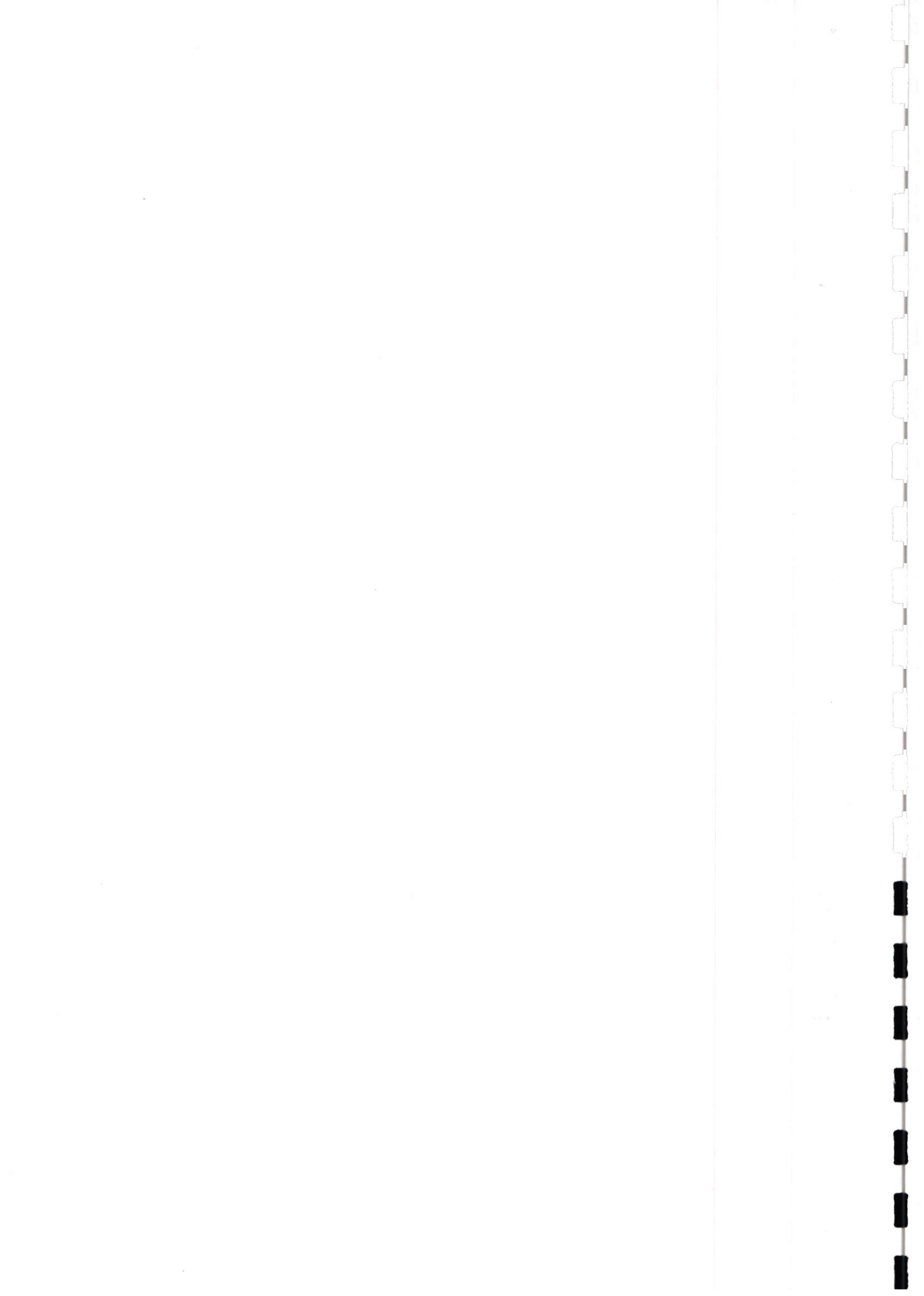
1,211.45

Paid on 26.02.03 by bankers cheque No. 37570

161,274.55



Annex VIII - Board Meeting MIN 12/2000



ANNEX III

KENYA TOURIST DEVELOPMENT CORPORATION

MINUTES OF THE 181ST BOARD MEETING OF THE DIRECTORS
OF THE CORPORATION HELD ON TUESDAY, 11 JULY 2000 AT
10.00 A.M AT LE CHATEAU, HOTEL INTERCONTINENTAL,
NAIROBI.

PRESENT:

Mr. P.F. Kitololo - Chairman
Mr. Charles Kutwa
Mrs. Susan C. Moss
Mr. Alex Leteipan
Mrs. N. Mwanzia
Mr. G. N. Macharia
Mr. D.N. Njau - Representing the Permanent
Secretary Ministry of
Tourism Trade & Industry
Mr. J.J.B. Kijira - Representing the Permanent
Secretary, Treasury
Mr. Wachira Gitahi - Representing the Permanent
Secretary, Ministry of
Environment & Natural
Resources
Mr. W.K.B. Arap Chelashaw - Managing Director

ABSENT:

Mr. J. M. Mwendwa
Mr. B. K. Kibiego

IN ATTENDANCE:

Mr. E.N. Ngigi
Mr. P.S. Mutemi
Mr. R. M. Kiartu
Mr. A.K.N. Mbuvi
Mr. P.I. Ongeso
Mrs. S.M. Githegi

MIN. 8/2000 CONFIRMATION OF MINUTES:

The Minutes of the 180th Board Meeting held on
30 May 2000 were **CONFIRMED** and
SIGNED by the Chairman.

CHAIRMAN
INITIALS



MIN. 11/2000

LOAN APPLICATION
RECOMMENDED FOR
APPROVAL:

The Board DEFERRED discussion on the Loan Applications to the next Board Meeting.

MIN. 12/2000

ANY OTHER
BUSINESS:

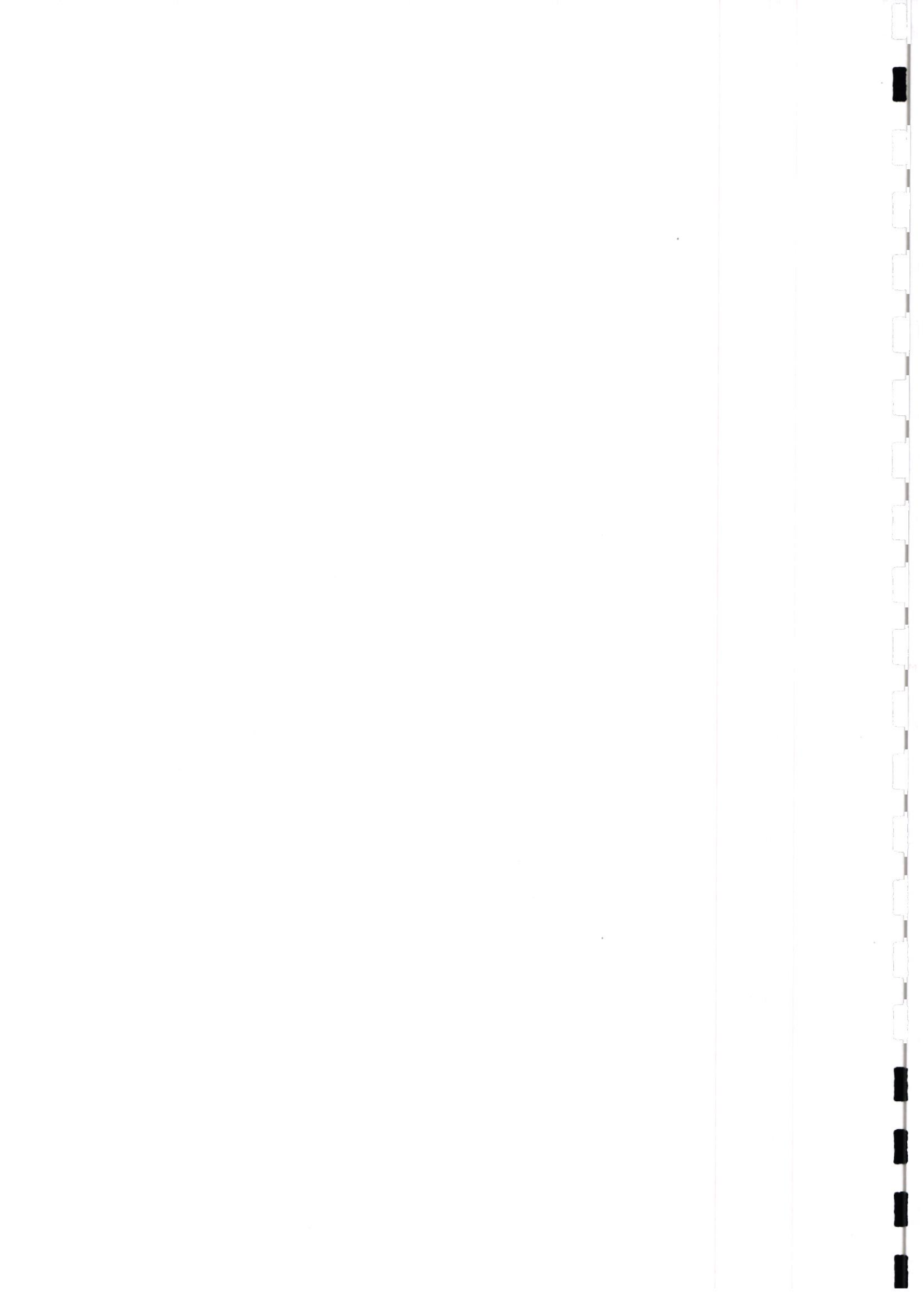
1. Financial Assistance to the Parent Ministry

The Board APPROVED the payment of USS200,000 to assist the Parent Ministry pay off an international debt incurred in overseas publicity and advertising.

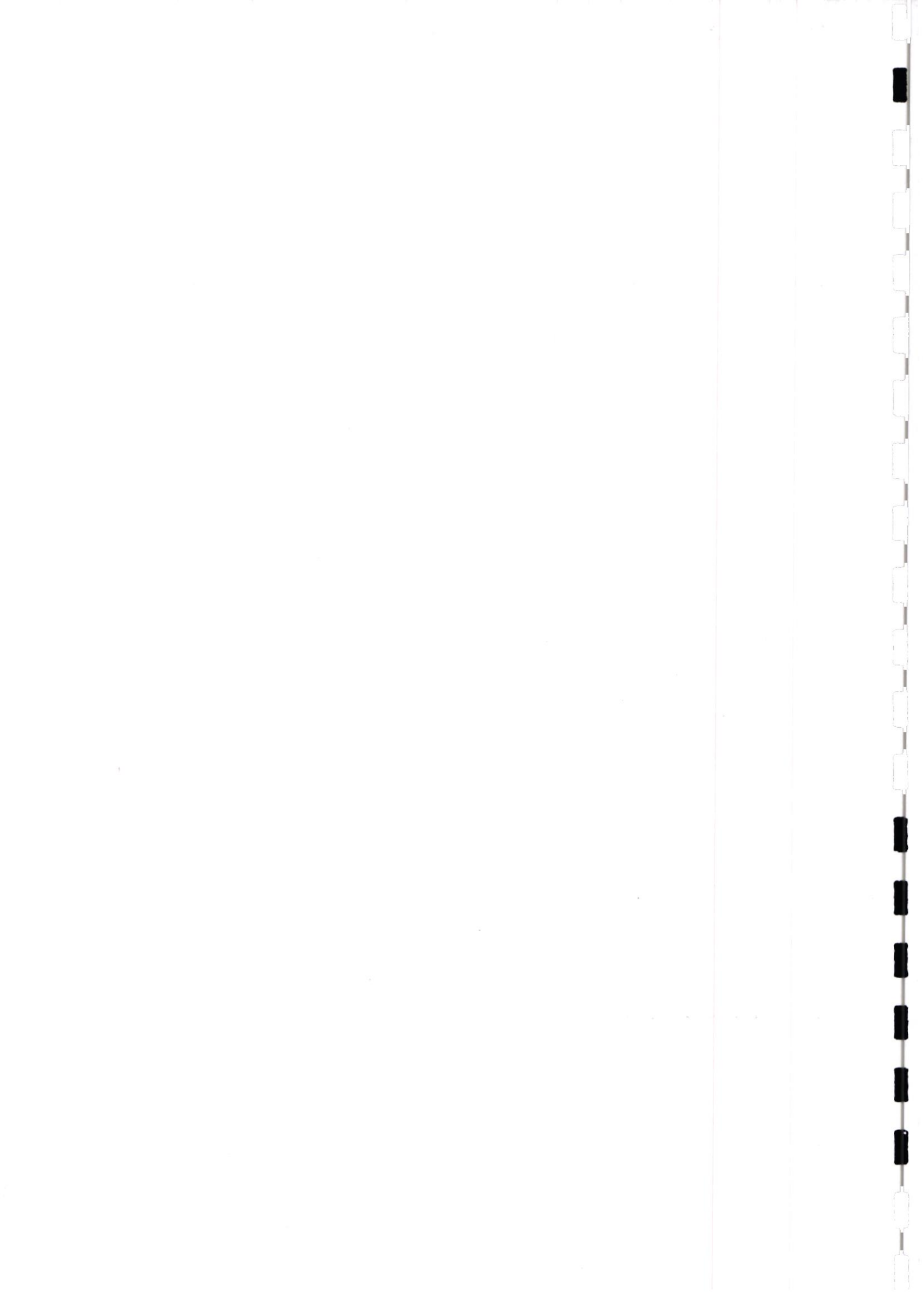
As there was no allocation for this sort of payment in the KTDC budget, payment is to be made from Privatisation Funds.

2. End-Year Bonus Paid to Staff for 1999

Management sought ratification of the thirteenth salary payment to staff which was paid without Board approval as there was no Board at the time. The Board RATIFIED the action taken by Management but RECOMMENDED that in future a bonus payment, which basically is an incentive to motivate higher levels of performance on the part of the staff, should not be paid to all the staff, but to the high achievers only. A suitable appraisal system should therefore be put in place to facilitate selection of those deserving of a reward and penalize the non-performers.



Annex IX - Copy of Request letter from PS, Ministry
of Tourism



REPUBLIC OF KENYA



Ministry of Tourism, Trade and Industry
OFFICE OF THE PERMANENT SECRETARY

55

Telegrams: "UTALII", Nairobi
Telephone: Nairobi 331030
Fax: 213508
When replying please quote

ANNEX III(a)

UTALII HOUSE
P.O. BOX 30027
NAIROBI

Ref. No. MTTI.80/01.(55)
and date

14th April, 2000

Mr. W.K. Arap Chelashaw,
Managing Director,
K.T.D.C.,
P.O. Box 42013,
NAIROBI.

See 52

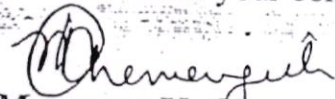
RE: FINANCIAL SUPPORT TO THE TOURISM AND EAC AS
"THE MAKING OF A MAJOR NEW MARKET"

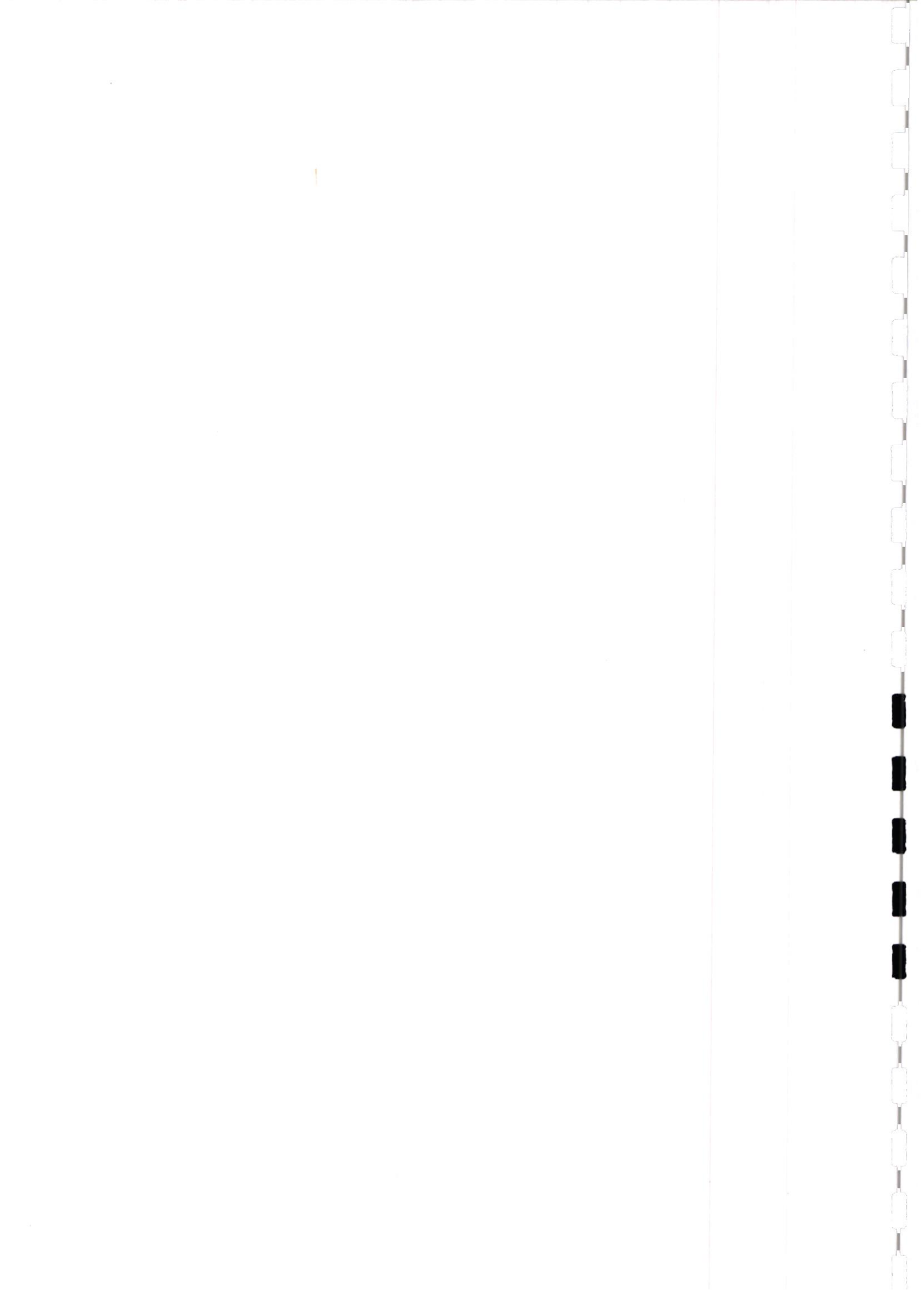
You will recall that Hon. H.N.K. Biwott, EGH, M.P., Minister for Tourism Trade and Industry approached you early in October, 1999 to render financial support to an advert by P.M Publications on promotional materials in a supplement pullout to the Sunday Telegraph on Tourism and EAC as an emerging new market. The publication coincided with the Queens visit to Africa in November, 1999. Kenya, Uganda and Tanzania were all involved in this bid and our publication with P.M Publications is hereby attached for your reference.

Now that your Board is in place to sanction this sponsorship, I am requesting you to take up the matter with the Board to pay P.M Publications US\$200,000 which is the amount under their contract, for promotion on Tourism industry in Kenya.

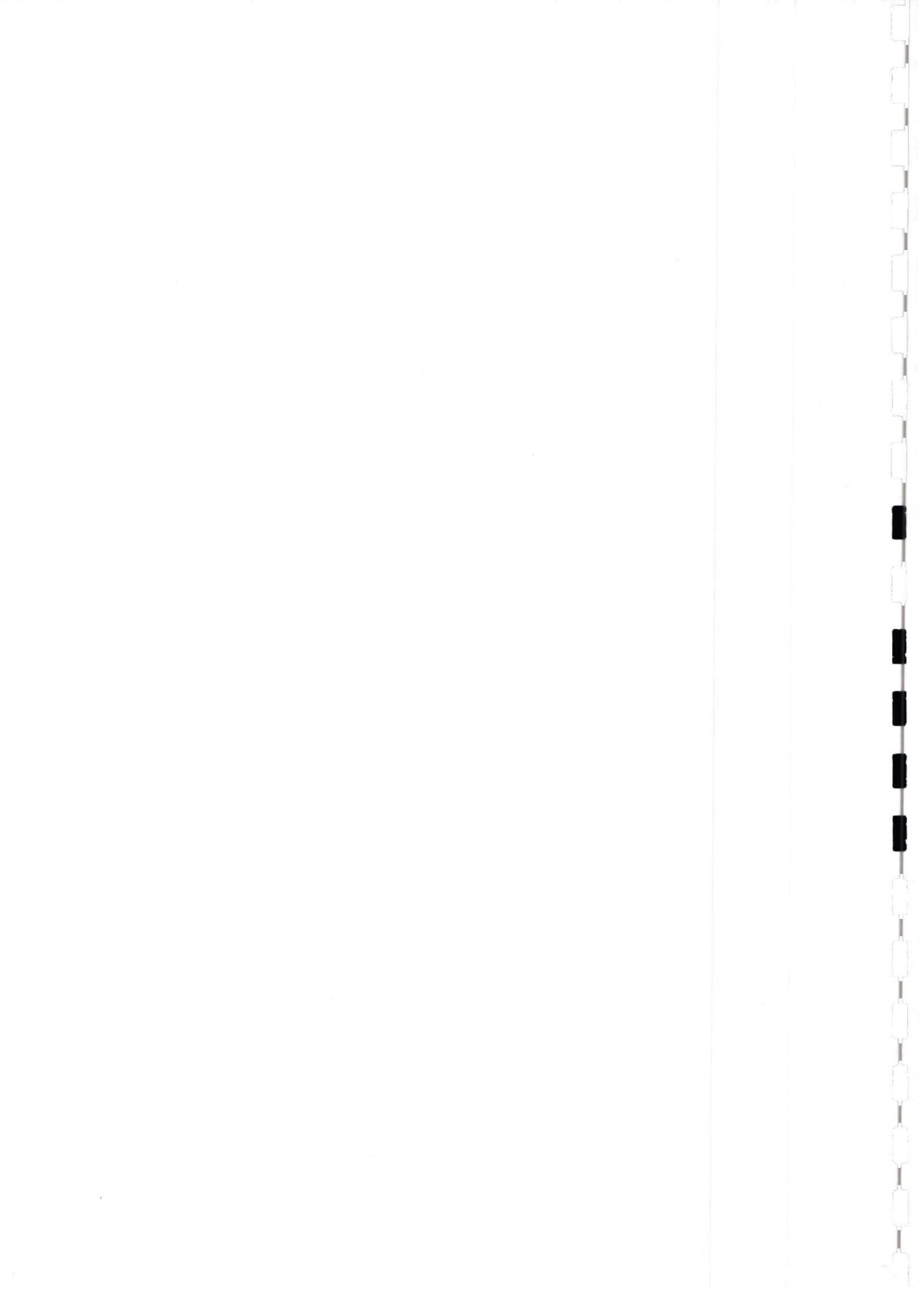
I attach a copy of P.M Publication and a demand note with details of payment from the Publishers.

Submitted for your consideration


Margaret K. Chemengich, EBS.
PERMANENT SECRETARY.



Annex X - Rent Analysis Report as at 31/06/2001

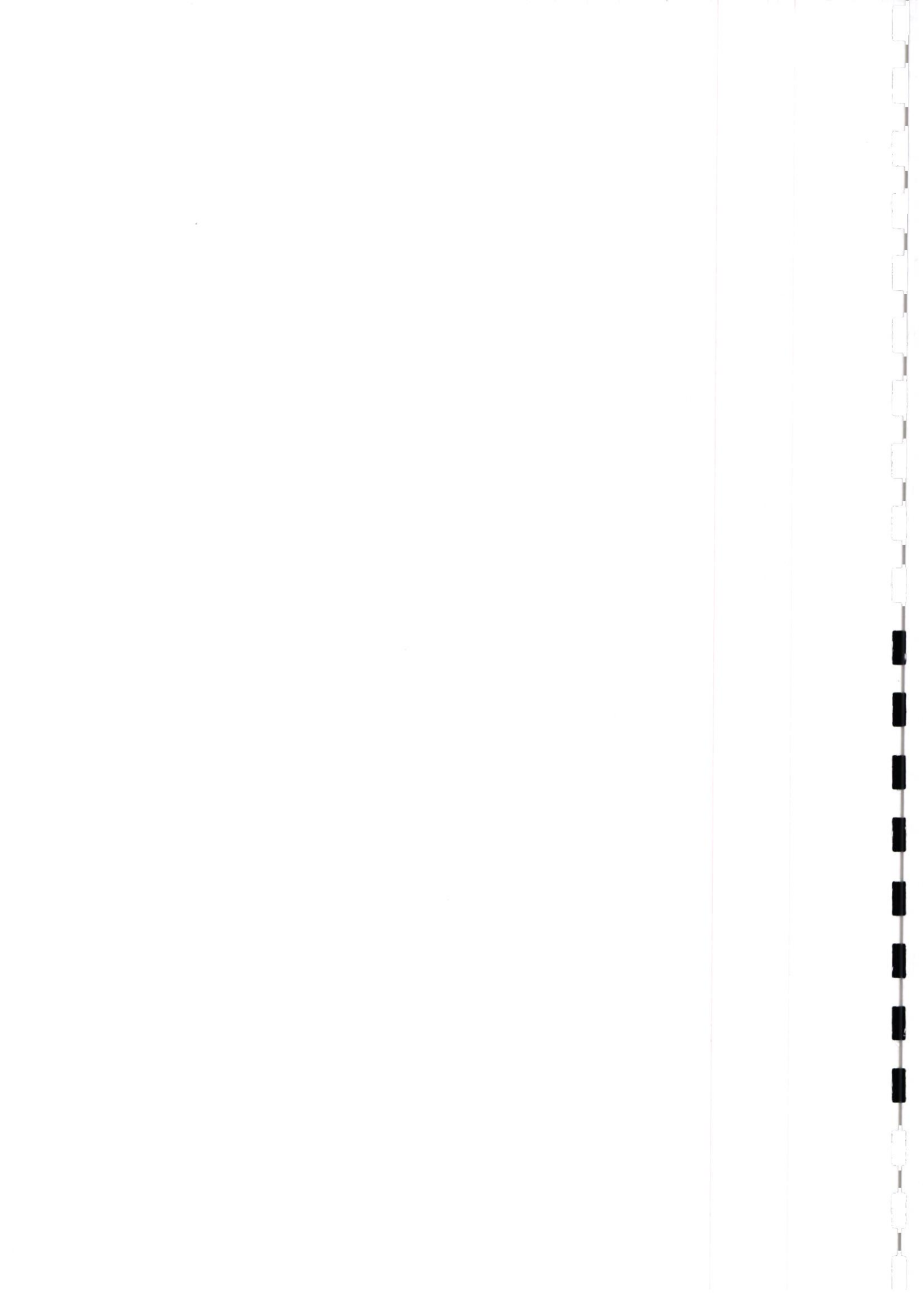


KENYA TOURIST DEVELOPMENT CORPORATION

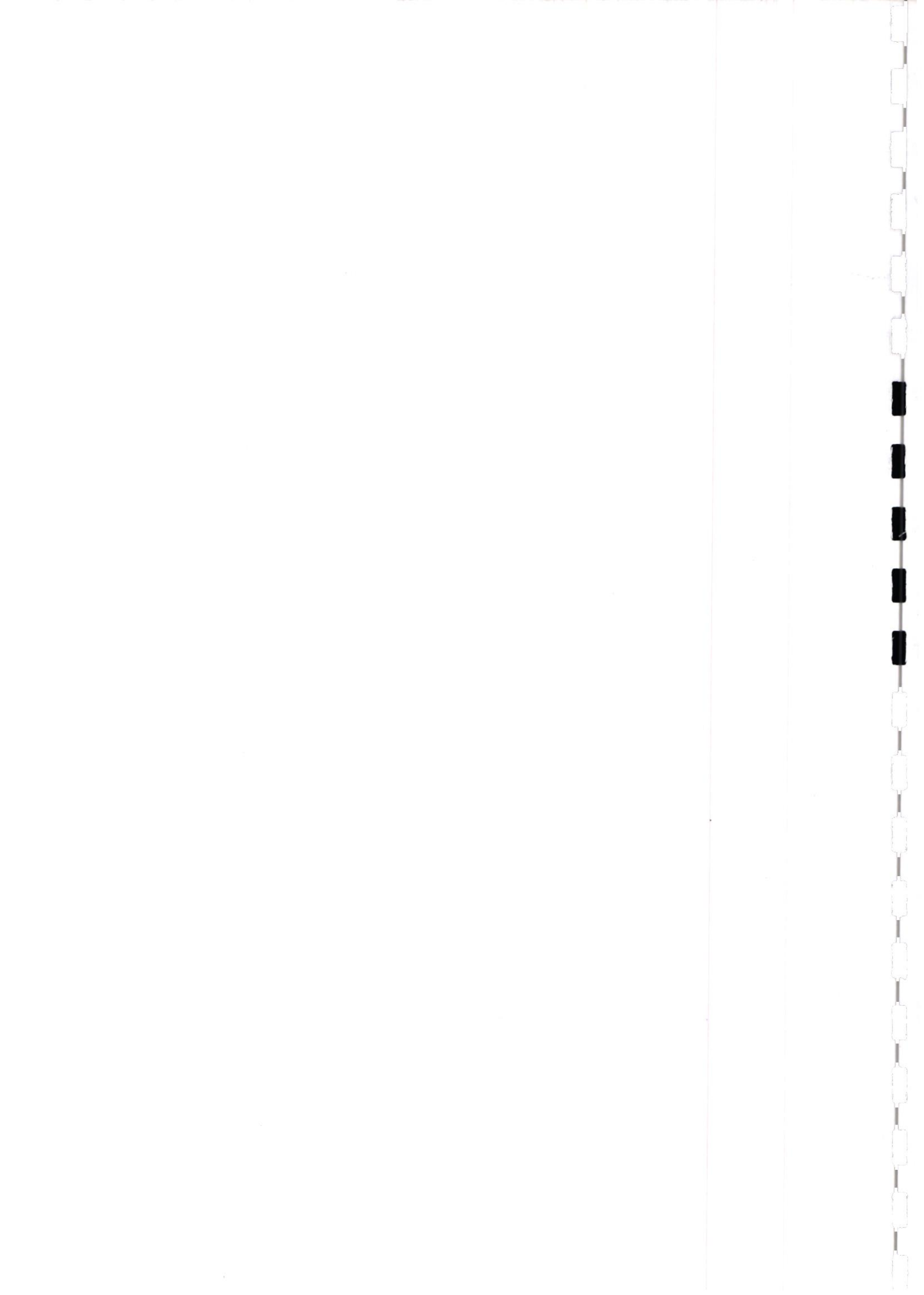
RENT OUTSTANDING AS PER AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2001 ON EX – TENANTS

	<u>Kshs</u>	<u>Current Status</u>	<u>Provision Made in</u>
Union Credit (Shop Rent)	308,877.60	In Court HCC No 748 of 1994	2003/2004
Shuttle Air Services (Shop Rent) (22 yrs old)	166,360.45	Beyond Statutory limit	2003/2004
Bea Supermarket (Shop Rent) (21 yrs old)	484,879.55	Beyond Statutory limit	2003/2004
Kabare Investment (Restaurant Rent) (24yrs old)	798,022.05	Beyond Statutory limit	2003/2004
Jenam Secretarial Bureau (Office Rent) (21 yrs old)	10,581.65	Beyond Statutory limit	2003/2004
Spear Freight (Office Rent) (14yrs old)	208,592.30	Beyond Statutory limit	2004/2005
Ministry of Public Works (Office Rent)	91,456.15	Recoverable and being followed Company is in receivership and recovery doubtful	Recovery process on 1997/98
African Tours & Hotels Ltd (Office Rent)	4,595,040.75	Company is in receivership and recovery doubtful	1997/98
African Tours & Hotels Ltd (Shop Rent)	2,126,270.40	Company is in receivership and recovery doubtful	1997/98
African Tours & Hotels Ltd (KNTB Plot Rent)	1,171,200.00	Company is in receivership and recovery doubtful	1997/98
African Tours & Hotels Ltd (Basement Rent)	124,360.75	Company is in receivership and recovery doubtful	1997/98
Ministry of Public Works (Parking Rent)	57,668.90	Recoverable and being followed	Recovery process on
Texcal House Service Station (Shop Rent)	307,352.00	Unrecoverable and no supporting documents	2005/2006
Official Receiver (AT&H) (Office Rent)	565,215.60	Company is in receivership and recovery doubtful	1997/98
Muchekehu & Co. (Parking Rent)	41,760.00	Unrecoverable and no supportive documents	2005/2006
	<u>11,057,638.15</u>		

Currently, the rent recovery process has been streamlined and a specific management committee is in place, tasked to ensure recoveries are done to avoid a repeat of the same. In addition the corporation has recruited a property officer to closely monitor recoveries.



Annex XI - Approval from the Head of Civil Service



OFFICE OF THE PRESIDENT

PERMANENT SECRETARY, SECRETARY TO THE CABINET
OF PUBLIC SERVICE

P.O. Box 30510
Nairobi

13th February 1997

File address: "Rais"
File No: Nairobi 27411
Replying please quote

QP. 9/21/4A

and date

Mr. S. M. Nbova, CBS,
Permanent Secretary,
Ministry of Tourism and Wildlife
UTALII HOUSE,
NAIROBI.

RECEIVED
7 APR 1997
SECRET REGISTRY

PERMANENT SECRETARY'S
OFFICE
P.O. BOX 30510
NAIROBI

Dear *Sunny*,

CATEGORIZATION OF KENYA TOURIST DEVELOPMENT CORPORATION (KTDC)

I refer to your letter Ref. No. MTW/S.114/Vol.111 (78) dated 27th May, 1996 seeking reclassification of the KTDC from Category "D" to Category "B".

The delay in responding was as a result of the lengthy consultations necessary in processing requests of this nature.

The proposed recategorization proposal has now been examined and the following observations made:-

- (i) Although KTDC has been financially buoyant over the past six years, profits have been declining since 1993.
- (ii) The profit for 1993 is deceptively high as it includes also, extraordinary gains arising from the sale of associated companies. Extraordinary gains are of a temporary nature and do not derive from normal operations.

Although the Corporation has been doing well, there should be little inclination to euphoria as the above extraordinary gains are contributing substantially to profits. It is indeed likely that such gains will be common in the short-term as the company continues to privatize its extensive interests. The gains will however, terminate with the conclusion of the program. Reliance should therefore be pegged on the company's long-term ability to generate stable levels of profits.

CONFIDENTIAL

~~CONFIDENTIAL~~

commendation

In view of the foregoing, it is approved that KTDC should be reclassified to Category "C".

Yours Sincerely,

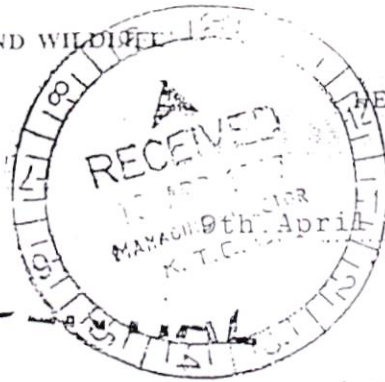
Fared M. Kuindwa
FARED M. KUINDWA, EGH, EBS,
PERMANENT SECRETARY, SECRETARY TO THE
CABINET AND HEAD OF THE PUBLIC SERVICE

CC. Mr. J. M. Otenyo,
Inspector of State Corporations,
K.I.C.C.,
NAIROBI.

Mr. W. K. Kemei,
Auditor-General (Corporations),
ANNIVERSARY TOWERS,
NAIROBI.

CONFIDENTIAL

MTW/S.12/S.12/4 Vol.III(97)
and date



CONFIDENTIAL

ANNEX VI(a)


B. arap Chelashaw,
Managing Director,
Kenya Tourist Development Corporation,
NAIROBI.

CATEGORIZATION OF KENYA TOURIST DEVELOPMENT CORPORATION (KTDC)

Reference is made to your letter TDC/C/12/1 of 7th December, 1995 that relates to the above subject.

Find attached a copy of self explanatory letter ref.OP.P 21/4A which approves the upgrading of KTDC from Category 'D' to Category 'C' for your further necessary action.

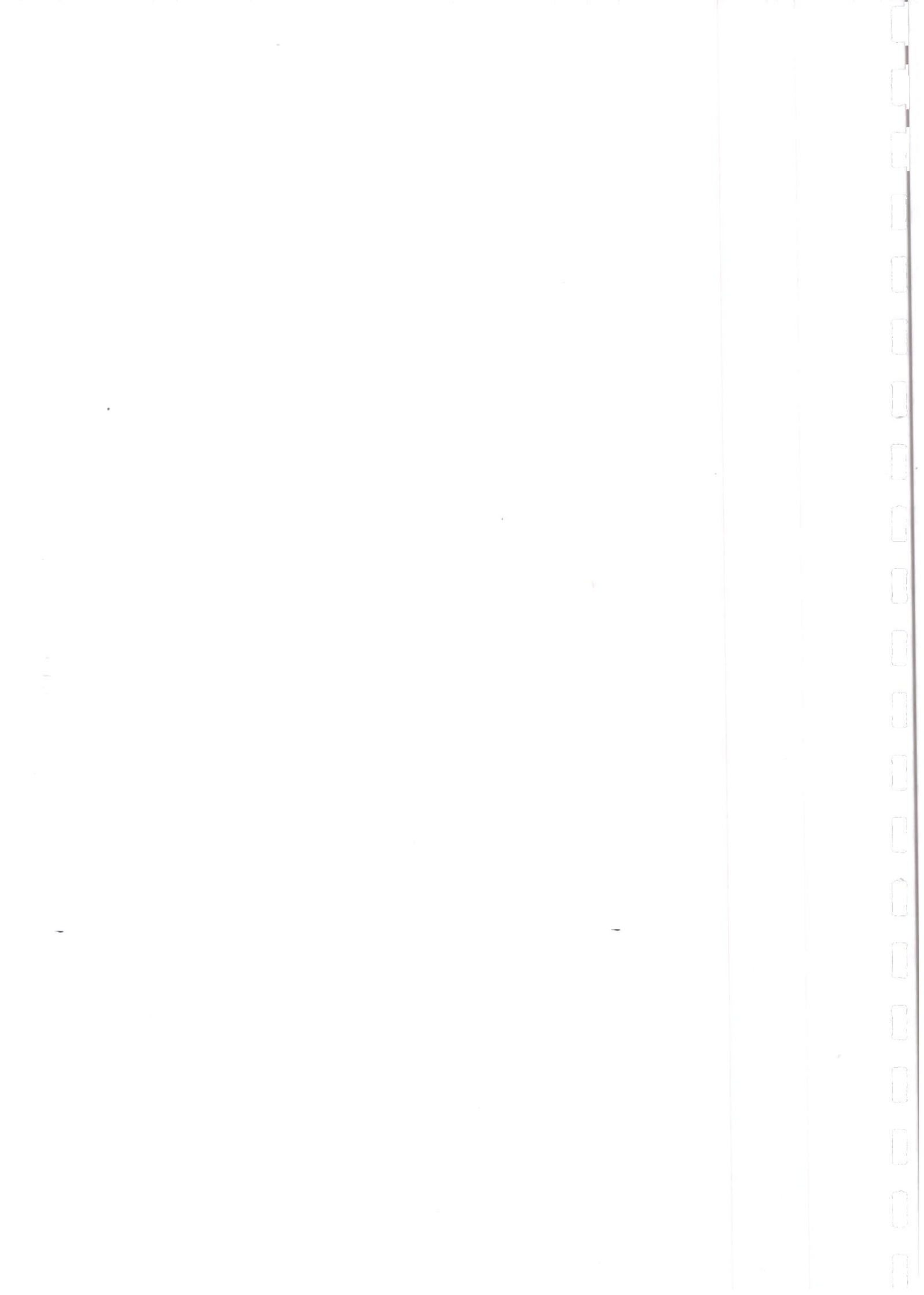
Please action as appropriate.


S. M. ANABWANI
PERMANENT SECRETARY

for:



CONFIDENTIAL



22

KENYA TOURIST DEVELOPMENT CORPORATION

M E M O

FROM: Corporation Secretary

REF: TDC/C/12/1

TO: Managing Director

DATE: 02.07.97

RE: UPGRADING OF KTDC

The Board at its meeting held on 01.07.97 noted the upgrading of KTDC from Category D to C and approved review of staff salaries as per the conversion tables presented at the Administration and Finance Committee Meeting held on 22.05.97, the review to take effect from 01.07.96. The Committee further approved payment of 2 salary increments for those who were at the top of their scales.

2. Staff Benefits

(i) House Allowance

The Board approved payment of House Allowance for the Managing Director at the maximum rate of KShs 20,000.00 per month and for the rest of the staff prorated as follows:-

Super Scale I	-	Shs 20,000.00
Super Scale II	-	Shs 20,000.00
Super Scale III	-	Shs 13,600.00
Scale A	-	Shs 13,600.00
Scale B	-	Shs 10,400.00
Scale C	-	Shs 10,400.00
Scale D	-	Shs 8,700.00
Scale E	-	Shs 7,000.00
Scale F	-	Shs 5,900.00
Scale G	-	Shs 4,300.00
Scale H	-	Shs 4,300.00
Scale J	-	Shs 3,000.00
Scale K	-	Shs 2,500.00

(ii) Owner Occupier Housing Allowance

The Board approved payment of owner occupier housing allowance based on 15% of capital value at maximum of Shs 5,000,000.00 capital value for the Managing Director and prorated for the rest of the staff as per the following figures:-

	<u>Capital Cost</u>	<u>Monthly Allowance</u>
Super Scale I	- Shs5,000,000=	Shs62,500/=
Super Scale II	- Shs5,000,000=	Shs62,500/=
Super Scale III	- Shs4,801,000=	Shs60,000/=
Grade A	Shs4,801,000=	Shs60,000/=
B	Shs3,402,000=	Shs42,500/=
C	Shs3,402,000=	Shs42,500/=
D	Shs2,994,000=	Shs37,400/=
E	Shs2,994,000=	Shs37,400/=
F	Shs2,224,000=	Shs27,800/=
G	Shs1,520,000=	Shs19,000/=
H	Shs1,520,000=	Shs19,000/=
J	Shs1,028,000=	Shs12,800/=
K	Shs 771,000=	Shs 9,600/=

The payment to be effected from 01.07.1997.

iii) Entertainment Allowance

The Board approved payment of Entertainment Allowance with effect from 01.07.97 as follows:-

Managing Director	Shs5,000 per month
Deputy Managing Director	Shs3,000 per month
Heads of Departments	Shs2,000 per month

iv) Travelling Kit Allowance

The Board approved payment, with immediate effect of an outfit allowance of Kshs20,000 once in a year to employees travelling outside Kenya when such travel necessitates special clothing.

v) Staff Travel Allowance

The Board approved payment of staff travel allowance effective 01.07.1997 as follows:-

- a) Staff with Motor Vehicle Kshs3,000
- b) Staff without Motor Vehicles Kshs1,000 a month

vi) Sitting Allowance for Board Members

The Board approved payment of sitting allowance at Shs 5,000.00 per sitting w.e.f. 01.07.96.

vii) Staff Housing Scheme

The Board approved the proposed housing scheme with Savings and Loan (K) Limited.

viii) House Rent for the Managing Director

The Board approved payment of housing rent of Kshs65,000/= per month to the Managing Director with effect from August 1996.

This is therefore to seek your authority to implement the approved benefits.



S.M. GITHEGI (MRS)

TDC/C/12/1

41

ANNEX VIII

16 July 1997

Mr. S.M. Mbova, CBS,
Permanent Secretary,
Ministry of Tourism & Wildlife,
P.O. Box 30027,
NAIROBI.

Dear

SUBJECT: REVIEW OF STAFF BENEFITS

Following the upgrading of the Corporation from Category 'D' to 'C', the Corporation's Board during the meeting held on 01 July 1997 discussed and approved the following staff benefits:

i) House Allowance

A maximum of Kshs20,000 per month be paid to the Managing Director and the rates of house allowance for other employees to be increased proportionately based on the existing rates to take effect from 01 July 1997.

ii) Owner Occupier House Allowance

That employees living in their own houses be paid owner occupier house allowance assessed at 15% of the total cost or purchase of the house subject to the total capital cost limit of Kshs5,000,000/= for the Managing Director. The rates for the other employees to be increased proportionately based on the existing rates to take effect from 01 July 1997.

III) Entertainment

That payment of entertainment allowance to eligible employees be as follows with effect from 01 July 1997.

Managing Director	Kshs5,000/= per month
Deputy Managing Director	Kshs3,000/= per month
Heads of Departments	Kshs2,000/= per month
Heads of Divisions	Kshs1,000/= per month



ANNEX VI (C)

Ministry of Tourism and Wildlife

OFFICE OF THE PERMANENT SECRETARY

Address: "UTALII", Nairobi

Phone: Nairobi 331030

213508

Replying please quote

MTW/S.12/4/2 Vol. IV (78)

No.
and date

UTALII HOUSE

UTALII STREET

P.O. Box 30027

NAIROBI

6th AUGUST

....., 19.97

F.M. Kuindwa, EBS, EGH, Esq.,
Permanent Secretary/Secretary to
the Cabinet and Head of the Public
Service,
Office of the President,
NAIROBI.

Dear *Bill*,

RE: REVIEW OF STAFF BENEFITS
- K.T.D.C.

During the Board meeting of K.T.D.C. that was held on 1st July, 1997 the following issues on staff benefits were discussed and recommended by the Board for implementation:-

(i) House Allowance

A maximum of Kshs. 20,000.00 per month be paid to the Managing Director and the rates of House Allowance for other employees to be increased proportionately based on the existing rates to take effect from 1st July, 1997.

(ii) Owner Occupier House Allowance

Employees living in their own houses to be paid owner occupier house allowance assessed at 15% of the total cost or purchase of the house subject to the total capital cost limit of Kshs. 5 million for the Managing Director. The rates for other employees to be increased proportionately based on the existing rates to take effect from 1st July, 1997.

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(iii) Entertainment

Entertainment allowance to eligible employees be paid from 1st July, 1997 as follows:-

Managing Director	-	Kshs. 5,000.00 p.m.
Deputy Managing Director	-	" 3,000.00 p.m.
Heads of Department-	"	2,000.00 p.m.
Heads of Division	-	" 1,000.00 p.m.

(iv) Travelling Kit Allowance

Employees travelling outside Kenya to countries where such travel necessitates purchase of special clothing be paid Kshs. 20,000.00 once a year as outfit allowance.

(v) Staff Travel Allowance

Staff be paid travel allowance with effect from 1st July, 1997 as follows:-

(a) Staff with motor-vehicles- Kshs.3,000.00 p.m.
Staff without motor-vehicles " 1,000.00 p.m.

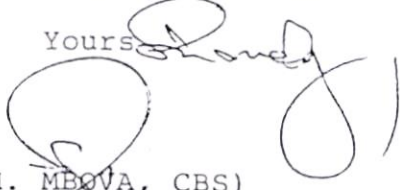
(vi) Sitting Allowance for Board Members

Board members be paid - Kshs. 5,000.00 per sitting.


2. This office supports the above recommendations from the Board and recommends them to you for approval.

3. Please examine this request as appropriate.

Yours


(S.M. MBOVA, CBS)
PERMANENT SECRETARY

c.c.


Mr. W.K.B. Arap Chelashaw,
Managing Director,
Kenya Tourist Development Corporation,
NAIROBI. - To see and follow up.

KENYA TOURIST DEVELOPMENT CORPORATION

ITE BOOK

MINUTES OF THE 168 BOARD MEETING OF THE DIRECTORS OF THE CORPORATION HELD ON TUESDAY 01 JULY 1997 AT 10.00 A.M. AT THE INTERCONTINENTAL HOTEL , NAIROBI

PRESENT:

Mr. P. F. Kitololo	- Chairman
Mr. Paul Langat	- Representing the Permanent Secretary, Ministry of Tourism & Wildlife.
Mr. G. K. Githae	- Representing the Permanent Secretary, Ministry of Environment & Natural Resources.
Miss S. W. Wainaina	- Representing the Permanent Secretary, Ministry of Finance.
Mr. T. M. Muumbo	
Prof. J. K. Ole Karei	
Mr. J. B. Kaurra	
Mr. J. K. Koitie	
Mr. Charles Kutwa	
Mr. G. K. Parsaoti	
Mr. W. K. Arap Chelashaw	- Managing Director.

IN ATTENDANCE:

Mr. E. M. Ngigi	- Representing the Inspector of State Corporations.
Mr. P. S. Mutemi	- Deputy Managing Director
Mr. P. I. Ongeso	- General Manager (P&A)
Mr. R. Kiattu	- General Manager (F)
Mr. G. G. Njoroge	- Ag. General Manager(I)
Mrs. S. M. Githegi	- Corporation Secretary.

MIN. 12/97
PRELIMINARY
MATTERS.

1. APPOINTMENT OF THE ALTERNATE TO THE PERMANENT SECRETARY MINISTRY OF TOURISM & WILDLIFE

The Chairman welcomed Mr. Paul Langat, Deputy Secretary, Ministry of Tourism & Wildlife to the Board in his position as alternate to the Permanent Secretary, following Mr. Anabwani's appointment as Chief Executive Kenya Broadcasting Corporation.

2. GENERAL ELECTIONS - RESIGNATION BY BOARD MEMBERS

The Chairman drew the attention of the Members to the Government Directive requiring all persons interested in participating in the forthcoming Civic and Parliamentary Elections to resign as Director immediately.

MIN. 13/97
CONFIRMATION
OF MINUTES:

The Minutes of the 167 Board Meeting held on 20.02.97 were CONFIRMED and SIGNED by the Chairman.

MIN. 14/97
MATTERS
ARISING:

1. UPGRADING OF KTDC

The Board NOTED that Management are pursuing exemption from the State Corporations Act instead of further upgrading given the liberalised environment in which the Corporation has to perform.

ii) TOURISM PROMOTION SERVICES; SERENA SHARES

The Board NOTED that the public issue was heavily oversubscribed resulting in an allotment of only 642 shares per person. It was therefore surprising to note a volume of over 50,000 shares traded immediately after the issue, suggesting that nearly 10,000 shareholders were offering their shares for sale, or alternatively that the issue lacked transparency, an issue the Board recommended be brought to the attention of the Capital Markets Authority.

iii) AFRICAN TOURS & HOTELS LIMITED

In addition to informing the Parent Ministry of a cash strapped plight of AT&H, Management had instigated a special board meeting of the Company which called for proposals from the Management of AT&H on how they intend to revamp the Company's performance to be tabled before a board meeting on 09 July, 1997.

MIN. 15/97
CONFIRMATION OF
THE MINUTES OF
THE LOANS
COMMITTEE MEETING:

The Minutes of the 29 Loans Committee Meeting held on 22 May 1997 were CONFIRMED by the Members present and SIGNED by the Chairman.

MIN. 16/97
REPORT ON THE
LOANS COMMITTEE
MEETING:

LOAN APPLICATIONS

1) Maruka Enterprises Limited - Kshs. 3 Million

The Board APPROVED a loan of Kshs.3,000,000.00 towards completion of Maruka Motel in Kwale District subject to the following terms and conditions:-

- a) The loan term to be 10 years including 6 months moratorium and the loan repayment to be by equal monthly instalments.
- b) The interest on the loan to be at the rate of 18% per annum and the Corporation to have the discretion of reviewing the interest rate and other terms of the loan without notice to the Loanee.
- c) Loan repayments to commence after the six (6) months moratorium while interest on the principal loan is payable immediately after the first disbursement.
- d) The Company to give an undertaking not to engage or change the Management staff without the consent of the Corporation.

The Board also NOTED that the net operating profit before tax was Kshs.41.2 million and was Kshs.12.0 million below the previous year's level.

b) Cash Outflow Statement

The Board NOTED the following major payments which were made during the period under review.

	<u>Kshs.</u>
GOK Revolving Fund Interest	4,080,000
Catering Levy Trustees Loan	1,567,665
Purchase of Assets	6,268,566
Watalii Street Project	3,918,939
Income Tax	1,238,096
Loan Disbursements	7,700,000
Valuation of Serena Properties	5,105,469
Rights Issue-Inter-Continental	<u>101,925,320</u>
	<u>131,804,055</u>

2) RENT POSITION & MAINTENANCE OF KTDC PROPERTIES

The Board NOTED the report tabled in Board Paper TDC/5/1/15 but expressed concern on the huge arrears of rent from African Tours & Hotels Ltd. of Kshs.6.5 million.

3) UPGRADING OF K TDC

The Board NOTED that KTDC had been upgraded from Category D to C and APPROVED the reviewed staff salaries as tabled with effect from 01 June 1996. The Board further APPROVED payment of two salary increments for staff who were at the top of their scales.

4) REVIEW OF STAFF BENEFITS

a) House Allowance

The Board APPROVED payment of house allowance at a maximum rate of Kshs.20,000/- for the Managing Director and the rates of house allowance for other employees to be increased proportionately based on the existing rates to take effect from 01.07.97.

b) Owner Occupier House Allowance

The Board APPROVED payment of owner occupier housing allowance assessed at 15% of total cost of purchase of the house subject to the total capital cost limit of Kshs.5,000,000.00 for the Managing Director. The rates for other employees to be increased proportionately based on the existing rates. The revision to take effect from 01.07.97.

c) Entertainment Allowance

The Board APPROVED payment of Entertainment Allowance with effect from 01.07.97 as follows:-

Managing Director	Kshs.5,000/- per month
Deputy Managing Director	3,000/- per month
Heads of Departments	2,000/- per month
Heads of Divisions	1,000/- per month.

d) Travelling Kit Allowance

The Board APPROVED payment of Kshs.20,000/- as an outfit allowance once a year to an employee travelling outside Kenya where such travel necessitates purchase of special clothing with effect from 01.07.97.

e) Staff Travel Allowance

Staff Travel Allowance was APPROVED with effect from 01.07.97 at the following rates:-

- i) Staff with Motor Vehicles
- Kshs.3,000/- per month.
- ii) Staff without Motor Vehicles
-Kshs.1,000/- per month.

f) Sitting Allowance for Board Members

The Board APPROVED payment of sitting allowance at the rate of Kshs.5,000/- with effect from 01.07.96.

g) Staff Housing Scheme

The Board APPROVED the establishment of a Staff Housing Scheme with Savings and Loans Kenya Limited after comparing proposals tabled by Management from Housing Finance Company Limited and Savings and Loans (K) Ltd.

h) House Rent for Managing Director

The Board APPROVED payment of Kshs.65,000/- per month as rent to the Managing Director with effect from 01.08.96.

Ex-Staff Debtor
Redempta Okemo

The Board APPROVED an ex-gratia payment of medical expenses of Kshs.85,220/- to Miss Okemo, who is terminally ill, and AUTHORISED release of her terminal benefits of Kshs.40,112.65 to assist her meet other medical expenses.

MIN. 24/97
RATIFICATION OF
THE USE OF THE
CORPORATION
SEAL:

Board Paper TDC/7/10 was tabled.

The Board RATIFIED the use of the Corporation Seal on 25 documents listed on the appendix attached to the tabled paper.

MIN. 25/97
STAFF RETIREMENT
BENEFITS SCHEME:

STAFF RETIREMENT BENEFITS SCHEME

The Board was informed that Staff Pension Funds are held up with Kenya National Assurance Company Ltd which was put under Receivership in 1996 and that the scheme could not meet payments to staff as and when payments accrue.

The Board AUTHORISED Management to pay pension benefits from Corporation funds as and when these fall due for payment and all such payments to be reimbursed from the funds held by Kenya National Assurance Company Ltd.

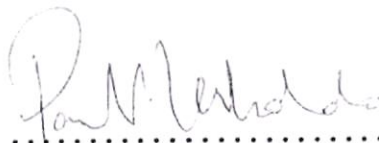
MIN. 26/97
APPOINTMENT
OF THE DEPUTY
MANAGING DIRECTOR:

APPOINTMENT OF THE DEPUTY MANAGING DIRECTOR

The Board RATIFIED the appointment of Mr. P.S. Mutemi as Deputy Managing Director with effect from 18 March, 1997.

There being no other business the meeting ended at 12.45 p.m.

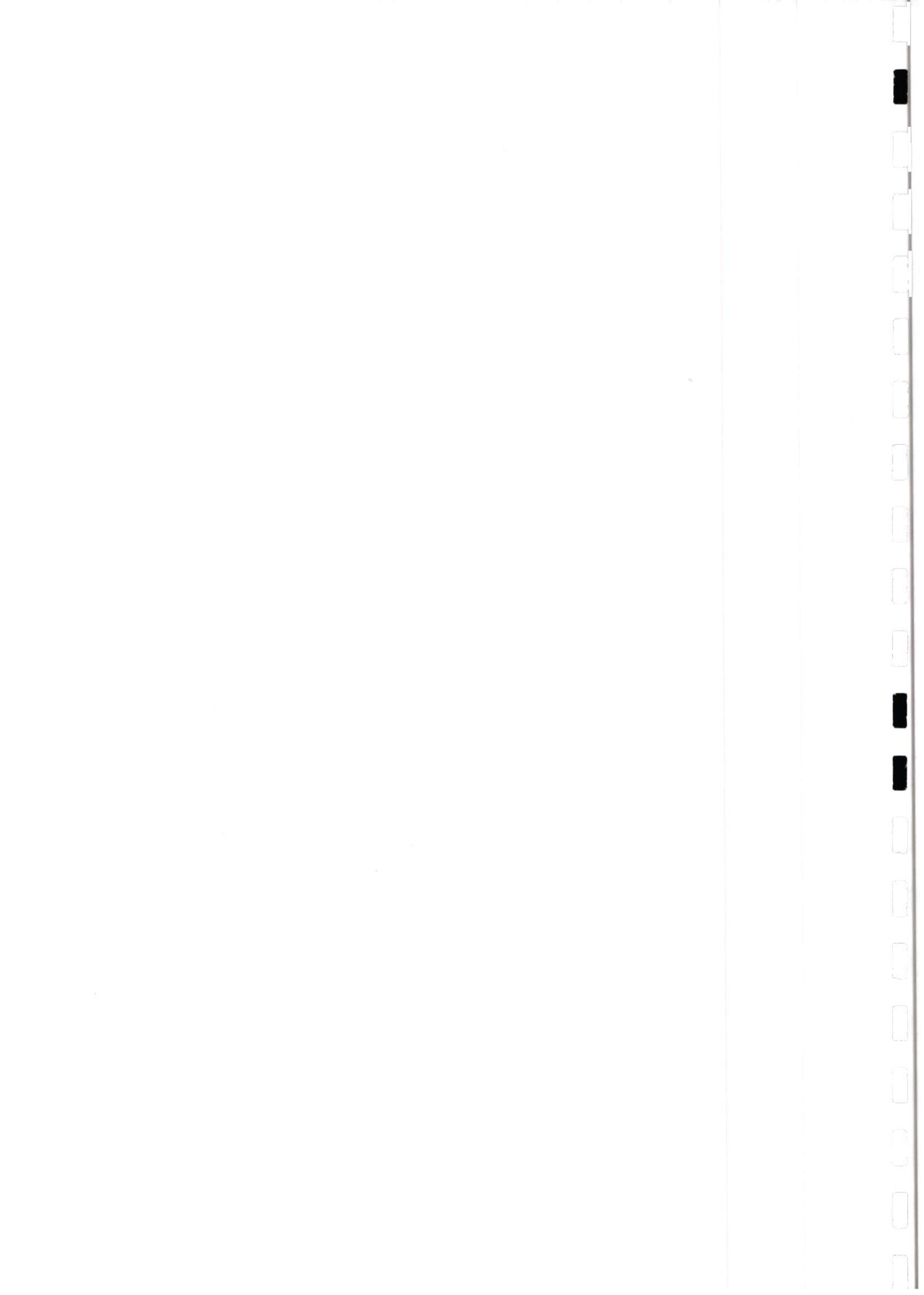
SIGNED:



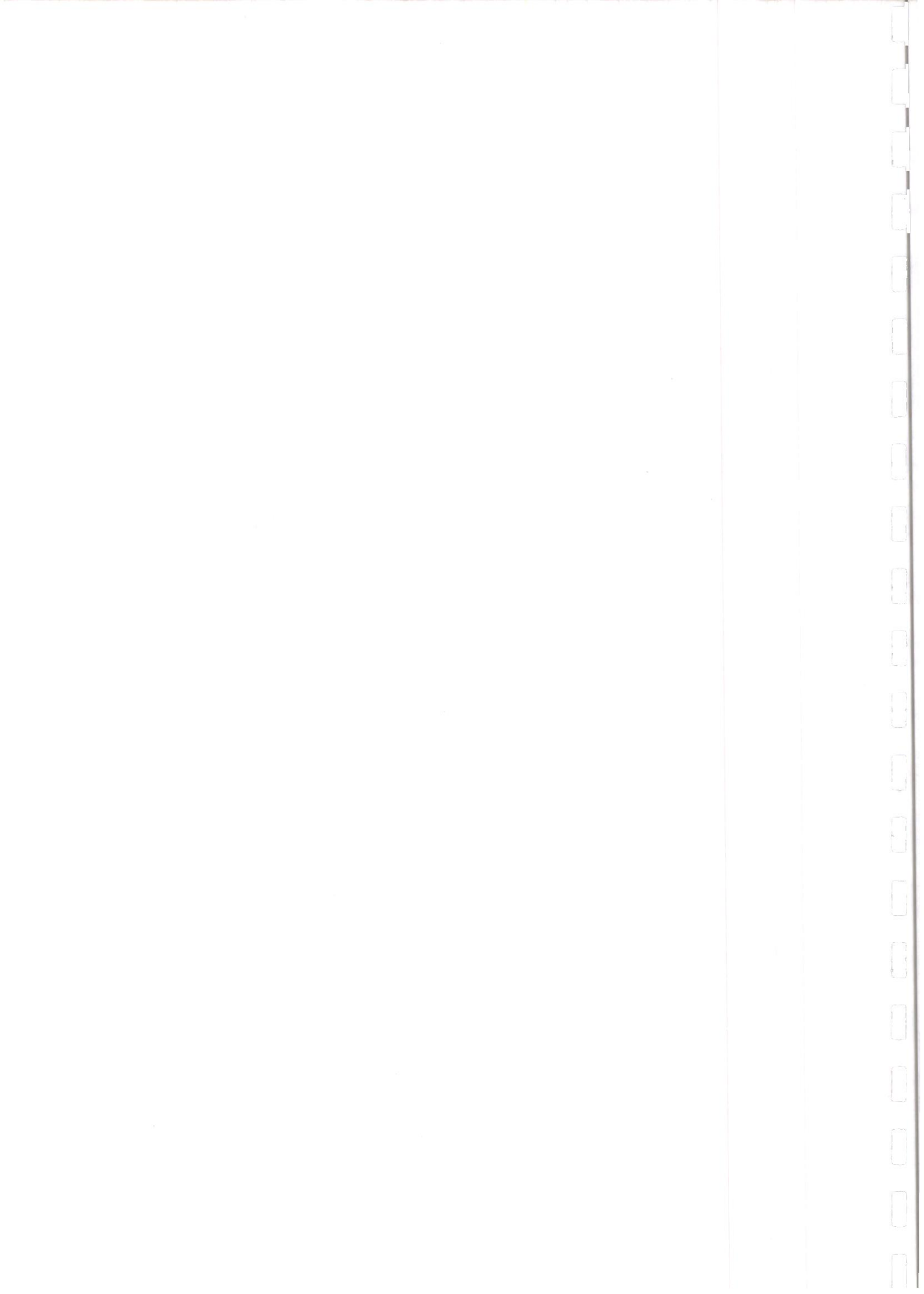
CHAIRMAN

4/9/97

DATE



Annex XII - Human Resource Consultant Report



16/11

**KENYA TOURIST DEVELOPMENT
CORPORATION**

**PROPOSAL FOR THE PROVISION OF HUMAN
RESOURCE CONSULTANCY SERVICES**

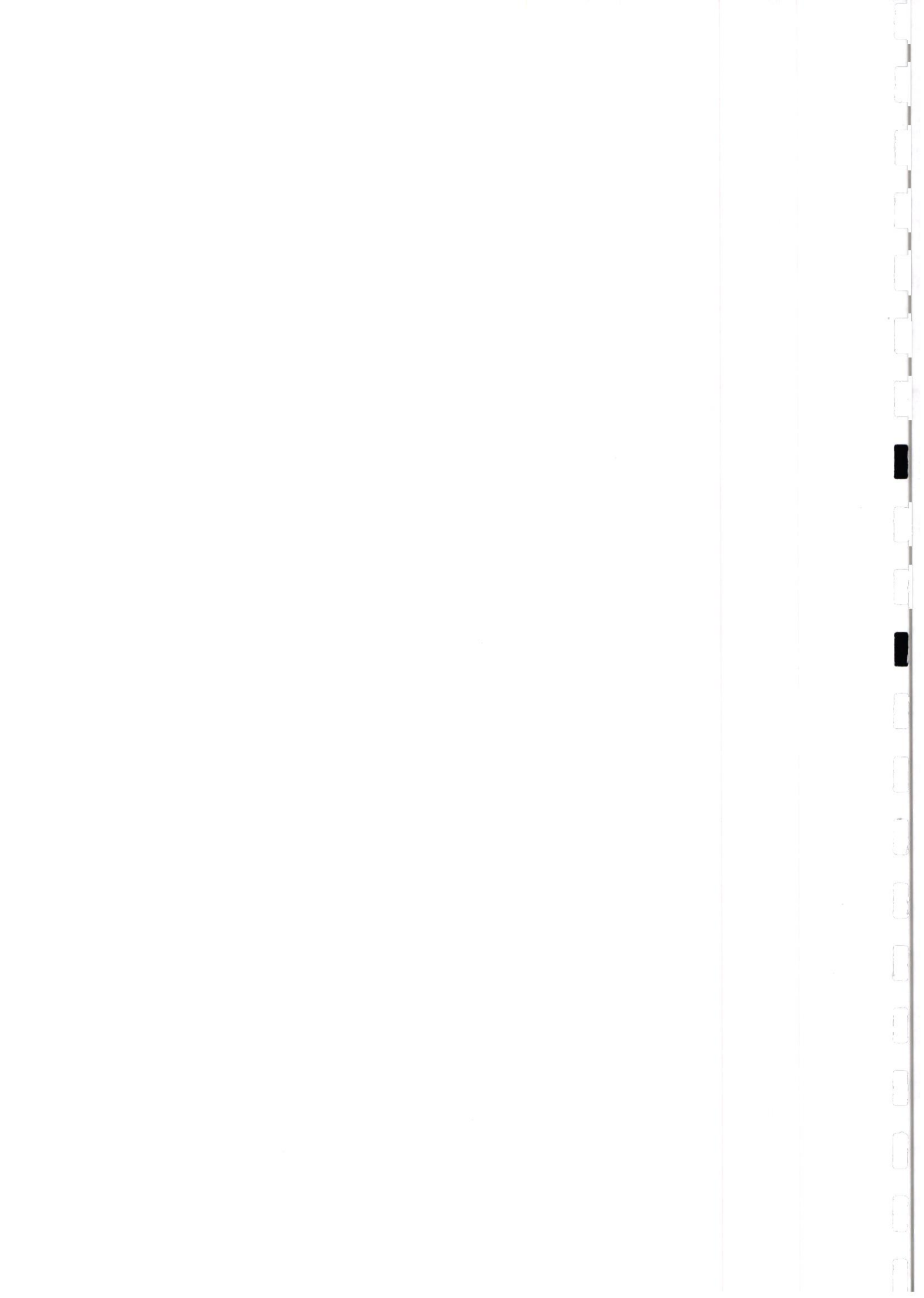
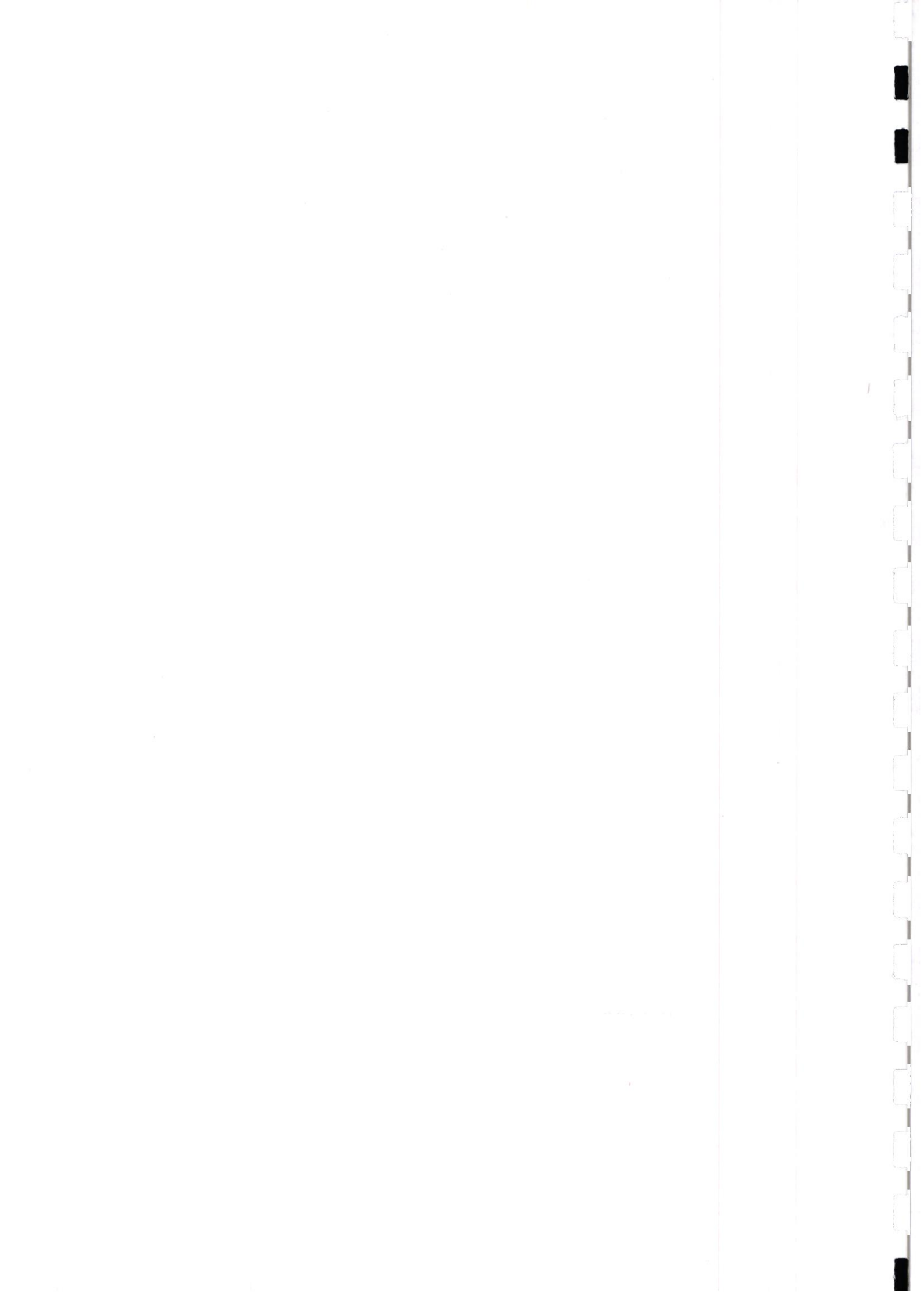


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6.	Institutional analysis	5
6.1	Job analysis, job descriptions and job objectives.	5
6.2	Performance appraisal	6
6.3	Training needs analysis and compiling of a training programme.	7
7.	Human Resource Policies - Review of Terms and Conditions of Service.	
8.	Review of staff benefit programs.	7
9.	Consultants credentials.	8



1. TERMS OF REFERENCE

The terms of reference as set out in your letter of offer for consultancy services are as follows: -

1. To study and advise on the appropriateness and or otherwise in regard to the existing Human Resource System.
2. To study and advise on the existing organization's structure and recommend on appropriateness to meet the organization's overall mission.
3. To study and advise on the existing Human Resource policies and procedures.
4. To study and advise on the appropriateness of the existing job descriptions and job objectives.
5. To determine and advise on the existing benefit programmes and salary administration.

2. INTRODUCTION AND SUMMARY

Background.

The Kenya Tourist Development Corporation (KTDC) was set up by an Act of Parliament Cap. 382 of 1965 (Revised 1988) for the purpose of promoting investment in the tourism industry.

Its mandate in the fulfillment of its stated objective appear to be quite wide. It encompasses development of tourism industry either through direct investment or through financial participation in tourism related ventures.

Industry Overview and Potential

Tourism is recognized as the worlds biggest industry and the outlook is that it will continue to grow and diversify in the foreseeable future.

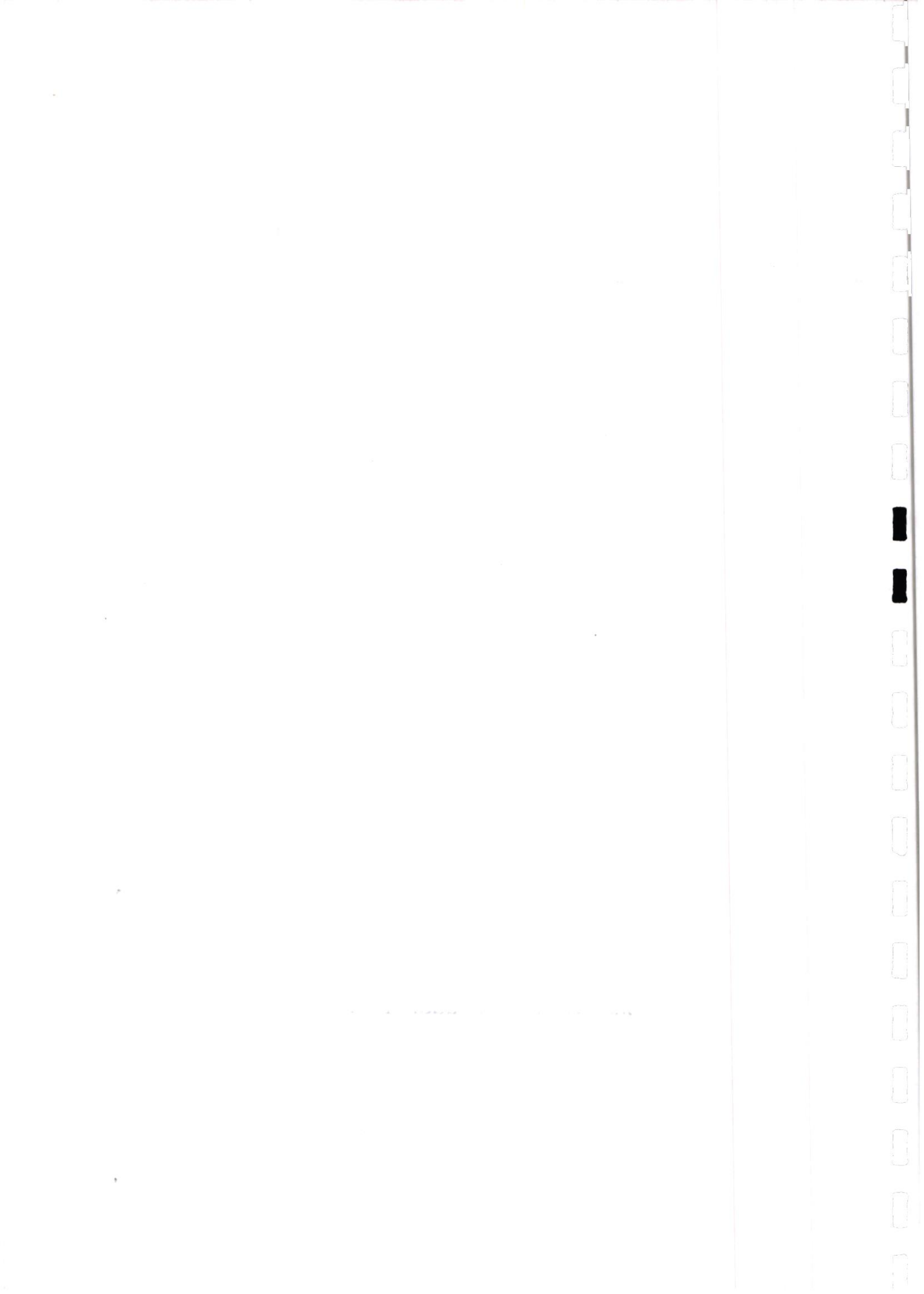
Tourism in Kenya has come of age with basic infrastructure already in place. However serious constraints abide which unless surmounted seriously threaten growth and benefit arising from it.

Relevance of this Consultancy

The cliché that any organization is as good as its people has stood the test of time. KTDC cannot afford to be complacent in paying attention to the human resource aspect of its operation and must ensure its preparedness to react to present and future challenges for the survival of the organization.

Today the challenge is to revive tourism through vigorous expansion of facilities within the country, expansion into the regional market, the acquisition of cheap concessionary funds for lending to local entrepreneurs and the development of a more visionary and focused marketing in traditional and non-traditional markets.

The improvement of productivity and performance of the human resource is critical in the achievement of these goals. The results of this consultancy will assist in the accomplishment of this KTDC stated mandate.



3. METHODOLOGY

The letter of offer sets out periodic reporting milestones. For these to be achieved the following sequence will be followed throughout the consultancy.

- Establishing rapport with the concerned parties.
- Reviewing documents and files and sifting information.
- Analyzing the situation on the ground accurately.
- Agreeing on the diagnosis with the concerned parties.
- Compiling corrective recommendation and gaining agreement from management.

4. REVIEW OF EXISTING HUMAN RESOURCE SYSTEM

Manpower Planning

Review the corporate plan and assess the short-term and long-term manpower requirement both qualitatively and quantitatively.



Recruitment Policies

Review the entire recruitment process currently in place, identify any weaknesses and make appropriate recommendations.

Disciplinary Procedure

Review adequacy of existing grievance and disciplinary procedures, and make appropriate recommendation.

5. ORGANIZATION STRUCTURE

A clear and strong management structure is imperative for achievement of organizational goals. Here we shall review the departmental functions to ensure they are clearly defined and reporting relationships are clear and unambiguous.

Interviews will be held with senior management to determine that KTDC strategic goals are well served by the existing structures.

6.0 INSTITUTIONAL ANALYSIS

6.1 Job Analysis, Job Descriptions and Job Objectives.

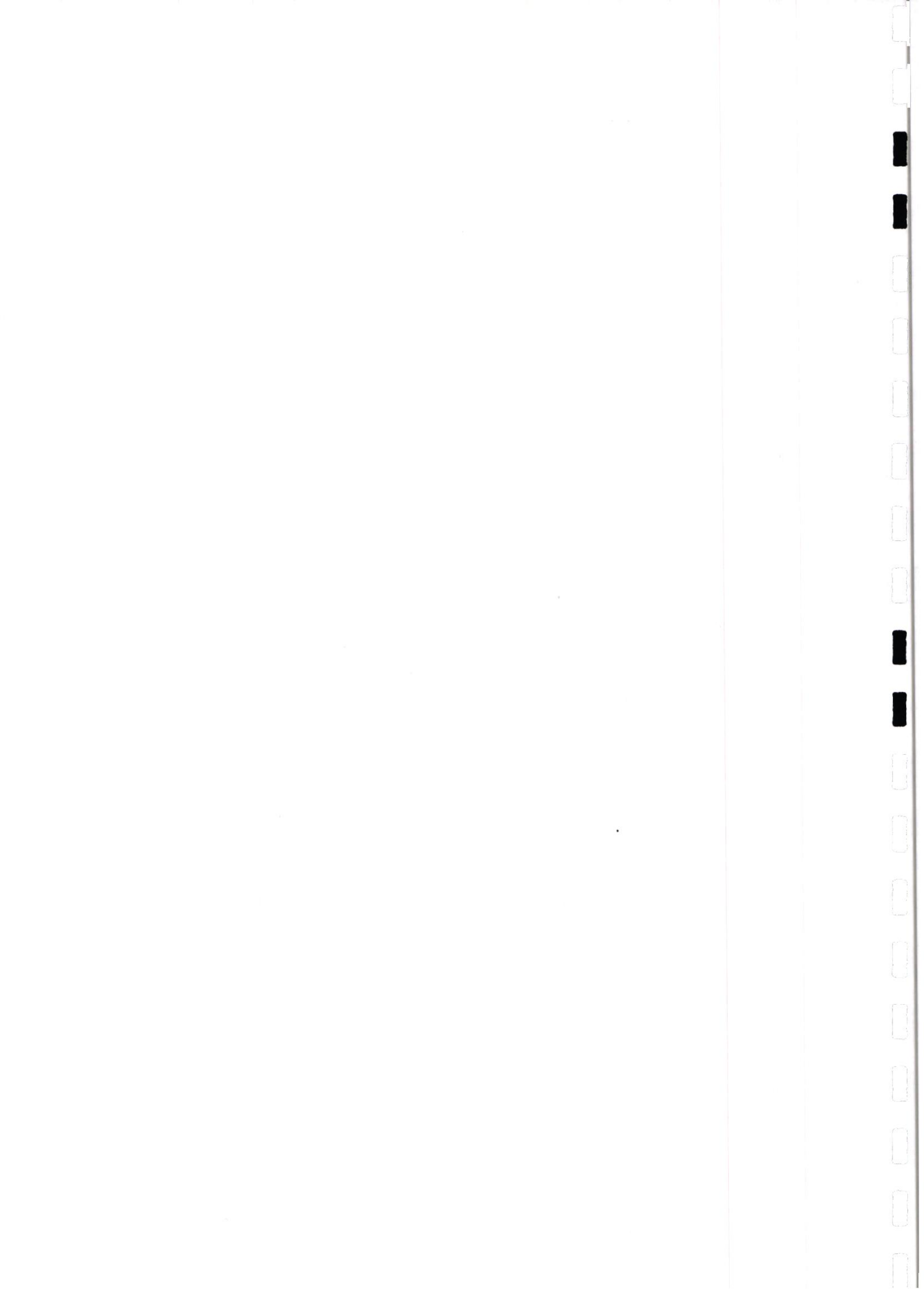
Existing job descriptions will be reviewed if found inadequate or outdated a job analysis exercise will be conducted. This will entail the

following steps:-

- Examine existing job descriptions and other relevant documentation including the organization chart, terms of service and other record.
- Map out a work plan covering the desired job descriptions.
- Carry out interviews with job holders and obtain their understanding of their tasks.
- Cross check job holder understanding with their superiors.
- Write job description conforming to an agreed format.

6.2 Performance Appraisal

- Review the current appraisal system and ascertain how far it is amenable to performance assessment.
- For each key result area of the job description, agree and record the suitable and accurate measurement standard. This standard should be quantitative where appropriate but in many cases will have to be qualitative.
- The performance measurement standard should then be used in the performance appraisal.



6.3 Training Needs Analysis and Compiling Training Programme.

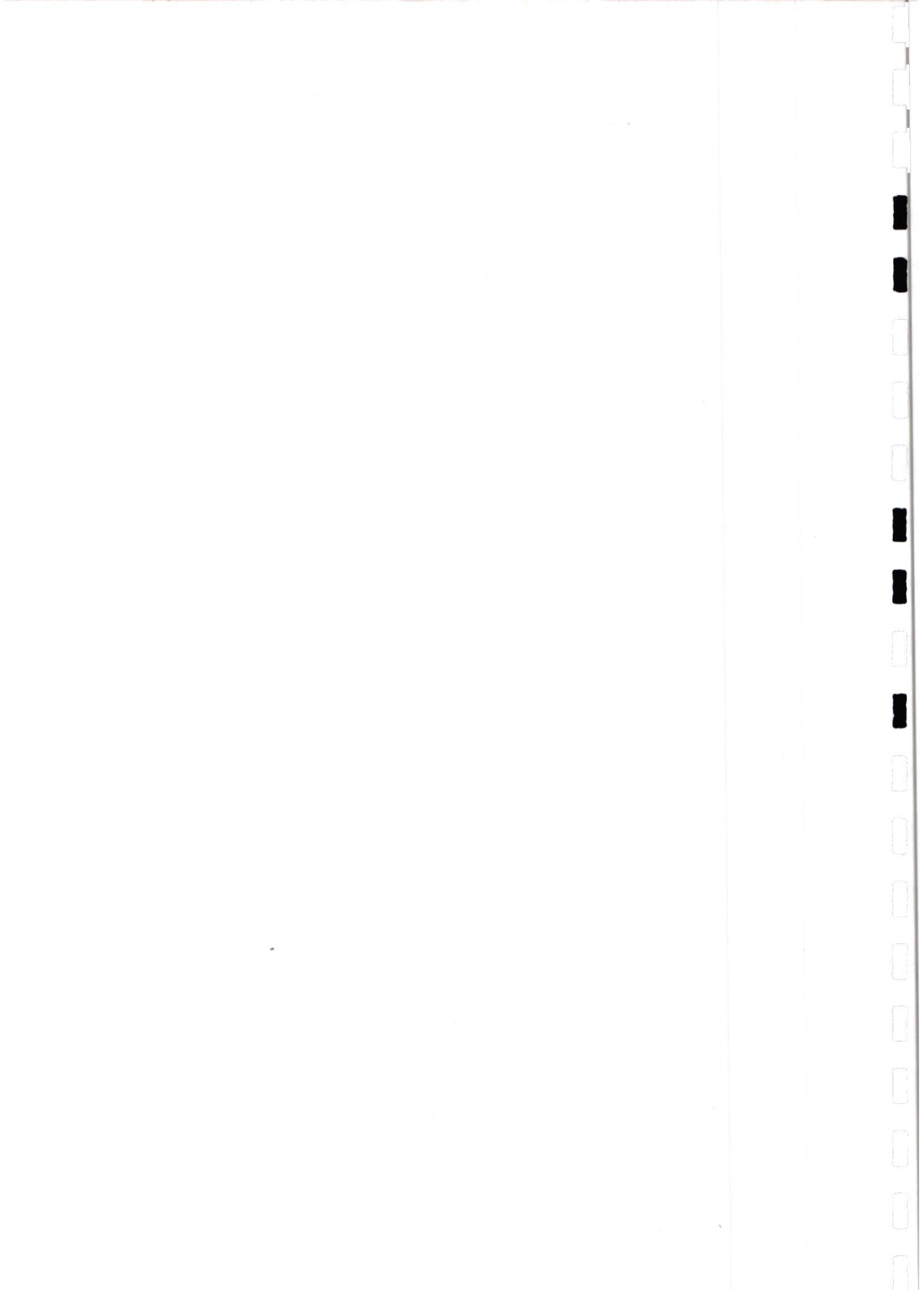
A review will be made of the existing training policy and its completeness. Wide consultations will be held with management on:

- Identification of training needs
- Design of a training programme
- Design of assessment criteria for training results or training evaluation.

7. TO REVIEW OF STAFF BENEFITS PROGRAMMES AND SALARY ADMINISTRATION.

We shall study the existing benefit programmes and while appreciating the confines of the statutory regulatory framework make concrete recommendations on improvement.

A review will be made of the current incremental salary pay system in place and an effort made to recognize individual performance and productivity as far as possible. This is necessary to be in tune not only with current trends but to ensure attainment of corporate objectives and ultimately survival.



CONSULTANT'S CREDENTIALS

Name: Peter Magiri Nteere
Nationality: Kenyan
Education: B.A. (Hons) in Government and Public Administration.

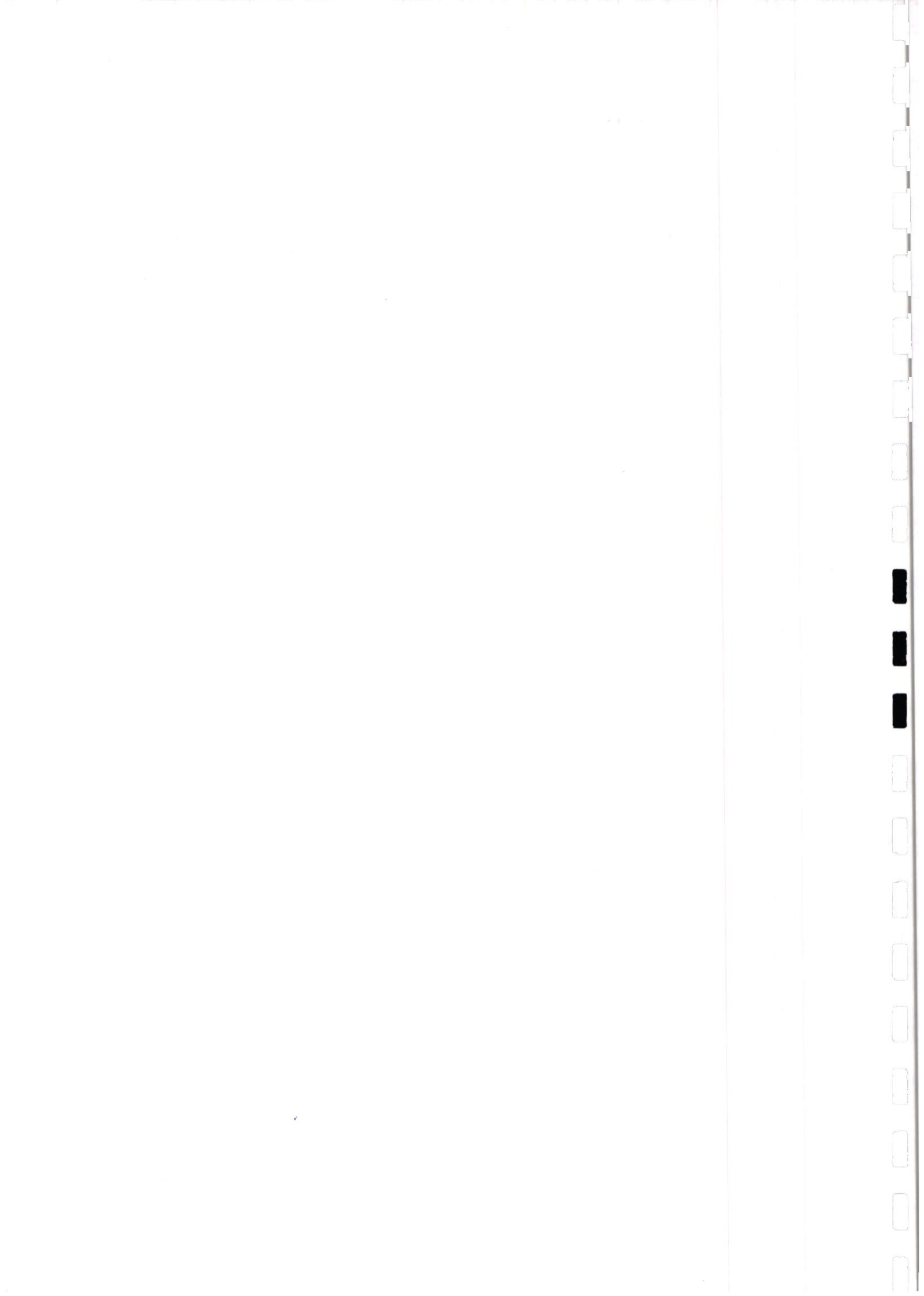
Key Areas of Experience:

- A Career Human Resource professional who has vast experience gained from working in professional personnel departments of government, parastatal and major private sector companies.
- Has experience in review and design of job description of key positions in companies, the study and review of terms of service including design of medical schemes, assessment of salary structure, grading systems and training need analysis.
- Has undertaken market salary surveys and their successful implementation; involvement in recruitment of all levels of staff from preparation of job specification, media advertising, reviewing of applications, selection of candidates to reference checks.
- Design and implementation of staff annual performance appraisal systems and job evaluation for management positions.
- As a member of a team of consultants involved in the job evaluation and job profiling for the Civil Aviation Authority of Uganda, at Entebbe.

14/2

**KENYA TOURIST DEVELOPMENT
CORPORATION**

**HUMAN RESOURCE REVIEW OF KTDC
FINAL REPORT**



ACCOMPLISHMENTS OF THE CONSULTACY

1.0. Background

Parastatal organizations in general and Kenya Tourist Development Corporation in particular have been faced with serious decline in performance, productivity and profitability.

1.1 The reasons for the decline are not the subject of this review but suffice it to say this decline manifests itself in the poor condition of the Human Resource situation in terms of its organization, responsiveness to change and how well equipped in terms of having the right competencies to respond to the new economic challenges.

1.2 The new socio-political economic order envisages maintaining in the government system only those Parastatals able to re-engineer themselves to become not only profitable but also able to actively contribute substantially to future economic growth and expansion.

1.3 Hence the need to re-focus on reforming these organizations to meet this challenge has led to a closer review of the Human Resource as a major component of organizational change in order to ensure: -

- a) Appropriate organizational structures
- b) Adequate competency or capacity of Human Resource to deliver as expected.



2.0 Organisational Review

2.1 The starting point was to undertake a thorough review of the KTDC's Corporate Plan (2003 - 2006) and evaluate the goals and objectives as envisaged therein.

2.2 The second was to figure out the competencies required in terms of the Human Resource in order to achieve the goals and objectives set out in the plan.

2.3 After a thorough organizational study and review, a new organizational structure was conceived and developed. It proposed among others: -

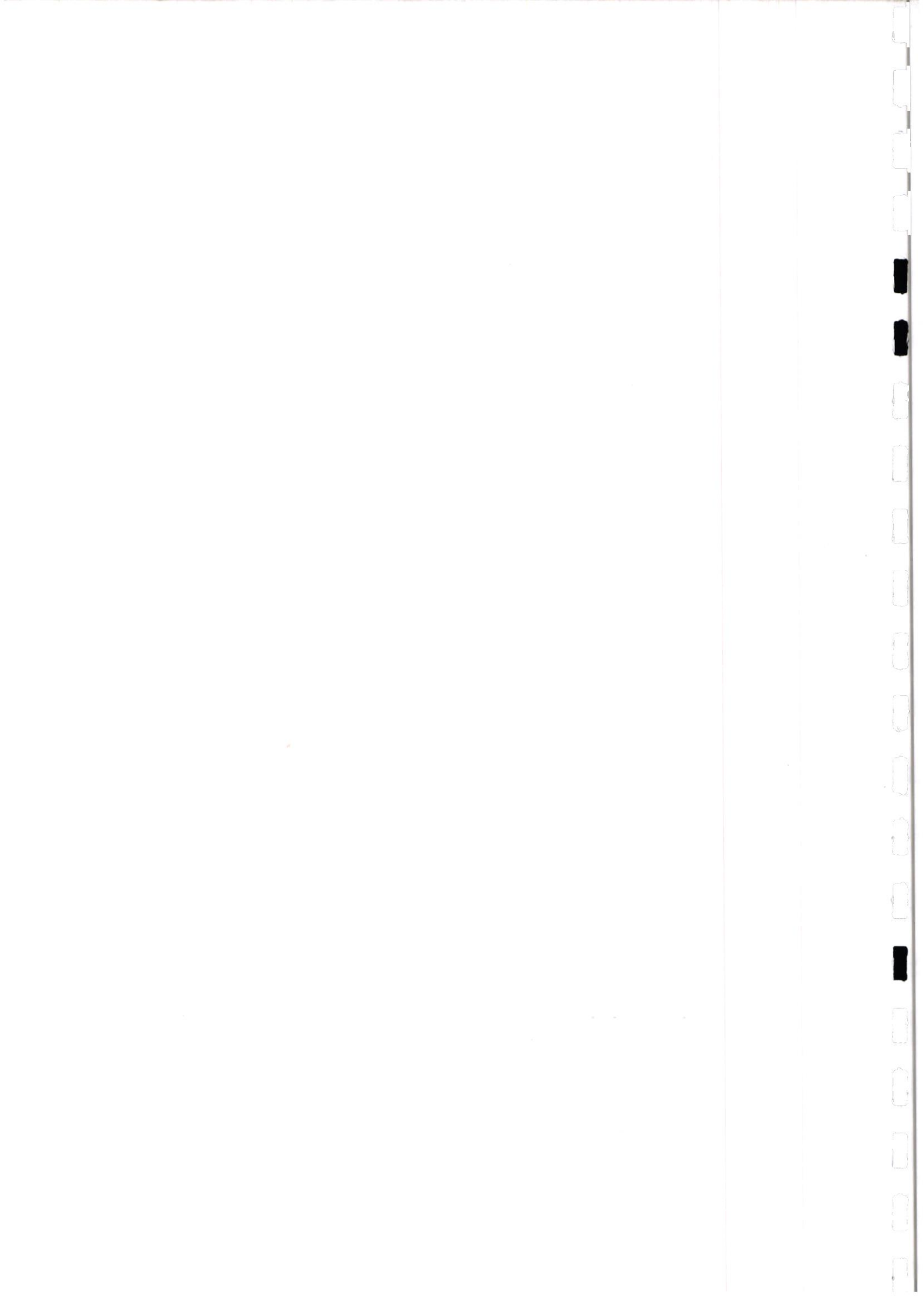
- a) Creation of a **Business Development Department** headed by a Manager capable of directing the Corporate planning and development of tourism business.
- b) Enhancement of Information **Technology** role in the Corporation to ensure Information Technology literacy level is raised and Information Technology culture takes root.
- c) Enhancement of the provision of extension services by the Corporation to its customers and loanees, through strengthening of services in the areas of Hotel Operations, Marketing and Training.

3.0 Departmental Function

As a consequence of the new organizational structure it was necessary to review departmental functions. The mandate of each of them as depicted in the new chart, was formulated taking particular attention to ensure that duplication was avoided and coverage of responsibilities was as complete as possible in order to achieve the goals set out in the Corporate Plan.

4.0 Job Analysis

A job analysis exercise was undertaken. All jobs were reviewed and documented and the competencies of all current jobholders were documented. This was done in order to enable the matching of available competencies into



the new organization structure and the new departments as best as could be done. In addition, requirements for all job positions in the Corporation were researched and documented.

5.0 New Recruitments

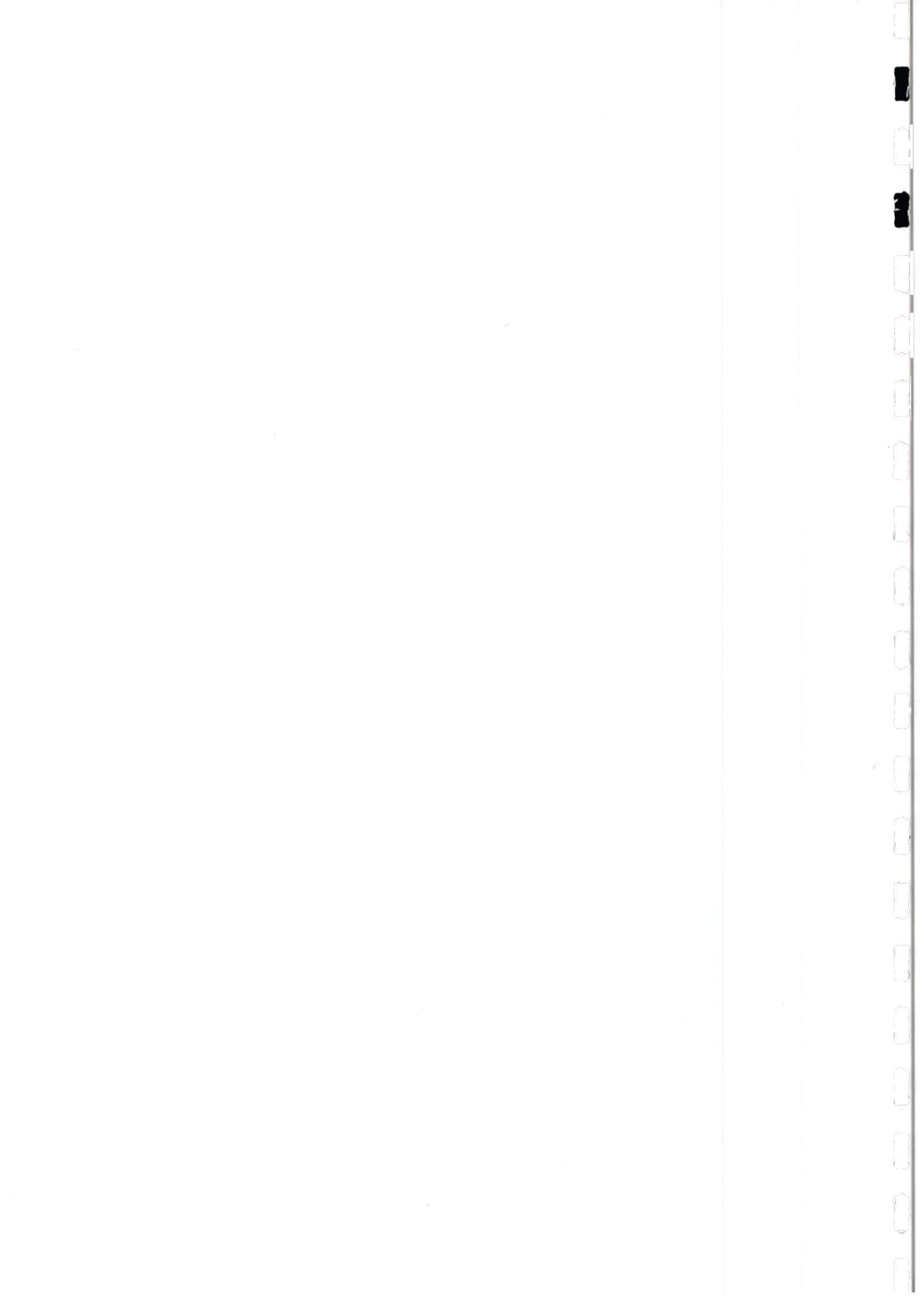
Arising from the new structure, new mandate and new functions, clearly there were competencies, which were lacking from within the Corporation. It was therefore necessary to advertise for these from the external market. Profiles of the proposed new positions were compiled and advertised and a shortlist of suitably qualified candidates was recommended to the Management for further processing.

6.0 Appreciation of the New Structure and Corporate Goals Training

It is of utmost importance to ensure that all employees are aware of the goals and objectives of the organization. To this end appropriate short training courses were formulated and sessions were held with each department's staff covering the KTDC mission statement, its vision and the Corporate Plan 2003 – 2006, the role and functions of each new department and how it contributed to the attainment of the Corporate Plan. Every employee was taken through these sessions and the emphasis was particularly laid on the importance of each individual's contribution to the total corporate effort.

7.0 Job Descriptions

A Corporation wide job analysis programme was then undertaken. Each job was reviewed and consultations held within each department in order to formulate complete and professional job descriptions. These job descriptions, each detailing the key responsibilities of every position and the ideal requirements that each jobholder must possess in order to adequately discharge the duties of



each position, were documented. Complete lists of job descriptions were compiled and distributed to all Heads of departments.

8.0 Harmonisation of Salaries Arising From the Re-organisation

Following the changes made pursuant to the new organisational structure, certain discrepancies became apparent. These touched on titles, seniority as well as pay for those individuals moved from their original positions. Consultations were held within affected departments and appropriate recommendations made to management on their resolution.

9.0 Training Needs Analysis

A thorough review of the existing training policy was initiated. It was apparent from the outset that the senior and middle management personnel lacked proficiency in basic principles of management. The following courses were therefore formulated: -

- Principles of management
- Motivation
- Leadership
- Communications

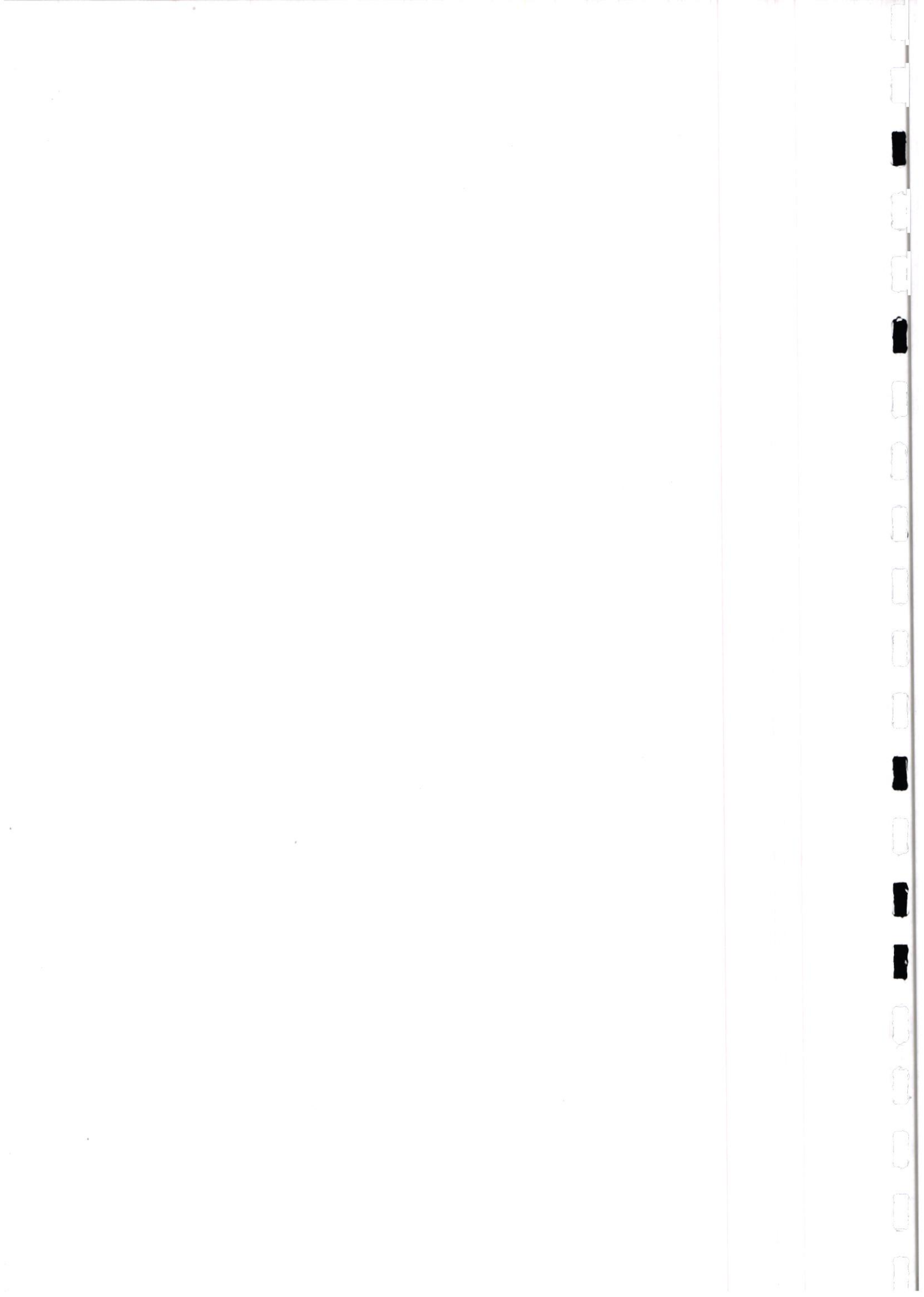
In-house training sessions were conducted covering all senior and middle management staff of the Corporation.

Subsequently, course evaluations were carried out and management held sessions with trainees to review the training results.

10.0 Review of Performance Appraisal

Mindful of the impending change by the government to the use of performance contracts as a management tool, emphasis was given to formulating appropriate performance appraisal procedures.

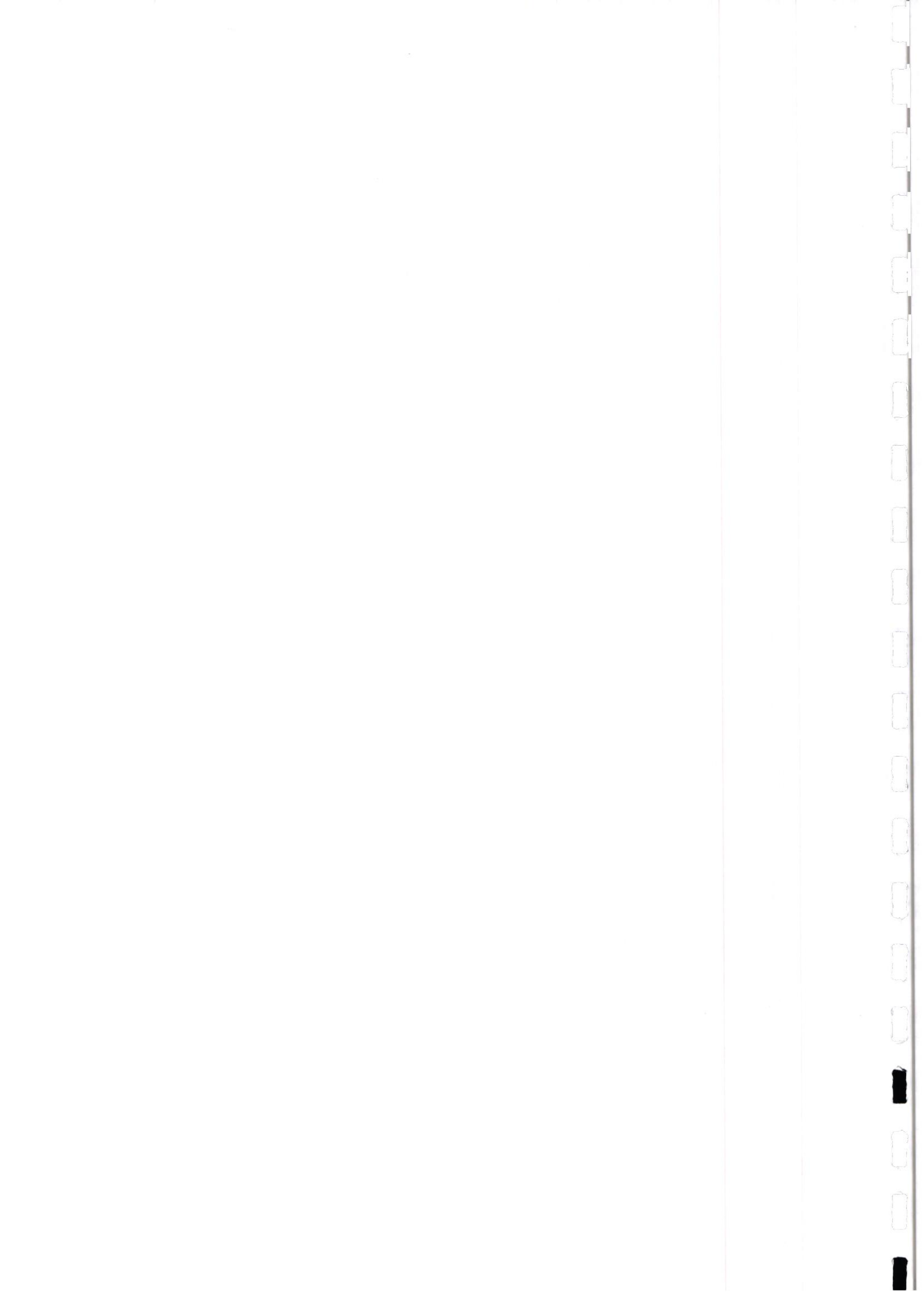
A thorough review of the current performance appraisal system was undertaken formulated and introduced and a new system of appraisal was introduced.



Training sessions were undertaken to train all individuals responsible for appraising others down to the departmental section heads.

11.0 Summary Achievements

- 11.1 Formulation of a new organisation structure and its implementation.
- 11.2 Raising awareness of the Staff about KTDC mission, KTDC vision, KTDC corporate plan goals 2003 – 2006 through training.
- 11.3 Formulation of complete job descriptions covering responsibilities for each position and jobholder requirements throughout the Corporation.
- 11.4 Recruitment of key personnel to fill new openings mandated by the new organisation structure.
- 11.5 Formulation of training courses and conducting training sessions with all senior and middle management staff covering principles of management.
- 11.6 Raising of KTDC staff awareness of the role of the corporation, the need for teamwork and team spirit and the KTDC potential in the realisation of benefits of tourism for our country.



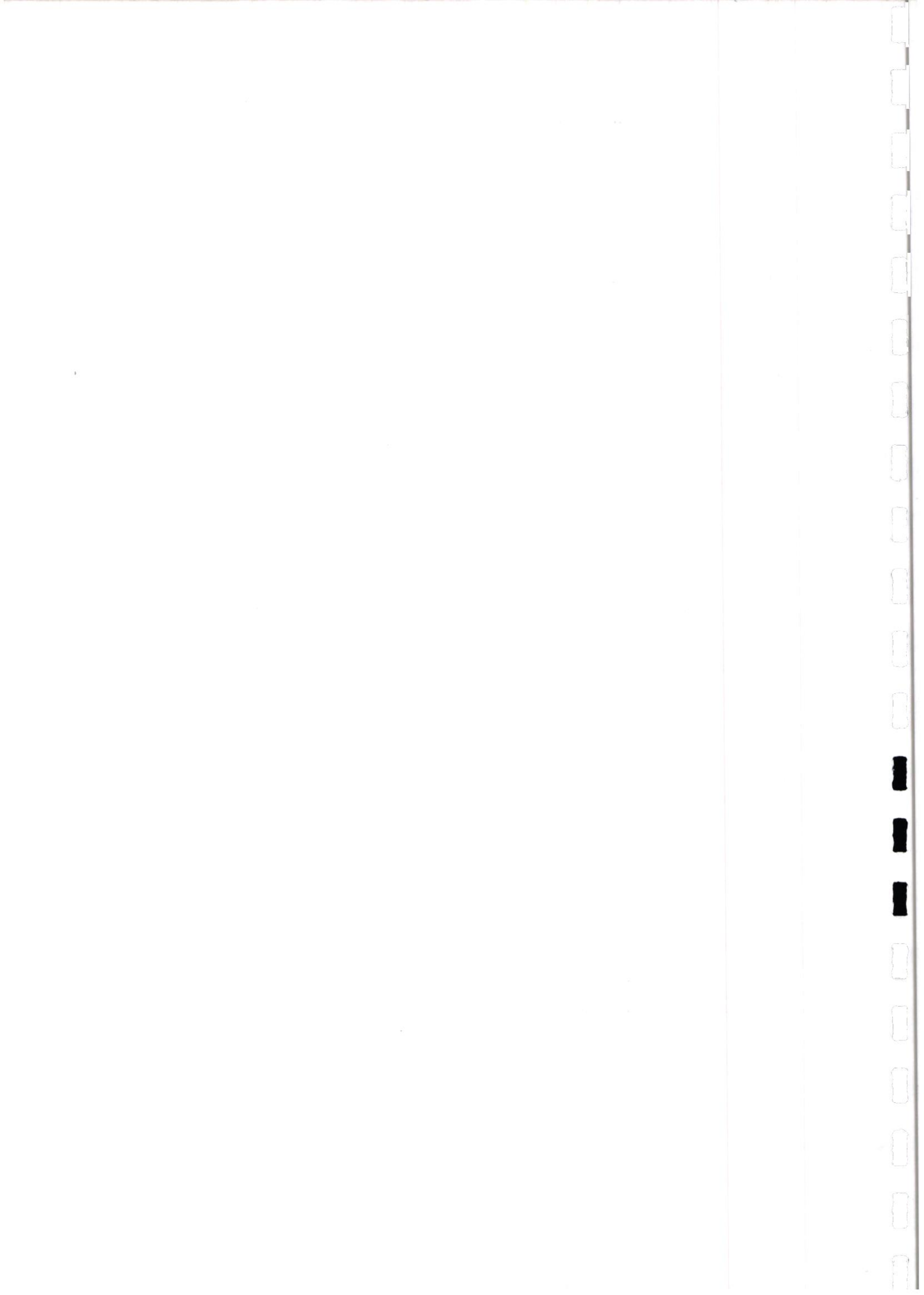
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**KENYA TOURIST DEVELOPMENT
CORPORATION**

1st Draft.

**PROPOSAL FOR THE PROVISION OF HUMAN
RESOURCE CONSULTANCY SERVICES**



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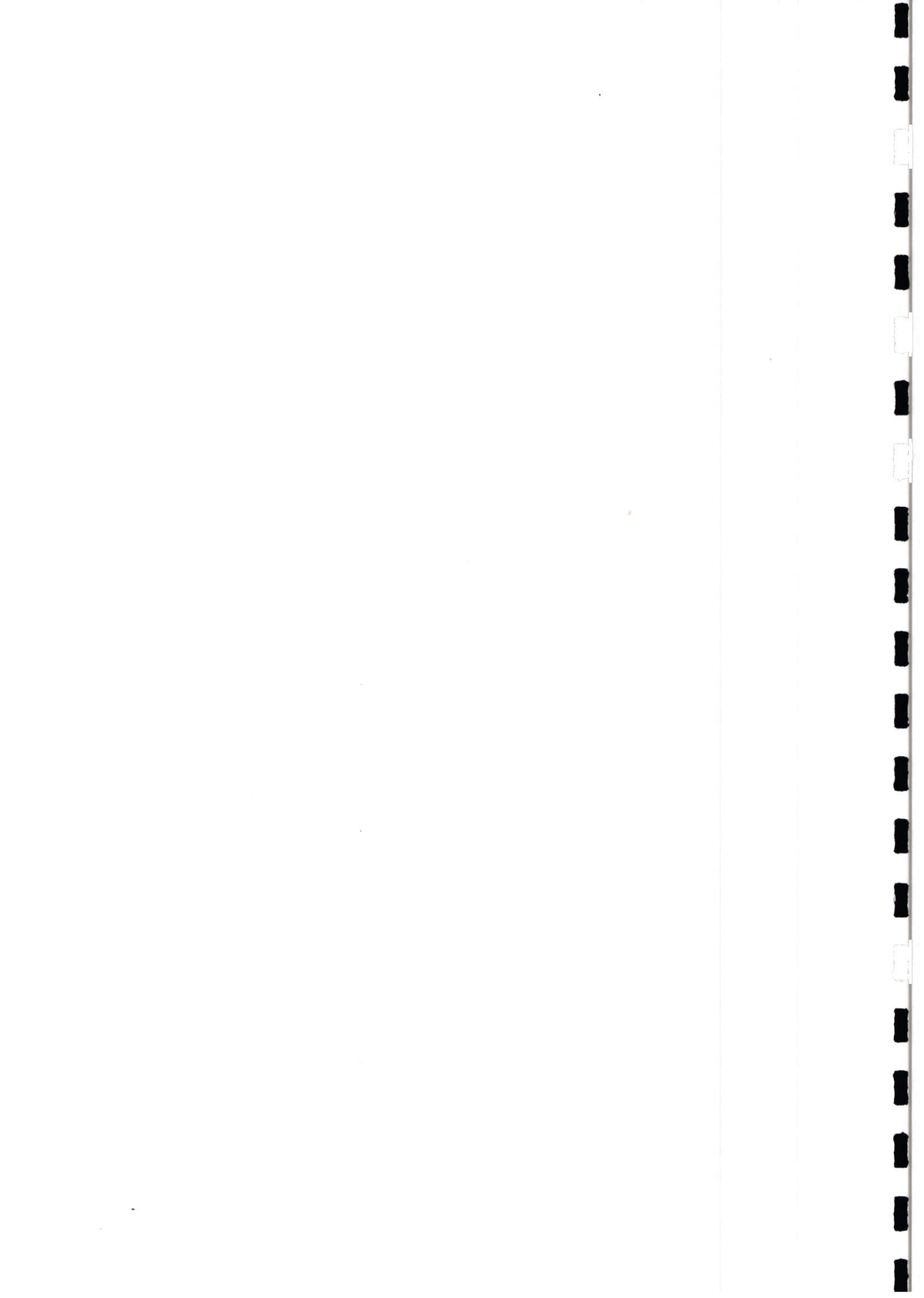
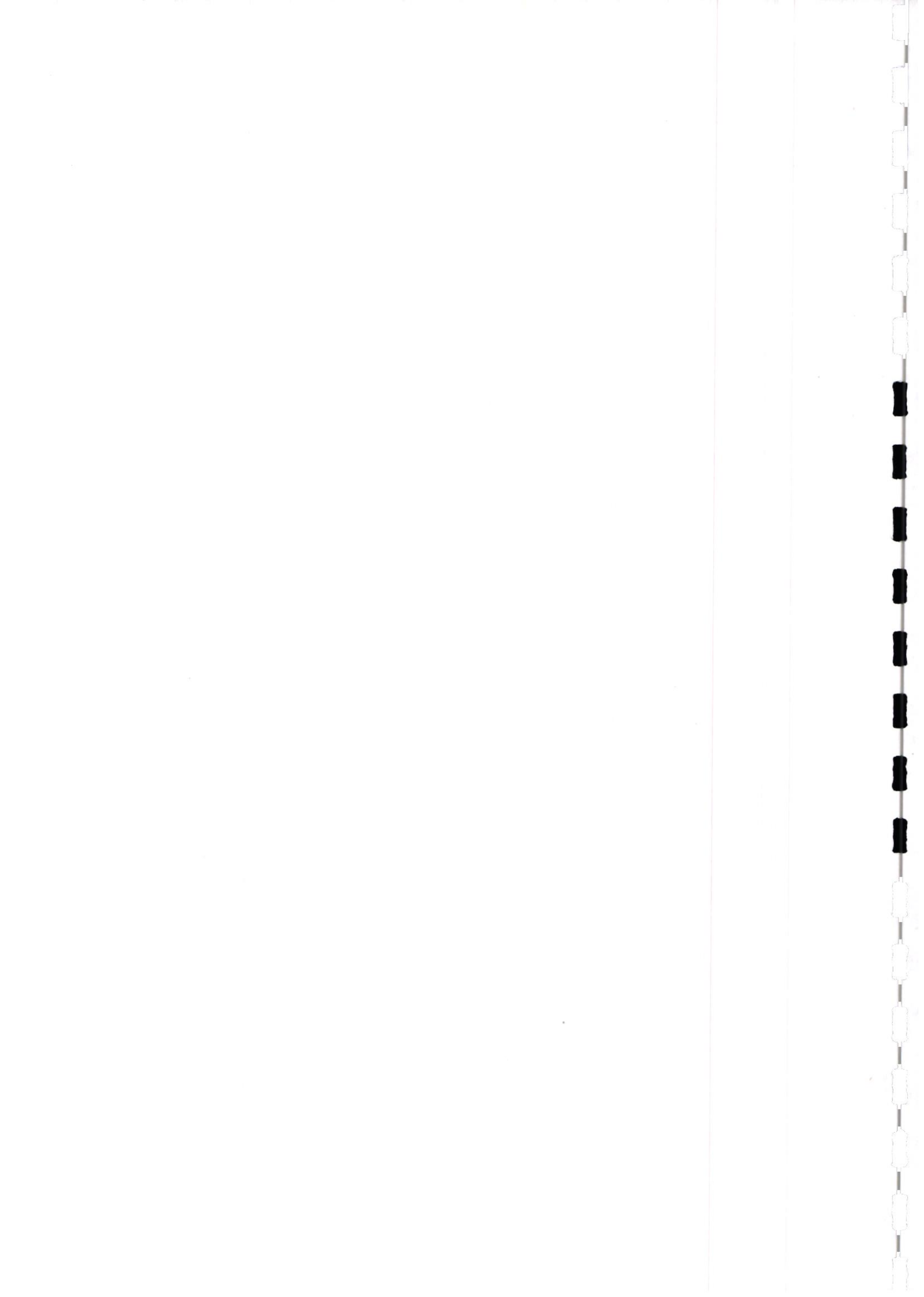


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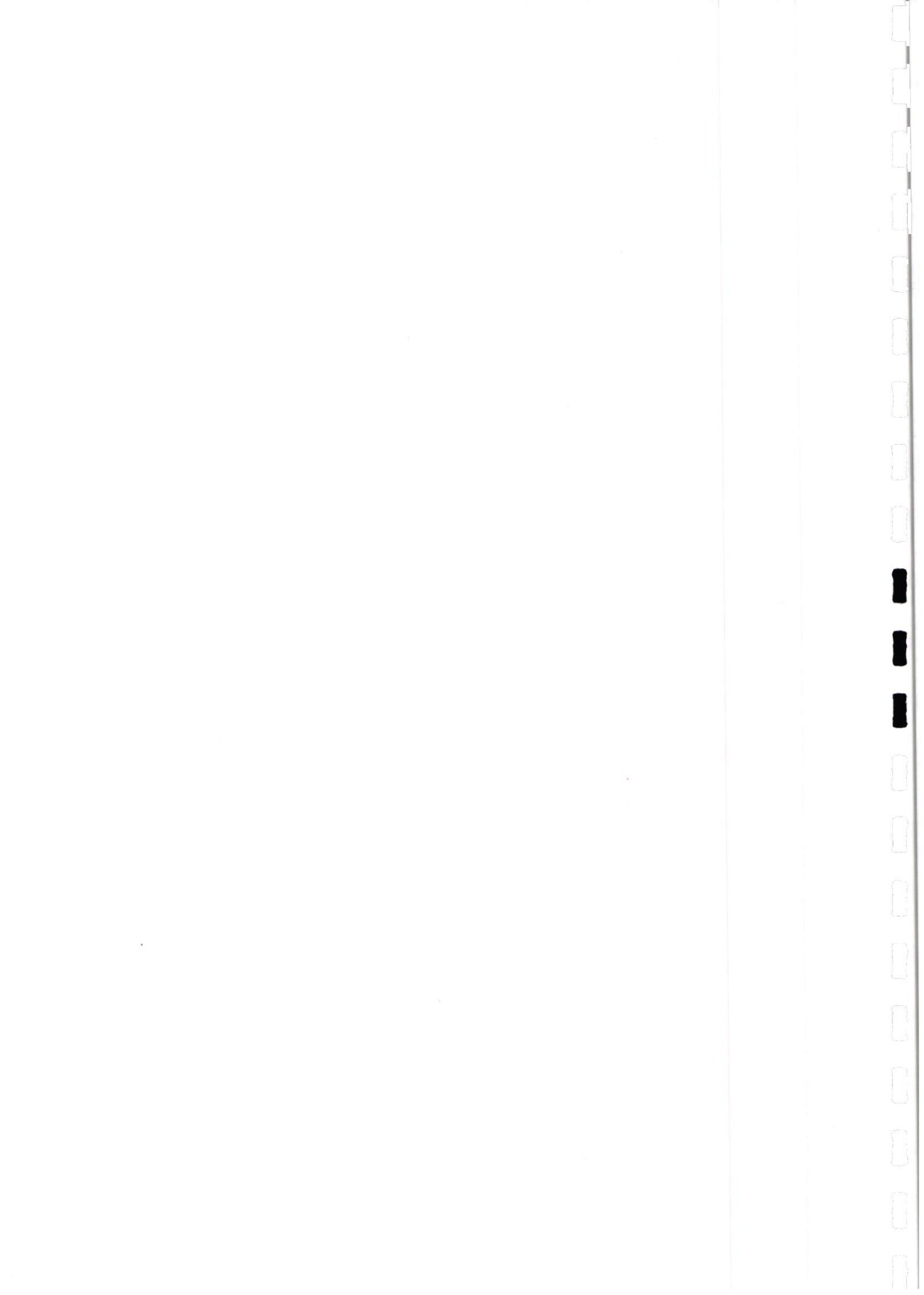
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✓ Review the corporate plan and assess the short-term and long-term manpower requirement both qualitatively and quantitatively.

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Interviews will be held with senior management to determine that KTDC strategic goals are well served by the existing structures.

6.0 INSTITUTIONAL ANALYSIS

6.1 Job Analysis, Job Descriptions and Job Objectives.

Existing job descriptions will be reviewed if found inadequate or outdated a job analysis exercise will be conducted. This will entail the

Regular workshops.

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Name bng.
Research P.P.
Hotel/Res
Planning
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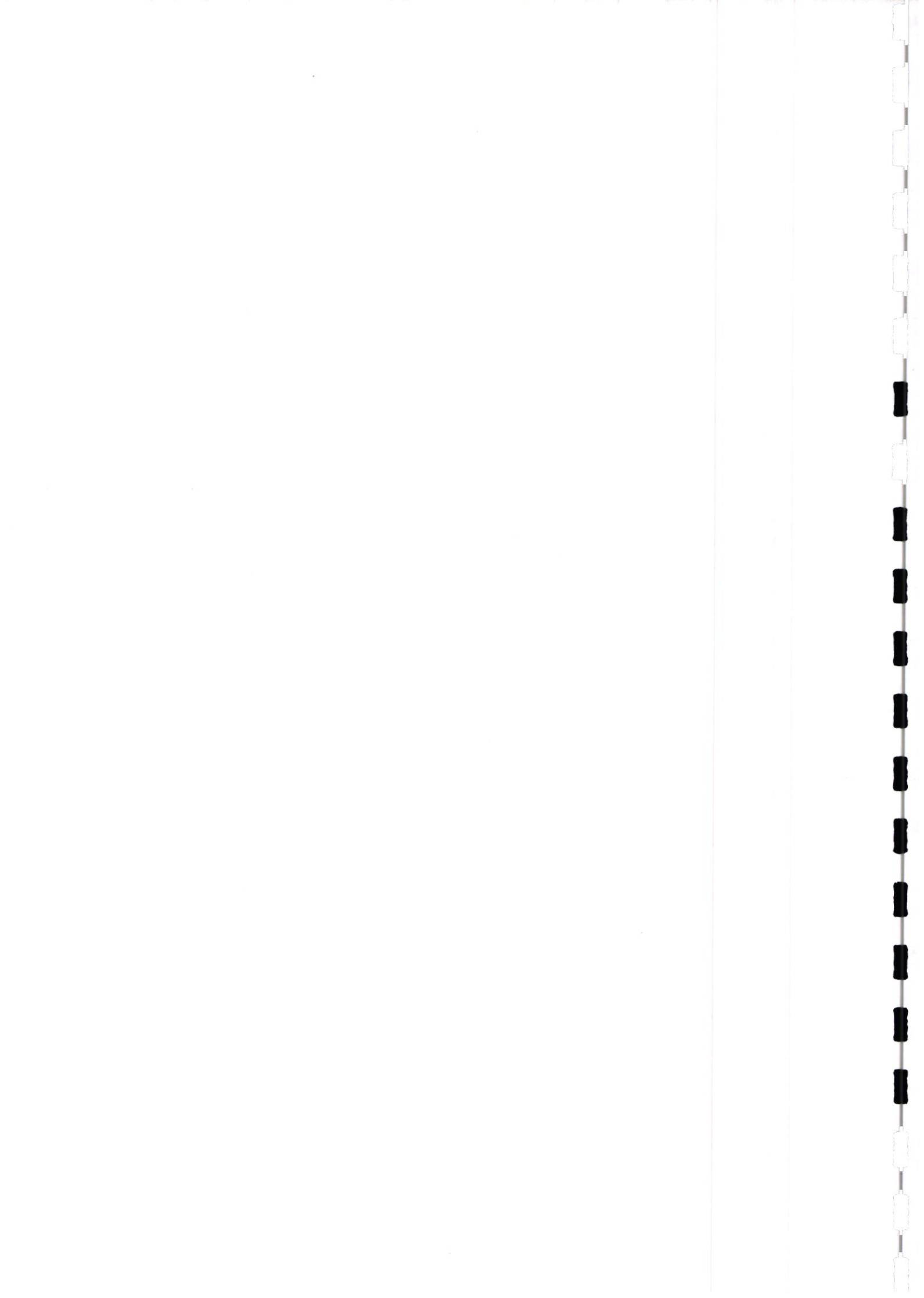


following steps:-

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- Identification of training needs
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- Design of assessment criteria for training results or training evaluation.

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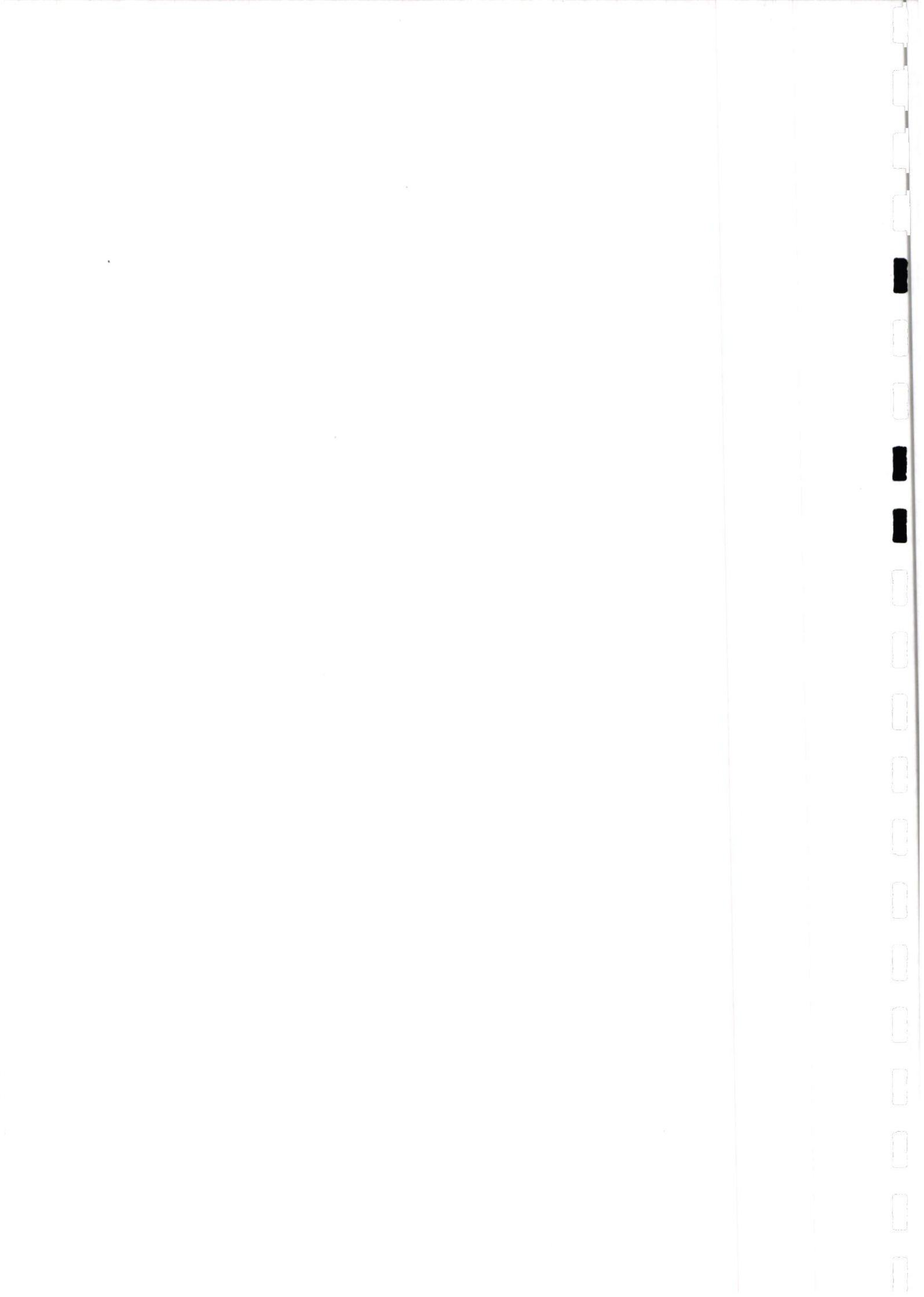
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CONSULTANT'S CREDENTIALS

Name: Peter Magiri Nteere
Nationality: Kenyan
Education: B.A. (Hons) in Government and Public Administration.

Key Areas of Experience:

- A Career Human Resource professional who has vast experience gained from working in professional personnel departments of government, parastatal and major private sector companies.
- Has experience in review and design of job description of key positions in companies, the study and review of terms of service including design of medical schemes, assessment of salary structure, grading systems and training need analysis.
- Has undertaken market salary surveys and their successful implementation; involvement in recruitment of all levels of staff from preparation of job specification, media advertising, reviewing of applications, selection of candidates to reference checks.
- Design and implementation of staff annual performance appraisal systems and job evaluation for management positions.
- As a member of a team of consultants involved in the job evaluation and job profiling for the Civil Aviation Authority of Uganda, at Entebbe.



14

KENYA TOURIST DEVELOPMENT CORPORATION

MEMO

From: General Manager (P&A)

Ref: C/2/11

To: Senior Accountant

Date: 4th February 2004

**RE: PAYMENTS FOR MR. PETER MAGIRI NTEERE
- HUMAN RESOURCE CONSULTANT**

As per folio 12, please arrange to pay Mr. Nteere Kshs. 60,000 for his work and Kshs 6,000 for transport for the month of January 2004. Please arrange to pay similar amounts monthly until further notice. Payments are to be made outside payroll.

Peter Ongeso

**PETER I. ONGESO
GENERAL MANAGER (P&A)**

Copy given to SA(F)

A 3/2/04

CURRICULUM VITAE

Name: Peter Magiri Nteere
Date of birth: 20-aug-1947
Marital status: Married with three children
Contact address: P.O. Box 60977
Nairobi
Telephone: 882314 [Residence]
Mobile: 0722-728588
e-mail: nteere@wanainchi.com

Career Profile

An experienced human resource and industrial relations practitioner. Possesses extensive experience in the design and implementation of HR systems, HR policies and procedures, job evaluation including writing job descriptions and setting job objectives within both the public and private sectors in Kenya. Has excellent negotiation, general corporate administration capability and dispute handling skills as well as a proven track record of team leadership. Also has expertise in the formulation and implementation of staff benefit programmes, staff welfare concerns, manpower planning, training and development.

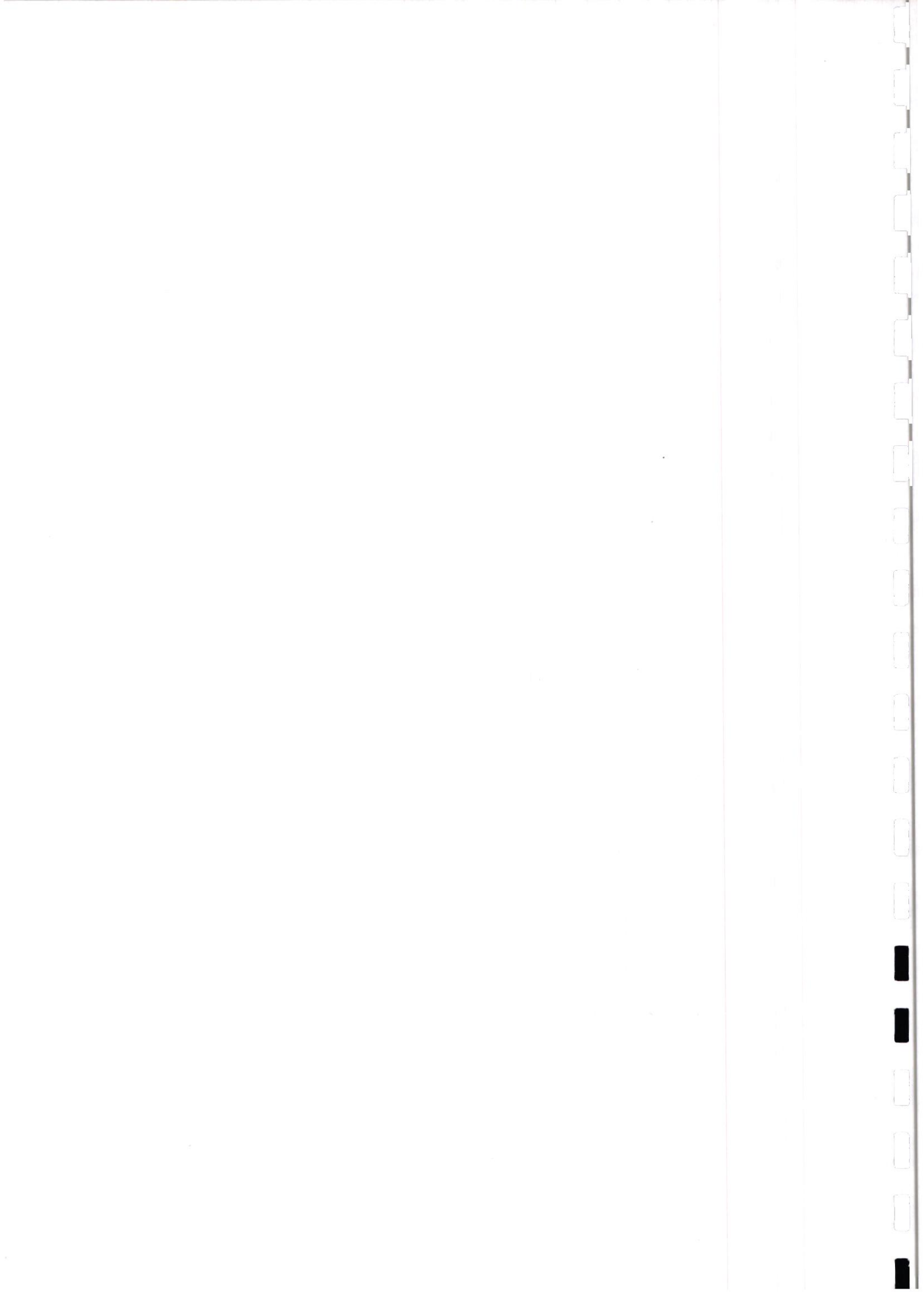
WORK EXPERIENCE

May 1988 to May 2001 SECURICOR SECURITY SERVICES KENYA LTD
Kenya's largest security services provider wholly owned by Securicor International.

Head of Personnel Services

- Personnel Policy formulation and implementation
- Recruitment, manpower development and disciplinary issues
- Establishment control
- Human resource planning
- Company wide job evaluation including:
 - Writing job descriptions
 - Setting job objectives
- Industrial Relations and trade disputes
- Staff welfare

- Benefit programs and salary administration



- Succession planning
- Processing work permits, co-ordination of international passage and local housing

1980 – 1988 GENERAL MOTORS KENYA LTD.
A renowned motor vehicle assembler

Industrial Relations Manager

Responsibilities included:-

- Negotiation and implementation of collective bargaining agreement.
- Assisting in the formulation and implementation of Benefit programs
- In-charge of Staff welfare and canteen facilities
- Recruitment, promotion, deployment and discipline of staff.
- Writing job descriptions and setting job objectives

1974-1980 NATIONAL HOUSING CORPORATION
A Government parastatal dealing in the development of residential housing.

Personnel and Administrative officer

Responsibilities included:

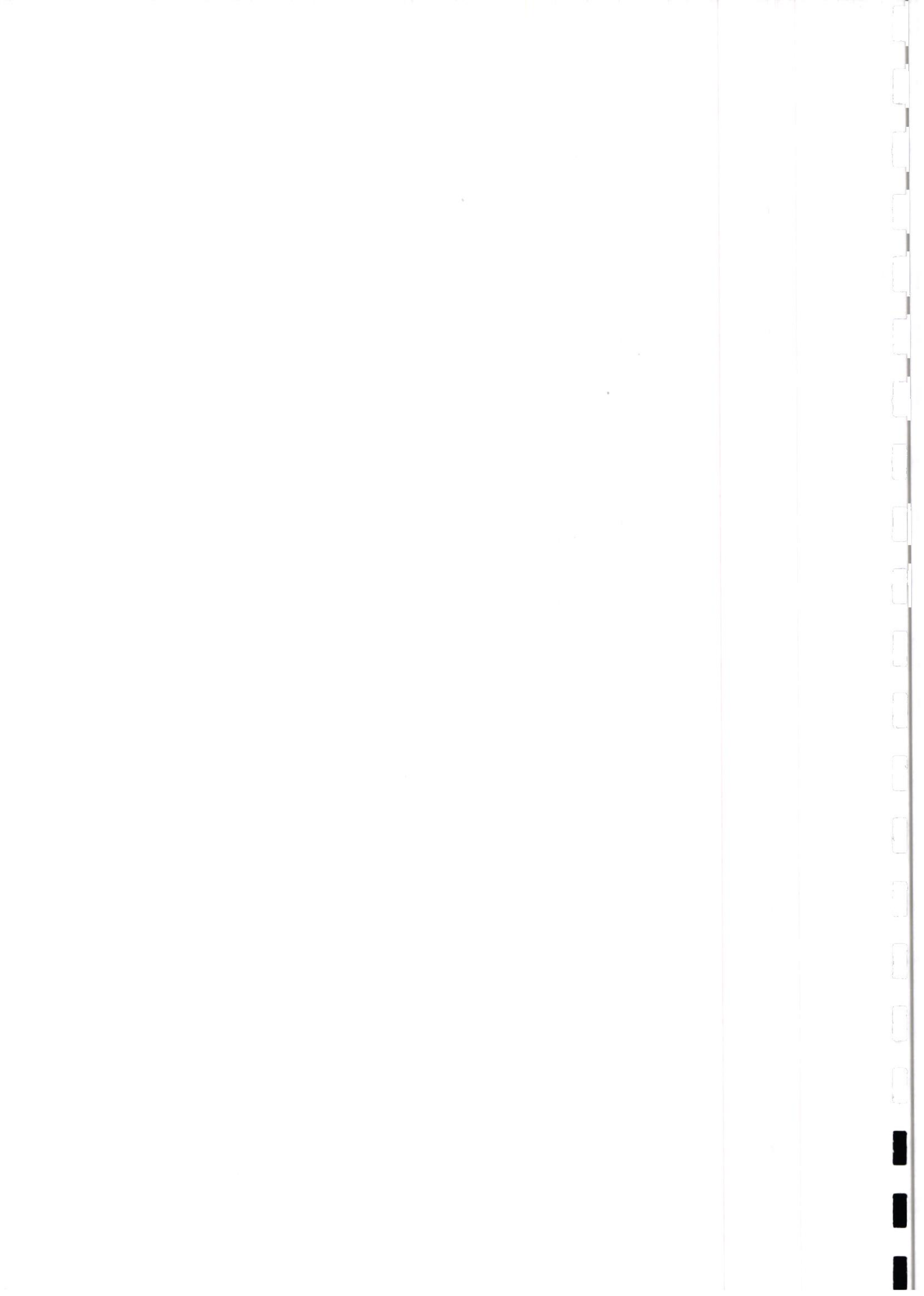
- Incharge of Administration Department
- Administration of Security matters
- Co-ordination of the Transport fleet
- Recruitment and staff training, promotion and deployment
- Secretary to the Board of Directors- calling of Board meetings, co-ordination of board papers and circulation of board minutes and decisions.

1972-1974 MINISTRY OF AGRICULTURE

Personnel Officer.

Responsibilities included:-

- Routine implementation of terms and conditions of service as stipulated in the civil service code of regulations.
- Staff induction and training
- Staff discipline



EDUCATION BACKGROUND

1969-1972	University of Nairobi – Bachelor of Arts with majors in:- <ul style="list-style-type: none">• Administration and management• Public Administration• International Relations
1967 – 1968	Alliance High School A – level
1963 – 1966	Meru Secondary School – Cambridge school certificate

OTHER QUALIFICATIONS

Computer Literate

COURSES ATTENDED

Senior Manager Program, 1996

Solving Human and Organisational Problems, 1996 (Japan)

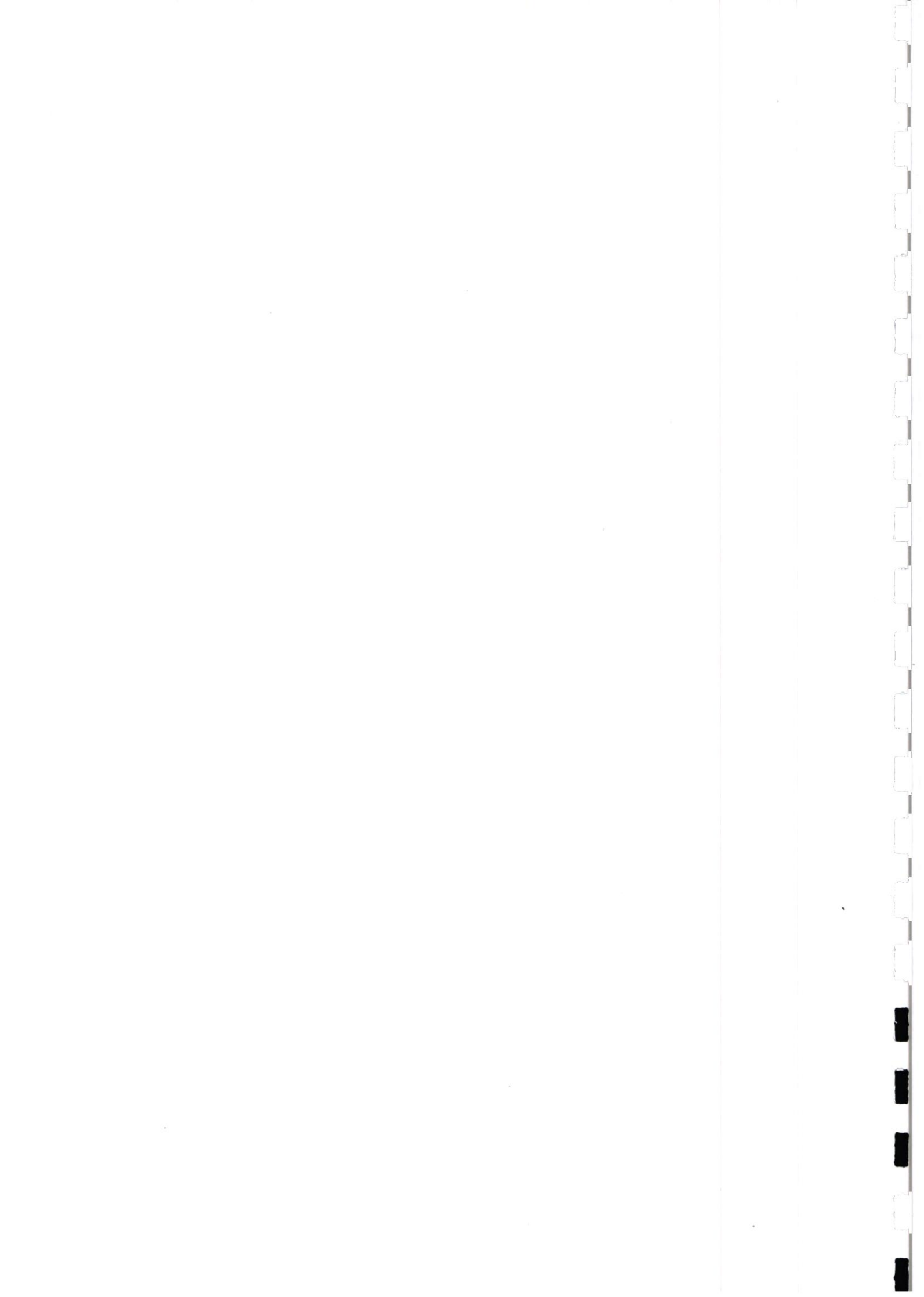
Administration of Pension Schemes, 1993

Personnel Management Development Course, 1987

FKE/ILO/NAF Senior Management Development Course, 1996

HOBBIES/ INTERESTS

Reading, gardening, swimming.



Referees:

1. Jackson Muchira
Director of Operations
Securicor Security Services
P.O. Box 30242
Nairobi

2. Ambassador Francis K. Muthaura
Permanent Secretary
Secretary to The Cabinet & Head of Public Service
P.O. Box 30510
Nairobi

3. Gideon Mworira
General Manager
Achelis Kenya Ltd.
P.O. Box 30378
Nairobi





KENYA INSTITUTE OF MANAGEMENT

This is to certify that

P.M. NILEERE

attended the

EXECUTIVE DEVELOPMENT COURSE

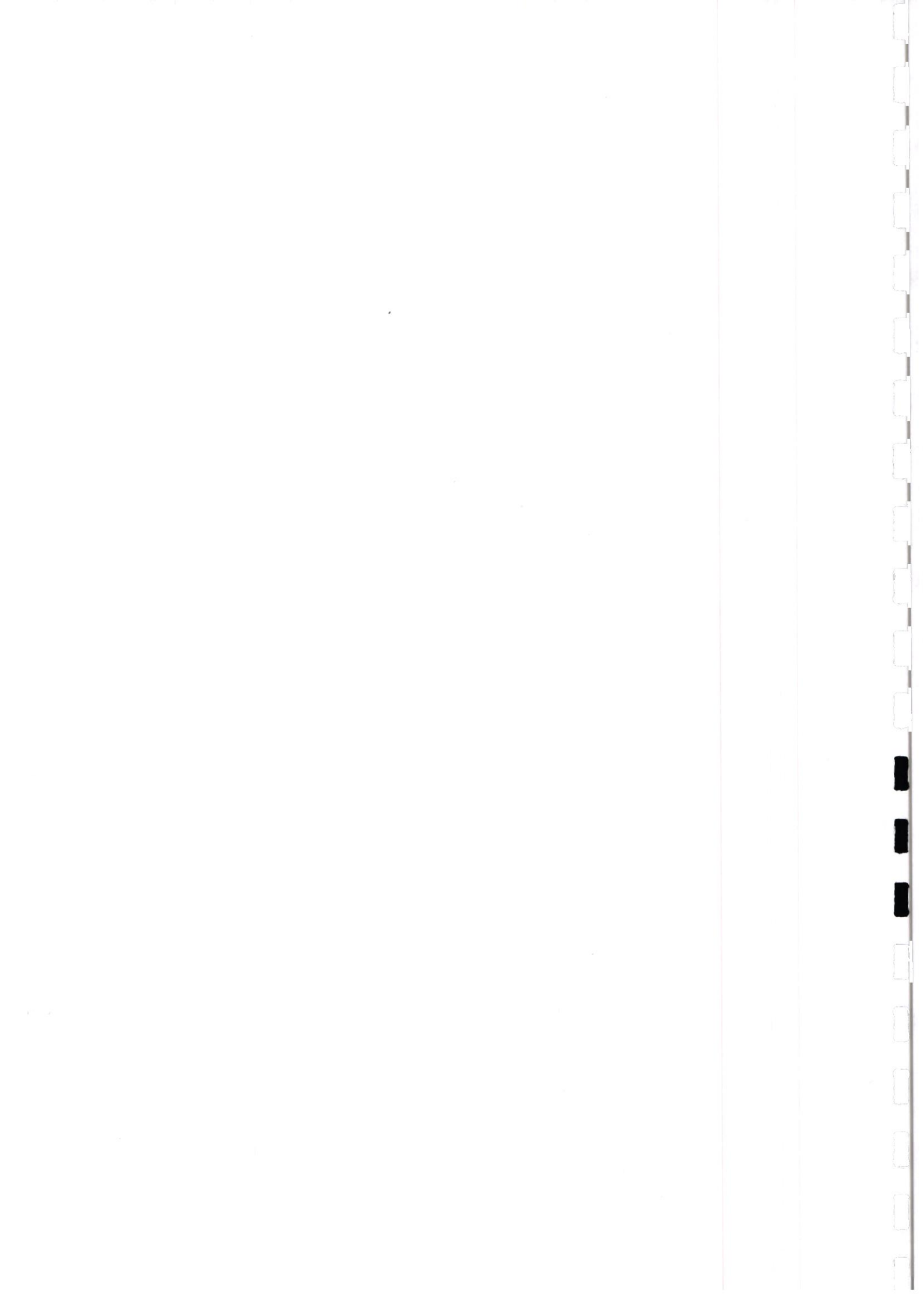
organized by the Institute

From 29TH JUNE, 1981

To 10TH JULY, 1981

TRAINING EXECUTIVE

CHAIRMAN OF COUNCIL





KENYA INSTITUTE OF MANAGEMENT

This is to certify that

A. M. Steere.

attended the

Personnel Management Course.

organized by the Institute

From 11th Apr

To 22nd Apr 1983

Eric J. L.
TRAINING EXECUTIVE

S. S. S.
CHAIRMAN OF COUNCIL





KENYA INSTITUTE OF MANAGEMENT

This is to certify that
A. M. Steere.

attended the
Industrial Relations Course.

organized by the Institute

From 18th October To 29th October 1982

[Signature]

TRAINING EXECUTIVE

CHAIRMAN OF COUNCIL



Minet ICDC



Insurance Brokers Limited

Minet ICDC House, Off Nyerere Road, P.O. Box 48279 Nairobi, Kenya.

TRAINING COURSE

CERTIFICATE OF ATTENDANCE

This Certificate is to confirm that

of MR. P.M. NTEERE
SECURICOR SECURITY SERVICES

has attended the Minet Training Centre and successfully
completed AN EMPLOYEE BENEFITS SEMINAR

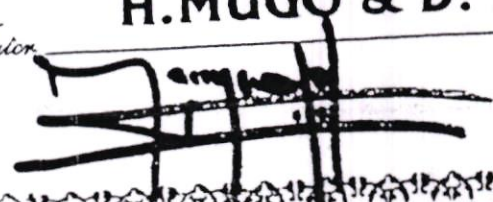
Training Course between the following dates
AUGUST 24TH & 25TH 1995.

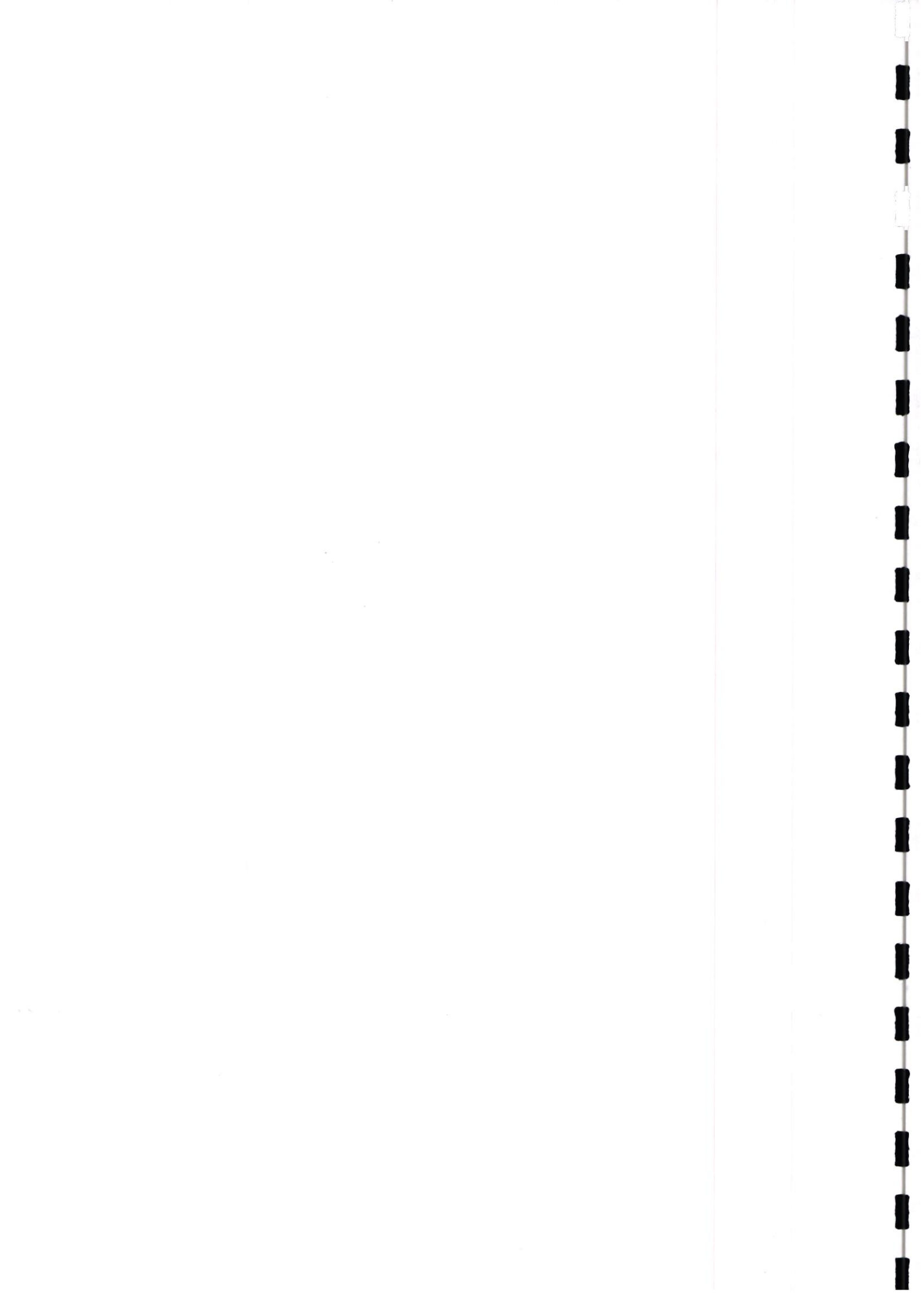
Signed

Managing Director


DAVID FARRAR

Course Tutor


H. MUGO & D. KAIRU



INTER-AFRICA CONSULTANTS

This is to certify that

P. M. NTEERE

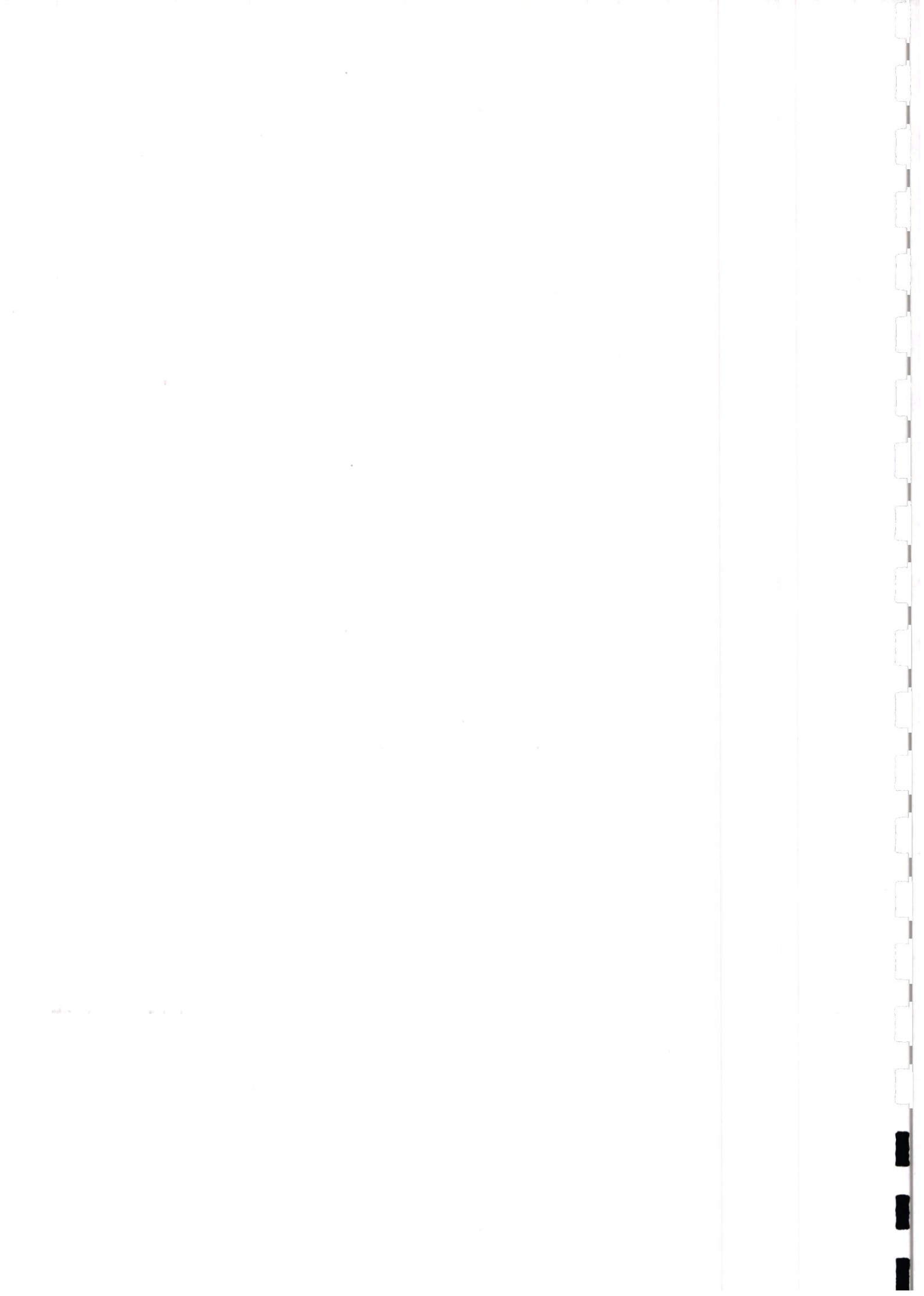
*has successfully completed a
course of instruction in*

ADMINISTRATION OF PENSION SCHEMES

from SEPTEMBER 20, 1993 *to* SEPTEMBER 24, 1993



MANAGING CONSULTANT





KENYA INSTITUTE OF MANAGEMENT

This is to certify that

Peter M. Nteere

attended the


Executive Development Programme course

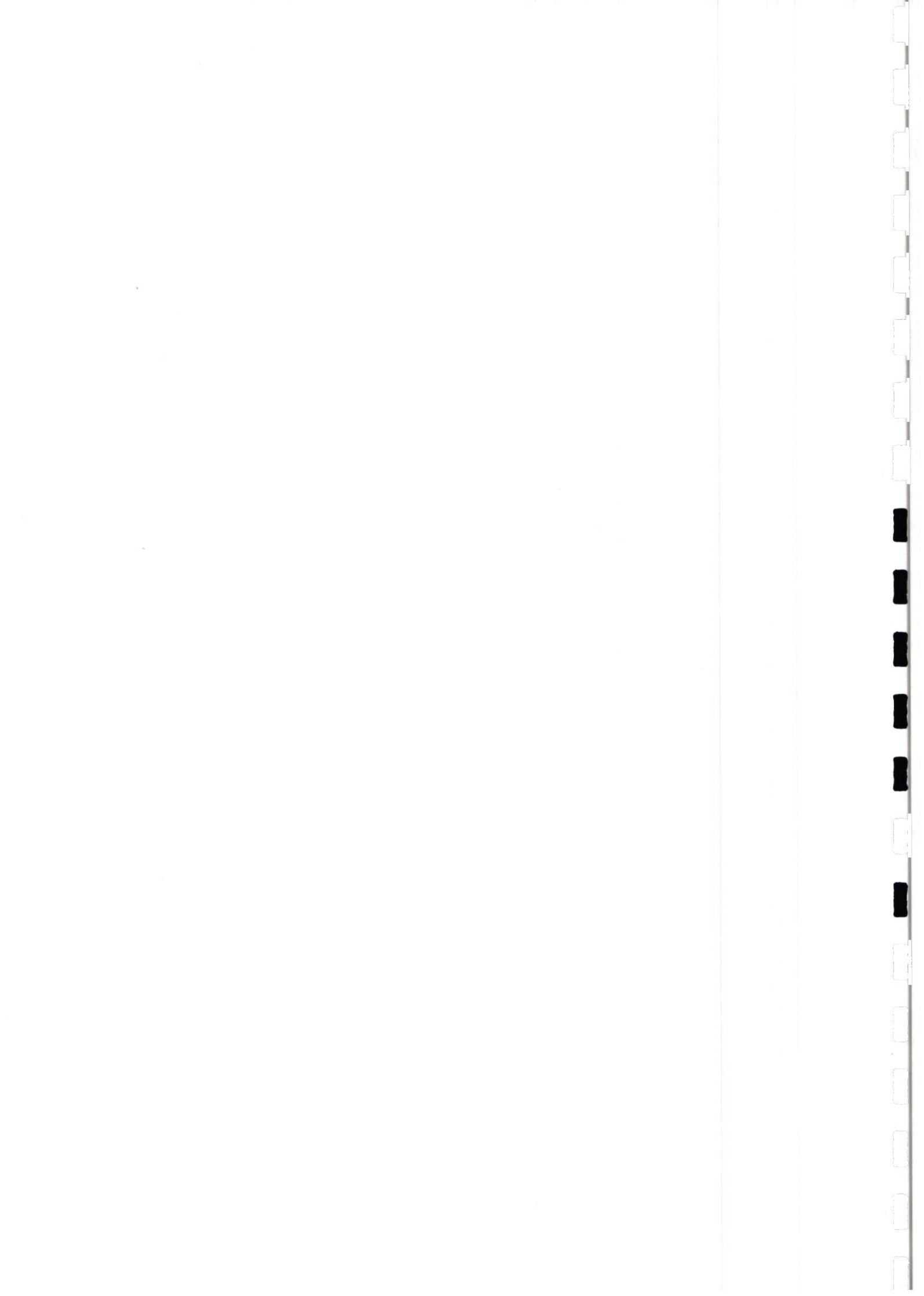
organized by the Institute

From *30th March*

To *3rd April, 1992*


EXECUTIVE DIRECTOR


CHAIRMAN OF COUNCIL



This is to certify that

PETER NTEERE

successfully attended the

'SENIOR MANAGER PROGRAMME'

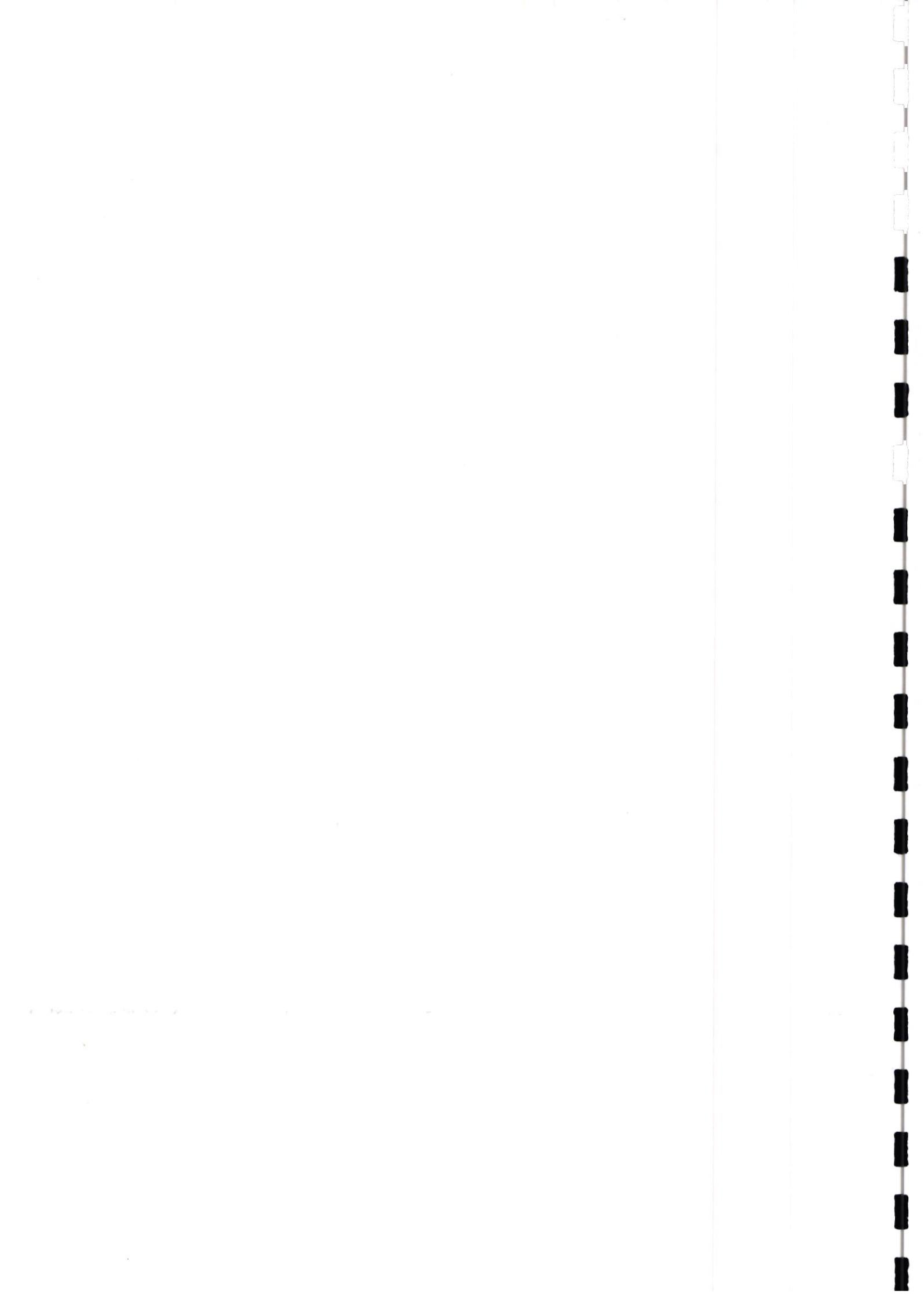
for the Africa Region,
at Machakos, in Kenya
(9/12/96 to 13/12/96)

Course Tutor

John Haisa
[Signature]

Head of Group Training Services

Peter Williams



CERTIFICATE

THE FEDERATION OF KENYA EMPLOYERS
IN CO-OPERATION WITH
THE INTERNATIONAL LABOUR ORGANIZATION

Certify that

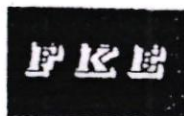
Peter M. Nteere

Successfully completed the *12th* PERSONNEL MANAGEMENT DEVELOPMENT COURSE held
in *Nairobi* from *26th October,* to *13th Nov. 1987*

The course comprised all aspects of Personnel Management and Industrial Relations in Kenya and included a project assignment in which each participant examined an aspect of management function in his own organization.

T. D. Owuor

T. D. OWUOR
F.K.E. EXECUTIVE DIRECTOR



R. E. M. Jackson

I.L.O. COURSE-CO-ORDINATOR





THE ASSOCIATION FOR OVERSEAS TECHNICAL SCHOLARSHIP (AOTS)
JAPAN



This is to certify that

MR. PETER MAGIRI NTEERE

has successfully completed

TRAINING COURSE ON SOLVING
HUMAN & ORGANIZATIONAL PROBLEMS
(SHOP)

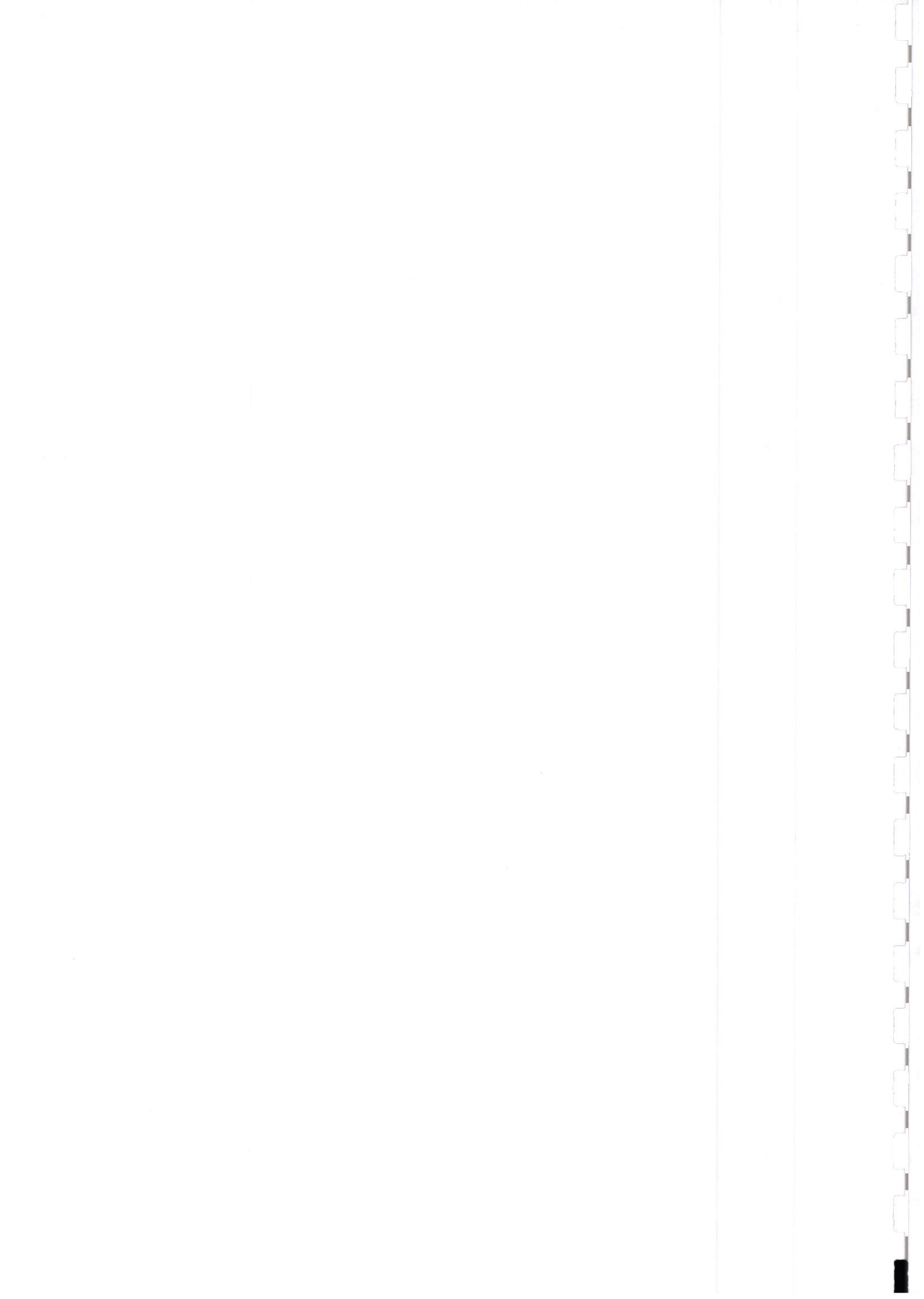
from 11th November, 1996 *to* 29th November, 1996

Date 29th November, 1996 *No.* 96-20-111

President

Yamamoto





UNIVERSITY of NAIROBI



This is to certify that

Peter M. Nteere

having satisfied the requirements
for the Award of the degree of

BACHELOR OF ARTS

Second Class Honours (Lower Division)

was admitted to the degree

at a Congregation held at

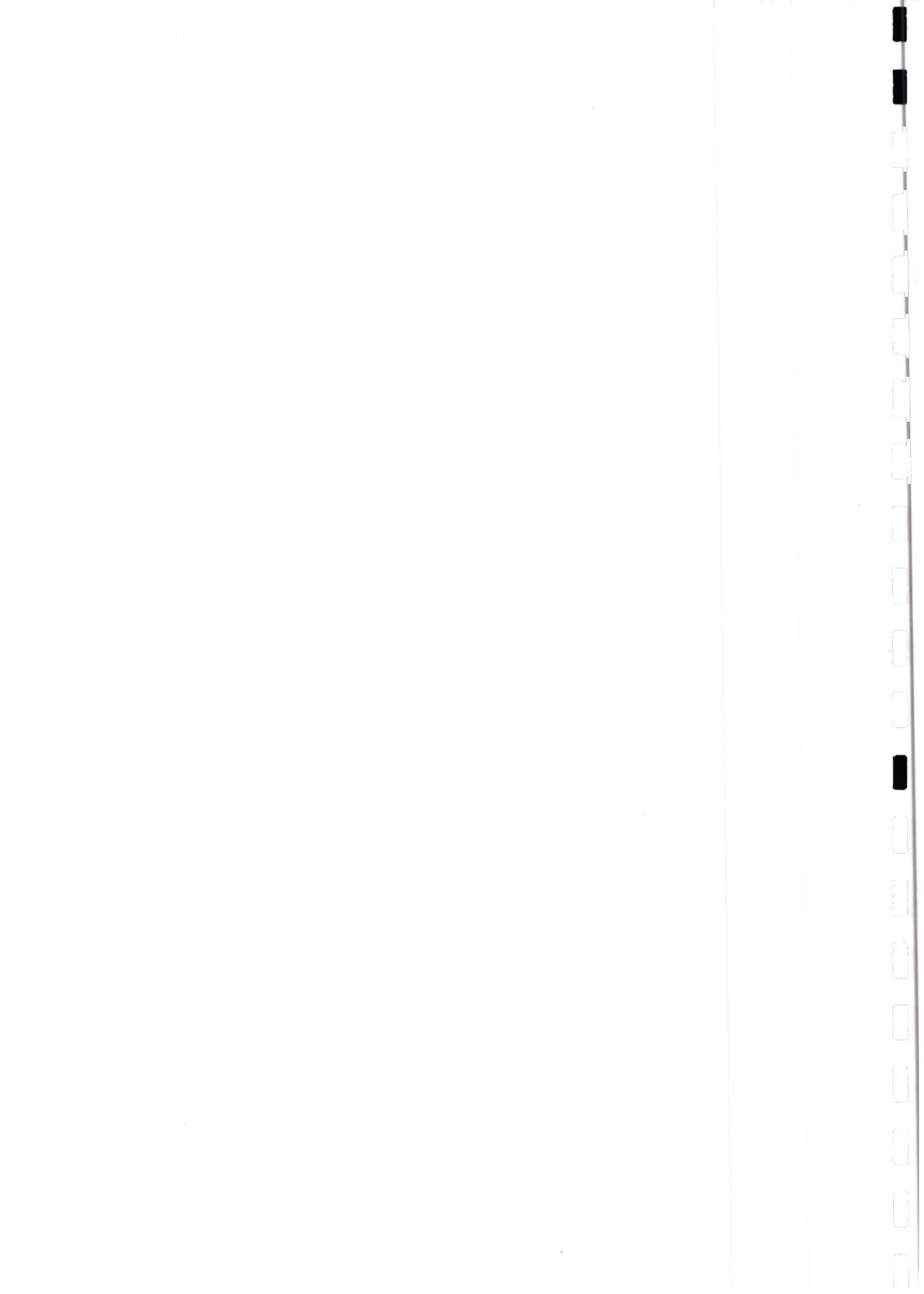
this University on the

TWENTY SIXTH DAY OF OCTOBER IN THE YEAR

1972

J. H. Kananjia
VICE CHANCELLOR

[Signature]
REGISTRAR





(11)

Kenya Tourist Development Corporation

Utalii House
Uhuru Highway
P.O.Box 42013
Nairobi, Kenya, East Africa
Tel: 330820/229751/223488
Telegrams: "Tourist" Nairobi
Telex: 23009
Fax: 254 (2) 227815
Email: ktdc@wananchi.com
Website: www.ktdc.co.ke

TDC/2/11

15th December 2003

Peter Magiri Nteere
P O Box 60977
NAIROBI

Dear Mr. Nteere,

RE: LETTER OF OFFER

This is in reference to your expression of interest to offer this organization Human Resources Consultancy Services.

I am pleased to inform you that you have been offered the said consultancy services on the following terms:

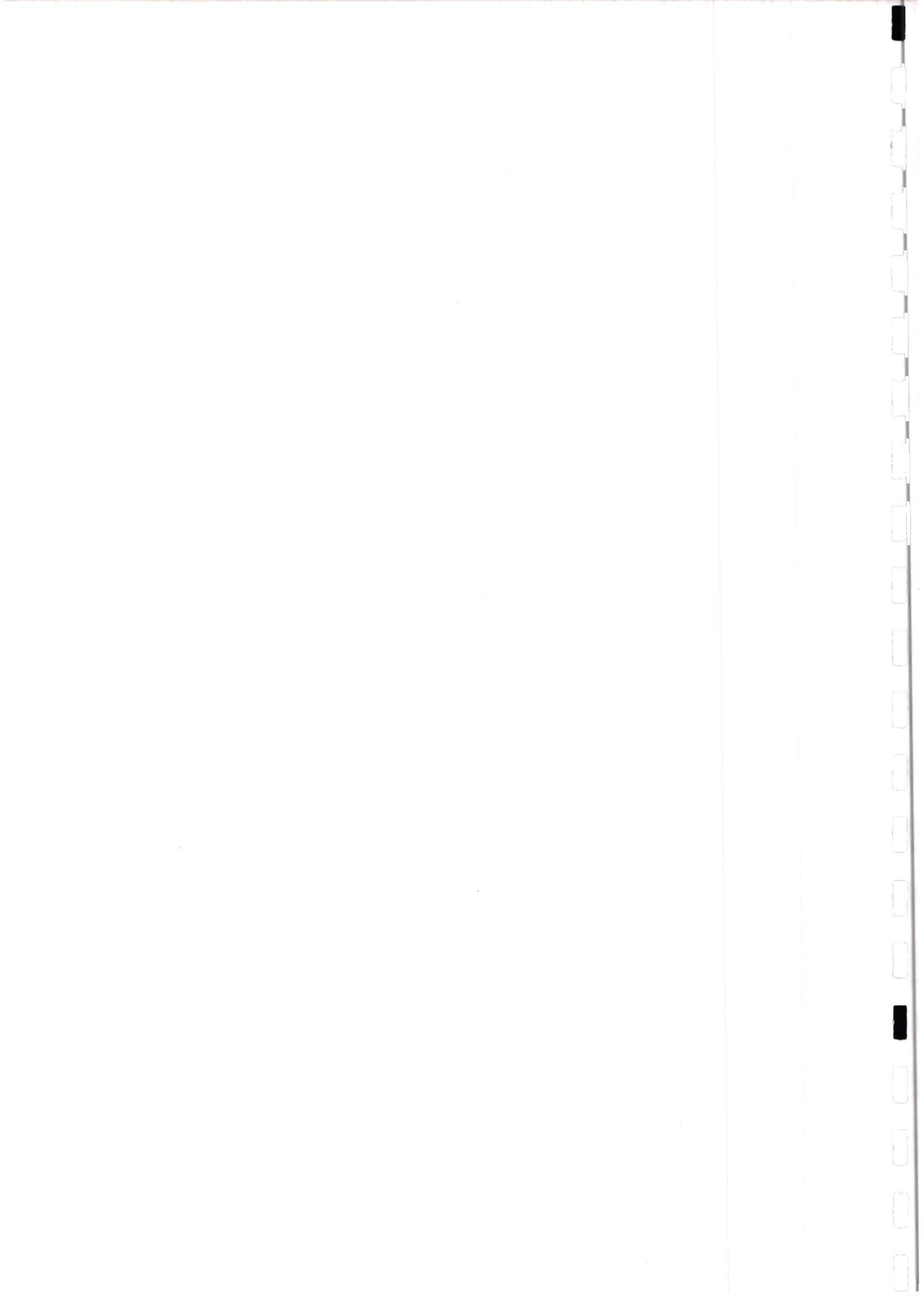
1.0 SCOPE OF WORK

The scope of work will be as per the Terms of Reference enclosed herein.

2.0 REPORTS

You will be expected to provide the organization with three bound reports as follows:

- 2.1 Proposal: As per the covering letter and within one week of receipt of this letter of offer.
- 2.2 Inception Report: One month after availing the organization with the proposal in 2.1 above. This we envisage will contain a position status of the KTDC Human Resources systems, weaknesses and appropriate recommendations.
- 2.3 Monthly Reports: To be provided monthly in bound triplicate copies.



2.4 Mid-term Report: To be provided six months in the course of the consultancy.

2.5 Final Report: To be provided at the end of the consultancy.

All reports will be forwarded in triplicate to the Managing Director's office.

3.0 PAYMENTS

You will be entitled to the following payments payable in Kenya Shillings:

- i. Daily rate KShs. 2,000/=
- Total per month KShs. 60,000/=

- ii. Transport allowance KShs. 6,000/=
- (per month)

- iii. Out of station costs To be determined and met by the Corporation in instances where the consultant will be required to travel to KTDC subsidiary companies.

3.0 TIME

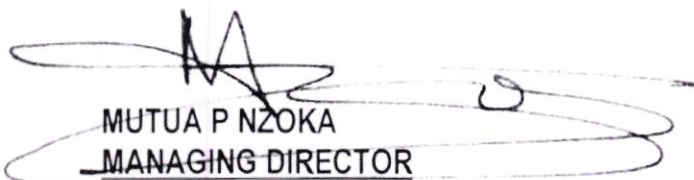
The exercise will be for a duration of one year commencing after KTDC's acceptance of the consultant's proposal as more particularly detailed in the covering letter.

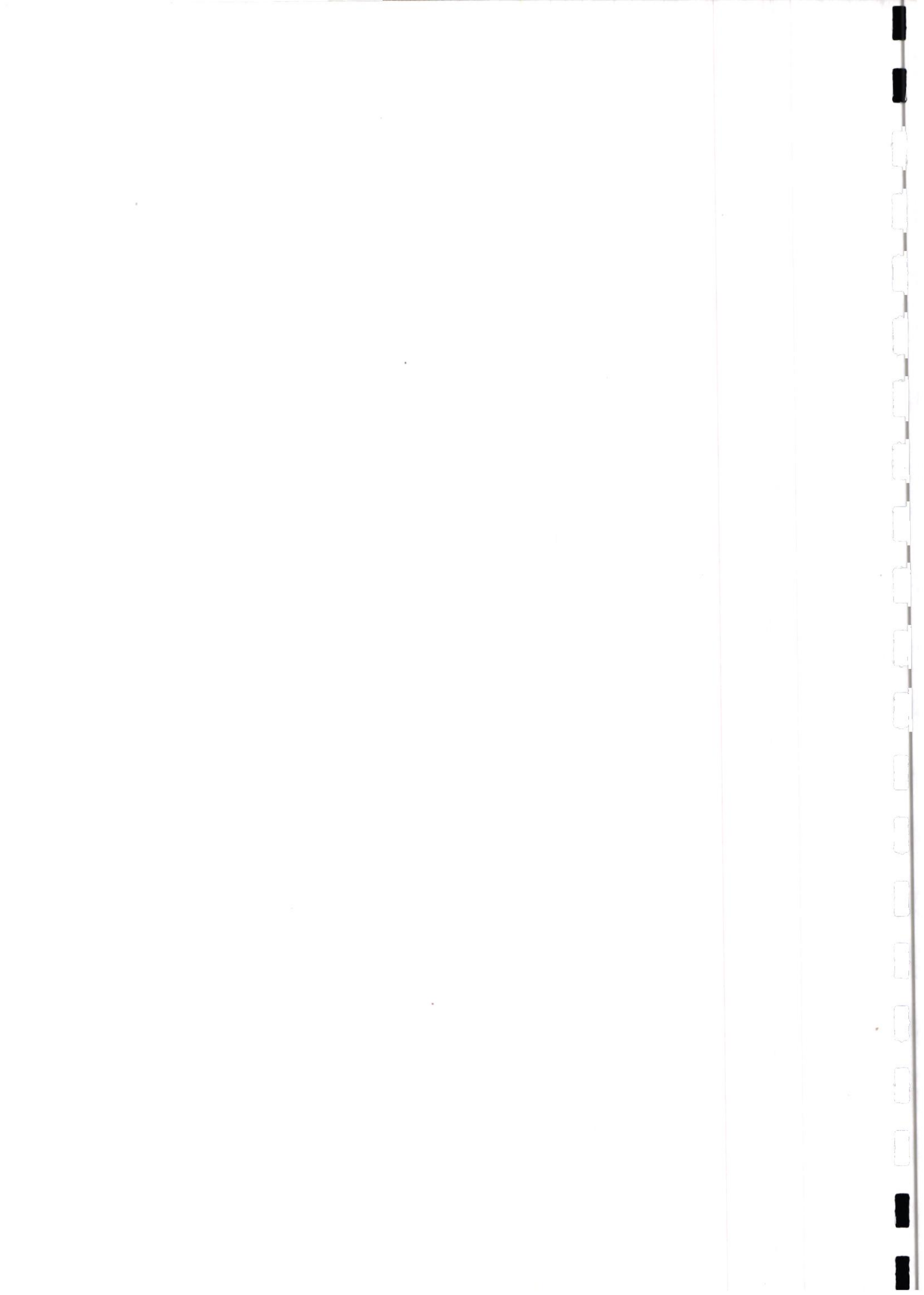
4.0 VALIDITY

This offer is valid for a period of one month with effect from the date of this letter.

Please indicate your acceptance of the above offer by signing the accompanying copy of this letter.

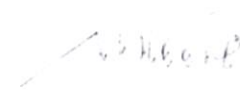
Yours faithfully,


MUTUA P NZOKA
MANAGING DIRECTOR



I accept/do not accept the above offer in the terms and conditions stipulated therein.

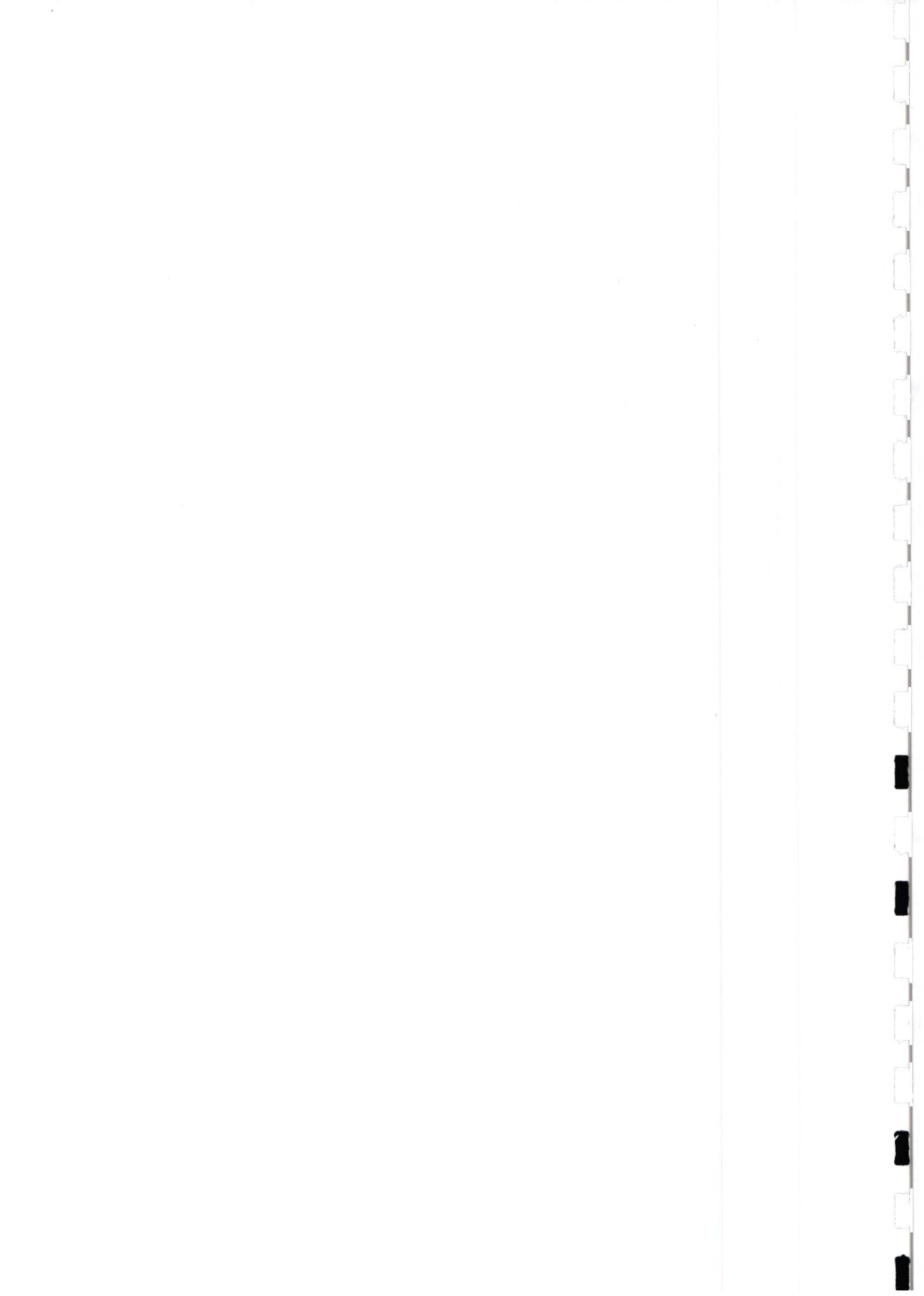
Signed:



Peter Magiri Nteere



Date



KENYA TOURIST DEVELOPMENT CORPORATION

TERMS OF REFERENCE

These Terms of Reference relate to the envisaged consultancy work within Kenya Tourist Development Corporation (KTDC), KTDC units and/or subsidiary companies.

1. To study and advise on the appropriateness and/or otherwise in regard to the existing Human Resources systems.
2. To study and advise on the existing organization structure and recommend on appropriateness to meet the organisation's overall mission.
3. To study and advise on the existing Human Resources policies and procedures.
4. To study and advise on the appropriateness of the existing job descriptions and job objectives.
5. To determine and advise on the existing staff benefit programmes and salary administration.

Kenya Tourist Development Corporation

23

10

MEMO

From: Deputy Managing Director

Ref: TDC/2/11

To: Managing Director

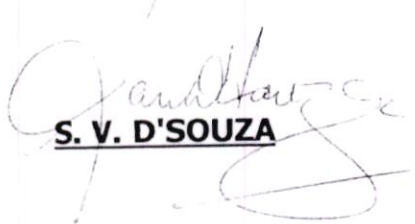
Date: 17 November, 2003

RE: CONSULTANCY IN HUMAN RESOURCES

I had a meeting with Mr. Nteere this morning where we discussed the above.


Basically I informed him that the Corporation would offer him a one-year consultancy with the possibility of a further one year, subject to his performance and the improvement of the Corporation's operations. The offer for his services would be Kshs.2000.00 per day payable monthly at Kshs.60,000.00. He will also be paid Transport allowance of Kshs.6,000.00 per month. I also informed him that in discharging his duties, he will be required to travel to all our outlets at the cost of the Corporation.

This is presented for your consideration.


S. V. D'SOUZA

DMD

→ This is approved. Please derive terms of reference and formulate an offer letter.


18/11/03.



Annex XIII - PKF Correspondences



Your Ref: TDC/C/16/1

2
7/5/13

6th May 2013

The Director,
Kenya Tourist Development Corporation,
Utalii House, 11th Floor,
P.O. Box 42013-00100,
Nairobi, Kenya.

Attention: Marianne Ndegwa Jordan

Dear Madam,

RE: Letter of Notification of Award of Tender for Consultancy Services for Review of KTDC Procedures and Practice Compliance with IFRS and IAS.

We refer to your letter of notification dated 2nd May, 2013 in regard to the above tender. We acknowledge receipt of the said letter and confirm our acceptance of the award.

We are grateful for according us this opportunity to serve Kenya Tourist Development Corporation and we look forward to working with you.

Yours faithfully,


David Kabeberi,
Director

Noted
7/5/13





Our Ref: TDC/C/16/1

May 2, 2013

Mr. David Kabeberi
PKF Consulting Ltd
P.O. Box 14077
00800 – NAIROBI

Dear

RE: REVIEW OF KTDC PROCEDURES AND PRACTICE COMPLIANCE WITH IFRS & IAS

We refer to the above subject matter and to your proposal for the same, and are pleased to inform you that your proposal was successful.

We take this opportunity to sincerely thank you for your participation and success.

Kindly therefore forward to us a draft contract agreement for our approval, comments and/ or further action.

Yours

Marianne Ndegwa Jordan
MANAGING DIRECTOR



42

Our Ref: TDC/C/16/1

February 25, 2013

PKF Consulting Ltd
P . O . Box 14077
00800 – NAIROBI

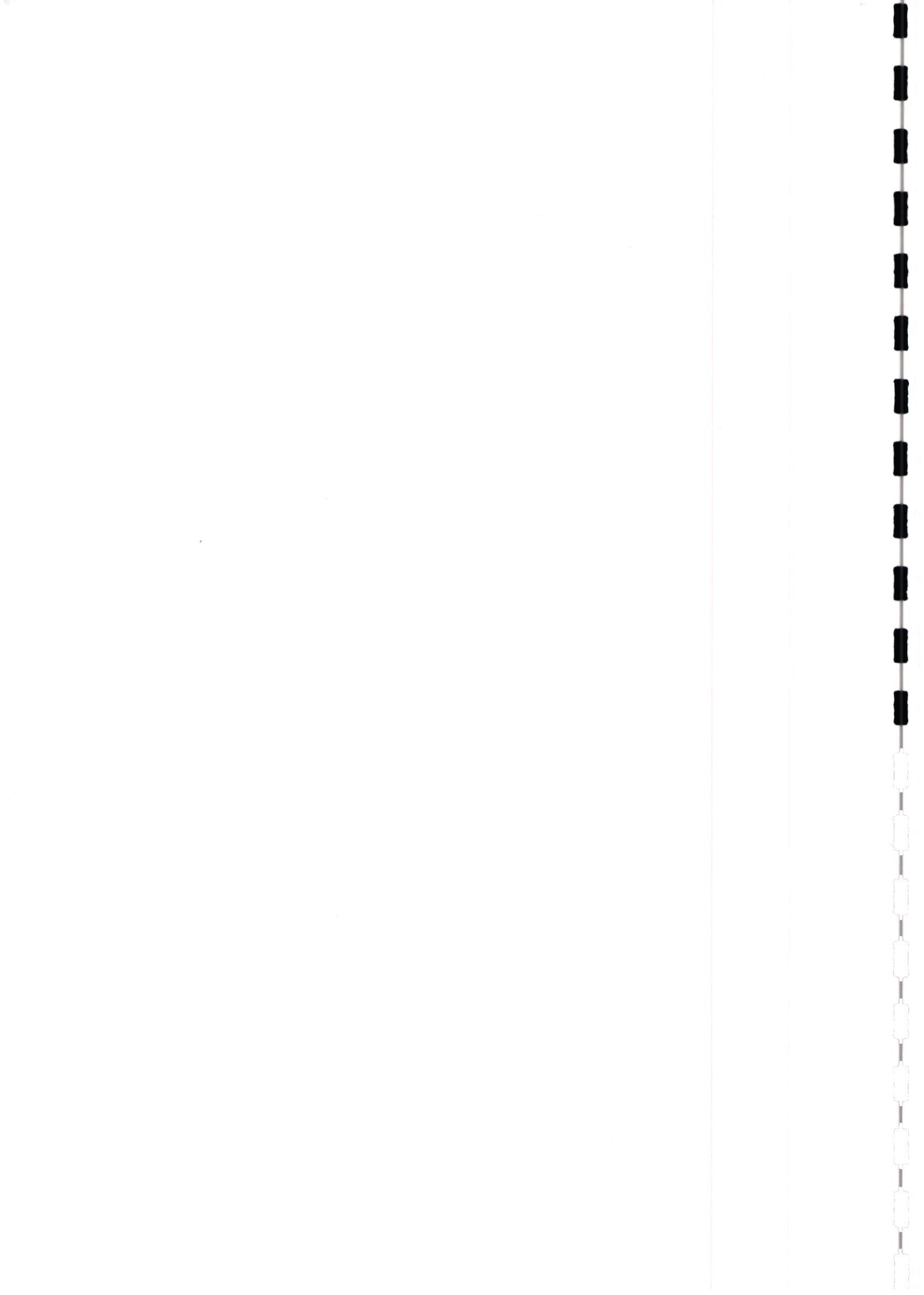
Dear

RE: Review of KTDC Procedures and Practice compliance with IFRS & IAS

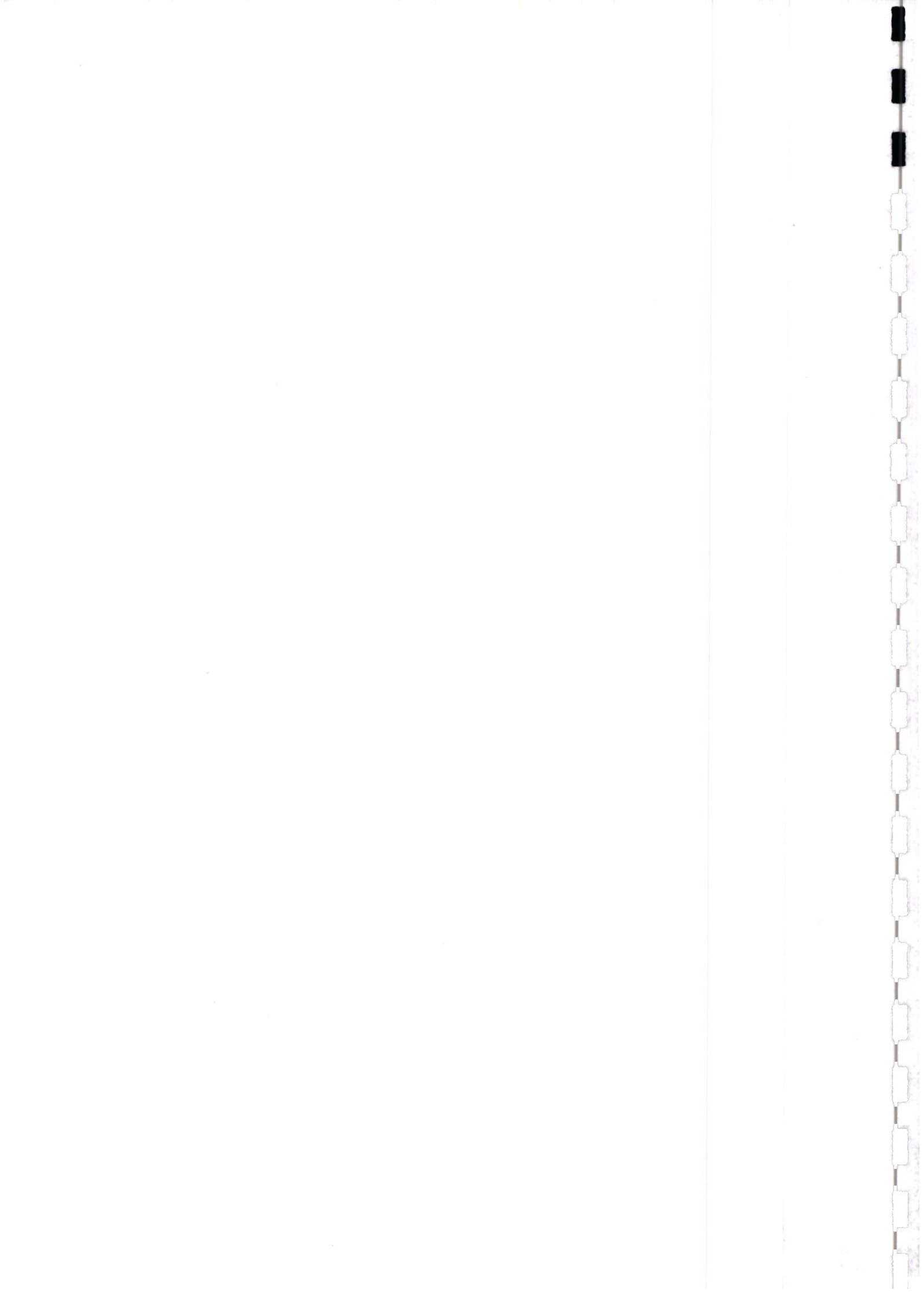
We refer to the above subject matter and are glade to invite proposals from yourselves for the above stated consultancy work.

The Terms of Reference for the work are as follows:-

1. To review the financial statements and identify areas of non-compliance with IAS's and IFRS's. This will include the financial statements of the Corporation and its Subsidiary Companies, namely;
 - a) Kenya Safari Lodges & Hotels Ltd which operates Mombasa Beach Hotel, Voi Safari Lodge & Ngulia Safari Lodge all in the Coast Region,
 - b) Golf Hotel Ltd in Kakamega Town,
 - c) Sunset Hotel Ltd in Kisumu Town,
 - d) Kabarnet Hotel Ltd in Kabarnet Town, and
 - e) Mt. Elgon Lodge Ltd in Endebess via Kitale Town
2. To review of Business Processes of the Corporation and its named Subsidiaries and verify how they affect financial reporting and recognition and measurement of financial transactions,
3. To develop a fully compliant IFRS template for use by accounting divisions/departments of the Corporation & its Subsidiary Companies for the preparation of financial statements in the future. This should be tailored to meet the needs of all the Group Enterprises above,
4. To train staff of the Corporation and Subsidiary Companies through a workshop once the above processes are completed, placing emphasis on the matters that may have come across and how compliance to IAS & IFRS can be improved.



Annex XIV - Write off and letter from Head of Public
Service



KENYA TOURIST DEVELOPMENT CORPORATION

MINUTES OF THE 5TH OPERATIONS COMMITTEE MEETING HELD ON MONDAY, 16TH JANUARY 2006 AT 10.00 AM IN THE KTDC BOARDROOM, UTALII HOUSE

PRESENT:

- | | | |
|----|----------------------|--|
| 1. | Mr Antony Musau | - Vice Chairman – Chairing |
| 2. | Mr Richard Maina | - Chairman, Board |
| 3. | Mr Mutua P Nzoka | - Managing Director , KTDC |
| 4. | Ms Jacqueline Muindi | - Representative Solicitor General |
| 5. | Mr Opondo Kajumbi | - Representative Permanent Secretary
Ministry of Tourism & Wildlife |

IN ATTENDANCE:

- | | | |
|----|----------------------|---|
| 1. | Mr Abraham K Muthogo | - Loans Manager |
| 2. | Mr Sam D'Souza | - Deputy Managing Director |
| 3. | Mr Hassan Kiage | - Finance Manager |
| 4. | Mrs Maryann Jordan | - Business Development Manager and
Secretary to the Operations Committee |

ABSENT WITH APOLOGY:

- | | | |
|----|---------------|--|
| 1. | Mr Joash Olum | - Chairman |
| 2. | Mr J B Mwangi | - Representative Permanent Secretary,
Ministry of Finance |

MIN/OC/49/06 CONFIRMATION OF MINUTES:

The Chairman welcomed the new Loans Manager, Mr Abraham Muthogo to the meeting. The minutes were then confirmed after making the following amendments:-

- **MIN/OC/42/05**
 - The word concur to change to comply
 - The date of Treasury Circular/letter be indicated
- **MIN/OC/36/05**
 - It was agreed that the last two paragraphs are omitted
- **MIN/OC/42/05**
 - Management was asked to agree on a common position in regard to debt restructure, and revert to the Board with full and relevant facts on the matter.



LAKE TURKANA EL MOLO LODGE

Background information

The project is situated at Lake Turkana within Lake Turkana District. The main shareholder of Lake Turkana El Molo Lodge is Mr. David Wamanda. A loan of KShs. 1.6 million was approved in 1986 for the purposes of developing a tourist hotel in the Lake Turkana region. The term of loan was ten years.

Security

The amount was secured by a parcel of land valued at KShs. 2.8 million.

Status of the loan

The facility was closed down by the provincial Administration under unclear circumstances and later on by the Ministry of Health. The facility is not operational and has completely deteriorated. The loanee then sued the government and was awarded KShs. 72 million as damages.

The government feeling aggrieved by the high damages award moved to the court of appeal, which reduced the amount to KShs. 3.4 million. This amount was then attached by KRA rendering the loanee helpless and unable to service the corporation loan.

The loanee has approached the corporation, the Parent ministry, the Ministry of Finance and the Office of the President for a write off. The finance ministry has recommended that the loan be written off against KTDC provisions. To date an amount of about KShs. 660,000 has been received from the loanee. The current loan balance is KShs. 30,843,054.

Management Recommendation

- The corporation writes off the loan balance broken down as follows: -

	KShs	KShs
Approved loan	1,600,000	
Outstanding balance		31,229,402
Less: Interest in Suspense		<u>10,739,706</u>
		20,489,696
Less: Specific Provision		<u>20,489,696</u>
		<u>Nil</u>

- Discharge the charged securities. ✓

• Full and final settlement



KENYA TOURIST DEVELOPMENT CORPORATION

MINUTES OF THE 218TH BOARD MEETING OF THE DIRECTORS OF THE CORPORATION HELD ON THURSDAY, 22ND JUNE, 2006 AT 9.30 A.M. IN THE KTDC BOARDROOM

PRESENT:

Mr. Richard M. Maina	...	Chairman
Mr. Hamisi Mboga	...	Vice-Chairman
Mr. Obondo Kajumbi	...	Ag. Managing Director
Ms Joyce Isiaho	...	Rep. Permanent Secretary, Ministry of Environment & Natural Resources
Mr. Kennedy O. Ondieki	...	Rep. Permanent Secretary, Treasury
Mr. Anthony M. Kiilu	...	Member
Mr. Samuel Wamutu Waiganjo...	...	Member

IN ATTENDANCE

Ms Jacqueline Muindi	...	Rep. Attorney General
----------------------	-----	-----------------------

APOLOGIES

Ms. Patricia Awori	...	Member
Mr. Joash Olum	...	Member

KTDC MANAGEMENT

Mr. Hassan M. Kiage	...	Finance Manager
Mrs. Maryanne Jordan	...	Business Development Manager
Mr. Abraham Muthogo	...	Loans Manager
Mrs. Juliana Nguli	...	Human Resource & Administration Manager
Mr. Leonard Lari	...	Chief Internal Auditor
Mr. Carrey Francis	...	Senior Legal Officer - Taking minutes

ON LEAVE

Mrs. Jane Ikiunga Kyaka	...	Corporation Secretary
-------------------------	-----	-----------------------

MIN.NO.
BM/100/2006 -

CONFIRMATION OF MINUTES

217th Board meeting held on 18th May 2006. The minutes were confirmed as true records of the meeting with the following corrections:



Lake Turkana El Molo Lodge Ltd.

Board **NOTED** the recommendation of the Operations Committee and approved the same that the loan balance is written off against specific provisions and interest in suspense and the security discharged.

The Board **FURTHER** directed that no refunds would be made to Mr. Wamanda by the Corporation since they were part of the loan repayment.

- That Mr. Wamanda would unconditionally withdraw the suits he had filed against the Corporation
- Any costs connected to discharge of the title would be borne by him.



006:

ANY OTHER BUSINESS

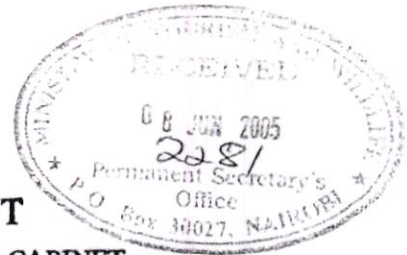
Management staff were REQUESTED to leave. *to discuss mt. [Signature]*

There being no other business the meeting ended at 5.00 p.m.

[Signature]

Date: *7/12/2006*





OFFICE OF THE PRESIDENT
PERMANENT SECRETARY, SECRETARY TO THE CABINET
AND HEAD OF THE PUBLIC SERVICE

Telegraphic Address: "Rais"

Telephone: Nairobi 227411

When replying please quote

OP.CAB.9/30A/V

Ref. No.
and date

CONFIDENTIAL

P.O. Box 62345-00200
NAIROBI

7th June, 2005 20.....

Mrs. Rebecca M. Nabutola, CBS
Permanent Secretary
Ministry of Tourism and Wildlife
NAIROBI

LAKE TURKANA EL-MOLO LODGE AND CAMPS WRITING OFF
OF KTDC LOAN

It is apparent that the above subject has not been handled conclusively to the satisfaction of both parties. The affected person has continued to write letters to this office seeking redress. It is the view of this office that this matter be handled in an open and frank manner to ensure justice is done.

One Mr. David W. Wamanda in his letter dated 9th May, 2005 copy attached, continues to claim that he has been unfairly treated by the Government. A claim like this coming from a Kenyan should not be ignored. It is clear that Mr. Wamanda was advanced a loan by the Government (KTDC) under the Revolving Fund arrangement to modernize his business back in 1990. This was in line with the country's economic development goals. However, for some unclear reasons the government closed down the lodge.

Noting that it is the same government which gave the loan that again through its agents ordered the wrongful closure, it would not be fair to ask the businessman to repay a loan out of a non operating business.

In this light therefore, and in the spirit of justice, the feeling of this office is that KTDC Board be requested to consider writing off the loan together with the interest accumulated thereon. In addition, and in line with the Economic Recovery Strategy, it is the view of this office that assistance be given to our local entrepreneurs to enhance the entrepreneurial spirit in them which we desperately need in our country.

CONFIDENTIAL

Please proceed along those lines to conclude this matter and keep us posted on the same.



E.M. Kisombe

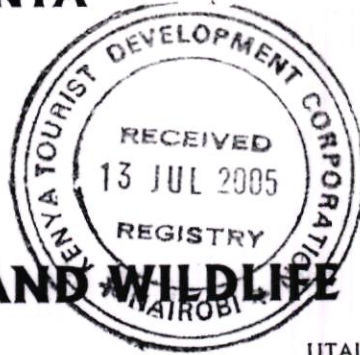
For: **PERMANENT SECRETARY, SECRETARY TO THE
CABINET AND HEAD OF THE PUBLIC SERVICE**

c.c.

Mr. Joseph K. Kinyua, CBS
Permanent Secretary
Ministry of Finance
NAIROBI

CONFIDENTIAL

REPUBLIC OF KENYA



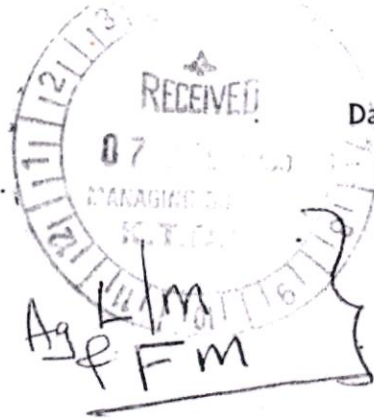
65

MINISTRY OF TOURISM AND WILDLIFE

Telegrams: "UTALII" Nairobi
Telephone: Nairobi 313010
Fax: 318043
When replying please quote

UTALII HOUSE
P.O. Box 30027
NAIROBI

Ref: No. MTI/A: 12/04 VOL. I A



Date 9th June, 2005

Mr. Richard Maina
Chairman
Kenya Tourist Development
Corporation
NAIROBI

Please prepare
summary on this
loan for discuss
[Signature]

Dear *Chairman*

RE: LAKE TURKANA EL-MOLO LODGE AND CAMPS, WRITING
OFF OF KTDC LOAN

I wish to forward herewith a self-explanatory copy of a letter from the office of the Permanent Secretary, Secretary to the Cabinet and Head of the Public Service on the above quoted subject for your information and action.

Yours

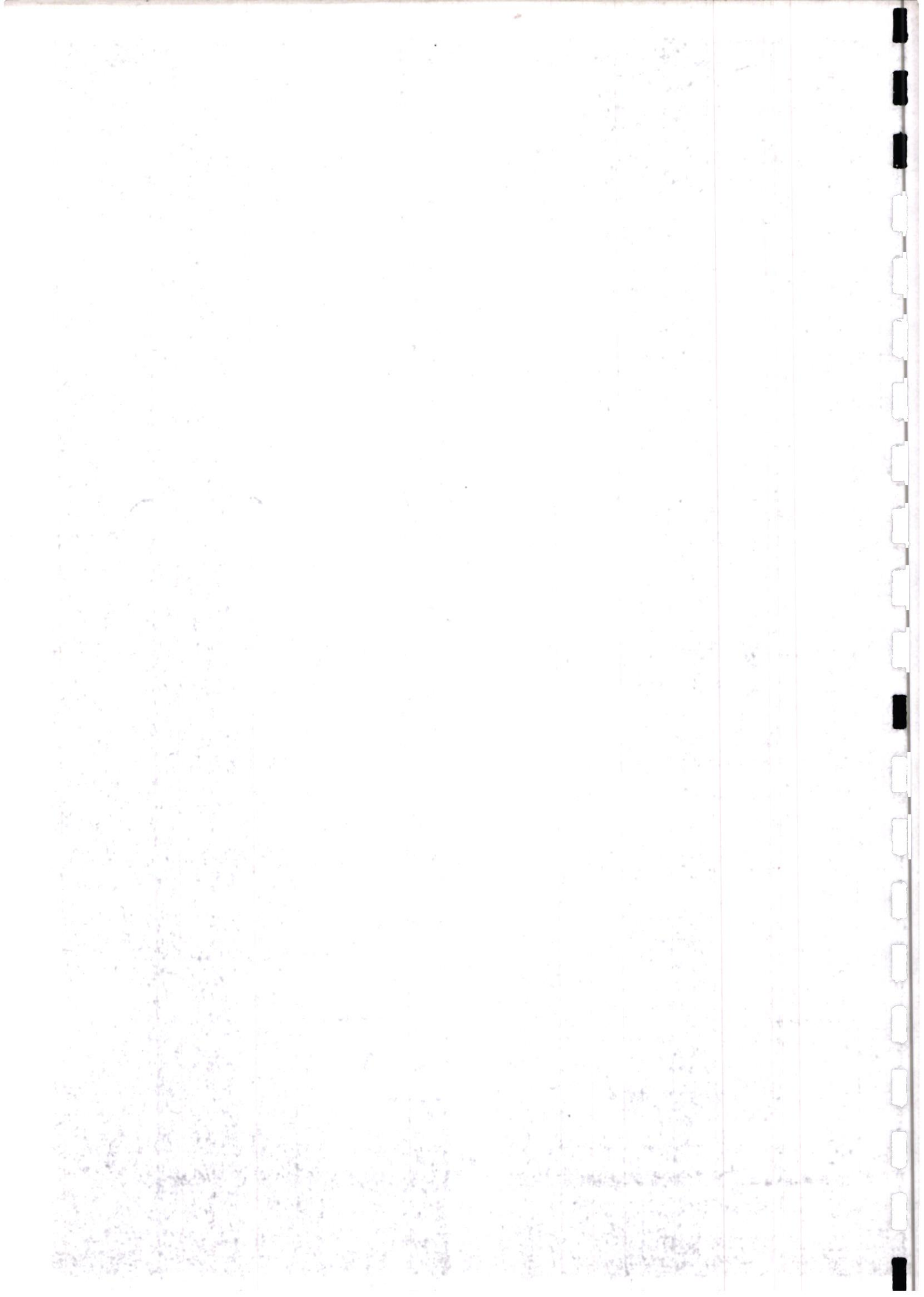
Sincerely
Rebecca

REBECCA M. NABUTOLA
PERMANENT SECRETARY

Encl.

⑥ *sto (R) - cf*
Must let me have
the brief today as
discussed
14/7

Ag Luv
Please let on 2 year
issues do a brief
27/7/05



REPUBLIC OF KENYA



37

MINISTRY OF TOURISM AND WILDLIFE

UTALII HOUSE
P.O. BOX 30027
NAIROBI
KENYA

Telephone Nairobi 313010
Telegrams "UTALII", Nairobi
When replying please quote
MTI/C.8/01
Ref. No.
and date

C.S.

20th December, 2004

Mr. Mutua P. Nzoka
Managing Director
KTDC
NAIROBI



Dear *Mr. Nzoka*

RE: LAKE TURKANA EL-MOLO LODGE-LOIYENGALANI

I am in receipt of a letter dated 11th December, 2004 from Mr. David W. Wamanda on the above referenced subject. A copy is herewith attached for ease of reference.

For the interest of both parties, I recommend that this issue be dealt with arbitrarily. Consequently, since Mr. Wamanda has identified his arbitrator, KTDC should likewise identify theirs.

The two can then work out together on how best to resolve the issue.

Rebecca M. Nabutola

REBECCA M. NABUTOLA
PERMANENT SECRETARY

CC. Mr. David W. Wamanda
Lake Turkana El-Molo Lodge
P.O. Box 34710
NAIROBI





4/1/04
9
131

TRIBUNAL TO INVESTIGATE THE CONDUCT OF PUISNE JUDGES

TRIBUNAL:

Hon. Justice (Rtd) Abdul Majid Cockar (Chairman)
Hon. Mr. Justice John Mwera
Hon. Mr. Justice Leonard Njagi
Hon. Ag. Mr. Justice Daniel Musinga
Hon. Ag. Mr. Justice Isaack Lenaola
Muchai Lumatete (Secretary)

SECRETARIAT:

22nd Floor, Anniversary Towers, University Way
P. O. Box 30872, 00100 - NAIROBI
Mobile : 0722-411008
Tel : 254-020-242001, 242008



13th January, 2004

The Managing Director
Kenya Tourist Development Corporation
P. O. Box 42113 GPO
NAIROBI

Slego:
a) furnish the investigators with the file
~~_____~~
14/1/04.

Dear Sir,

RE: HCCC NO. 1580/91:
LAKE TURKANA EL MOLO LODGES VS R.R. SEREE & THE AG

This Tribunal is investigating a matter touching on the above captioned file.

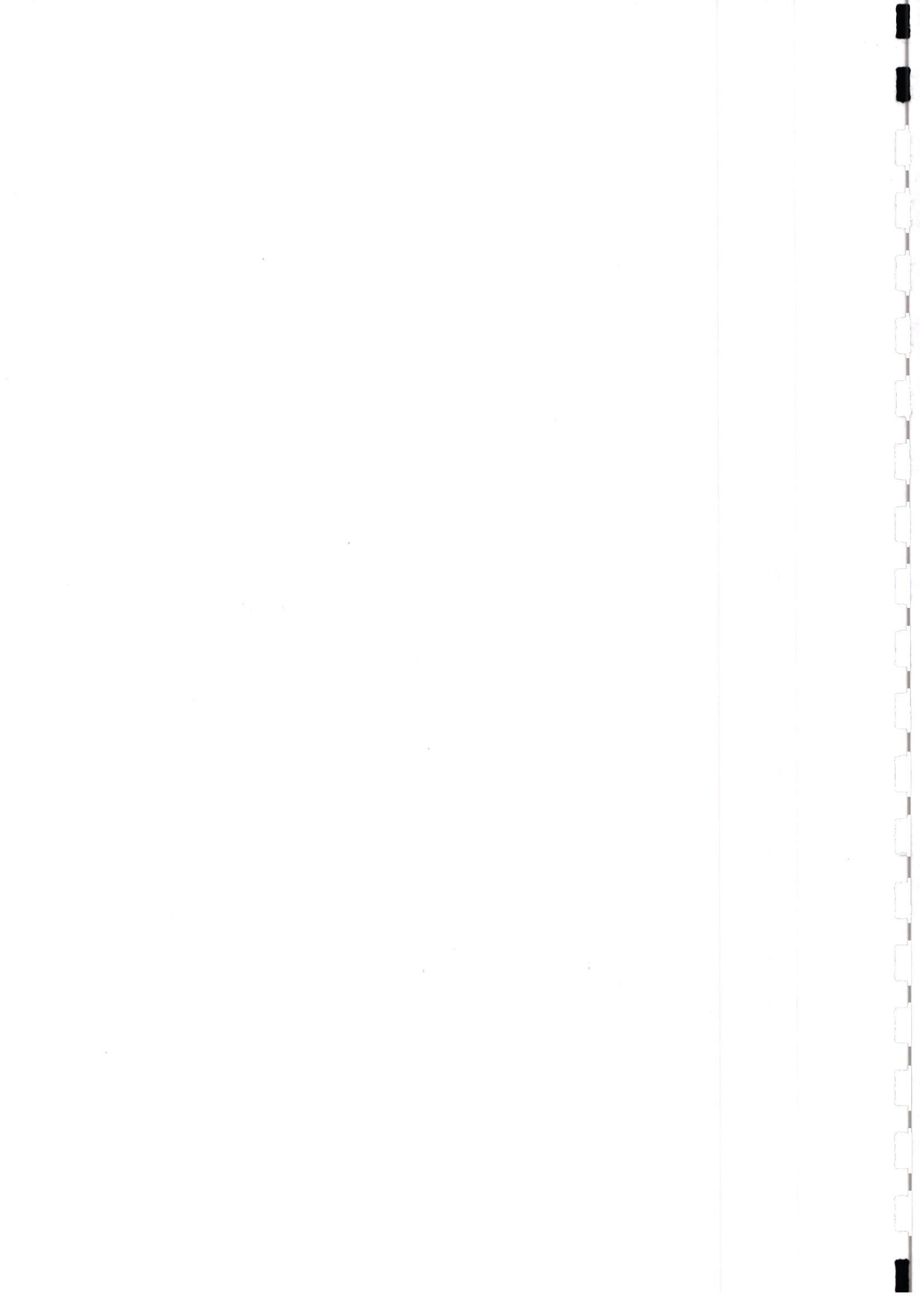
To facilitate our investigations, kindly furnish this Tribunal with the said file.

Yours faithfully,

LUMATETE MUCHAI
SECRETARY TO THE TRIBUNAL.

b) GMPA
As per short discussion the officers will com to collect the file
I reckon this fall in administrative
Maries
Slego.

15/1/2004



KENYA TOURIST DEVELOPMENT CORPORATION

TDC/1/27 – For Credit Committee Meeting on 30.05.2011
(For Agenda Item Number i)

TO ALL MEMBERS OF THE COMMITTEE

WRITE-OFF OF NEW MILIMANI LIMITED LOAN BALANCES IN KTDC BOOKS

Background information

A loan of KShs. 425,000 was approved in 1980 for the purpose of paying off a loan from Kenya Commercial Bank and for renovating the New Milimani Inn. The loan was for a period of ten (10) years.

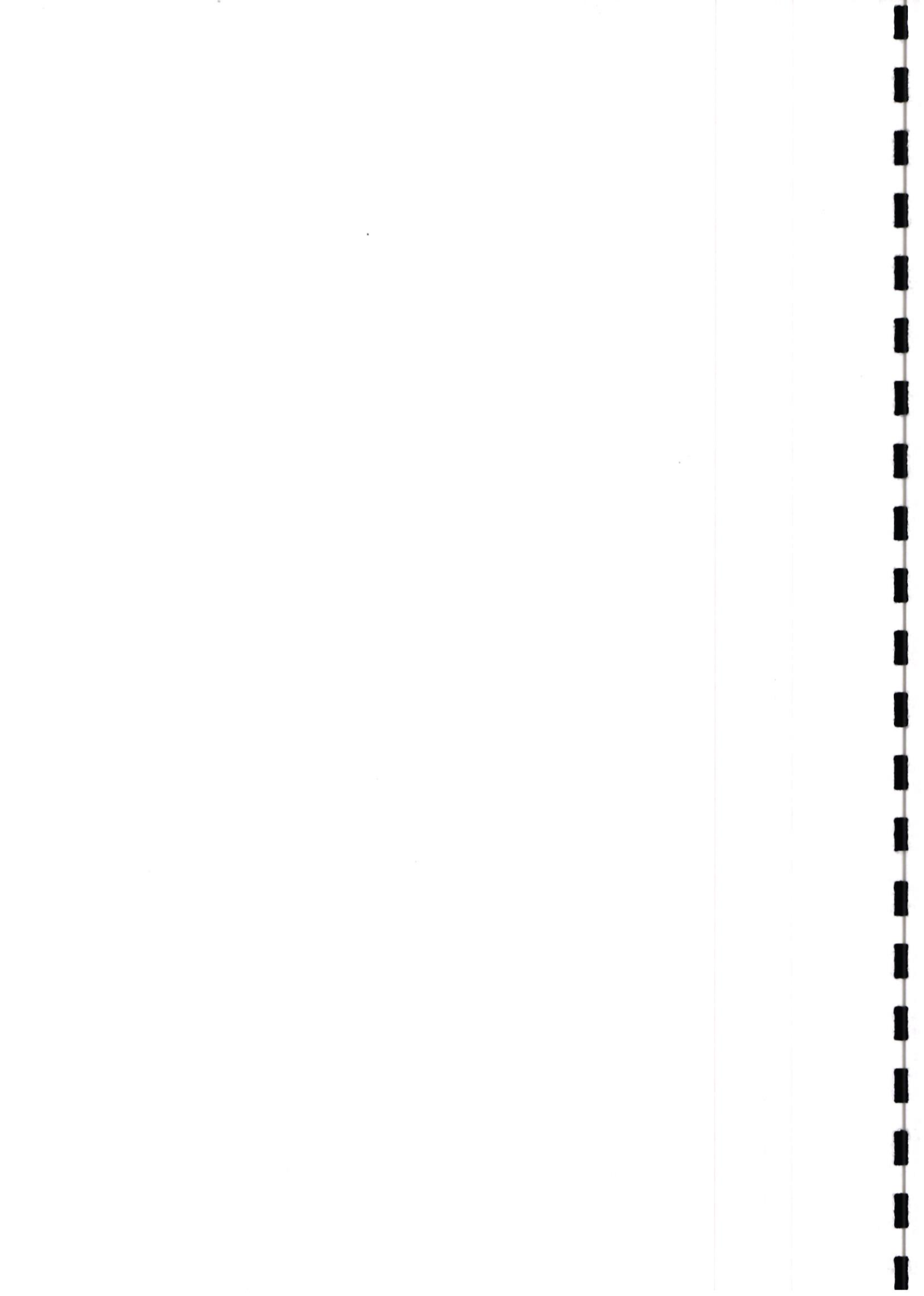
The project is situated in Meru town in a residential area.

Security

- The loan was secured by a first legal charge over LR Ntima/Igoki/2390,2392,2865 Meru all valued by Milligan on 26/5/92 at KShs. 4.8 million open market and KShs. 4.1 million-forced sale value. The securities also included a floating debenture on all assets of the company and personal guarantees of the directors.
- The property is in the name of the late Mr. Ayub Mbaya.

Status of the loan

- The loan term of ten (10) years expired in 1990.
- The security herein was discharged under mysterious circumstances leaving the outstanding amount unsecured.



- On realizing that the securities were fraudulently discharged, the Corporation through the firm of Kipkenda Lilan moved to court to have the charge reinstated.
- The defendant in the said suit Mr. Ayub Mbaya then died before the suit could be determined.
- This necessitated substitution of the parties, that is, substituting the late Mr. Mbaya with his wife Mrs. Mbaya.
- Before the substitution could be done, it became necessary that letters of grant be issued to the wife to enable her proceed with the administration of the estate of the deceased.
- The Corporation could not therefore proceed with the matter successfully under the circumstances unless unlimited grant was issued, however this was beyond the control of the Corporation.
- The Corporation also could not proceed on personal guarantee of the guarantors until the case was determined and the security property dispensed with.
- Case against the estate cannot proceed, as there are no legal administrators to proceed against.
- The Corporation instructed the advocates to proceed and have the public trustee appointed to manage the estate to enable the matter proceed. The issue took far too long to determine.
- A recent search dated 4th November 2010 at the lands office in Meru revealed that the security property had been sub-divided and new titles issued.



To date the Corporation has recovered a total of KShs. 2,061,037 vis-a-viz the initial loan of KShs 425,000.

Observations

The amount so far recovered is more than the amount granted and disbursed by about five times. We are therefore, though not bound by it, in breach of the in duplum rule.

It is also observed that we are highly unlikely to make headways in the recovery of the security property since it has been subdivided and sold to third parties and the only option for the Corporation is to file a suit which again has been time barred and will take too long to determine and at an additional cost which should be avoided due to the in duplum rule which will work against the Corporation.

The loan term expired 20 years ago.


Recommendation

In view of the foregoing observations, the Management recommends Board approval for the Company's loan balances amounting to KShs. 8,209,554.50 to be written off against the specific provisions and interest in suspense in view of the amount paid so far vis-a vis the initial amount.

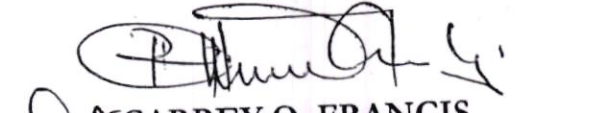
This is also in view of the fact that the only guarantor is dead, the security property was discharged and the Loan term has since lapsed. This will make it be very difficult to obtain judgment in our favour should we opt to institute legal proceedings against the estate of the deceased.



	<u>KShs.</u>	<u>KShs.</u>
Loan disbursed	425,000.00	
Current loan balance as at 30/04/2011		8,209,554.50
Less: Specific Provision		<u>2,966,782.50</u>
		5,242,772.00
Less: Interest in suspense		<u>5,242,772.00</u>
Profit on waiver of interest		<u><u>0.00</u></u>



ABRAHAM K. MUTHOGO
HEAD OF CREDIT



CARREY O. FRANCIS
HEAD OF LEGAL SERVICES



KENYA TOURIST DEVELOPMENT CORPORATION

MINUTES OF THE MEETING OF THE 6TH CREDIT COMMITTEE OF THE BOARD OF DIRECTORS KENYA TOURIST DEVELOPMENT CORPORATION HELD ON THE 30TH OF MAY 2011 AT 9.30 A.M. IN THE BOARDROOM, 11TH FLOOR UTALII HOUSE NAIROBI.

PRESENT:

Ms. Hilda Mawanda	-	Chairperson
Mr. Mohammed Shaiya	-	Member
Mr. Abdo Mohamed Bahajj	-	Member
Mr. Abdilalim Saleh	-	Member
Mr. Protus C. Sigei	-	Member (Rep. PS Ministry of Finance)
Mr. Abdullahi Ibrahim Ali	-	Member

IN ATTENDANCE:

Mr. Abraham Muthogo	-	Head of Credit
Carrey Francis	-	Head of Legal Services(Secretary)

ABSENT WITH APOLOGIES:

Marianne Ndegwa Jordan	-	Member (Managing Director)
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ABSENT WITHOUT APOLOGIES:

Rep. PS Ministry of Tourism

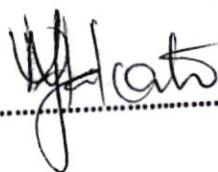
MIN.NO.CC/25 /2011

ADOPTION OF THE AGENDA

The meeting commenced at 9.30 a.m. with a word of prayer.

The Agenda for the meeting was read and Member adopted the agenda as presented.

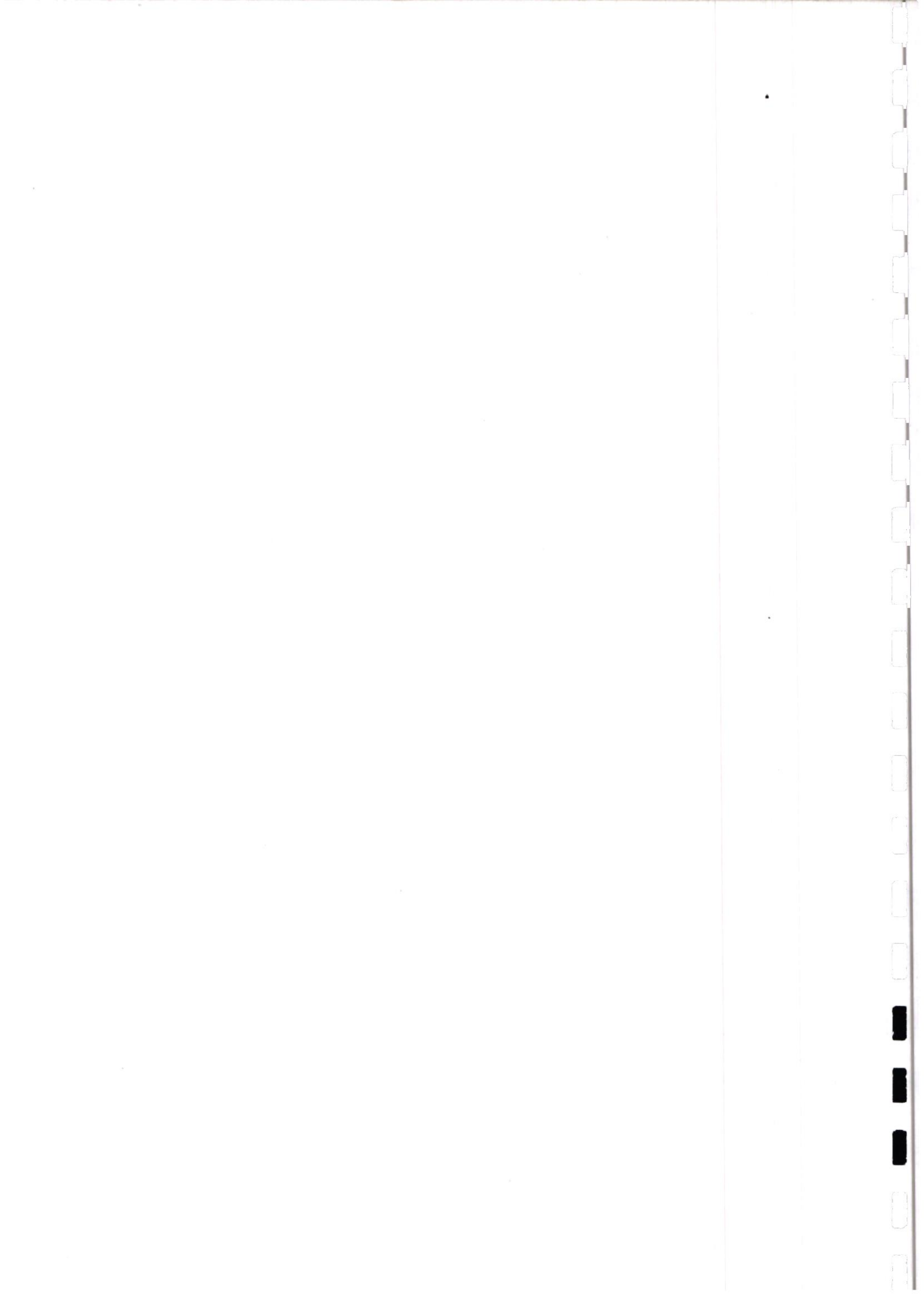
Chairman's Signature



Date

23/07/11

Page No. 1



LOANS RECOMMENDED FOR APPROVAL

I. **New Milimani**

In presenting this paper the Committee was **INFORMED** of the background of the loan and **NOTED** as follows:-

- That the loan was of Kshs.425,000.
- That the loan was disbursed in 1980 for a period of ten years.
- That the loan term expired in 1990
- That the total amount so far recovered from the loan is Kshs.2,061,037.
- That the loan was secured by a first legal charge over LR Ntima/Igoki/2390,2392,2865 Meru.
- That the security herein was irregularly discharged.
- That the Corporation filed a suit to try and reinstate the charge.
- That the Corporations efforts with the suit have been frustrated by the death of the main shareholder who was the plaintiff in the suit.
- That efforts to substitute the deceased have been frustrated by the estate refusing to take up letters of administration.
- That the security property has since been subdivided and sold with new titles to third parties there by making it even more difficult to succeed.

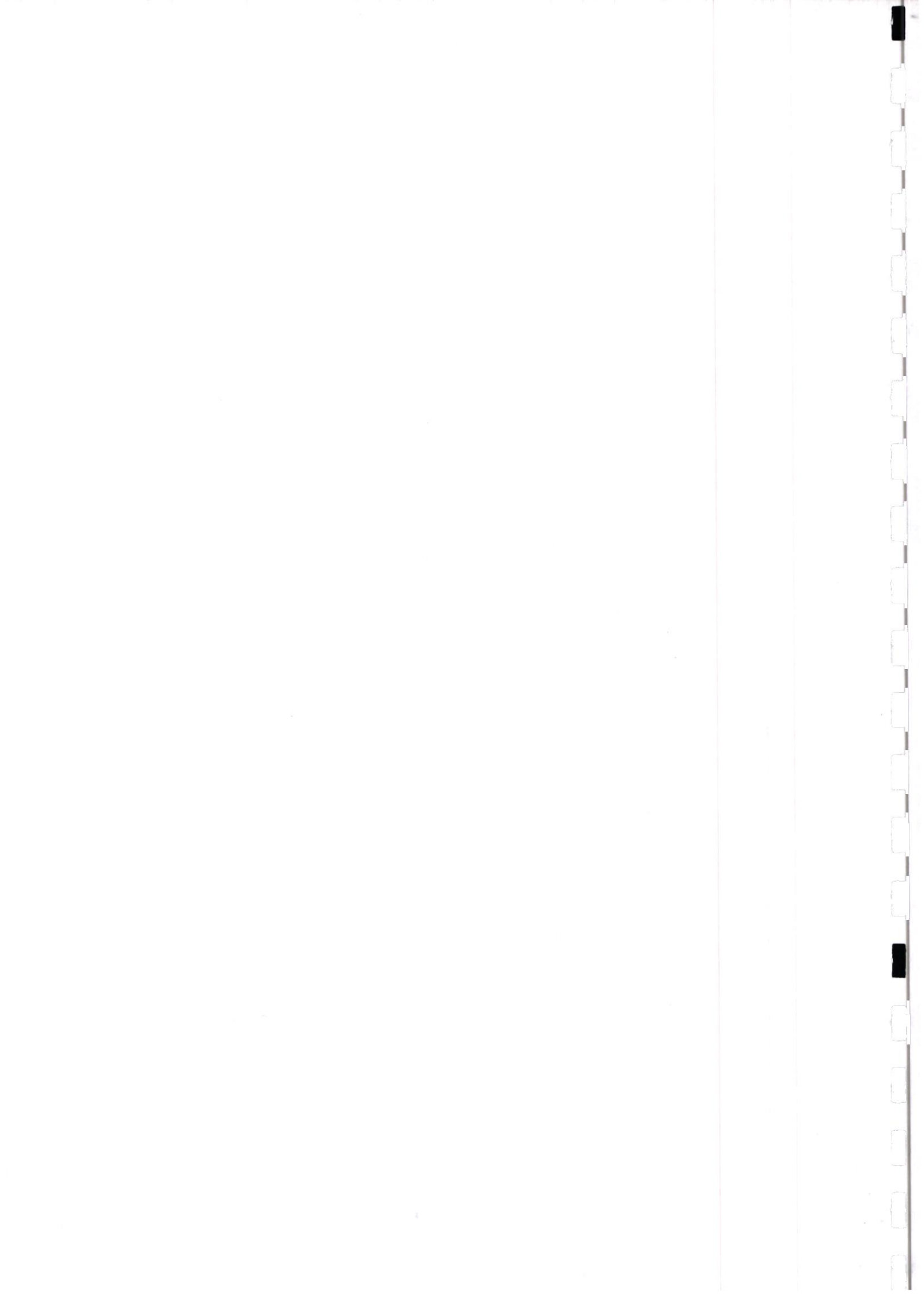
Based on the above observations, the Board **ADOPTED** the recommendations to write off the loan balance of Kshs.8,209,554.50 against the specific provisions and interest in suspense.

Further, the Board recommended the same to the next full Board for write off.

2. **Malindi Handicraft Co-operative Society**

In presenting the paper, the Board was **INFORMED** and **NOTED** as follows:

- That the borrower is a Co-operative society registered under the Society Act.



Kshs.500,000,710

2. That the total amount so far disbursed out of the total approved amount is Kshs.259,671,250
3. That the total amount not yet disbursed from the total approved loan amount is Kshs.241,015
4. That the total interest arrears out of the total amount so far disbursed is Kshs.2,230,676

It was **NOTED** that the difference between the amount approved and the amount disbursed is as a result of different draw down schedule for different applicants and the time taken to perfect the securities and also to meet the set conditions if any for the applicants.

On interest arrears, it was **REPORTED** and **NOTED** that the main defaulters are:-

1. Olimo Synergy with arrears of Kshs.532,364
2. Proland Ltd with arrears of Kshs.391,359
3. Willow Ltd with arrears of Kshs.455,088
4. Pinecone Hotel Ltd with arrears of Kshs.680,076

The Committee was concerned with the arrears situation and **DIRECTED** the Management to vigorously follow the defaulters especially the ones who have not stated when they intend to pay off the arrears.

Further, the Management was asked to also provide the projected incomes from the disbursements.

being no other business, the meeting ended at 10.45 a.m.

CONFIRMED THIS 23 DAY OF July 2011

.....

 CHAIRPERSON

Chairman's Signature Date 23/07/11 Page No. 24



and the general picture is grim even with the presence of students in the compound.

- The loan arrears have since surpassed the security value by a big margin of about Kshs. 20 million. The Corporation's attempts to auction three (3) times have all not been fruitful.

Management Recommendation

- Proceed with security realization
- Appoint a private investigator to give a report on the attachable assets of the guarantors/directors.

9. WAJIR HOTEL

Background information

A loan of Kshs. 3 million was approved in 1993 for development of a tourist Hotel in Wajir town. The loan was for a period of ten (10) years and at an interest rate of 18% renewable at the discretion of the corporation. The principal shareholder of the company was the late Mr. Dirife Mohammed Amin who was an Assistant Minister and a member of parliament for Wajir East.

Security

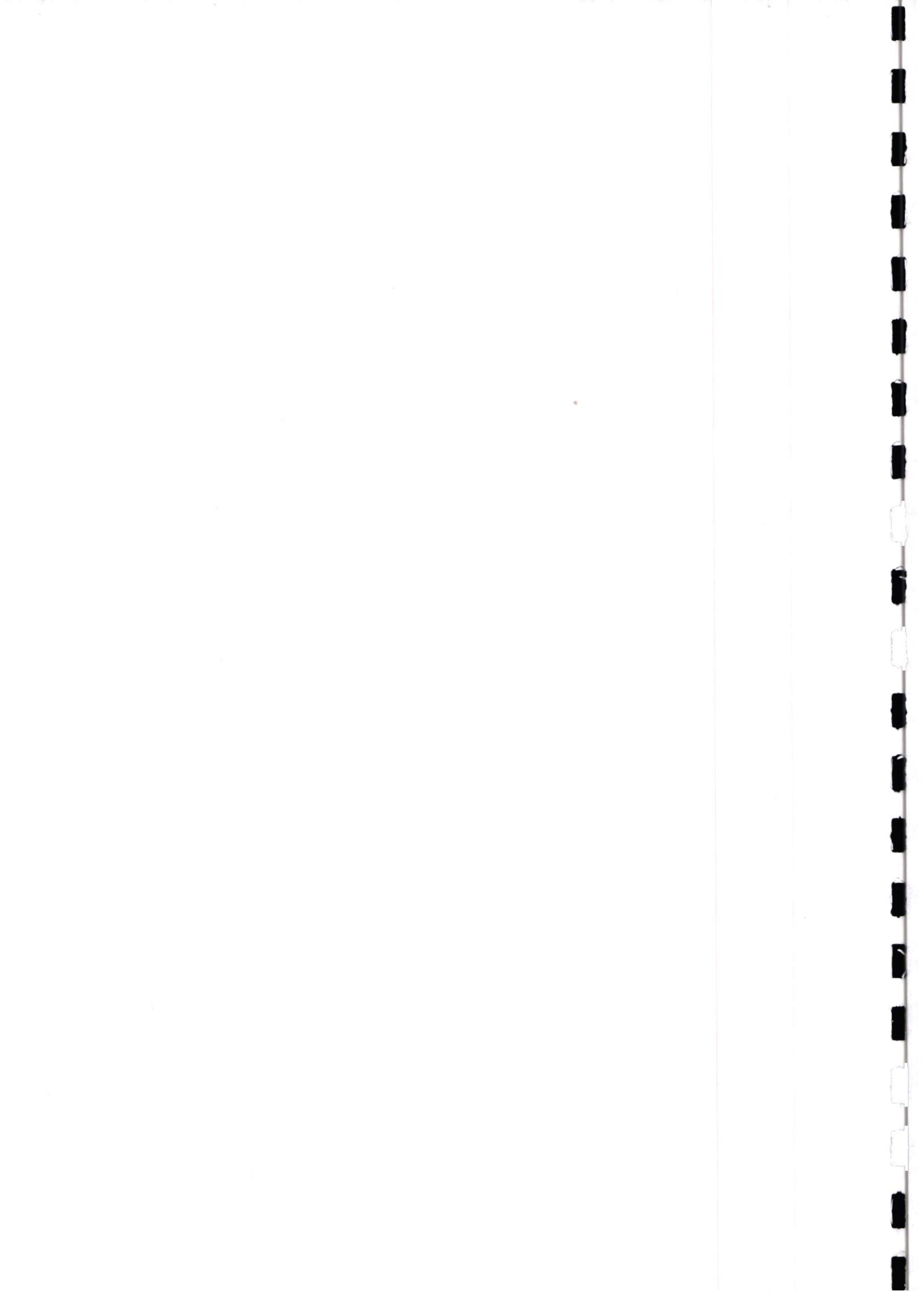
The loan is secured by a first legal charge over

- LR No 130/60 Wajir
- LR No.1657 Sunrise Estate

The Nairobi property was valued by Tysons on 13th August 1993 at Kshs. 2 million open market while the Wajir plot was valued at Kshs. 600,000.

Status of the loan

- The facility is incomplete and the borrower died in 1995. The family of the deceased requested that the loan be written off on humanitarian grounds.
- The corporation's board sitting on 11th December 1997 approved suspension of interest on the account on condition that the loan balances was cleared within 60 days after the board's decision.



- The Board again on 29th April, 2004 requested management to discuss with the family and determine whether they would be in a position to pay the principal only of Kshs. 3,000,000 leaving the interest to be considered for write-off
- We have so far received Kshs. 2.8 million in repayments to date.

Management Recommendation

- Given the two board resolutions on this account management recommends that we offset the repayments made so far of Kshs. 2,800,000 against the initial principal given by the corporation of Kshs. 3,000,000 and the family be requested to pay the difference of Kshs. 200,000 as a full and final settlement of this account.
- The residual balance be written off as follows:

	<u>Kshs.</u>	<u>Kshs.</u>
Approved loan	3,000,000	
Outstanding balance		18,015,720.50
Less: Interest in Suspense		<u>6,436,848.00</u>
		11,578,872.50
Less: Specific Provisions		<u>11,578,872.50</u>
		Nil
Less: Settlement Amount		<u>200,000.00</u>
Profit on Write-off		<u>(200,000.00)</u>

10. NEW GARDEN INN, BONDO (BONDO PALACE INN)

Background information

A Loan of KShs. 800,000 was approved in 1988 for the purposes of modernization and extension of the facility. The loan term was ten years and the interest rate 14% with the Corporation reserving the right of varying the same. The project is situated in Bondo town, the Bondo District headquarters.

The main shareholders Mr. Kowitti passed away in 1996 leaving the wife Mrs. Ralleria Kowitti as the remaining shareholder and proprietor.



KENYA TOURIST DEVELOPMENT CORPORATION

MINUTES OF THE 198TH BOARD MEETING OF THE DIRECTORS OF THE CORPORATION HELD ON THURSDAY, 29TH APRIL, 2004 AT 9.00 A.M. IN THE KTDC BOARD ROOM, UTALII HOUSE

PRESENT:

Mr. Richard Maina	...	Chairman
Mr. Mutua P. Nzoka	...	Managing Director
Mr. A. N: Kiragu	...	Rep. Permanent Secretary, Ministry of Tourism & Information.
Mr. Anthony Kiilu	...	Member
Ms Patricia Awori	...	Member
Mr. Hamisi Mboga	...	Member
Mr. S Wamutu Waiganjo	...	Member
Mr. Joash Olum	...	Member

IN ATTENDANCE:

Mr. David Gichuhi	...	Rep. Inspector-General State Corporations
Ms Lilian Mbindyo	...	Rep. Solicitor General

APOLOGIES:

Mr J.B. Mwangi	...	Rep. Permanent Secretary, Ministry Finance
Ms F. Kadasia	...	Rep. Permanent Secretary, Ministry of Environment and Natural Resources.

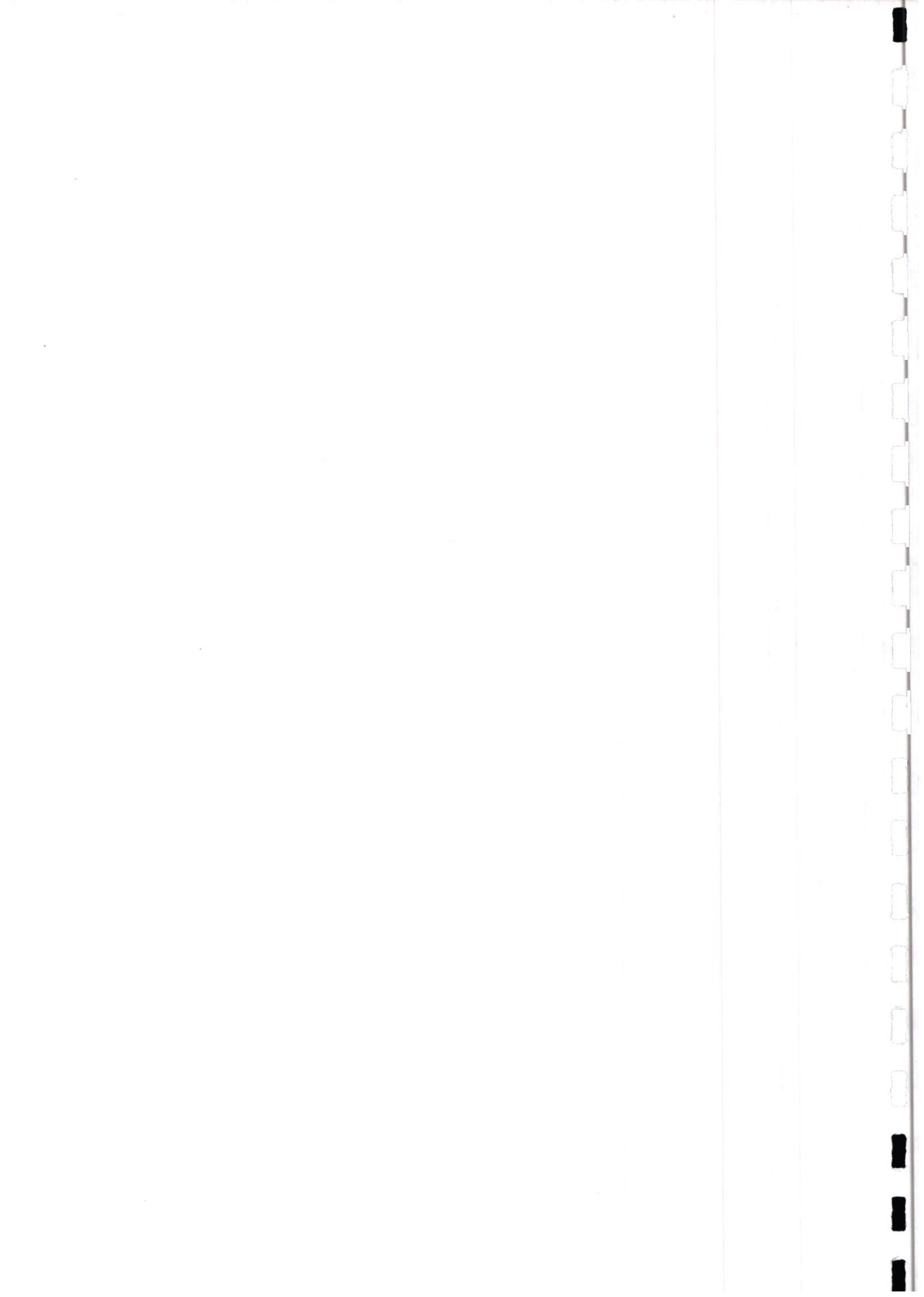
KTDC MANAGEMENT STAFF:

Mr. Sam V. D'Souza	...	Deputy Managing Director
Mr. Peter I. Ongeso	...	Human Resources Manager
Mr. A. K. N. Mbuvi	...	Administration Manager
Mr. J.N. Mwenda	...	Acting Chief Internal Auditor
Mr. John Mukuna	...	Acting Finance Manager
Mr. Tom Odongo	...	Acting Loans Manager
Mrs. Mary Belsoi	...	Acting Business Development Manager
Mr. D.M. Ngutui	...	Acting Investments Manager
Mrs. Jane I. Kyaka	...	Acting Corporation Secretary



b) WAJIR TOURIST HOTEL

The Board was requested to consider writing-off the loan balance of KShs. 11m on humanitarian grounds as the loanee had since passed away leaving behind two widows. The Board **REQUESTED** Management to discuss with the family and determine whether they would be in a position



There being no other business the meeting ended at 6.00 p.m.

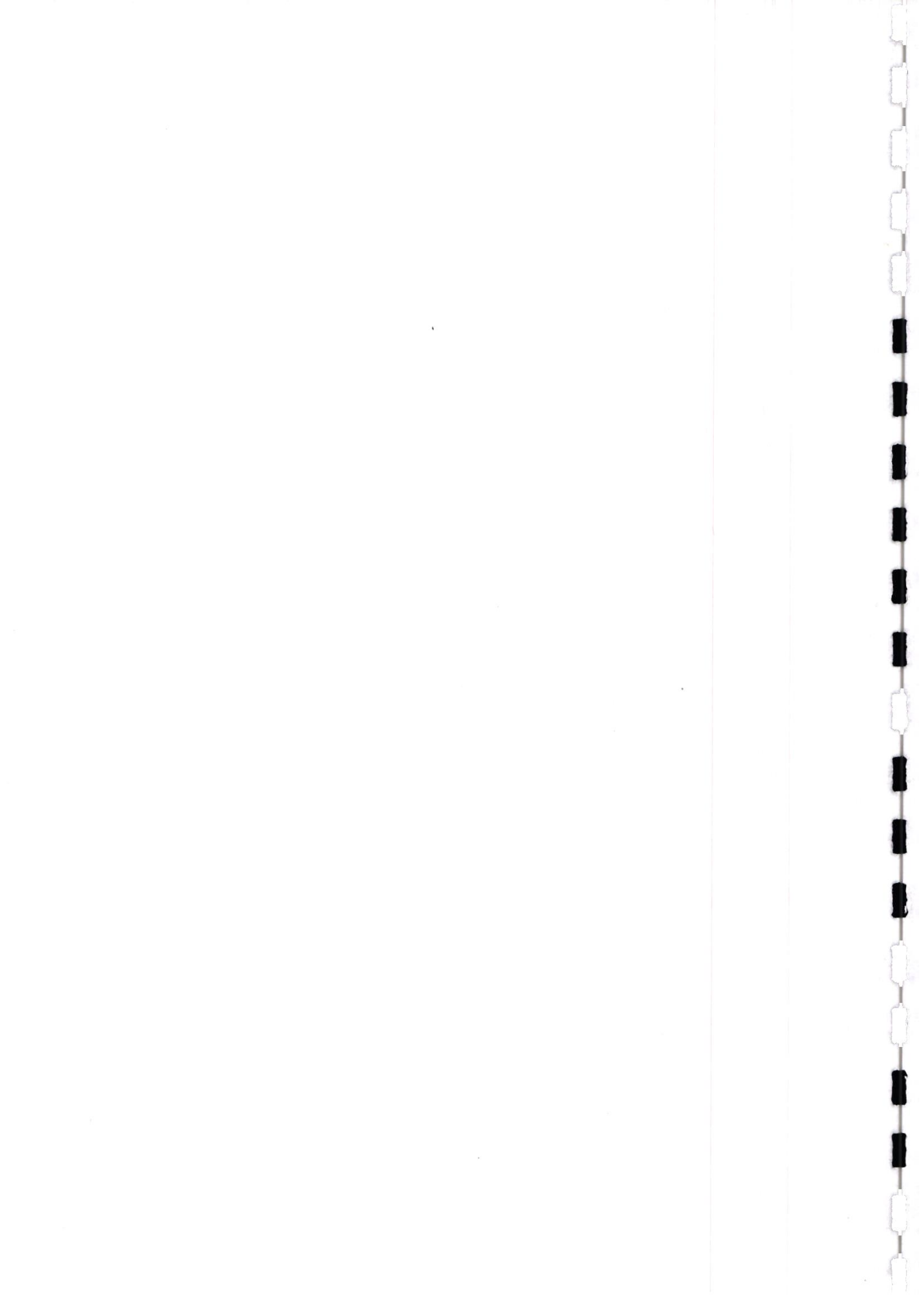
Signed



Chairman

29/7/2004

Date



KENYA TOURIST DEVELOPMENT CORPORATION

MINUTES OF THE 5TH OPERATIONS COMMITTEE MEETING HELD ON
MONDAY, 16TH JANUARY 2006 AT 10.00 AM IN THE KTDC BOARDROOM,
UTALII HOUSE

PRESENT:

- | | | |
|----|----------------------|--|
| 1. | Mr Antony Musau | - Vice Chairman – Chairing |
| 2. | Mr Richard Maina | - Chairman, Board |
| 3. | Mr Mutua P Nzoka | - Managing Director , KTDC |
| 4. | Ms Jacqueline Muindi | - Representative Solicitor General |
| 5. | Mr Opondo Kajumbi | - Representative Permanent Secretary
Ministry of Tourism & Wildlife |

IN ATTENDANCE:

- | | | |
|----|----------------------|---|
| 1. | Mr Abraham K Muthogo | - Loans Manager |
| 2. | Mr Sam D'Souza | - Deputy Managing Director |
| 3. | Mr Hassan Kiage | - Finance Manager |
| 4. | Mrs Maryann Jordan | - Business Development Manager and
Secretary to the Operations Committee |

ABSENT WITH APOLOGY:

- | | | |
|----|---------------|--|
| 1. | Mr Joash Olum | - Chairman |
| 2. | Mr J B Mwangi | - Representative Permanent Secretary,
Ministry of Finance |

MIN/OC/49/06 CONFIRMATION OF MINUTES:

The Chairman welcomed the new Loans Manager, Mr Abraham Muthogo to the meeting. The minutes were then confirmed after making the following amendments:-

- **MIN/OC/42/05**
 - The word concur to change to comply
 - The date of Treasury Circular/letter be indicated
- **MIN/OC/36/05**
 - It was agreed that the last two paragraphs are omitted
- **MIN/OC/42/05**
 - Management was asked to agree on a common position in regard to debt restructure, and revert to the Board with full and relevant facts on the matter.



1. KENDU-BAY COUNTRY HOTEL

Background information

A loan of KShs 4 Million was approved in 1995 for extension and modernization of Kendu Bay country Hotel in Kendu bay. The loan was for a period of ten (10) years at an interest rate of 21%. The main shareholder is Mrs. Julia Amayo, a prominent businesswoman in Kendu Bay town.

Security

A parcel of land LR 1/943 Kilimani Nairobi valued by Miligan secures the loan in 1996. It has an open market value of KShs. 12 million.

Status of the loan

- Out of the approved KShs. 4 Million, only KShs. 333,390 was disbursed to the loanee and another amount of KShs. 166,610 was paid as legal fees to the firm of Mitei & Co. Advocates. No further and other disbursements were ever made to the applicant despite securing the entire amount.
- The loanee feeling aggrieved by the corporations action instructed the firm of Adipo & Co. Advocates to ask the corporation to discharge the security. The loanee seems not to be interested in the loan any more

Management Recommendation

- The corporation to ask the loanee to pay the principal amount disbursed of KShs. 500,000 lump sum and write off the balance as follows:

	<u>Kshs.</u>	<u>Kshs.</u>
Disbursed Loan	500,000	
Outstanding balance		2,213,625.00
Less: Interest in Suspense		<u>753,044.00</u>
		1,460,581.00
Less: Specific Provisions		<u>1,460,581.00</u>
		Nil
Less: Settlement Amount		<u>500,000.00</u>
Profit on write-off		<u>(500,000.00)</u>

- The corporation to discharge the security once this amount is paid.

2. MONALISA LIMITED

Background information

The project is located within Kisumu city. The total loan applied and disbursed was Kshs 1,200,000.00. The purpose was for modernization and refurbishment of Monalisa Hotel. The main shareholder was Hon. Miruka Owuor.

Securities

The loan was secured by property LR Kisumu Municipality/Block7/352.

Status of the loan

- The loanee offered to pay KTDC KShs. 1 Million in full and final settlement of the outstanding loan liabilities.
- The offer was accepted but after receipt of this payment, KTDC demanded the balance in full.
- The loanee feeling aggrieved by our action went to court and sued for breach of contract. The matter was heard and determined on 01/10/04 in favour of Monalisa and the Corporation condemned to pay lost suit plus costs.

Management Recommendation

- Write off the loan balance as follows: -

	KShs	KShs
Approved loan	1,200,000	
Outstanding balance		4,921,028.00
Less: Interest in Suspense		<u>1,044,504.00</u>
		3,876,524.00
Less: Specific Provisions		<u>3,393,547.00</u>
		482,677.00
Less: General Provisions		<u>482,677.00</u>
		<u>Nil</u>

- Discharge securities after write-off

KENYA TOURIST DEVELOPMENT CORPORATION

MINUTES OF THE 218TH BOARD MEETING OF THE DIRECTORS OF THE CORPORATION HELD ON THURSDAY, 22ND JUNE, 2006 AT 9.30 A.M. IN THE KTDC BOARDROOM

PRESENT:

Mr. Richard M. Maina	...	Chairman
Mr. Hamisi Mboga	...	Vice-Chairman
Mr. Obondo Kajumbi	...	Ag. Managing Director
Ms Joyce Isiaho	...	Rep. Permanent Secretary, Ministry of Environment & Natural Resources
Mr. Kennedy O. Ondieki	...	Rep. Permanent Secretary, Treasury
Mr. Anthony M. Kiilu	...	Member
Mr. Samuel Wamutu Waiganjo...	...	Member

IN ATTENDANCE

Ms Jacqueline Muindi	...	Rep. Attorney General
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APOLOGIES

Ms. Patricia Awori	...	Member
Mr. Joash Olum	...	Member

KTDC MANAGEMENT

Mr. Hassan M. Kiage	...	Finance Manager
Mrs. Maryanne Jordan	...	Business Development Manager
Mr. Abraham Muthogo	...	Loans Manager
Mrs. Juliana Nguli	...	Human Resource & Administration Manager
Mr. Leonard Lari	...	Chief Internal Auditor
Mr. Carrey Francis	...	Senior Legal Officer - Taking minutes

ON LEAVE

Mrs. Jane Ikiunga Kyaka	...	Corporation Secretary
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MIN.NO.
BM/100/2006 -

CONFIRMATION OF MINUTES

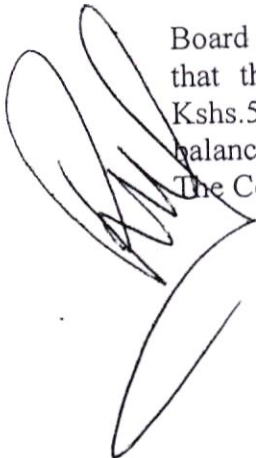
217th Board meeting held on 18th May 2006. The minutes v confirmed as true records of the meeting with the follo corrections:





Kendu Bay Country Hotel Ltd.

Board **APPROVED** the Operations Committee recommendations that the loanee pays the corporation the principal amount of Kshs.500,000 in full and final settlement of the loan and the balance be written off against provisions and interest in suspense. The Corporation to discharge the security.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.



ANY OTHER BUSINESS

Management staff were REQUESTED to leave. *J. Deane M.D. Sec.*

There being no other business the meeting ended at 5.00 p.m.

[Signature]

Date: *7/12/2006*



10. FARM VIEW HOTEL LTD

Background information

A loan of KShs. 4 million was approved in 1996 for the purposes of extension and completion of the hotel. The loan was approved in the same year for a period of ten (10) years at an interest rate of 18% and the corporation reserving the right of varying the same at its discretion.

The project is situated in Busia town. It is about 1 km to the left off the main road just before the border. The main shareholder is Mr. Peter Linus Barasa Kubebea

Security

The loan is secured by a first legal charge over LR No. Bukhayo/Mundika/3135 3136 valued by Kinyua Koech on 16th October 1995 at KShs. 13.5 million open market and KShs. 8.7 million-forced sale value. Other securities are debentures over the assets of the company and personal guarantees of the directors.

Status of the loan

- The hotel offers rooms, dining, bar, disco and conference facilities. The main source of revenue for the hotel being conference facilities. The access road is not all weather and is not in very good condition.
- The client has proposed to pay KShs. 4 Million principal only by paying Kshs. 2 million lump sum in 3 months and the balance of KShs. 2 million over 3 years in equal installments plus interest given that he has already paid us KShs 3,713,278 to date.

Management Recommendation

- Accept the client's proposal to pay KShs. 4 Million principal only by paying Kshs. 2 million lump sum in 3 months and the balance of KShs. 2 million over 3 years in equal installments plus interest.
- Write off the balance as follows:

	KShs	KShs
Approved loan	4,000,000	

Outstanding balance	13,013,872.00
Less: Settlement Amount	<u>4,000,000.00</u>
	9,013,872.00
Less: Interest in Suspense	<u>1,431,951.00</u>
	7,581,921.00
Less: General Provision	<u>7,581,921.00</u>
Profit on Write- Off	Nil

- Discharge securities on full payment of offer amount.

KENYA TOURIST DEVELOPMENT CORPORATION

MINUTES OF THE 218TH BOARD MEETING OF THE DIRECTORS OF THE CORPORATION HELD ON THURSDAY, 22ND JUNE, 2006 AT 9.30 A.M. IN THE KTDC BOARDROOM

PRESENT:

Mr. Richard M. Maina	...	Chairman
Mr. Hamisi Mboga	...	Vice-Chairman
Mr. Obondo Kajumbi	...	Ag. Managing Director
Ms Joyce Isiaho	...	Rep. Permanent Secretary, Ministry of Environment & Natural Resources
Mr. Kennedy O. Ondieki	...	Rep. Permanent Secretary, Treasury
Mr. Anthony M. Kiilu	...	Member
Mr. Samuel Wamutu Waiganjo...	...	Member

IN ATTENDANCE

Ms Jacqueline Muindi	...	Rep. Attorney General
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APOLOGIES

Ms. Patricia Awori	...	Member
Mr. Joash Olum	...	Member

KTDC MANAGEMENT

Mr. Hassan M. Kiage	...	Finance Manager
Mrs. Maryanne Jordan	...	Business Development Manager
Mr. Abraham Muthogo	...	Loans Manager
Mrs. Juliana Nguli	...	Human Resource & Administration Manager
Mr. Leonard Lari	...	Chief Internal Auditor
Mr. Carrey Francis	...	Senior Legal Officer - Taking minutes

ON LEAVE

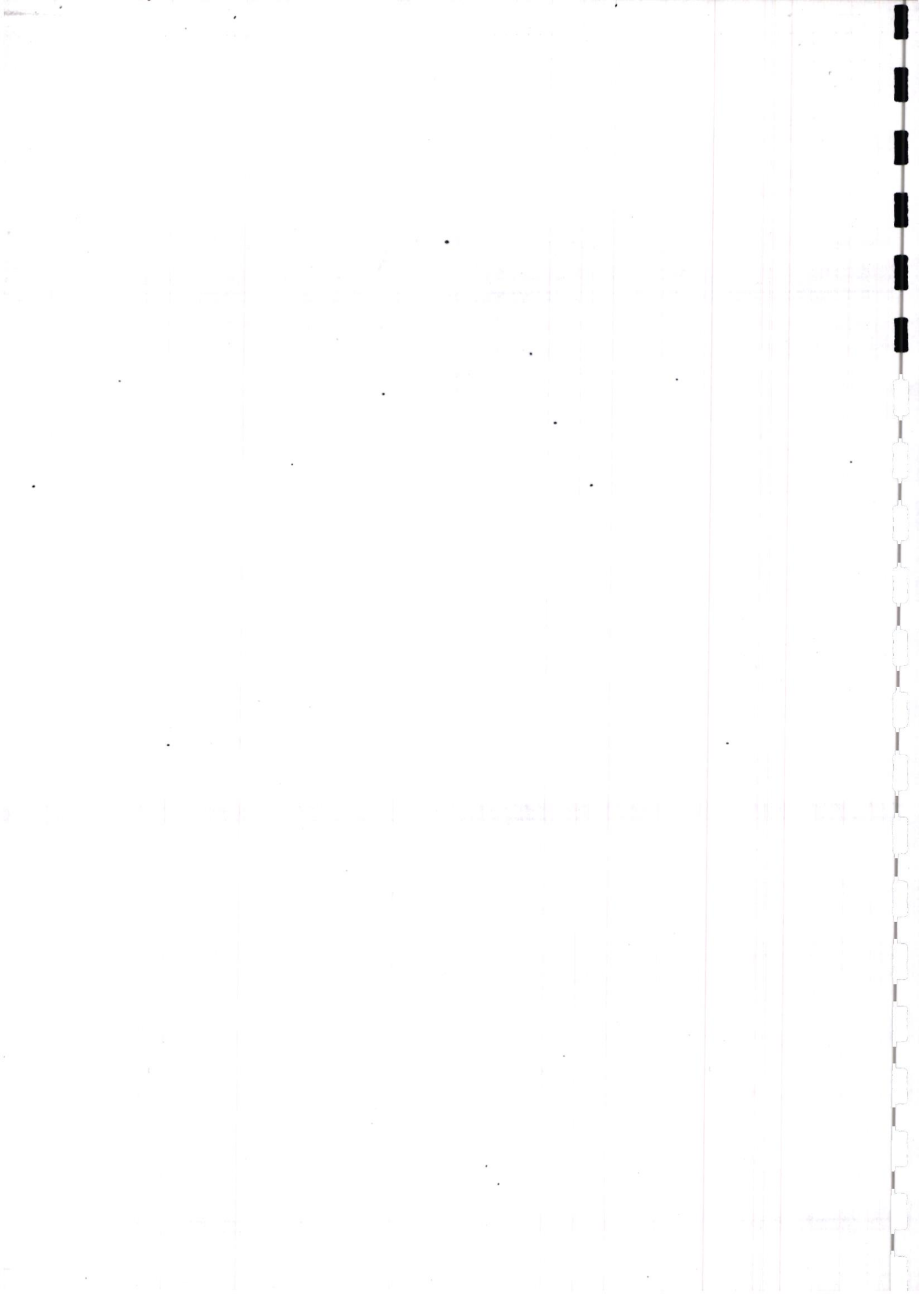
Mrs. Jane Ikiunga Kyaka	...	Corporation Secretary
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MIN.NO.
BM/100/2006 -

CONFIRMATION OF MINUTES

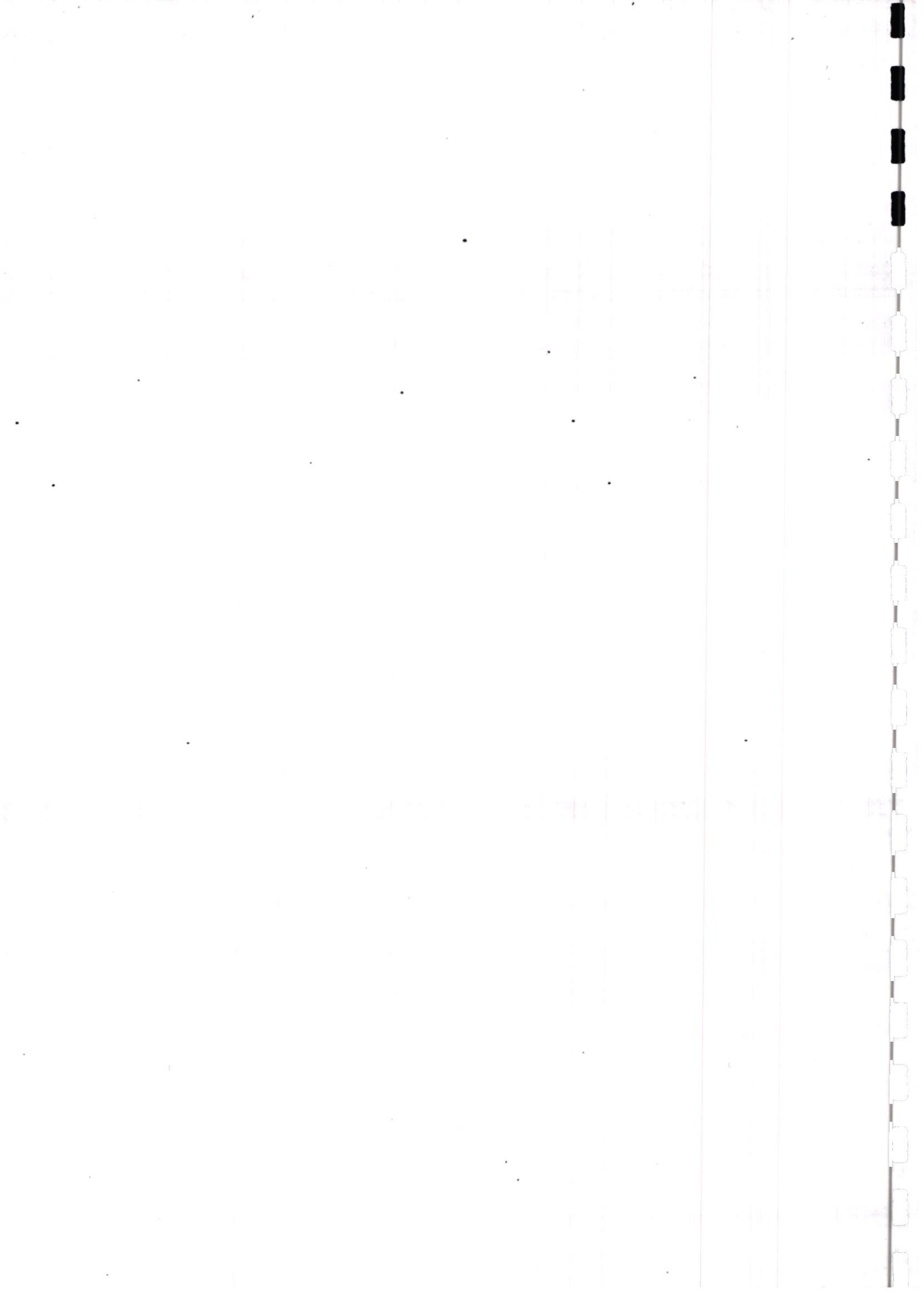
217th Board meeting held on 18th May 2006. The minutes were confirmed as true records of the meeting with the following corrections:





Farmview Hotel Ltd.

Board **ADOPTED** the recommendations of the Operations Committee that the loanee pays Kshs.4 million as full and final settlement of the loan by making a lump sum payment of Kshs.2 million within 4 months from the date of communication of the Board decision by the management to the loanee and the balance of Kshs.2 million be paid within 3 years in equal installments.



Kshs.30,000 leaving a balance of Kshs.272,500 for which he has applied for a car loan from the Corporation. Board **APPROVED** the loan and referred the matter back to management for action.

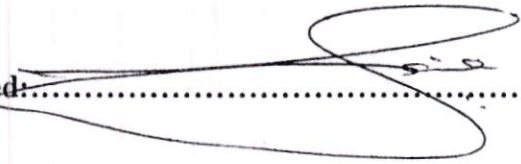
MIN. NO.
BM/108/2006:

ANY OTHER BUSINESS

Management staff were **REQUESTED** to leave. *A. D. Kass M.D. J.*

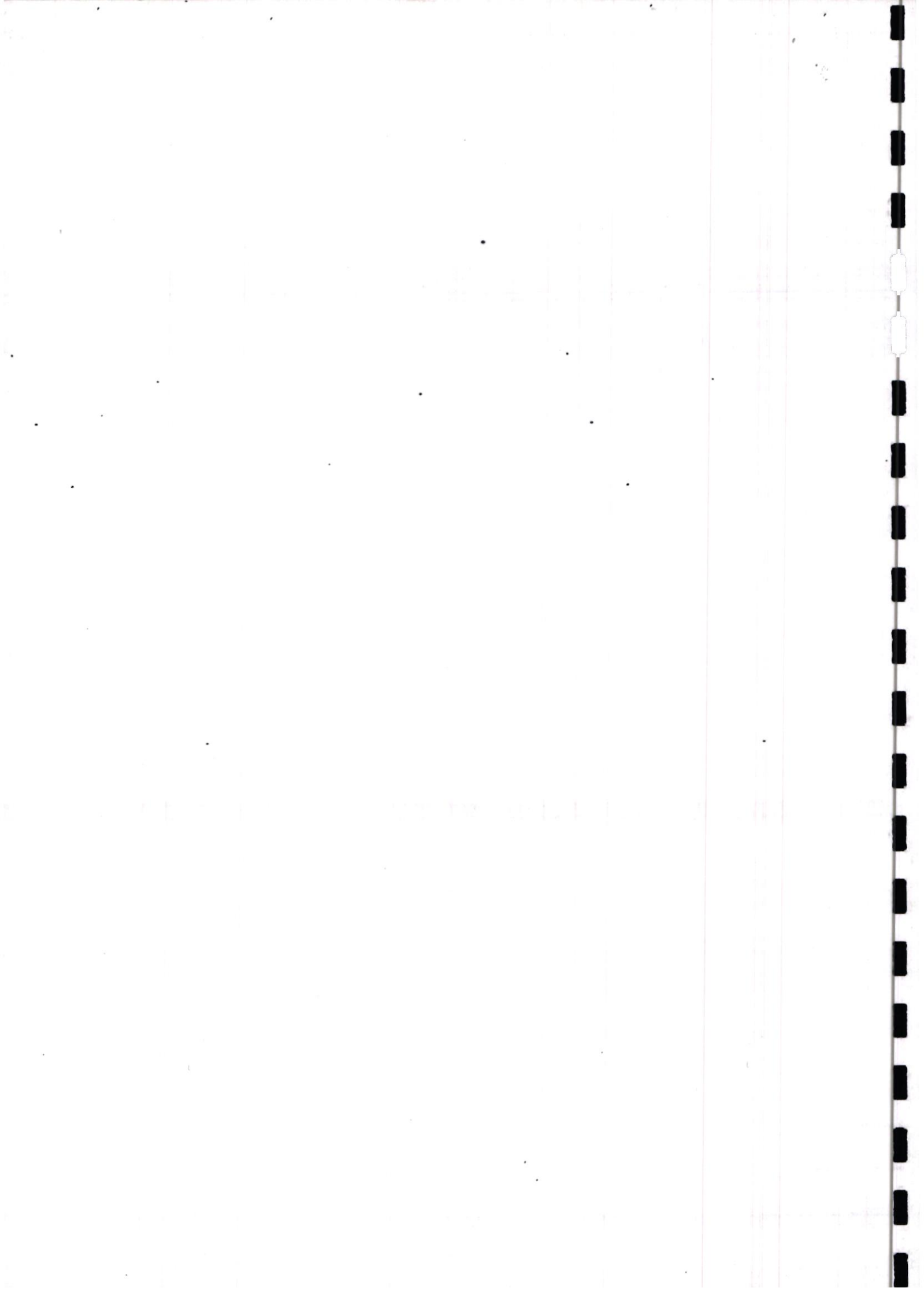
There being no other business the meeting ended at 5.00 p.m.

Signed:



Date:

7/12/2006



KENYA TOURIST DEVELOPMENT CORPORATION

MINUTES OF THE 5TH OPERATIONS COMMITTEE MEETING HELD ON MONDAY, 16TH JANUARY 2006 AT 10.00 AM IN THE KTDC BOARDROOM, UTALII HOUSE

PRESENT:

- | | | |
|----|----------------------|--|
| 1. | Mr Antony Musau | - Vice Chairman – Chairing |
| 2. | Mr Richard Maina | - Chairman, Board |
| 3. | Mr Mutua P Nzoka | - Managing Director , KTDC |
| 4. | Ms Jacqueline Muindi | - Representative Solicitor General |
| 5. | Mr Opondo Kajumbi | - Representative Permanent Secretary
Ministry of Tourism & Wildlife |

IN ATTENDANCE:

- | | | |
|----|----------------------|---|
| 1. | Mr Abraham K Muthogo | - Loans Manager |
| 2. | Mr Sam D'Souza | - Deputy Managing Director |
| 3. | Mr Hassan Kiage | - Finance Manager |
| 4. | Mrs Maryann Jordan | - Business Development Manager and
Secretary to the Operations Committee |

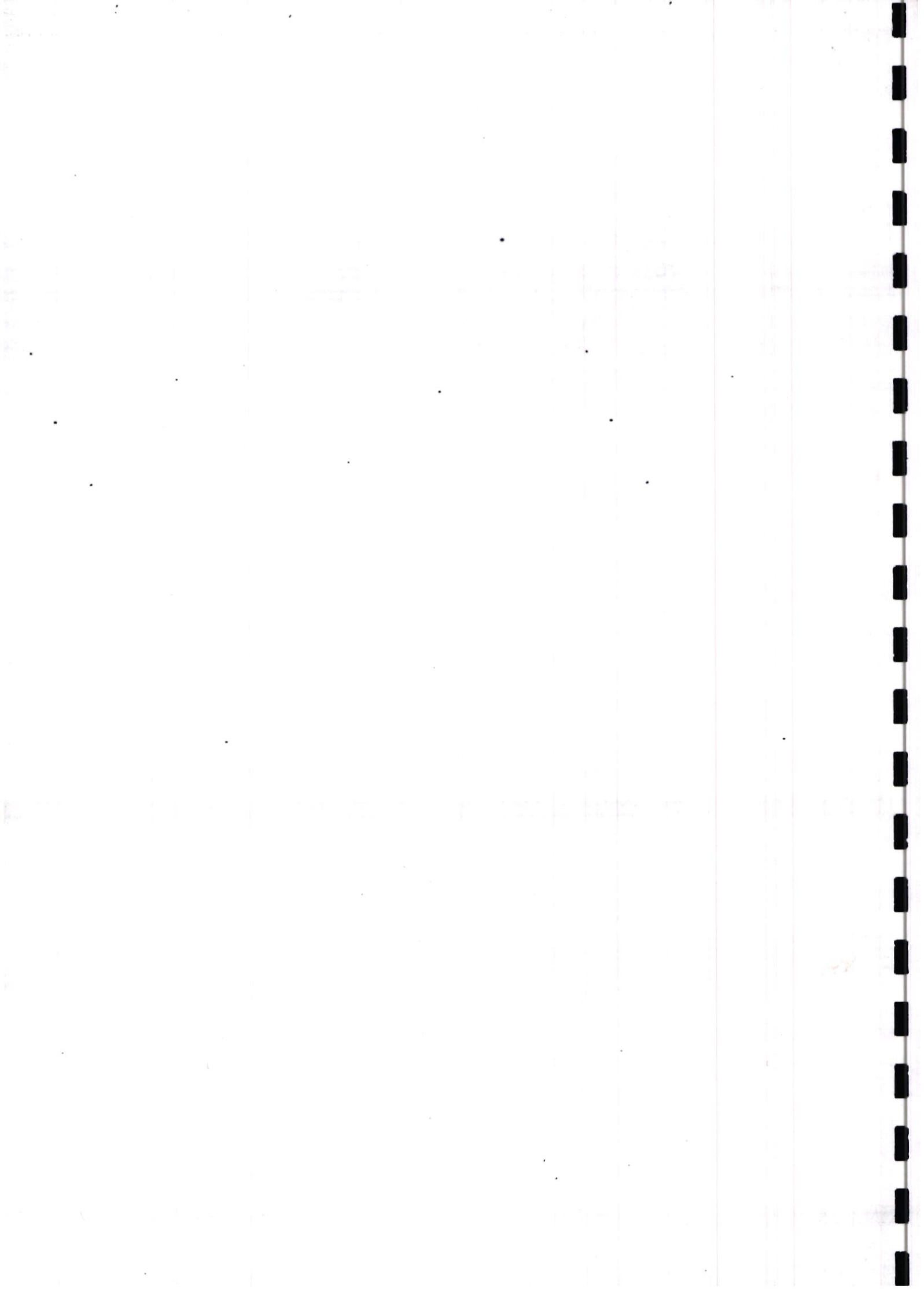
ABSENT WITH APOLOGY:

- | | | |
|----|---------------|--|
| 1. | Mr Joash Olum | - Chairman |
| 2. | Mr J B Mwangi | - Representative Permanent Secretary,
Ministry of Finance |

MIN/OC/49/06 CONFIRMATION OF MINUTES:

The Chairman welcomed the new Loans Manager, Mr Abraham Muthogo to the meeting. The minutes were then confirmed after making the following amendments:-

- **MIN/OC/42/05**
 - The word concur to change to comply
 - The date of Treasury Circular/letter be indicated
- **MIN/OC/36/05**
 - It was agreed that the last two paragraphs are omitted
- **MIN/OC/42/05**
 - Management was asked to agree on a common position in regard to debt restructure, and revert to the Board with full and relevant facts on the matter.



8. GARDEN HOTEL MACHAKOS

Background information

- Hon. Gideon Ndambuki had a mortgage facility with the then Trade Bank for the purchase of a house in Loresho, Nairobi. When the Bank went into receivership, he was called upon to redeem the mortgage and this is when he approached the Corporation for financial accommodation of Kshs. 20 million and the loan was granted .
- The loan was therefore used to offset the loan at Trade bank and not for the refurbishment and modernization of Garden Hotel.
- The hotel is located in Machakos Town Mwatu wa Ngoma Road next to Machakos District headquarters.
- The main shareholder is Hon. Gideon Ndambuki.

Securities

- The loan is secured by parcel of LR/NRB/BLOCK/190/224 valued at a market value of Kshs. 17,000,000 and a forced sale value of Kshs.13,750,000.
- It is supported by a debenture over all moveable assets of the company.

Status of the Loan

- The loan had not been secured till 2003 when the loanee started servicing the account at a rate of Kshs. 413,394.
- The security does not cover the land on which the project is situated.
- The hotel assets are secured by way of debenture on loose assets.
- The loanee has given a proposal to pay 25 million as full and final payment for the loan in addition to KShs. 5 million already paid.

Management Recommendation

- It is recommended that the offer be accepted at an enhanced amount of Kshs. 27 million and the residual balance be written off against general provisions as highlighted in Scenario 1. Scenario 2

shows the implications of going for straight recovery of the current securities held.

Scenario 1

	<u>KShs</u>	<u>KShs</u>
Disbursed loan	20,000,000	
Outstanding balance		54,459,594.30
Less: Full and Final settlement Offer		<u>27,000,000.00</u>
		27,459,594.30
Less: Interest in Suspense		<u>13,027,934.00</u>
		14,431,660.30
Less: General Provisions		<u>23,999,074.35</u>
General Provision Surplus		(9,567,414.05)

Scenario 2

	<u>KShs</u>	<u>KShs</u>
Disbursed loan	20,000,000	
Outstanding balance		54,459,594.30
Less: Forced security value		<u>13,750,000.00</u>
		40,709,594.30
Less: Interest in Suspense		<u>13,027,934.00</u>
		27,681,660.30
Less: General Provisions		<u>23,999,074.35</u>
General Provision Shortfall		3,682,585.95

KENYA TOURIST DEVELOPMENT CORPORATION

TDC/8/15 - For the Operations Committee Meeting to be held on
09.09.10

For Agenda Item No. OC/24/2010

To All Members of the Operations Committee of the Board

MARSABIT LODGE LTD

Background Information

Marsabit Lodge project was initiated by KTDC in 1975. The company was incorporated on 20th November 1975 under the name of Marsabit Lodge Limited as a private limited company. The principal shareholders were KTDC and Marsabit County Council with 88.7% and 11.3% of shareholding respectfully.

The lodge which is situated in Marsabit National Park about 4 kms from Marsabit Town was developed by KTDC and the Marsabit County Council as one of the Government guided projects to open up the Northern Tourist Circuit.

From 1976 the lodge was under the management of the African Tours & Hotels (AT&H) until in 1984 when to reverted to its owners. Since then, the Lodge had been managing its affairs through a Board of Directors and lodge management appointed by the same Board. The management was in turn closely supervised by KTDC on behalf of the Board.

Security

Before the transfer of the Marsabit Lodge shares to Herola Investment Ltd the loan facility was secured by debenture on all assets of the company at the lodge.

Status of the loan

- In 1998, the Parastatal Reform Programme Committee (PRPC) approved the sale of KTDC shares in the company to Herola Investment Ltd at a cost of KShs. 12,874,792.00. The sale cost was broken down as follows:

Item description	Amount (KShs.)
Sale price to KTDC	1,000,000.00
Liabilities taken over by Herola Investment Ltd	11,874,792.00
Total	12,874,792.00

- Out of the liabilities taken over by Herola Investments, the loan outstanding including interest in KTDC's books was KShs. 5,400,602.00 that has accrued interest to grow to a current balance of KShs. 24,438,820.80 as at 31st March 2010. This amount is now unsecured following the transfer of all the assets of Marsabit Lodge to Herola Investments thereby defeating the debenture agreement between the Corporation and Marsabit Lodge.

Observations

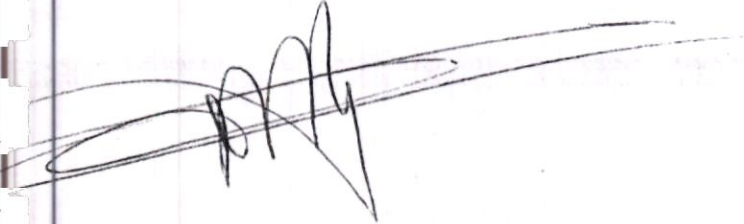
- The initial loan approved by KTDC to Marsabit Lodge in 1989/90 was Kshs. 500,000 for modernization and rehabilitation of the lodge facility.
- Of this loan amount, only Kshs. 377,315 was disbursed/utilized. It is this amount that grew to Kshs. 5,400,602 due to compounding of interest.
- This figure of Kshs 5,400,602 was the loan balance outstanding at the time of the sale and was therefore covered by the total liability figure of Kshs 11,874,792. (see attached)
- The main director of Herola Investments was the late Hon. Bonaya Godana
- The interest is suspended and the loan is fully provided in our books.
- According to the sale agreement dated 1st October 1998, at paragraph 2 of the declaration, the purchase price was agreed on at KShs. 1 million which amount was fully paid for and payment acknowledged by the corporation by executing the agreement.
- According to the agreement, there was no balance of the purchase price or any other monies owing to the corporation as all the liabilities outstanding at the time of sale were all taken over by the purchaser as per paragraphs 2(a) and (b) of the agreement.
- This is therefore meant that the sale was completed and all owing to the corporation fully paid for and all the liabilities taken over by the purchaser.

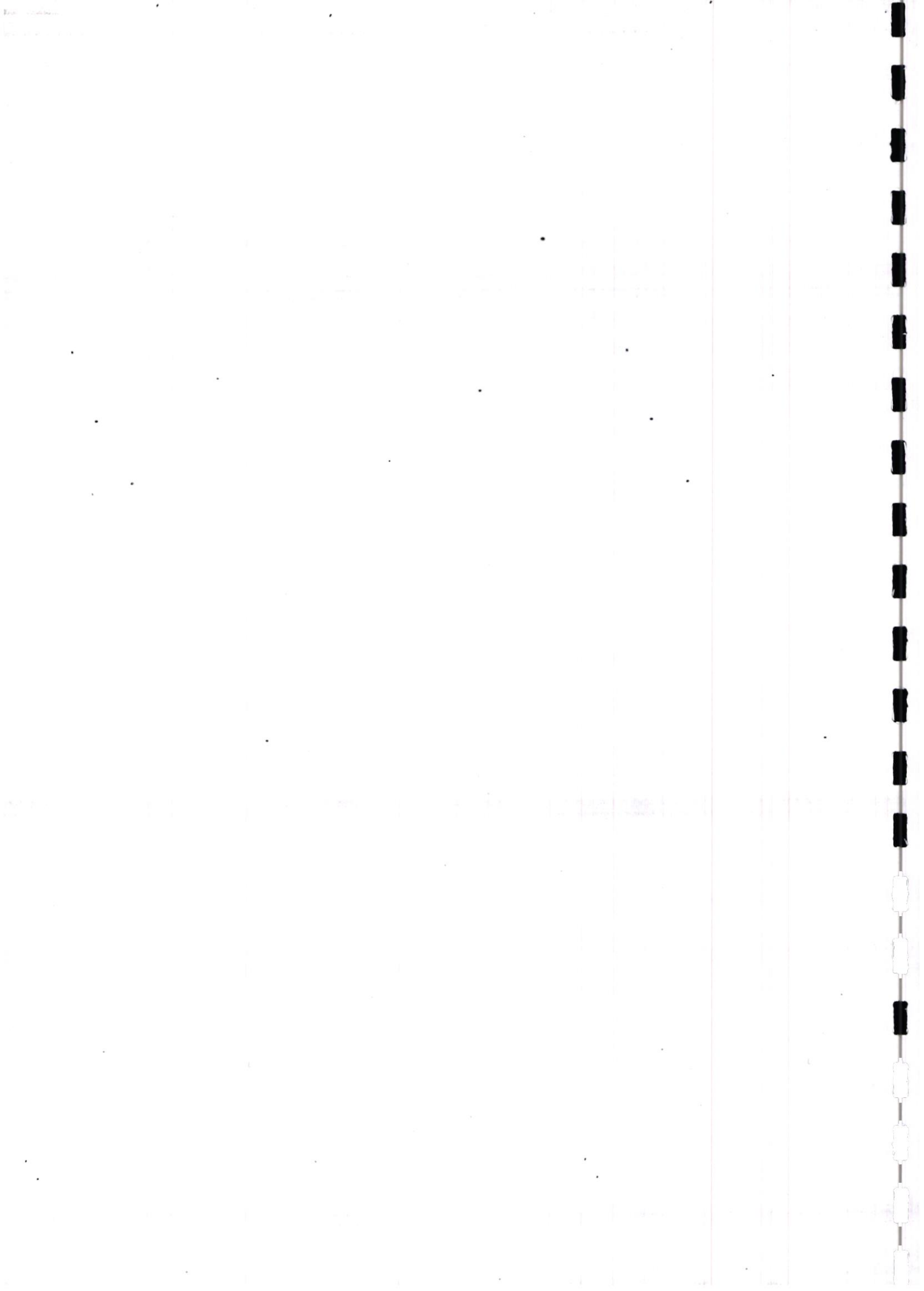
- There is therefore no legal basis from the contract to support any further claim from the purchaser. Any claim from the financier of any monies would bear its trace from elsewhere and not the contract as the options that would have been available to the Corporation included recession of a contract and or to demand specific performance, however in view of the fact that any suit in contract ought to have been filed within 6 years from the date from which the cause of action arose any suit against the company that purchased the shares would be statute barred by reason of effluxion of time.
- Legally, this is a fit case for write off and the board should consider fully writing off the outstanding loan amount against specific provision and interest suspense.

Recommendation

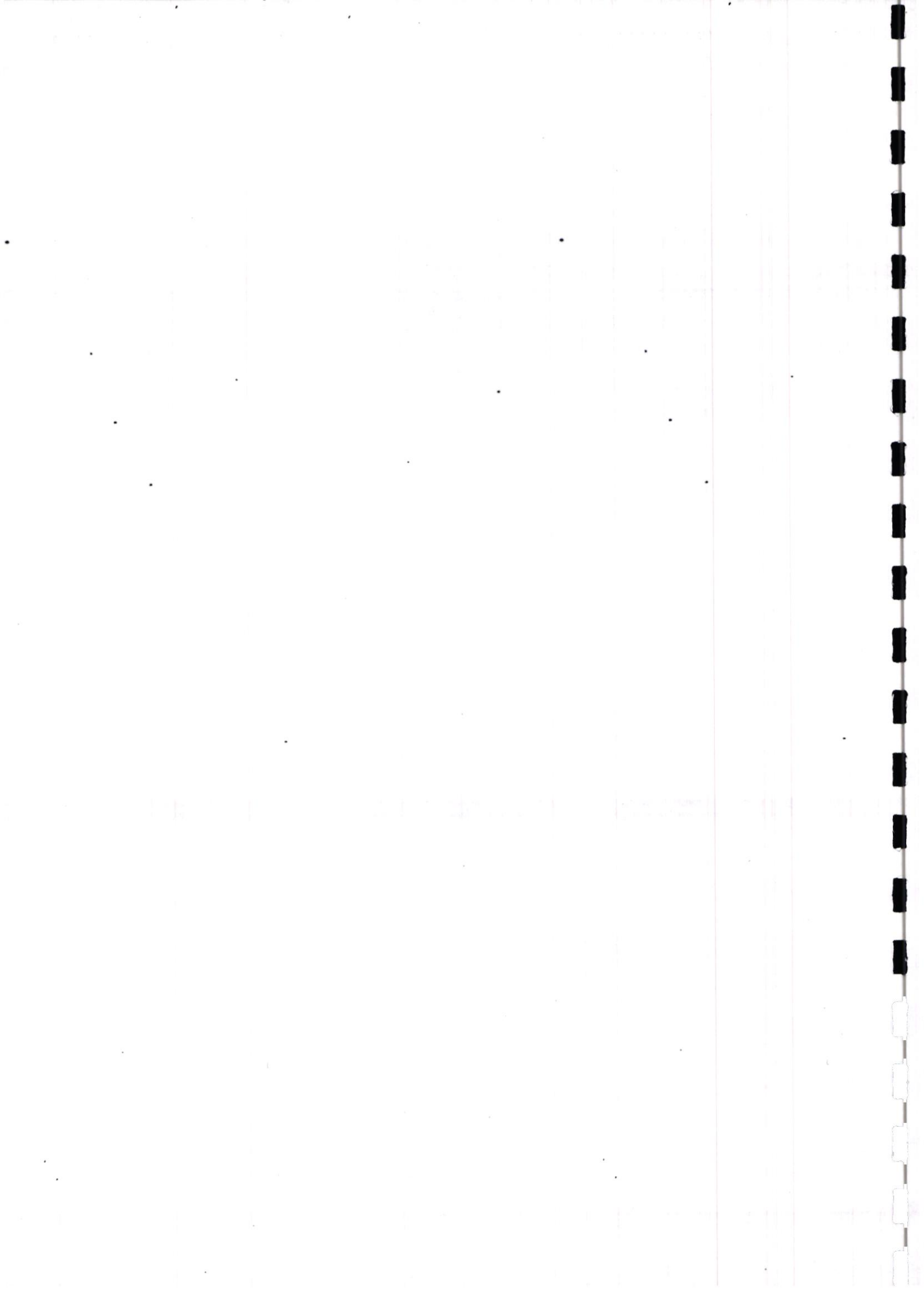
Based on the above observations, and given that it will not be possible to recover any amounts from Herola Investment Ltd, Management recommends write off against specific provisions and interest suspense as follows:

Loan Disbursed	<u>KShs.</u> 377,315	
Outstanding loan balance as at 31/07/2010		26,683,864.80
Less: Specific Provisions		<u>(1,514,170.80)</u>
		24,169,695.00
Less: Interest in suspense		<u>24,169,695.00</u>
		<u>Nil</u>


A. K. MUTHOGO
HEAD OF CREDIT



Annex XV - Disclosure of irregularities to treasury



Utilization of Divestiture Funds by Kenya Tourist Development Corporation (KTDC)

For several years, the Corporation did not comply with the Treasury Guidelines on Policy on Proceeds of Privatisation communicated via their letter dated 26th April, 1993 that remains in force to date. The following are the pertinent operation issues pertaining to this privatization proceeds account:-

1 Proceeds generated by KTDC from each of the companies privatized from 1992 – 2005.

The total amount of proceeds generated on sale from the companies privatised from 1992 to 2005 is summarised below and annexed at "A".

Date	Kshs	Property
September 1992	13,500,000.00	Kericho Tea Hotel
May 1993	50,231,274.00	Robinson Baobab Hotel
May 1993	61,490,000	Panafric Hotel
November 1993	25,024,895.60	Pollmans Tours & Safaris
July 1995	14,500,080.00	Lion Hill Camp
August 1996	4,560,000.00	Embu Hotels Ltd
March 1997	7,200,000.00	The Ark Ltd.,
May 1997	260,052,790	TPS Serena Ltd
March 1998	50,428,404.20	Sirikwa Hotel Ltd
June 1998	1,000,000.00	Marsabit Lodge Ltd.
February 2000	48,500,000.00	Milimani Hotels Ltd
June 2000	18,000,000	Homa Bay Hotels Ltd
December 2001	17,986,607	Utalii Investments Ltd.
Total	<u>572,474,051.10</u>	

It has been confirmed that the Corporation received these monies as noted in the analysis.

2 Approvals granted by the Board of Directors and the Treasury prior to the opening of each of the above accounts

There were no KTDC board or treasury approvals given for the opening of the following bank accounts, or the placement of deposits in the same:

- Prudential Finance
- Financial Institution of Africa ltd.
- Prime Bank
- Prime capital and Credit Ltd.
- Daima Bank
- Treasury bills
- Universal Finance Co.
- African Banking Corporation
- KCB Harambee Plaza
- EuroBank Ltd.

There is board approval for the opening of the Bank accounts at KCB University way, but no Treasury approval.

3. **Privatisation proceeds utilized to date, the purpose for which the proceeds have been utilized and approvals granted prior to the utilization of the proceeds**

3.1 Utilisation of funds placed in fixed deposit accounts at various banks are summarised as follows:

	Kshs
Total receipts from Sale	572,474,051.10
Interest earned	411,270,974.90
Total receipts inclusive of interest	<u>983,745,026.00</u>
Total Payments (Annexe C)	(820,933,446.85)
Funds available as per analyses	<u>162,811,579.15</u>
Balance of funds available in	
Fixed deposit Accounts	<u>166,001,014</u>
Difference (being investigated)	3,189,434.95
Less: Eurobank Deposits	(61,692,978)
Total available divestiture funds	<u>104,308,036</u>
As at April 30th 2006	

3.2 **Analyses of Total Payments**

Use of Divestiture Funds

Use	Amount (Kshs)	(%)
Creditors	57,573,462.10	7.01
Statutory Payments	132,686,982.35	16.16
Performing Loans	112,734,893.90	13.73
Non-performing Loans	-169,624,700.50	20.66
Purchase of Shares	283,554,512.00	34.54
Administration	44,655,496.00	5.44
Staff Loans	11,253,400.00	1.37
Privatisation account	8,850,000.00	1.08
	<u>820,933,446.85</u>	<u>100.00</u>
Less interest:	- 411,270,974.90	
Principal used	409,662,471.95	
Less compliance:		
Purchase of Shares	(283,554,512.00)	
Privatisation account	(8,850,000.00)	
Compliance -sub total	<u>(292,404,512.00)</u>	
Principal non- compliance	<u>117,257,959.95</u>	
Non-compliance sub-total	<u>117,257,959.95</u>	
add interest	<u>411,270,974.90</u>	
Total use	<u>820,933,446.85</u>	

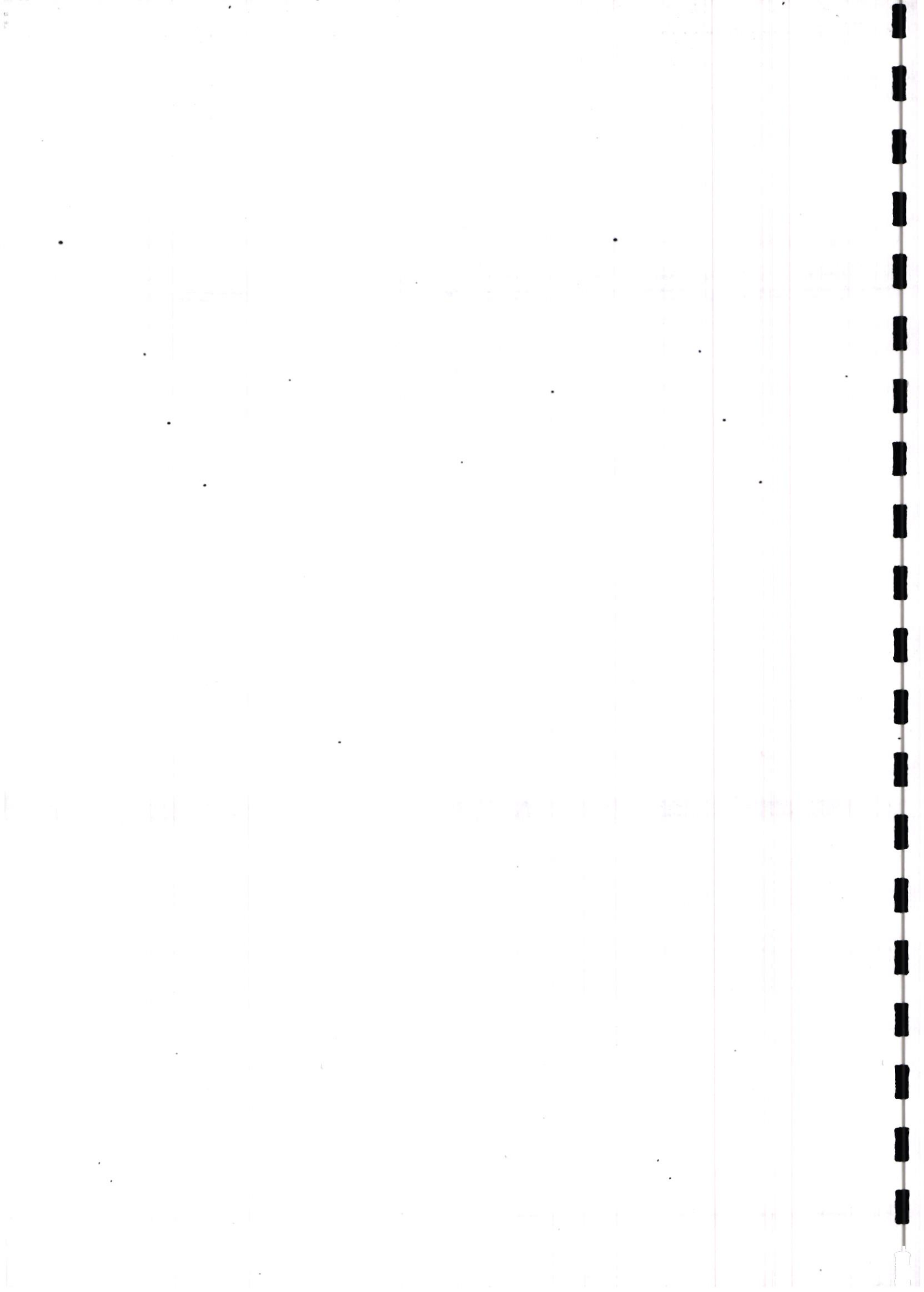
Use and approval of divesture funds 1992 - 2003

Date	Use/Payments	Approval	Amount
April 1994	Purchase of TPS Shares	KTDC Board	7,540,000
June 1996	KNTB Project, Consultancy Fees	KTDC Board	30,000,000
September 1996	Kenya Hotel Properties, Rights issue	KTDC Board	101,925,320
November 1996	Transfer to KTDC Administration Account-KTDC Operations	Approved by MD KTDC	7,041,139.70
December 1996	Transfer to KTDC Administration Account-KTDC Operations	Approved by MD KTDC	14,795,879.10
December 1997	Transfer to KTDC Administration Account-KTDC Operations	Approved by MD KTDC	2,500,000
July 1998	Githongo and Co. payment of Professional fees	Approved by MD KTDC	470,488
November 1998	Grant for the formation of KTB	Ministry of Tourism	25,000,000
November 1998	International Hotels Ltd. Rights issue	PS, Ministry of Tourism	109,089,192
May 1999	Advance to KTDC subsidiary - Kenya Safari Lodges & Hotels at the collapse of African Tours & Hotels Ltd.	KTDC Board	64,267,195.50
November 1999	Payment for 50% of advertisement costs for the sale of Meru Mulika Lodge, Sunset Hotel, Golf Hotel and Kabernet Hotels	Approved by MD KTDC	963,645
December 1999	Transfer to Administration Account - payment of legal fees to Kipkorir Titoo and Kiara	Approved by MD KTDC	1,140,130
July 2000	Payment to P.M. Communications of London for and on behalf of the Ministry of Tourism	KTDC Board	15,455,200
August 2000	Payment for advertising costs for the sale of Buffalo Springs Lodge Limited	Approved by MD KTDC	504,196.50
October 2000	Collector of Income Tax	Approved by MD KTDC	20,000,000
November 2000	Collector of Income Tax	Approved by MD KTDC	20,000,000
December 2000	Transfer to KTDC Administration Account	Approved by MD KTDC	5,000,000
January 2001	The Treasury – Payment of Government of Kenya Commercial loan	Approved by MD KTDC	30,025,752.30
March 2001	Collector of Income Tax	Approved by MD KTDC	25,218,602
March 2001	The Treasury – Payment of Government of Kenya Commercial loan-redeemed	Approved by MD KTDC	26,725,878.70
April 2001	KTDC Loan to borrower- Garden Hotel Machakos	Approved by MD KTDC	18,500,000
June 2001	KTDC Loan to borrower- Church Road Development Co.	Approved by MD KTDC	19,500,000
October 2001	KTDC Loan to borrower- Church Road Development Co	Approved by MD KTDC	8,500,000

November 2001	Transfer to KTDC Administration Account	Approved by MD KTDC	20,000,000
February 2002	Transfer to KTDC Administration Account	Approved by MD KTDC	20,000,000
April 2002	Collector of Income Tax	Approved by MD KTDC	5,000,000
August 2003	Transfer to KTDC Administration Account Transfer	Approved by MD KTDC	15,000,000
Total			614,162,618

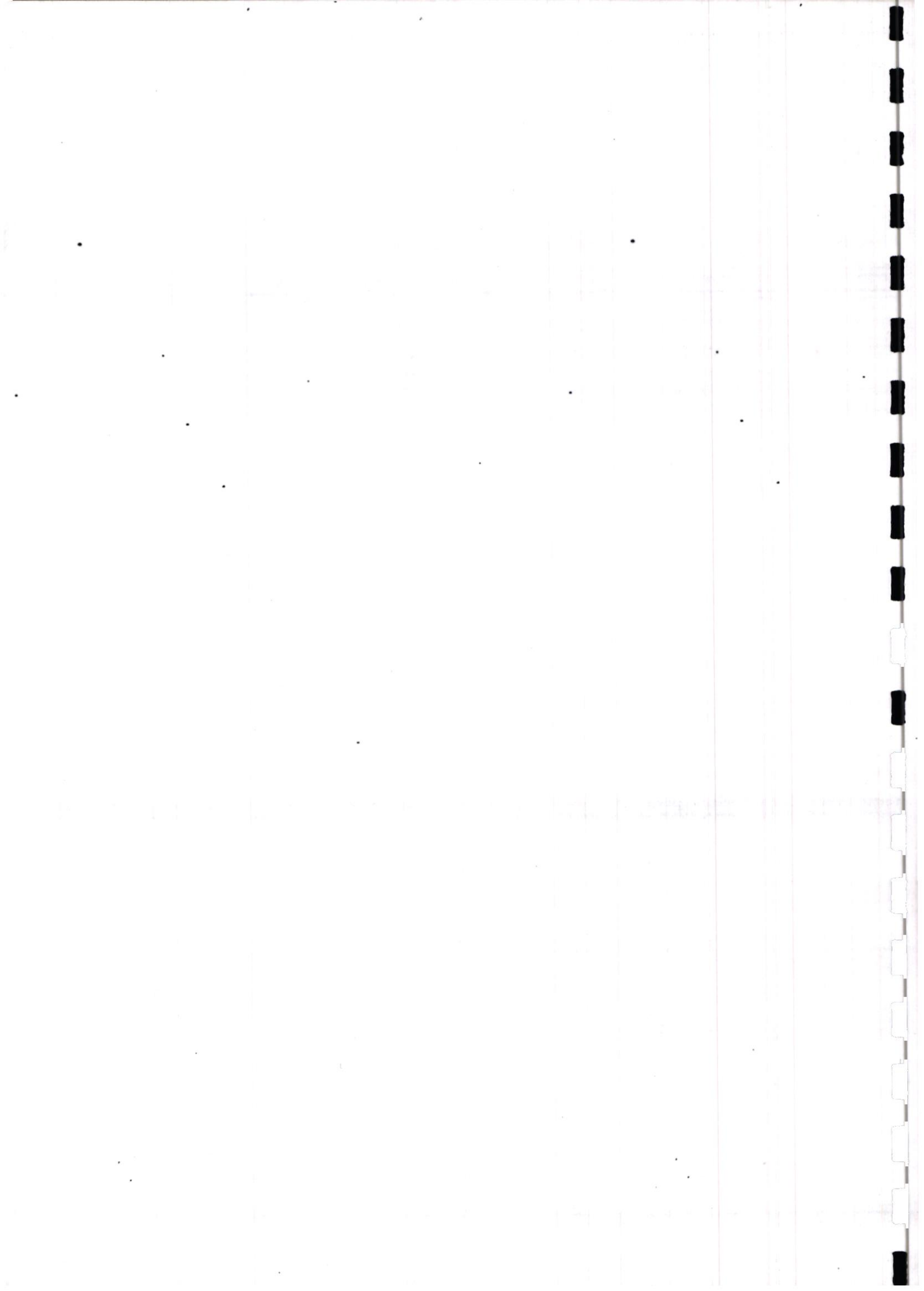
Use and approval of Divestiture Funds 2003 – June 2005

Date	Use/Payments	Approval	Amount(Kshs)
October 2004	Transfer to KTDC Administration Account to reduce Overdraft in the account	Approved by MD KTDC	9,000,000
November 2004	Transfer to KTDC Commercial Account for loan disbursements to -Sunset Hotel -Hotel Big Five - Cross culture crafts	Approved by MD KTDC & Board of Directors KTDC	8,785,201.55
December 2004	Transfer to KTDC Commercial Account for Loan disbursements to - Sunset Hotel	Approved by MD KTDC & Board of Directors KTDC	3,067,116.85
November 2004	Transfer to KTDC Commercial Account for Loan disbursements to - Jacaranda Hotels (Mombasa) ltd.	Approved by MD KTDC & Board of Directors KTDC	100,929,533.40
May 2005	Transfer to KTDC Commercial Account for Loan disbursements to - Metro ltd.	Approved by MD KTDC & Board of Directors KTDC	30,000,000
March 2005	Transfer to KTDC Commercial Account for Loan disbursements to - Kenya Safari Lodges & hotels	Approved by MD KTDC & Board of Directors KTDC	8,000,000
March 2005	Transfer to KTDC Commercial Account for Loan disbursements to - Kenya Safari Lodges & hotels	Approved by MD KTDC & Board of Directors KTDC	10,000,000
March 2005	Transfer to KTDC Administration Account	Approved by MD KTDC	1,887,987.60
March 2005	Transfer of interest earned to KTDC Administration Account	Approved by MD KTDC	362,708.95
Total			172,023,548.40



KTDC DIVESTITURE PROCEEDS

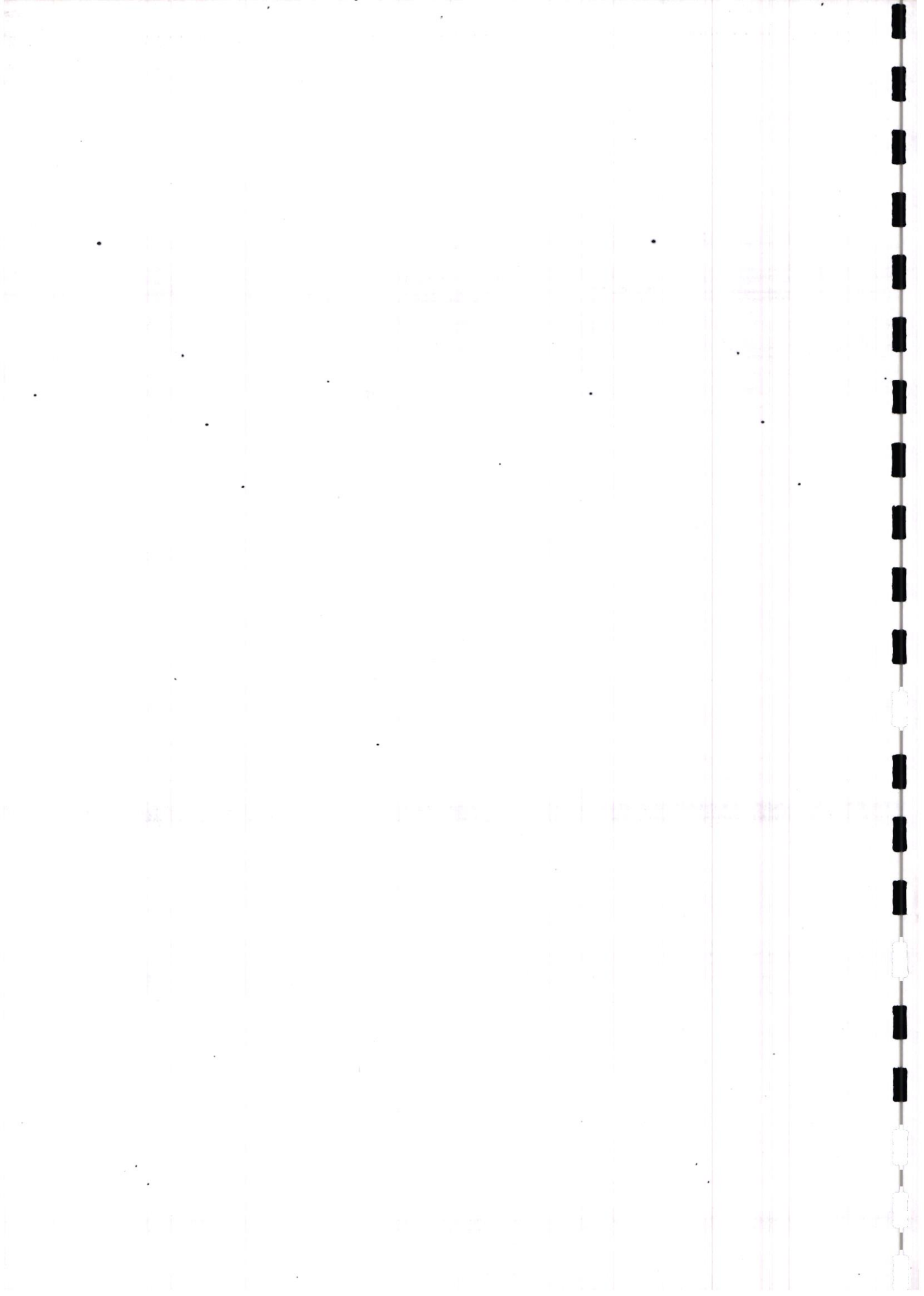
	NAME OF HOTEL	RT. NO	BANKED	INSTITUTIONS INVESTED	AMOUNT KSHS	ANALYSED BY
1	Tea Hotel Ltd (Sept 1992)	Receipt No. 10568 of 14.6.93	KTDC Administration	Delphis Bank	13,500,000.00	Kipkeu
2	Robinson Baobab Hotel (May 1993)		KTDC Administration DM 1,100,000	Fina Bank Prime Bank Prime Capital & Credit Prudential	50,231,274.00	Kipkeu
3	Panafric Hotel (May 1992)	RT.No. 11719 Feb 93 11810 March 93 11978 June 93	KTDC Administration	KCB University Way - 20,000,000.00 15,000,000.00 Standard Bank 28,855,000.00 63,855,000.00	61,490,000.00	Mukuna
4	Pollmans Tours & Safaris (November 1993)	Received by DM 639179 Nov. 93	Universal Bank	Dividends Universal 3,365,000.00	25,024,895.60	Kirui
5	Lion Hill Camp Ltd (July 1995)	Privatisation May 95 Privatisation July 95	Treasury Bills	Kshs.7,250,000.00 Kshs.7,250,000.00	14,500,080.00	Oira
6	Embu Hotel Ltd (August 1996)	Privatisation	Privatisation- KCB University Way	Fixed Deposit - KCB	4,560,000.00	Kipkeu
7	The Ark Ltd (March 1997)		Privatisation current account in form of recoveries from staff Usico Members and dividend from the Ark	KCB University Way	7,200,000.00	Mukuna
8	TPS Serera (May 1997)	RT. No. 15718 May 97 15717 May 97 15721 May 97 15720 May 78	Dividend Kshs.33,032,000.00 Dividend 9,811,100.00 47,006,000.00 167,609.00	KCB University Way Privatisation Account Daima Bank ABC Bank	260,052,790.00	Kirui
9	Sirikwa Hotel Ltd (March 1998)			Prime Bank Kshs.45,928,404.20 Prime Bank Kshs 4,500,000.00	50,428,404.20	Oira
10	Marsabit Lodge (June 1998)		Privatisation		1,000,000.00	Kipkeu
11	Milimani Hotels Ltd (February 2000)	Taken straight to FD RT. No. 18031 21 Dec 99 18101 3 Feb, 02	KCB University 24,250,000.00 Daima Bank 24,250,000.00 48,500,000.00		48,500,000.00	Mukuna
12	Ioma Bay Hotel Ltd (June 2000)	KTDC Account 158090 - 28.7.97 18457 KCB Privatisation	KTDC Account Privatisation debt set off against receipts	KCB University Way 10,500,000.00 1,716,354.00 5,783,646.00	18,000,000.00	Oira
		Total Receipts Divestiture receipts			554,487,443.80	
13	KTDC Staff H/se Deposit (December 2001)	Received from KTDC Utalii Investment Co Ltd	Savings and Loans (K) Ltd	KCB University way	17,986,607.30 572,474,051.10	Mukuna
	Interest from Tea Hotel,	Robinson, Embu Hotel,	Marsabit Lodge		135,358,493.70	Kipkeu
	Interest from Lion Hill,	Sirikwa Hotel, Ioma Bay	Hotel		56,658,752.60	Oira
	Interest from Panafric Hotel,	The Ark Ltd, Milimani	Hotel, KTDC Staff H/se Deposit		49,490,851.00	Mukuna
	Interest from TPS & Pollmans	Tours			169,762,877.60	Kirui
		Total Interest			411,270,974.90	
		Total Divestiture proceeds including Interest			983,745,026.00	



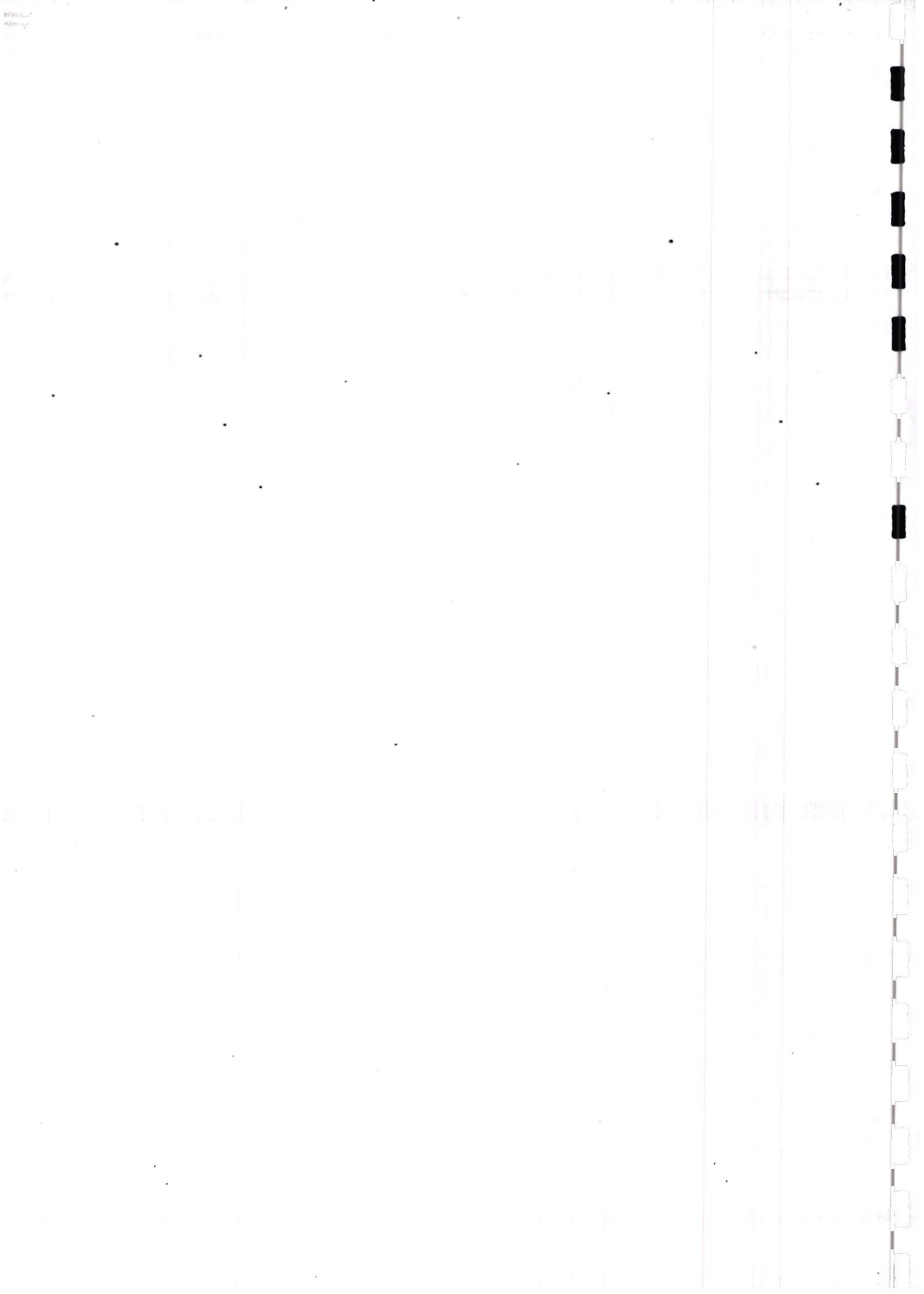
KTDC Divestiture Fund

KTDC UTILIZATION OF DIVESTITURE FUNDS AS AT 30th APRIL, 2006

<u>PAYMENTS</u>	<u>APPROVAL BY</u>	<u>PAYMENT PURPOSE</u>	<u>AMOUNT KSHS</u>
July 1996 Transfer from Fixed Account to Administration Kshs. 30,000,000 =	DMD/FM	To pay Gesa Consortium (KNTB Project)	30,045,699.55
Feb 1994 Chq No. 024175	MD	GOK Commercial Loan repayment	3,441,079.00
April 1994 Chq No. 22255	Board	Acquisition of Shares TPS 290 @Shs26,000	7,540,000.00
Sept. 1996 Chq. No. 493364	Board	KHP Ltd. Rights Issue	101,925,320.00
July 1998 Chq. No. 493377	MD	Githongo & Co. Consultants In respect of Sunset Hotel	470,488.00
Nov 1999 Chq No. 000004	MD	Executive Secretariat Technical Unit (Advertisement for Meru, Sunset Hotel, Golf and Kabarnet)	963,645.00
August 2000 ESTU Chq. No. 000005	MD	Advertisement Buffalo Springs	504,196.50
Transfer to Adm -6 Dec 2000 paid KTDC Overdraft	MD		5,000,000.00
March 2001 Chq. No. 000008	MD	Collector of Income Tax	25,218,602.00
June 2001	Board	Loan to Church Road Development Co. Ltd Direct from Daima Bank	19,500,000.00
Oct 2001 Chq No. 000030	Board	Loan to Church Road Development Co. Ltd	8,500,000.00
1998 Paid KTB through Min of Tourism & Wildlife		To revive Tourism in Kenya	25,000,000.00
Nov. 2000 paid transfer taxes KRA (19,220,000)	MD	For Payment of Corporation Tax	20,000,000.00
Nov. 2001 transfer from Fixed deposit being Dividend from TPS - KTDC Adm. Bank Overdraft - Divident TPS	MD	Part transfer of Dividends from TPS amount	20,000,000.00
Jan 2002 transfer Dividends TPS Bank Overdraft	MD	Part transfer of Dividends from TPS amount	20,000,000.00
Dec. 2004 - Transfer to Comm. A/c Shs 3,067,116.85		Paid Dinesh Construction Co. (Sunset Hotel Loan)	1,783,533.90
March 2005 Transfer to KTDC Commercial	Board	To pay KSLH Loan	10,000,000.00
April 2001 Payment to Garden Hotel Machakos	MD	Direct from Daima Bank as a loan	18,500,000.00
March 2005 KSLH Chq. No. 000059 as loan	MD		8,000,000.00
June 2000 PMC Ltd of London US \$ 200,000	MD	Advertisement Contract for Min. of Tourism which KTDC paid for	15,455,200.00
October 2000 Chq No. 000006	MD	Collector of Income Tax (KRA)	20,000,000.00
Jan 2001 Treasury Payment	MD	Clearance of Commercial Loan GOK	30,025,752.30
Transfer to reduce Overdraft	MD	Letter dated 15.01.2001	



<u>PAYMENTS</u>	<u>APPROVAL BY</u>	<u>PAYMENT PURPOSE</u>	<u>AMOUNT KSHS</u>
April 2001 Transfer to reduce overdraft as results payment to collector of Income tax in March 2001	MD	Payment of Corporation Tax Letter dated 11.04.2001	1,000,000.00
April 2003 Transfer to KTDC Adm to reduce O/Draft April 2005 Transfer to Commercial payment to	MD	Letter dated 14.08.2003	15,000,000.00
Metro Enterprises Ltd. Commercial Loanee	Board	Payment of Loan	30,000,000.00
July 2005 Payment Chq. No. 00076 Dinesh Construction Ltd (Sunset Hotel)	Board	Payment of Loan as per Letter dated 22.07.2005	5,337,505.00
Sept. 2004 Transfer to KTDC Administration to cover O/Draft	MD	Letter dated Sept 2004	9,000,000.00
Nov. 2004 Transfer to Commercial to pay Jacaranda Loanee A/C 100,925,533.40	Board	Letter dated 24.11.2004	100,000,000.00
Nov. 2004 Dinesh Construction (Loan to Sunset)	Chq No. 000049	Payment of Loan	3,771,360.00
Nov. 2004 Amor Construction (Loan for Hotel Big Five Ltd)	Chq No. 000052	Payment of Loan	3,780,000.00
Nov. 2004 Cross Culture Craft Ltd Loan	Chq No. 000050	Payment of Loan	2,500,000.00
Nov. 2004 Cross Culture Craft Ltd Loan	Chq No. 000051	Payment of Loan	900,000.00
April 1999 Transfer to KTDC Admin. Shs. 24,325,258.10 to pay KSLH Loan	Chq No. 003597	Payment of Loan	19,381,234.80
Feb 1999 Mombasa Beach Hotel - Loan to KSLH	Board	Payment of Loan	22,804,950.25
Feb 1999 Voi Safari Lodge - Loan to KSLH	Board	Payment of Loan	2,230,374.75
Feb 1999 Ngulia Safari Lodge - Loan to KSLH	Board	Payment of Loan	1,850,635.70
May 1999 Lakhani General Suppliers - Loan to KSLH	Chq No. 000001	Payment of Loan	7,000,000.00
May 1999 Kenya Revenue Authority - Loan to KSLH	Chq No. 000002	Payment of Loan	5,000,000.00
May 1999 Kenya Commercial Finance Co. Loan to KSLH	Chq No. 000003	Payment of Loan	6,000,000.00
April 1998 Transfer to KTDC Admin. Shs. 15,000,000	See below (i) to (viii)		
(i) April 1998 Manpower Services Ltd	Chq No. 001698	Payment of Golf Hotel Advance	112,000.00
(ii) April 199 Net Payroll		Payment of net salaries	2,213,000.00
(iii) April 1998 Kenam Investments Ltd	Chq No.001644	Payment of Loan	5,000,000.00
(iv) April 1998 Mirici and Co. Advocates			606,000.00
(v) April 1998 Shako & Partners - Utalii House Consultants	Chq No. 001645	Payment of Utalii H/se 12th Floor	601,594.00
(vi) April 1998 Mak Consultants - Utalii House Consultants	Chq No. 001621	Payment of Utalii H/se 12th Floor	1,764,432.00
(vii) April 1998 Kitololo Consultants - Utalii House Consultants	Chq No. 001646	Payment of Utalii H/se 12th Floor	429,453.00
(viii) April 1998 Baseline Consultants - Utalii House Consultants	Chq No. 001647	Payment of Utalii H/se 12th Floor	2,429,017.00
Nov 1998 Purchase of Rights issue in International Hotels Ltd		Acquisition of shares	109,089,192.00
March 2001 The Treasury of Kenya	Chq No. 000575	Clearance of GOK Comm. Loan	26,725,878.70
April 2002 Collector of Income Tax		Payment of Tax for 2000 year	5,000,000.00
Feb 2004 Transfer to Administration A/c House from Deposit Fund	MD	House Loan paid for Patrick Mutemi	5,783,400.00
Feb 2004 Transfer to Administration A/c House from Deposit Fund	MD	House loan paid for Robert Kiattu	5,000,000.00
March 2004 Transfer to Commercial A/c House from Deposit Fund	MD	Car Loan to Mary Mugo	470,000.00

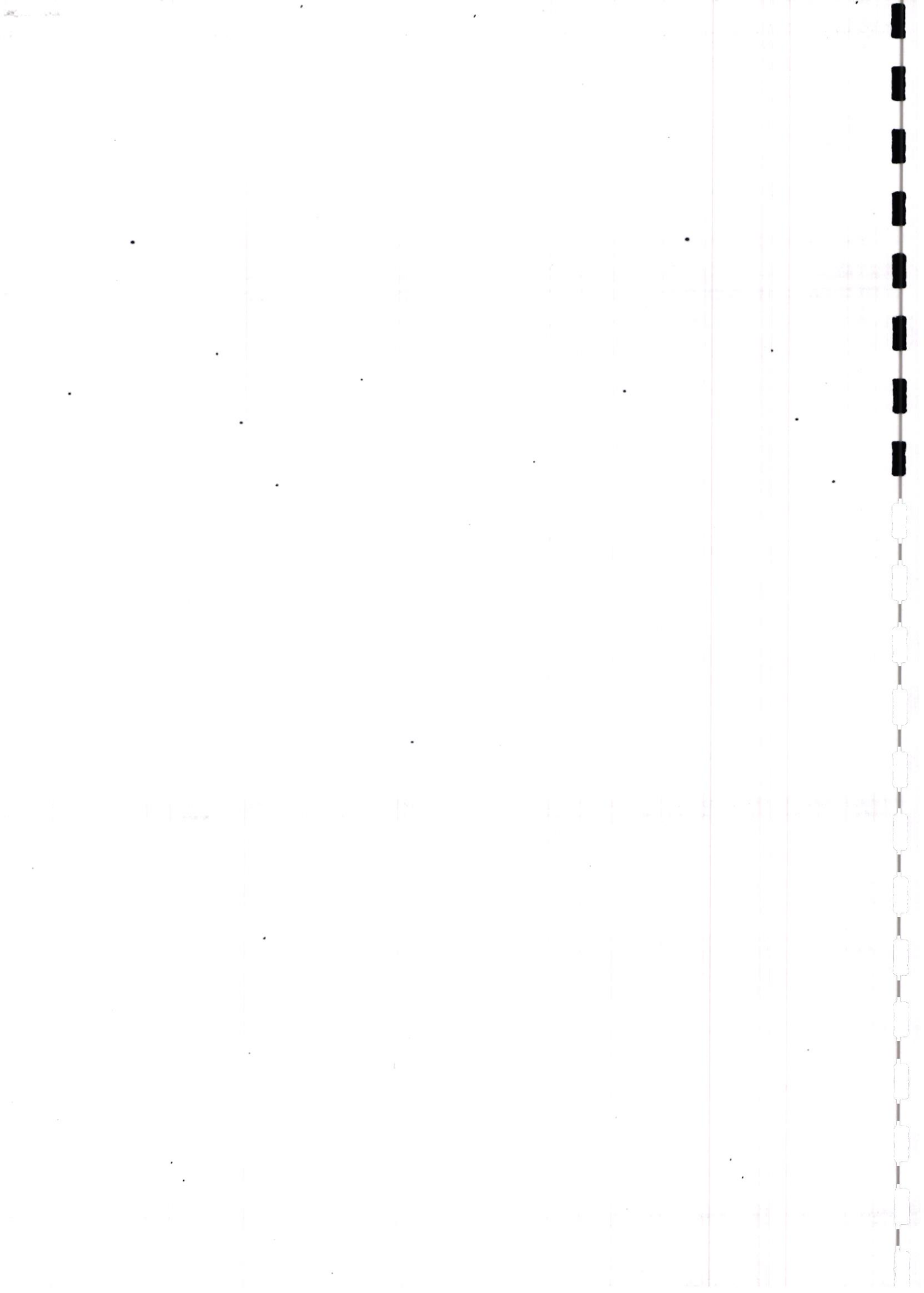


<u>PAYMENTS</u>	<u>APPROVAL BY</u>	<u>PAYMENT PURPOSE</u>	<u>AMOUNT KSHS</u>	<u>Analysed By</u>
November '96 Transfer to Administration Kshs. 7,041,139.70		Fairview Hote Farm Ltd (Loanee) CLT loan repayment by KIDC Bomas of Kenya - Rates Gatheru/Trangu and Mugo (Valuation) for Serena Hotels TPS Shares	3,820,000.00 522,555.00 753,115.35 500,000.00	Kipkeu Kipkeu Kipkeu Kipkeu
December '96 Transfer to Administration Kshs.14,795,879.10	MD	Alnasi Tours & Safari as loan Simba Colt Motors - M/V Expenses Gatheru Irungu & Mugo (Valuation)	1,700,000.00 3,291,500.00 4,605,469.05	Kipkeu Kipkeu Kipkeu
December '96 Transfer to Administration		Nairobi City Council (Water) Marshals (E.A) M/V Expenses Bomas of Kenya (rates) Refund of Deposit sale of Golf Hotel	130,887.00 1,200,000.00 406,377.00 6,650,000.00	Kipkeu Kipkeu Kipkeu Oira
July '97 Buviko Corporation Ltd	MD	Refund of Deposit sale of Homa Bay Hotel	2,500,000.00	Oira
Dec. '97 Transfer to Administration	MD			
Feb. '98 Samvir Management	MD			
Feb '98 Transfer to Administration	MD	5% withheld amount on Samvir Management refund	2,090,000.00 110,000.00	Oira Oira
Total Utilization of funds			820,933,446.85	

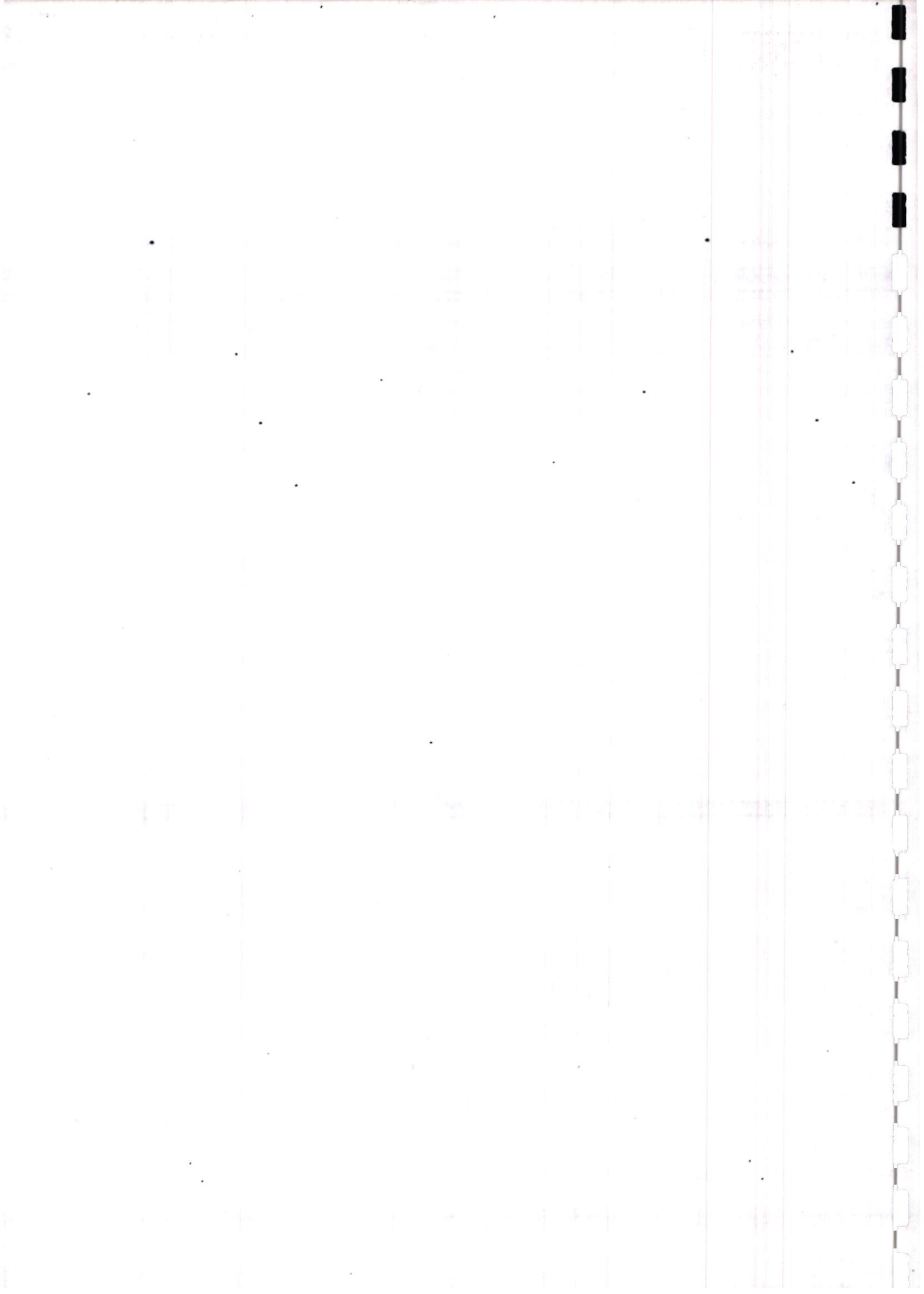
Summary: Total Receipts inclusive of interest 983,745,026.00
 Less: Total payments (820,933,446.85)
 Balance of funds = 162,811,579.15

Balance of Divestiture Funds in bank & Fixed deposit 166,001,014.10

Difference being investigated 3,189,434.95



Annex XVI - Buffalo Springs Lodge





4/166 4/166

P. O. Box 30084 00100
NAIROBI

3

Date.....

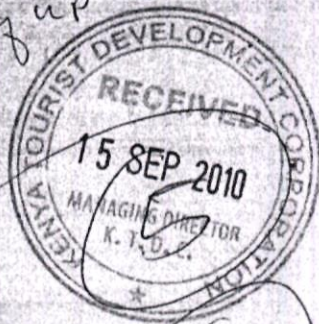
KENYA NATIONAL AUDIT OFFICE

KTDC/33/2008/2009/(61)

15 September, 2010

Ag Managing Director
Kenya Tourist Development Corporation
P. O. Box 42013-00100 GPO
Utalii House
NAIROBI

CS
Bring up do
heard
matter
for
21st
LD
15/09/10



Dear Madam

RE: BUFFALO SPRINGS LODGE LTD

4 5

Please refer to your letter TDC/16/1VOL.XII dated 16 March, 2010.

This is to advise the Board and the Management of Kenya Tourist Development Corporation in consultation with the Parent Ministry to consider outsourcing the forensic audit services in accordance with the Public Procurement and Disposal Act, 2005.

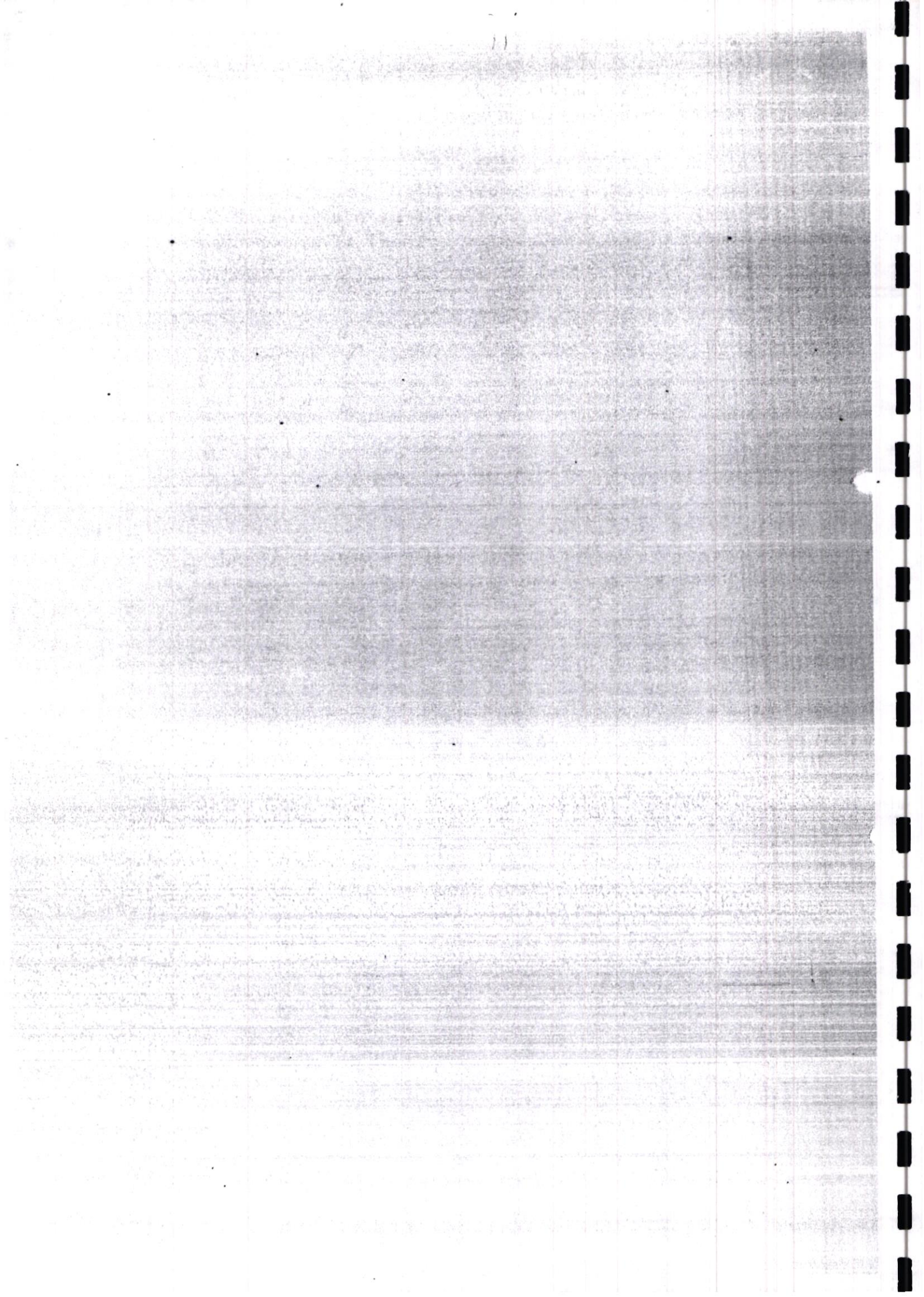
B. Kalinda Mulli

B. Kalinda Mulli

For: Auditor General

cho
How far are we
on this?
CS
BT

CS/Ag-spo
This matter was
approved on 21/9/10.
Procurement need get
the Consultant as
provided in the action
points.
29/10/10
Done
BT
a 16/9/10



②

TDC/16/1 Vol XII

Friday, March 16, 2010

Mr Antony S. M. Gatumbu
The Controller and Auditor General
Kenya National Audit Office
12th Floor, Anniversary Towers
NAIROBI

Dear

RE: BUFFALO SPRINGS LODGE LIMITED

At its 234th Board sitting, held on the 25th of February 2010, the Kenya Tourist Development Corporation Board of Directors approved that a forensic audit be carried out on Buffalo Springs Lodge Limited, for the purpose of establishing equitable relief for the Corporation. *(minutes attached) - copy with CS*

The issue of recoverability of KTDC's Investment and loan has been queried by your office in the Audit Report for the Corporation for the year ended 30 June 2008 and also in your draft Report for the year ended 30 June 2009. This issue has also been of great concern to us at KTDC.

I wish to appraise you on the background of the Company as follows;

1. Shareholding.

This is a Limited Liability Company registered under the Companies Act Cap 486 of the Laws of Kenya.

The shareholding of Buffalo Springs Lodge Ltd. is as follows:

	Shares Held	%
KTDC	50,000	42
African Tours & Hotels Ltd. (under receivership)	50,000	42
Isiolo County Council	20,135	16
Total	120,135	100

It should be noted that the Isiolo County Council (ICC) is both the landlord and a shareholder of Buffalo Springs Ltd. Consequently the shareholding in African Tours and Hotels Ltd. is as follows:

	%
KTDC	52.50
Industrial Development Bank	7.93
Kenya Airways	20.49
Others*	19.08
TOTAL	100

*Through the Nairobi Stock Exchange

The Corporation's shareholding in Buffalo Springs Lodge Ltd is effectively 63.85%.

2. **Repossession of Buffalo Springs Lodge by Isiolo County Council (ICC)**

- It should be noted that the ICC had not refused to renew the lease for non-payment of land rent. What is true is that the ICC evoked the forfeiture clause 4(2) of the lease agreement between Buffalo Springs Lodge Ltd.
- This communication was via their letter dated 11th January 2006- *a whole two years before the lease agreement was due to end.* (The contents of this letter was not brought to the attention of the Management Committee until September of the same year.)
- Consequently on the 13th of February 2006, the Isiolo County council moved to lease the Lodge through tender notice number "ICC/22/2005/2006 in the Daily Nation. On the same date Management of KTDC informed the Ministry of Tourism and Wildlife, the Investment Secretary – Ministry of Finance, the Buffalo Springs Board and the KTDC Board.
- The Corporation continued to object through several correspondences as un prejudicial information was received at the Corporation on the award of the said tender to Mara Simba Lodges Ltd. this portrayed very bad business practice on behalf of the minority shareholder.

- In November, 2006 the Permanent Secretary, Ministry of Tourism called a meeting between KTDC Management and Members of the Isiolo County Council. In this meeting, it was resolved that legal advice is sought from the Solicitor General.
- On receiving the legal opinion the Permanent Secretary Ministry of Tourism called for a second meeting where the legal opinion of the Solicitor General was discussed.
- It is at this meeting that was held on 28th March 2007 that both parties agreed that a forensic audit is carried out by the Controller and Auditor General to determine the equitable rights of both parties in an effort to attain equitable relief.
- KTDC submission to the Permanent Secretary Ministry of Tourism copied to the Permanent Secretary Ministry of Finance, Permanent Secretary Ministry of Local Government and the Inspector General State Corporation was handed in on the 16th of October 2006.
- As it stands the Lodge has been repossessed by the Isiolo County Council (ICC) since 2006. The situation remains status quo to date.

3. **Buffalo Springs Lodge Ltd. Indebtedness to KTDC as at 16th October 2006**

- **Loan to Buffalo Springs Lodge.**

KTDC Principal Loan is Ksh. 4,944,309.85, interest arrears of Ksh. 142,970,865.85 as at 30th October 2006. This amounts to a total of Ksh. 147,915,175. The purpose of the loan was for further refurbishment

and expansion of the Lodge, which was not fully completed when it opened in 1979.

- **Equity Investment**

The KTDC equity investment in the Lodge is Kshs. 1,000,000 which was invested in 1978. These monies were used to construct and develop the initial buildings of Buffalo Springs Lodge. The latest valuation in June 1997 by Gatheru Irungu Valuers, where all assets, excluding the land were valued, indicates a value of Kshs 55.17 million.

- **KTDC's Total Investment**

KTDC's total investment in Buffalo Springs Lodge is therefore estimated at Ksh. 203,085,175.

It should be noted that no annual accounts for the Company Buffalo Springs Lodge Ltd have been prepared since 1998.

We have worked the Terms of Reference for the Controller and Auditor General to:

Terms of Reference

1. Ascertain the value of Buffalo Springs Lodge Ltd for KTDC to attain equitable relief.
2. Establish whether the amounts claimed by the Isiolo County Council amounting to Kshs.7,726,680 comprising Kshs.2,800,000 for outstanding ground Rent and Kshs.4,926,680 for unpaid Rental fees upon repossession of the premises are indeed payable.

3. Wherein (2) the amounts are found to be or not to be payable, ascertain proof of ownership for KTDC in Buffalo Springs.

All Correspondences and documents regarding Buffalo Springs Lodge Ltd are bulky and almost constitute a file and would not be possible to attach the same to this letter. This information will be availed to your Audit team for perusal and verification during the audit exercise, if accepted.

The KTDC Board has approved that the Corporation bear all costs to this exercise. Please favour us with your quotation and acceptance of our request.

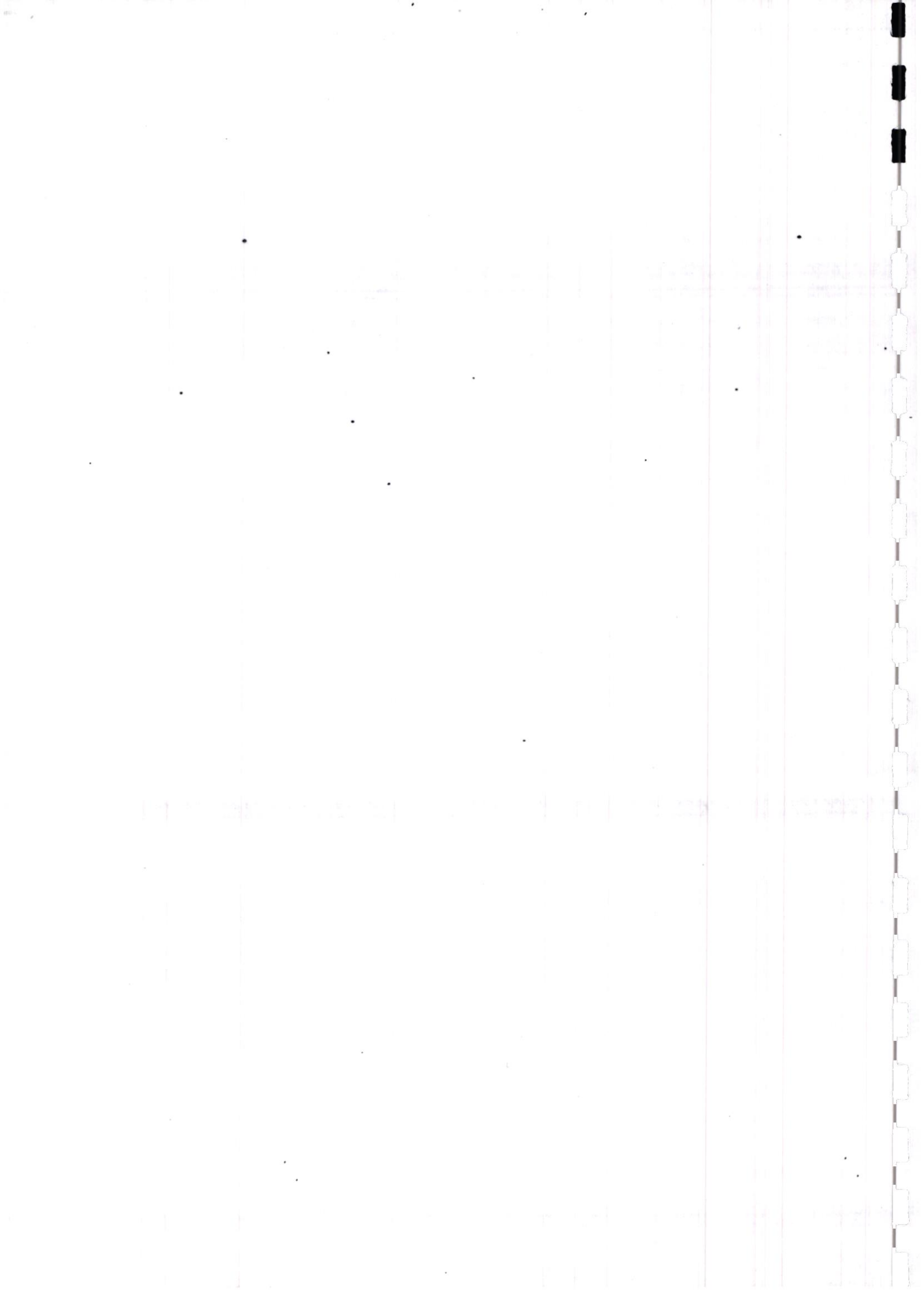
Yours

Marianne Jordan (Mrs)
AG. MANAGING DIRECTOR

cc: **Ms. Eunice Miima**
Ag. Permanent Secretary
Ministry of Tourism
Utalii House, 7th floor
NAIROBI

c.c. **Mrs Esther Koimett, EBS**
Investment Secretary
Ministry of Finance
The Treasury
NAIROBI

Annex XVII - Tax Waiver



REPUBLIC OF KENYA
MINISTRY OF FINANCE



Telegrams "FINANCE"

Nairobi

Telephone: 2252299

Fax No. 2219365

When replying please
quote

THE TREASURY
P. O. Box 30007
NAIROBI

Ref. No. ZZ 28/012

April 2, 2013

Commissioner of Domestic Taxes
Kenya Revenue Authority
Times Towers
NAIROBI

**RE: WAIVER OF INTEREST AND PENALTIES
M/S KENYA TOURIST DEVELOPMENT CORPORATION
LIMITED-PIN NO. P000592800K**

Please refer to your letter Ref. DTD/MTO/ P000592800K dated 10th Jul 2012 on the above subject.

After due consideration, the Minister for Finance on 19th March, 2013 approved waiver of 100% (hundred percent) of the outstanding penalties and interest owed by M/s Kenya Tourist Development Corporation Limited in accordance with section 94 (4) of the Income Tax Act. *Handwritten signature*

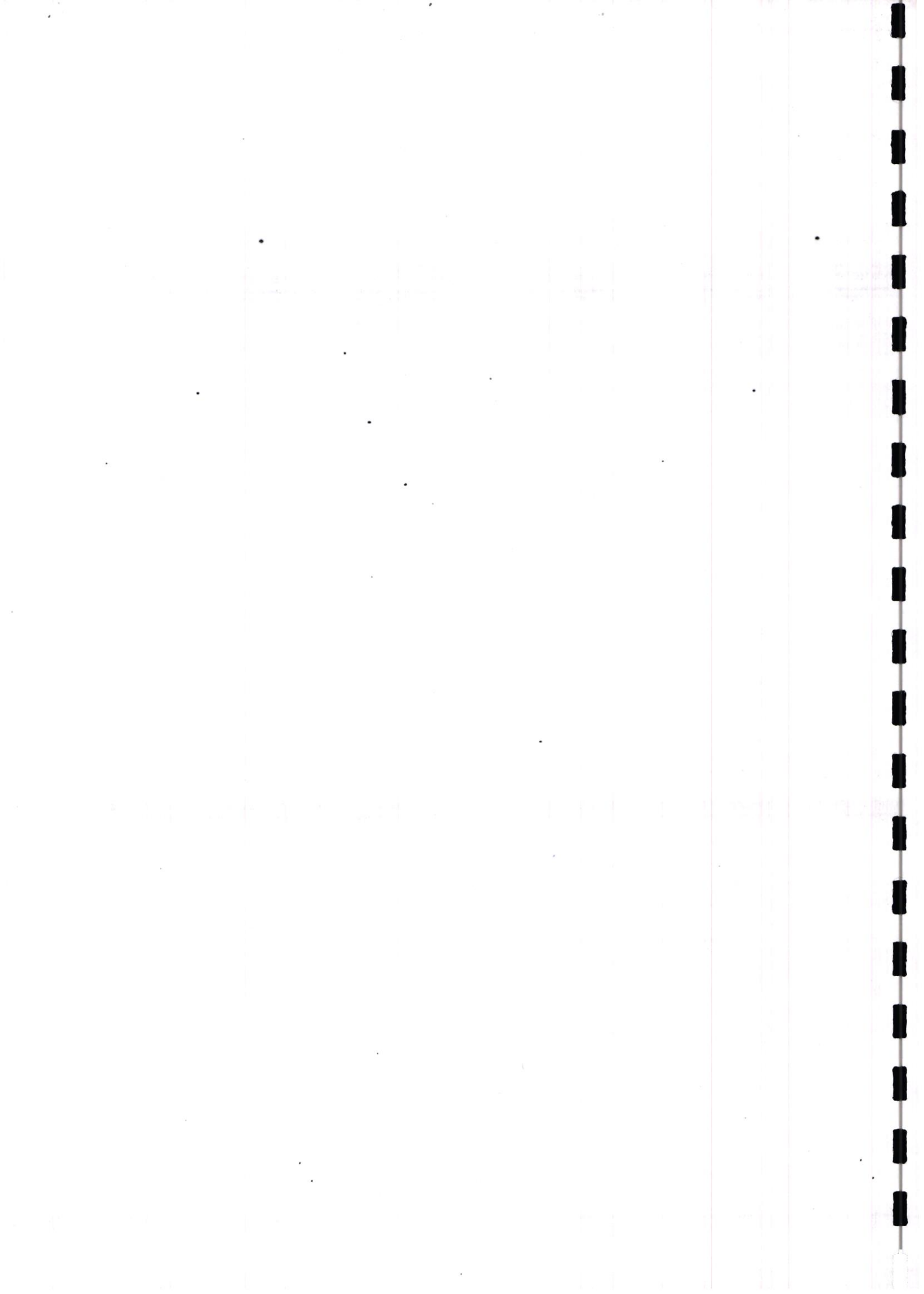
**M.S.O. GUMO
FOR: PERMANENT SECRETARY/TREASURY**

cc. Commissioner General
KRA

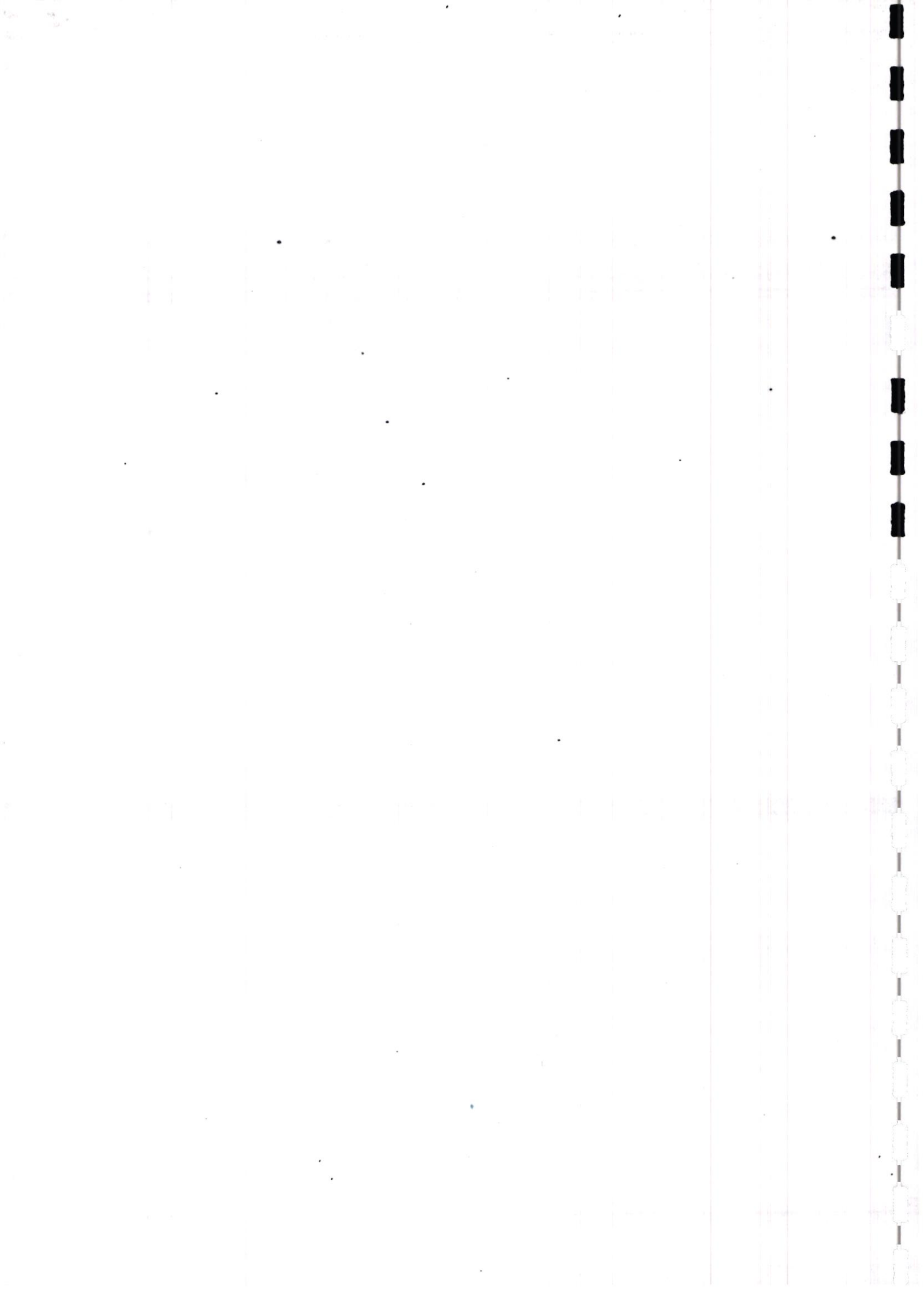
**M/s Kenya Tourist Development Corporation Limited
NAIROBI**

Handwritten signature





Annex XVIII - Disclaimer by the AG.



approves the transfer of the life business of APOLLO Insurance Company Limited (transferor) to APOLLO Life Assurance Limited (transferee) following the entering into the Portfolio Transfer Agreement dated the 24th July, 2009, and the Asset Purchase Agreement dated the 24th July, 2009, signed by APOLLO Insurance Company Limited and APOLLO Life Assurance Limited both locally incorporated under the Companies Act.

Dated the 10th August, 2010.

UHURU KENYATTA,
Deputy Prime Minister and Minister for Finance.

LEGAL NOTICE NO. 130

THE COMPANIES ACT

(Cap. 486)

NOTICE OF DISCLAIMER

IN EXERCISE of the powers conferred by section 341 of the Companies Act, the Attorney-General disclaims the funds in the amount of Kenya shillings 15,677,294.40 held at the Kenya Commercial Bank in the Account Name of KTDC Utalii Investments Limited, which has since been dissolved.

Dated the 5th August, 2010.

S. A. WAKO,
Attorney-General.

LEGAL NOTICE NO. 131

THE TRUTH, JUSTICE AND RECONCILIATION ACT

(No. 6 of 2008)

In exercise of the powers conferred by section 29 of the Truth, Justice and Reconciliation Act, 2008 the Truth, Justice and Reconciliation Commission makes the following Rules:—

THE TRUTH, JUSTICE AND RECONCILIATION (HEARING
PROCEDURE) RULES, 2010

Citation

1. These Rules may be cited as the Truth, Justice and Reconciliation (Hearing Procedure) Rules, 2010.

Interpretation.

2. In the Rules, unless the context otherwise requires—

“Act” means the Truth, Justice and Reconciliation Act, 2008;

“Commission counsel” means counsel appointed by the Commissioners to assist the Commissioners;

“Commission offices” means the headquarters of the Commission located in Nairobi and any other office that the



KENYA TOURIST DEVELOPMENT CORPORATION

EXTRACT OF THE MINUTES OF THE BOARD OF DIRECTORS MEETING HELD ON THE
9TH OF DECEMBER 2010

Agenda Item No. 10

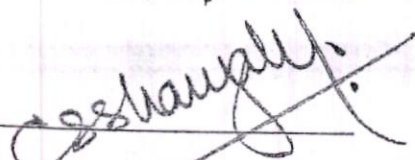
Minute No.105 /2010

Dissolution of Kenya Utalii Investments Ltd

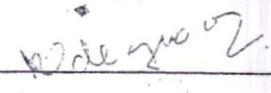
Upon deliberations on the dissolution of Utalii Investments Ltd the Board **APPROVED** as follows:

1. THAT Kshs.15,876,724 being currently held by Utalii Investments Ltd be transferred to Kenya Tourist Development Corporation.
2. THAT the said funds, upon transfer, be used by the Kenya Tourist Development Corporation to finance its Capital budget for the financial year 2010/2011

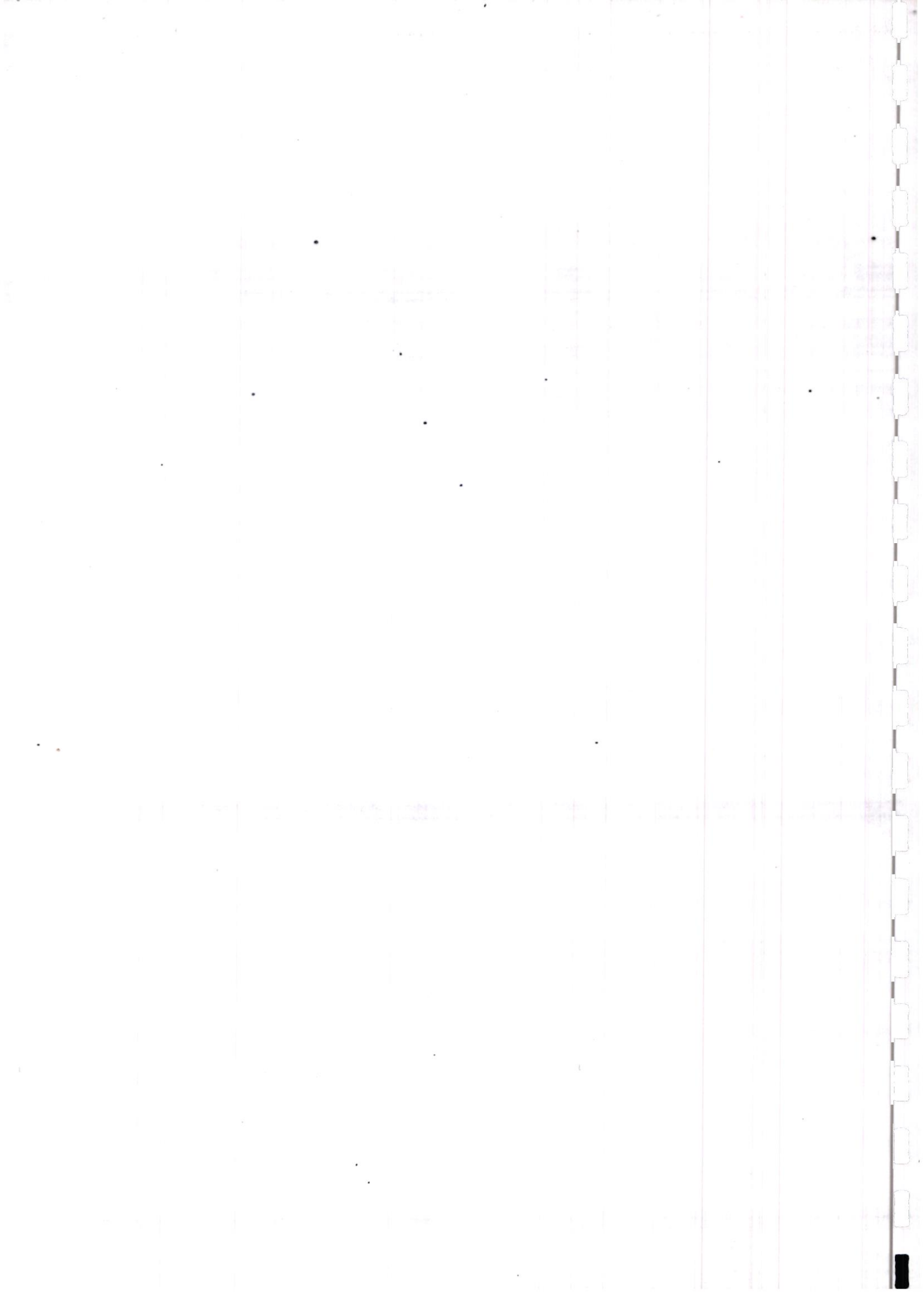
CERTIFIED TRUE EXTRACT


CHAIRMAN

DATE 24th March 2011


DIRECTOR

DATE 24th March 2011



KCBMaking the
Difference036-271970108
An account with
KENYA COMMERCIAL BANK LTDKCB UNIVERSITY WAY - 4012
P.O BOX 7206 - 00300 NAIROBITEL : 202229227
FAX : 202229227ACCOUNT NO.
1104822830CURRENCY
KES

SHEET No. 1

ACCOUNT TYPE : CURRENT

TRANS. DATE	VALUE DATE	TRANSACTION DETAILS	Money Out	Money in	BALANCE
		Brought Forward			415,197.70
09/08/2010	09/08/2010	Transfer AT-SWIFT-TBILLS MATURED TBILLS MATURED		15,400,000.00	15,815,197.70
09/08/2010	30/08/2010	Transfer AT-SWIFT TBILLS PURCHASED TBILLS PURCHA	15,336,573.60		478,624.10
09/08/2010	01/09/2010	Charges AT-GRP 1104822830	300.00		478,324.10
09/08/2010	01/10/2010	Charges AT-GRP 1104822830	300.00		478,024.10
29/11/2010	07/10/2010	Transfer AT-UWAY COMM CERT BAL	1,000.00		477,024.10
29/11/2010	01/11/2010	Charges AT-GRP 1104822830	300.00		476,724.10
29/11/2010	29/11/2010	Transfer AT-SWIFT TBILLS MATURED TBILLS MATURED		15,400,000.00	15,876,724.10
30/11/2010	01/12/2010	Charges AT-GRP 1104822830	300.00		15,876,424.10
31/12/2010	01/01/2011	Charges AT-GRP 1104822830	300.00		15,876,124.10
31/01/2011	01/02/2011	Charges AT-GRP 1104822830	300.00		15,875,824.10
28/02/2011	01/03/2011	Charges AT-GRP 1104822830	300.00		15,875,524.10
31/03/2011	01/04/2011	Charges AT-GRP 1104822830	300.00		15,875,224.10
14/04/2011	14/04/2011	Transfer Charge AT-UWAY TRANSFER AC-1104822970	100.00		15,875,124.10
14/04/2011	14/04/2011	Transfer AT-UWAY TRANSFER KTDC PRIVATISATION PR	15,873,624.10		1,500.00
30/04/2011	01/05/2011	Charges AT-GRP 1104822830	300.00		1,200.00
16/05/2011	16/05/2011	Account Closure CLOSING CHARGES FOR CHARGEABLE A	900.00		300.00
16/05/2011	16/05/2011	Charges AT-GRP 1104822830	300.00		0.00
17/05/2011		BALANCE C/FWD			0.00
Your Available Balance as at			17/05/2011 :	1,200.00	

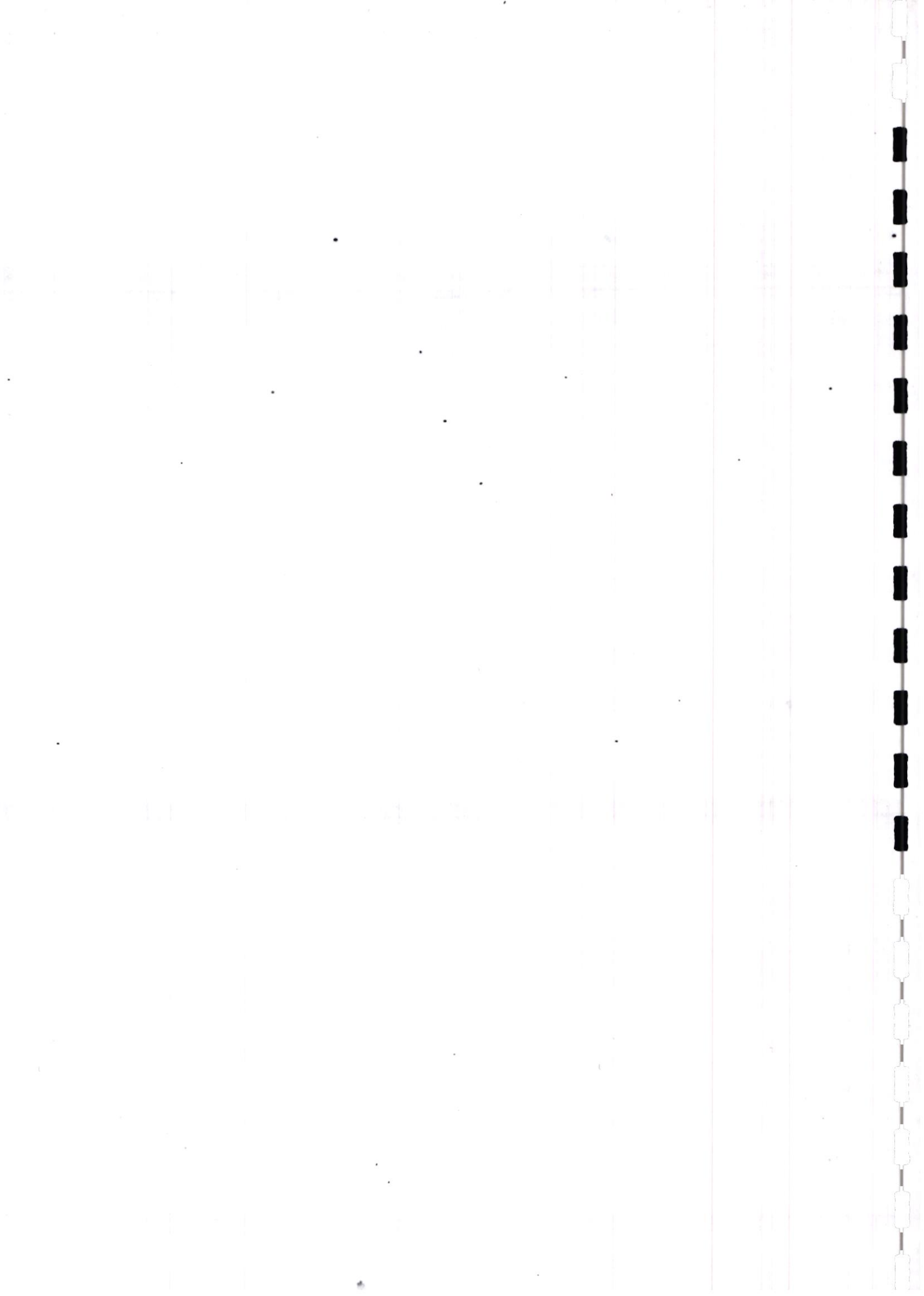
NB. Failing receipt by the Bank within 28 days from dispatch of the statement notice of disagreement with any of the entries, confirmation of the correctness of the statement as rendered will be assumed. Any query intimating disagreement should be addressed to the Manager, Operations.

KTDC UTALII INVESTMENT LTD

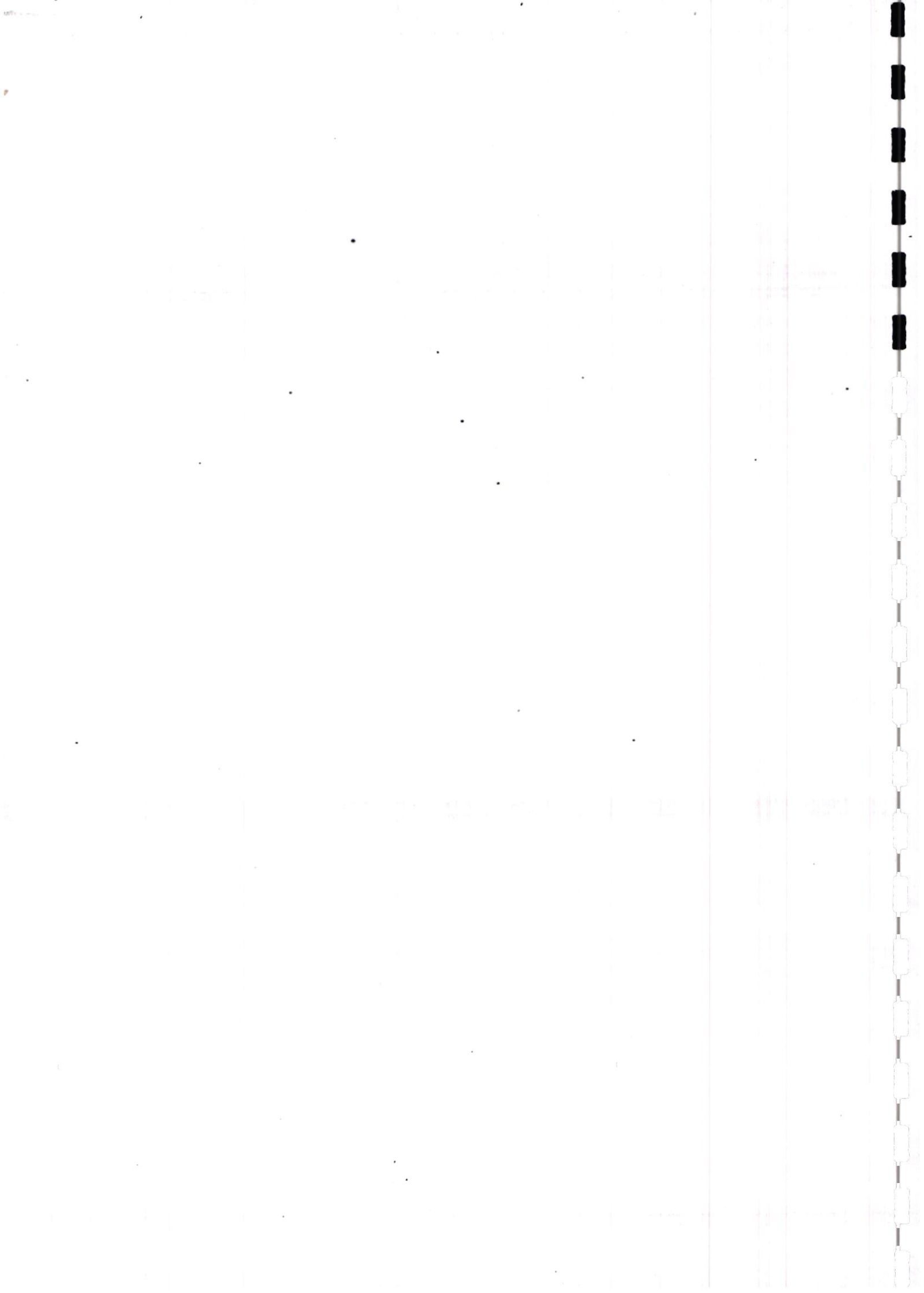
P.O BOX 42013
00100 NAIROBI

Dear Customer,

" Home ownership is now as easy as 1,2, click
www.kcbpropertyguide.com. Log on today !"



Annex XIX - Reports and Correspondence on share certificates



KENYA TOURIST DEVELOPMENT CORPORATION

MEMO

To: Managing Director

Ref: TDC/4/8

From: Senior Investments Officer

Date: 17th July 2013

RE: SUBSIDIARIES' AND ASSOCIATES COMPANIES MISSING SHARE CERTIFICATES

This is in reference to our discussion.


The undersigned reviewed the above mention matter and established the following:-

- a) All copies of the share certificates for the following subsidiaries and associates companies are available in our custody as per the attached shareholding structures:-
- i. Kenya Hotel Properties Ltd
 - ii. Sunset Hotel Ltd
 - iii. International Hotels (Kenya) Ltd
 - iv. Kenya Safari Lodges and Hotels Ltd
 - v. Golf Hotel Ltd
 - vi. Bomas of Kenya Ltd
 - vii. Mountain Lodges Ltd
 - viii. Maralal Safari Lodge Ltd
 - ix. Buffalo Springs Lodge Ltd
 - x. The Ark Ltd
- b) Copies of share certificates for Kabarnet Hotel Ltd and Mt. Elgon Lodge Ltd amounting 245,000 and 22,289 number of shares respectively are missing in our custody.

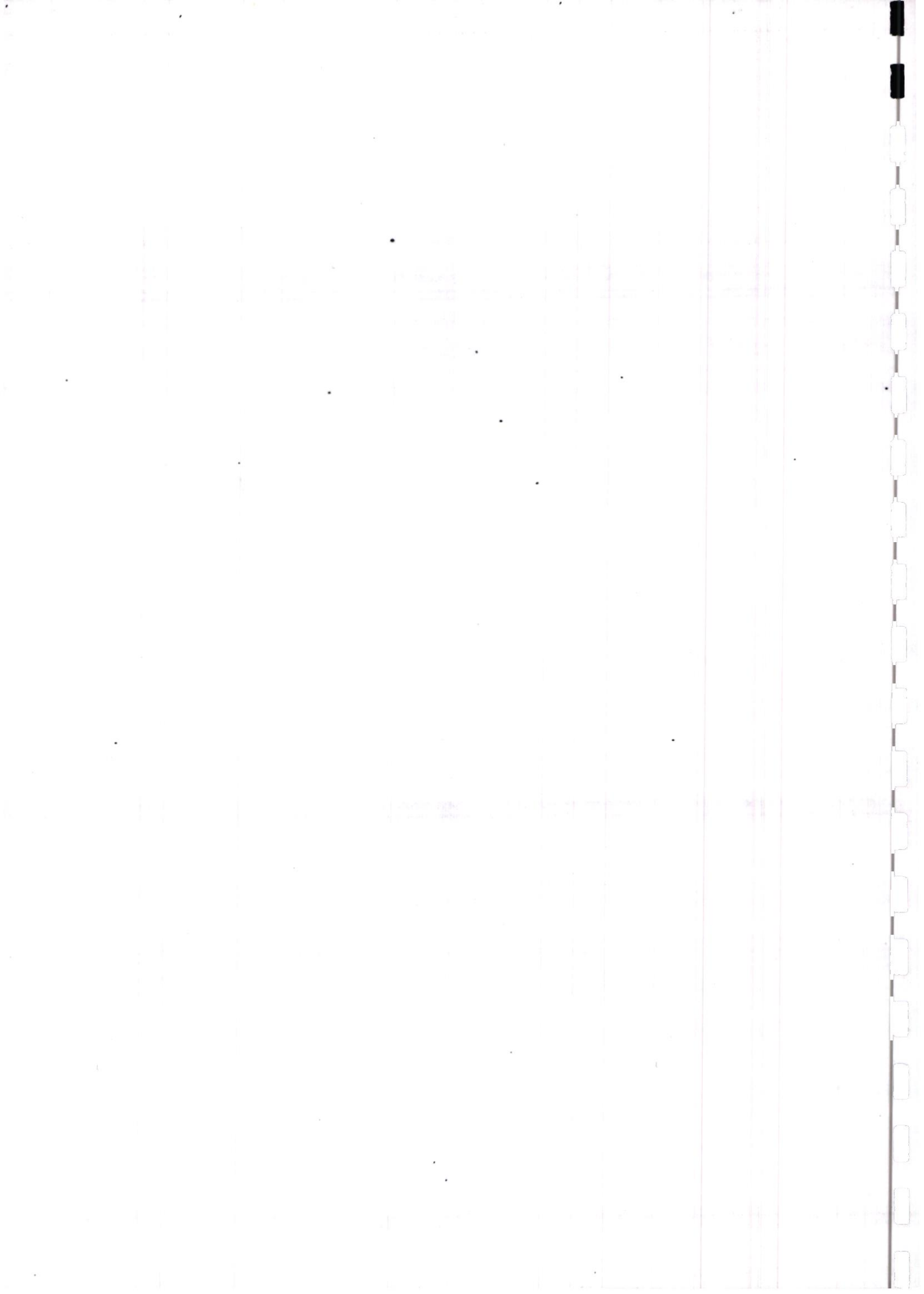
- c) Share holding structure of African Tours and Hotels is not clear, thus difficulties in concluding if there is any missing share certificates.
- d) As per the file perusal carried out in 2012, the annual returns for the subsidiary companies are not up to date, thus increased penalties and fees.

Recommendations:

- a) The Corporation to replace the missing shares certificates for Kabarnet Hotel Ltd and Mt. Elgon Lodge Ltd.
- b) The Corporation to carry out official search of filling Annual Returns to establish modalities of updating the filling of Annual Returns to avoid continuous accumulation of the penalties.
- c) African Tours and Hotel Ltd to be wound up based on the receivership report.


Kimanzi Zakayo

KTDC - Share Certificates Kenya Hotel Properties Ltd.			Share Structure Kenya Hotel Properties Ltd.		
Share Cert. No.	No. of shares	Company	No. of shares	% shareholding	
12	3,000				
18	3,000	KTDC	5,880,307	34%	
23	3,000	Intercontinental Hotels Corporation	5,874,390	34%	
28	3,000	Sovereign Trust Ltd.	3,368,751	19%	
30	1	Development Bank of Kenya Ltd.	2,258,017	13%	
38	3,000	Roger Kacou	1	0%	
44	6,000	Ahmed Rashid Jibril	1	0%	
51	3,999	Joshua Kulei	1	0%	
54	45,154				
57	275,743	Total	17,381,468	100%	
63	176,797	<i>Share Capital: authorised, issued and fully paid 17,381,468 ordinary shares of Kshs 20 each</i>			
72	261,347				
79	5,096,266				
Total		5,880,307	0	Missing Shares	0
KTDC - Share Certificates Sunset Hotel Ltd.			Share Structure Sunset Hotel Ltd.		
Share Cert. No.	No. of shares	Company	No. of shares	% shareholding	
1	202,500	KTDC	572,500	95.42%	
3	370,000	Municipal council of Kisumu	27,500	4.58%	
Total		572,500	600,000	100.00%	
<i>Share Capital: authorised, issued and fully paid 600,000 ordinary shares of Kshs 20 each</i>					
			0	Missing Shares	0
KTDC - Share Certificates International Hotels (Kenya) Ltd.			Share Structure International Hotels (Kenya) Ltd.		
Share Cert. No.	No. of shares	Company	No. of shares	% shareholding	
8	100,000	KTDC	1,725,777	40.58%	
11	100,000	Hilton International Co.	2,527,150	59.42%	
17	30,000				
21	61,000	Total	4,252,927	100.00%	
23	53,400	<i>Authorised Shares: 4,650,000 ordinary shares of Kshs20 each</i>			
28	53,400	<i>Issued and fully paid: 4,252,927 ordinary shares of Kshs 20</i>			
31	53,400				
32	17,800				
36	50,000				
41	886,904				
45	319,873				
Total		1,725,777	0	Missing Shares	0
KTDC - Share Certificates Kenya Safari Lodges and Hotels			Share Structure Kenya Safari Lodges and Hotels		
Share Cert. No.	No. of shares	Company	No. of shares	% shareholding	
10	99,902				
17	33,333	KTDC	384,174	82%	
10	128,940	Mountain Lodges Ltd.	81666	18%	
18	33,333	Kenya Wildlife Services	100	0%	
14	88,666				
Total		384,174	465,940	100%	
<i>Share Capital: authorised, issued and fully paid 465,940 ordinary shares of Kshs 20 each</i>					
			0	Missing Shares	0
KTDC - Share Certificates Golf Hotels Ltd.			Share Structure Golf Hotels Ltd.		
Share Cert. No.	No. of shares	Company	No. of shares	% shareholding	
1	100,000				
2	30,000	KTDC	200,000	80%	
4	35,000	Kakamega Municipal Council	50,000	20%	
5	35,000				
Total		200,000	250,000	100%	
<i>Share Capital: Authorised, issued and fully paid 250,000 shares of Kshs 20 each</i>					
			0	Missing Shares	0
KTDC - Share Certificates Mount Elgon Lodge Ltd.			Share Structure Mount Elgon Lodge Ltd.		
Share Cert. No.	No. of shares	Company	No. of shares	% shareholding	
1	99	KTDC	67,289	72.91%	
2	1	Kitale Municipal Council	12,500	13.54%	
3	44,900	Nzoia County Council	12,500	13.54%	
Total		45,000	92,289	100.00%	
<i>Authorised Shares: 115,000 ordinary shares of Kshs20 each</i>					
<i>Issued and fully paid: 92,289 ordinary shares of Kshs 19</i>					
			(22,289)	Missing Shares	(22,289)



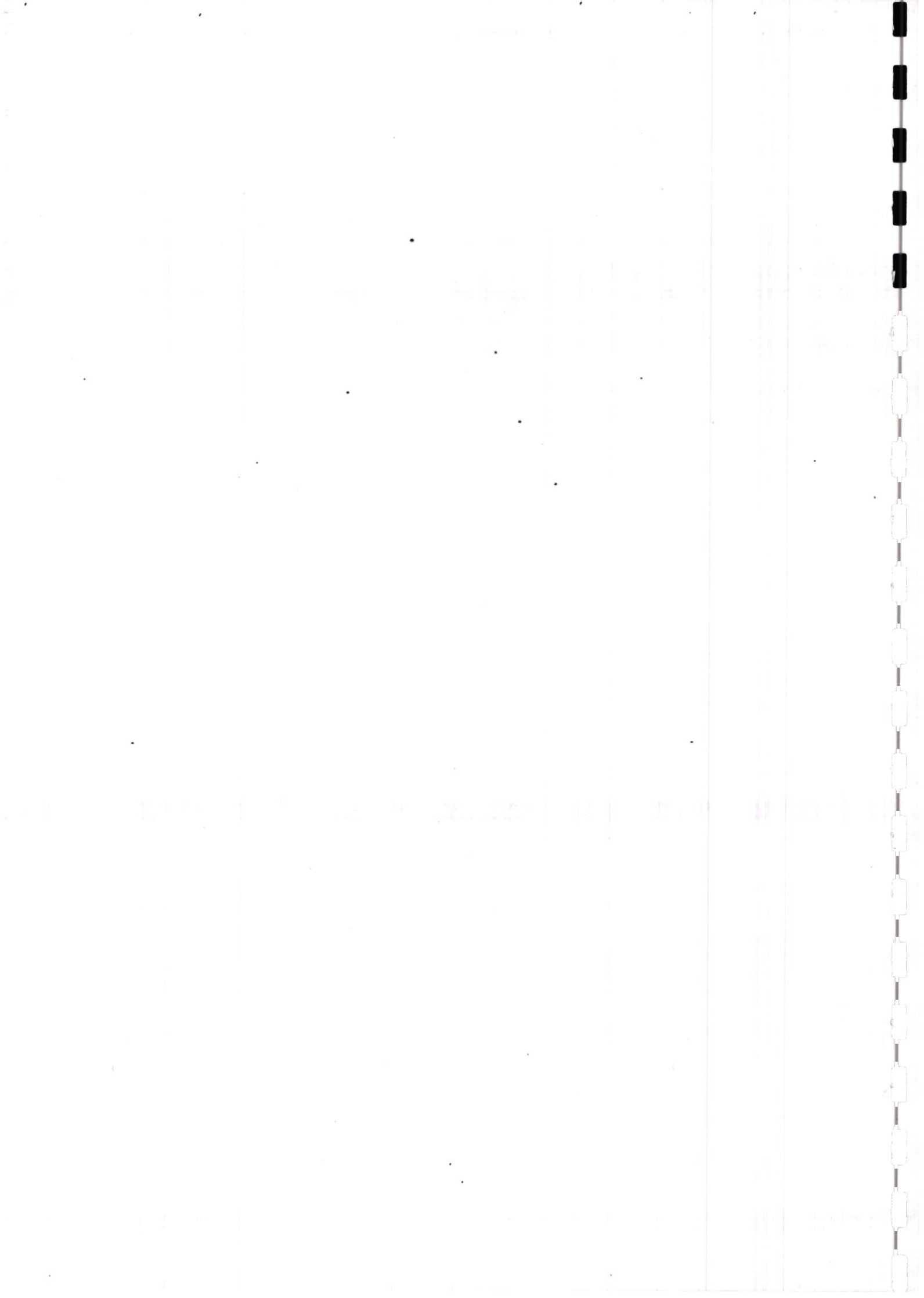
7 KTDC - Share Certificates African Tours & Hotels Ltd.			Share Structure African Tours & Hotels Ltd.		
	Share Cert. No.	No. of Shares	Company	No. of shares	% shareholding
Ordinary Shares	1448	72			
	1446	25,700			
	1450	42,090			
	1451	1,246			
	1454	487			
	1455	244			
	1456	2,097			
	1460	200			
	1464	1,050			
	1465	395			
	1467	1,000			
	1468	1,066			
	1471	2,912			
	1473	550			
	1475	200			
	1476	300			
	1477	400			
	1478	5,000			
	1479	100			
	1481	849			
	1486	740			
	1487	4,417			
	1491	100			
	1498	131,486			
	1440	39,635			
Sub Total		262,332			
Cummulative Preference Shares	301	1,270			
Sub Total	303	185			
Total		263,787			

NO SHAREHOLDING STRUCTURE

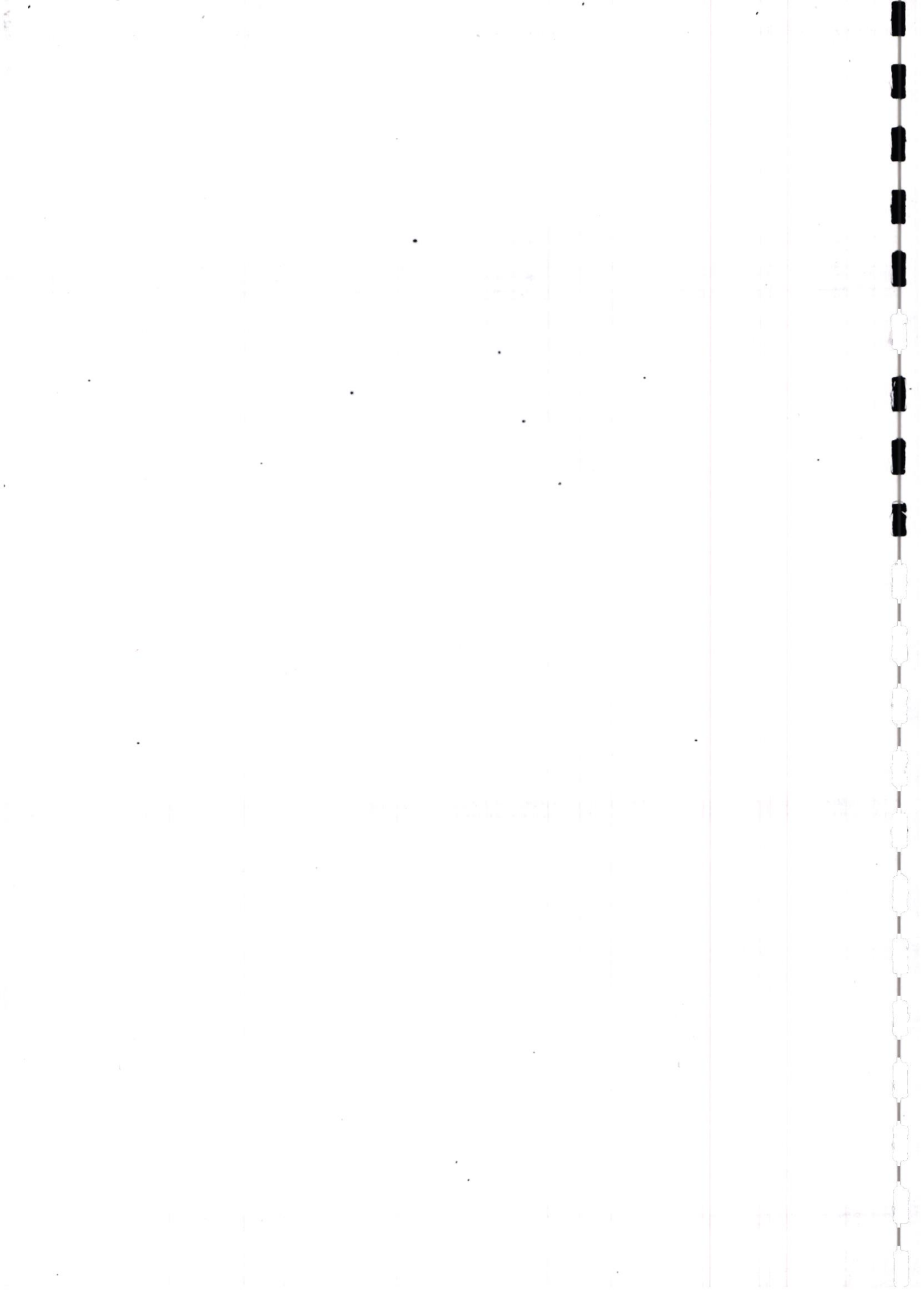
8 KTDC - Share Certificates Bomas of Kenya			Share Structure Bomas of Kenya		
	Share Cert. No.	No. of shares	Company	No. of shares	% shareholding
	1	99			
	3	253,900	KTDC	253,999	100.00%
			Ministry of Tourism	1	0.00%
Total		253,999	Total	254,000	100.00%
			<i>Share Capital of Kshs 5,080,000 divided into 254,000 shares of Kshs 20 each</i>		
			<i>Missing Shares 0</i>		

9 KTDC - Share Certificates Mountain Lodges Limited			Share Structure Mountain Lodges Limited		
	Share Cert. No.	No. of shares	Company	No. of shares	% shareholding
	68	114,404	KTDC	305,078	39.11%
	46	158,895	J. C. Wamae	7,641	0.98%
	34	9,160	J. Michuki	56,900	7.29%
	30	3,605	Kihagi Ltd	5,919	0.76%
	20	4,014	Arifu Holding	17,072	2.19%
	17	15,000	Karen E. Ltd	32,778	4.20%
			Scottlink Ltd	13,607	1.74%
			Dunlop (K) Lt	102,431	13.13%
			T.P.S	165,887	21.27%
			E. M. Wamae	45,807	5.87%
			Waruhiu Itob	1,500	0.19%
			Maraga Mun	9,546	1.22%
			Jackson R. Gi	9,546	1.22%
			Ben M. Gethi	2,088	0.27%
			Janet M. Clar	4,200	0.54%
Total		305,078	TOTAL	780,000	100.00%
			<i>Authorised Share capital of Kshs 20,000,000 divided into 1,000,000 ordinary shares of Kshs20 each</i>		
			<i>Issued and fully paid: 780,000 ordinary shares of Kshs 19</i>		
			<i>Missing Share 0</i>		

10 KTDC - Share Certificates Maralal Safari Lodge Ltd.			Share Structure Maralal Safari Lodge Ltd.		
	Share Cert. No.	No. of shares	Company	No. of shares	% shareholding
	4	8,550	KTDC	40,100	9.50%
	8	23,000	George N Wade		
	6	8,550	Andrew S Jones		
			Everlyn D Jot	381,840	90.50%
Total		40,100	Total	421,940	
			<i>Authorised Shares: 450,000 ordinary shares of Kshs20 each</i>		
			<i>Issued and fully paid: 421,940 ordinary shares of Kshs 19</i>		
			<i>Missing Shares 0</i>		



11		KTDC Share Certificates Buffalo Springs Lodge Ltd.		Share Structure Buffalo Springs Lodge Ltd.		
	Share Cert. No.	No. of shares	Company	No. of shares	% shareholding	
	1	10,000	KTDC	10,000	41.67%	
			AT&H	10,000	41.67%	
			County Council of Isiolo	4,000	16.67%	
Total		10,000	Total	24,000	100%	
<i>Authorised Share Capital of Kshs 2,500,000 divided into 25,000 ordinary shares of Kshs100 each Issued and fully paid: 24,900 ordinary shares of Kshs 99 Missing Shares 0</i>						
12		KTDC - Share Certificates The Ark Ltd.		Share Structure The Ark Ltd.		
	Share Cert. No.	No. of shares	Company	No. of shares	% shareholding	
	127	41,200	KTDC	41,200	5.64%	
			Mwenga Estate Ltd	193,750	26.52%	
Total		41,200	East African Training Extract Co. Ltd	287,302	39.33%	
			African Industrial & Finance Co.	68,742	9.41%	
			Farmlands Industries Ltd	28,125	3.85%	
			Hewman Industries Ltd	11,588	1.59%	
			Mrs. Pramula Aggarwal	10,300	1.41%	
			Jagdish Chadra Aggarwal	10,150	1.39%	
			Soham Singh Kartier Singh	3,862	0.53%	
			Patrick Munyingi Khungi	200	0.03%	
			Habenga Trust Co. Ltd	1,867	0.26%	
			Rutere Wangondu	375	0.05%	
			Waihwā Theuri	375	0.05%	
			Nderitu Ndegwa	363	0.05%	
			Munyiri Mbogo	275	0.04%	
			Muriuki Kimondo	248	0.03%	
			John Ndarangu Kariuki	187	0.03%	
			Kamau Muhangia	148	0.02%	
			G. Mwangi Mwaura	75	0.01%	
			Express Kenya Ltd	68,243	9.34%	
			TOTAL	730,475	100.00%	
<i>Authorised Share Capital of Kshs 15,000,000 divided into 750,000 ordinary shares of Kshs20 each Issued and fully paid: 730,475 ordinary shares of Kshs 19 Missing Shares 0</i>						
13		KTDC - Share Certificates Kabarnet Hotel Ltd.		Share Structure Kabarnet Hotel Ltd.		
	Share Cert. No.	No. of shares	Company	No. of shares	% shareholding	
			KTDC	245,000	98%	
			Kipngochoch Farm Ltd	5,000	2%	
Total		0	Total	250,000		
<i>Authorised Share Capital of 5,000,000 divided into 250,000 of Kshs 20 each issued and fully paid Missing Shares (245,000)</i>						



TDC/13/3

15 September 2008

Ms. Esther Koimett, *EBS*
Investment Secretary
Ministry of Finance
Treasury Building
NAIROBI

Dear Madam,

SUBJECT: GOVERNMENT SHAREHOLDING -
DIRECT AND INDIRECT

I refer to your letter dated 25 August 2008 Ref. DGIPE/P/7/79 and submit the following; -

1. All of the Kenya Tourist Development Corporation's (KTDC's) investments in form of shareholding as at 30 June 2008, with copies of share certificates and/or titles
2. The most recent valuations of the investments
3. Any additional investments and disposals with the corresponding prices undertaken by KTDC since 1992, and
4. A copy of the latest KTDC audited accounts.

I have also enclosed a copy of the KTDC 1992 annual accounts for your further information.

11-11-2023/99A

The records held indicate that the nominal share capital has been increased and additional shares have been issued and fully paid up for the following companies;

1. Kenya Safari Lodges & Hotels Ltd
2. Mt. Elgon Lodge Ltd
3. Buffalo Springs Ltd
4. African Tours and Hotels Ltd
5. Maralal Safari Lodges Ltd

We are pursuing the matter with a view to obtaining the requisite share certificates. We do have the title to Kabarnet Hotel Ltd but unfortunately, we are not able to find the share certificates.

With regards to KTDC's shares in Buffalo Springs Lodge Ltd, the land and building and all moveable assets were allegedly re-possessed by our co-shareholders the Isiolo County Council. KTDC is pursuing equitable relief for this property through the Ministry of Tourism.

I shall be available for any further clarifications should such need arise.

Yours sincerely,

OBONDO KAJUMBI, *OGW*
MANAGING DIRECTOR

cc: Ms. Rebecca M. Nabutola
Permanent Secretary
Ministry of Tourism
Utalii House
NAIROBI

1313

REPUBLIC OF KENYA MINISTRY OF FINANCE

61

TELEGRAPHIC ADDRESS: 22921
FINANCE-NAIROBI
FAX NO.213524
TELEPHONE: 252299 EXT..33176
WHEN REPLYING*PLEASE QUOTE



THE TREASURY
P.O. Box 30007
NAIROBI

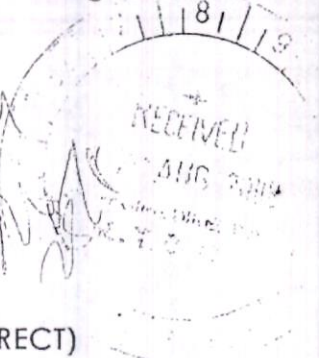
Ref No: DGIFE/P/7/79

Date: 25th August 2008

Mr. Obondo Kajumbi
Managing Director
Kenya Tourist Development Corporation
P. O. Box 42013-00100
NAIROBI

64

*C.S. / Mr. Obondo Kajumbi
Handled by
Mr. [Signature]*



Dear Mr. Kajumbi

RE: GOVERNMENT SHAREHOLDING (DIRECT AND INDIRECT)

We are in the process of computerizing our records. To ensure that there is no discrepancy between our records and yours please provide us with up-to-date information as follows:-

1. all KTDC's investments in form of shareholding as at 30th June 2008 with copies of ownership documents;
2. the most recent valuations of the investments in 1 above;
3. any additional investments and disposals with the corresponding prices undertaken by KTDC since 1992; and
4. a copy of the latest audited accounts of KTDC.

Please follow the attached draft proforma in providing the above information.

Owing to the importance and urgency the Government attaches to this exercise, we request that you expeditiously supply the information requested above but in any case not later than 15th September 2008.

Yours Sincerely
[Signature]
Esther Koimett, EBS
INVESTMENT SECRETARY

Cc: Ms Rebecca Nabutola, CBS
PS; Ministry of Tourism.

*Preparing and
data*

by up to 10/9/08

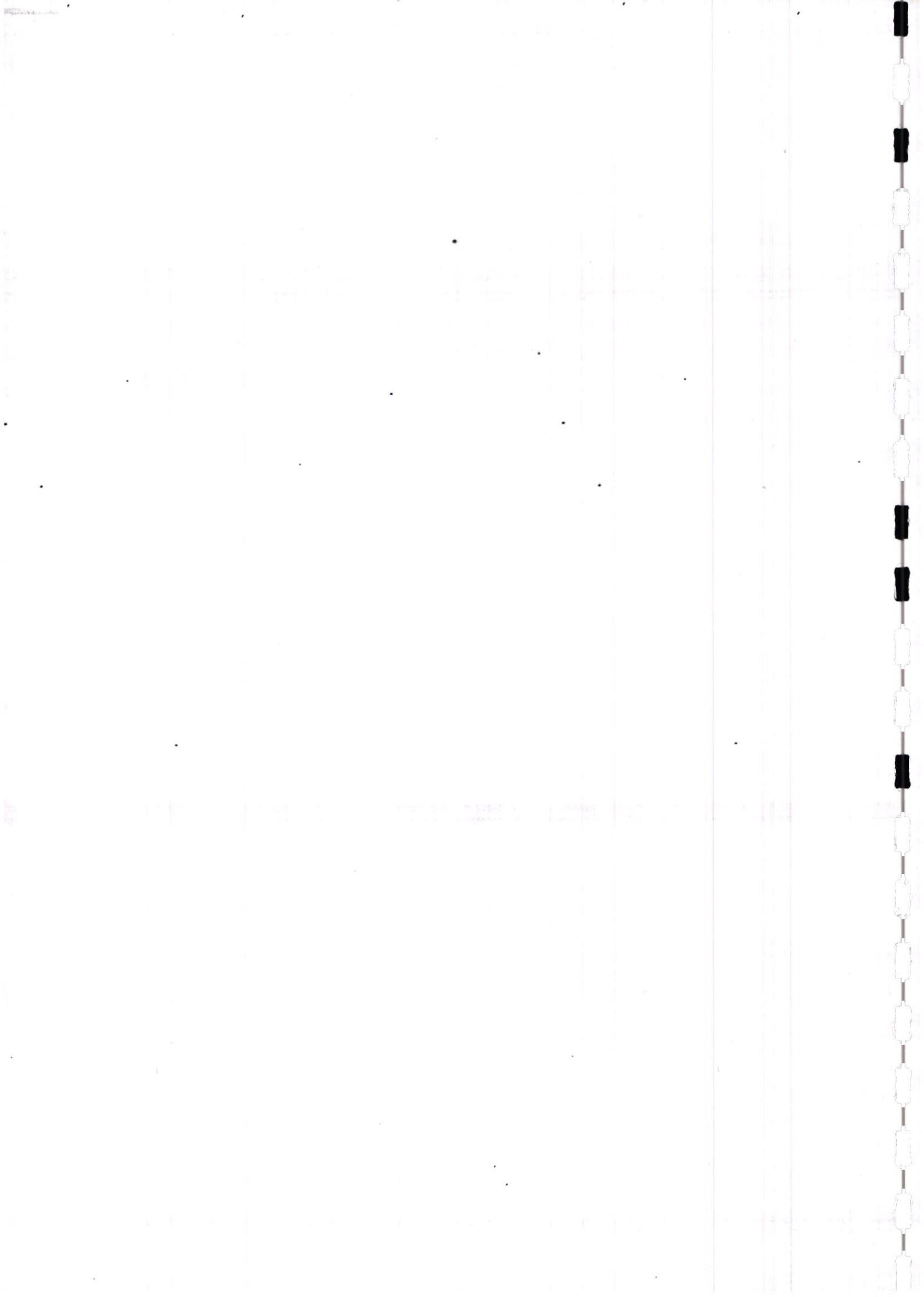
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15/09/08*

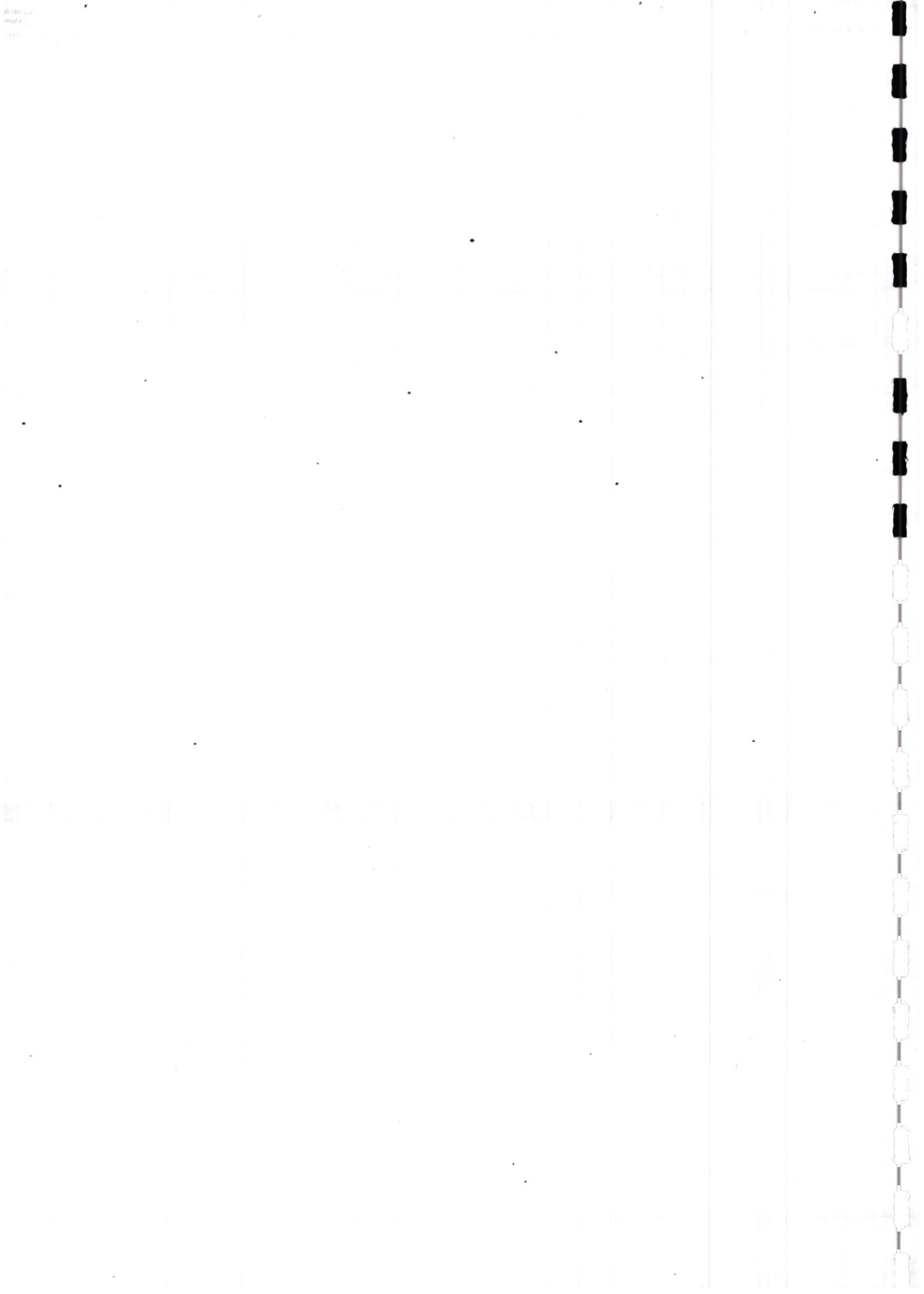
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28/08

*Note the MDIC
Please supply the
information requested*

*CS
[Signature]*





KENYA TOURIST DEVELOPMENT CORPORATION

MEMO

To: Managing Director

Ref. TDC/4/8

Thro' Head of Investments

From: Senior Investments Officer

Date: 27th November 2012

Handwritten notes:
HOL see me with to discuss
forwarded & supported
3/12/12
UD 51

RE: SUBSIDIARIES' MISSING SHARE CERTIFICATES

The undersigned, Senior Investments Officer (Frank) and Legal Assistant (Ademba) embarked on an exercise of file perusal at the Registrar of Companies offices with the aim of finding means of replacing the missing share certificates of the Corporation's subsidiaries and solving any other existing discrepancies.

As part of the exercise, the officers held a meeting with Mr. Gikonyo (Assistant Registry Officer) and the following was noted;

- a) The Share Certificates are issued by Company Secretary and not the Registrar of Companies,
- b) To undertake any transaction with the Registrar of Companies, the Annual Returns filing must be up to date,
- c) The Annual Returns filing fees and penalties are Kshs. 2,600/= for each year up to 2010, Kshs. 1,700/= for 2011 and Kshs. 400/= for 2012.

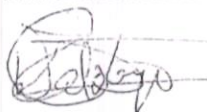
The officers established:-

- a) The respective years when lastly the annual returns of each subsidiary with discrepancies was filed,
- b) The costs of updating the annual returns filing,
- c) Trends in the shareholding and share capital, and
- d) The possible share structure.

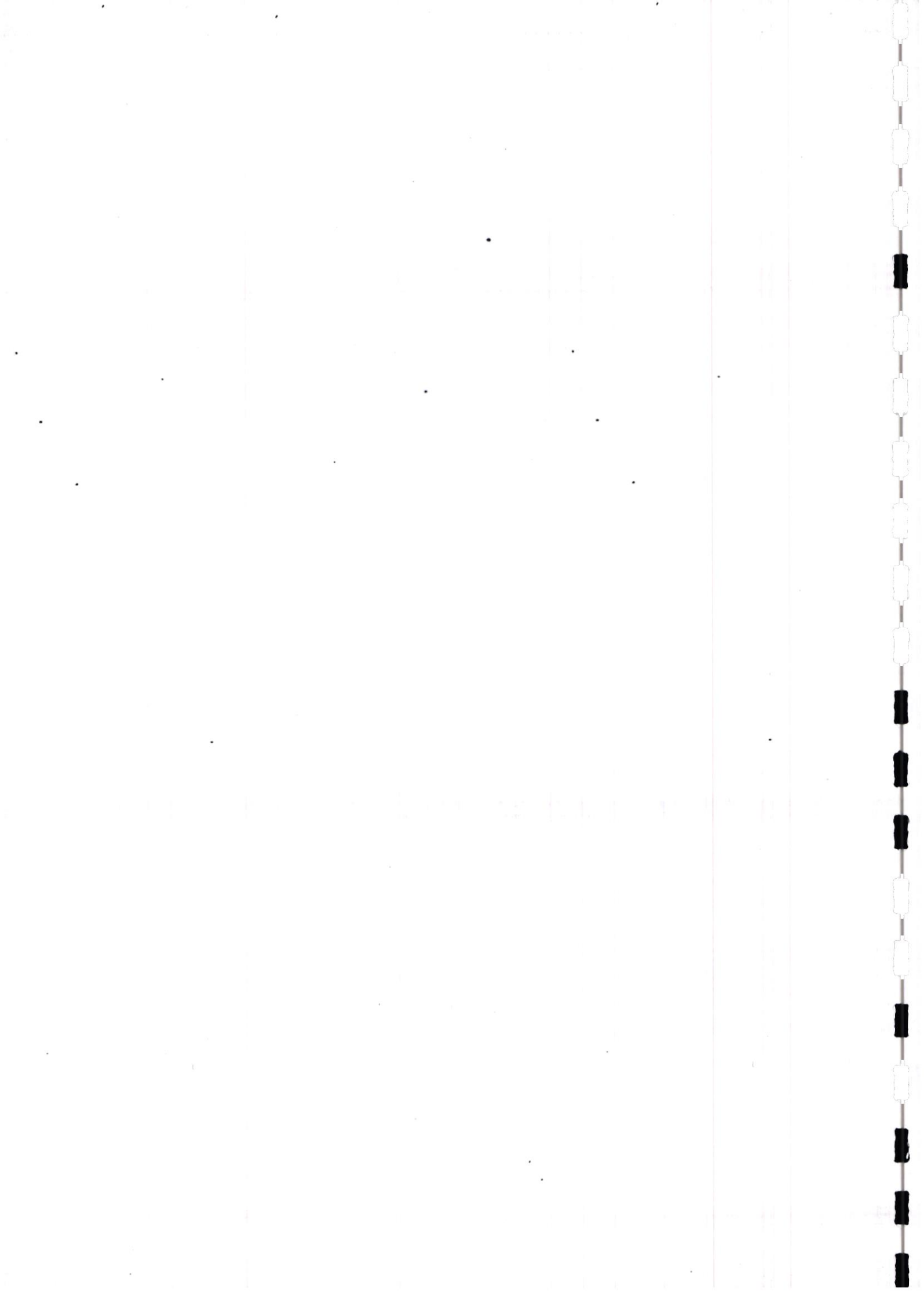
After lengthy consultation with registrar of companies, it was established that the replacement of share certificates by the respective Company Secretary after the Board approval can be implemented through either;

- Option I** Issuance of new share certificates to replace the missing share certificates, OR
Option II Nullify all the existing share certificates and issuance of new ones to all existing share holders.

The officers recommends the second option



Kimanzi Zakayo



KENYA TOURIST DEVELOPMENT CORPORATION

INVESTMENTS DEPARTMENT

REPORT ON MISSING SUBSIDIARIES SHARE CERTIFICATES

1.0 Introduction

Senior Investments Officers (Kimanzi & Frank) together with Legal Assistant (Moses Ademba) embarked on an exercise of file perusal at the Registrar of Companies offices, Sheria House with an objective of addressing the discrepancies in the share holding of the Corporation's subsidiaries as noted in previous exercises;

Company	KTDC % Shares	Value of Shares held	Value of Share Certs. Available	Discrepancies	Remarks
1. Kenya Safari Lodges & Hotels Ltd (KSLH)	63.42%	295,508	262,175	(33,333) (88,666)	Share Certificates missing/ Not transferred
2. Mt. Elgon Lodge Ltd	72.91%	67,289	45,000	(22,289)	Share Certificates missing
3. Kabarnet Hotel Ltd	98%	245,000	-	(245,000)	Share Certificates missing
4. Buffalo Springs Lodge Ltd (BSLL)	-	-	10,000	10,000	No Shareholding Structure
5. Bomas of Kenya Ltd (BoK)	-	-	254,000	254,000	No Shareholding Structure
6. African Tours & Hotels Ltd (ATH)	-	-	264,427	264,427	No Shareholding Structure

2.0 File Perusal at the Companies Registry (Sheria House)

1) Kenya Safari Lodges & Hotels Ltd

- i. **Incorporation** – The Company was incorporated in 1966. The Nominal Share Capital traced is Kshs. 9,318,800 ordinary shares divided into 465,940 shares of Kshs. 20 each, distributed as follows;

KTDC	=	295,508 shares
KWS	=	100 shares
CDC	=	88,666 shares
British Airways Ass. Co.	=	15,000 shares
Kenya Hotel Property Ltd	=	66,666 shares
Total	=	465,940 shares

ii. Changes in Share Capital

a. On 11th June 1987, 66,666 shares held by Kenya Hotel Properties Ltd were transferred to Mountain Lodges Ltd.

b. On 6th June 1991, 15,000 shares held by British Airways Association Company were transferred to Mountain Lodges Ltd.

iii. Annual Return – according to the latest annual returns filed on 2001, the shareholding of KSLH was as follows;

KTDC	=	295,508 shares
KWS	=	100 shares
CDC	=	88,666 shares
Mountain Lodge	=	81,666 shares
Total	=	465,940 shares

iv. Recommended Shareholding Structure

Shareholders	No. of Shares	% Shares Held
KTDC	384,174	82.45%
KWS	100	0.02%
Mountain Lodge	81,666	17.53%
Total	465,940	100%

Nominal Share Capital: The Nominal Share Capital is Kshs. 9,318,800 Ordinary Shares divided into 465,940 shares of Kshs. 20 each.

2) Mt. Elgon Lodge Limited

i. Incorporation - The Company was incorporated in 1976 with Nominal Share Capital of Kshs. 900,000/= divided into 45,000 shares of Kshs. 20 each. The shareholding on incorporation was as follows:

KTDC	=	99 shares
Yuda Komora	=	1 share
Total	=	100 shares

- ii. **Changes in Share Capital** - At an extraordinary general meeting held in 1980 there was a resolution authorizing the increase of Nominal Share Capital to Kshs. 2,300,000/= divided into 115,000 shares of Kshs. 20 each.
- iii. **Annual Return** - the latest Annual Return filed in 1993 reported shareholding of Mt. Elgon as follows:

KTDC	=	67,289 shares
Nzoia County Council	=	12,500 shares
Kitale Municipal Council	=	12,500 shares
Un-allotted	=	22,711 shares
Total	=	115,000 shares

iv. **Recommended Shareholding Structure**

Shareholders	No. of Shares	% Shares Held
KTDC	67,289	58.5%
Nzoia County Council	12,500	10.9%
Kitale Municipal Council	12,500	10.9%
Un-allotted Shares	22,711	19.7%
Total	115,000	100%

Nominal Share Capital: The Nominal Share Capital is Kshs. 2,300,000 Ordinary Shares divided into 115,000 shares of Kshs. 20 each.

3) **Kabarnet Hotels Limited**

- i. **Incorporation** - The Company was incorporated in 1980 with a Nominal Share Capital of Kshs. 500,000/= divided into 250,000 shares of Kshs. 20 each. The shareholding on incorporation in 1980 was as follows:

KTDC	=	245,000 shares
Kipsongoch Farm	=	5,000 shares
Total	=	250,000 shares

- ii. **Changes in Share Capital** - there is no change of the shareholding of the Company traced.

iii. **Annual Return** - the latest Annual Return was filed in 1985 and reported shareholding of the company as follows:

KTDC	=	245,000 shares
Kipsongoch Farm	=	5,000 shares
Total	=	250,000 shares

iv. **Recommended Shareholding Structure**

Shareholders	No. of Shares	% Shares Held
KTDC	245,000	98.0%
Kipsongoch Farm	5,000	2.0%
Total	250,000	100%

Nominal Share Capital: The Nominal Share Capital is Kshs. 500,000 Ordinary Shares divided into 250,000 shares of Kshs. 20 each.

4) **Buffalo Springs Lodge Ltd**

i. **Incorporation** - The Company was incorporated in 1978 with a Nominal Share Capital of Kshs. 1,000,000/= divided into 10,000 shares of Kshs. 100 each.

ii. **Changes in Share Capital**

a. In 1979, the Nominal Share Capital of BSLI was Kshs. 2,000,000/= divided into 20,000 ordinary shares of Kshs. 100/= each, distributed equally to KTDC and AT&H (i.e 10,000 each). The same year the Nominal Share Capital changed to Kshs. 2,500,000/= divided into 25,000 ordinary shares of Kshs. 100/= each.

b. In 1981, 4,000 ordinary shares of Kshs. 400,000/= was allotted to County Council of Isiolo making taken up shares to be 24,000.

c. In 1991, the Nominal Share Capital changed to Kshs. 5,000,000/= divided into 25,000 ordinary shares of Kshs. 200/= each.

iii. **Annual Returns** - the latest Annual Return filed in 1991, reports shareholding of the company as follows;

KTDC	=	10,000 shares
AT&H	=	10,000 shares
County Council of Isiolo	=	4,000 shares
Un-allotted	=	1,000 shares *
Total	=	25,000 shares

iv. **Recommended Shareholding Structure**

Shareholders	No. of Shares	% Shares Held
KTDC	10,000	40%
AT&H	10,000	40%
County Council of Isiolo	4,000	16%
Un-allotted	1,000	4%
Total	25,000	100%

Nominal Share Capital: The Nominal Share Capital is Kshs. 5,000,000/= Ordinary Shares divided into 25,000 shares of Kshs. 200/= each.

5) **Bomas of Kenya Limited**

i. **Incorporation** – The Company was incorporated in 1970 with a Nominal Share Capital of Kshs. 2,000/= divided into 100 shares of Kshs. 20 each. The shareholding on incorporation was as follows:

KTDC	=	99 shares
George M. Matheka	=	1 share
Total	=	100 shares

ii. **Changes in Share Capital** - A Board Resolution in 1979 authorized the increase of Nominal Share Capital to Kshs. 5,080,000/= divided into 254,000 shares of Kshs. 20 each.

iii. **Annual Return** - the latest Annual Return filed in 2008, reports shareholding of the company as follows;

KTDC	=	253,900 shares
Ministry of Tourism	=	100 shares
Total	=	254,000 shares

iv. Recommended Shareholding Structure

Shareholders	No. of Shares	% Shares Held
KTDC	253,900	99.90%
Ministry of Tourism	100	0.01%
Total	254,000	100%

Nominal Share Capital: The Nominal Share Capital is Kshs. 5,080,000 Ordinary Shares divided into 254,000 shares of Kshs. 20 each.

6) African Tours & Hotels Ltd

- i. **Incorporation** – The Nominal Share Capital at incorporation was Kshs. 2,000,000/= divided into 20,000 Preference Shares and 80,000 Ordinary Shares of Kshs. 20 each.
- ii. **Changes in Share Capital** – in between Incorporation and 1998, the Nominal Share Capital was increased from Kshs. 2,000,000/= to Kshs. 5,000,000 and then to Kshs. 10,400,000 divided into 500,000 Ordinary Shares and 20,000 Preference Shares of Kshs. 20/= each.
- iii. **Annual Return** - the latest Annual Return filed in 1998, reports the Nominal shareholding of the company as follows;

KTDC	=	52.59%
KQ	=	20.08%
IDB	=	7.93%
Others	=	20%

NB. Others are large number of individual members around 200 many of them are foreigners.

iv. Recommended Shareholding Structure

Shareholders	% Shares Held
KTDC	52.59%
KQ	20.08%
IDB	7.93%
Others	20%
Total	100%

Nominal Share Capital: The Nominal Share Capital is Kshs. 10,400,000/= divided 500,000 Ordinary Shares and 20,000 Preference Shares of Kshs. 20/= each.

2.0 Penalties and Fees for updating Annual Returns for subsidiaries.

The Annual Returns filing fees and penalties are:

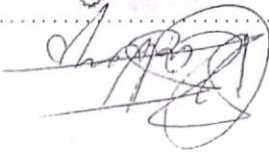
- Kshs. 2,600/= each year up to 2010.
- Kshs. 1,700/= for 2011.
- Kshs. 400/= for 2012.

In view of the findings of the file perusal exercise, the total sum of penalties and fees to be paid for updating the annual returns is Kshs. 231,000/= broken down as follows:

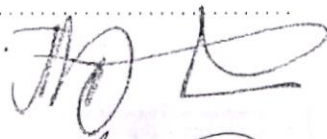
SUBSIDIARY NAME	LATEST RETURN	PENALTY UP TO 2010 @ Kshs. 2,600/=	- 2011	2012	TOTAL
Kenya Safari Lodges & Hotels Ltd	2001	23,400.00	1,700.00	400.00	25,500.00
Mount Elgon Lodge Ltd	1993	44,200.00	1,700.00	400.00	46,300.00
Kabarnet Hotel Ltd	1985	65,000.00	1,700.00	400.00	67,100.00
Buffalo Springs Lodge Ltd	1991	49,400.00	1,700.00	400.00	51,500.00
Bomas of Kenya Ltd	2008	5,200.00	1,700.00	400.00	7,300.00
African Tours & Hotels Ltd	1998	31,200.00	1,700.00	400.00	33,300.00
TOTAL PENALTIES & FEES DUE					231,000.00

It is therefore recommended that the Company Secretary to seek Board approval for payment of any outstanding and due fees to facilitate updating of the Annual Returns for subsidiary companies.

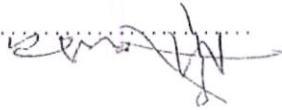
Godfrey K. Zakayo



Frank Onyango



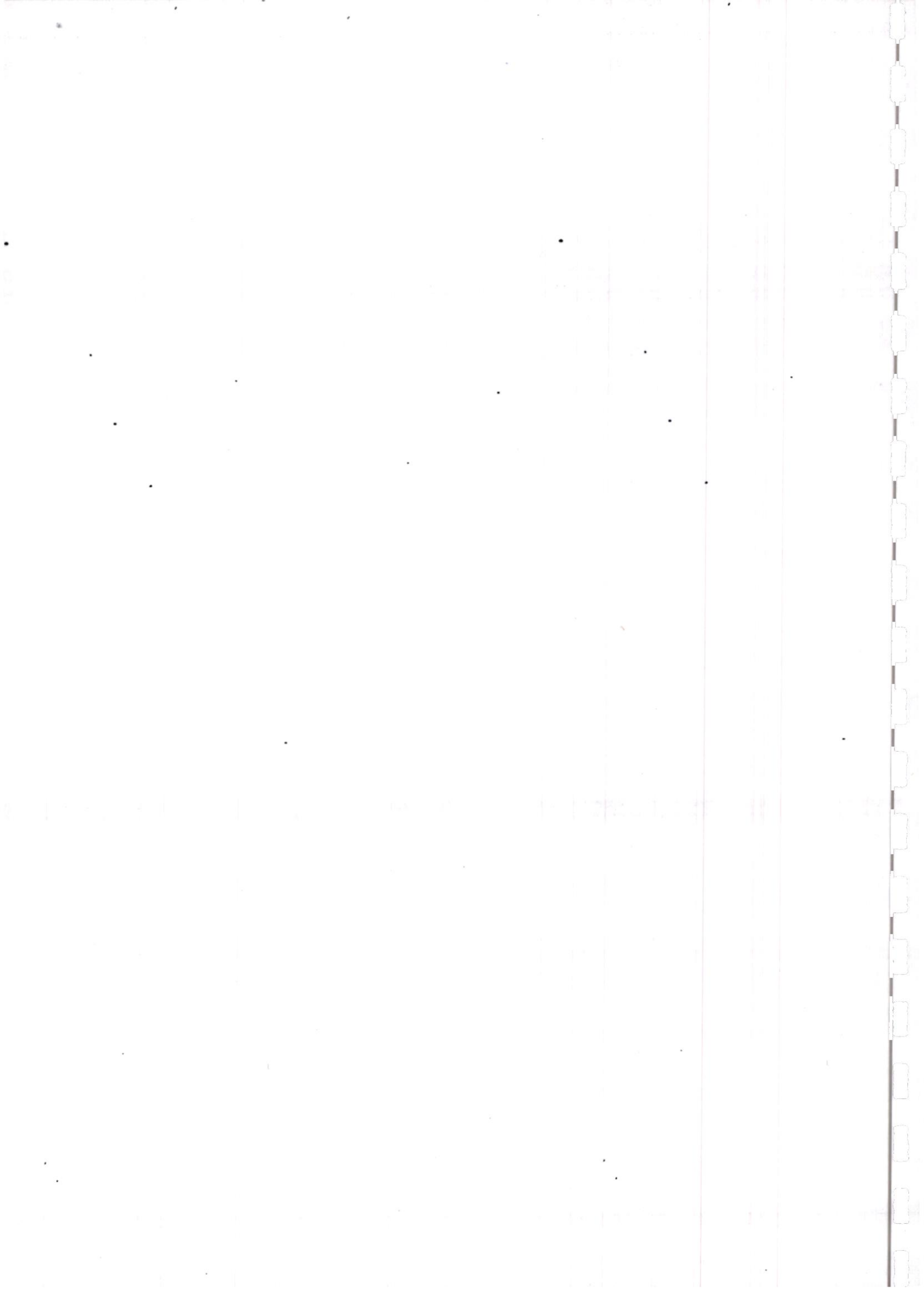
Moses Ademba



27/11/2012

27/11/2012

27/11/2012



MOUNT ELGON LODGE LIMITED

RESERVATIONS:

Utalii House, Uhuru Highway
P. O. Box 42013
Tel: (02) 330820 / 29751 / 23488 / 22661
Telex: 23009
NAIROBI, KENYA

Lodge
P.O. Box 7, ENDEBESS - KITALE
Fax : (054) 30323
MOBILE: 0202094643 & 0722875768



Our Ref:

Your Ref:

Date: ..

TDC/4/27

18th July 2013

Registrar General,
Registrar of Companies,
State Law Office, Sheria House,
P. O. Box 30031 - 00100
NAIROBI

Attn. Ms. Bernice W. Gachegu

Dear Madam,


RE: MT. ELGON LODGE LTD (C. NO. 14576) - ANNUAL RETURNS STATUS

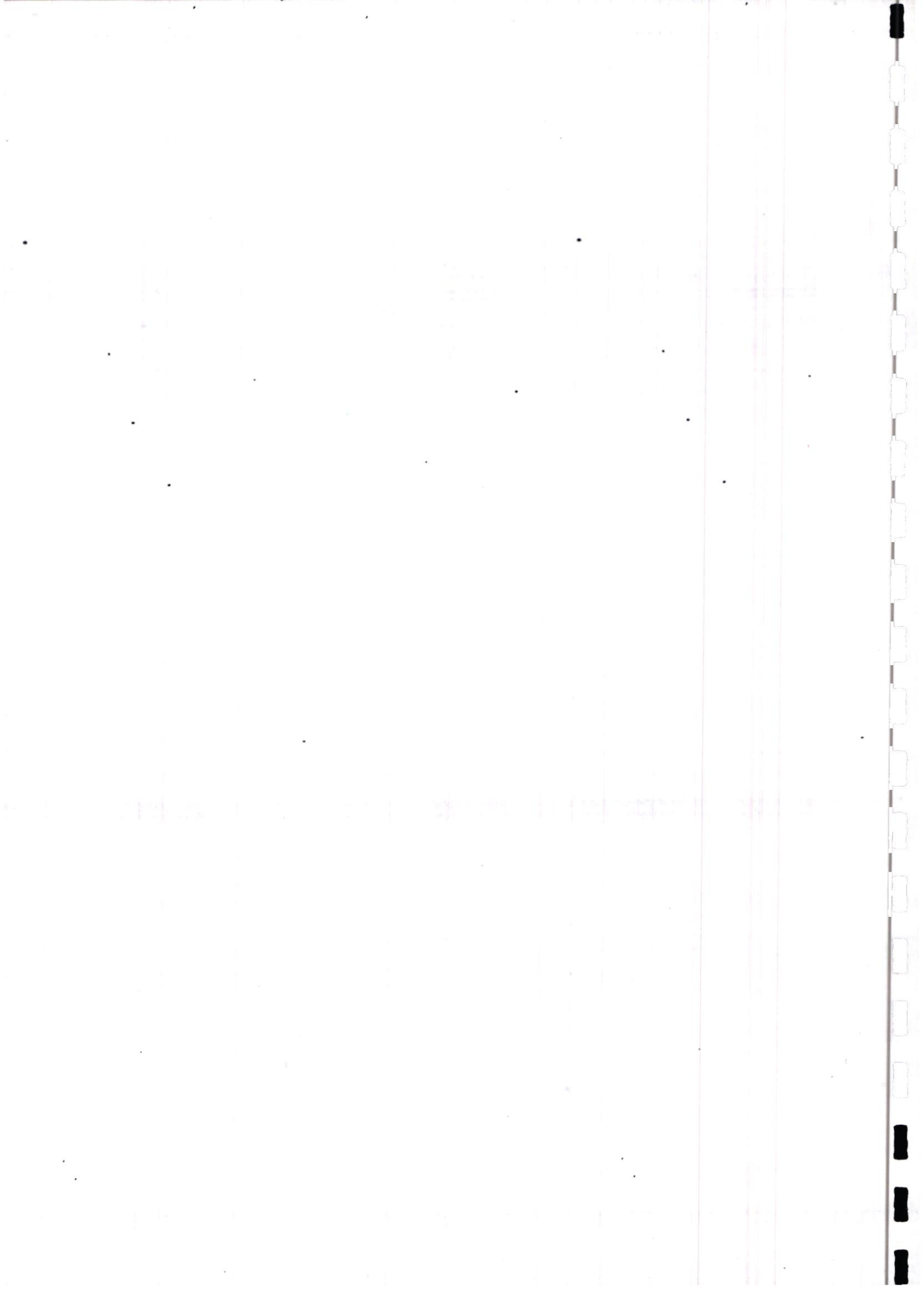
The above subject matters.

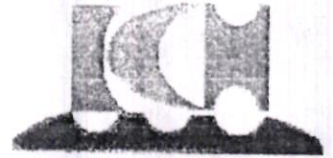
Kindly favour us with the annual returns status of the Company as at the ending of the month being the 31st July 2013.

Your quick response will be highly appreciated.

Yours faithfully,


Carrey Francis
COMPANY SECRETARY
MT. ELGON LODGE LTD
ENDEBESS





Kabarnet Hotel
P.O. Box 109,
Kabarnet, Kenya.
Tel: 020-2611600
Member of K.T.D.C. Group

TDC/4/162

18th July 2013

Registrar General,
Registrar of Companies,
State Law Office, Sheria House,
P. O. Box 30031 - 00100

NAIROBI

Attn. Ms. Bernice W. Gachegu

Dear Madam,

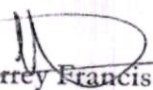
RE: KABARNET HOTEL LTD (C. NO. 20517) – ANNUAL RETURNS STATUS

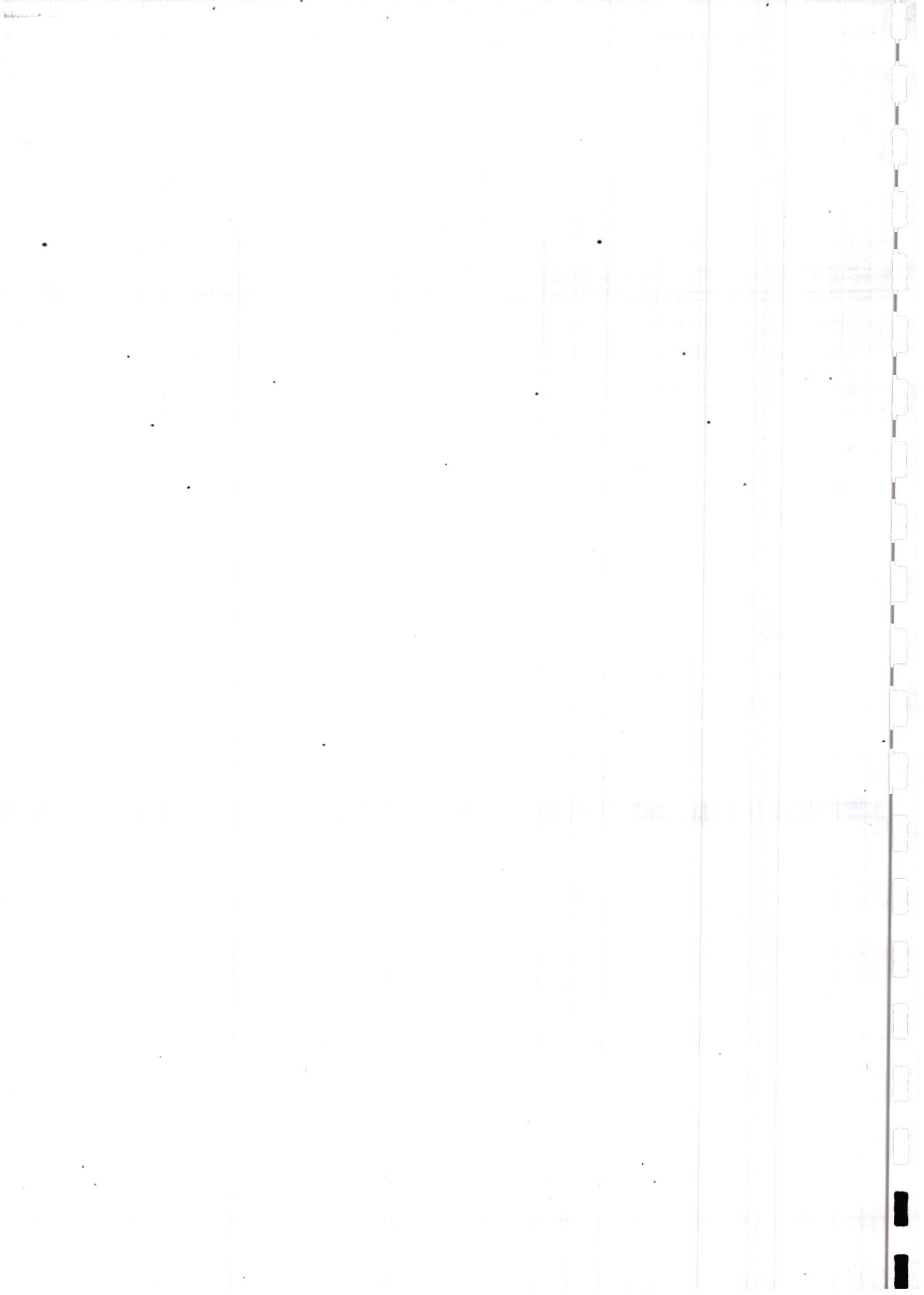
The above subject matters.

Kindly favour us with the annual returns status of the Company as at the ending of the month being the 31st July 2013.

Your quick response will be highly appreciated.

Yours faithfully,


Carrey Francis
COMPANY SECRETARY
KABARNET HOTEL LTD
KABARNET



21

TDC/4/8

9th December 2011

Ms. Bernice W. Gachegu

The Registrar General

Registrar of Companies

P. O. Box 30031

NAIROBI

Dear

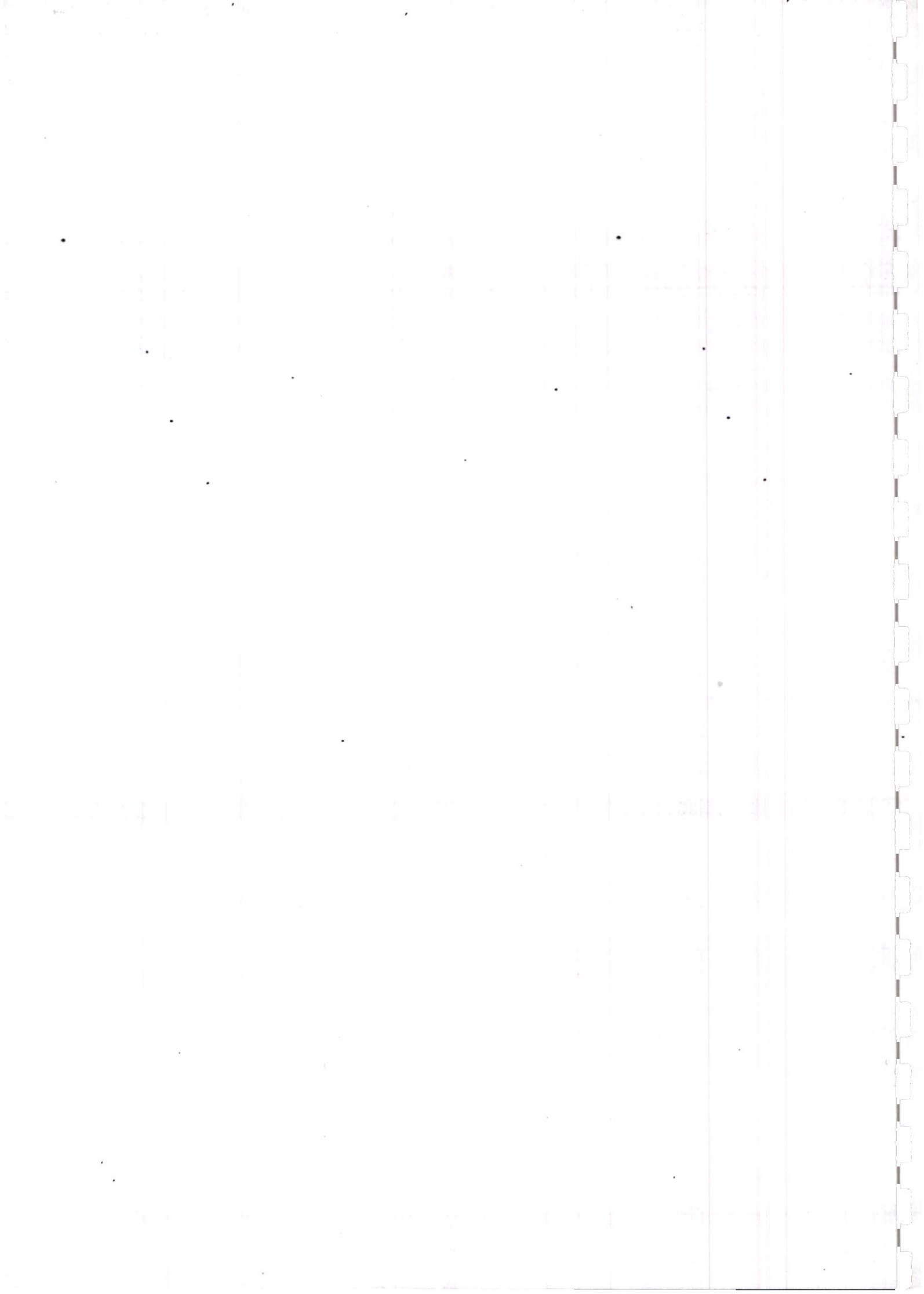
RE: INTRODUCTORY LETTER

This is to inform you that Godfrey K. Zakayo, Frank Onyango and Moses Ademba are employees of Kenya Tourist Development Corporation (KTDC). The officers are carrying out an exercise to find means of replacing some of the missing Share Certificates of our Subsidiaries and Associated Companies.

Please accord them the necessary assistance to accomplish the exercise.

Yours

Maryanne Ndegwa Jordan
MANAGING DIRECTOR.



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2 Books and Newspapers
3 Business Names
4 Chattels Transfer
5 Companies
6 Hire Purchase
7 Insurance Companies
8 Societies
9 Trade Unions

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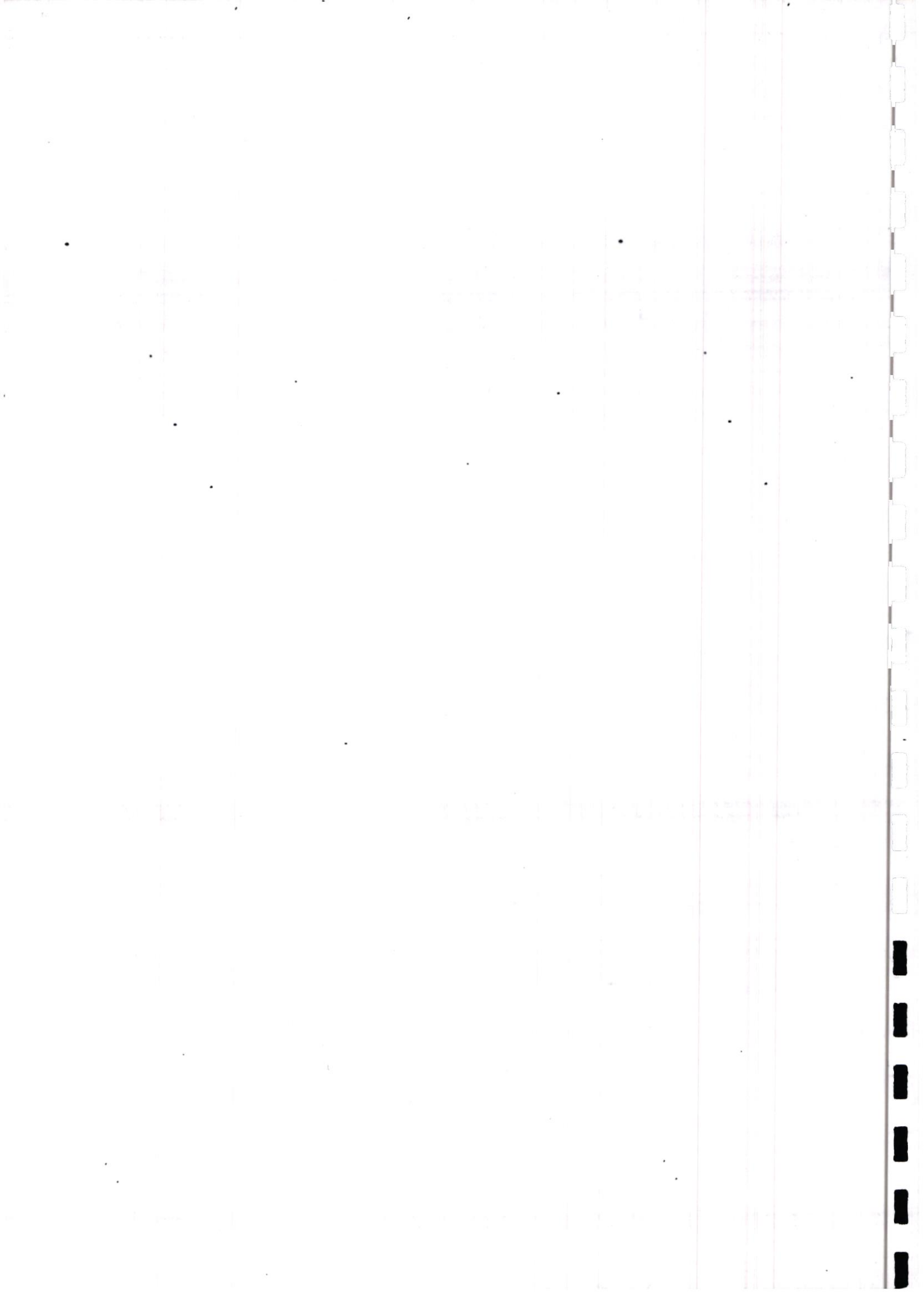
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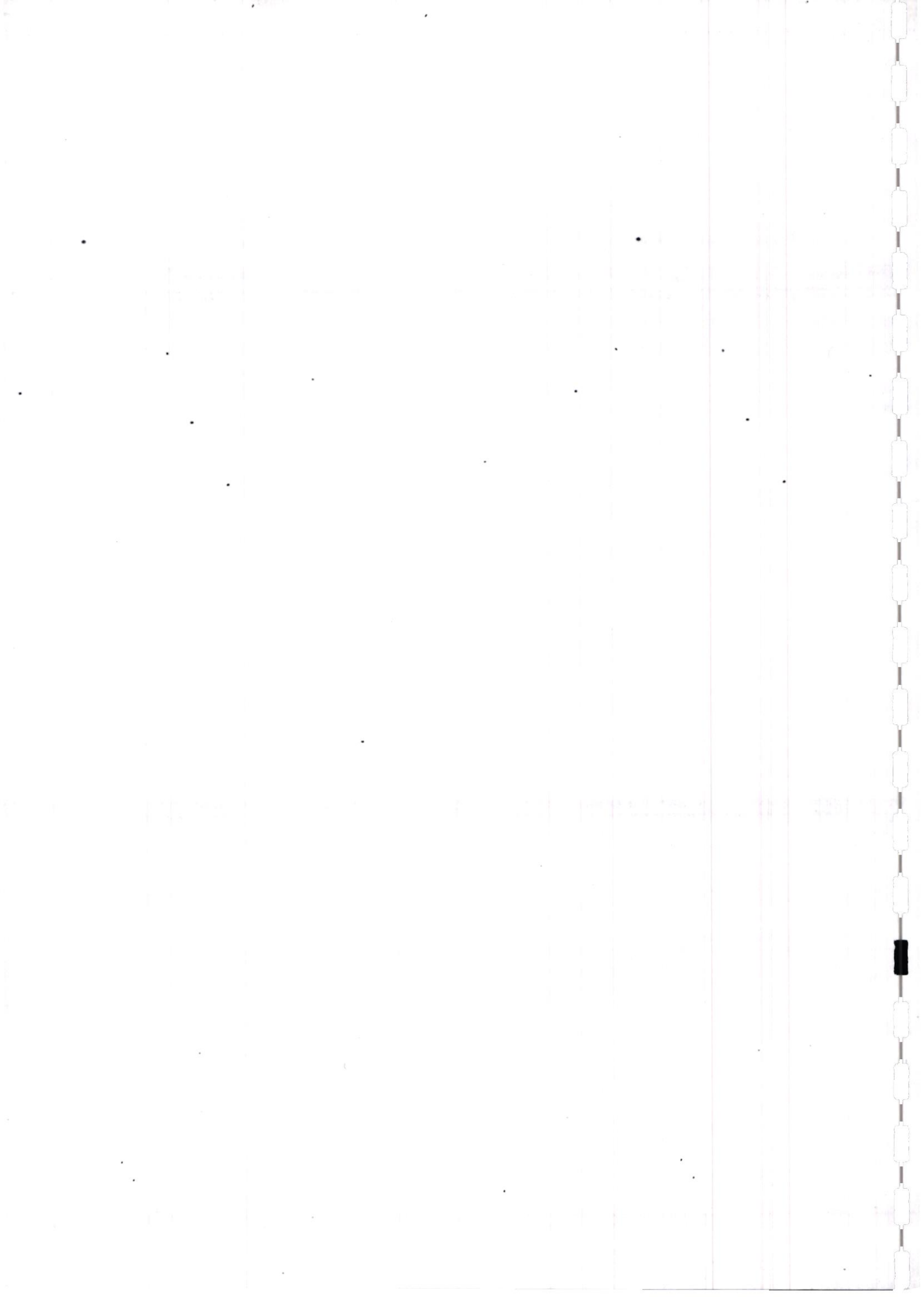
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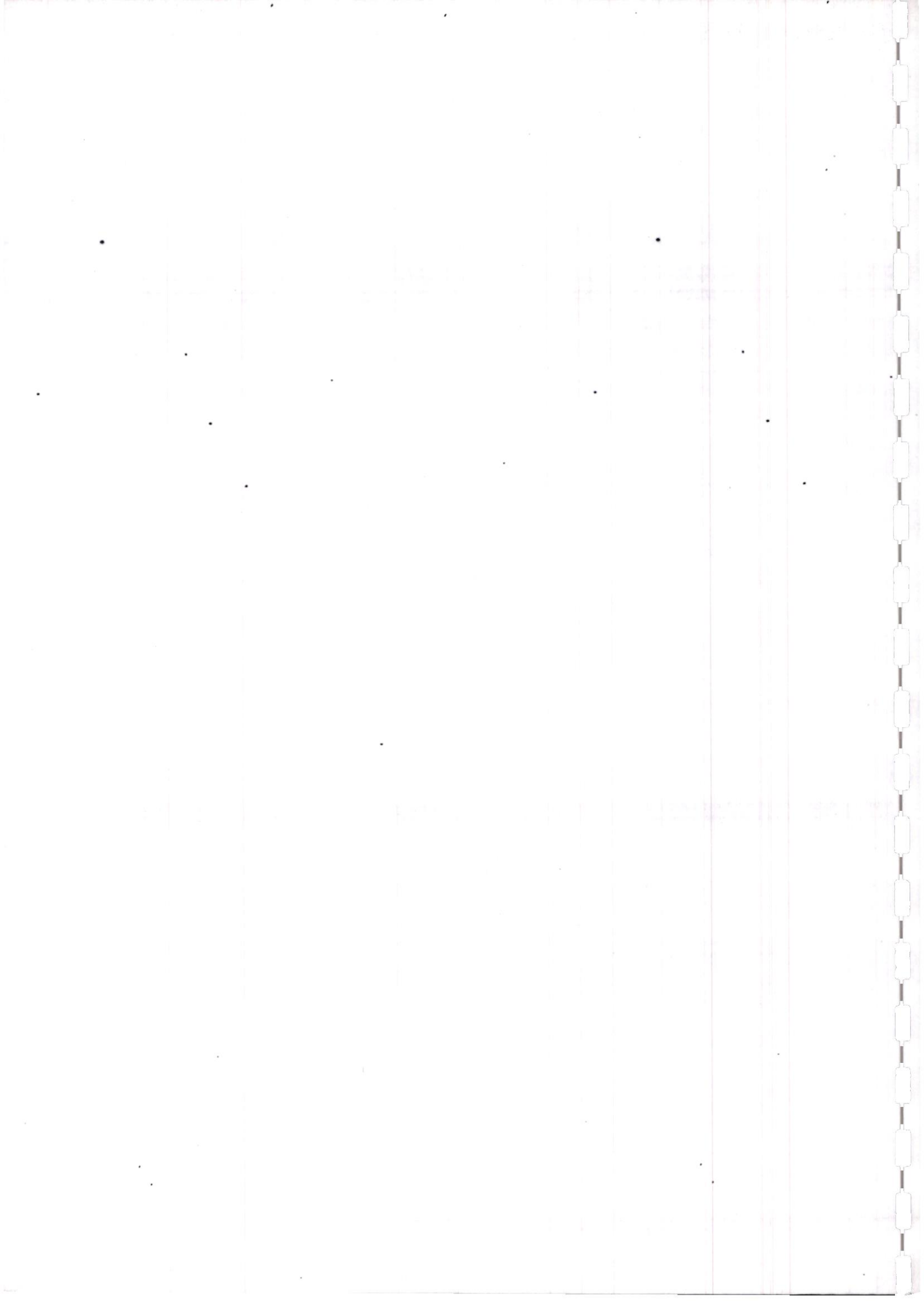
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Annex XX - Concept paper on Marina and Approval
from PS Treasury



REPUBLIC OF KENYA
MINISTRY OF FINANCE

Telegraphic Address: 22921
FINANCE - NAIROBI
Telephone: 2252299
When replying please quote



THE TREASURY
P. O. Box 30007-00100
NAIROBI
KENYA

Ref: ZZ/MoF/253/016 'M'

4th December, 2012

Ms Marianne Ndegwa Joldan
Managing Director
Kenya Tourist Dev. Corporation
P O Box 42013 - 00100
Nairobi

Dear *Ms Joldan,*

**RE: MOMBASA INTERNATIONAL CONVENTION CENTRE
DEVELOPMENT OF MARINA IN SHIMONI**

This is to inform you that the Public Private Partnerships Steering Committee in its meeting held on 23rd November, 2012 approved the following concept papers with the following comments:

- 1) **Mombasa International Convention Centre:** The concept paper was approved but issues on the ownership of land should be addressed during the preparation of feasibility study.
- 2) **Development of Marina in Shimoni:** The concept paper was approved but there is need to do a pre-feasibility study on the project before hiring transaction advisors.

You may proceed with further development of the above projects

Yours

Sincerely

Joseph K. Kinyua, CBS
PERMANENT SECRETARY/TREASURY

Copy to: Ms Leah Gwiyo, CBS
Permanent Secretary
Ministry of Tourism
Utalii House
Nairobi

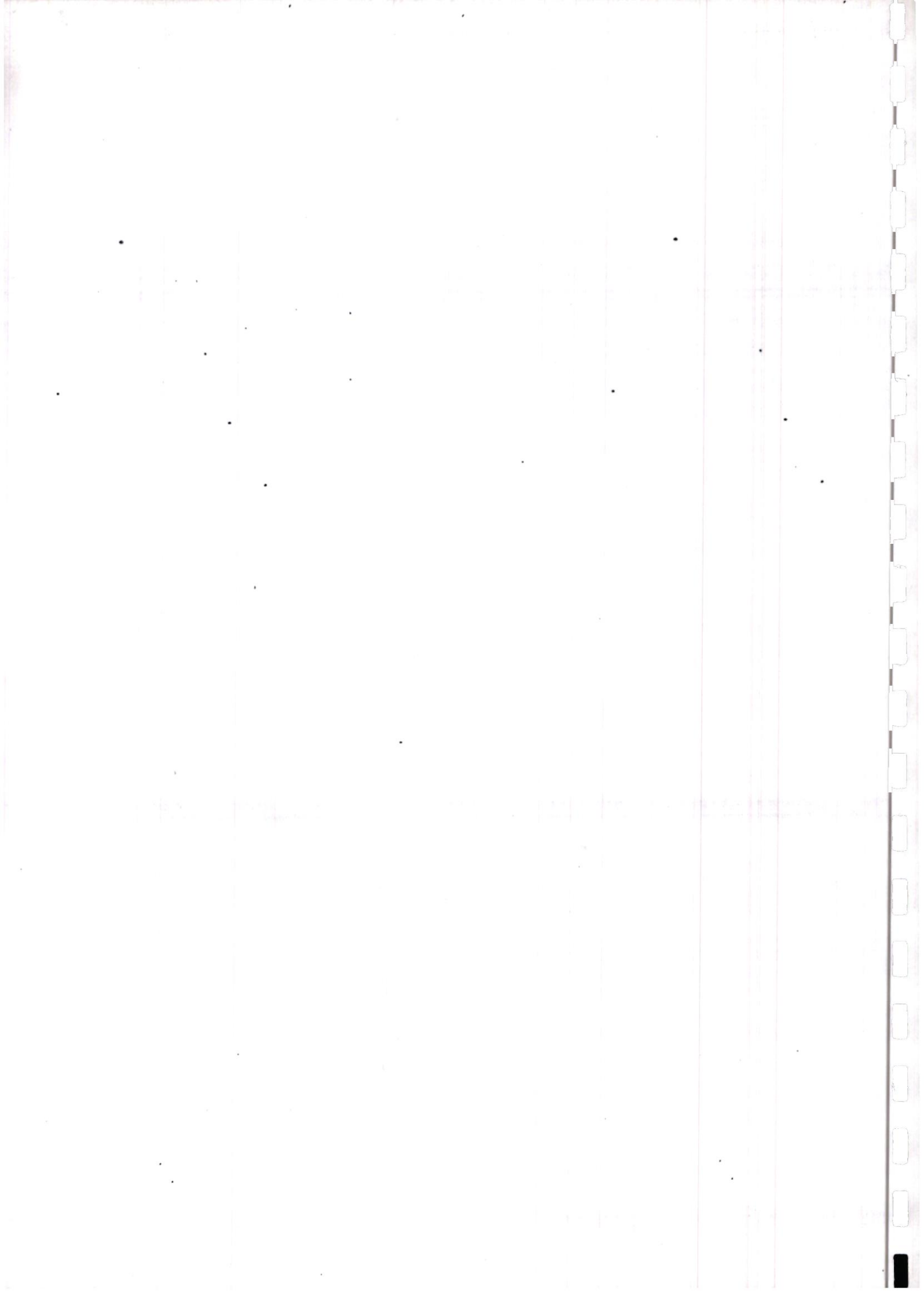


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*H01
Well done! Inform
M.D.
6/12/12.*

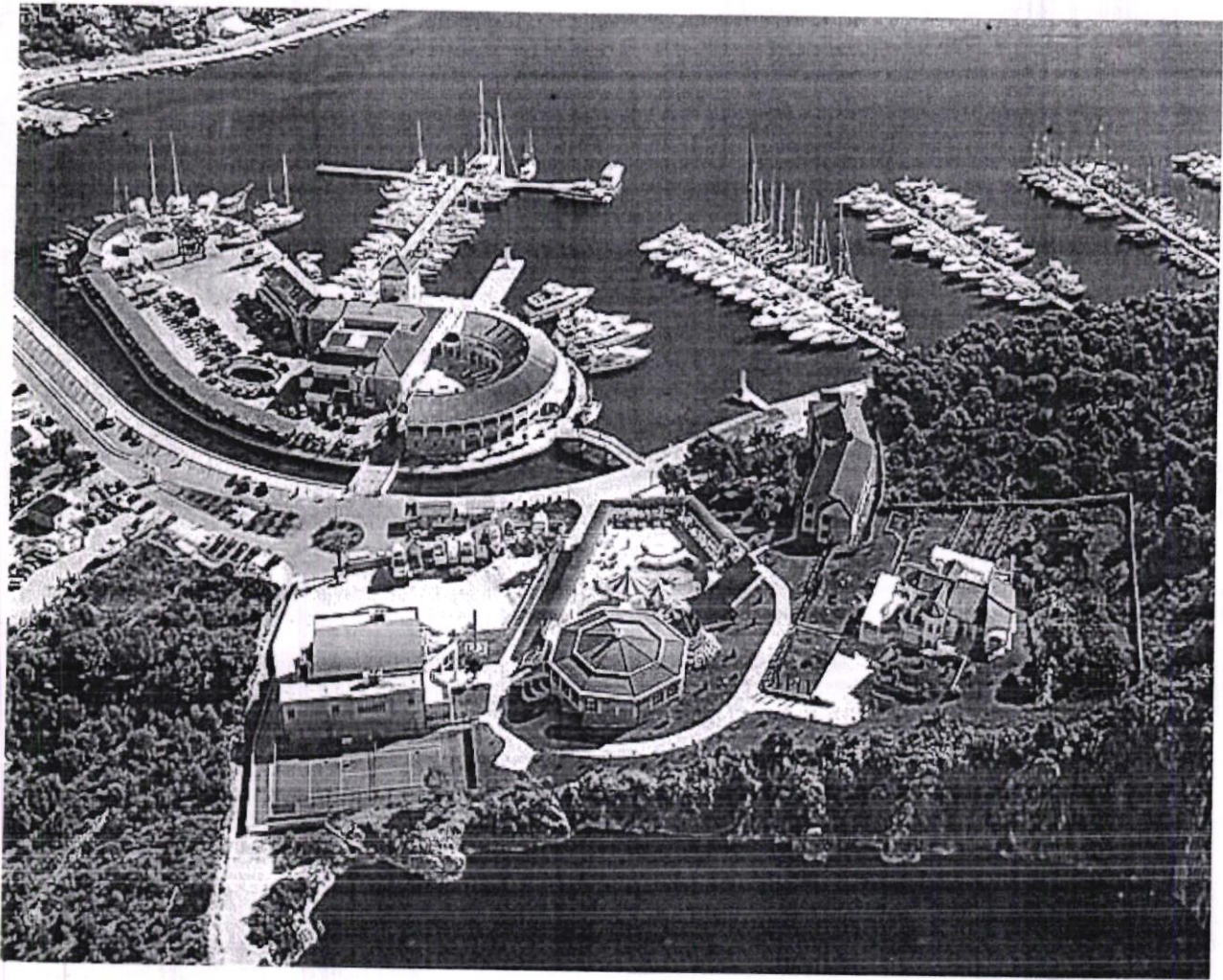
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STRICTLY PRIVATE & CONFIDENTIAL

*Investment Proposal
For
Marina Development
In
Shimoni*



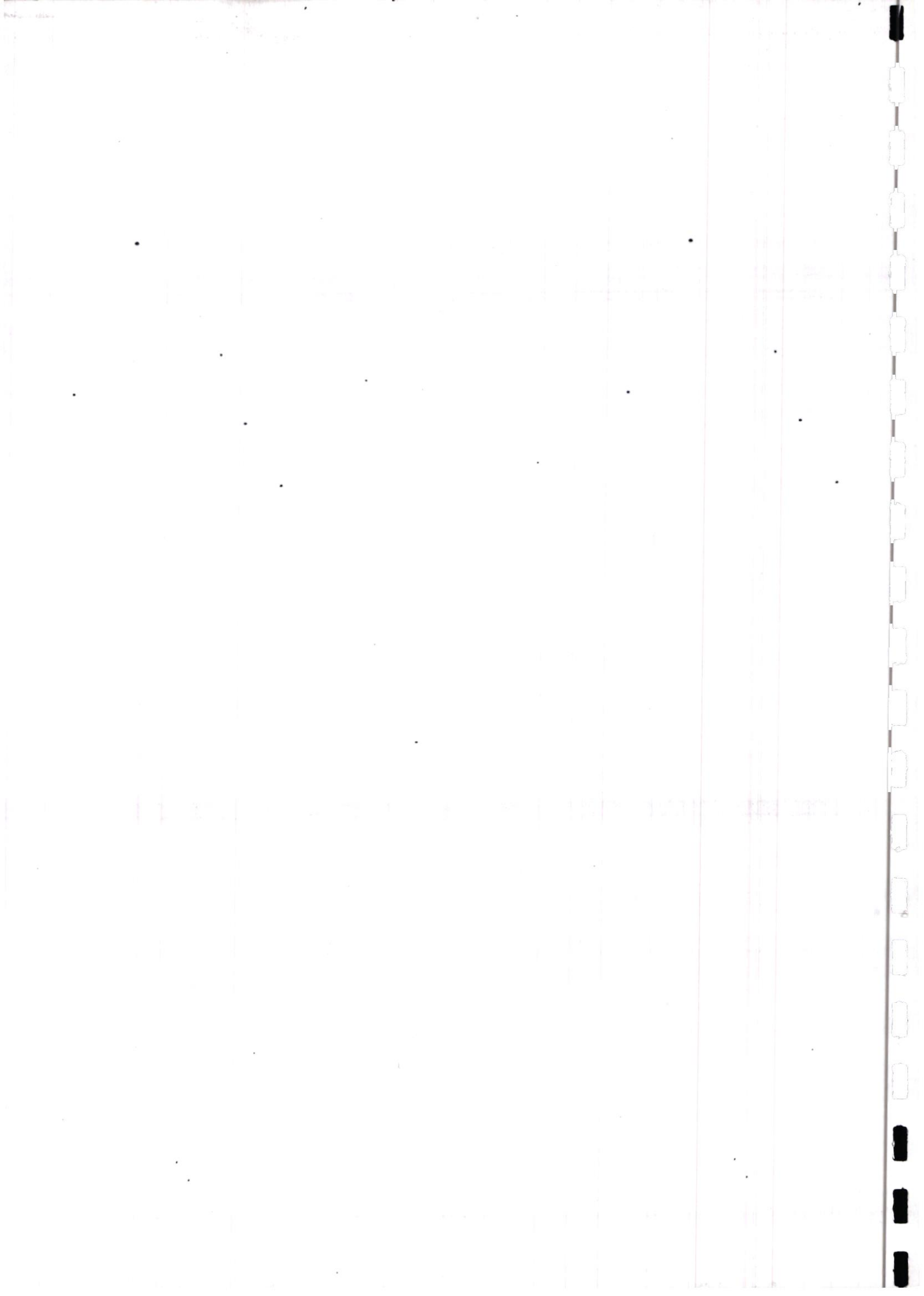


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PURPOSE

The Purpose of this investment proposal is to give an indication on the concept for the development of a Marina facility in the unique, untamed Shimoni area situated in Kenya's Coast province that transverses Kwale and Msambweni districts.

An understanding of the suitability of the area is an important consideration in this paper as not only is the land fragile in its unique bio-diversity, but is also of great importance to the surrounding communities.

The land ultimately affects the economic viability of a property and its overall value.

An understanding of the demand and the micro-supply for this type of product is also addressed to predict the relative competitiveness of the proposed project and briefly estimate the subject property's probable market share, prior to performing a full feasibility study for the new project.

Stakeholders

The current stakeholders involved in the preliminary stages of this investment proposal are:

- Ministry of Tourism
- Kenya Tourist Development Corporation
- Interested Private Investors

This investment proposal is therefore a preliminary examination of the concept of developing a Marina facility within the Shimoni area and will briefly examine the potential of Shimoni as a site for this type of development.

Overview

The Indian Ocean has a total coastline of 640km in length. The Kenyan coast runs in a south – westerly direction from the Kenya-Somali border in the north all the way to the border with Tanzania.

The coastal strip of Kenya has remained a significant maritime route dating back to first century. Early navigators along the coastal strip included the Oman Arabs, Portuguese, Chinese and Persians who were mainly explorers. Overtime the coastal strip of Kenya has emerged as an important gateway to East and central Africa with marine vessels from different part of the world visiting the Kenyan coast. Due to its strategic location and unique attributes as a major shipping lane along the coast, makes the area an ideal for development of a world class marina.

The prospect of marina development is further being accelerated by the fact that, Mombasa port is a popular call on two fronts – firstly as a home port for operators dedicated to serving the Indian Ocean as a winter sun destination (especially as an interesting alternative to the overcrowded Caribbean) and secondly as an exotic stop for upscale round – the – world or similar type long – haul cruising. Its rich tourism hinterland, sparkling sunny beaches and proximity to and international airport give the region a strategic location on the Indian Ocean.

The proposed development of a marina in Shimoni is in line with the current tourism investment climate, to interest and encourage local and foreign investment in the country. The proposed marina development falls along this line, and will go a long way in providing among others, world-class tourism related services and further emphasize the region as a major tourist destination. The development of the proposed marina will provide an alternative tourism product offering the same world class services and provide impetus to the growth of the service industry in Kenya.

Marina and Yachting market has the highest growth rate in the world today and parallel to this, it's a market with the high spending which is not sensitive to price.

The proposed development will be preceded by a feasibility study and environmental impact assessment study to establish the viability of the project. Other important components envisaged to be undertaken before implementation includes the areas Physical development plan and Zoning. A model of the marina will also be developed for visual impression and marketing of the project.

It is expected that the Corporation with the assistance from the government will fast track this project by providing the required resources through setting up of institutional framework for implementation.

1.0 Location of the site

1.1 Kenya



Kenya is situated along the equator, on the eastern coast of the African continent. Its coastal region is on the southeast and to the east lies Somalia. Ethiopia is to the north; the Sudan to the northwest and Uganda lies directly to the west.

The Southwestern border of the country is marked by Lake Victoria and the southern border by Mt. Kilimanjaro. Tanzania lies to the south of Kenya.

Kenya is where it all began: home to the original safari holiday and still one of the most popular destinations for safaris in the world. Famous not only for its 'Out of

Africa' scenic beauty, diverse cultures and abundant wildlife, Kenya also boasts superb footprint-free beaches and warm tropical waters, thus ensuring a complete Kenya safari holiday experience.

1.2 The Kenyan Coast

"This cannot be less than natural beauty, the endless sand, the reefs, the forests; the lot are completely unmatched in the world"

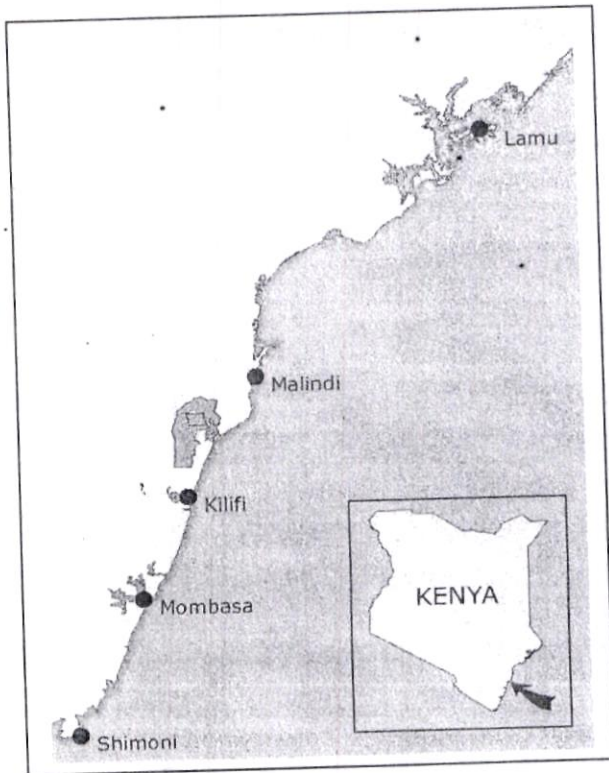
Ernst Hemmingway

Kenya's Coast Province is one hub of its tourist trade (the other being the safari regions of the country's interior). Though the province occupies more than just the coastline, it's the 480km of idyllic seashore that draw tourists like iron filings to a tropical magnet.

The coast has white beaches with palm trees, warm seas of aquamarine or turquoise, coral reefs, and golden sand dunes. The average temperature here is 28°C, an indolent heat that's partially relieved by the monsoon winds - the southeast Kaskazi from April to October and the northeast Kazi from November to March.

The coast is also an historical hotspot, as Kenya's early colonial history - featuring Portuguese invasion, naval battles with the Omani Arabs and a history of the slave trade - played out along its coastline. With Lamu and Mombasa's Old Town, there's more than

enough in the Coast Province to pique the interest of the historically inclined, and it hosts the largest number of hotel properties in Kenya. It offers a combination of historical sites, trading ports, superb beaches, and diverse bio-diversity with some of the rarest species of aquamarine life, birds, insects and plants.



Mombasa is the coast capital. It is the largest port in East Africa and has a population of around 1 million people. Mombasa hosts an international airport and is the gateway to the landlocked countries of Uganda, Rwanda and Burundi. It is an old port dating back to the 900 AD and the old city shows heavy influence of its previous colonialists.

To the south of Mombasa, where the site is located, *Diani* is the main coastal resort centre. A vibrant, intimate little paradise on the quiet shores of the Indian Ocean just south of Mombasa, incorporating Tiwi Beach, Galu Beach, Chale Island, Funzi Island, Msambweni and Kinondo.

1.3 The Site for the proposed Development - Shimoni

1.3.1 Background

In Swahili the word Shimoni means “the place of the cave”. The caves were formed millions of years ago, there are several caves which were once joined and reputed to extend for up to 5kms inwards. For centuries the caves were used as “KAYA’s which were shrines and also used as hiding places where the locals would go to avoid attack by marauding tribes from the hinterland.

The coastal village of Shimoni is located in the Kwale District, 75 kilometres south of Mombasa. A marrum road connects the village to the Mombasa – Tanzania main road. The strategic position of Shimoni village makes it an economic centre that attracts people from inter land and serves as a gate way to other areas like Wasini and Mupungutiya islands.

The geology of the area is dominated by coral rock and sand that are locally used for building and construction. The vegetation in Shimoni comprises mangrove forests, indigenous forest reserve, baobab and coconut trees.

Shimoni comprises of various features such as the shoreline, indigenous forest, former colonial structures, mosque, cave, shrines and a jetty, residential houses, shops, restaurants, fish market and the cemetery. These features are significant because of their historical, economic, recreational, spiritual, social and architectural values. These heritage assets bear evidence of the village development for centuries in architectural skill, fishing culture, colonial rule and the abolishing of slave trade.

Shimoni is a vibrant village where people engage in various activities. It has several residential buildings made out of locally available material such as coral rocks, sand, wood and thatch from coconut branches. Shimoni is connected to other places like Zanzibar through the sea. A jetty has been constructed for this purpose.

The former colonial structures that stand in ruins in Shimoni have a historical link with the cave. They were built by the British colonial masters in their quest to stop slave trade. They include former colonial administrative building, former colonial residential building and former colonial prison. These buildings were constructed using coral rocks, sand, wood and coconut thatch

The colonial cemetery is one of the historical sites in Shimoni that has a link with the cave and the former colonial buildings. It is situated between the old and the new Customs buildings.

1.3.2 Shimoni as a tourist attraction

1.3.2.1 Kisite-Mpunguti Marine National Park:

There is a beautiful coral reef that fringes Kisite Island. It consists of a gently sloping wall with an abundance of hard corals and varies in depth from the surface to 18m. These corals are home to over 360 species of fish. The wealth, diversity and colors of the fish are fantastic. There are large schools of blue lined snappers, hump-head snappers, fusiliers, rudder fish, spade fish and surgeon fish. You will also see the sad looking big eyes, regal, African and emperor angel fishes, thread finned, red finned, yellow head butterfly fish, parrot fish, giant sweet lips, giant snappers and Moorish idols

Turtles are often seen grazing on the corals, lionfish quietly watching you, blue spotted sting rays darting away as you glide along the reef, crocodile fish camouflaged in the sand, timid octopus and sleek looking squid. This area is home to several pods of dolphins, they are inquisitive, and there is a good chance that they may pass by to see who is there. Dolphin encounters are common in this area. Kisite Marine Park is a great dive for beginners or those who have not dived for a long time. It is a very relaxed easy dive with little or no current

Pemba Channel: Located on well stocked fishing grounds, the adjacent has a worldwide

reputation for sports angling. Many of IGFA Kenya, All Africa and World Records are obtained here.

1.3.2.2 Wasini Island:

It lies off the southern Indian Ocean coast of Kenya next to Shimoni. It is approximately 5 km long and 1 km across. The Island is sparsely populated and undeveloped. A site of early Swahili civilization, this coral island is occupied by the Vumba people, an indigenous group of Bantu speaking peoples who have a rich history. They speak Swahili and Kivumba and they number about 1500. Mkwiro and Wasini are the two villages present on the island - each at opposite ends. Their history includes invasion and settlement of Arab influence from the Persian Gulf states, and from the island of Zanzibar, further south.

1.3.2.3 Pemba Island

Known as "The Green Island" in Arabic is an island forming part of the Zanzibar archipelago, lying off the east coast of Africa in the Indian Ocean. It is situated about 50 kilometers to the north of the Unguja (the island proper of Zanzibar). In 1964 Zanzibar was united with the former colony of Tanganyika to form Tanzania. It lies 50 kilometers east of mainland Tanzania, across the Pemba Channel. Together with Mafia Island (south of Zanzibar), these three islands form the Spice Islands (not to be confused with the Maluku Islands of Indonesia). In 1988, the estimated population was 265,000, with an area of 980 km². Most of the island, which is hillier and more fertile than Zanzibar, is dominated by small scale farming. There is also large scale farming of cash crops such as cloves — there are over 3 million clove trees. There is a quite large Arab community on the island who emigrated from Oman. The population is a mix of Arab and original Waswahili inhabitants of the island. A significant portion of the population also identifies as Shirazi people. The most important towns in Pemba are Chake-Chake (the capital), Mkoani, and Wete, the largest city. The centrally located Chake-Chake is perched on a mound with a view to the west on a bay and the tiny Misali Island, where the tides determine when a dhow can enter the local harbor. Pemba is, with the exception of a strip of land along its east coast, a very fertile place: besides clove trees, the locals grow mainly rice, coconut, bananas, cassava and red beans, called *maharagwe* in Swahili.

Pemba is also becoming well known for its dive sites, with steep drop-offs, untouched coral and very abundant marine life.

2.0 The Concept

2.1 Historical Background

Historically the first known sailing boat was built in Egypt and used by the Pharaohs on river Nile for recreational purposes in BC 4000. A second sail dating way back to BC 100 was recorded in the ruin of sailing boats. Sailboats with three sails were used after AC 1400. Later on yachting as a recreational and sport activity was strengthened mainly in Holland and England.

In 1720, the first yachting club (Cork water Club) was established in Ireland. Since then the yacht construction techniques have rapidly increased and improved. The first marina development to cater for luxury boats was made in the USA in 1928. By mid 1960's in the USA there were about 350 fully equipped marinas. In the 20th century yachters' interests had expanded to other parts of the world particularly in Europe. There are approximately 800,000 private and commercial yachts in the Mediterranean. France, Italy and the Spain have 88% of the mooring capacity in the Mediterranean.

Since the World War II, boating has grown into a major leisure activity in the richer nations who are the main tourist to Kenyan coast. The construction of a marina will boost tourism by attracting this yachting fraternity. The sailing races have become part of Olympic programs since 1896. Kenya has never participated in these games despite its geographical location to the Indian Ocean coast.

2.2 The Concept of Marina Development

A marina is an eco-tourism concept of a sheltered harbor where boats and yachts are kept in the water and where services geared to the needs of recreational boating are found. The concept of marina development along the Kenyan coast was identified from the Kenya National Tourism Master Plan of 1995, and was deemed by the Corporation to be a viable investment worth promoting in order to strengthen beach tourism recreational products along the Kenyan coast through yachting activities.

A marina may be defined variably, however, in general terms, it may be described as a facility located on a body of water that provides secure moors, landing place (dock, berths jetties), piers ramps or slips and stores for pleasure (luxury boats) also known as yachts. Other facilities found at the marina include repairs, refueling, restaurant facilities, supplies car park and showers.

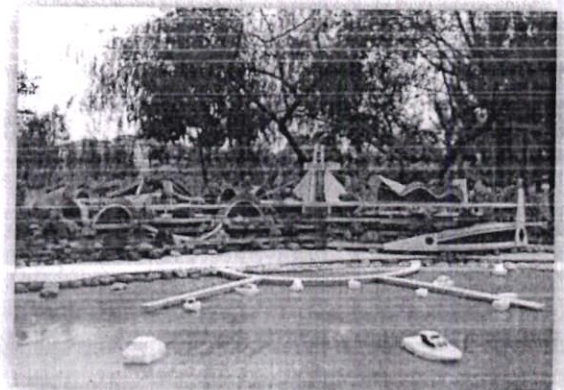


Figure 1: A graphical representation of a marina

Yachting on the other hand is a major type of active tourism besides health, cultural, golf and hunting. It may be described as a pastime excursive activity that involves entertaining, resting and a sporting type of tourist activity made by private and commercial type of medium sized boats. Yachting differs from cruise tourism in that it is not a regular transportation between ports unlike the cruise but takes place between bays, gulfs and sheltered areas, which cannot be legally classified as harbors.

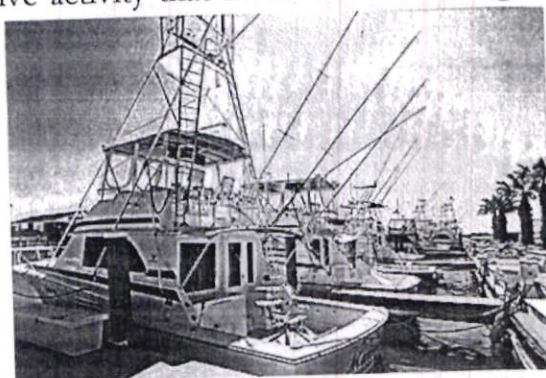


Figure 2: Bridge Harbor Yacht Club - Houston, USA

2.3 General Design Approach

The proposed marina development will provide berthing for over 50 vessels and be built to recognized international specifications & safety standards. The marina is constructed as a complex with harbors and sheltering infrastructure, repair workshop and administrative units that includes the following.

- Mooring facilities
- Slope for boat-lift
- Crane
- Boat-lifter
- Boat-house
- Club-house
- Information service facilities
- Training facilities
- Salvage boat
- Communication facilities
- Drainage and sewage pipes
- Water, electricity and lighting supply
- Breakwater
- Jetties and revetments



Figure 3: A small Marina at Brixham, Devon, England. The Vertical pilings attach the floating dock sections to the ground beneath the Water.

2.3.1 Mooring facilities

A docking facility is any marina, boat basin, marine terminal and any other areas on navigable waters containing a single structure or a collection of related structures such as docks, piers, bulkheads, breakwaters and pilings used for the reception, securing and protection of boats, ships, barges or other watercraft.

A mooring facility is defined as any device that is fixed in navigable waters to which a vessel can be made fast including buoys, chains, ropes, piles, spars and dolphins. A platform is generally a flat surface located in, on or over a water body, on which structures can be constructed or activities can be conducted.

2.3.2 Boat house

A boathouse (or boat house) is a building especially designed for the storage of boats, normally smaller craft for sports or leisure use. These are typically located on open water, such as on a river. Often the boats stored are rowing boats. Other boats such as punts or small motor boats may also be stored. Sometimes, a boathouse may be the headquarters of a boat club or rowing club. It may also include a restaurant, bar, and other leisure facilities, perhaps for members of an associated club. Boathouses are also sometimes modified to include living quarters for people, or the whole structure may be used as temporary or permanent housing.



2.3.3 Salvage boat

Marine salvage is the process of recovering a ship, its cargo, or other property after a shipwreck. Salvage encompasses towing, refloating a sunken or grounded vessel, or

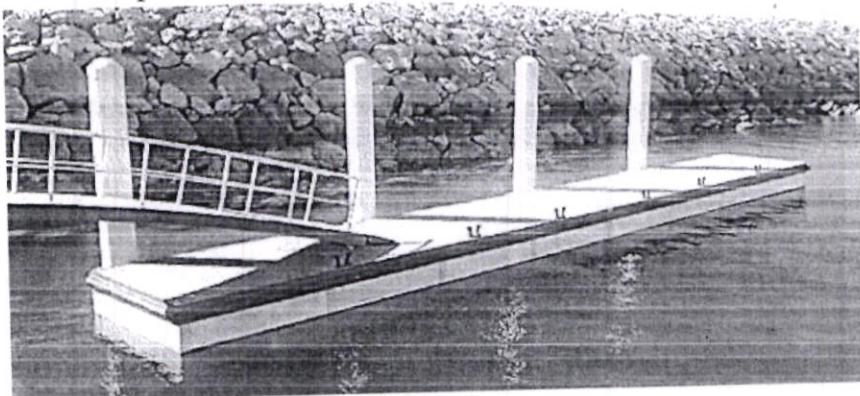
patching or repairing a ship. Today the protection of the environment from cargoes such as oil or other contaminants is often considered a high priority. "Salvors" are seamen and engineers who carry out salvage to vessels that are not owned by themselves, and who are not members of the vessel's original crew. The aim of the salvage may be to repair the vessel at a harbor or dry dock, or to clear a channel for navigation. Another reason for salvage may be to prevent pollution or damage to the marine environment. Alternatively the vessel or valuable parts of the vessel or its cargo may be recovered for its resale value, or for scrap.

2.3.4 Breakwaters

Breakwaters are structures constructed on coasts as part of coastal defense or to protect an anchorage from the effects of weather and longshore drift. Offshore breakwaters, also called bulkheads, reduce the intensity of wave action in inshore waters and thereby reduce coastal erosion or provide safe harborage. Breakwaters may also be small structures designed to protect a gently sloping beach and placed one to three hundred feet offshore in relatively shallow water. An anchorage is only safe if ships anchored there are protected from the force of high winds and powerful waves by some large underwater barrier which they can shelter behind. Natural harbors are formed by such barriers as headlands or reefs. Artificial harbors can be created with the help of breakwaters.

2.3.5 Jetties

A jetty is a structure at the water's edge, starting above high water mark. Extending into the water, often beyond the low water mark, it is designed to give access from the land to ships moored alongside it. A jetty may be a solid structure, like a very thick wall, but is often an open framework.



2.4 Site, Size and Location Characteristics

The suitability of a landing site for the yachting activities is very critical in the determination of a site for marina development. The proposed Shimoni site for marina development possesses the following characteristics:

- ✓ Have a natural protection from all major waves and currents.
- ✓ Water depth at the entrance to the marina as well as in deep-water part of the basin should be at least 4 meters. (*preferably between 4-10 metres*)
- ✓ The site is in relative proximity to Diani tourism resort with commercial, recreational and accommodation facilities
- ✓ Availability of land bordering on the main marina basin for sitting the structures necessary for functioning of the marina such as boat fuelling dock, parking, repair yards, stores and shopping centres.

2.4.1 Site Selection

In the site selection the following characteristics were considered

(i) Physical site characteristics

- Coasts and coastline
- The Sea bottom
- Onshore structures
- The beach
- Rock outcrops

(ii) Hydro-graphic and Hydrologic information

- Tidal range
- Exposure direction of the coastline to coming winds and waves
- The effective length
- Currents
- Fresh water input
- Oxygen concentration in the area
- Measurement for bacterial count



Figure 4: A Modern Marina in Turkey

(iii) *Sedimentary properties*

- River runoff
- Long shore current transporting littoral material
- The erosion of soft depositing fine material on the beach

(iv) *Biological Conditions*

- Benthic Flora and fauna
- Ecological study
- Fish species
- Terrestrial fauna and flora of the area

2.4.2 Proposed Facilities to be provided at and on the Berths

The facilities and services which should be installed at each berth include:

- Water supply
- Electricity and lighting systems
- Communication facilities
- Drainage and sewage facilities
- Fixed station or mobile refueling system should be provided
- International restaurants
- Accommodation facilities.

There should also be mobile garbage-bin collectors situated at convenient points along the jetties. Floating toilets located at several points close to the jetties, and connected to the sewerage pipeline system.

CHAPTER 3

3.0 Market Environment

3.1 Tourism in the Coast

The Kenyan Coastal region is one of the country's main attractions and hosts the largest number of hotel properties. It offers a combination of historical sites, trading ports, superb beaches, and diverse bio-diversity with some of the rarest species of aquamarine life, birds, insects and plants.

Undoubtedly, the Kenyan coastline has continued to be and remains a prime resource for tourism development. The growth of resorts at the coastal region has witnessed rapid expansion of tourist activities in the recent past with areas like Mombasa Island, South coast and North coast expanding steadily.

3.2 Economic Impact Assessment

There are a number of ways through which the proposed development can affect the local and regional economies:

3.2.1 Direct employment

Estimates of the number of direct jobs supported by the marina are based on its planned size and the number of boats forecast to use it each year. In addition, the concept considers the potential of the marina to attract investment from firms engaged in boat building, repairs, etc.

3.2.2 Employment linked to commercial development

The commercial development linked to the marina scheme will generate employment impacts of its own. The magnitude of these effects will depend on a number of factors, including the sectors involved and the occupancy rate at the premises.

3.2.3 Leisure and tourism

The key consideration is the extent to which the new facilities will draw in visitors and spend from elsewhere. The key issues here are:

- The number of visitor/leisure days of different types likely to be attracted; and,
- Associated daily spend by visitor.

3.2.4 Inward investment

Apart from investment linked directly to the marina, there is also a potential benefit to wider levels of investment. A number of factors determine the location choice of firms. The attractiveness of the surrounding area and the quality of its amenities are clearly factors that influence some decisions.

3.3 Competitive analysis of the Marina development

The competitive market area is narrowed down to South Africa, Seychelles, Mauritius, and Reunion Island.

The proposed marina is expected to receive a number of yachts from the Mediterranean through the Red Sea route cruising to South Africa, Seychelles, Mauritius and Reunion Island. The country's convenient position on the route in addition to its many tourism attractions would make it a natural stopover.

Chapter 4

4.0 Management and Operational Characteristics

4.1 Marina Operations

Notwithstanding the slow rate of exploitation of the Kenyan Coastline in cruise ship destination, the port of Mombasa is already attracting a sizeable share of this business and an increased cruise calls is envisaged in the near future. The proposed marina development therefore can ideally be located for travelers and sailors seeking the perfect port-of-call, as a base to explore and enjoy the wonders of coast tourism within a circuit covering Kenya, Zanzibar, Tanzania, Seychelles, Mauritius, South Africa, Reunion Islands and Madagascar.

4.2 Chartering a yacht

Yacht chartering, along the popular Mediterranean and the Caribbean Sea, is yet to grow in Kenya. Despite the beauty and fascination of the waters around Kenya's coastline, yacht chartering has been hampered by lack of infrastructure and low worldwide awareness of the region among other reasons. The development of the proposed marina would therefore mean that yachts will be chartered for cruising in less crowded waters, by power boat, traditional-style sailing junk or classic yachts. The marina is bound to be a base for charter operations but with facilities available to visiting yachts.

4.3 Keeping a yacht

The proposed development envisages making the region a yachting hub in the Indian Ocean coast with itineraries to evocative destinations such as Zanzibar, Mauritius, the Comoros, Madagascar and Seychelles as well as to South African region, with facilities better suited for large yachts and where most cruising sailors can make a stop-over. Visitors bringing their private pleasure boat may keep it moored at the facility and even those wishing to leave their boat while returning home for a period of time, can do so.

CHAPTER 5

5.0 Salient features in development of Marina

5.1 Security

The proximity of the Kenyan coast to the Somali borders, poses a great challenge from the Somali pirates who constantly monitors Indian Ocean waters for any possible attack on any sailing cruise ship or even the Yacht. Presently a number of cruise ship itineraries are being cancelled due to the fears of Somali pirates. There is need for inter-Governmental effort to stamp out this threat.

Safety of navigation has been one of the major security concerns to marina development and yachting activities. The yachts are luxury vessels which are very expensive to own and operate. Their safety and security is of great concern to the owners. The itinerary for a number of cruise ships targeting Kenyan coast have in the past, been cancelled due to security risks from Somali pirates. To facilitate the development of a marina, therefore, the Government should put in place measures to step up security concerns along the Kenya's coastline, through more patrols and constant surveillance. This is particularly critical considering the effects of the August 7th and Paradise hotel bombing that claimed the lives of over 200 Kenyans.

5.2 Funding

The proposed development of a marina will require a lot of financial resources. For example, a feasibility study for Leeward Marina Village, Turks and Caicos Islands, Caribbean contacted by Marina Projects Ltd., in 2006 established that the construction work on waterfront development and marina scheme could cost up to \$15 million equivalent to Kshs. 1,050million. *(The current projections might indicate even a higher figure.)*

5.3 Environment

Environmental consideration has become critical subject of concern for any meaningful project development. The development of a marina will certainly impact on marine ecosystem. For example; means of waste disposals, fuelling of boats, parking, repair yards, stores, excavation of the waterfront for pier and jetties construction, etc. these might impact negatively on the fragile ecosystem of the coast line. Hence, an Environmental Impact Assessment (EIA) must be conducted to establish major environmental problems arising from yacht tourism and the proposed measures to mitigate the adverse effects of the proposed marina. Thus, various institutions like NEMA must be engaged at the very initial stages of development to provide the necessary advice.

5.4 Technical Capacity and Skills Development.

The survey revealed the existence of technical capacity gaps that need to be addressed. Technical capacities/skills will be vital in the boat construction and repairs, pier and jetties construction, etc. Most personnel currently working in the sector are not certificated. The situation is even worse as you inquire into specific competencies i.e. safety, environment, search and rescue, etc

These issues are critical for the development of this sector and calls for establishment of the necessary mechanisms to facilitate the development of human capacities and strengthen Institutional capabilities in the Industry.

CHAPTER 6

6.0 CONCLUSION

It is important to point out that the waterfront along the coastal region, especially, Vanga, Shimoni, Watamu, Mtwapa, Kilifi, Malindi and Lamu have been gazetted by the Government as 'small ports' and have been brought under the jurisdiction of the Kenya Ports Authority. It is against this background that KPA should play a pivotal role in facilitating ownership and sustainability for the proposed project.

In addition, other authorities such as Kenya Maritime Authority, Kenya Wildlife Services, Marine Police Unit, Kenya Police, Kenya Fisheries, and other stakeholders that hitherto been involved in maritime activities be engaged for ownership and sustainability.

** The Following Observations should be noted **

6.1 Conservation of Bio-Diversity (Site 2)

Kenya's forests play many important roles: they trap and store rain water; regulate river flow and prevent flooding; help recharge ground water tables; improve soil fertility; reduce soil erosion and sediment load in river water; help regulate local climate conditions; and, act as carbon reservoirs and sinks. They also serve as cultural, ceremonial and recreational sites and provide a variety of wood and non-wood products.

The crucial role in soil and water conservation provides strong linkages with agriculture and tourism, which are the mainstay of the national economy. The agricultural sector contributes 30 percent of the GDP and provides the main livelihood for about 80 percent of the population. It employs 70 percent of the labour force, provides a large portion of the national food requirements and is a major source of export earnings.

Bio diversity constitutes a capital asset with great potential for yielding sustainable benefits. Capacities for the assessment, study and systematic observation and evaluation of bio diversity. The participation and support of local communities is essential to the success of conservancies. Through close coordination and fostering the traditional methods and the knowledge of indigenous people is relevant to the conservation of bio diversity and ensures equitable sharing of the economic and commercial benefits derived from the conservancy.

The forests at Shimoni are traditionally important for cultural ceremonies and as sacred sites to the local community (KAYA), and specific tree species have cultural values. It is estimated that 30,000 forest-adjacent households in the Kwale Msambweni area (which amount to nearly a million people living within five kilometers from the forests) derive direct benefits from the indigenous closed-canopy forests. Estimates further indicate that in some areas, the forestry sector contributes about 70 percent of the forest adjacent households' cash income.

6.2 Heritage assessment.

Cultural Heritage Impact Assessment must be undertaken in order to identify the impact that the proposed project construction and operation may have on the cultural heritage of the Area. The specific objectives of the CHIA include the following:

- To undertake a baseline study of the project area in order to identify all heritage resources
- To identify any Sites of Cultural Heritage (i.e. Proposed and Declared Monuments) within the project study area and assess any impacts that will arise from the proposed project and recommend mitigation measures as appropriate; and
- To identify the impacts to identified cultural heritage resources and recommend that mitigation for these resources.

6.3 Physical infrastructure

Provision of modern and well maintained physical infrastructure is key to the realization of marina development. Feeder roads leading to the proposed development sites should be re-planned, re-designed and constructed on priority basis. Power infrastructure should be expanded and upgraded in readiness for the anticipated demand. Priority should be given to the extension of power grids to the identified sites. Other notable infrastructure which need improvement include water supply, Sanitation, Drainage and Communication.

6.4 Environment Impact Assessment

Comprehensive Environment Impact Assessment is recommended. A proper waste management system should be put in place focusing on a long term plan so as to protect the fragile marine ecosystem.

6.5 Extended Economic Zones (EEZ): Prospects and Potential

The proposed Extended Economic Zones (EEZ from 200 nautical miles to 350 nautical miles provides great opportunities in the Maritime Sector. There is need for stakeholders like KMA to spearhead the development of the necessary economic infrastructure for the exploitation of the resources in the EEZ. This will be done after the delineation of the continental shelf is lodged with the United Nations.

6.6 Partnerships

The government should create enabling environment to encourage public/private partnerships in the development of this project in the short and long run. The viability of Marina Project development is unquestionable. Under the framework of Kenya Vision 2030, (in which tourism sector is to form one of the fundamental pillars in achieving the goals for the vision), due attention should be given to the proposal for effective implementation.

6.7 Zoning

The area need to be zoned so as to control the area development. Zoning will include restrictions in different zoning areas, such as height of buildings, use of green space, density (number of structures in a certain area), use of lots, and types of businesses.

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KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT- FOURTH SESSION

THE DEPARTMENTAL COMMITTEE ON HEALTH

**REPORT ON ALLEGED IRREGULARITIES
ON THE ROLLING-OUT OF THE CIVIL
SERVANTS' OUT-PATIENT MEDICAL
INSURANCE SCHEME**

May 31, 2012

(VOL. I)

Clerk's Chambers
Parliament Buildings
NAIROBI

May, 2012

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PREFACE

Mr. Speaker,

The Departmental Committee on Health was constituted in June 2009 pursuant to provisions of Standing Order 198. The Committee is mandated to among other things, to investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments. The Members of the Committee are-

(i) The Hon. (Dr.) Robert O. Monda, M.P.- Chairman

(ii) The Hon (Dr.) Nuh Nassir Abdi, MP

(iii) The Hon. Sheikh Mohamed Dor, MP

(iv) The Hon. Cyprian Omolo, M.P

(v) The Hon. Thomas M. Mwadeghu, MP

(vi) The Hon.(Dr.) Victor Kioko Munyaka , M.P.

(vii) The Hon. (Dr.) Esell Simiyu, MP

(viii) The Hon. Joseph Oyugi Magwanga, M.P

(ix) The Hon. Fredrick Outa, M.P

(x) The Hon. Joseph Lekuton, M.P

Mr. Speaker,

The provision, access to and maintenance of affordable and the highest quality of health care to all citizens is a condition precedent for achieving faster socio-economic development in both developed and developing countries. The vision for a healthy nation in Kenya was contained in the 1965 landmark national building and socio-economic development blue print – the Sessional Paper No. 10 on African Socialism and its application to Kenya – that emphasized the elimination of disease, poverty and illiteracy. The momentum for health development and reforms in Kenya is bolstered by the Constitution of Kenya, 2010 in Chapter 4 – Bill of rights, which provides in Section 43(a) that (1) every person has the right to the highest attainable standard of health,





which includes the right to healthcare services, including reproductive healthcare"; further, subsection (2) stipulates that "a person shall not be denied emergency medical treatment.

Mr. Speaker,

The key challenge for the Government is manifested in its insufficient health budgets, competing socio-economic development demands, deteriorating economic conditions, combined with burgeoning health problems such as the HIV/AIDS pandemic. These have led to an acute shortage of health workers (WHO: 2006) shortage of drug and medical supplies, unaffordable out-of-pocket costs for health services' consumers, poorly remunerated health personnel or non-payment of health workers, poor quality of care, and inequitable health care services in many low income and transition countries.

Mr. Speaker,

Summarized in this Report, are excerpts of the evidence adduced by various key individuals from the private and public health sectors including senior government officials from the , findings and recommendations of the Committee.

Key among the matters that the Committee sought to investigate and establish were:-

(i) Whether the NHIF accredited facilities run by the private health service providers had the requisite infrastructure and capacity to offer the services enlisted under the Scheme:

(ii) Whether civil servants and members of the disciplined forces were accorded the opportunity to make a choice on the facilities from which they could access medical care – a basic principle of the capitation model in healthcare provision;

(iii) Whether the private health facilities had the appropriate geographical spread;

(iv) Whether some of the facilities/clinics accredited by the NHIF were actually located in the designated areas or were non-existent.



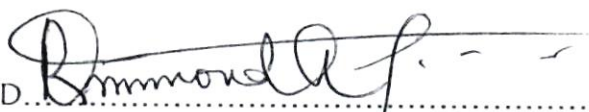
Mr. Speaker,
In sum, the Committee confirmed that there were irregularities on the rolling out of the Civil Servants out-patient medical insurance scheme. They were, however, unanimous

Mr. Speaker,
The Committee made several recommendations. In spite of the emergent challenges facing the Medical Insurance Scheme for Civil Servants and Disciplined Forces, the scheme should continue. Further, an Inter-Ministerial Committee should be constituted to advise the parties on the smooth implementation of all aspects of the scheme including their capacities and appropriate geographical spread. Members must be accorded ample time to indicate a facility of their choice. The Committee also recommends appropriate audits to be undertaken to ascertain value for money on the four (4) aspects of the scheme including In-patient and Out-patient, Group Life and Last expense. The Committee also recognizes that there are already ongoing investigations and proposes that they expedite their work. In addition, the Committee proposes that appropriate structures be put in place to ensure that all members access quality healthcare. The Committee also proposes establishment of a healthcare regulatory authority that will oversee and regulate the administration of all healthcare insurance and benefits schemes including those offered by the NHIF.

Mr. Speaker,
This Report also documents the Committee's findings. In summary, the Committee found out that the conceptualization and subsequent roll-out of the Medical Insurance Scheme for Civil Servants was highly rushed; the process of registration of healthcare providers was done in an uncoordinated and unsatisfactory manner. Further, members were assigned to some accredited private health facilities under the scheme without due regard to their actual geographical locations. The Committee also found out that the NHIF failed to undertake assessment of the capacity of the service providers accredited to ascertain their ability and capacity to offer primary healthcare and also establish their actual branch network in the country.

that with proper safeguards and due diligence, the benefits of the Scheme far outweigh the shortcomings. Volume 1 of this report contains the main report of the Committee, while Volume 2 contains the minutes of the proceedings of the Committee, papers laid and other annexures.

Mr. Speaker, It is therefore my pleasure to present and commend this report to the House.

SIGNED 

HON. (DR.) ROBERT MONDA, MP
CHAIRMAN, DEPARTMENTAL COMMITTEE ON HEALTH,

March 31, 2012



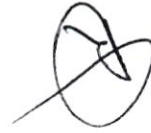
ACKNOWLEDGMENT

Mr. Speaker, on behalf of the Committee, I wish to sincerely thank you and the Presidium of the House for the enormous support accorded to the Committee during the period of the inquiry.

We also thank the Office of the Clerk for facilitating the Committee to undertake this assignment.

I also wish to share my gratitude to the staff of parliament, particularly the Committee's Secretariat who assisted the Committee to compile this Report.

I am also thankful to my colleagues in the Committee for their commitment and dedication during the inquiry. Together, they made the completion of this process worthwhile.



ADOPTION OF REPORT

WE, the undersigned Members of the Departmental Committee on Health were present during the meeting that adopted this Report. We participated in the said meeting, adopted the Report and requested the Chairperson to submit the Report to the

House-

(i) The Hon. (Dr.) Robert Monda, M.P.- Chairman:

(ii) The Hon. Nuh Nassir, MP:

(iii) The Hon. Sheikh Dor, MP :

(iv) The Hon. Cyprian Omolo, M.P. :

(v) The Hon. Thomas M. Mwadeghu, MP:

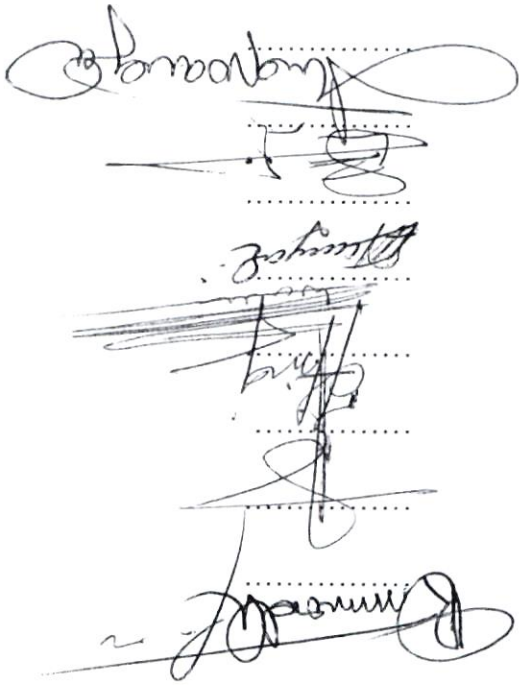
(vi) The Hon. ^{Dr} Munyaka Kioko, M.P.:

(vii) The Hon. (Dr.) Eseli Simiyu, MP:

(viii) The Hon. Joseph Oyugi Magwanga, M.P.:

(ix) The Hon. Fredrick Outa, M.P.:

(x) The Hon. Joseph Lekuton, M.P.:



May 30, 2012



THE NATIONAL HOSPITAL INSURANCE FUND: BACKGROUND

THE HEALTH SECTOR

Section 43 (Chapter 4 – Bill of rights)

1. Section 43 (a) of the Constitution provides that "(1) Every person has the right to highest attainable standard of health, which includes the right to health care services, including reproductive healthcare"; further, sub-section (2) stipulates that "A person shall not be denied emergency medical treatment"

The Health Sector

2. The Health Sector comprises of Ministries of Medical Services, Public Health and Sanitation, Research and Development sub-Sectors. The latter is a new sub-Sector, borne out of the realization that the government must harness in a structured and coordinated manner, the best possible human capital and research technology. This was intended to position the country among the modern world economies that are increasingly globalized and knowledge based.

Health Financing

3. To ensure universal and equitable access to quality health services, the Governments have been encouraged to earmark a sufficient share of the public revenues for healthcare. As per the Abuja Declaration of 2001, countries were to earmark 15% of the national budget for the health sector but Kenya is yet to meet this target. The proportion allocated to Kenya's health sector for the current financial year stands at 8.5 percent.

4. Currently, Public financing for the Sector (recurrent and development) as a percentage of total Government expenditure estimated at about 2 percent of GDP and the public per capita health spending was \$12.6 in 2010/11. However, this amount remains inadequate when compared to the WHO recommendation of an average of \$44 per capita on health care.





7. The Kenyan epidemiological profile indicates that disease burden is still high. Top five causes of outpatient morbidity namely Malaria, Diseases of the Respiratory System, Diseases of the Skin, diarrhoea, and accidents account for about 70per cent of total

The Disease Profile

public medical facilities and research laboratories are obsolete /unserviceable.

6. Out of 7,395 health facilities in the public sector, the Government owns and operates 48 percent (273 hospitals, 579 Health centres and 2,716 dispensaries) of the facilities in the sector. The Private and Faith-Based Organizations (FBOs) health facilities complement the provision of health care through the remaining 46 percent (1,044 FBOs and 2,352 private) of health facilities. In view of the low investment in infrastructure, most of the public health facilities are old and dilapidated. Given the increases in population and the increase in demand for services, these facilities do not conform to current infrastructure norms and standards. Accessibility to the health facilities is estimated at 52 percent based on the 5km radius norm. However, there are variations in access in different parts of the country, with the worst areas being in the Northern part of the country. On average, 50 percent of the equipment in our public medical facilities and research laboratories are obsolete /unserviceable.

Physical Infrastructure of public health facilities

5. Kenya has an average of 16 doctors and 153 nurses per 100,000 populations, compared to WHO recommended minimum staffing levels of 36 and 356 doctors and nurses respectively per 100,000 population. Regarding the optimal staff establishment, the two ministries have staff establishment of 72,234 but only 47,247 have so far been approved. However, of the approved establishment, only about 38,000 positions are filled, leaving almost 9,000 positions vacant. The annual recruitment has not drastically altered the numbers because of the high level of attrition. Against the above background, it is apparent that the Sector is not able to adequately provide services to the citizens. These shortages in Human Resource have negative impact on the Sectors capacity to deliver services.

Human Resources



8. According to the National Health Accounts, the population coverage of private insurance is small but at about 700,000 lives only, compared to NHIF about 6.6million lives by 2010 estimates. At the same time, although private insurance companies and Medical Insurance providers MIPs controlled the largest share of health insurance funds (63%), they only covered about a tenth - of the population that NHIF covers. However, an analysis of the NHIF's membership profile carried out in June 2010 showed that, even though the Fund had increased its coverage from 3.3 million persons covered in 2003 to 6.6 million persons in 2010, only 17% of the total population of Kenya was covered as at 30th June, 2010.

Health Sector Insurance

causes of morbidity. Malaria contributes about a third of total morbidity. The leading causes of mortality are: Infectious and parasitic diseases (42 percent of total mortality in 2008) followed by Diseases of Respiratory System (11 percent), and Diseases of Circulatory System (7 percent). HIV prevalence estimates vary widely, but the latest estimates from the 2008/09 Kenya Demographic and Health Survey (KDHS) place the prevalence rate at 6.3 percent, slightly lower than the previous estimate of 6.7 percent (KDHS 2003). Although this reduction is minimal in terms of number of cases as compared to the total population, effective prevention programmes are considered for keeping infection rates low in the future.

THE NATIONAL HOSPITAL INSURANCE FUND (NHIF)

9. The National Hospital Insurance Fund (NHIF) was established based on the recommendation of Sessional Paper No. 10 of 1965, titled "African Socialism and its Application to Planning in Kenya". The Fund was originally set up under the NHIF Act of 1966 as a department under the Ministry of Health. At the time, NHIF's monthly contributions were Kshs. 5 per month. The original Act of Parliament has over the years been reviewed to accommodate the changing healthcare needs of the Kenyan population, employment and restructuring in the health sector. Currently, the Fund derives its mandate from the NHIF Act (Act No. 9 of 1998). The Fund has had its fair share of challenges of governance structures, mostly in 1980s and 1990s. However, since 2003, following significant public sector reforms instituted, particularly those focusing on ensuring that State Corporations actively executed their mandates, the Fund has recorded tremendous growth in terms of corporate governance, medical insurance market access and increased benefit payout ratio.

10. As the Government's key medical insurance vehicle in health financing, the Fund has been undergoing major reforms, mostly since 2006. These include: reformed governance structures with the Board playing a keener role in protecting the interests of contributors; expansion of medical insurance coverage, mostly, through roll-out of additional branches and innovative technology; targeting of the informal sector and roll-out of new products; improved efficiency has also become the focus of the Fund and its employees with continued restructuring of the employee complement so as to reduce the previously bloated workforce and improve productivity and efficiency; recovery of lost assets through litigation against collapsed institutions in which investments were held; and enforcement of compliance by employers in statutory deductions to ensure timely contributions and remittance of workers' dues is a key strategic initiative.





13. According to the same source, the Fund has also experienced growth in membership cover, from a rebate based cover that could only meet the cost of bed charges to comprehensive In & Out-Patient services. However, the Committee has been of the view that the current cover is not sufficient and should be expanded to cover In & Out-Patient services at all public and private hospitals. The enhanced cover should be gradually expanded and payable through reduced administrative costs at the NHIF. The Fund has also gradually embraced use of technology by replacing the paper based membership cards with electronic cards and electronic collection of contributions, including by way of the *M-Pesa, money transfer* that mainly target the informal sector.

12. According to a study by *Delloite* titled "Strategic Review of the NHIF – Kenya (October 2011), as at August 2011, NHIF remains the main provider of health insurance in the Country in terms of number of contributors compared to other schemes. However, it is the only mandatory insurance scheme in Kenya. The Fund's membership is said to have grown by more than 85% during the period, 2006 to 2011, with the highest growth being in the informal sector, which grew by over 700%. It was reported that the Fund had 102,000 members from the informal sector in 2006, which rose to 2.5 million by August, 2011, with a two-fold rise in accredited hospitals from 300 to 610 during the same period. At the same time, the Benefit Payout Ratio (BPR), which is a measure of the proportion of contributions that goes into payment of medical bills was said to have grown by 94.3% from 35% in 2005 to 68%. WHO standard recommends a BPR of 80%.

Recent Growth

11. Instructively, NHIF is said to be perceived as a healthcare institution and not so much as a healthcare financier, which is its actual core function. The Fund's link to the Ministry of Medical Services has enhanced this perception.



17. According to the study by *Delloite* (2010), NHIF operates as a parastatal, mainly due to its historic evolution from being a Department under the Ministry of Health. The legal framework builds-in the autonomy for the Fund. This autonomy is ensured through the governance structures which include the Board of Directors comprising representatives of contributors. The corporate identity, which is how NHIF sees itself and conducts its operation, is directly influenced by its legal framework. As a result,

16. The legal framework of NHIF recognizes that the Fund's main responsibility is protecting the interests of its contributors. This is because NHIF receives contributions from members (contributors) and provides the benefit package to its contributors and their dependents. The Fund does not receive any contributions from any other source other than members. Indeed, the Management of the Fund and the Ministers of State for Public Services and for Medical Services have, before the Committee, rightfully described the NHIF as a "members club". Therefore, under the current mandate, NHIF is not a universal health insurer.

15. NHIF is regulated under the NHIF Act of 1998 which outlines the mandate and core functions of the Fund. This legal framework is the main driver of the governance within NHIF. As a parastatal, NHIF is also governed under State Corporations Act, Public Audit Act and other statutes relevant to state corporations.

Legal Framework

14. The Fund's core mandate, from inception, was to provide medical insurance cover (hospitalization cover) to all its members and their declared dependents (spouse and children). The NHIF membership is open to all Kenyans who have attained the age of 18 years and have a monthly income of more than Kshs.1,000. NHIF's mandate ensured that formally employed salaried people were required by the Act to contribute to the Fund through their employers.

Mandate of NHIF