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REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
 FINANCIAL STATEMENTS OF KENYA TOURIST DEVELOPMENT
 CORPORATION (KTDC) – UTALII INVESTMENTS LIMITED FOR THE YEAR
 ENDED 30 JUNE 2005

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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA TOURIST DEVELOPMENT CORPORATION (KTDC) – UTALII INVESTMENTS LIMITED FOR THE YEAR ENDED 30 JUNE 2005

I have audited the financial statements of Kenya Tourist Development Corporation (KTDC) – Utalii Investments Limited for the year ended 30 June 2005 in accordance with the provisions of section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and the Controller and Auditor General

As set out in the statement of directors' responsibilities, the directors are responsible for the preparation of financial statements which give a true and fair view of the Company's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of Opinion

The audit was conducted in accordance with the International standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of financial statements. I believe my audit provides reasonable basis for my opinion.

Comments

1. Irregular Advances from Privatization Proceeds Account

As pointed out in the previous years reports, concern was raised over privatization proceeds of Kshs.10,214,358 withdrawn from a fixed deposit

account and used to finance house loans to two senior officers apparently without approval of the Board of Directors and Treasury and contrary to the Treasury circular No. 351/03 of 26 April, 1993. As at 30 June 2005, loans totalling Kshs.7,692,216 were still outstanding against the two former officers. The irregular use of privatization proceeds as loans to the two officers has not been explained. In addition, no signed loan agreement specifying repayment terms and collateral information was availed for audit review. In the circumstances, full recovery of the loans from the former employees appears doubtful and any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements.

2. Non-Payment of Corporation Tax

As pointed out in the previous years reports, the Company owed Kenya Revenue Authority Kshs.2,748,315 as at 30 June 2004 being outstanding tax liability. The outstanding tax liability increased to Kshs.2,828,186 as at 30 June 2005. The company has not complied with various aspects of the Income Tax Act and as stated previously has not justified why the tax liability has not been paid. No provision has been made in these financial statements for possible penalties and interest charges that may arise as a result of non compliance with the Tax Act.

3. Going Concern

I draw attention to Note 3 to the financial statements which gives disclosure concerning winding up of the company.

Opinion

Except for the foregoing reservations, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Company at 30 June 2005 and of its surplus and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenya Companies Act (Cap 486).



E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

15 March 2006

KTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

BOARD OF DIRECTORS AS AT 30 JUNE 2005

Mr. Mutua P. Nzoka	-Chairman
Mrs Rebecca M. Nabutola	-The Permanent Secretary Ministry of Tourism and Wildlife
Mr. Joseph Kinyua	-The Permanent Secretary, Ministry of Finance
Mr. Hassan M. Kiage	-Member

COMPANY SECRETARY

Mrs. Jane Ikiunga Kyaka

REGISTERED OFFICE

Utalii House
Uhuru Highway
P.O Box 42013
NAIROBI

AUDITORS

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

BANKERS

Kenya Commercial Bank Limited
P.O Box 7206
NAIROBI



KTDC UTAHII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

REPORT OF THE DIRECTORS

1. The Directors have pleasure in submitting their Report and Audited Accounts for the year ended 30 June 2005.

2. Principal Activity

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

3. Dividend

The Directors do not recommend payment of any dividend.



BY ORDER OF THE BOARD

Mrs. Jane Ikiunga Kyaka
COMPANY SECRETARY

Date 30/9/2005

KTDC UTAH INVESTMENTS LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005.

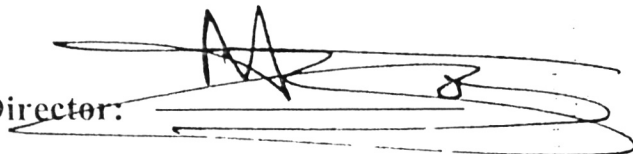
The companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of the company as at the end of the financial year and its operating results for that year. It also requires the directors to ensure that the company keeps proper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

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


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

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

Director:



Date:

03/06/05 

Director:



Date:

13/10/05

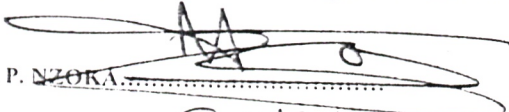
KTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

BALANCE SHEET AS AT 30 JUNE 2005

	Note	2005 KShs	2004 KShs
ASSETS			
Non-Current Assets			
Investments at Cost	2	446,711	446,711
		<u>446,711</u>	<u>446,711</u>
Current Assets			
Debtors	3	30,126,277	29,598,206
Cash and cash Equivalents	4	63,082	286,363
		<u>30,189,359</u>	<u>29,884,569</u>
TOTAL ASSETS		<u>30,636,070</u>	<u>30,331,280</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital	5	2,000,000	2,000,000
Profit and Loss Account		25,684,614	25,490,495
		<u>27,684,614</u>	<u>27,490,495</u>
Current Liabilities			
Creditors and Provisions	6	123,270	92,470
Corporation Tax	7	2,828,186	2,748,315
		<u>2,951,456</u>	<u>2,840,785</u>
TOTAL EQUITY AND LIABILITIES		<u>30,636,070</u>	<u>30,331,280</u>

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

MUTUA P. NZOKA  CHAIRMAN

DATE 03/10/05

JANE IKIUNGA KYAKA  COMPANY SECRETARY

DATE 30/9/2005

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

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

KTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2005

	2005 <u>KShs</u>	2004 <u>KShs</u>
<u>TURNOVER</u>	<u>311,012</u>	<u>427,931</u>
Net Profit after taxation	<u>194,119</u>	<u>273,652</u>
Retained Profit For the Year	<u>194,119</u>	<u>273,652</u>

STATEMENT OF RETAINED PROFITS

01 July as stated	25,490,495	25,216,843
Retained Profit for the year	<u>194,119</u>	<u>273,652</u>
Carried forward on 30 June	<u>25,684,614</u>	<u>25,490,495</u>

KTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 KShs	2004 KShs
<u>TURNOVER</u>		<u>311,012</u>	<u>427,931</u>
<u>INCOME</u>			
Dividend Income	8	66,441	55,440
Other Income	9	244,571	372,491
<u>TOTAL INCOME</u>		<u>311,012</u>	<u>427,931</u>
<u>EXPENSES</u>			
Printing & Stationery		10,800	8,100
Audit fees		20,000	20,000
Honorarium		-	6,000
Bank charges		2,900	2,900
<u>TOTAL EXPENSES</u>		<u>33,700</u>	<u>37,000</u>
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION		277,312	390,931
Less: Provision for Taxation		83,193	117,279
RETAINED PROFIT FOR THE YEAR		<u>194,119</u>	<u>273,652</u>

KTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	<u>KShs</u>	<u>KShs</u>
<u>Cash flows from operating activities:</u>		
Profit for the year before taxation	277,312	390,931
Adjustments:		
Investment Income (Dividend)	(66,441)	(55,440)
Operating Profit/(Loss) before Working Capital Changes	210,871.00	335,491
(Increase)/Decrease in Debtors	(528,071)	(1,156,461)
Increase/(Decrease) in Creditors	30,800	28,100
Cash generated from operations	(286,400)	(792,870)
Income Tax paid	(3,322)	(2,772)
Net Cash inflow/(outflow) from Operating Activities	<u>(289,722)</u>	<u>(795,642)</u>
<u>Cash flows from Investing Activities</u>		
Dividends received	66,441	55,440
Net Cash inflow/(Outflow) from Investing Activities	<u>66,441</u>	<u>55,440</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(223,281)	(740,202)
Cash and Cash Equivalents at beginning of the period	286,363	1,026,565
Cash and Cash Equivalents at end of the period	<u>63,082</u>	<u>286,363</u>
Note		
<u>Cash & Cash Equivalents</u>		
Cash at Bank and in Hand	63,082	286,363
Cash and Cash Equivalents at end of the period	<u>63,082</u>	<u>286,363</u>

KTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	<u>KShs</u>	<u>KShs</u>
<u>Cash flows from operating activities:</u>		
Profit for the year before taxation	277,312	390,931
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KTDC UTALI INVESTMENT LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

1. ACCOUNTING POLICIES

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

(a) BASIS OF ACCOUNTING

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

(b) INCOME RECOGNITION

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

(c) INVESTMENTS

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

(d) CASH AND CASH EQUIVALENTS

These comprise cash at bank and in hand. As at 30 June 2005 there was no cash in hand. These are net of bank overdrafts where applicable.

KTDC UTALII INVESTMENT LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

2.	SCHEDULE OF INVESTMENTS AT COST	No. Of Shares	2005	2004
			<u>Kshs</u>	<u>Kshs</u>
			Cost paid	Cost paid
			<u>Kshs</u>	<u>Kshs</u>
1.	Express (K) Limited	330,800	418,268	418,268
2.	CFC Bank Limited	79,200	28,443	28,443
		410,000	446,711	446,711

3.	DEBTORS	2005	2004
		<u>Kshs</u>	<u>Kshs</u>
These Comprise:			
	Robert Kiattu House loan	1,661,294	2,082,843
	Patrick Mutemi House loan	6,030,922	6,246,922
	KTDC	22,433,341	21,267,721
	KCB University Way	720	720
		30,126,277	29,598,206

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

Amount due from KCB University way refer to a Cheque book requested once but Bank charged twice and Bank has been requested to reverse this second entry.

The Loan repayment by Patrick Mutemi is irregular and realised only Ksh. 216,000 during the year(2004 Ksh. 170,145).

Interest accrual has been suspended as indicated in note 9.

4.	CASH AND CASH EQUIVALENTS	2005	2004
		<u>Kshs</u>	<u>Kshs</u>
These comprise:			
	Cash at Bank and In Hand	63,082	286,363
		63,082	286,363

KTDC UTALII INVESTMENT LIMITED

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ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

5. **SHARE CAPITAL**

The share capital consists of 100,000 ordinary shares of shs. 20 each fully paid for by Kenya Tourist Development Corporation.

6. **CREDITORS AND PROVISIONS**

	2005	2004
	<u>Kshs</u>	<u>Kshs</u>
Audit fees	80,000	60,000
Provision for printing	43,270	32,470
	<u>123,270</u>	<u>92,470</u>

Provision for printing is the amount provided for the spiral binding of the Annual Report and Accounts after P the audit

7. **TAXATION**

Brought forward on 01 July	2,748,315	2,633,808
Provision for the year	83,193	117,279
	<u>2,831,508</u>	<u>2,751,087</u>
Less: Withholding & Corporation taxes paid	3,322	2,772
Carried forward on 30th June	<u>2,828,186</u>	<u>2,748,315</u>

8. **DIVIDEND INCOME**

This was declared within the year and earned from the shares held in:

CFC Bank Limited	<u>66,441</u>	<u>55,440</u>
	<u>66,441</u>	<u>55,440</u>

Express kenya Limited did not declare dividend for its financial year ended 31 December 2004 (2003 - Nil).

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005**

9.	OTHER INCOME	2005	2004
		<u>Kshs</u>	<u>Kshs</u>
	This refers to the following:		
	Interest on Robert Kiattu House Loan	244,571	242,581
	Sale of Rights in Express kenya Ltd	-	129,910
		<u>244,571</u>	<u>372,491</u>

The accrual of interest due on Patrick Mutemi House loan was first suspended during 2003/2004 year as it was evident that it may not be realised since loan repayment was irregular then. The loan repayment continued to be irregular even during the current year. Consequently, as with last year the interest charged during the current year of Ksh 1,000,965 has not been accrued (2004 Ksh 1,098,017). However, interest is still being charged to the loan statement and is demanded.