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# KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF KENYA TOURIST, DEVELOPMENT  
CORPORATION FOR THE YEAR ENDED 30 JUNE 2005



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# KENYA TOURIST DEVELOPMENT CORPORATION

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2005.

### CONTENTS

### Page

Board members

1

Statement of directors responsibility

2

Balance sheet

3

Profit and Loss account

4

Statement of changes in Equity

5

Cashflow statement

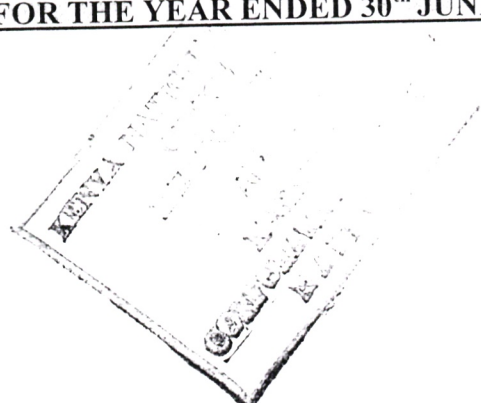
6- 7

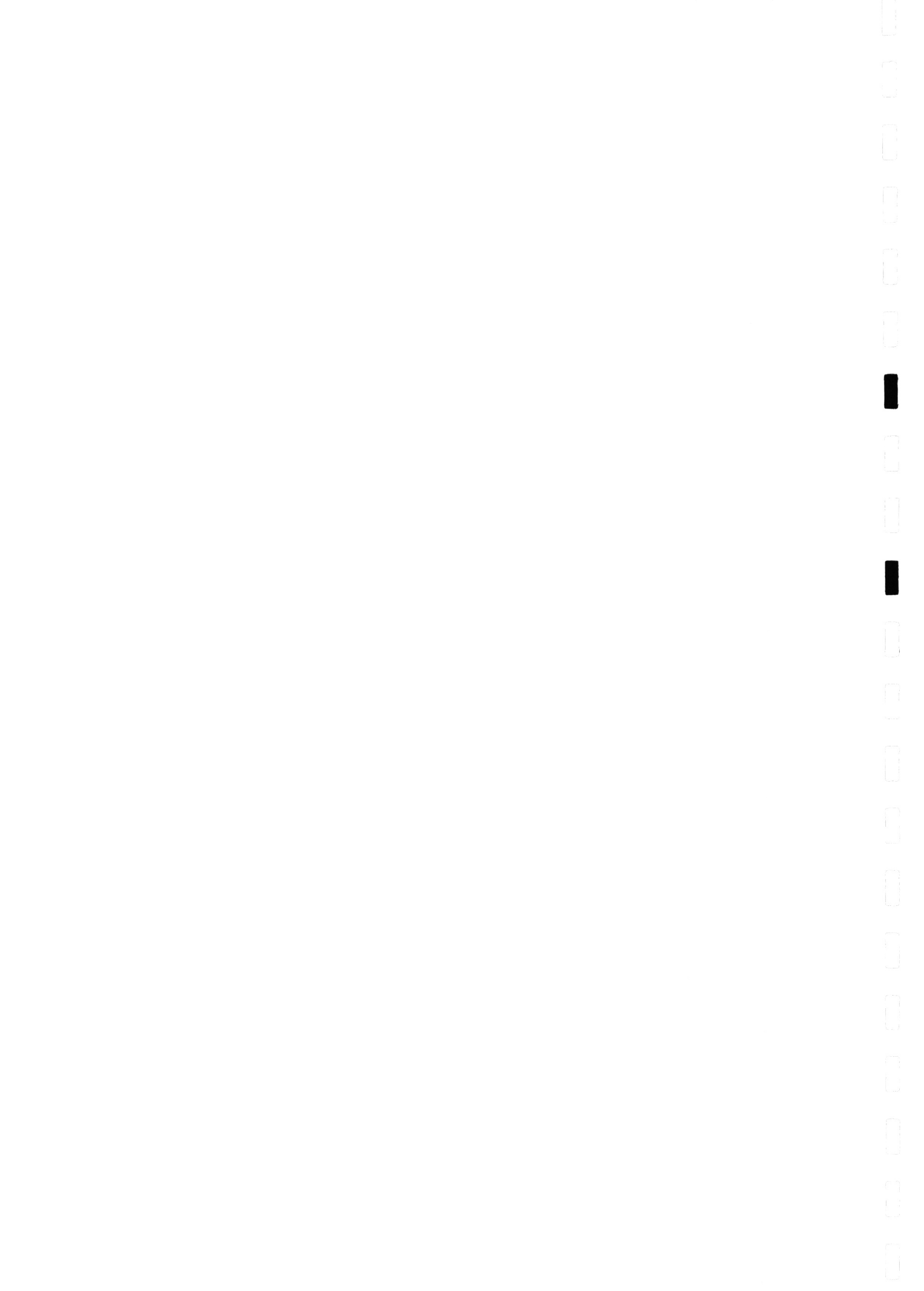
Accounting policies

8- 9

Notes to the financial statements

10- 20







## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA TOURIST, DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE 2005

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I have audited the financial statements of Kenya Tourist Development Corporation 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 book 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 Corporation'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 the financial statements. I believe my audit provides a reasonable basis for my opinion.

#### Comments

##### 1. Commercial Loans

##### 1.1. Loan to Metro Enterprises

During the year under review the Corporation approved a commercial loan of Kshs.60million for M/S Metro Enterprises Limited without following the

Corporation's lending policies which require that the loanees provide K.T.D.C. with audited financial statements for the last four (4) years, titles of the property provided as security to be charged be free from any encumbrances and be valued by independent K.T.D.C. valuers and that the loan funds approved be disbursed to the appointed contractor directly and not to the borrower to avoid diverting loan funds to purposes other than the intended project. An initial disbursement of Kshs.30million to Metro Enterprises Limited was paid to one of the directors and not the contractor contrary to section 9.1/2 (i) of the lending policy. Under the circumstances it is clearly evident that the loan was approved and half of it disbursed without following the laid down lending policies and procedures of the corporation and therefore the recoverability of the loan cannot be ascertained.

### **1.2. Loan to Kithyululu Farm Limited**

In 1997 the Corporation advanced a loan of Kshs.19.5million to Kithyululu Farm Ltd that was guaranteed by the directors of the farm and secured by land plot No. 12767/30 registered in the names of the guarantors. However, Mr. and Mrs Mulinge ceased to be directors of Kithyululu Farm Ltd and were in the event discharged of their guarantee in November 2004 on the understanding that the land which secured the loan would be transferred to a Mr. Muthemba as the major shareholder of Kithyululu Farm Ltd. The land is however, still registered in the names of former directors. Under the circumstances the security and recoverability of the loan of Kshs.19,507,566 outstanding plus accrued interest of Kshs.21,804,435, all totalling to Kshs.41,312,001 as at 30 June 2005 cannot be ascertained.

### **1.3 Loans to Garden Hotel Limited (Machakos) and Church Road Development Company Limited**

During the financial year 2000/2001, Garden Hotel Limited (Machakos) and Church Road Development Company Ltd were advanced loans of Kshs.20.5million and Kshs.28million respectively, for which the two companies offered adequate securities. However, as at 30 June 2005, the outstanding loans of Kshs.48,749,172 had accumulated accrued interest of Kshs.49,221,684. The charged securities amounts in respect of the loans so far outstanding is not adequate to secure the loans while at the same time the corporation has made little progress in recovery efforts. In the circumstances, recoverability of these loans together with the accrued interest cannot be ascertained.

### **1.4 Loans to Hotels Big Five Limited and Mt. Elgon Agencies Ltd**

In 1997, the Corporation approved a loan of Kshs.4million to Mt. Elgon Agencies Ltd and as at 30 June 2005, Kshs.9,778,089 remained outstanding as principal and accrued interest. Further, the Corporation advanced a loan of Kshs.5.4 million during the year under review to Hotel Big Five Limited without compliance

# KENYA TOURIST DEVELOPMENT CORPORATION

## STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2005.

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

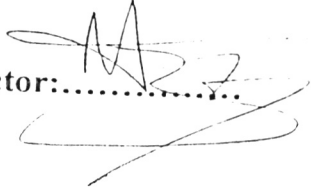
The directors accept the responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards and the requirements of the KTDC Act and the February 1991 Treasury guidelines on Investment.

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 Corporation 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 Corporation will not remain a going concern for at least twelve months from the date of this statement.

Director: 

Date: 7/10/2005

Director: 

Date: 7/10/05

# **KENYA TOURIST DEVELOPMENT CORPORATION**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

### **BOARD OF DIRECTORS**

The Directors who served during the financial year are as shown below:

Mr. Richard M. Maina	-	Chairman
Mr. Hamisi Mboga	-	Vice Chairman
Mr. Mutua P. Nzoka	-	Managing Director
Mrs. Rebecca M. Nabutola	-	Permanent Secretary, Ministry of Tourism and Wildlife
Mr. Joseph Kinyua	-	Permanent Secretary, Ministry of Finance
Mrs. Rachael Arunga	-	Permanent Secretary, Ministry of Environment, Natural Resource and Wildlife
Mr. Joash Olum	Member	
Ms. Patricia Awori	Member	
Mr Anthony Musau	Member	
Mr. Samuel Waiganjo	Member	

### **CORPORATION SECRETARY**

Mrs. Jane Ikiunga Kyaka

### **REGISTERED OFFICE**

Utalii House  
Uhuru Highway  
P.o Box 42013  
NAIROBI

### **AUDITORS**

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

### **NAIROBI**

### **BANKERS**

Kenya Commercial Bank Limited  
University Way  
P.O Box 7206

### **NAIROBI**

with K.T.D.C. lending policies such as valuation of the property as required by clause 6.8 (e) of the corporation lending policy. No loan security documents for both loans were availed for audit verification. Under the circumstances, it was not possible to confirm that the two loans are properly and adequately secured.

## **2. Debtors and Prepayments**

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 includes 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.

## **3. Privatization Proceeds**

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 Kenya Commercial Bank University Way Branch without approval from the Treasury contrary to Treasury circular No. 351/03 of 26 April, 1993. Under the circumstances it is evident that the Corporation is in breach of Treasury instructions. It has also not been possible to confirm that any moneys withdrawn from the privatization proceeds account have been applied in accordance with Treasury circular No. 351/03 of 26 April, 1993 which stipulates that the bank accounts will be operated jointly by the Chief Executive Officer of the relevant "holding company" and the Permanent Secretary, Treasury.

## **4. Investments**

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.

## **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 Corporation as at 30 June 2005 and of its profit and

cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Kenya Tourist Development Corporation Act (Cap 382).



**E.N. MWAI**  
**CONTROLLER AND AUDITOR GENERAL**

Nairobi

24 April 2006

# KENYA TOURIST DEVELOPMENT CORPORATION

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### BALANCE SHEET

	Note	2005 KShs	2004 KShs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	2	577,411,433	547,544,121
Investments and Loans	3	689,271,343	516,834,219
		<u>1,266,682,776</u>	<u>1,064,378,340</u>
<b>Current Assets</b>			
Debtors and Prepayments	4	116,522,840	110,198,692
Cash and Cash Equivalents	5	117,790,889	275,894,333
		<u>234,313,729</u>	<u>386,093,025</u>
<b>TOTAL ASSETS</b>		<u>1,500,996,505</u>	<u>1,450,471,365</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Equity Funds		106,000,000	106,000,000
Pre-Investment Studies Grant		281,212	281,212
General Fund	6	1,072,934,454	1,122,589,206
Restructuring Reserve	7	88,580,842	88,580,842
		<u>1,267,796,508</u>	<u>1,317,451,260</u>
<b>Non-Current Liabilities</b>			
Irredeemable GOK Revolving Funds Loan		48,000,000	48,000,000
Redeemable Long Term Loan	8	-	2,028,499
Employees Benefits Provision		21,165,779	19,630,248
Deferred Tax Liability	22	81,091,359	-
		<u>150,257,138</u>	<u>69,658,747</u>
<b>Current Liabilities</b>			
Current Maturity For Long Term Loan	8	2,028,499	1,966,778
Creditors and Provisions	9	80,655,961	56,705,207
Corporation Tax	6 (c)	-	(2,376,332)
Bank Overdraft		258,399	7,065,705
		<u>82,942,859</u>	<u>63,361,358</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,500,996,505</u>	<u>1,450,471,365</u>

The financial statements were approved by Board of Directors on 6/10/05 and were signed on its behalf by:-

 CHAIRMAN

 MANAGING DIRECTOR

The Balance Sheet, Profit and Loss account, Statement of changes in Equity 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 8 to 20.

The Statement of Directors Responsibilities is on Page 2.



# KENYA TOURIST DEVELOPMENT CORPORATION

4

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### PROFIT AND LOSS ACCOUNT

	Note	2005 <u>KShs</u>	2004 <u>KShs</u>
<b>INCOME</b>			
Interest From Commercial Fund Loans		30,451,317	22,459,208
Rental Income		79,780,087	74,351,798
Revolving Fund Loans Interest		5,527,636	7,211,715
Dividend Income	14	10,149,270	15,977,752
Bank Deposit Interest Income	15	7,529,784	2,795,865
Other Income	16	9,291,985	4,102,278
<b>TOTAL OPERATING INCOME BEFORE EXPENSES</b>		<u><b>142,730,079</b></u>	<u><b>126,898,616</b></u>
<b>EXPENSES</b>			
Personnel Costs	23	66,198,969	63,423,603
Directors' Emoluments and Expenses		4,635,020	822,386
Entertainment		1,354,284	620,287
Travelling Costs		1,627,467	3,493,588
Motor Vehicle Expenses		1,096,040	2,125,572
Depreciation		15,981,994	2,237,461
Office Expenses	10	7,753,753	7,900,641
Property Maintenance & Security		9,513,342	5,089,284
Lifts Maintenance		1,424,445	1,741,005
Electricity		7,842,375	5,639,534
Water & Conservancy		422,634	833,378
Interest on Loans		4,203,442	4,265,162
Auditors Remuneration		350,000	350,000
Legal & Consultancy Fees	17	2,099,715	4,008,490
Bank Charges		148,263	181,555
Interest on Bank Overdraft		63,262	543,895
Rent and Rates		1,079,789	1,051,153
Bad Debts Written Off	11	-	356,726
Bad Debts Provision	12	6,142,902	12,880,074
Valuation Fees	18	-	1,030,250
<b>TOTAL EXPENSES ON ORDINARY ACTIVITIES</b>		<u><b>131,937,696</b></u>	<u><b>118,594,044</b></u>
Operating profit/(Loss) before Tax		<b>10,792,383</b>	<b>8,304,572</b>
<u>Less:</u>			
Deferred tax	22	4,480,280	-
Withholding Tax paid	6 (c)	1,192,898	-
		<u><b>5,673,178</b></u>	
<b>Net Profit/(Loss) after Tax</b>		<b>5,119,205</b>	<b>8,304,572</b>
<b>RETAINED EARNINGS/(LOSS) FOR THE YEAR</b>		<u><u><b>5,119,205</b></u></u>	<u><u><b>8,304,572</b></u></u>

# KENYA TOURIST DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

### STATEMENT OF CHANGES IN EQUITY

	Equity Funds KShs	Pre-Investment Grants KShs	General Fund KShs	Capital Reserve KShs	Retained Earnings KShs	Restructuring Reserve KShs	Total Equity KShs
<b>As of 1 July 2003</b>	106,000,000	281,212	20,506,020	-	615,749,502	88,580,842	742,536,734
Revaluation Surplus	-	-	-	497,972,875	-	-	497,972,875
Capital Work In Progress Written Off	-	-	-	-	(13,262,348)	-	(13,262,348)
Payment of Capital Work In Progress	-	-	-	-	(6,681,415)	-	(6,681,415)
Net Profit for the year	-	-	-	-	8,304,572	-	8,304,572
<b>As of 30 June 2004</b>	<b>106,000,000</b>	<b>281,212</b>	<b>20,506,020</b>	<b>497,972,875</b>	<b>604,110,311</b>	<b>88,580,842</b>	<b>1,317,451,260</b>
Taxes paid	-	-	-	-	(15,830,982)	-	(15,830,982)
Payment of Capital Work In Progress	-	-	-	-	(1,960,867)	-	(1,960,867)
Deferred Tax	-	-	-	(145,657,066)	69,045,987	-	(76,611,079)
Depreciation written back	-	-	-	-	39,628,971	-	39,628,971
Net Profit for the year	-	-	-	-	5,119,205	-	5,119,205
<b>As of 30 June 2005</b>	<b>106,000,000</b>	<b>281,212</b>	<b>20,506,020</b>	<b>352,315,809</b>	<b>700,112,625</b>	<b>88,580,842</b>	<b>1,267,796,508</b>

# KENYA TOURIST DEVELOPMENT CORPORATION

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### CASH FLOW STATEMENT

	Note	2005 KShs	2004 KShs
<b><u>Cash Flows From Operating Activities</u></b>			
Net Income/(Loss) for the year before taxation and Exceptional Item		10,792,383	8,304,572
<b>Adjustments:</b>			
Depreciation		15,981,994	2,237,461
Payment of Capital Work in Progress	6	(1,960,867)	(6,681,415)
Increase/(Decrease) in Loans' Provision	12	1,808,070	8,545,332
Increase/(Decrease) in Employees Benefits Provision		1,535,531	(727,456)
Euro Bank Ltd. Provision written back		100,000	
Bad Debts Written Off		-	356,726
Interest Expense	13	4,266,704	4,809,057
Income from Investment(Dividend)		(10,149,270)	(15,977,752)
Interest From Bank Deposits		(7,529,784)	(2,795,865)
Operating Income/(Loss) before working Capital changes		14,844,761	(1,929,340)
(Increase)/Decrease in Debtors		(6,324,149)	(20,946,590)
Increase/(Decrease) in Creditors		23,950,755	4,305,346
Cash generated from Operations		32,471,367	(18,570,584)
Corporation & Withholding Taxes Paid	6	(14,647,548)	(921,203)
Loans Interests' Recovered/(Capitalized)		(21,471,120)	(18,817,684)
<b>Net Cash Inflow/(Outflow) From Operating Activities</b>		<b>(3,647,301)</b>	<b>(38,309,471)</b>
<b><u>Cash Flows From Investing Activities:</u></b>			
Dividends Received		10,149,270	15,977,752
Interest from Bank Deposits		7,529,784	2,795,865
Purchase of Fixed Assets		(6,220,335)	(143,742)
Land Rent paid for Kitale Hotel Project		(100,000)	(100,000)
Loans Disbursed		(165,373,635)	(5,827,516)
Loans Recovered		12,599,561	16,153,006
<b>Net Cash Inflow/(Outflow) From Investing Activities</b>		<b>(141,415,355)</b>	<b>28,855,365</b>

# KENYA TOURIST DEVELOPMENT CORPORATION

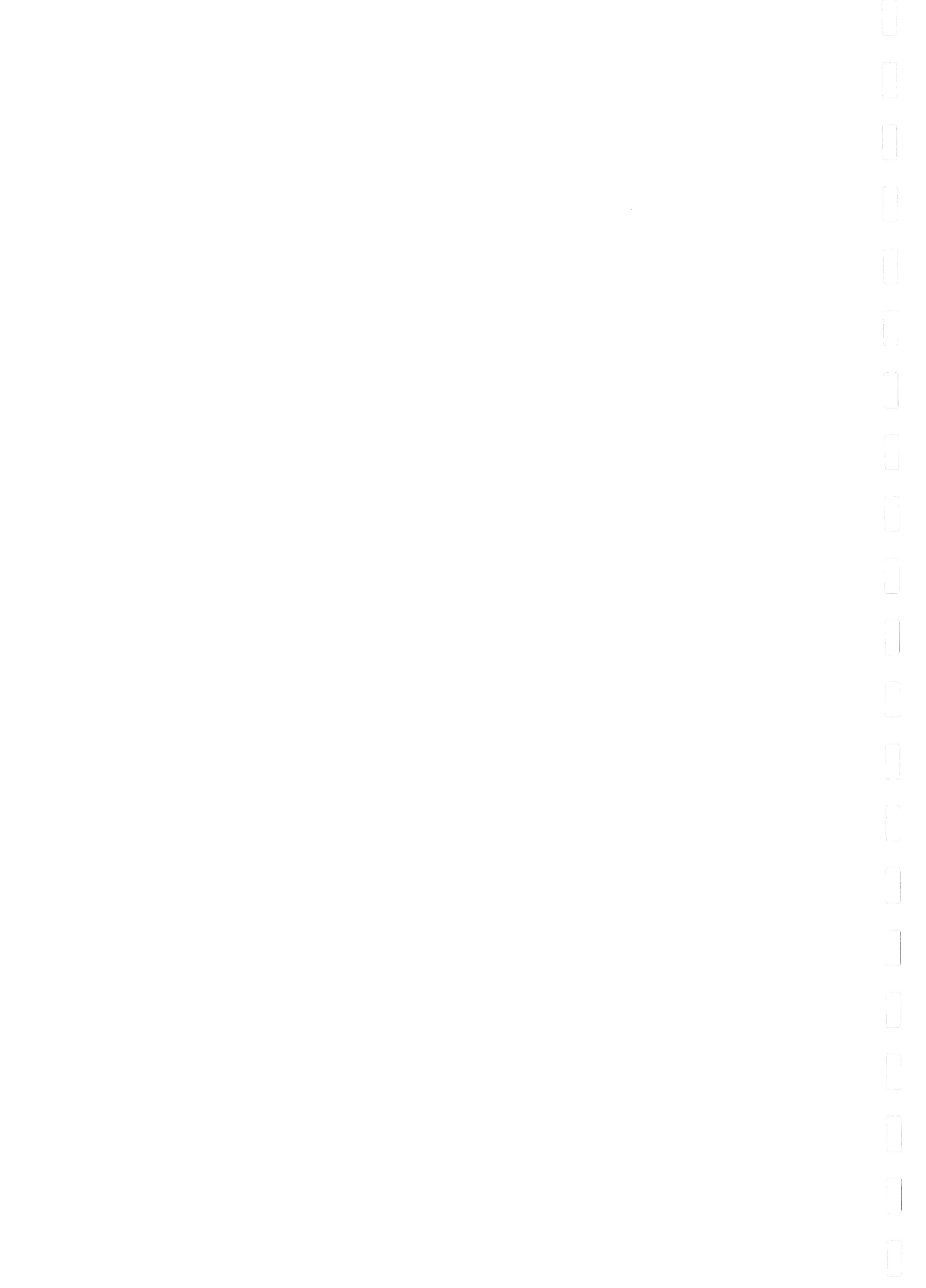
## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### CASH FLOW STATEMENT - Continuation.

	Note	2005 <u>KShs</u>	2004 <u>KShs</u>
<b><u>Cash Flows From Financing Activities:</u></b>			
Interest Expense Paid		(4,266,704)	(4,809,057)
Loans Repaid		(1,966,778)	(1,905,058)
<b>Net Cash Inflow/(Outflow) From Financing Activities</b>		<u><b>(6,233,482)</b></u>	<u><b>(6,714,115)</b></u>
<b>Net Increase/ (Decrease) in Cash and Cash Equivalents</b>		<u><b>(151,296,138)</b></u>	<u><b>(16,168,221)</b></u>
Cash & Cash Equivalents at beginning of the period		268,828,628	284,996,849
<b>Cash &amp; Cash Equivalents at end of the Period</b>		<u><u><b>117,532,490</b></u></u>	<u><u><b>268,828,628</b></u></u>

**NOTE: Cash & Cash Equivalents are reconciled below**

Cash at Bank & in Hand		11,643,688	3,154,086
Fixed Deposits		106,147,201	272,740,247
Bank Overdraft		(258,399)	(7,065,705)
<b>Cash &amp; Cash Equivalents at end of the period</b>		<u><u><b>117,532,490</b></u></u>	<u><u><b>268,828,628</b></u></u>



# KENYA TOURIST DEVELOPMENT CORPORATION

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### ACCOUNTING POLICIES

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

#### a) BASIS OF PREPARATION

The Financial Statements are presented in Kenya shillings (Kshs) and are prepared under the historical cost convention as modified by the revaluation of certain Property, Plant and Equipment.

#### b) ACCOUNTING FOR SUBSIDIARY AND ASSOCIATED COMPANIES

Financial statements of subsidiary and associated companies have not been consolidated in the accounts. However, the corporation's investments in these companies are shown at cost in accordance with the February 1991 Investment Guidelines issued by Treasury.

#### c) CLASSIFICATION OF FUNDS

The Corporation's financing has been classified in accordance with the February 1991 Investment Guidelines as follows:

##### i) Equity:

Irredeemable funds supplied by the Government to purchase equity interest in tourism related companies.

##### ii) Commercial Loan:

Funds provided by the Government to lend on a commercial basis to tourism related companies and to be repaid to the Government over a period of fifteen years from January 1991. The Loan was fully repaid in the year 2000/2001.

##### iii) Revolving Fund:

This fund was set up by the Government for the corporation to manage and provide loan finance to assist Kenyans to become established in the tourism industry.

#### d) ACCOUNTING FOR FEASIBILITY STUDIES GRANT

The Corporation was granted funds by the Government to carry out feasibility studies. Payments made or to be made on completed feasibility studies are charged fully against this fund at the time of payment or completion of the study, whichever is earlier.

#### e) PROVISION FOR DOUBTFUL DEBTS

The corporation is responsible for bad debts incurred on both Commercial and Revolving Fund Programmes in accordance with the February 1991 Investment Guidelines. The provisions made against possible losses are reduced from the Investments, Loans and Debtors to which they relate.

The interest on non-performing loans (15 loanees) was suspended as from financial year 2003/04 and is not accrued in our accounts, however, the customer statements reflect full interest. (Special Board meeting of 20th Feb. 2003).

# KENYA TOURIST DEVELOPMENT CORPORATION

## f) PROPERTY, PLANT AND EQUIPMENT

Depreciation is calculated on the straight line basis to write down the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives as follows:

Land	NIL
Buildings	2.5 %
Furniture & Fittings	12.5 %
Electronic Equipment	30.0%
Motor Vehicles	25.0 %

A full depreciation is provided for during the year of acquisition but no depreciation is provided for during the year of disposal. In case of a revalued asset, no depreciation is charged or provided for on the revaluation surplus during the year of valuation but full depreciation is provided for in subsequent years.

## g) INCOME

Income is accounted for on the following basis:

### i) Interest:

This consists of amount received and accrued up to 30 June 2005.

### ii) Loan Interest Income:

Interest receivable in respect of administering the commercial and Revolving Funds in accordance with the Investments Guidelines.

### iii) Rental Income:

Rent is accounted for on an accrual basis.

### iv) Other Income:

Major items include Personnel Loan's interest from Loan given to USICO Ltd to acquire shares in The Ark Ltd. Directors Fees. Loans Application. Appraisal Fees. Commitment fees. Secretarial Fees and Management Fees received and receivable during the financial year.

## h) DIVIDEND POLICY

The corporation policy is to recognise dividends as income when declared.

# KENYA TOURIST DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPAL ACTIVITY

The principal activity of the Corporation is to facilitate and finance development of tourism and tourism related facilities through advancement of both Commercial and Revolving Fund loans.

### 2. PROPERTY, PLANT AND EQUIPMENT

FIXED ASSETS	Land	Buildings	Furniture, Fittings and Equipment	Computer and Computer Accessories	Cutlery and Holloware	Motor Vehicles	Total
	KShs	KShs	KShs	KShs	KShs	KShs	KShs
<b>Cost or Valuation</b>							
At cost	15,838,675	73,673,241	9,645,057	7,726,205	119,684	13,109,340	120,112,202
Revaluation surplus	-	497,972,875	-	-	-	-	497,972,875
Additions for the year	-	-	713,143	739,442	-	4,767,750	6,220,335
<b>As at 30 June 2005</b>	<b>15,838,675</b>	<b>571,646,116</b>	<b>10,358,200</b>	<b>8,465,647</b>	<b>119,684</b>	<b>17,877,090</b>	<b>624,305,412</b>
<b>Depreciation</b>							
01 July 2004	-	40,905,070	8,874,358	7,652,188	-	13,109,340	70,540,956
Charge for the year	-	14,291,153	204,554	294,349	-	1,191,938	15,981,994
Elimination on revaluation	-	(39,628,971)	-	-	-	-	(39,628,971)
<b>As at 30 June 2005</b>	<b>-</b>	<b>15,567,252</b>	<b>9,078,912</b>	<b>7,946,537</b>	<b>-</b>	<b>14,301,278</b>	<b>46,893,979</b>
<b>Net Book Value</b>							
Balance as at 30 June 2005	15,838,675	556,078,864	1,279,288	519,110	119,684	3,575,812	577,411,433
Balance as at 30 June 2004	15,838,675	530,741,046	770,699	74,017	119,684	-	547,544,121

- a) No depreciation is provided for Cutlery and Holloware since none of the items have been put into use.
- b) A revaluation of Utalii House was carried out in June 2004 by Crystal Valuers Ltd. professional valuers, on an open market basis and gave the value as KShs. 570,000,000. The resulting revaluation surplus of KShs. 497,972,875 was transferred to capital reserve (note 6). As per the IAS 16 we adopted the approach where the balance in the revaluation reserve in respect to an asset to be transferred to retained earnings when the asset is sold, as at that point it is a realised gain. As indicated in note 1(f), the first year of depreciating this revaluation surplus is the current year 2004/2005.
- c) As per IAS 16 the accumulated depreciation of Kshs.39,628,971 for Utalii House upto revaluation date that is June 2004, was eliminated during the current year. This was done by restating the retained earnings brought forward as per note 6.

# KENYA TOURIST DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. INVESTMENTS & LOANS

Project	% Held KShs	Equity Investment KShs	Commercial Fund Principal Loan KShs	2005 KShs	2004 KShs
<b>(i) Subsidiaries</b>					
Zimmerman (1973)Ltd	51.00	-	-	-	-
Meru Mulika Lodge Ltd	91.70	5,653,740	1,904,400	7,558,140	7,634,966
Kenya Safari Lodges & Hotels Ltd	63.40	6,407,553	65,209,709	71,617,262	60,389,099
Bomas of Kenya Ltd	100.00	5,080,000	11,058,239	16,138,239	16,138,239
Mt. Elgon Lodge Ltd	72.90	1,345,780	1,596,371	2,942,151	2,942,151
Sunset Hotel Ltd	95.40	11,450,000	8,813,274	20,263,274	14,708,379
KTDC Utalii Investments Ltd	100.00	2,000,000	-	2,000,000	2,000,000
Kabarnet Hotel Ltd	98.20	5,432,120	16,208,948	21,641,068	21,518,120
Kakamega Hotel Ltd	80.00	4,000,000	10,735,087	14,735,087	14,735,087
African Tours & Hotels Ltd	52.60	4,691,900	6,148,983	10,840,883	10,840,883
<b>Subtotals</b>		<b>46,061,093</b>	<b>121,675,011</b>	<b>167,736,104</b>	<b>150,906,924</b>
<b>(ii) Associates</b>					
Mountain Lodges Ltd	39.70	2,893,520	-	2,893,520	2,893,520
International Hotel (K) Ltd	33.10	119,574,692	-	119,574,692	119,574,692
Kenya Hotel Properties Ltd	33.80	114,189,360	-	114,189,360	114,189,360
Buffalo Springs Ltd	41.00	1,000,000	4,944,310	5,944,310	5,944,310
<b>Subtotals</b>		<b>237,657,572</b>	<b>4,944,310</b>	<b>242,601,882</b>	<b>242,601,882</b>
<b>(iii) Others</b>					
Marsabit Lodge Ltd	-	-	1,499,458	1,499,458	1,470,035
Maralal Safari Lodge Ltd	15.50	802,000	-	802,000	802,000
Mombasa Island Hotel project	-	6,180,471	-	6,180,471	6,180,471
Solar Hotel Ltd	-	-	400,082	400,082	400,082
Kitale Hotel project	-	2,558,534	-	2,558,534	2,458,534
African Tours & Hotels Preference Shares	-	29,100	-	29,100	29,100
Watalii Street Project	-	38,659,077	-	38,659,077	38,659,077
Kithyululu Farm Ltd	-	-	19,507,566	19,507,566	19,324,896
Garden Hotel Co. Ltd-Machakos	-	-	20,505,172	20,505,172	20,504,072
Church Road Development Co. Ltd	-	-	28,235,000	28,235,000	28,235,550
Jacaranda Hotel Ltd	-	-	100,000,000	100,000,000	-
Cross Culture Craft Ltd	-	-	3,191,579	3,191,579	-
Metro Enterprises Ltd	-	-	30,000,000	30,000,000	-
<b>Subtotals</b>		<b>48,229,182</b>	<b>203,338,857</b>	<b>251,568,039</b>	<b>118,063,817</b>
<b>Grand Totals</b>		<b>331,947,847</b>	<b>329,958,178</b>	<b>661,906,025</b>	<b>511,572,623</b>
Revolving Fund Principal Loan (see page 12)				65,686,502	63,145,829
Revolving Fund Interest Arrears (see page 12)				168,839,398	166,898,723
Commercial Fund Interest Arrears(see page 12)				84,822,984	65,292,540
<b>Less: Provision For Bad Debts</b>				<b>981,254,909</b>	<b>806,909,715</b>
				<b>(291,983,566)</b>	<b>(290,075,496)</b>
<b>TOTAL INVESTMENTS AND LOANS</b>				<b>689,271,343</b>	<b>516,834,219</b>

#### Note:

The corporation has over the years held shares in the Ark Ltd. A company formed by the staff of the corporation known as Utalii Staff Investment Company (USICO) Ltd agreed to take up these shares as part of the corporations divestiture process. However, as at 30th June 2005 the transfer of these shares to USICO Ltd had not been finalized but the investment in the Ark Ltd do not form part of the investments and loans since it was removed for disposal.

# KENYA TOURIST DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. INVESTMENTS & LOANS (Continued)

The analysis as at 30 June 2005 of the Revolving fund principal and the interest arrears together with Commercial fund interest arrears is as follows:

Project	Revolving Fund	Revolving Fund	Commercial Fund	2005	2004
	Principal Loan	Interest Arrears	Interest Arrears	Total	Total
	KShs	KShs	KShs	KShs	KShs
Ikolomani Enterprises Ltd.	1,308,154	7,803,366	-	9,111,520	9,111,520
New Milimani Inn Ltd, Meru	2,010,722	956,061	-	2,966,783	2,068,283
Kokonya Investments Ltd	(61,414)	-	-	(61,414)	(61,414)
Diani Tourist Enterprises Ltd	2,585,220	30,286,604	-	32,871,824	33,091,631
Jomima Tours & Travel Ltd	752,915	9,316,707	-	10,069,622	10,069,622
Lake Turkana El-Molo Lodge Ltd	2,689,214	17,800,482	-	20,489,696	20,489,696
Bush Bar Ltd	3,634,605	14,146,018	-	17,780,623	17,780,623
Narvasha Hillpark Ltd	3,267,268	14,568,916	-	17,836,184	18,511,184
Wandune Holdings Ltd	268,014	-	-	268,014	1,595,226
Delight Dreamland Hotel Ltd	3,923,025	12,658,775	-	16,581,800	16,581,800
Wajir Tourist Hotel Ltd	3,563,303	8,015,570	-	11,578,873	11,524,712
New Garden Hotel Ltd, Bondo	1,092,173	-	-	1,092,173	1,235,435
Mona Lisa Ltd	1,466,273	1,927,574	-	3,393,847	3,336,987
Solar Hotel Ltd	1,787,148	1,247,504	-	3,034,652	2,666,589
Githuku Investments Ltd	6,383,984	9,222,003	-	15,605,987	15,691,859
Kenya Agro Business Ltd	2,989,505	8,386,609	-	11,376,114	11,376,114
Mt Elgon Agencies Ltd	4,020,337	5,757,752	-	9,778,089	8,641,641
Gasden Company Ltd	3,146,187	11,940,662	-	15,086,849	15,086,849
Narokville Enterprises Ltd	1,966,717	1,442,495	-	3,409,212	3,629,212
Kitui Tourist Hotel Ltd	3,408,808	6,433,129	-	9,841,937	9,061,827
Farmview Hotel Ltd	4,322,402	5,894,515	-	10,216,917	9,261,547
Kendu Bay Country Hotel Ltd	500,000	960,581	-	1,460,581	1,460,581
Maruka Enterprises Ltd	3,557,474	-	-	3,557,474	3,976,929
Mosiara Trading Co. Ltd	1,168,164	13,629	-	1,181,793	1,365,468
Sunset Hotel Ltd, Kisumu	-	-	-	0	1,106,002
Golf Hotel Ltd, Kakamega	536,304	-	-	536,304	1,384,629
Hotel Big Five Ltd	5,400,000	60,446	-	5,460,446	-
African Tours & Hotels Ltd	-	-	4,972,608	4,972,608	4,972,608
Solar Hotel Ltd	-	-	4,062,538	4,062,538	4,062,538
Kithyululu Farm Ltd	-	-	21,804,435	21,804,435	16,265,583
Garden Hotel Co. Ltd, Machakos	-	-	21,125,938	21,125,938	17,071,723
Church Road Development Co. Ltd	-	-	28,095,666	28,095,666	22,338,020
Golf Hotel Ltd, Kakamega	-	-	428,476	428,476	240,462
Sunset Hotel Ltd, Kisumu	-	-	718,758	718,758	341,606
Jacaranda Hotel (Msa) Ltd	-	-	3,029,213	3,029,213	-
Kenya Safari Lodges & Hotels	-	-	210,352	210,352	-
Metro Enterprises Ltd	-	-	375,000	375,000	-
<b>TOTALS</b>	<b>65,686,502</b>	<b>168,839,398</b>	<b>84,822,984</b>	<b>319,348,884</b>	<b>295,337,092</b>

# KENYA TOURIST DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2005 KShs	2004 KShs
<b>4. DEBTORS AND PREPAYMENTS</b>		
These Comprise:		129,482,277
Debtors (Note (a) below)	140,167,461	93,474
Deposit and Prepayments	67,270	129,575,751
	140,234,731	( 19,377,059)
Less: Provision For Bad Debts	( 23,711,891)	110,198,692
	<u>116,522,840</u>	<u>110,198,692</u>
<b>Note (a)</b> Debtors comprise of:		25,284,690
Tenants debtors	22,667,896	59,630,231
Unit debtors	59,221,562	37,190,045
Ex-Tenants debtors	43,028,101	5,165,878
Staff debtors	10,439,354	2,135,226
Ex-Staff debtors	4,750,541	76,207
Other debtors	60,007	129,482,277
	<u>140,167,461</u>	<u>129,482,277</u>

Staff debtors relate to amounts owed by staff members in form of car loans, House deposit loans, salary advances and travel imprests. These are more compared to what was reported in the previous year.

	2005 KShs	2004 KShs
<b>5. CASH AND CASH EQUIVALENTS</b>		
These are:		3,154,086
Cash at Bank and in Hand	11,643,688	324,410,008
Fixed Deposits	157,716,962	327,564,094
	169,360,650	( 51,669,761)
Less: Provision For Bad Deposit in Euro Bank Ltd	( 51,569,761)	275,894,333
	<u>117,790,889</u>	<u>275,894,333</u>

For the purpose of Cash Flow Statement, the year end Cash and Cash equivalents shown above have been offset and reduced by Bank Overdraft. During the year Loans amounting to kshs 165 million was disbursed hence the reduction in Cash and fixed deposits.

	2005 KShs	2004 KShs
<b>6. GENERAL FUND</b>		
This Comprises:		
<b>a) GENERAL FUND CAPITALIZED</b>		
Invested in equity portfolio	4,741,000	4,741,000
Invested in commercial advances	2,000,000	2,000,000
	6,741,000	6,741,000
Surplus on revaluation	13,765,020	13,765,020
	<u>20,506,020</u>	<u>20,506,020</u>
<b>b) CAPITAL RESERVE</b>		
Surplus on revaluation of Utalii House	497,972,875	497,972,875
Deferred Tax ( Note 22)	( 145,657,066)	-
	<u>352,315,809</u>	<u>497,972,875</u>
<b>c) RETAINED EARNINGS</b>		
Balance brought forward	604,110,311	615,749,502
<u>Prior period adjustment</u>	-	( 13,262,348)
Capital work in progress written off	( 1,960,867)	( 6,681,415)
Payment of capital work in progress	( 15,830,982)	-
Taxes paid without being provided for	39,628,971	-
Depreciation written back (note 2(c))	69,045,987	-
Deferred Tax (Note 22)	694,993,420	595,805,739
Restated balance	5,119,205	8,304,572
Retained Earnings/(Loss) for the year	700,112,625	604,110,311
Retained Earnings/(Loss) Carried Forward	<u>1,072,934,454</u>	<u>1,122,589,206</u>
<b>TOTAL GENERAL FUND</b>		

# KENYA TOURIST DEVELOPMENT CORPORATION

14

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. GENERAL FUND-(continuation)

The surplus on revaluation of Utalii House is explained in note 2. Accrual of property Expenses during the year was for Utalii House and refer to previous years and were due for payment in respect to Mak Consultants for consulting in the aborted 12th floor extension and to Varsitech Consultants for consultancy in the General Rehabilitation of Utalii House at Ksh. 1,344,578 and Ksh 616,289 respectively. This had not been paid as at 30 June 2005.

No provision for Corporation Tax for this financial year as any tax payable will be offset against the losses made in the years 2001/2002 and 2002/2003 in the Income Tax Return forms. Withholding tax paid during the year of KShs.1,192,898 was on Dividends and Bank Deposit interest (2004- Kshs.921,203) The tax Account reflected a debit brought forward of Ksh 2,376,332 which resulted from taxes paid in previous year without provision. This together with taxes paid during the year of Ksh 13,454,650 totalled to Ksh. 15,830,982.

### 7. RESTRUCTURING RESERVE

	2005 KShs	2004 KShs
Revolving Fund Programme	27,005,775	27,005,775
Commercial Fund Programme	109,315,303	109,315,303
	136,321,078	136,321,078
Less: Deferred Loans' Interests	( 47,740,236)	( 47,740,236)
	<u>88,580,842</u>	<u>88,580,842</u>

### 8. LONG TERM LOAN

a) The movement for this Loan is as shown below:

Catering Levy Trustees(CLT)	2,028,499	3,995,277
Less: Current Maturity for the next year	( 2,028,499)	( 1,966,778)
	<u>-</u>	<u>2,028,499</u>

b) This loan due to Catering Levy Trustees was given to the corporation to assist in the construction of hotels in 1984 at an interest rate of 12% p.a.repayable in thirty two quarterly instalments.

The loan was later rescheduled in 1991 and is for 15 years at an interest rate of 12% p.a. effective 1st July 1991.

c) The current maturity balance for this loan is made up of the following:

	2005 KShs	2004 KShs
Outstanding Current Maturity on 01 July	1,966,778	1,905,058
Current maturity due for next year	2,028,499	1,966,778
	3,995,277	3,871,836
Less: Current maturity repaid during the year:	( 1,966,778)	( 1,905,058)
	<u>2,028,499</u>	<u>1,966,778</u>

# ENYA TOURIST DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. CREDITORS AND PROVISIONS

	2005	2004
	<u>KShs</u>	<u>KShs</u>
These Comprise:		
(a) Creditors	75,501,694	51,326,199
(b) Provisions:		
(i) Gratuity for Employees on Contract Terms	3,500,005	1,382,835
(ii) Employees Leave and Off days Benefits	1,654,262	3,996,173
	<u>80,655,961</u>	<u>56,705,207</u>

#### Creditors

Creditors include, among others, creditors for expenses, amount received from KTDC Utalii Investments ahead of its formal winding up to set up KTDC staff Housing scheme, GOK Revolving loan interest accrued for 2004/2005 and Tenants who had paid in advance as at 30 June 2005.

#### Gratuity for employees on contract

Employees entitlements to gratuity are recognised when they accrue to employees. A provision is made for the liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

#### Employees Leave and Off days Benefits

This refers to monetary liability for employee's accrued annual leave and off days at the balance sheet date.

### 10. OFFICE EXPENSES

	2005	2004
	<u>KShs</u>	<u>KShs</u>
These Comprise:		
Publicity and Advertising	945,742	1,082,506
Printing and Stationery	1,549,019	1,571,569
Telephone and Postages	3,260,482	2,909,561
Subscriptions and Donations	457,071	626,587
General Office Expenses	610,121	663,868
Repairs and Maintenance of Office Equipment	421,424	313,031
Insurances of Office Equipment	107,105	149,667
Ask Shows	402,789	583,852
	<u>7,753,753</u>	<u>7,900,641</u>

### BAD DEBTS WRITTEN OFF

The write off last year was in respect to a Dormant KTDC Subsidiary Zimmerman(1973) Ltd. The balances of equity investment in this company and the irredeemable loan earlier received from the company were removed from the books then through the income statement as follows;

	2005	2004
	<u>KShs</u>	<u>KShs</u>
(i) Equity investment written off	-	1,071,000
(ii) Irredeemable loan written back	-	(714,274)
Net amount written off/(back)	<u>-</u>	<u>356,726</u>

# KENYA TOURIST DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. BAD DEBTS PROVISION

The following is the analysis of the provisions written back and made during the year:

	2005 KShs	2004 KShs
<b>(a) Revolving Fund Loans</b>		
(i) New Milimani inn Ltd, Meru.	898,500	-
(ii) Diani Enterprises Ltd.	( 219,807)	( 3,099,484)
(iii) Naivasha Hill Park Motel Ltd.	( 675,000)	( 119,118)
(iv) Wajir Tourist Hotel Ltd.	54,161	335,591
(v) Githuku Investments Ltd.	( 85,872)	38,427
(vi) Narokville Enterprises Ltd.	( 220,000)	( 180,000)
(vii) Mona Lisa Ltd	56,860	490,292
(viii) Mt. Elgon Agencies Ltd.	1,136,448	1,175,255
(ix) Kitui Tourist Hotel Ltd	780,110	1,279,731
(x) Solar Hotel Ltd	-	2,666,589
	<u>1,725,400</u>	<u>2,587,283</u>
<b>(b) Commercial Fund Loans</b>		
(i) Solar Hotel Ltd	-	-
(ii) Kithyululu Farm Ltd	182,670	5,958,049
	<u>182,670</u>	<u>5,958,049</u>
<b>(c) Bank Deposits</b>		
Euro Bank Ltd. Protected Deposit received	( 100,000)	-
	<u>( 100,000)</u>	<u>-</u>
Sub Total on Loans	<u>1,808,070</u>	<u>8,545,332</u>
<b>(d) Former Utalii House Tenants</b>		
(i) Union Credit Ltd	-	308,878
(ii) Shuttle Air Services	-	166,360
(iii) Bea Supermarkets	-	507,279
(iv) Kabare Investments	-	798,022
(v) Jenan Secretarial Bureau	-	10,582
(vi) Inter Tract Ltd	-	629,891
(vii) Shako & Partners. Engineers	-	328,527
(viii) North Expo Ltd	-	229,762
(ix) Muhanji & Company, Advocates	-	336,532
(x) Ebenezar Travels & Tours	-	1,018,909
(xi) Edith Muthigani	1,555	-
(xii) Armatech Kenya Ltd	15,930	-
(xiii) Spear Freight Ltd	231,175	-
(xiv) Njama Construction	1,951,237	-
(xv) Gem Flora Ltd	500	-
(xvi) Evans Mbugu	79,245	-
(xvii) Samuel Njatha	679,570	-
(xviii) Sheila Enterprises	19,055	-
(xix) Everna Style up	1,067,387	-
(xx) Regional freight services	289,178	-
Sub Total on former Tenants	<u>4,334,832</u>	<u>4,334,742</u>
<b>Grand Total of Provisions (written back)/made</b>	<u>6,142,902</u>	<u>12,880,074</u>

# KENYA TOURIST DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. BAD DEBTS PROVISION-(continuation)

The Corporation continued with its recovery strategy during the current year and this saw a number of non-performing Loans making a headway in their loan repayments. These recoveries were written back during the year. But these write backs were offset by disbursements made affecting a number of the loans and then resulted into a net provision made of Ksh. 1,808,070 as opposed to last year's Ksh 8,545,332.

As reported in last year's Financial statements the Corporation continued to pursue the recovery of the current debts including the Euro Bank Ltd (in liquidation) Fixed Deposit of Ksh. 61,692,978(including interest). The projected Deposit of Ksh 100,000 was received during the year and this has been written back as shown below. As at 30 June 2005 the liquidating Agent had not paid off the Depositors who included the Corporation.

A further provision was made for Ksh. 4,334,832 to cover possible losses on debts from Ex-tenants for Utalii Hse. Total provision Sh. 6,142,902 as opposed to last year's sh 1,288,074.

### 13. INTEREST EXPENSE

This refers to the amount incurred and paid on borrowings by the Corporation as shown below:

	2005	2004
	<u>KShs</u>	<u>KShs</u>
Redeemable CLT Loan Interest	123,442	185,162
Irredeemable GOK Revolving Fund Loan Interest	4,080,000	4,080,000
KCB Bank Overdraft Interest	63,262	543,895
	<u>4,266,704</u>	<u>4,809,057</u>

Overdraft interest has reduced during this financial year due to management control on the overdraft facility.

### 14. DIVIDEND INCOME

This refers to declared dividends which were accrued having been earned from shares held in the following Companies:

	2005	2004
	<u>KShs</u>	<u>KShs</u>
Kenya Safari Lodges & Hotels Ltd		
(i) for year ending 30th June 1994	-	1,773,048
(ii) for year ending 30th June 1995	-	1,182,032
(iii) for year ending 30th June 1996	-	1,182,032
	<u>-</u>	<u>4,137,112</u>
Kenya Hotel Properties Ltd		
(i) for year ended 30th September 2002	-	5,074,640
(ii) for year ended 30th September 2003	-	6,766,000
(iii) for year ended 30th September 2004	10,149,270	-
	<u>10,149,270</u>	<u>11,840,640</u>
	<u>10,149,270</u>	<u>15,977,752</u>

### 15. BANK DEPOSIT INTEREST INCOME

This is interest earned during the year from Fixed Deposit accounts held by the Corporation at Kenya Commercial Bank Ltd. The earned interest for the current year increased due to increased interest rates which improved to as high as 8.50% p.a as opposed to previous year's highest 2.00% p.a. This is though there was a reduction in funds available for Deposit Investment during the current year.

# KENYA TOURIST DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 16. OTHER INCOME

	2005	2004
	<u>KShs</u>	<u>KShs</u>
Personnel Loans Interest	193,176	235,824
Msafiri Inns Commission	80,538	42,912
Directors Fees	1,164,000	1,320,500
Secretarial Fees	995,000	-
Application Fees	116,000	89,450
Appraisal Fees	5,114,000	869,000
Management and Consultancy Fees	1,038,000	-
USICO Ltd Loan Interest	86,938	86,938
Other Income	504,333	1,457,654
	<u>9,291,985</u>	<u>4,102,278</u>

The corporation received Appraisal fees from major applicants for commercial Loan programme. This, together with Director fees and Management & consultancy fees receivable during the year were more than was reported the previous year.

### 17. LEGAL AND CONSULTANCY FEES

	2005	2004
	<u>KShs</u>	<u>KShs</u>
Legal fees	868,715	3,579,490
Consultancy fees	1,231,000	429,000
	<u>2,099,715</u>	<u>4,008,490</u>

#### Legal Fees

The Corporation involved its legal section to deal with most of its legal issues and company Lawyers costs especially on Tenants were to be recovered from the clients. This resulted into savings in legal fees paid to external lawyers compared to last year.

#### Consultancy

The term for the Human Resource Consultant engaged by the corporation last year at Ksh. 66,000 p.m ended in December 2004. During the current year, the Corporation engaged the Federation of Kenya Employers (FKE) to conduct a Job Evaluation consultancy exercise at a cost of Ksh. 490,000 and also a tax consultant to deal with levied penalties and interest at a cost of Ksh. 345,000.

### 18. VALUATION FEES

	2005	2004
	<u>KShs</u>	<u>KShs</u>
Crystal Valuers Ltd(Utalii House)	-	1,000,000
Ministry of lands and Sett.(Lavington House)	-	30,250
	<u>-</u>	<u>1,030,250</u>

### 19. RETIREMENT BENEFIT OBLIGATION

The company operates a defined contribution staff retirement benefits scheme for its employees who are on permanent & Pensionable terms. The assets of the scheme are held in a separate trustee administered fund that is funded by contributions (Employer 15% and Employee 5%). The company's contributions to the scheme are charged to profit and loss account in the year in which they relate.

### 20. CONTINGENT LIABILITY - TAX LIABILITY

As at 30th June 2005, there was a contingent liability resulting from penalties and interest on outstanding tax for the years 1993 to 1999 charged by the Kenya Revenue Authority. The Corporation has been in negotiations for a 100% waiver with the Kenya Revenue Authority through the Ministry of Tourism and Wildlife. The Minister of Finance through a letter dated 21st January 2005, granted the Corporation 50% waiver negotiations for the balance are on-going into the next financial year.

# KENYA TOURIST DEVELOPMENT CORPORATION

19

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. NUMBER OF EMPLOYEES

The number of employees as at 30th June of each financial year are as follows:

	<u>2005</u>	<u>2004</u>
Number of Employees	81	84

### 2. TAXATION

There is no charge on taxation due to the accumulated losses.

#### Deferred Tax:

The Corporation has not been recognising the deferred Tax in its books which is against the IAS 12 (International Accounting standard 12). The corporation has opted to comply with this as from this financial year. To do this any prior year adjustments should be done in this financial year through Retained Earnings account and the Deferred Tax account. The workings for this financial year resulted to a taxable loss of kshs 4,480,280. The computations of the Deferred Tax is as below:

The net deferred tax liability is made up of:

	<u>2005</u> <u>KShs</u>	<u>2004</u> <u>KShs</u>
Accelerated Capital Allowance	( 845,812)	( 952,670)
Tax Losses	( 55,823,881)	( 5,889,074)
Provision for terminal dues	( 6,349,734)	( 414,850)
Provision for gratuity	( 1,050,001)	( 1,198,852)
Provision for leave pay	( 496,279)	( 60,590,541)
Revaluation Surplus	145,657,066	149,391,863
	<u>81,091,359</u>	<u>80,345,876</u>

	<u>2005</u> <u>KShs</u>	<u>2004</u> <u>KShs</u>
Current Tax	-	-
Deferred tax	4,480,280	( 61,133,497)
	<u>4,480,280</u>	<u>( 61,133,497)</u>

There is no current tax charge due to accumulated tax losses.

#### Reconciliation of expected tax, based on accounting loss to tax charge.

	<u>2005</u> <u>Kshs.</u>	<u>2004</u> <u>Kshs.</u>
Accounting profit/(loss) before taxation	10,792,383	8,304,572
Tax at applicable rate (30%)	3,237,715	2,491,372
Tax effect of expenses not deductible for tax purposes	4,287,346	861,624
Dividend income	( 3,044,781)	( 4,793,326)
Prior year adjustment - deferred taxation	-	( 59,693,167)
	<u>4,480,280</u>	<u>( 61,133,497)</u>

#### Movement in deferred tax account

	<u>2005</u> <u>Kshs.</u>	<u>2004</u> <u>Kshs.</u>
Balance b/f	80,345,876	( 7,912,490)
Revaluation surplus	( 3,734,797)	149,391,863
Deferred taxation	4,480,280	( 61,133,497)
Closing balance	<u>81,091,359</u>	<u>80,345,876</u>

# KENYA TOURIST DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

.3. PERSONNEL COSTS	2005	2004
The analysis of the various items forming the personnel costs are shown below:	<u>KShs</u>	<u>KShs</u>
Salaries and Wages	30,227,188	26,694,845
House allowance	13,491,621	12,494,148
Employer's pension contribution	2,536,089	2,407,887
Employers NSSF contribution	185,200	196,800
Medical aid and Surgical scheme	3,419,756	2,813,520
Staff recruitment	222,560	200,280
Staff Training	693,624	244,429
Staff gratuity	2,866,983	2,014,918
Leave and off days provision	902,672	5,813,153
Staff uniforms and uniforms cleaning	163,298	59,709
Terminal benefits	4,709,748	4,564,109
Staff welfare	796,845	582,835
Staff insurance cover	898,131	852,703
Commuting allowance	3,779,372	3,871,700
Staff electricity allowance	12,499	15,121
Staff telephone allowance	929,583	597,446
Staff security allowance	363,800	-
	<u>66,198,969</u>	<u>63,423,603</u>