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Paper 1a
23/10/2014
Hon. Dr. Shabari

KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

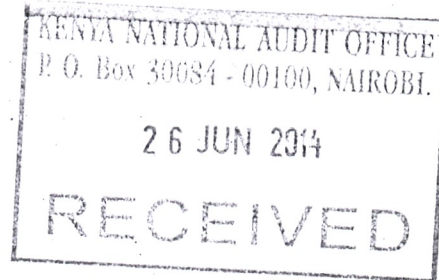
**THE FINANCIAL STATEMENTS OF
KENYA UTALII COLLEGE**

**FOR THE YEAR ENDED
30 JUNE 2013**



Kenya Utalii College

P.O.Box 31052-00600, Nairobi, Kenya
Telephone: 8563540-6, 8561985-8
Fax: 8560514
E-mail: info@utalii.co.ke
Website: www.utalii.co.ke



ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2013

COLLEGE INFORMATION

Principal place of business

Kenya Utalii College
Thika Road, Ruaraka
P.O.BOX 31052 - 00600
Nairobi.

Bankers

Barclays Bank of Kenya Limited
Queensway House Branch
P.O.Box 30011 - 00200
Nairobi.

Co-operative Bank of Kenya Limited
Stima Plaza Branch
P.O.Box 38764 - 00600
Nairobi.

Secretary

Dr.Kenneth S. Ombongi
Principal, Kenya Utalii College
P.O. Box 31052 - 00600
Nairobi.

Independent Auditors

Auditor-General
Kenya National Audit Office
P.O. Box 30084 - 00100
Nairobi.

Chief Officers

Dr.Kenneth S. Ombongi	:	Principal/Chief Executive
Charles K. Gitonga	:	Director of studies
Sudi Ndinyo	:	Ag.Financial Controller
Moses Lesaibile	:	Ag.General Manager-Utalii Hotel
Rodah M. Musyoki	:	Head of Audit
Abdallah Randani	:	Ag. Human Resources Manager
Kazungu C. Mwango	:	Director of Research & Corporate Planning

Kenya Utalii College,

Board of Governors

The following members served in the Board of Governors during the year

Gerson M. Misumi	:	Ag. Chairman
Allan W. Chenane	:	Chief Executive, Catering & Tourism Development Levy Trustees
Elizabeth M. Nzyoka (Ms.)	:	Alternate to PS, Treasury
Daniel M. Kairu	:	Alternate to PS, Ministry of Tourism
Simon Kori	:	Alternate to PS, Ministry of Tourism
Mike Macharia	:	Member
Peter Ngori	:	Member
Rukia Rashid	:	Member
Peter Ngori	:	Member
Dr. Kenneth S. Ombongi	:	Secretary

Board Committees:

Finance and General Purposes Committee

The following members served in the Committee:

Mike Macharia	:	Chairman
Elizabeth M. Nzyoka (Ms.)	:	Alternate to PS, Treasury
Daniel M. Kairu	:	Alternate to PS, Ministry of Tourism
Dr. Kenneth S. Ombongi	:	Secretary

Audit Committee

The members who served in the committee are:

Peter Ngori	:	Chairperson
Elizabeth M. Nzyoka	:	Alternate to PS, Treasury
Rukia Rashid	:	Member
Simon Korir	:	Member
Allan W. Chenane	:	Chief Executive, Catering & Tourism Development Levy Trustees

GENERAL INFORMATION

Kenya Utalii College is a body Corporate established under the Hotels and Restaurants Act CAP.494, Laws of Kenya, through legal Notice No.317 of November 1987 to offer training in Hospitality and Tourism.

REPORT OF THE BOARD OF GOVERNORS

The Board submits its report and financial statements for the year ended 30th June 2013, which show the state of the College's affairs.

1. PRINCIPAL ACTIVITY

The College offers training in Hotel and Tourism courses for both academic and professional qualifications. It offers regular courses in Hotel Management, Travel and Tourism Management, Front Office Operations, Food Production, Tour Guiding and Administration, Travel Operations, Housekeeping & Laundry, Food & Beverage Service & Sales Basic level and Food & Beverage Service and Sales Advanced level.

The college also offers parallel programs for Food Production, Food and Beverage service basic, Front office and House keeping and laundry, In addition the College has entered into collaboration with the Nairobi University to offer degrees in Bachelor of Arts in Hospitality Management and Bachelor of Arts in Travel and Tourism Management.

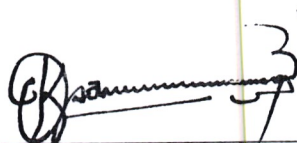
2. RESULTS

The results for the year are set out on page 8.

3. AUDITORS

The Auditor General continues in office in line with the state Corporations Act (Cap 446) and the Public Audit Act, 2003.

By Order of the Board



Dr. Kenneth S. Ombongi
SECRETARY

INTRODUCTION

Corporate governance is the manner in which the power over and the power of a corporation is exercised in the stewardship of its total portfolio of assets and resources with the primary objective of increasing and sustaining shareholders value while satisfying the needs of all stakeholders in the context of the mission and vision of that corporation. The Board is committed to ensuring that the College is run in a Professional, transparent just and equitable manner. The College endeavors to adhere to good corporate governance by adhering to guideline issued by centre of corporate governance's in addition the Board committee benchmark its activities with the best practices in the industry.

COLLEGE VISION

To be a world class Institution in hospitality and Tourism training.

MISSION STATEMENT

To develop a highly qualified human resource base for the Hospitality and Tourism Industry through Training, Research, Consultancy and related services.

THE BOARD

The Board of Kenya Utalii College is responsible for ensuring that the College complies with the law and practices good corporate governance. The Board is charged with providing strategic guidance and effective oversight of management.

The Board currently comprises of 8 members drawn from the public and private sectors.

BOARD COMMITTEES

There are two committees of the Board namely:-

1. Finance and General Purposes Committee
2. Audit Committee

RISK MANAGEMENT

The College will continue to recognize risk management as an integral part of internal control. In this regard, the college will logically and systematically engage in the process of establishing, identifying, analyzing, evaluating and communicating risks associated with any activity, function or process in a way that will enable it to minimize losses and maximize opportunities.

BOARD EVALUATION

In line with corporate governance principles, the Board periodically reviews its performance. The Board has put in place measures for evaluation of the College's operations in the context of performance contracting. The Board and the College have undergone several evaluations in keeping with the demands of the signed performance contracts and the results have so far been good.

CORPORATE SOCIAL RESPONSIBILITY

The College undertook several Corporate Social Responsibility (CSR) activities over the 2012/2013 financial year.

Kenya Utalii College through the PR department participated in CSR activity that was carried out for Tana Delta on 12th November, 2012. Donations were given to former Principal, Kenya Utalii College Mr. Thomas Dudah to donate items to victims of the Tana Delta clashes. The donations came from both Members of Staff and Students.

STATEMENT OF BOARD OF GOVERNORS' RESPONSIBILITIES

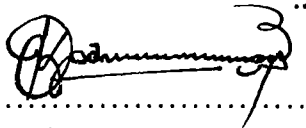
The Board is required to prepare financial statements for each financial year, which give a true and fair view of the state of the College as at the end of the financial year and of its Surplus or deficit for that year. The Board is required to ensure that the College keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the College. The Board is also responsible for safeguarding the assets of the College.

The Board accepts responsibility for the annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Hotels & Restaurants Act and State Corporations Act. The Board is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the College as at 30th June 2013 and of its Surplus for the year then ended. The Board further accepts responsibility for the maintenance of accounting records

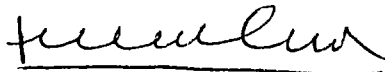
Kenya Utalii College,

which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial controls.

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



.....
Secretary



.....
Ps. Ministry of East African affairs, Commerce and Tourism

Date 25/6/2014

REPUBLIC OF KENYA

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA UTALII COLLEGE FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Utalii College set out on pages 7 to 26, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in general funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and to submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Going Concern

During the year under review, the College reported a deficit of Kshs.319,928,163 while current liabilities balance of Kshs.1,682,289,394 exceeded current assets figure of Kshs.202,325,149, resulting to a negative working capital of Kshs.1,479,964,245 as at 30 June, 2013. The College is therefore technically insolvent and its continued existence as a going concern is dependent on financial support from the Government and its creditors.

2. Loan from Government of Kenya

As previously reported, the College has not been able to comply with a loan agreement signed with the Government of Kenya in February 1996 for a loan of Kshs.140 million advanced to the College to refurbish the Kenya Utalii Hotel since the College had repaid only Kshs.6 million as at 30 June, 2013. As indicated under Note 12 to the accounts, accumulated interest and principal amounts as at 30 June 2013 stood at Kshs.1,672,829,482. Further, and although Note 12 indicates that the College had entered into negotiations with the Government to have the loan together with accumulated interests totalling Kshs.1,672,829,482 written off, no meaningful progress in this regard had been recorded as at 30 June 2013.

Qualified Opinion

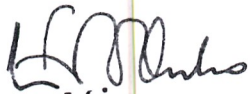
In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the College as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Tourism Act, 2011 of the Laws of Kenya.

Emphasis of Matter

I draw attention that the Cabinet Secretary is supposed to appoint the Board of Directors as per section 6(1) (e) of the State Corporations Act, Cap 446 and gazette the appointment. The Board's responsibilities are laid down under Legal Notice No.9 of 10 August 2004 on Performance Contracting Section 4 (2) and Tourism Act 2011. The then Minister for Tourism revoked appointment of the Board members with effect from 20 July 2012 through Gazette Notice No. 10232 dated 19 July 2012 and using the same, subsequently appointed other Board members. However, the appointed Board members did not take up their duties due to a court case filed by de-gazetted Board members of various State Corporations under the Ministry of Tourism whose three years terms of the previous appointments had not expired.

As a result, the College continues to operate without a Board of directors which contravenes Section 6(1) (e) of the State Corporations Act, Cap 446 and Tourism Act No. 28 of 2011.

My opinion is however not qualified with respect to this matter.



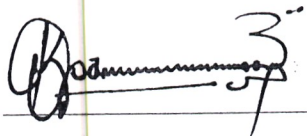
Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

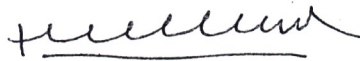
21 August 2014

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013

	NOTE	2012/2013	2011/2012
		KShs.	KShs.
ASSETS			
NON-CURRENT ASSETS			
	2	2,144,777,147	2,147,841,439
CURRENT ASSETS			
Staff Loans Scheme	3	17,934,440	17,272,025
Trade and Other Receivable	4	101,193,637	83,289,986
Deposits	5	4,119,169	4,119,169
Special Accounts	6	25,769,149	28,634,045
Inventories	7	20,584,834	25,866,886
Cash and Bank Balances	8	32,723,920	104,073,913
		202,325,149	263,256,023
TOTAL ASSETS		2,347,102,296	2,411,097,462
GENERAL FUNDS AND LIABILITIES			
GENERAL FUNDS			
Staff Loans Fund	3	17,934,440	17,272,025
Accumulated Fund	9	(492,709,500)	(312,026,775)
Revaluation Reserve	10	941,130,834	967,902,584
Capital Reserve - Refurbishment of Utalii Hotel	11	198,457,128	203,536,390
		664,812,902	876,684,224
NON-CURRENT LIABILITIES			
CURRENT LIABILITIES			
Loan from Government of Kenya	12	134,000,000	140,000,000
Payroll deductions	13	30,148,196	27,830,296
Trade and Other Payable	14	236,687,786	260,287,986
Special Creditors	15	1,281,453,412	1,106,294,956
		1,682,289,394	1,534,413,238
TOTAL GENERAL FUNDS AND LIABILITIES		2,347,102,296	2,411,097,462



Dr. Kenneth S. Ombongi
Principal
KENYA UTALII COLLEGE



Dr. Ibrahim Mohamed
PS. Ministry of East African Affairs
Commerce and Tourism

Kenya Utalii College,

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2013

	NOTE	2012/2013	2011/2012
		KShs.	KShs.
INCOME			
Fees From Students	16	63,730,352	51,479,798
Revenue From Catering & Tourism Development Levy	17	327,000,000	349,208,823
Other Income			
Special Grants from CTDLT		-	4,500,000
Rent Income from staff housing units	18	19,468,557	17,463,083
Grants from Government of Kenya -Recurrent	19	48,920,000	30,000,000
Grants from Government of Kenya -Development	19	108,000,000	-
Revenue from Commercial Activities & Consultancy Services	20	70,460,828	51,650,143
Other Income Receipts	21	14,036,470	21,802,604
Capital Grants from Government of Kenya - amortization	22	5,079,262	5,079,262
Research Grants	23	-	273,810
Grants From British Council	24	-	960,862
Decrease in provision for bad and doubtful debts			
		656,695,468	532,418,385
Utalii Hotel Net Profit	25	(23,858,705)	(10,228,257)
KCB Hospitality Centre Net Profit	26	2,894,579	7,210,996
Gain on Disposal of Motor Vehicles		-	1,848,730
Decrease in provision for bad and doubtful debts		-	-
		635,731,342	531,249,854
EXPENDITURE			
Academic Expenses	27	25,524,660	31,450,004
Administrative Expenses	28	151,971,424	154,249,078
Staff Costs	29	357,127,116	349,463,756
Establishment Costs	30	74,469,467	73,650,958
Finance Costs	31	279,362,336	179,008,973
Provision for bad and doubtful debts	32	728,598	9,044,583
Audit fee	33	464,000	464,000
Board of Governors Expenses	34	1,268,729	9,113,742
Total Recurrent Expenditure		890,916,329	806,445,094
Deficit before provision for Depreciation		(255,184,987)	(275,195,240)
Depreciation Charge for the year	2	64,743,176	84,943,731
Net Deficit for the Year		(319,928,163)	(360,138,971)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2013

	NOTE	2012/2013	2011/2012
		KShs.	KShs.
Cash Flows from operating activities			
Net Surplus(Deficit) for the year		(319,928,163)	(360,138,971)
Prior Year Adjustments		-	-
Adjustments for :			
Depreciation		64,743,176	84,943,731
Revenue reserve Hotel		112,473,687	(46,423,913)
Amortized Reserves		(5,079,262)	(5,079,262)
Gain on Disposal of Motor Vehicles		-	(1,848,730)
Increase /Decrease in Provision for Bad Debts		-	-
Surplus before working capital changes		(147,790,562)	(328,547,145)
Decrease /Increase in trade and other Receivables		(15,038,755)	14,243,781
Decrease /Increase in Inventories		5,282,052	(3,359,464)
Decrease /Increase in trade and other Payables		147,876,155	254,941,601
Net Cash used in Operating activities		138,119,453	265,825,918
Net cash flow from operating activities		(9,671,109)	(62,721,226)
Financing			
Grants from Government of Kenya		-	80,000,000
Cash flows from investing activities			
Acquisition of Property, plant and Equipment		(61,678,884)	(93,552,827)
Disposal of Land and Motor Vehicle		-	3,327,400
Net Increase/ (Decrease) in cash and cash equivalents		(71,349,994)	(72,946,653)
Cash and cash equivalents at beginning of the year		104,073,913	177,020,565
Cash and cash equivalents at end of the year	8	32,723,920	104,073,913

STATEMENT OF CHANGES IN GENERAL FUNDS FOR THE YEAR ENDED 30TH JUNE 2013.

	Staff Loan		Accumulated		Capital		Revaluation		TOTAL
	Fund	Surplus	Reserve	Reserve	Reserve	Reserve	Reserve		
As at 1st July 2011	16,767,960	67,764,357	128,615,652	994,674,333				1,207,822,302	
Funds received during the year	504,065		80,000,000					80,504,065	
Amortization on Revaluation Reserve charge for the year		26,771,750	(5,079,262)	(26,771,750)				-	
Grants Amortized		-						(5,079,262)	
Deficit for the year		(360,138,971)						(360,138,971)	
Revenue Reserve-Hotel		(46,423,911)						(46,423,911)	
As at 30th June 2012	17,272,025	(312,026,775)	203,536,390	967,902,583				876,684,223	
As at 1st July 2012	17,272,025	(312,026,775)	203,536,390	967,902,583				876,684,223	
Hotel Reverses Account	-	(25,962,803)	-	-				(25,962,803)	
Funds received during the year	662,416	-	-	-				662,416	
Amortization on Revaluation Reserve charge for the year	-	26,771,750	(5,079,262)	(26,771,750)				-	
Grants Amortized	-	-						(5,079,262)	
Surplus for the year	-	(319,928,163)	-	-				(319,928,163)	
As at 30th June 2013	17,934,441	(631,145,991)	198,457,128	941,130,833				526,376,411	

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are presented in Kenya Shillings (Kshs.) and are prepared under the historical cost basis of accounting modified by the revaluation of certain assets, where specified.

b) Revenue Recognition

Students' fees are recognized at the beginning of the term and cover the whole term. Fees paid in advance are treated as liabilities to the College whereas fees in arrears are treated as receivables. Other revenues are recognized in the period they are earned net of VAT and discounts.

c) Grants and Donations**i). Capital**

Grants and donations related to property, equipment and other assets are presented in the reserves as deferred income and utilized in the reduction of the carrying amounts of the related assets during their estimated useful lives.

ii). Income

Any grants or donations received to compensate expenses, losses or for the purpose of giving immediate operational support is dealt with in the income and expenditure account in the year it is received.

d) Property, Plant and Equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation.

Depreciation is calculated on straight line basis, at annual rates estimated to write-off carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are:-

	Rate	Estimated Useful Life
Freehold Land	Nil	
Leasehold Land	1.0%	99 Years
Buildings	2.5%	40 Years
Plant and Machinery	10%	10 Years
Furniture, Technical & Teaching Equipment	20%	5 Years

Kenya Utalii College,Notes to the Financial Statements for the year ended 30th June 2013

Motor Vehicles	25%	4 Years
Computers	30%	3 ¹ / ₃ Years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

e) Inventories

Inventories comprising of food, beverage and general merchandise together with returnable containers and drugs have been valued at cost calculated on average basis.

f) Provision for Bad and Doubtful Debts

A Specific provision amounting to **Kshs 169,627,435.00** has been recognized. In addition a 5% general provision and for bad and doubtful debts has been created in the financial statements.

	PROVISION FOR BAD AND DOUBFUL DEBTS		
DETAILS	ACCOUNTS RECEIVABLE	SPECIFIC ACCOUNTS	TOTAL
SPECIFIC	55,309,271.00	114,318,164.05	169,627,435.05
5% PROVISION	5,265,514.47	1,356,271.00	6,621,785.47

g) Retirement Benefit Obligations

The College operates a defined contribution benefits scheme for its permanent employees. The assets of the scheme are held in a separate trustee administered fund that is funded by both the College and employees.

The College also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to Kshs.200 per employee per month. The College's contributions to the above schemes are charged to the income and expenditure account in the year to which they relate.

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2013

2

PROPERTY PLANT AND EQUIPMENT AS AT 30TH JUNE 2013

ITEM	LAND KSHS	BUILDINGS KSHS	W.L.P WORK IN PROGRESS KSHS	PLANT AND MACHINERY KSHS	FURNITURE TECHNICAL AND EQUIPMENT KSHS	MOTOR VEHICLES KSHS	COMPUTERS AND ACCESSORIES KSHS	TOTAL KSHS
COST / VALUATION								
Balance as at 1st July 2011 -College	683,365,500	1,350,909,255	119,243,426	48,467,643	58,225,135	45,578,001	42,452,704	2,348,241,664
Balance as at 1st July 2011-Hotel	-	-	-	1,367,472	1,284,361	2,862,500	1,456,020	6,970,353
Additions College	-	1,964,019	76,809,919	3,700,800	7,080,676	1,862,523	1,862,523	91,417,937
Additions Hotel	-	612,090	-	2,192,000	341,250	1,522,800	-	2,134,890
Less Disposal	-	-	-	-	-	670,000	783,200	3,986,450
TOTAL	683,365,500	1,353,485,364	196,053,345	51,343,915	66,248,922	49,293,301	44,988,047	2,444,778,394
DEPRECIATION/ARMOTIZATION								
Balance as at 1st July 2011	20,754,859	101,045,203	-	12,024,326	25,642,487	30,883,250	24,150,879	214,501,004
Charge for the Year	6,902,682	33,837,134	-	5,134,392	13,249,784	12,323,325	13,496,414	84,943,731
Disposal	-	-	-	877,400	273,000	652,500	704,880	2,507,780
Accumulated Depreciation as at 30th June 2012	27,657,541	134,882,337	-	16,281,318	38,619,271	42,554,075	36,942,413	296,936,955
Net Book Value as at 30.6.2012	655,707,959	1,218,603,027	196,053,345	35,062,597	27,629,651	6,739,226	8,045,634	2,147,841,439
Net Book Value as at 30.6.2011	662,610,641	1,249,864,052	119,243,426	37,810,789	33,867,009	17,557,250	19,757,845	2,140,711,013
COST / VALUATION								
Balance as at 1st July 2012 -College	683,365,500	1,352,873,274	196,053,345	49,976,443	64,964,561	44,908,001	43,532,027	2,435,673,151
Balance as at 1st July 2012-Hotel	-	612,090	-	1,367,472	1,284,361	4,385,300	1,456,020	9,105,243
Additions College	-	2,855,330	46,270,969	1,986,326	471,031	-	1,411,347	52,995,002
Additions Hotel	-	6,205,918	-	600,880	453,000	-	1,424,085	8,683,882
Less Disposal	-	-	-	-	-	-	-	-
TOTAL	683,365,500	1,362,546,611	242,324,314	53,931,121	67,172,953	49,293,301	47,823,479	2,506,457,278
DEPRECIATION/ARMOTIZATION								
Balance as at 1st July 2012	27,657,541	134,882,337	-	16,281,318	38,619,271	42,554,075	36,942,413	296,936,955
Charge for the Year	6,902,682	34,063,665	-	5,393,112	13,434,591	1,684,807	3,264,320	64,743,176
Disposal	-	-	-	-	-	-	-	-
Accumulated Depreciation as at 30th June 2013	34,560,223	168,946,002	-	21,674,430	52,053,862	44,238,882	40,206,733	361,680,131
Net Book Value as at 30.6.2013	648,805,277	1,183,927,272	196,053,345	28,302,013	12,910,699	669,120	3,325,294	2,144,777,147
Net Book Value as at 30.6.2012	655,707,959	1,218,603,027	196,053,345	35,062,597	27,629,651	6,739,226	8,045,634	2,147,841,439

Revaluation Reserve

The College's Assets were revalued in June 2009 by an independent Valuer Landmark Realtors Ltd. The Revaluation exercise was carried out in order to establish the fair carrying value of the Assets. This resulted in a revaluation surplus of Kshs 1,074,989,585.

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STAFF LOANS SCHEMEINCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2013

	2012/2013	2011/2012
		KShs.
<u>INCOME</u>		
Interest earned from staff loans	667,762	468,185
Bank interest earned	1,946	49,683
	669,707	517,868
<u>LESS: EXPENDITURE</u>		
Bank charges	7,292	13,803
Surplus	662,416	504,065

STAFF LOANS SCHEME FUND AS AT 30TH JUNE 2013

	2012/2013	2011/2012
		KShs.
Staff Loans Scheme Fund	17,272,025	16,767,960
Surplus	662,416	504,065
Amount received from Kenya Utalii College		-
	17,934,440	17,272,025
<u>REPRESENTED BY:</u>		
Staff loans	13,204,312	11,075,090
Bank Account balance	1,004,812	3,178,852
Amount receivable from Kenya Utalii College	3,725,317	3,018,083
	17,934,440	17,272,025

Kenya Utalii College,

Notes to the Financial Statements for the year ended 30th June 2013

4 <u>TRADE AND OTHER RECEIVABLE AS AT 30TH JUNE 2013</u>		
	2012/2013	2011/2012
	KShs.	
College Accounts Receivable College	31,832,676	34,686,905
Hotel Accounts Receivable	84,638,502	67,501,312
KSMS Accounts Receivable	17,046,823	17,046,823
KCB Leadership Centre Accounts Receivable	9,991,429	12,073,651
Students' Accounts Receivable	18,258,992	11,676,699
	161,768,422	142,985,390
LESS : Provision for Bad & Doubtful Debts	60,574,785	59,695,404
	101,193,637	83,289,986

5 <u>DEPOSITS AS AT 30TH JUNE 2013</u>		
	2012/2013	2011/2012
	KShs.	
Deposits Account	4,119,169	4,119,169

6 <u>SPECIAL ACCOUNTS RECEIVABLE AS AT 30TH JUNE 2013</u>		
	2011/2012	2011/2012
	KShs.	
Staff Advances Account College	1,595,366	2,315,890
Staff Advances Account Hotel	680,332	723,537
Imprests Account College	1,099,747	635,597
Imprests Account Hotel	21,825	214,000
Medical Advances Account College	155,831	176,872
Curtain & Furniture Advances College	311,502	2,457,976
Curtain & Furniture Advances Hotel	715,545	2,221,742
Overdrawn salaries	-	18,972
AHTSA	-	159,591
Warwick International	3,116,184	3,116,184
Kenya Revenue Authority	129,311,951	129,311,952
Prepayments College	680,848	531,356
Prepayments Hotel	457,355	133,003
Hotel Staff Debtor	297,098	187,429
Accrued Income	3,000,000	2,255,163
Sub -Total	141,443,584	144,459,264
Less:Provision for Bad and doubtful debts	115,674,435	115,825,219
Grand Total	25,769,149	28,634,045

*Included in the receivables are long outstanding debts of Kshs 27,087,848 whose recoverability is doubtful.

Kenya Utalii College,

Notes to the Financial Statement for the year ended 30th June 2013

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INVENTORIES AS AT 30TH JUNE 2013

	2012/2013	2011/2012 *Restated KShs.
Food Stores- College	2,393,376	4,212,667
Food Stores -Hotel	3,044,158	3,407,811
Beverage Stores- College	1,071,942	1,747,902
Beverage Stores -Hotel	1,495,714	2,930,687
General and Maintenance -College	7,587,562	10,209,718
General and Maintenance -Hotel	3,653,750	2,376,017
Containers Stores- College	291,940	514,689
Drugs Stores -College	1,046,392	467,395
Total	20,584,834	25,866,886

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CASH AND BANK BALANCES AS AT 30TH JUNE 2013

	2012/2013	2011/2012 *Restated KShs.
Cash in Hand -College	96,833	64,940
Cash in Hand -Hotel	1,844,592	416,235
Cash at Bank -College	23,733,667	85,072,114
Cash at Bank -Hotel	4,415,581	15,873,067
Floats -College	2,260,000	2,274,308
Floats -Hotel	373,248	373,248
TOTAL	32,723,920	104,073,913

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ACCUMULATED FUND AS AT 30TH JUNE 2013

	2012/2013	2011/2012 *Restated KShs.
Balance Brought Foward	(312,026,775)	67,764,357
Amortization of Revaluation Reserve	98,167,830	-
	(213,858,945)	67,764,357
Deficit for the Year	(319,928,163)	(360,138,971)
Revenue Reserves- Hotel	41,077,608	(19,652,161)
Balance carried Foward	(492,709,500)	(312,026,775)

10. Revaluation Reserve

The College's Assets were revalued in June 2009 by an independent Valuer, Landmark Realtors Ltd. The Revaluation exercise was carried out in order to establish the fair carrying value of the assets. This resulted in a revaluation surplus of kshs 1,074,989,585. Depreciation on the revaluation surplus is charged to the revaluation Reserve Account

11. Capital Reserve – Refurbishment of Utalii Hotel and Individual Kitchen

During the 2003/2004, 2005/2006 and 2007/2008 financial years, the College received capital grants from the Government of Kenya and Special Capital Grant from Catering and Tourism Development Levy Trustees to refurbish Utalii Hotel and Individual Training Kitchen amounting to Kshs.113,170,486, 15,000,000 and 30,000,000 respectively. These grants are amortized over the expected useful life of the building and useful life of the Equipment on a straight line basis.

The balance has been arrived at as follows:

	2012/2013	2011/2012
	Kshs.	Kshs.
Balance at beginning of year	203,536,390	128,615,652
Add: Development Grants		80,000,000
Less: Amortization	5,079,262	5,079,262
Balance at end of year	198,457,128	203,536,390

Kenya Utalii College,

Notes to the Financial Statement for the year ended 30th June 2013.

12 LOAN FROM GOVERNMENT OF KENYA

As at 30th June the College had an outstanding Loan from the Government of Kenya amounting to Kshs.134,000,000. The College is negotiating with Government to write off this loan together with its accumulated interest amounting to Kshs 1,672,829,482

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PAYROLL DEDUCTIONS AS AT 30TH JUNE 2013

	2012/2013	2011/2012
		KShs.
NHIF	122,560	167,600
P. A. Y. E	4,504,359	6,859,146
N.S.S.F	278,630	299,250
Amedo Centres (K) Ltd.	6,026	-
Woodventure (K) Ltd.	3,792	-
Kenyuco Sacco	1,940,966	1,950,929
Kenyuco Housing Sacco	491,057	531,853
Higher Education Loans Board	45,146	61,762
Co-operative Bank Staff Loans Deductions	162,957	350,873
Barclays Bank Staff Loans Deductions	1,044,404	959,703
KCB Staff Loan deductions	298,103	356,450
Standard Chartered Bank Loan Deduction	1,274,146	815,801
Select Management Services Ltd	153,594	191,635
Faulu Kenya Ltd	171,350	40,770
African Retail Traders	18,580	19,160
Rapid Communications	4,663	-
Multichoice Kenya Ltd	-	47,666
Staff Loans Scheme Deduction Account	3,725,317	3,018,083
Other Staff Co-operative Societies	877,416	680,018
Staff Service Charge Account KCB	597,892	372,078
Personal Insurances Account	424,009	403,276
Pension Deductions	2,525,551	3,298,133
Class Funds Accounts	-	94,083
Secretariat Welfare Account	-	2,000
Salaries Control Account	1,156,771	1,267,745
Staff Shortages	10,322	13,514
Education Levy	869,457	975,922
Payroll deduction Hotel	9,441,131	5,052,846
TOTAL	30,148,196	27,830,296

Note ;The payroll deductions refer to staff deduction for the month of June 2013 paid in the month of July 2013

Kenya Utalii College,

Notes to the Financial Statement for the year ended 30th June 2013

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TRADE AND OTHER PAYABLE AS AT 30TH JUNE 2013

	2012/2013	2011/2012
		KShs.
Accrued Expenses College	84,368,216	128,728,641
Accrued Expenses Hotel	3,554,490	4,139,590
Suppliers' Accounts College	100,601,133	77,957,666
Suppliers' Accounts Hotel	48,163,946	49,462,089
TOTAL	236,687,786	260,287,986

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SPECIAL CREDITORS ACCOUNTS AS AT 30TH JUNE 2013

	2012/2013	2011/2012
		KShs.
External exams (IATA) Contra	162,269	156,094
Insurance Claims Contra	423,218	590,125
Staff Welfare Fund Account	1,579,788	1,448,938
Pension Scheme Refunds Account	5,568,714	5,837,143
Deceased Special Fund Account	1,116,125	1,116,045
Unclaimed Students Allowances	156,030	156,030
Prepaid Fees Account	3,454,807	3,025,791
University of Surrey	351,931	351,931
V.A.T	2,422,230	1,432,600
Training Levy KCB and Hotel	576,143	1,850
KUC Creditor Utalii College	0	
Hotel customers advance deposits	925,388	1,410,875
PDQ	1,901	
Special payable Accounts Hotel	0	3,139,716
Students' Caution Money	3,947,842	3,345,842
Students' Council Account KUCSA	143,960	82,642
Students Control Account	99,619	
Accrued Interest for GOK	1,260,523,446	1,084,199,334
TOTAL	1,281,453,412	1,106,294,956

16. Fees from Students

This represents fees invoiced to both Local and Foreign Students, together with application fees.

	2012/2013	2011/2012
	Kshs	Kshs
Fees from Local Students	51,657,030	39,586,747
Fees From Foreign Students	10,033,500	9,906,553
Application Fees	2,039,822	1,986,498
	-----
Total	63,730,352	51,479,798
	=====	=====

17. Revenue from Tourism fund

This is the revenue collected by Catering and Tourism Development Levy Trustees from hotels and restaurants to cater for both training and marketing needs in the hotel and tourism sector. It is shared between Kenya Utalii College, Kenya Tourist Board and Catering & Tourism Development Levy Trustees in accordance with approved budgets.

18. Rent Income from Staff Housing Units

This is the income arising from rent charged to members of staff occupying the College's housing units.

19. Grants from Government of Kenya

This is in respect of assistance from the Government of Kenya, through the Ministry of Tourism. It is recognized as revenue when received. The college received Ksh.48.92m for recurrent expenditure and Ksh.108m for development expenditure.

20. Revenue from Commercial Activities

This represents revenue generated from part-time courses and other revenue generating activities by the various departments. This amount is shown net of direct expenses, and is summarized as follows:

	2012/2013	2011/2012
	Kshs	Kshs
Self Sponsored Courses	34,825,818	31,724,353
Pioneer Courses	27,352,582	22,314,245
MDP & Refresher Courses	6,929,109	10,378,900
Bakery Sales	1,654,683	2,231,868
Laundry Services	11,882,365	15,040,169
Sports Club Bar Sales	1,006,815	584,394
Cyber café services	345,811	240,309

Kenya Utalii College,Notes to the Financial Statements for the year ended 30th June 2013

Bookshop Sales & Photocopying	524,737	472,268
Barber Shop Rent	220,000	240,000
Degree Programmes	21,372,875	20,485,945
Consultancy services	3,385,992	
	-----	-----
Sub-Total	109,500,787	103,712,451
Less: Direct Expenses	39,039,959	52,062,308
	-----	-----
Total	70,460,828	51,650,143
	=====	=====

21. Other Incomes

This comprises of:

	2012/2013	2011/2012
	Kshs.	Kshs.
Sale of Discarded items	24,341	229,841
Interest on Fixed Deposit Account	2,513,939	5,235,128
Sale of Tender Documents	735,180	1,580,000
Gain on Foreign Exchange	3332	73,370
Jifunze Bar Sales	400,898	389,297
Surplus from Food fair	439,437	0
Hire of facilities	7,511,799	8,059,280
Identity cards & Lost items	765,690	440,837
Sale of Meal vouchers	181,750	223,650
Other Miscellaneous Income	733,449	5,571,200
Graduation fee	726,655	0

Total	14,036,470	21,802,604
	=====	=====

22. Grants from Government of Kenya – amortization

This represents the amortized amount of the capital grants received from the Government of Kenya in respect of refurbishment of Utalii Hotel, in the 2003/2004 financial year.

23. Research Grants

This represents the money received by the Institution for research from National Council for Science and Technology and United Nations World Tourism Organization.

24. Grants from British Council

This represents the money received by the institution through the collaboration of the College and the Manchester Metropolitan University.

Kenya Utalii College,

Notes to the Financial Statement for the year ended 30th June 2013.

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UTALII HOTEL TRADING, ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2013

	2012/1013	2011/2012
	KShs.	KShs.
Sales:		
Rooms	75,519,292	69,856,042
Beverages	18,534,275	21,801,231
Food	99,579,082	91,089,850
Miscellaneous	7,890,510	6,664,375
	201,523,160	189,411,498
Less: Cost of Sales	78,193,753	62,902,842
Gross Profit	123,329,406	126,508,656
Expenses		
Salaries and Wages	93,572,829	88,403,164
Medical Expenses	1,820,636	3,425,504
Professional Clothes and Uniforms	983,641	1,014,088
Staff Development	1,150,943	2,098,282
Heat, Light and Power	15,847,205	16,101,420
Water, Sewerage and Land Rates	4,067,351	1,486,256
Maintenance and Repair of Buildings	813,440	511,952
Maintenance and Repair of Equipment	1,822,417	3,253,656
Maintenance and Repair of Motor Vehicles	1,587,274	1,209,657
Renewal and Replacement	3,845,170	3,520,250
Advertising and Promotion	977,949	2,932,228
Dstv subscription	875,648	440,509
Entertainment and Public Relations	635,659	1,037,759
Printing and Stationery	2,336,847	1,899,029
Newspapers and Magazines	304,300	153,340
Cleaning Materials	5,796,686	2,954,146
Travelling and Subsistence Expenses	782,471	991,271
Postage and Telephone	989,470	844,660
Licences and Professional Services	2,825,546	352,246
Contracted Services	2,578,957	1,900,939
Insurance	919,862	824,764
Bank Charges	344,779	439,154
Staff Welfare expenses	804,000	711,700
Staff Meals	1,505,032	230,939
Total	147,188,111	136,736,913
Net Loss	(23,858,705)	(10,228,257)

Kenya Utalii College,

Notes to the Financial Statement for the year ended 30th June 2013.

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KCB HOSPITALITY CENTRE TRADING ACCOUNT**FOR THE YEAR ENDED 30TH JUNE 2013**

	2012/2013	2011/2012
	KShs.	KShs.
Sales:		
Rooms	14,637,854	18,008,703
Beverages	9,860,299	10,078,069
Food	68,718,737	80,700,031
Miscellaneous	312,045	485,983
	93,528,934	109,272,786
Less: Cost of Sales	26,796,056	32,250,295
Gross Profit	66,732,879	77,022,491
Expenses		
Salaries and Wages	48,640,825	50,022,974
Medical Expenses	1,258,791	1,948,364
Professional Clothes and Uniforms	92,131	335,877
Staff development	599,340	228,665
Heat, Light and Power	6,861,596	9,333,600
Water, sewerage & land rates	334,376	471,772
Maintenance and Repair of Buildings	25,862	24,569
Maintenance and Repair of Motor Vehicles	1,164,650	1,131,731
Maintenance and Repair of Equipment	65,032	390,824
Renewal and Replacement	407,008	1,314,469
Printing and Stationery	350,284	187,785
Newspapers and Magazines	36,500	28,350
Cleaning Materials	1,838,787	2,097,464
Travelling and Subsistence Expenses	-	276,760
Postage and Telephone	369,030	345,200
Licences and Professional Services	-	-
Insurance	617,033	99,000
Bank Charges	114,760	274,594
Staff Meals	832,119	853,250
Entertainment and public Relations	127,476	108,760
Staff welfare Expenses	18,700	253,487
House Rent	84,000	84,000
Total	63,838,300	69,811,495
Net Profit	2,894,579	7,210,996

Kenya Utalii College,

Notes to the Financial Statement for the year ended 30th June 2013

27 ACADEMIC EXPENSES FOR THE YEAR ENDED 30TH JUNE 2013

	2012/2013	2011/2012
	KShs.	KShs.
Industrial Training Expenses	5,544,608	7,984,351
Inservice Students' Accommodation and Travel	1,759,775	2,537,880
Students' Selection Expenses	28,000	168,054
Students' Allowances	534,896	1,214,135
Special Courses	8,949,854	9,054,745
Class Text Books, Library Books, & Periodicals	3,960,470	5,502,314
External Examination Expenses	1,445,636	843,098
Research Expenses	334,623	912,851
Research Grants Expenses	-	513,456
Loss on Food Fair	-	680,085
Bursaries Expenses	2,966,798	2,039,035
Sub -Total	25,524,660	31,450,004

28 ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 30TH JUNE 2013.

	2012/2013	2011/2012
	KShs.	KShs.
Professional Clothes and Uniforms	1,150,925	1,810,083
Food and Beverage	73,618,298	58,243,470
Printing and Stationery	5,020,084	6,796,098
Cleaning Materials	5,881,052	4,890,710
Maintenance and Repair of Buildings	10,108,450	8,739,166
Maintenance and Repair of Equipment	8,901,596	9,520,159
Maintenance and Repair of Vehicles	6,376,621	8,175,062
Travelling and Subsistence Expenses	5,285,189	9,056,260
Entertainment and Public Relations	3,490,540	11,460,578
Advertising and Promotion	1,417,505	3,099,387
Renewal and Replacement	14,714,808	15,753,780
Staff and Students' Welfare Expenses	5,298,982	6,371,918
Contracted Services	10,707,373	10,332,407
Sub -Total	151,971,424	154,249,078

iii College,

Financial Statement for the year ended 30th June 2013

STAFF COSTS FOR THE YEAR ENDED 30TH JUNE 2013

	2012/2013	2011/2012
	KShs.	KShs.
Salaries - Expatriate Staff	2,309,167	1,330,333
Salaries - Permanent Academic Staff	126,946,998	115,704,762
Salaries - Part-time Academic	2,430,826	2,493,688
Salaries - Administrative Staff	204,333,546	198,475,398
Medical Expenses	9,672,281	11,235,745
Staff Development	11,434,298	20,223,830
Sub -Total	357,127,116	349,463,756

30 ESTABLISHMENT COSTS FOR THE YEAR ENDED 30TH JUNE 2013

	2012/2013	2011/2012
	KShs.	KShs.
Heat, Light and power	50,400,677	56,301,386
Water, Sewerage and Land Rates	11,174,967	5,540,965
Postage and Telephone	3,447,227	3,391,235
Licences and Professional Services	3,572,992	4,028,509
Insurances	5,873,604	4,388,863
Sub -Total	74,469,467	73,650,958

31 FINANCE COSTS FOR THE YEAR ENDED 30TH JUNE 2013

	2012/2013	2011/2012
	KShs.	KShs.
Bank Charges	885,968	2,013,045
Loss on Foreign Exchange	170,332	671,816
Interest on loan from G.O.K	278,306,036	176,324,112
Sub -Total	279,362,336	179,008,973

32 PROVISION FOR BAD AND DOUBFUL DEBTS FOR THE YEAR ENDED 30TH JUNE 2013

	2012/2013	2011/2012
	KShs.	KShs.
Increase in provision for bad and doubtful debts	728,598	9,044,583
Total	728,598	9,044,583

33 AUDIT FEE FOR THE YEAR ENDED 30TH JUNE 2013

	2012/2013	2011/2012
	KShs.	KShs.
Audit fee	464,000	464,000
Total	464,000	464,000

Kenya Utalii College,

Notes to the Financial Statement for the year ended 30th June 2013

34 BOARD OF GOVERNORS EXPENSES

	2012/2013	2011/2012
	KShs.	KShs.
Sitting Allowance	280,000	1,979,600
Travelling And Subsistence	69,990	5,229,228
Honararia	320,000	940,720
Other Allowance	598,739	964,194
TOTAL	1,268,729	9,113,742
Grand Total	890,916,329	806,445,094

