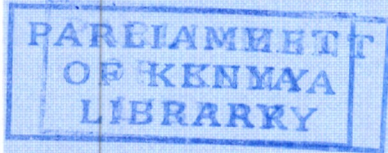


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
YOUTH ENTERPRISE DEVELOPMENT  
FUND BOARD

FOR THE YEAR ENDED  
30 JUNE 2014

THE NATIONAL TREASURY

*Paper Laid*  
*By Hon. A. Drake Low*  
*On Thurs. 20.08.2014*  
*(P.M.)*



# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON YOUTH ENTERPRISE DEVELOPMENT FUND BOARD FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Youth Enterprise Development Fund Board set out on pages 1 to 21, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, the statement of comparison of budget and actual amounts 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 Public Sector Accounting Standards (accrual basis) 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 provisions of Section 15(2) of the Public Audit Act, 2003. 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 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 entity'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. Financial performance**

The financial statements show a deficit of Kshs.176,220,841.00 for the year under review compared to a surplus of Kshs.25,438,199.00 for the previous year. This can be attributed to an increase in expenditure in programme expenses, human capital expenses, board expenses, repairs & maintenance, administrative expenses and provision for bad debts. Further, the accumulated fund shows a deficit of Kshs.114,200,574.00. This adverse financial performance if not addressed may affect the going concern in future, if appropriate measures are not taken to contain further deficits and improve financial performance. Liquidity does not appear to be threatened as can be seen from the statement of financial position.

#### **2. Supply of Micro Computer Automatic Hatching Machines**

As reported in the previous years, a contract of Kshs.208,530,000.00 for the supply, installation and commissioning of No.1050 (one thousand and fifty) micro-computer automatic hatching machines was awarded to a supplier in August 2012. The supplier was to deliver the machines within two (2) months of the execution of the agreement. The machines were to be issued to five (5) youth groups in each constituency for purposes of poultry business.

Available information indicates that the 1050 machines were supplied, delivered, received and stored at Kasarani Stadium on 5 November 2012 which could easily attract storage costs.

As at 30 June 2014 only 116 machines out of the 1050 had been sold out leaving a balance of 934 with a total cost of Kshs.177,460,000.00. It is apparent, therefore, that the Board procured the machines without prior assessment of the need of the same by targeted beneficiaries.

#### **3. Cash and Cash Equivalent**

##### **(i) KCB Repayment Account**

The cash and cash equivalents balance of Kshs.780,826,252.00 as at 30 June 2014 includes Kshs.5,875,728.40 described in the KCB bank reconciliation statement as the difference between cashbook and bank balance which has remained outstanding since 2007. As reported in the previous year the difference has not been analyzed or explained.

Consequently, it has not been possible to confirm the validity and accuracy of cash and cash equivalents balance of Kshs.780, 826,252.00 as at 30 June 2014.

**(ii) Suspense Account**

The fund statement reflects an amount of Kshs.7,372,568.00 deposited in various banks and M-Pesa Accounts held in Suspense Account. The amounts represent direct credits in respect of Loan repayment from various youth groups whose loan beneficiaries have not been identified.

**4. Receivables from Exchange Transactions**

**(ii) Outstanding Imprest**

The receivables from exchange transactions reflect an amount of Kshs.1,455,290.00 relating to outstanding imprest. This was issued to various employees who have since left the organization.

**(i) Financial Intermediaries**

The statement of financial position reflects receivables in exchange transactions of Kshs.1,336,613,240.00. It was observed that financial intermediaries of Kshs.326,755,248.26 was outstanding for interests, penalties and principal. Out of this, default penalties were Kshs.203,540,936.00 and its recoverability is doubtful particularly from financial intermediaries who did not provide any tangible security. These loans are long overdue for repayment and the organization is not making any notable efforts to recover loans issued.

**(ii) Welfare Group Loans**

As previously reported receivables from exchange transactions include loans balances totalling Kshs.150,000.00 and Kshs.500,000.00 disbursed in 2007 to Copper Group in Ijara District and Nomads Welfare in Dujis and Garissa. These Welfare Groups could not be traced for purposes of confirming their outstanding loans and their recoverability.

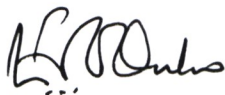
**(iii) Loans Repaid Unidentified**

The receivables from exchange transactions of Kshs.1,366,613,240.00 has been arrived after netting off an amount of Kshs.31,906,611.00 described as loans repaid unidentified. Under the circumstances, receivables from exchange transactions balance of Kshs.1,366,613,240.00 as at 30 June 2014 could not be confirmed as correct.

**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 Board as at 30 June 2014, and of its financial performance

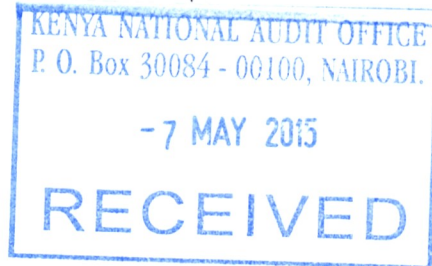
and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (accrual basis) and comply with the Youth Enterprise Development Fund Order, 2007.



**Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**18 May 2015**



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**YOUTH ENTERPRISE DEVELOPMENT FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2014**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)**

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## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Youth Enterprise Development Fund was formed on 11<sup>th</sup> May 2007 by Legal Notice No.63. The Fund is a State Corporation under the Ministry of Devolution and planning and is run by a Board of Directors comprising of a non-executive chairman, Chief Executive officer, permanent secretary in charge of Youth Affairs, Permanent secretary in charge of Finance and other members appointed by the Minister in charge of Youth Affairs.

### **(b) Principal Activities**

The principal activity/mission of the Youth Enterprise Development Fund is to increase economic opportunities for, and participation by Kenyan youth in nation building.

To achieve this, the fund;

- Provide loans for on-lending to youth enterprises
- Attract and facilitate investment in micro, small and medium enterprises oriented commercial infrastructure that will be beneficial to youth enterprises
- Support youth oriented micro, small and medium enterprises to develop linkages with large enterprises
- Facilitate marketing of products and services of youth enterprises both in the domestic and the international markets
- Provide business development services to youth enterprises
- Facilitate employment of youth in the international labour market

### **(c) Key Management**

The Youth Enterprise Development Fund's day-to-day management is under the following key organs:

- Chief Executive Officer;
- General Manger;
- Lending & Investment Manager;
- Finance & Administration Manager;
- Company Secretary;
- Supply Chain Management Officer;
- Human Resources Manager;
- Public Relations Manager; and
- Audit, Monitoring & Evaluation Manager

#### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag.Chief Executive Officer	- Catherine Namuye (Ms)
2.	Lending & Investment Manager	- Judy Kimeto (Ms.)
3.	Finance & Administration Manager	- Benedict Atavachi (w.e.f 1/09/2013)
4.	Audit, Monitoring & Evaluation Manager	- Emmanuel Odera
5.	Supply Chain Management Officer	- John Ngeno
6.	Human Resources Manager	- Truphena Omung'ala (Ms.)
7.	Public Relations Manager	- Benson Muthendi
8.	Ag. Company Secretary	- Miriam Boit – Kahiro (Mrs.)

#### (e) Fiduciary Oversight Arrangements

To carry out its mandate the Fund is run by a Board of directors who discharge their duties through audit committee. The Committees that operated during the year under review are;

- Audit and Risk Committee
- Operations Committee
- General purposes Committee

##### *General purposes Committee*

The Committee's main functions include;

- i) Deliberate on the Fund's annual budget and recommend to the Board for approval;
- ii) Review the Fund's management accounts and other financial reports/matters;
- iii) Handle the Human Resources related cases and recommend to the Board for approval;
- iv) Deal with all administration related matters;
- v) Handle matters of Resource Mobilizations and fundraising initiatives;
- vi) Offer policy directions on public relations and marketing matters of the Fund.

Members who served during the year under review up to 19<sup>th</sup> January 2014 were:

- Jane N. Mugo - Chairperson
- Samuel Macharia
- Gregory K. Somba - Kivalya
- Nicholas Mwaniki
- Catherine Namuye - Secretary/Ag. Chief Executive Officer

The members who served on the committee during the year under review w.e.f 24<sup>th</sup> June 2014 were;

- Michael Wamae –Chairperson
- Clement Ayungo
- Timothy Gakuo
- Samuel Macharia
- Catherine Namuye - Secretary/Ag. Chief Executive Officer

### ***Operations Committee (OPC)***

The committee's is responsible for ensuring that the fund achieves its core mandate. The committee review and approve the operations related to;

- Lending
- Enterprise development
- Commercial infrastructure
- Youth Employment Scheme Abroad
- Market Access & Linkages
- Monitoring & Evaluation

The members who served on the committee during the year under review upto 19<sup>th</sup> January 2014 were;

- Thedius Bwire - Chairman
- Gregory K. Somba - Kivalya
- Samuel M. Macharia
- Catherine Namuye - Secretary/Chief Executive Officer

The members who served on the committee during the year under review w.e.f 24<sup>th</sup> June 2014 were;

- Sabra Omar Hussein-Chairperson
- Clement Ayungo
- Jane Mutinda
- Samuel Macharia
- Catherine Namuye - Secretary/Chief Executive Officer

### ***Audit & Risk Committee (ARC)***

Audit & Risk Committee (ARC) is responsible for monitoring and reviewing the effectiveness of internal controls and business risk system of the Fund.

It reviews both internal and external audit reports and recommends to the full board appropriate measures to address any deficiencies noted and follows up on implementation of recommendations made.

The members who served during the year under review up to 19<sup>th</sup> January 2014 were;

- Leah Chepkoske - Chairperson
- Samuel Macharia
- Thedius Bwire

The members who served on the committee during the year under review w.e.f 24<sup>th</sup> June 2014 were;

- Nicholas Mwaniki
- Clement Ayungo
- Timothy Gakuo
- Jane Mutinda
- Samuel Macharia

### **(f) Entity Headquarters**

P.O. Box 48610 - 00100  
National Bank Building  
Harambee Avenue  
Nairobi, KENYA

**(g) Entity Contacts**

Telephone: (254) 202211671-2, 2211675

E-mail: [info@youthfund.go.ke](mailto:info@youthfund.go.ke)

Website: [www.youthfund.go.ke](http://www.youthfund.go.ke)

**(h) Entity Bankers**

1. Equity Bank of Kenya  
Community Branch, NHIF Building, Ragati Road  
P.O. Box 75104  
City Square 00200  
Nairobi, Kenya
2. Kenya Commercial Bank  
KENCOM House, Moi Avenue  
P.O. Box 48400  
GPO 00100  
Nairobi, Kenya

**(i) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**(j) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

## **I. THE BOARD OF DIRECTORS**

The following were the members of the Board of Directors for the financial year 2014/15:

1. Bruce Odhiambo – Chairperson w.e.f March 1, 2014
2. Evans Gor Semelang'o – Chairman upto February 27, 2014
3. Michael Wamae – w.e.f April 11, 2014
4. Clement Ayungo - w.e.f April 11, 2014
5. Timothy Gakuo
6. Samuel Macharia
7. Sabra Omar Hussein- w.e.f April 11, 2014
8. Jane Mutinda- w.e.f April 11, 2014
9. Nicholas Mwaniki
10. Janet Mugo - upto January 19, 2014
11. Leah Chepkoske – upto January 19, 2014
12. Thedius Bwire – upto January 19, 2014
13. Gregory K. Somba – Kivalya
14. Catherine Namuye –CEO

### III. THE BOARD OF DIRECTORS



Mr. Bruce Odhiambo ,  
Chairman Board of Directors



Ms. Catherine Akello Namuye,  
Chief Executive Officer  
Bachelor's Degree in Social Sciences,  
MBA, Awaiting to graduate in  
Commerce (Economics & Finance)



Dr. Kamau Thugge,  
P.S The National Treasury



Eng. Peter Oganga Mangiti, P.S  
Ministry of Devolution and Planning.



Dr. Jane Mutinda,  
PHD –Environmental studies  
Masters in Environmental  
Education and Bachelor's  
Degree in Education



Mr. Timothy Gakuu, Alternate; P.S  
Ministry of Devolution and Planning.



Mr. Clement Ayungo  
Bsc. Environmental Health  
Sciences



Ms. Sabra Hussein Omar.  
B.Com -Procurement & Supply



Mr. Nicholas Mwaniki  
Bsc.-Food Science  
&Technology, IT



Mr. Samuel Macharia, Alternate, P.S  
Treasury  
B.Com, MBA



Mr. Michael Wamae  
 BA Government. Member of Institute of Directors of Kenya and a businessman with experience in Governance & Dev.



Mrs. Miriam Boit Kahiro  
**Ag. Company Secretary**  
*LLB, LLM (International Corporate Governance and financial regulation, CPS (K) and Advocate of the high Court of Kenya*

#### IV. MANAGEMENT TEAM AS AT 30<sup>TH</sup> JUNE 2014



Ms. Catherine Namuye  
**Chief Executive Officer**  
*Bachelor's Degree in Social Sciences, MBA, Awaiting to graduate with an MSc. Commerce (Economics and Finance), ACCA (Ongoing)*



CPA Emmanuel Odero CPA (K), CPP (UK), CIQA, IIA  
**Ag. General Manager.**  
*B.COM (Accounting), MBA Finance, Currently Pursuing PHD in Strategic Management*



CPA Benedict Atavachi, CPA (K), MBA (Finance), BCOM (Accounting).  
**Finance & Administration Manager.**



Ms. Judy Kimeto  
**Lending & Investment Manager**  
*Bachelor's degree in Business Administration, MBA; Currently pursuing professional courses in Finance and Accounts*



Mr. John Ngeno  
**Supply Chain Manager**  
*B.COM (Marketing), MSc. (procurement), Awaiting to graduate with a PHD in procurement.*



Ms. Truphena Omung'ala  
**Human Resources Manager**  
*B.COM, M.Com (Business Administration) Diploma in Human Resource Mgt., Diploma in Labour Market, currently pursuing CPS and Advanced Diploma in Psychology.*



Mr. Benson Muthendi  
**Public Relations Manager**  
*B.Ed(Hons) in Arts, Diploma in Public Relations Mgt., Diploma in Management, Certificate in Communication Technologies, Finalizing M.A in sociology & Community Development*



Mrs. Miriam Boit Kahiro  
**Ag. Company Secretary**  
*LLB, LLM (International Corporate Governance and financial regulation, CPS (K) and Advocate of the high Court of Kenya*

### III. CHAIRMAN'S STATEMENT

Kenya, like many other countries of Africa and the Middle East, has experienced high rates of unemployment with the youth being the most affected. The country has put in place several initiatives to alleviate unemployment, among them the establishment of the Youth Enterprise Development Fund (YEDF).

Seven years ago the Fund, a flagship of Vision 2030, embarked on a journey to economically empower the youth of Kenya by providing business support services. These services include loans, entrepreneurship training, mentorship, market support, linkages and trading premises. The Fund also facilitates youth to obtain jobs abroad.

The Fund has recorded tremendous success in its endeavor to support budding entrepreneurs. It has advanced over Kshs. 10 billion to about 300,000 youth enterprises, some directly and others through financial intermediaries. It has also trained thousands of youth in entrepreneurship and supported others to market their products through organized trade fairs. In addition the fund has facilitated 15,000 youth to obtain employment abroad. Many of the initial beneficiaries of the Fund are prominent entrepreneurs who are making a significance contribution to the economic wellbeing of the country.

We continue to use the feedback received from our clients to diversify our products so that they address regional and individual differences. We have introduced sector specific loan products to enable youth utilize their talents, as well as take advantage of the resources in their localities. We have introduced loan products that enable the youth get into modern farming such as greenhouse farming and computerized poultry breeding.

We have also opened ten regional offices across the country to coordinate services at the grassroots. We have employed two officers in every constituency and issued them with motor cycles to ease mobility and to enable them provide services in the remotest parts of Kenya. We are looking forward to opening offices at county level, which will ease partnership between the Fund and county governments.

In order to accelerate the absorption of our youth into foreign labour markets the Fund has established a Youth Employment Scheme Abroad (YESA) secretariat at Lonrho House, Nairobi. It will be a one stop shop where youth will obtain information on jobs, acquire travel documents and migration loans as well as training. The secretariat will work closely with other stakeholders and government agencies to seek opportunities for our youth abroad, market their skills and assist them to obtain relevant documentation.

Beyond loans and business development services we are introducing mentorship programmes to ensure that our youth are well guided and make well informed choices in life. To this end we are introducing two programmes, iTempo and "I've got ten minutes, do you?"

Through iTempo, we hope to identify, train and empower **900,000** youths within a period of 3 years. We will travel the 47 counties to identify **2,128** youths per county per year.

These youths will be trained in clusters of **532** youths for a period of 3 months each. The training will focus on self-belief, self-motivation, entrepreneurship and leadership. Every graduate will be required to train and mentor at least **2** youths from his/her constituency. This will result in the training of at least **300,000** youths per year. The "I've got ten minutes... do you?" programme is built on tapping volunteers to mentor our youth. Every mentor will volunteer ten minutes to share their experiences with the youth. The youth will also be expected to avail themselves for the ten minutes, and to ask questions on issues that may concern them. The programme is premised on the fact that many young people desire to share time with an adult whom they can ask pertinent questions.

The Board is adopting technology to enhance service delivery. We are implementing an enterprise resource planning (ERP) system that will be linked to refurbished website and enable real-time interaction with all our offices and clients across the country. We are also introducing a USSD short code that will enable millions of youth across the country to interact with the Fund through their mobile phones. By sending a short message, the youth will be able to query the processing of their loan applications, obtain information, and enter their details into a database that will be used to reach out to them.

#### **IV. REPORT OF THE CHIEF EXECUTIVE OFFICER**

High unemployment rate remains one of the greatest challenges facing our country. Currently, 70% of the unemployed people in Kenya are the youth. Youth aged between 18 and 35 are 30.3% of the total population. The education system in Kenya is not geared towards market demand. Consequently, 92% of the unemployed youth have some form of formal education but do not possess any relevant skills

In its quest to achieve its mandate, the fund has continued with various activities geared towards empowering the Kenyan Youths. Some of the Milestones achieved during the FY 2013/2014 include;

1. Disbursement of Loans for Enterprise Development. The fund has continued to disburse loans to both individuals and groups to help start-up enterprises or for expansion purposes. For startups, several products are on offer including the C-YES-Rausha while for expansion purposes, the youth can access our Vuka Loan. During the year, the Fund experienced marked increase in the uptake of its products across the board with the flagship C-yes and E-yes products recording 32% and 73% growth respectively compared to the prior year. Direct funding product recorded 261% growth.
2. Establishment of YESA Secretariat. The fund has opened a secretariat to handle the Youth Employment scheme Abroad (YESA). The scheme is geared to assist Kenyan Youth who do not have the passion to pursue entrepreneurship but want to be employed. During the year under review, a total of 3,223 youths were assisted to secure employment especially in the Middle East.
3. The Fund has continued to link the Kenyan Youth to Markets both locally and internationally. During the year under review, a number of youth were invited and facilitated to participate in the Lubumbashi Solo Expo in DRC, Various ASK Shows, Nairobi International Trade fair, other exhibitions organized by various forums and our own National Trade fair. During these expos, youth are given an opportunity to showcase their products and meet other like-minded business people for future partnerships.
4. The fund has continued to implement the Jubilee manifesto of empowering the youth. To this end, out we managed to ensure that 30% of our procurement was awarded to Youth and Women. In addition to assist youth fund LPOs under the AGPO Programme, the fund introduced LPO Financing product to help youth who wins tenders under this scheme but are unable to raise the capital.
5. Fiscal discipline was observed with all our expenditure being in line with approved budgets. All these was achieved against an economic environment that was not certain following the terrorists attacks and the effects it has had on our economic activities.

#### **V. CORPORATE GOVERNANCE STATEMENT**

The Board is responsible for the long-term strategic direction and sustainable growth of the Fund. It is committed to observing the highest standards of corporate governance and has set transparent and clear policies, procedures, structures and systems, which achieve effective, prudent, integrated and consistent management and oversight of the Fund's activities. These enhance risk management, internal controls and cost effectiveness of the Fund in line with the Fund's Vision, Mission and Strategy.

The Board's conduct is regulated by the provisions of the Board Charter. It defines the governance parameters within which the Board exists and operates, sets out specific responsibilities of the Board, members of the Board and Board Committees. It also stipulates the policies and practices of the Board in respect of induction, appointments, conflict of interest, code of conduct, performance evaluation and remuneration of the Directors among others.

The day-to-day running of the Fund is delegated to the Chief Executive Officer but the Board is provided with full, appropriate and timely information so that they can maintain full and effective control over the activities of the Fund.

### **Composition of the Board**

The Board is made up of 9 Directors out of whom 8 are Independent Non-Executive Directors, including the Chairman. The Directors have the required mix of skills, experience, and professional and industry knowledge necessary to meet the Fund's strategic objectives and bring unfettered independent judgment to bear on the issues of strategy, performance, resources, key appointments and standards of conduct.

### **Board meetings**

The Board of Directors meet regularly as required in order to effectively and efficiently monitor the implementation of the Fund's planned strategy, review it in conjunction with its financial performance and approve issues of strategic nature. Specific reviews are also undertaken on operational issues and future planning.

The Notice, Agenda and detailed Board Papers of meetings are circulated on a timely basis to ensure that the Directors receive accurate, timely and clear information in a form and of a quality appropriate to enable it to discharge their duties. The Board Membership is disclosed on Page vi to vii of the Board of Directors Information.

The Board has created the following principal Committees which meet regularly under well-defined and materially delegated terms of reference set by the Board. The committees are:

- Audit and Risk Committee
- Operations Committee
- General purposes Committee

The mandate of each has been extensively covered under fiduciary oversight arrangements on page...

## **VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

The Fund has taken cognisance of the need to conserve the environment. In this regards therefore, the Fund embarked on tree planting exercise across the ten regions where it is represented. Furthermore, the Fund held trade fairs and exhibitions where non-loan beneficiaries of the Fund were linked to markets for their products. In addition, the Board has authorised for two hatching machines to be issued to each constituency in an effort to enhance and empower youth engagements in agri-business and promote food security. This is targeted to benefit 580 groups with a minimum of 5800 beneficiaries across the country.

## **VI. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the entity's affairs.

### **Principal activities**

The principal activity of the Youth Enterprise Development Fund is to increase economic opportunities for, and participation by Kenyan youth in nation building through enterprise development and strategic partnerships. To achieve this, the fund:

- VII. Provide loans for on-lending to youth enterprises
- VIII. Attract and facilitate investment in micro, small and medium enterprises oriented commercial infrastructure that will be beneficial to youth enterprises
- IX. Support youth oriented micro, small and medium enterprises to develop linkages with large enterprises
- X. Facilitate marketing of products and services of youth enterprises both in the domestic and the international markets
- XI. Provide business development services to youth enterprises
- XII. Facilitate employment of youth in the international labour market

### **Results**

The results of the Fund for the year ended June 30, 2014 are set out on page 1.

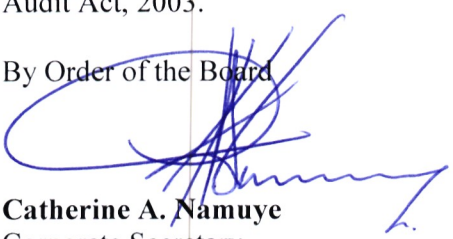
### **Directors**

The members of the Board of Directors who served during the year are shown on page vi.

### **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

  
**Catherine A. Namuye**  
Corporate Secretary  
Nairobi

Date... 04/05/2015

### XIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Chapter 446 Section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the Youth Enterprise Development Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSASs), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2014, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.


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

#### Approval of the financial statements

The *entity's* financial statements were approved by the Board on \_\_\_\_\_ 2014 and signed on its behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

Youth Enterprise Development Fund Board  
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**STATEMENT OF FINANCIAL PERFORMANCE**  
For the year ended 30 June 2014

		2013-2014	2012-2013
<b>Revenue from non-exchange transactions</b>	<b>Note</b>		
Grants from GoK	3	224,369,200	242,560,000
Capital grants amortised	3	136,893,685	-
Donations	4	786,110	-
		<b>362,048,995</b>	<b>242,560,000</b>
<b>Revenue from exchange transactions</b>			
Interest and fees	5	41,648,433	33,776,225
Interest on investments- Call deposits & bank balances	6	72,018,053	121,025,290
Other income	7	153,000	2,645,000
		<b>113,819,486</b>	<b>157,446,515</b>
<b>Total revenue</b>		<b>475,868,481</b>	<b>400,006,515</b>
<b>Expenses</b>			
Programme expenses	8	172,639,423	10,565,002
Human Capital expenses	9	307,866,343	243,499,297
Board expenses	10	16,533,243	10,049,470
Depreciation & amortisation expense	11	32,161,427	31,150,209
Repairs & maintenance	12	22,701,791	6,915,076
Administrative expenses	13	100,187,094	72,389,263
<b>Total expenses</b>		<b>652,089,321</b>	<b>374,568,316</b>
<b>Surplus/(Deficit) for the period</b>		<b>(176,220,841)</b>	<b>25,438,199</b>

**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2014**

Assets	Note	2013-2014	Kshs 2012-2013
<b>Current assets</b>			
Cash and cash equivalents	14	780,826,252	960,254,500
Receivables from exchange transactions	15	1,366,613,240	1,334,668,941
Receivables from non-exchange transactions	16	951,594	781,594
Inventories	17	180,187,728	195,700,000
		<u>2,328,578,814</u>	<u>2,491,405,035</u>
<b>Non-current assets</b>			
Property, plant and equipment	18	78,841,764	87,632,639
Intangible assets	19	18,716,896	10,389,494
Long term receivables from exchange transactions	15	587,518,560	535,675,143
		<u>685,077,219</u>	<u>633,697,276</u>
<b>Total assets</b>		<u><b>3,013,656,033</b></u>	<u><b>3,125,102,311</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	20	92,891,122	24,774,887
<b>Total liabilities</b>		<u>92,891,122</u>	<u>24,774,887</u>
<b>Net assets</b>			
Revolving Fund	22	3,034,965,485	3,040,414,170
Accumulated Fund	21	(114,200,574)	59,913,254
<b>Total net assets and liabilities</b>		<u><b>3,013,656,033</b></u>	<u><b>3,125,102,311</b></u>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

Acting C.E.O

Date 04/05/2015

Chairman

Date 04/05/2015

**STATEMENT OF CHANGES IN NET ASSETS**

**For the year ended 30 June 2014**

	Reserves		
	Capital replacement development reserve	Accumulated surplus	Total
	Kshs '000	Kshs '000	Kshs '000
<b>Balance as at 30 June 2012</b>	2,809,414,170	(210,568,739)	2,598,845,431
Surplus/(deficit) for the period		25,438,198	25,438,198
Prior year adjustment		245,043,795	245,043,795
Addition for the year	231,000,000	-	231,000,000
<b>Balance as at 30 June 2013</b>	<b>3,040,414,170</b>	<b>59,913,254</b>	<b>3,100,327,424</b>
Surplus for the period		(176,220,841)	(176,220,841)
Prior year adjustment		2,107,012	2,107,012
Addition for the year	131,445,000	-	131,445,000
Capital grant amortised	(136,893,685)		(136,893,685)
<b>Balance as at 30 June 2014</b>	<b>3,034,965,485</b>	<b>(114,200,574)</b>	<b>2,920,764,911</b>

Explanatory note : These are Capital reserves and not available for distribution.  
 They form the revolving Fund wherefrom development expenditure takes place.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2013/ 2014 Shs	2012/ 2013 Shs
Surplus (Deficit) for the period		(176,220,841)	25,438,198
Adjustments for:			
Depreciation	11	25,859,335	27,774,016
Amortization	11	6,302,092	3,376,193
Prior year adjustment		2,107,012	245,043,795
Loss on disposal		-	192,155
Capital grants amortised		(136,893,685)	-
<b>Operating profit before working capital changes</b>		<b>(278,846,087)</b>	<b>301,824,357</b>
Increase in receivables from exchange transactions	15	(31,944,299)	(531,660,459)
Increase in receivables from non- exchange transactions		(170,000)	46,000
Increase in trade and other payables	20	68,116,235	4,274,208
(Increase) decrease in inventory		15,512,272	(195,700,000)
<b>Net cash used in operating activities</b>		<b>51,514,209</b>	<b>(723,040,251)</b>
<b>Cashflows from investing activities</b>			
Increase in loans	15	(51,843,417)	(192,125,143)
Purchase of Fixed & Intangible assets	18,19	(31,697,954)	(40,916,174)
Sale of Motor Vehicles		-	2,200,000
<b>Net cash flows from (net cash used in) investing activities</b>		<b>(83,541,370)</b>	<b>(230,841,317)</b>
<b>Cashflows from Financing activities</b>			
Capitalization from G.O.K.	22	131,445,000	231,000,000
<b>Net cash flows from financing activities</b>		<b>131,445,000</b>	<b>231,000,000</b>
Net Decrease in cash		(179,428,248)	(421,057,211)
Cash & cash equivalent at the beginning of the period		960,254,500	1,381,311,711
Cash & cash equivalents at the end of the period	14	780,826,252	960,254,500

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	Original budget 2013-2014 Kshs '000	Final budget 2013-2014 Kshs '000	Actual comparable basis 2013-2014 Kshs '000	Performance difference 2013-2014 Kshs '000	on
<b>Revenue</b>					
Income from Treasury	224,488,800	224,488,800	224,369,200	(119,600)	
Capital grants amortised (Expenditure items directly linked to loans)	609,835,400	609,835,400	136,893,685	(472,941,715)	Expected revenues not realised thus had to spend prudently within the the realised revenues
	<b>834,324,200</b>	<b>834,324,200</b>	<b>361,262,885</b>	<b>(473,061,315)</b>	
<b>Interest and management fees on loans</b>					
Interest earned from FI's	15,000,000	15,000,000	9,319,798	(5,680,202)	Lending through Fis was put on halt and reverted to direct lending
Mgt fees - C-YES	18,700,000	18,700,000	18,677,165	(22,835)	
Agrivijana fees					The product was at launch stage. Mobilisation of the target market and need time to appreciate and embrace it
Processing fee - Hatchery	4,500,000	4,500,000	3,332,580	(1,167,420)	
Mgt fees - Easy -YES	1,000,000	1,000,000	943,350	(56,650)	
Mgt fees - Direct Funding Loans	4,300,000	4,300,000	4,243,840	(56,160)	
	1,500,000	1,500,000	797,360	(702,640)	
Interest from Direct Funding Loans					The product was relatively new and mobilisation was in progress. Currently, the market has embraced it and we are the growth trajectory.
Utilisation fee on loan guarantee scheme	8,000,000	8,000,000	3,952,385	(4,047,615)	
	500,000	500,000	369,955	(130,045)	
Interest on loan guarantee scheme					The product was at pilot phase. Decision to put on halt the product was made.
Bid bond	29,500,000	29,500,000	12,000	(29,500,000)	
	<b>83,000,000</b>	<b>83,000,000.00</b>	<b>41,648,433</b>	<b>(41,351,567)</b>	
<b>Interest on Investments -Call deposits and bank balances</b>					
Interest on call deposit	120,000,000	120,000,000	72,018,053	(47,981,947)	for investment

Other income	-	-	153,000	153,000	
Income from donors and partners	279,532,239	279,532,239	786,110	(278,746,129)	Commitments by donor community did not materialise as expected.
<b>Total income</b>	<b>1,316,856,439</b>	<b>1,316,856,439</b>	<b>475,868,480</b>	<b>(840,987,959)</b>	
<b>Programme Expenses</b>					
Lending/ credit	185,550,000.00	185,550,000	52,384,800	133,165,200	Expected revenues not realised thus had to spend prudently within the the realised revenues
Youth Enterprise Scheme Abroad	80,310,000.00	80,310,000	53,734,569	26,575,431	Expected revenues not realised thus had to spend prudently within the the realised revenues
Commercial Infrastructure	10,000,000.00	10,000,000.00	8,486,448	1,513,552	Expected revenues not realised thus had to spend prudently within the the realised revenues
Market Linkages	56,003,400.00	56,003,400	22,813,873	33,189,527	Expected revenues not realised thus had to spend prudently within the the realised revenues
Capacity building for youth enterprises	200,000,000.00	200,000,000	2,664,408	197,335,592	Expected revenues not realised thus had to spend prudently within the the realised revenues
YEDIA Lobbying and Advocacy	20,968,000.00	20,968,000	958,200	20,009,800	Expected revenues not realised thus had to spend prudently within the the realised revenues
Research Unit	30,000,000.00	30,000,000	5,809,446	24,190,555	Expected revenues not realised thus had to spend prudently within the the realised revenues
Audit and Risk	18,460,000.00	18,460,000	17,939,365	520,635	Expected revenues not realised thus had to spend prudently within the the realised revenues
Monitoring and Evaluation	42,972,000.00	42,972,000	7,848,315	35,123,685	Expected revenues not realised thus had to spend prudently within the the realised revenues
	<b>644,263,400.00</b>	<b>644,263,400</b>	<b>172,639,423</b>	<b>471,623,977</b>	
<b>Human Capital Expenses</b>					
Staff Training	8,000,000	8,000,000	7,362,715	637,285	
ISO Certification	11,000,000	11,000,000	10,921,411	78,589	
Performance Appraisal and Benchmarking	2,000,000	2,000,000	-	2,000,000	Exercise combined with field visits hence cutting on costs
Personal salary and emoluments	345,264,689	345,264,689	226,944,602	118,320,087	Freeze on employment by chief of staff

Wages for internship programme	2,400,000	2,400,000	1,665,148	734,852	
Group life and Personal Accident Cover	3,500,000	3,500,000	2,012,133	1,487,867	We got favorable rates than prior years
Staff Uniforms	4,000,000	4,000,000	741,730	3,258,270	Rationalised estimates and was pushed to subsequent years
Medical Expenses	16,000,000	16,000,000	15,113,323	886,677	
Employee Survey	1,500,000	1,500,000	1,174,007	325,993	
Staff Welfare	10,000,000	10,000,000	7,966,786	2,033,214	Austerity measures dictated as occasioned by unrealised revenues
Gratuity	88,531,350	88,531,350	33,964,488	54,566,862	Recruitment of Constituency officers not recruited within the year.
	<b>492,196,039</b>	<b>492,196,039</b>	<b>307,866,343</b>	<b>184,329,696</b>	
<b>Board Expenses</b>					
Board Allowance	8,500,000	8,500,000	7,104,824	1,395,176	Lapse of contract of board members and non-appointment of the same in good time
Board Transport	1,500,000	1,500,000	1,145,694	354,306	
Chairperson Honorarium	960,000	960,000	680,000	280,000	
Board Exposure Visits	8,500,000	8,500,000	5,339,037	3,160,963	Lapse of contract of board members and non-appointment of the same in good time
Board Training & Med & Accident Insu.& Misc.	6,000,000	6,000,000	1,205,041	4,794,959	non-appointment of the same in good time
Board International Transport	1,500,000	1,500,000	1,058,647	441,353	
	<b>26,960,000</b>	<b>26,960,000</b>	<b>16,533,243</b>	<b>10,426,757</b>	
<b>Depreciation</b>					
Property, plant and equipment	-	-	25,859,335	(25,859,335)	
Intangible assets	-	-	6,302,092	(6,302,092)	
	-	-	<b>32,161,427</b>	<b>(32,161,427)</b>	
Repairs & Maintenance					
Motor vehicle fuel and repairs	18,000,000	18,000,000	12,207,208	5,792,792	Lack of proper fuelling arrangements for far flung areas meant lower spend
Motorcycles fuel and repairs	13,920,000	13,920,000	10,494,583	3,425,417	Lack of proper fuelling arrangements for far flung areas meant lower spend
	<b>31,920,000</b>	<b>31,920,000</b>	<b>22,701,791</b>	<b>9,218,209</b>	
<b>Administrative expenses</b>					

Travelling Costs	5,500,000	5,500,000	3,534,350	1,965,650	Austerity measures as dictated by unrealised revenues
Telephone Costs	4,670,000	4,670,000	3,239,508	1,430,492	Controls put in place to curb use of office telephone for personal use by staff
Office Rent and Maintenance	28,260,000	28,260,000	20,595,210	7,664,790	Proposed acquisition of additional constituency offices did not materialise
Office Partitioning & Fit-out	500,000,000	500,000,000	485,000	15,000	
Newspapers/Magazines/Journals	648,000	648,000	535,876	112,124	
Office Stationery	7,272,000	7,272,000	4,376,602	2,895,398	Controls put in place to curb printing by staff for non-official use
Audit Fees	1,500,000	1,500,000	1,392,000	108,000	
Legal Fees	10,000,000	10,000,000	9,123,460	876,540	
Insurance for Motor Vehicle and Equipments	7,140,000	7,140,000	5,171,667	1,968,333	Favorable rates and unrealised acquisition of assets
Email Expenses	1,691,000	1,691,000	1,542,440	148,560	
Soft Ware Support & Equipment Maintenance	600,000	600,000,000	578,530	21,470	
Website Maintenance	16,000	16,000,000	15,300	700	
Courier/Postal Services	1,800,000	1,800,000	1,604,865	195,135	Non-deployment as landlords provided
Security Guards(Hq & Region)	1,300,000	1,300,000	207,000	1,093,000	the service
Office utilities	1,080,000	1,080,000	523,561	556,439	
Regional Office AHE	12,000,000	12,000,000	8,432,754	3,567,246	Austerity measures as dictated by unrealised revenues
Bank Charges	-	-	1,265,094	(1,265,094)	
Tax in credit interests Fund Activities	-	-	403,539	(403,539)	
Provision for bad debts	-	-	15,368,899	(15,368,899)	Prudential management dictates a provision for the same.
Enhancing Fund image	37,540,000	37,540,000	21,791,438	15,748,562	Activities were combined hence cutting down on costs
	<b>121,517,000</b>	<b>121,517,000</b>	<b>100,187,094</b>	<b>21,329,906</b>	
<b>Total expenditure</b>	<b>1,316,856,439</b>	<b>1,316,856,439</b>	<b>652,089,321</b>	<b>664,767,118</b>	
<b>Surplus / (Deficit) for the period</b>	<b>-</b>	<b>-</b>	<b>(176,220,841)</b>		

## **I. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of compliance and basis of preparation – IPSAS 1**

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) and pronouncement of the Public Sector Accounting Standards Board (PSASB). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

### **Adoption of International Public Sector Accounting Standards (IPSAS)**

The Fund adopted, for the first time, International Public Sector Accounting Standards (IPSAS) where relevant to its operations.

### **2. Summary of significant accounting policies**

#### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions – IPSAS 23**

#### **Recurrent Grants from Government of Kenya**

This is in respect of assistance from the Government of Kenya, through the Ministry of Devolution and Planning. It is recognized as revenue when received. Where the fund receives an official commitment from the government or timing differences occur between the time government send the fund and actual receipt, the grants are accrued.

##### **ii) Revenue from exchange transactions – IPSAS 9**

#### **Interest and Management fee on Loans**

Interest income is recognized when it falls due using simple interest rates determined at the time the loan is approved and where the loan runs over two accounting periods, the interest earned is pro-rated.

Management income is a one time off charged at the time of disbursement of the loan. This is usually deducted at the disbursement and revenue recognized.

#### **b) Budget information – IPSAS 24**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

### **c) Taxation**

Youth Enterprise Development Fund is exempt from income taxes under the income Tax Act.

### **e) Property, plant and equipment – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Property, plant and equipment are depreciated on a reducing balance basis over their estimated useful lives at the following rates:

Motor vehicles	:	25%
Furniture and Fittings	:	12.5%
Office Equipment	:	12.5%
Computers and accessories	:	33.33%
Motor cycles	:	25%

A full year's depreciation is charged in the year of acquisition and none is charged in the year of disposal.

### **f) Leases – IPSAS 13**

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

### **g) Intangible assets – IPSAS 31**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

Amortization is calculated on a straight line basis over estimated useful lives not exceeding a period of 5 years.

## **h) Financial instruments – IPSAS 29**

### ***Financial assets***

#### ***Initial recognition and measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

#### **Held-to-maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

#### **Impairment of financial assets**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

## **i) Inventories – IPSAS 12**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

#### **k) The revolving fund**

The revolving fund represents money that has been set aside for onward lending to the Youth. This Fund grows by the annual allocations from the government under the development Vote and may reduce as a result of acquisition of assets and support of core programmes.

#### **m) Employee benefits – IPSAS 25**

##### **Retirement benefit plans**

The Fund operates a defined contribution pension scheme where the employees contribute 7.5% of the basic salary and the employer contributes 15% of the basic salary. In addition, employees contribute towards the N.S.S.F at the prevailing rates.

The employer's contributions are charged to the Staff emoluments.

#### **n) Foreign currency transactions – IPSAS 4**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

## **Related parties – IPSAS 20**

The Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the Chief Executive officer, Senior Managers, mayoral Chairman and Directors. There were no related party transactions for the year under review apart from remuneration for the employment services rendered to the Fund.

## **r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

## **s) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

## **t) Significant judgments and sources of estimation uncertainty – IPSAS 1**

No significant judgements have had to be made by the Directors in preparing these financial statements. Estimates made in the provision for bad debts are based on general provision and may change when specific provision is made.

## **Estimates and assumptions**

The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

## **Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

## **Provisions**

Provisions were raised and management determined an estimate based on the information available. Former employees have sued the Fund for wrongful dismissal in a court of law and currently awaiting determination of the suit.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

### **u) Financial Risk Management –IPSAS 30**

The Fund activities expose it to financial as well as credit risk. The fund's risk management framework is set out by the Board and implemented by Management focussing on unpredictability of changes in operating environment and seek to minimise the potential adverse effects by setting acceptable levels of risk.

### **Credit risk**

This is the main risk faced by the Fund. The fund's overall risk management programme focuses on the likelihood of borrowers failing to meet their debt obligations and seeks to minimize the same.

### **Collateral**

For C-YES and E-YES Loans, no security is given by the youth to the fund. However, for the Financial intermediaries, collateral in the form of Bank guarantees, promissory notes and cash flow assignments are given. For Vuka and LPO Financing, collateral including chattels mortgage and immovable property are given. Furthermore, the Fund has listed financial institutions and individuals with non-performing loans with Credit reference Bureaus.

### **v) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

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	2013/ 2014	2012/ 2013
	Shs	Shs
<b>3. Grants from GoK</b>		
Income from Treasury	224,369,200	242,560,000.00
Capital grants amortised (Expenditure items directly linked to loans)	136,893,685	-
	<b>361,262,885</b>	<b>242,560,000</b>
<b>4. Donations</b>	786,110	-
<b>5. Interest and management fees on loans</b>		
Interest earned from FI's	5,866,739	6,951,120.86
Mgt fees - C-YES	18,677,165	12,363,750.00
Agrivijana fees	3,332,580	-
Default penalty-FI's	3,453,059	-
Processing fee -Hatchery	943,350	-
Mgt fees - Easy -YES	4,243,840	2,928,400.00
Mgt fees - Direct Funding Loans	797,360	294,650.00
Interest from Direct Funding Loans	3,952,385.21	339,976.00
Utilisation fee on loan guarantee scheme	369,955.38	
Interest on loan guarantee scheme	-	1,523,328.02
Bid bond	12,000.00	-
Management fees on credit guarantee scheme	-	9,375,000.00
	<b>41,648,433.06</b>	<b>33,776,224.88</b>
<b>6. Interest on Investments -Call deposits and bank balances</b>		
Interest on call deposit	67,855,964	119,864,805
Interest on call deposits delays	2,271,195.91	-
Interest earned on Fund Accounts	1,890,893.07	1,160,485.15
	<b>72,018,052.53</b>	<b>121,025,289.82</b>
<b>7. Other income</b>		
Sale of Tender documents	153,000	2,645,000.00
	<b>153,000</b>	<b>2,645,000</b>
<b>8. Programme expenses</b>		
Lending/ credit	11,439,734	4,010,971
Youth Enterprise Scheme Abroad	1,092,546	-
Commercial Infrastructure	235,980	169,140
Market Linkages	1,702,000	995,315
Capacity building for youth enterprises	96,408	440,795
YEDF Lobbying and Advocacy	958,200	2,498,401
Research Unit	816,351	-
Audit and Risk	17,939,365	244,992
Monitoring and Evaluation	1,465,155	2,205,388
Support expenditure	136,893,685	-
	<b>172,639,423</b>	<b>10,565,002</b>

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<b>9. Human Capital expenses</b>	<b>2013/ 2014</b>	<b>2012/ 2013</b>
	<b>Shs</b>	<b>Shs</b>
Staff Training	7,362,715	2,404,966
Recruitment	-	780,000
ISO Certification	10,921,411	1,051,424
Performance Appraisal and Benchmarking	-	-
Personel salary and emoluments	226,944,602	127,056,367
Wages for internship programme	1,665,148	-
Group life and Personal Accident Cover	2,012,133	1,631,527
Committees	-	-
Staff Uniforms	741,730	24,500
Medical Expenses	15,113,323	12,408,467
Employee Survey	1,174,007	4,367,320
Staff Welfare	7,966,786	5,755,347
Constituency Officers Allowances	-	88,019,379
Gratuity	33,964,488	-
	<b>307,866,343</b>	<b>243,499,297</b>
<b>10. Board Expenses</b>		
Board Allowance	7,104,824	6,340,145
Board Transport	1,145,694	960,170
Chairperson Honorarium	680,000	920,000
Board Exposure Visits	5,339,037	341,075
Board Retreat	-	31,300
Board Training & Med.&Accident Insu.&Misc.	1,205,041	1,456,780
Board International Transport	1,058,647	-
	<b>16,533,243</b>	<b>10,049,470</b>
<b>11. Depreciation and amortization expense</b>		
Property, plant and equipment	25,859,335	27,774,016
Intangible assets	6,302,092	3,376,193
	<b>32,161,427</b>	<b>31,150,209</b>
<b>12. Repairs and maintenance</b>		
Motor vehicle fuel and repairs	12,207,208	6,798,326
Motorcycles fuel and repairs	10,494,583	116,750
	<b>22,701,791</b>	<b>6,915,076</b>

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<b>13. Administrative Expenses</b>	<b>2013/ 2014</b>	<b>2012/ 2013</b>
	<b>Shs</b>	<b>Shs</b>
Travelling Costs	3,534,350	3,789,860
Telephone Costs	3,239,508	2,525,474
Office Rent and Maintainance	20,595,210	22,335,670
Office Partitioning & Facelift	485,000	-
Newspapers/Magazines/Journals	535,876	400,777
Office Stationery	4,376,602	7,895,586
Audit Fees	1,392,000	1,392,000
Legal Fees	9,123,460	3,336,664
Insurance for Motor Vehicle and Equipments	5,171,667	4,553,160
Email Expenses	1,542,440	1,059,300
Soft Ware Support & Equipment Maintainance	578,530	1,052,393
Website Maintainance	15,300	-
Hospitality/catering	-	57,924
Courier/Postal Services	1,604,865	536,741
Security Guards(Hq & Region)	207,000	-
Office utilities	523,561	-
Regional Office AIE	8,432,754	-
Bank Charges	1,265,094	357,479
Tax in credit interests Fund Activities	403,539	-
Provision for bad debts	15,368,899	3,560,880
Loss on dosposal	-	192,155
Enhancing Fund image	21,791,438	19,343,199
	<b>100,187,094</b>	<b>72,389,263</b>
<b>14. Cash and cash equivalents</b>		
Bank	128,792,364	178,506,502
Cash-on-hand and in transit	33,888	9,317
Short term deposits	652,000,000	781,738,681
	<b>780,826,252</b>	<b>960,254,500</b>

<b>15. Receivables from exchange transactions</b>	<b>2013/ 2014</b>	<b>2012/ 2013</b>
	<b>Shs</b>	<b>Shs</b>
<b>Current receivables</b>		
Trade debtors	1,382,421,732	1,187,271,992
Other exchange debtors	3,121,287	150,957,829
Less: impairment allowance	(18,929,779)	(3,560,880)
<b>Total current receivables</b>	<b>1,366,613,240</b>	<b>1,334,668,941</b>
<b>Non-current receivables</b>		
Loans	337,518,560	285,675,143
Credit guarantee scheme	250,000,000	250,000,000
Less: impairment allowance	-	
<b>Total non-current receivables</b>	<b>587,518,560</b>	<b>535,675,143</b>
<b>Total receivables</b>		
 <b>16. Receivables from non-exchange contracts</b>		
<b>Current receivables</b>		
Prepayments	951,594	781,594
Less: impairment allowance	-	
<b>Total current receivables</b>	<b>951,594</b>	<b>781,594</b>
 <b>17. Inventories</b>		
Consumable stores	2,727,728	-
Hatcheries	177,460,000	195,700,000
	<b>180,187,728</b>	<b>195,700,000</b>
 <b>Total inventories at the lower of cost and net realizable value</b>		

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**18. Property, plant and equipment**

Year ended 30 June 2013	Motor Vehicles		Furniture and Fittings		Computers & Accessories		Motorcycles		Total	
	Motor Vehicles Shs	Furniture and Fittings Shs	Motor Vehicles Shs	Furniture and Fittings Shs	Computers & Accessories Shs	Motorcycles Shs	Motorcycles Shs	Motorcycles Shs	Total Shs	Total Shs
<b>Cost</b>										
At start of the period	39,632,797.40	17,459,595.00	26,494,773.00	65,578,000.00	149,165,165.40					
Additions	16,594,800.00	7,831,022.00	5,671,582.00	-	30,097,404.00					
Disposals	(9,462,881.00)	-	-	-	(9,462,881.00)					
At end of the period	46,764,716.40	25,290,617.00	32,166,355.00	65,578,000.00	169,799,688.40					
<b>Depreciation</b>										
At start of the period	19,328,717.23	5,046,215.33	14,710,264.35	22,378,562.50	61,463,759.41					
Disposals	(7,070,725.72)	-	-	-	(7,070,725.72)					
Charge for the period	8,626,681.22	2,530,550.21	5,816,925.04	10,799,859.38	27,774,015.84					
At end of the period	20,884,672.73	7,576,765.54	20,527,189.39	33,178,421.88	82,167,049.53					
<b>Net book value as at 30th June 2013</b>	<b>25,880,043.67</b>	<b>17,713,851.46</b>	<b>11,639,165.61</b>	<b>32,399,578.13</b>	<b>87,632,638.87</b>					
<b>Year ended 30 June 2014</b>										
<b>Cost</b>										
At start of the period	46,764,716.40	25,290,617.00	32,166,355.00	65,578,000.00	169,799,688.40					
Additions	-	2,371,250.00	14,697,210.00	-	17,068,460.00					
At end of the period	46,764,716.40	27,661,867.00	46,863,565.00	65,578,000.00	186,868,148.40					
<b>Depreciation</b>										
At start of the period	20,884,672.73	7,576,765.54	20,527,189.39	33,178,421.88	82,167,049.53					
Disposals	-	-	-	-	-					
Charge for the period	6,470,010.92	2,510,637.68	8,778,791.87	8,099,894.53	25,859,335.00					
At end of the period	27,354,683.65	10,087,403.22	29,305,981.26	41,278,316.41	108,026,384.53					
<b>Net book value as at 30th June 2014</b>	<b>19,410,032.75</b>	<b>17,574,463.78</b>	<b>17,557,583.74</b>	<b>24,299,683.59</b>	<b>78,841,763.87</b>					

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**19. Intangible assets**

The fund has two computer softwares: The ABN vote book system and the Microsoft Dynamics NAV. ABN was purchased by the Fund for the purposes of tracking loan repayments and interest thereon by Youthgroups and Financial Intermediaries.

The Fund also maintains a comprehensive Management Information System. The modules in this system are the Finance module, Procurement, HR and payroll. Loans module and Asset management module.

**Year ended 30 June 2013**

<b>Cost</b>	<b>Shs</b>
At start of the period	8,112,195
Additions	<u>10,818,770</u>
At end of period	<u><b>18,930,965</b></u>
<b>Amortization</b>	
At start of the period	5,165,278
Charge for the period	<u>3,376,193</u>
At end of the period	<u><b>8,541,471</b></u>
<b>Net book value as at 30 June 2013</b>	<u><u><b>10,389,494</b></u></u>

**Year ended 30 June 2014**

<b>Cost</b>	<b>Kshs</b>
At start of the period	18,930,965
Additions	<u>14,629,494</u>
At end of period	<u><b>33,560,459</b></u>
<b>Amortization</b>	
At start of the period	8,541,471
Charge for the period	<u>6,302,092</u>
At end of the period	<u><b>14,843,563</b></u>
<b>Net book value as at 30 June 2014</b>	<u><u><b>18,716,896</b></u></u>

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20. Trade and other payables from exchange transactions	2013/ 2014	2012/ 2013
	Shs	Shs
Trade payables	45,955,891	20,886,031
Interest received in advance	1,860,599	1,296,856
Audit fees	2,592,000	2,592,000
Provision for gratuity	33,927,032	-
Salary accruals	8,555,600	-
<b>Total trade and other payables</b>	<b>92,891,122.14</b>	<b>24,774,887</b>

21. Accumulated funds	2013/ 2014	2012/ 2013
	Shs	Shs
Balance b/f	59,913,254	(210,568,739)
Add : Surplus (Deficit) for the year	(176,220,841)	25,438,198.00
Prior year Adjustment	2,107,012	245,043,795.00
At 30th June 2014	<u>(114,200,574)</u>	<u>59,913,254</u>

22. Revolving fund	2013/ 2014	2012/ 2013
	Shs	Shs
Balance b/f	3,040,414,170.00	2,809,414,170
Add: Received during the year	131,445,000.00	231,000,000
Capital grants amortised	(136,893,684.95)	-
At 30th June 2014	<u>3,034,965,485</u>	<u>3,040,414,170</u>

The balance outstanding in the Revolving Fund is part of the monies which are disbursed as loans to youth groups through Financial Intermediaries and direct lending.

Loans repaid unidentified		
KCB Repayment A/c	19,896,373.55	
Equity Repayment A/c	4,406,670.00	
MPESA A/c	2,868,738.00	
KCB Main A/c	115,112.00	
Equity direct funding a/c	2,641,439.45	
Equity main	1,978,278.00	
	<u>31,906,611.00</u>	

## PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Non-recovery of a Loan Kshs.75,000,000 from Govt. Institution, Kenya Industrial Estates	The fund has had several meetings with the institution and they had promised to pay. Out of this balance, an amount of Kshs.25, 000,000 has been paid and the fund continues to engage KIE to pay the remaining balance. However, arbitration process has began to resolve the issue.	Ag. CS- Miriam Boit- Kahiro	Not resolved	By 30 <sup>th</sup> June 2015
1.2	Disbursement of Loan Kshs.650, 000 to Welfare groups that cannot be traced.	Recovery efforts have been intensified at the Fund. Consequently, the two groups are being pursued.	LIM –Judy Kimeto & Ag. CS- Miriam Boit- Kahiro	Not resolved	By 30 <sup>th</sup> June 2015
1.3	Increase in the Default Penalty on Financial Intermediaries	For some time the fund had not recognized the default penalties on the outstanding loans. This was recognized and led to the huge increase since this represents amounts that had accumulated from 2007.	LIM –Judy Kimeto & FM –Benedict Atavachi	Resolved	
1.4	Loans repaid Unidentified Kshs. 15,637,800.00	This was occasioned by some loans being repaid directly into our bank accounts without proper narration to assist in allocating the amounts to the right account. This has been addressed by printing of customized deposit slips, constant communication between the bank and the fund and training of the loan applicants of repayment procedures.	LIM –Judy Kimeto & FM –Benedict Atavachi	Not resolved	By March 31, 2015

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.1	Suspense Account Kshs. 7,372,568	See 1.4 above	LIM –Judy Kimeto & FM –Benedict Atavachi	Not resolved	By March 31, 2015
2.2	Bank reconciliation item outstanding. Kshs.5,877,728	Occasioned at the inception stages of the Fund where Postapay was retained to disburse on behalf of the Fund. Loanees were to pay directly to the Fund bank accounts. This resulted in deposits that are yet to be identified. Efforts being made to identify the same.	LIM –Judy Kimeto & FM –Benedict Atavachi	Not Resolved	By March 31, 2015
3	Purchase of Microcomputer hatching Machines without prior assessment of the need of the same by targeted beneficiaries	The Fund has recorded marked improvement in uptake of the product relative to prior years. The credit department is working on a strategy to increase uptake.	CEO – Catherine Namuye	Resolved	

Chief Executive Officer

Date.....

04/05/2015

Chairman of the Board

Date.....

04/05/2015