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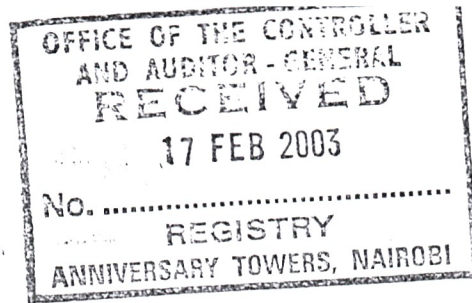
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REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF KTDC - UTALII INVESTMENTS LIMITED FOR THE YEAR
ENDED 30 JUNE 2001

KENYA NATIONAL ASSEMBLY
Accession: 10012732

Call No: 657.45 KMAO





KTDC UTALII INVESTMENTS LIMITED

BOARD OF DIRECTORS AS AT 30 JUNE 2001

Mr. Charles Kutwa	-Chairman
Ms M Chemengich	-The Permanent Secretary Ministry of Tourism, Trade & Industry
Mr. Mwaghazi Mwachofi	-The Permanent Secretary, Ministry of Finance & Planning
Mr. W.K.B. Arap Chelashaw	-Managing Director

COMPANY SECRETARY

Mr. R. M. Kiattu

REGISTERED OFFICE

Utalii House
Uhuru Highway
P.O Box 42013
NAIROBI

AUDITORS

Auditor General (Corporations)
P.O Box 49384
NAIROBI

BANKERS

Kenya Commercial Bank Limited
P.O Box 7206
NAIROBI

KTDC UTALII INVESTMENTS LIMITED

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Accounts for the year ended 30 June 2001.

As reported in my last year's report, the Nairobi Stock Exchange (NSE) index continued its downward trend during the year. Due to the depressed market, the Company could therefore not dispose off the remaining two portfolios, namely, Express (K) Ltd and CFC Bank Ltd shares but decided to wait for the market to improve. Once the shares held in these two companies are sold, the Company will be wound up as approved by the Board.

CHARLES KUTWA
CHAIRMAN

Date

KTDC UTALII INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

1. The Directors have pleasure in submitting their Report and Audited Accounts for the year ended 30 June 2001.

2. Principal Activity

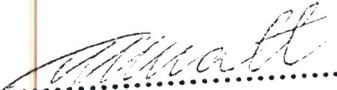
The Principal Activity of the Company is to carry out business of an investment Company.

3. Dividend

The Directors do not recommend payment of any dividend.

BY ORDER OF THE BOARD

R.M. KIATTU
COMPANY SECRETARY

Date 

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF KTDC – UTALII INVESTMENTS LIMITED FOR THE YEAR
ENDED 30 JUNE 2001**

I have examined the Accounts of KTDC – Utalii Investments Limited for the year ended 30 June 2001 in accordance with the provisions of Section 29 of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations considered necessary for the purpose of the audit. Proper books of account have been kept and the Accounts, which have been prepared under the historical cost convention, are in agreement therewith and comply with the Companies Act, (Cap 486)

**1. IRREGULAR ADVANCES FROM PRIVATISATION PROCEEDS
ACCOUNT**

In the report for the year 1999/2000 concern was raised regarding privatisation proceeds of Kshs.7,950,000 withdrawn from a fixed deposit account to finance house loans for two senior officers of the holding Company, apparently, without approval of the Board and the Treasury. A review of the loan position during 2000/2001 year shows that Kshs.7,520,539 was still outstanding against the two officers as at 30 June 2001. Records show that one of the officers who was advanced a loan of Kshs.2,950,000 on 16 October, 2000 to construct a house has not as far as it has been possible to ascertain, started servicing the loan. The Company has also not made available signed loan agreements, specifying repayment terms or the nature of the collateral offered for the loans. In addition the Company continued to manage the fixed deposit account for privatisation proceeds without involvement of the Treasury contrary to the requirements of Treasury Circular No.351/03 of 26 April 1993.

2. NON PAYMENT OF THE CORPORATION TAX

Included in the Current Liabilities figure of Kshs.2,905,945 as at 30 June 2001 is Kshs.2,837,345 being outstanding corporation tax liability out of which Kshs.2,418,550 was brought forward from the year 1999/2000. The Company has, however, not justified why the tax liability has not been settled while penalties continue to accrue.

Except for the above observation, in my opinion the Accounts, when read together with the Notes thereon, show a true and fair view of the state of the Company's financial affairs as at 30 June 2001 and of its surplus and cash flows for the year then ended.


D.G. NJOROGE
CONTROLLER AND AUDITOR GENERAL

NAIROBI

24 February, 2003

KTDC UTALII INVESTMENTS LIMITED

BALANCE SHEET AS AT 30 JUNE 2001

	Note	2001 KShs	2000 KShs
ASSETS			
Non-Current Assets			
Investments at Cost	2	<u>446,711</u> <u>446,711</u>	<u>446,711</u> <u>446,711</u>
Current Assets			
Debtors		7,521,259	4,815,355
Cash and cash Equivalents	3	<u>20,590,688</u> <u>28,111,947</u>	<u>21,301,261</u> <u>26,116,616</u>
TOTAL ASSETS		<u><u>28,558,658</u></u>	<u><u>26,563,327</u></u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital	4	2,000,000	2,000,000
Profit and Loss Account		<u>23,652,713</u> <u>25,652,713</u>	<u>21,991,197</u> <u>23,991,197</u>
Current Liabilities			
Creditors and Provisions	5	68,600	153,580
Corporation Tax	6	<u>2,837,345</u> <u>2,905,945</u>	<u>2,418,550</u> <u>2,572,130</u>
TOTAL EQUITY AND LIABILITIES		<u><u>28,558,658</u></u>	<u><u>26,563,327</u></u>

The accounts on Pages 5 to 11 have been signed on behalf of the Board of Directors by:

Date.....30.10.01.....

Date.....30.10.01.....

..... Chairman

..... Managing Director

Report of the Auditors is on Page 4

The balance sheet, profit and loss account and cash flow statement are to be read in conjunction with the notes to and forming part of the financial statements set out on page 9 to 11.

KTDC UTALII INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2001

	<u>2001</u> <u>KShs</u>	<u>2000</u> <u>KShs</u>
<u>TURNOVER</u>	<u>2,435,309</u>	<u>3,278,094</u>
Net Profit after taxation	<u>1,661,516</u>	<u>2,231,421</u>
Retained Profit For the Year	<u>1,661,516</u>	<u>2,231,421</u>

STATEMENT OF RETAINED PROFITS

01 July as stated	21,991,197	19,759,776
Retained Profit for the year	<u>1,661,516</u>	<u>2,231,421</u>
Carried forward on 30 June	<u>23,652,713</u>	<u>21,991,197</u>

KTDC UTALII INVESTMENTS LIMITED

TRADING, PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2001

	Note	2001 <u>KShs</u>	2000 <u>KShs</u>
<u>TURNOVER</u>		<u>2,435,309</u>	<u>3,278,094</u>
<u>INCOME</u>			
Dividend Income	7	44,220	39,666
Interest from fixed deposits		1,969,065	3,077,583
Other Income		422,024	160,845
<u>TOTAL INCOME</u>		<u>2,435,309</u>	<u>3,278,094</u>
<u>EXPENSES</u>			
Printing & Stationery		17,160	14,300
Audit fees		20,000	50,000
Honorarium		24,000	24,000
Bank charges		555	2,050
<u>TOTAL EXPENSES</u>		<u>61,715</u>	<u>90,350</u>
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION		2,373,594	3,187,744
Less: Provision for Taxation		712,078	956,323
RETAINED PROFIT FOR THE YEAR		<u>1,661,516</u>	<u>2,231,421</u>

KTDC UTALII INVESTMENTS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2001

	2001 <u>KShs</u>	2000 <u>KShs</u>
<u>Cash flows from operating activities:</u>		
Profit for the year before taxation	2,373,594	3,187,744
Adjustments:		
Interest on Fixed Deposits	(1,969,065)	(3,077,583)
Investment Income (Dividend)	(44,220)	(39,666)
Operating Profit/(Loss) before Working Capital Changes	<u>360,309</u>	<u>70,495</u>
(Increase)/Decrease in Debtors	(2,705,904)	(4,814,635)
Increase/(Decrease) in Creditors	(84,980)	61,766
Cash generated from operations	<u>(2,430,575)</u>	<u>(4,682,374)</u>
Income Tax paid	(293,283)	(510,467)
Net Cash inflow/(outflow) from Operating Activities	<u><u>(2,723,858)</u></u>	<u><u>(5,192,841)</u></u>
<u>Cash flows from Investing Activities</u>		
Interest on Fixed Deposits	1,969,065	3,077,583
Dividends received	44,220	39,666
Net Cash inflow/(Outflow) from Investing Activities	<u>2,013,285</u>	<u>3,117,249</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(710,573)	(2,075,592)
Cash and Cash Equivalents at beginning of the period	21,301,261	23,376,853
Cash and Cash Equivalents at end of the period	<u><u>20,590,688</u></u>	<u><u>21,301,261</u></u>
Note		
<u>Cash & Cash Equivalents</u>		
Cash at Bank and in Hand	667,462	356,028
Fixed Deposits	19,923,226	20,945,233
Cash and Cash Equivalents at end of the period	<u><u>20,590,688</u></u>	<u><u>21,301,261</u></u>

KTDC UTALII INVESTMENT LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2001

1. ACCOUNTING POLICIES

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

(a) BASIS OF ACCOUNTING

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

(b) INCOME RECOGNITION

Income is obtained from dividends and interest from deposits. These are accounted for on accrual basis and recognised in the period in which they are earned or declared in case of dividends.

(c) INVESTMENTS

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

(d) DEPOSITS

Call and term deposits are stated at cost plus accrued interest upto and including the date of the balance sheet.

(e) CASH AND CASH EQUIVALENTS

These comprise cash at bank and in hand together with call and term deposits held with banks which have maturity period as less than 90 days from the date of their acquisition to the date of the balance sheet. These are net of bank overdrafts where applicable.

KTDC UTALII INVESTMENT LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2001

		<u>2001</u> <u>Kshs</u>	<u>2000</u> <u>Kshs</u>
2.	SCHEDULE OF INVESTMENTS AT COST		
	No. of shares	Cost paid Kshs	Cost paid Kshs
1.	Express (K) Limited	418,268	418,268
2.	CFC Bank Limited	28,443	28,443
	<u>385,800</u>	<u>446,711</u>	<u>446,711</u>
3.	CASH AND CASH EQUIVALENT		
	These comprise:	<u>2001</u> <u>Kshs</u>	<u>2000</u> <u>Kshs</u>
	Cash at Bank and In Hand	667,462	356,028
	Fixed Deposits	19,923,226	20,945,233
		<u>20,590,688</u>	<u>21,301,261</u>
4.	SHARE CAPITAL		
	The share capital consists of 100,000 ordinary shares of shs. 20 each fully paid for by Kenya Tourist Development Corporation.		
5.	CREDITORS AND PROVISIONS		
		<u>2001</u> <u>Kshs</u>	<u>2000</u> <u>Kshs</u>
	Audit fees	40,000	80,000
	Provision for printing	28,600	73,580
		<u>68,600</u>	<u>153,580</u>

Provision for printing is the amount provided for the spiral binding of the Annual Report and Accounts.

KTDC UTALII INVESTMENT LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2001

6. TAXATION

	2001 <u>Kshs</u>	2000 <u>Kshs</u>
Brought forward on 01 July	2,418,550	1,972,694
Provision for the year	712,078	956,323
	<u>3,130,628</u>	<u>2,929,017</u>
Less: Withholding & Corporation taxes paid	293,283	510,467
Carried forward on 30th June	<u><u>2,837,345</u></u>	<u><u>2,418,550</u></u>

7. DIVIDEND INCOME

This was received from:

	2001 <u>Kshs</u>	2000 <u>Kshs</u>
CFC Bank Limited	44,220	36,850
Kenya Power and Lighting Company Limited	-	2,816
	<u><u>44,220</u></u>	<u><u>39,666</u></u>