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KENYA NATIONAL AUDIT OFFICE

**REPORT
OF
THE CONTROLLER
AND AUDITOR GENERAL**

ON

**THE FINANCIAL STATEMENTS
OF KTDC UTALII INVESTMENT
LIMITED FOR THE YEAR ENDED
30 JUNE 2008**

KTDC UTALII INVESTMENTS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th
JUNE 2008.

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KTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

BOARD OF DIRECTORS AS AT 30 JUNE 2008

| | |
|-------------------------|--|
| Mr. Obondo Kajumbi | -Chairman |
| Mrs Rebecca M. Nabutola | -The Permanent Secretary, Ministry of Tourism |
| Mr. Joseph Kinyua | -The Permanent Secretary, Ministry of Finance - |
| Mr. Hassan M. Kiage | -Member |

COMPANY SECRETARY

| | |
|-----------------------------|--|
| Mrs. Jane Ikiunga Kyaka | -Resigned from 5th July 2007 |
| Mr. Carrey Francis Odhiambo | -Acting from 10th July 2007 to 2nd June 2008 |
| Mr. Edgar Jumba Imbamba | -Appointed from 3rd June 2008 |

REGISTERED OFFICE

Utalii House
Nairobi Highway
P.O Box 42013
NAIROBI

AUDITORS

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

BANKERS

Kenya Commercial Bank Limited
P.O Box 7206
NAIROBI

KALOC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

REPORT OF THE DIRECTORS

1. The Directors have pleasure in submitting their Report and Audited Accounts for the year ended 30 June 2008.
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

Mr. Edgar Jumba Imbamba
COMPANY SECRETARY

Date

KTDC UTAH INVESTMENTS LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30TH JUNE 2008.**

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

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

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

It has, however, come to the attention of the Directors that the Company will not remain a going concern for more than twelve months from the date of the Balance Sheet. This is since the Company has sold off all its investments during the current year and there is an application to the Registrar of Companies to strike off the name of the Company as indicated in note 2 to the Financial Statements.

However the post-balance sheet events reveal that the Company was dissolved through Gazette Notice No. 9389 of 3rd October 2008. Since there were unfinished business by the Company, it was reinstated through Gazette Notice No. 176 of 2nd January 2009.

Director: .....

Date: 12-1-09.....

Director: .....

Date: 12.1.09.....



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KTDC UTALII INVESTMENTS LIMITED FOR THE YEAR ENDED 30 JUNE 2008

I have audited the financial statements of KTDC Utalii Investments Limited set out on pages 5 to 12 which comprise the balance sheet as at 30 June 2008, the income statement and the cash flow statement for the year then ended together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Company and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit 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 controls relevant to the company'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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall representation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

1. Going Concern

As disclosed in note 2, to the financial statements an application to the Registrar of Companies was made on 27 May 2008 by the parent company, KTDC to have the name of the company struck off from the Register of Companies as the company had after Treasury approval disposed of its investments. Further, the note indicates that although the deregistration was done on 3 October 2008 through Gazette Notice no 9389 of 2008, the company was reinstated by the Registrar of Companies vide Gazette Notice No. 176 of 2 January 2009 on request by the management. Although the note in addition indicates that the company was reinstated due to some "unfinished business" the directors have not indicated the precise nature of the unfinished business or explained why such business could not have been concluded before the Company was deregistered. Moreover it has not been clarified what the company will be trading on as all the investments, the company had, have been disposed of. Under the circumstances it has not been possible to confirm whether or not the company will remain a going concern for more than twelve months from the date of the balance sheet.

2. Late Submission of Financial Statements for Audit

Section 13 of the Public Audit Act, 2003 requires every state corporation to prepare and submit its annual financial statements within three months after the end of each financial year to which the accounts relate or such longer period of time as the National Assembly may by resolution extend. However, the company's unsigned financial statements were submitted on 11 November 2008, while the signed ones were received on 12 January 2009, six and a half months after the due date. No evidence has been seen to confirm that the company was granted extension of the period of submission of accounts for audit for the year by the National Assembly as required by the law.

3. Advances from Privatization Proceeds

In the report for 2006/2007, concern was expressed over the use of privatization proceeds amounting to Kshs.10,214,358 to finance house loans for two senior staff (now retired) of the parent company. Although the two staff members have since left the service, there is no evidence of the action being taken by the management towards the realization of security against one of the loans of Kshs.5,958,922 which was not being serviced. Further, an amount of Kshs.24,041,535 was paid to Kenya Tourist Development Corporation by the company for unclear purposes and the amount was treated as a debt without

explanation. In both cases, the loans were advanced without approval of the Board and contrary to Treasury Circular No.351/03 of 26 April 1993.

Opinion

Except for the reservations discussed in the preceding paragraphs, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Investment as at 30 June 2008 and of its profit and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Kenya Companies Act Cap 486 of the laws of Kenya.



A.S.M. GATUMBU
CONTROLLER AND AUDITOR GENERAL

Nairobi

6 April 2009

UTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

BALANCE SHEET AS AT 30 JUNE 2008

| | Note | 2008 KShs | 2007 KShs |
|-------------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Investments at Cost | 2 | - | 446,711 |
| | | - | 446,711 |
| Current Assets | | | |
| Debtors | 3 | 30,000,477 | 30,602,787 |
| Cash and cash Equivalents | 4 | 14,509,904 | 105,154 |
| | | 44,510,381 | 30,707,941 |
| TOTAL ASSETS | | 44,510,381 | 31,154,652 |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Share Capital | 5 | 2,000,000 | 2,000,000 |
| Profit and Loss Account | | 42,374,738 | 26,124,153 |
| | | 44,374,738 | 28,124,153 |
| Current Liabilities | | | |
| Creditors and Provisions | 6 | 41,675 | 31,475 |
| Corporation Tax | 7 | 93,968 | 2,999,024 |
| | | 135,643 | 3,030,499 |
| TOTAL EQUITY AND LIABILITIES | | 44,510,381 | 31,154,652 |

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

JULIE T. NJERU  DIRECTOR

DATE 12-4-09

Statement of Directors' Responsibilities is on Page 3.
Report of the Controller and Auditor General is on Page 4.

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

LDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2008

| | Note | 2008 KShs | 2007 KShs |
|-------------------------------------|-------|-------------------|----------------|
| TURNOVER | 8 & 9 | <u>697,968</u> | <u>418,737</u> |
| Net Profit after taxation | | <u>462,713</u> | <u>264,714</u> |
| Retained Profit/(Loss) For the Year | | <u>16,797,719</u> | <u>264,714</u> |

STATEMENT OF RETAINED PROFITS

| | | | |
|--|------|-------------------|-------------------|
| Balance Brought Forward on 01 July | | 26,124,153 | 25,859,439 |
| <u>Prior Period Adjustment</u> | | | |
| KCB Debtors amount write off | 3(b) | (720) | - |
| Less House Loan Interest write off | 3(d) | (465,707) | - |
| Payment of Tax not previously provided | 7 | (80,707) | - |
| Balance Brought Forward as Restated | | <u>25,577,019</u> | <u>25,859,439</u> |
| Retained Profit/(Loss) for the Year | | <u>16,797,719</u> | <u>264,714</u> |
| Balance Carried Forward on 30 June | | <u>42,374,738</u> | <u>26,124,153</u> |

VTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2008

| | Note | 2008 KShs | 2007 KShs |
|--|------|-------------------|----------------|
| TURNOVER | | <u>697,968</u> | <u>418,737</u> |
| INCOME | | | |
| Dividend Income | 8 | - | 284,152 |
| Other Income | 9 | <u>697,968</u> | <u>134,585</u> |
| TOTAL INCOME | | <u>697,968</u> | <u>418,737</u> |
| EXPENSES | | | |
| Printing & Stationery | 10 | 10,200 | 16,125 |
| Audit fees | 11 | 20,000 | 20,000 |
| Bank charges | 12 | 6,750 | 4,450 |
| TOTAL EXPENSES | | <u>36,950</u> | <u>40,575</u> |
| PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION | | 661,018 | 378,162 |
| Less: Provision for Taxation | | 198,305 | 113,448 |
| PROFIT AFTER TAXATION | | <u>462,713</u> | <u>264,714</u> |
| Gain/(Loss) from sale of Investment | 2 | <u>16,335,006</u> | - |
| RETAINED PROFIT/(LOSS) FOR THE YEAR | | <u>16,797,719</u> | <u>264,714</u> |

KTDC UTALII INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

| | Note | 2008 KShs | 2007 KShs |
|---|------|--------------------|------------------|
| <u>Cash flows from operating activities:</u> | | | |
| Profit for the year before taxation | | 661,018 | 378,162 |
| Adjustments: | | | |
| Investment Income (Dividend) | | - | (284,152) |
| KCB Debtors amount write off | 3(b) | (720) | - |
| Excess House Loan interest write off | 3(d) | (465,707) | - |
| Operating Profit/(Loss) before Working Capital Changes | | 194,591 | 94,010 |
| (Increase)/Decrease in Debtors | | 602,310 | (272,859) |
| Increase/(Decrease) in Creditors | | 10,200 | (26,825) |
| Cash generated from operations | | 807,101 | (205,674) |
| Income Tax paid | 7 | (3,184,068) | (14,208) |
| Net Cash inflow/(outflow) from Operating Activities | | (2,376,967) | (219,882) |
| <u>Cash flows from Investing Activities</u> | | | |
| Dividends received | | - | 284,152 |
| Proceeds from sale of Investment | 2 | 16,781,717 | - |
| Net Cash inflow/(Outflow) from Investing Activities | | 16,781,717 | 284,152 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | 14,404,750 | 64,270 |
| Cash and Cash Equivalents at beginning of the period | | 105,154 | 40,884 |
| Cash and Cash Equivalents at end of the period | | 14,509,904 | 105,154 |
| <u>Note</u> | | | |
| <u>Cash & Cash Equivalents</u> | | | |
| Cash at Bank and in Hand | | 799,999 | 105,154 |
| Flexible Treasury Bills | | 13,709,905 | - |
| Cash and Cash Equivalents at end of the period | | 14,509,904 | 105,154 |

KTDC UTALII INVESTMENT LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

1. ACCOUNTING POLICIES

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

(a) BASIS OF ACCOUNTING

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

(b) INCOME RECOGNITION

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

(c) INVESTMENTS

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

(d) CASH AND CASH EQUIVALENTS

These comprise cash at bank and in hand. As at 30 June 2008 there was no cash in hand. These are net of bank overdrafts where applicable. Cash equivalents are the investments in Flexible Treasury Bills whose maturity dates are less than three months from the date of the Balance Sheet.

KTDC UTALII INVESTMENT LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

| 2. SCHEDULE OF INVESTMENTS AT COST | 2008 | | 2007 | |
|------------------------------------|----------------------|-------------|-------------|----------------|
| | | <u>Kshs</u> | | <u>Kshs</u> |
| | | Cost paid | | Cost paid |
| | <u>No. of Shares</u> | <u>Kshs</u> | <u>Kshs</u> | <u>Kshs</u> |
| 1. Express (K) Limited | 363,880 | - | - | 416,268 |
| 2. CFC Bank Limited | 79,200 | - | - | 28,443 |
| | <u>443,080</u> | <u>-</u> | <u>-</u> | <u>446,711</u> |

The Stock Broker, Dyer and Blair Investments, who was appointed in June 2004 to handle the sale of shares held in Express Kenya and in CFC Bank finally managed to sell these shares through the Stock Market during the current year. This was after Treasury had given approval to sell them during the previous year 2006/2007.

The proceeds from the sale of these shares together with the gain realized are as shown below;

| | 2008 | 2007 |
|---|-------------------|-------------|
| | <u>Kshs</u> | <u>Kshs</u> |
| Proceeds from sale of shares in Express Kenya Ltd | 7,364,492 | - |
| Proceeds from sale of shares in CFC Bank Ltd | 8,917,225 | - |
| Total Proceeds | <u>16,781,717</u> | <u>-</u> |
| Less: Cost of investment in the two Companies | (446,711) | - |
| Gain/(Loss) from sale of investment | <u>16,335,006</u> | <u>-</u> |

Since the Company has now sold off the two investments, an application was made by KTDC as the sole shareholder on 27th May 2008 to the Registrar of Companies to have the name of the Company struck off from the Register of Companies. This was done under section 339(3) of the Companies Act. As at 30th June 2008 the Registrar had not struck off and deregistered the Company but was expected to be done in the next year 2008/2009.

However the post-balance sheet events reveal that the Company was dissolved through Gazette Notice No. 9389 of 3rd October 2008. Since there were some unfinished business by the Company, it was reinstated through Gazette Notice No. 176 of 2nd January 2009 and now assumes going concern.

| 3. DEBTORS | 2008 | | 2007 | |
|------------------------------|------|-------------------|------|-------------------|
| | | <u>Kshs</u> | | <u>Kshs</u> |
| These comprise: | | | | |
| a) KTDC | | 24,041,555 | | 23,837,581 |
| b) KCB University Way | | - | | 720 |
| c) Patrick Mutemi House Loan | | 5,958,922 | | 5,958,922 |
| d) Robert Kiattui House Loan | | - | | 667,290 |
| e) Express Kenya Limited | | - | | 138,274 |
| | | <u>30,000,477</u> | | <u>30,602,787</u> |

a) Amount due from KTDC, the parent Company, refer to payments made by this company to KTDC ahead of its winding up per Board approval after which all its assets including cash will revert to KTDC.

b) Amount of KShs 720 due from KCB University way refer to a Cheque book requested once but Bank charged twice in November 1995 and Bank was requested to reverse this second entry. This reversal was never done and this negligible amount has now been written off to Retained Earnings during the current year.

c) No House Loan repayment by Patrick Mutemi was made during the current year 2007/2008. Last repayment was in the year 2005/2006 which realized KShs 72,000. Interest accrual as income has been suspended as indicated in note 9.

d) Robert Kiattui made monthly House Loan repayment for current year upto October 2007 totalling KShs 203,974 (2007 KShs 666,120) and this was received, as was with previous years, by KTDC. Following advice from the Company Secretary, this particular loan was reworked during the current year by applying the original 6% p.a. rate of interest throughout from inception in January 2000 to 31 October 2007 whereby the balance became Nil. The interest rate from January 2004 had been calculated at commercial rates. The excess interest amount after reworking the loan upto 30 June 2007 was KShs 465,707 which has now been written off to Retained Earnings during the current year. Interest charged on the loan for current year was KShs 2,391 as opposed to last year's KShs 134,585 (note 9).

e) Express Kenya Ltd dividend of KShs 138,274 that was due as at 30 June 2007 was received during the current year 2007/2008.

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

| | | | |
|----|---------------------------|-------------------|----------------|
| 4. | CASH AND CASH EQUIVALENTS | 2008 | 2007 |
| | | <u>Kshs</u> | <u>Kshs</u> |
| | These comprise: | | |
| | Cash at Bank and In Hand | 799,999 | 105,154 |
| | Flexible Treasury Bills | 13,709,905 | - |
| | | <u>14,509,904</u> | <u>105,154</u> |

There was no Cash in Hand as at 30 June 2008 as indicated on page 9 in note 1(d)

5. SHARE CAPITAL

The share capital of the company is KShs 2,000,000 comprising 100,000 ordinary shares of shs. 20 each fully paid for by Kenya Tourist Development Corporation (KTDC).

| | | | |
|----|--------------------------|---------------|---------------|
| 6. | CREDITORS AND PROVISIONS | 2008 | 2007 |
| | | <u>Kshs</u> | <u>Kshs</u> |
| | Audit fees | 20,000 | 20,000 |
| | Provision for printing | 21,675 | 11,475 |
| | | <u>41,675</u> | <u>31,475</u> |

Provision for printing is the amount provided for the spiral binding of the Annual Report and Accounts after the audit. Binding of the accounts for 2006/2007 had not been done as at 30 June 2008. Payment for the audit fees for 2006/2007 year was made in the current year 2007/2008.

The creditors and provisions balance of KShs 41,675 is for the accrued audit fees for current year KShs 20,000 and for binding expenses for 2006/2007 KShs 11,475 and for current year 2007/2008 KShs 10,200.

7. TAXATION

| | | | |
|----|------------------------------|------------------|------------------|
| 7. | TAXATION | 2008 | 2007 |
| | | <u>Kshs</u> | <u>Kshs</u> |
| | Brought forward on 01 July | 2,999,024 | 2,899,784 |
| | Provision for the year | 198,305 | 113,448 |
| | | <u>3,197,329</u> | <u>3,013,232</u> |
| | Less: Withholding tax paid | (104,337) | (14,208) |
| | Corporation tax paid | (2,999,024) | - |
| | Carried forward on 30th June | <u>93,968</u> | <u>2,999,024</u> |

During the current year the Company paid all outstanding Corporation Tax of KShs 3,079,731 that arose from the filed Income Tax Return forms. Since the balance in the Income Tax account was KShs 2,999,024, the resultant additional amount paid of KShs 80,707 was charged to Retained Earnings as Tax not previously provided for. Total Taxes paid including withholding tax therefore amounted to KShs 3,184,068 (2007: KShs 14,208 as withholding tax only).

8. DIVIDEND INCOME

| | | | |
|----|--|-------------|----------------|
| 8. | DIVIDEND INCOME | 2008 | 2007 |
| | | <u>Kshs</u> | <u>Kshs</u> |
| | This was declared for previous year and earned from the shares then held in: | | |
| | CFC Bank Ltd-interim on 79,200 shares @ KShs 0.50 | - | 39,600 |
| | CFC Bank Ltd-final on 79,200 shares @ KShs 1.25 | - | 99,000 |
| | Express Kenya Ltd-final on 363,880 shares @ KShs 0.40 | - | 145,552 |
| | | <u>-</u> | <u>284,152</u> |

No Dividend was earned during the current year as the investment in shares held in Express Kenya Ltd and in CFC Bank Ltd were sold off early in the current year (see also note 2).

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

| | | | |
|----|---------------------------------------|----------------|----------------|
| 9. | OTHER INCOME | 2008 | 2007 |
| | | <u>Kshs</u> | <u>Kshs</u> |
| | This refers to the following: | | |
| | Interest on Robert Kiattu House Loan | 2,391 | 134,585 |
| | Interest from Flexible Treasury Bills | 695,577 | - |
| | | <u>697,968</u> | <u>134,585</u> |

The accrual of interest due on Patrick Mutemi House loan was first suspended during 2003/2004 year as it was evident that it may not be realised since loan repayment was irregular then. The loan repayment continued to be irregular in subsequent years and no repayment was made during the current year. Consequently, as with the last four years, the interest charged during the current year of Ksh 1,589,654 has not been accrued as income as was previous year's Ksh 1,383,099).

However, interest is still being charged and reflected in his house loan statement sent to him and is demanded.

| | | | |
|-----|---|---------------|---------------|
| 11. | PRINTING AND STATIONERY | 2008 | 2007 |
| | | <u>Kshs</u> | <u>Kshs</u> |
| | This refers to the accrual of binding of the accounts after the audit shown as follows: | | |
| | Binding provision accrued for the year | 10,200 | 11,475 |
| | <u>Add/(Less): Arising Underprovision/(Overprovision) made</u> | | |
| | - for the year 2004/2005 | - | 675 |
| | - for the year 2005/2006 | - | 3,975 |
| | | - | 4,650 |
| | | <u>10,200</u> | <u>16,125</u> |

Binding of accounts for current year after the audit has been done has been provided at KShs 10,200.

Accrual of binding of accounts for years 2004/2005 and 2005/2006 were made in these years at KShs 10,800 and Kshs 7,500 respectively. Actual binding and payment for these years were made in 2006/2007 year at KShs 22,950 which resulted into an underprovision of KShs 4,650 that was expensed in that year. The binding of accounts for 2006/2007 year had not been done as at 30 June 2008 as indicated in note 6.

11. AUDIT FEES

These fees are the annual provision made in the books and are due to Kenya National Audit Office (KENAO) at rate of KShs 20,000 per annum.

2. BANK CHARGES

These charges were levied to the company's Bank account at Kenya Commercial Bank Ltd., University way during the year. They comprised the following;

| | | | |
|--|--------------------------------|--------------|--------------|
| | | 2008 | 2007 |
| | | <u>Kshs</u> | <u>Kshs</u> |
| | Account Maintenance Fees | 2,400 | 2,400 |
| | Certificate of Balance Charges | 500 | 500 |
| | Bank Commission Charges | - | 150 |
| | Service Charge | 3,850 | 1,400 |
| | | <u>6,750</u> | <u>4,450</u> |

The Service Charge for current year was for full year whereas that for the previous year was levied from March to June 2007.