

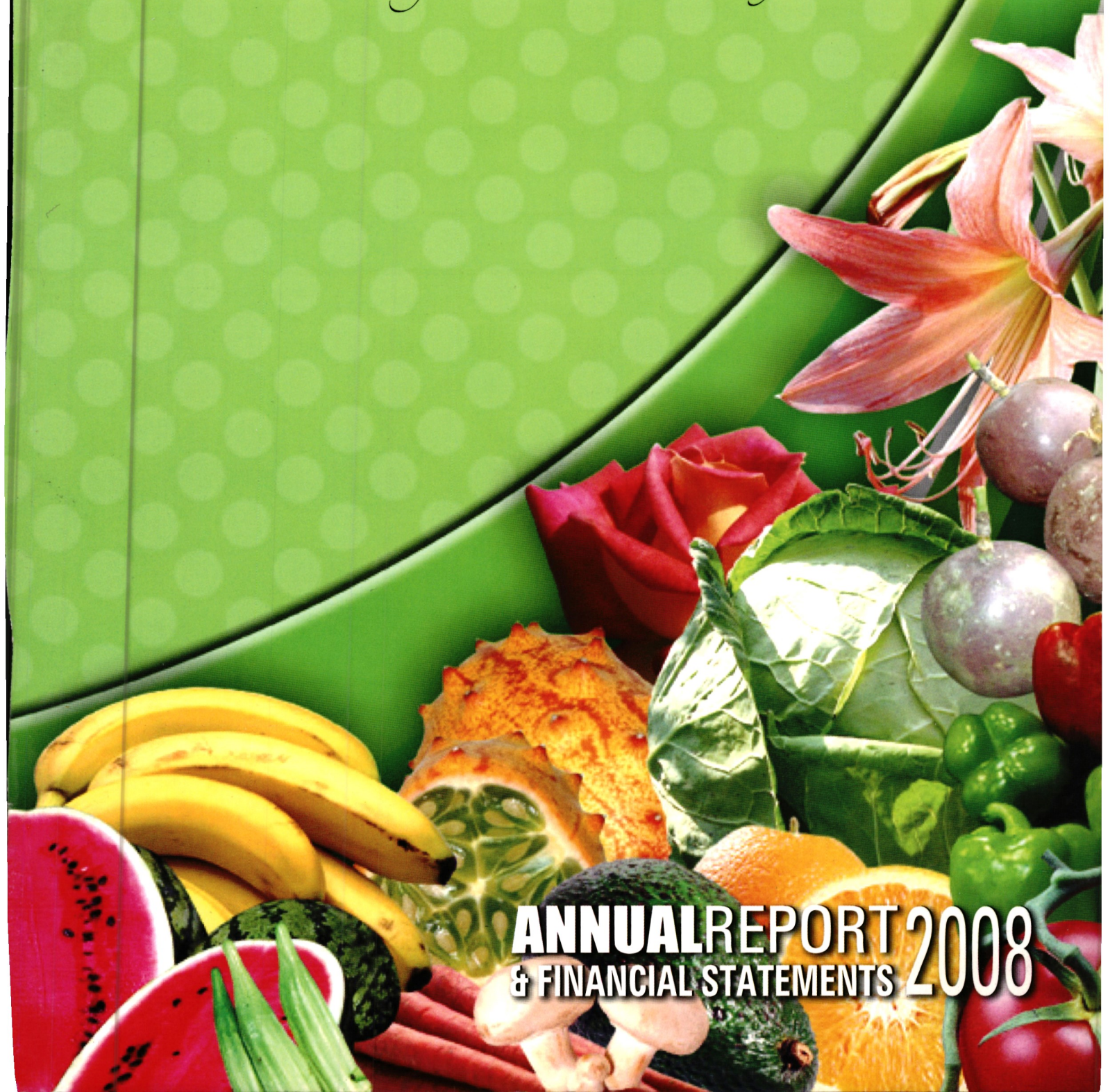


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HORTICULTURAL CROPS DEVELOPMENT AUTHORITY

Serving the Horticulture Industry



**ANNUAL REPORT 2008
& FINANCIAL STATEMENTS 2008**

Vision

To be the Centre of excellence in providing services in production and marketing of quality horticultural products both locally and internationally.

Mission

To promote, develop and facilitate production and marketing of horticultural products that meet customer driven needs at competitive costs through appropriate policies and technologies, and enhance socio-economic sustainability.

Mandate

Regulate the industry through registration and application of rules as maybe made by the Minister from time to time.

Provide advisory services on matters related to horticulture to the government and the industry for planning purposes.

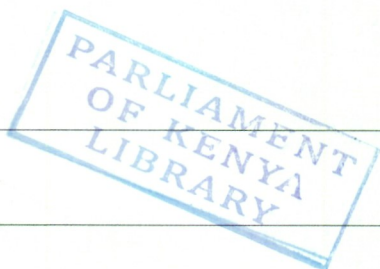
Collect and collate data, maintain a database on horticulture, document and monitor horticultural crops through registration of all players in the industry.

Assist in the production, grading, storage, collection, transportation and warehousing of produce destined for markets.

Promote, facilitate, coordinate and develop the industry.

Establish a specialised extension wing within the organisational structure.

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Authority Information

The Horticultural Crops Development Authority (HCDA) is a State Authority under the Ministry of Agriculture (MOA). It was established as a State Authority under the Agricultural Act Cap 318 in 1967 through a subsidiary legislation to develop, promote and co-ordinate production and marketing of horticultural produce.

REGISTERED OFFICE AND THE PRINCIPAL PLACE OF BUSINESS

The Horticultural Crops Development Authority is a body corporate established under the Agriculture Act Cap 318. It is domiciled in Kenya.

Registered Office:

The Nairobi Horticulture Centre
Off JKIA Road
P.O. Box 42601-00100
NAIROBI – KENYA
Telephone - +254 – 20 - 2088469
Fax. - +254 – 20 –3597356/62
Email: md@hcda.or.ke
Website: www.hcda.or.ke

Bankers:

Barclays Bank of Kenya
Queensway House
P.O. 30120 - 00100
Nairobi - Kenya

Co-operative Bank of Kenya
Nairobi Business Centre
Ngong Road
P.O. Box 19555 – 00200
Nairobi - Kenya

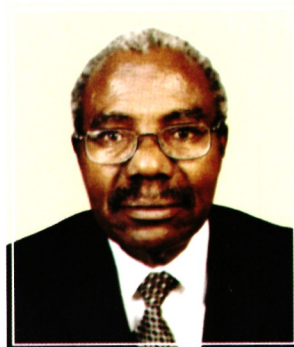
Independent Auditors:

Controller and Auditor General
Kenya National Audit Office
Anniversary towers
P.O. Box 30084
Nairobi – Kenya

Regional Offices

Office	Location	Address	Telephone
Machakos Depot	Nrb Mks Road	P. O. Box 1329, Machakos	020 - 8009513
Nyeri (Naromoru)		P. O. Box 148 Naromoru	071-71775
Mwingi/Kitui	DAO Office	P. O. Box 16, Kitui	044-23211
Sagana Depot	Nrb – Nyeri Rd	P. O. Box 207	060-46051
Yatta	Sofia Mkt	P. O. Box 50, Matuu	020-2112606
Nkubu Depot	Kariene Mkt	P. O. Box 119, Meru	020-2155006
Taveta	Behind Taveta Mkt	P. O. Box 285, Taveta	043-5352171
Kitale	Teachers Sacco Plaza	P. O. Box 3774, Kitale	054-31356
Kibwezi Depot	Kibwezi Town	P. O. Box 207, Kibwezi	020-2102927
Iten Office	Keiyo Sacco	P. O. Box 249, Iten	020-3508986
Eldoret Station	KVDA Plaza	P. O. Box 95, Eldoret	053-2033458
Kisumu	LBDA Plaza	P. O. Box 1516, Kisumu	020-2333615
Mombasa	Ambalal Hse	P. O. Box 90273, Mombasa	041-2228516
Narok/Bomet	DAO Office	P. O. Box 476, Narok	050-22204
Mt. Elgon	DAO Office	P. O. Box 827, Cheptais	
Mwea Depot	Kimbimbi	P. O. Box 99, Mwea	020-2092970
Limuru	Nrb- Nvsh. H/way	P. O. Box 1264, Limuru	2701806
Nakuru	MOA	P. O. Box 470, NAKURU	020-2313167
Bungoma	Bungoma Teachers Plaza	P. O. Box 33 Bungoma	020-2392972
Garissa	DAO	P. O. Box 38 GARISSA	
Kisii	DAO	P. O. Box 52 Kisii	
Marigat	Kiki Plaza	P. O. Box 171 Marigat	
Homabay	KOSFIP Office	P. O. Box 293 HOMABAY	
Mogotio	Mogotio Town	P. O. Box 115 MOGOTIO	
Kajiado	DAO	P. O. Box 54 KAJIADO	
Nyandarua	Shekainah Building	P. O. Box 33-20301 MIHARATI	

Board of Directors



Chairman
Mr. Joseph Kibe



Managing Director/
Board Secretary
Dr. Alfred Serem, Phd



Member, Permanent Secretary,
Ministry of Agriculture
Dr. Romano Kiome, Phd



Member, Permanent Secretary,
Ministry of Finance
Mr. Joseph Kinyua, CBS



Member,
Mr. Mark K. Muendo



Member,
Mr. Robert J. Kigunda



Member,
**Dr. Margaret Jesang
Hutchinson**



Member,
Mr. Kimani Rugendo



Member,
Mr. Robert Kipkorir



Member,
Mrs. Elizabeth Thande



Alternate to Permanent
Secretary, Ministry of Finance
Mr. Kennedy Ondieki



Inspectorate of State
Corporation,
Mrs. Agriphine Njoroge



Alternate to Permanent
Secretary, Ministry of
Agriculture,
Mr. Tom Obonyo

Senior Management Staff



Managing Director
Dr. Alfred Serem, Phd



General Manager, Finance,
Human Resource & Admin.
Mr. James M. Nguku

General Manager, Technical and
Advisory Services
Mr. Jotham Ouko



General Manager, Marketing,
Strategic Planning and ICT
Ms. Anne Gikonyo



Chief Accountant
Mr. James Kilonzi



Chief Internal Auditor
Mr. Metto

Ag. Chief Human Resource Officer
Mr. Eliphaz Choge



Ag. Chief Administration Officer
Ms. Christine Mue



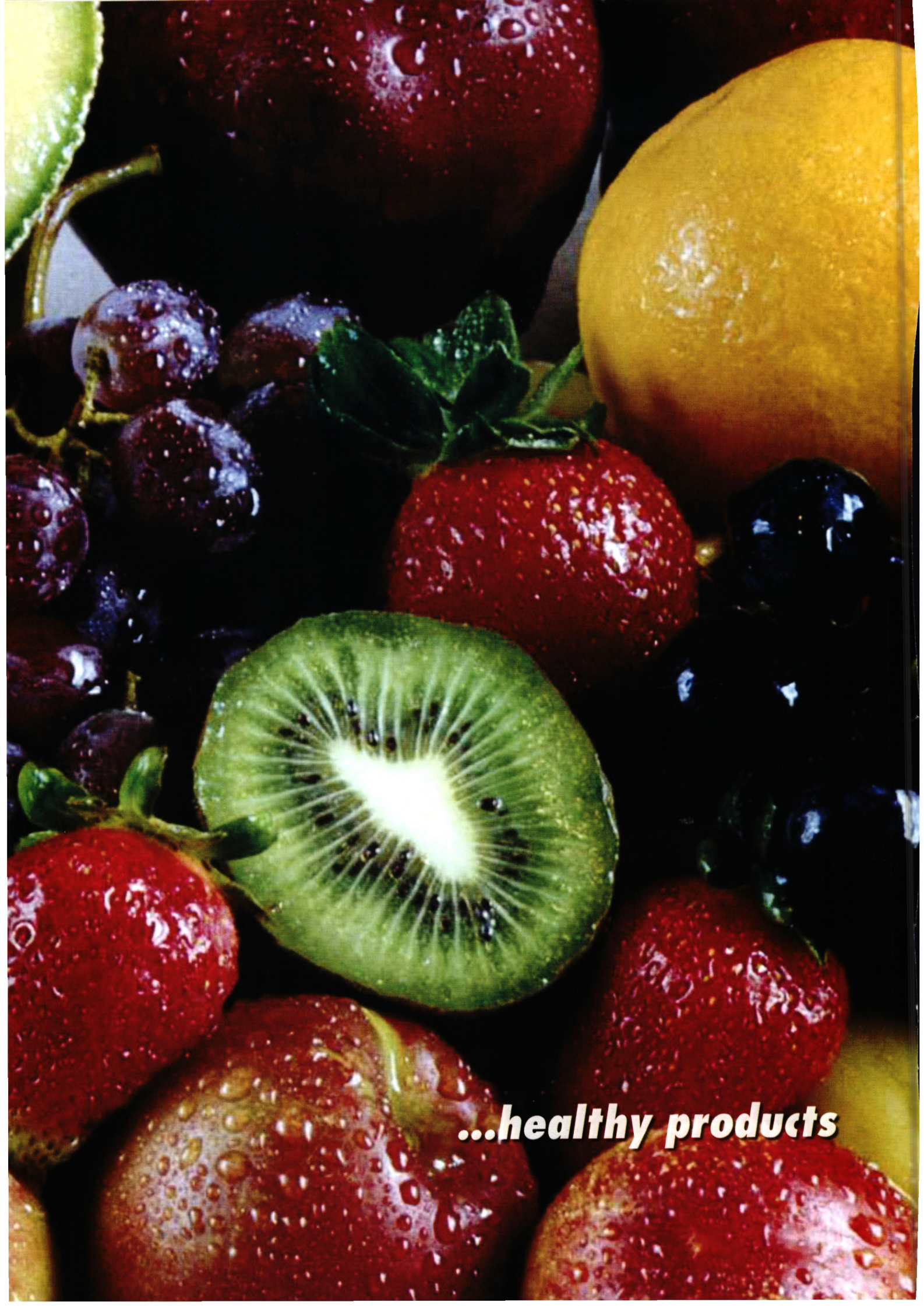
Ag. Chief Horticultural Officer
Ms. Grace Kyallo



Ag. Chief Marketing Officer
Mr. Edward Maina



Ag. Chief Planning Officer
Ms. Susan Wambugu



...healthy products

Principal Activities

The principal activities of the Authority are:

- a) To undertake effective and efficient coordination of the industry.
- b) To carryout promotion of products and markets.
- c) To undertake information collection, management, dissemination and provision of advisory services to stakeholders.
- d) To provide specialized extension services to the industry to enhance production and marketing.
- e) To provide sector regulation services in collaboration with other stakeholders.



Board of Directors' Report

The board of directors submits their report together with audited financial statements for the year ended 30 June 2008, which shows the state of affairs of the Authority

Results

The trading results and financial report for the year are set out on pages 6 to 16

CORPORATE GOVERNANCE AND ETHICS

Corporate governance is the manner in which the power over and the power of an organization is exercised in the stewardship of its total portfolio of assets and resources with the primary objective of increasing and sustaining shareholders value while satisfying the needs of the other stakeholders in the context of the vision and mission of the organization.

An independent board manages the business of the Authority. The board is keen on reviewing the overall framework of the internal controls and the assessment of management process and the adoption of the appropriate policies, regulations and codes of ethics. It is also responsible for ensuring that the Authority complies with the law and highest standards of the corporate and business ethics. The board currently comprises of members drawn from public & private sectors.

COMMITTEES TO THE BOARD OF DIRECTORS

There are three committees of the Board:

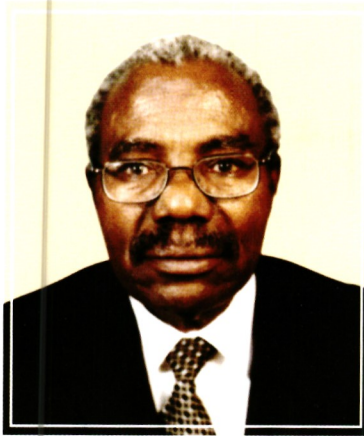
1. Finance and General Purpose Committee
2. Audit Committee
3. Marketing, Technical and Advisory Committee

OPERATIONAL RISKS

This is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation as well as lead to financial loss. The Authority cannot expect to eliminate all operational risks but can manage them through a controlled framework and by monitoring and responding to potential risks. The controls that the corporation has put in place to minimize the potential risks include;

- a) Effective duty segregation,
- b) Staff education,
- c) Authorization levels,
- d) Periodic risk assessment;
- e) Use of internal audit.

Chairman's Report



I am delighted to present the Annual Report and Financial Statements for the financial year ended 30th June 2008. The performance of the Authority has been affected by the difficult economic times, which affected the whole country at the time. However, the industry in general performed better with exports increasing both in volume and value.

The Authority during the year continued to offer its regulatory services, specialized extension services and marketing facilitation for smallholder producers. In line with its mandate the Authority conducted over 140 training for several farmers groups and individuals across the country. In order to provide better services to the industry we opened new offices across the country bringing the total number of regional offices to 24.

The Authority participated in several local and international trade fairs in an effort to market the Kenyan horticultural produce. In the month of June 2008 the Authority facilitated the local industry players in the Royal Show in Britain by paying for exhibition stands where local companies exhibited their produce. Locally the Authority has continued to participate in local shows to disseminate information and foster relationship with the local farmers who have greatly benefited from its services.

We would like to appreciate the assistance given to us during the financial year by our collaborators both in the public and private sector. The key public sector institutions include MOA, KEPHIS, PCPB, KARI, KEBS, and EPC. Other collaborators in the private sector include NGO's and development partners like Kenya Gatsby Trust, FPEAK, Flower Council, Horticultural Association of Kenya, DFID, PIP and Farm Concern.

Once again let me appreciate the commitment of the Board of Directors, Management, Staff and other Stakeholders whose efforts have made HCDA to achieve tremendous growth. As the horticultural regulator, HCDA, will continue to serve the Horticultural industry through policy formulation to enhance its competitiveness and growth locally and internationally.

Thank you

JOSEPH KIBE

CHAIRMAN - BOARD OF DIRECTORS

Managing Director's Report



It gives me great pleasure to submit the financial report and accounts for the year ended 30th June 2008. The Authority's strategic focus during the year remained to develop, promote, coordinate and facilitate the horticultural industry.

The main stay of Kenya economy is Agriculture and this in effect calls for a vibrant sector capable of competing effectively in the global market. Horticulture has emerged as the fastest growing sub-sector with an estimated annual growth rate of 12%. The sector currently employs directly and indirectly about 4.8 million people.

The Authority has continued to play a central role in the promotion of the horticultural sub-sector. During the period under review HCDA facilitated a task force appointed by the Ministry of Agriculture to carry out a study on the marketing and market infrastructure in the country. The recommendations of the task force are expected to propel the industry into greater heights on their full implementation. The Authority in conjunction with other stakeholders has developed the Horticultural Policy which is in the final stages and due for implementation.

To deepen and expand the international market the Authority has carried out several surveys to identify key potential markets. This was necessitated by the fact that the traditional markets for Kenyan the produce are becoming saturated, competition increasing and exports account for only 10% of the total volume. The surveys will be actualized in the coming year hence we expect that the growth of the sector will surpass the annual reported growth rate of 12%.

As we reflect on the great achievements of the Authority in the past 40 years we will not lose focus of the challenges that lies ahead of us both locally and internationally. As the industry regulator and with the concerted efforts of the other stakeholders we will strive to measure up to the challenges and overcome them for the continued growth and sustainability of the industry.

Thank you,

DR. ALFRED SEREM (PhD)
MANAGING DIRECTOR

Statement of Directors' Responsibilities

The State Corporations Act requires every State Corporation to keep proper books of accounts recording all the property, undertakings, funds, activities, contracts, transactions and other business. The board is responsible for the proper management of the affairs of the Authority.

The incumbent Directors submit the report and Audited accounts for the year ended 30th June, 2008 in accordance with section 13(2) of the Horticultural Crops Development Authority order 1986 which requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Authority as at the end of the financial year which includes a Balance sheet, a statement of Income and Expenditure and other statements that the Board may deem necessary for that period. It also requires the Directors to ensure the Authority keeps proper accounting position of the Authority. They are also responsible for safeguarding the assets of the Authority.

The directors accept the responsibility for the financial statements, which have been prepared using appropriate accounting polices supported by reasonable and prudent judgment and estimates, consistent with previous year, and inconformity with the International Financial Reporting Standards. 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 Authority as at 30 June 2008 and of its loss for the year then ended. The directors further confirm the accuracy and completeness of the accounting records maintained by the Authority, which has been relied upon in the preparation of the financial statements as well as on adequacy of the internal financial controls.

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

This statement is approved by the board of directors and is signed on their behalf by:

Thank you,

JOSEPH KIBE
CHAIRMAN, BOARD OF DIRECTORS

21 January, 2009

DR. ALFRED SEREM
MANAGING DIRECTOR

21 January, 2009

Auditor's Report on the Financial Statements for the year ended 30th June 2008

I have audited the financial statements of Horticultural Crops Development Authority for the years ended 30 June 2008 set out on pages 11 to 24 which comprise the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and 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.

Director's Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements which give true and fair view of the Authority's state of affairs 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.

Responsibilities 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 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 Authority'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 presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

I. Property, Plant and Equipment

The property, plant and equipment balance of KShs. 1,261,202,000 in the balance sheet includes an amount of KShs. 161,200,000 in respect of the value of land on which the Authority's depots are situated but for which the Authority has no title deed. Further, the ownership of plot No. LR209/12490 situated along Mombasa Road, measuring 3.5 hectares and valued at KShs. 86,000,000 is in dispute. Although through an allotment letter dated 29 January, 1987 by the Commissioner of Lands, a third party has

Auditor's Report on the Financial Statements for the year ended 30th June 2008 *(Continued)*

claimed ownership of the same land. In the absence of title documents, it was not possible to confirm the ownership status of the parcels of land or that the property, plant and equipment balance of KShs. 1,261,202,000 as at 30 June 2008 is fairly stated.

2. Creditors and Accruals

The creditors and accruals balance of KShs. 66,268,433 as at 30 June 2008 includes an amount of KShs. 42,070,280 in respect of rent accrued and due to Kenya Airports Authority. It is not clear how the management intends to clear this long outstanding balance.

3. Outstanding Government of Kenya Loan

As similarly reported in 2006/2007, the balance sheet reflects an outstanding loan balance of KShs. 1,548,466,197 described as G.O.K. Loan 2 at an interest rate of 15%. The Authority did not pay any instalment during the financial year or make any provision for the accrued interest in the financial statements. Although the management has explained the negotiations to convert the loan into a grant are ongoing with the Government, the outcome of such negotiations is still unknown. Further in the absence of provision for interest accrued in the financial statements, it was not possible to confirm the correctness of the general reserves negative balance of KShs. 270,971,301 and the completeness of current liabilities amounting to KShs. 70,906,433 as at 30 June, 2008.

Opinion

Except for the foregoing reservations, in my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the financial position of the Authority as at 30 June 2008 and of its deficit and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Horticultural Crops development Authority Order, 1995.



A. S. M. Gatumbu

CONTROLLER AND AUDITOR GENERAL

Nairobi

05 February, 2009



Financial Statements

30th June 2008

...increased productivity

Balance Sheet as at 30th June 2008

	NOTES	June 30, 2008 KSh "000"	June 30, 2007 KSh "000"
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	Schedule A	1,261,202	1,340,220
Investments			
Fixed Deposits A/C			32,868
Government securities	7	124,564	80,000
Current Assets			
Inventories & Assets held for sale	8	-	2,621
Accounts Receivables	9a	56,234	38,899
Pre - Payments		3,681	
Utilities deposits		2,000	2,000
Cash & Cash Equivalent	11	96,802	155,464
Accrued Interest	9b	8,541	-
Total Assets		1,553,025	1,652,072
EQUITY & LIABILITIES			
Shareholders Funds			
Share Capital (Development Grants)	13	204,624	204,624
General Reserves	14	(270,971)	(175,714)
Non-Current Liabilities			
G.O.K LOAN 2	12	1,548,466	1,548,466
Current Liabilities			
Creditors and Accruals	15	66,268	74,696
Provisions		4,638	
Total Liabilities		1,553,025	1,652,072

JOSEPH KIBE

CHAIRMAN BOARD OF DIRECTORS

21 January, 2009

DR. ALFRED SEREM

MANAGING DIRECTOR

21 January, 2009

Income & Expenditure Statement

for the Year Ended 30th June 2008

	NOTE	June 30 2008 Kshs "000"	June 30 2007 Kshs "000"
INCOME			
Import Fees & Charges		300,000	300,000
Investment Income	2	3,886	7,212
Recurrent Grants (IFAD)			1,201
Other Incomes	3	72,104	74,097
TOTAL INCOME		375,990	382,510
EXPENDITURE			
Salaries & Wages	4	138,002	102,500
Boards/Committees		9,160	5,706
Motor vehicle Expenses		33,308	27,856
Insurances		14,393	13,428
Rent & Rates		8,171	7,399
Travel & accomodation		23,064	19,958
Telephone & Postage		7,856	4,197
General Offices Expenses		15,439	7,231
Research & Development		2,938	958
Extension Services		10,897	2,048
Professional fees		6,429	7,789
Depreciation		137,618	128,659
Provision for Bad Debts		604	8,254
Accruals		4,598	23,915
Auditors Remuneration		400	64
Other Operating Costs	5	48,104	27,283
		460,980	387,246
Net Surplus/(Deficit)		(84,990)	(4,736)

Cashflow Statement

for the year ended 30th June 2008

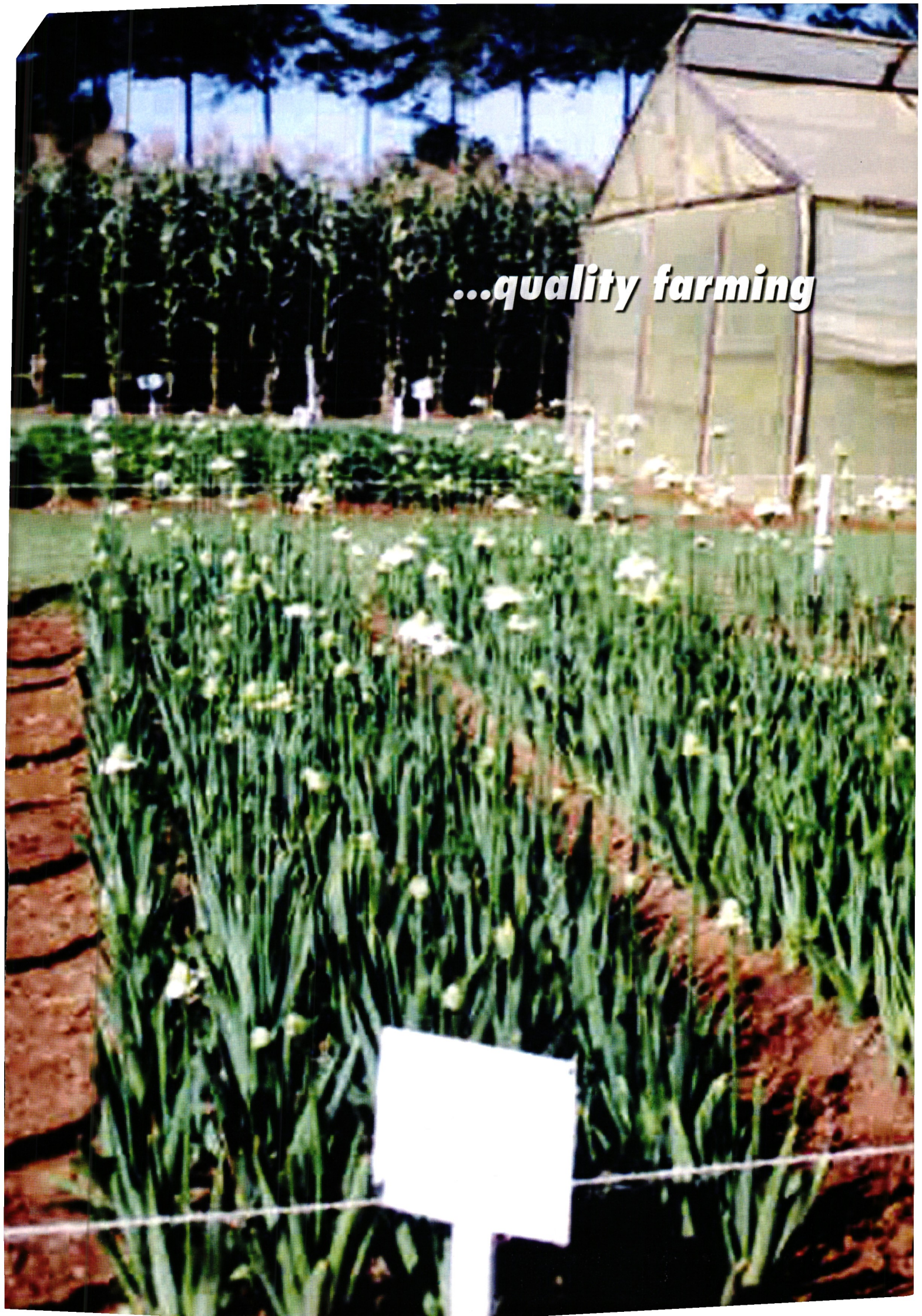
	2008 Kshs "000"	2007 Kshs "000"
Cashflows from Operating Activities		
Surplus/(Deficit) before taxation & extraordinary items	(84,990)	(4,736)
Adjustments for		
Depreciation	137,618	128,659
Provision for bad & doubtful debts	604	8,254
Provisions	4,638	
Investment income	3,886	(7,212)
<i>Operating surplus before working capital changes</i>	61,755	124,965
Decrease /(Increase) in Accounts Receivables	(29,557)	(11,909)
Increase/(Decrease) in Accounts Payables & Provisions	(33,728)	13,935
Net outflow from operating activities	(1,529)	126,991
Cashflows from Investing Activities		
Purchase of property and equipment	(46,365)	(1,850)
Disposal of Fixed Assets	929	
Treasury Bills redemption	76,830	—
Investment in government securities	(124,564)	(80,000)
Investment Income	3,170	
Prior year adjustments		4,824
Net outflow from investing activities	(90,001)	(77,026)
Cashflows from Financing Activities		
Grants (IFAD)	1,201	
Net cash from financing activities	-	1,201
Increase/(Decrease) in cash and cash equivalents	(91,530)	51,166
Cash & cash equivalents at beginning of the period	188,332	137,166
Cash & cash equivalents at end of the period	96,802	188,332

Statement of Changes in Equity

for the year ended 30th June 2008

	Shareholders Loans & Grants Kshs.	Government Grants Kshs. "000"	Revenue Reserves Kshs.	Total Kshs.
Year Ended 30 June 2007				
At 1 July, 2006	1,548,466	204,624	(902,596)	850,494
				-
Surplus / (deficit) on revaluation			(14,265)	(14,265)
Transfer of excess depreciation			741,164	741,164
Net gains/(loss) recognised directly in equity			4,718	4,718
Net profit/(loss) for the year			(4,735)	(4,735)
At 30 June 2007	1,548,466	204,624	(175,714)	1,577,376
Year Ended 30 June 2008				
At 1 July, 2007	1,548,466	204,624	(175,714)	1,577,376
				-
Net gains/(loss) recognised directly in equity			(10,267)	(10,267)
Net profit/(loss) for the year			(84,990)	(84,990)
				-
At 30 June, 2008	1,548,466	204,624	(270,971)	1,482,119

...quality farming



Notes Forming Part of the Financial Statement for the year ended 30th June 2008

Note 1. Significant Account Policies

(a) Basis of Preparation

The Authority's Financial statements are prepared, in accordance to International Accounting Standards (IAS) and comply with International Financial Reporting Standards (IFRS), based on the Historical cost convention as modified where appropriate under the Accrual basis as a going concern with there being no intention to liquidate or curtail its operations materially.

(b) Revenue

Revenue represents the fair value of the consideration received or receivable for the sales of goods and services, and is stated net of applicable taxes, rebates and discounts.

(c) Cash and Cash Equivalent

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(d) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest rate. A provision for impairment is recognised in the profit and loss account in the year when the recovery of the amount due as per the original terms is doubtful.

(e) Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

(f) Employee Benefits

The Authority operates a defined contribution pension scheme for its employees, where the rate of the Authority's contribution is determined by the trustees who take into account the recommendations of independent actuaries. The cost of providing retirement benefits is assessed using the attained method by qualified actuaries & the scheme valued every three years; the last valuation was as at 31st December 2003.

Contract staff are entitled to gratuity payment on the completion of the contract. Provision is made for gratuity in line with the contracts. The Authority's contributions in respect of retirement benefit costs are charged to the income statement in the year to which they relate.

Notes Forming Part of the Financial Statement for the year ended 30th June 2008 *(continued)*

(g) Property and Equipment

Plant, Property & Equipment (PPE) were revalued by independent valuers in the period ending 30th June 2007, in line with International Valuation Standards, thus their book values have been adopted and the amendment in the line with IFRS to the revalued amounts & the resultant deficit debited to the profit & loss account.

The Authority uses the straight line method of depreciation on a pro-rata basis as per the rates set out below:

Equipment, Furniture & fittings	12.50%
Temporary buildings	20.00%
Motor vehicles	25.00%
Buildings	2.00%
Boreholes	12.50%

Note 2. Investment Income

	<u>2007/08</u>	<u>2006/07</u>
	Kshs	Kshs
Interest from government securities	1,515,593	5,494,400
Interest on fixed deposits	2,287,937	1,706,704
Interest on Utilities deposits	82,564	11,313
	3,886,095	7,212,417

Note 3. Other Income

Other operating revenues is represented by

	2008	2007
	KShs	KShs
Export Cess	32,869,409	28,246,952
Export Licence	1,100,000	820,000
Hire Of Cold Room	6,471,847	4,895,736
Hire Of Packhouse	2,323,784	832,507
Hire Of Premises	718,060	2,288,500
Hire Of Transport	25,589,570	33,381,561
Processing Levy	464,856	815,597
Miscellaneous Income	2,566,260	2,815,962
	72,103,785	74,096,813

Notes Forming Part of the Financial Statement for the year ended 30th June 2008 *(continued)*

Note 4. Staff Costs

	<u>2008</u> <u>KShs</u>	<u>2007</u> <u>KShs</u>
Salaries & Wages	110,525,926	88,300,740
Employers Contribution	468,000	430,800
Pension Employers Contribution	4,447,678	5,728,261
Staff Training	13,128,073	7,722,886
Gratuities	887,149	316,662
Medical Expenses	8,544,889	500
	138,001,714	102,499,849

Note 5 Other Operating

	<u>2008</u> <u>KShs</u>	<u>2007</u> <u>KShs</u>
Advertisements	4,684,353	2,936,393
Fairs, shows & Exhibitions	3,876,438	3,499,610
Consultancy	6,947,434	1,986,388
General Labour Expenses	4,995,904	3,352,532
General Repairs & Maintenance	5,539,316	2,322,290
Contracted services	6,935,539	5,721,280
Hiv/Aids Activities	1,032,837	444,759
Water & Electricity	8,240,576	5,285,529
Staff Welfare	4,883,348	925,903
Other Miscellaneous Exp.	967,873	808,698
	48,103,618	27,283,382

Note 6. Land

The Authority is in the process of processing Title Deeds for land on which the regional offices/depots have been constructed on. This process is expected to be concluded after the balance sheet date. This treatment in the accounting books after revaluation has led to the discontinuation of the amortization process which was being carried before the revaluation.

	<u>Kshs</u>	<u>Kshs</u>
Cost		149,250,000
Accumulated amortization		(1,507,425)
NBV at end of year	—	147,742,575

Note 7. Investment

	<u>2007/08</u> <u>KShs</u>	<u>2006/07</u> <u>KShs</u>
Treasury bills and bonds Maturing after 182 days	124,564,400	80,000,000
	124,564,400	80,000,000

Notes Forming Part of the Financial Statement for the year ended 30th June 2008 (continued)

Note 8. The inventories which have nil realisable value comprised of seeds which have expired and are due for disposal. The Authority is in the process of obtaining the board approval, relevant licences and establishing the best way to destroy the seeds because of the chemical contents in them.

**Note 9a Accounts Receivables
(i) Debtors**

	2007/08	2006/07
	Kshs	Kshs
Debtors	56,265,254	49,555,043
Adjust For		
Specific provision	(4,546,849)	(4,546,849)
Provision for bad & doubtful debts	(4,654,656)	(18,002,894)
	<hr/>	<hr/>
	47,063,748	27,005,300

Other Receivables

Staff advances	231,336	214,425
Unbanked receipts	596,669	746,679
Unsurrendered imprests	4,521,224	7,111,121
Deposits	120,159	120,159
Advances to farmers	35,000	35,000
Ruto (Life insurance)	2,000	2,000
M.A.S Mulandi Tax arrears	862,618	862,618
Dr. P. Mwanzia Tax Arrears	1,357,451	1,357,451
KNAC Pension fund refund	1,443,547	1,443,547

56,233,752 **38,898,300**

(ii) Pre-Payments

Medical Insurance	1,656,083	
Insurance	2,025,158	
Others		1,000

3,681,241 **1,000**

9b Accrued Interest

Treasury Bills	5,435,600	
Interest on Fixed deposit A/C	3,105,314	

8,540,914 **—**

Note 10. Bad & Doubtful Debts

It is the Authority's policy to provide for bad and doubtful debts at the rate of 9% of the total debtors outstanding as at year end. In addition to the provision for bad debts a specific provision is made for debts that are unrecoverable. There are no additional specific

Notes Forming Part of the Financial Statement for the year ended 30th June 2008 *(continued)*

provision for the year ending 30th June 2008 while provision for bad and doubtful debts has increased by KShs. 603,919/=.

The unrecoverable debts relate to period of more than 10 years and the Authority is putting efforts to recover them or write them off following the due regulations in force.

Note 11. Cash and Cash Equivalent

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

2007/08	2006/07	
Cash and bank balances	KShs	KShs
Bank account	13,499,644	104,684,468
Co-operative current account		49,997,630
Taveta bank account	872,163	734,748
Hq cash in hand	52,881	47,879
Fixed Deposits	82,377,575	32,867,518
Total Cash & Cash Equivalents	96,802,262	188,332,243

Note 12. Loan

This is a Government guaranteed loan, specifically;
G.O.K Loan II outstanding - Kshs 1,548,466,197.00 being loan from the Japan Bank for International Co-operation (JBIC) to the Kenyan government in respect to the Horticultural Produce Handling Facility (H.P.H.F) as per the schedule below

a) Amounts Disbursed by J.B.I.C for:-

Motor Vehicles/cycles	177,644,829
Equipment & Furniture	641,900,943
Buildings	297,469,864
Consulting services	235,496,007

1,352,511,643

b) Accrued Interest Capitalised as follows:-

Motor Vehicles/cycles	25,737,533
Equipment & Furniture	92,999,875
Buildings	43,098,021
Consulting services	34,119,126

195,954,554

c) Total loan amount i.e. a+b above:-

Motor Vehicles/cycles	203,382,362
Equipment & Furniture	734,900,818

Notes Forming Part of the Financial Statement for the year ended 30th June 2008 *(continued)*

Buildings	340,567,885
Consulting services	269,615,133

TOTAL JBIC Loan **1,548,466,197**

Note 13. Government Grants

(i) Recurrent (Income)

Government Grants are accounted for under the Income approach where they are recognised as income over the periods necessary to match them with the related assets which they are intended to compensate on a systematic basis in accordance with IAS 20 - Accounting for Government Grants and Financial Assistance.

Grants received and accounted for as per the above policy within the financial year amounted to KShs. 300 million only.

(ii) Development

The breakdown for development grants received and capitalised is as per the schedule:

2000/2001	200,902,995
2001/2002	202,697,080
2002/2003	203,350,355
2003/2004	204,623,905
2004/2005	204,623,905

Note 14. General Reserves

	2007/08 Kshs	2006/07 Kshs
Balance b/f	(175,714,302)	(902,595,873)
Accumulated Depreciation		741,164,000
Land Revaluation		143,320,000
Revaluation		(157,585,025)
Add Surplus/(Deficit)	(84,990,264)	(4,735,225)
	<hr/>	<hr/>
	(260,704,566)	(180,432,123)
Prior year adjustments	(10,266,735)	4,824,315
	(270,971,301)	(175,714,302)

Note 15. Creditors & Accruals

	2007/08 Kshs	2006/07 Kshs
Accounts Payable	55,194,358	71,167,866
Sundry Creditors	9,820,992	3,528,721
Receipts in Advance	1,253,083	
	<hr/>	<hr/>
	66,268,433	74,696,587

Schedule A

FIXED ASSETS MOVEMENT SCHEDULE FOR THE YEAR ENDED 30TH JUNE, 2008

	LAND	BUILDING STRUCTURE	TEMPORARY BUILDING
		Kshs "000"	Kshs "000"
Cost or Valuation			
At start of year	147,742,575	603,266,126	1,000,000
Revaluation	13,457,425		
Additions		4,372,599	955,000
Disposals			
At end of year	161,200,000	607,638,725	1,955,000
Comprising:			
Cost	147,742,575	607,638,725	1,955,000
Revaluation	13,457,425	-	-
Depreciation			
Accumulated Depreciation			
Revaluation			
At start of year	-	12,065,323	200,000
Charge for the year	-	12,152,775	391,000
Revaluation			-
Disposals	-	-	-
At end of year	-	24,218,097	591,000
Net Book Value			
AS AT 30 JUNE 2008	161,200,000	583,420,628	1,364,000
AS AT 30 JUNE 2007	147,742,575	591,200,803	800,000

MOTOR VEHICLES	FURNITURE, FITTINGS & EQUIPMENT	BOREHOLE	WORKS IN PROGRESS	TOTALS
Kshs "000"	Kshs "000"	Kshs "000"	Kshs "000"	Kshs "000"
214,280,000	477,340,922	25,250,041	-	1,468,879,664
31,970,100 (1,630,000)	8,759,809		307,149	13,457,425 46,364,656 (1,630,000)
244,620,100	486,100,731	25,250,041	307,149	1,527,071,745
244,620,100	488,031,785	25,250,041	307,149	- 1,515,545,374 13,457,425
-	-	-	-	-
53,570,000	59,667,615	3,156,255	-	128,659,193
61,155,025	60,762,591	3,156,255	-	137,617,646
-	-	-	-	-
(407,500)	-	-	-	(407,500)
114,317,525	120,430,207	6,312,510	-	265,869,339
130,302,575	365,670,524	18,937,531	307,149	1,261,202,406
160,710,000	417,673,307	22,093,786	-	1,340,220,471

Schedule B

PROVISIONS SCHEDULE FOR THE YEAR ENDED 30TH JUNE 2008

	Bad Debts	Gratuity	Other Expenses	Motor Vehicles	Total
As at 1.7.07	18,002,894			17,480,295	35,483,189
Charge for the Year	603,919	39,267	4,598,475	-	5,241,661
Total	18,606,813	39,267	11,033,180	17,480,295	47,159,555
Payments			6,434,705	17,480,295	23,915,000
Transfers	13,952,156		-		13,952,156
Total	13,952,156	-	6,434,705	17,480,295	37,867,156
As at 30.6.2008	4,654,656	39,267	4,598,475	-	9,292,398



Available for Hire/Rent

For Transportation of Fresh Produce:

- » Insulated Trucks with 8 Tons Capacity
- » Insulated Canter Truck with 3 Tons Capacity



- » Packhouse Facilities at NHC and Depots
- » Storage/Cold Room Facilities at NHC
- » Pre-cooling at the Satellite Depots.



HORTICULTURAL CROPS DEVELOPMENT AUTHORITY

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