

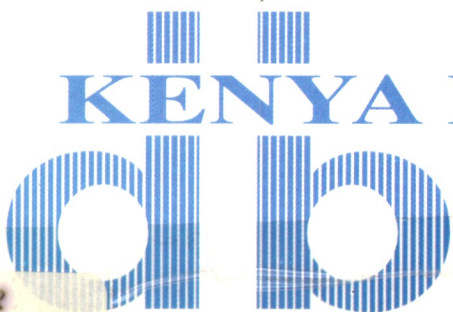
# Annual Report & Library Financial Statements

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2005

**KENYA DAIRY BOARD**



*"Quality Milk for Health"*

657-3

KDB



**KENYA DAIRY BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2005**

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# BOARD OVERVIEW

Kenya Dairy Board was established through an Act of Parliament, the Dairy Industry Act, Cap 336 of 1958.

## Our Vision Statement

“To be the leader in regulating, promoting and developing a sustainable Dairy Industry that contributes to income generation and good health.”

## Our Mission Statement

“ To facilitate the stakeholders activities towards a sustainable Dairy Industry that provides quality and competitive Dairy products.”

## Our Core Values

Kenya Dairy Board believes in an organisation whose people strongly upholds the following values:

**Respect:** Employees are the most important resource within KDB and the board espouses the value of participatory management. Consequently, high standards of integrity and professionalism will be demanded from every member of staff. KDB will be an equal opportunity employer and will strive to enhance the welfare of its staff.

**Quality Service:** The Board will strive to become a service delivery and client focused organisation that offers high value services which meet and exceed the expectations of its clientele.

**Fairness:** The Board will uphold the principles of fairness and due process in its dealing with internal and external publics.

**Honesty:** The Board will promote a culture of openness and exalt the virtues of Truthfulness and Honesty within and without the board.

**Democratic Leadership:** The Board will promote a participatory management style that recognises the contribution of all team members.

**Equal Opportunity:** The Board will give equal chance to all interested parties in all its transactions irrespective of status, gender, age, race and tribe.



# BOARD INFORMATION

## PRINCIPLE PLACE OF BUSINESS

NSSF Building , Block A, Eastern Wing, 10th Floor,  
P. O. Box 30406-00100  
Nairobi

### AUDITORS

Kenya National Audit Office,  
P. O. Box 30084  
Nairobi

### BANKERS

Kenya Commercial Bank  
P. O. Box 69695  
Nairobi

Co-operative Bank of Kenya  
P. O. Box 48231-00200  
Nairobi

National Bank of Kenya  
P. O. Box 72866  
Nairobi

### LAWYERS

Wambugu Motende & Co. Advocates  
P. O. Box 41765-00100  
Nairobi

Cheptumo & Co. Advocates  
P. O. Box 35556-00200  
Nairobi

## BOARD OF DIRECTORS



**Reuben Chesire**  
*Chairman*



**Machira Gichohi**  
*Managing Director*



**Eng. George Chiuri**  
*Vice Chairman*



**Eng. David N. Stower FIEK OGW**  
*P.S. MLFD*



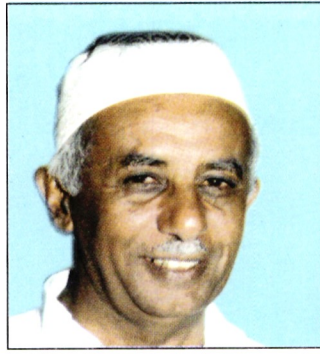
**Joseph Kinyua**  
*P.S. M.O.F*

KENYA DAIRY BOARD





**Omolo Kayila**  
*Director*



**Mansour Naji Said**  
*Director*



**Idris Maalim Yusuf**  
*Director*



**Maison Sasai**  
*Director*



**James Karanja**  
*Director*



**Wilson Kyalo**  
*Director*



**Zakayo Mwangi**  
*Director*



**Susan Mbiti**  
*Director*



**Enos Cheloti**  
*Director*



**Njeri Njoori**  
*Director*



**Mary Ngugi**  
*Alternate to P.S. in  
M.L.F.D*



**Kennedy Ondieki**  
*Alternate to P.S. in  
M.O.F*

## MANAGEMENT



**Humphrey Maina**  
*Finance Manager*



**Peter Mutua**  
*Administration Manager*



**Dr. Philip Cheron**  
*Technical Manager*



## CHAIRMAN'S STATEMENT

The Dairy sub-sector in Kenya has an annual milk output of about 3.2 billion litres. This is sufficient to meet the domestic milk requirements and leave some surplus for the export market which is now opening up after years of decline.

The Kenya Dairy Board has overseen the regulation, development and promotion of the Dairy sub-sector since its formation in 1958, through an Act of Parliament, The Dairy Industry Act, Cap 336 of 1958. We at the Board are happy to observe that the sector has made a major turnaround in the last few years which has been manifested by high milk producer prices, revival and formation of Dairy cooperatives and high volumes of processed milk. This development will complement the Government's commitment to poverty reduction and creation of wealth among the population.

The Board has intensified its field activities especially in training which is vital to the vibrancy of the Dairy sector. It is estimated that post harvest milk losses amount to a staggering 95 million litres per annum. Poor milk handling practices, besides other factors such as limited dairy support infrastructure, are key to this. We can drastically reduce on these losses by training milk producers, transporters and other actors on the milk market chain on the appropriate milk production, handling and marketing practices while upgrading our infrastructure to meet international standards.

The Government is working towards a revised Dairy policy which will guide the development of the industry. This policy should be ready in the foreseeable future. The stakeholders in the industry will be involved in its development in order to produce a comprehensive document that they can identify with.

The performance of the Board has continued to improve as reflected in the financial report for the year ended, 2004/2005. The income to the Board grew by 14% as compared to last year. This was due to increase in cess collections which was made possible by improved and enhanced service provided to the stakeholders. Over the same period, the Board exercised control in meeting its financial obligations which resulted in a net surplus.

The Board of Directors and the management are committed to prudent management of all the financial resources available in order to enhance our capacity and efficiency in delivering quality service to the industry, and thus move a step closer to ensuring "Quality milk for Health" to all Kenyans.

## MANAGING DIRECTOR'S STATEMENT

The Dairy industry has a significant presence in almost every household in Kenya in terms of income generation and as a source of nourishment. The industry has an annual output of 3.2 billion litres which is one of the highest in Africa.

The Dairy Sector in Kenya has experienced several drastic changes, from a controlled sector prior to 1992 to a liberalized economy. This transition, while making the sector more competitive through enhanced private sector participation in milk production, processing and marketing, created new challenges. These challenges, among others, included the evolution & proliferation of the informal market, decline in the volumes of milk processed, decline in the usage of A.I. services, and increased unhygienic handling and marketing of milk and milk products especially by the informal sector

However, the Dairy industry has had a turnaround in the last few years as a result of concerted efforts by the Government and the stakeholders to revitalize the industry. The major achievements that have been realized include;

- Increase in milk supply to dairy processing plants from an annual intake of 140 Million litres in 2002 to 340 Million litres recorded in 2005, being 140% growth
- Better and prompt payment to farmers from Ksh. 9 in year 2002 to the current Kshs. 20 per litre of milk. Farmers are now getting their pay before 10<sup>th</sup> of every month.
- Increase in demand for dairy cows leading to an increase in number of inseminations from an average of 70,000 inseminations in year 2002 to 150,000 inseminations recorded in year 2004
- Increase in milk and milk product exports from less than 1 million litres annually in year 2001 to 9 million litres as recorded in 2005
- A drastic reduction of milk imports from 50 million litres to 8.5 million litres in 2005
- Increase in direct and indirect employment opportunities as a result of the exponential growth in the industry.

The Kenya Dairy Board which is mandated to regulate, promote and develop the Dairy industry, is committed to playing its role in the development of this industry which has an enormous potential to change the economic landscapes of millions of Kenyans. We will continue to work together with all stakeholders and to advise the Government on appropriate measures to fully harness the potential in the industry.

The 2004/2005 accounts contained herein, underlie our commitment to serve the Dairy industry in a transparent and accountable manner in line with Government regulations and international accounting standards. Our revenue for the period grew by 14% mainly due to enhanced service delivery. We are committed to expanding our revenue base and enhancing our operational efficiency in order to meet our current and long-term obligations to the Dairy Industry.



## **BOARD MEMBER'S REPORT**

The Board Members have pleasure in submitting their annual reports with Audited Financial Statements for the year ended 30th June 2005 which disclose the state of affairs of the Board.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Board is to organise, regulate and develop the efficient production, marketing, distribution and supply of dairy produce.

## **RESULTS**

Surplus for the year was Kshs 137,181( 2003/2004: Kshs 3,652,546)

## **BOARD MEMBERS**

The present Board Members are set out on page 3 & 4.

## **AUDIT**

The Controller and Auditor General continue in office in accordance with Section 30(1) of Kenya Dairy Act (Chapter 336) and the Public Audit Act, 2003.

## **BY ORDER OF THE BOARD**

## **STATEMENT OF BOARD MEMBERS' RESPONSIBILITY**

The Kenya Dairy Act requires the Board Members to prepare financial statements for each financial year that gives a true and Fair view of the state of affairs of the Board as at the end of the financial year and of the Income and Expenditure Account for the year then ended. It also requires the Board members to ensure that the Board keeps proper accounting records that disclose, with reasonable accuracy, at any time, the financial position of the Board.

The Board Members accept the responsibility for the financial statement, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenya Dairy Act. The Board Members are of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the Board and its operating results. The board members further accept 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 control.

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

**Reuben Chesire**  
Chairman

**Machira Gichohi**  
Managing Director

Nairobi, Kenya.



# **REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA DAIRY BOARD FOR THE YEAR ENDED 30 JUNE 2005**

I have audited the financial statements of Kenya Dairy Board for the year ended 30 June 2005 in accordance with the provisions of the 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. The financial statements are in agreement with the books of account.

## **RESPECTIVE RESPONSIBILITIES OF THE BOARD MEMBERS AND THE CONTROLLER AND AUDITOR GENERAL**

As set out in the statement of Board members responsibilities, the Board members are responsible for the preparation of financial statements which give a true and fair view of the Board's state affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

## **BASIS OF OPINION**

The audit was conducted in accordance with the International Standards on Auditing. Those standards require 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 includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the Board Members, as well as an evaluation of the overall presentation of the financial statements. I believe my audit provides a reasonable basis for my opinion.

## **COMMENTS**

### **1. Property, Plant and Equipment**

The balance sheet property, plant and equipment figure of Kshs. 34,816,422 as at 30 June 2005 excludes undetermined value of a plot in Narok Town allocated for office development and the cost of partitioning the Board's former Headquarters at Coffee Plaza amounting to Kshs. 1,025,400. Further the amount of Kshs. 5,017,287 reflected as work in progress has remained static since 30 June 2000, an indication of lack of proper planning of the construction of the Board's building in Nairobi South 'C'. This figure is supported by certificates of completion to the extent of Kshs. 1,532,700 leaving a difference of Kshs. 3,484,587 only supported with the contractors valuation reports. Consequently, I am unable to confirm the carrying values stated in the financial statements reflect the fair values of property, plant and equipment as at the balance sheet date.

### **2. Debtors and Prepayments**

The balance sheet debtors and prepayments balance increased from Kshs. 7,382,820 in the previous year to Kshs. 9,790,651 as at 30 June 2005. The amount includes staff debtors amounting to Kshs. 4,358,393 relating to imprests, advances, loans and other staff debtors most of which have remained outstanding for over eight years. A number of staff who owe the Board have already left the service and there is no indication as to how or when these debts and others will be recovered. In addition, accounts receivable amount of Kshs. 4,913,724 as at 30 June 2005 includes Kshs. 1,013,191 that has remained unsettled for too long. In the circumstances, recoverability of these long outstanding debts by staff and customers are remote.

## **OPINION**

Except for the foregoing reservations, in my opinion, proper books of accounts have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Board as at 30 June 2005 and of its surplus and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Dairy Industry Act (Cap 336).

**E.N MWAI**

**CONTROLLER AND AUDITOR GENERAL**

Nairobi

13 March 2006



**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 30TH JUNE 2005**

	Notes	<u>2004/2005</u> KSH	<u>2003/2004</u> KSHS
<b>INCOME</b>			
Cess Receipts	1	56,151,571	51,650,404
G.O.K - Grants		25,200,000	25,898,456
Interest Received		4,768,850	319,884
Import Levy		3,069,753	2,697,298
Miscellaneous revenue	2	2,425,331	212,308
Licence Fees	3	6,110,850	5,004,400
Application Fee		1,200,000	1,018,500
Assurance Fees		2,000	4,000
Sales of Fixed Assets		-	203,850
<b>TOTAL INCOME</b>		<b>98,928,354</b>	<b>87,009,100</b>
<b>EXPENDITURE:-</b>			
Telephone Expenses		1,825,323	2,076,089
Maintenance of stations		1,198,131	875,378
Travel, Accomodation & Subsistence		6,928,394	7,076,851
Transport and operating Expenses		8,628,973	6,572,673
Education & Training		4,330,666	4,432,127
Stationery & Printing		2,194,761	1,737,387
Advertising expenses		4,567,663	2,696,669
Board members Expenses	4	9,879,882	5,001,336
Entertainment & Misc. Exp		2,400,794	2,032,339
Postage & Telegrams		393,699	287,695
Donations		222,204	82,167
Medical Expenses		4,176,124	4,407,214
Rent & Rates		4,948,956	4,807,788
Show Expenses		1,186,354	2,528,548
Salaries & Wages	5	33,178,985	27,132,743
Uniforms		214,600	-
Laboratory & Sundry Exp.		144,614	61,650
Insurance General		1,433,682	1,147,075
Gratuity and Pension	5	2,612,393	1,321,508
Audit Fees		500,000	400,000
NSSF Employers Contribution		241,400	250,400
Bank Charges		750,209	856,452
Fees, Commisions & Honorarium	6	1,342,266	2,000,368
Leave passage allowance		1,490,630	1,051,543
Electricity & conservancy		90,000	123,540
Maintenance of plant & equipment		563,788	346,115
Internet Services		144,265	212,736
Depreciation		2,593,210	3,633,792
External Travel		609,208	204,373
<b>TOTAL EXPENDITURE</b>		<b>98,791,173</b>	<b>83,356,554</b>
<b>SURPLUS / (DEFICIT)</b>	7	<b>137,181</b>	<b>3,652,546</b>



**KENYA DAIRY BOARD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**  
**BALANCE SHEET AS AT 30TH JUNE 2005**

ASSETS	Notes	<u>2004/2005</u> Kshs	<u>2003/2004</u> Kshs
<b>Non-Current Assets</b>			
Property, Plant and Equipments	7	34,816,422	40,765,597
<b>Current Assets</b>			
Debtors and prepayments	8	9,790,651	7,382,820
Cash and Bank Balances	9	20,281,206	20,288,531
		<u>30,071,857</u>	<u>27,671,351</u>
<b>Total Assets</b>		<u><b>64,888,279</b></u>	<u><b>68,436,948</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Designated Funds	11	4,000,000	4,000,000
Capital Reserves	12	23,410,250	22,455,250
Accumulated Funds	13	30,848,583	36,117,857
<b>Total Equity</b>		<u><b>58,258,833</b></u>	<u><b>62,573,107</b></u>
<b>Current Liabilities</b>			
<b>Creditors and accruals</b>	14	6,629,445	5,863,841
<b>Total Equity and Liabilities</b>		<u><b>64,888,279</b></u>	<u><b>68,436,948</b></u>

The financial statements were approved by the Board Members on 29th September 2005 and signed on its behalf by:

**Reuben Chesire** Chairman

**Machira Gichohi** Managing Director

KENYA DAIRY BOARD



**KENYA DAIRY BOARD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30TH JUNE 2005**

		Designated Funds Kshs.	Capital Reserves Kshs.	Accumulated Funds Kshs.	Total Kshs.
<b>Notes</b>					
<b>Year Ended 30th June 2004</b>					
At Start of year		-	22,455,250	31,361,097	53,816,347
Prior year adjustment	15	-	-	1,104,214	1,104,214
Surplus for the year		-	-	3,652,546	3,652,546
Received in the year		4,000,000	-	-	4,000,000
<b>At end of year</b>		<b>4,000,000</b>	<b>22,455,250</b>	<b>36,117,857</b>	<b>62,573,107</b>
<b>Year Ended 30th June 2005</b>					
<b>As Start of year</b>		<b>4,000,000</b>	<b>22,455,250</b>	<b>36,117,857</b>	<b>62,573,107</b>
Prior year adjustments	15	-	-	(5,406,455)	(5,406,455)
Surplus for the year		-	-	137,181	137,181
Donation of Motor Vehicle	16	-	955,000	-	955,000
<b>At end of year</b>		<b>4,000,000</b>	<b>23,410,250</b>	<b>30,848,583</b>	<b>58,258,833</b>



**KENYA DAIRY BOARD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE 2005**

	Notes	2004/2005 Kshs.	2003/2004 Kshs.
<b>Cash flow from operating activities</b>			
Surplus for the year		137,181	3,652,546
Adjustments for:			
Depreciation for the year		2,593,210	3,633,792
Gain on sale of assets		-	(203,850)
Prior year adjustment	15	(5,406,455)	1,104,214
Depreciation Prior year adjustment		5,185,490	-
<b>Operating Surplus before working capital changes</b>		<b>2,509,426</b>	<b>8,186,702</b>
(Increase)/Decrease in Debtors		(2,407,831)	(2,055,071)
Increase / (Decrease) in Creditors		765,604	(419,240)
<b>Net cash flow from operating activities</b>		<b>867,199</b>	<b>5,712,392</b>
<b>Cash flow from Investing Activities</b>			
Purchase of fixed assets		(1,829,524)	(2,603,676)
Proceeds from sale of fixed assets		-	203,850
<b>Net Cash flow from Investing Activities</b>		<b>(1,829,524)</b>	<b>(2,399,826)</b>
<b>Cash flow from Financing Activities</b>			
Capital Reserve	12	955,000	-
GOK granted received		-	4,000,000
<b>Net Cash flow from financing Activities</b>		<b>955,000</b>	<b>4,000,000</b>
<b>Net decrease in cash equivalents</b>		<b>(7,325)</b>	<b>7,312,566</b>
<b>Cash and Cash equivalents at the start of the year</b>	<b>9</b>	<b>20,288,531</b>	<b>12,975,965</b>
<b>Cash and Cash equivalents at the end of the year</b>	<b>9</b>	<b>20,281,206</b>	<b>20,288,531</b>



**KENYA DAIRY BOARD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

**ACCOUNTING POLICIES**

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

**A. BASIS OF PREPARATION**

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). The Financial statements are presented in Kenya Shillings (Kshs) and prepared under the historical cost convention

**B. INCOME RECOGNITION**

- i) Cess receipts are from licences charged at the rate of twenty cents per litre of milk sold and is recongnized when it is received.
- ii) GOK Grants are Appropriations in Aid from the Government and it is recognized when approved.
- iii) Interest received is interest earned on bank deposit and call accounts and is recognised when declared.
- iv) Import levy is from imports on milk or any other dairy produce charged at seven percent of gross cost, insurance and freight and is recognised when received.
- v) Assurance fee is from any person who wants to start a processing plant and is recognised when received.
- vi) Application fees are charged to any person who applies for licence and is recognised when received.
- vii) Licence fees are charged on various types of licences and are recognised when received.

**C. EXPENDITURE**

Expenditure incurred comprise of expenses paid in the year and charges in the provision for outstanding expenses. All expenditure has been accounted for on accrual basis.

**D. PROPERTY, PLANT & EQUIPMENTS**

Property, plant and equipment are stated at historical costs less depreciation, calculated to write off the cost of the assets to their residual values over the expected useful lives at the following rates:

	<b>Rate(%)</b>
Motor Vehicles	25
Office and Laboratory equipments	12.5
Furniture and fittings	12.5
Computers	30

On disposal of an asset, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income and expenditure statement.

**E. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash and cheques on hand, deposits held at banks, including call deposits, net of bank overdrafts.

**F. EMPLOYEE ENTITLEMENT**

Employee entitlement to annual leave are recognized when they accrue to the employees. The estimated monetary liability for employees' annual leave entitlement at the balance sheet date is recognised as an expense on accrual.

**G. COMPARATIVE**

Where necessary, comparative figures have been adjusted to conform with changes in the presentation in the current year.

**H. PENSION OBLIGATION**

The Board operates a defined contribution pension scheme for its employees. The scheme is administered by CFC Life Assurance Ltd and is funded by contributions from both the Board and the employees. The Board's contribution to the defined retirement contribution benefit is charged to the income and expenditure statement in the year to which they relate.

**I. ACCOUNTING FOR LEASES**

Leases of assets are classified as operating leases since a significant proportion of the risk and reward of ownership are retained by the lessor. Payment under operating leases are charged to income on a straight line basis over the period of the lease.



**KENYA DAIRY BOARD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. PRINCIPAL ACTIVITIES**

The principal activity of the Board is to organise, regulate and develop the efficient production, marketing, distribution and supply of dairy produce.

<b>2. MISCELLANEOUS INCOME</b>	<b>2004-2005</b>	<b>2003-2004</b>
	<b>Kshs</b>	<b>Kshs</b>
WFP Project on DDF	971,465	-
USAID Refund	433,500	-
Sale of Confiscated Milk	640,366	212,308
Sale of Tenders	380,000	-
	<b>2,425,331</b>	<b>212,308</b>

<b>3. LICENCES FEES</b>	<b>2004-2005</b>	<b>2003-2004</b>
	<b>Kshs</b>	<b>Kshs</b>
Milk bar licence	2,316,050	1,499,400
Permit licence	2,033,200	1,746,000
Producer licence	626,400	490,000
Mini-Dairies licence	407,500	455,000
Processors licence	395,000	600,000
Cottage Industry licence	285,900	186,000
Dairy Manager Licence	46,800	28,000
	<b>6,110,850</b>	<b>5,004,400</b>

<b>4. BOARD MEMBERS EXPENSES</b>	<b>2004-2005</b>	<b>2003-2004</b>
	<b>Kshs.</b>	<b>Kshs</b>
Mileage Allowances	4,208,706	3,349,591
Travel and accomodation	5,671,176	1,651,745
	<b>9,879,882</b>	<b>5,001,336</b>

<b>5. STAFF COSTS</b>	<b>2004-2005</b>	<b>2003-2004</b>
	<b>Kshs</b>	<b>Kshs</b>
Wages and salaries	33,178,985	27,132,743
Pension costs-Defined contribution scheme	2,612,393	1,321,508
-NSSF	241,400	250,400
	<b>36,032,778</b>	<b>28,704,651</b>

<b>6. FEES, COMMISSIONS AND HONORARIUM</b>	<b>2004-2005</b>	<b>2003-2004</b>
	<b>Kshs</b>	<b>Kshs</b>
Legal Fees	415,082	579,909
Honorariums	604,704	482,265
Professional Fees	322,480	938,194
	<b>1,342,266</b>	<b>2,000,368</b>



**KENYA DAIRY BOARD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**  
**NOTES TO THE FINANCIAL STATEMENTS ( CONTINUED)**

**7. PROPERTY, PLANT AND EQUIPMENTS**

	Lands & Buildings	Motor Vehicles	Furniture & Fittings	Computers	Office/Lab Equipments	Total
<b>COST</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
At 1 July 2004	29,612,731	12,887,891	4,215,507	4,463,893	2,696,346	53,876,368
Additions	-	955,000	91,508	677,208	105,808	1,829,524
<b>At 30 June 2005</b>	<b>29,612,731</b>	<b>13,842,891</b>	<b>4,307,015</b>	<b>5,141,101</b>	<b>2,802,154</b>	<b>55,705,892</b>

**DEPRECIATION:-**

At 1 July 2004	-	8,521,066	2,478,675	-	2,111,030	13,110,771
Charge for the year	-	1,073,750	270,342	971,957	277,161	2,593,210
Prior year Adjustments	-	2,697,186	360,705	2,404,179	(276,580)	5,185,490
<b>At 30 June 2005</b>	<b>-</b>	<b>12,292,002</b>	<b>3,109,721</b>	<b>3,376,136</b>	<b>2,111,611</b>	<b>20,889,470</b>

**NET BOOK VALUE**

<b>At 30 June 2005</b>	<b>29,612,731</b>	<b>1,550,889</b>	<b>1,197,294</b>	<b>1,764,965</b>	<b>690,543</b>	<b>34,816,422</b>
<b>At 30 June 2004</b>	<b>29,612,731</b>	<b>4,366,825</b>	<b>1,736,832</b>	<b>4,463,893</b>	<b>585,316</b>	<b>40,765,597</b>

**Additional notes**

The prior year adjustment was due to change to depreciation policy. Office Equipments and furniture & fittings rate was adjusted from 10% to 12.5%. Computers were reclassified from the office equipment and depreciation rate adjusted from 10% to 30%.

The figure of land and buildings comprises of work in progress

	<b>2004-2005</b>	<b>2003-2004</b>
	<b>Kshs</b>	<b>Kshs</b>
Land and Buildings	24,595,444	24,595,444
Work in Progress	5,017,287	5,017,287
	<b>29,612,731</b>	<b>29,612,731</b>

**8. DEBTORS & PREPAYMENTS**

	<b>2004-2005</b>	<b>2003-2004</b>
	<b>Kshs</b>	<b>Kshs</b>
Accounts receivable	4,913,724	1,672,397
KNAC-M/Vehicle claim	318,250	318,250
Car loans	1,693,402	1,598,555
Prepayments	-	1,735,852
Staff advances	1,022,469	680,268
Staff imprests	1,336,842	756,849
Other staff debtors	305,680	380,665
Deposits	563,034	553,034
Sundry Debtors	-	49,700
Provision for Bad Debts	(362,750)	(362,750)
	<b>9,790,651</b>	<b>7,382,820</b>



**KENYA DAIRY BOARD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**  
**NOTES TO THE FINANCIAL STATEMENTS ( CONTINUED)**

<b>CASH AND BANK BALANCES</b>	<b>2004 - 2005</b>	<b>2003 - 2004</b>
The year end cash and cash equivalent comprise the following	<b>Kshs.</b>	<b>Kshs.</b>
KCB - Branch Collection Accounts	3,432,342	1,942,888
KCB - Savings Account	4,820,744	4,852,771
KCB - Current Account	(1,663,000)	(4,372,010)
NBK - Savings Account	2,076,271	10,705,327
NBK - Current Account	143,815	182,525
NBK - Car Loan Account	2,525,725	1,672,520
KCB-Branch Current Accounts	326,800	-
Co-operative Bank Call Accounts	4,467,663	-
Co-operative Savings Account	985,583	-
Undeposited Funds	3,037,109	5,105,950
Bank Suspense	107,155	(1,440)
Petty Cash	-	200,000
	<b>20,281,206</b>	<b>20,288,531</b>

**10. RETIREMENT BENEFITS OBLIGATION**

The Board makes contributions to a defined contribution retirement benefit scheme and to a statutory defined pension scheme, the National Social Security Fund. Contributions during the year to the Retirement Benefit Scheme and NSSF were kshs. 2,612,393, 2003 / 2004 - kshs. 1,415,507 and Kshs 241,400, 2003/2004 - kshs 250,400 Respectively.

**11. DESIGNATED FUNDS**

Designated fund is a GOK grant for capital development.

	<b>2004-05</b>	<b>2003-04</b>
	<b>Kshs</b>	<b>Kshs</b>
Designated fund	4,000,000	4,000,000

**12. CAPITAL RESERVES**

Capital reserves are as a result of valuation of fixed assets which is a regular exercise.

	<b>2004-05</b>	<b>2003-04</b>
	<b>Kshs</b>	<b>Kshs</b>
At start of the year	22,455,250	22,455,250
Value of KAR Donated by FAO	955,000	-
At end of year	<b>23,410,250</b>	<b>22,455,250</b>

**13. ACCUMULATED FUND**

This comprises of accumulated surplus / deficit and prior year adjustments over the years.

	<b>2004-05</b>	<b>2003-04</b>
	<b>Kshs</b>	<b>Kshs</b>
At start of year	36,117,857	31,361,097
Surplus for the year	137,181	3,652,546
Prior year adjustments	(5,406,455)	1,104,214
At end of year	<b>30,848,583</b>	<b>36,117,857</b>

**KENYA DAIRY BOARD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**  
**NOTES TO THE FINANCIAL STATEMENTS ( CONTINUED)**

<b>14. CREDITORS AND ACCRUALS</b>	<b>2004 - 2005</b>	<b>2003 - 2004</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Provision for Audit fees	1,900,000	1,050,000
KNAC Staff pension	2,229,047	2,371,251
Accrued Expenses	1,129,856	1,417,804
Alico Insurance Claims	895,978	546,492
Payroll Creditors	316,462	398,217
Sundry Creditors	158,101	80,077
	<b>6,629,445</b>	<b>5,863,841</b>

**15. PRIOR YEAR ADJUSTMENTS**

	<b>2004 - 2005</b>	<b>2003 - 2004</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Depreciation Adjustment	(5,185,490)	-
Cess arrears	61,395	1,149,946
Under provision of Audit Fees	(350,000)	-
Others	67,640	(45,732)
	<b>(5,406,454)</b>	<b>1,104,214</b>

**16. DONATION OF MOTOR VEHICLE**

In the course of the year there was a motor vehicle KAR 069L donated by FAO Previously carried in the capital reserves.

**17. TAXATION**

The Board is a Non-Profit making organisation hence exempt from Income Tax.

**18. CONTIGENCIES**

In common practice, the Board is subjected to litigation arising from the normal operations. The Board Members are of the opinion that this litigation will not have a material effect on the financial position or profits of the Board.

**19. CAPITAL COMMITMENTS**

The capital commitment granted but not contracted for as at 30th June 2005 amounted to Kshs. 4,000,000.

**20. INCORPORATION**

The Board is incorporated in Kenya under the Kenya Dairy Act CAP 336.

**21. CURRENCY**

The financial statements are presented in Kenya Shillings (Kshs).





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