

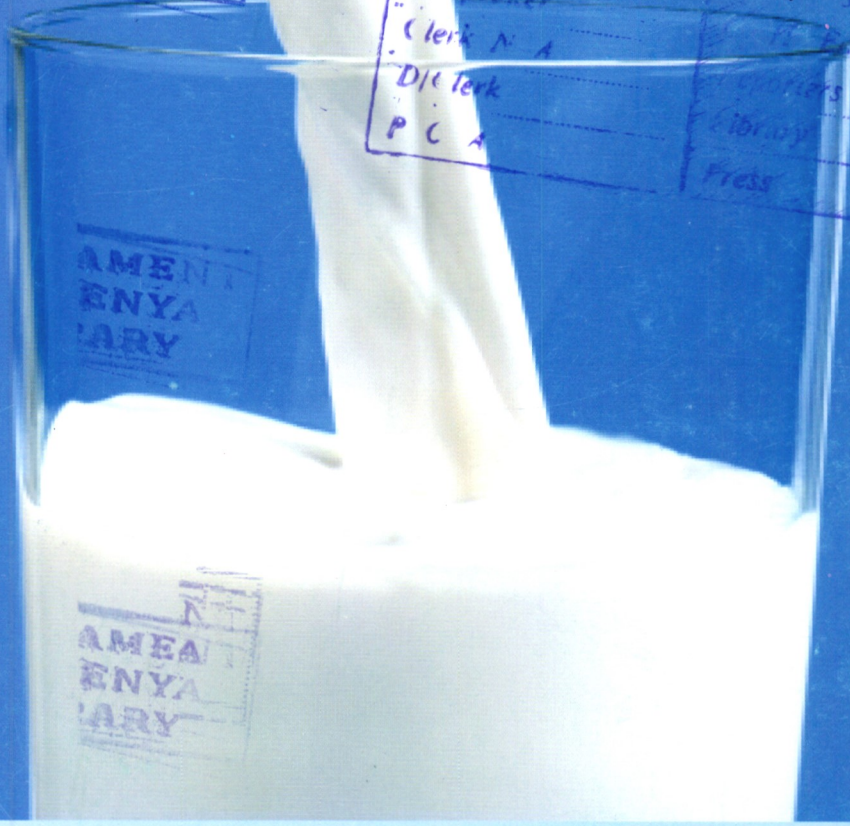
Annual Report & Financial Statements

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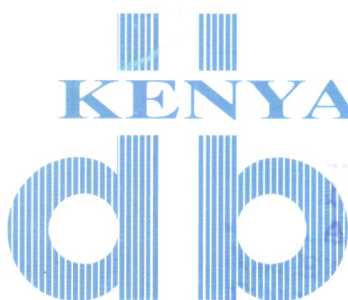
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2006



KENYA DAIRY BOARD

"Quality Milk for Health"

KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2006

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KENYA DAIRY BOARD

VISION AND MISSION STATEMENT

BOARD OVERVIEW

Kenya Dairy Board was established through an Act of Parliament, the Dairy Industry Act, Cap 336 of 1958 to regulate, promote and develop dairy industry in the country.

Our Vision Statement

“To be the leader in regulating, developing and promoting 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 organization 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 organization that offers high value services which meet and exceed the expectation of its clientele.

Fairness

The Board will uphold the principles of fairness and due process in its dealing with internal and external public.

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 chances to all interested parties in all its transactions irrespective of status, gender, age, race, and tribe.

BOARD INFORMATION

PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

Controller and Auditor General
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



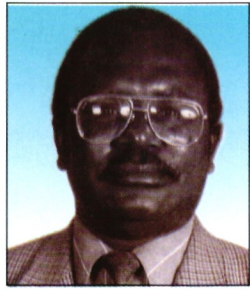
Eng. George Chiuri
Director



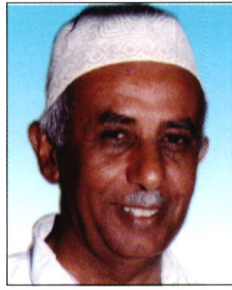
Dr. Jacob O. Ole Miaron
P.S. M.L.F.D



Joseph Kinyua
P.S. M.O.F



Omolo Kayila
Director



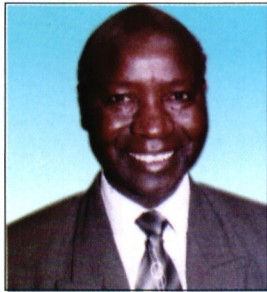
Mansour Naji Said
Director



Idris Maalim Yusuf
Director



Maison Sasai
Director



James Karanja
Director



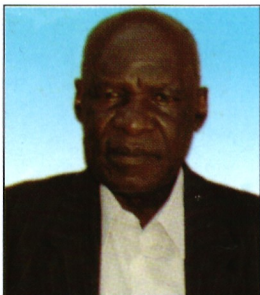
Wilson Kyalo
Director



J. Zakayo Mwangi
Director



Susan Mbiti
Director



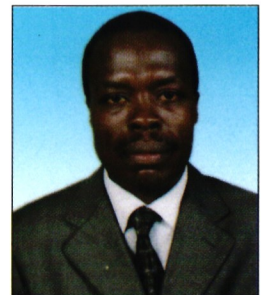
Enos Cheloti
Director



Njeri Njoori
Director



Muse Wanasakaami
Alternate to P.S. in the M.L.F.D.



Kennedy Ondieki
Alternate to P.S. in the MOF

MANAGEMENT



Humphrey Maina
Finance Manager



Peter Mutua
Administrative Manager



Dr. Philip Cheron
Technical Services Manager

KENYA DAIRY BOARD CHAIRMAN'S STATEMENT

The Kenyan Dairy Industry dates back to over a century ago when Dairy animals were introduced by the white settlers. The industry has continued to develop with a gradual shift in milk production from being a predominantly large scale enterprise during the colonial era to dominance by small holder dairy farmers. The marketing of Dairy produce is fully liberalised .

During the last 3 years, the industry has experienced an exponential growth as a result of supportive policies and regulations introduced by the Government. Imports have drastically reduced while numerous consumption and export promotions have been conducted which have led to the expansion of milk markets. The expanded market has served as an attraction for the dairy farmers who have benefited through improved prices and regular and timely payments.

Consequently, the industry currently contributes about 4.0% to the countries' GDP. The industry has also created about 2 million jobs to Kenyans throughout the milk production and marketing chain (production, transport, processing) and in support services such as animal feed manufacture, equipment supply and distribution, Agro chemical and veterinary shops and etc. the milk intake to processing plants has continued to grow and during the year under review the volumes grew from 274m in the 2005 to 339m in 2006 representing 24% growth. To ensure that this growth is sustained, the Government has carried out review of the dairy policy and regulations which are now complete and ready for submission to parliament.

During the year, the Board established linkages and collaboration with other dairy regulators in East Africa in the spirit of the EAC protocol. This has led to the development of a Memorandum of Understanding which aims to promote the harmonization of policies, Standards, Training, and Regulations. This will consequently enhance intra-regional trade in dairy produce and minimize extra-regional imports.

The major challenges in the industry currently include the management of surplus which is brought about by the huge influx of Kenyans into milk production enterprises (as a result of improvements in the sector) and penetration of a highly competitive export market. The Board is committed to the pursuance of programmes and activities that will contribute to the resolution of these challenges in order for the industry to make even greater contribution to the national economy, improvement of household incomes and poverty reduction.

REUBEN CHESIRE
CHAIRMAN

KENYA DAIRY BOARD

MANAGING DIRECTOR'S STATEMENT

Kenya has an estimated cattle population of 11.5 million heads of which 3.3 million are dairy animals whereas 8.2 are beef animals (mainly Zebu). Kenya's milk production is currently estimated at 3.5 billion litres per annum of which 2.2 billion litres is marketed resulting to an estimated income of Kshs 45 billion, to milk producers based on farm level raw milk sales.

During the year, the Board pursued numerous programmes and enhanced collaboration with stakeholders in order to deal with the dairy industry challenges. The performance contract, agreed upon between the Ministry of Livestock and Fisheries Development (on behalf of the Government of Kenya) and Kenya Dairy Board during the beginning of the year has served as a major milestone towards finding solutions to these challenges. As a result, the sector has continued to witness a phenomenal growth all across the entire chain. The farmers are now enjoying better prices, while the processing plants are witnessing higher intakes as a result increased consumption of locally produced milk and milk products. Imports have been drastically reduced as a result of better management practices, better surveillance and collaboration with stakeholders. Also, the perception of stakeholders about the industry and the Board has tremendously improved. The milk intake to processing plants has continued to grow and during the period under review the volumes grew from 274m litres in the 2005 to 339m litres in 2006 representing 24% growth.

Consequently, the industry currently contributes to about 4.0% of the country's Gross Domestic Product compared to about 3% in 2003. The industry has also created about 2 million jobs to Kenyans throughout the milk production and marketing chain (production, transport, processing and distribution) and in support services such as animal feed manufacture, equipment supply and distribution, Agro chemical and veterinary shops, breeding among others. The Board's capacity continued to improve through improved incomes, tight budgetary controls, improved planning and management of programmes and activities. This has led to the provision of more working tools and thus better delivery of services to stakeholders.

The Board has continued to encourage value addition and export of dairy produce particularly to the regional markets. Programmes to enhance Kenya's export capacity are being implemented across the chain and are expected to support the increasing milk production in the medium and long term period. To promote milk exports into the region, the Board encouraged greater collaboration between the regional regulatory Authorities. The Board also managed to organize milk producers towards the formation of a milk producer's organization. During the year, dairy committees in twenty eight districts, regional committees in four regions and a national committee were established. Plans are underway to expand to other milk producing districts. Already, a constitution has been submitted for registration.

The result of the various successes has led to a much greater hope and a promising dairy industry in Kenya. The Board will continue to play its role as a facilitator of the industry and encourages all stakeholders to work together for better utilization of resources available to the industry. This will ensure Kenya's grand march towards becoming a world class dairying country where competitive products are produced.

Machira Gichohi
Managing Director

KENYA DAIRY BOARD

BOARD MEMBER'S REPORT

The Board Members have pleasure in submitting their annual reports with Audited Financial Statements for the year ended 30th June 2006 which disclose the state of affairs of the Board.

PRINCIPAL ACTIVITIES

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

RESULTS

Surplus for the financial year ended 30th June 2006 was	Kshs. 7,680,417
As compared to financial year ended 30th June 2005	Kshs. 137,181

BOARD MEMBERS

The present Board Members are set out on pages 3 and 4

AUDITORS

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

BY ORDER OF THE BOARD

Machira Gichohi
Managing Director/Secretary

Nairobi, Kenya.

KENYA DAIRY BOARD

STATEMENT OF BOARD MEMBER'S RESPONSIBILITIES

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 statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Dairy Industry Act. The Board Members are of the opinion that 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/Secretary

Nairobi, Kenya

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +255-20-311482
E-mail: cag@kenyaweb.com



P.O. Box 30084-00100
NAIROBI

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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA DAIRY BOARD FOR THE YEAR ENDED 30 JUNE 2006

I have audited the financial statements of Kenya Dairy Board for the year ended 30 June 2006 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. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Board and the Controller and Auditor General

The Board is responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Board 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 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 statement. It also includes an assessment of the accounting policies use and significant estimates made b the Board as well as evaluating the overall financial statements presentation. I believe the audit provides a reasonable basis for my opinion.

Property, Plant and Equipment

As previously reported, Property Plant and Equipment balance of Kshs. 36,193,286 as at 30th June 2006 excludes undetermined value of a plot in Narok town allocated for office development as well as the cost of partitioning the Board's former headquarters at Coffee Plaza amounting to Kshs. 1,025,400. In addition, an amount of Kshs. 5,017,237 reflected as work in progress relates to the construction of the Board's building in Nairobi south 'C' which has stalled since 30th June 2000. This figure is however supported by a certificate of completion at Kshs 1,532,700 and the balance of Kshs. 3,484,587 is supported by contractor's valuation report. Although the authority to sell the property on "as is where is basis" has been given by the Government, in the absence of professional valuation reports on the stalled property, the Narok plot and Coffee Plaza Headquarters, it is not possible to confirm the Property, Plant and Equipment of Kshs, 36,193,286 are fairly stated as at 30th June, 2006.

Opinion

Except for the foregoing reservation, in my opinion, proper books of account have been kept and the financial statements give a true and fir view of the state of affairs of the Board as at 30th June 2006 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 of the Laws of Kenya.

PN. KOMORA
CONTROLLER AND AUDITOR GENERAL

Nairobi
28 December, 2006

KENYA DAIRY BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

INCOME & EXPENDITURE ACCOUNT
 FOR THE YEAR ENDED 30TH JUNE 2006

INCOME	NOTE	20905 – 2006	2004 – 2005
		KSHS.	KSHS.
Cess Receipts		69,535,416	56,151,571
G.O. K Grants		20,320,950	25,200,000
Import Levy		14,276,845	3,069,753
Licence Fees	1.1	8,482,544	6,110,850
Application Fees		1,583,400	1,200,000
Assurance fees		-	2,000
Interest Received		338,549	4,768,850
Miscellaneous	1.2	744,947	2,425,331
		<u>115,282,651</u>	<u>98,928,354</u>
TOTAL INCOME			
EXPENSES			
Advertising & publicity		4,461,553	4,567,663
Audit Fees		350,000	500,000
Bank Charges		896,721	750,209
Board Members Expenses	2	7,907,220	9,879,882
Depreciation	3	3,581,716	2,593,210
Donations		452,440	222,204
Electricity Expenses		30,961	90,000
External Travelling and Accommodation		1,469,881	609,208
Fees, Commission and Honoraria	4	1,396,595	1,342,266
Gratuity & Pension Contribution	9	5,703,244	2,853,793
Insurance		1,259,952	1,433,682
Laboratory Expenses		404,158	144,614
Maintenance of Plant & Equipments		742,746	563,788
Maintenance of Stations		1,044,916	1,198,131
Medical Expenses		4,237,604	4,176,124
Passage & leave Expenses		1,703,076	1,490,630
Postal and Telegram Expenses		528,781	393,699
Printing & Stationery Expenses		2,320,971	2,194,761
Rent and Rates		4,682,607	4,948,956
Salaries and wages		38,277,837	33,178,985
Show Expenses		1,256,179	1,186,354
Staff Welfare		2,430,654	2,400,794
Telephone Expenses		2,041,969	1,969,588
Training Expenses		6,426,034	4,330,666
Transport & Operating Expenses		7,892,975	8,628,973
Travelling and Accommodation Expenses		5,968,707	6,928,394
Uniform & Clothing Expenses		132,736	214,600
TOTAL EXPENSES		<u>107,602,234</u>	<u>98,791,173</u>
SURPLUS FOR THE YEAR		<u>7,680,417</u>	<u>137,181</u>

KENYA DAIRY BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE, 2006

BALANCE SHEET
AS AT 30TH JUNE 2006

		2005-2006	2004-2005
	Notes	Kshs.	Kshs.
NON CURRENT ASSETS			
Property , Plant & Equipments	3	36,193,286	34,816,422
CURRENT ASSETS			
Debtors and prepayments	6	10,581,203	9,790,651
Cash and bank balances	7	20,850,946	20,281,205
		<u>31,432,150</u>	<u>30,071,856</u>
CURRENT LIABILITIES			
Creditors and accruals	8	(2,979,185)	(6,629,445)
		<u>64,646,251</u>	<u>58,258,833</u>
NET TOTAL ASSETS		<u>64,646,251</u>	<u>58,258,833</u>
FINANCE BY			
Designated Funds		-	4,000,000
Capital Reserves	10	27,410,250	23,410,250
Accumulated Fund	11	37,236,001	30,848,583
		<u>64,646,251</u>	<u>58,258,833</u>
TOTAL EQUITY		<u>64,646,251</u>	<u>58,258,833</u>

The financial statements were approved by the Board Member's on _____
and signed on behalf by:

Reuben Chesire
(Chairman)

Signature

Machira Gichohi
(Managing Director/Secretary)

Signature

KENYA DAIRY BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH JUNE 2006

	Designated Funds Kshs.	Capital Reserves Kshs.	Accumulated Funds Kshs.	Total Kshs.
Balance as at 1st July 2005	4,000,000	23,410,250	30,848,583	58,258,833
Prior year adjustments	-	-	(1,293,000)	(1,293,000)
Surplus for the year	-	-	7,680,417	7,680,417
Received in the year	(4,000,000)	4,000,000	-	-
Balance as at 30th June 2006	<u>-</u>	<u>27,410,250</u>	<u>37,236,000</u>	<u>64,646,250</u>

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH JUNE 2005

	Designated Funds Kshs.	Capital Reserves Kshs.	Accumulated Funds Kshs.	Total Kshs.
Balance as at 1st July 2004	4,000,000	22,455,250	36,117,857	65,573,107
Prior year adjustments	-	-	(5,406,455)	(5,406,455)
Surplus for the year	-	-	137,181	137,181
Received in the year	-	955,000	-	955,000
Balance as at 30th June 2005	<u>4,000,000</u>	<u>23,410,250</u>	<u>30,848,583</u>	<u>58,258,833</u>

KENYA DAIRY BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30TH JUNE 2006

		2005 - 2006	2004 - 2005
	Notes	Kshs.	Kshs.
Surplus for the year		7,680,417	137,181
<u>Adjustments</u>			
Depreciation for the year		3,581,716	2,593,210
Prior year adjustments	12	(1,293,000)	(5,406,455)
Depreciation prior year adjustments		-	5,185,490
Operating surplus before working capital changes		9,969,134	2,509,426
(Increase)/Decrease in debtors		(790, 552)	(2,407,831)
Increase/(Decrease) in creditors		(3,650,260)	765,604
Net cash flow from operating Activities		5,528,321	867,199
Cash flow from Investing Activities			
Purchase of assets	3	(4,958,581)	(1,829,524)
Net cash flow from Financing Activities		(4,958,581)	(1,829,524)
Cash flow from Financing Activities			
Capital Reserve		-	955,000
Net Cash flow Financing Activities		-	955,000
Net increase/(decrease) in cash and cash equivalents		569,741	(7,325)
Cash and cash equivalents at beginning of period	7	20,281,206	20,288,531
Cash and cash equivalents at end of period	7	20,850,946	20,281,206

KENYA DAIRY BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

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

B. INCOME RECOGNITION

- i. Cess receipts are from licences charged at the rate of twenty cents per litre of milk sold and is recognised when it is received.
- ii. GOK Grants are Appropriations in Aid from the Government and it recognised when approved.
- iii. An 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 want to start a processing plant and is recognised when received.
- vi. Application fees are charged to any person who applies for a license 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 AND EQUIPMENTS

Property, Plant & 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 on a straight line method at the following rates:

	Rate (%)
Motor vehicles	25.00%
Office and Laboratory equipments	12.50%
Furniture and fittings	12.50%
Computers	30.00%

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.

KENYA DAIRY BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

ACCOUNTING POLICIES (CONTINUED)

E. CASH AND CASH EQUIVALENTS

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

F. EMPLOYEE ENTITLEMENT

Employee entitlement to annual leave are recognised 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. COMPARATIVES

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 Bcard and employees. The Board's contribution to the defined contribution retirement 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. Payments under operating leases are charged to income on a straight line basis over the period of lease.

J. FINANCIAL SUPPORT

The Government of Kenya as a major financier of the Board has confirmed to continue supporting the Board in its operations. In view of the above the Board members consider it appropriate to prepare these Financial Statement on a going concern basis.

KENYA DAIRY BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

NOTES TO THE FINANCIAL STATEMENTS

1. INCOME

Income shown in the financial statement is arrived at after recognizing the following income:

	2005-2006	2004-2005
	KSHS.	KSHS.
1.1 LICENSE FEES		
Cooling plant	27,200	
Cottage Industries	324,000	285,900
Dairy Manager Licenses	102,100	46,800
Milk Bar Licenses	3,198,869	2,316,050
Mini Dairies	432,800	407,500
Movement Permit	2,572,575	2,033,200
Processors Licensors	795,000	395,000
Producer Licenses	1,030,000	626,400
	8,482,544	6,110,850

	2005-2006	2004- 2005
	KSHS.	KSHS.
1.2 MISCELLANEOUS INCOME		
Confiscated Milk sale	500,454	640,366
Cess penalties and others	144,113	-
Tender sale and business forms	100,380	380,000
WFP project on DDF	-	971,465
USAID Refund	-	433,500
	744,947	2,425,331

2. BOARD MEMBERS EXPENSES

	2005-2006	2004-2005
	KSHS.	KSHS.
Mileage allowances	3,199,879	4,208,706
Travel & Accommodation	4,707,341	5,671,176
	7,907,220	9,879,882

KENYA DAIRY BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

3. FIXED ASSETS

PROPERTY, PLANT AND EQUIPMENT

	Land & Building Kshs	Motor Vehicles Kshs	Furniture & Fitting Kshs	Computers & accessories Kshs	Office/Lab Equipment Kshs	TOTAL ASSETS Kshs
COST YEAR 2005 - 2006						
Balance as at 1st July 2005	29,612,731	13,842,891	4,307,015	4,463,893	3,479,362	55,705,891
Additions	-	3,991,480	34,655	824,808	107,638	4,958,581
Disposal	-	-	-	-	-	-
Balance as 30th June 2006	<u>29,612,731</u>	<u>17,834,371</u>	<u>4,341,670</u>	<u>5,288,701</u>	<u>3,587,000</u>	<u>60,664,472</u>
DEPRECIATION YEAR 2005-2006						
Balance as at 1st July 2005	-	12,292,001	3,109,721	3,376,136	2,111,611	20,889,470
Disposal	-	-	-	-	-	-
Charge for the year	-	2,071,260	274,673	945,167	290,615	3,581,716
Balance as at 30th June 2006	-	<u>14,363,261</u>	<u>3,384,395</u>	<u>4,321,303</u>	<u>2,402,227</u>	<u>24,471,186</u>
NET BOOK VALUE						
Balance as at 1st July 2005	<u>29,612,731</u>	<u>1,550,890</u>	<u>1,197,293</u>	<u>1,087,757</u>	<u>1,367,751</u>	<u>34,816,422</u>
Balance as at 30th June 2006	<u>29,612,731</u>	<u>3,471,110</u>	<u>957,275</u>	<u>967,398</u>	<u>1,184,773</u>	<u>36,193,286</u>

The mentioned figure of land and building comprises:-

	2005-2006 Kshs.	2004-2005 Kshs
Land and building	24,595,444	24,595,444
Building work in progress	5,017,287	5,017,287
	<u>29,612,731</u>	<u>29,612,731</u>

Property, Plant & Equipments

Property, plant and equipments are state at historical cost (except Land) less depreciation calculated to write off the cost of the assets to their residual values over the expected useful lives at the following rates.

	RATE
Motor vehicles	25.00%
Furniture and Fittings	12.50%
Computers and Accessories	30.00%
Office and laboratory equipments	12.50%

KENYA DAIRY BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

4. FEES, COMMISSION AND HONORARIUM	2005-2006	2004-2005
	Kshs	Kshs
Legal fees	138,735	415,082
Honorariums	588,000	604,704
Professional fees	382,780	322,480
Research & development	287,080	-
	1,396,595	1,342,266
5. STAFF COSTS	2005-2006	2004-2005
	Kshs	Kshs
Gratuity & Pension Contribution	5,703,244	2,612,393
Medical Expenses	4,237,604	4,176,124
Passage & Leave Expenses	1,703,076	1,490,630
Salaries and wages	38,277,837	33,178,985
	49,921,761	41,458,132
6. DEBTORS AND PREPAYMENTS	2005-2006	2004-2005
	Kshs	Kshs
Debtors and prepayments comprises of the following:-		
Debtors	2,768,978	4,869,224
Staff car loan	3,441,458	1,693,402
Deposits	605,506	563,034
Staff Imprest	1,662,977	1,336,842
K.N.A.C Medical Claim & Motor Claim	362,750	362,750
Prepayments	21,648	-
Staff salary advances	1,665,897	1,022,469
Ex-staff debtors	414,739	305,680
Provision for bad debts	(362,750)	(362,750)
	10,581,203	9,790,651

KENYA DAIRY BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

7. CASH AND BANK BALANCES	2005-2006	2004-2005
	Kshs.	Kshs.
KCB -Branch Collection Accounts	3,999,254	3,423,342
KCB -Savings Accounts	1,038,020	4,820,744
KCB -Current Account	(1,487,655)	(1,633,000)
NBK -Saving Account	3,466,596	2,076,271
NBK -Current Account	970,483	143,815
NBK -Car Loan Account	4,261,415	2,525,725
KCB -Branch Current Account	67,931	326,800
Co-operative Bank call up account	4,522,827	4,467,663
Co-operative Saving account	999,996	985,584
Undeposited fund(Transit transfers)	3,012,080	3,037,108
Bank suspense	-	107,155
	<u>20,850,946</u>	<u>20,281,206</u>

8. CREDITORS AND ACCRUALS	2005-2006	2004-2005
	KSHS	KSHS
Creditors	59,923	26,058
Audit fees provision	850,000	1,900,000
Accrued expenses	1,121,046	1,129,856
KMR Staff Pension	109,299	109,299
KNAC Staff Pension	429,941	2,229,047
Alico Insurance claims	107,394	798,118
Alico staff pension payable	97,861	97,861
Payroll liabilities	180,977	316,461
Sundry staff claims	22,745	22,745
	<u>2,979,185</u>	<u>6,629,445</u>

9. RETIREMENT BENEFITS OBLIGATION

The Board makes contribution to a defined retirement benefit Scheme (CFC Life) and statutory defined pension scheme, the National Social Security Fund. The contribution to the Retirement Benefit Scheme and NSSF were as follows:

	2005 - 2006	2004 - 2005
	KSHS.	KSHS.
NSSF Employer Contribution	241,800	241,400
Gratuity & Pension Contribution	5,461,444	2,612,393
	<u>5,703,244</u>	<u>2,853,793</u>

KENYA DAIRY BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

10. CAPITAL RESERVES

Capital reserves are as a result of valuation of fixed assets and utilisation of designated funds:

	2005-2006	2004-2005
	KSHS.	KSHS.
At Start of year	23,410,250	22,455,250
Value of KAR Donated by FAO	-	955,000
Designated funds utilised	4,000,000	-
	<u>27,410,250</u>	<u>23,410,250</u>

11. ACCUMULATED FUND

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

	2005-2006	2004-2005
	KSHS.	KSHS.
At start of year	30,848,583	36,117,857
Surplus for the year	7,680,417	137,181
Prior year adjustment	(1,293,000)	(5,406,455)
	<u>37,236,000</u>	<u>30,848,583</u>

12. PRIOR YEAR ADJUSTMENTS

	2005-2006	2004-2005
	KSHS.	KSHS.
Depreciation Adjustments	-	(5,185,490)
Cess arrears	-	61,395
Under Provision of Audit Fees	-	(350,000)
Others	-	67,640
GOK Grants	(1,293,000)	-
	<u>(1,293,000)</u>	<u>(5,406,455)</u>

13. TAXATION

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

14. CONTINGENCIES

The Board members are not aware of any litigation arising from normal operation of the Board which may have a material effect on the financial position on surplus of the Board.

15. CAPITAL COMMITMENTS

The Board has no capital commitments as at 30th June 2006

16. CURRENCY

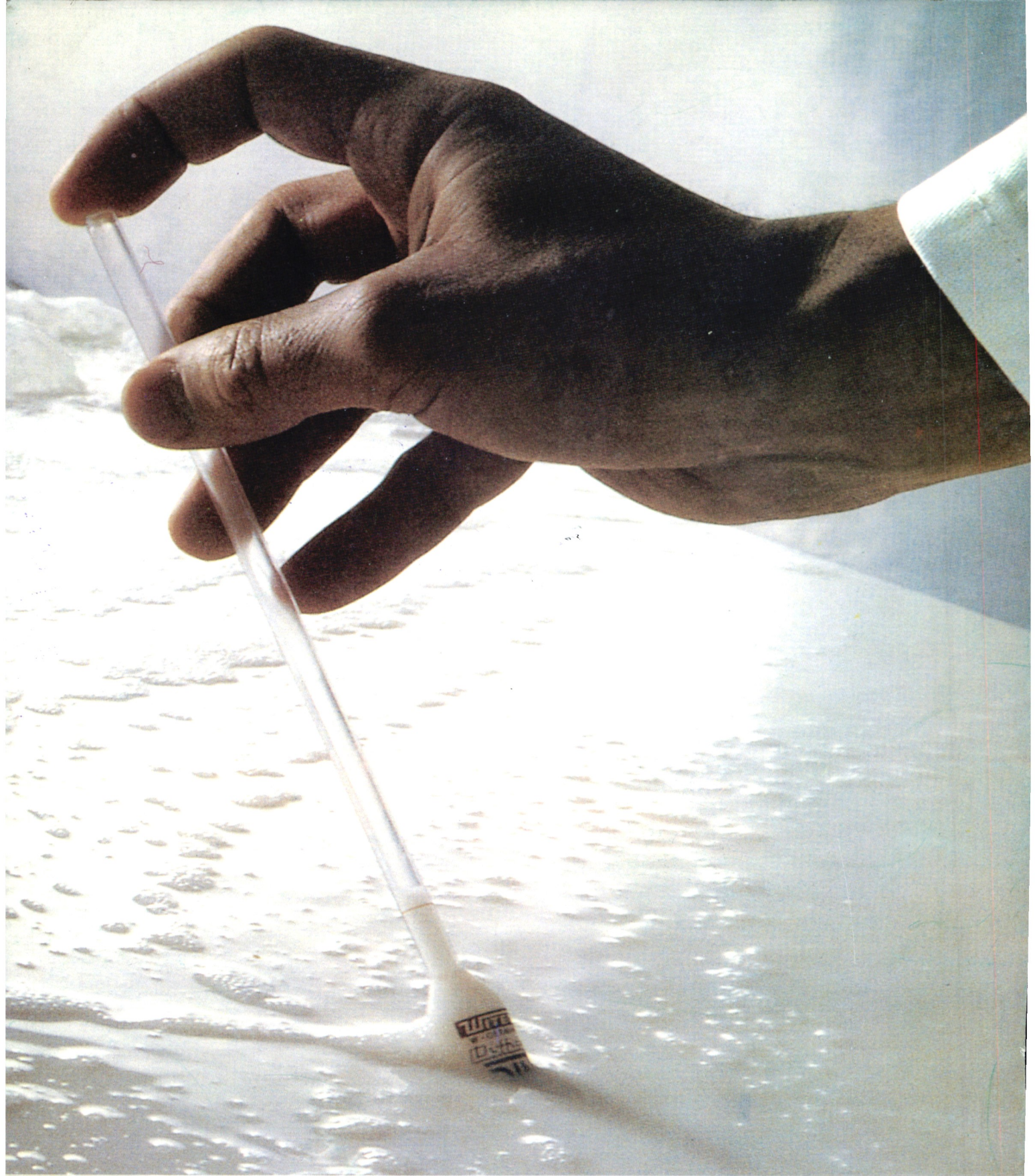
The Financial statements presented in this report are in Kenya Shillings.

18. IMPAIRMENT OF ASSET AND PROVISION FOR UNRECOVERABLE FINANCIAL ASSETS

At the balance sheet date all financial asset are subject to review for impairment and if the Board is not able to collect the carrying amount of asset is reduced to estimated amount and a provision is made for bad debts and loss amount is included in income statement.

19. INCORPORATION

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



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