More Sugar For Prosperity

KENYA SUGAR BOARD

Financial Statements – Year Ended 30th June 2007

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REPUBLIC OF KENYA

KENYA NATIONAL AUDIT OFFICE

REPORT
OF
THE CONTROLLER
AND AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF KENYA SUGAR BOARD FOR THE YEAR ENDED 30 JUNE 2007

KENYA SUGAR BOARD
Financial Statements
For The Year 2006/07

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CORPORATE INFORMATION

DIRECTORS

The Directors who served during the year were:

1. Mr. S. W. Busolo	Chairman
2. Eng. J. O. Nyarotho	Director
3. Mr. A. O. Otieno	CEO
4. Mr. H. Patel	Director (Millers)
5. Dr. E. Kidero	Director (Millers)
6. Mr. J. M. Akoyo	Director (Millers)
7. Mr. J. A. Mbai	Director (Growers)
8. Dr. F. Owako	Director (Growers)
9. Mr. S. A. Omonge	Director (Growers)
10. Mr. B. S. Imbogo	Director (Growers)
11. Mr. S. Bonyo	Director (Growers)
12. Dr. R. Kiome	PS, Min of Agriculture
13. Mr. J. Kinyua	PS, Treasury Alt. T. Gathara/Sigei
14. Dr. W. Songa	Director of Agriculture Alt. Mr. Ondaje

FINANCE AND ESTABLISHMENT COMMITTEE

1. Mr. B. S. Imbogo	- Chairman
2. Mr. A. O. Otieno	- Secretary
3. PS, Min of Agriculture Alt. E. Gatuguta/P. Koech	- Member
4. PS, Treasury Alt. T. Gathara	- Member
5. Mr. J. M. Akoyo	- Member
6. Eng. J. O. Nyarotho	- Member

AUDIT COMMITTEE

1. Dr. E. Kidero	- Chairman
2. Mr. A. O. Otieno	- Secretary
3. Eng. J. O. Nyarotho	- Member
4. Dr. F. Owako	- Member
5. PS, Min. of Agriculture Alt. Koech/Gatuguta	- Member
6. P.S. Finance Alt. Gathara	- Member

TENDER COMMITTEE

1. Mr. S. Bonyo	- Chairman
2. Mr. S. W. Busolo	- Member
3. Mr. H. Patel	- Member
4. Chief Executive Officer (KSB)	- Member
5. Head of Finance	- Member
6. Snr. Purchasing Officer	- Member
7. Head of Sugar Technology	- Member
8. Portfolio Manager	- Member
9. Head of Planning	- Member
10. Human Resources Manager	- Member
11. Company Secretary	- Member

CANE PRICING COMMITTEE

1. Mr. S. W. Busolo	- Chairman
1. Mr. J. O. Nyarotho	- Member
3. Mr. J. M. Akoyo	- Member
4. Mr. S. Bonyo	- Member
5. Agric. Secretary	- Member
6. KESGA (2) Nominees	- Member
7. KESMA (2) Nominees	- Member
8. Chief Executive Officer (KSB)	- Member

COMPANY SECRETARY
Rosemary Mkok

REGISTERED OFFICE
Sukari Plaza
Off. Waiyaki Way
P. O. Box 51500
0200 City Square
NAIROBI

BANKERS
National Bank of Kenya - Hill Branch

LAWYERS
Rachier & Amollo Advocates
Hayanga & Co.

AUDITORS
The Controller & Audit General
Kenya National Audit Office
Anniversary Towers
University Way
P. O. Box 30084 – 00100
NAIROBI

REPORT OF THE DIRECTORS

The Directors submit their Report together with the audited Financial Statements for the year ended 30th June 2007, which disclose the state of affairs of the Board.

Incorporation

The Board is incorporated in Kenya under the Sugar Act 2001 and is domiciled in Kenya. The address of the registered office is as set out on page 1.

Principal activities

The principal activities of the Board are regulate.

Results	**2007 Kshs '000**	**2006 Kshs '000**
Surplus/ (loss) before income tax	96,496	17,833
Taxation charge	-	-
Net Profit / (loss) for the year carried to retained earnings	96,496	17,833

Directors
The directors who held office during the year and to the date of this report are listed on page 1.

Auditor
The Board's Auditor, The Kenya National Audit Office, has indicated willingness to continue in office.

By order of the board

Rosemary Mkok
Company Secretary

Statements of the Directors responsibilities

The State Corporation Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Board as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the Board keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Board. They are also responsible for safeguarding the assets of the Board.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies support by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the State Corporations Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss. The directors 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 directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

Approved by the board of directors on 28th July 2007 and signed on its behalf by:

Signed..................................
Rosemary Mkok
Ag. Chief Executive Officer

Signed..................................
Saulo .W. Busolo
Chairman

REPUBLIC OF KENYA

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA SUGAR BOARD FOR THE YEAR ENDED 30 JUNE 2007

I have audited the financial statements of Kenya Sugar Board set out on pages 9 to 21 which comprise the balance sheet as at 30 June 2007, the income statement, the statement of changes in equity and the cash flow statement for the year then ended together with a summary of significant accounting policies and other explanatory notes in accordance with 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 Directors' Responsibility for the Financial Statements

The directors are responsible for preparation of the financial statements which give a true and fair view of the Board'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.

Responsibility of the Controller and Auditor General

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the 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 Board'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.

1. Fixed Assets

The fixed assets figure of Kshs.281,361,000 includes an amount of Kshs.7,336,181 being the value of land on which the Head Office, Sukari Plaza, is located. The fixed assets figure does not, however, include the value of land in Athi River which was allocated to the Board on 18 April 1995. The title documents for both parcels of land were not produced for audit verification. In the circumstances, the ownership of both properties could not be ascertained. Management has, however, explained that the matter is being followed up aggressively, to obtain title deeds.

2. Staff Imprests

The Trade and Other Receivables balance of kshs.12,126,000 as at 30 June 2007 includes staff imprests of Kshs.8,269,000 out of which an amount Kshs.5,980,898 is owed by employees who have since left the Board and which has been outstanding for quite a long time. I am therefore unable to ascertain the recoverability of the imprests amount of Kshs.5,980,898.

3. Unauthorized Excess Expenditure Kshs.22,307,407

During the year under review the Board incurred an over-expenditure of Kshs.22,307,407 in the following three expenditure items without the Board and Treasury approval.

Item	Actual (Kshs.)	Budgeted (Kshs.)	Variance (Kshs.)	% Average
Directors' expenses	24,835,452	12,350,000	(12,485,452)	101%
Travel expenses	23,264,615	17,281,260	(5,983,355)	34.6 %
Marketing & Publicity	27,193,000	23,354,400	(3,838,600)	16.4 %
	75,293,067	**52,985,660**	**22,307,407**	

It was therefore not possible to confirm the propriety of the excess expenditure amounting to Kshs.22,307,407 as reflected in the financial statements.

Opinion

In my opinion, except for the matters referred to in the preceding paragraphs, proper books of account have been kept and the accompanying financial statements give a true and fair view of the state of financial affairs of the Board as at 30 June 2007 and of its surplus and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the Sugar Act, 2001.

P. N. KOMORA, C.B.S.
CONTROLLER AND AUDTOR GENERAL

Nairobi

14 January 2008

Kenya Sugar Board
Income Statement
For the Year Ended 30th June 2007

	Note	2007 Kshs '000	2006 Kshs '000
Revenue (grant)	4	372,207	323,604
Other operating income	5	9,706	12,738
Total revenue		381,913	336,342
Administrative expenses	6	61,321	81,785
Other operating expenses	7	223,976	235,840
Operating surplus/ (deficit)		96,496	18,717
Finance costs/income	8	120	884
Surplus/ (deficit) before tax expense/income		96,496	17,833
Tax expense/income		-	-
Net surplus/ (deficit) after tax		**96,496**	**17,833**

Kenya Sugar Board
Balance sheet
As at 30th June 2007

	Note	2007 Kshs '000	2006 Kshs '000
Assets			
Non-current assets			
Property, plant and equipment	9	281,361	280,946
		281,361	**280,946**
Current assets			
Inventories	10	1,641	1,875
Trade and other receivables	11	12,126	13,222
Cash and cash equivalents	12	184,036	124,507
		197,803	**139,604**
Current liabilities			
Trade and other payables	13	42,409	57,301
Total Assets		**436,755**	**363,249**
Equity and liabilities			
Capital reserves	16	6,900	6,900
Revaluation surplus	17	4,898	4,898
Retained surplus		96,496	17,833
Other reserves	18	(173,202)	(191,035)
Shareholders' funds		**(64,908)**	**(161,404)**
Non-current liabilities			
Long term borrowings	15	115,049	118,636
Intercompany borrowings – SDF loan	14	386,614	406,017
Total non-current liabilities		**501,663**	**524,653**
Total Equity and Liabilities		**436,775**	**363,249**

The financial statements on pages 10 to 21 were approved for issue by the Board of Directors on 28th July 2007 and were signed on its behalf by:

Signed ....
Rosemary Mkok
Ag. Chief Executive Officer

Signed..............................
Saulo .W. Busolo
Chairman

Kenya Sugar Board
Statement of Changes in Reserves
For the Year Ended 30th June 2007

	Capital Reserve Kshs '000	Revaluation reserve Kshs '000	Retained surplus Kshs '000	Other reserves Kshs '000	Total Kshs '000
Year ended 30th June 2006					
At 1 July 2005	6,900	4,898	(190,977)	(58)	(179,237)
Inter reserve transfer	-	-	190,977	(190,977)	-
Net surplus/(deficit) for the year	-	-	17,833	-	17,833
At 30th June 2006	**6,900**	**4,898**	**17,833**	**(191,035)**	**(161,40**
Year ended 30th June 2007					
At 1st July 2006	6,900	4,898	17,833	(191,035)	(161,404)
Inter reserve transfer	-	-	(17,833)	17,833	-
Net surplus/(deficit) for the year	-	-	96,496	-	96,496
At 30th June 2007	**6,900**	**4,898**	**96,496**	**(173,202)**	**(64,908)**

Kenya Sugar Board
Cash Flow Statement
For the Year Ended 30th June 2007

	Note	2007 Kshs '000	2006 Kshs '000
Cash flows from operating activities			
Cash generated/used from operations	19	77,254	66,678
Interest received		3,125	2,804
Interest paid		-	-
Income tax paid		-	-
Net cash generated from operating activities		**80,379**	**69,482**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(17,262)	(24,380)
Proceeds from disposal of property, plant and Equipment	9	-	702
Net cash generated from/(used in) investing Activities		**(17,262)**	**(23,678)**
Cash flows from financing activities			
Proceeds from long-term borrowings		-	-
Repayments of long-term borrowings	15	(3,588)	-
Net cash generated/(used in) in financing Activities		**(3,588)**	-
Net (decrease)/increase in cash and cash Equivalents		**59,529**	**45,804**
Movement in cash and cash equivalents at the start of the year		124,507	78,703
(Decrease)/increase		**59,503**	**45,804**
At the end of the year	12	**184,036**	**124,507**

1. Summary of significant accounting policies

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

(a) Basis for preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRSs). The financial statements are presented in functional currency, Kenya shilling (Kshs), which is the prevailing currency within the primary economic environment, rounded to the nearest thousand and prepared in accordance with the measurement bases prescribed by IFRSs.

The preparation of financial statement in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the company's policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Revenue recognition

Grant from SDL revenue is recognized on the basis of sales by millers. Interest income is recognized on a time proportion basis using the effective interest rate method.

(c) Property, plant and equipment

All categories of property, plan and equipment are initially recorded at cost. Buildings and freehold land are subsequently shown at market value, based on triennial valuations by external independent valuers, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Board and the cost can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to the income and expenditure account. Each year the difference between depreciation charged based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluations surplus to retained earnings.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost or revalued amounts to their residual values over their estimated useful lives using the following annual rates:

	Rates - %
Buildings	2.5%
Plant and machinery	12.5%
Office equipment	12.5%
Motor vehicles	25%
Computers	40%
Office furniture	12.5%

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

(d) **Intangible assets**

Software licence costs are stated at historical cost less estimated accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight line method to write down the cost of the software to its residue value over the estimated useful life using an annual rate of 40%.

(e) **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on first in first out (FIFO) method. Net realizable value is the estimate of the selling price in the ordinary course of business, less the cost of completion and selling expenses.

(g) **Receivables**

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate. A provision for impairment is recognized in the profit and loss account in the year when the recovery of the amount due as per the original terms is doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at the effective interest rate.

Receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the income and expenditure account in the year of recovery.

(h) **Employee benefits**

Retirements benefit obligations

The Board operates a defined contribution retirement benefits scheme for its employees. A defined benefit plan is a pension plan that defines an amount of pension that an employee will receive on retirement. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The Board has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Board and employees. The Board and all its employees also contribute to the National Social Security Fund (NSSF), which is a defined contribution scheme. Contributions are determined by local statute as legislated.

The Board's contributions to the defined contribution schemes are charged to the income and expenditure account in the year to which they relate.

The liability recognized in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gain or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience judgments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employee's expected average remaining working lives.

(i) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits 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.

2. Financial risk management objectives and policies

The Board's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and interest rates and changes in market prices of the Board's products and services. The Board's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effects of such risks on its performance by setting acceptable level of risks. The Board does not hedge any risks and has in place policies to ensure that credit is extended to customers with appropriate credit history.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

4. Revenue (Grants)

	2007 Kshs '000	2006 Kshs '000
Total SDL for the year	2,043,492	1,762,747
SDL available for sharing (85%)	1,736,968	1,498,335
Grant received (1.5/7)	**372,208**	**323,604**

		2007 Kshs '000	2006 Kshs '000
5.	**Other Operating Income**		
	Molasses levy	2,511	1,047
	Interest income on deposits	3,125	2,804
	Miscellaneous income	4,070	8,887
		9,706	**12,738**
6	**Administrative Expenses**		
	Establishment costs	24,384	5,017
	Entertainment	2,313	1,882
	Premises expenses	9,465	11,047
	Professional fees	7,616	50,680
	Insurance	695	1,000
	Deprecation	16,848	11,362
	Other expenses	-	797
		61,321	**81,785**
7.	**Operating expenses**		
	Staff costs	135,742	140,862
	Directors' expenses	24,835	29,304
	Motor vehicle expense	7,022	9,168
	Communication expense	5,919	7,142
	Travel	23,265	22,515
	Marketing & Publicity	27,193	26,849
		223,976	**235,840**
8.	**Finance Costs**		
	Bank charges	120	171
	Interest of overdraft	-	**713**
		120	**884**

9. Property, Plant and Equipment

	Buildings & Freehold land Kshs '000	Motor Vehicles Kshs 000	Office Equip. Kshs '000	Office Furn. Kshs. '000	Fixture & Fittings '000	House Furni. Kshs. '000	Land & improvements '000	Kabete Access road '000	Computers Kshs '000	Farm equip. Kshs '000	Total Kshs '000
Cost											
As at 01/07/05	225,045	29,193	11,885	8,121	10,695	1,275	7,336	31,475	9,906	77	335,008
Additions	-	11,831	1,829	873	352	-	-	-	9,495	-	24,380
Disposals	-	(9,053)	-	-	-	-	-	-	-	-	(9,053)
As at 30/06/06	**225,045**	**31,971**	**13,714**	**8,994**	**11,047**	**1,275**	**7,336**	**31,475**	**19,401**	**77**	**350,335**
Depreciation											
As at 01/07/05	13,728	25,750	7,094	5,476	6,533	805	-	-	7,674	20	67,080
Charge for the year	5,283	3,165	635	350	520	59	-	-	1,343	7	11,362
Disposals	-	(9,053)	-	-	-	-	-	-	-	-	(9,053)
As at 30/06/06	**19,011**	**19,862**	**7,729**	**5,826**	**7,053**	**864**	**-**	**-**	**9,017**	**27**	**69,389**
Net book value											
As at 30/06/06	**206,034**	**12,109**	**5,985**	**3,168**	**3,994**	**411**	**7,336**	**31,475**	**10,384**	**50**	**280,946**
Cost											
As at 01/07/06	225,045	31,971	13,714	8,994	11,047	1,275	7,336	31,475	19,401	77	350,335
Additions	-	10,138	915	468	122	-	1,490	-	4,077	52	17,262
Disposals	-	-	-	-	-	-	-	-	-	-	-
As at 30/06/07	**225,045**	**42,109**	**14,629**	**9,462**	**11,169**	**1,275**	**8,826**	**31,475**	**23,478**	**129**	**367,597**
Depreciation											
As at 01/07/06	19,011	19,862	7,729	5,826	7,053	864	-	-	9,017	27	69,389
Charge for the year	5,151	5,086	837	424	499	51	-	-	4,788	12	16,848
Disposals	-	-	-	-	-	-	-	-	-	-	-
As at 30/06/07	**24,162**	**24,948**	**8,566**	**6,250**	**7,552**	**915**	**-**	**-**	**13,805**	**39**	**86,237**
Net book value											
As at 30/06/07	**200,883**	**17,161**	**6,062**	**3,212**	**3,617**	**360**	**8,826**	**31,475**	**9,673**	**90**	**281,361**

Buildings and freehold land were last revalued during 2005 by independent valuers. Valuations were made on the basis of the open market value. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred income tax was credited to the revaluation surplus in the shareholders' equity.

10. Inventories

	2007 Kshs '000	2006 Kshs '000
Nairobi office	1,498	1,715
Kisumu office	80	88
Kakamega office	63	72
	1,641	**1,875**

11. Trade and other receivables

Imprests	8,269	9,514
Staff advances	688	1,046
Prepaid expenses	969	884
Other debtors	2,200	1,778
	12,126	**13,222**

12. Cash and cash equivalents

NBK Hill branch	100,061	43,958
Standard Chartered – Kisumu	144	16
Standard chartered – Kakamega	183	7
Cash Kakamega office	-	3
Short term bank deposits	83,648	80,523
	184,036	**124,547**

13. Trade and other payables

Audit fees	1,100	600
Miscellaneous	3	4
Directors expenses	256	144
Publicity, Conferences, meetings & Others	614	205
Official Entertainment	196	177
Staff travel and accommodation expenses	140	404
Telephone & Postage	279	112
Fuels and oils	199	265

Notes to the Financial Statements for the Year Ended 30 June 2007 *continued*

Medical expenses	1,032	2,717
Maintenance works	1,177	727
Books and Periodicals & Newspapers	42	180
Accrued gratuity for CE	967	157
Hire of security services	215	347
Motor vehicle repairs	111	213
Staff personal claims	13	10
Legal expenses	26,160	31,705
Water, Electricity & Conservancy	126	104
Staff welfare related expenses	-	40
Purchase of stationary	345	174
Staff training & Transport allowance	5,424	1,548
Purchase of office equipment Furniture	2,947	5,173
VAT withheld	(1,197)	(1,124)
Tax withheld	214	1,117
Salary arrears	-	11,883
G Kaisha-Grouplife compensation	1,722	-
Imprest refunds to staff	320	-
Payroll clearance	4	419
	42,409	**57,301**

14. Short term borrowings – SDF loan

Balance B/F July 2006	406,017	404,362
Additions	47,776	54,684
Deductions	(67,179)	(53,029)
Balance carried forward	**386,614**	**406,017**

15. Long term borrowings – SDF loan

Balance B/F July 2006	118,636	118,636
Repayments	(3,587)	-
Balance carried forward	**115,049**	**118,636**

16. Capital Reserves

This comprises of the value of the Board's Kabete plot L.R. No. 21705 in which its headquarters are situated.

17. Revaluation Reserves

Revaluation reserves are results of revaluation of the Board's motor vehicles. There was no change during the year.

18. Other reserves

This is a build up of retained earnings/deficits over the past years. The movement during the period is as in the statement of changes in reserves.

19. Cash generated from operations

	2007 Kshs '000	2006 Kshs '000
Operating surplus	96,496	17,833
Add back depreciation	16,848	11,362
Less interest income	(3,125)	(2,804)
Changes in working capital		
Increase in Inventory	233	865
Decrease in Trade & other receivables	1,096	596
Decrease in Trade & other payables	(14,892)	37,171
Decrease in short-term borrowings	(19,402)	1,655
	77,254	**66,678**

The weighted average effective interest rate on short term bank deposits at the year-end was 4.75% (2006- 4.5%).

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities. The year-end cash and cash equivalents comprise the following: