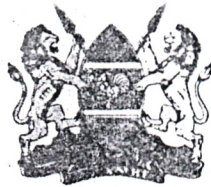


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P.O. Box 30084-0010
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF SUGAR DEVELOPMENT FUND AS AT 30
JUNE 2005



CORPORATE INFORMATION

DIRECTORS

The Directors who served during the year were:

- | | |
|-------------------------|---|
| 1. Eng. J. O. Nyarotho | Chairman -upto May 2005 |
| 2. Mr. J. A. Mbai | Chairman - Joined May 2005 |
| 3. Mr. A. O. Otieno | CEO |
| 4. Mr. H. Patel | Director (Millers) |
| 5. Dr. E. Kidero | Director (Millers) |
| 6. Prof. J. Nyakundi | Director (Millers) - Retired May 2005 |
| 7. Mr. J. M. Akoyo | Director (Millers) - Joined May 2005 |
| 8. Mr. S. Busolo | Director (Growers) |
| 9. Dr. F. Owako | Director (Growers) |
| 10. Mr. Z.O. Okoth | Director (Growers) - Retired May 2005 |
| 11. Mrs. O. O. wakwabi | Director (Growers) - Retired May 2005 |
| 12. Mr. C. W. Muganda | Director (Growers) - Retired May 2005 |
| 13. Dr. M. Kagumba | Director (Growers) - Retired May 2005 |
| 14. Mr. S. A. Omonge | Director (Growers) - Joined May 2005 |
| 15. Mr. B. S. Imbogo | Director (Growers) - Joined May 2005 |
| 16. Mr. S. Bonyo | Director (Growers) - Joined May 2005 |
| 17. Mr. J. E. O. Ongwae | PS, Min of Agriculture
Alt. E. Gatuguta/P. Koech |
| 18. Mr. J. Kinyua | PS, Treasury
Alt. T. Gathara |
| 20. Mr. A. Cheluget | Director of Agriculture
Alt. Mr. Ondaje - Joined May 2005 |
| 19. Mr. J. Otenyo | Inspector General (Corps)
Alt. T. Gichana - In -attendance |

SDF BOARD COMMITTEE

- | | |
|-------------------------|-----------------------------|
| 1. Dr. F. N. Owako | - Chairman - upto May 2005 |
| 2. Mr. S. A. Omonge | - Chairman - From May 2005 |
| 3. Mr. A. O. Otieno | - Member |
| 4. Mr. S. W. Busolo | - Member |
| 5. Mrs. T. N. Gathara | - Member |
| 6. Mr. H. Patel | - Member |
| 7. Dr. E. Kidero | - Member |
| 8. Eng. J. O. Nyarotho | - Member - Retired May 2005 |
| 9. Mr. C. P. W. Muganda | - Member - Retired May 2005 |
| 10. Mrs. E. M. Gatuguta | - Member - Retired May 2005 |
| 11. Prof. J. Nyabundi | - Member - Joined May 2005 |
| 12. Dr. W. Songa | - Member - Joined May 2005 |
| 13. Mrs. C. Kimura | - Member - Retired May 2005 |
| 14. Mr. D. Driscoll | - Member - Retired May 2005 |

FINANCE AND ESTABLISHMENT COMMITTEE

- | | | |
|--|-------------|--------------------|
| 1. Mr. B. S. Imbogo | - Chairman | - Joined May 2005 |
| 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. Mr. J. O. Nyarotho | - Member | |
| 7. Mr. Obado Okoth | - Member | - Retired May 2005 |
| 8. Ms. Iddah O'Wakwabi | - Member | - Retired May 2005 |
| 9. Mr. Himesh Patel | - Member | - Retired May 2005 |
| 10. Mr. J. Wanjaiya | - Member | - Retired May 2005 |

KENYA SUGAR BOARD

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AUDIT COMMITTEE

- | | |
|------------------------|-----------------------------|
| 1. Dr. E. Kidero | - Chairman |
| 2. Mr. A. O. Otieno | - Secretary |
| 3. Eng. J. O. Nyarotho | - Member |
| 4. Dr. F. N. Owako | - Member |
| 5. P. S. Agriculture | - Member |
| 6. P. S. Finance | - Member |
| 7. Mr. Mboya Kagumba | - Member - Retired May 2005 |
| 8. Mr. C. M. Wabwire | - Member - Retired May 2005 |
| 9. Mr. J. Otenyo | - Member - Retired May 2005 |

TENDER COMMITTEE

- | | |
|----------------------------------|-----------------------------|
| 1. Mr. S. Bonyo | - Chairman |
| 2. Mr. S. W. Busolo | - Vice Chairman |
| 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 Resource Manager | - Member |
| 11. Company Secretary | - Member |
| 12. Mr. M. Kagumba | - Member - Retired May 2005 |
| 13. Eng. J. O. Nyarotho | - Member - Retired May 2005 |
| 14. PS, Agriculture | - Member - Retired May 2005 |

CANE PRICING COMMITTEE

- | | |
|----------------------------------|-----------------------------|
| 1. Mr. S. W. Busolo | - Chairman |
| 2. 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. Chief Executive Officer (KSB) | - Member |
| 8. Mr. Kagumba (KSB) | - Member - Retired May 2005 |
| 9. Mr. D. Driscoll (KSB) | - Member - Retired May 2005 |
| 10. Mr. A. Tuikong (KSB) | - Member - Retired May 2005 |

COMPANY SECRETARY

Rosemary Mkok

LAWYERS

Rachier and Amollo

REGISTERED OFFICE

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

AUDITORS

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

BANKERS

National Bank of Kenya - Hill Branch

REPORT OF THE DIRECTORS

The Directors have the pleasure in presenting their report together with audited Financial Statement for the Kenya Sugar Board for the year ended 30th June 2005.

PRINCIPAL ACTIVITIES

The Principal activities of the Board which was established under the Sugar Act 2001 is to:

- a. regulate, develop and promote the sugar industry;
- b. co-ordinate the activities of individuals and organizations within the industry;
- c. facilitate equitable access to the benefits and resources of the industry by all interested parties.

RESULTS

Gross Income: Kshs.91,540,252

Net deficit: Kshs.190,976,695

The high deficit reported is explained by a major policy change in the reporting of the Board during the period.

Unlike in the previous periods when operating expenses were shared between KSB and SDF, during the year under view, after consultation with the Treasury and taking into account previous Auditor Generals' views on reporting format for SDF and KSB, the Board approved reporting as follows;

- (a) Applications of the funds of the SDF were to be treated as appropriation to the various benefiting components. SDF was to have no operating expenses as such expenses were to be born by KSB.
- (b) To implement this arrangement, the budget for the year under review had to show all operating expenses in the KSB budget based on the old SDL sharing ratio. This naturally showed a deficit on KSB budget and subsequent operating statement. The deficit then provided the basis for adjusting the SDL sharing ratio in such way that KSB could meet all expenses including those previously budgeted for under the SDF.
- (c) By the same logic, it was agreed and approved that KSB will cease to earn a percent of interest earned on SDF Funds invested in short term fixed deposits and lent to companies. This explains the substantial deficit in KSB accounts and nil administrative expenses on SDF Financial statements for the same period. You will note that in the subsequent year the KSB grant from SDL improved materially, this was the Financial effect of implementing the new policy a note to the accounts in the same period will be included in the Financial statements.

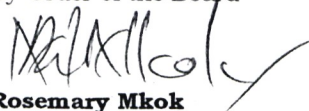
DIRECTORS

The Directors who served during the year are shown on page 1.

AUDITORS

The Controller and Audit General is responsible for the Statutory Audit of the Board's books and accounts in accordance with the provisions of Section 14 of the Public Audit Act, 2003.

By Order of the Board


Rosemary Mkok
Company Secretary

and of its deficit and cash flows for the year then ended and comply with the Sugar Act, 2001 of Laws of Kenya.



E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

14 June 2006



KENYA SUGAR BOARD

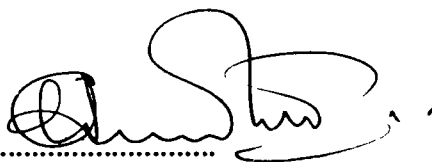
STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

The Companies Act 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 Board as at the end of the financial year, and of the operating results of the Group for that year. It also requires the Directors to ensure the Board keeps proper accounting records, which 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 supported by reasonable and prudent judgements and estimates, in conformity with the International Financial Reporting Standards and in the manner required by the Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Board and of the operating results of the Group. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequacy of internal financial controls.

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

A. O. Otieno

Signed.....

J. Mbai

Signed.....





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 2005

I have audited the financial statements of Kenya Sugar Board for the year ended 30 June 2005 in accordance with the provisions of Section 14 of 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 Directors and Controller and Auditor General

As set out in the statement of directors' responsibilities, the directors are responsible for the preparation of financial statements which give a true and fair view of the Board's state of affairs and of 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 directors, 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. Financial Position

During the year under review, the board realized a deficit of Kshs.190,976,695 (2004 – Kshs.58,322) which brought its accumulated deficit to Kshs.191,035,017. The unfavourable result is mainly attributed to increased staff, professional, directors, marketing and publicity costs from Kshs.96,192,313 in the previous to

Kshs.236,922,020 during the year, an increase of 146%. The financial statements have therefore been prepared on the going concern basis which assumes continued financial support from Sugar Development Fund and creditors.

2. Imprest and advances Kshs.9,100.315

Included in the balance sheet debtors and prepayments figure of Kshs.13,817,727 as at 30 June 2005 are staff imprest and advances amounting to Kshs.9,100,315 due from employees who have since left the board. There was no evidence of action being taken by the management to recover these debts. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in the financial statements.

3. Unauthorized Over expenditure Kshs.22,687,009

During the year under review, the board incurred an over expenditure of Kshs.22,687,009 in the following two expenditure items without the board and Treasury approval.

<u>Item</u>	<u>Budgeted Figure</u>	<u>Actual Expenditure</u>	<u>Over Expenditure</u>
	(Kshs)	(Kshs).	(Kshs)
Legal fees	14,620,940	30,149,826	15,528,886
Directors expenses	9,568,837	16,726,960	7,158,123
Total	<u>24,189,777</u>	<u>46,876,786</u>	<u>22,687,009</u>

No satisfactory explanations were given for exceeding the budgetary provisions. It was therefore, not possible to confirm the propriety of the over-expenditure amount of Kshs.22,687,009 as reflected in the financial statements.

4. Creditors and Accruals

Included in the balance sheet creditors figure of Kshs.19,428,715 is an amount of Kshs.7,714,140 with no supporting documentation and thus making it impossible to confirm the accuracy and completeness of the creditors and accruals figure of Kshs.19,428,715 in the absence of adequate supporting records and documentation.

Opinion

In my opinion, except for the matters referred to in the preceding paragraphs, proper books of accounts have been kept and the financial statements give a true and fair view of the state of financial affairs of the board as at 30 June 2005

KENYA SUGAR BOARD

STATEMENT OF INCOME & EXPENDITURE

FOR PERIOD ENDED 30TH JUNE 2005

	Note	30.06.05 <u>KSHS</u>	30.06.04 <u>KSHS</u>
Grant from SDF	- 1	85,731,805	94,142,049
Other Income			
Interest income	2	3,265,361	15,976,720
Miscellaneous income	3	<u>2,543,086</u>	<u>3,008,958</u>
Total Income		91,540,252	113,127,727
Staff costs	4	110,990,331	66,258,099
Directors' expenses	5	29,512,206	8,920,168
Motor vehicle expense	6	8,516,139	3,427,535
Communication expense	7	8,459,741	6,409,966
Travel	8	19,170,803	4,835,890
Marketing & Publicity	9	<u>44,368,688</u>	<u>6,478,354</u>
Total Operating Expenses		221,017,908	96,330,012
Establishment costs	10	5,595,456	3,145,645
Entertainment	11	2,651,532	2,072,954
Premises expenses	12	9,361,810	10,303,684
Professional fees	13	32,879,992	9,699,802
Insurance	14	755,018	615,188
Depreciation	15	<u>9,669,103</u>	<u>11,497,235</u>
Total Administrative Expenses		60,912,912	37,334,508
		<u>281,930,820</u>	<u>133,664,520</u>
Operating Surplus / (loss)		-190,390,569	-20,536,793
Finance Costs	16	<u>4,497,588</u>	<u>451,679</u>
Operating surplus / (loss)		<u>-194,888,157</u>	<u>-20,988,472</u>
Add Write back	17	<u>3,911,462</u>	<u>2,700,000</u>
Net operating surplus / (loss)		<u>-190,976,695</u>	<u>-18,288,472</u>



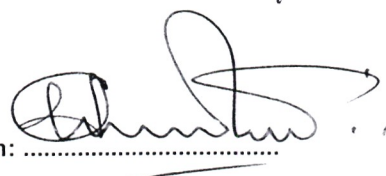
KENYA SUGAR BOARD

BALANCE SHEET AS AT 30TH JUNE 2005

	<u>Note</u>	<u>30.06.05</u> <u>KSHS</u>	<u>30.06.04</u> <u>KSHS</u>
<u>LONG TERM ASSETS</u>			
Fixed Assets	18	267,928,825	275,474,298
<u>CURRENT ASSETS</u>			
Stores	19	2,740,224	2,500,804
Debtors and Prepayments	20	13,817,727	10,651,023
Short term Deposits	21	88,610,171	75,344,811
Cash and Bank	22	<u>206,198</u>	<u>110,432,385</u>
Total Current Assets		105,374,320	198,929,023
<u>CURRENT LIABILITIES</u>			
Bank Overdraft	22	10,113,700	0
Creditors and Accruals	23	<u>19,428,715</u>	<u>25,696,350</u>
Total Current Liabilities		29,542,416	25,696,350
NET CURRENT ASSETS		75,831,904	173,232,673
NET ASSETS		<u>343,760,730</u>	<u>448,706,971</u>
FINANCED BY :			
Capital Reserves		6,900,000	6,900,000
Revaluation Reserves		4,898,000	4,898,000
Term Loan (SDF) for KSB hqs		118,635,558	118,635,557
Inter-Company Account	24	404,362,189	318,331,736
Accumulated Reserves		-58,322	18,230,150
Surplus / (Deficit) for the Period		<u>-190,976,695</u>	<u>-18,288,472</u>
		<u>343,760,730</u>	<u>448,706,971</u>

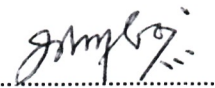
The Accounts were noted and approved by the Board of Directors

of the Board on 30th Sept. 2005 and signed on their behalf by:

Sign: 

Andrew O. Otieno

CHIEF EXECUTIVE OFFICER

Sign: 

Joseph Mbai

CHAIRMAN



KENYA SUGAR BOARD

RESERVES MOVEMENT SCHEDULE

	CAPITAL RESERVES KSHS	REVALUATION RESERVES KSHS	ACCUMULATED RESERVES KSHS	REVENUE RESERVES KSHS	TOTAL RESERVES KSHS
Balance B/F July 2004	6,900,000	4,898,000	18,230,149	(18,288,472)	11,739,677
Transfers to Accumulated Reserves	0	0	(18,288,472)	18,288,472	0
Additions during the Year	0	0	0	(190,976,695)	(190,976,695)
Balance C/F June 2005	<u>6,900,000</u>	<u>4,898,000</u>	<u>(58,323)</u>	<u>(190,976,695)</u>	<u>(179,237,018)</u>

The Capital Reserves comprise of the value of the Board's Kabete plot L.R.No.21705

Revenue reserves is the net surplus after expenditures of the Board, as in the income statement. It is from these reserves that accumulated reserves are built.

Accumulated reserves is a built-up of revenue reserves over the years.

Revaluation reserves are as a result of revaluation of the Board's motor vehicles .



KENYA SUGAR BOARD
Analysis of Income & Expenditure

Note	PERIOD	PERIOD
	30.06.05	30.06.04
	<u>KSHS</u>	<u>KSHS</u>
INCOME		
1 Levy Income		
Grant from SDF	84,834,305	93,962,611
Receipts from molasses levy	897,500	179,438
	85,731,805	94,142,049
2 Interest Income		
Interest income on loans	0	14,544,453
Interest income on deposits	3,265,361	1,432,267
	3,265,361	15,976,720
3 Miscellaneous Income	2,543,086	3,008,958
OPERATING EXPENSES		
4 Staff costs		
Basic Pay	51,376,753	14,988,624
House Allowance	23,217,097	21,234,000
Entertainment Allowance	1,288,387	1,319,000
Other Allowances	6,494,636	5,438,867
Passage & Leave Expenses	1,007,637	2,447,422
Company NSSF Contribution	201,600	189,200
Company Pension Contribution	10,581,565	3,105,795
Company Gratuity Contribution	725,400	725,400
Responsibility Allowance	1,159,548	1,256,500
Utilities	3,469,423	2,937,000
Uniform & clothing	362,390	293,852
Office beverage	595,589	759,506
Training	618,037	910,184
Medical expense	8,498,701	8,692,135
Workmans compensation	161,675	441,156
GPA insurance	1,231,894	746,383
Staff welfare expense	0	108,338
Ex gratia expense	0	1,865
Compensation for use of vehicle	0	662,872
	110,990,331	66,258,099
5 Directors' expenses		
Travelling & accomodation	11,184,762	4,810,336
Expenses on Conference & meetings	11,368,284	3,990,922
Directors' insurance	158,461	118,910
Director's Election	6,800,698	0
	29,512,206	8,920,168
6 Motor vehicle expense		
Fuel	3,935,631	1,455,226
Oils & Greases	630	0
Tyres & Tubes	65,662	4,697
Motor vehicle maintenance	3,225,987	1,195,546
Toll charges	18,730	12,760
Road licences	95,650	29,750
Motor vehicle insurance	1,171,749	729,556
Rates - parking fees	2,100	0
	8,516,139	3,427,535
7 Communication expense		
Telephone expense	7,977,547	5,884,751
Postage & telegrams	482,194	525,215
	8,459,741	6,409,966
8 Travel		
Travel - employees	17,263,013	4,835,740
Travel - others	1,907,790	150
	19,170,803	4,835,890
9 Marketing & Publicity		
Expenses on Conference & meetings	9,449,118	3,219,740
Publicity	5,973,666	2,829,784
ASK show expenses	4,119,114	183,830
Donations	100,000	245,000
International Sugar organization	2,606,898	0
Local Industry expenses	22,119,892	0
	44,368,688	6,478,354



KENYA SUGAR BOARD

Analysis of Income & Expenditure

Note	PERIOD 30.06.05 <u>KSHS</u>	PERIOD 30.06.04 <u>KSHS</u>
ADMINISTRATIVE EXPENSES		
10 Establishment costs		
Stationery expenses	4,785,700	2,457,369
Books & periodicals	162,873	263,475
Newspapers	646,884	424,801
	5,595,456	3,145,645
11 Entertainment		
Official entertainment	2,565,612	1,956,184
Members' clubs	85,920	116,770
	2,651,532	2,072,954
12 Premises expenses		
Electricity	1,027,210	980,967
Water	124,407	793,316
Rents	793,500	1,033,700
Rates	0	558,025
Maintenance plant & equipment	1,001,966	813,422
Maintenance of buildings & stations	870,572	1,058,505
Hire of security services	4,203,019	3,569,364
Miscellaneous	816,812	943,616
Fixed assets expensed	150,524	306,369
Compound maintenance	373,800	246,400
	9,361,810	10,303,684
13 Professional fees		
Audit fees	500,000	240,000
Other professional fees & commissions	230,130	327,780
Consultancy	2,000,000	1,212,690
Legal fees	30,149,862	7,919,332
	32,879,992	9,699,802
14 Insurance		
Money, fire & perils insurance	649,610	540,585
Office equipment insurance	89,184	65,761
Domestic package insurance	9,785	7,506
Other insurance	6,439	1,336
	755,018	615,188
15 Depreciation		
Depreciation - Buildings	5,418,374	5,777,191
Depreciation - Motor Vehicles	1,715,950	2,371,781
Depreciation - Office Equipment	542,984	573,841
Depreciation - Office Furniture	374,832	425,956
Depreciation - Furniture & Fittings	577,825	657,026
Depreciation - House Furniture	67,163	76,757
Depreciation - Computers	964,621	1,607,961
Depreciation - Farm Equipment	7,356	6,722
	9,669,103	11,497,235
16 Finance Charges		
Bank charges	106,986	64,720
Interest on bank O/D	432,471	0
Interest subsidy on staff car loans	0	386,959
Other interest	3,958,131	0
	4,497,588	451,679
17 Write Back		
Accrued expenses	-1,220,000	-2,700,000
Accrued ex-gratia expenses	-320,000	
Accrued leave expenses	-1,224,322	
General accruals	-1,124,426	
Returned salary	-22,714	
	-3,911,462	-2,700,000
TOTAL EXPENSES	282,516,946	131,416,199

The prior period adjustments is a reversal of accruals made based on expected expenditures in the previous accounting periods dating back to the year 1998 and have never materialised



KENYA SUGAR BOARD

Notes to the Financial Statements for the Year Ended 30 June 2005

1. Significant Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations approved by the International Accounting Standards Board (IASB). The principal accounting policies adopted are set out below:

a) Basis of Preparation

The financial statements are prepared on the historical cost basis of accounting modified to include the revaluation of certain assets.

b) Revenue recognition

SDL revenue is recognized on the basis of sales by millers. SDL is shared among benefiting components on receipt of levy funds from the collecting agent, Kenya Revenue Authority (KRA).

c) Income Recognition

Interest income is recognized in the income and expenditure account for all interest bearing instruments on an accrual basis.

Other income earned by the Fund is recognized as it accrues.

d) Property, plant and equipment

Property, plant and equipment are stated at cost or at professionally revalued amounts less accumulated depreciation.

Property, plant and equipment are periodically reviewed for impairment. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount. Gains and losses on disposal of property and equipment are

determined by reference to their carrying amount repairs and renewals are charged to income statement when the expenditure is incurred.

Increases in the carrying amount arising on revaluation surplus; all other decreases are charged to the income statement.

- e) Depreciation is calculated on the straight-line method to write off the cost or the revalued amount of each asset to its estimated residual value over its estimated useful life. The annual rates used are:

Motor vehicles	25%
Office equipment	12.5%
Furniture & Fittings	12.5%
Computer hardware	40%
Buildings	2.5%
Leasehold improvements	12.5%

f) Provisions For Contingent Liability

Provisions are recognized when the Board has a present legal or constructive obligation as a result of past events, for which is probable that an out flow of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

- g) Employee entitlement to annual leave is recognized when they accrue to employees. A provision is made for estimate liability for annual leave as a result of service rendered by the employees up to the balance sheet date.

h) Grant income

Kenya Sugar Board revenues comprises mainly of grant from SDF. This grant is mandated as per SDF operational manual where KSB is entitled to 1.5/7.0 after 15 % of gross levy appropriated as prescribed reserve.

i) Stocks and stores

Board's stocks and stores mainly consists items of office stationery and other consumable stores. They are stated at cost net of provisions for stock obsolescence where applicable.

j) Retirement contribution scheme

The Company operates a defined contribution scheme for all employees. The assets of the scheme are held and administered independently of the company assets. The scheme is funded by contributions from both employer and employee in ratio of 15% and 5% respectively.

j) Service Gratuity

The Board also runs a service gratuity scheme for the chief executive. This is provided for at 31% of salary and is payable at the end of three years contract.

K) Taxation

The Board is exempted from paying corporation taxation. Other taxation obligations arising mainly from VAT and Withholding taxes are provided for using the prevailing tax rates

l) Comparatives

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

KENYA SUGAR BOARD

Note 18
FIXED ASSETS SCHEDULE FOR THE PERIOD ENDED 30TH JUNE 2005

Depreciation Rates (P.A.)	2.5%		25%		12.5%		12.5%		12.5%		12.5%		40%		12.5%	
	BUILDINGS KSHS	MOTOR VEHICLES KSHS	OFFICE EQUIPMENT KSHS	OFFICE FURNITURE KSHS	FIXTURES AND FITTINGS KSHS	HOUSE FURNITURE KSHS	LAND AND IMPROVEMENTS KSHS	KABETE ACCESS ROAD KSHS	COMPUTERS KSHS	EQUIPMENT KSHS	FARM KSHS	TOTALS KSHS				
As At 01.07.04	225,044,908	29,193,098	10,737,668	8,087,994	10,564,030	1,274,708	7,336,181	31,475,024	9,120,901	60,033	332,894,545					
Additions during the period	0	0	1,146,840	32,650	140,500	0	0	0	785,955	17,686	2,123,631					
As At 30.06.05	<u>225,044,908</u>	<u>29,193,098</u>	<u>11,884,508</u>	<u>8,120,644</u>	<u>10,694,530</u>	<u>1,274,708</u>	<u>7,336,181</u>	<u>31,475,024</u>	<u>9,906,856</u>	<u>77,719</u>	<u>335,008,176</u>					
DEPRECIATION																
As At 01.07.04	8,309,957	24,034,144	6,551,281	5,100,674	5,954,849	737,406	0	0	6,708,960	12,975	57,410,247					
Depreciation charge for the period	<u>5,418,374</u>	<u>1,715,950</u>	<u>542,984</u>	<u>374,832</u>	<u>577,825</u>	<u>67,163</u>	<u>0</u>	<u>0</u>	<u>964,621</u>	<u>7,356</u>	<u>9,669,103</u>					
As At 30.06.05	<u>13,728,331</u>	<u>25,750,094</u>	<u>7,094,265</u>	<u>5,475,506</u>	<u>6,532,674</u>	<u>804,569</u>	<u>0</u>	<u>0</u>	<u>7,673,581</u>	<u>20,331</u>	<u>67,079,350</u>					
Net Book Value as at 30.06.05	<u>211,316,577</u>	<u>3,443,004</u>	<u>4,790,243</u>	<u>2,645,138</u>	<u>4,161,856</u>	<u>470,139</u>	<u>7,336,181</u>	<u>31,475,024</u>	<u>2,233,275</u>	<u>57,386</u>	<u>267,928,825</u>					
Net Book Value as at 30.06.04	<u>216,734,950</u>	<u>5,158,954</u>	<u>4,186,387</u>	<u>2,987,320</u>	<u>4,599,181</u>	<u>537,302</u>	<u>7,336,181</u>	<u>31,475,024</u>	<u>2,411,941</u>	<u>47,058</u>	<u>275,474,298</u>					



KENYA SUGAR BOARD

Note 19

STORES

	30.06.05	30.06.04
	<u>KSHS</u>	<u>KSHS</u>
Nairobi Office	2,465,661	2,267,594
Kisumu Office	155,129	141,041
Kakamega Office	<u>119,434</u>	<u>92,170</u>
	<u>2,740,224</u>	<u>2,500,804</u>

The stores items are valued at historical cost and comprises of stationery and consumables.

Note 20

DEBTORS AND PREPAYMENTS

	30.06.05	30.06.04
	<u>KSHS</u>	<u>KSHS</u>
Imprests	9,205,147	8,443,167
Staff advances	2,302,052	1,479,249
Prepaid expenses	543,268	278,607
Other debtors	<u>1,767,261</u>	<u>450,000</u>
	<u>13,817,727</u>	<u>10,651,023</u>

Note 22

CASH AND BANK BALANCES 30TH JUNE 2005

	30.06.05	30.06.04
	<u>KSHS</u>	<u>KSHS</u>
NBK HIIL BR	-10,113,700	110,427,069
CASH	<u>206,198</u>	<u>5,316</u>
	<u>-9,907,502</u>	<u>110,432,385</u>

Note 20

KSB SHORT TERM DEPOSITS DATE:- 30.06.2005

DATE INVESTED	MATURITY DATE	F D R NO	PRINCIPAL AMOUNT KSHS	INTEREST RATE %	NO OF DAYS	GROSS INTEREST KSHS	W/HOLDIG TAX @15%	NET INTEREST KSHS	AMOUNT WITHDRAWN KSHS	AMOUNT REINVESTED KSHS	CURRENT VALUE OF INVESTMENT	30.06.05	30.06.04
01 07 03	31 12 3	005735	13,624,138	0.030	730	817,448	122,617	694,831			14,318,969	13,971,554	
01 07 03	31 12 3	005737	2,288,406	0.030	730	137,304	20,596	116,708			2,405,115	2,346,760	
01 07 03	12 01 5	0131831599911	40,000,000	0.035	438	1,682,603	252,390	1,430,213		41,430,213	0	0	
12 01 5	12 04 5	0131831599911	41,430,213	0.045	90	459,705	68,956	390,749		41,820,962	0	0	
12 04 5	12 07 5	0131831599911	41,820,962	0.045	79	407,325	61,099	346,226			42,167,188	40,772,685	
01 07 03	21 10 04	0131831599909	18,000,000	0.035	288	497,767	74,665	423,102		18,423,102	0	0	
21 10 04	21 01 05	0131831599909	18,423,102	0.035	92	162,527	24,379	138,148		18,561,250	0	0	
21 01 05	21 04 05	0131831599909	18,561,250	0.045	90	205,954	30,893	175,061		18,736,311	0	0	
21 04 05	21 07 05	0131831599909	18,736,311	0.045	70	161,697	24,255	137,442			18,873,753	18,253,812	
07 10 04	05 01 05		60,000,000	0.035	90	517,808	77,671	440,137	30,000,000	30,440,137	0	0	
05 01 05	19 04 05		30,440,137	0.045	101	380,933	57,140	323,793	20,000,000	10,763,930	0	0	
19 04 05	19 07 05		10,763,930	0.045	72	95,548	14,332	81,216			10,845,146	0	
TOTAL			314,088,449			5,526,621	828,993	4,697,628	50,000,000	160,175,905	88,610,171	75,344,811	

All the above deposits are held at the National Bank of Kenya (Hill Branch)

less interest income for 2003/04

1,432,267

Interest income for 2004/05

3,265,360



KENYA SUGAR BOARD

Note23

CREDITORS AND ACCRUALS	<u>30.06.05</u> <u>KSHS</u>	<u>30.06.04</u> <u>KSHS</u>
Audit Fees	810,000	940,000
Retrenchment	793,364	793,364
Miscellaneous	33,658	26,670
Official Entertainment	187,065	18,225
Directors expenses	357,358	0
Conferences ,Meetings & Others	1,382,348	0
Office tea and/ beverages	43,200	0
Staff travel and accomodation expenses	802,419	0
Telephone	622,862	891,008
Fuels & Oils	337,865	12,238
Medical Expenses	1,481,634	931,477
Accrued Expenses (as per Budget)	-	1,220,000
Accrued Ex-gratia Expenses	-	320,000
Maintenance Works	122,447	278,118
Newspapers	23,212	17,920
Books & Periodicals	-	850
Members Clubs	-	4,250
Accrued Leave days	-	1,224,322
Accrued Gratuity for CE	1,450,800	725,400
Hire of Security Services	214,188	513,250
Staff Pension (Retirement Benefits)	2,120,544	3,183,077
Company pension contribution	1,553,526	0
Tax Provision on Retrenchment	2,077,879	2,077,879
Motor Vehicle Repairs	77,216	148,042
Staff Personal Claims	11,943	78,216
Returned Salary	35,681	0
Legal Expenses	57,103	7,822,102
Gratuity Provision	249,788	249,788
Local Industry Expenses	1,894,900	0
Postage & Telegrams	2,262	16,402
Water, Electricity & Conservancy	93,772	247,909
Purchase of Stationary	617,246	566,397
VAT WITHHELD	237,858	0
TAX WITHHELD	1,491,427	0
General Accruals	-	1,124,426
	19,183,566	23,431,330
Payroll Clearance	245,150	2,265,020
Grand total	19,428,715	25,696,350

KENYA SUGAR BOARD

Note 24

INTER-COMPANY ACCOUNT

	30.06.05 <u>KSHS</u>	30.06.04 <u>KSHS</u>
Balance B/F 01/07/03	318,331,736	159,093,450
Additions	115,011,136	397,956,668
Deductions	- 28,980,683	- 238,718,382
Balance C/F 30/06/04	<u>404,362,189</u>	<u>318,331,736</u>
Term Loan from SDF for Headquarters	<u>118,635,558</u>	<u>118,635,557</u>
TOTAL BRROWINGS FROM SDF	<u>522,997,747</u>	<u>436,967,293</u>

The Inter- company Account relates to transactions between Kenya Sugar Board and the Sugar Development Fund.

**The additions are in respect of:

- i) KSB operations paid for through SDF bank accounts
- ii) Transfer of funds from SDF to KSB

**The deductions are in respect of:

- i) KSB money banked in SDF bank account