

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

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REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA SISAL BOARD

**FOR THE THIRTEEN MONTHS PERIOD
ENDED 31 JULY 2014**

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KENYA SISAL BOARD



KENYA SISAL BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THIRTEEN MONTHS ENDING
JULY 31, 2014.

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

KENYA NATIONAL AUDIT OFFICE
P. O. Box 30084 - 00100, NAIROBI.
30 MAR 2015
RECEIVED

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I. KEY KENYA SISAL BOARD INFORMATION AND MANAGEMENT

(a) Background information

Kenya Sisal Board was formed by an ordinance of the government in 1946, under the Sisal Industry Act Cap 341 of the Laws of Kenya. This act has since been repealed by the Crops Act 2013 which came to effect on 1st August, 2014.

At Cabinet level, the Directorate of Fibre (Sisal) is represented by the Cabinet Secretary for Agriculture, Livestock and Fisheries, who is responsible for the general policy and strategic direction of the directorate

(b) Principal Activities

The principal activity/mission of the Sisal Directorate is to develop and promote the advancement of the sisal industry, through demand led research and extension services, quality control and licensing, cost effective production, processing and effective marketing of sisal products at competitive prices and conservation of environment to the satisfaction of all stakeholders.

(c) Key Management

The Kenya Sisal Board's day-to-day management is under the Acting Managing Director in consultation with the Principal Secretary since the appointment of the Board of Directors was suspended by the parent ministry.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 31st July 2014, who had direct financial responsibility were:-

1. Naomi N. Kamau - Ag. Managing Director – Chief Executive
2. Mary A. Okul -Principal Human Resource Management Officer 1
Administration
3. Charles B. Omonya – Finance Officer
4. Benson B. Naibei -Finance

(e) Fiduciary Oversight Arrangements

Kenya Sisal Board's financial statements are audited by the Auditor General

(f) Kenya Sisal Board Headquarters

Old Mutual Building
Kimathi Street
P.O. Box 41179, 00100 GPO,
NAIROBI, KENYA.

(g) Kenya Sisal Board Contacts

Tel. 2245556/2186398

Email: kensisal@sisalboardkenya.go.ke

Website: www.sisalboardkenya.go.ke

(h) Kenya Sisal Board Bankers

National Bank of Kenya

Harambee Avenue

P.O. Box 41862 – 00100 GPO

NAIROBI, KENYA

(i) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O.Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

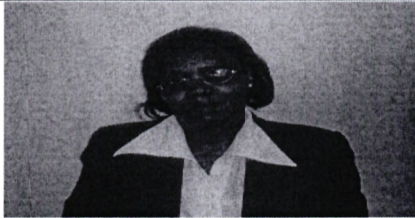



P.O. Box 40112

City Square 00200

Nairobi, Kenya

II. KENYA SISAL BOARD OF DIRECTORS

1.	Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience
2.	Director 2	
3.	Director 3	
4.	Director 4	
5.	Etc.	

I. Management team	Responsibility area	Key professional/academic qualifications
 <p>Naomi N. Kamau</p>	Ag. Managing Director - Chief Executive	BSC Agriculture, Masters of Environment, Science, Agro Forestry & Rural Development
 <p>Mary A. Okul</p>	Principal Human Resource Management Officer 1 - Administration	Advance Secretarial Course
 <p>Charles .B. Omonya</p>	Finance Officer	BBM Finance & Banking, CPA(K)
 <p>Benson B. Naibei</p>	Accountant 11 -Finance	BBM Purchasing, Supply Management, CPA Part 1&11& Dip. in ICT Management

(V) REPORT OF THE CHIEF EXECUTIVE OFFICER.

KENYA SISAL BOARD MANAGEMENT REPORT FOR THIRTEEN MONTHS ENDING JULY, 31 2014.

Sisal Production

Sisal in Kenya is grown in the arid and semi-arid areas of Coast, Rift Valley, Eastern and Nyanza regions. It is grown in plantations and by smallholder farmers with the estates producing over 80% of the total production and the small-holders the rest.

There are a total of ten (10) sisal plantations occupying an area of 40,000 hectares of land. The estates are in Eastern (1), Coast (5) and Rift Valley (4) provinces.

Smallholder sisal occupies an area of 5000 Ha in Eastern, Nyanza, Rift valley and Coast regions. Much of this sisal is grown on hedges and on boundaries as demarcation for small land holdings but this is changing due to improved returns, and farmers have started planting it in the farms. Due to lack of resources, most smallholder farmers lack appropriate decortication technologies and the necessary organizational infrastructure to produce and market their sisal effectively.

The total production for the year under review (2013) was 25,982.73 metric tons of fibre with the estates producing 25,232.64MT and the smallholders 750.09MT.

Marketing

Sisal in Kenya is grown mainly as an export crop with the plantations exporting over 80% of their production to overseas destinations at any given year. The top five importers in 2013 were China, Saudi Arabia, Morocco, Philippines and Nigeria. Most of the sisal is exported as raw fibre at the expense of finished or semi-finished products. There is limited value addition by local weavers and spinners who produce ropes, twines, gunny bags, mats, carpets, canvasses, dart boards, kiondos, handbags etc.

In the year 2013, the average price of sisal was US\$ 1,310 per metric ton, F.O.B Mombasa. The sisal consumed locally is mostly used in the three spinning factories namely, Premier bag and cordage, Teita Industries, Majani Mingi and NODOR International EPZ. In addition, some of the small-holder production is used for the making of ropes, mats carpets, ciondos and other handicrafts, some of which are exported to various destinations worldwide. During the year, a total of 23,950.65 MT was exported while 2,174.64 MT were sold locally. The sisal Industry earned the country a total of Ksh 2,810,349,469.25 being Ksh. 2,656,356,602.75 in export and Ksh. 153,992,866.50 from local sales.

Over the years, competition from polypropylene had weakened the global demand for sisal fibre but increased global environmental awareness as well as increased diversification of end uses of sisal fibre in natural carpets, the cores of elevator sisal ropes and as buffing/polishing cloth, in plaster reinforcement in the construction of domestic property, geotextiles sector for land reclamation etc, has resulted to an upsurge of its demand. Global production stands at 276,100MT metric tons of sisal fibre annually with Kenya being the third producer after Brazil and Tanzania. The importance of sisal is bound to continue increasing in future.

I. Immediate needs of the sisal industry

The sisal industry in Kenya now has a new legal (Agriculture, Fisheries and Food Authority Act, 2013) and institutional framework (Directorate of fibre crops), to govern it. It is envisaged that the new dispensation will adequately address the needs of the sisal industry in Kenya.

There is need to aggressively promote sisal production by smallholder farmers to take advantage of the increased global demand through new policy guidelines and extension services. Promotion should be geared towards whole plant utilization and along the whole value chain to maximize returns. In addition there is potential to use the by-products from sisal extraction for production of bio-gas, animal feeds and bio-fertilizers, thus increasing the economic importance of the crop

There is need to upscale product development and re-start sisal research aimed at reducing the cost of production through adoption of better and efficient production and processing technologies, production of superior varieties with longer lifecycles and appropriate pest and disease management. There is need to create an enabling environment to allow for importation of modern, efficient technologies so as to modernize the sector. This will make sisal products competitive

Sisal has a great future when it comes to not only the new uses of this fibre but also because of the growing awareness of the public that natural fibres, like sisal, are environmentally friendly



NAOMI N. KAMAU
ACTING MANAGING DIRECTOR
On behalf of the management

(vi) KENYA SISAL BOARD CORPORATE GOVERNANCE STATEMENT

Responsibilities of Board of Directors:-

The Exchequer and Audit Act (Cap 412) requires the Board to prepare financial statement for each financial year, which include a balance sheet showing in detail the assets and liabilities of the Board, a statement of Income and Expenditure, and such other statements that the Board may deem necessary. The State Corporations Act (cap 446) requires the Board to ensure that proper books are kept recording all the property undertaking, funds, activities, contracts, transactions and other business of the Board.

Kenya Sisal Board has operated without a Board of Directors since mid-2000. The Board has since been repealed by Agriculture, Fisheries and Food Authority Crops Act 2013.

The functions of the Directorate of Fibre Crops (Sisal) are:-

- Promote the advancement and welfare of the sisal industry
- Consider and advice the Minister for Agriculture upon measures for the promotion and protection of the sisal industry
- Promote and undertake technical and scientific research in connection with the sisal industry
- Approve contracts, providing for standard conditions for the sale and purchase of sisal fibre
- Control the exports of sisal and sisal fibre
- Co-operate with all persons interested in the production and sale of sisal and sisal fibre
- Render services to persons engaged in the production and sale of sisal or sisal fibre such services as may be prescribed, upon payment of such fees or other charges as may be prescribed by the Directorate.
- Administer any money, which may be placed at the disposal of the Directorate as it renders regulatory services

(V11) CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Kenya sisal board acknowledges its responsibility to the environment and to the local communities in which It carries out sisal extension activities. The corporation encourages its staff to recognise social responsibility and behave in appropriate manner towards the society in which it carries its sisal extension activities.

(VIII) KENYA SISAL BOARD DIRECTORS REPORT

The Directors submit their report together with the audited financial statements for the year ended July 31st, 2014 which show the state of the *Kenya Sisal Board's* affairs.

Principal activities

The principal activities of the Kenya Sisal Board are to facilitate the promotion of sisal production in estate and smallholders growers.

To enhance value addition in smallholder sisal production through Morden processing and promotion of cordage and cottage industries.

To ensure production of highly quality fibre & fibre products by both the large and smallholder growers through sisal inspection and promotion of appropriate technologies.

To diversify utilization of sisal fibre and sisal by-products, -i.e. in the construction industry, use as animal feed, bio-fertilizer and for bio-energy generation.

To revitalize market research and product development.

Results

The results of the Kenya Sisal Board for the year ended July 31, 2014 are set out on pages 1 -4

Directors

Kenya sisal board has not had a board of directors since mid-2000 and the functions of the cooperation have been undertaken by the acting managing director in consultation of the parent ministry.

Auditors

The Auditor General is responsible for the statutory audit of the *Kenya Sisal Board* in accordance with the Section 68(k)... of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

(IX) KENYA SISAL BOARD STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 68(2) (k)... of the Public Finance Management Act, 2012 and section 15(1)... of the State Corporations Act, require the Directors to prepare financial statements in respect of that Kenya Sisal Board, which give a true and fair view of the state of affairs of the Kenya Sisal Board at the end of the financial year/period and the operating results of the Kenya Sisal Board for that year/period. The Directors are also required to ensure that the Kenya Sisal Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Kenya Sisal Board. The Directors are also responsible for safeguarding the assets of the Kenya Sisal Board.

The Directors are responsible for the preparation and presentation of the Kenya Sisal Board's financial statements, which give a true and fair view of the state of affairs of the Kenya Sisal Board for and as at the end of the financial year (period) ended on June 30, 2013. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Kenya Sisal Board; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Kenya Sisal Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Kenya Sisal Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Kenya Sisal Board's financial statements give a true and fair view of the state of Kenya Sisal Board's transactions during the financial year ended June 30, 2013, and of the Kenya Sisal Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Kenya Sisal Board, which have been relied upon in the preparation of the Kenya Sisal Board's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

: Kenya sisal board has had no board of directors since mid-2000 and therefore no approval from same.

REPUBLIC OF KENYA

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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA SISAL BOARD FOR THE THIRTEEN MONTHS PERIOD ENDED 31 JULY 2014

REPORT OF THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Sisal Board set out on pages 10 to 31 which comprise the statement of financial position as at 31 July 2014, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether 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 control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Board Members

As previously reported, the Board operated without Board Members and as a result, all functions of the Board including policy decisions which under normal circumstances are performed by such members, continued to be undertaken by the Acting Managing Director contrary to section 8(1) of the State Corporations Act, Cap 446 of the Laws of Kenya which states that "the Board of every state corporation shall meet not less four times in every financial year and not more than four months shall elapse between the date of one meeting and the date of the next meeting".

Although according to the information available, the Ministry is aware of the expiry of the Board members' term, since March 2000 new appointments are yet to be made. Further and although a task force constituted by the Ministry in December 2007 recommended that the key functions in the Sisal Industry to be undertaken by the Ministry in the absence of the Board, no action appears to have been taken on the recommendation. A similar taskforce appointed in April 2008 by Treasury does not also seem to have made any meaningful progress in this regard. In the circumstances, the Board was in breach of the law.

2. Leasehold Land

As disclosed in note 17 to the accounts and as previously reported, property, plant and equipment figure of Kshs.315,268,820 as at 31 July 2014 includes leasehold land valued at Kshs.151,000,000. However, contrary to the provisions of the International Public Sector Accounting Standard (IPSAS) No.13 which requires lease payments to be recognized as an expense on the statement of financial performance on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the user's benefit, the Board did not amortize leasehold land held as at 31 July 2014 valued at Kshs.151,000,000.

In the circumstances, it has not been possible to confirm whether property, plant and equipment figure of Kshs.315,268,820 as at 31 July 2014 is fairly stated.

3. Trade and Other Payables from Exchange Transactions

As previously reported, trade and other payables balance of Kshs.946,602 as at 31 July 2014 includes Kshs.88,176 which has remained outstanding for a considerably long period of time. Although the management has explained that Kshs.71,253 out this balance had been written off, the Board has not provided authority by the parent Ministry and Treasury for the write off.

In the circumstances, it has not been possible to confirm whether trade and other payables from exchange transactions balance of Kshs.946,602 as at 31 July 2014 is fairly stated.

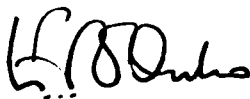
Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Board as at 31 July 2014, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Sisal Industry Act, Cap 341 of the Laws of Kenya.

Emphasis of Matter

Going Concern

With the operationalization of the Agriculture, Fisheries and Food Act and Crops Act of 2013 on 1 August 2014, the Board has ceased to exist as a legal entity and it now operates as a Directorate under the Agriculture, Fisheries and Food Authority (AFFA). My opinion is not qualified in respect of this matter.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

14 April 2015

(XI) KENYA SISAL BOARD STATEMENT OF FINANCIAL PERFORMANCE FOR THIRTEEN MONTHS ENDING JULY, 31 2014.


	Note	2013/2014	2012/2013
		Kshs	Kshs
Revenue from non-exchange transactions			
Fines, penalties and levies	3	766,843	806,671
Licenses and permits	4	103,000	129,350
		<hr/>	<hr/>
		869,843	936,021
		<hr/>	<hr/>
Revenue from exchange transactions			
Rendering of services	5	15,396,322	15,272,926
Rental revenue from facilities and equipment	6	14,385,447	13,180,142
Other income	7	52,753	176,650
		<hr/>	<hr/>
		29,834,522	28,629,718
		<hr/>	<hr/>
Total revenue		30,704,365	29,565,739
		<hr/>	<hr/>
Expenses			
Employee costs	8	15,200,926	15,482,916
Depreciation and amortization expense	9	6,275,268	5,742,366
Repairs and maintenance	10	336,768	287,860
Contracted services	11	65,000	202,500
General expenses	12	9,664,016	7,576,961
		<hr/>	<hr/>
Total expenses		31,541,978	28,292,603
		<hr/>	<hr/>
Other gains/(losses)			
Gain on sale of assets		-	-
		<hr/>	<hr/>
Surplus/(Deficit) before tax		(837,613)	1,273,136
Taxation		-	-
		<hr/>	<hr/>
Surplus/(Deficit) for the period		(837,613)	1,273,136
		<hr/> <hr/>	<hr/> <hr/>


The notes set out on pages 7 to 21 form an integral part of the Financial Statements

XII. KENYA SISAL BOARD STATEMENT OF FINANCIAL POSITION FOR THIRTEEN MONTHS ENDING JULY, 31 2014.

	Note	2013/2014 Kshs'	2012/2013 Kshs'
Assets			
Current assets			
Cash and cash equivalents	13	15,861,059	13,391,421
Receivables from exchange transactions	14	2,081,792	2,757,417
Receivables from non-exchange transactions	15	297,715	60,217
Inventories	16	42,344	132,147
		18,282,910	16,341,202
Non-current assets			
Property, plant and equipment	17	315,268,820	317,676,621
		315,268,820	317,676,621
Total assets		333,551,730	334,017,823
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	946,602	595,082
Provisions	19	260,000	240,000
		1,206,602	835,082
Total liabilities		1,206,602	835,082
Net assets		332,345,128	333,182,741
Reserves		301,072,828	301,072,828
Accumulated surplus		31,272,300	32,109,913
Total net assets and liabilities		333,551,730	334,017,823

The Financial Statements set out on pages 2 to 4 were signed on behalf of the Board of Directors

NAOMI N. KAMAU  DATE 3/3/2015
ACTING MANAGING DIRECTOR

CHARLES B. OMONYA  DATE 3/3/2015
FINANCE OFFICER

XIII. KENYA SISAL BOARD STATEMENT OF CHANGES IN NET ASSETS FOR THIRTEEN MONTHS ENDING JULY, 31 2014.

	Revaluation Reserve Kshs'	Accumulated surplus Kshs'	Total Kshs'
Balance as at 30thJune 2012	58,435,531	30,890,225	89,325,756
Surplus/(deficit) for the period	-	1,273,136	1,273,136
Prior period adjustments	-	(53,448)	(53,448)
-	-	-	-
Balance as at 30thJune 2013	301,072,828	32,109,913	333,182,741
Surplus/(deficit) for the period	-	(837,613)	(837,613)
Balance as at 31 JULY 2014	301,072,828	31,272,300	332,345,128.

XIV. KENYA SISAL BOARD STATEMENT OF CASHFLOWS EOR THIRTEEN MONTHS ENDING JULY, 31 2014

	Note	2013/2014 Kshs'	2012/2013 Kshs'
Cash flows from operating activities			
Receipts			
Rendering of services		17,036,683	13,449,887
Other income, rentals and agency fees		16,687,026	16,396,451
		33,723,709	29,846,338
Payments			
Compensation of employees		15,118,426	14,482,916
Goods and services		7,127,405	5,131,613
Rent paid		2,566,995	2,175,148
Other payments		2,724,505	490,360
		27,537,331	22,280,037
Net cash flows from operating activities	21	6,186,378	7,566,301
Purchase of property, plant, equipment and intangible assets		(3,716,460)	(3,402,537)
Net cash flows use disinvesting activities		(3,716,740)	(3,402,537)
Net increase/(decrease)in cash and cash equivalents			
		2,469,638	4,163,764
Cash and cash equivalent as at 1 st July 2013	26	13,391,421	9,227,657
Cash and cash equivalent as at 31July-2014.	26	15,861,059	13,391,421

(XII) KENYA SISAL BOARD STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THIRTEEN MONTHS
ENDING JULY, 31 2014.

	Original budget	Adjustments 31 stjuly2014	Final budget	Actual on comparable basis	Performance difference
Revenue	2013-2014 Kshs'	2013-2014 Kshs'	2013-2014 Kshs'	2013-2014 Kshs'	2013-2014 Kshs'
Fines, penalties and levies	16,864,000	18,503,833-	18,503,833	16,266,165	(2,237,668)
Licenses and permits	-	-	-	-	-
Government grants and subsidies	-	-	-	-	-
Rendering of services	-	-	-	-	-
Sale of goods	-	-	-	-	-
Finance Income	-	-	-	-	-
Gains on disposal , rental income and agency fees	13,943,117	15,163,357	15,163,357	14,438,200	(725,157)
Total income	30,807,117	33,667,190	33,667,190	30,704,365	(2,962,825)
Expenses					
Compensation of employees	16,208,000	17,549,666	17,549,666	15,200,926	2,348,740
Goods and services	7,268,765	8,265,015	8,265,015	5,253,954	3,011,061
Finance cost	-	-	-	-	-
Rent paid	2,400,000	2,625,000	2,625,000	2,566,995	58,005
Taxation paid	-	-	-	-	-
Other payments	2,050,000	2,120,833	2,120,833	2,224,835	(104,002)
Depreciation	2,550,000	2,762,500	2,762,500	6,275,268	(3,512,768)
Grants and subsidies paid					
Total expenditure	30,976,765	33,323,014	33,323,014	31,541,978	
Surplus for the period	330,352	344,176	344,176	(837,613)	

KENYA SISAL BOARD PERFORMANCE ANALYSIS

- 1) Sisal levies dropped by (Kshs. 2,237,668) as compared to the budget during the period under review as a result of low export volumes. The demand and world market prices are favourable plus the exchange rate but due to less replanting programmes there is no fibre to meet this demand.
- 2) Rental income dropped by (Kshs. 725,157) as compared to the budget since the directorate had not finalised rent revision of its go down due to transition challenges.
- 3) Compensation to employee's registered positive variances of kshs, 2,348,740/ since the direct is yet to implement the re-alignment of salaries and pay arrears to its staff.
- 4) Goods and services item registered favourable variance of kshs, 3,011,061/ due to cost control measures employed by the management.
- 5) Depreciation item registered negative variances of (kshs,3,512,768) compared to the budget due to enhanced values of the boards property, plant and equipment as a result of valuation.
- 6) Other payments registered negative variances of (kshs104, 000) due to many activities undertaken by extension and training services in the period under review.

(XIII) KENYA SISAL BOARD NOTES TO THE FINANCIAL STATEMENTS FOR THIRTEEN MONTHS ENDING JULY, 31 2014.

1. Statement of compliance and basis of preparation – IPSAS 1

The Kenya Sisal Board's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Kenya Sisal Board and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

The Kenya Sisal Board recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Kenya Sisal Board and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Kenya Sisal Board and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The Kenya Sisal Board recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Kenya Sisal Board.

Interest income

- Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Kenya Sisal Board's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Kenya Sisal Board. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Kenya Sisal Board differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes – IAS 12

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Kenya Sisal Board operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Kenya Sisal Board and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Kenya Sisal Board recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f) Leases – IPSAS 13

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Kenya Sisal Board. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Kenya Sisal Board also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Kenya Sisal Board will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Kenya Sisal Board. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets–IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

i) Research and development costs

The Kenya Sisal Board expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Kenya Sisal Board can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

h) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Kenya Sisal Board determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Kenya Sisal Board has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Kenya Sisal Board assesses at each reporting date whether there is objective evidence that a financial asset or a Kenya Sisal Board of financial assets is impaired. A financial asset or a Kenya Sisal Board of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Kenya Sisal Board of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Kenya Sisal Board of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Kenya Sisal Board determines the classification of its financial liabilities at initial recognition.

KENYA SISAL BOARD NOTES TO THE ACCOUNTS FOR THIRTEEN MONTHS ENDING JULY 31, 2014

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized costing the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

IPSAS 29.65

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Kenya Sisal Board.

j) Provisions – IPSAS 19

Provisions are recognized when the Kenya Sisal Board has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Kenya Sisal Board expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Kenya Sisal Board does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Kenya Sisal Board does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Kenya Sisal Board in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

The Kenya Sisal Board creates and maintains reserves in terms of specific requirements. Kenya Sisal Board to state the reserves maintained and appropriate policies adopted.

l) Changes in accounting policies and estimates – IPSAS 3

The Kenya Sisal Board recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee benefits – IPSAS 25

Retirement benefit plans

The Kenya Sisal Board provides retirement benefits for its employees at 15% employer and 7.5% employee. Defined contribution plans are postemployment benefit plans under which an Kenya Sisal Board pays fixed contributions into a separate Kenya Sisal Board (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

KENYA SISAL BOARD NOTES TO THE ACCOUNTS FOR THIRTEEN MONTHS ENDING JULY 31, 2014

o) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties – IPSAS 20

The Kenya Sisal Board regards a related party as a person or a Kenya Sisal Board with the ability to exert control individually or jointly, or to exercise significant influence over the Kenya Sisal Board, or vice versa. Members of key management are regarded as related parties and comprise the councillors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers.

q) Service concession arrangements – IPSAS 32

The Kenya Sisal Board analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Kenya Sisal Board recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. Case of assets other than 'whole-of-life' assets; it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Kenya Sisal Board also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imp rests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

t) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the Kenya Sisal Board's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g.

Property, Plant and Equipment

Property, Plant and equipment is stated at historical cost less accumulated depreciation. Depreciation is calculated at a reducing balance method at the following rate:-

(i) Godowns	3%
(ii) Furniture and Fittings	10%
(iii) Motor vehicle	25%

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Kenya Sisal Board based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Kenya Sisal Board. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Kenya Sisal Board
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at pre-tax discount rates that reflect current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of on-going programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

KENYA SISAL BOARD NOTES TO THE ACCOUNTS FOR THIRTEEN MONTHS ENDING JULY 31, 2014.

u) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for thirteen months ending July 31, 2014.

3.Fines, penalties and levies

	2014.	2013
	Kshs	Kshs
Cess	766,843	806,671
	766,843	806,671

4.Licences and Permits

	2014	2013
	Kshs	Kshs
Licence fees	103,000	129,350
	103,000	129,350

5.Rendering of services

	2014	2013
	Kshs	Kshs
Inspection service charge	14,983,322	14,471,526
Rebelling Charges	413,000	801,400
Total	15,396,322	15,272,926

6. Rental revenue from facilities and equipment

	2014	2013
	Kshs	Kshs
Rental revenue from God owns	16,687,027	13,180,142
Less V.A.T	(2,301,580)	
Total	14,385,447	13,180,142

7.Other income

	2014	2013
	Kshs.	Kshs
Sundry income	52,753	176,650
	52,753	176,650

**KENYA SISAL BOARD NOTES TO THE ACCOUNTS FOR
THIRTEEN MONTHS ENDING JULY 31,2014**

8.Employee costs

	2014	2013
	Kshs	Kshs
Employee related costs-salaries and wages	7,304,311	6,509,946
Employee related costs-contributions to pensions and Medical aids	2,960,590	3,577,154
Travel, motor car, accommodation ,subsistence and other Allowances	693,730	487,720
Housing benefits and allowances	2,392,000	2,208,000
Overtime payments	10,595	14,017
Drivers allowances	11,700	10,800
Commuter allowances	1,430,000	1,320,000
Leave travelling allowances	114,000	115,279
Remunerative allowance	284,000	240,000
Employee costs	15,200,926	14,482,916

9.Depreciation and amortization

	2014	2013
	Kshs	Kshs
Property, plant and equipment	6,275,268	5,742,366
Total depreciation	6,275,268	5,742,366

10.Repairs and maintenance

	2014	2013
	Kshs	Kshs
Property	26,355	15,386
Equipment	310,413	272,474
Total repairs and maintenance	336,768	287,860

11.Contractd services

	2014	2013
	Kshs	Kshs
Property valuations	65,000	202,500
Total contracted services	65,000	202,500

**KENYA SISAL BOARD NOTES TO THE ACCOUNTS FOR THIRTEEN MONTHS ENDING
JULY 31,2014**

12.General expenses	2014	2013
	Kshs	Kshs
Advertising	-	96,309
Audit fees	260,000	240,000
Electricity	219,722	188,437
Insurance	561,005	389,000
Legal	-	5,000
Water and Conservancy	48,568	42,929
Postage	68,050	58,175
Printing and stationary	431,433	469,595
Rental	2,566,995	2,175,148
Security costs	121,646	-
Bank charges	38,651	30,200
Telecommunication costs	587,656	379,286
Training and staff welfare	571,830	205,468
M/V running expenses	418,307	442,710
Baling press oil	158,408	95,000
Consumable stores	18,205	32,257
Extension services	1,845,631	1,719,653
Fees commission and honorarium	204,280	48,000
ISO Certification	294,900	371,300
Land rent	750,358	100,500
Sundry	284,340	203,754
Newspapers and publications	45,840	38,600
Official entertainment	67,501	40,234
Transport	100,690	87,260
Trade fairs and exhibitions	-	20,000
Staff uniforms		98,146
	9,664,016	7,576,961

**KENYA SISAL BOARD NOTES TO THE ACCOUNTS FOR
THIRTEEN MONTHS ENDING JULY 31,2014**

13. Cash and cash equivalents

	2014	2013
	Kshs	Kshs
Bank	15,854,102	13,375,291
Cash-on-hand and in transit	6,957	16,130
Total cash and cash equivalents	15,861,059	13,391,421

14.Receivables from exchange transactions

	2014	2013
	Kshs	Kshs
Current receivables		
Prepayments	144,725	46,633
Other exchange debtors	2,037,067	2,810,784
Less: impairment allowance	(100,000)	(100,000)
Total current receivables	2,081,792	2,757,417

15.Receivables from non-exchange contracts

	2014	2013
	Kshs	Kshs
Current receivables		
Staff debtors	297,715	60,217
Total current receivables	297,715	60,217

16.Inventories

	2014	2013
	Kshs	Kshs
Baling Press oils	42,344	132,147
Total inventories at the lower of cost and net realizable value	42,344	132,147

KENYA SISAL BOARD NOTES TO THE ACCOUNTS FOR THIRTEEN MONTHS ENDING JULY 31, 2014

17. Property, plant and equipment	Land and Buildings		Furniture and Equipment		Motor Vehicles		Total	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Cost								
At 1 st July 2012	83,325,187	2,878,535	5,138,923				91,342,645	
Additions	2,902,447	500,090	-				3,402,537	
Revaluation gain	242,637,297	-	-				242,637,297	
Disposals	-	-	-				-	
At 30th June 2013	328,864,931	3,378,625	5,138,923				337,382,479	
Additions	3,014,534	852,935	-				3,867,467	
Disposals	-	-	-				-	
At 30th June 2014	331,879,463	4,231,560	5,138,923				341,249,946	
Depreciation and impairment								
At 1 st July 2012	10,962,485	1,615,255	1,385,752				13,963,492	
Depreciation	4,647,184	156,889	938,293				5,742,366	
At 30th June 2013	15,609,669	1,772,144	2,324,045				19,705,858	
Depreciation	5,306,250	221,316	747,702				6,275,268	
Disposals	-	-	-				-	
At 31st July 2014	20,915,919	1,993,460	3,071,747				25,981,126	
Netbook values								
At 31st July 2014	310,963,544	2,238,100	2,067,176				315,268,820	
At 30th June 2013	313,255,262	1,606,481	2,814,878				317,676,621	

18. Trade and other payables from exchange transactions

	2014	2013
	Kshs	Kshs
Trade payables	945,602	577,461
Employee advances	1,000	17,621
Total trade and other payables	946,602	595,082

19. Current provisions

	Audit fees	Total
	Kshs	Kshs
Balance at the beginning of the year	240,000	240,000
Additional provisions raised	260,000	260,000
Provision utilized	(240,000)	(240,000)
Change in provision due to change in Discount factor and time value of money	-	
Transferred from non-current provisions	-	
Balance as at 31 July, 2014	260,000	260,000

20. Cash generated from operations

	2014	2013
	Kshs	Kshs
Surplus for the year before tax	(837,613)	1,273,136
Adjusted for:		
Depreciation	6,275,268	5,742,366
Non-cash grants received	-	
Contributed assets	-	
Impairment	-	
Gains and losses on disposal of assets	-	-
Contribution to provisions	260,000	240,000
Contribution to impairment allowance	-	-
Finance income	-	
Finance cost	-	
Working capital adjustments:		
Increase in inventory		
Increase in receivables		
Increase in deferred income		
Increase in payables	488,723	310,000
Increase in payments received in advance		
Net cash flows from operating activities	6,186,378	7,566,301

21. Events after the reporting period

There are no material non-adjusting events after the reporting date.

KENYA SISAL BOARD PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1).Going concern	KSB operating without board of directors.	The crops act repealed sisal industry act and the board is now under AFFA with effect from 1 st august 2014	Chief accountant	Resolved	1 st august 2014.
2).lease hold land	None amortization of leasehold land	Depletion of general fund and same to be amortized by AFFA	Chief Accountant	Not resolved	Will be resolved in AFFA consolidation of accounts.
3)Inventory	Supporting documents for stock	Stores ledger and stock cards were forwarded later	Chief accountant	Resolved	1 month
4)trade and other receivables	Long overdue amounts belonging to one firm	The case was concluded and the lawyer recovered shs. 380,000/ and waiting the balance	Chief accountant	resolved	1 month
5)Trade and other payables	The outstanding amounts in trade and other receivables.	The outstanding amounts have since been settled and others written off.	Chief accountant	resolved	1 month

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Kenya Sisal Board responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

ACTING MANAGING DIRECTOR

SIGN.....

Date.....