

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



*Paper laid  
By Hon Aden Du  
Leader of Major  
on Tue 20/9  
[Signature]*



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
LAKE BASIN DEVELOPMENT AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE 2015**





OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30384 - 00100 NAIROBI  
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**LAKE BASIN DEVELOPMENT AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2015**

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

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## I. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

Lake Basin Development Authority (LBDA) is a regional development agency that was established by an Act of Parliament Cap 442 on the 31<sup>st</sup> August 1979 as the coordinating agency charged with leading economic development at the local level in the Kenyan portion of the Lake Victoria basin. Currently, it has been merged with the Ministry of Regional Development Authorities and the Ministry of Environment and Natural Resources. At cabinet level, LBDA is represented by the Cabinet Secretary for Environment, Natural Resources and Regional Authorities who is responsible for the general policy and strategic direction of the Authority.

### (b) Principal Activities

The principal vision, mission and core values of Lake Basin Development Authority are:

#### VISION

To be an *authority* in integrated socio-economic development in the Region.

#### MISSION

To foster integrated socio-economic programs through optimum utilization of resources using appropriate technology and innovations for improved livelihoods of the communities within the Lake Basin Region.

#### CORE VALUES

Our core values are captured in an acronym derived from the word **RESPECT**

- R We shall **respect** diversity of opinion race creed.  
We shall be **responsible** in all our action.
- E We shall be **ethical**, uphold & sustain a culture of honesty in dealing with our stakeholders.  
We shall be **emphatic** to our constituents.
- S We shall be **socially** responsible in all our activities.
- P We shall act with utmost **professionalism**.  
We shall adopt **participatory** approaches to development and forge effective partnership with all our stakeholders.
- E We shall respect and protect the **environment** in all we do.
- C We shall be **committed** to our vision and mission.  
We shall foster **creativity** and innovation.
- T We shall inspire **trust** among us and in the community.  
We value **team** work both internally and externally.  
We shall uphold **tolerance** among us and with the communities we serve.

**(c) Key Management**

The Authority's day-to-day management is under the following key organs:

- Board of Directors
- Managing Director
- Chief Managers and
- Managers

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2015 and who had direct fiduciary responsibility were:

**(e) Fiduciary Oversight Arrangements**

The Authority has five (5) constituted committees out of which the key fiduciary oversight committees are:

**i. Executive Board Committee**

The Executive committee is made of the Chairman, Vice Chair, Managing Director and the chairpersons of all the committees. It acts as a link between the Board, Management and the Parent Ministry. The main responsibility of this committee is to assist the Managing Director in strategic issues pertaining to the Authority's general direction.

**ii. Finance and Establishment Committee**

This committee oversees the accounting and financial reporting processes of the Authority. In this regard, the Committee is charged with the responsibility of receiving, approving and recommending guidelines for the administrative and financial matters of the Authority. It is also responsible for monitoring the finances, human resource and administration policies in coordination with the managing director and the respective heads of divisions in the organization.

**iii. Audit Committee**

The Committee reviews the financial reports to establish the condition of the Authority and receives reports on the findings of the internal and external audits. The Committee tracks the actions on audit findings; in addition, the Committee regularly reviews and reports to the Board on the effectiveness of the Authority's systems of internal controls.

It is responsible for reviewing the scope, authority and operations of the Audit Function; reviews and approves audit plans and methodology. The Committee receives regular reports from the Manager, Internal Audit on internal audits, compliance and legal risks and on the assurance framework.

**iv. Planning and Development Committee**

The Planning and Development Committee has cognizance of all matters relating to planning and development of the organization; regional planning and development activities and the strategic Plan of LBDA and Development. It also charge with making policies for economic development programs

impacting the region. This committee guides the full Board in the formulation of its policies relating to Planning and development.

**v. Management Steering Committee**

The Management Steering committee is responsible for overseeing and reporting on the implementation progress of the Authority's strategic plan, quality management systems and performance contracting obligations. It ensures consistent review and enhancement of divisional and departmental work processes to ensure that they facilitate cost effective service delivery, institutional and staff capacity building.

It ensures the implementation and application of performance appraisal system, including ensuring consistency and performance standards in work planning, staff development, monitoring, mid-year and end year performance reviews. The committee is expected to champion transformation and actualization of change management action plan as well as ineptly handle managerial and leadership issues within the organization. It is responsible for quarterly Monitoring and Evaluation (M&E) and Performance contract (PC), ISO progress, departmental and individual performance reports. The committee is therefore duty bound to contribute towards improved organizational and individual performance, besides cultivating a performance culture.

**vi. LBDA Headquarters**

P.O. Box 1516-40100  
Kanyakwar  
Kisumu-Kakamega Road  
Kisumu, KENYA

**vii. LBDA Contacts**

Telephone : (254) 020-2023414  
Fax : (254) 020-2023422  
Mobile : 0715-682555/0735-711933  
E-mail : info@lbda.co.ke  
Website : www.lbda.co.ke

**viii. LBDA Bankers**

1. National Bank of Kenya Ltd.  
Kisumu Branch  
P.O. Box 1152 - 40100  
**KISUMU**  
**KENYA**
2. Kenya Commercial Bank Ltd.  
Kisumu Branch  
P.O. Box 17 - 40100  
**KISUMU**  
**KENYA**

**LAKE BASIN DEVELOPMENT AUTHORITY**


3. Cooperative Bank of Kenya Ltd.  
Kisumu Branch  
P.O. Box 1511 – 40100  
**KISUMU**






**ix. Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya



## II. THE BOARD OF DIRECTORS


1	<b>MR. ONYANGO OLOO</b> 	Chairman	-LLM in Constitutional law -Post-Graduate Diploma in Law - LLB
2	<b>MRS. MARY D. G. MICHIEKA</b> 	Vice Chair	-LLM Degree in International Law -Post-Graduate Diploma in Law -LLB -CPS(K) -Member: Industrial Society London; Tutor Action Centred Leadership, ICPS(K)
3	<b>MR. JOHN NYERA MANGO</b> 	Member	-Post graduate diploma-Applied Social Studies. -B.A. degree in Social policy Administration
4	<b>PROF. JOHN COLLINS ONYANGO</b> 	Member	-Doctor of Philosophy in Plant Physiology -M.Sc. in Plant Physiology -B.Ed (Sc.) (Hons) -Member: KNAS, BGCI, CSSJ
5	<b>DR. ENG. KABOK P. AGUKO</b> 	Managing Director(Secretary)	-Doctor of Philosophy in Agricultural Engineering -M.Phil. Rural Engineering -BSc. (Hons) in Agricultural Engineering -Diploma in Agric. (Engineering Soil & Water). -Registered Consulting Engineer -Member : IEK; EBK

6	<p><b>ENG. GEORGE O. MAC ODAWA, MBS</b></p> 	Member	<p>-Bsc. Civil Engineering -Registered Highway Consulting Engineer -Registered Engineer -Member: IEK, ACEK, AAKE, KSAE -Licensed Water Engineer</p>
7	<p><b>MR. WILLIAM OMONDING</b></p> 	Member	<p>-B.A. Development Studies -Advance Dip. Development studies and Social work -Member: KIB</p>
8	<p><b>MR. KENNEDY MUSEBE</b></p> 	Member	<p>-MBA-Finance -BSc. (Hons) Wood science and Technology. -Chartered Financial Analyst-level 1</p>
9	<p><b>MR. ALEX J. MUKABWA</b></p> 	Member	<p>-Diploma in Leadership studies</p>
10	<p><b>MR. JOSIAH O. OKUMU</b></p> 	Member	<p>-Masters in Education -Bachelors in Education</p>
11	<p><b>MR. ANTHONY K. KOGO</b></p> 	Member	<p>-Bsc(Hons) in Information and Computing Technology -Member Institute of Computer Science</p>

12	<p><b>MR. DENIS MULAA ACHOLA</b></p> 	Member	<ul style="list-style-type: none"> <li>-K.A.C.E</li> <li>-E.A.C.E</li> <li>-C.S.C</li> <li>-Certificate in Water Technology</li> </ul>
13	<p><b>MR. JIMMY NABWERA</b></p> 	Member	<ul style="list-style-type: none"> <li>-MSc Economics</li> <li>-BA(Hons) Economics</li> </ul>
14	<p><b>MR. JOASH DACHE</b></p> 	Member	<ul style="list-style-type: none"> <li>-Masters of Law (LL.M)</li> <li>-Certificate in Legislative Drafting</li> <li>-Post-Graduate Diploma in Law</li> <li>-Bachelor of Law (LL.B)</li> <li>-Admitted to the Bar as Advocate of the High Court of Kenya</li> <li>-CPS(K)</li> <li>-Member: LSK, ICPSK, CALC</li> </ul>
15	<p><b>MR. DAVID N. OYOSI, MBS</b></p> 	Representative PS MWRN	<ul style="list-style-type: none"> <li>-Master of Business Administration: Esami/Maaschist</li> <li>-Bachelors of Arts</li> <li>-Member AAPAM</li> </ul>
16	<p><b>MR. BONIFACE SIMBA</b></p> 	Representative National Treasury	<ul style="list-style-type: none"> <li>-MBA in Strategic Management</li> <li>-B. Commerce</li> <li>- CPA (K)</li> <li>-Member ICPAK</li> </ul>

## III. MANAGEMENT TEAM

1	<p><b>DR. ENG. KABOK P. AGUKO</b></p> 	<p><b>Managing Director</b></p>	<p>-Doctor of Philosophy in Agricultural Engineering -M.Phil. Rural Engineering -BSc. (Hons) in Agricultural Engineering -Diploma in Agric. (Engineering Soil &amp; Water). -Registered Consulting Engineer -Member : IEK; EBK</p>
2	<p><b>MRS. MIRIAM SIWA</b></p> 	<p><b>Chief Manager, Planning Research, Bus. Dev. &amp; Inv. Pro.</b></p>	<p>-MSc. Entrepreneurship -PGD Planning &amp; Mgt of Devpt Projects -PGDHRM; Member IHRM -B. Education -Diploma in Management</p>
3	<p><b>CPA FREDRICK CHERE</b></p> 	<p><b>Chief Manager, Finance, HR &amp; Admin</b></p>	<p>-MBA Strategic Management -B. Com- Accounting -CPA(K) ,CPS (K),CFE -Membership ICPAK, ICPSK, ACFE</p>
4	<p><b>MR.WILLIAM O. OGOLLA</b></p> 	<p><b>Chief Manager, Agricultural Services</b></p>	<p>-MSc. Land &amp; Water Management -Bachelor of Science- Agriculture</p>
5	<p><b>ENG. GODFREY M. MWANGI</b></p> 	<p><b>Ag: Chief Manager, Technical Services &amp; Operations</b></p>	<p>-BSc -Civil Engineering -Member :EBK;IEK</p>

6	<p><b>MR. JOSEPH OKOTTO-OKOTTO</b></p> 	<p><b>Manager Planning, Research &amp; Special projects</b></p>	<p>-BSC –Environment Science -Diploma in Cartography</p>
7	<p><b>CPA CHRISTINE OTIENO</b></p> 	<p><b>Manager, Finance</b></p>	<p>-MBA-Strategic Management -PG Diploma in Banking -B. Com-Accounting &amp; Auditing -CPA (K) -Member ICPAK</p>
8	<p><b>MR. JAMES NYAKWEBA</b></p> 	<p><b>Ag. Manager, Human Resource</b></p>	<p>-Masters in Human Resource management -Bachelor in Human Resource Management. -Member-IHRM -CPS-Part I</p>
9	<p><b>MR. MAURICE OBASO</b></p> 	<p><b>Manager, Marketing &amp; Investment promotion</b></p>	<p>-B.A-Marketing</p>
10	<p><b>CPA GRACE ABUTO</b></p> 	<p><b>Manager, Internal Audit</b></p>	<p>-B.Com-Finance -CPA(K) ,CPS (K) -Member ICPAK, ISACA</p>

11	<p><b>CPA BENSON LUBANGA</b></p> 	<p><b>Ag. General Manager, LBDC</b></p>	<p>-Executive MBA -CPA (K) -Diploma in Food Science &amp; Technology -Member ICPAK</p>
13	<p><b>MR. SAMUEL NDIRE</b></p> 	<p><b>Manager, Quality Assurance</b></p>	<p>-PG Diploma in Public Relations -Bachelor of Arts</p>
13	<p><b>MRS. BEATRICE OKOKO</b></p> 	<p><b>Manager, Corporate Affairs</b></p>	<p>-BBA- Finance Option -Advanced Diploma in Business Administration</p>

#### IV. CHAIRMAN'S STATEMENT



In achieving our Mandate of fostering socio economic development in the Kenyan portion of the Lake Victoria Basin, we carried out a number of programs and projects in the financial year 2014/2015 to enable us achieve this. Sustainability is important for us to remain relevant in the current hard economic times by making sure all our projects and our technology transfer centers spread across the region are self-sustaining without compromising the quality of Service delivery to the community and customers which is very key in our organization's agenda.

Restructuring of government operations since the promulgation of the new constitution has come with few hurdles and we are working together with the National and County governments to resolve them with guidance from the Transition Authority.

The Lake Basin Development Authority performance improved from the previous year. Against a challenging limited resources, LBDA has continued to perform well demonstrating our ability to build a sustainable business in the region and the country as a whole. The Authority saw an increase in income from Kshs 477,715,384.00 to Kshs. 526,921,520.00 mainly due to increased collection of Appropriation in Aid (A in A). There was also a subsequent increase in expenditure accounted for by the cost of construction of water pans and small dams and increased employee costs with the introduction of the medical scheme among others.

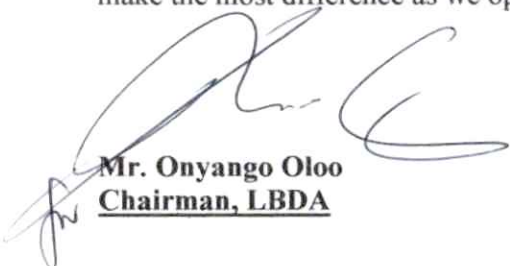
This financial year saw introduction of the employee medical scheme which has tremendously had a positive impact on employee performance, construction of small dams and water pans to mitigate communities against harsh climatic changes, development of a bankable exit strategy for the Kimira Oluch Small holder Farm Improvement project (KOSFIP) and the Authority embraced the e-procurement (IFMIS). I am also pleased to inform you that our organization has attained the internationally quality management systems and we will be applying for Re-certification in the coming financial year by the Kenya Bureau of Standards (KEBS).

On our vision 2030 flagship projects, we are well on course, we have extensively marketed them and we have received a positive feedback from potential investors; the Magwagwa and the Nandi forest multipurpose projects have received a green light from the National Treasury. The construction of the ultra-modern LBDA mall which is part of the Kshs.25 billion LBDA headquarters and housing project is in its final stages and we are looking for potential tenants and the response has been quite overwhelming.

The key challenges faced in the year were more or less the same as last years

- Reduction of development funds from the Government which has hampered our operations
- Delay in disbursement of fund
- The new PPP act which has slowed the progress of our vision 2030 projects

We believe that the long term success of our organization depends on the health and prosperity of the communities in which we operate, and we will continue to focus on the specific areas where we can make the most difference as we open up the region for development.

  
**Mr. Onyango Oloo**  
**Chairman, LBDA**

## V. REPORT OF THE AG. CHIEF EXECUTIVE OFFICER



The Lake Basin Development Authority (LBDA) prides itself in consistently delivering quality services to the community by provision of demand driven quality services through integrated planning and development to stimulate sustainable social and economic development in the region. LBDA covers 18 Counties and has over 20 transfer technology centers scattered across the region where we interact with the people and through our distinctive culture, a strong brand and a capable human resource we are able to serve them.

We have pursued a focused agenda and set ourselves ambitious performance goals which we have delivered on as per the Integrated Regional Development Master Plan (IRDMP), the LBDA Strategic Plan 2012/17 and the Kenya's vision 2030 blueprint. Our vision is superimposed on revitalized, trained and motivated human capital that the Authority intends to enhance the capacity of, as it moves towards delivery on the formulation and implementation of sustainable integrated basin-based development programmes. These will enhance the living conditions of the people in the region and its surrounding. In the implementation of the programmes, the Authority anticipates to enhance the penetration of the regional market and beyond to expand its market share of products and services. The achievement of the above approach will be founded on the bedrock of enhanced adoption of appropriate technology, networking, partnership, collaboration and community involvement.

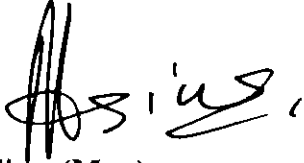
The financial statements of LBDA for the year ending 30 June 2015 shows the Authority's financial situation. The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and in the manner required by the Public Finance Management Act. The preparation of financial statements in conformity with IPSAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Receipts in form of Grants (development and recurrent) from the National Treasury was Kshs. 457,096,885 (Kshs. 362,821,717 –Unconditional and Kshs. 94,275,168-Conditional) as compared to Kshs. 417,971,712 in the previous year and this had a positive impact on our total income of Kshs. 526,921,520.00 against Kshs. 477,715,384.00 in the previous translating to a 10 % increase. The expenditure in this period increased to Kshs. 609,047,167 from the previous year's expenditure of Kshs. 441,997,434(38% increase). The Key drivers of our expenditure were capital intensive construction of dams and water pans and employee costs. It is worth noting that income received from sale of rice rose to Kshs. 41 million hence pushing up the A in A realization for the financial year to 69 million.

This financial year LBDA strived to achieve its mandate by implementing various projects which have made LBDA a key player in the region and the country at large. Our technology transfer centers, across the region, are vital for us to fulfil our mission of quality service delivery to the public. We will require more funding for them hence a reduction will be costly. Our vision 2030 Flagship projects (Magwagwa multi-purpose dam, and Nandi Forest Multi-purpose dam) are well on course after the National treasury and the World Bank agreed to finance the Provision of Transaction Advisory Services. The construction of the modern Kshs. 3.8 Billion Lake Basin Mall, a first of its kind through a partnership

set standards. Am pleased to inform you that our organization was found to be fully ISO 9001:2008 compliant and we have applied for recertification. We have ensured that our employees leave comfortably by offering them better medical services by contracting a service provider to offer the same.

The future of LBDA and the region is very bright, through delivering quality services to the community and in so doing we need to work extremely hard with the limited resources that we have. Also, we need to widen our revenue base and this will be accomplished by creating new partnerships with private investors. The completion of the ongoing Lake Basin Mall will also be key. Increasing the capacity of our technology transfer centers to enable them offer quality goods and services because as an Authority, we hope to realize macroeconomic stability for long term development, enhanced equity and wealth creation opportunities to all in the Region and beyond as envisioned in our Strategic Plan.



**Miriam C. Siwa (Mrs.)**  
**AG. Managing Director, LBDA**

## **VI. CORPORATE GOVERNANCE STATEMENT**

**For the year ended 30<sup>th</sup> June 2015**

Corporate governance deals with the way companies are led and managed, the role of the Board of Directors and a framework of internal controls. At Lake Basin Development Authority, we are committed to upholding the highest standards of corporate governance as key to the enhancement of the business performance; the Board of Directors seeks to discharge its duties and responsibilities in the best interest of the organization, its stakeholders, customers, development partners and the wider community. Our corporate values and ethics are entrenched in our strategic and development objectives and we are focused towards transforming and accelerating growth in value for the benefit of both the government and all our stakeholders.

### **The Board**

The Board provides leadership through oversight, review and guidance whilst setting the strategic direction for the organization. It is the primary decision-making body for all matters considered as material to the Authority.

The Board has a formal schedule of matters reserved for it. The Directors receive appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance matters. Ultimately, the Board determines the organization's strategic objectives, values, key policies and procedures in accordance with best practice.

The Board has delegated the authority for day-to-day management of the organization to the Managing Director (Chief Executive Officer). However, it maintains overall responsibility for the Authority's performance, compliance functions as well as monitoring of its operations and ensuring competent management of the business.

### **Board Composition**

Currently, the Board comprises of sixteen (16) members; the Chairman who is a non-executive director, one executive and fifteen non-executive directors. The Managing Director is a full time executive member and Secretary to the Board. We believe that the Board has an appropriate combination of skills, knowledge and experience to perform its role effectively.

All directors are subject to periodic re-appointment in accordance with the State Corporations Act, the Office of the President and the Parent Ministry.

### **Induction and on-going development**

On appointment, the directors receive induction training covering the organization's programmes and operations and an appreciation of the key risk areas. The programme includes specific sessions with the management across the units for clarity and better understanding of the organizations' functions, roles and accountabilities, business model and operations.

The directors are advised of the legal, regulatory and other obligations of a director of a State Corporation. The directors also receive both internal and external training on corporate governance.

### **Board Meetings**

The full Board normally meets at least once a quarter and at other times as they may determine to be appropriate, chaired by the Chairman or his appointee, who has non-executive responsibilities. The directors have a formal schedule of matters reserved for discussion. The directors receive appropriate and timely information to enable them exercise full and effective control over strategic, financial, operational, compliance and governance issues. Specifically, the directors are provided with all available information in respect to items to be discussed at a meeting of the Board or committee prior to such meetings. The Board has open access to management through the Chairman and Managing Director. Regular presentations are made by management to the Board and Board Committee meetings and directors may seek briefing from management on specific matters as well as seek independent professional advice.

### **Independent non-executive directors**

The Board considers all of the non-executive directors to be independent and free from any business relationships or other circumstances that could materially interfere with the exercise of objective or independent judgment. In determining their independence, the directors are required to declare any interests that may give rise to a potential or perceived conflict.

Non-executive directors are appointed for an initial term of three years which is renewable subject to the provisions of State Corporations Act and the appointing authority.

The Board is aware of the other commitments of the individual non-executive directors and is satisfied that these do not conflict with other with their duties and time commitments as directors of the Authority.

### **Role of the Chairman and Managing Director**

The separate roles of the Chairman and the Managing Director are clearly defined in written role descriptions which have been approved the Board. The Chairman is responsible for managing the Board and providing leadership to the organization, while the Managing Director is responsible to the Board for strategically overseeing and managing the organizational units in accordance with instructions given by the Board.

The Managing Director directs the implementation of Board decisions and instructions and the general management of the organizational units with the assistance of the management teams.

### **Board effectiveness evaluation**

In pursuit of the objective of promoting Board effectiveness, the Board undertook a self-evaluation exercise facilitated by a consultant. The recommendations from this evaluation are being considered with a review to implementing them.

### **Managing Directors Evaluation and Succession**

The Board is responsible for viewing and approving goals and objectives relevant to the compensation of the Authority's Managing Director, evaluating the performance of the Managing Director in light of the goals and objectives and recommending to the Cabinet Secretary the compensation based on such evaluation.

The Board plans for succession to the position of Managing Director of the Authority, which involves consideration of its policies and principles regarding selection and performance or the retirement of the Managing Director. To assist the Board, the Managing Director shall provide the Board with an assessment of members of senior management and their succession potential at least annually.

### **Director's Remuneration**

The remuneration of all non-executive directors is subject to laid out regulations as contained in the State Corporations Act. The Chairman is entitled to a monthly honorarium while the other non-executive directors are paid sitting allowances and other related allowances subject to attendance at the Board or Committee meetings.

### **Going Concern**

The Board confirms that it is satisfied that the organization has adequate resources to continue in its activities for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing the financial statements.

### **Conduct of Activities and Performance Reporting**

The Authority's activities are conducted in accordance with a carefully formulated strategy, annual business plans and budgets which set out very clear objectives. Roles and responsibilities have been clearly defined with approved authority being delegated. Performance against the objectives is reviewed and discussed monthly and quarterly by the management teams in the organization.

### **Communication with stakeholders**

The Authority places a great deal of importance on the quality and detail disclosures to its stakeholders. The organization has also embraced technology to ensure this is done efficiently and regular communication with stakeholders also takes place via the organization's website.

The Board believes that it is in general, the responsibility of management to speak for the Authority in communications to outside parties. Directors only engage in such communications at the request of or after consultation with the management.

### **Corporate Governance Review**

The Board shall review this Statement no less than annually and shall recommend any changes for its approval.

### **Committees of the Board**

The Board has five committees with specific delegated authorities. These are the Board Executive Committee, the Audit Committee, Finance and Establishment Committee, Development and Planning Committee and LBDC Board Committee. The specified members and detailed terms of reference are indicated below:

#### **Board Executive Committee Members**

- Mr. Onyango Oloo - Chairman
- Mrs. Mary D. G. Michieka - Vice chair
- Dr (Eng) Kabok P. Aguko (PhD), CE- MD – Secretary
- Eng. George O. MacOdawa, MBS -Chair Planning & Dev committee
- Mr. Alex J. Mukabwa - Chair Finance & Est Committee
- Mr. Anthony Kogo - Chair Audit & Risk Mgt. Committee
- Mr. Josiah O. Okumu - Chair, LBDC Co. ltd

**Finance and Establishment Committee Members**

- Mr. Alex J. Mukabwa - Chair Finance & Est Committee
- Mr. David Oyosi, MBS - Alt. Dir, Min. Env, Water & Natural Resources
- Dr (Eng) Kabok P. Aguko (PhD), CE- MD - Secretary
- Mr. Josiah O. Okumu - Member
- Mrs. Mary D. G. Michieka - Member
- Mr. Kennedy Musebe - Member
- Eng. George MacOdawa, MBS - Member
- John Mango - Member

**Planning and Development Committee Members**

- Eng. George MacOdawa, MBS - Chairman
- Dr (Eng) Kabok P. Aguko (PhD), CE- MD – Secretary
- Boniface Simba - Alt, Dir National Treasury
- Michael Obora - Alt, Dir Min. of Agriculture, Livestock & Fisheries
- Prof. John C. Onyango - Member
- Dennis M. Ochola -Member
- Jimmy Nabwera - Member
- William B. Omoding - Member
- Kennedy Musebe - Member
- Joash Dache - Member

**Board Audit Committee Members**

- Anthony K. Kogo - Chairman
- William B. Omoding - Member
- Dennis M. Achola - Member
- Jimmy Nabwera - Member
- Boniface Simba - Member
- Michael Obora - Member
- Grace Abuto - Manager Internal Audit- Secretary

**LBDC Board Committee Members**

- Josiah O. Okumu - Chairman
- Mr. David Oyosi - Alt. Dir, Min. Env, Water & Natural Resources
- Dr (Eng) Kabok P. Aguko (PhD), CE- MD – Secretary
- Mrs. Mary D. G. Michieka - Member
- Mr. Anthony Kogo - Member
- Mr. Alex Mukabwa - Member
- Prof. J. C Onyango - Member
- Mr. Joash Dache - Member
- Mr. John Mango - Member

## VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Corporate Affairs Department was allocated Kshs. 500,000 for Corporate Social Responsibility (CSR) activities for the Financial Year 2014/15 and the department managed to spend Kshs. 695,520 in the activities below:

### **Maseno School Prize Giving Day**

LBDA donated Kshs. 14,780 towards the prize giving day in terms of Text books that encourage subjects that are associated with the overall LBDA mandate such as environment conservation and Engineering. This was also to reach out to future generations that should understand the benefits of the resources in the Region.

#### Output

- i) LBDA Brand recognition

### **Joyful Women Organization**

This is the Women economic empowerment Organization, the Authority contributed Kshs. 50,000 towards its 5<sup>th</sup> annual exhibition and thanksgiving ceremony which was held on 21<sup>st</sup> August 2014. Part of our CSR strategy is to help the minority in realization of sustainable development.

#### Output

- i) Community empowerment which is part of our strategic objectives
- ii) LBDA Brand recognition Nationwide.

### **International Youth Foundation Camp**

In its endeavor to tap into the youth potential within its jurisdiction, the Authority donated rice worth Kshs. 11,040. This is an annual youth forum that gives the Authority a chance to interact and share ideas with young minds. The MD was the guest of honour for the second year running.

#### Out put

- i) Branding of LBDA to younger audiences
- ii) One week free advertising during prime time of our LBDC Rice brand
- iii) Access to new Markets of our products
- iv) Youth empowerment

### **Mama Ngina Children's Home**

Part of our CSR strategy is to integrate social and environmental concerns in the Organization's operations and interactions with stakeholders. LBDA linked with Uchumi Supermarket Ltd. held a CSR event at Mama Ngina Children's Home and donated 16 bales (348Kgs) of rice Kshs. 34,200

#### Output

- i) Brand Product Recognition
- ii) Community Empowerment

### **First Lady's Half Marathon**

First Lady's Marathon is an initiative by The First Lady of Kenya Margaret Kenyatta that targeted to purchase 47 fully kitted mobile clinics. LBDA contributed Kshs. 4,500 through registering and participating in the Marathon.

**Output**

- i) Community empowerment which is one of our strategic objectives
- ii) LBDA brand recognition

**Victory Children's Home**

LBDA linked with Uchumi Supermarket Ltd. held a CSR event at Victory Children's Home and donated Kshs. 166,000 of which Kshs. 100,000 was given in cheque and Kshs. 66,000 was Rice from LBDC.

**Output**

- i) LBDA Product Brand recognition
- ii) Community Empowerment

**Nduru Secondary School & Kapsoo Girls**

These two schools are within our area of jurisdiction and the Authority held a CSR event contributing Kshs. 150,000 for each school for construction and repair of their ablution block. This was initially part of Water Sanitation and Hygiene programme (WASH) in schools.

**Output**

- i) Community empowerment
- ii) Quality access to water and sanitation infrastructure in schools
- iii) Reduction of incidences of water borne diseases and infections
- iv) To stimulate and shape water sector reforms i.e. sustainability/tariff issues
- v) To contribute to the national development policies to achieve Millennium Development Goals (MDG) Target 7c whose primary aim is to reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation
- vi) Retention of the girl child in schools

**World's Environment Day**

Environment conservation and protection of catchment area has been one of the Authority's strategic objectives. LBDA donated Kshs. 100,000 (10,000 in form of tree seedlings, 90,000 in form of advertisement, sponsorship & promotions) towards the drive to plant trees and also contributed to governments' target of 10% tree cover policy.

**Output**

- i) Contribution to the 10% forest cover
- ii) Sensitization on the environment issue

**Donation to National Holidays**

The Authority contributes to county secretariats in order for them to achieve success in preparation of National Holidays. The Authority's Choir performs during this occasions and it also donates Kshs. 5,000 towards the luncheon.

**Output**

- i) County relationship
- ii) Brand recognition through our choir

Below is a summary table of the activities for 2014/15 Financial Year.

<b>No</b>	<b>Organisation/ Activity</b>	<b>Date</b>	<b>Amount (Kshs)</b>
1.	Maseno School prize giving day	9 <sup>th</sup> August 2014	14,780
2.	Joyful Women	25 <sup>th</sup> September 2014	50,000
3.	International Youths Foundation	2 <sup>nd</sup> December 2014	11,040
4.	Mama Ngina Children's Home	5 <sup>th</sup> February 2015	34,200
5.	First Lady Marathon	8 <sup>th</sup> March 2015	4,500.00
6.	Victory Childrens Home		166,000
7.	Nduru Secondary School	11 <sup>th</sup> May 2015	150,000
8.	Kapsoo Girls	20 <sup>th</sup> April 2015	150,000
9.	World's Environment Day	5 <sup>th</sup> June 2015	100,000
10.	National Holidays	Varied	15,000
<b>TOTAL</b>			<b>695,520</b>

## VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the Authority's affairs.

### Principal activities

The principal activities of the Authority, established under Cap 442 Laws of Kenya are: -

- a) Agricultural i.e. Crop & Horticultural Production, Fisheries Development, Livestock Multiplication and Poultry Production
- b) Industrial i.e. Brick & Tiles Production., Rice Milling & Honey Production,
- c) Environmental Conservation i.e. Agro forestry, Effluent Monitoring, Evaluation and Water Catchments Conservation
- d) Regional Studies

### Results

The results of the entity for the year ended June 30, 2015 are set out on page one

### Directors

The members of the Board of Directors who served during the year are shown on page vi - viii.

### Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Section 14 of the Public Audit Act 2003.

  
Mr. Onyango Oloo  
**CHAIRMAN**

Date: ..... 29/9/2015 .....

  
Miriam C. Siwa (Mrs)  
**AG. MANAGING DIRECTOR**

Date: ..... 29/9/2015 .....

## IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 50 of the State Corporations Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2015. 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 entity; (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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2015, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority'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 Authority will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Authority's financial statements were approved by the Board on 22<sup>nd</sup> September 2015 and signed on its behalf by:



**Mr. Onyango Oloo**  
**CHAIRMAN**

Date: 29/9/2015



**Miriam C. Siwa (Mrs)**  
**AG. MANAGING DIRECTOR**

Date: 29/9/2015



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON LAKE BASIN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2015

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Lake Basin Development Authority set out on pages 1 to 20, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year 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 International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of its 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 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. 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

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*Lake Basin Development Authority – Annual Report and Financial Statements for the year ended  
30 June 2015*

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 Authority'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. Going Concern**

The Authority's financial performance continued to deteriorate during the year as it incurred a deficit of Kshs.79,998,482 (2013/14- Kshs.125,191,871) which brought its accumulated surplus to Kshs.161,855,334 (2013/14 – Kshs.241,853,816). The statement of financial position also reflects a negative working capital of Kshs.2,191,282,984. Evidently, the Authority is technically insolvent and its continued operation as a going concern is dependent upon the continued support from the Government, trade payables and its bankers.

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

#### **2.1 Stalled Projects**

As noted in the previous years' audit report, the Authority's property, plant and equipment figure of Kshs.3,289,923,541 as at 30 June 2015, include work in progress amount of Kshs.2,823,441,433 which include work in progress at Yala Swamp Weir valued at Kshs.122,206,680. The Swamp was taken over by a private company who undertook to complete it at their own cost. The memorandum of understanding between the Authority and the Company did not provide for refund of the initial works done worth Kshs.122,206,680. The Authority does not have title documents of the land, where this swamp stands. Management has not provided justification for inclusion of the works as non-current assets in this financial statements.

#### **2.2 Land Ownership Documents**

As reported in the financial year 2013/2014, the Authority's property, plant and equipment balance of Kshs.3,289,923,541 as at 30 June 2015 includes eighteen (18) parcels of land valued at Kshs.39,174,333, whose ownership documents were not made available for audit review. In addition a parcel of land and building valued at Kshs.1,800,000 and Kshs.4,000,000 respectively, had been transferred and registered in the name of a former employee in unexplained circumstances. Consequently, it has not been possible to verify the ownership of these properties.

### **2.3 Work in Progress**

Included in the work in progress figure of Kshs.2,823,441,433 as at 30 June 2015 are work-in progress additions of Kshs.2,240,119,617 during the year in respect of construction and development works of a shopping mall being undertaken jointly between the Authority and a property developer at a contract sum of Kshs.2,451,035,644. Information available and the contract agreement availed indicate that the Authority was to pay Kshs.490,207,129 under phase one within a period of six (6) months after the signing of the contract agreement on 8<sup>th</sup> April, 2013. However, the Authority had only paid Kshs.359,500,000 as at 30 June 2015 leaving an unpaid balance of Kshs.130,707,129, and thus the Authority's in breach of that contract agreement with the private developer.

### **2.4 Variation of Contracts for Construction of Shopping Mall**

The Authority and a private property developer entered into the contract on 8 May 2013 to construct Lake Basin Mall at contract sum of Kshs.2,451,035,643. However, the contract was varied on 17 February 2015 from the original contract sum of Kshs.2,451,035,643 to Kshs.3,860,000,000 – (51%) variation, which is contrary to the Public Procurement and Disposal Regulations (amendment 2013) that allows variation to a maximum of 25% of the contract sum. Thus the Authority is in breach of the law.

### **3. Receivables from Exchange Transactions**

As noted in the report of the financial year 2013/2014 and prior years and as disclosed in note 20 to the accounts receivables from exchange net figure of Kshs.58,125,390 includes debts totaling Kshs.122,269,659 and Kshs.1,467,163 in respect of overpayment relating to construction of a rice mill and a deceased staff respectively which have been outstanding since the year 1993. Also Included in the receivables from exchange transactions figure of Kshs.58,125,390 is an amount of Kshs.4,599,121 incurred on a trip to China by a former parent Ministry official of which no refund has been received.

Any additional provision that would have been necessary in relation to these uncertainties have not been incorporated in tis financial statement.

### **4. Loss of Funds**

As similarly reported, the Authority lost funds through stolen cheques amounting to Kshs.271,861 in the financial year 2013/2014. A review of the status during the year revealed that no recovery had been made. Although management has explained that the case is before court, the outcome is still uncertain.

### **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 Authority as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Lake Basin Development Authority Act, Cap 442.

## **Emphasis of Matter**

### **Trade and Other Payables**

Attention is drawn to Note 26 which discloses the payables/creditors balances of Kshs.2,312,409,556 as at 30 June 2015. The balance includes an amount of Kshs.2,219,556,878 (2013/2014 – Kshs.29,622,312) attributed to reimbursable contractors claims with whom the Authority entered into a public/private agreement for the construction of a shopping mall. The amount is payable to the contractors or recoverable from future rent to be paid by tenants. In regard to the Authority's negative working capital situation, it has not however been possible to ascertain the extent of the liability that may arise as a result of the possible suspension of the project.

### **Other Matter**

#### **1. Construction of Water Pans and Small Dams**

A Construction Company was awarded a contract for the construction of Wambulise Water pan at Khwisero Kakamega County at a contract sum of Kshs.4,030,000. The contractor during the year under review had been paid Kshs.2,594,214, being 65% of the contract sum. The audit verification on the project revealed that the project had stalled and washed away by rain due to its weak embankment.

Further, another Construction firm was awarded a contract for the construction of Marinda small dam in Trans Nzoia County at a contract sum of Kshs.18,010,179 upon revision of the tender price from Kshs.23,488,772.66. The firm had been paid Kshs. 20,731,272 that was above the contract sum, by Kshs.2,721,093.

In the circumstances, it could not be confirmed whether, the Authority received value for money.

#### **2. Penalty for late payment of NSSF Contributions**

Non remittance of NSSF contributions by the Authority within stipulated timelines attracted penalties totalling to Kshs.5,671,973 out of which the Authority had paid Kshs.3,000,000 by 30 June 2015. Consequently, the Authority received no value for the amount spent.

#### **3. Termination of Contract for the former Managing Director**

The contract of former managing director was terminated by the Board due to managerial issues. The Authority is expected to pay him the balance of

unexpired period of the contract. The Authority stands to pay Kshs.9,045,645 for services not rendered by the former managing director, expenditure amount which has not been incorporated in these financial statements.



**FCPA Edward R.O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**29 March 2016**

**X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2014-2015 Kshs	2013-2014 Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments	3	<u>457,096,885</u>	<u>417,971,712</u>
		<b>457,096,885</b>	<b>417,971,712</b>
<b>Revenue from exchange transactions</b>			
Sale of rice	4	41,042,610	30,055,653
Sale of Agricultural produce	5	17,276,849	17,446,289
Rental revenue from facilities and equipment	6	9,252,820	9,002,375
Finance income - external investments	7	1,076,523	466,447
Other income	8	<u>1,175,833</u>	<u>2,772,908</u>
		<b><u>69,824,635</u></b>	<b><u>59,743,672</u></b>
<b>Total revenue</b>		<b><u>526,921,520</u></b>	<b><u>477,715,384</u></b>
<b>Expenses</b>			
Employee costs	9	189,334,527	190,023,263
Board Expenses	10	18,623,056	10,943,072
Depreciation and amortization expense	11	26,604,535	31,517,362
Repairs and maintenance	12	18,400,753	19,404,940
Contracted services	13	88,278,552	36,257,166
General expenses	14	267,067,802	153,496,928
Finance costs	15	<u>737,942</u>	<u>354,703</u>
<b>Total expenses</b>		<b><u>609,047,167</u></b>	<b><u>441,997,434</u></b>
<b>Operating profit/(loss)</b>	30	<b><u>(82,125,647)</u></b>	<b><u>35,717,950</u></b>
<b>Other gains/(losses)</b>			
Gain on sale of assets	16	44,651	306,685
Gain/Loss on Biological Asset	17	2,082,514	3,692,356
Impairment loss	18	-	<u>(164,908,862)</u>
<b>Total Other gains/Losses</b>		<b><u>2,127,165</u></b>	<b><u>(160,909,821)</u></b>
<b>Surplus/(deficit) for the period</b>		<b><u>(79,998,482)</u></b>	<b><u>(125,191,871)</u></b>

The notes set out on pages 11 to 14 form an integral part of the Financial Statements

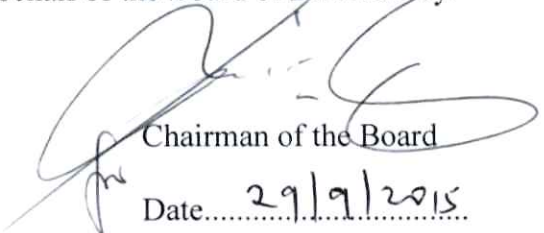
## XI. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	2014-2015 Kshs	2013-2014 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	19	45,606,095	25,719,303
Receivables from exchange transactions	20	58,125,390	128,443,967
Inventories	21	16,201,118	46,110,687
Staff Advances	22	1,193,969	922,886
		<b>121,126,572</b>	<b>201,196,843</b>
<b>Non-current assets</b>			
Property, plant and equipment	23	3,289,923,541	1,074,323,877
Biological Assets	24	17,713,050	15,630,537
Intangible assets	25	1,542,635	1,928,294
		<b>3,309,179,226</b>	<b>1,091,882,708</b>
<b>Total assets</b>		<b>3,430,305,797</b>	<b>1,293,079,551</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade & other payables	26	2,312,409,556	95,184,828
		<b>2,312,409,556</b>	<b>95,184,828</b>
<b>Non-current liabilities</b>			
Non-current employee benefit obligation		-	-
<b>Total liabilities</b>		<b>2,312,409,556</b>	<b>95,184,828</b>
<b>Net Assets</b>			
Capital Grants	27	583,940,769	583,940,769
Capital Reserves	28	-	121,412,536
Accumulated surplus	29	161,855,334	241,853,816
Revaluation Reserves	28	372,100,138	250,687,602
<b>Total Net assets</b>		<b>1,117,896,241</b>	<b>1,197,894,723</b>
<b>Total net assets and liabilities</b>		<b>3,430,305,797</b>	<b>1,293,079,551</b>

The Financial Statements set out on pages 15 to 18 were signed on behalf of the Board of Directors by:

  
Ag. Managing Director

Date... 29/9/2015

  
Chairman of the Board  
Date... 29/9/2015

## XII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Capital Grants Kshs	Capital Reserves Kshs	Accumulated surplus Kshs	Revaluation Reserves Kshs	Total Kshs
<b>Balance as at 30 JUNE 2013</b>		<b>583,940,769</b>	<b>121,412,536</b>	<b>358,791,277</b>	<b>250,687,602</b>	<b>1,314,832,184</b>
Surplus/(deficit) for the period		-	-	(125,191,871)	-	(125,191,871)
Adjustment		-	-	8,254,410	-	8,254,410
Transfers to/from accumulated surplus		-	-	-	-	-
<b>Balance as at 30 JUNE 2014</b>		<b>583,940,769</b>	<b>121,412,536</b>	<b>241,853,816</b>	<b>250,687,602</b>	<b>1,197,894,723</b>
Surplus/(deficit) for the period	30	-	-	(79,998,482)	-	(79,998,482)
Adjustment		-	-	-	-	-
Transfers to/from accumulated surplus		-	(121,412,536)	-	121,412,536	-
<b>Balance as at 30 JUNE 2015</b>		<b>583,940,769</b>	<b>-</b>	<b>161,855,334</b>	<b>372,100,138</b>	<b>1,117,896,241</b>

## XIII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2014-2015 Kshs	2013-2014 Kshs
<b>Surplus for the year before tax</b>	<b>30</b>	<b>(79,998,482)</b>	<b>(125,191,871)</b>
Adjusted for:			
Depreciation	11	26,604,535	31,517,362
Prior year Adjustment		-	8,254,410
Impairment Loss		-	164,908,862
Gains and losses on disposal of assets	16	(44,651)	(306,685)
Gains and losses on Biological Assets	17	(2,082,514)	(3,692,356)
<b>Working capital adjustments:</b>			
Increase/decrease in inventory		29,909,569	37,250,597
Increase/decrease in receivables		70,318,577	250,221,976
Increase/decrease in Staff Advances		(271,083)	549,590
Increase/decrease in payables		2,217,224,728	(27,243,398)
<b>Net cash flows from operating activities</b>		<b>2,261,660,680</b>	<b>336,268,487</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	23	(2,241,824,888)	(326,232,031)
Proceeds from sale of property, plant and Equipment	16	51,000	320,000
<b>Net cash flows used in investing activities</b>		<b>(2,241,773,888)</b>	<b>(325,912,031)</b>
<b>Cash flows from financing activities</b>			
Increase in deposits		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>19,886,792</b>	<b>10,356,456</b>
Cash and cash equivalents at 1 July 2014	19	25,719,303	15,362,847
<b>Cash and cash equivalents at 30 June 2015</b>	<b>19</b>	<b>45,606,095</b>	<b>25,719,303</b>

## XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Revenue	Original budget 2014-2015 Kshs	Adjustments 2014-2015 Kshs	Final budget 2014-2015 Kshs	Actual on comparable basis 2014-2015 Kshs	Performance difference 2014-2015 Kshs
Transfers from other Government	285,321,717	171,775,168	457,096,885	457,096,885	-
Sale of Rice	35,004,591	-	35,004,591	41,042,610	(6,038,019)
Sale of Agricultural Produce	25,695,409	-	25,695,409	17,276,849	8,418,560
Rental revenue from facilities and equipment	9,000,000	-	9,000,000	9,252,820	(252,820)
Other incomes	2,000,000	-	2,000,000	1,175,833	824,167
Finance Income-external investments	500,000	-	500,000	1,076,523	(576,523)
<b>Total income</b>	<b>357,521,717</b>	<b>171,775,168</b>	<b>529,296,885</b>	<b>526,921,520</b>	<b>2,375,365</b>
<b>Expenses</b>					
Compensation of employees	152,221,717	35,000,000	187,221,717	189,334,527	(2,112,810)
General expenses (Civil Works)	108,950,000	55,000,000	163,950,000	267,067,802	(103,117,802)
Finance cost	350,000	200,000	550,000	737,942	(187,942)
Board expenses	10,000,000	-	10,000,000	18,623,056	(8,623,056)
Repairs and Maintenance	20,000,000	-	20,000,000	18,400,753	1,599,247
Other payments(depreciation and amortization)	-	-	-	26,583,535	(26,583,535)
Capital Expenditure	30,000,000	30,000,000	60,000,000	51,205,271	8,794,729
Contracted services	36,000,000	51,575,168	87,575,168	88,278,552	(703,384)
<b>Total expenditure</b>	<b>357,521,717</b>	<b>171,775,168</b>	<b>529,296,885</b>	<b>660,231,438</b>	<b>(130,934,553)</b>

## NOTES

1. The amount of Kshs. 171,775,168 in Budget adjustment include receipt of Kshs. 77,500,000 budget balance for the 2013/2014 Financial Year and Kshs. 94,275,168 for construction of Dams and Water Pans.
2. The difference between the Budgeted and actual amount in regards to Board Expenses was due to expenditure incurred on corporate governance audit affecting the Managing Director and the Chief Manager in charge of Finance Human Resource and Administration. The variance on General Expenses was as a result of increase in provision of Bad debts.

**XV. NOTES TO THE LBDA FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2015****1. Statement of compliance and basis of preparation – IPSAS 1**

Lake Basin Development Authority financial statements have been prepared in accordance with and in compliance with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority. 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 indirect 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*****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 Authority and can be measured reliably.

**ii) Revenue from exchange transactions – IPSAS 9*****Sale of goods (Agricultural produce & Rice)***

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 Authority.

***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 Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Authority 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) 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 Authority 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

**LAKE BASIN DEVELOPMENT AUTHORITY**

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.

Depreciation on PPE is calculated using reducing balance method and the rates used are:

	<u>%</u>
a) Tractors .....	37.5
b) Motor Vehicles/Cycles .....	25.0
c) Farm Implements .....	12.5
d) Buildings.....	2.0
e) Loose Tools & Equipment .....	12.5
f) Furniture, Fittings & Fixtures .....	12.5
g) Office Machines & Equipment .....	12.5
h) Computer & Other Class II Equipment .....	30.0
i) Property Plant & Equipment.....	12.5
j) Computer Software.....	20.0

**d) 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.

**e) 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 Authority.

**f) Nature and purpose of reserves**

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

**g) Changes in accounting policies and estimates – IPSAS 3**

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

**h) Employee benefits – IPSAS 25**

**Retirement benefit plans**

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (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.

**i) 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 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 imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**j) Comparative figures**

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

**k) Significant judgments and sources of estimation uncertainty – IPSAS 1**

The preparation of the Authority'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.

***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 Authority 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 Authority. Such changes are reflected in the assumptions when they occur.

***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 Authority
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

## **LAKE BASIN DEVELOPMENT AUTHORITY**

- 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. 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.

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

### **l) Related Party**

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties. The Authority has related party relation with Lake Basin Development Company (LBDC) whose key management personnel is the General Manager. LBDC is the commercial wing of the Authority and the Authority has influence on its management. The Authority also has related party relations with the Board Members of the Authority and the Board of the Lake Basin Development Company.

### **m) Treatment of Biological Asset (IPSAS 27)**

A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell, except for the case where the fair value cannot be measured reliably.

Agricultural produce harvested from the Authority's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IPSAS 12.

In order to arrive at the value of Livestock, the Authority determines the market price (fair value) of the animals and multiply it by 75%. This rate cushions against high-low fetching price for the animal.

On growing crops (Work-in-progress), estimated yield less expected total expenditure is determined and then multiplied by 85% to arrive at the value.

On Tilapia fish, after the determination of the number of fish, 80% is used on survival rate then multiplied by the market price which is then multiplied by 75% to arrive at its value. On Clarias, 60% survival rate is applied on adults and 40% on fingerlings.

On counting tree seedlings, a rate of 80% is applied on survival rate and 85% on market price.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in surplus or deficit for the period in which it arises.

### **n) Risk management objectives and policies**

#### **Financial risk management**

The Authority's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Authority's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimize the potential adverse effects of such risks on the Authority's performance by setting acceptable levels of risk. The Authority does not hedge against any risks.

## i) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Authority's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Authority manages liquidity risk by continuously reviewing forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 Yr	Between 1-3 Years	Over 5 Years	
				Total
	Shs	Shs	Shs	Shs
<b>At 30<sup>th</sup> June 2015</b>				
Trade payables	2,240,211,540	24,042,249	50,329,895	<b>2,314,583,684</b>
<b>At 30<sup>th</sup> June 2014</b>				
Trade payables	45,136,276	4,354,254	57,819,772	<b>107,310,302</b>

## ii) Credit risk

The carrying amount of financial assets recorded in the financial statements representing the company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Fully performing	Past due	Impaired	Total
	Shs	Shs	Shs	Shs
<b>At 30<sup>th</sup> June 2015</b>				
Trade receivables	52,702,976	17,875,145	152,615,241	<b>223,193,362</b>
Bank balances	43,008,963	-	-	<b>43,008,963</b>
<b>At 30<sup>th</sup> June 2014</b>				
Trade receivables	34,368,037	13,541,402	152,736,569	<b>200,646,008</b>
Bank balances	23,543,004	-	-	<b>23,543,004</b>

## o) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

**LAKE BASIN DEVELOPMENT AUTHORITY****3. Transfers from other governments**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
<b>Unconditional grants</b>		
Recurrent Grants	130,721,712	130,721,712
Development Grants	232,100,000	215,250,000
Construction of Water Pans & Dams	94,275,168	72,000,000
	<b>457,096,885</b>	<b>417,971,712</b>

**4. Sale of rice**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Sale of rice	41,425,815	31,072,729
Sales Returns	(383,205)	(1,017,076)
<b>Total revenue from sale of rice</b>	<b>41,042,610</b>	<b>30,055,653</b>

**5. Sale of Agricultural produce, Bricks & Related income**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Sale of sugar cane	2,471,666	706,392
Sale of bricks	450,500	1,027,970
Sale of milk	5,014,643	6,528,425
Sale of animals & steers	1,559,500	2,543,000
Sale of pigs	6,000	63,000
Sale of seedlings	1,808,361	2,156,821
Sale of vegetables & fruits	149,724	255,160
Sale of Honey	525,090	136,040
Sale of fingerlings & table size fish	1,353,025	863,944
Sale of fish/chicken feeds	1,052,740	1,396,920
Sale of sorghum	-	178,000
Sale of bran meal, coloured rice	1,411,460	1,276,108
Sale of poultry & products	1,474,140	118,526
Dipping & Bull services	-	26,000
Sale of paddy rice	-	169,983
<b>Total revenue from the sale of goods</b>	<b>17,276,849</b>	<b>17,446,289</b>

**6. Rental Revenue from facilities and equipment**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Commercial Rent	3,543,700	3,440,575
Lease Rentals	5,396,000	5,312,000
Hire of Tractors & Excavator	313,120	249,800
<b>Total rentals</b>	<b>9,252,820</b>	<b>9,002,375</b>

**7. Finance income**

	2015	2014
	Shs	Shs
Cash investments and fixed deposits	1,076,523	466,447
<b>Total finance income</b>	<b>1,076,523</b>	<b>466,447</b>

**8. Other income**

	2015	2014
	Shs	Shs
Insurance recoveries	-	1,140,589
Boarded Stores	181,700	430,468
Hire of Grounds	540,420	412,236
Milling/Airing Charges	89,363	16,200
Sale of Tender Documents	-	617,950
Surcharge Services	255,000	97,985
Tour Fees	109,350	57,480
<b>Total other income</b>	<b>1,175,833</b>	<b>2,772,908</b>

**9. Employee costs**

	2015	2014
	Shs	Shs
Casual wages	12,007,531	13,985,689
Ex-Gratia Payments	193,779	1,961,994
Medical Expenses	23,679,685	6,998,762
NSSF Employers Contribution	3,666,232	1,065,124
Provident Fund Employers Contribution	11,062,202	13,698,418
Service Gratuity	514,081	2,910,807
Salaries	134,759,234	145,456,695
Terminal Dues	46,368	483,857
Training	3,043,115	3,075,117
Welfare	362,300	386,800
<b>Employee costs</b>	<b>189,334,527</b>	<b>190,023,263</b>

**10. Board Expenses**

	2015	2014
	Shs	Shs
Board Expenses	18,623,056	10,943,072
<b>Total Board Expenses</b>	<b>18,623,056</b>	<b>10,943,072</b>

**11. Depreciation and amortization expense**

	2015	2014
	Shs	Shs
Property, plant and equipment	26,218,876	30,432,696
Intangible assets	385,659	1,084,666
<b>Total depreciation and amortization</b>	<b>26,604,535</b>	<b>31,517,362</b>

**LAKE BASIN DEVELOPMENT AUTHORITY****12. Repairs and maintenance**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Building Repairs-Non Residential	2,655,060	2,614,058
Plant & Machinery Repairs	2,093,408	1,554,830
Repair of Office Equipment	1,154,344	250,321
Repair of Office Furniture	234,052	274,100
Motor Vehicle Running	12,263,889	14,711,631
<b>Total repairs and maintenance</b>	<b>18,400,753</b>	<b>19,404,940</b>

**13. Contracted services**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Construction of Water Pans	88,278,552	36,257,166
<b>Total contracted services</b>	<b>88,278,552</b>	<b>36,257,166</b>

**14. General expenses**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Advertising	5,589,227	3,017,575
Animal Feeds	3,375,477	3,843,573
Ask Show	9,427,676	10,406,248
Audit fees	2,095,450	1,395,996
Computer expenses	10,626,983	438,177
Compound Maintenance	1,033,064	1,536,860
Consulting fees	13,989,162	13,303,739
Dairy expenses	113,724	72,876
Donation & Subscriptions	931,050	577,409
Drugs & Chemicals	1,602,398	1,318,973
Electricity	4,711,636	3,513,350
Entertainment	9,172,499	11,882,371
General Hardware	5,297,532	3,903,616
Hire of Plant & Machinery	305,255	607,200
Hire of Transport	814,891	240,030
Horticulture	44,500	200,575
Fuel and oil	225,730	572,264
Increase in provision for bad debts	85,872,129	-
Insurance & Licences	1,700,239	1,665,566
Legal & Penalty expenses	11,133,065	10,024,477
Library	361,552	328,860
Loss on Downgrading of Paddy	396,000	-
Maintain. Water & Sewerage & Sanitation	4,597,804	5,359,200
Packaging Material	860,191	1,365,703
Purchase of Raw Materials	35,470,228	29,614,044
Postage & Stamps	820,172	191,350
Purchase of Seeds & Seedlings	1,584,556	676,402
Rent & Rates-Non Residential	1,856,578	5,333,998
Sales & Marketing Expenses	571,006	650,597

Security Expenses	6,650,590	6,342,563
Stationary & Office Supplies	5,404,204	5,163,563
Tax Penalty/WHT	166,029	1,461,835
Telecommunication	1,390,942	2,301,334
Travelling & Accommodation	38,488,149	25,905,514
Uniforms & Clothing	189,254	127,660
Veterinary Expenses	198,860	153,430
<b>Total general expenses</b>	<b>267,067,802</b>	<b>153,496,928</b>

**15. Finance costs**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Bank Charges (Commissions & Ledger Fees)	537,942	294,703
Bank overdrafts Interest charge	200,000	60,000
<b>Total finance costs</b>	<b>737,942</b>	<b>354,703</b>

**16. Gain on sale of assets**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Revaluation/Cost	309,440	620,000
Less: Accum Depreciation	(303,091)	(606,685)
Net Book Value	6,349	13,315
Cash Proceeds	51,000	320,000
<b>Gain on sale of assets</b>	<b>44,651</b>	<b>306,685</b>

**17. Gain/Loss on Biological Assets**

	<b>2015</b>	<b>2014</b>	<b>Gain/(Loss) Kshs</b>	
	<b>Kshs</b>	<b>Kshs</b>	<b>2015</b>	<b>2014</b>
Bulls	87,000	76,500	10,500	(274,250)
Lactating / Dry Cows	4,438,500	4,616,250	(177,750)	585,750
Heifers	6,667,875	6,122,100	545,775	3,206,850
Cross Breed	30,000	-	30,000	(281,250)
Pigs	297,000	243,000	54,000	96,750
Fish / Poultry	1,692,689	2,992,870	(1,300,181)	(375,406)
Crops WIP	4,499,987	1,579,817	2,920,170	733,912
<b>Total Gain/Loss on Biological Assets</b>	<b>17,713,051</b>	<b>15,630,537</b>	<b>2,082,514</b>	<b>3,692,356</b>

**18. Impairment loss**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Property, plant and equipment	-	164,908,862
<b>Total impairment loss</b>	<b>-</b>	<b>164,908,862</b>

**19. Cash and cash equivalents**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Cooperative Bank Ltd	15,975,103	11,035,212
Development Bank of Kenya	492,610	373,989
Kenya Commercial Bank Ltd	11,553,667	3,127,829
National Bank of Kenya Ltd	14,987,583	9,005,974
Cash-on-hand and in transit	2,597,132	2,176,299
<b>Total cash and cash equivalents</b>	<b>45,606,095</b>	<b>25,719,303</b>

**20. Trade Receivables**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Ex-board Debtors	569,689	569,689
Ex-staff Debtors	9,395,844	7,647,606
Staff Debtors	958,630	1,182,374
Trade Debtors	195,025,616	180,996,559
Less: Provision for bad debts	(147,824,390)	(61,952,261)
<b>Total current receivables</b>	<b>58,125,390</b>	<b>128,443,967</b>

**21. Inventories**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
General Hardware	1,325,140	1,304,268
Automotive Spares	823,786	1,069,507
Drugs & Chemicals	93,410	78,351
Animal Feeds	65,210	45,830
Uniform & Clothing	3,500	-
Stationary	867,168	1,054,774
Seeds/Seedlings	2,196,793	2,731,300
Raw Materials	7,533,305	36,704,158
Packaging Materials	1,141,735	609,926
Finished Products	2,151,071	2,512,573
<b>Total inventories</b>	<b>16,201,118</b>	<b>46,110,687</b>

**22. Staff Advances**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Salary Advances	1,193,969	922,886
<b>Total Salary Advances</b>	<b>1,193,969</b>	<b>922,886</b>

**LAKE BASIN DEVELOPMENT AUTHORITY**

**23 Property Plant and Equipment for the year ended 30 June 2015**

	LAND	BUILDINGS	PLANTS & EQUIPMENT	ADAPTIVE RESEARCH	RURAL ACCESS ROADS	WORK IN PROGRESS	FURNITURE & FIXTURES	COMPUTER & OTHER CLASS II	M/VEHICLES	TRACTORS	TOTAL
<b>COST</b>	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
At 1 July 2013	62,674,333	403,615,371	297,579,521	36,158,175	36,065,225	428,996,679	16,013,405	23,037,647	143,022,626	63,773,860	1,441,562,29
Additions		110,340	2,687,004			322,846,959		297,896	289,832		390,005,891
Disposals						(164,908,862)			(620,000)		(165,528,862)
Transfer/Adjustments						(3,012,960)			(63,773,860)		(66,786,820)
At 30 June 2014	62,674,333	403,725,711	295,266,525	36,158,175	36,065,225	583,321,816	16,013,405	23,335,543	78,918,598	63,773,860	1,599,253,19
Additions			654,340			2,240,119,617	445,712	605,019	(309,440)		2,241,824,88
Disposals											(309,440)
Transfer/Adjustments						(274,345)		(2,395)			-
Balance as at 30/6/15	62,674,333	403,725,711	296,197,805	36,158,175	36,065,225	2,823,441,433	16,184,772	23,938,167	78,609,158	63,773,860	3,840,768,64
Depreciation and impairment											
As at 1 7 2013	-	101,847,784	178,092,681	36,158,175	36,065,225	-	10,654,526	14,348,391	117,936,522	-	495,103,304
Charge for the year		6,037,559	14,646,731				669,860	2,696,146	6,257,164	125,237	30,432,696
Disposal									(606,685)		(606,685)
Transfer/Adjustments									(63,439,896)	63,439,896	-
As at 1 7, 2014	-	107,885,343	192,739,411	36,158,175	36,065,225	-	11,324,386	17,044,537	60,147,105	63,565,132	524,929,314
Charge for the year		5,916,807	12,905,751				633,850	2,068,682	4,615,513	78,273	26,218,876
Disposal									(303,091)		(303,091)
Transfer/Adjustments											-
Balance as at 30/6/15	-	113,802,150	205,857,551	36,158,175	36,065,225	-	11,747,823	19,111,243	64,459,527	63,643,405	550,845,099
<b>NET BOOK VALUE</b>											
At 30th June 2015	62,674,333	289,923,561	90,340,254	-	-	2,823,441,433	4,436,950	4,826,924	14,149,631	130,455	3,289,923,54
At 30th June 2014	62,674,333	295,840,368	102,527,114	-	-	583,321,816	4,689,020	6,291,006	18,771,493	208,728	1,074,323,87

Notes: 1. In the year 2013-2014 there was a transfer of Tractors from Motor Vehicle

2. Work in progress for the year ended 30<sup>th</sup> June 2015 of Kshs. 49.5 Million relates to the expenditure incurred on the J.BDA mall construction in the course of the financial year.

**24. Biological Assets**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Bulls	87,000	76,500
Lactating/Dry Cows	4,438,500	4,616,250
Heifers	6,667,875	6,122,100
Cross Breed	30,000	-
Pigs/Turkey	297,000	243,000
Fish/Poultry	1,692,689	2,992,870
Crops WIP	4,499,987	1,579,817
<b>Total inventories at the lower of cost and net realizable value</b>	<b>17,713,051</b>	<b>15,630,537</b>

**25. Intangible assets - software**

	<b>Shs</b>
<b>Cost</b>	
At 1 July 2013	3,012,960
Additions	-
<b>At 30 June 2014</b>	<b>3,012,960</b>
Additions – internal development	-
<b>At 30 June 2015</b>	<b>3,012,960</b>
<b>Amortization and impairment</b>	
At 1 July 2013	-
Amortization	1,084,666
<b>At 30 June 2014</b>	<b>1,084,666</b>
Amortization	385,659
Impairment loss	-
<b>At 30 June 2015</b>	<b>1,470,325</b>
<b>Net book values</b>	
At 30 June 2015	1,542,635
At 30 June 2014	1,928,294

**26. Trade and other payables**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Contractors Claims	2,219,556,878	29,622,312
Gratuity & Terminal Dues	7,427,942	181,585
Interministerial Dues	17,728,040	16,726,698
Legal Claims	3,483,836	4,483,836
Services & Utilities	2,416,511	3,427,798
Staff Claims (Workmen Compensation)	151,605	151,605
Trade Suppliers	61,644,744	40,590,994
<b>Total trade and other payables</b>	<b>2,312,409,556</b>	<b>95,184,828</b>

The increase in the contractors' claims to Kshs. 2,219,556,878 relates to Kshs. 2,190,619,617 reimbursable claims to contractor Edermann Property Limited in respect of LBDA mall

**27. Capital Grants**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Capital Grants	583,940,769	583,940,769
<b>Total Capital Grants</b>	<b>583,940,769</b>	<b>583,940,769</b>

These are direct payments to suppliers by African Development Bank (ADB) for Rice Mill building, Revolving Fund, Consultancy, Rural Access Roads, Rice Mill machinery, Adaptive Research, Vehicles, Staff houses and Transit Stores.

**28. Capital Reserves**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Capital Reserves	-	121,412,536
Revaluation Reserves	372,100,138	250,687,602
<b>Total Capital Reserves</b>	<b>372,100,138</b>	<b>372,100,138</b>

Revaluation Reserves is arrived at after revaluation of Authority's Assets (Yala Swamp houses, Plant & Machinery, Motor Vehicles and Rice Mill Buildings).

Included in the Revaluation Reserves in 2014/2015, is an amount of Kshs. 121,412,536 which relates to Assets that were given to the Authority by investors/stakeholders whose cost on acquisition could not be determined.

**29. Accumulated Reserves**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
As Previously stated	241,853,816	358,791,277
Add: Adjustment	-	8,254,410
Surplus/deficit for the year	(79,998,482)	(125,191,871)
<b>Total Accumulated surplus</b>	<b>161,885,334</b>	<b>241,853,816</b>

**30. Surplus/ (Deficit) for the Period**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Total Revenue	526,921,520	477,715,384
Total Expenditure	(609,047,167)	(441,997,434)
Operating profit/(loss)	<b>(82,125,647)</b>	<b>35,717,950</b>
Other gains/ (losses)	2,127,165	(160,909,821)
Surplus/(deficit)	<b>(79,998,482)</b>	<b>(125,191,871)</b>

**31. Related Party Transactions**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
<b>i) Board Members of the Authority's remuneration</b>		
Authority Board Members Allowances	18,623,056	10,943,072
<b>ii) Key Management Compensation</b>		
Salaries and other employment benefits	1,139,287	1,064,757
	<hr/>	<hr/>

**XVI. 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 person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

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

*Asius*

Ag. Managing Director

Date.....29/9/2015.....

*[Signature]*  
 Chairman of the Board  
 Date.....29/9/2015.....

