

REPUBLIC OF KENYA



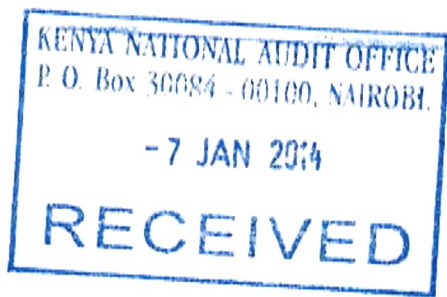
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**REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
COTTON DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED
30 JUNE 2013**

COTTON DEVELOPMENT AUTHORITY



COTTON DEVELOPMENT AUTHORITY



FINANCIAL REPORT FOR THE YEAR ENDED

30 JUNE 2013

COTTON DEVELOPMENT AUTHORITY

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COTTON DEVELOPMENT AUTHORITY

CORPORATE INFORMATION

Registered Office and Principal Place of Business

Cotton Development Authority Head Office
Riverside Lane off Riverside Drive
P.O. Box 66271 - 00800,
NAIROBI
Tel. +254 20 4444155/6
Email: info@cottondevelopment.co.ke
Website: www.cottondevelopment.co.ke

Principal Banker

Kenya Commercial Bank Ltd.
Sarit Centre, Westlands
P.O. Box 14959 - 00800
NAIROBI

Auditors

Auditor-General
Kenya National Audit Office
P.O. Box 30084 - 00100
NAIROBI

MEMBERS OF THE BOARD OF THE AUTHORITY



Maj. Dennis Ochwada (Rtd)
Board Chairman



Mr. David Masika
Vice Chairman



Mr. Anthony G. Muriithi
Ag. Chief Executive Officer



Mr. Albert Chebiegon
Member



Mrs. Mary Mtoka
Member



Mr. Wilfred Lesilale
Member



Mr. Joseph M. Migwi
Member



Mr. Peter Ngari Njeru
Member



Mr. Joseph K. Orlale
Member



Mr. Hassan M. Yarrow
Member



Mr. Rameshchandra Khagram
Member



Mr. Daniel M. Magondu
Member



Mrs. Rebecca Wahome
Member



Mrs. Teresa Nyakweba
Member



Mrs. Phanice Kajumbe
Member

COTTON DEVELOPMENT AUTHORITY

Board Members

<u>Name</u>	<u>Title</u>	
Major Dennis Ochwada (Rtd)	Chairman	- Appointed on 3-9-2010
David Masika	Vice Chairman	- Appointed on 3-9-2010
Anthony G. Muriithi	Ag. Chief Executive Officer from 3 Sept. 2012	
Albert Chebiegon	Board Member	- Appointed on 3-9-2010
Mary Mtoka	Board Member	- Appointed on 3-9-2010
Wilfred Lesilale	Board Member	- Appointed on 3-9-2010
Joseph Mwangi Migwi	Board Member	- Appointed on 3-9-2010
Peter Ngari Njeru	Board Member	- Appointed on 3-9-2010
Joseph K. Orlale	Board Member	- Appointed on 3-9- 2010
Hassan Mohamed Yarrow	Board Member	- Appointed on 3-9-2010
Rameshchandra Khagram	Board Member	- Appointed on 3-9-2010
Daniel M. Magondu	Board Member	- Appointed on 3-9-2010
Mrs. Rebecca Wahome	Alternate to PS, Ministry of Agriculture	
Mrs. Teresa Nyakweba	Alternate to PS, Ministry of Finance	
Mrs. Phanice Kajumbe	Alternate to PS, Ministry of Co-operatives	

MANAGEMENT TEAM



Mr. Anthony G. Muriithi
Ag. Chief Executive Officer



Hesbon Olweny
Head of Production
and research Liaison



Jackson Nguriarengan
Head of H.R. and
Administration



Joseph W. Muigai
Head of Finance
and Accounts



Kellen Njue
Head of Legal
Affairs



Fanuel Lubanga
Head of
Marketing



Alex Mungai
Head of Value
Addition Promotion



Paul Muchendu
Manager Eastern
Region



John Adhola
Manager Western
Region



Stephen Mugi
Assistant Manager
Internal Audit



Winfred Mbithe
Principal ICT
Officer



Elvina Osodo
Principal
Procurement Officer



Victor Ochieng
Principal
Accountant

Management Team

<u>Name</u>	<u>Title</u>
Anthony G. Muriithi	Ag. Chief Executive Officer from 3 Sept. 2012
Hesbon Olweny	Head of Production & Liaison
Jackson Nguriarengan	Head of Human Resource & Admin
Joseph W. Muigai	Head of Finance & Accounts
Kellen G. Njue	Head of Legal Affairs
Fanuel Lubanga	Head of Marketing
Alex Mungai	Head of Value Addition
Paul Muchendu	Head of Eastern Region
John Adhola	Head of Western Region
Stephen Mugi	Principal Internal Auditor
Winfred Mbithe	Principal ICT Officer
Elvina Osodo	Principal Procurement Officer
Victor Ochieng	Principal Accountant

COTTON DEVELOPMENT AUTHORITY

REPORT OF THE BOARD OF THE AUTHORITY

The Board of the Authority submits its report together with the audited financial statements for the year ended 30 June 2013 which disclose the state of affairs of the Authority.

Incorporation

The Authority is incorporated in Kenya under the Cotton Act (Amendment) 2006 and is domiciled in Kenya.

Principal Activities

The principal activities of the Authority (CODA) are to promote, co-ordinate, direct and regulate the Cotton Industry in Kenya.

Results

	2013	2012
	<u>KSh</u>	<u>KSh</u>
Net Surplus	7,348,599	13,587,818

Board Members

The board members who held office during the year to the date of this report are those listed on page 4 above.

Auditors

The Auditor- General will continue auditing the Authority as per the statutory requirement of the Constitution of Kenya 2010 & Public Audit Act, 2003.

COTTON DEVELOPMENT AUTHORITY

STATEMENT OF BOARDS' RESPONSIBILITIES


The State Corporations Act Cap 446 requires the Board of the Authority to prepare financial statements which give a true and fair view of the state of affairs of the authority as at the end of Financial Year and of its surplus for the period. The Board is also required to ensure that the Authority maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the Authority. The Board is also responsible for safeguarding the assets of the Authority.

The Board of the Authority accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, consistent with previous years (where applicable), and in conformity with International Financial Reporting Standards.

The Board is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority for the period ended 30 June 2013 and of its surplus for the period then ended. The Board further confirms the accuracy and completeness of the accounting records maintained by the Authority which has been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

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

By order of the Board of the Authority



AG. CHIEF EXECUTIVE OFFICER

Anthony Gikandi Muriithi

Date: 9TH - 10 - 2013



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON THE COTTON DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Cotton Development Authority set out on pages 9 to 22, which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 Financial Reporting Standards 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.

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 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 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 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

Property, Plant & Equipment

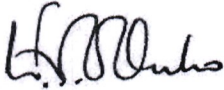
As previously reported, property, plant and equipment balance of Kshs.47,740,542 as at 30 June, 2013 excludes the value of Riverside Estate property LR. No.209/4389/3 where the Authority's Head Office is located. According to information available, the property that belonged to the defunct Cotton Board of Kenya had been charged against a bank loan that the Board failed to service. The bank subsequently sold the property for Kshs.21.5 million through a public auction held in November 2000. Further, records show that the purchaser of the property paid the bank an amount of Kshs.8,375,000 representing the balance of the outstanding loan, whereupon the bank released the documents of the property to the purchaser. The purchaser thereafter, and before clearing the balance of Kshs.13,125,000 sought to transfer the title of the property in his name. The Board however declined to execute the transfer documents and as a result and shortly thereafter, the purchaser filed a case in the High Court in November 2008. Additional information shows the matter is still pending in court although the Authority paid Kshs.2,058,263 as land rates for the property in the month of October, 2012.

Additional information shows that the defunct Cotton Board of Kenya had in 1992/93 fixed assets with a net book value of Kshs.210,759,785 and investments in Meru Ginnery Ltd of Kshs.13,940,758. The management has however not satisfactorily explained how these assets and investments were accounted for upon the creation of the Cotton Development Authority.

In the circumstances, it has not been possible to confirm that the property, plant and equipment balance of Kshs.47,740,542 as at 30 June, 2013 is fairly stated.

Qualified Opinion

In my opinion, except for the effects' of the matter 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 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Cotton Act, Cap.335 of the laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

27 December 2013

COTTON DEVELOPMENT AUTHORITY

Statement of Comprehensive Income

For the Year Ended 30 June 2013

	<u>Note</u>	<u>2013</u> <u>KSh</u>	<u>2012</u> <u>KSh</u>
Income			
Government Grants	2	155,520,000	178,913,333
Gain on Disposal of Assets	3	-	879,492
Other Income	4	<u>361,275</u>	<u>711,140</u>
Total Income		155,881,275	180,503,965
Expense			
Staff Costs	5	40,946,055	44,783,377
Administration Expenses	6	57,743,502	70,880,820
Cotton Seed	7	30,691,270	39,418,815
Board Expenses	8	12,324,499	11,241,047
Finance Cost		117,660	127,764
Depreciation	9	<u>6,709,690</u>	<u>4,994,324</u>
Total Expenditure		<u>148,532,676</u>	<u>171,446,147</u>
Surplus for the year		<u>7,348,599</u>	<u>9,057,818</u>
Other Comprehensive Income			
Revaluation Surplus		<u>-</u>	<u>4,530,000</u>
Net Surplus		<u>7,348,599</u>	<u>13,587,818</u>

COTTON DEVELOPMENT AUTHORITY

Statement of Financial Position

As at 30 June 2013

ASSETS	<u>Note</u>	2013	2012
<u>Non - Current Assets</u>		<u>KSh</u>	<u>KSh</u>
Property, Plant & Equipment	9	47,740,542	32,717,285
Work in Progress	10	<u>-</u>	<u>12,152,952</u>
Total Non - Current Assets		47,740,542	44,870,237
<u>Current Assets</u>			
Trade & Other Receivables	11	3,431,216	4,004,505
Cash and Cash Equivalents	12	<u>14,007,431</u>	<u>11,512,954</u>
Total Current Assets		<u>17,438,647</u>	<u>15,517,459</u>
TOTAL ASSETS		<u>65,179,189</u>	<u>60,387,696</u>
EQUITY & LIABILITIES			
<u>Current Liabilities</u>			
Payables and other Liabilities	13	9,575,519	10,043,140
CFC Project Funds	14	<u>3,055,973</u>	<u>4,012,958</u>
Total Current Liabilities		<u>12,631,492</u>	<u>14,056,098</u>
<u>Reserves</u>			
General Reserve		49,150,197	41,801,598
Revaluation Reserve		<u>3,397,500</u>	<u>4,530,000</u>
TOTAL EQUITY & LIABILITIES		<u>65,179,189</u>	<u>60,387,696</u>

Approved by the Board of the Authority on 22 August 2013 and signed on its behalf by:


AG. CHIEF EXECUTIVE OFFICER


BOARD MEMBER

Date: 09th - 10 - 2013

Date: 22nd Oct. 2013

COTTON DEVELOPMENT AUTHORITY

Statement of Changes in Equity

For the Year Ended 30 June 2013

	<u>General Reserve</u>	<u>Revaluation Reserve</u>	<u>Total</u>
	<u>KSh.</u>	<u>KSh.</u>	<u>KSh.</u>
As at 1 July 2011	32,743,780	-	32,743,780
Surplus for the year	<u>9,057,818</u>	<u>4,530,000</u>	<u>13,547,818</u>
As at 30 June 2012	<u>41,801,598</u>	<u>4,530,000</u>	<u>46,331,598</u>
As at 1 July 2012	41,801,598	4,560,000	46,331,598
Annual Amortization	-	(1,132,500)	(1,132,500)
Surplus for the year	<u>7,348,599</u>	<u>-</u>	<u>7,348,599</u>
As at 30 June 2013	<u>49,150,197</u>	<u>3,397,500</u>	<u>52,547,697</u>

COTTON DEVELOPMENT AUTHORITY

Statement of Cash Flows

For the Year Ended 30 June 2013

OPERATING ACTIVITIES	2013	2012
	<u>KSh</u>	<u>KSh</u>
Net Surplus	7,348,599	13,587,818
Adjustment for gain on disposal of fixed assets	-	(879,492)
Adjustment for depreciation	6,709,690	4,994,324
Adjustment for Revaluation Surplus	-	(4,530,000)
Operating Surplus before working capital changes	14,058,289	13,172,650
Working Capital Changes		
(Increase)/Decrease in Receivables	573,289	(2,347,817)
Increase/(Decrease) in Payables	<u>(1,424,606)</u>	<u>6,354,457</u>
Net cash generated from operations	13,206,972	17,179,290
INVESTING ACTIVITIES		
Acquisition of Fixed Assets	(10,712,495)	(14,325,859)
Disposal of Fixed Assets	<u>-</u>	<u>2,758,866</u>
Net cash used in Investing Activities	<u>(10,712,495)</u>	<u>(11,566,993)</u>
Change in Cash and Cash Equivalents	2,494,477	5,612,297
Cash and Cash Equivalents at 1 July 2012	<u>11,512,954</u>	<u>5,900,657</u>
Cash and Cash Equivalents at 30 June 2013	<u>14,007,431</u>	<u>11,512,954</u>

COTTON DEVELOPMENT AUTHORITY

Notes to the Financial Statements

For the Year Ended 30 June 2013

1. ACCOUNTING POLICIES

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

a. Statement of Compliance

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS).

b. Basis of Preparation

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

c. Revenue Recognition

Revenue is recognized in the period in which it accrues. Government grant is recognized when it is received.

d. Property, plant and equipment

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

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

Buildings	2½%
Computers & IT Equipment	30%
Office Equipment	12½%
Motor vehicles	25%
Furniture & Fitting	12½%

COTTON DEVELOPMENT AUTHORITY

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2013

e. Intangible assets

Intangible assets comprise the cost of acquired computer software programs. Expenditure on acquired computer software programs is capitalized and amortized using the straight-line method over their estimated useful lives, generally not exceeding three years.

f. Trade and Other Payables

Payables are stated at nominal value, less amounts not expected to be payable.

g. Cash and cash equivalents

For the purpose of the statement of cash flow, cash and cash equivalents comprise cash in hand and at bank.

h. Retirement Benefit Obligations

The Authority contributes to a statutory defined contribution pension scheme, the National Social Security Fund. The contributions are determined by the Kenyan statutes and are currently limited to KSh. 200 per employee per month. The Authority also contributes to Cotton Development Authority Staff Retirement Scheme, a defined contribution scheme, at 15% of employees' basic salary.

The company's contributions to the above schemes are charged to the income and expenditure statement in the year to which they relate.

i. Reporting Currency

These financial statements are presented in Kenya Shillings (KSh) as the reporting currency

j. Income Tax

The Authority being a non-trading entity is not subject to taxation

COTTON DEVELOPMENT AUTHORITY

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2013

2. Government Grants - KSh. 155,520,000

Represents grant received on approved budget KSh. 155,520,000. The initial approved budget for the Authority KSh. 172,800,000 but was reduced by 10% at the beginning of the 2nd half of the financial.

3. Gain from Disposal of Fixed Assets

There was no disposal of assets in the reporting period

4. Other Income:

	2013	2012
	<u>KSh</u>	<u>KSh</u>
Tender Documents Sales	51,000	258,000
Ginnery & Buying Center Fees	245,900	298,640
Miscellaneous Income	<u>64,375</u>	<u>154,500</u>
Total Other Incomes	<u>361,275</u>	<u>711,140</u>

COTTON DEVELOPMENT AUTHORITY

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2013

5. Staff Costs

	2013	2012
	<u>KSh.</u>	<u>KSh.</u>
Basic Pay	22,410,428	23,369,820
Casual Employees	216,408	421,298
House Allowance	8,326,225	8,522,445
Acting Allowance	125,159	-
Hardship Allowance	682,333	683,871
Medical Allowance	-	1,193,500
Extraneous Allowance	234,000	534,000
Commuter Allowance	4,181,429	4,252,477
Non-Practicing Allowance	76,000	60,000
Responsibility Allowance	76,000	60,000
Entertainment Allowance	52,000	36,000
Staff Leave Allowance	540,000	595,000
Staff Medical Expenses	-	45,071
NSSF Employer's Contribution	117,000	115,000
Pension Employer's Contribution	3,229,392	2,649,458
Staff Service Gratuity	<u>679,681</u>	<u>2,245,437</u>
Total	<u>40,946,055</u>	<u>44,783,377</u>

COTTON DEVELOPMENT AUTHORITY

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2013

6. Administration Expenses

	2013	2012
	<u>KSh.</u>	<u>KSh.</u>
Utilities	582,086	1,009,343
Communication Expenses	3,516,070	3,574,511
Domestic Travel & Subsistence	7,697,775	15,602,090
Foreign Travel & Subsistence	995,804	2,820,841
Advertising & Publicity Expense	1,449,947	3,651,128
Rentals, Rates & Hire Expenses	3,567,421	467,828
Training, Seminars & Workshops	3,176,515	2,666,350
Hospitality and Entertainment	1,952,115	2,885,489
Insurance Expenses	6,946,044	3,977,073
General Supplies & Services	2,604,420	3,987,423
Fuels & Lubricants	5,666,505	4,901,182
Security & Guarding Services	1,693,256	1,552,120
Photography Materials & Service	2,400	760
Repairs & Maintenance	4,038,252	5,127,501
Subscriptions & Membership Fee	1,919,540	2,464,046
Audit Fees	604,450	580,000
Consultancy & Professional Services	2,500,356	2,834,612
Cotton Farming Support Expenses	1,975,050	1,215,420
Field Days Expenses	1,274,870	1,934,525
Stakeholders Forums Expenses	756,369	1,909,167
Stakeholders Training Expenses	593,730	933,816
ASK Shows & Trade Exhibitions	2,144,377	4,602,195
Inspection - Ginnery & B/Center	43,250	70,600
Monitoring & Evaluation	2,042,900	2,112,800
Total Administrative Expenses	<u>57,743,502</u>	<u>70,880,820</u>

COTTON DEVELOPMENT AUTHORITY

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2013

7. Cotton Seed: KSh. 30,691,270

The Cotton Seed item represents the cost incurred in purchasing and distributing cotton seed to farmers during the financial year.

	2013 <u>KSh.</u>	2012 <u>KSh.</u>
Cotton Seed	30,691,270	39,418,815

8. Board Expenses

	2013 <u>KSh</u>	2012 <u>KSh</u>
Sitting Allowance	3,960,000	3,080,000
Accommodation, Subsistence & Travel Exp.	7,320,499	7,117,047
Honoraria	<u>1,044,000</u>	<u>1,044,000</u>
Total	<u>12,324,499</u>	<u>11,241,047</u>

COTTON DEVELOPMENT AUTHORITY

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2013

9. Property, Plant & Equipment

	WORK - IN - PROGRESS	BUILDINGS	MOTOR VEHICLES	COMPUTERS	OFFICE EQUIPMENT	FURNITURE & FITTINGS	TOTAL
COST		KES	KES	KES	KES	KES	30.6.2013
AS AT 1/7/2011		12,901,561	23,839,996	3,542,900	2,574,503	1,579,056	44,438,016
ADDITIONS	12,152,952	-	-	654,875	1,518,032	-	14,325,859
REVALUATION			6,040,000				6,040,000
DISPOSALS		-	(3,348,220)	-	-	-	(3,348,220)
AS AT 30-6-2012	12,152,952	12,901,561	26,531,776	4,197,775	4,092,535	1,579,056	61,455,655
CUMULATIVE DEPRECIATION							
AS AT 1/7/2011		322,539	8,938,845	1,473,189	446,041	369,326	11,549,940
DISPOSALS		-	(1,468,846)	-	-	-	(1,468,846)
ADJUSTED BALANCE	-	322,539	7,469,999	1,473,189	446,041	369,326	10,081,094
DEPRECIATION FOR THE YEAR		314,476	3,255,444	817,376	455,812	151,216	4,994,324
DEPRECIATION FOR THE YEAR - REVALUED ASSETS			1,510,000				1,510,000
AS AT 30-6-2011	-	637,015	12,235,443	2,290,565	901,853	520,542	16,585,418
NBV AS AT 30-6-2012	12,152,952	12,264,546	14,296,333	1,907,210	3,190,682	1,058,514	44,870,237
COST							
AS AT 1/7/2012	12,152,952	12,901,561	26,531,776	4,197,775	4,092,535	1,579,056	61,455,655
ADDITIONS	10,038,989				104,178	569,328	10,712,495
TRANSFERS	(22,191,941)				22,191,941		-
AS AT 30-6-2013	-	12,901,561	26,531,776	4,197,775	26,388,654	2,148,384	72,168,150
CUMULATIVE DEPRECIATION							
AS AT 1/7/2012	-	637,015	12,235,443	2,290,565	901,853	520,542	16,585,418
DEPRECIATION FOR THE YEAR		306,614	2,441,583	572,163	3,185,850	203,480	6,709,690
DEPRECIATION FOR THE YEAR - REVALUED ASSETS			1,132,500				1,132,500
AS AT 30-6-2013	-	943,629	15,809,526	2,862,728	4,087,703	724,022	23,295,108
NBV AS AT 30-6-2013	-	11,957,932	10,722,250	1,335,047	22,300,951	1,424,362	47,740,542

COTTON DEVELOPMENT AUTHORITY

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2013

10. Work in Progress

The work-in-progress amount of KSh. 12,152,952 carried in the financial report of 2011/2012 financial for installation of ambient system in the HVI Laboratory Building together with the cost incurred in the current financial year of KSh. 10,038,989 all totaling KSh. 22,191,941 have been capitalized as at 30 June 2013.

11. Trade and Other Receivables:

	2013	2012
	<u>KSh.</u>	<u>KSh.</u>
Trade Receivables	200	534,177
Staff Travel & Activity Imprest	22,909	301,696
Staff Salary Advance	335,331	252,112
Prepayments & Deposits	<u>3,072,776</u>	2,916,520
Total Trade and Other Receivables	<u>3,431,216</u>	<u>4,004,505</u>

Trade Receivables comprise of KSh. 200 being bank charges on a reversed bankers cheque reversed after the reporting date. Prepayments are mainly made up of prepaid insurance expenses for medical, group life and group personal accident, and motor vehicle insurances.

COTTON DEVELOPMENT AUTHORITY

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2013

12. Cash and Cash Equivalents:

This represents cash at bank and cash at hand as follows:

	2013	2012
	<u>KSh</u>	<u>KSh</u>
Kenya Commercial Bank Current Account	10,789,845	7,289,777
CFC/ICAC/44 KES Bank Account	270,049	
CFC/ICAC/44 USD Bank Account	2,785,924	4,012,958
Head Office Petty Cash Accounts	73,034	78,499
Regional & Zonal Offices Standing Imprests	<u>88,579</u>	<u>131,720</u>
Total Cash & Cash Equivalents	<u>14,007,431</u>	<u>11,512,954</u>

13. Trade & Other Payables

	2013	2012
	<u>KSh</u>	<u>KSh</u>
Trade Payables	9,059,519	8,624,822
Other Payables	<u>516,000</u>	<u>1,418,318</u>
Total	<u>9,575,519</u>	<u>10,043,140</u>

14. CFC /ICAC/44 Project Funds

These are funds for CFC/ICAC/44 cotton classing project financed by CFC. The amount in the accounts is the balance of \$32,394.47 in the USD Bank Current Account converted at KSh. 86 per USD and KSh. 270,049 in the project KES Bank current Account as at 30 June 2013. The fund is being maintained on replenishment basis maintained at a maximum of USD 50,000

COTTON DEVELOPMENT AUTHORITY

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2013

15. Contingent Liability

Cotton Development Authority's head office is located at a property that was previously owned by the defunct Cotton Board of Kenya. Cotton Board of Kenya had charged the property against a bank loan that the Board failed to service. The bank subsequently sold the property for KSh. 21.5m through a public auction held in November 2000. The purchaser paid the bank only KSh. 8.375m representing the balance of the outstanding loan whereupon the bank released the title documents of the property to the purchaser. The purchaser thereafter sought to transfer the title to his name before clearing the balance of KSh. 13.125m. The board declined to execute the transfer and as a result the purchaser filed a case in the High Court in November 2008. As at the end of the year under review, the matter was still before the court.

Cotton Development Authority occupies the property courtesy of the Ministry of Agriculture, and does not pay any rents for the tenancy. There therefore exists a potential liability which if calculated at KSh. 1.2m per year may estimate at KSh.5.4m to 30 June 2013 and that is contingent on the determination of the case.