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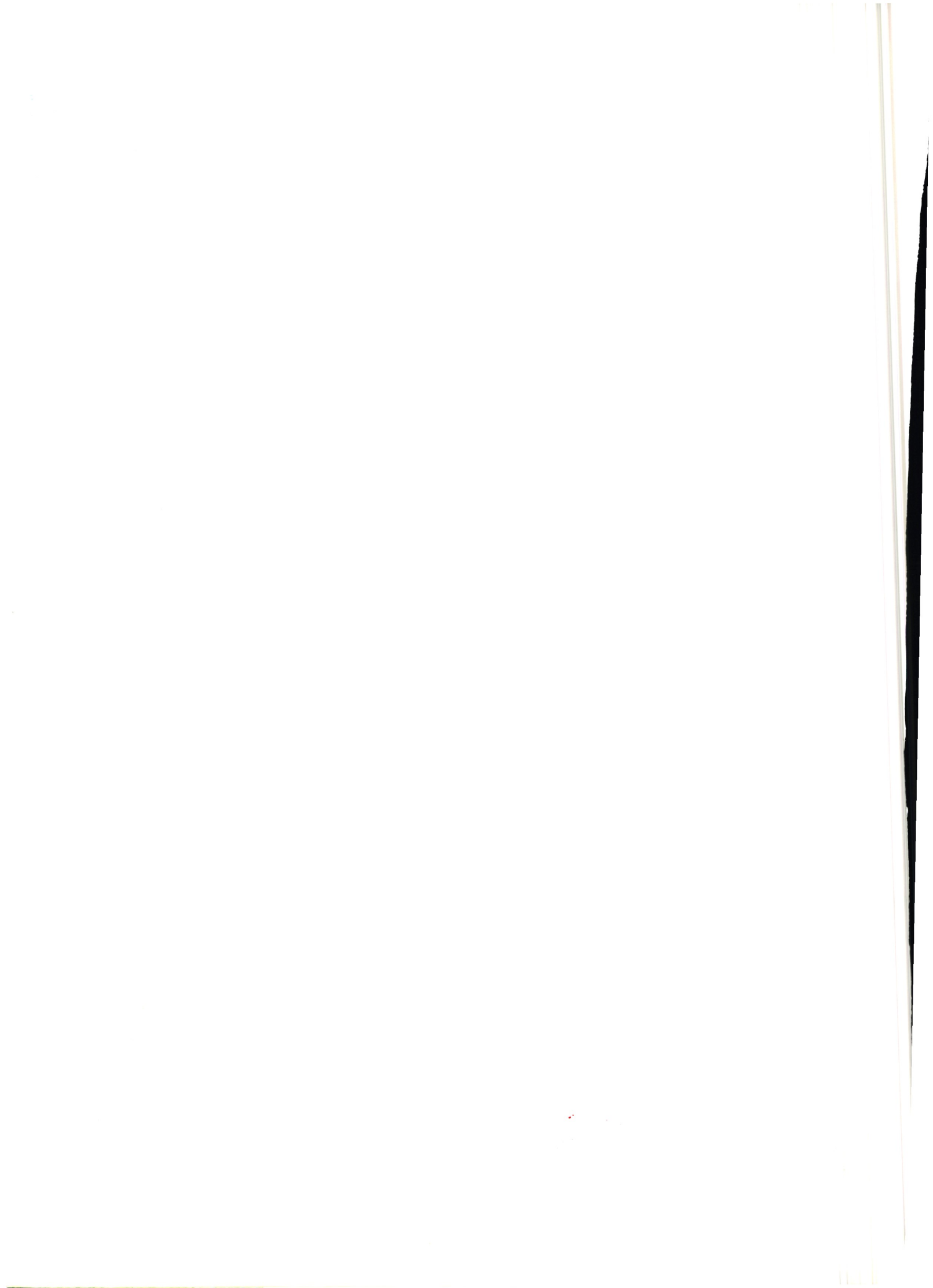
KENYA COCONUT DEVELOPMENT AUTHORITY  
ISO 9001 : 2008 CERTIFIED



**REPORTS AND FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JULY 31, 2014**



**KENYA COCONUT DEVELOPMENT AUTHORITY**





**Kenya Coconut Development Authority**  
**Reports and Financial Statements for the Period ended July 31, 2014 (Kshs)**

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**KENYA COCONUT DEVELOPMENT AUTHORITY**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD ENDED  
JULY 31, 2014**

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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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*To be the leading agent in the development of a competitive coconut industry in Africa*

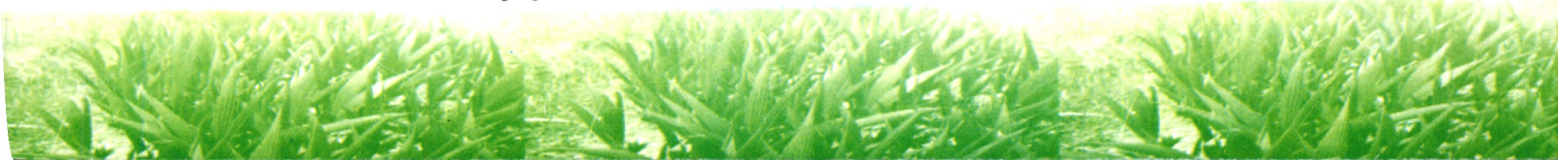




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## I. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

Kenya Coconut Development Authority (KCDA) was established by an executive order through a Legal Notice No. 165 of 27<sup>th</sup> August 2007 under the State Corporations Act Cap 446.

At cabinet level, KCDA is represented by the Cabinet Secretary for Ministry of Agriculture, Livestock and Fisheries who is responsible for the general policy and strategic direction of the Authority

### (b) Principal Activities

The primary mandate of the Authority is to develop, promote and regulate the coconut industry in Kenya. To achieve this, the Authority is expected to undertake the following functions:

- Advising the Government and the industry on matters related to coconut for planning purposes
- Maintaining a database and monitoring all players in the industry
- Enhancing agri-business in the industry by facilitating processing, packaging and distribution of coconut products and innovations
- Arbitrating on disputes arising between the growers and any of the players in the industry
- Reducing conflicts by vetting and witnessing contracts entered into between the growers and any other players in the industry
- Appointing agents for the implementation or performance of any function of the Authority under the legal Order creating the Authority
- Monitoring imports and exports of coconut produce and by-products for efficient management of the coconut industry

### Key Management

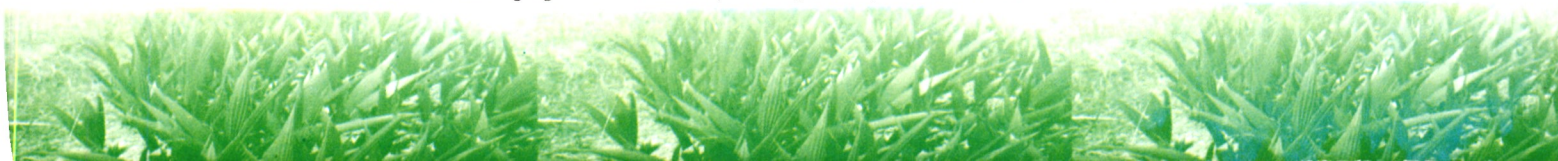
The Authority's day-to-day management is under the following key organs:

- Acting Managing Director
- Senior Management

### (c) Fiduciary Management

The key management personnel who held office during the period ended 31st July 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	PS, Ministry of Agriculture, Livestock and Fisheries	Ms. Sicily Kanini Kariuki
2.	Board of Directors	





## Kenya Coconut Development Authority

### Reports and Financial Statements for the Period ended July 31, 2014 (Kshs)

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#### (d) Fiduciary Oversight Arrangements

Key fiduciary oversight arrangements for Authority include;

- Parliamentary committee activities
- Audit and finance committee activities

#### (e) KCDA's Headquarters

P.O. Box 84351 – 80100  
6<sup>th</sup> Floor, NSSF Building  
Nkrumah Road  
**Mombasa, Kenya**

#### (f) KCDA's Contacts

Telephone: +254 (041) 2319617/6  
**Email: [info@kcda.go.ke](mailto:info@kcda.go.ke)**  
**Website: [www.kcda.go.ke](http://www.kcda.go.ke)**

#### (g) KCDA' Bankers

Kenya Commercial Bank Ltd.  
Treasury Square Branch,  
Nkrumah Road,  
P.O. Box 90254 - 80100  
**Mombasa**

Co-operative Bank of Kenya Ltd.  
Nkrumah Road Branch,  
Nkrumah Road,  
P.O. Box 87771 - 80100  
**Mombasa**

#### (h) Independent Auditors

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

#### (i) Principal Legal Adviser

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
**Nairobi, Kenya**










## II. THE FORMER KCDA BOARD OF DIRECTORS

The directors who held office up to October 2013

<b>Name</b>	<b>Title</b>	<b>Date of Appointment</b>
Dr. Titus T. Kadere	Chairman	22 October, 2010
Mr. George Mazuri	Director	15 October, 2010
Mr. Edward Kingi	Director	15 October, 2010
Ms. Mwanisha Chidzuga	Director	15 October, 2010
Ms. Winnie Mathinii	Alternate to PS – Ministry of Agriculture, Livestock and Fisheries	
Mr. Godfrey Busolo	Alternate to PS – National Treasury	
Mr. Fentus Mng'ong'o	Alternate to PS – Regional Development Authorities	
Ms. Emily Gatuguta	Alternate to PS – Ministry of Co-operatives Development and Marketing	
Dr. Francis K. Fondo	Managing Director	5 January, 2011









Board of Directors	Work Experience	Key Profession/Academic Qualification and Work Experience
<p>1. Dr. Titus Tunje Kadere</p> 	<ul style="list-style-type: none"> <li>Registrar (Academic Affairs) – (July 2010 to-date and Ag. Registrar (Academic Affairs) – (March -July 2010) at Technical University of Mombasa</li> <li>Lecturer – From August 2005 to January 2010 and Assistant Lecturer – August 1995 to August 2005 at Jomo Kenyatta University of Agriculture and Technology.</li> <li>Assistant Lecturer from September 1994 – July 1995 at The Mombasa Polytechnic (Teachers Service Commission)</li> </ul>	<ol style="list-style-type: none"> <li>PhD Food Science &amp; Technology (Fermentation &amp; Industrial Microbiology)- (JKUAT)</li> <li>MSc~ Chemical Engineering (Hydrolysis &amp; Fermentation) - Byelorussian State University of Technology (Minsk) Belarus</li> <li>Diploma in Applied Sciences (Food Processing)</li> </ol>
<p>2. Mr. George Mazuri</p> 	<ul style="list-style-type: none"> <li>National Coordinator and Chief Executive Officer of USTADI Foundation (Kenya Local Capacity Development Facility – Now Branded as USTADI),</li> <li>Agricultural Business Development Programme (Danida) – as Regional Coordinator</li> <li>Aga Khan Foundation as a Programme Manager</li> <li>Early Childhood Development and for SIDA –WATSAN (water and sanitation) Programme as Programme Manager</li> </ul>	<p>MBA and a Post Graduate Diploma in Project Management, Diploma in Science Education</p>
<p>3. Mr. Godfrey Busolo</p> 	<p>September 2012 to date, Under Secretary (Administration Department) at National Treasury  Jan 2012 to Aug 2012, Administrator  Aug 2012 at Judges and Magistrates Vetting Board  2009-2011, Administrative Officer (Senior Assistant Secretary) (Administration Department) Ministry of Finance  2001- 2003, Administrative Officer (Assistant Secretary II, General Administration and Planning Department at Ministry of Environment and Natural Resources  1997-1998, Administrative Officer (Assistant Secretary III, (Central Services Department) at Ministry of Water Resources</p>	<p>Master of Business Administration (MBA) UON, Bachelor of Arts UON, Diploma in Human Resources Management, Administrative Officers' Examination and Kenya Accounts Technicians Certificate</p>

Board of Directors	Work Experience	Key Profession/Academic Qualification and Work Experience
<p>4. Mr. Fentus Mng'ong'o</p> 	<p>2011 to -date: Manager, Natural Resources, Coast Development Authority            1997 to 2011: Technical Manager, Coast Development Authority            March to June 2005: Acting Deputy Managing Director, Coast Development Authority            1993 to 1997: Planning Officer, Coast Development Authority            1991 to 1993: Research Associate, Egerton University            1984 – 1991: Planning Officer, Ministry of Agriculture            1983 – 1984: Freight Marketing Assistant: Mitchells Cotts (Shipping Division) Kenya Limited</p>	<p>Master of Science (Agricultural Economics) University of London            Postgraduate Diploma (Agricultural Dev't) Wye College (University of London)            Bachelor of Arts (Hons) University of Nairobi</p>
<p>5. Ms. Emily Gatuguta</p> 	<p>Director</p>	<p>Alternate to PS – Ministry of Co-operatives Development and Marketing</p>
<p>6. Mr. Edward Kingi</p> 	<p>Director</p>	<p>Representative of Farmers</p>
<p>7. Ms. Mwanaisha Chizuga</p> 	<p>Director</p>	<p>Director</p>

Board of Directors	Work Experience	Key Profession/Academic Qualification and Work Experience
<p>8. Ms. Winnie Mathinii</p> 	<p>2004 - to date: Ministry of Agriculture (in charge of Appointments, Promotions, Discipline and Performance Management)            1999: Office of the President - Senior Human Resource Office in charge of the Personnel Unit in all Ministries in Central Province.            1983: Ministry of Water – Personnel Officer I in charge of Salaries, Pensions, and Allowances Section.            1982 - 1983: Ministry of Natural Resources – Personnel Officer II.</p>	<p>Masters in Business Administration, Eastern and Southern Africa Management Institute, Arusha Tanzania (ESAMI)            Bachelor of Arts, UON            Post Graduate Diploma in Human Resource Personnel Management, Cambridge International College</p>
<p>9. Dr. Francis Kalama Fondo</p> 	<p>Feb 2011 to Feb 2014, Kenya Coconut Development Authority            MD &amp; Secretary to the Board            Jan 2006 to Feb 2011, Kenya Wildlife Service            October 2004 to Dec 2005, Deputy Director Finance &amp; Administration            Strategic Fit Management Consultants Limited            Nov 1996 to July 2003, Managing Partner East African Cables Limited            Jan 1988 to June 1989, Finance Director/Company Secretary Savings &amp; Loan Kenya Limited            Chief Accountant</p>	<p>Doctor of Philosophy in Business Administration, Washington International University            Master of Business Administration, Strategic Management            Bachelor of Commerce            UON, CPAK</p>
<p><b>Acting Managing Director as at 31<sup>st</sup> July 2014</b></p>		
<p>10. Mr Raymond Kahindi</p> 	<ul style="list-style-type: none"> <li>• Rice mill Engineer at Tana Delta Irrigation Project (1996-1998)</li> <li>• Project Engineer at Tana Delta Irrigation Project (1998-2005)</li> <li>• Soil Conservation Speciality at TARDA Headquarters (2005-2006)</li> <li>• Project Operation Coordinator at TARDA Headquarters (2006-2008)</li> <li>• Team Leader Rehabilitation of Tana Delta Irrigation Project (2008-2009)</li> <li>• General Manger Technical Services at KCDA (2009- 2014)</li> <li>• Acting Managing Director at KCDA (February 2014- 30<sup>th</sup> June 2014)</li> </ul>	<p>Masters Agric. &amp; Registered Graduate Engineer, B.Sc. Agric. Eng.</p>

### III. MANAGEMENT TEAM

Board of Directors	Date of Birth	Responsibility Area	Key Profession/Academic Qualification
1. Mr Raymond Kahindi 	14 <sup>th</sup> December 1969	Ag. Managing Director	Masters Agric. & Registered Graduate Engineer, B.Sc. Agric. Eng.
2. Mr Kibwana Kombo 	6 <sup>th</sup> July 1970	Ag. General Manager Finance and Administration	MBA (Strategic Management), B. Arts Degree, Higher Diploma in HRM, CPS Part I, Member of IHRM.
3. Mr. Jeremiah Omung'ala 	25 <sup>th</sup> December 1978	Manager Business Development and Quality Assurance	M.Sc. (Entrepreneurship), BA, (Econ and Soci)
4. Mr. Samuel Nzai 	26 <sup>th</sup> July 1973	Senior Internal Auditor	CPA (K), Member of ICPAK B. Ed Arts.
5. Ms. Yulia H. Tola 	19 <sup>th</sup> January 1979	Accountant	CPA (K), Member of ICPAK B.Com (Finance), Diploma in Banking.
6. Ms. Sylvia J. Chemjor 	31 <sup>st</sup> August 1977	Monitoring and Evaluation Officer	MBA (Finance) , B.Sc. Agricultural Economics, Certified Investments and Security Analysis ( Level 11)



#### **IV. REPORT OF THE CHIEF EXECUTIVE OFFICER**

Kenya Coconut Development Authority (KCDA) exists to advise, research, assist, vet, witness, appoint agents and monitor all activities related to coconut farming, production, processing, grading, storage, collection, transportation, importation and exportation.

As per the National Coconut Survey of 2013, the current area under coconut in the Coastal region stands at 436,634 acres with a coconut tree population of 9.9 million. About 100,194 farmers rely on the crop for their livelihoods. The monetary value of the coconut industry is KES 12.2 billion out of the total potential of KES 25 billion annually. This means that only 50% of the sub-sector is being exploited. This is because most of the coconut products produced in Kenya are sold in their primary state (raw products) leading to low returns.

Further the study established that there is low investment in coconut research. More so subsector regulation at different stages has been met with hostility and resistance by the players. Nonetheless, the study notes that delays in issuance of licenses ought to be eliminated and enforcement of regulations should be devoid of harassment and extortion in order to fulfill the real purpose for which regulation was intended for. From a value chain perspective, the study proposes the formation of a sub-sector information system, value chain mobilization and organization, subsector research, marketing, financing and regulation. These are viewed as areas where there exist obvious gaps.

Such gaps are reflected in the fact that the potential of the coconut industry has remained unexploited largely due to inadequate, obsolete and inflexible technologies. In a bid to address this gap, the Authority is striving to facilitate the development and transfer of simple and affordable technologies to players in the sub-sector. As such training stakeholders with a view to facilitate product and business development has been KCDA's preoccupation. In this regard coconut industry players have been equipped with knowledge and skills to effectively establish and manage their enterprises.

Further KCDA has earmarked a number of strategic objectives that include: improvement of legal and institutional framework; improving coconut productivity; coconut seedlings distribution to farmers; strengthening marketing systems; and promotion of coconut products. Common Interest Group meetings have been organized where processors, supermarkets and distributors have met in a bid to facilitate market access of coconut products. In as far as promoting coconut products is concerned, a major milestone achieved in here was the successful 3<sup>rd</sup> Kenyan International Coconut Conference organized by KCDA in conjunction with likeminded partners in September 2013 in Mombasa.

Inaccessibility to appropriate financial services by stakeholders in the coconut sub-sector has been a major impediment to the development of the sub-sector. A number of players have been unable to expand their operations and many have unrealized projects. KCDA has facilitated access to appropriate financial services through linkage meetings and generation of proposals. This initiative had led to Micro Enterprises Support Programme Trust (MEPST), Kenya Industrial Estates (KIE), KCB Foundation and Kenya Electricity Transmission Company Limited (KETRACO) avail loans and grants to over ten groups involved in coconut seedlings propagation and coconut value addition projects.

It is also worth mentioning that KCDA was allocated 7 acres of land by KARI at Mtwapa. In order to improve its service delivery in terms of housing its staff and undertaking demonstration activities in the coconut value chain, the Authority is proposing to set up her head office at the plot. This will enable the Authority to set up farm demonstration plots and carry out technology demonstrations along the coconut value chain.



Moving forward, KCDA has put in place a coconut industry master plan aligned to the country's Vision 2030, the second Medium Term Plan (2013-2017) and the on-going reforms in the agricultural sector. This master plan envisions that the commercialization of coconut production and processing will contribute towards the realization of the country's industrialization agenda, to increased job creation, especially for the youth, to higher rural incomes and greater food security, and to the creation of a vibrant agro-processing sector and diversification of exports.

The proposed budget for the implementation of the Master Plan in the next five years is KES 3 billion. This is expected to be provided by the Government of Kenya through both county and national budgets. It is expected that effective implementation of this Master Plan will not only increase incomes of value chain actors in the sub-sector but also positively impact on the development of the coconut industry in order to contribute substantially to Kenya's economic growth. It is also expected to significantly contribute to poverty reduction, wealth creation and employment generation.

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During the year under review the Authority witnessed the expiry of the term of the Board of Directors. All their contracts expired at the same time. Since the Authority had been earmarked for reforms, these directors were never replaced as such exposing the Authority to a policy leadership vacuum which was supplemented by the Parent Ministry.

The Authority has been operating with a lean staffing level. Specifically the staffing level stands at 47%. The year under review was characterised by exits of critical employees namely, the General Manager, Finance and Administration, ICT Officer, Manager, Extension & Research and the Extension Officer. The gaps created by the exits of these Officers were never filled due to Ministerial Directives and advice received from the National Treasury. This has affected the budget absorption rate, curtailed the Authority's performance and overloaded the staff with additional responsibilities.

It is my hope that with concerted effort and support of all stakeholders, the coconut subsector can be harnessed so as to create employment, reduce poverty and create wealth

#### **Authority (KCDA) Performance**

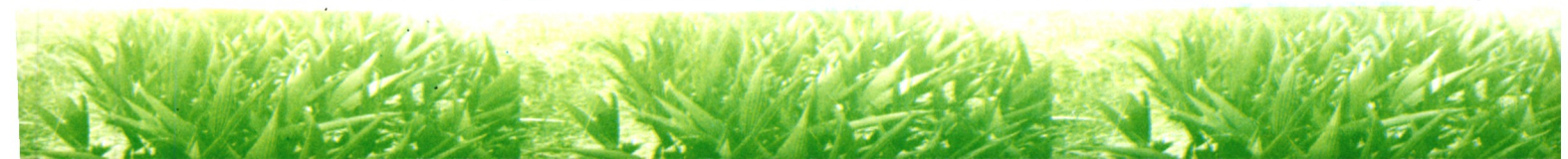
Grants received from the Government during the period were Kshs. 152 million. The Authority registered a surplus of Kshs 4.02 million. The total asset base of the Authority reduced from Kshs 66.9 million to Kshs 66.6 million.

#### **Future Outlook**

With the New Strategic Plan 2013-2017 and its alignment with the Vision 2030, the Authority is upbeat to provide a framework for enhanced services and earnings to her customers through the development, promotion and regulation of the coconut industry in Kenya. This will be in line with the vision of the Authority which is to be the leading agent in the development of a competitive coconut industry in Africa.

Guided by the Strategic Plan 2013-2017, the Authority will strive to increase value to her customers and stakeholders and improve on internal business processes through improved knowledge, skills, tools, technology, leadership and related organizational capacities.

Coconut farming can play a vital role in the growth of the national economy and has the potential of reducing poverty and unemployment, and contributing to foreign exchange earnings through exports. Coconut has a wide range of economic benefits and the industry has the potential of contributing KES 25 billion to the country's GDP (IDM/DANIDA, 2007). Products derived from coconut offer solutions that create opportunities for improved livelihood.





A proposal therefore has been generated to include the coconut subsector into the MTEF II in an effort to unlock the potential in the coconut. When implemented, it is expected that the strategies so proposed will contribute towards wealth creation and poverty alleviation and by extension contribute towards the achievement of Kenya Vision 2030. The funds earmarked are expected from the exchequer and development partners. It is envisaged that with effective implementation of this proposal over 500,000 jobs will be created through forward and backward linkages with a remarkable return on investment.

It is hoped that even with the reforms of restructuring Government parastatals which are expected will affect the Authority's operations; the preserve to unlock the potential of the coconut subsector will still be realized. The reforms will lead to the Gazettement of Agricultural, Fisheries and Food Act (AFFA) and the Crops Act 2013, which will subsequently lead to repealing of the Legal Order which formed KCDA. This will also affect seven other state corporations under the Ministry of Agriculture, Livestock and Fisheries.

We anticipate that the Authority will transform to be a Directorate under AFFA, and the mandate of the Directorate will expand to cover all nuts and oil crops

#### **Appreciation**

On behalf of the former Board of Directors and Management, I wish to sincerely thank the Ministry of Agriculture, Livestock and Fisheries, Inspectorate of State Corporations, customers, suppliers, external auditors, and all our staff for their support, invaluable advice and confidence in us.

Mr. Raymond Kahindi  
Ag. Managing Director

**KENYA COCONUT DEVELOPMENT AUTHORITY**



## V. CORPORATE GOVERNANCE STATEMENT

The Authority is committed to operating in accordance with best practice in business integrity and ethics and maintaining the highest standards of financial reporting and corporate governance.

### **The Board of Directors**

The former Board of Directors established broad corporate policies for the Authority. They set the strategic direction for management with a focus on enhancing the interests of stakeholders. The former Board was also responsible for the corporate governance of the Authority.

### **Ethical Standards**

The management of KCDA is committed to acting with the utmost integrity and expects the same of every employee at every level. The Authority conducts its affairs in compliance with all applicable laws and regulations and observes the highest standards of business ethics. The Authority intends that the spirit as well as the letter of those standards is followed by all Directors, officers and employees.

Employees are encouraged to raise any matters of concern with their supervisor or through different mechanisms set by the Authority such as suggestion boxes, hotlines, Public Complaints and Standing committee, website etc.

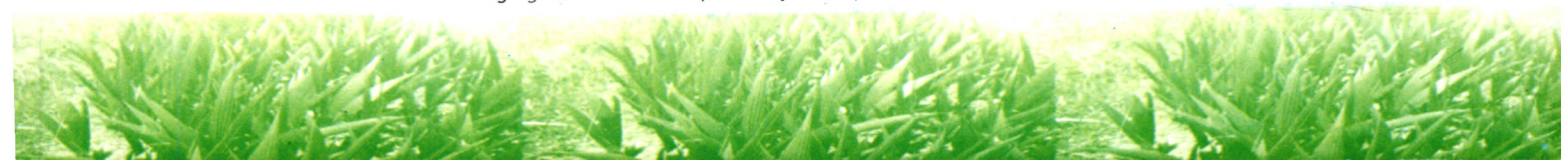
### **Code of Ethics**

To further promote ethical and responsible decision making, the management has established KCDA's Specific Leadership and Integrity Code of Conduct and Ethics for all of the Authority employees and members of the board. The Code contains rules, guidelines of conduct and ethics which have been agreed upon by the Board and are to be observed by all the Authority officers so as to maintain professionalism, team work, gender balance, integrity, impartiality and commitment of the Authority towards its operations

All Authority Officers are required to comply with all the requirements of the Code of Conduct and Ethics which touches on the following areas: Performance of duties, Professionalism, Rule of Law, No improper enrichment, Conflict of interest, Collections and Harambee, Acting for foreigners, Care of property, Political neutrality, Nepotism, Giving advice, Mistreating the public, Conduct of private affairs, Sexual harassment, Submitting of declarations, Acting through others and Reporting improper orders.

### **Protection for Company “whistle-blowers”**

The Authority has established procedures which have been incorporated into the Anti-Corruption Policy to facilitate the submission and review of complaints from employees regarding questionable accounting, internal controls or auditing matters on a confidential and anonymous basis. These procedures enable employees to make their concerns known without fear of retaliation and in the knowledge that procedures are in place to act upon their complaints.



### **Stakeholder Communication**

Stakeholders play an integral part in corporate governance and the management ensures that stockholders are kept fully informed through:

- Information provided on the Authority's website ([www.kcda.go.ke](http://www.kcda.go.ke)).
- Reports and other disclosures made periodically to relevant Institutions

It is the policy of the Company to facilitate communication of stakeholders and other interested parties. They may raise matters of concern at various forums organised by the Authority, such concerns are addressed within a reasonable time period by our officers in line with the Service Charter. In addition, any stakeholders or other interested party wishing to communicate with the Authority, may do so by submitting such communication in writing and sending it by regular mail to the attention of the Managing Director through the following address,

6<sup>th</sup> Floor, NSSF-Building  
P.O. Box 84351 – 80100, MOMBASA  
Tel: +254 41 2319617/6. Fax: +254 41 2319616  
Email: [info@kcda.go.ke](mailto:info@kcda.go.ke)

### **Communication with Third Parties**

It is the responsibility of the management to speak for the Authority in communications to outside parties (e.g. investors, the press and industry associations).



Mr. Raymond Kahindi  
Ag. Managing Director  
**KENYA COCONUT DEVELOPMENT AUTHORITY**





## VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

As an Authority we acknowledge our responsibility to the environment and to our local communities in which we work and with which we do business. The Authority actively encourages our staff to recognize those responsibilities and behave in a responsible manner toward the society in which we function. We regard the setting of good example as an important practice in this regard. Below are a few examples of how our Authority and our staff have shown their commitment to practice responsible corporate behaviour and to establish and support initiatives in our offices.

### Environment

We actively encourage staff to engage in tree planting activities; throughout the year we work closely with farmers and organizations to ensure that coconut trees are planted as is practical

### Community Involvement

During every financial year, the Authority donates basic necessities to needy children's' homes. Towards this end the Authority donated money, clothes and food stuffs to Bamburi Children Home, in Bamburi, Mombasa County.

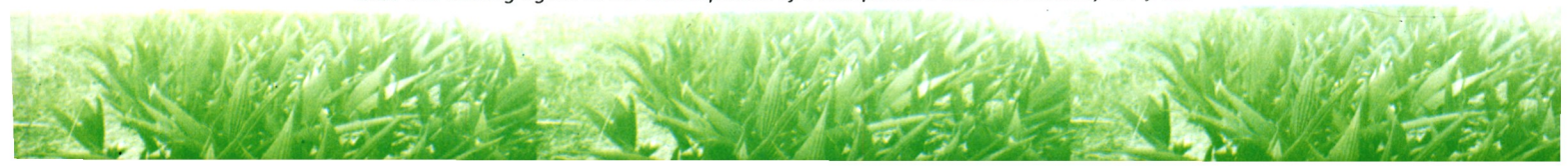
Staff members actively give of their time and skills to counsel those either affected or infected by HIV/AIDS scourge. In February 2014 staffs were involved in the provision of contraceptives in Mivumoni, Kwale County as a way of addressing the scourge of HIV/AIDS.

### Employees

The success as a knowledge-based Authority is based on our people and we seek to recruit, retain, reward and develop the best creative talent in our Authority. We continually seek to improve through training our employees.

Mr. Raymond Kahindi  
Ag. Managing Director

**KENYA COCONUT DEVELOPMENT AUTHORITY**



## **VII. REPORT OF MANAGEMENT**

The Management submit their report together with the audited financial statements for the 13<sup>th</sup> month's period ended July 31, 2014 which show the state of Kenya Coconut Development Authority's affairs.

### **Principal activities**

The principal activities of KCDA is to develop promote and regulate the coconut industry in Kenya

### **Results**

The results of the entity for the period ended July 31, 2014 are set out on page 1

### **Auditors**

The Auditor General is responsible for the statutory audit of KCDA in accordance with the Section 73 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.



Mr. Raymond Kahindi  
Ag. Managing Director  
**KENYA COCONUT DEVELOPMENT AUTHORITY**





## VIII. AUDITOR'S REPORT

### REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

### OFFICE OF THE AUDITOR-GENERAL

#### REPORT OF THE AUDITOR-GENERAL ON KENYA COCONUT DEVELOPMENT AUTHORITY FOR THE THIRTEEN (13) MONTHS PERIOD ENDED 31 JULY 2014

##### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Coconut Development Authority for as set out on pages 1 to 22, which comprise of the statement of financial position as at 31 July 2014, the statement of financial performance, statement of changes in net assets and statement of cash flows for the thirteen (13) months period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to 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 the financial statements to the Auditor-General in accordance with the provisions of Section 13 of 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 judgment, 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**

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

Property, plant and equipment balance of Kshs.18,700,456 as at 31 July 2014 excludes seven (7) acres of unvalued land in Mtwapa allocated to the Authority by Kenya Agricultural Research Institute. In addition, the ownership had not been transferred to the Authority by the former owner.

Under the circumstance, the accuracy and completeness of property, plant and equipment balance of Kshs.18,700,456 as at 31 July 2014 could not be ascertained.

##### **2. General Administrative Expenses**

General administrative expenses balance of Kshs.44,486,913 in the statement of financial performance for the period ended 31 July 2014 includes office rent expense amounting to Kshs.4,206,102. Audit review of the lease agreement revealed that the lease had not been countersigned by the landlord. In the circumstance, the validity of the general administrative expenses amount of Kshs.4,206,102 for the period ended 31 July 2014 could not be confirmed.

#### **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 Kenya Coconut Development Authority as at 31 July 2014 and its financial performance and its cash flow for the thirteen (13) months period then ended, in accordance with International Public Sector Accounting Standards and comply with Kenya Coconut Development Authority Order 2007.

#### **Other Matter**

##### **Going concern**

The Enactment and Gazzettement of the Agricultural, Fisheries and Food Act (AFFA) and the Crops Act 2013 led to the repeal of the Legal Order, Kenya Coconut Development Authority Order 2007. This meant that KCDA ceased to exist from 1<sup>st</sup> August 2014 when the Crop Act commenced. However the financial statements have been prepared on going concern basis.

Consequently, these financial statements should have been prepared on a break-up basis rather on a going concern basis. My opinion is not qualified in respect to this matter.

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

**Nairobi**

**27 July 2015**



## **IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and (CAP 446) of the State Corporations Act, require the Directors to prepare financial statements in respect of KCDA which give a true and fair view of the state of affairs of KCDA at the period end and the operating results of the Authority for that period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

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 period ending July 31, 2014. 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 Authority; (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 period ending July 31, 2014, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained by 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.

With the enactment of the AFFA ACT and Crops Act 2013, KCDA transformed from an Authority to a Directorate under Agriculture, Fisheries and Food Authority effective 1<sup>st</sup> August 2014.

### **Approval of the financial statements**

The Authority's financial statements were approved by management on 8<sup>th</sup> September 2014 and signed on its behalf by:

**Ms. Winnie Mathinii**  
**Alternate to PS – Ministry of Agriculture,**  
**Livestock and Fisheries**

**Mr. Raymond Kahindi**  
**Ag. Managing Director**

**X. STATEMENT OF FINANCIAL PERFORMANCE  
 FOR THE PERIOD ENDED JULY 31, 2014**

		<u>2013/2014</u>	<u>2012/2013</u> <u>RESTATED</u>
	<u>NOTES</u>	<u>KSHS</u>	<u>KSHS</u>
<b>Revenue</b>			
<b>Revenue from Non Exchange Transactions</b>			
Grant from National Government	3	152,000,000	177,120,001
Grant from Other Government Agencies	4	600,000	2,331,798
Licenses and permits	5	1,683,536	2,062,694
Other Income	6	1,114,046	202,500
Miscellaneous Income		-	475,081
<b>Total Revenues from Non Exchange Transactions</b>		<b><u>155,397,582</u></b>	<b><u>182,192,074</u></b>
<b>Expenses</b>			
Employee Costs	7	45,050,349	46,641,302
Board Expenses	8	4,460,378	11,471,980
Operating Expenses	9	45,202,785	23,680,495
General Administrative Costs	10	44,486,913	49,902,917
Repairs and Maintenance	11	2,477,778	3,078,930
Depreciation of PPE	12	4,257,906	4,117,212
Amortization of Intangible Assets	13	469,734	613,259
Loss on Disposal Of Assets	14	179,007	-
<b>Total Expenses</b>		<b><u>146,584,850</u></b>	<b><u>139,506,095</u></b>
<b>SURPLUS FOR THE PERIOD</b>		<b><u>8,812,732</u></b>	<b><u>42,685,979</u></b>

The notes set out on pages 9 to 19 form an integral part of the Financial Statements

The Financial Statements were Approved by management on 8<sup>th</sup> September 2014 and signed on its behalf by:



**Ms. Winnie Mathinii**  
 Alternate to PS – Ministry of Agriculture,  
 Livestock and Fisheries

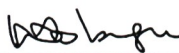


**Mr. Raymond Kahindi**  
 Ag. Managing Director


**XI. STATEMENT OF FINANCIAL POSITION  
FOR THE PERIOD ENDED 31, JULY 2014**

ASSETS	NOTES	2014	2013
		<u>KSHS</u>	<u>RESTATED KSHS</u>
<b>Non - Current Assets</b>			
Property Plant and Equipment	12	18,700,456	22,751,388
Intangible Assets	13	1,168,608	1,245,102
<b>Total Non- Current Assets</b>		<b><u>19,869,064</u></b>	<b><u>23,996,490</u></b>
<b>Current Assets</b>			
Trade and Other Receivables	15	8,115,924	1,326,500
Inventory	16	416,901	436,800
Bank and Cash Balances	17	<u>43,218,659</u>	<u>41,165,509</u>
<b>Total Current Assets</b>		<b><u>51,751,484</u></b>	<b><u>42,928,809</u></b>
<b>TOTAL ASSETS</b>		<b><u>71,620,548</u></b>	<b><u>66,925,299</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Government Grant	20	6,473,673	6,473,673
Capital Fund	21	16,694,224	16,694,224
Reserves	22	<u>43,011,535</u>	<u>34,198,803</u>
<b>Capital and Reserves</b>		<b><u>66,179,432</u></b>	<b><u>57,366,700</u></b>
<b>Current Liabilities</b>			
Trade and Other Payables	18	4,448,340	6,846,613
Service gratuity	19	<u>992,776</u>	<u>2,711,986</u>
<b>Total Liabilities</b>		<b><u>5,441,116</u></b>	<b><u>9,558,599</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>71,620,548</u></b>	<b><u>66,925,299</u></b>

The Financial Statements were Approved by management on 8<sup>th</sup> September 2014 and signed on its behalf by:



**Ms. Winnie Mathinii**  
Alternate to PS – Ministry of Agriculture,  
Livestock and Fisheries



**Mr. Raymond Kahindi**  
Ag. Managing Director

**XII. STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 31, JULY 2014**

	GOK GRANT	CAPITAL FUND	SURPLUS RESTATED	TOTAL
Notes	20	21	22	
Balance As At July 1, 2012	6,473,673	16,694,224	(8,487,176)	14,680,721
Total Comprehensive Income	-	-	42,685,979	42,685,979
Balance As At June 30, 2013	6,473,673	16,694,224	34,198,803	57,366,700
Balance As At July 1, 2013	6,473,673	16,694,224	34,198,803	57,366,700
Total Comprehensive Income	-	-	8,812,732	8,812,732
<b>BALANCE AS AT JULY 31, 2014</b>	<b>6,473,673</b>	<b>16,694,224</b>	<b>43,011,535</b>	<b>66,179,432</b>

**XIII. STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED 31, JULY 2014**

	<u>NOTES</u>	<u>2014</u>	<u>2013</u>
		<u>KSHS</u>	<u>RESTATED</u> <u>KSHS</u>
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
Cash Generated from Operating Activities			
Surplus for the Year		8,812,732	42,685,979
<b>Add Back Non - Cash Transactions :-</b>			
Depreciation	12	4,257,906	4,117,212
Amortization of Fixed Assets	13	469,734	613,259
Loss on Disposal of Assets	14	179,007	-
(Increase)/ Decrease in Trade and Other Receivables	15	(6,789,425)	331,318
(Increase)/ Decrease in Inventory	16	19,899	(359,623)
Increase /( Decrease) in Trade and Other Payables	18	(2,398,273)	2,877,736
Increase /( Decrease) in Gratuity	19	(1,719,210)	(8,981,586)
<b>Net Cash generated from Operating Activities</b>		<b>2,832,370</b>	<b>41,284,294</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Tangible Assets	12	( 385,980)	(6,643,372)
Purchase of Intangible Assets	13	(393,240)	-
<b>Net Cash generated from Investing Activities</b>		<b>(779,220)</b>	<b>(6,643,372)</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>			
		-	-
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,053,150</b>	<b>34,640,922</b>
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>		<b>41,165,509</b>	<b>6,524,587</b>
<b>CASH AND CASH EQUIVALENTS END OF THE YEAR</b>	17	<b>43,218,659</b>	<b>41,165,509</b>

**XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE PERIOD ENDED 31<sup>ST</sup> JULY 2014**

<b>Income</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on Comparative basis</b>	<b>Performance Difference</b>
Income / Grants	173,833,333	(10,000,000)	163,833,333	152,000,000	(11,833,333)
Income/Grants from Govt. partners	14,400,000	(7,000,000)	7,400,000	600,000	(6,800,000)
Income/Regulatory Instruments	12,961,334	(4,500,000)	8,461,334	1,683,536	(6,777,798)
Income/Other Income	1,050,000	150,000	1,200,000	1,114,046	(85,954)
<b>Total</b>	<b>202,244,667</b>	<b>(21,350,000)</b>	<b>180,894,667</b>	<b>155,397,582</b>	<b>(25,497,085)</b>
<b>Operating Expenses</b>					
Operating Costs	43,357,334	7,500,507	50,857,841	45,202,785	5,655,056
Personnel Emoluments	57,316,667	(9,300,000)	48,016,667	45,050,349	2,966,318
Board Expenses	15,175,000	(9,250,000)	5,925,000	4,460,378	1,464,622
Administrative Expenses	61,787,652	2,285,000	64,072,652	44,486,913	19,585,739
Repairs and Maintenance	6,775,000	(2,550,000)	4,225,000	2,477,778	1,747,222
Provision for Depreciation	5,385,000	-	5,385,000	4,727,640	657,360
Loss on Disposal of assets	-	-	-	179,007	(179,007)
<b>Total Expenditure</b>	<b>189,796,653</b>	<b>(11,314,493)</b>	<b>178,482,160</b>	<b>146,584,850</b>	<b>31,897,310</b>
<b>Surplus for the period</b>				<b>8,812,732</b>	
Capital Expenditure	28,563,507	(10,035,507)	18,528,000	779,220	17,852,020
	<b>218,360,160</b>	<b>-21,350,000</b>	<b>197,010,160</b>	<b>147,364,070</b>	<b>49,749,330</b>



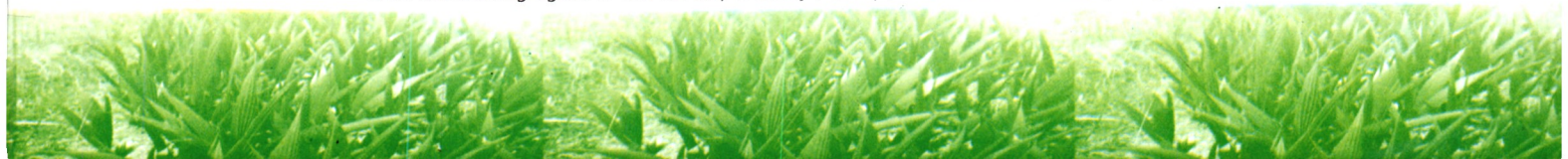
**i) Explanation of Variances**

- a) Budgeted income from Government grant was not met (Variance of Kshs. 11.833 M) because grant for the month of July was not received as at the end of the financial period.
- b) AIA was not met due to the fact that the some licensing functions were transferred to the County Government.(Variance of kshs. 6.86M).
- c) The Authority received development grant from one Government partner only during the period leaving a variance of Kshs. 6.8M
- d) Operations and capital expenditure has a favourable variance of Kshs. 5.65M and Kshs. 17.8 M respectively because expenditure was in line with Government circulars on Austerity measures to curtail expenditure and freeze of some expenditure.
- e) Personnel costs Variance of Kshs.2.966M favourable was due to the fact that some staffs left the organization during the period and had not been replaced by the close of the period under review.
- f) The board expenses variance of Kshs. 1.464M favourable was because the board of the Authority term ended in October 2013 and was not replaced due to the reforms undertaken by the Parent ministry on parastatals.
- g) Administrative expenses generally have a variance of Kshs.19.5 favourable because most of the activities slowed down due to the government circulars on expenditure and the reforms which drastically affected the utilization rate.
- h) Repairs and maintenance variance of Kshs.1.747M favourable was because the Authority took its vehicle to Technical university of Mombasa for repairs instead of the dealers and other garages which were very expensive.

**ii) Budget Information**

The budget for the FY 2013/2014 for KCDA was approved by the Parent Ministry and the National Treasury for a period of 12 months upto June 2014. The financial statements have been prepared for a period of 13 months to the end of July 2014 and therefore the corresponding budget comparatives was for 13 months including the one month of July 2014.

The budget was revised mid year after the supplementary budget where the allocation for KCDA was reduced 10 M.



## **XV. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of compliance and basis of preparation**

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

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

This is the first time the Authority in adopting IPSAS. Following the enactment of the PFM Act, 2012, where it provides under Section 192 for establishment of the PSASB. The Cabinet Secretary, National Treasury gazetted the members of the Board through Gazetted No 1199 of 28<sup>th</sup> February 2014. The PSASB has adopted Financial Reporting Standards for all state organs and public entities for use in preparation of the financial statement for the financial year ended 30<sup>th</sup> June 2014.

### **2. Summary of significant accounting policies**

#### **a) Revenue recognition**

Grants from National Government are recognised on receipt. Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the cash. Grant on Licences and Permits is recognised on cash basis.

#### **b) Budget information**

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

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 entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred.

#### **d) Depreciation and impairment of property, plant and equipment**

All categories of Property Plant and Equipment are initially recorded at cost. All repairs and maintenance costs are charged to the income and expenditure account during the financial period in which they are incurred.

Depreciation is calculated on a reducing balance basis at rates designed to write down the assets to their estimated residual values over their useful lives using the following annual rates



	<b>Rate per Annum (%)</b>
Computers	30.00
Motor vehicles	25.00
Property, Plant and Equipment	12.50
Furniture, fixtures and fitting	12.50

Depreciation is calculated from the date of purchase and is also charged in the year of disposal.

**e) Intangible assets**

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.

These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use for three years.

**f) Amortisation and impairment of intangible assets**

Amortisation is calculated on a reducing balance basis over the estimated useful life of computer software of three years.

**g) Inventories**

The Authority is a non-trading entity and thus Stock includes stationery. Inventories are stated at the lower of cost and net realisable value. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity. Valuation of stock was on FIFO (First in First Out) Basis

**h) Provisions**

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

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

**Contingent liabilities**

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

**Contingent assets**

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

**i) Nature and purpose of reserves**

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

**j) Changes in accounting policies and estimates**

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

#### **k) Employee benefits**

##### **Retirement benefit plans**

KCDA operates a defined contribution scheme for all permanent and pensionable employees from July 1, 2011. The scheme is administered by Jubilee Insurance and is funded by contributions from both the Authority and its employees, the employer contribute 15% of the basic salary while employees on permanent and pensionable terms contribute 7.5%. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.

Gratuity is provided at the rate of 31% of basic salary for employees serving under contract terms.

##### **l) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at Kenya Commercial Bank and Co-operative bank of Kenya at the end of the financial year.

##### **m) Comparative figures**

Comparative figures for the previous financial year was for a period of twelve month up to 30<sup>th</sup> June 2013

##### **n) Significant judgments and sources of estimation uncertainty**

The preparation of the Entity'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.

##### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 2 (h).

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date.

##### **o) Subsequent events**

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

##### **p) Restated Balances**

Surplus for last financial year (2012/2013) was restated by Kshs. 1,025,372.00:- which are Prior year adjustment of;

Kshs. 924,261.5 is a write off of the provision of rent expense for a service charge which was an assessment done by NSSF and Kshs 101,110 is a reduction of medical expense for the year (2012/2013) after the recognition of a staff debtor whose medical bill was paid on his behalf by the Authority



**Kenya Coconut Development Authority**  
**Reports and Financial Statements for the Period ended July 31, 2014 (Kshs)**

**NOTES TO THE FINANCIAL STATEMENTS**

**Revenue from Non Exchange Transaction**

**3. Grant from National Government – Kshs 152,000,000**

Represents recurrent grants received from the Government of Kenya.

	<u>2013/2014</u>	<u>2012/2013</u>
	<u>Kshs</u>	<u>Kshs</u>
GoK Grant	<u>152,000,000</u>	<u>177,120,001</u>
	<b><u>152,000,000</u></b>	<b><u>177,120,001</u></b>

**4. Grant from Other Government Agencies – Kshs 600,000**

Represents recurrent grants received from other development partners

	<u>2013/2014</u>	<u>2012/2013</u>
	<u>Kshs</u>	<u>Kshs</u>
KETRACO- Seedling project	300,000	180,000
KCB Foundation project	0	1,871,298
MESPT Funding	0	280,500
KARI	<u>300,000</u>	<u>0</u>
	<b><u>600,000</u></b>	<b><u>2,331,798</u></b>

**5. Licenses and Permits – Kshs 1,683,536**

Represent income realized from the implementation of regulatory instruments.

	<u>2013/2014</u>	<u>2012/2013</u>
	<u>Kshs</u>	<u>Kshs</u>
Licenses	813,400	1,802,984
Permits	446,019	187,100
Import and Export Levy	424,117	72,610
	<b><u>1,683,536</u></b>	<b><u>2,062,694</u></b>

**6. Other Income 1,114,046**

Represents income realized from sale of tender documents

	<u>2013/2014</u>	<u>2012/2013</u>
	<u>Kshs</u>	<u>Kshs</u>
Sale of tender documents	0	202,500
Sale of coconut/coconut products	8,690	0
Coconut seedlings refund	356,962	0
International conference fees	702,310	0
Interest Earned from Fixed Deposits	46,084	0
	<b><u>1,114,046</u></b>	<b><u>202,500</u></b>

**7. Employee Costs – Kshs. 45,050,349**

These include personnel emoluments costs incurred within the year.

	<u>2013/2014</u>	<u>2012/2013</u>
	<u>Kshs</u>	<u>Kshs</u>
Basic Salary	26,529,390	27,796,893
House Allowance	5,302,000	5,774,000
Transport Allowance	3,014,584	3,032,624
Acting Allowance	142,104	0
Special Duty Allowance	393,076	371,268
Arrear Earnings	611,169	406,864
Remunerative Allowance	427,989	135,000
NSSF employer contribution	85,000	78,800
Transfer Allowance	63,753	0
Leave Allowance	438,000	246,000
Pending Leave days	2,228,781	0
Provision for Gratuity	1,729,804	2,822,216
Pension fund employer contribution	2,935,685	5,120,282
Casual wages	54,400	60,400
Payment in lieu of leave	<u>1,094,614</u>	<u>796,955</u>
<b>Total</b>	<b><u>45,050,349</u></b>	<b><u>46,641,302</u></b>

**8. Board Expenses – Kshs 4,460,378**

Represents expenses incurred by the board during full board, special board, committee meetings, and includes honorarium payable to the chairman.

	<u>2013/2014</u>	<u>2012/2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Sitting Allowance	1,880,000	4,820,000
Travel Expenses	2,281,711	5,284,430
Chairman Honorarium	298,667	967,000
Board training	0	400,550
<b>Total</b>	<b><u>4,460,378</u></b>	<b><u>11,471,980</u></b>

**9. Operating Cost Kshs 45,202,785**

Represents expenses incurred on operating activities undertaken by the Authority as listed below.

	<u>2013/2014</u>	<u>2012/2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Research and Development	1,797,844	1,955,180
NACOSTI Research project	649,069	817,785
Extension services	1,496,030	2,046,483
Marketing and market promotion	13,626,003	5,271,327
Seedling Programme	22,844,890	9,136,202
Business/ Entrepreneurial development	1,784,749	728,567
Business Development projects	0	2,166,201
Quality Assurance and regulations	2,544,640	1,558,750
Technical Travel	<u>459,560</u>	<u>0</u>
<b>Total</b>	<b><u>45,202,785</u></b>	<b><u>23,680,495</u></b>



## Kenya Coconut Development Authority

### Reports and Financial Statements for the Period ended July 31, 2014 (Kshs)

#### 10. Administrative Expenses Kshs. 44,486,913

Represents expenses incurred in facilitating office activities

	<u>2013/2014</u>	<u>2012/2013</u>
	<u>Kshs.</u>	<u>RESTATED</u> <u>Kshs.</u>
Advertising and Publicity	1,524,047	3,203,092
Printing Stationery	2,138,628	1,986,154
Post, Telephone And Communication	1,560,909	2,268,387
Catering Services	1,194,289	1,125,287
Training & Workshop	6,668,324	4,204,581
Hospitality	435,956	419,568
Office Rent	3,648,091	3,684,823
Sanitary and Cleaning	134,468	109,709
Newspapers, Magazines and Periodicals	182,950	88,556
Subscriptions and Registration	1,653,831	1,596,541
Insurance	1,398,831	1,233,430
Corporate Social Responsibility	106,470	252,790
Computer Accessories	1,482,239	822,258
Staff medical expense	4,944,493	4,960,507
Fuel expense	1,839,407	1,669,634
Consultancy services	3,636,174	10,869,152
Legal fees	28,500	131,160
Water and Electricity	81,594	278,548
Staff travel and subsistence - Foreign	542,718	1,751,284
Staff travel and subsistence - Local	9,424,374	6,450,134
Stakeholders forum	279,240	557,830
Meals allowances	517,752	671,507
Penalties and fines	0	481,817
Security	335,447	307,807
Motor vehicle hiring	201,920	299,740
Uniforms	77,509	0
Provision for Audit Fees	348,000	396,000
Bank charges	<u>100,752</u>	<u>82,619</u>
<b>Total</b>	<b><u>44,486,913</u></b>	<b><u>49,902,917</u></b>

#### 11. Repairs and Maintenance - Kshs. 2,477,778

Represents costs incurred in maintaining motor vehicles, office, equipment and computers

	<u>2013/2014</u>	<u>2012/2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Motor Vehicles maintenance	1,575,423	2,404,038
Office maintenance	422,966	261,744
Equipment maintenance	<u>479,389</u>	413,148
<b>Total</b>	<b><u>2,477,778</u></b>	<b><u>3,078,930</u></b>



**Kenya Coconut Development Authority**  
**Reports and Financial Statements for the Period ended July 31, 2014 (Kshs)**

**12. Property, Plant And Equipment**

2014	FURNITURE & FITTING	EQUIPMENTS	COMPUTERS	MOTOR VEHICLE	BUILDING	TOTAL
<b>Cost</b>						
At July 1, 2012	5,986,690	2,903,437	5,082,546	12,933,558	15,181,089	32,087,320
Additions	187,920	998,995	2,023,900	3,432,557	-	6,643,372
<b>At June 30, 2013</b>	6,174,609	3,902,431	7,106,445	16,366,114	5,181,089	38,730,690
At July 1, 2013	6,174,610	3,902,432	7,106,446	16,366,115	5,181,089	38,730,692
Additions	-	330,980	55,000	-	-	385,980
Transfer/Adjustments	-	(170,520)	170,520	-	-	-
Disposals	-76,000	(154,800)	(72,500)	-	-	(303,300)
<b>At July 31, 2014</b>	<b>6,098,610</b>	<b>3,908,092</b>	<b>7,259,466</b>	<b>16,366,115</b>	<b>5,181,089</b>	<b>38,813,372</b>
<b>Depreciation</b>						
At July 1, 2012	1,942,310	936,999	2,679,245	6,208,551	94,986	11,862,089
Charge for the year	513,378	295,482	953,285	2,253,345	101,722	4,117,212
<b>At June 30, 2013</b>	2,455,687	1,232,481	3,632,530	8,461,896	196,708	15,979,302
At July 1, 2013	2,455,687	1,232,481	3,632,530	8,461,896	196,708	15,979,304
Charge for the year	499,564	364,923	1,171,856	2,113,583	107,981	4,257,906
Eliminated on disposal	(31,735)	(63,196)	(29,363)	-	-	(124,294)
<b>At July 31, 2014</b>	<b>2,923,516</b>	<b>1,534,208</b>	<b>4,775,023</b>	<b>10,575,479</b>	<b>304,689</b>	<b>20,112,917</b>
<b>Net Book Value</b>						
At July 31, 2014	3,175,094	2,373,884	2,484,443	5,790,636	4,876,400	18,700,456
At June 30, 2013	3,718,923	2,669,950	3,473,915	7,904,218	4,984,381	22,751,388

**Note:**  
 Three (3) digital camera of Kshs. 56,840 each and (1) DVD/CD Printer Kshs.48,720 initially charged under equipment now adjusted and charged to computers account.  
 KCDA was allocated 7acres of land by KARI at Mtwapa but the Authority does not have the value of the land as at the reporting date.



**Kenya Coconut Development Authority**  
**Reports and Financial Statements for the Period ended July 31, 2014 (Kshs)**

13. Intangible Assets

	<u>2013/2014</u> <u>Kshs.</u>	<u>2012/2013</u> <u>Kshs</u>
<b>Cost</b>		
At July 1, 2013	3,140,468	3,140,468
Additions	393,240	0
Disposals	<u>0</u>	<u>0</u>
At June 30, 2014	<u>3,533,709</u>	<u>3,140,468</u>
<b>Amortization</b>		
At July 1, 2013	1,895,367	1,282,108
Charge for the period	469,734	613,259
Disposals	0	0
Impairment loss	<u>0</u>	<u>0</u>
At June 30, 2014	<u>2,365,101</u>	<u>1,895,367</u>
<b>Net Book Value</b>		
At June 30, 2014	<u>1,168,608</u>	<u>1,245,102</u>

14. Loss on Disposal Kshs 179,007

One laptop, Coco wood centre piece, Geo - textile and a wheel barrow were disposed off during this financial year

	<u>2013/2014</u> <u>Kshs.</u>	<u>2012/2013</u> <u>Kshs.</u>
Cost	303,300	0
Accumulated Depreciation	(124,293)	0
<b>Net Book Value</b>	<u>179,007</u>	<u>0</u>
<b>Loss on Disposal</b>	<u>179,007</u>	<u>0</u>

15. Accounts Receivables – Kshs. 8,115,924

Prepayments represent receivables on motor vehicle insurance cover, medical cover, reimbursement by insurance company of loss of cash on transit, deposit for rent and other receivables represent outstanding staff imprest and salary advances.

	<u>2013/2014</u> <u>Kshs.</u>	<u>2012/2013</u> <u>Kshs.</u>
Staff receivables	2,249,379	554,803
Prepayments	5,680,585	585,736
Deposits	<u>185,960</u>	<u>185,960</u>
<b>Total</b>	<u>8,115,924</u>	<u>1,326,499</u>

At July 31, 2014 the ageing analysis of the gross trade receivables was as follows:

	<u>2013/2014</u>	<u>2012/2013</u>
	Kshs	Kshs
Less than 30 days	6,250,106	1,069,269
Between 30 and 60 days	977,612	203,130
Between 61 and 90 days	309,066	44,100
Between 91 and 120 days	136,635	10,000
Over 120 days	442,505	0
	<b><u>8,115,924</u></b>	<b><u>1,326,499</u></b>

**16. Inventory – Kshs. 416,901**

This represents stationery in stores at the end of the period

	<u>2013/2014</u>	<u>2012/2013</u>
	Kshs.	Kshs
Stationery	416,901	436,800
	<b><u>416,901</u></b>	<b><u>436,800</u></b>

**17. Cash and Bank – Kshs. 43,218,659**

Represents reconciled bank balance

	<u>2013/2014</u>	<u>2012/2013</u>
	Kshs.	Kshs.
Cash at Bank	43,218,659	41,165,509
<b>Total</b>	<b><u>43,218,659</u></b>	<b><u>41,165,509</u></b>

**18. Accounts Payables – Kshs. 4,448,340**

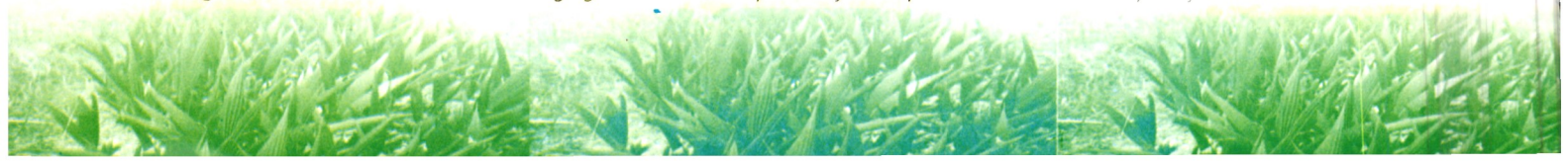
Accounts and other Payables are carried at cost which is the fair value of the consideration to be Paid in the course of the financial year and in the future. They represent utilities bills payable, goods and services rendered and provision of audit fees.

	<u>2013/2014</u>	<u>2012/2013</u>
	Kshs.	<u>RESTATED</u> Kshs.
Accounts Payables	1,871,560	6,498,613
Pending Leave	2,228,780	0
Provision for Audit Fees	348,000	348,000
<b>Total</b>	<b><u>4,448,340</u></b>	<b><u>6,846,613</u></b>

**19. Accounts Payables – Kshs. 992,775**

Represents gratuity provided for during the period

	<u>2013/2014</u>	<u>2012/2013</u>
	Kshs.	<u>RESTATED</u> Kshs.
Balance as at 01.07.2013	2,711,986	7,064,141
Provisions for the year	1,816,332	2,822,217





**Kenya Coconut Development Authority**  
**Reports and Financial Statements for the Period ended July 31, 2014 (Kshs)**

Payments during the year	(3,535,543)	(7,174,372)
Net Gratuity as at 31 <sup>st</sup> July 2014	<u>992,775</u>	<u>2,711,986</u>

At July 31, 2014 the ageing analysis of the gross trade payables was as follows:

	<u>2013/2014</u>	<u>2012/2013</u>
	Kshs	Kshs
Less than 30 days	5,225,666	9,558,599
	<u>5,225,666</u>	<u>9,558,599</u>

**20. Government Grant**

These are grants received from the Government in the year 2007/2008 that the Authority utilized for its operations as reflected in the statement of changes in equity

**21. Capital Fund**

Represents Property, Plant and Equipment purchased by the Ministry of Agriculture, Livestock and Fisheries for the Authority in the financial years 2007/2008, 2008/2009 and 2009/2010.

**22. Revenue Reserves**

The reserves comprises of surplus brought forward from previous periods and for the current period under review. They are meant for Asset replacement and facilitating operations of the Authority and Gratuity settlement.

**23. Events after the reporting period**

Management decision to approve provisions audit fees, pending leave days, and gratuity as at 30th July 2014 was conducted after the closure of the period ending 31 July, 2014.

**24. Related Party Disclosures**

The key related parties under KCDA include the Gok, board of directors, management and employees.

**(a) Board Members and Management**

The remuneration of board of directors include; sitting allowance, travel and chairman's Honoraria. In addition there was medical cover to the principal member, spouse and four Dependants. Top management were paid salaries as per approved rates, allowances and medical Cover for them, their spouses and five dependants. A summarised remuneration is as tabled below;

DESCRIPTION	BOARD	TOP MGT
Sitting allowance	1,880,000	
Board Travel And Subsistence	2,281,711	
Honoraria For Chairman	298,667	
Medical Cover	594,550	914,377
Salaries		8,637,883
Allowance		1,484,870
Gratuity		3,535,543



NB. The outstanding gratuity as at the end of the period is Ksh.992,775.

**(a) Government of Kenya**

The Authority was allocated Kshs. 173 M by the Government of Kenya during the period ending financial Year 2013/2014 up to 31<sup>st</sup> July 2014. The budget was revised downwards by Kshs. 10 Million effected during the supplementary estimates to Kshs. 152 Million. However allocation for the month of July 2014 had not been received by the end of the period.

**(b) Employees**

The benefit obtained by staff is subjected to income tax as required under the Kenya Income Tax Act.

**25. Lease**

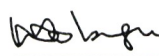
The Authority leases office space on 6<sup>th</sup> Floor, NSSF building (Mombasa Block XXV/123). The Landlord is the Board of Trustee, National Social Security Fund. The space measures approximately 4469 sq. Ft. The lease is for a period of 6 years from 1<sup>st</sup> December 2010. The rate is escalated at a Rate of 20% after every two years. The lease has not been signed by both parties up to date. The future lease payments due to NSSF are as follows


	<u>2013/2014</u>	<u>2012/2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Payable within one year to July 2015	2,676,923	1,385,559
Payable after one year to July 2016	746,687	2,788,841
<b>Total</b>	<b><u>3,423,610</u></b>	<b><u>4,174,400</u></b>

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

  
 Ms. Winnie Mathinii  
 Alternate to PS – Ministry of Agriculture,  
 Livestock and Fisheries

  
 Mr. Raymond Kahindi  
 Ag. Managing Director

