

RESTRICTED



Republic of Kenya

Report of the Inquiry
on the
Kenya Co-operative Creameries
Limited

Chairman:
Mr. Stephen Kiwigi

Presented to

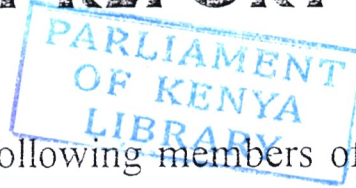
His Excellency

Dr. J. M. Njoroge, M.P.
Minister of the Agriculture, Forestry and
Republic of Kenya

April 1964



KCC INQUIRY REPORT



This report has been compiled by the following members of the Inquiry Team:-

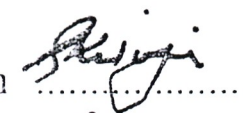
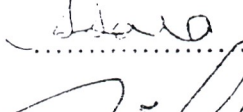

1. Mr. Stephen Kirugi - Chairman 
2. Mr. Joshua Andrew Gituma - Member 
3. Mr. Frank Joel Mwasella - Member 
4. Mr. Josiah P. Cheruiyot - Member 
5. Mr. Moitalel Ole Kenta - Member 
6. Dr. Gideon Kirwa Misoi - Member 
7. Mr. Joseph Ngala Chai - Member 
8. Mr. Vincent Lelei - Member 
9. Mr. John Njuguna Karari - Member 

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1.0 INTRODUCTION

1.1 Background

- a) Kenya Cooperative Creameries Limited (KCC) was incorporated as a Public Limited Liability Company under the Companies Act (Cap 486) on 22nd August, 1925 and registered under the Cooperative Societies Ordinance on 8th February 1932. Its basic objective was and still is to receive and process raw milk from the members into various products and market them on their behalf.
- b) KCC Ltd. was originally a settler organization and utilized the company's legislation for operational and legal purposes whereas it used the cooperative legislation for tax purposes. Tax returns and payments under the cooperative societies Ordinances were simple and modest.
- c) However, by 1968 the Cooperative Societies Act had lost its usefulness for tax purposes. Subsequently KCC was granted total exemption from the Cooperative Societies Act by the Minister for Cooperative Development under Section 86 of the Cooperative societies Act (CAP.490). Under Legal Notice No.125/1968 KCC was exempted from all the provisions of the Act and therefore operated purely under the Companies Act but retained dual registration.
- d) By early 1980's, all was not well in KCC and the Government was interested in finding out what was happening. However, this was hindered by the exemptions given in 1968 under the Legal Notice

No.125/1968. This is why the Minister for Cooperative Development, on 26/3/82 revoked the exemptions of 1968 in order to facilitate institution of an inquiry into the By-Laws, working and financial conditions of KCC under the provisions of Section 61 of the Cooperative societies Act.

- e) As if the revocation of exemptions was not enough, KCC was de-registered under the Companies Act on 25/5/89 under Legal Notice No.2681 and therefore became a purely cooperative organization. Unfortunately, the de-registration of KCC as a company was not in compliance with the winding up proceedings under the Companies Act. Subsequently, KCC was re-registered as a company on 23/5/91 under Gazette Notice No.1997. KCC therefore reverted to dual registration but without exemptions.

- f) Still KCC could not operate optimally under the dual registration and especially without exemptions from the provisions of the Cooperative Societies Act. This led to exemptions being granted on 1/2/96 under Gazette Notice No.629. When the farmers cried out for non-payment of their milk deliveries and alleged massive mismanagement in the organization, the exemptions granted on 1/2/96 under Gazette Notice No.629 were revoked on 17/6/99 under Gazette Notice No.3288. This paved the way for an inquiry to be instituted on 21/6/99 under Gazette Notice No.3603. That Inquiry is the substance of this report.

OBSERVATIONS

It is to be observed that since 1932, KCC has operated under both the Companies Act and the Cooperative Societies Act with or without exemptions from the latter except between 25/5/89 and 23/3/95 when it was de-registered as a company.

It is also to be observed that the organization has tended to operate more under the provisions of the Companies Act than those of the Cooperative Societies Act even when not exempted from the latter.

As a company, KCC is expected to be governed by the provisions of the Companies Act, its Articles of Association and Memorandum of Association. As a cooperative society, KCC should be governed by the provisions of the Cooperative Societies Act, the Rules made thereunder and own By-laws. The two sets of legislation have not been applied harmoniously and perhaps they will never.

It is therefore logical and desirable that the shareholder decide conclusively if KCC should remain as a company, a cooperative society or both as is the case to day. Once that decision is made, there is an urgent need to review the Articles of Association or By-laws with a view to updating and making them relevant to the members' needs and aspirations.

1.2 Ownership of KCC

Under the Companies Act, KCC is a private limited company

governed by its Memorandum and Articles of Association. The Memorandum and Articles of Association allow for different classes of share capital, but allow only the holders of ordinary shares to participate in voting. The major decisions of the company and elections are done during Annual General Meetings.

KCC's by-laws state that every person who is a bona-fide dairy farmer and/or member of Dairy Farmers Cooperative Society/Union shall be eligible for membership. In reality, each member has one vote irrespective of the amount of milk supplied. The ordinary shareholders are therefore the owners of KCC.

The scenario in the Dairy Industry in Kenya about KCC is that the large scale farmers who supply about 25% of the milk still dominate on issues concerning the company and a good number of them are holders of first preferential shares. The small scale farmers, who supply 75% of the milk and are the holders of the ordinary shares, know very little about their company and have not been appraised with the Memorandum and Articles of Association and in that respect the ordinary share holders do not know their rights of ownership of KCC td. The Board of Directors are fully aware of this fact of ignorance of the farmers and they have used it to plunder the KCC Ltd. Some of the Board members are elected irregularly and the farmers have no control over them as explained later.

1.2.1 THE SHARE CAPITAL

The latest returns available indicate that KCC has a nominal share capital of shs.222,5000,000 divided as follows:-

1. 9,028 first cumulative preference shares of ksh.100/= each
2. 317,968 "A" cumulative redeemable preference shares of ksh.20 each
3. 473,459 "B" Cumulative redeemable preference shares of ksh.20 each
4. 314,533 "C" Cumulative redeemable preference shares of ksh.20 each
5. 150,000 Ordinary Shares of ksh.20 each
6. 256,300 deferred shares of ksh.20 each
7. 624,481 "A" deferred shares of ksh.20 each
8. 6,443,119 ordinary levy shares of sh.20 each

1.2.2 ISSUED SHARE CAPITAL

Of the aforementioned the following shares have been issued and fully paid.

1. 9,028.5% first cumulative preference shares.
2. 126,256 'B' cumulative redeemable preference shares.
3. 119,120 'C' Cumulative redeemable preference shares
4. 1,322,066 D membership shares
5. 91,955 ordinary shares
6. 256,300 deferred shares
7. 624,481 'A' deferred shares
8. 6,443,119 ordinary levy shares

The current share holding of KCC can be summarized as follows:-

Individual dairy farmers - 60.38%

Dairy Cooperative societies	-	35.56%
Government Institutions	-	3.70%
Other institutions	-	0.34%

1.2.3 RECOMMENDATION

1. The current share-holding categories should be rationalized and the share register updated with a view to redeeming some of those whose ownership may be obsolete.
2. The KCC Ltd. should appraise the farmers with the reviewed and revised Memorandum and Articles of Association for the farmers to be fully aware of their rights in the company.
3. The KCC should declare correctly the shares that can be sold to the farmer with the view of the latter rescuing their organization from the present predicament.

1.3.0 MANAGEMENT AND ORGANIZATION

In accordance with the Cooperative Societies Rules, Rule No.21(9), the supreme authority of a cooperative society shall be vested in the general meeting of members at which every member shall have the right to attend and vote on all matters. This is what prevails at KCC. The policies and decisions made by the General meeting are implemented by the Board of Directors.

1.3.1. BOARD OF DIRECTORS

The last Board of Directors removed from office on 19th of June 1999 made up of 10 elected members representing the following:-

- (i) Area one - Eldoret and Kitale - two Directors
- (ii) Area two - Sotik and Nakuru - two directors
- (iii) Area three - Nyahururu and Kiganjo - two Directors
- (iv) Area four - Nairobi, Naivasha and Miritini - two directors
- (v) Area five - Eldoret, Kitale, Sotik, Kisumu and Nakuru - one director
- (vi) Area six - Nyahuru, Kiganjo, Nairobi, Naivasha and Miritini - one director.

Each area apart from (v) and (vi) above is represented by two directors one elected by individual farmers and one by cooperative societies. Areas (v) and (vi) are each represented by one country wide Director elected by members within the area they represent.

1.3.2 OBSERVATION

Farmers have continued to complain that once elected, the Directors have tended to ignore them. They hardly go back to milk producing areas to assess the problems facing the farmers and listen to their complaints.

One good example is that farmers have not been paid for their milk deliveries and yet processed milk is being sold in the market. The other example is the sale of assets without reference to members. If anything, the Directors have only been going to the farmers to seek votes or support when the organization is in crisis.

The other complaint is that in some areas, Directors are not actually elected by genuine farmers. The would-be directors buy the records of deliveries from genuine farmers and pass them to non members who in turn vote for them enmass. In this case, some of those elected as Directors are not true representatives of the farmers and this partly explains why KCC is in a mess.

1.3.3. WAY FORWARD

The mode of representation in the Board of Directors need to be reviewed with a view to reflecting the members aspirations. This can be done if the Memorandum and Articles of Association are amended to harmonize the current electoral zones with what the farmers need.

Instead of the centralized management at the headquarters, farmers should elect a management committee to run cooling/collection centres. Similar cooling centres should send representatives to represent them in the management committee of milk processing factories. To complete the process, each factory receiving milk direct from the farmers should have a representative in the Board of Directors of KCC.

1.3.4 MANAGEMENT

As already mentioned above, currently KCC does not have a Board of Directors. The organization is being managed by a management team which is headed by an acting Managing Director. As such the organizational structure is incomplete and the management team cannot take decisions which are normally taken by the Board of Directors.

Currently, the Managing Director is assisted by managers of the departments listed below:-

- Finance	Department
- Production	“
- Marketing	“
- Engineering	“
- Personnel & Training	“

- Company Secretary “
- Internal Audit “
- Corporate Planning “
- Quality Assurance “

1.3.5 OBSERVATION

It is to be observed that the various departments of KCC do not function in harmony. The Finance department has been grossly interfered with by the previous Managing Director. Occasionally the Production Department has interfered with the operations of Marketing Department. Similarly the Procurement Division of Finance Department has been ignored by the Production Department and the Managing Director. In short, the various departmental activities have not been coordinated by the Chief Executive and this has created room for manipulation and uncontrolled expenditures.

1.4. DISSATISFACTION BY MILK SUPPLIERS

The milk suppliers who are also shareholders of the organization have continued to express their concern at the non payments for their milk delivered, and alleged mismanagement of KCC for the last 4 years or so. On 19th June, 1999, they held a meeting in Nakuru with the Head of State at which the following resolutions were passed which adequately reflect their level of dissatisfaction with the manner in which KCC was being run.

1.4.1 THE NAKURU RESOLUTIONS

1. The shareholders commend H.E. The President for facilitating the consultative meeting of the dairy farmers in order to deliberate on the problems facing their institution.

2. The members recommend for an urgent review and revision of the KCC Memorandum and Articles of Association to reflect the wishes of the stakeholders.
2. That the current KCC share holding categories be rationalized to reduce complexity and misunderstanding in membership.
3. The shares register and membership should be updated and kept in accordance with legal requirements.
5. Directors' electoral processes should be streamlined to make it more neutral, representative and that the elections should not be supervised by the KCC management.
6. KCC management should be decentralized to involve more stakeholders in its management by making every factory a cost centre under a separate management unit. A small apex organization should be retained to coordinate the operations of all factories in production, processing and marketing of milk and products.
7. The management should be committed to transparency and accountability in the management of finances. They should not, either in person or through their agents, borrow from, or cause to be borrowed from the company funds nor engage in any trade with the organization except as stipulated in the By-laws unless with the approval of the general membership in an Annual General Meeting.

8. The management should not dispose of any assets, movable or immovable, without the consent of the stakeholders at a properly constituted Annual General Meeting.
9. The management should immediately establish a proper, accurate and up to date inventory of all assets acquired and owned by KCC.
10. KCC is important to the dairy industry, especially the small holder dairy sector of this country, because of its capacity, coverage, network, facilities and infrastructure in general. The shareholders appeal to the Government to do all it can in supporting the growth and development of KCC and the dairy industry in general by banning importation of cheap milk and milk products to avoid unfair competition and dumping. The Government should look at ways and means of assisting KCC out of its current financial crisis.
11. The shareholders fully endorse the decision of the Government in ensuring that KCC reverts back to its original status as a cooperative (for the purposes of the inquiry).
12. The former directors and management be investigated with a view of establishing the extent in which they may have been involved in plundering KCC assets and if found guilty, they should be charged in a court of law with a view to making such recoveries as necessary.
13. The former Directors should be removed from office with immediate effect and an interim steering committee be elected to manage the organization pending fresh elections for a new Board of Directors. The removed directors should be arrested and prosecuted for running down the organization.

The Government took up the farmer's request and constituted this inquiry.

2.0 THE INQUIRY

2.1. The Inquiry Team.

KCC was put under Inquiry in accordance with section 58 of the Cooperative Societies Act No.12 of 1997 vide Kenya Gazette Notice No.3603 of 21/6/99. Originally the Inquiry Team comprised of eight officers but was later varied to 9 officers vide Gazette Notice No.3914 of 2/7/99. The members included:

Mr. Stephen Kirugi -Deputy Commissioner for Cooperative Development, Chairman

Joshua Andrew Gituma - Senior Assistant Manager - Central Bank of Kenya

Mr. Frank Joel Mwasella - Senior Auditor, Auditor-General (Corporations)

Mr. Josiah P. Chieruiyot - Assistant Director of Agriculture

Mr. Motaliel ole Kenja - Advocate - Nairobi

Dr. Gideon Kirwa Misoi - University of Nairobi

Mr. Joseph Ngala Chai - Senior Superintendent of Police

*Mr. Vincent Lelei - Assist Director of Livestock Development

Mr John Njuguna Karari - Principal Auditor. M.O.C.D.

**Mr. R. N. Bichanga - Principal Auditor - AGC

** Mr. William T. Richu - SNR Deputy Registrar General

*Mr. V. K. Lelei at the time of the inquiry was on attachment in the Office of the President from March 1999

**Replaced on 2/7/89

2.2. The Specific Terms of Reference

1. Establish the correct Financial Status of Kenya Cooperative Creameries Limited and make appropriate recommendations to address the problems in order to revitalize the organization.
2. Establish the indebtedness of Kenya Cooperative Creameries Limited to farmers, transporters, Suppliers and members of its staff.
3. Establish the indebtedness of the Board of Directors and staff of Kenya Cooperative Creameries limited to the organization since February 1996.
4. Examine the procurement procedures for goods and services by Kenya Cooperative Creameries limited and determine whether they have been followed.
5. Do an inventory of all Kenya Cooperative Creameries Limited assets and make necessary comments and recommendations.
6. Investigate any other matters that have led to poor services to dairy farmers by Kenya Cooperative Creameries Limited.

The Inquiry exercise was launched by the Minister for Cooperative Development, Hon. Chris Obure on 23/6/99 at the KCC Board Room

The Minister echoed the Government's concern at the apparent deterioration of the farmers organization, the desire to revitalize it, and the fact that the whole process of Inquiry had to be speeded up.

3.0 METHOD OF APPROACH

- Interviewing Heads of departments and other relevant KCC employees
- Perusal of KCC documents and records
- Visits to KCC offices, factories and locations.
- References to other Government documents and information
- Reference to Articles and Memorandum of Association and by-laws.
- Written submissions from staff and ex-employees of KCC
- Communication from some lawyers.

4.0 KEY FINDINGS AND OBSERVATIONS

4.1 Procedures for procurement of goods and services

An organization the size of Kenya Cooperative Creameries limited should have a clear policy on procurement of goods and services it requires for its operations. It should also have detailed procedures/guidelines on how the policy is to be implemented. To develop such a policy and procedures/guidelines, both the Board of Directors and the management staff need to have a thorough knowledge of the nature of goods and services the organization requires, their sources and prevalent market prices. Once developed, the policy and procedures require appropriate approvals in order for them to be binding to all organs of the organization. What is even more important is that once approved, the policy and procedures must be adhered

to by all concerned without exemptions or intermittent and unwarranted variations.

The objective of policy guidelines on procurements of goods and services is to ensure complete transparency and accountability and thereby institute necessary controls and prevent wastage of meagre resources available to the organization.

4.1.1. CURRENT POSITION

a) Procurements of goods

Currently there is no agreed policy and procedures for procurement of the various goods used by KCC in its operations. This is notwithstanding that the organization has no financial resources to buy in bulk. Items to be bought are identified on daily basis when the little cash available from sales is budgeted and distributed to the various needs. Every morning especially with effect from June 1999, Departmental Managers constitute themselves into a tender committee under the chairmanship of the Managing Director for this purpose. The actual procurement is done by the Company Buyer in consultation with the Financial Controller and the Managing Director. Payments of up to ksh.0.1 million are effected without involvement of the Managing Director but those above ksh.0.1 million are subject to his approval. It is common knowledge that KCC has "her traditional suppliers of goods with their known prices". This system is open to abuse and has been abused in the past.

b) **Procurement of Services.**

Supply of certain services like electric power and postal services are not complicated since suppliers are monopolists. However, supply of legal, transport, courier and security services have been a conduit through which KCC resources have been drained. In the recent past it has been the prerogative of the Managing Director to identify the need for such services, their source and even range of prices and then require the Company Buyer to develop specifications and eventual procurement.

c) **Existence of Procurement Manual**

It was made known to the Inquiry Team that in 1995 a Government Task Force that was sent to rescue KCC had developed a comprehensive procurement manual for the organization. However, the management team of KCC including the Company Buyer does not appear to be aware that such a document exists. It was not a surprise that the manual was eventually found in the office of Company Buyer.

It can only be concluded that senior members of staff and Board of Directors were aware of the Procurement Manual but deliberately refused to implement it. The procurement manual contains the objectives, general policy and procurement procedures.

Recommendation.

It is recommended that KCC adopts and implements the procurement manual developed by the Government Task Force in June 1995.

4.2 INDEBTEDNESS BY KENYA COOPERATIVE CREAMERIES

KCC is heavily indebted to the farmers who deliver their milk to the factories and various collection centres. The organization is also indebted to the milk transporters who transport farmers milk to the various reception centres.

In addition, the organization has fallen in arrears in paying staff salaries and wages. Both statutory and voluntary deductions have not been remitted to the respective institutions. To compound it all, KCC has not honoured its obligations to general creditors, general transporters, insurance firms and banks. In total, KCC is indebted to the tune of over ksh.4.5 billion as at 30th June 1999.

SCHEDULE OF INDEBTEDNESS BY KCC

		Kshs.
1.	Dairy farmers	525,448,489.78
2.	Milk transporters	35,506,216.97
3.	Staff Salaries & Wages	78,326,135.20
4.	Deductions (salaries and wages)	266,419,979.30
5.	General creditors and transporters	380,114,539.99
6.	Insurance Premiums	28,682,861.05
7.	Utilities (power & water)	26,326,010.00
8.	KCB Loans and Overdraft	1,012,095,877.48
9.	Valued Added Tax	722,165,986.00
10.	Government loans & interest	491,275,840.00

11.	World Food Programme proceeds	814,785,080.00
12.	External Auditors	1,700,000.00
13.	Penguin Dairies Ltd	40,960.00
14.	Provisions (court cases & Trade disputes)	187,175,985
	Total	4,570,063,961.77

4.2.1. Indebtedness to Farmers - Ksh. 525,448,4489.78

As at June 30 1999 KCC Ltd. owed farmers a total of Kshs.525,448,489.78. This non payment to farmers for their milk deliveries has made them divert milk deliveries from KCC to other milk processors as a result of which milk intake has declined to about 30,000 litres per day as at 30.6.99 which is uneconomical. Without being paid, farmers would not be able to sustain dairy related activities such as purchase drugs, animal feeds etc.

4.2.2. Indebtedness to Raw Milk Transporters - Ksh. 35,506,217.00

This class of transporters carry raw milk from farmers to the KCC factories. As at 30 June 1999 they were owed by KCC Ltd. a total of Ksh.35,506,217. Because of non payment the transporters have resorted to cash payment before transportation. This has encouraged hawking by farmers themselves and sometimes wastage on the farm.

4.2.3. Staff (Salaries & Wages) - Ksh. 78,326,135.20

Staff salaries and wages have not been paid for the last five months. This has demoralized the KCC employees to the extent of not catering for their personal needs such as payment for house rent, school fees and food. However it is noted that senior staff have been advanced salaries from the declined revenue. Junior staff have also been paid part salaries in order to sustain themselves.

4.2.4 Deductions (Salaries & Wages) - Kshs. 266,419,979.30

It was established that deductions from salaries and wages were not remitted to the respective institution such as PAYE, NHIF, NSSF, Maziwa SACCO, mortgages etc. The contributing staff can not therefore benefit from these institutions as would be expected.

4.2.5 Trade Creditors and Suppliers - Kshs. 380,114, 539.99

The company has not been able to meet its financial obligation to trade creditors and suppliers because of the cash flow problems it has been experiencing. Its existence in the industry depends on the creditors and suppliers who could put the company under receivership.

4.2.6 Government of Kenya Loans - Kshs. 491,275,840

All KCC's long term loans are guaranteed by the Government and currently stands at about ksh.500.0m. The repayment terms and interest have not yet been finalized but interest is being accrued at 3% per year.

The purpose of the loan was for the renovation, extension and maintenance of factories and cooling centres.

4.2.7 World Food Programme Proceeds - Kshs.814,785,080.00

The Government of Kenya obtained a commodity Aid from World Food Programme in the form of dry milk powder and Butter oil which KCC Ltd was required to reconstitute, sell and remit the proceeds to the Government.

4.2.8 External Auditors - Kshs. 1,700,000

The external Auditors have refused to complete the audit for 1997/98 final accounts due to non payment of 1996/97 audit fees. The 1998/99 final accounts can therefore not be audited without closing balances for 97/98.

4.2.9 Insurance Premiums - Kshs. 28,682,861.05

There were various types of insurance covers for the company's assets but due to non payment of premiums most of the insurance covers were cancelled. The amount outstanding was as follows:

1.	Kenindia Assurance Company Ltd	1997/98	6,963,537.05
2.	Lakestar Insurance company Ltd.	1998/99	5,700,000.00
3.	Lakestar Insurance company Ltd	1999/2000	26,019,324.00

Most of the company's assets are therefore not insured and KCC stands to suffer heavy losses in the event of accidents.

4.2.10 Utilities - Kshs. 26,326,010.00

The outstanding amount is in respect of water and electricity and because of non payment these services have been discontinued. This obviously affects the operations of the cooperative adversely.

4.2.11 K.C.B. Loans and overdraft - Kshs. 1,012,095,877.48

The company has an overdraft of ksh.622,494,964.80 and loan amounting ksh.389,600,912.68 with Kenya Commercial Bank. The company has been unable to service the overdraft and loans. This position puts the company in a perilous position of being placed in receivership.

4.2.12 Value Added Tax (V.A.T.) - Kshs. 722,165,986

The Value Added Tax Department has demanded tax arrears on Mala from January 1990 to October 1995 but the company disputed these arrears because the company had not collected any taxes pertaining to mala. The Kenya Revenue Authority offset the company's claim of ksh.174,013,041.00 leaving a balance of ksh.548,1152,945. This matter is now before a Court of Law.

4.3 INDEBTEDNESS TO KCC LTD.

The following paragraphs illustrate the extent to which KCC is owed money by individuals and institutions.

4.2.1 INDEBTEDNESS BY DIRECTORS

Refer to paragraphs 4.8.12

4.3.2 SALARY ADVANCES, SAFARI IMPRESTS AND CAR LOANS (MANAGEMENT STAFF)

It is observed that management staff were advanced salaries, safari imprest and car loans all amounting to ksh.81,036,953.87 when KCC could not pay salaries, the farmers and other creditors.

Out of this amount, ksh.37,298,204.94 was in salary advances, ksh.26,897,295.38 in safari imprest and ksh.16,841,453.55 for car loans. These amounts were not equitably distributed among the staff members causing some to suffer while others were enjoying.

However, it is also observed that the company owes staff members money in respect of salary advances safari imprest and car loans to the tune of shs.17,936,159.09. The schedule below shows what KCC is owed by the management staff and vice versa.

	owed to KCC (debit)	owed to staff (credit)	Net Amount (Ksh)
Salary advance	37,298,204.94	13,515,938.20	23,782,266.74
Safari advance	26,897,295.38	4,121,923.19	22,775,372.19
car loans	16,841,453.55	298,297.70	16,543,155.85
Total	81,036,953.87	17,936,159.09	63,100,794.78

Nevertheless it was noted that some areas like car loans should not have any credit balances. The reasons given were that, due to lack of up-to-date records, over deduction on car loans and salary advances were done. On safari advances (imprest), staff overstayed in the field because of under estimated work. It is also observed that KCC has not paid terminal benefits to those who have left employment. Even insurance claims have not been paid to the beneficiaries after being settled by insurance firms.

It is recommended that advances and car loans should be recovered from each individual. It is also noted that some staff members who were advanced salaries and granted car loans had so far left the company. Their loans and advances should be recovered from their terminal benefits (if any) or else law suits should be instituted against them to recover the money.

It is advised that all imprest given to staff must be surrendered as soon as the officers return from the safari. There should also be proper planning and justification of the safaris in order to avoid unnecessary trips and overstay.

On the account of salary advances, safari imprest and car loans, the management staff of KCC owe the company a sum of shs.81,036,953.87

At the same time, KCC owes management staff a sum of shs.17,936,159.09 in form of over deducted car loans, salary advances and safari imprest. The net effect of this is that the management staff owes KCC some kshs.63,100,794.78. As already mentioned in paragraph 4.2.2., KCC owes its employees a total sum of shs.78,326,135.20 in form of unpaid salaries. When this is taken into account, overall it is KCC which owes its employees a net of shs.15,225,340.42.

4.3.3. ADVANCES TO MILK SUPPLIERS AS AT 31ST MAY, 1999.

Dairy farmers who deliver their milk to the various processing plants and cooling centres were advanced payments amounting to ksh.14,500,137.30 as follows:-

Nyahururu	31,676.20
Nakuru	24,922.90
Molo	254,328.70
Kitale	1,869,599.00
Sotik	161,845.10
Ainabkoi	136,263.50
Kilgoris	43,188.90
Runyenjes	1,132.40
Kapsabet	174,742.00
Nanyuki	18,042.90
Eldoret	632,753.40
Total	ksh.3,348,495.00

From the table above, ksh.3,485,590.60 was advanced to selected

suppliers against their future milk deliveries. This notwithstanding the fact that milk farmers who had already delivered the milk had not been paid.

At the same time milk suppliers are also owed ksh.525,448,489.78 by KCC. It therefore follows that both KCC and milk suppliers are indebted to each other. The net effect of this is that KCC owes milk suppliers collectively ksh.522,099,994.78

4.3.4 ADVANCES TO RAW MILK TRANSPORTERS AS AT 31ST MAY, 1999

There are twenty six (26) individuals and cooperative societies transporters who were advanced ksh.11,014,506.70 by KCC (see Annex 4.3) These advances were also made against selected transporters for future transport services.

4.3.5 GOVERNMENT MINISTRIES AND DEPARTMENTS

Government Ministries , Departments and Parastatals have outstanding payments to KCC(excluding bad debts) for supply of milk and milk products to institutions under their management as shown here below as at 31st May 1999.

MINISTRY/INSTITUTION	AMOUNT
Local Government	2,760,763.45
Ministry of Home affairs	986,034.93
Ministry of Health	9,797,753.45

money. There was no documentary proof to suggest that demands were made and the concerned refused or disputed in one way or another. It was also alluded that colossal amounts were being used as commissions to facilitate debt recovery. However there was no evidence as to who received these commissions. This concludes that the delay in collecting the debts were deliberate move calculated to benefit some individuals.

It is recommended that the affected Ministries and Parastatals should pay all the money owed to KCC immediately so as to facilitate KCC come back to normal operations.

4.3.6 OTHER DEBTORS

(i) Private Companies

Private companies owe KCC a total of ksh 37,003,616.60 as at 31st March 1999. (See Annex)

4.4 LEGAL MATTERS

4.4.1 PROVISION OF LEGAL SERVICES

Legal Department of KCC between 4.1.95 to date:-

- (i) The office of Company Secretary:-
4-1.95 to 4.6.99 - Justice Lumumba Nyaberi
4-6-99 to date - Celestine Otunga

Office of the President	3,474,088.95
Ministry of Agriculture	659,659.60
Ministry of Transport and Communication	1,034,205.65
Ministry of Industrial Development	178,460.55
Ministry of Finance	385,536.80
Ministry of Labour	53,089.70
Ministry of Lands and Settlement	65,714.00
Ministry of Energy	247,851.05
Ministry of Cooperative Development	165,295.70
Ministry of Public Works	424,229.90
Ministry of Research, Science and Technology	935,092.90
Ministry of Tourism	1,209,532.40
Universities	3,729,709.00
Ministry of Education	7,443,645.90
Ministry of Defence	16,206,503.35
Total amount	49,757,167/28

As noted above, Government Ministries and Institutions under them owe KCC ksh.49,757,167.28.

It was also noted that an outstanding amount of shs.354,275 216/90 owed by various Ministries, Departments and institutions was termed as "bad debts". Some of the reasons given for these bad debts were that the ministries, departments and institutions concerned had refused to pay the

(ii) **The office of Legal Officer**

12.9.88 to 9.7.98 - Milcah Mugo
10.7.98 - 30.5.1999 - Justy Lumumba Nyaberi
1.6.99 to date - Julie Adell

Scrutiny of the records availed to the Inquiry Team by the Personnel Department indicated that between the months of April, 1998 and June 4th 1999 Mr. Nyaberi was both the Company Secretary and Managing Director. Between July, 9th 1998 and 30th May, 1999 Mr. Nyaberi was the Legal Officer, Company Secretary and Managing Director.

4.4.2 (ii) **PANEL OF ADVOCATES**

The Inquiry Team could not trace any formal list of Advocates mandated to act for KCC in legal matters. There was no proof of existence of such panel by minutes, appointment letter or other instrument bestowing such authority on Advocates. The evidence at hand indicated that there was no fixed panel of Advocates. The Inquiry Team managed to compile the list set out hereunder from the payment records of the company. Each firm seemed to have had very close ties with the KCC management at one particular time at which time payments of millions of shillings were concentrated on that firm.

THE PANEL

1. Otieno Odek and Company Advocates
2. Kipngeno & Abincha Advocates
3. Keriako Tobiko, Advocates
4. Ogeto & Company Advocates
5. R. N. Sitati & Company Advocates

6. Kalya & Company Advocates
 7. Christine Oraro & Company Advocates
 8. Kambuni Githae & Company Advocates
 9. Kiboi, Oira & Company Advocates.
 10. Nyakundi Tuiyot & Company Advocates
 11. G.W. Chege & Company Advocates
 12. Chesang & Company Advocates
 13. Aboge & Company Advocates
 14. Kagucia & Company Advocates
-
15. L. M. Wambua & Company Advocates
 16. Tom Mutie & Company Advocates
 17. Kanyi Juma & Company Advocates

4.4.3

PAYMENT TO ADVOCATES

1.

OTIENO ODEK & COMPANY ADVOCATES

Date	Cheque No.	Amount
2/3/96	375627	350,000.00
2/12/96	404056	475,000.00
4/12/96	404139	900,000.00
24/1/97	405723	1,400,000.00
18/2/97	411079	25,000.00
26/5/97	00603	2,700,000.00
20/6/97	001077	450,000.00
30/6/97	411079	25,000.00
21/7/97	001759	2,400,000.00
5/11/97	004735	50,400.00

9/2/98	300985	32,100.00
9/2/98	300652	55,516.85
2/2/98	009693	200,000.00
17/4/98	008192	275,000.00
17/4/98	300642	300,000.00
4/3/98	006765	85,000.00
4/3/98	006764	100,000.00
28/4/98	007978	25,000.00
28/4/98	007977	85,000.00
28/4/98	007976	85,000.00
7/5/98	008621	254,000.00
29/5/98	009954	90,000.00
18/5/98	009538	254,000.00
30/6/98	300643	9,500,000.00
18/6/98	010647	90,000.00
30/6/98	Cash (No chit)	2,000,000.00
15/9/98	302006	1,550,000.00
6/10/98	302032	125,000.00
19/10/98	301756	225,000.00
2/11/98	301764	2,000,000.00
3/11/98	301765	2,000,000.00
16/11/98	301767	1,000,000.00
3/12/98	300698	600,000.00
3/12/98	300699	
12/12/98	301051	50,000.00
14/12/98	015251	500,000.00

14/12/98	015254	500,000.00
21/12/98	301805	500,000.00
21/12/98	301816	500,000.00
21/12/98	301817	400,000.00
30/6/98	301812	400,000.00
30/6/98	300653	400,000.00
30/6/98	300654	400,000.00
30/6/98	300655	400,000.00
30/6/98	300657	400,000.00
6/10/98	014027	125,000.00
6/5/99	3022376	85,000.00
24/11/98	301773	2,000,000.00
PAID BY STANDING ORDERS AT STANDARD CHARTERED BANK		
26/6/98	(S.O)	11,500,000.00
29/6/98	(S.O.)	500,000.00
14/7/98	(S.O)	500,000.00
16/7/98	(S.O)	1,000,000.00
17/7/98	(S.O.)	500,000.00
20/7/98	(S.O)	1,000,000.00
22/7/98	(S.O)	1,000,000.00
25/7/98	(S.O)	1,000,000.00
28/7/98	(S.O.)	500,000.00
1/8/98	C.S.O	2,500,000.00

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT (KSH)</u>
3/8/98	(S.O)	5,000,000.00
4/8/98	(S.O)	1,500,000.00
5/8/98	(S.O)	2,000,000.00
	<u>TOTAL</u>	<u>64,816,016.85</u>

2. KIPNGENO & ABINCHA ADVOCATES

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT IN KSHS.</u>
16/12/97	015617	8,500,000.00
7/1/98	001232(BB)	3,000,000.00
16/3/99	016078	3,328,201.50
16/3/99	016080	2,800,691.50
16/3/99	016082	577,745.00
5/5/99	016099	267,979.60
5/5/99	017401	5,959,733.60
5/5/99	017402	52,352.80
5/5/99	017403	4,949,200.00

PAID BY STANDING ORDER STANDARD CHARTERED BANK

26/2/98	(S.O)	500,000.00
27/2/98	(S.O)	500,000.00
2/3/98	(S.O)	500,000.00
2/3/98	(S.O)	500,000.00
2/3/98	(S.O)	500,000.00
2/3/98	(S.O)	500,000.00
2/3/98	(S.O)	500,000.00
2/3/98	(S.O)	500,000.00
2/3/98	(S.O)	500,000.00
2/3/98	(S.O)	500,000.00
2/3/98	(S.O)	500,000.00
	<u>TOTAL</u>	<u>34,935,904.00</u>

N.B: The above figures notwithstanding the report to the Inquiry Team by the Company Secretary indicated that the above firm was paid the following sums of money:-

December, 1997	Kshs.8,500,000.00
January, 1999	Kshs.6,000,000.00
March, 1999	Kshs.6,706,638.10
May, 1999	Kshs.14,229,267.00

STANDARD CHARTERED BANK BY STANDING ORDER

Between 26th February, 1998 and 2nd March, 1998 paid a total of Kshs.5,500,000.00 Therefore totalling KSHS.40,935,905.10

3. **KERIAKO TOBIKO & COMPANY ADVOCATES**

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT IN KSHS</u>
2/2/96	375778	320,000.00
11/6/96	388731	800,000.00
11/8/96	386631	4,598,883.10
9/9/96	381330	4,598,883.10
24/9/96	391390	4,598,883.10
31/10/96	348663	4,600,000.00
11/11/96	348849	4,600,000.00
27/11/96	386162(10/T106)	391,000.00
9/12/96	404176	4,600,000.00
11/12/96	404457	40,875.00
13/12/96	404491	200,000.00
19/3/97	000140	2,700,000.00
30/4/97	408343	2,700,000.00
8/5/97	000043	216,697.00
31/1/98	391390	<u>4,598,883.10</u>
	<u>TOTAL</u>	<u>39,564,104.40</u>

NOTE:

On the 20th day of July, 1999, this Inquiry Team through its Chairman received from the above firm of Advocates a list and particulars of cases they are handling. The list comprises of 48 cases out of which payments for 37 of them remain unpaid. The Inquiry recommends that the said firm be allowed to sort out this matter with the new KCC management as there will be need for the taxation and/or perusal of their files by the two parties and if the KCC management is of the view that they have been overcharged then they should proceed to recover. Perusal of the documents confirms that substantial work was done for KCC by this firm.

4. OGETTO & COMPANY ADVOCATES

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT IN KSHS.</u>
17/4/96	375778	320,000.00
20/11/98	301768	500,000.00
13/8/98	012053	210,000.00
21/4/99	302266	200,000.00
14/5/99	302454	300,000.00
TRANSFER OF NAKURU B/OCK 11/44 TO LUCQ IN LIEU OF LEGAL FEES OWING TO OGETTO & COMPANY ADVOCATES		3,500,000.00
TRANSFER OF NAKURU B/OCK 11/45 TO AMAZING LOVE MINISTRIES LIMITED BY OGETTO & COMPANY ADVOCATES. NO MONEY REMITTED TO KCC		<u>3,400,000.00</u>
<u>TOTAL</u>		<u>8,430,000.00</u>

This firm of Advocates has also remitted to the inquiry their records on the 21st of July 1999 . The Inquiry Team recommends that this matter be referred to the new management as there will be need for the taxation and/o joint perusal of their files by the two parties and if the KCC management is of the view that they have been overcharged then they should proceed to recover. Perusal of the documents confirms that some work was done by this firm of Advocates. However, this firm should remit to KCC all the proceeds of the conveyancing they handled for KCC as well as surrender all properties that they may have transferred to themselves in lieu of fees unless the said transfer is approved by the shareholders of the company.

R. N. SITATI & COMPANY ADVOCATES

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT KSHS.</u>
13/3/96	022079	26,600.00
21/5/96	024015	16,396.00
5/11/96	348719	20,000.00
2/12/96	404057	15,281.75
10/12/96	404178	3,500.00
17/1/97	505616	59,770.00
18/3/97	409034	5,618.00
30/6/97	409059	24,429.30
7/10/98	301479	200,000.00
	<u>TOTAL</u>	<u>371,595.05</u>

6. **KALYA & COMPANY ADVOCATES**

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT IN KSHS.</u>
29/3/96	022615	12,750.00
29/3/96	022615	23,600.00
29/3/96	022615	19,230.00

29/3/96	022615	16,694.00
29/3/96	022615	36,700.00
29/3/96	022615	14,600.00
31/7/96	389621	47,869.00
3/10/96	348664	17,960.00
14/11/96	(NO CHIT)	59,766.00
11/2/97	(NO CHIT)	36,821.00
11/2/97	405242	47,500.00
12/2/97	405304	18,415.00
2/9/97	003054	84,500.00
16/6/98	(NO CHIT)	46,216.65
18/6/98	(NO CHIT)	19,955.25
26/9/97	(NO CHIT)	33,945.00
26/9/97	(NO CHIT)	19,864.00
21/4/98	(NO CHIT)	30,000.00
2/5/96	(NO CHIT)	41,573.50
13/12/96	404556	<u>84,526.80</u>
	<u>TOTAL</u>	<u>712,486.20</u>

7. CHRISTINE ORARO & COMPANY ADVOCATES

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT IN KSHS.</u>
9/3/98	006926	5,500.00
26/5/98	009923	21,450.00
27/5/98	009935	64,000.00
16/6/98	010557	62,000.00
16/6/98	010558	64,000.00
27/5/98	009939	62,000.00
1/7/98	010947	38,733.00
14/7/98	011218	20,000.00
14/7/98	011220	163,000.00
11/12/98	015844	<u>20,000.00</u>
	<u>TOTAL</u>	<u>520,683.00</u>

8. KAMBUNI GITHAE & COMPANY ADVOCATES

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT IN KSHS.</u>
2/2/96	020660	3,289.60
13/3/96	022078	46,950.00
3/7/96	389684	65,000.00
5/11/96	348710	7,500.00
	<u>TOTAL</u>	<u>190,239.60</u>

9. KIBOI OIRA & COMPANY ADVOCATES

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT IN KSHS.</u>
31/10/96	348661	2,000.00
2/9/96	020659	350,000.00
2/12/96	404062	2,000.00
2/12/96	404060	15,950.00
11/2/97	405245	86,500.00
11/2/97	(NO CHIT)	20,000.00
8/6/98	010553	270,000.00
	<u>TOTAL</u>	<u>746,450.00</u>

10. NYAKUNDI TUIYOT & COMPANY ADVOCATES

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT IN KSHS.</u>
25/8/98	012559	660,404.40
10/12/98	301797	604,000.00
10/12/98	301798	604,000.00
17/9/98	013117	604,000.00
16/9/98	(NO CHIT)	600,000.00
	<u>TOTAL</u>	<u>3,072,404.40</u>

11. G. W. CHEGE & COMPANY ADVOCATES

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT IN KSHS.</u>
29/11/96	404049	61,012.00
30/11/96	404045	36,926.00
26.6.97	000527	1,276,923.90
23/1/97	405684	169,900.00
	<u>TOTAL</u>	<u>1,544,761.90</u>

12. CHESANG & COMPANY ADVOCATES

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT IN KSHS.</u>
23/2/98	006575	20,082.50
5/3/98	007034	80,925.80
24/7/98	011698	100,000.00
25/5/98	009907	50,000.00
	<u>TOTAL</u>	<u>251,008.30</u>

13. ABOGE & COMPANY ADVOCATES

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT IN KSHS.</u>
22/4/97	408594	15,075.00
7/9/98	012850	25,540.00
18/9/98	013185	87,250.00
13.2/98	405354	11,500.00
	<u>TOTAL</u>	<u>139,365.00</u>

14. KAGUCIA & COMPANY ADVOCATES

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT IN KSHS.</u>
2/2/96	020661	3,990.00
21/11/96	349456	28,776.00
2/12/96	404058	30,500.00
2/12/96	404059	1,500.00
2/12/96	020661	3,289.00
13/3/96	022082	11,050.00
13/3/96	022082	2,500.00
30/10/96	348651	3,500.00
10.12.96	40481	58,475.00
30/10/96	348658	10,075.00
13/1/97	404874	<u>44,208.90</u>
	<u>TOTAL</u>	<u>197,863.90</u>

15. L. M. WAMBUA & COMPANY ADVOCATES

<u>DATE</u>	<u>CHEQUE NO</u>	<u>AMOUNT IN KSHS</u>
9/10/96	392208	138,000.00
2/12/96	404048	<u>900,000.00</u>
	<u>TOTAL</u>	<u>1,038,000.00</u>

16. TOM MUTIE & COMPANY ADVOCATES

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT IN KSHS</u>
2/8/96	344935	6,000.00
20/8/96	386070	5,380.00
2/8/96	384939	<u>6,000.00</u>
	<u>TOTAL</u>	<u>17,380.00</u>

17. KANYI JUMA & COMPANY ADVOCATES

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>AMOUNT IN KSHS</u>
18/10/96	347601	29,750.00
2/9/97	003054	84,500.00
11/2/97	405236	23,000.00
5/1/96	348711	<u>8,980.00</u>
	<u>TOTAL</u>	<u>146,230.00</u>

4.4.4 FINDINGS AND OBSERVATIONS

i) **PANEL:**

The perusal of the list of Advocates acting for KCC clearly shows that all and/or the majority of them were not properly instructed but were randomly appointed by the immediate management to act as conduits for siphoning millions of shillings out of the company.

ii) **RECORDS:**

There were no records available at KCC offices to enable the Inquiry Team scrutinise the cases and/or transactions against which these large sums of money were paid out. It was impossible to analyse and/or verify which cases each Advocate was handling. No copies of summons or other Court or legal documents being handled by external Advocates were kept by the management of KCC. There arose a situation whereby any Advocate could claim any amount of money one wanted and the same was paid without any supporting documents.

These circumstances also created a situation whereby the immediate former Managing Director could pay tens of millions of shillings to one firm of Advocates in a single day without using any records which could have assisted the inquiry determine the criteria he used to arrive at such colossal sums.

iii) **METHODOLOGY:**

The inquiry was however able to retrieve and verify the amounts paid out to the various Advocates as set out above through the computer print out on company overheads, Bank Statements and payment vouchers (chits) which were retrieved from the company's accounts section. Some fee notes from several Advocates were also found and the same used in the further verification of these payments.

iv) **THE LAW APPLICABLE**

The payment of Advocates' fees is governed by the Advocates Act, Chapter 16 of the Laws of Kenya and the subsidiary legislation made thereunder more specifically the Advocates (remuneration) (Amendment) order 1997 made by the Chief Justice on the recommendation of the Council of the Law Society of Kenya pursuant to Section 44 of the Act. The said order came into force on the 21st December, 1997 and the same enhanced the legal fees chargeable to Advocates in all spheres of legal practice in Kenya.

The parent Act under Sections 44 to 52 deals with the remuneration of Advocates and in brief sets out the following methods of setting

Advocates fees:-

- (i) Section 45 stipulates that an Advocate and his or her client can enter into an agreement on fees and that the same shall be valid and binding on the parties provided it is in writing and signed by the client and/or his agent duly authorised in that behalf. Subsection (2) of this section however states that a client may ~~within six months after the date of any agreement made by~~ virtue of the above provisions apply for it to be set aside or varied on the grounds that the said agreement is harsh and unconscionable, exorbitant or unreasonable.
- (ii) Section 46 lists down the kind of invalid agreements which cannot be recognised under the Act.

V) **FINDINGS:**

The finding of the inquiry team was that no valid agreement would have been entered by the immediate management of KCC. If any such agreements were entered, the same were invalid ab initio for want of the authority of the shareholders and/or with the shareholders authority that of the Board of Directors. The lone ranger instructions dished out to favoured firms by the immediate managing director and/or his immediate predecessor were for all purposes illegal and not binding or enforceable against KCC. Under Section 47, the court, definitely with the application of the client, has power to order an advocate to deliver a bill of costs, and for the delivery up of or otherwise in relation to any deeds, documents or papers in his possession, custody or power which power extends to cases in which

no business has been done by the Advocate in Court.

Section 48 sets out the action of recovery of costs by the Advocate from his client. Section 49 talks of the procedure of such recovery where defence has been filed by the client while Section 50 talks of taxation on the application of third parties and Section 51 deals with the General Provision as to taxation. Section 52 deals with charging orders.

The inquiry team in its perusal of the few documents found relating to conveyancing, debt collection and civil and criminal litigation did not meet any of the above set out methods and/or legal criteria of determining the chargeable by and/or payable legal fees to Advocates in line with both the Parent Act and the Advocates (Remuneration) (Amendment) order 1997.

The payments made to some Advocates in relation to the amounts and frequencies of such payments clearly showed that the said transactions were not only fraudulent but also made to further some criminal intentions. A classic example of this is the payments made to Kipngeno & Abincha Advocates between the 16th of March, 1999 and the 5th of May, 1999. The said payments amounting to Kshs.17,935,904.00 was immediately used to fraudulently obtain and transfer to two unregistered limited liability companies two prime properties valued at Kshs.26,500,000.00 at a purchase price of Kshs.16,800,000.00 thereby costing KCC not only the prime properties but also the so called fees as no legal services were ever provided to KCC by the said firm of Advocates. Indeed perusal of

available records indicate that the cases against which the said sums of money were paid did not exist.

The firm of Abincha & Company Advocates belongs to the wife of Mr Nyaberi, the immediate former managing director of KCC and it was used as a conduit to loot KCC. The two companies to which the two properties were transferred not only belong to Mr. Nyaberi and his wife but were not even registered at the companies' registry at the Attorney General's Chambers at the time of the transfer of these properties. The conduct of both Mr. Nyaberi and Abincha did not only amount to malpractice under both the Advocates act and the company's Act but was criminal in nature. In deed this was a case of obtaining by false pretences under Section 313 of the penal code cap 63 of the Laws of Kenya as well as stealing by directors and officers of the company contrary to Section 282 of the same Act. On or about the 16th of December, 1997, under circumstances shrouded in mystery and definitely reeking of complicity and professional misconduct, as her husband was then the company secretary of KCC, Abincha demanded and received from KCC a cheque of Kshs.8,500,000.00 on behalf of Kisumu Municipal Council. Records availed to us indicate that out of the said sum Abincha only released Kshs.1,000,000.00 to Kisumu Municipal Council and misappropriated the balance of Kshs.7,500,000.00.

On the 7th day of January, 1998, Abincha was paid a further sum of Kshs.3,000,000.00 vide cheque no.001232 drawn on Barclays Bank for undisclosed services allegedly rendered.

In another reckless manouvre to fleece the company the immediate former management of KCC credited Kipngeno and Abincha's accounts with the sum of Kshs.5,500,000.00 through Bank Standing orders at Standard Chartered Bank industrial area. The said transfers were made on the 26th and 27th of February and the 2nd of March, 1998. No valid reason was given to the investigating team by the financial staff of KCC on the said exorbitant transfer of KCC funds.

Another firm which was definitely used to plunder KCC was that of Otieno- Odek and Company Advocates. Though scanty record availed to the inquiry showed that the said firm was handling big cases on behalf of KCC, the style used to pay their fees, which was the highest of them all, at Kshs.64,816,016.85 was unorthodox. A case in point is the direct remittance of a total of Kshs.28,500,000.00 to Otieno Odek and company Advocates' account by Bank Standir order at Standard Chartered Bank Industrial Area. On a single day the 26th of June, 1998, the said Advocates' account was credited with Kshs.11,500,000.00. There was no legal authorisation for such mode of payment for any services and the same was neither audited nor shown for what services the same was being paid.

The colossal sums of over one hundred and sixty million shillings paid to less than four Advocates in a period of spanning only three years clearly shows that the former management stand indicted for gross mismanagement of the company's resources to the detriment of the operations of KCC and that of the shareholders and staff interest. The priorities of the said management in this regard amounted to professional misconduct bordering on immoral impropriety. It

definitely criminal.

vi) **PENDING CASES:**

The inquiry team could not get the exact number of pending cases either for or against KCC due to the poor record keeping of these matters. However, the legal officer supplied the team with a filing list which indicated that there are over 600 cases pending against KCC. Inquiry as to the current status of these cases met blank stares as the legal department itself was in the dark in this regard. The inquiry team observed that numerous interlocutory judgements have been entered against KCC due to negligence in representation both by in-house and external Advocates. Indeed there was mention of collusion between the company's lawyers and third party lawyers. The above negligence and/or collusion has made KCC a haven for auctioneers who have attached tens of the company's motor vehicles and sold them in fixed "Public Auctions" for a song. Indeed when the investigating team was at KCC Headquarters at Industrial Area there was discernible presence of Auctioneers at the Company Secretary's office daily.

vii) **RECOMMENDATIONS:**

For a more cost effective and genuine legal representation of KCC in the future this commission of inquiry recommends as follows:-

1. There should be set up a strong legal Department comprising of

competent, dedicated and conscientious staff with the welfare of the company at heart. The said legal staff should be adequately remunerated to create in them the necessary job satisfaction to ensure that they are not tempted to compromise the interest of the company to satisfy their own material needs. These legal staff should handle most of the day to day legal requirements of the company both desk work and Court work. Only the most difficult tasks should be passed to external lawyers and this must be through written consent and/or approval of the whole Board. Any

litigation under certificate of urgency should be handled by the in-house lawyers in the first instance before being handed over to external lawyers.

2. A new and limited panel of external Advocates endorsed by the full Board should be appointed and compiled the moment a new Board is constituted. The Board must be satisfied that the said firms are of high integrity and moral probity with the necessary capacity to deliver
3. The legal Department should recall all KCC original files from the external lawyers or the copies thereof (where they still require the services of the external Advocates) and have them meticulously recorded and photocopied before releasing them to the new panel of Advocates if and when the need to instruct these Advocates arises.
4. All the external Advocates to whom the colossal sums of mon recorded above was paid must be called upon, through all legal means at KCC's disposal to account for, justify and/or proof the legal ba

for keeping that money. KCC should recover all the monies that these Advocates were not entitled to either by reason of having obtained it fraudulently or by overcharging. The Courts are the most suitable arbiters for this recovery.

The management staff of KCC involved in the legal transactions in question must be thoroughly investigated and if any element of criminal complicity in the payments of any of the legal fees is found the culprits should not only be surcharged but should also be charged in a court of law under the penal code for crimes committed. Thereafter civil proceedings should be instituted for the reinstatement to KCC of the said funds.

6. Any Advocate, who is a member of the law society of Kenya, found to have acted in contravention of the requirements of the Advocates Act, or any other law and/or the moral tenets of legal practice in Kenya, should be reported to the Advocates complaints commission for the necessary disciplinary action.
7. The Courts must immediately be sensitised on the situation of the legal matters and/or representation affecting KCC to enable them avoid making and/or reaching decisions precipitate to KCC's interests. This can be done by writing to both the Attorney General and the Chief Justice requesting them to advise their respective officers accordingly.
8. The company in-house Advocates should immediately embark on a vigorous follow up of all the cases pending in Court and struggle to set

aside orders made against KCC due to the negligence of the immediate past management and that of the external advocates.

9. The Municipal Council of Kisumu should be notified of the existence of the Kshs.7,500,000.00 rates kept by Kipng'eno and Abincha Advocates for purposes of recovering the same.

4.4.5 MOTOR VEHICLES:

1.1 The inventory of the Motor Vehicles and other machinery sold by the management of KCC between February, 1996 and the establishment of this inquiry could not be fully ascertained as no proper records on such sales were kept. The officers concerned interviewed in regard to this subject explained that the sale of these movable assets were mostly done haphazardly and through verbal instructions from the former Managing Director. The procedure of selling such motor vehicles by tender was circumvented in order to assist directors and their cronies purchase these motor vehicles at very low prices. The undervaluation of these motor vehicles and haphazard sale thereof not only cost the company financial loss, which it could have otherwise recouped, but also cost the company the efficiency required in the everyday marketing and/or follow up of its responsibilities due to the loss of means of transport. This by extension opened up an unwarranted market for outside forces who came in to transport the KCC products at extremely high and very often not earned charges.

Indeed these transporters not only inflated their bills but also demanded for pay in advance amounting to millions of shillings. The former director clearly played a role in the destruction of the transport unit of the company.

to create a fertile ground for their own looting. There was also an element of outright theft of some of the movable assets of the company and the most glaring of this is the theft of two brand new tractors valued at Kshs.3,188,000.00 which the said directors took delivery of directly from CMC. The said tractors are KAJ 806W and KAJ 807W. The inquiry learned that some people were arrested and charged in court with the theft of the said tractors.

The haphazard and unprocedural disposal of KCC machinery did not spare some industrially vital ones. This drastically affected the production and processing ability of the company. Two examples of these machines are four(4) Units of DC500 Classic machines valued at Kshs.60,000,000.00 which were sold for Kshs.5,050,000.00 only. A mixer machine which had not been used at all and was still unpacked from its original package was sold to P.K. Muiruri, one of the directors for only Kshs.200,000.00 out of which only Kshs.50,000.00 was paid to KCC. The said machine was valued at Kshs.500,000.00.

1.2 Herein set out below is a list of motor vehicles and machinery which the inquiry discovered had been sold and the majority of them far below their market value. The former Managing Director single handedly wrote out letters of offer to directors and others without proper valuation having been carried out.

(i) (a)	<u>REG. NO</u>	<u>MAKE</u>	<u>VALUATION</u>	<u>SALE PRICE</u> <u>IN KSHS.</u>	<u>PURCHASER</u>
1	KXU 637	RANGE ROVER ST/WAGON	-	300,000.00	STANLEY K. METO(D)
2	KAJ 670E	MERCEDES BENZ (PRIME MOVER)	-	NO PAYMENT	STANLEY K. METO(D)

3.	KWK 803	FORD D1411(LORRY)	-	80,000.00	E.T.KWENYA (D)
4	KWK 821	FORD D1411(LORRY)	-	60,000.00	E.T.KWENYA (D)
5	KUL 159	HONDA MOTOR CYCLE	-	2,000.00	E.T.KWENYA (D)
6.	KTZ 203	ISUZU 2.8(CANTER)	-	100,000.00	KAMAU THIRIKWA (D)
7.	KXB 633	PEUGOET 305 SR	-	50,000.00	J.MUNENE KARIUKI(D)
8	KNU 226	FIAT 682 N3(LORRY)	-	100,000.00	JOPA GENERAL MERCHANTS
	(MATHERI) (D)				
9.	KNX 178	FIAT 682 N3(LORRY)	-	100,000.00	J.SONGOK (D)
10.	KWK 801	FORD D1411	-	200,000.00	J.K.KEMBOI
11	KTF 212	ISUZU 28 (CANTER)	-	50,000.00	MICHAEL C.KIBARAR
12.	KPJ 204	PEUG 204 ST/WAG.	-	35,000.00	ELIJAH MAINA
13.	KWK 802	LEYLAND BOXER(LORRY)	-	30,000.00	WESLEY K.KIPLAGA CHARLES MAINA
14	KWS 048	LEYLAND BOXER(LORRY)	-	100,000.00	MOSES
15.	KWQ 344	FORD D1411(LORRY)	-	190,000.00	R.K.KERIC
16.	KWS 045	LEYLAND BOXER(LORRY)	-	70,000.00	JOYCE
17.	KWN 191	LEYLAND BOXER(LORRY)	-	300,000.00	CHEROTIC
18.	KWV 464	LEYLAND BOXER(LORRY)	-	60,000.00	F.K.MWA
19	KRJ 437	VESPA SCOOTER	-	15,000.00	S.K.AKWE
20	KRK 144	SUBARU SALOON	-	30,000.00	S.K.AKW
21	KRV 143	FORD D1311(LORR)	-	120,000.00	AUTO MACHIN
22	KWK 820	FORD D1411(LORRY)	-	150,000.00	AUTO MACHIN

23.	KMZ 662	V. W. Transporter	-	60,000.00	AUTO MACHINERY
24	KRV 181	FORD D1311(LORRY)	-	90,000.00	AUTO MACHINERY
25	KUL 738	DATSUN 1200 P/UP	-	50,000 00	JOSEPH K. NGETICH
26.	KWP 445	FORD D1411(LORRY)	-	140,000.00	CHARLES MAINA
27.	KWQ 345	FORD D1411(LORRY)	-	95,000.00	DAVID K. KIBEBE
28.	KXK 352	ISUZU FTR 115	-	151,000.00	M. N. KIBET J. W. NGUGI & JOHN KURIA
29.	KNU 765	BEDFORD (LORRY)	-	38,000.00	GEORGE Y. OKOTH
30.	KXP 485	SUZUKI SIERRA	-	45,000.00	BEN TOO
31	KWW 684	FORD D1411(LORRY)	-	125,000.00	JOSEPH M. KAGONDU
32	KWN 191	LEYLAND BOXER(LORRY)	-	150,000.00	JONHSON M. MWANGI
33.	KWW 509	ISUZU FTR JCR(LORRY)	-	80,000.00	NGUGI N. THUO
34	KWL 203	TOYOTA COROLLA	-	80,000.00	NAHASON KIMANI
35	KXK 351	ISUZU FTR 115(LORRY)	-	70,000.00	MICHAEL K. SIGEI
36.	KXK 353	ISUZU FTR 115(LORRY)	-	80,000.00	JOSEPH K. KORIR & JULIUS K. KIMUTAI
37	KZW 683	V. W TRANSPORTER	-	45,000.00	FRIMIN N. KANDIE
38	KYS 647	ISUZU 3.3 (CANTER)	-	50,000.00	FRIMIN K. KANDIE
39	KXX 623	ISUZU (LORRY)	-	90,000.00	LAZARUS KIPROP
40	KXY 095	ISUZU (LORRY)	-	90,000 00	LAZARUS KIPROP
41	KWP 519	DAIHATSU ROCKY	-	40,000 00	S N NGIGI

42.	KXQ 637	DATSUN 1200 P/UP	-	30,000.00	KENNETH KOECH
43.	KWN 193	LEYLAND LORRY	-	80,000.00	KENNETH KOECH
44.	KWW 680	FORD LORRY	-	70,000.00	JOSEPH K. KIMANI
45.	KVR 513	FIAT LORRY	-	80,000.00	CHARLES N.GICHOHI
46.	KZV 683	NISSAN SUNNY	-	65,000 00	FRIMIN K. KANDIE
47.	KXY 359	TRACTOR	-	NOT INDICATED	NOT INDICATED
48.	KAJ 806	W TRACTOR	-	DIRECTOR	(POLICE CASE)
49	KAJ 807W	TRACTOR	-	DIRECTOR	(POLICE CASE)

1 (i) (b) OTHER MACHINERY

	<u>MAKE</u>	<u>VALUATION</u>	<u>SALE PRICE</u>	<u>PURCHASER</u>
1	4(FOUR) UNITS DC 500 Classic offer by APV Packing (to cost when Machines new 4 units 60,000,000.00)	20,000,000.00	5,050,000.00	TetraPack Ltd
2	ONE BRAND NEW MIXER MACHINE	500,000.00 offer to buy by APV.	200,000 00 but paid 50,000,00 only	P.K.MUIRURI(D)

There is great likelihood that other very expensive machines were sold clandestinely. The above list of such lost movable assets is not exhaustive

and there is need for a follow up of the same not only for purposes of recovery and prosecution of those involved but also to compel them to pay the full value of these goods.

4.4.6 OBSERVATIONS

There was unwarranted under-valuation and indiscriminate sale of the above motor vehicles and machinery by the immediate former management of KCC. The appalling mismanagement situation that existed in KCC at the material time is unbelievable. The laid down procedures and regulations normally practised in a sane business environment were flouted and/or totally ignored to create an environment conducive to unbridled looting by the Board of Directors and the top management of the company.

4.4.7 RECOMMENDATIONS

1. The records of these motor vehicles must be retrieved from the department concerned and their accurate value ascertained.
2. Where there is proof of under-valuation but proper procedures for sale were followed, the purchasers should be pursued to pay the balance of the vehicles worth and failure to do so should result in repossession of the motor vehicles in question.
3. Where the necessary procedures were not followed and the vehicles undervalued or not paid for at all, the same should immediately be repossessed, the culprits forced to pay for the use of the said motor vehicles and then charged for theft under the penal code.

4. A thorough and comprehensive inventory of the current motor vehicles and machinery need to be done to verify the extent of the loss of these properties. The list of the motor vehicles sold wrongly should be submitted to the Registrar of Motor Vehicles and be requested to immediately block the transfer of the said motor vehicles to third parties. The list of the said motor vehicles should be circulated to all road licensing centres in the country and the officers concerned directed to impound the Logbooks of these motor vehicles when brought to them for renewal of road licences.
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4.4.8 FIXED IMMOVABLE ASSETS

2(1) (a)

Properties of KCC were wrongly and fraudulently sold as the board had no authority from the Shareholders to sell the same. Perusal of the list of properties owned by KCC prior to the illegal and purported sales shows that the company held a substantial number, many of them prime properties worth hundreds of millions of shillings. Quoting and relying on some minutes allegedly taken at a shareholders General Meeting held at Nyahururu on 26th June, 1998, the Board and the management embarked on rampant disposal of the company's prime properties to themselves and to their cronies without due regard to the properties' market value or set out procedures of doing so. The reason given for these sales was that it was done to alleviate the financial constraints the company was going through. The sale prices for these properties were not only grossly low, where some payments have been made, but were mostly transferred and/or put into possession of these so

called purchasers without receipt of any consideration by KCC.

For clarity of the above situation hereinunder is a list of the properties so sold and the values for and/or manner under which the same were sold.

2 (1) (b)

L.R NO	LAST VALUATION	SALE PRICE	PURCHASER	CURRENT LEGAL STATUS
David Courts (4) flats L.R No.209/3927	9,000,000 (Tysons Ltd) 30.9.97	8,050,000	Nduachi co. Ltd (Mr. Muiruri(D)	No record of payments but documents of title collected by Mr. Muiruri. No proof of transfer
Dakar Road L.R No.209/6549	9,000,000	9,000,000	Solongo Holdings (Jim Choge)	Not transferable as the same is charged to KCB and there is no evidence of partial discharge
Convent Drive L.R No.3734/87	11,000,000 (Tysons Ltd) 30.9.97	6,000,000	Solongo Holdings (Jim Choge)	Transferred on 18/6/99 at 6.50 p.m
Nairobi West L.R 37/458	2,700,000(Tysons Ltd) 30.9.97	1,600,000	Atieno Kombe	Transferred on 6/11/98 16.15 hrs (signatories for KCC 1. Thirikwa Kamau Thirikwa 2. P.K.Muiruri 3. J.P.L Nyaberi
Nairobi West L.R No.37/544	2,700,000 (Tysons Ltd)30/9/97	1,600,000	Atieno Kombe	Transferred on 6/11/98 as 4 above
Nairobi West L.R 37/459	2,700,000 (Tysons Ltd) 30.9.97	1,600,000	Atieno Kombe	Transferred on 6/11/98 as 5 above

Nairobi West 37/457	2,700,000 (Tysons Ltd) 30.9.97	1,600,000	Atieno Kombe	Transferred on 6/11/98 as 6 above
Nairobi West 37/460	2,700,000 (Tysons Ltd)30.9.97	2,600,000	Mark Gathuri (Kimani Kairu & Co Advocates 10% deposit paid to Ogetto & Co. Advocates. No evidence of remittance of the same to KCC	Not transferred as at 9/7/99
Nairobi West 37/545	2,700,000 (Tysons Ltd)30.9.97	2,340,000	M/S Guusita Holdings. Paid 10% deposit to watts Enterprises No evidence of remittance to KCC	Not transferred as at 9/7/99
Nairobi West 37/546	2,700,000 (Tysons Ltd) 30.9.97	2,300,000	Offered to Koboswa Ltd. by Watts enterprises for 2,300,000	Deposit of Kshs.275,000 with watts enterprises. Not yet transferred ast at 9/7/99
Nairobi West 37/549	2,700,000 (Tysons Ltd 30.9.93	2,300,000	Offered to Kiboswa Ltd by Watts Enterprises for Kshs.2,300,000	Not yet transferred as at 9/7/99
Muthangari Gardens L.R No.3734/24	14,000,000 (Tysons Ltd) 30.9.97	8,750,000	Rojan Productions Limited Company Registered on 30/6/99 yet land transferred on 18/6/99	Transferred but company was none existent on 18/6/99 therefore could not have had capacity to transact. Company's directors are Mr. J.P.L Nyaberi and his wife Abincha. The circumstance of the sale are similar to that of Getathuru Gardens L.R. No/1876/V1157 below

Getathuru Gardens L.R.1870/V1157	12,500,000 (Tysons Ltd) 30.9.97	8,050,000	Creative Crew Productions Ltd.	Transferred on 11/6/99 one of the signatories to debenture is Mr.Nyaberi's wife. The Company is said to belong to Mr. Nyaberi and his wife. The indenture registered on 11/6/99. No proof of registration of company. Purchase price emanated from Kipngeno & Abicha Advocates' fees from KCC amounting to Kshs.17,037,826.25 paid to them through bogus dubious legal claims
Kiambere Road (4) Maisonnetes L.R No.37/371	25,000,000 (Tysons Ltd 30.9.97	19,000,000	FIMS Ltd & Kimilili Hauliers on account of transport charges owed to them by KCC	No Transfer as at 9/7/99
Kiambere Road Bungalow L.R.37/22	33,000,000 (Tysons Ltd 30.9.97	14,000,000	R.H. Devani and account of Milk Powder valued at Kshs.14,000,000 supplied to KCC Guarantee of this transaction signed by Enos Kimani(Productio ns Manager) Transaction not approved by the Board	Transferred by Indenture registered on 27/4/99 to Ramji Haribha Devani Limited for Kshs.16,000,000.00

Nakuru Block 11/45	3,600,000 (Tysons Ltd 30.9.97)	3,400,000	Amazing Love Ministries Ltd. Transferred by Ogetto & Co. Advocates and no purchase price was ever received by KCC	Transferred (original documents with Ogeto & Co. Advocates)
Nakuru Block 11/44	4,000,000	3,500,000	LUCQ Investments for Ogetto & Co. Advocates in lieu & legal fees. No record of such fees owing	Transferred
Dagoretti Gardens L.R.No.330/449	10,500,000 (Tysons Ltd)	6,300,000	Belton Printers and Stationers	Unspecified amount of sale price deposited with watts enterprises.
Elgon Court 209/289/1/5(Part)	9,000,000 (Tysons Ltd) 30.9.97	2,750,000	No name given	Not yet transferred Watts Enterprises received a deposit of Kshs.275,000

4.4.9 OBSERVATIONS

It was the observation of the commission of inquiry that the so called Nyahururu Annual General Meeting of the members of KCC that allegedly gave the Board the authority to dispose of properties never took place. HCC NO.1400 of 1998 – Elijah Saliget Cheruiyot and others –Vs- KCC the applicants obtained a court order barring the directors from holding an Annual General Meeting in Nyahururu on the 26th of June, 1998. In the first instance, the former Board of Directors insisted that they had held the General Meeting but when contempt proceedings were brought against them for disobeying a court order, they swore a collective affidavit and defence

to the effect that no such meeting took place and their disobedience of a court order did not arise. On the strength of this averment on oath the contempt of court proceedings were terminated against the directors. It was puzzling to note that the same directors who swore on oath that such a meeting never took place now rely on minutes allegedly taken at that meeting to justify their unmitigated plunder of KCC.

It was a further observation of the inquiry team that even if any such meeting did take place, no authority was given to the Board to dispose of the company's properties in the manner and for the prices for which it did.

The commission of inquiry, upon embarking on its investigations, sadly noted that the legal department at KCC was not as active as demanded by the situation prevailing at the time in relation to the illegal transfer of the company's assets to both former KCC directors, management and third parties. A case in point is the delay and/or lack of initiative to block the transfers of these assets after the removal of the former board of directors and management. This lukewarm and/or calculated activity and/or inactivity on the part of KCC legal department clearly proved that the officers in the said legal department were either inept and/or incompetent or were intentionally buying time for the looters to register the properties in their names. The investigations of the inquiry team established that the former Managing Director was removed from office on the 4th of June, 1999 yet the following properties were transferred much later as follows:-

1. CONVENT DRIVE (L.R. NO. 3734/87) 18/6/99 AT 6.50 P.M.
2. MUTHANGARI GARDENS(L.R.NO.3734/24) 18/6/99 AT 6.50 P.M.

3. GETATHURU GARDENS (L.R. NO.1870/V1157) 11/6/99

Whereas property No.1 on the list was transferred to Solongo Holdings (Jan Choge), properties 2 and 3 were transferred to companies which were not registered, whose directors were Mr. Justry Lumumba Nyaberi and his wife Rose Abincha Nyaberi. Nyaberi bought these properties through funds fraudulently obtained by his wife's legal firm from KCC. When asked by the inquiry team why no requisite legal action was taken to block the said transfers more than two weeks after the removal of the Nyaberi team from the helm of KCC the current Company Secretary was evasive advising that she had sent some caveats to the Chief Land Registrar for her necessary action but the same were never registered against the properties. The Chief Land Registrar when confronted by one inquiry team members in the presence of the Commissioner for Lands explained that she could not do anything as the legal instruments submitted to her were defective. The so called defective caveats were never availed to the team for scrutiny nor their replacement or official receipts as proof of payment as alleged by the Company Secretary.

However, some remedial legal action was eventually taken and a firm Advocates Keneth Kiplagat & Company Advocates were instructed to pursue these matters. The said firm managed to get temporary injunctions against these properties. The following cases are therefore pending in the Nairobi High Court:-

1. HCC NO.1382 OF 1999 (KCC LTD - VERSUS- ATILU KOMBE)

2. HCC No.1382 OF 1999 (KCC LTD – VERSUS – JUSTRY P.L. NYABERI AND NDUACHI COMPANY LTD.)
3. HCC NO.1384 OF 1999 (KCC LTD – VERSUS- JUSTRY P. L. NYABERI AND ROJAN PRODUCTIONS LTD.)
4. HCC NO.1384 OF 1999 (KCC LTD – VERSUS- JUSTRY P. L. NYABERI AND CREATIVE CREW PRODUCTIONS LTD.)

The inquiry team established that Mr. Nyaberi as Managing Director broke all the rules of sound and moral management in the disposal of the KCC properties as set out in the table above.

4.4.10 RECOMMENDATIONS:

1. All legal means must be employed to have those who have acquired KCC property illegally reconvey the same back to KCC at no extra cost to KCC.
2. The said purchasers must be made to pay to KCC the money commensurate to the rent payable in the area of which end respective property is located from the date they entered possession, either by themselves, their agents and/or third parties at their behest, to the date of surrender of the same back to KCC.
3. Legal action must be taken to ensure immediate eviction of the purchaser's, their agents and/or third parties from the premises in question and the same taken over by KCC management.

4. Where criminal complicity is detected in any of these transactions, the culprits must be brought to book accordingly.
5. Where the properties have passed to third parties who are innocent purchasers for value or charged to financial institutions, the said persons and/or institutions must be compelled to either directly and/or indirectly compel the original vendors to pay the genuine market value for the properties in question.

6. Checks and balances must be put in place to block further transfers and charging of the above properties. The same safeguards must be extended to the protection of the secure properties to avoid such looting in the future.
7. As all the properties of KCC were covered by a floating charge in favour of Kenya Commercial Bank limited the immediate Board of Directors and management and any other parties involved in these illegal transactions should be arraigned in a Court of Law and charged with fraudulently disposing of mortgaged goods contrary to Section 219(1) of the Penal Code Cap 63 of the Laws of Kenya.
8. The Inquiry noted that Watts Enterprises, an Auctioneering firm, was involved in the dubious and illegal dealings in KCC properties and the said firm should be thoroughly investigated and be brought to book accordingly.

INSURANCE SERVICES

Insurance Services are essential to both individuals and organizations like KCC. There are various insurance policies taken by organizations to protect them in the event of misfortunes like fire, death or theft. Previously, KCC had taken appropriate insurance policies from Kenya National Assurance Company Ltd. but the same were transferred to Kenindia Assurance company Ltd. Kenindia however terminated them in December 1998 due to non payment of premiums.

1. Fire on buildings and plants
2. Motor vehicles -comprehensive (both commercial and private)
3. Fidelity guarantee
4. Cash in transit
5. Burglary
6. Naruba
7. Machinery breakdown
8. Public Liability
9. Workman Compensation/common law
10. Group Personal Accident
11. Goods in Transit.

Currently, only fire policies on buildings and plants have been reviewed with Kenindia Assurance Company. This has been by the grace of Kenya Commercial Bank who paid premiums for the period July 1999 - 2000 as the Bank with floating debenture stood to lose more if such properties were to burn down without insurance cover. KCC is heavily indebted to KCB to the tune of shs.1.01 billion.

KCC has arranged for provisional covers with M/S Lakestar Insurance Company Ltd. in respect of Motor Vehicle Third Party, Workmen Compensation, and Group Personal Accident (staff). Unfortunately however, even the policies assumed to have been taken with Lakestar Insurance Company Ltd. may not be valid as the organization has not paid in full the requisite premiums. The premiums assessed for January - June 1999 period stood at Kshs.7.7 million out of which only Kshs.2.0 million has been paid leaving a balance of Kshs.5.7 million. The premiums assessed for the period July 1999 to June 2000 is ~~about Kshs.16.0 million~~. The organization is therefore in arrears in settlement of previous and current premiums as follows:

- Kenindia assurance Col. Ltd. 199/98	-	shs.6,963,537.05
- Lakestar Insurance Col Ltd. 1998/99	-	Ksh.5,700,000.00
- Lakestar " " " 1999-2000	-	<u>Ksh.16,019,324.00</u>
Total		<u>Ksh.28,682,861.05</u>

It is noted with serious concern that KCC is exposed to the various insurance risks. Those who have dealings with the organization are also exposed to these risks and may terminate those dealings if they get to know of the actual situation on the ground.

There is little doubt that KCC management is aware of the implications when premiums are not paid but have opted to play it down. Effective insurance policies commence when insurance premiums are fully paid at commencement of the policy.

4.5.0 PRODUCTION FACILITIES

The Technical Team carried out assessment of inventory of all the machinery, equipment and related facilities in Kenya Cooperative Creameries headquarters after which visits to organisation's Factories and Plants were conducted.

OBJECTIVES:

- a) To carry out verification of company machinery/equipment and related facilities.
- b) To establish the extent of vandalism of machinery wherever it has occurred.
- c) To assess the condition of production facilities in the factories and plants and to determine the necessary repairs and their estimated costs.
- d) To establish any machine re-location and to verify and confirm that such actions were formally effected and properly documented.
- e) To discuss with the production and marketing personnel matters that affect their operations in order to recommend the necessary improvements and corrections.

4.5.1.0 VERIFICATION OF INVENTORY OF MACHINERY & PLANT EQUIPMENT AND THEIR CONDITIONS.

Verification of Inventory of KCC machinery and other production facilities was conducted in all the locations and their serviceability established.

4.5.1.1 In general all machinery and equipment were found to be in their proper locations and in working order. In a few cases, the following were observed:

- a) The machines lacked parts such as motors, pumps and other units. In most cases the missing parts were in other workshops for repairs. The repairs delayed due to non-payment. In a few cases, however, some machine parts had been removed for use in other machines due to lack of spares.
- b) In some cases the machines in the company's inventory were already obsolete and disposed in the scrap yard. The organisation has no clear policy or procedures used to board obsolete facilities.
- c) In a few cases the machinery was reported to have been re-located. Such were verified and the new locations of equipment confirmed and the machinery list compared with the inventory list.

4.5.1.2 An assessment of functional and non-functional machinery and equipment was carried out in every location and a list drawn up as shown in Annex 4.5.1.0.

4.5.2.0. CAPACITY OF FACTORIES & PLANTS

Assessment of the installed, available and utilised factory/plant capacities at all KCC establishments was carried out in order to determine the organisation's readiness to absorb increases in milk deliveries.

It became evidently clear that production capacities are not uniform in the production lines. In some cases essential machinery was missing in the lines, resulting in the necessity to repeat some processing stages in other factories.

It was observed that Molo and Kapsabet can be upgraded to factory status with minimum cost in order to minimise such repetitions. Bottlenecks in production lines were identified and additional machinery recommended.

At the time of inspection of these facilities, they had a daily processing capacity of 725,000 litres and a storage capacity of 3,452,500 litres as shown in Annex 4.5.2.0.

in table 4.5.2.0. There was about 1 Million litres of poor quality milk in the silos for write off in Eldoret (420,000 litres), Molo(40,000 litres), Naivasha (79,000 litres), Dandora (129,000 litres), Kitale (50,000 litres), Nyahururu (40,000 litres), Kiganjo (200,000 litres) and Miritini (70,000 litres). It was reported that this happened as a result of lack of utilities (e.g. Packing paper, furnace oil, cleaning detergents, Water etc.) to process and pack milk products in the month of May, 1999.

Table 4.5.2.0

	FACTORY CAPACITY (LTS)	INSTALLED CAPACITY (LTS)	AVAILABLE CAPACITY (LTS)		LIMITATIONS	UTULISED CAPACITY (LTS)
			PROCESSING	STORAGE		
1	Dandora	400,000	120,000	493,500	Pasteuriser Packing	30,000
2	Naivasha	120,000	30,000	167,000	Pasteuriser	1,500
3	Nakuru	200,000	60,000	275,000	Persteuriser Packing Refrigeration	600
4	Nyahururu	330,000	30,000	306,000	Packing	500
5	Kitale	200,000	60,000	300,000	Drier Pasteuriser	6,000
6	Eldoret/Sosi	240,000	140,000	460,000	Persteuriser Packing Refrigeration	4,000
7	Sotik	280,000	140,000	289,000	Steriliser Packing	3,020
8	Cheese	30,000	25,000		Refrigeration Packing	Nil
9	Molo*	114,000	Has a pasteuriser	114,000	Packing	700
10	Eldama Ravin	60,000		60,000		267

11	Ainabkoi	40,000	--	40,000		3,000
12	Kapsabet*	100,000	Has a Pasteuriser	100,000	Packing	450
13	Lessos	40,000	--	40,000		1,500
14	Iten	20,000	--	20,000		150
15	Kilgoris	10,000	--	10,000		320
16	Nanyuki	28,000	--	28,000		200
17	Kangema	48,000	--	48,000		300
18	Runyenjes	30,000	--	30,000		1,500
19	Miritini	360,000	70,000	360,000	Packing	40,000
20	Kiganjo**	70,000	50,000	70,000	Drier	1,600
21	Githumu	28,000	--	28,000		143
	TOTAL	2,748,000	725,000	3,238,500		60,007

Capacities based on daily rates.

*Should be upgraded to factory status

**Should also process fresh milk

4.5.3.0. THEFT/VANDALISM AND MACHINERY RELOCATION

4.5.3.1. Theft/Vandalism was reported in a number of locations. Most of these thefts appeared to have been normal thefts and police investigations are going on. Listed below are the locations where major items were found to have been stolen or vandalised.

<u>Location</u>	<u>Year</u>	<u>Items Stolen</u>	<u>Estimated Loss</u> <u>(Kshs)</u>
◆ Eldoret Sosiani	1997/1998	Compressors, Vehicle parts	1,613,085.00
◆ Ainabkoi	1998	Electrical Controls	200,000.00
◆ Miritini	1998	Butter Oil Pump	200,000.00
◆ Githumu	1998	2 Pcs Hot Water Pumps	100,000.00
◆ E/Ravine	1998	Lawn Mower	30,000.00
◆ Nakuru	1999	Vehicle Parts	588,740.00

4.5.3.2. Machinery relocation in the Organisation has been very common especially in the last two years due to lack of funds for machine spares. A number of parts have also been transferred from one machine to another resulting in an increased number of non-functional machines. In most cases, however, these transfers were confirmed to have been effected formally and the machines were identified as shown in Annex 4.5.3.0. Transfer records in some cases were missing.

4.5.4.0 MACHINE REPLACEMENT, REPAIRS AND SERVICING

4.5.4.1. KCC Factories and Plants have a milk processing capacity of 725,000 Litres per day, an installed capacity of 2,748,000 litres per day and a total storage capacity of 3,452,500 Litres. The organisation can therefore process up to 26.4 % of installed capacity, without any major repairs. For production of increased volumes, however some spares and services whose estimated costs are given in table 4.5.4.0 are required.

4.5.4.2. To be able to process dairy products efficiently the organisation has to

undertake the following before any major production work commences:

- a) Repair, servicing and inspection of boilers, refrigeration units, weighing scales, motors and pumps estimated at *Kshs. 12 Million.*
- b) Repair of all leakages in milk processing lines and water steam pipes and in all machinery interfaces at a cost of about *Kshs. 12 Million.*
- c) Payment of electricity, telephone and water bills amounting to *Kshs. 30 Million.*
- d) ~~Purchase of consumables e.g. ammonia gas, packing materials, furnace oil, cleaning detergents and lubricants costing about *Kshs. 100 Million*~~

4.5.4.3. In the short-term, KCC has to embark on basic repairs on machinery and other production facilities that have deteriorated and/or been vandalised in order to improve its production capacity. This is estimated to cost *Kshs. 115 Million.*

4.5.4.4. In the long-term, KCC has to address replacement of old and inefficient machinery and other facilities presented as additional equipment in Annex 4.6.4.0. in order to achieve installed capacity of all dairy products and remain competitive in the dairy sector. This will cost the organisation an additional *Kshs. 200 Million.*

4.5.5.0 PRODUCTION COST

The assessment of milk processing costs indicate that wastage, manufacturing and packing are major expenditure items and for an efficient system to be achieved critical review of these processes is required. The breakdown of

production costs are listed in table 4.5.5.0. and from the figures given the following observations are made:

- a) Tetra Pak packing cost is substantial and consumer price can be significantly reduced by use of cheaper milk delivery methods i.e. bulk delivery in tanks.
- b) Milk wastage estimated at 1% worsens with deterioration of production facilities and reduced production volumes. At the time of inspection it was about 10% in most factories.
- c) Net margins for these dairy products has not been provided since the overheads consisting of company overheads, distribution, commissions and selling overheads are very high for the current low production volumes. In fact records indicate that currently all products except fresh and tinned butter are sold at a loss.

It is proposed that in the long run production efficiency be improved by a complete upgrade of production lines to obtain high volume production facilities which have low operation costs. However, in the short term, the critical area of packing should be addressed. The following are alternative methods of processed milk delivery to the consumers:

- a) Bulk delivery by refrigerated tanks - Costs are minimal but may not appeal to all members of the society.
- b) Delivery by bottles and plastic containers. - Cost effective but may not capture the elite members of the society.
- c) Tetra Pak packing - Very costly although preferred by the high class members of the society.

It is evident therefore that all these alternatives should be employed in order to meet the needs of the entire dairy market with the bulk of the milk being

delivered through refrigerated tanks to capture a large population of low income earners. Significantly reduced Tetra Pak packing could be retained to meet the demands of the elite class of the society.

Table 4.5.5.0

UNIT PRODUCTION COSTS								
	PRODUCT	YIELD RATIO	PAYOUT KSH.	WASTAGE	MANUFACTURING	PACKAGING COST KSHS.	BUTTER FAT RECOVERY	TOTAL PRODUCT ION COST
1	FRESH BUTTER (KG)	0.83	95.19	0.95	78.52	24.08	-	198.74
2	TINNED BUTTER (KG)	0.83	95.19	0.95	78.52	44.29	-	218.95
3	GHEE (KG)	1.01	116.59	1.17	352.24	29.85	-	499.85
4	CONVENT CHEESE (KG)	10.70	160.46	1.61	1,133.73	3.92	-	1,299.72
5	PROCESSED CHEESE (KG)	9.58	143.69	1.44	1,133.73	24.28	-	1,303.14
6	DSM POWDER (KG)	12.77	191.48	1.92	209.67	2.80	62.55	343.32
7	UGH FOR SCHOOL (LT)	1.00	15.00	0.15	21.81	20.78	-	57.74
8	UHT FOR MARKET (LT)	1.00	15.00	0.15	21.81	16.32	-	53.28
9	FRESH TETRA PAK (LT)	1.00	15.00	0.15	7.89	4.83	0.38	27.49
10	FRESH BULK (LT)	1.00	15.00	0.15	7.89	-	-	23.04
11	MALA (LT)	1.00	15.00	0.15	14.29	8.72	-	38.16
12	FRUIT MALA (LT)	1.00	15.00	0.15	26.98	8.72	-	50.85

4.5.6.0. COMPETITION IN PRODUCTION OF DAIRY PRODUCTS

Liberalization of the dairy sector has brought about competition of dairy products in the market. KCC's investment in plant and machinery is

however extensive with a large variety of products.

Main competitors in the sector include:

- Brookside
- Premier
- Spin Knit
- Ilara
- Express
- Aberdare
- Nyota
- Kilifi Plantations
- Delamare Dairies
- Dairy Cooperative Societies
- Hawkers

Most of these competitors process fresh milk only and the manpower is mainly former KCC employees. Hawkers sell unprocessed milk thereby risking the health of the consumers. Brookside attempted to package U.H.T. milk but the results were disastrous.

It can therefore be concluded that KCC has no major competition in the sector but only suffers from the inherent monopolistic tendencies which must be discarded. Conversion of all KCC factories to become cost centres will bring about the needed competitive business attitudes and will result in high efficiency.

4.5.7.0 KCC LAND AND BUILDINGS

The team assessed the status of factory buildings and the staff houses and observed the following.

- a) Most factories require general roof repairs especially those which produce powder milk due to the effect of lactic acid in the roofing iron sheets.
- b) Production floors in most of these factories require replacement of tiles and painting of walls. The most urgent case is Nanyuki plant where walls have cracks due to instability of the foundation. General repairs are also needed.
- c) Most staff houses are unoccupied and their conditions have deteriorated. A facelift of the houses is required and immediate arrangements to get them occupied should be done to avoid further deterioration.
- d) Insecurity was reported in most locations and lack of perimeter fence in most of the cases was given as the cause.
- e) Water supply to the factories is an essential requirement in the organisation. Water tanks require repair or replacement. In some cases boreholes/water treatment plants are needed.
- f) Encroachment on KCC land was reported in a number of locations either by informal sector artisans, squatters or general public. In locations where KCC land demarcation has not been done, immediate action is required.
- g) The following are the locations where encroachment by the groups indicated on KCC land was reported or observed.
 - Nyahururu - Businessmen in the town.
 - Ainabkoi - Farmers/Businessmen in the area.
 - Kericho - Jua Kali Artisans.
 - Kiganjo - Squatters.
 - KCC H/Q- Sale of part of land.

4.5.8.0. OBSERVATIONS AND FINDINGS

- 4.5.8.1. Irregular machinery transfers, replacement of parts and disposal of obsolete equipment was established in some locations of the organisation. Parts such as motors and pumps are held for non payments by various

maintenance shops and some could have been sold. Nevertheless, the major equipment and machinery of the organisation are intact in their locations.

A new machinery inventory list was established.

4.5.8.2. Removal and replacement of machine parts has rendered a number of facilities non-functional and urgent repairs are needed in order to achieve high efficiency in milk processing. Additional machinery is required to avoid unnecessary transportation and duplication of certain processes. In this regard, it is recommended to upgrade Molo and Kapsabet plants to factory status by adding packing machines in the production lines.

4.5.8.3 The Organisation has a processing capacity of about 725,000 Litres of milk into various dairy products namely, butter, cheese, fresh milk, UHT, ghee, condensed milk and mala and an installed capacity of 2,748,000 litres. It is thus utilising 26.4% of its capacity. It has a storage capacity of 3,452,500 Litres out of which a capacity of over 1 million Litres is currently taken up by contaminated milk which should be disposed off urgently to create capacity and avoid contamination of new supply of milk. This process has started.

4.5.8.4. Thefts and vandalism were established to have occurred in various locations. Some cases appear to have been normal thefts and are being pursued by police. Effective insurance cover is necessary to protect the organisation from such losses.

4.5.8.5. Review of production processes and the existing production facilities should be embarked on in order to upgrade the production lines with high efficiency system. Of immediate concern is the packing facility where cheap

cost effective alternatives to the current high cost Tetra Pak packing process is proposed. Delivery of processed milk to consumers in bottles or special plastic containers or by refrigerated tanks to the low-income sector of the Kenyan society is strongly recommended.

4.5.8.6 There are new players in the dairy industry since the liberalization of the sector. Their production is however limited to a few dairy products. KCC however will only ensure that it remains a market leader by changing its policies to keep up with the market trends. It is recommended that each factory be made a cost centre capable of conducting all transactions with milk suppliers, consumers and transporters including payment of salaries and wages.

4.5.8.7. The factory buildings and staff houses require rehabilitation. Occupation of staff houses should be ensured to avoid deterioration of the premises and unnecessary expenditure in house allowance. Perimeter fencing and other security arrangements should be put in place to limit thefts and vandalism and unauthorised encroachment on KCC land.

4.5.8.8. The organisation should undertake the basic repairs of production facilities, make payments for the utilities and purchase consumables before resumption in production of significant volumes. This initial phase is estimated to cost Kshs. 154 Million.

Once production commences, an investment of about Kshs. 115 Million will be needed to rehabilitate major production facilities and improve production capacity. The last phase will involve an investment of Kshs. 200 Million to acquire additional machinery for replacement of those that are obsolete and

inefficient and increase capacity in order to make the organisation competitive in the liberalised dairy industry.

4.6 MILK COLLECTION, PROCESSING AND MARKETING

4.6.1 MILK COLLECTION

The milk collection by the organization has been on downward trend as indicated below:-

	1998/99	1997/1998	1996/1997	1995/1996
Milk intake(Kgs)	20,194,183	87,566,088	117,638,206	213,414,121

The cause of the downward trend was mainly contributed by the mismanagement of the company by the former board of Directors and the management. From the investigations there was cross financial mismanagement by the organization which contributed to:-

- Farmers not being paid for the milk delivered.
- The transporters of raw milk to the factories not being paid to enable them to render the collection and transportation service
- The KCC creditors not being paid leading to discontinuation of services.
- The factories not being serviced leading to break down of machines.
- The power and water supplies to the factories disconnected
- Staff emoluments not being paid.

The consequence of the above constraints faced by the organization has contributed to high operational costs because the amount of milk received by the factories which average about 30,000 litres per day for the whole country

and about 3,500 litres per factory. The organization cannot meet her obligations of paying staff salaries and maintaining processing machinery with the current milk intake to the factories.

OBSERVATION

The farmers have a lot of confidence in the organization and are ready to deliver milk to the factories immediately they are assured of payment of their outstanding payouts.

4.6.2. MILK PROCESSING AND MARKETING

KCC has an installed processing capacity of 1.8 million litres per day. However at present its processing capacity is about 750,000 litres per day. For KCC to break-even, it requires to process 450,000 litres per day.

The following are the major problems facing KCC in processing and marketing of milk:-

Lack of enough milk from the farmers due to non-payment for over 11 months.

- Milk transportation problems. KCC is unable to move bulk milk from the locations to the demand centres due to lack of tankers and prime movers caused by delayed payments to the transporters.
- Old and inefficient packaging equipment that results on high levels of product leakages.

- Disconnection of power and water and other utilities due to non-payment.
- Problems in purchases of packaging materials, furnace oil

refrigeration gases and other important factory equipment and supplies.

The above constraints have led to the following problems now faced by the company:-

- Erratic production runs
- Piling up of milk in factories while there are shortages in the market.
- High production costs, wastage, low keeping quality and high retail prices coupled with low sales leading to inefficiencies that has made the company have less finances for operations.
- Market confusion that has led to loss of market by KCC to the competitors.

OBSERVATIONS

For now KCC require working capital to pay the farmers, staff and strategic creditors, because the low intake being experienced can not sustain its operations.

4.7. INFORMATION MANAGEMENT SYSTEMS

4.7.1 COMPUTERS

- (a) **The main computer:** The main computer in KCC is an old IBM System/36 (S/36) mini computer that belongs to the old technology. It is connected to 13 dumb terminals where data is entered. Its peripherals are also old. Generally, computerization is highly centralized.

Preventive maintenance has not been done for the last four years except repairs when the machine is broken down. This is attributed to failure to pay vendors who support the machine. Due to its age, breakdowns are frequent and maintenance also expensive. Spare parts and accessories are not readily available in the market for this model of computer.

- (b) **Processing:** The mode of processing is batch, where input documents are collected from the whole country and arranged in batches by the Finance Department and forwarded to the computer section for entry. This is an outdated mode of information management.
- (c) **Other computers:** There are less than 10 Personal Computers in the whole organization which are used for word processing and data analysis. These are too few for such an organization. Computer literacy is low and even those who have learnt computer packages elsewhere do not have any computers to use.
- (d) **Structure:** The computer section in KCC is given a low priority in that the computer manager reports to the Chief Accountant who in turn reports to the Finance Controller who also reports to the Managing Director. In such a situation, the computer manager cannot make an impact in the organization as far as information systems are concerned.

- (e) **Computer Audit:** The Computer Section has not been audited for a very long time. Without audit, loopholes can be created whereby the computer can be misused and manipulated to facilitate frauds.

4.7.2 YEAR 2000 (Y2K) COMPLIANCE

The main computer and some PCs are not compliant and cannot be made compliant. From late 1997 some attempt to modernize the computer section has been made to no success. As of today, no attempt is being made to be Y2K compliance.

As for other equipment and machinery, no impact analysis has been done to determine the effect of year 2000 on KCC.

4.7.3. IMPLICATION

To survive as a business entity in the current liberalized economy, accurate and timely information is required for forward planning. With the kind of processing at KCC today, information from the computer is only good for historical purposes. Some decisions are made on incomplete information because of the delay in forwarding data to the computer. So much time is also wasted in forwarding and batching papers.

Y2K preparedness is a big cause to worry because some business may not survive if they are not compliant come year 2000. KCC has a big task ahead since nothing so far has been done.

4.7.4 RECOMMENDATIONS

1. As a matter of urgency, a Y2K Compliance committee for KCC should be established. This committee will prioritize the tasks to be carried out and will encompass all areas of information technology.
2. The first phase of computerization should address Y2K compliance. A powerful computer server need to be installed at the Head Office and the critical areas networked first. Appropriate computer packages ~~should be acquired to take over the current processing needs.~~ Other non-compliant PCs should either be upgraded or replaced. This is expected to cost approximately ksh.15 million.
3. The second phase of computerization should cover the rest of the head office, factories and depots. This should include other office automation products.
4. Eventually, all areas must be inter-linked with the head office through the main server. This will provide correct and up-to-date information for right decision making.
5. Today, information systems are part of the big assets of the company. For effective utilization of these assets, the computer section should be elevated so that the Information Systems Manager reports directly to the Managing Director.
6. It is recommended that the computer be audited immediately with a view to unearthing any malpractice. As a matter of policy, computer audit should be carried out once a year.

FINANCIAL MANAGEMENT

Financial Management generally involves a system of efficient financial planning, acquisition, utilization of resources of an organization in order to maximize share holders returns on capital employed. In specific terms financial management involves records keeping, formation of suitable polices for management of assets including the control of cash-flows and cash management.

The financial objectives of an organization can only be achieved if sound Internal control system and internal check are in place.

8.1 Internal Control System

In our evaluation of the existence, operation or otherwise of the whole system of controls, it was evidenced that internal controls which depend on segregation of duties had been flouted or avoided by collusion and that the authorization controls were abused by the chief Executive and senior managers while the directors, due to their conflict of interests undermined the effective operation of the internal controls leading to massive irregularities, mismanagement and frauds which eventually, drained the cooperative's finances.

Our observations revealed that the internal control system was in existence and in place up to mid-1998 after which the operation of the controls was abused and collapsed by those in authority as evidenced by such cases shown here below.

4.8.2 Internal Audit Department

The Internal Audit function is a tool of management and forms the main component of internal controls of an entity. At KCC Ltd. the internal Audit Department exists and is headed by Chief Internal Auditor. The Department, it was observed, works under serious limitations and constraints. Firstly, being part of the organization it cannot be totally independent of it. Secondly, it has been viewed with suspicion and in the recent times it has not been given free accessibility to all auditable information and records. Its effectiveness in the organization has been deliberately weakened by the same organization it was supposed to serve. The few audit staff have been deployed in other non-audit functions at Headquarters while others have been transferred into small locations and depots in the field. By decentralization of the Audit function was meant to frustrate and weaken internal controls of KCC Ltd to give the management and the Board free hand to unquestionable misdeeds and frauds.

Despite this scenario, the audit department produced several reports citing irregularities, mismanagement and frauds but no action has even been taken. This was evidenced by the fact that in most cases of frauds and mismanagement reported to us or we came across had been known by the internal audit department as shall be seen latter in this report.

4.8.3 Accounting System

An accounting system ensures the recording of data to enable management to make managerial decision in time. It also ensures safeguarding of the company's assets.

The Accounts system of KCC Ltd. has been centralized at headquarters whereby the data information from locations is submitted daily to Headquarters for posting into computer system (database).

In an ideal situation the ledger posting is supposed to take place immediately and the report be issued to the management for prompt decision making. However our observation indicated that ledger posting is not done immediately and in some cases it may take up to 6 months.

At the time of our observation, ledger posting had been done up to 30.6.98. Similarly the Bank reconciliations had not been completed as at 30.6.98.

In addition to the delays in ledger posting as above, the operation of the accounting system of KCC Ltd. has been worsened by persistent interferences by the Chief executive, Senior Managers and the Board of Directors. As from mid 1998 the Managing Director facilitated the creation of an extra one pay point. The extra pay point which was manned by Assistant Accountant by name Peter M. Thuo was used as a conduit in looting the company's finances by the Directors, the Managing Director and others. Colossal amount of money has been paid through Mr. Thuos office by mere pieces of papers (e.g. complimentary slips) being authorized for payment by the Managing Director alone disregarding the existing laid down accounting systems and financial regulations.

4.8.4. Cash management

After perusing the chief internal auditors correspondence file we noted that many audit checks and investigations involved thefts of sales revenue and

cash losses in the locations and depots.

The cooperatives procedure as regards sales and proceeds therefrom stipulates that all cash collections should be locally banked intact and the records be summarized in relevant accounting documents which should be forwarded to the head office daily or not later than two days. Our observations on these regulations indicated that in practice these procedures were floated and teeming and lading was rampant. In addition to delays in banking and forwarding the reports to H/O, the MD facilitated the collection of sales cash from locations and depots through encashing of cheques. The cash so collected was used to pay directors and other huge expenses which had no prior budgetary provisions. This was poor and unprofessional cash management which resulted in uncontrolled expenditure leading to a bursting bank overdraft which swelled from ksh.450,000,000.00 in June 1998 to ksh.1b in June 1999.

In particular, Dandora Depot, being the most nearest and biggest KCC depot was most financially hit by these malpractices of collections of cash and under banking. While the Inquiry Team was there, a case had been reported that there was a total under banking of ksh.82,094,403.15 covering period between October 1998, and May 1999. The Internal Audit Department is continuing with investigations.

4.8.5 Purchase of Powder Milk (R.H. Devani)

The cooperative has lost colossal amount of money through irregular and unprecedural purchases of milk powder through secret suppliers. One such case investigated happened in November 1998 in Miritini Factory. M/S R. H. Devani is an agent supplying milk powder to KCC Ltd. without official

order from the Company Buyer and without delivery notes. The company buying procedures appear to have been flouted since the said powder has been bought through unprocedural means.

Between 15th Oct. 1998 and 7th December 1998, 3,000 bags were delivered to KCC Ltd without any order and delivery documents except SGS (K) Ltd tally notes which do not indicate price charged to KCC Ltd. The SGS loading report however stated that the powder was destined to KCC Ltd and the consignor was Exa-trade (K) Ltd.

Failure by R.H. Devani to give KCC Ltd the buying price of the milk powder revealed later that the price was ksh.7,375 per 25kg bag giving very little margin to KCC Ltd. Later purchases also revealed a purchase price of ksh.9856 per 25 kg bag. Both orders resulted into a direct loss to KCC Ltd of ksh.6.6m.

This fraudulent purchase of milk powder from R.H. Devani should be stopped and direct purchase to other sources be made. It is interesting to note that the cost of dried whole milk powder as under:-

1 kg realizes 10 litres of milk and KCC Ltd selling price is ksh.36/= per litre.

10 litres @ 36/= 360/=

Tetra Pak sells to KCC Ltd direct @ 220/= per litre which gives a saving of ksh.140 per litre.

The price of milk powder from R.H. Devani is very costly leaving KCC Ltd

with no positive margin.

The management prioritized the purchase of expensive powder as oppose to cheap farm fresh milk in circumstances calculated to serve the Director and Senior Managers' personal interests.

It has been revealed that the reconstitution. of powder has undesirable effect due to the off-flavours normally associated with oxidation reaction in t powder. ~~This has had an adverse effect in the market and has caused the loss~~ of KCC Ltd traditional market to the competitors.

Further, KCC Ltd is yet to suffer another financial loss of a prime house Upper Hill, Kiambere Road valued at Ksh.33m which M/S R.H. Devani fraudulently transferred to himself to recover his milk powder debt from KCC Ltd.

4.8.6 Disposal of down graded milk powder (Naivasha)

In November 1998 KCC Ltd. tender committee awarded the tender to milk powder to the following bidders and prices:-

Item	Company name	Rate	Quantity
1.	Ideal Animal Health Products	75/= per kg	50 tons
2.	M/S Silver Rolls Dairy Products	75/= per kg	25 tons
3.	M/S TEK Powder	76/= per kg	50 tons

The Ideal Animal Health products had won the tender but failed to meet

deadline given in raising the payments.

M.S. Silver Rolls Dairy products who were number two were granted the tender and were requested to pay ksh.1,8775,000 to the cashier on 5th November, 1998. They too failed to meet the deadline to make payment.

M/S Tek Power were finally given the tender @ ksh.76 per kg but their cheque bounced before they had taken milk powder.

Later on 2/12/98 the decision to dispose of the same milk powder was made solely by the Production Manager who sold the powder to M/S Farmers Choice @ ksh.50/= per kg.

The irregularity in this transaction which disappointed the tender committee was that the production manager, well knowing that this was a tender committee matter went a head to dispose of the powder at a lower price which occasioned an apparent loss of kshs.1.3m to the company.

4.8.7 Losses arising from interferences and negligencies

(i) Sotik Factory

Sometimes between July 1998 and June 1999, Mr. J.K. Chumo, a director of KCC was acting as an agent for the organization in Sotik factory area. He was selling KCC milk products on commission in Kisii and Migori areas. An agent is supposed to pay for the products before they are removed from KCC depots. The same agent is expected to fully account for the sales proceeds.

However, Mr. Chumo's firm was collecting the products without payments and was not remitting proceeds regularly. Indications are

that about ksh.900,000 has not been accounted for.

In addition Mr. Chumo was being paid as a transporter when in fact he was an agent. This is one of the ways the directors were draining the resources of KCC.

(ii) Undelivered UHT milk - Eldoret

Early 1999 there were stocks of UHT milk at Eldoret factory which were to be sold. The marketing department made arrangements to distribute them to various market centres using KCC vehicles. However, these arrangements were stopped by the Managing Director through the Production Manager.

The reasons given are that, in order to monitor and control the usage of sales proceeds, the products were to be moved from Eldoret to Nairobi and Kitui. The marketing department was not consulted when making these arrangements.

On 26/2/99 and 2/3/99 about 2000 cartons of UHT were loaded on lorries registration number KAC 359R and KYW 984 belonging to Mr. Johnson Mbaabu, a transporter. To date the consignments valued at ksh.1,701,000/= have not reached their intended destination. It is therefore assumed that Mr. Mbaabu sold the consignments and converted the proceeds into his own use. No action appear to have been taken to recover the proceeds except terminating the contract on transport.

It is recommended that this matter be pursued with a view to recovering the full value of the consignments.

It is further recommended that as much as possible, KCC should use own transport in the distribution of its products.

(iii) **Mombasa Depot**

Another depot where KCC has lost money is Mombasa. A Mr. Akil was appointed as a sales and distribution agent. He was allowed to collect dairy products without payments contrary to the laid down procedures. He was also allowed to remit sales proceeds by personal cheques instead of bankers cheques. When this agent became familiar with laxity of the depot manager, he started issuing cheques which eventually bounced. Eventually he disappeared with products worth ksh.5.0 million which has never been paid.

It is therefore recommended that all KCC agents for milk products should pay for the products before collecting the same. This is the procedure and should not be waved in favour of certain agents.

(iv) **Unauthorized Depots**

Establishment of new depots is a matter to be decided by the Board of Directors on advice of the management depending on demand. However, two depots appear to have been established in Busia and Kitale which are not known by the sales and distribution division. No returns or sales proceeds are being received at the Head Office.

It is recommended that the operations of the two depots be formalized if there is need for the same.

It is also recommended that if any products have been released to the two depots from Eldoret or Kitale factories, they should be fully accounted for.

4.8.8 Fraud - cheques payments

An investigation revealed that the management authorized the issue of non-company cheques into circulation. This amounted to a conspiracy involving three parties i.e. the Bank, the printers of cheques and "Ghost supplier" to defraud the company ksh.2,157,740.00. The physical address and identity of the "Ghost Supplier" remains a mystery today.

The details of the payments are as stated here below:-

Perfect Haulers - ksh.2,157,740.00

This was a management fraud in which "perfect Haulers" who is not a known supplier of goods or services to KCC Ltd was paid the following non-company cheques and of which the Bank accepted and cleared.

cheque No.	Amount (ksh.)
202766	358,440.00
202769	405,620.00
202771	436,250.00
202772	328,750.00
202773	263,420.00
202774	355,260.00
202774	10,000.00
	2,157,740.00

As regards bank reconciliations an alarm was never raised in time when non company cheques were debited in the companies accounts. That implies that the bank reconciliations are either never done or when done they are never checked by senior officers due to their possible involvements in this type of fraud.

The evidence on the cheques signatories indicate that although the cheques were not in the companies' list of cheques in circulation, they had been signed by the Managing Director and Financial Controller and were eventually cleared by the bank.

Although this case was reported to the police for investigation, nothing has been reported on the same so far.

4.8.9 Private Eye(K) ltd.

Private Eye (K) Ltd. is a private investigation firm owned by Hon. P. K. Muiruri who is also a Director of KCC. Since 1994, this firm has traded with KCC in carrying out security consultancies covering a wide range of cases involving thefts of cash and losses and other matters. Before carrying out the investigations, the firm has always been advanced payments against future cases which have not arisen. As at 30th June 1999, Private Eye (K) Ltd ledger balance stood at ksh. 11,026,418/55 representing advance payments made as per the table below:-

Date	Cheque No.	Amount ksh.
16/5/96	387839	1,635,733/75
26/5/95	353422	1,331,020/00
12/7/96	610293	2,700,000/00

30/9/96	610350	259,664/80
4/9/97	003107	2,000,000/00
10/10/97	000776	500,000/00
20/10/97	001047	500,000/00
15/12/97	005604	500,000/00
28/2/98	?	1,000,000.00
30/6/98	00946	200,000/00
30/6/98	300,200	400,200/00
		11,026,418/55

When the firm submitted invoices against the advance payments, some irregularities were noted by the internal Audit Department in the following areas:-

Some payments were invoiced twice while others were too general and doubtful as to be believed that some work was done. A good example is invoice No.1115 dated 11/6/96 for ksh.2,760,000.00 was raised for:- "Investigation charges on various thefts, traveling to various places in Coast Region, Western and Nairobi areas to gather evidences and aligning witnesses in court". This invoice was not paid by KCC.

Besides the doubtful invoices, it was also found that most of the cases invoiced and paid for had actually been investigated by the Internal Audit Department and in some cases the insurers had settled the claims for losses. These cases are numerous and involving colossal amount of money looted in this manner as evidenced here below by three of such many cases.

(I) On 13th May 1994, the Internal Audit Department made an inspection

into Kericho Depot and found that Mr. J. K. Korir, the Depot Manager, was responsible for cash loss or under banking of ksh.832,882.95. This case was reported to the police for investigation.

On 25/1/96, Private Eye (K) Ltd raised an invoice No.0342 for ksh.610,000/- for the costs of "Traveling to and from Nairobi and Kericho on 25/7/94 and 26/7/94 and 19/9/94 to 22/9/94 and 27/10/94 to 28/10/94 and 19/12/94 to 9/12/94 to 20/12/94 to testify in the above criminal case in Eldoret. On 25/01/96 Private Eye(K) Ltd raised Invoice No.0342 for ksh.1,610,000.00.

- (ii) On 22nd October 1995 powder worth ksh.2,566,820.00 in transit from Kiganjo to Nairobi disappeared together with the vehicle No. KUG 826 ZA 4771 at Thika.

The Internal Audit Department investigated with the help of OCPD, Thika and the driver Mr. J. Mwaura Muiruri was found to be a prime suspect in the whole theft.

On 16/4/96, Private Eye (K) Ltd raised an Invoice No.1110 for ksh.2,867,528.65. It was revealed to us that the driver of the vehicle is a brother to Hon. P. K. Muiruri, the owner of Private Eye (K) Ltd.

The claim of loss to the company was paid by the Insurers viz. Kenindia Ksh.2,006,419 by cheque Standard Bank No.59270 of 19/11/96 and it was again not necessary to hire investigation services. The charges raised for investigations were in excess of the value of the claim.

The charges raised by Private Eye(K) Ltd. were excessive and unbelievable under normal business circumstances as observed in the following cases.

- (iii) On 12/8/94 KCC computers worth ksh.434,000.00 were stolen from Head office. Private Eye(K) Ltd. took up the investigation for which the company was invoiced a total of Chaise.2,204,240.00 as here below:-

Date	Invoice	Amount.	Cheque No.
5/5/95	0217	630,120.00	
5/5/95	0221	295,000.00	353373
26/4	0217	1,279,120 00	
		2,204,240.00	

The computers had already been compensated by Kenindia Insurance Company for Ksh.204,750/= and it was not necessary for such investigation by Private Eye (K) Ltd.

- (iv) A second case of interest purported to have been investigated by Private Eye (K) Ltd. was that of Mr. Bernard M. Kiuwa and five others for allegedly breaking into KCC cheese factory and stealing Rinnet powder. The loss of the powder stolen was estimated at Ksh.7,377,012. Powder worth Ksh.6,704,340 was recovered leaving a net loss of Kshs.1,736,592. In this case, the company did not lodge any insurance claim as it was not necessary.

In this case, the culprit was known i.e. the store man Mr. Kiuwa, who later

absconded and therefore there was no need to hire the services of Private Eye (K) Ltd.

Whereas the loss to the company was ksh.1,736,592, the charges raised by Private Eye (K) Ltd. amounted to ksh.7,406,300, a cost which was more than the actual loss by Kshs.5,669,708.

It has been also been observed that an amount ksh.3,441,500 paid out of ksh.7,406,300.00 was expended to company's security a/c instead of being posted into Private Eye (K) Ltd a/c, thus concealing the expenditure or payment.

- (v) A third case investigated and excessively charged was "investigation into maligns of KCC" which took place around 5/5/95 viz "investigations to sabotage KCC operations, Board of Directors, management, circulation of fabricated documents against KCC, enquiries to uproot sources of documents from D.N.N., Enquiries in India, compilation of documents for scientific comparisons in CID and results thereof". The Inquiry Team was perplexed as to how a rumour of "maligns of KCC" could be investigated at a cost of shs.3,881,020.00. These charges were paid in three instalments of ksh.1,500,000/= Ksh.1,100,000/= and Ksh.1,381,020 in May, 1995

Private Eye (K) Ltd, through M/S Kandie Kimutai & Co. Advocates has given KCC Ltd seven days notice demanding payments being the amount due and owing on account of professional services rendered amounting to ksh.18,862,174.80 as per statement of Account dated 3/3/99. Out of the statement amount, Ksh.9,750,184.80 had earlier been paid. The information obtained revealed that due to this double invoicing and inflated invoices the

company declined to settle any of the outstanding invoices.

4.8.10 Conversion of KCC Tractors

On 22.10.97 the then Managing Director, Mr. Cheruiyot instructed the Company Buyer to order for two tractors from C.M.C. Nakuru. Although the company paid for the tractors a total of ksh.3,188,000.00, the tractors were not delivered to KCC. It transpired that one Director took possession of the tractors and converted them to his personal use which amounts to stealing.

Tractor KAJ 806W and KAJ 807W were taken to Molo and Nyahururu respectively. Investigations have so far been launched and the two tractors recovered from the Director. The matter is now pending before court.

4.8.11 Irregular and Excessive Payments

It was observed that after the internal controls had been rendered ineffective due to the interferences by the Board of Directors, Chief Executive and other Senior Managers irregular and excessive payments became rampant in the following overhead accounts:-

	<u>IN KSHS.</u>
1. Directors expenses (Chairman's entertainment account)	3,729,548.25
2. Directors expenses	28,878,711.35
3. Entertainment	47,169,821.80
4. Special Donations	6,825,562.70

5.	Local Publicity	3,580,807.45
6.	Public Relations	12,013,472.60
7.	Insurance	91,428,343.10
8.	Security Expenses	34,569,127.50
9.	Annual General Meetings	11,940,771.60
10.	Managing Directors Mandate	<u>122,102,960.54</u>
	TOTAL	<u>312,960,564.19</u>

OBSERVATIONS

The glaring findings in the use of funds by the organization on these accounts is as follows:-

(a) **Directors Expenses Account Kshs.28,878,711.35**

This account is for paying Directors allowances, sitting, accommodation/meals and mileage claims. This account was overdrawn by the Directors by making false mileage claims and accommodation/meals claims by constantly coming to KCC Headquarters even when they are not supposed to.

(b) **Special Donations Account: Kshs.6,825,562.70**

This account is for special donations especially for serious disasters. From examination of records, it was found that money for donations were received by the Managing Director and Senior Management on behalf of unknown recipients.

(c) **Local Publicity Account: Kshs.3,580,807.45**

This account is for introducing new products to the market, exhibitions and entertainment for visiting guests. The expenditure is normally made in kind and not cash. The company paid commission on sales to the Financial

Controller Kshs.3,000,000.00 for inducement to various company debtors whose names the officer refused to divulge to the Inquiry Team.

(d) **Security Expenses: Kshs.34,438,343.10**

This account is for payment to organizations appointed as security agents for KCC Ltd. after receiving Invoices. In the immediate past KCC Management have been paying individuals in the management for unspecified security matters and this is done without any documentary evidence.

(e) **Managing Director Mandate Account: Kshs.122,102,960.54**

This account is used by the organization to purchase capital items awaiting for posting to individual capital items ledgers which should be reflected at the end of each financial year.

The financial regulations on this mandate has been flouted by the management whereby individuals in the management have been advancing money from this account to buy capital items of posting correct items in the ledgers. As a result there is huge balances reflected at the end of each financial year. The expenditure on these accounts is not supported by a proper budgetary provisions and eventually not properly accounted for.

RECOMMENDATION

Proper auditing on these accounts requires to be done by an independent Auditors.

4.8.12 Board of Directors

The fiduciary relationship of KCC Ltd. Directors with the shareholders and the company in general is contained in Article 63 of memorandum and

Articles of Association. This relationship dictates that the Directors' interest must be declared by them in order to avoid conflict of interest.

Despite the provisions of the said articles, the Directors heavily traded with the company such that their business accounts turned out to have been financed by the company as evidenced by the debit balances standing in their accounts as summarized in the table here below, the directors had advanced themselves a total of Kshs.95,533,888.00 comprising of:-

• Directors remuneration	-	Kshs.18,946,619.00
• Directors General Transport Accounts	-	Kshs.37,967,559.00
• Directors milk Transport Accounts	-	Kshs.25,057,426.00
• Directors Milk Supply Accounts	-	Kshs.2,535,864.00
• Directors Services Account	-	Kshs.11,026,418.00

On Directors' remuneration they are all entitled to ksh. 6,060,000.00 per annum. Nevertheless they had advanced themselves ksh.18,946,619.00 which is equivalent to three years annual remuneration excluding their allowances and expenses. The advance remuneration was made in the first year in office, notwithstanding the financial position of the company.

On the Directors' business accounts, milk accounts and services account there were no services rendered as advances were made against future trading.

DIRECTORS, THEIR RELATIVES & BUSINESS BALANCES AS AT
30/06/99

	NAME OF DIRECTOR	MH-30 BAL.	6T-BALL	6M161-BAL	6M1558-BAL	MH-10 SERVICES	TOTAL
		DIRECTOR REMUNER.	GENERAL TRANSPORT	MILK TRANSPORT	MILK SUPPLY		
1	ESBON THUKU KWENYA	656,002.00			41,978.90		697,980.90
2	L. KOMBICHI	1,089,002.00			150,000.00		1,239,002.00
3	J KOROSS	468,172.00					468,172.00
4	J.M. KARIUKI	1,012,780.50					1,012,780.50
5A	THIRIKWA KAMAU	1,817,294.00					1,817,294.00
5B	MUGUNA GEN. ENTER. (BSN)		3,077,499.00	365,058.00			3,442,557.00
6	J. SONGOK	993,812.00	2,073,764.00		446,552.80		3,514,128.80
7	J. MATHERI	1,709,002.00	6,758,504.80	1,068,525.00	1,078,751.65		10,614,783.45
8A	KARIUKI MUIRURI	9,030,042.00					9,030,042.00
8B	RACHAEL MUIRURI (WIFE)		4,492,090.00				4,492,090.00
8C	PRIVATE EYE (BUSINESS)					11,026,418.55	11,026,418.55
9A	STANLELY METTO	1,430,331.25		(158,479.30)	818,581.10		2,090,433.05
9B	MRS PHOEBE JEPTOO (WIFE)		10,271,248.95				10,271,248.95
10A	J. CHUMO	740,182.00	1,583,200.80				2,323,382.80
10B	ANNAH CHEPKOECH (WIFE)		9,711,252.00	23,782,322.97			33,493,574.97
	TOTALS	18,946,619.75	37,967,559.55	25,057,426.67	2,535,864.45	11,026,418.55	95,533,888.97

NOTE 1: The above figures show the amounts paid to Directors and their relatives in excess of their entitlements in the respective accounts.

NOTE 2:

1. Total for 5A and 5B = Ksh 5,259,852.00
2. Total for 8A, 8B and 8C = Ksh 24,548,550.55
3. Total for 9A and 9B = Ksh 12,361,682.00
4. Total for 10A and 10B = Ksh 35,816.957.77

4.9.0 CURRENT FINANCIAL POSITION

4.9.1 Trading Losses

According to the audited accounts and Balance Sheets, KCC Ltd trading results have been showing deficits or losses. The deficit for year ending 30th June 1996 brought forward was ksh.1,744,384,980 while the deficit for the year ending 30th June 1997 was ksh.1,707,637,020. The management accounts balance sheet as at 30th June 1998 shows a trading deficit of ksh.2,146,927,160.

We have prepared an estimated Balance sheet as at 30th June 1999 as shown below. An estimated loss/deficit for year ending 30th June 1999 of ksh.2,055,355,950 has been provided due to the following factors.

4.9.2 Trading Performance

Historic trading performance of KCC indicated that turnover levels were going downwards with milk intake levels declining from 1 million litres daily to 30,000 litres daily as at 30th June 1999. Taking the sales Break - even points to be 450,000 litres, KCC Ltd is losing close to ksh.6 million each day due to decreased sales. These losses exclude the cost of finance i.e. Bank Overdraft which stands at ksh.1 billion. When the losses are annualized, the losses amount of ksh.2.1 billion.

- (ii) This trend analysis shows a persistent decline of products sales with a corresponding decrease in milk intake and confirms the fact that KCC is absolutely incapable of generating its own trading income.

The estimated Balance sheet summary as at 30th June 1999 shows that the current liabilities exceeded the current assets by ksh.2.8 billion. KCC Ltd is therefore technically insolvent and its inability to discharge its obligations to creditors when due, illustrates insolvency on a cash flow basis.

The estimated Balance sheet as at 30th June 1999 should be read with caution as the Inquiry Team was not carrying out an audit. Notes to the Balance Sheet are attached herewith. It is also our observations that the External Auditors for 1996/97 accounts and Balance Sheet, M/S Gill & Johnson gave a disclaimer audit opinion on the accounts; viz, "We are unable to express an opinion as to whether the financial statements give a true and fair view of the company's state of affairs at 30th June 1997 and its profit and cash flows for the year ended on that date and consequently, whether they comply with the Companies Act".

BALANCE SHEET

NOTES AS AT 30.6.98

AS AT 30.6.97

		Amount (Ksh)	Amount (Ksh)
Share Capital		130,157,940.00	
Capital Reserve		2,444,346,960.00	
Revenue Reserves		(1,707,637,020.00)	
Loss for Year 30.6.98		(2,146,927,160.00)	

Provision for Loss ADJ - year 30.6.99	(1)	(2,055,355,950.00)	
Share Holders' Fund	(2)	(3,335,415,230.00)	
Unsecured Loans (Got of Kenya)	(3)	491,275,840.00	
Net Shareholders Funds		(2,844,139,390.00)	866,867,880.00
Fixed Assets		1,612,124,958.00	1,993,360,800.00
Current Assets	(1)		
Directors A/Cs	(4)	95,333,888.00	
General Stores	(5)	367,712,540.00	
Got of Kenya	(6)	49,757,167.00	
Companies	(7)	37,003,616.00	
Staff (Advance, Car loan, Imprests)	(8)	63,100,794.00	
Export Debtors	(9)	55,116,645.00	
Advance to farmers & transporters	(10)	14,348,188.00	
Bank and Cash		427,694.00	
Produce Stores	(11)	71,068,012.00	
KRA - Vat	(12)	480,780,183.00	
		1,234,648,727.00	1,488,606,080.00
Current Liabilities			
Farmers A/Cs	(13)	525,448,489.00	
Milk Transporters	(14)	35,506,216.00	
Staff Salaries & Wages	(15)	78,326,135.00	
Staff Salaries & Wages Deductions	(16)	266,419,979.00	

General Creditors & Transporters	(17)	380,114,539.00	
Penguin Dairies Ltd.	(18)	40,960.00	
Insurance	(19)	28,682,861.00	
Utilities	(20)	26,326,010.00	
KCB OD	(21)	1,012,095,877.00	
Go Deferred Liabilities	(22)	814,785,080.00	
KRA - VAT	(23)	722,165,986.00	
Provisions - Court Cases & Trade Disputes	(24)	187,175,985.00	
External Auditors	(25)	1,700,000.00	
		4,078,788,117.00	2,123,823,160.00
Current Liabilities	(26)	(2,844,139,390.00)	(635,217,080.00)

NOTES TO THE BALANCE SHEET AS AT 30.6.99

- Note 1** A provision has been made for loss adjustment of ksh.2,055,355,950 for year ending 30.6.99.
- Note 2** Shareholders funds have been depleted by deficits brought forward from past years and have been reduced to negative ksh.2,844,139,390
- Note 3** Kenya Government loans: Interest rate at 3% p.a. for renovation of various locations and factories - ksh.491,275,840.
- Note 4** Directors Accounts consist of the following debit balances
- | | |
|----------------------------|------------------|
| (a) Remuneration | - ksh.18,946,619 |
| (b) General Transport A/cs | - ksh.37,967,559 |
| (c) Milk Transport A/cs | - ksh.25,057,426 |
| (d) Milk Supply A/Cs | -ksh.2,535,864 |

- (e) Services A/Cs -kshs.11,026,418
- Note 5 General Stores - Spares parts for Engineering Department
ksh.367,712,540 which we believe are obsolete.
- Note 6 Government of Kenya- Various government Ministries and
Departments owing KCC Ltd ksh.47,957,167 for milk products
supplied.
- Note 8 Staff, Debtors - ksh.63,100,794
- Advances 23,782,266.74
 - Car loans 16,543,155.85
 - Safari Imprest 22,775,372.19
- Note 9 Export Debtors ksh.55,116,645
- Harry Redman Export & Import ksh.5,008,211
 - Lagazella Export sales 269,030.63
 - Muglobe Ltd 9,747,710.70
 - Tetra Laval 39,371,467.90
 - Uganda Dairy Corporation 684,201.30
 - United wholesalers 36,024.00
- Note 10 Advances to Farmers & Transporters ksh.14,348,188
- Advance to Farmers
 - Advance & Transporters
- Note 11 Produce stores ksh.71,068,012
Milk products stocks as at 30.6.99
- Note 12 KRA - VAT ksh.480,780,183
VAT claimable 1997/98/99
- Note 13 Farmers A/Cs kshs.525,448,489
Amount owed to farmers for milk delivered for period February 1998

to May 1999

- Note 14** Milk Transporters ksh.35,506,216
Amount owed to milk transporters from farmers to factories.
- Note 15** Staff salaries and wages ksh.78,326,135
Amount owed to staff in form of salaries and wages
- Note 16** Staff salaries and wages deductions ksh.266,419,979.
Amount deducted from staff salaries and wages and unpaid to the respective authorities
- Note 17** General Creditors and Transporters ksh.389,114,539
Amount owed to general creditors and transporters
- Note 18** Penguin Dairies Ltd ksh.40,960
A subsidiary company 100% owed by KCC but ceased operations in 19812
- Note 19** Insurance kshs.28,682,861
Arrears in settlement of previous and current premiums as follows:-
- Kenindia Assurance Co. Ltd 1997/98 ksh.6,963,537
 - Lakestar Insurance co. Ltd 1998/99 ksh.5,700,000
 - Lakestar Insurance Co. Ltd 1999/2000 16,019,324
- Note 20** Utilities ksh.26,326,010
This is in respect of water, electricity and telephones
- Note 21** K.B.C. Loans and Overdraft ksh.1,012,095,877
- Overdraft ksh. 622,494,964
 - Loan I ksh. 69,432,509
 - Loan II ksh. 320,168,403
 - The agreed overdraft facility is ksh.400 million
- Note 22** Government of Kenya: Deferred liabilities ksh.814,785,080
World Food Programme and accrued interest. These Government

deferred liabilities have not been shown in the audited accounts in the past.

Note 23 KRA - Vat ksh.722,165,986

unresolved dispute on VAT liability assessed on mala.

Note 24 Provisions - court cases and Trade Disputes ksh.187,175,985

These are provisions for Trade disputes and cases before the court.

Note 25 External Auditors ksh.1,700,000

This liability has not been shown in the audited accounts in the past and is for the audit ending 30th June 1997.

Note 26 Current liabilities exceed current assets by ksh.(2,844,139,390)

5.0 OBSERVATIONS AND RECOMMENDATIONS

1. Registration:

Since 1932 KCC has operated under the Companies Act and the Co-operative Societies Act with or without exemptions. The organization has tended to operate more under the Companies Act than the Co-operative Societies Act. The two sets of legislation have not been applied harmoniously and perhaps they will never. It is therefore recommended that:

- a) Shareholders decide conclusively if KCC should operate as a company or a co-operative organization.
- b) The outdated Memorandum and Articles of Association and/or By-laws be reviewed and updated to become relevant to the members needs and aspirations.

2. Share Capital:

The Share holding in KCC is complex, confusing and not easily understood by ordinary farmers. It is recommended that:

- (a) The current share-holding categories should be rationalized and the share register updated with a view to redeeming some of those whose ownership may be obsolete.
- (b) KCC Ltd. should appraise the farmers with the reviewed and revised Memorandum and Articles of Association for the

farmers to be fully aware of their rights in the company.

- (c) KCC should declare correctly the shares that can be sold to the farmers with the view of the latter rescuing their organization from the present predicament.

3. Representation

The shareholders have continued to complain that they have lost touch with the management of KCC and its elected leadership as echoed in Nakuru consultative meeting of 19/6/99.

It is recommended that:

- (a) The mode of representation in the Board of Directors be reviewed with a view to reflecting the members needs and aspirations.
- b) The Memorandum and Articles of Association be amended to harmonize the current electoral zones with the factory/collection centres.

4. Election of Board of Directors:

Currently KCC has no Board of Directors and the management team can not take decisions which are normally taken by the Board of Directors. However, it has been observed that the former Board of Directors grossly interfered with the operations of the management function leading to several irregularities and malpractices. It is recommended that:

- (a) Shareholders should immediately elect management committees to oversee milk collection/cooling centres' operations.
- (b) Milk processing factories management committees be elected by the farmers who deliver milk there. Satellite cooling/collection centres to have representation in the factory committee.
- (c) Each milk processing factory receiving milk direct from the farmers to have members of its committee in the Board of Directors.
- (d) The specific role and function of the Board of Directors be clearly redefined in the reviewed Articles and Memorandum of Association or By-laws.

5. Management

Currently KCC is managed by an acting Managing Director and nearly all Departmental Managers and some of their assistants are also on acting appointments. It is recommended that:

- (a) All the vacant positions be filled substantively through the normal staff selection procedures. Those on acting appointments be considered on individual merits for confirmation.

- (b) The chain of command and line of responsibilities be clearly defined to eliminate interference, interdepartmental conflicts and overlapping.
- (c) It is noted that 50% of work force was sacked during the strike of 1997 leaving a balance of 2500. The organization still appears to be overstaffed. It is therefore recommended that the organizational structure should be reviewed and staff requirements be established.

6. **The Nakuru Resolutions**

Shareholders passed 13 resolutions when they met on 19/6/99. It is recommended that:

- Those resolutions which have not been exhaustively addressed in this report be pursued by the next Board of Directors and the management.

7. **Procurement Procedures**

Currently, the standard procurement procedures for goods and services are not being followed. It is advised that:

- (a) The organization should establish procurement policy and detailed procedures to be followed.
- (b) A standing tender committee be established composed of Departmental Heads and chaired by the Managing Director.

- (c) The Consumer departments and locations to originate orders for goods and/or services.
- (d) Authorities to sanction the various levels of expenditures be established.
- (e) KCC adopts and implements the procurement manual developed by the Government Task Force in June 1995.

8. Indebtedness by KCC

KCC Ltd. is heavily indebted to the farmers, transporters, staff and others to the tune of Kshs.4.5 billion. The following are of immediate concern:-

1.	Dairy Farmers	-	Kshs.525,448,489.00
2.	Raw Milk transporters	-	Kshs. 35,506,216.97
3.	Staff salaries & wages	-	Kshs. 78,326,135.20
4.	Deductions(salaries & wages)	-	Kshs.266,419,979.30
5.	General creditors & transporters	-	Kshs.380,114,539.99
6.	Outstanding insurance premiums	-	Kshs. 28,682,861.05
7.	Utilities	-	<u>Kshs. 26,326,010.00</u>
	<u>TOTAL</u>	-	<u>kshs.1,340,824,231.44</u>

- It is recommended that efforts be made to pay the above creditors to enable the organization embark on normal operations. The above amount could be paid in instalments to ease pressure on KCC and also to ameliorate the claimants anxiety.

9. Indebtedness to KCC

KCC is owed substantial amounts of money by the various categories of individuals and institutions amounting to over Kshs.1.2 billion. The following debtors be called upon to settle their accounts as a matter of urgency.

Members of the board of directors	-	Kshs. 95,333,888.00
Various Government Ministries	-	Kshs. 49,757,167.00
Staff salary advances, safari imprests and car loans	-	Kshs. 63,100,794.00
Advances to farmers and transporters	-	Kshs. 14,348,188.00
Export debtors	-	Kshs. 55,116,645.00
Individual companies	-	Kshs. 37,003,616.00
K.R.A. (V.A.T)	-	<u>Kshs.480,780,183.00</u>
Total	-	<u>kshs.795,440,481.00</u>

10. Legal Matters

KCC is a giant organization which in its day to day operation encounters numerous legal undertakings.

It is because of this complexity that it has established legal department headed by a company secretary. It also engages services of various legal firms. On legal matters KCC has suffered heavy losses.

It is recommended that for a more cost effective legal representation of KCC;

- (a) Legal Department should be manned by competent, dedicated and conscientious staff.
- (b) The legal Department should recall all KCC original files from the external lawyers or the copies thereof for safe custody.
- (c) All the external Advocates to whom the colossal sums of money was paid must be called upon through all legal means at KCC's disposal to account for, justify and/or prove the legal basis for the payments. KCC should recover all the monies that these Advocates were not entitled to either by reason of having obtained it fraudulently or by overcharging through court taxation.
- (d) The management staff of KCC involved in the legal transactions in question must be thoroughly investigated and appropriate action taken.
- (e) Any Advocate who is a member of the law society of Kenya, found to have acted unprofessionally should be reported to the Advocates Complaints Commission for the necessary disciplinary action.
- (f) The legal department should immediately embark on a vigorous follow up of all the cases pending in Court and strive to set aside orders made against KCC due to the negligence of the immediate past management and that of the external advocates.

11. Sale of Assets

KCC like any other organization has a range of immovable assets. For such assets to be disposed off, authority of the share holders in a General Annual Meeting is required.

However, it has been observed that a number of these assets have been disposed of without the requisite authority. The Annual General Meeting of Nyahururu purported to have given authority never took place. Even if such a meeting took place, no authority was given to the Board to dispose of the company's properties in the manner and for the prices for which it did.

It is our view that:

- (a) All legal means must be employed to have illegally acquired KCC property recovered.
- (b) The said purchasers must be made to pay to KCC the money commensurate to the rent payable in the area of which each respective property is located from the date they entered possession, either by themselves, their agents and/or third parties at their behest, to the date of surrender of the same back to KCC.
- (c) Legal action must be taken to ensure immediate eviction of the purchaser's, their agents and/or third parties from the premises in question and the same taken over by KCC.

- (d) Where criminal complicity is detected in any of these transactions, the culprits must be brought to book accordingly.

- (e) The legal department should immediately set legal machinery in place to block further transfers and charging of the KCC properties.

As all the properties of KCC were covered by a floating charge in favour of Kenya Commercial Bank limited, the immediate Board of Directors and management and any other parties involved in these illegal transactions should be arraigned in a Court of Law.

12. **Insurance Services**

Among the many insurance covers which KCC is supposed to have taken, only fire on buildings and plants are in force exposing KCC to various risks.

- It is therefore recommended that KCC should renew all the insurance policies to cover the various risks.

13. **Production Facilities:**

During the 19th June 1999 farmers consultative meeting in Nakuru, farmers raised concern on the security of machinery and equipment. During investigation, the Inquiry Team established that these concerns were genuine.

Irregular machinery transfers, thefts and vandalism were confirmed in a number of factories and plants.

It was also found that there is encroachment on KCC land in various locations. The condition of factory buildings, machinery and equipment has significantly deteriorated and require urgent repairs and replacements.

This has resulted in high inefficiencies in production processes especially in packing processes where costs are extremely high. Nevertheless these facilities in their current state can process up to 725,000 litres of milk per day. It is recommended that:

- (a) Proper procedures in machinery acquisition, installation, transfers, replacements and repairs should be instituted and strictly adhered to.
- (b) Production efficiency of plant facilities needs reassessment and the proposed repairs, replacements and/or modernisation of these facilities should be effected. This will result in the increase in the current daily production capacity of 725,000 litres to the installed capacity of 2,748,000 litres. Molo and Kapsabet plants should be upgraded to factory status to enhance this capacity.
- (c) In cases where improper machine disposal, thefts or vandalism has occurred, investigations should be speeded up in order to recover any losses incurred.
- (d) Alternative methods of packing processed milk should be sought with the aim of reducing consumer price. Delivery by bottles, plastics,

and refrigerated tanks in addition to tetra pak should be adopted to meet the total market demand. Bulk delivery by refrigerated tanks will significantly reduce the price of milk thereby meeting the needs of a large sector of the middle and low income earners.

- (e) For KCC to remain a market leader in the dairy sector, policies have to be changed to keep up with the market trends. Decentralisation of operations and decision making should be effected and in this regard each factory should be made a cost centre.

- (f) Urgent rehabilitation of the factory buildings and staff houses whose conditions have deteriorated should be done and immediate occupation of vacant staff houses should be ensured to avoid further deterioration.
- (g) All KCC premises should be effectively fenced with proper security arrangements to limit thefts, vandalism and unauthorised encroachment .
- (h) Funds should be sought to meet the costs in procurement of production consumables, provision of repairs, servicing and inspection of machinery and purchase of spares parts. These expenditure items are estimated to cost Kshs.154 million, Kshs.115 million and Kshs.200 million, respectively, giving a total financial requirement for production facilities of Kshs.469 million.

14. Information technology

It was observed that KCC is operating on very old computers which are not effective and using outdated mode of processing. They are even not year 2000(Y2K) compliant. It is advised that:

- (a) As a matter of urgency, KCC computers be modernised to beat year 2000 compliance deadline.
- (b) Computerisation of KCC should be extended to the rest of the head office, factories and depot with a view to developing an integrated system.

15. Financial Management

The Inquiry Team observed that the financial position of KCC is extremely bad. As at 30th June 1999, the imputed Balance Sheet shows a negative working capital of ksh.2.8 billion a fact which indicates the company's inability to generate its own income for operations and discharge its liabilities. The total current liabilities as at 30th June 1999 stood at over 4.5 billion against total current assets of ksh.1.2 billion.

The above state of affairs has been contributed by several factors viz:

Collapsed internal control system, internal checks and gross financial mismanagement.

- (a) The Internal controls and checks should be strengthened.
- (b) The Internal Audit should be adequately staffed to facilitate the

operation of an effective internal controls. All payments and financial transactions should be pre-audited to prevent possible fraud and malpractices.

- (c) All accountable documents should be safeguarded and their issues be controlled.
 - (d) The Job descriptions in the Finance Department should be scheduled to allow the segregation of duties and operations of internal check system.
-
- (e) At the moment KCC Ltd operates 4 cash and cheques pay points viz. petty cash, purchases accountant, pay out accountant and Directors and senior staff pay accountant. We recommend the abolition of Directors and Senior Staff Pay Accountant office.
 - (f) The ledger postings should be done immediately and a management report and accounts be produced quarterly for the attention of the Management and the Board. Bank Reconciliations should be made monthly and checked by the Chief Accountant.
 - (g) The Management should operate budgetary controls, more importantly cash flow statements and cash management.
 - (h) The management should strengthen the operations of credit control and debt collection section..

control and debt collection section..

(i) Annual Audits for 1997/98 and 1998/99 should be carried out by an External Auditor without further delays. In the meantime a detailed investigative audit should be carried out in all areas where there is a reported or suspected fraud with a view to recovering losses and taking necessary action thereof.

(j) To enable KCC continue its operations, an immediate injection of funds to the tune of kshs.630 million is required to provide working capital and settlement of priority debts as follows:-.

• Farmers	-	ksh.200m
• Transporters	-	ksh.35m
• staff Salaries	-	ksh.50m
• Maziwa SACCO	-	ksh.20m
• General Creditors	-	ksh.100m
• Insurance Premiums	-	ksh.28m
• Utilities	-	ksh.26m
• Working Capital	-	<u>ksh.171m</u>
Total	-	<u>ksh.630m</u>

(k) It is expected that after the injection of the above amount, KCC trading operations will generate sufficient income, in addition to debts recoveries, to sustain its operations to clear the balance of the outstanding debts.

(l) In this case, it is recommended that a source for long term and

cheaper financial facilities be sought to redeem the high interest rate of financial facilities with KCB.

16. Direct Trading with KCC

Although the Memorandum and Articles of Associations allow the directors to trade with the company, it has been observed that, in the recent past, this has not been done in the best interest of the organisation.

It is therefore recommended that, the Memorandum and Articles of Association be reviewed to adequately address the issue of trading between the Directors and KCC.

17. Conclusion

In conclusion, this Inquiry Team notes that there was an Inquiry in 1989, a Task Force in 1995 and now another Inquiry in 1999. The previous Teams made specific recommendations to solve the problems in KCC. From the Inquiry findings, it is clear that those recommendations were not implemented.

It is our advice that recommendations from such Task Forces be taken seriously.

Annex 4.5.1.0. - KCC PLANT MACHINERY

<u>MACHINE DESCRIPTION</u>	<u>QTY/MAKE/TYPER</u>	<u>CAPACITY (EACH)</u>	<u>REMARKS</u>
<u>DANDORA (LOC 08)</u>			
AIR COMPRESSOR	1 ATLAS COPCO GA 75		IN PLACE
AIR COMPRESSOR	1 ATLAS COPCO GA 22		IN PLACE
AIR COMPRESSOR	1 BROOMWADE		IN PLACE
AIR COMPRESSOR	1 HYDROVANE		IN PLACE
BUTTER PACKING M/C	1 BENHIL	500KG - 5,000 KG/HR	IN PLACE
CONTINUOUS BUTTER M/C	1 PAASCH & SILKEBORG	500KG - 5,000 KG/HR	IN PLACE
CREAM PASTEURIZER	1 PAASCH & SILKEBORG	20,00 L/HR	IN PLACE
CREAM RIPENING TANKS	2 PAASCH & SILKEBORG	15,000 LITRS	IN PLACE
CREAM RIPENING TANKS	2 PAASCH & SILKEBORG	8,000 LITRES	IN PLACE
FILPAK	1 NICROME-INDIA	450 CRATES	IN PLACE
			ONE GROUNDED/S
FRESH MILK PASTEURIZER	2 DDMM-KOLDING	20,000 L/HR	PARES
MALA MILK PASTEURIZER	1 PASILAC FLOW	40,000 L/HR	IN PLACE
MALA SILO TANKS	5 ALFA LAVAL	20,000 LITRES	IN PLACE
MILK COOLER	2 DDMM-KOLDING	30,000 L/HR	IN PLACE
			EX
MILK HOMOGENIZER	1 RANNIE 58.90	20,000 L/HR	NYAHURURU
MILK HOMOGENIZER	1 TETRA-ALEX 30	20,000 L/HR	NEW
MILK RECEPTION LINE	2 NAPHOUSE, U.K.	6,000 CANS/HR.	IN PLACE
MILK RECONSTITUTION LINE	1 DDMM-KOLDING	30,000 L/HR	IN PLACE
			ONE GROUNDED/S
MILK SEPARATORS	2 WESTFALIA MSA160	20,000 L/HR	PARES
PASTEURIZED MILK HORIZONTAL TANKS	2 IPL - NAIROBI	10,000 LITRES	IN PLACE
PASTEURIZED MILK SILO TANKS	3 DDMM-KOLDING	60,000 LITRES	IN PLACE
PRE-PAK	1 TETRA CLASSIC		IN PLACE
RAW MILK SILO TANKS	3 DDMM-KOLDING	100,000 LITRES	IN PLACE
RAW MILK SILO TANKS	1 DDMM-KOLDING	4,000 LITRES	IN PLACE
REFRIGERATION COMPRESSORS	2 SABROE SMC 8-180		IN PLACE
REFRIGERATION COMPRESSORS	1 SABROE CMO 14		IN PLACE
STEAM BOILERS	2 TOMA	4,000 KG/HR 10 BAR	IN PLACE
TC 150	6 TETRA PAK	360-400 CRATE/HR	4 Grounded.
TC 500 PACKING M/C	6 TETRA PAK	330-360 CRATES/HR	IN PLACE
TERTA REX (TR5)	2 TETRA PAK	110 CRATES/HR	IN PLACE
PRE PAC	1 PRE PAC IS4	140 CRATES/HR	IN PLACE
FIL PAK	2 NICHROME F5000	280 CRATES/HR	1 GROUNDED

Annex 4.5.1.0. - KCC PLANT MACHINERY

<u>MACHINE DESCRIPTION</u>	<u>QTY MAKE/TYPE</u>	<u>CAPACITY (EACH)</u>	<u>REMARKS</u>
<u>NYAHURURU (LOC 04)</u>			
AIR COMPRESSORS	2 ATLAS COPCO GA75		ONE GROUNDED
CREAM COOLER	1 DDMM - KOLDING	500 L/HR	IN PLACE
FRESH MILK PASTEURIZER	1 DDMM - KOLDING	15,000 L/HR	IN PLACE
HOMOGENISER	1 RANNIE 68 90	20,000 L/HR	TO DANDORA
MILK COOLER	1 DDMM - KOLDING	30,000 L/HR	IN PLACE
MILK RECEPTION LINE	1 NAPHOUSE U K	600 CANS/HR	IN PLACE
MILK RECONSTITUTION	1 DDMM - KOLDING	30,000 L/HR	GROUNDED/S
MILK SEPARATOR	1 WESTFALIA - SAMM 15006	15,000 L/HR	PARES
REFRIGERATOR COMPRESSORS	2 SABROE SMC-4-100		IN PLACE
REFRIGERATOR COMPRESSORS	1 SABROE SMC 106L		IN PLACE
STEAM BOILERS	2 TOMA	4,000 KG/HR X 10BAR	ONE GROUNDED/S
TBA 3/200	6 TETRA BRIK	900 L/HR	GROUNDED
TBA 3/500	4 TETRA BRIK	1,800 L/HR	THRE GROUNDED
U H T HOMOGENIZERS	2 STORK AMSTERDAM-RNN100	200-8,000 L/HR	IN PLACE
U H T STERILIZERS	2 STORK AMSTERDAM - 8000B	2,000-8,000 L/HR	IN PLACE
VER SILO TANKS	4 DDMM - KOLDING	50,000 LITRES	IN PLACE
VER SILO TANKS	1 DDMM - KOLDING	60,000 LITRES	IN PLACE
<u>KITALE LOC 07</u>			
BUTTER MILK TANK	1 PAASH & SILKBORG	15,000 LITRES	IN PLACE
BUTTER PACKING M/C	1 BENHIL	500 - 2,000 KG/HR	IN PLACE
CONTINUOUS BUTTER M/C	1 PAASCH & SILKBORG HCT-A	500 - 2,000 KG/HR	IN PLACE
CREAM RIPENING TANKS	1 PAASH & SILKBORG	15,000 LITRES	IN PLACE
MILK COOLER	1 DDMM - KOLDING	30,000 L/HR	IN PLACE
MILK DRIER	1 PSM	850KG H2O /HR	IN PLACE
MILK HOMOGENIZER	1 RANNIE 1-75-115	15,000 L/HR	GROUNDED/S
MILK PASTEURIZERS	2 DDMM - KOLDING	15,000 L/HR	PARES
MILK RECEPTION LINES	2 HANSEN & FREDSGAARD	600 CANS/HR	ONE GROUNDED
MILK SEPARATORS	2 WESTFALIA-SAMM 15006	15,000 L/HR	IN PLACE
REFRIGERATION COMPRESSORS	1 SABROE - SMC 12-100		IN PLACE
REFRIGERATION COMPRESSORS	2 SABROE - SMC 8-100		IN PLACE
REFRIGERATION COMPRESSORS	2 SABROE - SMC 6-100		IN PLACE
SILO TANKS - HORIZ	2 APV	13,000 LITRES	IN PLACE
SILO TANKS - VERT	4 PAASCH & SILKEBORG	50,000 LITRS	IN PLACE
SILO TANKS - VERT	1 APV	2,000 GAL	IN PLACE
STEAM BOILER	1 TOMA-1 DA 8000	8,000KG/HR X 16BAR	GROUNDED
STEAM BOILER	1 TOMA-1 DA 6000	6,000KG/HR X 16BAR	IN PLACE

Annex 4.5.1.0. - KCC PLANT MACHINERY

<u>MACHINE DESCRIPTION</u>	<u>QTY MAKE/TYPE</u>	<u>CAPACITY (EACH)</u>	<u>REMARKS</u>
<u>SOTIK (LOC 16)</u>			
AIR COMPRESSOR	1 MADTON AIR /703905	1,200 KG/HR	IN PLACE
AIR COMPRESSOR	2 ATLAS COPCO /LE-9		
AIR COMPRESSOR	4 STENHOJ /KC 22C		
AIR COMPRESSOR	2 F F LUFT A/5 /KA		
AMMONIA COMPRESSOR	2 SAMBROE & CO /SMC 6-100	96,000 KCAL/HR	IN PLACE
AMMONIA COMPRESSOR	1 SAMBROE, ARHUS/CMC 108L	174,000 KCAL /HR	IN PLACE
MILK HOMOGENIZER	1 RANNIE MACHINE WORKS LTD	10,000 L/HR	IN PLACE
MILK HOMOGENIZER	1 RANNIE MACHINE WORKS LTD	10,000 L/HR	IN PLACE
MILK HOMOGENIZER	1 RANNIE COPENHAGEN	2,000/8,000 L/HR	IN PLACE
MILK RECEPTION LINE	1 HANSEN & FREDSGAARD HOLBAEKH	600 CANS/HR	IN PLACE
MILK SEPARATOR	1 WESTFALIA/MSA-90-01-076	10,000 L/HR	IN PLACE
MILK SEPARATOR	1 WESTFALIA/MM 5004	5,000 L/HR	IN PLACE
PLATE HEAT EXCHANGER	1 DDMMKOLDING/D-11	20,000 L/HR	IN PLACE
PLATE HEAT EXCHANGER	1 DDMMKOLDING/D1520	10,000 L/HR	IN PLACE
PLATE HEAT EXCHANGER	1 A.P.V. BAKER AS KOLDING/N35	10,000 L/HR	IN PLACE
PLATE HEAT EXCHANGER	1 PASILAC THERM,KOLDING/K55	8,000 L/HR	IN PLACE
REFRIF AMMONIA COMPRESSOR	1 SAMBROE & CO /SMC 6-65	34,300 KCAL/HR	IN PLACE
SILO TANKS (HORIZONTAL)	2 A P.V. LTD	27,000 L/HR	IN PLACE
SILO TANKS (HORIZONTAL)	2 A.P.V. LTD	30,000 L/HR	IN PLACE
SILO TANKS (VERTICAL)	1 DDMM KOLDING	10,000 L/HR	IN PLACE
SILO TANKS (VERTICAL)	2 APC PASILAC SILKEBORG	8,000 L/HR	IN PLACE
STEAM BOILER	2 TONDER MASKINFABRIK(TOMA)	12,000 KG/HR	IN PLACE
PACKING TBA3 X 200	2 TETRA PAK		IN PLACE
PACKING TBA3 X 500	2 TETRA PAK		IN PLACE
TC 150 PACKING M/C	1 TETRA CLASSIC	360-400 CRATES/HR	
TC 500 PACKING M/C	2 TETRA CLASSIC	320-360 CRATES/HR	IN PLACE
<u>LESSOS (LOC 42)</u>			
AIR COMPRESSORS	2 STENHOJ KA 112 CD		ONE TO NAIVASHA
AIR COMPRESSORS	2 STENHOJ KA 66 BD		IN PLACE
AMMONIA COMPRESSORS	2 SABROE CMO-14	32,000 KCAL/HR	IN PLACE
CIP-UNIT	1 VESTJYSK TARM2S	2 X 100L / 1 X 500L	IN PLACE
CAN WASHER MACHINE	1 HANSEN & FREDSGAARD	4,000CANS/HR	IN PLACE
EFFLUENT TREAT PLAN	1 AKVADAN/FLYGT	36,000 L/HR	IN PLACE
MILK RECEPTION LINE	1 HANSEN & FREDSGAARD	4,000CANS/HR	IN PLACE
MILK SILO TANKS	2 VESTJYSK-TARM	20,000 LITRES	IN PLACE
PLATE HEAT EXCHANGER	1 PASILAC H-17	5,000 L/HR	IN PLACE
STEAM BOILER	1 TOMA TDV-630	630 KG/HR	IN PLACE

Annex 4.5.1.0. - KCC PLANT MACHINERY

<u>MACHINE DESCRIPTION</u>	<u>QTY/MAKE/TYPER</u>	<u>CAPACITY (EACH)</u>	<u>REMARKS</u>
<u>AINABKOI (LOC 43)</u>			
AIR COMPRESSORS	2 STENHOJ KA 112 CD		ONE TO DANDORA
AIR COMPRESSORS	2 STENHOJ KA 66 BD		IN PLACE
AMMONIA COMPRESSOR	2 SABROE - CMO-14	32,000 KCAL/HR	IN PLACE
CAN WASHING MACHINE	1 HANSED & FREDSGAARD	400 CANS/HR	IN PLACE
CIP UNIT	1 VESTJYSK TARM	2,500 LITRES	IN PLACE
EFFLUENT TREAT PLANT	1 AKVADAN/FLYGT		IN PLACE
MILK INTAKE LINE	1 HANSED & FREDSGAARD	400 CANS/HR	IN PLACE
MILK SILO TANK	2 VESTJYSK TARM	20,000 LITRES	IN PLACE
PLATE HEAT EXCHANGER	1 PASILAC H-17	5,000 L/HR	IN PLACE
STEAM BOILER	1 TOMA TDV-6300630 KH/HR		IN PLACE
<u>MIRITINI (LOC 18)</u>			
AIR COMPRESSORS	2 ATLAS COPCO GA708 PACK		ONE IS GROUNDED
AMMONIA COMPRESSORS	3 GRASSO / RC4H		ONE IS GROUNDED
FREON COMPRESSOR	2		SCRAPPED/REPLACED
HOMOGENISER	1 STORK (HM-12)	15,000 LTR/HR	IN PLACE
MILK RECEIVING TANK	1 O B	3,000 LTRS	IN PLACE
MILK RECEPTION LINE	1	500 CANS/HR	IN PLACE
MILK SEPARATOR	1 WESTFALIA/MSA-130-01-076	15,000 LTR/HR	IN PLACE
MILK STORAGE SILO	3 STORK / TEP 30	30,000 LTRS	IN PLACE
PACKING FIL PAK M/C	1		IN PLACE
PACKING M C 3X500	4		IN PLACE
PACKING M/C TC 150	2		ONE GROUNDED
PACKING M/C TC 500	6 TETRA CLASSIC	330-360 CRATES/HR	TWO GROUNDED
PACKING TBA3-200	2 TETRA PAK	900 L/Hr	IN PLACE
PACKING TBA3-500	2 TETRA PAK	1,800 L/Hr	IN PLACE
PLATE HEAT EXCHANGER	1 STORK/PG-12-4-210	15,000 LTR/HR	IN PLACE
PLATE HEAT EXCHANGER	2 STORK FRESLAND/PG-10-4-210	15,000 LTR/HR	IN PLACE
PLATE HEAT EXCHANGER	1 STORK FRESLAND/PG-13-4-320	15,000 LTR/HR	IN PLACE
PLATE HEAT EXCHANGER	1 STORK FRESLAND/PG-13-4-320	20,000 LTR/HR	IN PLACE
PROCESSING TANK	1 DDMM /310	2,000 LTRS	IN PLACE
SILO TANKS	2 STORK/TEP 30	30,000 LTRS/HR	IN PLACE
SILO TANKS	2 STORK/TEP 30	20,000 LTRS	IN PLACE
SILO TANKS	4 STORK/TEP 30	50,000 LTRS	IN PLACE
STEAM BOILER	2 HQ BILONSWERK/FIV 3000	3,000 KG/HR +13 BAR	ONE GROUNDED

Annex 4.5.1.0. - KCC PLANT MACHINERY

<u>MACHINE DESCRIPTION</u>	<u>QTYMAKE/TYPE</u>	<u>CAPACITY (EACH)</u>	<u>REMARKS</u>
<u>CHEESE FACTORY (LOC 09)</u>			
AIR COMPRESSOR	2 STENHOJ K112		IN PLACE
CHEESE STARTER TANK	1 PAASCH & SILKEBORG/C314	500 LTR	IN PLACE
DETERGENT STORAGE TANK	1 S.S. PLANT LTD /2178	900 LTR	IN PLACE
MILK SEPARATOR	1 ALFA-LAVAO/S2181M		IN PLACE
PLATE HEAT EXCHANGER	1 A.P.V CO LTD/HX		IN PLACE
PROCESS STARTER TANK	1 NATIONAL DIARY ASSN OF N2		IN PLACE
REFREIGERATION COMPRESSOR	2 SABROE /CMO28		GROUNDED
SS WHEY TANK	1 CMW	1,700 LTRS	IN PLACE
STEAM BOILER	1 TOMA TDA 1500	1,250 KG /HRX10 BAR	IN PLACE
<u>KAPSABET (LOC 041)</u>			
AIR COMPRESSORS	2 STENHOJ KA 112 FD		TO SOSIAN ONE
AIR COMPRESSORS	2 STENHOJ KA 66 BD		GROUNDED
AMMONIA COMPRESSORS	2 SABROE SMC-104L	85,000 KCAL/HR	IN PLACE
C.I.P. UNIT	1 VESTJYSK TARM 2H	350 LITRES	IN PLACE
CAN WASHING MACHINE	1 HANS & FREDSGAARD	6,000 CANS/HR	IN PLACE
EFFLUENT TREAT PLANT	1 KRUEGER/FLYGT	36,000 L/HR	IN PLACE
MILK INTAKE LINE	1 HANS & FREDSGAARD	6,000 CANS/HR	IN PLACE
MILK SILO TANKS	2 VESTJYSK TARM	50,000 LITRES	IN PLACE
PLATE HEAT EXCHANGERS	2 PASILAC N-35	10,000 L/HR	IN PLACE
STEAM BOILERS	2 TOMA TDA 800	800 KG/HRX10 BAR	IN PLACE
<u>KILGORIS (LOC 050)</u>			
FILTER DRIER	4 RS - SV		IN PLACE
GENERATOR- COMPLETE	1 STANFORD/PERKINS D3 152	20.5 KVA	IN PLACE
HOR. COOLING STORAGE TANK	2 RK 50072	5,000 LITRES	IN PLACE
MILK INTAKE LINE	1 HANSEN & FREDSGAARD		IN PLACE
MILK WEIGHING SCALE	1 J NIELSEN-JN101	150X200 GM	IN PLACE
MULTISAGE C. PUMP	1 GRUNDFOS CR4-30	4,000 L/HR	IN PLACE
R22 COMPRESSOR	4 310559G	21 6INCUBED /HR	IN PLACE
R22 SPIRAL HEAT EXCHANGER	2 ROUND	500 LITRES	IN PLACE
WATER HEATER	1 METRO-2003	300 LITRES	IN PLACE
WATER PRESSURE TANK	1 HOJ RUP	200 LITRES	IN PLACE

Annex 4.5.1.0. - KCC PLANT MACHINERY

<u>MACHINE DESCRIPTION</u>	<u>QTY</u>	<u>MAKE/TYPER</u>	<u>CAPACITY (EACH)</u>	<u>REMARKS</u>
<u>MOLO (LOC 02)</u>				
AIR COMPRESSOR	1	STANHOJ / KA 111A-1		IN PLACE UNDER REPAIR AT CMW.
AIR COMPRESSOR	1	F/F/LUFT/KA 7633		
AMMONIA COMPRESSOR	1	SABROE/SMC 104L	182 M CUBED/HR	IN PLACE
BOILER	2	TOMA	1,000 KG/HRX10BAR	IN PLACE
C.I.P. PLANT	1	VESTJYSK/ VM-CIP-1		IN PLACE
MILK RECEPTION LINE	1		400-500 CAN/HR	IN PLACE
MILK STORAGE TANK	1	INDUSTRIAL PLT LTD		IN PLACE
PLATE HEAT EXCHANGER	2	PASILAC / 1020 RRG	26,000 LTRS	IN PLACE
SILO TANK	2	VESTJYSK/VM 50000	50,000 X 2 LTRS	IN PLACE
<u>ELDAMA RAVINE (LOC 49)</u>				
AIR COMPRESSORS	4	STENHOJ KA 66 BD		IN PLACE
AMMONIA COMPRESSORS	2	SABROE CMO24	40,000 KCAL/HR	IN PLACE
C.I.P	1	VESTJYSK	2,500 LTRS	IN PLACE
EFFLUENT PLANT	1	MIDI/FLYGT	36,000 LTR/HR	IN PLACE
MILK RECEPTION LINE	1		400 CANS/HR	IN PLACE
PLATE HEAT EXCHANGER	1	H 17 RK	500 LTRS/HR	IN PLACE
REFRIGERATION PLANT GENERAL	1	SORBY		IN PLACE
SILO TANK				IN PLACE
SILO TANK A	1			IN PLACE
SILO TANK B	1			IN PLACE
SILO TANK C	1			IN PLACE
SILO TANK D	1			IN PLACE
STEAM BOILER	1	TOMA TDA	1,000 KG/HR X 10 BAR	IN PLACE
<u>GITHUMU (LOC 45)</u>				
AIR COMPRESSOR	2	STENHOJ /KA 66 BD		IN PLACE
AMMONIA COMPRESSOR	2	SABROE/CMO-24	40,000 KCAL/HR	IN PLACE
C.I.P UNIT	1	VESTJYSK / VM 24 SPEC	13,000 LTR /HR	IN PLACE
EFFLUENT PLANT	1	MIDI/FLYGT AB	36,000 LTR/HR	IN PLACE
MILK LINE	1	HANSEN + F H/H&F	400 CANS/HR	IN PLACE
PLATE HEAT EXCHANGER	1	SOBY		IN PLACE
REFRIGERATION PLANT	1	SOBY		IN PLACE
SILO TANK	2	PASILAC/7336		IN PLACE
STEAM BOILER	1	TOMA/TDA 650		IN PLACE

Annex 4.5.1.0. - KCC PLANT MACHINERY

<u>MACHINE DESCRIPTION</u> <u>ELDORÉT/SOSIANI (LOC 05/13)</u>	<u>QTY/MAKE/TYPER</u>	<u>CAPACITY (EACH)</u>	<u>REMARKS</u>
AIR COMPRESSOR	1 FF LUFT KA 146/7776		IN PLACE
AIR COOLER / DRIER	1 INGERSOLL RAND-2		IN PLACE
AMMONIA COMPRESSOR	3 SMC 1165	316,000 KCAL/Hr	IN PLACE
BUTTER MELTING TANK	2 PASILAC C31A	1,000 LITRES	IN PLACE
CIP TANK (ACID)	1 PASILAC MAV	5,000 L	IN PLACE
CIP TANK (FLUSH WATER)	1 PASILAC MAV	1,000 L	IN PLACE
CIP TANK (HOT WATER)	1 PASILAC MAV	7,500 L	IN PLACE
CIP TANK (LYE)	1 PASILAC MAV	5,000 L	IN PLACE
CREAM STORAGE TANK	1 PASILAC, SBQ-PR	15,000 LTRS	IN PLACE
DRYING PLANT	1 NIRO ATOMIZER	4,500 L/Hr	IN PLACE
FRESH MILK HOMOGENISER	1 RANNIE BTM 63.80	12,000 LITRES	IN PLACE
HEAT EXCHANGER T	1 KAHLER	1,000 LTRS	IN PLACE
MILK CANWASHING M/C	2 HANSEN & FREDSGAARD/SV-C	600 CANS/Hr	IN PLACE
MILK COOLERS RECEPTION	2 DDMM 1020 RRG	20,000 L/Hr	IN PLACE
MILK INTAKE LINE	2 HANSEN & FREDSGAARD	600 CANS/Hr	IN PLACE
MILK PASTEURISER	2 DDMM/PASILAC 1020	12,000 L/Hr	IN PLACE
MILK POWDER RECONSTITUTION LINE	1 PASILAC NBT	300,000 LTR/Hr	IN PLACE
MILK RECEPTION LINE'S	2 HANSEN	600 CANS/Hr	ONE GROUNDED
MILK RECONSTITUTION LINE	1 PASILAC-NBT160MA427	30 L Hr	IN PLACE
MILK SEPARATOR	2 WESTFALIA MSA-90-01-076	12,000 L/Hr	IN PLACE
MILK SILO TANK	2 PASILAC, MAH	80,000 LTRS	IN PLACE
MILK SILO TANK	5 VESTJYSK/LKR-5	60,000 LTRS	IN PLACE
MILK WEIGHING SYSTEM	2 J NIELSEN/SCALETRONIC-E-PSON	10 CAN-MIN	IN PLACE
PHE CREAM PASTEURISER	1 PASILAC 1070 CR-1S	10,000 L/Hr	IN PLACE
PLATE HEAT EXCHANGER	1 PASILAC 1020 RMG	15,000 L/Hr	IN PLACE
PLATE HEAT EXCHANGER	1 PASILAC 1020 CR-1S	25,000 L/Hr	IN PLACE
PLATE HEAT EXCHANGER (CIP)	1 KAHLER & BREUM	1,000 L	IN PLACE
PLATE HEAT EXCHANGER	3 PASILAC 1070 RMG	10,000 L/Hr	IN PLACE
REFRIGERATION PLANT	1 HENRY SOBY FFK -8	9,120,000 KCAL	IN PLACE
SCREW AIR COMPRESSOR	2 ATLAS COPCO GA-708	7.8 CM-MIN	IN PLACE
SHRINKWRAPPERS DOUBLE 2 EX MIRITINI	5 TETRA PAK		IN PLACE
STEAM BOILER	2 TOMA TDA 4000	4,000 Kgs Hr 10 Bar	IN PLACE
STEAM BOILER	1 COCHRAN & ANNAN	000KG STEAM/Hr 16B7	IN PLACE
STEAM BOILER	1 LOOS	000KG STEAM/Hr 16B7	IN PLACE
TBA3-200	6 TETRA PAK TETRABRICK		IN PLACE
TBA3-500	4 TETRA PAK TETRABRICK	1,300 L/Hr	IN PLACE
TC150	2 TETRA PAK TETRA CLASSIC		IN PLACE
TC500	4 TETRA PAK TETRA CLASSIC		IN PLACE
UHT HOMOGENIZERS	2 STORK HS-08	2,000 - 8,000 L/Hr	IN PLACE
UHT STERILISER	2 STORK 8000B	2,000-8,000 L/Hr	IN PLACE
WATER TREATMENT PLANT	1 SILHORKO SM-62 CSB	4 CM Hr	IN PLACE

Annex 4.5.1.0. - KCC PLANT MACHINERY

<u>MACHINE DESCRIPTION</u>	<u>QTY</u>	<u>MAKE/TYPER</u>	<u>CAPACITY (EACH)</u>	<u>REMARKS</u>
<u>KANGEMA (LOC 46)</u>				
AIR COMPRESSOR (DOUBLE)	4	STENHOJ /KA 66 BD		IN PLACE
AIR COOLER/DRIER	1	HIROSS /DENCO,WCA-03		IN PLACE
AMMONIA COMPRESSORS	2	SABROE/CMO-24	40,000 KCAL/Hr	IN PLACE
C.I.P UNIT	1	VESTJYSK / VM 2A SPEC	13,000 LTR /Hr	IN PLACE
EFFLUENT TREATMENT PLANT	1	ACVADAN -MIDI /FLYGT AB	36,000 LTR/Hr	IN PLACE
MILK CANWASHING M/C	1	HANSEN + FREDSGAARD	400 CANS/HR	IN PLACE
MILK INTAKE LINE	1	HANSEN + FREDSGAARD	400 CANS/Hr	IN PLACE
MILK WEIGHING SYSTEM	1	J.NIELSEN/SCALETRONIC/EPSON	10 CANS/MIN	IN PLACE
PLATE HEAT EXCHANGER (MILK COOLER)	1	PASILAC H-17-RK	5,000 L/Hr	IN PLACE
PLATE HEAT EXCHANGER (MILK COOLER)	1	APV PARAFLOW EX-NAIVASHIA		IN PLACE
REFRIGERATION PLANT	1	HENRY SOBY		IN PLACE
SILO TANK	2	PASILAC/7336	14,000 LITRES	IN PLACE
SILO TANK	2	LOCAL	10,000 LITRES	IN PLACE
STEAM BOILER	1	TOMA/TDA 650	800 Kg/Hr 10 Bar	IN PLACE
<u>NANYUKI (LOC 47+ B306)</u>				
AIR COMPRESSOR (DOUBLE)	4	STENHOJ /KA 66 BD		IN PLACE
AIR COOLER/DRIER	1	HIROSS /DENCO,WCA-03		IN PLACE
AMMONIA COMPRESSORS	3	SABROE/CMO-24	40,000 KCAL/Hr	IN PLACE
C.I.P UNIT	1	VESTJYSK / VM 2A SPEC	13,000 LTR /Hr	IN PLACE
EFFLUENT TREATMENT PLANT	1	ACVADAN -MIDI /FLYGT AB	36,000 LTR/Hr	IN PLACE
MILK CANWASHING M/C	1	HANSEN + FREDSGAARD	400 CANS/HR	IN PLACE
MILK INTAKE LINE	1	HANSEN + FREDSGAARD	400 CANS/Hr	IN PLACE
MILK WEIGHING SYSTEM	1	J.NIELSEN/SCALETRONIC/EPSON	10 CANS/MIN	IN PLACE
PLATE HEAT EXCHANGER (MILK CO)	1	PASILAC H-17-RK	5,000 L/Hr	IN PLACE
REFRIGERATION PLANT	1	HENRY SOBY RV3.0		IN PLACE
SILO TANK	2	PASILAC/7336	14,000 LITRES	IN PLACE
STEAM BOILER	1	TOMA/TDA 650	800 Kg/Hr 10 Bar	IN PLACE
<u>NAKURU (LOC 06)</u>				
AIR COMPRESSOR	1	STENHOJ KA 11A		IN PLACE
AIR COMPRESSOR	1	STENHOJ KA 111RD		AT CENTRAL
AIR COMPRESSOR	1	TEC ALEMIX		FAULTY
AIR COMPRESSOR	1	APV COMPRESSOR		IRREPAIRABLE
AIR COMPRESSOR	1	FF LUF1		SCRAPPED
AMMONIA COMPRESSOR	2	SABROE SMC 12-100		IN PLACE
AMMONIA COMPRESSOR	1	SABROE SMC 112L		IN PLACE
AMMONIA COMPRESSOR	1	SABROE SMC 4-65		IN PLACE
AMMONIA COMPRESSOR	1	J & E HALL		GROUNDING
BUTTER CHURN	2	BELLOCK/ANDERSON		IN PLACE
GHEE FILLER	2	MATHER & PLATT		IN PLACE
MILK CANWASHING M/C	1	NAPHOUSE/	600 CANS/Hr	IN PLACE

Annex 4.5.1.0. - KCC PLANT MACHINERY

<u>MACHINE DESCRIPTION</u>	<u>QTY</u>	<u>MAKE/TYPER</u>	<u>CAPACITY (EACH)</u>	<u>REMARKS</u>
MILK CANWASHING M/C	1	PAASCH & SILKEBORG	600 CANS/Hr	IN PLACE
MILK COOLERS PHE	2	ALFA LAVAL 70848	15,000 L/Hr	IN PLACE
MILK HOMOGENISER	1	APV MANTON GAULIN EX CHEESE F	15,000 L/Hr	IN PLACE
MILK HOMOGENISER (SCRAPPED)	1	APV MANTON GAULIN EX CHEESE F	15,000 L/Hr	SCRAPPED
MILK PASTEURISERS	2	APV HMBM		IN PLACE
MILK RECEPTION LINES	2	NAPHOUSE	600 CANS/Hr	IN PLACE
MILK SEPARATOR	1	ALFA LAVAL 3191M	15,000 L/ Hr	IN PLACE
MILK SILO TANK HORIZONTAL	9	APV/IPL/DANIEL SCOTT	14,000 L	IN PLACE
MILK SILO TANK VERTICAL	1	DDMM KOLDING	60,000 L	IN PLACE
MILK WEIGHING SYSTEM	2	J NIELSEN/SCALETRONIC/EPSON	10 CANS/MIN	IN PLACE
SEAMER AUTOMATIC	1	LANICO VA322		IN PLACE
SEAMER DOUBLE	1	METAL BOX		IN PLACE
STEAM BOILER VERTICAL	1	COCHRAN 23379		IN PLACE
STEAM BOILER HORIZONTAL	1	COCHRAN K3849		IN PLACE
PACKING TC150	1	TETRA PAK TETRA CLASSIC		IN PLACE
PACKING TC500	1	TETRA PAK TETRA CLASSIC		AT MIRITINI
<u>RUNYEJES (LOC 48)</u>				
AIR COMPRESSOR (DOUBLE)	4	STENHOJ /KA 66 BD		IN PLACE
AIR COOLER/DRIER	1	HIROSS /DENCO, WCA-03		IN PLACE
AMMONIA COMPRESSORS	2	SABROE/CMO-24	40,000 KCAL/Hr	IN PLACE
C.I.P UNIT	1	VESTJYSK / VM 2A SPEC	13,000 LTR /Hr	IN PLACE
EFFLUENT TREATMENT PLANT	1	ACVADAN -MIDI /FLYGT AB	36,000 LTR/Hr	IN PLACE
MILK CANWASHING M/C	1	HANSEN + FREDSGAARD	400 CANS/HR	IN PLACE
MILK INTAKE LINE	1	HANSEN + FREDSGAARD	400 CANS/HR	IN PLACE
MILK WEIGHING SYSTEM	1	J NIELSEN/SCALETRONIC/EPSON	10 CANS:MIN	IN PLACE
PLATE HEAT EXCHANGER (MILK CO)	1	PASILAC H-17-RK	5,000 L/Hr	IN PLACE
REFRIGERATION PLANT	1	HENRY SOBY RV3 0		IN PLACE
SILO TANK	1	PASILAC/7336	14,000 L	IN PLACE
SILO TANK	1	IPL	14000 L	IN PLACE
STEAM BOILER	1	TOMA/TDA 650	300 Kg/Hr 10 Bar	IN PLACE
<u>ITEN PLANT (LOC44)</u>				
AIR COMPRESSOR	2	FF LUFT KX51679	18 L	IN PLACE
BUFFER WATER TANK	1	AJVA A/S TYPE 10		IN PLACE
MILK CAN WASHER (ROTARY)	1	H & F RVHF	300 CANS/HR	IN PLACE
MILK INTAKE LINE	1	H & F	300 CANS/HR	IN PLACE
MILK SILO/COOLING TANK	2	RO-KA INDUSTRI RK 000072	10,000 L	IN PLACE
MILK WEIGHING SCALE	1	JN 101	300 CANS.HR	IN PLACE
R22 COMPRESSOR	4	FRANCE	216 CM Hr	IN PLACE
R22 HEAT EXCHANGER	1	ROKA THERM		IN PLACE
SOLAR PANEL	1	AR-CON		IN PLACE
WATER HEATER	1	METRO-2003	300 L	IN PLACE
WATER PRESSURE TANK	1	SILHORKO	6,000 L	IN PLACE

Annex 4.5.1.0. - KCC PLANT MACHINERY			
MACHINE DESCRIPTION	QTY/MAKE/TYPER	CAPACITY (EACH)	REMARKS
KIGANJO FACTORY (LOC 14)			
AIR COMPRESSOR	1 STENHOJ KA 112 CD		IN PLACE
AIR COMPRESSORS	2 STENHOJ KA 112 CD		IN PLACE
AIR COMPRESSORS	2 STENHOJ KA 22A		IN PLACE
AMMONIA COMPRESSOR	2 SABROE SMC 112L/S		IN PLACE
BUTTER CHURN	1 AVERY 1GA		SCAPPED
CIP UNIT	1 GREAT LAKES.		IN PLACE
CREAM COOLER	1 PASILAC THERM H7-RKS	1,000L/Hr	IN PLACE
MILK CAN WASHING M/C	1 H & F SV-A-600	600 CANS/HR	IN PLACE
MILK COOLER PHE	1 PASILAC N-35		IN PLACE
MILK DRYING PLANT	1 NIRI ATOMIZER	4,500 L/Hr	IN PLACE
MILK HOMOGENIZER	1 RANNIE BT58-79	9,100 L/Hr	IN PLACE
MILK HOMOGENIZER	1 APV KF6-3BS	1,000 L/Hr	IN PLACE
MILK INTAKE LINE	1 H & F	600 CANS/HR	IN PLACE
MILK PASTEURISER	2 APV HMB	9,100 L/Hr	IN PLACE
MILK SEPARATOR	1 WESTFALIA MSB 60-01-076	9,100 L/Hr	IN PLACE
MILK SEPARATOR	1 ALFA LAVAL 3191M	12,000 L/Hr	IN PLACE
MILK WEIGHING SYSTEM	1 J NIELSEN/SCALTETRONIC/EPSON	10 CANS/MIN	IN PLACE
POWDER FILLING LINE	1 LANICO/TINOFIX/ALBRO	15/25 CANS/MIN	IN PLACE
REFRIGERATION PLANT	1 HENRY SOBY	1,197,700 KCAL/Hr	IN PLACE
STEAM BOILER	1 COCHRAN & CO. ANNAN	6,000 Kg/Hr 16 Bar	IN PLACE
STEAM BOILER	1 TOMA TDA 6000	6,000 Kg/Hr 16 Bar	IN PLACE
TC500	1 TETRA PAK TETRA CLASSIC		IN PLACE

Annex 4.5.3.0. - MACHINERY TRANSFERS

LOCATION	DATE	MACHINE DESCRIPTION	TRANSFERRED TO	REMARKS
GITHUMU		Stenhoj Compressor KA 66 BD Lawn Mower (deffective)	Nyahururu Kangema	S/No. 3466201 conf. confirmed
MIRITINI		CMO 28 Compressor 2 CMO 14 Compressors 2 Shrink Wrappers S/No. 18045 - 3557 and 18084 - 3914 1 GA 708 element Electester W/O 1369	C.M W/shops for service/repair (1) on site (1) C.M.W/shops Eldoret	confirmed confirmed confirmed
KIGANJO	12/2/95 9/9/97	1 TC 150 S/No. 1342- 5149 1 Boiler Feed Pump W/O 2484	C.M.W/Shops for service C.M.W/Shop via Nyahururu Dandora d/n 754576	confirmed S/No. 181 conf. confirmed
KITALA		1 Forklift (Komatsu) 1 Prepac Machine Boiler Dosing Pump W/O 27286 Boiler Feed Pump W/O 29004 Pallet Truck 3 Pes Agitator Motors	C.M.W/Shop For Repair C.M.W/Shops Miritini C.M.W/Shops for service C.M.W/Shops Eldoret Eldoret	At Davis & Shirtliff S/No. FB10-2 /2056 Conf. confirmed confirmed confirmed confirmed confirmed
ELDORET	5/8/98 2/22/99 1/12/99	2 Pes GA 708 Compressor Element Kamatsu Forklift S/No. 2056 W/O 27188 Hermetic Pump W/O 01127 Boiler Feed Pump W/O 01112 1 Forklift (Kamatsu) 1 TC500 Machine Prepac Machine	C.M.W/Shops for service C.M.W/Shops for service C.M.W/Shop For Repair C.M.W/Shop For Repair Dandora Sotik Dandora	one at Atlas cop conf. S/No. F10-3/11012 conf. confirmed confirmed Chasis No. 11016 conf. confirmed No KN-01 conf.
NAIVASHA				

Annex 4.5.3.0. - MACHINERY TRANSFERS

LOCATION	DATE	MACHINE DESCRIPTION	TRANSFERRED TO	REMARKS
NYAHURURU	2/3/98	1 Rannie Homogenizer Model 58-90	Dandora Factory	confirmed
		Electester W/O 1369	C.M.W/Shop For Repair	S/No. 161
		1 Atlas Copco GA 75 element	Eldoret	confirmed
		5/13/98 Sewage Aerator Gear Box W/O 1377	C.M.W/Shop For Repair	confirmed
	7/16/98	Water pump W/O 1394	C.M.W/Shop For Repair	confirmed
		2 No. Silo Tank 1991	Kangema /	confirmed
	9/9/97	Welding M/C W/O 27470	C.M.W/Shop For Repair	confirmed
	7/8/97	Forklift Battery Charger	C.M.W/Shop For Repair	confirmed
	3/19/98	Lab Centrifuge Cover W/O 27469	C.M.W/Shop For Repair	confirmed
		Cream Tank Agiator Gear Box W/O 27485	C.M.W/Shop For Repair	confirmed
NAKURU	1997	2 No. Compressor TBA3 from	Eldama Ravine	confirmed
		1 No. Forklift(Caterpillar)	Eldoret (After those of Eldoret were stolen)	confirmed
	1 No. Forklift (Caterpillar)	Boiler Feed Pump	Eldoret	confirmed
		Sep-98	1 No. TC 500 Serial No. 1364-5230	Dairy Produce Via Eldoret
	6/30/98	Can Dating Machine W/O 4596	C.M.W/Shop For Repair	confirmed
		Lab Oven W/O 27246	C.M.W/Shop For Repair	S/No 910950 conf.
	Molo	Motor with Pump	Molo	confirmed
		Stainless steel Hopper	Dandora	confirmed
	SOSIANI	PHE	Eldoret	confirmed
		3 Pcs Rotary Valves W/O 1522	C.M.W/Shop For Repair	2 at E.A. Foundry Conf.
1 Feed Water Boiler Pump		Kiganjo	confirmed	
MOLO	3 No. Milk pumps	Eldoret	Confirmed	
	3/10/97 Sewage Aerator Gear Box W/O 3248	C.M.W/Shop For Repair	confirmed	
4/30/98	Chilled Water Pump	C.M.W/Shop For Repair	confirmed	

Annex 4.5.3.0. - MACHINERY TRANSFERS

LOCATION	DATE	MACHINE DESCRIPTION	TRANSFERRED TO	REMARKS
DANDORA	3/12/98	Condenser Fan Motors W/O 28282	C.M.W/Shop For Repair	7 at C.M.W conf.
	7/31/98	Refrigerator W/O 28511	C.M.W/Shop For Repair	confirmed
	12/15/98	Vacuum Pump W/O 28525	C.M.W/Shop For Repair	confirmed
	1/4/99	1 Pes Milk Pumps W/O 28535	C.M.W/Shop For Repair	confirmed
	1/4/99	3 Motors without pumps W/O 28535	C.M.W/Shop For Repair	confirmed
KAPSABET	Sept 98	Welding Machine	Miritini	
	10/24/98	1 No. TC150 M/c	C.M.W/Shop For Repair	confimed
		EvaporatorCondenser Fan W/O 28064 Pallet Truck	Eldoret	confirmed
ITEN	8/10/98	Lawn Mower W/O 0763 agitator Motor 44/12030/B1	C.M.W/Shop For Repair C.M.W/Shop For Repair	confirmed S/No. 0530-1-72 conf.
KANGEMA	5/18/98	1 No. Raw WaterPumps W/O 4576	C.M.W/Shop For Repair	confirmed
	6/20/97	1 No.Raw Water Pumps W/O 4586	C.M.W/Shop For Repair	confirmed
		1 No.Refrigerator	C.M.W/Shop For Repair	confirmed
NANYUKI	5/19/98	Raw Water Pump W/O 0995	C.M.W/Shop For Repair	confimed
	5/19/98	Fuel oil Pump W/O 0994	C.M.W/Shop For Repair	confirmed
RUNYENJES	9/30/96	Desuper heater W/O 0926	C.M.W/Shop For Repair	confirmed
ELDAMA RAVINE		Lawn Mower	Eldoret	confirmed
	****	Lawn Mower (New)	Taken by former Manager Mr. Wilson Kosgei *****	

Annex 4.5.4.0. - SPARES & MACHINERY REPLACEMENTS

LOCATION	DESIGNED CAPACITY	PRESENT CAPACITY	REQUIREMENTS (IMMEDIATE)	ESTIMATED COST
NAIROBI(CHEESE FACTORY) <i>Factory Manager Mrs. Ogega Plant Technician Mr. A.R. Muthee</i>	20,000 ITS Milk to Cheese	No Production:	Boiler service Refrigeration Compressors 2 No. New Suction line Repairs	80,000.00 2,400,000.00 500,000.00 2,980,000.00
MOLO PLANT <i>Plant Manager Mr. Kirui Plant Technician Mr. Mbugua</i>	114,000 LITRES Pasteurised and then hauled to Factories	114,000 Ltrs Only receiving 700 Ltrs on 1-7-99	SUBTOTAL ADDITIONAL Disk Cheese filler 1 No. New TOTAL Motors at C.M.W/Shops for repairs 7 No. Boiler Service for inspection since 1994 Can washer service jets etc Level indicators Silo Tanks 2 No. Power factor control Air compressor service Rewinding of Silo tank agitator motors Sewage Gear box repairs Boiler chimney needs replacement(insulate) Compressor shaft seal leak	N/A 5,000,000.00 7,980,000.00 N/A 50,000.00 70,000.00 300,000.00 100,000.00 50,000.00 N/A 40,000.00 80,000.00 30,000.00 720,000.00 ADDITIONAL Ice water coils replacement 2,500,000.00 GRAND TOTAL 3,220,000.00
ELDAMA RAVINE PLANT <i>Plant Manager Mr. Koskei Plant Technician Mr. Chuchu</i>	60,000 Ltrs milk	intake was 300 litres on 1/7/1999	GRAND TOTAL Gear Box for effluent plant repairs -C.M.w/shops	40,000.00
			TOTAL	40,000.00

Annex 4.5.4.0. - SPARES & MACHINERY REPLACEMENTS

<u>LOCATION</u>	<u>DESIGNED CAPACITY</u>	<u>PRESENT CAPACITY</u>	<u>REQUIREMENTS (IMMEDIATE)</u>	<u>ESTIMATED COST</u>
AINABKOI PLANT	40,000Ltrs		Revive Effluent treatment plant	150,000.00
		intake was 3,000 litres on 1/7/98	Boiler service for inspection	50,000.00
<i>Plant Manager Mr Kipkoech</i>			Repair of SAFE in managers office	15,000.00
<i>Plant Technician Mr Ogutu</i>			Add 2 Cylinders of ammonia	60,000.00
			General repairs (Painting etc)	20,000.00
			TOTAL	295,000.00
DANDORA FACTORY	Fresh Homo		Refrigerant (5 NH3 cylinders)	150,000.00
	60,000 Lts Mala milk	10,000 Mala	Boiler Chimney (Replace + Labour)	250,000.00
	5,000 Kg Butter per day		Weighing Scale milk reception)	250,000.00
			Separator (service for 2)	350,000.00
			Milk pumps 5 No.	1,500,000.00
			Milk Packing service 6 TC500	9,000,000.00
			Milk Packing service 2 TC150	2,000,000.00
			Milk Packing service 2 Tetra Rex	1,000,000.00
			Refrigeration Service 2 NH3 Compressors	5,500,000.00
<i>Factory Manager Mr J Ruto</i>			Service 2 Boilers for inspection	80,000.00
<i>Factory Engineer Mr A Okwemba.</i>			Service 1 Air compressor	120,000.00
			1 New Air Drier	750,000.00
			Cream & Mala Tank agitator service	350,000.00
			SUBTOTAL	21,300,000.00
			ADDITIONAL LONGER TERM	
			CIP Rehabilitation (Cleaning In Place)	10,000,000.00
			Pasteuriser Complete with Panel	4,000,000.00
			Can washer replacement	2,000,000.00
			Service Butter making machine/replace w/s	2,000,000.00
			TOTAL	39,300,000.00

Annex 4.5.4.0. - SPARES & MACHINERY REPLACEMENTS

LOCATION	DESIGNED CAPACITY	PRESENT CAPACITY	REQUIREMENTS (IMMEDIATE)	ESTIMATED COST	
KITALE FACTORY <i>Factory Manager Mr W. Opany Factory Engineer Mr J. Macharia</i>	120,000 Ltrs Drying	50,000 Ltrs drying	Boiler 2 major repairs Boiler Lagging (both)	2,000,000.00 500,000.00	
	5 tons/per day Butter	1 ton Butter /day	Calandria Unblocking Machine Separator service (Both) Pasteurisers Rehabilitation Vertical silos lagging	200,000.00 1,100,000.00 200,000.00 200,000.00	
			Butter making machine service Refrigeration compressor service 5 units	150,000.00 400,000.00	
			Hermetic pump new	330,000.00	
			Refrigerant 5 NH ₃ cylinders	150,000.00	
			Intake conveyor service	150,000.00	
			Weighing Scale	160,000.00	
			TOTALS	5,540,000.00	
	ITEN PLANT	Intake 20,000 ltrs	Intake = 150 ltrs (3-7-99)	Water disconnected scale uncalibrated since 1996	N/A
		2 silos of 10,000 ltrs	Staff = 12	Replace damaged conveyr rollers Agitator Motor at C. M. W/Shops (rewinding)	N/A
<i>Plant Manager Mr Joseph Bar Keben Plant Engineer Mr Ezekiel Kerich Prod. Sup. M/s Grace Busienei</i>					
KILGORIS PLANT	Storage: 10,000 ltrs	Intake = 320lts (4/7/99)	TOTAL	130,000.00	
	2 silos of 5,000 each	Staff = 5 Management 2.others 3	Refrigerant 1 cylinder 70kg Freon Sensor type PT100 Lawn Mower Repairs (at Sotik) Gas leak (freon) repairs by C.M. W/Shops Generator Diesel Pipe replacement Roof Leak repairs over Generator room Water tank leak repairs	21,000.00 10,000.00 15,000.00 N/A 5,000.00 20,000.00 20,000.00 91,000.00	
<i>Plant Manager Mr. Chirchir Plant Tech. Mr Nasialt</i>			TOTAL		

Annex 4.5.4.0. - SPARES & MACHINERY REPLACEMENTS

LOCATION	DESIGNED CAPACITY	PRESENT CAPACITY	REQUIREMENTS (IMMEDIATE)	ESTIMATED COST
ELDORET (SOSIANI) FACTORY Built in 1982 but Sosiani drier was there in the 1960's	100,000 Lts Fresh Milk	3,000 Lts	Air compressor service Air Drier New 1 No.	2,000,000.00 750,000.00
	200,000 Lts UHT	60,000 Lts (Not Continuous)	Boiler repairs & Inspection Can washer repairs CIP Overhaul	150,000.00 150,000.00 5,000,000.00
	20,000 Lts Mala	10,000 Lts (Not Continuous)	Forklift 1 No. New (vs quotation for repairs) Hermetic Pump 2 No. New Homogenizer Service	6,000,000.00 660,000.00 200,000.00
	50,000 Lts for Drying	No Drying	Incubation room repairs UHT Laboratory Repairs Milk Pumps 5 No.	200,000.00 200,000.00 1,030,000.00
			Motors with Bamber, Warreng, Soni Fuel Pallet Trucks 4 No. New	1,500,000.00 1,500,000.00
			Pneumatic valve replacements & piping Pumps (Ice Water) 2 No. New	200,000.00 1,000,000.00
			Pumps Raw water 1No. New + Service for 1 No Refrigerant NH3 5 cylinders	500,000.00 300,000.00
			Refrigeration Compressor service 3 No. Separator Service Both	150,000.00 350,000.00
			Shrink Wrapper Installation Spare-parts for Tetra pak m/cs	350,000.00 1,000,000.00
			TBA Machine service TC Machine service 4 No. Weighing scale service	6,000,000.00 1,500,000.00 120,000.00
TOTAL				31,610,000.00
ADDITIONAL LONGER TERM				
			Pasteuriser 2 No. New Ice Water Coil	8,000,000.00 20,000,000.00
			Homogenizer 1 No. New Bore Hole Sinking and equipping	5,000,000.00 2,500,000.00
			Boiler Service & commissioning - Sosiani Water storage tanks - Sosiani	300,000.00 3,000,000.00
			Grand Total	70,410,000.00

Factory Manager *Mr. W Karamai*
Factory Engineer *Mr. J Mutai*

Annex 4.5.4.0. - SPARES & MACHINERY REPLACEMENTS

<u>LOCATION</u>	<u>DESIGNED CAPACITY</u>	<u>PRESENT CAPACITY</u>	<u>REQUIREMENTS (IMMEDIATE)</u>	<u>ESTIMATED COST</u>
NYAHURURU FACTORY	330,000 Litrs	30,000 Litrs Intake 500 Litrs No Production Except milk Reception	Air Compressor service both	1,500,000.00
			Boiler Repairs/service	200,000.00
			CIP Rehabilitation	5,000,000.00
			Conveyor system repairs	100,000.00
			Effluent Plant repairs	2,600,000.00
			Homogenizer new	5,000,000.00
			Milk pumps 5 No. New	1,500,000.00
			Pasteuriser service	300,000.00
			Reconstitution unit repairs	50,000.00
			Refrigerant NH3 5 No. cylinders	150,000.00
			Refrigeration - compressor service	1,500,000.00
			Separator service	200,000.00
			Shrink Wrappers Service (New)	3,000,000.00
			Sterilizer service	150,000.00
TBA m/c service	8,000,000.00			
Vertical Silo Tanks (2 No.) lagging	200,000.00			
Water supply pump/meter	100,000.00			
Weighing Scale service	100,000.00			
Silo tank agitators with motors 5 No. New	400,000.00			
SUBTOTAL				30,050,000.00
ADDITIONAL (Long Term)				
			1 No. Homogenizer New	5,000,000.00
			TBA (UHT) Machine service	8,000,000.00
			Milk Reception Repairs/canwasher, conveyors	10,000,000.00
			TOTAL	53,050,000.00

Annex 4.5.4.0. - SPARES & MACHINERY REPLACEMENTS

LOCATION	DESIGNED CAPACITY	PRESENT CAPACITY	REQUIREMENTS (IMMEDIATE)	ESTIMATED COST
NAIVASHA FACTORY <i>Factory Manager Mr Otieno Factory Engineer Mr Kirui</i>	120,000 Ltrs/Day	30,000 Ltrs/Day	Boiler Repairs replace burner	4,000,000.00
	Condensed Milk Tinned	Intake 1,500 Ltrs/Day	Raw water pumps 2 No. New (Malewa)	300,000.00
		No Production	Pasteuriser 1 No. new	3,000,000.00
			Refrigeration compressor service	250,000.00
			Junior Steriliser service	20,000.00
			Condenser complete with thermal ejectors	100,000.00
			Steam pressure reducing valves	350,000.00
			General repairs (painting, roof leaks, tiles etc.)	200,000.00
			Ammonia 4 cylinders	120,000.00
			2 No. Chilled Water Pumps	400,000.00
	1 No. Milk Chiller (Reception) New	1,000,000.00		
		SUBTOTAL	9,740,000.00	
		ADDITIONAL		
		1 No. Silo Tank 10,000 litres (New for Condensed)	500,000.00	
		1 No. Milk Separator New	3,000,000.00	
		Sterilizer Baskets	200,000.00	
		New Milk reception area with Housing	15,000,000.00	
		CIP For Silo tanks	1,500,000.00	
		TOTAL	29,940,000.00	
NAKURU FACTORY	200,000 Litrs (60,000 Ghee/packing)	Can handle 60,000 Ltrs No Production	Air Compressor service	200,000.00
			Boiler tube repairs	80,000.00
			Burner (Horizontal) 1 No. New	4,000,000.00
			Canwasher Repairs + 4 No. New Pumps	1,300,000.00
			CIP Controls	1,000,000.00
			Condensers	300,000.00
			General Repairs (Painting tanks, wall, floors etc.)	500,000.00
			Hermetic pump 1 No. New	330,000.00
			Pasteuriser Gaskets 2 sets	1,500,000.00
			Pasteuriser Plates (30 No.) Printers 2 No. New	450,000.00 40,000.00

Annex 4.5.4.0. - SPARES & MACHINERY REPLACEMENTS

<u>LOCATION</u>	<u>DESIGNED CAPACITY</u>	<u>PRESENT CAPACITY</u>	<u>REQUIREMENTS (IMMEDIATE)</u>	<u>ESTIMATED COST</u>
<i>Factory Manager Mr Mutai</i> <i>Factory Engineer Mr Njararuhi</i>			Refrigeration ice water agitator Refrigeration Compressor service Seamer repairs/Vats/Gears/Conveyors TC 150 M/C service Vertical steam Boiler -Repairs SUBTOTAL <u>ADDITIONAL</u> 1 No. Boiler New Inlet &Outlet Conveyors TC 500 M/C major repairs TOTAL	300,000.00 550,000.00 500,000.00 300,000.00 200,000.00 11,550,000.00 15,000,000.00 500,000.00 5,000,000.00 32,050,000.00
SOTIK	280,000 Ltrs Fresh milk	100,000 Ltrs Fresh	Tetra Pak m/c service 3 TCS Refrigeration NH3 compressor set Refrigerant (5 cylinders NH3) Boiler repairs Pressure reducing valves Separator Service Road Tanker CIP line new Homogenizer service Flowmeters reception, processing, loading Can washer service Steam pipe Hose 1 No. Boiler feedpump New Lab. (New WaterBath, Distiller, and Sample Box) Boiler water softener Extension of boiler chimney Cooling water pump General repairs(Boiler lise roof, tiles, paints, etc)	2,200,000.00 1,000,000.00 150,000.00 100,000.00 100,000.00 500,000.00 100,000.00 800,000.00 200,000.00 300,000.00 100,000.00 500,000.00 100,000.00 200,000.00 200,000.00 500,000.00 7,050,000.00
<i>Factory Manager Mr Bartenge</i> <i>Factory Engineer Mr Wamang'eni</i>	100,000 Ltrs UHT	No UHT Production	SUBTOTAL <u>ADDITIONAL(LONG TERM)</u> New incoming conveyor chain 26 m TBA m/c service E TBA m/c service F TBA m/c service G	100,000.00 200,000.00 200,000.00 200,000.00

Annex 4.5.4.0. - SPARES & MACHINERY REPLACEMENTS

<u>LOCATION</u>	<u>DESIGNED CAPACITY</u>	<u>PRESENT CAPACITY</u>	<u>REQUIREMENTS (IMMEDIATE)</u>	<u>ESTIMATED COST</u>
			TBA m/c service H (crashed jaws) Storage water tank TOTAL	1,000,000.00 1,000,000.00 9,750,000.00
KAPSABET PLANT	100,000 ITRS/DAY	100,000 LITRES	1 No. Air compressor New 1 No. Lawn mower New Chimney Replacement Boiler inspection preparation Weighing scale repairs (change of electronics) TOTAL	400,000.00 35,000.00 200,000.00 50,000.00 150,000.00 835,000.00
<i>Plant Manager Mr Songok Factory Engineer Mr Njoroge</i>				
KIGANJO	70,000 Lis Drying Not Continuous 30,000 Lis Packing Homo	No packaging	Can Washer repairs Separator service both Pasteuriser service Homogeniser service Drier general repairs Can Dating unit 1 No. New Boiler 1 repairs Boiler 2 service Refrigeration Compressor Service Refrigerant NH3 5 No. cylinders TC m/c service TOTALS	100,000.00 150,000.00 100,000.00 50,000.00 100,000.00 800,000.00 350,000.00 100,000.00 200,000.00 150,000.00 1,200,000.00 3,300,000.00
<i>Plant Manager Mr F.N. Muchai Factory Engineer Mr D. W. Mwaniki</i>				

Annex 4.5.4.0. - SPARES & MACHINERY REPLACEMENTS

LOCATION	DESIGNED CAPACITY	PRESENT CAPACITY	REQUIREMENTS (IMMEDIATE)	ESTIMATED COST
MIRITINI	150,000 Lis Fresh Homo	Packing 40,000 Lis	Revive milk cold store compressor	700,000.00
			Spares for Boiler	400,000.00
			Effluent Plant repairs	300,000.00
			Ammonia compressor service	1,500,000.00
		No Production	CIP card reader	400,000.00
			Air Compressor Element repair	1,000,000.00
			1 No. Hand Grinder New	1,500.00
			Telephone Switchboard New	600,000.00
			Lawn Mower New	30,000.00
			Refrigerator New	75,000.00
			Water still (lab)	150,000.00
			Forklift battery	250,000.00
			Floor Repairs	400,000.00
			Roof Repairs	2,000,000.00
			Tetra Pak M/C repairs TC 500 H	1,200,000.00
			Tetra Pak M/C repairs TC 500 J	850,000.00
			Tetra Pak M/C repairs TC 500 K	1,600,000.00
			Tetra Pak M/C repairs TC 150 L	300,000.00
			Tetra Pak M/C repairs TC 500 F	5,000,000.00
			Tetra Pak M/C repairs TC 500 G	5,000,000.00
			Tetra Pak M/C repairs TC 500 EX-NAKURU	750,000.00
			Tetra Pak M/C repairs TC 150 EX-DANDORA	650,000.00
			Ice Water coils Installations New	20,000,000.00
			SUBTOTAL	43,156,500.00
			ADDITIONAL	
			1 No. Pasteuriser New	4,000,000.00
			1 New Tetra Rex Machine	25,000,000.00
			2 No. Pallet Trucks New	100,000.00
			2 No. Shrinkwrappers New	10,000,000.00
			Major roof repairs (slab)	25,000,000.00
			Tetra Pak M/C repairs TBA A	1,000,000.00
			Tetra Pak M/C repairs TBA B	1,000,000.00
			Tetra Pak M/C repairs TBA D	2,000,000.00
			Tetra Pak M/C repairs TBA E	1,000,000.00
			TOTAL	112,256,500.00

Plant Manager Mr F. Gichuki
Factory Engineer Mr N.N. Musyoka

Annex 4.5.4.0. - SPARES & MACHINERY REPLACEMENTS

LOCATION	DESIGNED CAPACITY	PRESENT CAPACITY	REQUIREMENTS (IMMEDIATE)	ESTIMATED COST
LESSOS PLANT	40,000 LITRES	40,000 LITRS	Vehicle repair	40,000.00
<i>Plant Manager Mr Biwott Plant Technician Mr Kadiri</i>		INTAKE 1,500 LITRES	TOTAL	40,000.00
GITHUMU PLANT	28,000 litres	28,000 Litres	Repair roof leak	50,000.00
<i>Plant Manager Mr kiragu Plant Technician Mr Muhia</i>		Intake 143 Litres	Replace 2 hot water pumps	100,000.00
			SUBTOTAL	150,000.00
			ADDITIONAL	
			Water supply pipes	200,000.00
			TOTAL	350,000.00
KANGEMA PLANT	48,000 Litres	48,000 Litres	1 No. Refrigerator New	75,000.00
<i>Plant Manager Mr Mutigai Plant Technician</i>		Intake 300 Litres	steam leak repairs	10,000.00
			2 Raw water pumps service	50,000.00
			TOTAL	135,000.00
NANYUKI PLANT	28,000 Litres	28,000 Litres	Raw water pump repair	30,000.00
<i>Plant Manager Mrs Mary Kigetu Plant Technician Mr Kirimi</i>		Intake 200 Litres	Steam Boiler repair	80,000.00
			Ammonia compressor repairs	120,000.00
			Air compressor service	50,000.00
			Building repairs	100,000.00
			TOTAL	380,000.00

Annex 4.5.4.0. - SPARES & MACHINERY REPLACEMENTS

<u>LOCATION</u>	<u>DESIGNED CAPACITY</u>	<u>PRESENT CAPACITY</u>	<u>REQUIREMENTS (IMMEDIATE)</u>	<u>ESTIMATED COST</u>
RUNYEJES PLANT	30,000 Litres	30,000 Litres	Can washer repairs (Sprocket) Ammonia Gas 3 cylinders	20,000.00 90,000.00
<i>Plant Manager Mr Chiira</i> <i>Plant Technician Mr Mureithi</i>		Intake 1,500		
			TOTAL	110,000.00
TOTALS (IMMEDIATE)				169,202,500.00
CONSUMABLES (IMMEDIATE)				100,000,000.00
ADDITIONAL				200,000,000.00
GRANDTOTALS				469,202,500.00