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KENYA NATIONAL AUDIT OFFICE

REPORT
OF
THE CONTROLLER
AND AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF SUGAR
DEVELOPMENT FUND FOR THE YEAR
ENDED 30 JUNE 2006

KENYA NATIONAL ASSEMBLY

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KENYA SUGAR BOARD
SUGAR DEVELOPMENT FUND

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DIRECTORS

The Directors who served during the year were

- | | |
|-------------------------|---|
| 1. Mr. J. A Mbat | Chairman |
| 2. Mr. J. O Nyarotho | Director |
| 3. Mr. A. O. Otieno | CEO |
| 4. Mr. H. Patel | Director (Millers) |
| 5. Dr. E. Kidero | Director (Millers) |
| 6. Mr. J. M Akoyo | Director (Millers) |
| 7. Mr. S. W Busolo | Director (Growers) |
| 8. Dr. F. Owako | Director (Growers) |
| 9. Mr. S. A. Omonge | Director (Growers) |
| 10. Mr. S. O. Bonyo | Director (Growers) |
| 11. Mr. J. E. O. Ongwae | PS, Min of Agriculture
Alt. E. Gatuguta/P. Koech |
| 12. Mr. J. Kinyua | PS, Treasury
Alt. T. Gathara/Sigei P.C. |
| 13. Dr. Wilson Songa | Director of Agriculture
Alt. Mr. Ondaje |
| 14. Mr. B. S. Imbogo | Director |

SDF BOARD COMMITTEE

- | | |
|--------------------------|------------|
| 2. Mr. S. A. Omonge | - Chairman |
| 1. Dr. F. N. Owako | - Member |
| 3. Mr. A. O. Otieno | - Member |
| 4. Mr. S. W. Busolo | - Member |
| 5. Mrs. T. N. Gathara | - Member |
| 6. Mr. H. Patel | - Member |
| 7. Dr. E. Kidero | - Member |
| 8. Dr. W. Songa/Gatuguta | - Member |

COMPANY SECRETARY

Rosemary Mkok

REGISTERED OFFICE

Sukari Plaza
Off. Waiyaki Way
P. O. Box 51500
0200 City Square
NAIROBI

BANKERS

Standard Chartered Bank	- Westlands
Barclays Bank	- Westlands
Co-operative Bank	- Co-operative House

LAWYERS

Various

AUDITORS

The Controller & Audit General
Kenya National Audit Office
Anniversary Towers
University Way
P. O. Box 30084 - 00100
NAIROBI

REPORT OF THE DIRECTORS

The Directors have the pleasure in presenting their report together with audited Financial Statement for the Sugar Development Fund for the year ended 30th June 2006.

PRINCIPAL ACTIVITIES

The Principal activities of the Fund which was established in 1992 is to create a revolving fund for financing the activities of the Sugar Industry in Kenya.

RESULTS

Gross Income: Kshs.2,218,723,748

Net Surplus after Expenses & Appropriations: Kshs.373,471 ,866

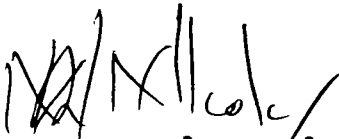
DIRECTORS

The Directors who served during the year are shown on page 1.

AUDITORS

The Controller and Audit General is responsible for the Statutory Audit of the Funds books and accounts in accordance with the provisions of Section 14 of the Public Audit Act, 2003.

By Order of the Board



Rosemary Mkok
Company Secretary

**FINANCIAL STATEMENT FOR THE YEAR ENDED
30TH JUNE 2006**

SUGAR DEVELOPMENT FUND

**STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL
STATEMENTS**

The Companies Act requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Board as at the end of the financial year, and of the operating results of the Group for that year. It also requires the Directors to ensure the Board keep proper accounting records, which disclose with reasonable accuracy, the financial position of the Board. They are also responsible for safeguarding the assets of the Board.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Financial Reporting Standards and in the manner required by the Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Board and of the operating results of the Group. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequacy of internal financial controls.

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

A. O. Otieno

Signed.....

S. Busolo

Signed.....



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF SUGAR DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE 2006

I have audited the financial statements of Sugar Development Fund for the year ended 30 June 2006 in accordance with the provisions of Section 14 of Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and Controller and Auditor General

As set out in the statement of directors' responsibilities, the directors are responsible for the preparation of financial statements which give a true and fair view of the Board's state of affairs and of its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Comments

1. Debtors

As disclosed in note 11 to the financial statements, the debtors and prepayments figure of Kshs.1,959,042,189 includes an amount of Kshs.1,394,288,521 being Sugar Development Fund Levy arrears due from institutions. According to the accounting policy 1(b), Sugar Development Funds are collected by Kenya Revenue Authority as an Agent of the Fund. However, the schedule produced

during the audit indicated that out of Kshs.1,394,288,521 outstanding levy arrears as at 30 June 2006, KRA subsequently paid Kshs.334,596,625 in the month of September, 2006 reducing the levy arrears to Kshs.1,059,928,896 which has been in arrears for over three years. Consequently, I am unable to confirm whether or if so, when the Fund will be able to recover the sugar levy in arrears of Kshs.1,059,928,896.

2. Loans and Grants to Sugar Companies Kshs.5,820,843,895

According to note 10 to the financial statements the total outstanding principal loans and grants to sugar companies amount to Kshs.6,558,287,929 while provision for bad debts allowed is indicated as Kshs.737,444,034 leaving a balance of Kshs.5,820,843,895 as at 30 June 2006. The same note however shows loans which have fallen overdue totalled Kshs.4,340,507,120. In the circumstances, the provision of bad debts in the amount of Kshs.737,444,034 is not considered adequate especially when the management has not indicated how the Fund intends to recover the outstanding loans from Muhoroni and Miwani Sugar Companies which are under receivership.

Opinion

In my opinion, except for the matters referred to in the preceding paragraphs, proper books of accounts have been kept and the financial statements give a true and fair view of the state of financial affairs of the Fund as at 30 June 2006 and of its surplus and cash flows for the year then ended and comply with Sugar Act, 2001.


P. N. KOMORA
CONTROLLER AND AUDITOR GENERAL

Nairobi

29 December 2006

KENYA SUGAR BOARD

SUGAR DEVELOPMENT FUND

STATEMENT OF INCOME & EXPENDITURE

FOR PERIOD ENDED 30TH JUNE 2006

	Note	30.06.06 KSHS	30.06.05 KSHS
A INCOME			
Levy Income	1	1,762,746,686	1,583,573,690
Other Income			
Interest income	2	455,218,061	349,308,369
Miscellaneous income	3	<u>759,000</u>	<u>111,411</u>
Total Income		2,218,723,748	1,932,993,470
B APPROPRIATIONS			
Grants to KSB & Research	4	539,339,822	254,502,914
Agency fees (KRA)	5	<u>24,872,935</u>	<u>23,427,388</u>
		564,212,757	277,930,303
Factory & Outgrower Supervision	6 a	5,340,875	0
Audit Fees	6 b	520,000	0
Depreciation	7	<u>646,365</u>	<u>1,817,092</u>
C Total Administrative Expenses		6,507,240	1,817,092
TOTAL EXPENSES		<u>570,719,997</u>	<u>279,747,395</u>
Operating Surplus / (loss)		<u>1,648,003,750</u>	<u>1,653,246,075</u>
Finance Costs	8	425,988	510,829
Provision for Bad & Doubtful Debts	10	<u>61,174,653</u>	<u>53,790,453</u>
SURPLUS /(DEFICIT) BEFORE RESERVES		<u>1,586,403,110</u>	<u>1,598,944,793</u>
Prior Period Adjustment	8b	<u>985,246</u>	<u>7,619,106</u>
SURPLUS /(DEFICIT) BEFORE RESERVES		<u>1,585,417,864</u>	<u>1,591,325,687</u>
Less Prescribed Reserves		248,730,844	390,456,504
NET SURPLUS /(DEFICIT) FOR THE PERIOD		<u>1,336,687,020</u>	<u>1,200,869,183</u>
APPROPRIATIONS OF LEVY NET OF RESERVES			
Factory Rehabilitation = $2/7 * 0.85 * \text{levy}$ ($2.5/7 * .75 * \text{Levy}$ for 2004/05)		428,095,624	424,171,524
Cane Development = $1.75/7 * 0.85 * \text{levy}$ ($2/7 * .75 * \text{Levy}$ for 2004/05)		374,583,671	339,337,219
Roads Grants = $0.75/7 * 0.85 * \text{levy}$ ($1/7 * .75 * \text{Levy}$ for 2004/05)		<u>160,535,859</u>	<u>169,668,610</u>
		<u>963,215,154</u>	<u>933,177,353</u>
NET SURPLUS /(DEFICIT) AFTER APPROPRIATIONS		<u>373,471,866</u>	<u>267,691,830</u>

KENYA SUGAR BOARD

SUGAR DEVELOPMENT BOARD

BALANCE SHEET AS AT 30TH JUNE 2006

	<u>Note</u>	<u>30.06.06</u> <u>KSHS</u>	<u>30.06.05</u> <u>KSHS</u>
LONG TERM ASSETS			
Fixed Assets	9	6,287,568	6,933,933
Loans and Grants to Companies	10	5,820,843,895	5,325,312,358
CURRENT ASSETS			
Debtors and Prepayments	11	1,959,042,189	1,852,743,415
Short term Deposits	12	2,680,370,602	2,128,765,500
Cash and Bank	13	360,373,406	164,883,877
Interest on Loans to Companies	10	<u>2,839,876,545</u>	<u>2,583,523,701</u>
Total Current Assets		7,839,662,742	6,729,916,493
CURRENT LIABILITIES			
Creditors and Accruals	14	60,568,922	41,355,365
NET CURRENT ASSETS		7,779,093,820	6,688,561,128
NET ASSETS		<u>13,606,225,283</u>	<u>12,020,807,419</u>
FINANCED BY :			
Accumulated Reserves		11,167,570,109	9,966,700,926
Revaluation Reserves		1,310,000	1,310,000
Prescribed Reserves		1,100,658,154	851,927,310
Surplus / (Deficit) for the Period		<u>1,336,687,020</u>	<u>1,200,869,183</u>
		<u>13,606,225,283</u>	<u>12,020,807,419</u>

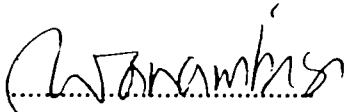
The Accounts were noted and approved by the Board of Directors

of the Board on^{31/07/} 2006 and signed on their behalf by:

Sign: 

Andrew O. Otieno

CHIEF EXECUTIVE OFFICER

Sign: 

Saulo W. Busolo

CHAIRMAN

KENYA SUGAR BOARD

SUGAR DEVELOPMENT FUND

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30TH JUNE 2006

	30.06.06 <u>KSHS</u>	30.06.05 <u>KSHS</u>
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	<u>1,242,626,168</u>	<u>1,176,465,092</u>
INVESTING ACTIVITIES		
Purchase/Realisation of Securities	-551,605,102	-1,299,006,245
Loans to Companies	<u>-495,531,537</u>	<u>189,930,711</u>
Net cash used in Investing activities	<u>-1,047,136,639</u>	<u>-1,109,075,534</u>
FINANCING ACTIVITIES		
Net Cash flows from Financing Activities	0	0
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	195,489,529	67,389,558
CASH AND CASH EQUIVALENTS B/F	<u>164,883,877</u>	<u>97,494,319</u>
CASH AND CASH EQUIVALENTS C/F	<u>360,373,406</u>	<u>164,883,877</u>

RECONCILIATION OF CASH FROM/(USED IN) OPERATING ACTIVITIES BEFORE TAX

Operating Surplus	1,585,417,864	1,591,325,687
Add back Depreciation for the period	646,365	1,817,092
Changes in Working capital:		
Decrease/((Increase) in Debtors	-106,298,775	519,449,062
Decrease/((Increase) in Loan interest	-256,352,844	-276,147,370
(Decrease)/Increase in Creditors	<u>19,213,557</u>	<u>-659,979,379</u>
	<u>1,242,626,168</u>	<u>1,176,465,092</u>

KENYA SUGAR BOARD
SUGAR DEVELOPMENT FUND

RESERVE MOVEMENT SCHEDULE

	ACCUMULATED RESERVES KSHS	REVALUATION RESERVES KSHS	PRESCRIBED RESERVES KSHS	REVENUE RESERVES KSHS	TOTAL RESERVES KSHS
Balance B/F July 2005	9,966,700,926	1,310,000	851,927,310	1,200,869,183	12,020,807,419
Transfers to Accumulated Reserves	1,200,869,183	0	0	-1,200,869,183	0
Additions during the Period	0	0	248,730,844	1,336,687,020	1,585,417,864
Balance C/F 30.06. 2006	<u>11,167,570,109</u>	<u>1,310,000</u>	<u>1,100,658,154</u>	<u>1,336,687,020</u>	<u>13,606,225,283</u>

The prescribed reserves refer to the share of the Sugar Development Levy as provided for in the sharing ratios meant for building up a reserve for the future benefit of the industry. These reserves grew by Kshs 248 730,844 during the year.

Revenue reserves is the net surplus after expenditures of the Fund, grants and prescribed reserves as in the income statement. It is from these reserves that accumulated reserves are built.

Accumulated reserves is a built-up of revenue reserves over the years.

Revaluation reserves are as a result of new values given to the vehicles of the fund as listed below.

ANALYSIS OF REVALUATION RESERVE	30.06.06
Revaluation of KAH 110F in 2001/02	610,000.00
Revaluation of KAH 272F in 2001/02	700,000.00

SUGAR DEVELOPMENT FUND

Notes to the Financial Statements for the Year Ended 30 June 2006

1. Significant Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations approved by the International Accounting Standards Board (IASB). The principal accounting policies adopted are set out below:

a) Basis of Preparation

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

b) Revenue recognition

SDL revenue is recognized on the basis of sales by millers. SDL is shared among benefiting components on receipt of levy funds from the collecting agent, Kenya Revenue Authority (KRA). The sharing ratios during the period were as below:

Prescribed reserves 15% of gross Levy

Sharing of the remaining 85% of the levy:

Kenya Sugar Board	1.5/7
Kenya Sugar Research Foundation	1.0/7
Roads and Infrastructure	0.75/7
Cane Development	1.75/7
Factory Rehabilitation	2.0/7

c) Other Income

Interest income is recognized in the income and expenditure account for all interest bearing instruments on an accrual basis.

Miscellaneous income earned by the Fund is recognized as it accrues.

d) Property, plant and equipment

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

Property, plant and equipment are periodically reviewed for impairment. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount repairs and renewals are charged to income statement when the expenditure is incurred.

Increases in the carrying amount arising on revaluation surplus; all other decreases are charged to the income statement.

e) Depreciation

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

Motor vehicles	25%
Office equipment	12.5%
Furniture & Fittings	12.5%
Computer hardware	33.3%
Buildings	2.5%

f) Provisions For Contingent Liability

Provisions are recognized when the Board has a present legal or constructive obligation as a result of past events, for which is probable that an out flow of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

g) Investments

Investments are stated at cost plus the accrued interest at the balance sheet date.

KENYA SUGAR BOARD
SUGAR DEVELOPMENT FUND

Detailed Analysis of Income & Expenditure

Note	DESCRIPTION	30.06.06 KSHS	30.06.05 KSHS
	INCOME		
1	Levy Income		
	Receipts from Import levy	350,902,813	273,976,222
	Receipts from Sugar Companies	<u>1,411,843,873</u>	<u>1,309,597,468</u>
		1,762,746,686	1,583,573,690
2	Interest Income		
	Interest income on deposits	146,575,158	50,467,253
	Interest on Loans to Co.s'	<u>308,642,903</u>	<u>298,841,116</u>
		455,218,061	349,308,369
3	Miscellaneous Income	759,000	111,411
		759,000	111,411
	DIRECT EXPENSES		
4	Grants		
	Levy Share to Kenya Sugar Board	323,603,893	84,834,305
	Levy Share to Sugar Research	<u>215,735,929</u>	<u>169,668,610</u>
		539,339,822	254,502,914
5	Agency Charges	24,872,935	23,427,388
6 a	Factory & Outgrower Supervision	5,340,875	0
6 b	Audit Fees	<u>520,000</u>	<u>0</u>
		24,872,935	23,427,388
7	Depreciation		
	Depreciation - Buildings	73,281	73,281
	Depreciation - Motor Vehicles	250,903	1,375,604
	Depreciation - Office Equipment	68,328	78,090
	Depreciation - Office Furniture	253,853	290,117
	Depreciation - Computers	<u>0</u>	<u>0</u>
		646,365	1,817,092
8	Finance Charges		
	Bank charges	425,988	510,829
		425,988	510,829
8b	Prior Period Adjustment	985,246	7,619,106
	Provision for Bad & Doubtful Debts(1% on loans)	<u>61,174,653</u>	<u>53,790,453</u>
		62,159,899	61,409,559
	Prescribed Reserves	248,730,844	390,456,504
	TOTAL EXPENSES	<u>876,175,853</u>	<u>732,124,287</u>

The prior period adjustment relates to Interest forfeited on KCB deposits for premature uplifting in 2000/01

KENYA SUGAR BOARD
SUGAR DEVELOPMENT FUND

Note 9

FIXED ASSETS SCHEDULE FOR THE PERIOD ENDED 30TH JUNE 2006

	BUILDINGS KSHS	MOTOR VEHICLES KSHS	OFFICE EQUIPMENT KSHS	COMPUTERS KSHS	OFFICE FURNITURE KSHS	TOTALS KSHS
Depreciation Rates (P A)	2 5%	25%	12 5%	33 3%	12 5%	
COST/ REVALUATION						
As At 01 07 05	4,731,470	16,349,189	1,662,203	6,346,553	3,935,085	33,024,501
Disposals during the period	0	4,985,810	0	0	0	4,985,810
As At 30.06.06	4,731,470	11,363,379	1,662,203	6,346,553	3,935,085	28,038,691
DEPRECIATION						
As At 01 07 05	625,889	16,098,286	1,115,576	6,346,553	1,904,264	26,090,568
Depreciation charge for the period	73,281	250,903	68,328	0	253,853	646,365
Depreciation on disposals	0	4,985,810	0	0	0	4,985,810
As At 30.06.06	699,170	11,363,379	1,183,904	6,346,553	2,158,117	21,751,123
Net Book Value as at 30.06.06	<u>4,032,300</u>	<u>0</u>	<u>478,299</u>	<u>0</u>	<u>1,776,968</u>	<u>6,287,568</u>
Net Book Value as at 30.06.05	<u>4,105,581</u>	<u>250,903</u>	<u>546,628</u>	<u>0</u>	<u>2,030,821</u>	<u>6,933,933</u>

Note The building cost of Ksh 4,731,470 under the above schedule represents cost incurred to put up the show stand at Jamhuri park Nairobi

**KENYA SUGAR BOARD
SUGAR DEVELOPMENT FUND**

Note 10

TOTAL LOANS AND GRANTS ANALYSIS AS AT 30TH JUNE 2006

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
	<u>30.06.06</u>	<u>30.06.06</u>	<u>30.06.06</u>	<u>30.06.05</u>	<u>30.06.05</u>	<u>30.06.05</u>
	<u>KSHS.</u>	<u>KSHS.</u>	<u>KSHS.</u>	<u>KSHS.</u>	<u>KSHS.</u>	<u>KSHS.</u>
CHEMELIL SUGAR COMPANY	443,656,028	214,695,509	658,351,538	443,656,028	193,093,631	636,749,659
MUHORONI SUGAR COMPANY	1,352,168,932	910,102,074	2,262,271,006	1,237,330,977	839,472,875	2,076,803,852
MUHORONI OUTGROWERS COMPANY	233,857,527	70,918,550	304,776,077	201,247,038	63,968,245	265,215,283
MUMIAS OUTGROWERS	73,634,459	31,930,856	105,565,315	73,634,459	30,940,474	104,574,933
NZOLA SUGAR COMPANY	1,192,523,649	676,009,665	1,868,533,314	1,109,275,830	641,532,085	1,750,807,915
NZOLA OUTGROWERS COMPANY	281,901,079	191,791,119	473,692,198	281,901,079	178,212,429	460,113,508
SOUTH NYANZA SUGAR COMPANY	473,850,967	198,124,765	671,975,732	516,978,395	187,123,761	704,102,156
SOUTH NYANZA OUTGROWERS COMPANY	359,411,208	257,383,368	616,794,576	359,411,208	237,924,502	597,335,710
WEST KENYA SUGAR COMPANY	63,558,330	3,030,785	66,589,115	38,353,271	4,977,150	43,330,421
BUSIA SUGAR COMPANY	301,605,111	199,657,896	501,263,007	301,605,111	183,284,161	484,889,272
MIWANI SUGAR COMPANY	479,173,121	280,160,861	759,333,982	431,207,881	256,033,500	687,241,381
MUMIAS SUGAR COMPANY	394,000,000	2,883,904	396,883,904	94,000,000	0	94,000,000
GOVERNMENT OF KENYA GUARANTEED LOANS	262,816,823	38,414,459	301,231,282	262,816,823	25,273,618	288,090,441
CHEMELIL OUTGROWERS	100,843,080	30,383,718	131,226,798	104,473,034	25,475,261	129,948,296
SOIN OUTGROWERS	126,510,007	69,261,628	195,771,635	126,510,007	62,947,743	189,457,750
BUSIA OUTGROWERS	65,895,511	8,685,842	74,581,353	65,895,511	5,214,847	71,110,358
WEST KENYA OUTGROWERS	38,917,179	14,392,480	53,309,659	38,917,179	12,833,489	51,750,668
NANDI ESCP. OUTGROWERS	114,614,801	27,641,435	142,256,236	114,614,801	21,469,588	136,084,389
MIWANI OUTGROWERS	11,111,557	4,746,361	15,857,918	11,111,557	4,144,206	15,255,763
LUBAO JAGGERY	2,292,107	399,254	2,691,361	2,695,097	340,122	3,035,220
Receivership Costs - Muhoroni	172,275,334	0	172,275,334	172,275,334	0	172,275,334
Receivership Costs - Miwani	13,671,119	0	13,671,119	13,671,119	0	13,671,119
	6,558,287,929	3,230,614,529	9,788,902,458	6,001,581,739	2,974,261,685	8,975,843,424
LESS PROVISION FOR BAD & DOUBTFUL DEBTS B/F	676,269,381	390,737,984	1,067,007,366	622,478,928	390,737,984	1,013,216,912
PROVISION FOR THE YEAR- General (1%on loans)	61,174,653	0	61,174,653	53,790,453	0	53,790,453
TOTAL PROVISION C/F	737,444,034	390,737,984	1,128,182,018	676,269,381	390,737,984	1,067,007,366
Total Outstanding Loans	5,820,843,895	2,839,876,545	8,660,720,440	5,325,312,358	2,583,523,701	7,908,836,059
Loans which have fallen Overdue	4,340,567,120	652,518,545	4,993,085,665			

LESS PROVISION FOR BAD & DOUBTFUL DEBTS B/F

PROVISION FOR THE YEAR- General (1%on loans)

TOTAL PROVISION C/F

Total Outstanding Loans

Loans which have fallen Overdue

Note: Suspended loan interest has not been removed from books.

The above analysis includes Roads Grants of Ksh. 254,876,226 to Sugar Companies.

Detailed analysis of the loans by type is as per Note 10 (b)

**KENYA SUGAR BOARD
SUGAR DEVELOPMENT FUND**

LOANS SCHEDULE AS AT 30TH JUNE 2016

REHABILITATION	PRINCIPAL KSHS	INTEREST OUTSTANDING	TOTAL KSHS
CHEMELIL SUGAR COMPANY	230,315,856	125,531,932	355,847,788
MUHORONI SUGAR COMPANY	1,115,910,099	778,097,669	1,894,007,768
NZOIA SUGAR COMPANY	381,617,670	298,242,620	679,860,290
SOUTH NYANZA SUGAR COMPANY	55,346,898	26,961,405	82,308,303
WEST KENYA SUGAR COMPANY	2,464,420	2,369,078	4,833,498
BUSIA SUGAR COMPANY	5,030,226	4,232,691	9,262,917
MIWANI SUGAR COMPANY	352,287,523	224,199,525	576,487,049
MUMIAS SUGAR COMPANY	150,000,000	1,198,973	151,198,973
LUBAO JAGGERY	2,292,107	399,254	2,691,361
GOVERNMENT OF KENYA GUARANTEED LOANS	<u>262,816,823</u>	<u>38,414,459</u>	<u>301,231,282</u>
	<u>2,558,081,622</u>	<u>1,499,647,606</u>	<u>4,057,729,228</u>

The loans are charged interest at 5% for the first 12 months and 6% thereafter.

CANE DEVELOPMENT	PRINCIPAL	INTEREST OUTSTANDING	TOTAL
CHEMELIL SUGAR COMPANY	185,340,172	83,727,961	269,068,133
MUHORONI SUGAR COMPANY	226,258,833	126,998,926	353,257,759
MUHORONI OUTGROWERS COMPANY	233,857,527	70,918,550	304,776,077
MUMIAS OUTGROWERS	73,634,459	31,930,856	105,565,315
NZOIA SUGAR COMPANY	700,384,121	372,761,566	1,073,145,687
NZOIA OUTGROWERS COMPANY	281,901,079	191,791,119	473,692,198
SOUTH NYANZA SUGAR COMPANY	367,504,069	171,163,360	538,667,429
SOUTH NYANZA OUTGROWERS COMPANY	359,411,208	257,383,368	616,794,576
WEST KENYA SUGAR COMPANY	739,541	661,707	1,401,248
BUSIA SUGAR COMPANY	296,574,885	195,425,205	492,000,089
MIWANI SUGAR COMPANY	115,233,194	53,458,596	168,691,790
MUMIAS SUGAR COMPANY	150,000,000	1,684,932	151,684,932
CHEMELIL OUTGROWERS	100,843,080	30,383,718	131,226,798
SOIN OUTGROWERS	126,510,007	69,261,628	195,771,635
BUSIA OUTGROWERS	65,895,511	8,685,842	74,581,353
WEST KENYA OUTGROWERS	38,917,179	14,392,480	53,309,659
NANDI ESCP. OUTGROWERS	114,614,801	27,641,435	142,256,236
MIWANI OUTGROWERS	<u>11,111,557</u>	<u>4,746,361</u>	<u>15,857,918</u>
	<u>3,448,731,224</u>	<u>1,713,017,608</u>	<u>5,161,748,832</u>

*The loans are charged interest at 5% for the first 12 months and 6% thereafter.
Included in this analysis are loans for farmers arrears which are at interest rate of 3%.*

ROADS LOANS	PRINCIPAL	INTEREST OUTSTANDING	TOTAL
CHEMELIL SUGAR COMPANY	28,000,000	5,435,616	33,435,616
MUHORONI SUGAR COMPANY	10,000,000	5,005,479	15,005,479
NZOIA SUGAR COMPANY	10,000,000	5,005,479	15,005,479
SOUTH NYANZA SUGAR COMPANY	51,000,000	0	51,000,000
MIWANI SUGAR COMPANY	11,652,404	2,502,740	14,155,144
	<u>110,652,404</u>	<u>17,949,315</u>	<u>128,601,719</u>

The Road and Infrastructure loans were issued before 2003/04 and are repayable.

ROADS GRANTS			
MUMIAS SUGAR COMPANY	94,000,000	0	94,000,000
NZOIA SUGAR COMPANY	100,521,858	0	100,521,858
WEST KENYA SUGAR COMPANY	<u>60,354,369</u>	<u>0</u>	<u>60,354,369</u>
	<u>254,876,227</u>	<u>0</u>	<u>254,876,227</u>

The Grants were issued after as from 2003/04 and are not repayable.

Receivership Costs - Muhoroni	172,275,334	0	172,275,334
Receivership Costs - Miwani	<u>13,671,119</u>	<u>0</u>	<u>13,671,119</u>
Grand Total	<u>6,558,287,929</u>	<u>3,230,614,529</u>	<u>9,788,902,458</u>

KENYA SUGAR BOARD
SUGAR DEVELOPMENT FUND

Note 11

DEBTORS AND PREPAYMENTS AS AT 30TH JUNE 2006

i) LEVY ARREARS

	<u>30.06.06</u>	<u>30.06.05</u>
<u>INSTITUTIONS</u>	<u>KSHS</u>	<u>KSHS</u>
Sundry Importers	41,815,559	21,874,833
South Nyanza Sugar Company	280,613,798	294,471,926
Miwani Sugar Company	121,057,793	121,057,793
Mumias Sugar Company	134,343,673	72,324,275
West Kenya Sugar Company	19,309,225	13,845,522
Nzoia Sugar Company	440,322,535	421,059,672
Muhoroni Sugar Company	155,193,705	142,089,414
Chemelil Sugar Company	190,693,729	191,805,190
Jaggeries	2,179,603	2,460,038
Kenya National Trading Corporation	<u>8,758,800</u>	<u>8,758,800</u>
	<u>1,394,288,521</u>	<u>1,289,747,463</u>
<u>ii) SUNDRY DEBTORS</u>		
Nzoia Sugar Co. 1996 OOC Tech. Committee Exps.	844,458	844,458
Nzoia Sugar Co. Inter - Ministerial Committee	1,486,840	1,486,840
Kenya Sugar Industry Party		
- Nzoia Sugar Company	157,115	157,115
- West Kenya Sugar Company	157,115	157,115
Kenya Sugar Marketing	34,000	34,000
KSB Inter - Company Account (Hqs. project)	118,635,557	118,635,557
KSB Inter - Company Account	406,016,670	404,362,189
KESREF	5,103,936	5,103,936
Miwani Sugar Company	160,000	160,000
Nzoia Outgrowers Company	52,161	52,161
Receivership Costs		
- Muhoroni(Receiver's fees)	6,675,691	6,675,691
- Miwani(KPMG)	1,180,000	1,180,000
Coveka Outgrowers Company	1,938,970	1,938,970
Busia Sugar Co. (Inter - Ministerial)	667,000	667,000
South Nyanza Sugar Co.	2,217,340	2,217,340
Other Debtors (Sugar Industry Ploughing Contr.)	50,000	50,000
Staff Debts & Others	4,792,072	5,442,837
Insurance Claim on money lost in transit	684,051	684,051
Sugar Import(Trumps Freighters)	19,000,000	19,000,000
Mumias Sugar Company	391,506	391,506
Chemelil Sugar Company	842,577	842,577
Muhoroni Sugar Company	8,896,800	8,896,800
Nzoia Sugar Co. (GM Vacancy)	420,794	420,794
SDL rebate on 2003/04 sugar exports	28,462,604	28,462,604
VAT Refunds on Export sugar (Mumias 2003/4)	66,263,199	66,263,199
Nzoia Sugar Co. (Reimbursement)	5,416,036	5,416,036
Robert O. Ooko- Sale of Pajero KAL 651U	<u>754,000</u>	<u>0</u>
	<u>681,300,491</u>	<u>679,542,775</u>
Less Provision for Bad Debts	-116,546,823	-116,546,823
	<u>1,959,042,189</u>	<u>1,852,743,415</u>

KENYA SUGAR BOARD**SUGAR DEVELOPMENT FUND****Note 12****INVESTMENT SCHEDULE AS AT 30TH JUNE 2006**

	<u>30.06.06</u> <u>KSHS</u>	<u>30.06.05</u> <u>KSHS</u>
NBK Hill Branch	1,124,225,669	572,718,493
Co-operative Bank	704,179,763	821,275,411
Euro Bank	55,987,375	55,987,375
Standard Chartered	315,595,250	200,558,904
Barclays Bank	536,369,920	533,227,446
KCB Milimani	<u>0</u>	<u>985,246</u>
	<u>2,736,357,977</u>	<u>2,184,752,875</u>
Less Provision for Bad Debts (Euro Bank)	55,987,375	55,987,375
Net Investments	<u>2,680,370,602</u>	<u>2,128,765,500</u>

Note 13**CASH AND BANK BALANCES AS AT 30TH JUNE 2006**

	<u>30.06.06</u> <u>KSHS</u>	<u>30.06.05</u> <u>KSHS</u>
N.B.K. Mombasa Branch	0	1,357,671
STD CHARTERED Westlands	201,413,613	105,015,643
Cooperative Bank, Coop. Hse.	18,361,154	1,959,343
Barclays Bank Westlands	<u>140,598,639</u>	<u>56,551,220</u>
	<u>360,373,406</u>	<u>164,883,877</u>

Note 14**CREDITORS AND ACCRUALS SCHEDULE AS AT 30TH JUNE 2006**

	<u>30.06.06</u> <u>KSHS</u>	<u>30.06.05</u> <u>KSHS</u>
Sugar Research Levy	59,642,729	40,589,172
Audit Fees	400,000	240,000
Money in transit	4,985	4,985
Mitchell Cotts (for sugar exports)	463,468	463,468
Legal Fees	<u>57,740</u>	<u>57,740</u>
	<u>60,568,922</u>	<u>41,355,365</u>