

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



*Paper Laid*  
*By Hon. A. Gude (Com)*  
*on Thurs. 20.08.2015 PM*

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
KENYA LEATHER DEVELOPMENT  
COUNCIL

FOR THE YEAR ENDED  
30 JUNE 2014





## **Kenya Leather Development Council (KLDC)**

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# **KENYA LEATHER DEVELOPMENT COUNCIL**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

### **FOR THE FINANCIAL YEAR ENDED**

### **JUNE 30, 2014**

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



# KENYA LEATHER DEVELOPMENT COUNCIL

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# KENYA LEATHER DEVELOPMENT COUNCIL

## I. KEY COUNCIL INFORMATION AND MANAGEMENT

### (a) Background information

The Council is a statutory body created through the State corporations Act (Cap 446), Legal Notice No.114 of 9<sup>th</sup> September, 2011

### (b) Principal Activities

The principal activity/mission of the Council is to:

1. To promote, coordinate and harmonize all activities in the leather sector
2. To oversee licensing in the leather subsector
3. To undertake research and development in the sub-sector
4. To provide advisory services to the ministers on matters relating to processing and trade in hides, skins, leather and leather goods, processing for planning purposes.

### (c) Key Management

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

- 1) Ag. Secretary/Chief Executive Officer
- 2) Board of Directors and;
- 3) The Secretariat

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Secretary/ Chief Executive Officer	Mr. John Muriuki
2.	Research Standards & Policy	Mr. Charles Mwangi Ndungu

### (e) Fiduciary Oversight Arrangements

The Board of Directors has the authority to establish standing and *Ad hoc* committees as it may deem necessary for the performance of its functions and in exercise of its powers under State Corporation Act (Section 11 of the Kenya Leather Development Council Order, 2011) The Board has established the following committees;

#### i). Finance and Administrative Committee

To deliberate all issues related to finance in the Council before presentation of the same to the Full Board Meeting

- ii). **HR and audit Committee**  
To discuss matters dealing with staff before presentation to the Board Meeting for necessary approvals.
- iii). **Technical Committee**  
Deliberations on technical matters on the leather sector and finally present their recommendations to the Board of Council.

**(f) Council Headquarters**

P.O. Box 14480 - 00800  
L.R NO.205/47  
Riverside Drive  
NAIROBI

**(g) Council Contacts**

Telephone: (254) 020 - 4442321  
E-mail: [ldckkenya@gmail.com](mailto:ldckkenya@gmail.com)  
Website: [www.leatherdevelopmentcouncil.go.ke](http://www.leatherdevelopmentcouncil.go.ke)

**(h) Council Bankers**

Kenya Commercial Bank  
Sarit Centre Branch, Westlands  
P.O Box 14959-00800  
Nairobi

**(i) Independent Auditors**




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

**(j) Principal Legal Adviser**





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

# KENYA LEATHER DEVELOPMENT COUNCIL



## II. THE BOARD OF DIRECTORS

1		<p><b>Mr. Titus Kirealbui</b> was born on 29<sup>th</sup> July 1952 in Meru County. He is married with four children. In 1978 graduated with BSc. Degree in Agriculture at the University of Nairobi. 1987 he attained MSc. in Business education. He has also worked with Shell International Chemical group marketing services as a manager. 1991 to date he is the Managing Director of Bell Industries Ltd. Other bodies to which he is professionally affiliated include (MBIM)-British Institute of Management (KIM)-Kenya Institute of Management (MSK)-Marketing Society of Kenya</p>
2		<p><b>Mr. Simon Joshua Ng'ang'ais</b> a footwear technologist by training born in (1947) in Limuru, Kiambu West District In Kenya Trained in specialized institutions such as Bata Technical School (1962) and Cordwainers Technical College in London (1967) he pursued various levels of training obtaining other qualifications such as certificates from City and Guilds, London in footwear technology and management. He has actively been involved in teaching of footwear to students during his tenure at Bata Shoe Company. Later (1978) after retiring from Bata shoe he joined Tiger shoes (a solely Kenyan owned Company) as a production manager till 1984. He then embarked on a self-discovering entrepreneurship journey where he started Simjon Shoes in Kariobangi Light Industries. He is a Representative KFMA member of Board of Trustees TPCSI, Kenya Bureau of Standards, Task Force on revival of TPCSI</p>
3		<p><b>MR. Bahati Mutua</b>, worked for Standard Chartered Bank Machakos Branch for eight years after leaving Starehe Boys School to 1979. Have since then been self-employed with Bahati Hides and Skins Co. Ltd since 1988 as the Chief Executive Managing Director. He has served in various capacities namely, secretary to Machakos Golf Club for 5 years (1991-96) Treasurer to Kenya Red Cross 5yrs, Chairman to Masaku Traders Sacco Society 5yrs, and South Eastern ASK show 3yrs and presently since 1995 doubled up as secretary to Kenya Hides and Skins Traders and Tanners Association and representative at the Leather Apex Committee from 2008. He has also been privileged to chair the -NESC SPONSORED WORKSHOP (Dec. 2009) on value addition for the final presentation of the sector's report to NESC full council meeting of 9<sup>th</sup> April 2010 at the school of Monetary studies, Nairobi Kenya. At present he is gazetted as a council member of the Kenya Leather Development Council and</p>

# KENYA LEATHER DEVELOPMENT COUNCIL






		the Chair to the audit sub-committee.
4		<p><b>Mr. Geoffrey Malombe (PS ALTERNATE (TREASURY))</b> is currently an Assistant Accountant General with academic qualification in MBA (finance Option). Bachelor of Science in Agricultural Economics and Professional qualification as a Certified Public Accountant of Kenya. He is a council member of ICPAK. He has 16 years' experience in Government with different deployments and assignments in various Ministries. He is the Permanent Secretary's (Treasury) representative in the Kenya Leather Development Council Board</p>
5		<p><b>Mr. John Muriuki</b> was born in 1955 and married. Holds a BSc in Chemistry and also has a Diploma in Leather technology with over 35 years' experience in the Leather Industry Formerly worked with KIRDI (Kenya Industrial Research Institute). He was the Ag. Secretary Chief Executive Officer of the Council until September, 2014</p>
6		<p><b>Ms. Nalina Rupani (Kenya leather Goods Manufacturers Representative)</b> was born on 21<sup>st</sup> October 1963, married with two children. She had her Academic and professional training and attained a CBI, Netherlands and Managing export to west European markets, Shia Imami Ismaili women's Association public speaking course and the Gemological Association Preliminary Course in gemology among other achievements. Moreover she has many years of experience in the leather sub-sector accrued from holding the managerial position at Nalina Ltd also a member of the American chamber of commerce and organization of women in trade (OWIT). She has participated in several seminars and trade fairs locally and abroad for the leather industry</p>
7		<p><b>Mr. Dabaso Boru Dika</b> was born on 14<sup>th</sup> April 1960, in Isiolo. He holds a Diploma in Business Studies (Specializing in supply Chain coupled with many years of experience in the livestock industry. He has worked in postal service of Kenya as an administrator and worked With the Electoral Commission of Kenya in Isiolo District. He is a member of several community based associations like PTA and BOG at Keeru boys in Meru, Isiolo Camel Traders Butchers Association, Kenya Livestock Marketing Council, Isiolo Central among others</p>

## KENYA LEATHER DEVELOPMENT COUNCIL





	<p><b>Mr. William S.Wafula</b> was born on 18<sup>th</sup> January 1950.He worked in various capacities in the Ministry of Lands rising to position of District Land Registrar in Nandi,Kisii,Gucha and transmara.He has also attained Certificates in leadership and Good Governance from Kenya Institute of Governance and National Democratic Institute of America. He has also held the position of Vice Chairman-Bungoma Youth Development Association and also Kibingei Secondary School. In the political Arena he contested the Kimilili parliamentary sit in the year 2002 and 2007.In the year 2008 he was appointed a board member of Kenya Investment Authority for 3 years. In the year 2011 he was appointed a board member of the Kenya leather Development Council for three years.</p>
	<p><b>Mr. Anthony Muriu Muigai</b>, was born in 1966. In 1990, he obtained a BA Economics degree from the University of Nairobi. In the year 2010 he held the position of Deputy Chief Economist and technical Assistant to Permanent Secretary Ministry of trade. In January 2008-2009, he was the leader of government business in the office of the vice president. In the year 2002 he held the position of Senior Economist, COMESA Desk, Ministry of trade and industry.</p>

## III. MANAGEMENT TEAM

## Senior Management Profile and Skills Inventory

	Name	Details
1	 <b>Mr. John Muriuki</b>	<b>Mr. John Muriuki</b> He was the Acting Secretary or the Chief Executive Officer of the Council until September, 2014. Holds a BSc in Chemistry and also has a Diploma in Leather technology with over 35 years' experience in the Leather Industry Formerly worked with KIRDI (Kenya Industrial Research Institute). He is currently the Director of Capacity Building
2	 <b>Mr. Charles Ndungu</b>	<b>Mr. Charles Ndungu</b> He was the Director, Research and standard Policy development. Mr. Ndungu holds a BSc Leather Technology (2004), Certificate in Hides and Skins Improvement (1981). He has attended courses in Cluster Management, Leather Finishing and Business Incubation. He is currently the Acting Secretary or the Chief Executive Officer
3	 <b>Mr. Harrison Ndungu</b>	<b>Mr. Harrison Ndungu</b> He is the Head of Capacity Building. Mr. H. Ndungu holds Higher Diploma Leather Technology. He has attended courses in Integrity Workshop, HIV/AIDS Sensitization and Voluntary Testing, ISO Certification, Disability Mainstreaming and Gender Mainstreaming
4	 <b>Mr. Onyango G.J</b>	<b>Mr. Onyango G.J</b> is the Head of Monitoring and evaluation. He holds a Diploma in Leather Technology. He has attended courses in Integrity Workshop, Strategic Planning Workshop, ISO Certification, Disability Mainstreaming and Gender Mainstreaming
5	 <b>Mr. Patrick Nyadimo</b>	<b>Mr. Patrick Nyadimo</b> is the Head of Human Resource. He holds a BBA in Human Resource and a Diploma in Personnel Management. He has attended courses in Integrity Workshop, HIV/AIDS Sensitization and Voluntary Testing, ISO Certification, Disability Mainstreaming and Gender Mainstreaming

## KENYA LEATHER DEVELOPMENT COUNCIL

6	 Joyce Wachira	<p><b>Ms Joyce Wachira</b> is the Head of ICT. She holds a postgraduate degree MSc Computer Science, BSc IT and Diploma IT. He has attended Induction Course for ICT, ESP Facilitation, ISO Management, Integrity Workshop, Planning and Developing Corporate Website and Database System Design and Management</p>
7	 Joseph Ochieng	<p><b>Mr. Joseph Ochieng</b> is the Head of Accounts unit. He holds a certificate in ACNC 1&amp;2 and is pursuing CPA(K) course. He has attended courses in Computer Proficiency, which include computerized accounting packages, passed Government Proficiency Examination for Clerical Officers (Accounting option).He has rose through the ranks from clerical Officer cadre to Accountant II. Other short courses attended include Strategic Management, ISO Certification, HIV/AIDS Sensitization and PWD Workshop. Above all he has over 20yrs experience in accounts department of the Ministry of Agriculture &amp;livestock and Kenya leather Development Council</p>
8	 Jayne Mhono	<p><b>Ms Jayne Mhono</b> is the Head ofCorporate Communication. She holds a BA in Journalism and Media Studies (PR) and Group Diploma In Personnel Relation, Single Subject Diploma in Personnel Relation, Personnel Relation Society of Kenya Annual Galaxy Awards for Excellence. He has attended courses in Complaints Management, ISO Certification, Integrity Workshop and Gender Mainstreaming</p>
9	 Ms.Rehema Deri	<p><b>Ms.Rehema Deri.</b>She is the Head ofof Procurement unit,she holds a BBM degree(Finance and Banking option),and also Graduated with a diploma in CIPS,she has atleast 5years experience in procurement.</p>

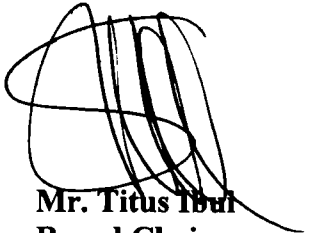
**IV. CHAIRMAN'S STATEMENT**

The Kenya Leather Development Council was formed through an executive order through the State Corporation's Act (Cap 446) legal notice No 114 of 9<sup>th</sup> September 2011.

The functions of the Council include but not limited to the following activities; to promote, coordinate and harmonize all activities in the leather sector, to oversee licensing in the leather subsector, to undertake research and development in the sub-sector, to provide advisory services to the ministers on matters relating to processing and trade in hides, skins, leather and leather goods, processing for planning purposes.

The leather sub-sector has been prioritized as an area which has a potential for employment and wealth creation not to mention rural development.

It is in this regard that the Council is working closely with other organizations and development partners to realize the full potential of the sector. The Council is currently working closely with the newly formed Leather Taskforce for development of the sector to ensure quick gains. The funding level of the Council should therefore be increased to ensure that the Council achieves its intended targets



**Mr. Titus Ibul**  
**Board Chair person**

# KENYA LEATHER DEVELOPMENT COUNCIL

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER

KLDC was formed through a legal notice number 114 under CAP 446 (State Corporation Act) of Kenya Gazette Supplement No 113. The mandate of KLDC as stipulated via the order is among others to promote, direct, coordinate and harmonize all activities in the leather sector. It includes Research & Standards, Licensing, Collection and dissemination of data, enhancement of working strategies and provision of advisory services to the minister to matters pertaining to processing and trade of hides and skins leather and leather products.

These mandates are implemented through various activities drawn from KLDC's strategic plan and the approved annual work plan. To ensure delivery of services the Council has entered into performance contract with the Government through the Ministry of Industrialization and Enterprise Development. The management takes the performance contract service delivery seriously.

Despite financial constraints due to underfunding and delay in release of funds, we were able to achieve more than 90% of the agreed targets for financial year 2013/2014. The Council is currently understaffed and the Board to the Council had recommended recruitment of additional technical staff to be able to promote development of the sector, control and regulate the trade of hides and skins leather and leather products more effectively.

However, KLDC has taken commendable steps since its inception which has impacted positively to the country's leather sector. The Council's activities have been executed in line with the Council's strategic plan and Sectoral strategy through a concept paper developed which lays down a roadmap for development of the Kenyan Leather Industry focusing on value addition and competitiveness of the leather sector.

The Council enjoys support from the Ministry of Industrialization and Enterprise Development who has identified the leather sector as one of the key focus areas for Government. The Council works very closely with stakeholders and we are all keen to improve this sector throughout its value chain through the public/private initiatives.

  
**Mr. Charles Mwangi Ndungu**  
**Ag. Secretary/ Chief Executive Officer**

**VI. REPORT OF THE DIRECTORS**

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

**Principal activities**

The principal activities of the Council are and continue to be to promote, coordinate and harmonize all activities in the leather sector, to oversee licensing in the leather subsector, to undertake research and development in the sub-sector and to provide advisory services to the ministers on matters relating to processing and trade in hides, skins, leather and leather goods processing for planning purposes.

**Results**

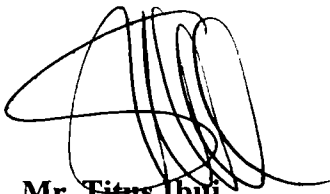
The results of the Council for the year ended June 30, 2014 are set out on page 17-37

**Directors**

The members of the Board of Directors who served during the year are shown on page 6 - 8 (above). Appointment of Directors is in accordance to Section 4 of The Kenya Leather Development Council Order, 2011.

**Auditors**

The Auditor General is responsible for the statutory audit of the Council in accordance with the Section 16(2) of the Kenya Leather Development Council Order, 2011.



**Mr. Titus Ibuli**  
**Board Chairperson**

Date:.....20/3/15.....

# KENYA LEATHER DEVELOPMENT COUNCIL

## VII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 13, 14, 15, 16, 17 and 20 of The Kenya Leather Development Council Order, 2011, require the Directors to prepare financial statements in respect of that Council, which give a true and fair view of the state of affairs of the Council at the end of the financial year/period and the operating results of the Council for that year/period. The Directors are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council. The Directors are also responsible for safeguarding the assets of the Council.

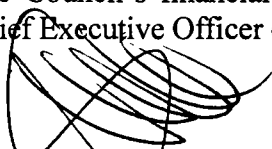
The Directors are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Council; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Council; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Council's financial statements give a true and fair view of the state of Council's transactions during the financial year ended June 30, 2014, and of the Council's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the Council's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The Council's financial statements were approved by the Chairman and the Ag. Secretary/ Chief Executive Officer on 20/3/, 2015

  
\_\_\_\_\_  
Chairperson

  
\_\_\_\_\_  
Ag. Secretary/ Chief Executive Officer

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI



## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON KENYA LEATHER DEVELOPMENT COUNCIL FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Leather Development Council set out on pages 17 to 37, which comprise the statement of financial position as at June 30, 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows for the year then ended, and statement of comparison of budget and actual amounts, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

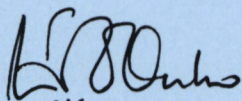
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in the all material respects, the financial position of the Council as at 30 June, 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with Kenya Leather Development Council, Order, 2011.



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

**Nairobi**

**9 April 2015**

# KENYA LEATHER DEVELOPMENT COUNCIL

## IX. STATEMENT OF FINANCIAL PERFORMANCE For the year ended 30 June 2014

<u>Revenue</u>	Note	2014 Kshs	2013 Kshs
<b>Revenue from non-exchange transactions</b>			
Government Funding	2	49,218,750	144,404,083
Donor Funding		1,290,000	-
		<b>50,508,750</b>	<b>144,404,083</b>
<b>Revenue from non-exchange transactions</b>		<b>-</b>	<b>-</b>
<b>Total Revenue</b>		<b>50,508,750</b>	<b>144,404,083</b>
 <b><u>Expenses</u></b>			
Administrative	3	16,831,214	36,461,304
Board and Committee	4	3,762,366	3,770,867
Tanneries and Research Expenses	5	7,439,382	16,098,661
Staff Cost	6	18,744,214	17,120,516
Depreciation and amortization expense	7	11,453,625	11,188,027
Finance Costs		31,140	28,590
Audit Fees		580,000	-
<b>Total Expenses</b>		<b>58,841,941</b>	<b>84,667,965</b>
Surplus/(Loss) before Other gains/(loss)		<b>(8,333,191)</b>	<b>59,736,118</b>
<b>Other gains/(losses)</b>			
Gain/(loss) on sale of assets		45,500	-
<b>Surplus/(Deficit)</b>		<b><u>(8,287,691)</u></b>	<b><u>59,736,118</u></b>

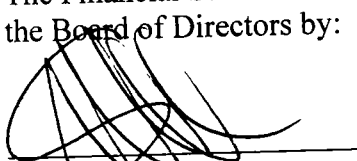
The notes set out on pages 22 to 37 forms an integral part of the financial statements


# KENYA LEATHER DEVELOPMENT COUNCIL

## X STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

		2014	2013
Assets	Note	Kshs	Kshs
<b>Current Assets</b>			
Cash and cash equivalents	8	2,726,890	4,808,443
Prepayments	(9&10)	2,238,654	-
Inventories	11	-	347,293
		<b>4,965,544</b>	<b>5,155,736</b>
<b>Non-Current assets</b>			
Property ,Plant and Equipment	12	51,626,835	62,069,722
Intangible assets	13	132,000	-
		<b>51,758,835</b>	<b>62,069,722</b>
<b>Total Assets</b>		<b>56,724,379</b>	<b>67,225,458</b>
 <b>Liabilities &amp; Equity</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	654,966	2,868,354
		<b>654,966</b>	<b>2,868,354</b>
<b>Non-current Liabilities</b>			
		-	-
<b>Total Liabilities</b>		<b>654,966</b>	<b>2,868,354</b>
<b>Capital &amp; Reserves</b>			
Capital Fund		4,620,986	4,620,986
Retained Earnings		59,736,118	-
Accumulated Surplus/(Loss) for the year		(8,287,691)	59,736,118
<b>Total equity</b>		<b>56,069,413</b>	<b>64,357,104</b>
<b>Total equity and liabilities</b>		<b>56,724,379</b>	<b>67,225,458</b>

The Financial Statements set out on pages 17 to 37 were signed on 20/3/15 behalf of the Board of Directors by:

  
**Mr. Titus Ibui**  
 Chairman of the Board

  
**Mr. Charles Mwangi Ndungu**  
 Ag. Secretary/ Chief Executive Officer

# KENYA LEATHER DEVELOPMENT COUNCIL

## XI STATEMENT OF CHANGES IN NET ASSETS For the year ended 30 June 2014

	Revenue Reserve	Capital Fund	Total
	Kshs	Kshs	Kshs
<b>Balance as at 30<sup>th</sup> July 2013</b>	-	4,620,986	4,620,986
Capital Fund	-	-	-
Surplus/(deficit)for the period	59,736,118	-	59,736,118
<b>Balance as at 30<sup>th</sup> June 2013</b>	59,736,118	4,620,986	64,357,104
Capital Fund	-	-	-
Surplus/(deficit)for the period	(8,287,691)	-	(8,287,691)
<b>Balance as at 30<sup>th</sup> June 2014</b>	<u>51,448,427</u>	<u>4,620,986</u>	<u>56,069,413</u>

# KENYA LEATHER DEVELOPMENT COUNCIL

## XII STATEMENT OF CASHFLOWS

	2014	2013
Note	Kshs	Kshs
<b>Cash from Operating Activities</b>		
Operating Surplus/Net Income	(8,287,691)	59,736,118
Add: Depreciation	11,453,625	11,188,027
Gain on Disposal	(45,500)	-
<b>Net Cash flows from operating Activities before Changes in Working Capital</b>	<b>3,120,434</b>	<b>70,924,145</b>
<b>Changes in Working Capital</b>		
Decrease(Increase) in Prepayments	(2,238,654)	-
Increase(decrease)in payables	(2,213,388)	2,868,354
Increase(decrease) in inventories	347,293	(347,293)
<b>Net change in working capital</b>	<b>(4,104,749)</b>	<b>2,521,061</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(984,315)</b>	<b>73,445,206</b>
<b>Cash Flows from Investing Activities</b>		
Disposal of Investment	2,419,250	-
Purchase of Software	(132,000)	-
Purchasing of Non - current assets	(3,384,488)	(68,636,763)
<b>Net Cash generated from investing Activities</b>	<b>(1,097,238)</b>	<b>(68,636,763)</b>
<b>Cash flows from financing activities</b>		
Increase/(decrease) in Cash&cash equivalents	(2,081,553)	4,808,443
<b>Cash and cash equivalents at the beginning of yr</b>	<b>4,808,443</b>	<b>-</b>
<b>Cash and cash equivalents at the end of yr</b>	<b>2,726,890</b>	<b>4,808,443</b>

# KENYA LEATHER DEVELOPMENT COUNCIL

## XIII STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

	<b>2014 BUDGET</b>	<b>2014 ACTUAL</b>	<b>DEVIATION</b>
<b><u>Revenue</u></b>	<b>Kshs</b>	<b>Kshs</b>	
<b>Revenue from non-exchange transactions</b>			
Government Funding	59,625,000	49,218,750	10,406,250
Donor Funding	1,290,000	1,290,000	<b>0</b>
	<b>60,915,000</b>	<b>50,508,750</b>	<b>10,406,250</b>
<b>Revenue from non-exchange transactions</b>		-	
<b>Total Revenue</b>	<b>60,915,000</b>	<b>50,508,750</b>	<b>10,406,250</b>
<b><u>Expenses</u></b>			
Administrative	31,066,354.95	16,831,214	14,235,140.95
Board and Committee	3,712,187	3,762,366	(50,179)
Tanneries and Research Expenses	6,480,000	7,439,382	(959,382)
Staff Cost	19,648,958.05	18,744,214	904,744.05
Depreciation and amortization expense	0	11,453,625	(11,453,625)
Finance Costs	7,500	31,140	23,640
Audit Fees	0	580,000	(580,000)
<b>Total Expenses</b>	<b>60,915,000</b>	<b>58,841,941</b>	<b>2,073,059</b>
Surplus/(Loss) before Other gains/(loss)	0	<b>(8,333,191)</b>	<b>8,333,191</b>
<b>Other gains/(losses)</b>			
Gain/(loss) on sale of assets	0	45,500	(45,500)
<b>Surplus/(Deficit)</b>	<b>0</b>	<b><u>(8,287,691)</u></b>	<b>8,287,691</b>

### Notes

1. Government funding deficit of Kshs. 10,406,250 was caused by inadequate exchequer.
2. Administrative cost under-expenditure of Kshs.14,235,140.95 was caused by lack of liquidity as a result of less disbursement from the parent Ministry

# KENYA LEATHER DEVELOPMENT COUNCIL

## XIV NOTES TO THE FINANCIAL STATEMENTS

### 1. Statement of compliance and basis of preparation – IPSAS 1

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

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

### 2. Summary of significant accounting policies

#### a) Revenue recognition

##### i) Revenue from non-exchange transactions – IPSAS 23

#### **Government and Donor Funding**

The Council recognizes revenues from Government and donors when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Council and the fair value of the asset can be measured reliably.

#### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Council and can be measured reliably.

##### ii) Revenue from exchange transactions – IPSAS 9

#### *Rendering of services*

The Council recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

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## *Sale of goods*

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council. The council is not currently engaged in sale of goods

## *Interest income*

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period. The council currently has no interest income

## **b) Budget information – IPSAS 24**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Council. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Council differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

## **c) Taxes – IAS 12**

### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Council operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Council and the same taxation authority.

### *Sales tax*

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### **d) Investment property – IPSAS 16**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

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Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use. The council does not have investments during the current financial year under audit.

## **e) Property, plant and equipment – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Council recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The council adopts a straight line depreciation policy as follows;

Motor Vehicles	25%
Computers	30%
Furniture, Fittings and Equipment	12.5%

## **f) Leases – IPSAS 13**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Council. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Council also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Council will obtain ownership of the asset by the

## KENYA LEATHER DEVELOPMENT COUNCIL

end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Council. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

### **g) Intangible assets–IPSAS 31**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

### **i) Research and development costs**

The Council expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Council can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

### **h) Financial instruments – IPSAS 29**

#### ***Financial assets***

#### ***Initial recognition and measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Council determines the classification of its financial assets at initial recognition.

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## ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

## ***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Council has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

## ***Impairment of financial assets***

The Council assesses at each reporting date whether there is objective evidence that a financial asset or a Council of financial assets is impaired. A financial asset or a Council of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Council of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Council of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

## ***ii) Financial liabilities***

### ***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Council determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

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## ***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

IPSAS 29.65

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

## **i) Inventories – IPSAS 12**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Council.

## **j) Provisions – IPSAS 19**

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

Where the Council expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

## ***Contingent liabilities***

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

## ***Contingent assets***

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

## **k) Nature and purpose of reserves**

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

## **l) Changes in accounting policies and estimates – IPSAS 3**

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

## **m) Employee benefits – IPSAS 25**

### **Retirement benefit plans**

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

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## **n) Foreign currency transactions – IPSAS 4**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise. Currently there are no foreign exchange transactions

## **r)Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

## **s)Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. There were no comparative figures during the financial year

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

The preparation of the Council's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made:

### ***Estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Council based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances

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arising beyond the control of the Council. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

## *Useful lives and residual values*

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Council
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

## *Provisions*

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Notes. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

## **u) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

## **2. Government Funding**

	<b>Jun-14</b>	<b>Sept, 2011 - Jun-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
GoK Grant - Development	31,218,750	38,685,000
GoK Grant - ESP	-	74,999,992
GoK Grant - Recurrent	18,000,000	30,719,091
	<u>49,218,750</u>	<u>144,404,083</u>

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### 3. Administrative Expenses

	Jun-14	Sept, 2011 - Jun-2013
	Kshs	Kshs
Cleaning & compound maintenance	211,414	-
Computer Repairs & Accessories	41,145	1,462,400
Consultancy	2,198,200	1,737,420
Courier and Postage	8,460	25,402
Donation	20,000	-
Electricity	-	40,000
General Office Supplies	151,664	2,475,692
Generator Expenses	7,300	1,209,081
Internet & Website	501,120	969,023
Magazines & Periodicals	42,255	-
Motor Vehicle Fuel	890,354	-
Motor Vehicle Insurance	189,380	975,159
Motor Vehicle Maintenance	1,045,869	719,241
Office Insurance Cover	49,199	-
Office Rent	3,828,000	7,308,000
Office Welfare	831,918	1,495,105
Printing and Stationeries	928,698	-
Publicity & Communication	1,596,655	3,992,815
Repairs and Maintenance	173,863	5,074,905
Security Services	743,262	844,332
Staff Uniform	-	4,000
Subscription & Membership	11,000	101,235
Subsistence allowance	1,016,368	2,042,533
sundry expenses	27,368	628,619
Telephone & mobile	472,140	618,780
television subscriptions	20,000	-
Trade and shows&exhibions	386,839	733,435
Training Expenses	823,248	1,388,200
Transport & Travelling	160,995	2,020,235
Water and Sewerage Charges	274,500	595,692
Website and Email	180,000	-
	<b><u>16,831,214</u></b>	<b><u>36,461,304</u></b>

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## 4. Board and Committee

	<b>Jun-14</b>	<b>Sept, 2011 - Jun-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Board Committee	2,825,189	3,770,867
Conferences	62,000	-
Audit and Finance Committee	168,588	-
Honoraria	560,000	-
HR & Administration	136,589	-
Technical Committee	10,000	-
	<b><u>3,762,366</u></b>	<b><u>3,770,867</u></b>

## 5. Tanneries and Research

	<b>Jun-14</b>	<b>Sept, 2011 - Jun-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Chemical & Industrial Gases	-	7,223,980
NDMA projects	-	1,400,000
ESP Project	-	761,675
Research & Policy	7,200	-
Supplies for production	-	6,092,766
Research	-	620,240
Tanneries	7,432,182	-
	<b><u>7,439,382</u></b>	<b><u>16,098,661</u></b>

## 6. Staff Cost

	<b>Jun-14</b>	<b>Sept, 2011 - Jun-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Gratuity	1,116,000	-
NSSF - Employer contribution	6,400	-
Salaries & Top-Ups	16,166,181	15,966,370
Staff Insurance	415,062	-
Wages	1,040,571	1,154,146
	<b><u>18,744,214</u></b>	<b><u>17,120,516</u></b>

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### 7. Depreciation and Amortisation

	<b>Jun-14</b>	<b>Sept, 2011 - Jun-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
	<b>Kshs</b>	<b>Kshs</b>
Computer Depreciation	1,201,067	1,072,010
Furniture & Fittings	7,313,676	7,305,079
Motor Vehicle Depreciation	2,938,882	2,810,938
	<b>11,453,625</b>	<b>11,188,027</b>

### 8. Cash and Cash Equivalents

	<b>Jun-14</b>	<b>Sept, 2011 - Jun-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash Control	50,375	-
Emergency Fund	100,000	-
Kenya Commercial Bank	2,553,189	4,800,525
Petty Cash	8,885	7,918
Standing imprest	14,441	-
	<b>2,726,890</b>	<b>4,808,443</b>

### 9. Fuel Card

	<b>Jun-14</b>	<b>Sept, 2011 - Jun-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
	<b>Kshs</b>	<b>Kshs</b>
Fuel Card		
National Oil Corporations	339,077	-
	<b>339,077</b>	-

### 10. Prepayments

	<b>Jun-14</b>	<b>Sept, 2011 - Jun-2013</b>
	<b>Kshs</b>	<b>Kshs</b>
	<b>Kshs</b>	<b>Kshs</b>
Motor Vehicle Insurance	622,069	-
Office Insurance	25,977	-
Group Life Insurance	88,500	-
Medical Cover	57,452	-
WIBA/GPA	61,579	-
Rent Prepayment	1,044,000	-
	<b>1,899,577</b>	-

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## 11. Inventory

	Jun-14	Sept, 2011 - Jun-2013
	Kshs	Kshs
Inventory	-	347,293
	-	347,293
	-	347,293

## 12. Property, plant and equipment

### FIXED ASSETS MOVEMENT SCHEDULE

	Furniture, Fittings & Equipment	Computer Equipment	Motor Vehicle	Total
<b>COST (Kshs)</b>				
At 01 Sept 2011	2,075,736	171,500	2,373,750	4,620,986
Additions	56,364,898	3,401,865	8,870,000	68,636,763
Disposals	-	-	-	-
Transfers/Adjustments	-	-	-	-
<b><u>At 30 June 2013</u></b>	<b>58,440,634</b>	<b>3,573,365</b>	<b>11,243,750</b>	<b>73,257,749</b>
Additions	68,770	430,190	2,885,528	3,384,488
Disposals	-	-	(2,373,750)	(2,373,750)
Transfer/Adjustment	-	-	-	-
<b><u>At 30 June 2014</u></b>	<b>58,509,404</b>	<b>4,003,555</b>	<b>11,755,528</b>	<b>74,268,487</b>
<b>DEPRECIATION</b>				
At 01 Sept 2011	-	-	-	-
Depreciation	7,305,079	1,072,010	2,810,938	11,188,027
Disposals	-	-	-	-
Impairment	-	-	-	-
<b><u>At 30 June 2013</u></b>	<b>7,305,079</b>	<b>1,072,010</b>	<b>2,810,938</b>	<b>11,188,027</b>
Depreciation	7,313,676	1,201,067	2,938,882	11,453,625
Disposals	-	-	-	-
Impairment	-	-	-	-
Transfers/Adjustment	-	-	-	-
<b><u>At 30 June 2014</u></b>	<b>14,618,755</b>	<b>2,273,077</b>	<b>5,749,820</b>	<b>22,641,652</b>
<b>NET BOOK VALUES</b>				
<b>At 30 June 2013</b>	<b>51,135,555</b>	<b>2,501,355</b>	<b>8,432,812</b>	<b>62,069,722</b>
<b>At 30 June 2014</b>	<b>43,890,649</b>	<b>1,730,478</b>	<b>6,005,708</b>	<b>51,626,835</b>

## KENYA LEATHER DEVELOPMENT COUNCIL

### 13. Intangible assets - software

Cost	Shs
At 1 Sept 2011	-
Additions	-
<b>At 30 June 2013</b>	<b>-</b>
Additions – Purchase of software	<u>132,000</u>
<b>At 30 June 2014</b>	<b><u>132,000</u></b>
<b>Amortization and impairment</b>	
At 1 Sept 2011	-
Amortization	-
<b>At 30 June 2013</b>	<b>-</b>
Amortization	-
Impairment loss	-
<b>At 30 June 2014</b>	<b><u>-</u></b>
<b>Net book values</b>	
At 30 June 2014	<b>132,000</b>
At 30 June 2013	-

### 14. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2014	2013
	Kshs	Kshs
NHIF	3,200	-
NSSF	1,600	-
PAYE	4,166	-
Account Payable	66,000	2,868,354
Audit fees	<u>580,000</u>	-
<b>Totals</b>	<b><u>654,966</u></b>	<b><u>2,868,354</u></b>

# KENYA LEATHER DEVELOPMENT COUNCIL


## XV PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

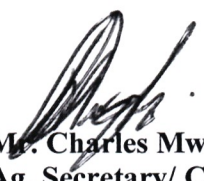
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	The council had unqualified financial statements during the 2012/2013 financial year				

**Guidance Notes:**

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

  
**Mr. Titus Ibui**  
 Chairman of the Board  
 Officer

Date... 20/3/15 .....

  
**Mr. Charles Mwangi Ndungu**  
 Ag. Secretary/ Chief Executive

Date... 20/3/15 .....