

REPUBLIC OF KENYA

Library

PAPERS LAID No 178	
Speaker N. A.	Clerk Assis
Speaker	C. H. Editor
Member N. A.	Reporters
D/K Clerk	Library
P. C. A.	Press

KENYA NATIONAL AUDIT OFFICE


PARLIAMENT OF KENYA LIBRARY

**REPORT
OF
THE CONTROLLER
AND AUDITOR-GENERAL**

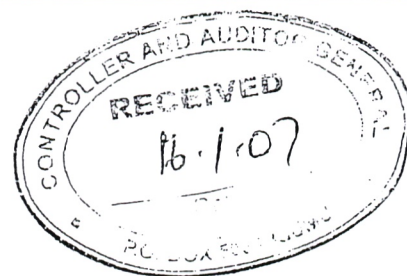
ON

**THE FINANCIAL STATEMENTS OF LAKE
BASIN DEVELOPMENT AUTHORITY FOR
THE YEAR ENDED 30 JUNE 2006**

KENYA NATIONAL ASSEMBLY LIBRARY
 Accession: 10012307
 Call No: 657.45 KNAD







REPUBLIC OF KENYA
MINISTRY OF REGIONAL DEVELOPMENT AUTHORITIES

LAKE BASIN  **DEVELOPMENT**
AUTHORITY

ANNUAL REPORT
AND
FINANCIAL STATEMENTS FOR
THE YEAR ENDED
30th JUNE 2006

P O Box 1516
KISUMU, Kenya
TEL: 254-057-2027227
FAX: 254-057-2027228
Email: lake_basinauth@yahoo.com ; lakebasin@swiftkisumu.com

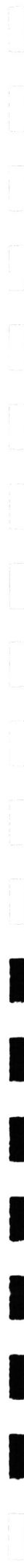


TABLE OF CONTENTS

	Page
Company Information	1 - 2
Board of Directors and Senior Management	3
Lake Basin Development Authority Mission, Vision & Core Values	4
Directors Report	5
Statement of Directors Responsibilities	6
Balance Sheet	7
Statement of Changes in Equity	8
Income & Expenditure Statement	9
Cash Flow Statement	10
Notes to the Financial Statements	11 - 20

LAKE BASIN DEVELOPMENT AUTHORITY

COMPANY INFORMATION

Incorporation: -

Lake Basin Development Authority is a body corporate established under the provisions of LBDA Act 1979 Cap 442 of the Laws of Kenya and it is domiciled in Kenya.

Registered Office and Principal Place of Business

Kanyakwar
Kakamega - Kisumu Road
P.O. Box 1516
KISUMU
KENYA

Bankers

1. National Bank of Kenya Ltd.
Kisumu Branch
P.O. Box 1152
KISUMU
KENYA
2. Kenya Commercial Bank Ltd.
Kisumu Branch
P.O. Box 17
KISUMU
KENYA
3. Cooperative Bank of Kenya Ltd.
Kisumu Branch
P.O. Box 1511
KISUMU
KENYA

Lawyers/Advocates

1. Wekesa & Co. Advocates
ACK Garden House
2nd Floor wing C
P.O. Box 10299 - 00100
NAIROBI
KENYA

2. Otieno Yogo & Co. Advocates
7th Floor KNA Building
P.O. Box 2453
KISUMU
KENYA

3. Tom Mboya & Company Advocates
P.O. Box 666 - 40400
SUNA - MIGORI
KENYA

4. C. B. G. Ouma & Co. Advocates
Stanchart House
P.O. Box 2532
KISUMU
KENYA

The Independent Auditor

The Controller & Auditor General
Kenya National Audit Office
Kencom House
P.O. Box 30084
NAIROBI
KENYA

BOARD OF DIRECTORS

1. Mr. Zablon O. Olang' - **Chairman**
2. Mr. Herman J. L Ogulla
3. Mr. Maroa Mahingira
4. Mr. Joseph Ogutu
5. Mr. Abdi Sheikh
6. Mr. Ferdinand K. Wanyonyi - Managing Director (**Secretary**)
7. Mr. Mathew Esese
8. Mr. Tom O. Bonyo
9. Rev. Kepha N. Omae
10. Dr. Carey F. Onyango
11. Mr. John Kaura
12. Mr. Samuel Gor
13. Mr. H.M Otieno
14. Ms Pauline Dola
15. Eng. George O. MacOdawa
16. Mr. Epimach Maritim
17. Mr. B.S Mbeja
18. Mr. Apolo Mboya
19. Mr. J. Sang'
20. Mr. M.N Obino
21. Mr. Aggrey Busena
22. Mr. Chris Makokha
23. Dr. Anthony Walela
24. Mr. Ali M. Chibole

SENIOR MANAGEMENT

1. Mr. Ferdinand K. Wanyonyi - Managing Director
2. Mr. John M Okello - Deputy Managing Director
3. Mr. Benson A. Lubanga - Chief Finance Officer
4. Mr. Peter Kabok - Irrigation & Drainage Engineer
5. Mr. Samuel Bett - Human Resource Manager
6. Mr. Job I. Okach - Principal Fisheries Officer
7. Mr. Nicholas Opinya - Business Development & Marketing Manager
8. Mr. Philip Oloo - Ag. Agricultural Manager
9. Mr. Zephania Nyakora - Ag Regional Planner
10. Mr. Evans A. Atera - Ag. Rice Mill Manager
11. Mr. Dan O. Angado - Chief Internal Auditor

LBDA VISION MISSION AND CORE VALUES

VISION

The Authority's Vision is to facilitate the utilization of the available resources in order to turn the Lake Basin region into a hub of sustainable economic activity that will not only contribute to the welfare of the residents but also the national economy.

MISSION

The Mission of the Authority is to spearhead development in the Lake Basin region so as to achieve the highest level of performance by ensuring the efficient and sustainable utilization of the abundant resources in the Lake Victoria catchment area in order to increase the ability from the local people to participate in economic development activities and create wealth.

CORE VALUES

The Authority will build a staff community based on integrity, teamwork, cooperation, unity, accountability, honesty, innovative creativity, technological compliance and professionalism.

DIRECTORS REPORT

The directors present their report together with the audited financial statements for the year ended 30th June 2006.

Activities: -

The principal activities of the Authority, established under Cap 442 Laws of Kenya are: -

- (a) Agricultural i.e. Crop & Horticultural Production, Fisheries Development, Livestock Multiplication and Poultry Production
- (b) Industrial i.e. Brick & Tiles Production., Rice Milling & Honey Production,
- (c) Environmental Conservation i.e. Agro forestry, Monitoring & Effluent Evaluation and Water Catchment Conservation
- (d) Regional Studies

Results: -

Kshs.

Deficit for the year	(135,583,060.40)
Revenue Reserves Balance b/d	(745,662,815.05)
Total	(881,245,875.45)

Auditors: -

The Controller and Auditor General, Kenya National Audit Office (KENAO) will continue being our auditors in accordance with section 14 of the Public Audit Act 2003.



Zablon O. Olang'
CHAIRMAN



Ferdinand K. Wanyonyi
MANAGING DIRECTOR

Date:.....16.01.2007.....

Date:.....16/1/07.....


STATEMENT OF DIRECTORS' RESPONSIBILITIES: -


The Companies Act require the directors to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each financial year and of its profit or loss for that year. The directors are required to ensure that the company maintains proper accounting records, which disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, consistent with previous years, and in conformity with International Financial Reporting Standards. 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 Authority as at 30th June 2006 and of its operating results for the year then ended. The directors further confirm the accuracy and completeness of the accounts record maintained by the Authority which has been relied upon in the preparation of the financial statements, as well as on the adequacy of the internal financial controls.

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

This statement is approved by the board of directors and it is signed on their behalf by:


Zablon O. Olang
BOARD CHAIRMAN


Ferdinand K. Wanyonyi
MANAGING DIRECTOR

Date:.....16.01.2007.....

Date:.....16/1/07.....



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LAKE BASIN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2006

I have audited the financial statements of Lake Basin Development Authority for the year ended 30 June 2006 in accordance with the provisions of 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. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and the Controller and Auditor General

The directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Authority and 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.

1. Financial Position

During the year ended 30 June 2006, the Authority recorded a deficit of Kshs.135,583,060 (2005 – Kshs.54 279,772) thereby increasing its accumulated losses to Kshs.881,245,875 as at the same date. The unfavorable result is mainly attributed to finance costs of Kshs.155,349,108 (2004/2005 – 122,403,482) which comprises bank charges and bank overdraft accrued interest. The balance sheet as at 30 June 2006 further reflects a negative working capital of Kshs.707,866,100 mainly due to the bank overdraft and creditors in the amount of Kshs.818,801,314.60 and Kshs.157,146,351.25 respectively. The Authority is therefore technically insolvent and its continued

existence as a going concern is dependent on the financial support of the Government, its creditors and bankers.

2. Property, Plant and Equipment – Kshs.550,191,257.85

Included in the property, plant and equipment balance of Kshs.550,191,257 as at 30 June 2006 is the Authority land valued at Kshs.62,674,333. According to a list of parcels of land seen, the value of two (2) parcels of land assigned a value of Kshs.7,790,333.00 was not supported by valuation reports while nine (9) parcels of land had no values assigned to them. Fourteen (14) other parcels of land valued at Kshs.54,884,000.00 were not supported either by valuation reports or title deeds. In the circumstances, it has not been possible to confirm that property, plant and equipment balance of Kshs.550,191,257.85 is fairly stated.

3. Bank Overdraft – Kshs.818,801,314

The balance sheet reflects a bank overdraft of Kshs.818,801,314 as at 30 June 2006. Although the Authority was in October 2004 given Kshs.120,785,777 by the Ministry of Regional Development to partially clear the overdraft, instead of reducing the overdraft, it deposited the money in Co-operative Bank where it earns interest at 7% p.a. while the overdraft attracts interest at 21% p.a. There is no authority seen from the Parent Ministry to deposit the money in Co-operative Bank. The deposit in the Co-operative Bank has since been used to pay creditors leaving a balance of Kshs.88,254,096 as at 30 June 2006.

4. Debtors

The debtors balance of Kshs.133,923,194 as at 30 June 2006 includes a debt of Kshs.129,000,000 owed by M/s China Jiangstu being overpayment for construction of a Rice Mill. The debt has been outstanding in the Authority's books of account for many years. According to information seen, the Authority is demanding the debt through an Advocate. The balance also includes a debt of Kshs.14,209,927 being farm inputs loaned in 1991 to rice farmers. However, the particulars of the farmers who received the loans were not produced for audit review. Consequently, the recoverability of the above debts is doubtful.

5. Staff Advances/Car Loans – Kshs.7,811,366

The balance sheet reflects a balance of Kshs.7,811,366 against staff advances and car loans. The balance further includes Kshs.1,807,119 and Kshs.87,321 due as staff advances and car loans from officers who are no longer in employment of the Authority, whose recoverability is doubtful. In addition, the Authority does not have a clear policy on the provision for bad debts contrary to International Financial Reporting Standards. The propriety of the balance sheet staff advances/car loans figure cannot therefore be ascertained.

Opinion

Except for the foregoing observations, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of affairs of the Authority as at 30 June 2006 and its deficit and cash flows for the year then ended and comply with the Lake Basin Development Authority Act 1979, Cap 442 of the Laws of Kenya.


P. N. KOMORA
CONTROLLER AND AUDITOR GENERAL

Nairobi


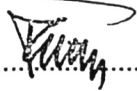
27 February 2007

LAKE BASIN DEVELOPMENT AUTHORITY

BALANCE SHEET AS AT 30TH JUNE 2006

PARTICULARS	NOTE	2006	2005
		Kshs.	Kshs.
NON CURRENT ASSETS			
Property, Plant & Equipment	2	550,191,257.65	559,642,818.90
CURRENT ASSETS			
Stock	3 (a)	11,273,020.55	8,332,883.60
Animal Stock	3 (b)	5,345,703.15	5,199,448.20
Debtors	4	133,923,194.25	136,025,132.60
Cash in Hand	5	10,163,100.65	11,362,673.15
Staff Advances/Loans	6	7,811,366.55	7,557,156.80
Bank	7	99,565,180.70	117,983,773.35
		268,081,565.85	286,461,067.70
CURRENT LIABILITIES			
Bank Overdraft	8	818,801,314.60	664,911,265.75
Creditors	9	157,146,351.25	201,014,130.65
		975,947,665.85	865,925,396.40
NET CURRENT LIABILITIES		(707,866,100.00)	(579,464,328.70)
NET ASSETS		(157,674,842.35)	(19,821,509.80)
FINANCED BY:			
Capital Grants	10	583,940,768.90	583,940,768.90
Capital Reserves	11	121,412,536.25	121,412,536.25
Revenue Reserves	12	(881,245,875.45)	(745,662,815.05)
Revaluation Reserves	13	18,217,727.95	20,488,000.10
NET FINANCE		(157,674,842.35)	(19,821,509.80)

SIGNED: -

<u>NAME</u>	<u>DESIGNATION</u>	<u>SIGNATURE</u>	<u>DATE</u>
Zablon O. Olang'	Chairman		16.01.2007
Ferdinand K. Wanyonyi	Managing Director		16/1/07

LAKE BASIN DEVELOPMENT AUTHORITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2006

	Capital Grants Kshs.	Capital Reserves Kshs.	Revenue Reserves Kshs.	Revaluation Reserves Kshs.	Total Kshs.
As at 1.7.2004	583,940,768.90	121,412,536.25	(682,305,398.40)		23,047,906.75
Prior Yr. Adj. (creditors)			(9,077,644.00)		(9,077,644.00)
Surplus/(Deficit) for the year			(54,279,772.65)		(54,279,772.65)
Revaluation surplus				18,217,727.95	18,217,727.95
As at 30.6.2005	583,940,768.90	121,412,536.25	(745,662,815.05)	18,217,727.95	(22,091,781.95)
As at 1.7.2005	583,940,768.90	121,412,536.25	(745,662,815.05)	18,217,727.95	(22,091,781.95)
Surplus/(Deficit)			(135,583,060.40)		(135,583,060.40)
As at 30.6.2006	583,940,768.90	121,412,536.25	(881,245,875.45)	18,217,727.95	(157,674,842.35)

14

LAKE BASIN DEVELOPMENT AUTHORITY

INCOME & EXPENDITURE FOR THE YEAR ENDING 30TH JUNE 2006

PARTICULARS	NOTE	2006	2005
INCOME		KSHS	KSHS
GRANTS (DEVELOPMENT/RECURRENT)	14	130,668,721.20	250,789,330.00
INTEREST EARNED		6,116,288.90	3,199,895.65
OTHER INCOME	15	11,571,720.10	6,311,416.90
SALE OF PRODUCE/LIVESTOCK/BRICKS		16,487,889.75	8,343,381.65
INTEREST WAIVED		22,603,870.60	
GAIN ON DISPOSAL OF ASSETS		552,030.00	
CLOSING STOCK		11,273,020.55	8,332,883.60
CLOSING STOCK - ANIMALS		5,345,703.15	5,199,448.20
TOTAL INCOME		204,619,244.25	282,176,356.00
 EXPENDITURE			
FINANCE COSTS	16	155,349,108.65	122,403,482.90
OPERATIONAL COSTS	17	76,687,818.30	116,274,654.55
STAFF COSTS	18	108,165,377.70	97,777,991.20
TOTAL EXPENSES		340,202,304.65	336,456,128.65
DEFICIT FOR THE YEAR		(135,583,060.40)	(54,279,772.65)

LAKE BASIN DEVELOPMENT AUTHORITY
CASH FLOW STATEMENT FOR THE YEAR ENDING 30TH JUNE 2006

<u>OPERATING ACTIVITIES</u>	<u>NOTE</u>	2006 KSHS	2005 KSHS
Net surplus/ (Deficit)		(135,583,060.40)	(54,279,772.65)
Adjust for non cash items			
Gain on Disposal of Assets		(552,030.00)	-
Interest Waived		(22,603,870.60)	-
Prior year Adjustment (creditors)		-	(9,077,644.00)
Depreciation		9,723,880.10	14,574,092.65
		(149,015,080.90)	(48,783,324.00)
Adjust for changes in operating			
Receivables & Payables			
Stocks		(2,940,136.95)	(1,559,310.10)
Debtors		2,101,938.35	(8,397,532.15)
Animal stocks		(146,254.95)	(937,902.20)
Advances		(254,209.75)	827,703.45
Creditors		(21,410,821.75)	51,318,890.50
Net cashflow after working capital changes		(171,664,565.95)	(7,531,474.50)
<u>INVESTING ACTIVITIES</u>			
Disposal of Assets		869,780.00	
Purchase of Fixed Assets		(2,713,428.00)	(80,695.00)
		(173,508,213.95)	(7,612,169.50)
<u>NET INCREASE/(DECREASE) IN CASH</u>			
<u>AND CASH EQUIVALENT</u>			
Cash at beginning of period	14 (a)	(535,564,819.30)	(527,952,649.80)
Cash at the end of the period	(b)	(709,073,033.25)	(535,564,819.30)
		(173,508,213.95)	(7,612,169.50)

LAKE BASIN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30TH JUNE 2006

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adapted are set out below:

(a) Basis of Preparation

The financial statements have been prepared on historical cost basis of accounting as modified to include revaluation of certain property, plant and equipments.

(b) Revenue Recognition

The Authority receives substantial funding both Recurrent and Development from the Exchequer.

Other Income together with sale of farm produce/Livestock and Bricks, earned by the Authority is recognized as it accrues.

(c) Currency

Assets and liabilities are expressed in local currency i.e. Kenya Shillings (Kshs.).

(d) Retirement Benefits Obligations

(i) **Defined benefit scheme**

The Authority operates a defined retirement benefit provident fund scheme for all employees. The assets of the scheme are held and administered independently of the Authority's assets. The scheme is funded by contributions from both the Authority and the employees. The Authority's contributions to the fund are charged to the income statements so as to spread the regular cost over the service lives of the employees.

(ii) **Defined contribution scheme**

The Authority contributes to the statutory National Social Security Fund. This is a defined contribution scheme for which the Authority's obligation is limited to a specified contribution per employee per month. Currently the contribution is limited to a maximum of Kshs. 200/= per employee per month. The Authority's contributions are charged to the income statement in the year to which they relate.

(iii) **Service gratuity**

This is in respect of employees whose services were terminated after the expiry of their contract period. Gratuity payments are based on the employee's salary at the time of termination of service.

The service gratuity is provided for in the accounts as it accrues to each employee.

(e) Amortization of leasehold land

The requirement of I.A.S 17 has not been implemented since most of the land owned by the Authority is trust land and no valuation has currently been carried out.

(f) Depreciation

Freehold and leasehold land are not depreciated as it is deemed to have indefinite life. Depreciation on other property and equipment are calculated to write off their costs or valuation in equal annual installments over the estimated useful life.

The Annual rates used are:

	%
a) Tractors	37.5
b) Motor Vehicles/Cycles	25.0
c) Farm Implements	12.5
d) Buildings.....	2.0
e) Loose Tools & Equipment	12.5
f) Furniture, Fittings & Fixtures	12.5
g) Office Machines & Equipment	12.5
h) Rural Access Roads	33.3
i) Computer & Other Class II Equipment	30.0
j) Adaptive Research.....	20.0
k) Property Plant & Equipment.....	12.5

(g) Comparatives

Where applicable comparative figures have been adjusted to conform with the changes in the presentation in the current year.

(h) Taxation

The Lake Basin Development Authority Act of 1979 Cap 442 of the Laws of Kenya exempts the Authority from paying income tax as it is a non commercial undertaking.

(i) Contingent Liabilities

There was a contingent liability of Kshs. 3,695,222.40 (8,421,965.40 in 2005) in respect of legal fees.

(j) (i) Stock

The stock is valued at lower of cost and net realizable value as per IAS 2.

(ii) Animal stock

The livestock have been valued at their fair market value less estimated point of sale costs. The fair value of livestock is determined on prices of livestock of similar age, breed and genetic merit as per IAS 41.

LAKE BASIN DEVELOPMENT AUTHORITY

NOTE 2

SCHEDULE OF PROPERTY PLANT & EQUIPMENT FOR THE YEAR ENDED 30TH JUNE 2006

	LAND	BUILDINGS	PROPERTY PLANT & EQUIPMENT	ADAPTIVE RESEARCH	RURAL ACCESS ROADS	WORK IN PROGRESS	FURNITURE & FIXTURES	COMPUTER & OTHERS CLASS II EQUIP.	M/ VEHICLES & TRACTORS	TOTAL
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<u>COST OR VALUATION</u>										
As at 1.7. 2005	62,674,333.00	222,168,237.05	154,959,667.20	36,158,175.25	36,065,225.00	312,389,212.40	8,106,235.30	6,849,832.15	72,606,055.90	911,976,973.25
Additions			80,997.00					110,190.00	2,594,229.00	2,785,416.00
Revaluation										
Disposals			(103,075.00)						(456,000.00)	(559,075.00)
Balance as at 30/6/06	62,674,333.00	222,168,237.05	154,937,589.20	36,158,175.25	36,065,225.00	312,389,212.40	8,106,235.30	6,960,022.15	74,744,284.90	914,203,314.25
<u>DEPRECIATION</u>										
As at 1.7. 2005		48,376,349.25	152,766,950.75	36,158,175.25	36,065,225.00		7,712,393.95	5,862,217.30	67,663,115.00	354,604,426.50
Charge for the year		4,359,964.70	328,175.95	-	-	-	65,385.00	817,712.20	671,942.25	6,243,180.10
Charge on Revaluation		238,200.00	41,875.00						3,200,625.00	3,480,700.00
Disposal			(44,500.00)						(271,750.00)	(316,250.00)
Balance as at 30/6/06	-	52,974,513.95	153,092,501.70	36,158,175.25	36,065,225.00	-	7,777,778.95	6,679,929.50	71,263,932.25	364,012,056.60
<u>NET BOOK VALUE</u>										
At 30th June 2006	62,674,333.00	169,193,723.10	1,845,087.50	-	-	312,389,212.40	328,456.35	280,092.65	3,480,352.65	550,191,257.65
At 30th June 2005	64,944,605.15	173,791,887.80	2,192,716.45	-	-	312,389,212.40	393,841.35	987,614.85	4,942,940.90	559,642,818.90

Adaptive Research and Rural Access Roads

Included in the Fixed Assets figure is the cost of Rural Access Roads amounting to Kshs. 36,065,225.00, which have been fully depreciated in the prior periods and it is now carried at Nil Book Value. Also the cost of Adaptive Research amounting to Kshs. 36,158,175.25 has been fully depreciated.

3. (a) STOCKS

	2006 Kshs.	2005 Kshs.
(a) General Hardware	1,529,960.15	1,647,626.50
(b) Automotive Spares	1,744,404.55	2,731,825.20
(c) Drugs & Chemicals	134,628.90	133,873.25
(d) Animal Feeds	186,626.75	51,410.00
(e) Bricks	32,165.00	22,000.00
(f) Stationery	625,090.25	540,992.00
(g) Seeds/seedlings	948,847.85	1,194,833.50
(h) Work in Progress	5,166,252.20	1,992,759.80
(i) Fuel/Produce	905,044.90	17,562.35
Total	<u>11,273,020.55</u>	<u>8,332,883.60</u>

(b) ANIMAL STOCK

	2006 Kshs.	2005 Kshs.
Bulls	243,225.00	493,875.00
Lactating Cows	2,774,625.00	2,664,010.00
Heifers	1,295,925.00	1,354,450.00
Sheep	22,500.00	14,100.00
Pigs	24,825.00	18,000.00
Fish & Ostrich	984,603.15	655,013.20
Total	<u>5,345,903.15</u>	<u>5,199,448.20</u>

4 DEBTORS-

	2006 Kshs.	2005 Kshs.
Debtors	150,358,762.35	152,460,700.70
Less Provision for bad debts	<u>(16,435,568.10)</u>	<u>(16,435,568.10)</u>
Total	<u>133,923,194.25</u>	<u>136,025,132.60</u>

The above figure includes Kshs.129, 000,000.00 owed by M/s China Jiangstu but exclude Kshs. 7,323,431.00 owed by M/s Joel Nyaseme, which is still under dispute. As for former WKRRDP debt, this was incurred in form of farm inputs given to Rainfed Rice farmers. There are no records for the same and currently there is a proposal for write off in 2005/2006 financial year to the Board of Directors.

5. CASH IN HAND

	2006 Kshs.	2005 Kshs.
Cash in Hand	10,163,100.65	11,362,673.15

6. STAFF ADVANCES

	2006	2005
	Kshs.	Kshs.
Car Loans	2,344,304.35	2,628,625.35
Fridge Loans	-	598,523.00
Salary Advances	<u>5,467,062.20</u>	<u>4,330,008.45</u>
Total	<u>7,811,366.55</u>	<u>7,557,156.80</u>

7. BANK BALANCE

	2006	2005
	Kshs.	Kshs.
Cooperative Bank Ltd.	89,079,721.05	116,324,709.30
Kenya Commercial Bank Ltd	3,817,015.05	956,610,.25
National Bank of Kenya Ltd.	<u>6,668,444.60</u>	<u>688,660.20</u>
Total	<u>99,565,180.70</u>	<u>117,983,773.35</u>

8. BANK OVERDRAFT

The above overdraft amount refers to funds originally borrowed between 1990 and 1991 of Kshs. 14,197,462.00 and the accumulated bank interest and other charges since then.

	2006	2005
	Kshs.	Kshs.
N.B.K. Kisumu	818,791,121.20	664,906,730.75
K.C.B. Bondo	5,588.00	4,535.00
KCB Siaya	<u>4,605.40</u>	<u>-</u>
Total	<u>818,801,314.60</u>	<u>664,911,265.75</u>

9. CREDITORS

	2006	2005
	Kshs.	Kshs.
Trade Creditors	157,146,351.25	201,014,130.65

10. CAPITAL GRANTS

These are direct payments to Suppliers by African Development Bank (ADB) for Rice Mill building, Revolving Fund, Consultancy, Rural Access Roads, Rice Mill machinery, Adaptive Research, Vehicles, Staff houses, Transit stores.

	2006	2005
	Kshs.	Kshs.
Capital Grants	583,940,768.90	583,940,768.90

11. CAPITAL RESERVES

This is made up of valuation of Authority premises and lands carried out by A & D Associates.

	2006	2005
	Kshs.	Kshs.
Capital Reserves	121,412,536.25	121,412,536.25

12. REVENUE RESERVES

	2006	2005
	Kshs.	Kshs.
As previously stated: -	(745,662,815.05)	(682,305,398.40)
Less: Prior year adjustments (creditors)	<u>-</u>	<u>(9,077,644.00)</u>
	(745,662,815.05)	(554,167,575.12)
Less Deficit for the year	<u>(138,583,060.40)</u>	<u>(54,279,772.65)</u>
TOTAL	<u>(884,245,875.45)</u>	<u>(745,662,815.05)</u>

13. REVALUATION RESERVE

This is arrived at after revaluation of Authority's assets (Yala Swamp houses, Plant & Machinery & Motor vehicles) by Hectares & Associates Ltd. & Ministry of Public Works in 2004 as follows:

	2006	2005
	Kshs.	Kshs.
Revaluation Reserve	18,217,727.95	20,488,000.00

14. GRANTS

This consists of monthly releases from the Parent Ministry of Regional Development Authorities for both Recurrent and Development expenditure.

	2006	2005
	Kshs.	Kshs.
Recurrent grants	104,178,271.20	122,779,213.00
Development grants	<u>26,490,000.00</u>	<u>128,010,117.00</u>
Total	<u>130,668,721.20</u>	<u>250,789,330.00</u>

15. OTHER INCOME

	2006	2005
	Kshs.	Kshs.
Hire of Lorry & Bulldozer	2,133,579.40	2,297,290.20
Sale of Rice	-	1,595,571.00
Sale of tender forms	282,110.00	131,000.00
Commercial rent/Sundry Income	6,156,030.70	992,783.70
Professional Income	-	1,294,772.00
Lease Rentals	<u>3,000,000.00</u>	<u>-</u>
Total	<u>11,571,720.10</u>	<u>6,311,416.90</u>

Professional Income relates to Environmental Impact Assessment done by the Authority on Dominion Farms Ltd. activities in Yala Swamp on behalf of National Environmental Management Authority (NEMA).

16. FINANCE COSTS

	2006	2005
	Kshs.	Kshs.
Bank charges & interest payable	1,459,059.80	765,397.55
Bank overdraft accrued interest	<u>153,890,048.85</u>	<u>121,638,085.35</u>
Total	<u>155,349,108.65</u>	<u>122,403,482.90</u>

17. OPERATIONAL COSTS

	2006	2005
	Kshs.	Kshs.
Advertisement	622,097.10	361,300.65
Animal feeds	2,066,189.00	1,438,540.00
Animal stock opening	5,199,448.20	4,261,546.00
ASK Show	648,717.80	1,527,775.00
Audit fees	420,000.00	402,500.00
Board & Conferences	4,152,253.00	2,227,472.20
Building repairs - Residential		26,780.00
Building repairs - Non- Residential	682,519.55	437,523.00
Dairy expenses	178,767.70	162,273.00
Depreciation	9,723,880.10	14,574,092.65
Donation & subscription	125,761.00	342,270.00
Drugs & chemicals	2,463,859.65	1,083,819.50
Electricity water & conservancy	919,516.20	794,914.75
Entertainment	1,999,584.95	1,358,415.90
Farm inputs		509,080.00
General hardware	918,471.05	476,774.80
Hire of Plant & machinery	249,073.50	175,928.00
Hire of transport	263,185.00	5,000.00
Horticulture	165,919.00	170,240.00
Insurance & license	609,918.00	308,549.20
Legal charges	2,572,019.20	13,058,013.60
Library	198,840.00	217,405.80
Maintenance of water & conservancy	587,498.15	22,837.00
Packaging materials	463,321.40	57,685.00
Paddy purchase	4,588,204.00	405,330.00
Motor vehicle running & maintenance	6,714,719.00	4,030,500.15
Motorcycle repairs	243,634.00	-
Plant & machinery repairs	2,075,377.20	1,112,714.45
Postage & stamps	135,546.50	171,033.40
Purchase of animals	773,002.50	330,000.00
Purchase of firewood and used oil	67,600.00	69,400.00
Purchase of crude honey		2,990.00
Purchase of seeds	724,416.00	107,128.00
Rent & Rates Non-Residential	6,575,753.90	25,649,350.55
Repair of office equipment	402,336.40	283,641.30
Repair office furniture	2,920.00	40,229.65
Security expenses	89,486.00	243,623.20
Stationery & office supplies	2,769,312.05	2,522,273.80
Stock opening	8,332,883.60	6,773,573.50
Telephone, telex & telegrams	2,261,749.50	1,960,563.20
Tax penalty	-	5,826,743.00
Travelling & Accommodation	5,469,310.00	7,486,188.00
Uniforms & clothing	230,727.9017,050.00
Total	<u>76,687,818.30</u>	<u>116,274,654.55</u>

18. STAFF COSTS

	2006	2005
	Kshs.	Kshs.
Allowance to staff	-	255,390.00
Casual wages	13,951,470.75	14,037,877.55
Ex-Gratia	51,771.00	370,210.05
Medical - In-Patient	241,621.00	810,747.85
NSSF employers contribution	834,200.00	802,600.00
Provident fund employer's contribution	9,731,886.25	10,253,258.90
Salaries	80,908,484.55	85,103,893.70
Training	172,860.00	1,373,948.75
Terminal Dues	2,192,820.15	-
Welfare Expenses	80,264.00	39,806.00
Workman's compensation	-	142,084.70
Total	<u>108,165,377.70</u>	<u>97,777,991.20</u>
Number of Staff	285	318

19. CASH AND CASH EQUIVALENTS

The Cash Flow statement is prepared using the in-direct method as specified in IAS 7 on Cash Flow Statements.

- (a) Cash and cash equivalents at the beginning of the period comprises of Cash in Hand and Bank less prevailing Overdraft.

	2006	2005
	Kshs.	Kshs.
a) Cash in Hand	11,362,673.15	13,044,777.15
b) Net in Bank	117,983,773.35	2,275,753.35
c) Less Overdraft	<u>(664,911,265.75)</u>	<u>(543,273,180.40)</u>
Total	<u>(535,564,819.30)</u>	<u>(527,952,649.90)</u>

- (b) Cash and Cash equivalents at the end of the period is built as:

	2006	2005
	Kshs.	Kshs.
a) Cash in Hand	10,163,100.65	11,362,673.15
b) Net in Bank	99,565,180.70	117,983,773.35
c) Less Overdraft	<u>(818,801,314.60)</u>	<u>(664,911,265.75)</u>
Total	<u>(709,073,033.30)</u>	<u>(535,564,819.30)</u>

20. WORK IN PROGRESS (WIP) WEIR & HEADQUARTERS

	2006	2005
	Kshs.	Kshs.
Yala Swamp Weir	122,206,680.90	122,204,680.90
Stalled HQ buildings	<u>190,184,531.50</u>	<u>190,184,531.50</u>
Total	<u>312,389,212.40</u>	<u>312,389,212.40</u>

Due to limited Government funding, the projects stalled and hence could not be capitalized because they are incomplete. The Management is pursuing the matter with the Parent Ministry with a view of completing the Projects.

However, the Yala Swamp Weir has since been taken by M/s Dominion Group of Companies.

21. CAPITAL COMMITMENTS

During the year under review, the Authority did not have any Capital Commitments since none has been approved by the Government of Kenya or Donor Partners.