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**KENYA NATIONAL AUDIT OFFICE**

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



**ON**

**FINANCIAL STATEMENTS OF  
LAKE BASIN DEVELOPMENT  
AUTHORITY FOR THE YEAR  
ENDED 30 JUNE 2009**





**REPUBLIC OF KENYA**

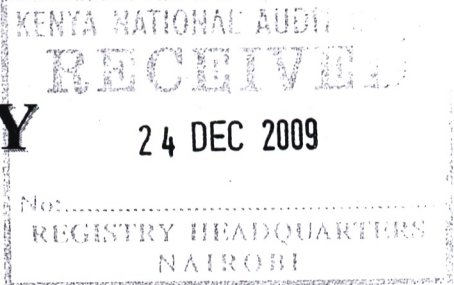
**MINISTRY OF REGIONAL DEVELOPMENT AUTHORITIES**

**LAKE BASIN**



**DEVELOPMENT**

**AUTHORITY**



**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS FOR  
THE YEAR ENDED  
30<sup>th</sup> JUNE 2009**

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KISUMU, Kenya  
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# **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

2<sup>nd</sup> Floor wing C

P.O. Box 10299 - 00100

**NAIROBI**

2. Otieno Yogo & Co. Advocates

7<sup>th</sup> Floor Wing "A" Varsity Plaza

P.O. Box 2453

**KISUMU**

3. Mugoye & Associates Advocates

11<sup>th</sup> Floor View Park Towers –Utalii Lane

P.O Box 28997-00200

**NAIROBI**

4. Nyanga & Company Advocates

1<sup>st</sup> Floor, Wing "A" Alpha House

P.O. Box 1071-40100

**KISUMU**

5. Gumbo & Associates Advocates

8<sup>th</sup> Floor, KVDA Plaza

P.O. Box 2718-30100

**ELDORET**

**The Independent Auditor**

The Controller & Auditor General

Kenya National Audit Office

Kencom House

P.O. Box 30084

**NAIROBI**

## **BOARD OF DIRECTORS 2008/2009**

1	Mr. Zablon O Olang'	-	<b>Chairman</b>
2	Dr. Tabitha Sewe		
4	Mr. Joseph W. Khaemba	-	<b>Managing Director (Secretary)</b>
5	Dr. Cary F. Onyango		
6	Eng. George O. MacOdawa		
7	Dr. Edward K. Terer		
9	Mrs. Carolyne R. Waluchio		
10	Dr. Hunter Mulamula		
11	Mr. Michael C. Lugalia		
12	Mr. Joseph G. Obwiru		
13	Mrs. Mary D. Michieka		

## **MANAGEMENT TEAM**

1	Mr. Joseph W. Khaemba	-	<b>Managing Director</b>
2	Mr. Dan Owuor Angado	-	<b>Chief Manager Finance HR &amp; Admin</b>
3	Mr. Maurice N. Obaso	-	<b>Chief Manager Business Support Services</b>
4	Eng. Peter A. K'Abok	-	<b>Chief Manager Engineering &amp; Tech. Services</b>
5	Mr. William O. Ogolla	-	<b>Chief Manager Agricultural Services</b>
6	Mr. Godfrey Maina	-	<b>Manager Engineering &amp; Tech. Services</b>
7	Mr. Anthony Kisaka	-	<b>Manager Finance &amp; Procurement</b>
8	Mr. Polycarp K. Tindi	-	<b>Manager Legal Services</b>
9	Mr. Paul Ooko Mbaja	-	<b>Ag: Manager Human Resource .</b>
10	Mr. Philip Oloo	-	<b>Manager Agriculture , Livestock &amp; Fisheries</b>
11	Mrs. Grace Abuto	-	<b>Ag:Manager Internal Audit</b>
12	Mr. Benson Lubanga	-	<b>Manager Rice Mill</b>
13	Mr. Samwel Ndire	-	<b>Manager Administration</b>
14	Mr. Nicholas Opinya	-	<b>Manager Regional Planning</b>
15	Mr. Rolin Nzomo	-	<b>Manager Environment</b>

# LBDA VISION MISSION AND CORE VALUES

## VISION

To be a leading Regional Development Authority in Africa fostering sustainable economic development of the Lake Basin Region for the prosperity and economic empowerment of the communities.

## MISSION

To catalyze the economic development of the Lake Basin Region in Kenya through promotion and implementation of resource-based investments and effective river basin based-intergrated community development initiatives.

## CORE VALUES

Our core values are captured in an acronym derived from the word **RESPECT**

- R We shall **respect** diversity of opinion race creed;  
We shall be **responsible** in all our action
- E We shall be **ethical**, uphold & sustain a culture of honesty in dealing with our stakeholders  
We shall be **emphatic** to our constituents
- S We shall be **socially** responsible in all our activities
- P We shall act with utmost **professionalism**  
We shall adopt **participatory** approaches to development and forge effective partnership with all our stakeholders
- E We shall respect and protect the **environment** in all we do
- C We shall be **committed** to our vision and mission  
We shall foster **creativity** and innovation
- T We shall inspire **trust** among us and in the community  
We value **team** work both internally and externally  
We shall uphold **tolerance** among us and with the communities we serve

## DIRECTORS REPORT

The directors present their report together with the audited financial statements for the year ended 30<sup>th</sup> June 2009.

### 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, Effluent Monitoring, Evaluation and Water Catchments Conservation
- (d) Regional Studies

### Results: -

	Kshs.
Deficit for the year	(34,987,675.00)
Revenue Reserves Balance b/d	(81,296,988.75)
<b>Total</b>	<b><u>(116,284,663.75)</u></b>

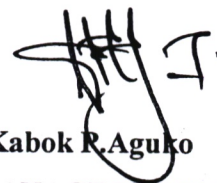
### Auditors: -

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**



**Eng. Kabok R. Aguko**

**Ag. MANAGING DIRECTOR**

Date:.....23.12.2009.....

Date.....23/12/09.....

**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 30<sup>th</sup> June 2009 and of its operating results for the year then ended. The Directors further confirm the accuracy and completeness of the accounts records maintained by the Authority, which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the internal financial controls.

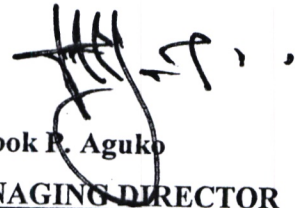
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least twelve months from the date of this statement.

This statement is approved by the Board of Directors and it is signed on their behalf by:



**Zablon O. Olang'**  
**BOARD CHAIRMAN**

Date:.....23.12.2009.....



**Eng. Kabok R. Aguko**  
**Ag. MANAGING DIRECTOR**

Date.....23/12/09.....



## **KENYA NATIONAL AUDIT OFFICE**

### **DRAFT REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LAKE BASIN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2009**

I have audited the accompanying financial statements of Lake Basin Development Authority set out at pages 7 to 19 which comprise the Balance Sheet as at 30 June 2009, the Income Statement, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information 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.

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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Responsibility of the Controller and Auditor General**

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls. 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 the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

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

### **1.1 Buildings and Work In Progress**

As disclosed in Note 2 to the financial statements and as reported in the previous year, the Property, Plant and Equipment gross balance of Kshs.952,544,970 as at 30 June 2008 includes buildings and work in progress valued at Kshs.222,168,237 and Kshs.312,389,212 respectively all totalling Kshs.534,557,449. However, a schedule in support of the balance availed for audit review reflects a total of Kshs.460,949,212, resulting in an unreconciled and unexplained variance of Kshs.73,608,237. Further, the Authority did not during the year maintain an asset-register, consequent upon which it has not been possible to carry out physical verification of the assets or confirm the accuracy of the Property, Plant and Equipment balance of Kshs.952,544,970 as at 30 June 2009.

### **1.2 Land Leased to Dominion**

Included in the buildings balance of Kshs.222,168,237 and as reported in 2007/2008, are structures valued at Kshs.33,960,000 constructed on land which has no ownership documents. The land is currently leased to the Dominion Group of Companies whose memorandum of understanding with LBDA expired in May 2008. Although the management has explained that it was as a result of a Government decision that the land was leased to the Dominion Group, no records in this regard were however produced for audit verification.

With regard to the Yala Swamp Weir, and according to information available, the facility was taken-over by the Dominion Group of Companies but the terms of the take-over including the issue of whether the Group paid anything for the work in progress worth Kshs.122,204,680 were unexplained. However, additional records available show that the Authority signed a memorandum of understanding with the Group which indicates that the Authority would not demand compensation, rent or any form of reimbursement for the assets. In the circumstances, and in absence of any other information to the contrary, the rationale for the inclusion of the above assets in the Balance Sheet as at 30 June 2009 is not clear.

### **1.3 Authority Headquarters**

As disclosed under Note 19, construction of the Authority's proposed headquarters valued at Kshs.190,184,531 stalled at the foundation level in the 1990's, due to limited Government funding. Although the Authority has indicated that it is pursuing the completion process with the parent Ministry, no progress in this regard has been seen, while the stalled structure continues to be referred as work in progress.

### **1.4 Rice Mill**

The Buildings balance of Kshs.222,168,237 as at 30 June 2009 excludes a revaluation surplus of Kshs.27,931,712 arising from valuation of the Authorities rice mill at Kshs.250,099,949 in 2006 by Ministry of Public Works. The exclusion is contrary to the requirement of International Accounting Standard No.16 which states that an asset whose fair value can be measured reliably shall be carried at the revalued amount. Consequently, the value of the rice mill building was understated by Kshs.27,931,712 as at 30 June 2009.

### **1.5 Land Ownership Documents**

The Property Plant and Equipment net balance of Kshs.557,025,662 as at 30 June 2009 includes eighteen (18) parcels of land valued at Kshs.62,674,333 whose ownership documents were not availed for audit review. Further and out of the eighteen (18) parcels, six (6) had a book value of Kshs.12,660,605 although no valuation report was produced in support of this particular value. In addition, the Authority has six (6) other ownership documents out of which four (4) are held by National Bank of Kenya Limited as collateral for a bank overdraft which has since been cleared. It is understood that the bank continues to hold the four (4) documents on instruction by the Government, which paid the debts as a guarantor.

The list of assets also includes one (1) other parcel of land and a building valued at Kshs.1.8 million and 4 million respectively, which had been inexplicably transferred and registered in the name of a former employee.

In the circumstances, it has not been possible to confirm the validity and ownership of land worth Kshs.62,674,333 or that the Property, Plant and Equipment balance of Kshs.557,025,662 is fairly stated as at 30 June 2009.

## **2. Cash and Bank Balance**

The Bank Reconciliation Statements for the sixteen (16) bank accounts operated by the Authority have long outstanding items which include payments in the bank not recorded in the cash book and receipts in the cash book not in the bank Statement of Kshs.1,446,828 and 974,609 respectively. No reason has been

provided for failure to reconcile the cash book as at 30 June 2009. Consequently, the validity and correctness of the cash and bank balance of Kshs.31,817,232 as shown in Note 5 could not be confirmed.

### **3.1 Trade and Other Receivables**

As reported in previous years, the Trade and Other Receivables balance of Kshs.138,752,511 as at 30 June 2009, includes a debt of Kshs.122,269,659 owed by China Jiangtsu Company in respect of an over-payment for construction of a rice mill. The debt has been outstanding in the Authority's books of account for a considerably long period of time. Although according to information available the Authority had handed over the debt collection to a firm of Advocates, the Advocates advised that the chances of collecting the money were less favourable. Further, and as similarly noted in 2007/2008, the debtors figure also includes ex-board members debts, ex-staff debts and other debts of Kshs.373,677, Kshs.5,003,510 and Kshs.2,550,228 respectively, whose supporting schedules were not availed for audit review. In the circumstances, the recoverability of the trade and other receivables figure of Kshs.138,752,511 could not be confirmed.

### **3.2 Staff Advance/Loans**

As reported in 2007/2008, Note 6 to the financial statements discloses that staff advances comprise car loans and salary advances of Kshs.1,342,530 and Kshs.2,312,661 respectively. However, the schedule made available for audit review shows that the debt of Kshs.1,342,530 has been outstanding for a considerably long period of time. Further, the salary advance of Kshs.2,312,661 includes outstanding imprest of Kshs.1,455,976 which had been converted into an advance, contrary to the existing financial regulations on issue and surrender of temporary imprests. Under the circumstances, the accuracy and recoverability of the staff advances/loans of Kshs.3,655,191 could not be ascertained.

## **4. Trade and Other Payables**

The Trade and Other Payables balance of Kshs.150,031,458 as at 30 June 2009 excludes disputed interest of Kshs.28,522,866 payable to a construction firm and land rent amounting to Kshs.24,969,500 payable to the Commissioner of Lands. The Authority has not indicated how the disputes are being addressed.

## **5. Tax Matters**

- (i) The Authority is a registered Vat withholding agent. During the year under review, VAT totalling Kshs.408,567 relating to the period between October 2008 and June 2009 had not been remitted to the Kenya Revenue Authority. No reason has been provided for the anomaly.

- (ii) During the same period, the Authority paid a sum of Kshs.6,647,043 in respect of sitting allowance to Board Members, but without having deducted Pay As You Earn (PAYE) amounting to Kshs.1,994,110. Again, no reason has been provided for failure to deduct the PAYE.

## **6. Legal Services**

A law firm was appointed by the Authority on 16 September 2004 on single sourcing basis to review and provide legal opinion on a debt of Kshs.542,410,134 owed by the Authority to a local Bank. Although the chargeable fee for the services was not indicated in the instructions records, the law firm prepared and presented the Authority with an invoice. The fee appear to have been disputed and as a result the firm on 4 June 2007 filed a civil case to recover a sum of Kshs.19,872,304 from the Authority. According to additional information available, the professional services provided by the firm included interrogation of the history, content and legality of the claim of the debt and negotiation with Ministry of Regional Development for a payment of Kshs.120 million to the Authority. No evidence was however availed for audit review on how the firm was instructed to negotiate with the Ministry on behalf of the Authority. In February 2008, the pending bill was scaled down to Kshs.6 million, which was agreed upon between the parties. Subsequently, and on the basis of the Agreement, the Authority paid the firm Kshs.3.1 million in 2007/2008 and the balance of Kshs.2.9 million during the year under review.

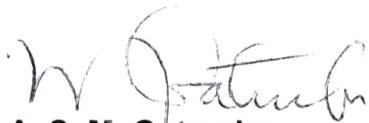
Apart from the fact that it has not been possible to ascertain that the Authority obtained value for money in the services, it has not been clarified how the fee of Kshs.6 million was arrived at.

## **7. Unapproved Expenditure**

During the year, the Authority spent an amount of Kshs.79,738,143 outside the budgetary provision for 2008/2009, contrary to Sections 11 and 12 of the State Corporations Act. According to information available, the amount was expended on purchase of motor vehicles, tractors, operations and maintenance and pending bills.

## Opinion

Except for the foregoing reservations, in my opinion, the financial statements present fairly in all material respects, the financial position of the Authority as at 30 June 2009, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Lake Basin Development Authority Act, Cap 442 of the Laws of Kenya.



**A. S. M. Gatumbu**  
**CONTROLLER AND AUDITOR GENERAL**

Nairobi

15 March 2010

## BALANCE SHEET AS AT 30TH JUNE 2009

PARTICULARS	NOTE	2009	2008
			<b>Kshs.</b>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, Plant & Equipment	2	557,025,662.57	549,389,204.35
<b>CURRENT ASSETS</b>			
Inventories	3 (i)	18,287,054.83	12,251,713.20
Animal Inventories	3 (ii)	8,240,546.40	8,563,565.50
Trade and other Receivables	4	138,752,511.40	138,073,932.35
Cash and Bank	5	31,817,232.10	97,208,618.65
Car Loans	6 (i)	1,342,530.00	1,516,399.15
Staff Advances	6(ii)	2,312,661.10	2,288,048.15
<b>TOTAL CURRENT ASSETS</b>		<b>200,752,535.83</b>	<b>259,902,277.00</b>
<b>TOTAL ASSETS</b>		<b>757,778,198.40</b>	<b>809,291,481.35</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Capital Grants	9	583,940,768.90	583,940,768.90
Capital Reserves	10	121,412,536.25	121,412,536.25
Revenue Reserves	11	(116,284,663.75)	(81,296,988.75)
Revaluation Reserves	12	18,217,727.95	18,217,727.95
<b>TOTAL EQUITY</b>		<b>607,286,369.35</b>	<b>642,274,044.35</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	150,031,458.10	167,017,437.00
Bank Overdraft	8	460,370.95	
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>757,778,198.40</b>	<b>809,291,481.35</b>

SIGNED: -

NAME

DESIGNATION

SIGNATURE

Zablon O. Olang'

Chairman

Eng.Kabok P.Aguko

Ag . Managing Director

# LAKE BASIN DEVELOPMENT AUTHORITY

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2009

	Capital Grants	Capital Reserves	Revenue Reserves	Revaluation Reserves	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
As at 1.7.2007	583,940,768.90	121,412,536.25	(76,870,701.25)	18,217,727.95	646,700,331.85
Surplus/(Deficit)			(4,426,287.50)		(4,426,287.50)
As at 30.6.2008	583,940,768.90	121,412,536.25	(81,296,988.75)	18,217,727.95	642,274,044.35
As at 30.7.2008	583,940,768.90	121,412,536.25	(81,296,988.75)	18,217,727.95	642,274,044.35
Surplus/(Deficit)			(34,987,675.00)		(34,987,675.00)
As at 30.6.2009	583,940,768.90	121,412,536.25	(116,284,663.75)	18,217,727.95	607,286,369.35

**LAKE BASIN DEVELOPMENT AUTHORITY**  
**INCOME & EXPENDITURE FOR THE YEAR ENDING 30TH JUNE 2009**

PARTICULARS	NOTE	2009	2008
<b>INCOME</b>		<b>KSHS</b>	<b>KSHS</b>
GRANTS (DEVELOPMENT/RECURRENT)	13	170,570,050.00	172,708,855.60
INTEREST EARNED		2,357,851.55	3,889,132.80
OTHER INCOME	14	22,081,205.85	22,487,294.40
SALE OF PRODUCE/LIVESTOCK/BRICKS		15,260,924.15	10,760,369.85
GAIN ON DISPOSAL OF ASSETS		603,133.00	183,846.50
INVENTORIES CLOSING			12,251,713.25
ANIMAL INVENTORIES -CLOSING			8,563,565.50
GAIN ON INVENTORIES		5,712,322.45	
<b>TOTAL INCOME</b>		<b>216,585,487.00</b>	<b>230,844,777.90</b>
<b>EXPENDITURE</b>			
FINANCE COSTS	15	191,957.10	218,444.00
OPERATIONAL COSTS	16	101,536,044.30	110,829,595.45
STAFF COSTS	17	149,845,160.60	124,223,025.95
<b>TOTAL EXPENSES</b>		<b>251,573,162.00</b>	<b>235,271,065.40</b>
<b>SURPLUS / DEFICIT FOR THE YEAR</b>		<b>(34,987,675.00)</b>	<b>(4,426,287.50)</b>

**LAKE BASIN DEVELOPMENT AUTHORITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDING 30TH JUNE 2009**

<u>OPERATING ACTIVITIES</u>	<u>NOTE</u>	2009 KSHS	2008 KSHS
Net surplus/Deficit		(34,987,675.00)	(4,426,287.50)
<b>Adjustment for non cash items</b>			
Gain on Disposal of Assets		(603,133.00)	(183,846.50)
Depreciation		12,558,674.18	8,632,019.10
		<b>(23,032,133.82)</b>	<b>4,021,885.10</b>
<b>Adjust for changes in operating</b>			
<b>Receivables &amp; Payables</b>			
Inventories		(6,035,341.03)	(2,855,825.75)
Trade and other receivables		(678,579.05)	(1,081,675.10)
Animal Inventories		323,019.10	(1,953,265.80)
Car Loans		173,869.15	
Staff Advances		(24,612.95)	1,856,121.40
Trade and other payables		(16,985,978.90)	5,986,134.30
<b>Net cashflow after working capital changes</b>		<b>(46,259,757.50)</b>	<b>5,973,374.15</b>
 <u>INVESTING ACTIVITIES</u>			
Disposal of Assets		1,238,758.00	391,925.00
Purchase of Fixed Assets		(20,830,758.00)	(6,487,790.35)
		<b>(65,851,757.50)</b>	<b>(122,491.20)</b>
 <u>NET INCREASE/(DECREASE) IN CASH</u>			
<u>AND CASH EQUIVALENT</u>			
Cash at beginning of period	18 (a)	97,208,618.65	97,331,109.85
Cash at the end of the period		31,356,861.15	97,208,618.65
		<b>(65,851,757.50)</b>	<b>(122,491.20)</b>

0.00

# LAKE BASIN DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30<sup>TH</sup> JUNE 2009

### 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies are outlined here 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.

(e) **Depreciation**

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

The Annual rates used are:

	<u>%</u>
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) Computer & Other Class II Equipment .....	30.0
i) Property Plant & Equipment.....	12.5

(f) **Comparatives**

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

(g) **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.

(h) (i) **Inventories**

The inventories are valued at lower of cost and net realizable value as per IAS 2.

(ii) **Animal inventories**

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 2009

	LAND	BUILDINGS	PLANTS & EQUIPMENT	ADAPTIVE RESEARCH	RURAL ACCESS ROADS	WORK IN PROGRESS	FURNITURE & FIXTURES	COMPUTER & OTHERS CLASS II EQUIP.	M/ VEHICLES & TRACTORS	TOTAL
<u>COST OR VALUATION</u>	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
As at 1.7. 2008	62,674,333.00	222,168,237.05	163,429,082.10	36,158,175.25	36,065,225.00	312,389,212.40	9,343,407.10	8,087,376.80	82,244,163.90	932,559,212.60
Additions			463,018.00				845,880.00	577,690.00	18,944,170.00	20,830,758.00
Revaluation										
Disposals			(15,000.00)						(830,000.00)	(845,000.00)
<b>Balance as at 30/6/09</b>	<b>62,674,333.00</b>	<b>222,168,237.05</b>	<b>163,877,100.10</b>	<b>36,158,175.25</b>	<b>36,065,225.00</b>	<b>312,389,212.40</b>	<b>10,189,287.10</b>	<b>8,665,066.80</b>	<b>100,358,333.90</b>	<b>952,544,970.60</b>
<u>DEPRECIATION</u>										
As at 1.7. 2008	-	61,601,776.80	155,551,801.55	36,158,175.25	36,065,225.00	-	8,039,697.75	7,160,983.15	78,592,348.75	383,170,008.25
Charge for the year		4,100,220.19	1,117,749.76				298,106.49	453,478.40	6,589,119.34	12,558,674.18
Charge on Revaluation										
Disposal			(1,875.00)						(207,500.00)	(209,375.00)
<b>Balance as at 30/6/09</b>	<b>-</b>	<b>65,701,996.99</b>	<b>156,667,676.31</b>	<b>36,158,175.25</b>	<b>36,065,225.00</b>	<b>-</b>	<b>8,337,804.24</b>	<b>7,614,461.55</b>	<b>84,973,968.09</b>	<b>395,519,307.43</b>
<u>NET BOOK VALUE</u>										
At 30th June 2009	62,674,333.00	156,466,240.06	7,209,423.79	-	-	312,389,212.40	1,851,482.86	1,050,605.25	15,384,365.81	557,025,663.17
At 30th June 2008	62,674,333.00	160,566,460.25	7,877,280.55	-	-	312,389,212.40	1,303,709.35	926,393.65	3,651,815.15	549,389,204.35

### 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. (i) INVENTORIES

	2009 Kshs.	2008 Kshs.
(a) General Hardware	1,047,683.35	903,399.45
(b) Automotive Spares	1,362,392.00	1,764,001.90
(c) Drugs & Chemicals	25,025.85	68,317.95
(d) Animal Feeds	25,070.00	112,830.00
(e) Bricks	257,480.00	258,770.00
(f) Stationery	614,463.10	558,570.00
(g) Seeds/seedlings	4,983,245.40	1,779,493.60
(h) Work in Progress	1,286,085.00	4,949,530.00
(i) Fuel/Produce	22,134.00	975,274.75
(j) Raw Materials	7,632,676.10	881,525.60
(k) Packaging Materials	467,330.00	
(l) Finished Products	556,270.00	
(m) Uniform & Clothing	7,200.00	
<b>Total</b>	<b><u>18,287,054.80</u></b>	<b><u>12,251,713.20</u></b>

(ii) ANIMAL INVENTORIES

	2009 Kshs.	2008 Kshs.
Bulls	338,625.00	118,143.50
Lactating/Dry Cows	3,979,875.00	5,763,625.50
Heifers	2,053,125.00	1,480,331.00
Cross Breed	1,102,875.00	
Pigs/Turkey	89,650.00	55,100.00
Fish/Poultry & Ostrich	<u>676,396.40</u>	<u>1,146,365.50</u>
<b>Total</b>	<b><u>8,240,546.40</u></b>	<b><u>8,563,565.50</u></b>

4 TRADE AND OTHER RECEIVABLES-

	2009 Kshs.	2008 Kshs.
Trade receivables	157,349,192.45	160,693,068.50
Legal Deposit	<u>4,022,867.40</u>	
	<b>161,372,059.85</b>	
Less Provision for bad debts	<u>(22,619,548.45)</u>	<u>(22,619,136.15)</u>
<b>Total</b>	<b><u>138,752,511.40</u></b>	<b><u>138,073,932.35</u></b>

The above figure includes Kshs.129, 000,000.00 owed by M/s China Jiangstu. As for former WKRRDP debt, this was incurred in form of farm inputs given to Rainfed Rice farmers. The proposal for write off as presented to the Board of Directors in 2006/2007 has been effected to the tune of Kshs 14,209,927.50

**5. CASH AND BANK**

	<b>2009</b> <b>Kshs.</b>	<b>2008</b> <b>Kshs.</b>
Cash / Outstanding Imp rest	15,238,620.65	12,088,680.95
Cooperative Bank Ltd.	8,413,427.30	80,152,613.75
Kenya Commercial Bank Ltd	2,774,229.80	1,205,632.60
National Bank of Kenya Ltd.	<u>5,390,954.35</u>	<u>3,761,691.35</u>
<b>Total</b>	<b><u>31,817,232.10</u></b>	<b><u>97,208,618.65</u></b>

Cash / Outstanding Imprest is comprised of **Kshs 15,112,326.00** being amount to be accounted for as imprest and **Kshs 126,294.65** cash in Hand

**6. STAFF ADVANCES**

	<b>2009</b> <b>Kshs.</b>	<b>2008</b> <b>Kshs.</b>
(i)Car Loans	1,342,530.00	1,516,399.15
(ii)Salary Advances	2,312,661.10	<u>2,288,048.15</u>
Total	<b><u>3,655,191.10</u></b>	<b><u>3,804,447.30</u></b>

**7. TRADE AND OTHER PAYABLES**

	<b>2009</b> <b>Kshs.</b>	<b>2008</b> <b>Kshs.</b>
Trade Creditors	150,031,458.10	167,017,437.00

Kshs 53,492,366.00as at 30<sup>th</sup> June 09 is a contingent liability exclusive.

**8. BANK OVERDRAFT**

	<b>2009</b> <b>Kshs.</b>	<b>2008</b> <b>Kshs.</b>
Kenya Commercial Bank Ltd	460,370.95	
<b>Total</b>	<b><u>460,370.95</u></b>	<b><u>                    </u></b>

**9. 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.

	<b>2009</b> <b>Kshs.</b>	<b>2008</b> <b>Kshs.</b>
Capital Grants	583,940,768.90	583,940,768.90

**10. CAPITAL RESERVES**

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

	<b>2009</b>	<b>2008</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Capital Reserves	121,412,536.25	121,412,536.25

**11 REVENUE RESERVES**

	<b>2009</b>	<b>2008</b>
	<b>Kshs.</b>	<b>Kshs.</b>
As previously stated: -	(81,296,988.75)	(76,870,701.25)
Less Deficit for the year	<u>(34,987,675.00)</u>	<u>(4,426,287.50)</u>
<b>TOTAL</b>	<b><u>(116,284,663.75)</u></b>	<b><u>(81,296,988.75)</u></b>

**12 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:

	<b>2009</b>	<b>2008</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Revaluation Reserve	18,217,727.95	18,217,727.95

**13. GRANTS**

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

	<b>2009</b>	<b>2008</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Recurrent grants	113,372,261.00	120,121,010.55
Development grants	<u>57,197,789.00</u>	<u>52,587,845.05</u>
<b>Total</b>	<b><u>170,570,050.00</u></b>	<b><u>172,708,855.60</u></b>

**14 OTHER INCOME**

	<b>2009</b>	<b>2008</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Hire of Tractors & Excavator	1,302,500.00	1,997,150.00
Sale of Rice	8,614,658.00	9,613,718.10
Sale of Tender Documents	366,000.00	430,599.00
Commercial Rent/Sundry Income	8,798,047.85	7,445,827.30
Lease Rentals	<u>3,000,000.00</u>	<u>3,000,000.00</u>
<b>Total</b>	<b><u>22,081,205.85</u></b>	<b><u>22,487,294.40</u></b>

**15 FINANCE COSTS**

	<b>2009</b>	<b>2008</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Bank charges & interest payable	<u>191,957.10</u>	<u>218,444.00</u>
<b>Total</b>	<b><u>191,957.10</u></b>	<b><u>218,444.00</u></b>

**16 OPERATIONAL COSTS**

	<b>2009</b>	<b>2008</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Advertisement	959,514.90	1,098,782.50
Animal feeds	5,260,682.60	3,108,355.60
Animal opening inventories		6,610,299.75
ASK Show	3,786,603.45	901,164.00
Audit fees	1,060,000.00	840,000.00
Board & Conferences	6,647,043.95	6,489,152.30
Building repairs - Residential		
Building repairs - Non- Residential	1,704,085.55	3,913,252.60
Computer Expenses	745,724.00	611,698.40
Dairy expenses	485,002.00	184,477.00
Depreciation	12,558,674.18	8,632,019.10
Donation & subscription	424,656.00	633,885.25
Drugs & chemicals	2,325,866.50	1,582,432.00
Electricity water & conservancy	2,010,645.70	3,261,108.55
Entertainment	4,079,119.80	3,305,275.60
General hardware	1,818,132.90	1,853,514.35

Hire of Plant & machinery	211,300.00	265,460.00
Hire of transport	137,660.00	12,700.00
Horticulture	127,205.00	-
Insurance & license	1,626,812.00	741,100.45
Increase in provision for Bad Debts	412.50	6,183,568.30
Lease and Rental	428,000.00	
Legal charges	3,680,570.50	6,332,065.95
Library	188,600.00	195,600.00
Motor vehicle running & maintenance	9,627,314.90	7,622,175.55
Motorcycle repairs		
Maintenance of water & conservancy	1,410,547.45	683,596.30
Packaging materials	933,590.00	595,838.20
Paddy purchase	5,007,796.00	4,825,274.05
Plant & machinery repairs	2,867,465.40	1,241,139.20
Postage & stamps	76,793.00	73,663.00
Poultry Exps.	38,350.00	
Purchase of firewood and used oil	455,581.00	132,000.00
Purchase of crude honey		38,770.00
Purchase of seeds	1,360,225.00	1,008,708.50
Rent & Rates Non-Residential	3,299,183.10	11,520,100.65
Repair of office/farm equipment	879,134.15	281,521.25
Repair office furniture		-
Security expenses	3,352,868.65	680,218.20
Stationery & office supplies	3,281,129.85	3,078,922.85
Opening inventories		9,395,888.35
Telephone, telex & telegrams	1,949,007.25	2,461,105.35
Tax penalty/WHT	353,677.70	
Travelling & Accommodation	16,230,665.35	10,263,035.75
Uniforms & clothing	<u>146,404.00</u>	<u>171,756.55</u>
<b>Total</b>	<b><u>101,536,044.30</u></b>	<b><u>110,829,595.45</u></b>

**17 STAFF COSTS**

	<b>2009</b>	<b>2008</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Allowance to staff		
Casual wages	27,242,495.05	15,348,150.35
Ex-Gratia	448,615.50	1,061,031.35
Medical - In-Patient	20,000.00	-
NSSF employers contribution	714,500.00	703,200.00
Provident fund employer's contribution	13,102,886.75	10,844,189.50
Salaries	105,224,871.95	92,913,320.45
Training	2,674,469.35	1,802,771.50
Terminal Dues	62,183.00	1,371,862.30
Welfare Expenses	<u>355,139.00</u>	<u>178,600.00</u>
<b>Total</b>	<b><u>149,845,160.60</u></b>	<b><u>124,223,025.95</u></b>

**Number of Staff**

**321**

## 18. 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 end of the period is built as:

	<b>2009</b>	<b>2008</b>
	<b>Kshs.</b>	<b>Kshs.</b>
(i) Cash in Hand	15,238,620.65	12,088,680.95
(ii) Net in Bank	<u>16,118,240.50</u>	<u>85,119,937.70</u>
<b>Total</b>	<b><u>31,356,861.15</u></b>	<b><u>97,208,618.65</u></b>

## 19. WORK IN PROGRESS (WIP) WEIR & HEADQUARTERS

	<b>2009</b>	<b>2008</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Yala Swamp Weir	122,206,680.90	122,206,680.90
Stalled HQ buildings	<u>190,184,531.50</u>	<u>190,184,531.50</u>
<b>Total</b>	<b><u>312,389,212.40</u></b>	<b><u>312,389,212.40</u></b>

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 to completing the Projects.

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

## 20 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.