

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

*Paper laid
By Hon Aden Duale -
Leader of Majority
on Thurs 16/10/14
[Signature]*



REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
KENYA LEATHER DEVELOPMENT COUNCIL
FOR THE YEAR ENDED
30 JUNE 2013

REPUBLIC OF KENYA

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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA LEATHER DEVELOPMENT COUNCIL FOR TWENTY TWO (22) MONTHS PERIOD ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Leather Development Council set out on pages 6 to 13, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the period then ended, 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 Financial Reporting 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 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(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution. 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 with a view to obtaining reasonable assurance about whether the financial statements are free from material misstatement.

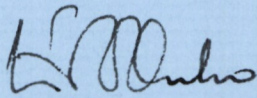
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, the financial position of Kenya Leather Development Council as at 30 June 2013, and of its financial performance and its cash flows for the period then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Leather Development Council Order 2011.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

8 August 2014

KENYA LEATHER DEVELOPMENT COUNCIL

CORPORATE INFORMANTION

Kenya Leather Development Council is a statutory body created through the State corporations Act (Cap 446) Legal Notice No.114 of 9th September, 2011

RIGISTERED OFFICE

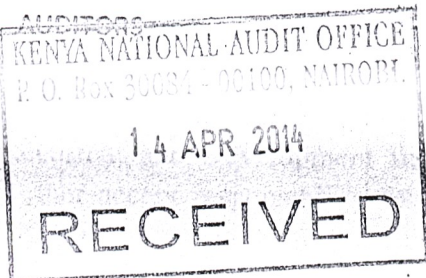
Kenya Leather Development Council
P.O. BOX 14480-00800
NAIROBI
TEL. 020-4442321
Email:ldckkenya@gmail.com

BANKERS

1) KENYA COMMERCIAL BANK
Sarit centre-Westlands(Nairobi)

A/C 1130697193

AUDITORS



KENYA NATIONAL AUDIT OFFICE

P.O. BOX 30084 00100

NAIROBI

BOARD OF DIRECTORS

1. Mr.Amos G.Ngonjo-Chairman
2. Mr.John MUriuki-Ag.sec/Chief Executive
3. Mr.Bahati Mutua-Member
4. Ms.Nalina Rupani-Member
5. Mr.Simon j.Nganga -member
6. Mr.Alexander Cherop -member
7. Mr.Robert Njoka-member
8. Mr.William Sitati-member
9. Mr.James Lenayiarra-member
10. Mr.Antony Muriu-member
11. Mr.Dabaso Boru-member
12. Mr.Geofrey Malombe-member
13. Mr.Kipsang Keter-member

KENYA LEATHER DEVELOPMENT COUNCIL

DIRECTOR'S REPORT FOR THE YEAR ENDED 30TH JUNE 2013

The Director's hereby submit their report with the financial statements for the year ended 30th June 2013.

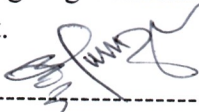
STATEMENT OF DIRECTORS RESPONSIBILITIES

The Kenya leather Development Council Order, 2011 requires Directors to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the council as at the end of the financial year. It also requires the directors to ensure the council keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the council. They are also responsible for safeguarding the assets of the council.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS).

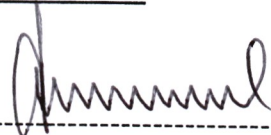
The Directors are of the opinion that the financial statement gives a true and fair view of the state of the financial affairs of the council and the council's surplus for both Recurrent and Development funds for the year ended 30th June 2013. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial controls.

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 (12) months from the date of this statement.



AMOS G. NGONJO

CHAIRMAN



J.M. MURIUKI

Ag: MANAGING DIRECTOR

----- 15.8.2013 -----

DATE

----- 15.8.2013 -----

DATE

MANDATES OF KENYA LEATHER DEVELOPMENT COUNCIL

Kenya Leather Development Council is a statutory body created through the Legal Notice No 114 of 9th September 2011. The mandate of KLDC as specified in Legal Notice No 114 is:

- 1) to provide advisory services to the minister on matters relating to processing of trade in hides, skins, leather and leather goods for planning purposes.
- 2) To promote, direct, coordinate and harmonize all activities in the leather subsector;
- 3) To guide the implementation of the Board's policies and strategies;
- 4) To undertake research and development skills;
- 5) To oversee licensing in the leather subsector

KENYA LEATHER DEVELOPMENT COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRSs).

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

a) Basis of Preparation

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRSs). The financial statements have been prepared under the historical cost basis of accounting. The financial statements are presented in the functional currency, Kenya Shillings (KShs).

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires directors to exercise judgments in the process of applying the accounting policies. Although these estimates are based on the directors' knowledge of current events and actions, actual results may differ from these estimates. Accounting policies 1 (b) and 1(e) below on 'critical accounting estimates and assumptions' and 'critical accounting judgments' highlight the areas that involve a higher level judgment, or where the estimates or assumptions used are significant to the financial statements.

b) Critical Accounting Estimates and Assumptions

In the process of applying the accounting policies, directors make certain assumptions about the future events. In practice, the estimated assumed results differ from the actual results. Such estimates and assumptions 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

c) Critical Accounting Judgments

In the process of applying the accounting policies, directors make certain judgments that are continuously assessed based on experience and other determinants including expectations of future events that, under the circumstances are deemed to be reasonable as described below:-

(i) Provision for doubtful debts

The organization reviews its travel advances portfolio to assess the likelihood of impairment. Where necessary, an estimation of the amounts irrecoverable is made.

(ii) Other provisions

Other provisions are recognized when the Board has legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

d) Revenue Recognition

Revenue for the KLDC includes receipts from GOK . The GOK grants are recognized on receipt basis while interest income and other income are recognized on accrual basis.

e) Property and Equipment and Depreciation

Property and equipment are stated at cost less accumulated depreciation impairment in value. Depreciation is calculated on straight line basis at annual rates estimated to write off the carrying value of the assets over their expected useful lives. The annual depreciation rates in use are:-

Rate

• Buildings	2.5%
• Plant and Machinery	12.5 %
• Motor Vehicles	25.0%
• Computers	30. %
• Furniture & Fittings	12.5%
• Office Equipment	12.5%

Property and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or losses on de

recognition of the asset is included in the income and expenditure statement in the period the item is de-recognized.

f) Cash and Cash equivalents

For purposes of the cash flow statement, cash equivalents include cash held at the bank and balances with less than three months maturity from the balance sheet date.

Foreign Currency

The KLDC does not have any foreign operations.

g) Biological Assets

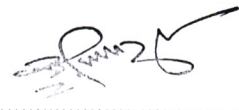
Biological assets if any are stated at their fair value less estimated point of sale costs

h) Subsequent Events

There have been no subsequent events that would have an impact on the financial statements for the year ended 30th June 2013.

KENYA LEATHER DEVELOPMENT COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013


<u>NON CURRENT ASSETS</u>	<u>NOTES</u>	<u>kshs</u>
Property, Plant and Equipment	2	62,069,722
Work in progress		-
		<u>62,069,722</u>
<u>CURRENT ASSETS</u>		
Stock/Inventories	3	347,293
Cash and cash equivalents	4	4,808,443
Total current assets		<u>5,155,736</u>
TOTAL ASSETS		<u><u>67,225,458</u></u>
<u>FUNDS AND LIABILITIES</u>		
<u>NON CURRENT LIABILITIES</u>		
Capital fund	5	4,620,986
Reserves	6	59,736,118
		<u>64,357,104</u>
<u>CURRENT LIABILITIES</u>		
Trade Creditors and other payables	7	2,868,354
		<u>2,868,354</u>
TOTAL FUNDS AND LIABILITIES		<u><u>67,225,458</u></u>

to 

DATE... 15.8.2013...

AMOS NGONJO

CHAIRMAN:



DATE... 15.8.2013..

J.M MURIUKI

Ag :MANAGING DIRECTOR

KENYA LEATHER DEVELOPMENT COUNCIL
STATEMENT OF COMPREHENSIVE INCOME FOR 22 MONTHS ENDING 30TH JUNE 2013

		kshs
DESCRIPTION	Note	
G.O.K GRANT-RECURRENT		30,719,091.00
G.O.K-ESP		74,999,992.00
G.O.K GRANT-DEVELOPMENT		38,685,000.00
TOTAL		<u>144,404,083</u>

EXPENDITURE		
Staff costs	8	17,120,516.00
Administration costs	9	48,298,161.00
ESP EXPENSES	10	14,078,421.00
Boards,Committees,Conferences	11	3,770,867.00
Transfer to NDMA PROJECT A/C		1,400,000.00
TOTAL EXPENDITURE		<u>84,667,965</u>
surplus/ (deficit)		<u>59,736,118</u>

KENYA LEATHER DEVELOPMENT COUNCIL
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30th JUNE 2013

30th JUNE 2013

CASH INFLOW FROM OPERATING ACTIVITIES	<u>Kshs.</u>
SURPLUS/ (DEFICIT) DURING THE YEAR	59,736,108
<u>ADD: DEPRECIATION</u>	11,188,027
Working capital adjustments	
less: INCREASE IN STOCK	-347,293.00
ADD INCREASE IN CREDITORS	2,868,354
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>73,445,196</u>
 <u>CASH FLOW FROM INVESTING ACTIVITIES</u>	
PURCHASE OF FIXED ASSET	(68,636,763)
WIP	<u>-</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(68,636,763)
NET INCREASE/ (DECREASE) IN CASH EQUIVALENT	<u>4,808,433</u>
 <u>RECONCILIATION</u>	
CASH AND CASH EQUIVALENT AT THE BEGINNING	-
ADD INCREASE/(DECREASE)	4,808,433
Increase in bank overdraft	-
CASH AND CASH EQUIVALENT AT THE END	<u>4,808,433</u>

KENYA LEATHER DEVELOPMENT COUNCIL

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 30TH JUNE 2013

	Capital fund		RESERVES		TOTAL
	<u>Kshs.</u>		<u>Kshs</u>		<u>Kshs.</u>
AS AT 10th september 2011		4,620,986		-	4,620,986
Surplus/Deficit for the year		-		59,736,118	59,736,118
AS AT 30TH JUNE 2013		<u>4,620,986</u>		<u>59,736,118</u>	<u>64,357,104</u>

NB: The GOK FUND at 10th september 2011 represents the assets the organisation inherited from the Ministry

KENYA LEATHER DEVELOPMENT COUNCIL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013 - CONT'D

2. PROPERTY, PLANT & EQUIPMENT SCHEDULE

NON-CURRENT ASSETS*	MOTOR VEHICLES Kshs.	COMPUTERS Kshs.	FURN, FITGS & EQUIP Kshs.	TOTAL Kshs.
10th sept, 2011 -GOK	2,373,750	171,500	2,075,736	4,620,986
Additions-GOK	8,870,000.00	3,401,865	56,364,898	68,636,763
TOTAL VALUE	11,243,750	3,573,365	58,440,634	73,257,749
ACC. DEPRECIATION				
30th June 2013- GOK	-	-	-	-
charge for year- GOK	2,810,938	1,072,010	7,305,079	11,188,027
	2,810,938	1,072,010	7,305,079	11,188,027
N.B.V AT 30TH JUNE 2013-GOK	8,432,812	2,501,355	51,135,555	62,069,722
	8,432,812	2,501,355	51,135,555	62,069,722

GOK

The organization has been operating under the Ministry until it became Autonomous in year 10th sept 2011.

This is the first time the organization is preparing accounts hence no opening balances

30th JUNE 2013

Kshs.

3 STOCK/INVENTORY

stationery	337,793
Toners	9,500
TOTAL	347,293

4 CASH AND CASH EQUIVALENTS

Cash in hand	7,918
Cash at bank	4,800,525
	4,808,443

6 ACCUMULATED FUND

Capital fund	4,620,986
Surplus/(deficit) for the period	59,736,118
TOTAL	64,357,104

5 CAPITAL FUND: The organization inherited some assets from the parent Ministry valued at ksh 4,620,986 which it continued using after it became Autonomous.

7 TRADE CREDITORS & OTHER PAYABLES

CREDITORS LIST AS AT 30.6.2013		
PAYEE	ITEM	AMOUNT
JAGLA ENTERPRISES	UPS MACHINES	600,000.00
STRETCH SUPPLIES	TYRES AND ACCESSORIES	572,000.00
SECUREX AGENCIES	SECURITY SERVICES	435,264.00
VIPHA ENTERPRISES	STATIONERY	362,590.00
DUEMY ENTERPRISES	COMMUNICATION EQUIP.	363,500.00
TINTEC ENTERPRISES	DIARIES AND CALENDARS	535,000.00
TOTAL		2,868,354.00

**KENYA LEATHER DEVELOPMENT COUNCIL NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30TH JUNE 2013**

30th JUNE 2013

Kshs.

8 Staff costs

Top up allowances	15,966,370
Casual labour	<u>1,154,146</u>
TOTAL	<u>17,120,516</u>

9 ADMINISTRATION EXPENSES

Electricity	40,000.00
Water and Sewerage Charges	595,692.00
Telephone, Telex, Facsimile & mobile services	618,780.00
Internet Connections	969,023.00
Courier and postal services	25,402.00
Foreign Travel	862,891.00
Licensing Fees for Communication	20,000.00
Domestic Travel	1,157,344.00
Subsistence allowance	2,042,533.00
Sundry Items	628,619.00
Advertising awareness and Publicity	3,992,815.00
Trade and shows & exhibitions	733,434.60
Rent and Rates-Non residential	7,308,000.00
Training Expenses	1,388,200.00
Office tea	1,475,105.00
Maintenance Expenses-Motor Vehicles	719,241.00
Supplies & accessories for computer and printers	1,462,400.00
Refined Fuels and Lubricants for Transport	1,209,081.00
General Office Supplies	2,475,692.00
Membership Fees, Dues and Subscriptions	101,235.00
Bank Service Commission and Charges	28,590.00
Contracted Professional Services	1,737,420.00
Contracted guard & cleaning services	844,332.00
Maintenance of Buildings & Stations	5,011,605.00
Maintenance of Computers Software & Networks	25,000.00
Maintenance of plant & Machinery	3,500.00
Maintenance of office furniture	34,800.00
Research	620,240.00
Staff uniforms	4,000.00
Motor Vehicle Insurance	975,159.00
DEPRECIATION	<u>11,188,027</u>

48,298,160.60

KENYA LEATHER DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2013 CONT'D

Note 10

30th June 2013

kshs

ESP EXPENSES	KSHS
Daily subsistence Allowance	761,675.00
Chemicals and industrial gases	7,223,980.00
supplies for production	6,092,766.00
TOTAL	<u>14,078,421.00</u>

KENYA LEATHER DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2013 CONT'D

Note 10

30th June 2013

kshs

ESP EXPENSES **KSHS**

Daily subsistence Allowance	761,675.00
Chemicals and industrial gases	7,223,980.00
supplies for production	6,092,766.00
TOTAL	<u>14,078,421.00</u>

Note 11

BOARDS, COMMITTEES, CONFERENCES-KSH 3,770,867				
28.3.12	joseph ochieng opondo	324,000.00	R	full council meeting allowances
18.4.12	benson bahati mutua	14,382.90	R	mileage allowance-council member
18.4.12	james lenayiarra	20,000.00	R	board allowances-council member
30.3.12	Anthony Muriu	17,000.00	R	board allowances-council member
30.3.12	John m. muriuki	17,000.00	R	board allowances-council member
18.4.12	Dabaso Boru	19,849.20	R	mileage allowance-council member
15.5.12	Dabaso Boru	40,000.00	R	board allowances-council member
16.4.12	William Sitati	40,000.00	R	board allowances-council member
14.6.12	William Sitati	25,000.00	R	board allowances-council member
24.5.12	Patrick Nyadimo	50,300.00	R	board allowances
9.10.12	joseph ochieng opondo	316,000.00	D	full council meeting allowances
9.10.12	joseph ochieng opondo	98,000.00	D	board allowances-committee meeting
20.12.12	various(board allowances)	12,000.00	D	board allowances-committee meeting
18.10.12	Dabaso Boru	19,849.20	D	mileage allowance-council member

**KENYA LEATHER DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2013 CONT'D**

25.10.12	james lenayiarra	20,000.00	D	board allowances-council member
18.10.12	William Sitati	74,000.00	D	board allowances-council member
10.12.12	William Sitati	10,000.00	D	board allowances-council member
10.12.12	Dabaso Boru	10,000.00	D	board allowances-council member
10.12.12	james lenayiarra	10,000.00	D	board allowances-council member
10.12.12	Dabaso Boru	19,849.20	D	mileage allowance-council member
13.12.12	benson bahati mutua	4,794.30	D	mileage allowance-council member
10.12.12	james lenayiarra	20,000.00	D	board allowances-council member
21.1.13	Dabaso Boru	20,000.00	D	board allowances-council member
1.2.13	james lenayiarra	20,000.00	D	board allowances-council member
1.2.13	benson bahati mutua	4,794.30	D	mileage allowance-council member
18.9.12	Dabaso Boru	19,849.20	R	mileage allowance-council member
18.9.12	Dabaso Boru	39,698.40	R	mileage allowance-council member
18.9.12	various(board allowances)	150,000.00	R	board allowances-council member
18.10.12	Dabaso Boru	52,000.00	R	board allowances-council member
18.10.12	benson bahati mutua	4,794.30	R	mileage allowance-council member
4.9.12	various(board allowances)	20,000.00	R	board allowances-council member
5.4.13	various(board allowances)	8,000.00	R	board allowances-council member
17.5.13	joseph ochieng opondo	381,143.50	R	full council meeting allowances
19.11.12	george onyango	327,900.00	D	full council meeting allowances
24.6.13	joseph ochieng opondo	383,143.50		full council meeting allowances
28.6.13	Dabaso Boru	39,849.20		mileage allowance-council member
28.6.13	james lenayiarra	50,000.00		board allowances-council member
28.6.13	William Sitati	33,000.00		board allowances-council member
31.1.12	joseph ochieng opondo	281,500.00		full council meeting allowances

**KENYA LEATHER DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2013 CONT'D**

4.5.12	joseph ochieng opondo	333,000.00		full council meeting allowances
10.1.13	joseph ochieng opondo	325,000.00		full council meeting allowances
28.1.13	joseph ochieng opondo	38,000.00		board allowances-council member
25.9.12	William Sitati	25,000.00	R	board allowances-council member
	suspense	32,169.80		
	TOTAL	3,770,867.00		