

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COFFEE BOARD OF KENYA**

**THIRTEEN MONTHS PERIOD
ENDED 31 JULY 2014**



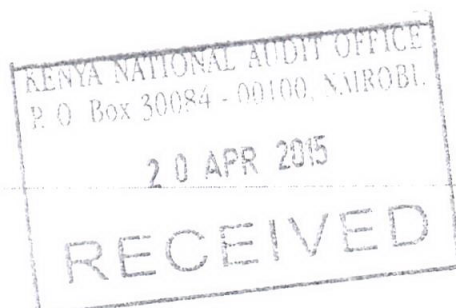


COFFEE BOARD OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE 13 MONTHS PERIOD ENDED
July 31, 2014**

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



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I. COFFEE BOARD OF KENYA KEY INFORMATION AND MANAGEMENT

(a) Background Information

The Coffee Board of Kenya was established in 1933 under the Coffee Act CAP 333 which was later repealed to give way to the Coffee Act No. 9 of 2001. The mandate of the Board was drawn from section 7 of the Coffee Act 2001 which was amended by the Finance Act 2005 to read as follows:-

“The purpose for which the Board is established is to promote competitiveness in the Coffee Industry; production, processing and branding of Kenya Coffee and generally to regulate the Coffee Industry in the public interest.”

The Coffee Act 2001 was repealed in 31st July 2014. Coffee Board therefore ceased to exist with effect from 1st August 2014 and is now a directorate under the Agriculture Fisheries and Food Authority (AFFA)

(b) Principal Activities

During the period, the Board operated under the Coffee Act No. 9 of 2001 with the following broad functions:-

- (i) Formulation of policies and rules to regulate and develop the Coffee industry in consultation with the Ministry of Agriculture Livestock and Fisheries.
- (ii) Regulation and Promotion of the Coffee industry.
- (iii) Representation of the Government in international fora in regard to Coffee matters.
- (iv) Identification, development and promotion of new and emerging domestic and global markets.

(c) Key Management

Coffee Board of Kenya day-to-day management was under the following key Managers:

	Designation	Name
1	Managing Director	Mrs Loise Wanjira Njeru
2	Finance and Administration Manager	Mr. Elias Kamau Kiragu
3	Chief Technical and Regulation Manager	Mrs Isabella Gaiti Nkonge
4	Senior Quality Assurance Officer	Ms. Judith Wambura Murimi

(d) Fiduciary Management

The key management personnel who held office during the 13 months period ended 31st July 2014 and who had direct fiduciary responsibility were:

	Designation	Name
1	Managing Director	Mrs Loise Wanjira Njeru
2	Ag. Managing Director	Mrs Isabella Gaiti Nkonge
3	Finance and Administration Manager	Mr. Elias Kamau Kiragu
4	Senior Quality Assurance Officer	Ms. Judith Wambura Murimi

(e) Fiduciary oversight arrangements

There was no properly constituted Board due to a court order that declared the appointment of the board null. Therefore no audit and finance committee of the board was constituted. There was however oversight from the parent ministry as all issues that required consultations were done in concurrence with the MOALF.

(f) **Coffee Board of Kenya Headquarters**

REGISTERED OFFICE

Coffee Plaza Building 10th Floor
Off Haile Selasie Avenue
P.O Box 30566-00100

NAIROBI

(g) **Coffee Board of Kenya Contacts**

Telephone: (254) 315755/54
E-mail: md@coffeeboardkenya.co.ke
Website: www.coffeeboardkenya.co.ke

(h) **Coffee Board of Kenya Bankers**

Stanbic Bank Kenya Ltd

Kenyatta Avenue
NAIROBI

Citi Bank NA

Upper Hill Branch
P.O Box 30711-00100
NAIROBI

Co-operative Bank of Kenya Ltd

Co-operative House
P.O Box 48231-00100
NAIROBI

National bank of Kenya

Harambee branch
NAIROBI

(i) **Independent Auditors**

Auditor General

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

(j) **Principal Legal Adviser**

The Attorney General

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

Frankie Welikhe
Legal Officer
Coffee Board of Kenya
P.O Box 30566
Nairobi - 00100

II. THE BOARD OF DIRECTORS

During the year Coffee Board of Kenya did not have a fully constituted Board of Directors due to the decision in High Court Petition No 255 of which nullified the appointment of the Board Members. The remaining Directors could not constitute a quorum for a Board sitting. The Chairman however remained in office for the whole year.

Name	Position	Date of Birth	Key Qualifications	Work Experience
1 Mr. Kimamo Kuria	Chairman	1959	B Ed, LL.B, CPS	Practising Advocate
2 Mr. Kiritu Wamai EBS	Alternate Director MoALF			
3 Mr. Patrick Musyimi	Alternate Director MoI&ED			
4 Mr. David Gichuhi	Alternate Director State Corporations			
5 Mrs. Philomena Nzuki	Alternate Director MoF			
6 Mrs. Loise W. Njeru	MD/Secretary to the Board			

The contract for Mrs Loise Njeru expired in September 2013 and Mrs Isabella Gaiti Nkonge was appointed in acting capacity from November 2013 until August 2014 when Mr. Grenville Melli was appointed Acting Director of the Coffee Board of Kenya.

III. MANAGEMENT TEAM

Key Manager's Passport-Size Photo and Name	Main Area of Responsibility – Without Details	Key Profession/Academic Qualifications
1. Loise Wanjira Njeru	Managing Director	MSC Agriculture
2. Elias Kamau Kiragu	Finance And Administration Manager	MBA Finance, CPAK
3. Isabella Gaiti Nkonge	Chief Technical And Regulatory Manager	MSC Agronomy Dip in Agriculture and Home economics.
4. Judith Murimi	Senior Quality Assurance Officer	BSC Food Science and Nutrition.
5. Frankie Welikhe.	Legal officer	LLB. Dip in law LSK

IV. CHAIRMAN'S STATEMENT

On behalf of the Board of directors I am delighted to present Coffee Board of Kenya's annual report and Financial Statements for the 13 months period ended 31 July 2014

During the period the coffee industry faced a lot of challenges in the local and international Markets. That notwithstanding the total number of bags sold in FY 2013/14 was 752,637 (60 kg bags) valued at 195.4 Million US dollars compared to 752,253 bags valued at 156.7 Million US dollars in 2012/13 FY through the auction and direct sales methods. This was an increase from the last year as indicated above.

The Board made deliberate effort to ensure the industry continued to operate in a well regulated environment through implementation of its strategic plan and also by enhancing Domestic coffee consumption campaigns targeting the youth.

The Board looks forward to working with all the stakeholders to ensure harmony in line with the new constitution and the devolved functions.

The Board also maintained a strong compliance enforcement mechanism in collaboration with the county governments and sensitisation of the farmers on the regulations.

To ensure sustainability the Board is leading efforts' for the development of an industry policy geared towards facilitating benefits across the value chain.

Let me take this opportunity to affirm the commitment of the Board in providing effective leadership for the growth of the industry and maintaining a policy direction which will facilitate management and staff in working with the stake holders to realise growth of the industry.

Signed



HEAD OF COFFEE DIRECTORATE

V. REPORT OF THE MANAGING DIRECTOR

I am pleased indeed to present to you the financial report for the Coffee Board of Kenya for the year ended 31 July 2014.

During the year, the Board continued to discharge its mandate of promoting competitiveness in the coffee industry and general regulation. It promoted the Kenyan coffee locally and internationally.

The Boards income increased to Kshs. 312.29 Million from Kshs. 298.42 Million in the year 2012/2013 being a 4.6% increase. The components of the increase were Ad-varolem levy being Kshs. 163.97 Million compared to last year's Kshs. 158.58 Million, which is attributed to better coffee prices of an average USD 212 per bag in the year compared with an average of USD 166 per bag in the year 2012/2013.

Other income was boosted by increase in interest in fixed deposit which rose to Kshs. 40.95 Million as compared to Kshs. 35.89 Million in the previous year.

Overall the expenses increased to Kshs. 304.13 Million as compared to Kshs. 297.72 Million in the year 2012/2013, this represented a marginal 2 % increase which is generally attributable to normal inflation trends.

During the year the Board experienced a change of leadership since the service contract of the Managing Director Mrs Loise Njeru came to an end in September, 2013. Mrs. Isabella Nkonge was appointed in an acting capacity.

The Board was one of the Parastatals undergoing reforms in line with the Agricultural, Food and Fisheries Act, 2013 and the Crops Act, 2013. The Board as a regulator managed to conduct a cupping examination for 28 candidates for the coffee cupping examination and a total of 12 coffee cuppers were licensed during the year. This gives a boost to the coffee industry in terms of ensuring reliable quality results in the value chain and promotion of domestic coffee consumption.



Signed

Head of Coffee Directorate

VI. CORPORATE GOVERNANCE STATEMENT

Coffee Board of Kenya operated without a Board of Directors for the entire period due to a court process that nullified the appointment of the Board members.

Coffee Board of Kenya however had a chairman and for any consultations approvals and concurrence was sought from the Ministry Of Agriculture Livestock and Fisheries.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Coffee Board of Kenya recognises its obligations to act responsibly, ethically and with integrity in its interactions with all stakeholders be they, staff, customers, suppliers, neighbours and the environment as a whole.

To this end:

1. Coffee Board of Kenya has a separate draft Environmental Policy Statement clarifying its commitment to negating its impact on the environment.
2. Coffee Board of Kenya carries out regular risk assessments to guarantee the well being of staff and visitors, in accordance with Health and Safety legislation.
3. Coffee Board of Kenya is ISO 9001-2008 certified to guarantee the quality of its services to all stakeholders.
4. Coffee Board of Kenya is an Equal Opportunities Employer which promotes diversity and does not differentiate on grounds of gender, ethnicity, religion, sexual orientation or physical ability.
5. Coffee Board of Kenya actively contributes to social and environmental initiatives in the local community in the coffee growing areas by supporting needy cases and also the coffee societies through donations of equipment and other items required by the needy cases.
6. Coffee Board of Kenya promotes environmental friendly, ethical and hygienic coffee production practices.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements which show the Coffee Board of Kenya's' state of affairs for the 13 months period ended July 31, 2014.

Principal Activities

1. Principal activities

During the period, the Board operated under the Coffee Act No. 9 of 2001 with the following broad functions:-

- (a) Formulation of policies and rules to regulate and develop the Coffee industry in consultation with the Ministry of Agriculture Livestock and Fisheries.
- (b) Regulation and Promotion of the Coffee industry.
- (c) Representation of the Government in international fora in regard to Coffee matters.
- (d) Identification, development and promotion of new and emerging domestic and global markets.

Results

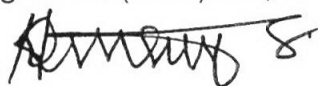
The results of the Coffee Board of Kenya for the year ended July 31, 2014 are set out on page 1-23

Directors

The members of the Board of Directors who served during the year are shown on page VI

Auditors

The Auditor General is responsible for the statutory audit of the organisations books of accounts in accordance with the Section 81 of the Public Financial Management (PFM) Act, 2012.



By Order of the Board

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 section 82 requires the Directors to prepare financial statements in respect of Coffee Board of Kenya, which give a true and fair view of the state of affairs of the Board at the end of the financial year and the operating results for that year. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position.

They are also responsible for the preparation and presentation financial statements, which give a true and fair view of the state of affairs of the Board as at the end of the 13 months period ended on July 31, 2014. This responsibility includes: -

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Board
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) and in the manner required by the PFM Act 2012 and the State Corporations Act.

The Directors are of the opinion that financial statements give a true and fair view of the state of the Board's transactions during the 13 months period ended July 31, 2014, and financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

Following the rationalization of the state owned entities, Coffee Board of Kenya's assets and liabilities were taken up by the Agriculture Fisheries and Food Authority (AFFA) with effect from 1st August 2014. The Coffee Board of Kenya was therefore renamed to Coffee Directorate with effect from the same date.


The PSAB pronouncement

"The Public Financial Management Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board. The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No 199 of 28 February 2014. Following the board's approval on the adoption of International Financial Reporting Standards (IFRS) for commercial business entities and the International Public Sector Accounting Standards (IPSAS) for non commercial entities the entity has adopted the pronouncements made by the IPSAS Board in preparation of its current year financial statements"

Approval of the financial statements

The Coffee Board of Kenya's financial statements were approved for submission for audit and signed on behalf of the board by:

HEAD OF COFFEE DIRECTORATE



Date:

FIN & ADMIN. MANAGER



Date:

X. REPORT OF THE INDEPENDENT AUDITORS ON THE COFFEE BOARD OF
KENYA

REPUBLIC OF KENYA

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON COFFEE BOARD OF KENYA FOR THE THIRTEEN MONTHS PERIOD ENDED 31 JULY 2014

REPORT OF THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Coffee Board of Kenya set out on pages 1 to 23 which comprise the statement of financial position as at 31 July 2014, and the statement of financial performance, statement of changes in net assets 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 the International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards of Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Rehabilitation of Kahawa House

As previously reported, a consultant submitted on 8 February 2001 a fee note of Kshs.56,742,130 for studying and assessing the rehabilitation works that would be necessary and required for Kahawa House. However, information available indicates that the amount was not paid as the Board was convinced that no work was carried out to warrant a charge of Kshs.56,742,130.

Consequently, the consultant sued the Board for non-payment of the fee demanded. A review of the matter during 2013/2014 revealed that the matter is yet to be decided upon by the High Court since 19 March 2004 (case No. HC 152 of 2004). The management has not explained why rehabilitation was necessary considering that the house was refurbished in 1998/1999 at a cost of Kshs.38 million.

2. Property, Plant and Equipment

- (i). As previously reported, the property, plant and equipment balance of Kshs.1,775,781,000 as at 31 July 2014 includes an amount of Kshs.72,000,000 in respect of land measuring 236.35 hectares in Thika Sub-County, Kiambu County. However, title documents for land measuring 137.2 hectares out of the 236.35 hectares were not availed for audit review and therefore it has not been possible to confirm ownership status of land measuring 137.2 hectares.
- (ii). Further, included in the property, plant and equipment balance of Kshs.1,775,781,000 as at 30 June 2014 is Kshs.6,776,000 in respect of motor vehicles. However, we were not able to verify ownership of motor vehicle KAR 461 L as the logbook was said to have been misplaced. In

addition, motor vehicle KBG 517 C was registered in the name of Coffee Research Foundation.

In the circumstances, it has not been possible to confirm whether property, plant and equipment balance of kshs.1,775,781,000 as at 31 July, 2014 is fairly stated.

3. KPCU Loan

As reported previously, note 28 to the accounts reflects, a short-term loan balance of Kshs.131,375,000 together with accrued interest thereon representing funds advanced to the Board by the parent Ministry for onward lending to coffee farmers. However, this amount has remained unrecovered from coffee farmers and no evidence of any efforts made by the management to recover the outstanding loans was made available for audit verification.

In the circumstance, it has not been possible to confirm the full recoverability of the short-term loans totalling Kshs.131,375,000 as at 31 July, 2014.

4. Write-off on Trade and Other Receivables and Trade and Other Payables

As previously reported, the Board wrote-off trade and other receivables and trade and other payables amounting to Kshs.2,569,375,479 and Kshs.2,636,872,172 respectively in 2010/2011. Although the Board explained that the write-off was recommended by a contracted Consultant who reconciled the Board's old account balances, the parent Ministry and Treasury approvals for the write-off of these material balances however was not available for audit review. Under the circumstances, it has not been possible to confirm the propriety of the write offs effected in the 2010/2011 financial year.

5. Investments in Subsidiary

As previously reported, note 26 (a) to the accounts reflects investment balance of Kshs.389,000 which differs with the share certificate amount of Kshs.148,200 resulting to unexplained difference of Kshs.240,560. In the circumstance, it has not been possible to confirm the validity and accuracy of the investment balance of Kshs.389,000 as at 31 July, 2014.

6. Interest on Loan from Treasury

Article 3.1 of the Loan Agreement between the Government of Kenya and the Coffee Board of Kenya for a loan of Kshs.560 million states that the Board shall pay to the Government interest on the amount of the loan outstanding from time to time at the rate of two percent (2.0%) per annum. Article 4.1 further states that the principal amount of the loan shall be repaid to the Permanent Secretary/ Treasury, in twenty semi-annual consecutive installments payable each 30 December and 30 June commencing on 30 June 2009.

Further, Article 4.3 states that if the Board fails to pay any sum of principal or interest on the date on which it falls due, it shall (without prejudice to any other rights of the Government) pay interest on that sum from the date on which it fell due until the actual payment at an annual rate of 3.0%.

Although a review of the financial statement shows that the Board has reported an expenditure of Kshs. 12,431,000 in respect of the interest accrued as at 31 July 2014, accrued principal of Kshs. 336, million including accrued interest of Kshs. 46,031,000 had not been paid as per the loan agreement. In addition, the accrued interest continues to attract a penalty of 3% per annum which has accumulated to Kshs. 5,413,000. Further, the principal due has not been reported under the current liabilities in accordance with the International Reporting Standards. Under the circumstances, current liabilities of Kshs.135,786,000 as at 31 July, 2013 cannot be confirmed as fairly stated.

7. Receivables from non-Exchange activities

- (i). The balance of Kshs.17,194,000 in respect of receivables from non-exchange transactions as reported under note 24 to the accounts differs with the supporting schedules balance of Kshs.19,134,000 by unreconciled difference of Kshs.1,940,000.No explanation was availed for the difference.
- (ii). Similarly, Advalorem debtors balance of Kshs.15,693,000 includes kshs.1,687,175.45 owed by Nyambene Coffee Mills being one (1) percent (%) for coffee sold at the auction that has been outstanding since October 2013. The management has not made adequate provisions for bad and doubtful debts for this balance whose recovery remains doubtful.
- (iii). Further, receivables from non-exchange activities balance of Kshs.17,194,000 as disclosed under note 24 to the accounts includes staff debtors balance of Kshs.1,502,681 in respect of staff debtors. Audit verifications however revealed that included in this balance of staff debtors is Kshs.1,290,681 relating to staff imprest which has been outstanding since March 2013 contrary to the provisions of section 71 (4) of the Public Finance Management Act, 2012 which states that;

'If a public officer to whom cash advance is made under subsection (1) fails to account for advance, or fails to return it as required by subsection (3)-

- (a) the amount of the advance not accounted for or not returned becomes a debt by the officer;

- (b) the debt becomes subject to the payment of interest at a rate prescribed by regulations for the purpose of this subsection; and
- (c) the debt, including the interest on it, is recoverable by that entity by making a deduction from any salary or other amount that is payable to the officer.

The management is therefore in breach of the law.

In view of the above, I am not able to confirm whether receivables from non-exchange transaction balance of Kshs.17,194,000 as at 31 July,2014 is fairly stated.

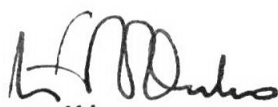
Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Board as at 31 July 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Coffee Act, 2001 of the laws of Kenya.

Other Matter

Going Concern

With the operationalization of the Agriculture, Fisheries and Food Act and Crops Act of 2013 on 1 August 2014, the Board has ceased to exist as a legal entity and it now operates as a Directorate under the Agriculture, Fisheries and Food Authority (AFFA). My opinion is not qualified in respect of this matter.



Edward R.O.Ouko, CBS
AUDITOR-GENERAL

Nairobi

30 April 2015

XI. STATEMENT OF FINANCIAL PERFORMANCE

For the 13 month period ended 31 July 2014

	Note	2013-2014 Kshs 000'	2012-2013 Kshs 000'
Revenue from non-exchange transactions			
Ad valorem levy	4	161,287	158,580
Licenses and permits	5	12,828	11,352
Transfers from National Government	6	25,999	25,920
		-----	-----
		200,115	195,852
		-----	-----
Revenue from exchange transactions			
Rental revenue from facilities	7	73,136	65,590
Finance income	8	44,646	35,891
Other income	9	3,175	1,093
		-----	-----
		120,957	102,575
Total revenue		321,072	298,427
		-----	-----
Expenses			
Employee costs	10	122,751	84,927
Remuneration of Board Members	11	1,895	2,340
Depreciation and amortization expense	12	55,997	40,100
Repairs and maintenance	13	11,773	9,884
Corporate social Responsibilities	14	1,694	1,196
General expenses	15	111,948	78,899
Finance Costs	16	13,068	12,808
International Promotion Expenses	17	7,109	8,830
Local promotion and branding Expenses	18	9,667	6,870
Growers Education and Regulation	19	6,464	2,869
Provision For Coffee Promotion		-	49,000
Collection cost	20	1,991	-
		-----	-----
Total expenses		344,358	301,480
		-----	-----
Other gains/Loss			
Loss on foreign exchange transactions	21	272	381
		-----	-----
Surplus for the period		(23,558)	322
		=====	=====

The notes set out on pages 7 to 23 form an integral part of the Financial Statements

FINANCIAL STATEMENTS
 FOR 13 MONTHS PERIOD ENDED 31 JULY 2014
XII. STATEMENT OF FINANCIAL POSITION
 As at 31 July 2014

	Note	2013-2014 Kshs 000'	2012-2013 Kshs 000'
Assets			
Current assets			
Cash and cash equivalents	22	31,616	60,570
Receivables from exchange transactions	23	22,395	23,098
Receivables from non-exchange transactions	24	17,194	17,313
Inventories	25	2,208	1,663
Investments	26	464,864	414,468
		538,277	517,112
Non-current assets			
Property, plant and equipment	27	1,775,781	1,809,122
Investment in subsidiary	26 a	389	389
KPCU Loan	28	131,375	131,375
		1,907,545	1,940,886
Total assets		2,445,822	2,457,998
Liabilities			
Current liabilities			
Trade payables from exchange transactions	29	5,451	11,627
Provisions- Baseline case	30	56,742	56,742
Current portion of GOK loan 560M	31	68,431	68,187
Employee current obligation Provision	32	5,150	
Over draft		11	35
		135,786	136,591
Non-current liabilities			
GOK loan- 560 Million	31	565,552	553,364
KPCU loan	28	131,375	131,375
		696,927	684,739
Total liabilities		832,712	821,331
Reserves	33	2,426,022	2,426,022
Accumulated deficit	34	(812,913)	(789,355)
Total net assets and liabilities		2,445,822	2,457,998

The Financial Statements set out on pages 1 to 25 were signed on behalf of the Board of Directors by:



HEAD OF COFFEE DIRECTORATE

Date:

FIN & ADMIN. MANAGER

Date: 

XIII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 July 2014

	Fixed Assets Revaluation Reserves Kshs '000	Coffee Research Reserve Kshs'000	Coffee Promotion reserve Kshs '000	Accumulated Surplus Kshs '000	Total Kshs '000
Balance as at 30 JUNE 2012	2,155,622	1,400	220,000	(789,677)	1,587,344
Surplus for the period	-	-	-	322	322
Coffee Promotion Fund			49,000		49,000
Balance as at 30 JUNE 2013	<u>2,155,622</u>	<u>1,400</u>	<u>269,000</u>	<u>(789,355)</u>	<u>1,636,666</u>
Balance at 1 July 2013	2,155,622	1,400	269,000	(789,355)	1,636,666
Surplus for the period	-	-	-	(23,558)	(23,558)
Balance as at 31 JULY 2014	<u>2,155,622</u>	<u>1,400</u>	<u>269,000</u>	<u>(812,913)</u>	<u>1,613,108</u>

XIV. STATEMENT OF CASH FLOWS

Cash flow from operating activities

	2014 KShs 000	2013 KShs 000
Surplus for the year before tax	(23,558)	322
Adjusted for:		
Depreciation	55,997	40,100
Contribution to provisions for coffee fund	-	49,000
Finance cost	12,431	12,187
Working capital adjustments:		
Increase in inventory	(545)	(19)
Increase in receivables	822	31,192
Increase in payables	(1,050)	61
Foreign exchange gain	272	382
Net cash flows from operating activities	44,370	133,226
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(22,655)	(9,918)
Net cash flows used in investing activities	(22,655)	(9,918)
Net increase/(decrease) in cash and cash equivalents	21,715	123,308
Cash and cash equivalents at 1 JULY	475,038	352,111
Gain on foreign exchange	(272)	(382)
Cash and cash equivalents at 31 JULY	496,480	475,038

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XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments	Revised Budget	Actual on comparable basis	Performance difference
	2013-2014 Kshs '000	2013-2014 Kshs '000	2013-2014 Kshs '000	2013-2014 Kshs '000	2013-2014 Kshs '000
Revenue					
Fines, penalties and levies	180,000	44,550	149,425	161,287	11,862
Licenses and permits	12,300	-	13,015	12,828	(187)
Transfers from other governments – Grants	45,000	19,080	26,999	25,999	(814)
Internally Generated Revenue	100,000	-	108,333	-	(108,333)
Rental revenue from facilities and equipment	70,840	-	71,118	73,136	(3,982)
Finance income - external investments	28,000	(7,000)	37,916	44,646	6,729.
Other income	6,000	3,000	3,125	3,175	(50)
Total income	442,140	59,630	415,747	321,071	(94,675)
Expenses					
Employee costs	115,311	(22,502)	146,046	122,751	23,294
Remuneration of Board Members	14,510	10,000	4768	1,894	2,873
Depreciation and amortization expense	36,997	(6,003)	43,358	55,997	(12,639)
Repairs and maintenance	15,402	-	16,806	11,773	5,034
Corporate Social Responsibilities	2,000	-	2,167	1,694	472
General Expenses	96,069	1,588	102,350	108,191	(5,841)
Finance costs	12,500	(300)	13,892	13,067	824
International Promotion Activities	15,340	2,500	13,993	7,109	6,884
Local Promotion and Branding Activities	16,700	5,700	12,042	9,667	2,375
Loss on foreign exchange				272	(272)
Growers Education and Regulation Activities	14,450	(1,300)	14,296	6,463	7,832
Collection cost	2,000	-	2,183	1,991	192
Operational research			2,650		
Total Expenditure	341,239	(7,716)	374,551	344,629	27,271
Surplus for the period	100,900		41,195	(23,558)	

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	Original Budget	Adjustments	Revised Budget	Actual on comparable basis	Performance difference
Capital Expenditure*	2013-14 Kshs '000	2013-14 Kshs '000	2013-14 Kshs '000	2013-14 Kshs '000	2013-14 Kshs '000
Total	100,560	67,100	33,460	14,493	18,966

Notes to the Budget

* Capital Expenditure

The actual cost of capital expenditure as per the assets register differs with this budgetary comparison by Kshs 8.161M due to a motor vehicle which was prepaid for in 2012-13 financial year and received in 2013-14 financial year.

(b) Budget Information

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

(c) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated as per the Board's policy.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

(d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Board recognizes such parts as individual assets with specific useful

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. **Statement of compliance and basis of preparation**

The Coffee Board of Kenya's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency and all values are rounded to the nearest thousand (KSh000). The accounting policies have been consistently applied to all the years presented.

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

2. **Summary of significant accounting policies**

(a) **Revenue Recognition**

Transfers from Other Government Entities

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

Interest Income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Rental Income

Rental income arising from vacant office space in Kahawa and Coffee Plaza that has been leased out. The buildings were previously occupied by staff and as such they were not acquired as investment property.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Impairment of Financial Assets

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

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

(g) Financial Liabilities

Initial Recognition and Measurement

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

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

lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Depreciation is calculated on the straight-line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following rates:

Depreciation Rates

Buildings	2.5%.
Plant & Machinery	12.5 %
Furniture & fittings	12.5%
Equipments	12.5%
Computers	30%
Motor Vehicles	25%

(e) Research costs

Coffee Board of Kenya expenses research costs as incurred.

(f) Financial Instruments

Financial Assets

Initial Recognition and Measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment.

(j) Contingent Liabilities

The Coffee Board of Kenya does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements.

(k) Nature and Purpose of Reserves

Coffee Board of Kenya creates and maintains reserves in terms of specific requirements and states the reserves maintained and appropriate policies adopted.

- Fixed asset revaluation reserve – these are reserves that have arisen due to asset valuations done in the recent past.
- Coffee research reserve –this relates to coffee research which was previously a research arm of coffee Board of Kenya.
- Coffee promotion reserve - Coffee prices in the World Market are very volatile. This consequently affects the local prices at the NCE leading to fluctuating Ad valorem levy for which the board principally depends. The reserve is created in high price years and utilized in low price years.

(l) Changes in Accounting Policies and Estimates

The Coffee Board of Kenya recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical. The Coffee Board of Kenya has for the first time adopted the application of IPSAS for the preparation of its financial statements.

(m) Employee Benefits

Retirement Benefit Plans

The Coffee Board of Kenya provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which the Board pays fixed contributions into a separate retirement

Loans and Borrowing

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

IPSAS 29.65

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

(h) Inventories

Inventory is measured at cost upon initial recognition. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Coffee Board of Kenya.

(i) Provisions

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

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

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

benefits scheme and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Gratuity

Some of the staff are on one year and three year contracts and are paid 31% of the basic pay at the end of their contracts.

(n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

(p) Related Parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded

as related parties and comprise the Managing Director, Finance And Administration Manager, Chief Technical and Regulatory Manager and Head Of Quality Control and Marketing Department..

(q) Comparative Figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

(r) Significant judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Board based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Coffee Board of Kenya. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful Lives and Residual Values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

(s) Subsequent Events

Coffee Board of Kenya ceased to exist as at 31 July 2014 and all the assets and liabilities taken over by AFFA. The former Coffee Board of Kenya is now known as a Coffee Directorate in AFFA.

4. LEVIES	2014	2013
	Shs 000	Shs 000
Ad valorem levy	161,287	158,580
Total	161,287	158,580
5. Licences and Permits	2014	2013
	Shs 000	Shs 000
Licence application Fee	10,789	8,792
Certificate of Origin fees	185	66
Late Application Fees	7	11
Registration of Sales Contracts	31	20
Registration Renewal of Marketing Agreements	1,259	1,817
Movement Permit Fees	516	481
Registration Renewal of Bank Guarantees	1	166
Mark of Origin Application Fee	40	-
	12,828	11,352
6. Transfers from National governments	2014	2013
	Shs 000	Shs 000
Unconditional grants		
Operational grant	25,999	25,920
Total government grants and subsidies	25,999	25,920
7. Rental revenue from facilities	2014	2013
	Shs 000	Shs 000
Kahawa House	39,083	34,798
Coffee Plaza	34,053	30,792
Total rentals	73,136	65,590
8. Finance income	2014	2013
	Shs 000	Shs 000
Interest from fixed deposits	44,646	35,891
Total finance income	44,646	35,891
9. Other income	2014	2013
	Shs 000	Shs 000
Tender Application Fee	-	108
Miscellaneous Incomes	1,335	985
Income from disposal	1,450	-
Cupping Exam Fee	390	-
Total other income	3,175	1,093

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10. Employee costs	2014	2013
	Shs 000	Shs 000
Employee related costs - salaries and wages	36,812	43,408
Employee related costs - contributions to pensions Actuarial deficit	45,200	10,500
Employee related costs –NSSF and Pension employer contribution	4,346	5,138
Travel, motor car, accommodation, subsistence and other expenses	9,048	4,950
Housing benefits and allowances	13,319	12,346
Service Gratuity	6,530	1,349
Medical expense	6,714	6,740
Group Life Cover	782	496
Employee costs	122,751	84,927
11. Remuneration of Directors	2014	2013
	Shs 000	Shs 000
Honoraria	1,040	781
Night out and Sitting Allowance	686	1,046
Medical	44	240
Other costs	125	273
Total Directors' remuneration	1,895	2,340
12. Depreciation and amortization expense	2014	2013
	Shs 000	Shs 000
Property, plant and equipment	55,997	40,100
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	55,997	40,100
13. Repairs and maintenance	2014	2013
	Shs 000	Shs 000
Investment property – earning rentals	37	1,905
Navision Maintenance	5,564	1,373
Equipment	1,519	2,552
Vehicles	2,949	2,592
Lifts maintenance	1,703	1,462
Total repairs and maintenance	11,773	9,884
14. Corporate Social Responsibility Expenses	2014	2013
	Shs 000	Shs 000
Corporate Social Responsibility Expenses	1,694	1,196
Total	1,694	1,196

15. General Expenses

The following are included in general expenses:

	2014	2013
	Shs 000	Shs 000
Advertising	857	2,966
Admin fees	6,660	2,660
Audit fees	619	580
Consulting fees	-	2,044
Electricity Kahawa house	569	543
Electricity- Coffee Plaza	5,450	8,884
Water Kahawa House	414	247
Water Coffee Plaza	485	612
Newspapers and periodicals	216	206
Insurance	2,845	2,450
Legal expenses	44,655	16,493
Website Expenses	4,291	1,558
Vat expense	8,000	6,960
ISO expenses	1,946	1,827
Staff welfare	50	379
Staff Uniforms	-	30
Cleaning expenses	3,053	2758
Field Expense	7,148	8,875
Postage	258	112
Printing and stationery	4,327	3,412
Travel on Duty	4,672	2,886
Land Rates and rents	1,980	935
Rental of Field Offices	1,516	1,517
Security costs	3,826	3,097
Subscriptions	185	415
Telecommunication	2,515	3,111
Training	3,868	2,940
Team Building expense	1,544	400
Total general expenses	111,948	78,899

16. Finance costs

	2014	2013
	Shs 000	Shs 000
Interest on GOK loan	12,431	12,187
Bank Charges	637	621
Total finance costs	13,068	12,808

17. International Promotion Expenses

	2014	2013
	Shs 000	Shs 000
International Publicity- Shows and Exhibitions	329	1,289
International Publicity- Market Survey	743	995
International Coffee Organisation (ICO)	814	949
Inter Africa Coffee Organisation (IACO)	200	530

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African Fine Coffee Organisation(AFCA)	690	1,759
Specialty Coffee of America Association (SCAA)	4,334	3,309
Total International promotion Expenses	7,109	8,830
18. Local Promotion Expenses	2014	2013
	Shs 000	Shs 000
Local Publications	350	2,019
Branding	3,985	1,859
Other Local Shows, Trade Fairs and Exhibitions	5,332	2,993
Total Local promotion Expense	9,667	6,870
19. Growers Education and Regulation Expenses	2014	2013
	Shs 000	Shs 000
Farmers Meeting	4,106	2,171
Compliance Enforcement	79	-
Stake holders Workshops	2,042	698
Review of the coffee Act	237	-
Total Growers education and regulation Expenses	6,464	2,869
20. Collection costs	2014	2013
	Shs 000	Shs 000
Kahawa house	986	
Coffee plaza	1,005	-
Total collection costs	1,991	
<p>These are costs charged by the management agent for rental collection at Kahawa house and Coffee plaza</p>		
21. Loss on Foreign exchange	2014	2013
	Kshs 000	Kshs 000
Loss on foreign exchange	272	381
<p>The directorate receives advalorem levy and also make some of its payments in USD which when translated at the end of the period to KSHS may bring about gains or loss as a result of the different exchange rates at the date of the transaction, and at the translation date</p>		
22. Cash and cash equivalents	2014	2013
	Shs 000	Shs 000
Bank	31,616	60,570

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Total cash and cash equivalents	31,616	60,570
Add investment in fixed deposits	464,863	414,468
Note 22 a (cash flow)	496,480	475,038
23. Receivables from exchange contracts	2014	2013
	Shs 000	Shs 000
Prepayments and rental deposits	87	9,014
Other debtors (rent and interest on FD)	22,308	14,084
Total current receivables	22,395	23,098
24. Receivables from non-exchange contracts	2014	2013
Current receivables	Shs 000	Shs 000
Ad valorem Debtors	15,693	13,628
Other Debtors - Staff	1,502	3,685
Total current receivables	17,194	17,313
25. Inventories	2014	2013
	Shs 000	Shs 000
Consumable stores	2,208	1,663
Total inventories at the cost.	2,208	1,663
26. Investments	Carrying	Fair
	Amount	Value
	Shs 000	Shs 000
Fixed deposits		
Opening balance at 1 July 2012	297,892	297,892
Additional investments made	90,286	90,286
Interest capitalized	26,291	26,291
At 30 June 2013	414,468	414,468
Additional investments made	9,100	9,100
Interest capitalized	41,295	41,295
At 30 June 2014	464,863	464,863
26. (a) Non Current investment	2014	2013
	Shs '000'	Shs '000'
	389	389

The investments comprise the Board's 65% shareholding in Kenya Coffee Auctions Limited. Subsidiary accounts have not been prepared and the company is under liquidation.

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27. Property, plant and equipment

Cost	Land & Buildings Shs 000	Plant & Machinery Shs 000	Furniture Equipments Shs 000	Computer Equipment Shs 000	Motor Vehicles Shs 000	Total Shs 000
At 1 July 2012	1,851,000	7,948	6,397	6,594	17,284	1,889,224
Additions	8,446		178	1,294		9,918
At 30 June 2013	1,859,446	7,948	6,576	7,888	17,284	1,899,142
Additions	10,663		382	3,449	8,161	22,655
Disposals					(1,768)	(1,768)
At 30 June 2014	1,870,110	7,948	6,958	11,337	23,678	1,920,030
Depreciation and impairment						
At 1 July 2012	33,558	994	800	2,044	12,524	49,919
Depreciation	33,558	994	822	2,366	2,361	40,100
At 30 June 2013	67,116	1,987	1,622	4,411	14,884	90,020
Depreciation	46,559	1,076	942	3,634	3,785	55,997
Disposals					(1,768)	(1,768)
At 31 July 2014	113,675	3,063	2,564	8,045	16,901	144,249
Net book values						
At 31. July 2014	1,756,434	4,885	4,394	3,291	6,776	1,775,781
At 30 June 2013	1,792,330	5,961	4,954	3,477	2,400	1,809,122

28. KPCU LOAN KSHS 131,374,80

This relates to a loan of Kshs 225 Million given to Kenya Planters Co-Operative Union Ltd (KPCU) through Coffee Board of Kenya by the Government of Kenya.

29. Trade and other payables from exchange transactions

	2014 Shs 000	2013 Shs 000
Trade payables	3,084	10,391
KENAO	580	580
Other payables	1,787	655
Total trade and other payables	5,451	11,627

30. Current provisions

	Shs 000
Baseline Case	
Balance at the beginning of the year	-
Additional provisions raised	-
Provision utilized	56,742
Change in provision due to change in discount factor and time value of money	-
Transferred from non-current provisions	-
Balance as at 30 June 2014	56,742

This is a provision based on HCC NO 152 of 2004 where the board was sued for non payment of consultancy Works allegedly done on Kahawa House.

31. GoK Loan

	2014 Shs 000	2013 Shs 000
Current portion of GOK Loan	68,431	68,187
Government loan KShs 560 Million	565,552	553,365

As per the loan agreement, interest will accrue at 2% per annum on the reducing balance and the interest plus principal repayable semi annually on 30th of December and June commencing 30th June 2009. The loan is to run for a term of 10 years. The board intends to convert the loan into a grant or have it written off against the Koru and Azania estates. Communication to this effect with the MOALF is ongoing.

	2014	2013
32. Employee current obligations Provision	5,150	-

These relate to pending leave days and gratuity as at 31 July 2014 provided for in line with IPSAS 25

33.Reserves	2014	2013
Coffee research reserve	1,400	1,400
Fixed assets reserves	2,155,622	2,155,622
Coffee promotion reserve	<u>269,000</u>	<u>269,000</u>
	<u>2,426,022</u>	<u>2,426,022</u>

These reserves relate to amounts that have accumulated over a period of years as indicated above.

34.Accumulated Deficit	2014(Kshs 000)	2013(Kshs 000)
Accumulated deficit b/f	(793,112)	(789,677)
Surplus for the year	<u>(23,558)</u>	<u>322</u>
Accumulated Deficit	<u>(812,914)</u>	<u>(798,355)</u>

35. Related party disclosures

The total payments made to the related parties (top management) of the organisation amounted to Kshs 7,682,980.

36. Contingencies

The Board has two very high profile cases which form contingencies.

- A. Civil appeal case No. 94 of 2003 is ongoing. The case was decided against the board in the High Court, the principal amount was Kshs 500 Million. A caveat on the titles of Kahawa house and Coffee plaza has been placed in respect of this case. The board has appealed.
- B. HCC 186 of 2000 (KICOCE) is another high profile case against the board for a principal amount of Kshs 250 Million. The court ordered for taking of accounts.