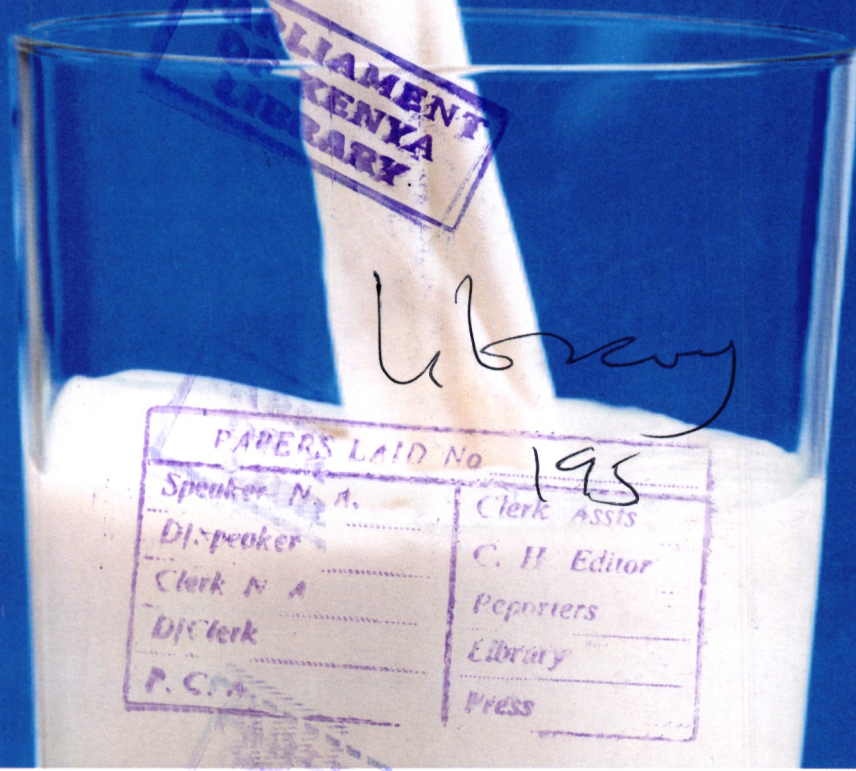
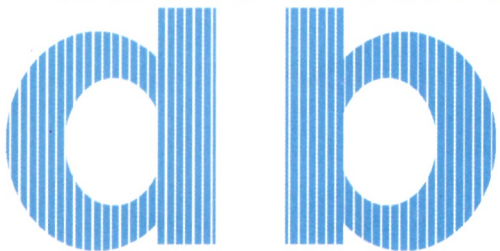


*Annual report
&
financial Statements*



2007

KENYA DAIRY BOARD



"Quality milk for health"

KENYA DAIRY BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2007

CONTENTS

ANNUAL REPORT	PAGES
VISION AND MISSION STATEMENT	2
BOARD MEMBERS AND BOARD INFORMATION	3-4
CHAIRMAN'S STATEMENT	5
MANAGING DIRECTOR'S STATEMENT	6
BOARD MEMBERS' REPORT	7
STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES	7
INDEPENDENT AUDITOR'S REPORT	8
<u>FINANCIAL STATEMENTS</u>	
INCOME AND EXPENDITURE STATEMENT	9
BALANCE SHEET	10
STATEMENT OF CHANGES IN EQUITY	11
CASH FLOW STATEMENT	12
NOTES TO THE FINANCIAL STATEMENTS	13-19

VISION AND MISSION STATEMENT

BOARD OVERVIEW

Kenya Dairy Board was established through an Act of Parliament, the Dairy Industry Act, Cap 336 of 1958.

Mandate

To regulate, promote and develop dairy industry in the country

Vision

"To be the leader in regulating, developing and promoting a sustainable dairy industry that contributes to income generation and good health."

Mission

"To facilitate the stakeholders activities towards a sustainable Dairy Industry that provides quality and competitive Dairy products."

Core Values

Kenya Dairy Board believes in an organisation whose people strongly upholds the following values:

Respect:

Employees are the most important resource within KDB and the Board espouses the value of participatory management. Consequently, high standards of integrity and professionalism will be demanded from every member of staff. KDB will be an equal opportunity employer and will strive to enhance the Welfare of its Staff.

Knowledge Based Organisation: Strive to become a one stop shop for information dissemination for the mutual benefit of the dairy industry.

Quality Service:

Strive to become a Service delivery and client focused organization that offers high value services which meet and exceed the expectation of its clientele.

Fairness:

Uphold the principles of fairness and due process in its dealing with internal and external public.

Honesty:

Promote a culture of openness and exalt the virtues of truthfulness and honesty within and without the Board.

Democratic Leadership:

Promote a participatory management style that recognizes the contribution of all team members.

Equal opportunity:

Give equal chances to all interested parties in all its transactions irrespective of status,gender, age, race, and Tribe.

BOARD MEMBERS AND BOARD INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

NSSF Building, Block A, Eastern wing, 10th Floor,
Po Box 30406-00100,
Nairobi.

AUDITORS

Controller and Auditor General
Po Box 30084,
Nairobi.

BANKERS

Kenya Commercial Bank,
Po Box 69695,
Nairobi.

Co-operative Bank of Kenya,
Po Box 48231, 00200,
Nairobi.

National Bank of Kenya,
Po Box 72866,
Nairobi.

LAWYERS

Wambugu Motende & Co. Advocates,
Po Box 41765-00100,
Nairobi.

Cheptumo & Co. Advocates,
Po Box 35556-00200,
Nairobi.

BOARD MEMBERS



Reuben Chesire
Chairman



Machira Gichohi
Managing Director



Martha K. Mulwa
Vice Chairman



Dr. Jacob O. Ole Miaron CBS
P.S. MLFD



Joseph Kinyua
P.S. M.O.F



Omolo Kayila
Director



Susan Mbiti
Director



Idris M Yusuf
Director



John B. Mande
Director



Matu Wamae
Director



Mansour Naji Said
Director



Dominic B. Mwangi
Director



Michael N. Numi
Director



Maison Sasai
Director



James Karanja
Director



John Nandasaba
*Alternate to PS
in the MLFD.*



Ann Mwalonzi
*Alternate to PS
in the MOF.*

MANAGEMENT



Humphrey Maina
Finance Manager



Peter Mutua
Administrative Manager



Dr. Philip Cherono
Technical Services Manager

CHAIRMAN'S STATEMENT

Through Government intervention in the last four years, the Dairy Industry has remained vibrant and continued to serve as a major source of livelihood for many Kenyans. Its contribution to the Gross Domestic Product grew from 2.8 % in 2002 to an estimated 4% in 2006. The total milk produced also increased by about one billion litres over the same period. The industry's contribution to household income and employment therefore continued to grow as evidenced by the increasing volumes of milk produced, processed and marketed.

The increase in milk production is attributed to renewed interest in dairy farming occasioned by improved organization and enforcement of dairy regulations. These factors have led to improved milk prices, and prompt payment for milk deliveries to dealers. The renewed interest is demonstrated by the rise in demand for quality breeding animals and services, dairy information, animal health and other livestock improvement services.

Current projections indicate that milk production and demand for quality dairy and animal improvement services will continue to increase in the near future in response to the attractive prices of milk and milk products.

With the improving liquidity in the country, dairy stakeholders now have greater access to financial services. This will continue to facilitate more investments in the sub-sector. The Kenya Government will continue to promote access to financial services by stakeholders by providing useful information on the functions and sustainability of the various categories of dairy enterprises. Kenya Dairy Board has continued to play a key role in the development of programmes aimed at easing access to credit facilities by dairy industry stakeholders.

A recent study has indicated that Kenya's dairy industry will in the short-term; rely on increasing domestic consumption of dairy produce while in the medium and the long-term period, the industry will depend on increasing export of locally produced dairy products.

In response to this study, the Board has re-organized its dairy produce promotional programmes in order to give emphasis on export promotions. This exercise has been carried out successfully in collaboration with milk processors, distributors, Ministry of Trade and Industry with useful support from Kenya's foreign Mission.

For a long time, Kenya has faced numerous problems in the marketing of locally produced dairy produce. These problems can be attributed to various factors including poor management of imports, poor marketing strategies, lack of a national agenda on the development of the industry and limited resource allocation to key areas that have the potential to drive the industry's growth.

In order to deal with some of these problems, Kenya Dairy Board did embark on a reform agenda since 2001. The result of these reforms was the development of a strategic plan that identified key programmes and subsequent goals. The implementation of these programmes has resulted in reversal of the decline in the performance of the industry since 2003. The Board will continue to invest in and pursue such goals in order to ensure that the dairy industry's contribution to the improvement of household livelihoods and to the gross domestic product of our country continue to grow. The board is however, faced with limited availability of resources. It is therefore; expected that the government will increase its resource allocation to the board in order to finance some of these strategic programmes.

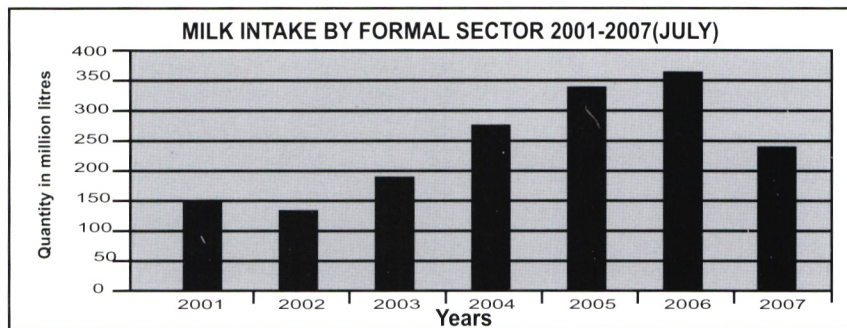
Reuben Chesire
CHAIRMAN

MANAGING DIRECTOR'S STATEMENT

The dairy industry contributes to an estimated 4% of Kenya's Gross Domestic Product(GDP) and serves as a source of livelihoods to over one million (1, 000, 000) small- holder dairy farmers. The industry contributes to an estimated five hundred thousand (500, 000) direct employment in the milk marketing, processing and distribution chain and also supports another seven hundred and fifty thousand (750, 000) persons who are engaged in dairy support devices like animal feed manufacture and distribution, animal health and breeding services, extension, laboratory, consultancy and advisory services.

A major constraint to the smooth development of the industry is that major dairy industry stakeholders like dairy farmers, are poorly organized. This provides adequate room for exploitation by middlemen as well as causing numerous inefficiencies and wastages along milk collection and distribution channels.

In pursuance to the revival strategies rolled out by the Government in 2003, the board has initiated various programmes geared towards improving the sub sector resulting in major improvements, including the reversal of the decline in the performance of the industry. The volumes of milk received by processing plants have continued to increase gradually from 143.5 million litres in 2002 to 362 million litres by 2006 representing a cumulative growth of 152% over the period. The continued increase has been sustained by favorable business environment and enhanced milk consumption internationally. The table and graph below shows intakes for the period 2001-July 2007;



Since 2003, the Board has initiated measures towards the establishment of a dairy information centre with the launch of the website in 2005. Due to increasing demands, and in order to facilitate greater access to dairy information, the board improved and upgraded its website during the last financial year and managed to link it to those of major stakeholders and institutions associated with the dairy industry.

During the last financial year, works towards the establishment of an Integrated Dairy Information management system that comprises a product traceability mechanism was commenced. To date, discussions with major players including Financial Institutions, Processors, World Bank and the parent Ministry has been done. The implementation is expected to start soon with a piloting of the system in a major dairy cooperative and processor. Kenya dairy Board has embarked on the registration of all dairy farmers who supply milk to the commercial milk market chain. This exercise aims to meet the international requirements on traceability of dairy produce and allow access of locally produced products to international markets.

The Board has actively participated in the Economic Partnership Agreement negotiations that have been going on since the year 2000 between the African Caribbean & Pacific countries and the European Union. A major output of the negotiations is the acceptance by the countries in the Eastern and Southern Africa geographical configuration under APE to categorize dairy produce under the sensitive products category and thus protected and not subjected to free market access by the developed countries. This categorization is expected to safeguard the dairy industry. Stakeholders in the dairy industry should however prepare themselves to face the challenges ahead of us when markets are eventually opened to all.

The board will continue to put great emphasis to those programmes that will result in the greatest impact to the dairy industry. The programmes include exhibitions and consumption promotions of dairy produce. Market surveys and the generation of information for the industry. The board will also participate in various forums both locally and internationally where major decisions on quality, standards, policies and regulations are made. This will be done through increasing resource allocation to these programmes

Machira Gichoni
MANAGING DIRECTOR

BOARD MEMBER'S REPORT

The Board Members have pleasure in submitting their annual reports and Audited Financial Statements for the year ended 30th June 2007 which disclose the state of affairs of the Board.

PRINCIPAL ACTIVITIES

The principal activity of the Board is to organise, regulate and develop the efficient production, marketing, distribution and supply of dairy produce.

RESULTS

Surplus for the financial year ended 30th June 2007 was	Kshs10,786,427
as compared to financial year ended 30th June 2006	Kshs7,680,417

BOARD MEMBERS

The present Board Members are set out on page 3&4

AUDITORS

The Controller and Auditor General continue in office in accordance with Section 30(1) of the Dairy Industry Act (Chapter 336) and the Public Audit Act, 2003.

BY ORDER OF THE BOARD

Machira Gichohi
Managing Director/Secretary

Nairobi, Kenya

STATEMENT OF BOARD MEMBERS RESPONSIBILITIES

The Kenya Dairy Act requires the Board Members to prepare financial statements for each financial year that gives a true and fair view of the state of affairs of the Board as at the end of the financial year and of the Income and Expenditure Account for the year then ended. It also requires the Board Members to ensure that the Board keeps proper accounting records that disclose, with reasonable accuracy, at any time, the financial position of the Board.

The Board Members accept the responsibility for the 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 and the requirements of the Dairy Industry Act. The Board Members are of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the Board and its operating results. The Board Members further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Reuben Chesire
Chairman

Nairobi, Kenya

Machira Gichohi
Managing Director/Secretary

INDEPENDENT AUDITOR'S REPORT
REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA DAIRY BOARD FOR THE YEAR ENDED 30TH JUNE 2007

I have audited the financial statements of Kenya Dairy Board set out on pages 9 to 19 which comprise the balance sheet as at 30th June 2007, the profit and loss account, the statement of changes in equity, the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes 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, where necessary for the purpose of the audit.

Board's Responsibility of the Financial Statements

The Board is responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Corporation and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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 that 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.

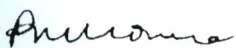
The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair 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 Board's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall representation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Property, Plant and Equipment

As has been previously reported, property plant and equipment balance of Kshs. 44, 319, 856. 00 as at 30 June, 2007 excludes the undetermined value of a plot in Narok town allocated for office development. It is therefore, not possible to confirm that the property, plant and equipment of Kshs. 44, 319, 856. 00 is fairly stated as at 30th June 2007.

Opinion

Except for the foregoing reservation, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of affairs of the Board as at 30 June 2007 and of its surplus and cash flows for the year ended in accordance with the International Financial Reporting Standards and comply with the Dairy Industry Act, Cap 336 of the Laws of Kenya.



P.N. KOMORA C.B.S
CONTROLLER AND AUDITOR GENERAL
NAIROBI
15th January 2008

KENYA DAIRY BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2007

INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2007

	NOTES	2006-2007 KSHS.	2005-2006 KSHS.
INCOME			
Cess Receipts		80,346,011	69,535,416
G.O.K. Grants		20,321,050	20,320,950
Import Levy		19,209,298	14,276,845
Licence Fees	2.1	8,550,712	8,482,544
Application fees		1,578,098	1,583,400
Assurance fees		2,000	-
Interest received		553,187	338,549
Profit on disposal of Asset		453,500	
Miscellaneous	2.2	1,261,132	744,947
TOTAL INCOME		132,274,989	115,282,651
EXPENSES			
Advertising & Publicity	3	4,558,296	4,461,553
Audit fees		500,000	350,000
Bad Debts Written Off		150,252	-
Bank Charges		579,960	896,721
Board Members Expenses	4	6,818,457	7,907,220
Depreciation	5	3,088,794	3,581,716
Donations		504,000	452,440
Electricity Expenses		80,754	30,961
External Travelling and Accomodation		2,500,233	1,469,881
Fees, Commission and Honoraria	6	2,680,640	1,396,595
Gratuity & Pension Contribution	11	5,684,380	5,703,244
Insurance		1,373,428	1,259,952
Laboratory Expenses		599,418	404,158
Maintenance of Plant & Equip.		500,736	742,746
Maintenance of Stations		1,999,766	1,044,916
Medical Expenses		4,654,744	4,237,604
Passage & Leave Expenses		2,513,201	1,703,076
Postal and Telegram Expenses		499,917	528,781
Printing & Stationery Expenses		3,299,976	2,320,971
Rent & Rates		5,085,104	4,682,607
Salaries and wages		45,345,863	38,277,837
Show Expenses		1,371,104	1,256,179
Staff Welfare		2,478,361	2,430,654
Telephone Expenses		2,190,081	2,041,969
Training Expenses		6,446,020	6,426,034
Transport & Operating Expenses		8,698,416	7,892,975
Travelling and Accomodation Exp		7,075,483	5,968,707
Uniform & Clothing Expenses		211,177	132,736
TOTAL EXPENSES		121,488,562	107,602,234
SURPLUS FOR THE YEAR		10,786,427	7,680,417


KENYA DAIRY BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2007

BALANCE SHEET
AS AT 30TH JUNE 2007

	NOTES	2006-2007 KSHS.	2005-2006 KSHS.
NON-CURRENT ASSETS			
Property, Plant & Equipments	5	44,319,856	36,193,286
CURRENT ASSETS			
Debtors and prepayments	8	11,226,277	10,581,203
Cash and bank balances	9	24,260,603	20,850,946
		35,486,880	31,432,150
CURRENT LIABILITIES			
Creditors and accruals	10	2,186,789	2,979,185
		77,619,947	64,646,251
NET TOTAL ASSETS			
		77,619,947	64,646,251
FINANCED BY			
Capital Reserves	12	29,797,520	27,410,250
Accumulated Fund	13	47,822,427	37,236,001
		77,619,947	64,646,251
TOTAL EQUITY			
		77,619,947	64,646,251

The financial statements were approved by the Board Member's on 19th September 2007 and signed on behalf by:

Reuben Chesire
(Chairman)



Signature

Machira Gichohi
(Managing Director/Secretary)



Signature

KENYA DAIRY BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2007

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2007

	Notes	Designated Funds Kshs.	Capital Reserves Kshs.	Accumulated Funds Kshs.	Total Kshs.
At 1st July 2005		4,000,000	23,410,250	30,848,583	58,258,833
Prior year adjustments		-	-	(1,293,000)	(1,293,000)
Surplus for the year				7,680,417	7,680,417
Received in the year		(4,000,000)	4,000,000	-	-
At 30th June 2006		-	27,410,250	37,236,000	64,646,250
At 1st July 2006		-	27,410,250	37,236,000	64,646,250
Prior year adjustments	14	-	-	(200,000)	(200,000)
Surplus for the year		-	-	10,786,427	10,786,427
Received in the year	12	-	2,387,270	-	2,387,270
At 30th June 2007		-	29,797,520	47,822,427	77,619,946

KENYA DAIRY BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2007

CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30TH JUNE 2007

	NOTES	2006-2007 KSHS.	2005-2006 KSHS.
SURPLUS FOR THE YEAR		10,332,927	7,680,417
ADJUSTMENTS:			
Depreciation for the year		3,088,794	3,581,716
Prior year adjustments	14	(200,000)	(1,293,000)
Revaluation reserve		(8,187,270)	
Profit on disposal of assets		453,500	
Operating surplus before working capital changes		5,487,951	9,969,134
(Increase)/Decrease in debtors		(645,074)	(790,552)
Increase/(Decrease) in creditors		(792,396)	(3,650,260)
Net cash flow from operating activities		4,050,482	5,528,321
Cash flow from Investing Activities			
Purchase of fixed assets	5	(3,028,095)	(4,958,581)
Net Cash flow from Investing Activities		(3,028,095)	(4,958,581)
Cash flow from Financing Activities			
Capital reserve	12	2,387,270	-
Net Cash flow from Financing Activities		2,387,270	-
Net increase/(decrease) in cash and cash equivalents		3,409,657	569,741
Cash and cash equivalents at beginning of period	9	20,850,946	20,281,206
Cash and cash equivalents at end of period	9	24,260,603	20,850,946

KENYA DAIRY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2007

1. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The Financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). The financial statements are presented in Kenya Shillings (Kshs) and prepared under historical cost basis of accounting.

B) INCOME RECOGNITION

Income is recognised to the extent that it can be reliably measured. The following specific criteria must be met before revenue is recognised:

i) Cess receipts are from licencees charged at the rate of twenty cents per litre of milk sold and is recognised when it is due.

ii) GOK Grants are Appropriations in Aid from the Government and are recognised when there is reasonable assurance that the grant will be received.

iii) Interest received is interest earned on bank deposit and call up accounts and is recognised when earned.

iv) Import levy is levy charged on milk import or any other dairy produce charged at seven percent of gross cost, insurance and freight and is recognised when received.

v) Assurance fee is from any person who want to start a milk processing plant and is recognised when received.

vi) Application fees are charged to any person who applies for a licence and is recognised when received.

vii) Licence fees are charged on various types of licences and are recognised when received.

C) BAD AND DOUBTFUL DEBTS

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

D) EXPENDITURE

Expenditure incurred comprise of expenses paid in the year and charges in the provision for outstanding expenses. All expenditure has been accounted for on accrual basis.

E) PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION.

Property, Plant and Equipments are stated at cost, less accumulated depreciation. Freehold land is not depreciated. Depreciation is calculated on the straight-line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. The annual depreciation rates in use are:

	Rate(%)
Motor vehicles	25.00%
Office and Laboratory equipments	12.50%
Furniture and fittings	12.50%
Computers	30.00%

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining surplus for the year.

KENYA DAIRY BOARD
NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR
ENDED 30TH JUNE 2007

SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at hand, deposits held at banks, including call deposits, net of bank debit balance.

G) EMPLOYEES' BENEFITS

i) Retirement benefit obligations

The Board operates a defined provident fund scheme for its employees. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the company and employees. Benefits are paid to retiring staff in accordance with the scheme's rules. The company and all its employees also contribute to the National Social Security Fund, a statutory defined contribution pension scheme. The company's obligation under the scheme is limited to the specific contributions legislated from time to time and are currently limited to a maximum of Ksh. 200 per month per employee.

The Board's contribution in respect of retirement benefit costs are charged to the income statement in the year in which they relate.

ii) Other entitlements

Employee entitlement to annual leave are recognized when they accrue to the employees. The estimated monetary liability for employees' annual leave entitlement at the balance sheet date is recognised as an expense on accrual.

H) COMPARATIVES

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

I) ACCOUNTING FOR LEASES

Leases of assets are classified as operating leases since a significant proportion of the risk and reward of ownership are retained by the lessor. Payment under operating leases are charged to income on a straight line basis over the period of the lease.

J) FINANCIAL SUPPORT

The Government of Kenya as a major financier of the Board has confirmed to continue supporting the Board in its operations. In view of the above the Board members consider it appropriate to prepare these Financial Statement on a going concern basis.

K) PROVISIONS

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

KENYA DAIRY BOARD
NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR
ENDED 30TH JUNE 2007

2. INCOME

Income shown in the financial statement is arrived at after recognizing the following income:

	2006-2007	2005-2006
	KSHS.	KSHS.
1. LICENCE FEES		
Cooling Plant	42,900	27,200
Cottage Industries	230,900	324,000
Dairy Manager Licenses	103,100	102,100
Bar Licenses	3,095,230	3,198,869
Mini Dairies	431,940	432,800
Movement Permit	2,892,950	2,572,575
Processors Licenses	675,000	795,000
Producer Licenses	1,078,692	1,030,000
	<u>8,550,712</u>	<u>8,482,544</u>
	2006-2007	2005-2006
	KSHS.	KSHS.
2. MISCELLANEOUS INCOME		
Confiscated Milk sale	716,818	500,454
Cess penalties and others	30,426	144,113
Tender Sale and Business forms	404,000	100,380
Sale of publications	109,888	-
	<u>1,261,132</u>	<u>744,947</u>
	2006-2007	2005-2006
	KSHS.	KSHS.
3. ADVERTISING & PUBLICITY		
Media Advertising	1,487,187	913,770
Milk Promotions	1,442,960	1,016,831
Dairy month promotion	1,628,149	2,530,952
	<u>4,558,296</u>	<u>4,461,553</u>
	2006-2007	2005-2006
	KSHS.	KSHS.
4. BOARD MEMBERS EXPENSES		
Mileage Allowances	3,006,454	3,199,879
Travel & Accommodation	3,812,004	4,707,341
	<u>6,818,457</u>	<u>7,907,220</u>

KENYA DAIRY BOARD
NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED
30TH JUNE 2007

5. FIXED ASSETS

PROPERTY, PLANT AND EQUIPMENT

	Land & Building	Motor Vehicles	Furniture & Fitting	Computers & Accessories	Office & Lab Equipment	TOTAL ASSETS
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost year 2006-2007						
Balance as at 1st July 2006	29,612,731	17,834,371	4,341,670	5,288,701	3,587,000	60,664,472
Additions	-	2,118,300	168,395	628,600	112,800	3,028,095
Revaluation	8,187,270	-	-	-	-	8,187,270
Disposal	-	(494,640)	-	-	-	(494,640)
Balance as at 30th June 2007	37,800,000	19,458,031	4,510,065	5,917,301	3,699,800	71,385,197

Depreciation year 2006-2007

Balance as at 1st July 2006	-	14,363,261	3,384,395	4,321,303	2,402,227	24,471,186
Disposal	-	(494,640)	-	-	-	(494,640)
Charge for the year	-	1,766,195	260,950	758,334	303,315	3,088,794
Balance as at 30th June 2007	-	15,634,816	3,645,345	5,079,637	2,705,542	27,065,340

Net book value

Balance as at 1st July 2006	29,612,731	3,471,110	957,275	967,398	1,184,773	36,193,286
Balance as at 30th June 2007	37,800,000	3,823,215	864,719	837,664	994,258	44,319,856

The mentioned figure of land and building comprises

	2006-2007 KSHS.	2005-2006 KSHS.
Land and building	37,800,000	24,595,444
Work in progress	-	5,017,287
	37,800,000	29,612,731

Included in the land and building is Kshs. 20,000,000 being the value of the land and building located at Nairobi South C of which sale is being finalised.

KENYA DAIRY BOARD
NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR
ENDED 30TH JUNE 2007

6. FEES, COMMISSION AND HONORARIUM

	2006-2007	2005-2006
	KSHS.	KSHS.
Legal fees	789,210	138,735
Chairman Honoraria	588,000	588,000
Professional fees	959,925	382,780
Research & Dairy Development	343,505	287,080
	2,680,640	1,396,595

7. STAFF COSTS

	2006-2007	2005-2006
	KSHS.	KSHS.
Gratuity & Pension	5,684,380	5,703,244
Medical Expenses	4,654,744	4,237,604
Passage & Leave Expenses	2,513,201	1,703,076
Salaries and Wages	45,345,863	38,277,837
	58,198,188	49,921,761

8. DEBTORS AND PREPAYMENTS

	2006-2007	2005-2006
	KSHS.	KSHS.
Debtors and prepayments comprises of the following:-		
Accounts receivables	3,247,218	2,768,978
Staff car loan	3,452,088	3,441,458
Deposits	782,906	605,506
Staff Imprest	496,162	1,662,977
K.N.A.C Medical Claim & Motor Claim	-	362,750
Prepayments	1,040,280	21,648
Staff salary advances	1,943,021	1,665,897
Ex- Staff debtors	264,603	414,739
Provision for bad debts	-	(362,750)
	11,226,277	10,581,203

9. CASH AND BANK BALANCES

	2006-2007	2005-2006
	KSHS.	KSHS.
KCB-Branch Collection accounts	-	3,999,254
KCB-Savings accounts	5,183,357	1,038,020
KCB-Current account	(576,185)	(1,487,655)
NBK-Saving account	32,415	3,466,596
NBK-Current account	3,631,896	970,483
NBK-Car Loan account	-	4,261,415
KCB-Branch Current account	-	67,931
Co-operative Bank call up account	4,678,575	4,522,827
Co-operative Savings account	1,014,066	999,996
Co-operative Current account	10,078,523	-
Undeposited fund(Transit transfers)	217,957	3,012,080
	24,260,603	20,850,946

KENYA DAIRY BOARD
NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR
ENDED 30TH JUNE 2007

10. CREDITORS AND ACCRUALS

	2006-2007	2005-2006
	KSHS.	KSHS.
Accounts Payable	225,765	59,923
Audit Fees Provision	500,000	850,000
Accrued Expenses	289,709	1,121,046
KMR Staff Pension	251,089	109,299
KNAC Staff Pension	460,981	429,941
Alico Insurance claims	107,394	107,394
Alico staff pension payable	-	97,861
Payroll Liabilities	320,163	180,977
Sundry staff claims	31,689	22,745
	2,186,789	2,979,185

11. RETIREMENT BENEFITS OBLIGATION

The Board makes contribution to a defined provident fund scheme administered by CFC Life Limited and the National Social Security Fund.

The Board will continue paying contributions to the provident fund at a rate of 5% of basic salary by employees and employer 20% and NSSF Kshs. 200 per month.

The contributions made during the year were as follows:

	2006-2007	2005-2006
	KSHS.	KSHS.
NSSF Employer Contributions	237,000	241,800
Employer Pension Contributions	5,447,380	5,461,444
	5,684,380	5,703,244

12. CAPITAL RESERVES

Capital reserves are as a result of valuation of fixed assets and utilisation of accumulated reserves.

	2006-2007	2005-2006
	KSHS.	KSHS.
At Start of year	27,410,250	23,410,250
Revaluation of Land and Building	8,187,270	-
Capital reserves utilised	(5,800,000)	4,000,000
	29,797,520	27,410,250

13. ACCUMULATED FUND

This comprises of accumulated surplus/deficit and prior year adjustments over the years.

	2006-2007	2005-2006
	KSHS.	KSHS.
At start of year	37,236,000	30,848,583
Surplus for the year	10,786,427	7,680,417
Prior year adjustments	(200,000)	(1,293,000)
	47,822,427	37,236,000

14 PRIOR YEAR ADJUSTMENTS

	2006-2007	2005-2006
	KSHS.	KSHS.
Under Provision of Audit Fees year 2005/06	(200,000)	-
GOK Grants	-	(1,293,000)
	(200,000)	(1,293,000)

KENYA DAIRY BOARD
NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR
ENDED 30TH JUNE 2007

15. TAXATION

The Board is a Non-profit making organisation hence exempt from Income Tax

16. CONTINGENCIES

The Board members are not aware of any litigation arising from normal operations of the Board which may have material effect on the financial position.

7. CAPITAL COMMITMENTS

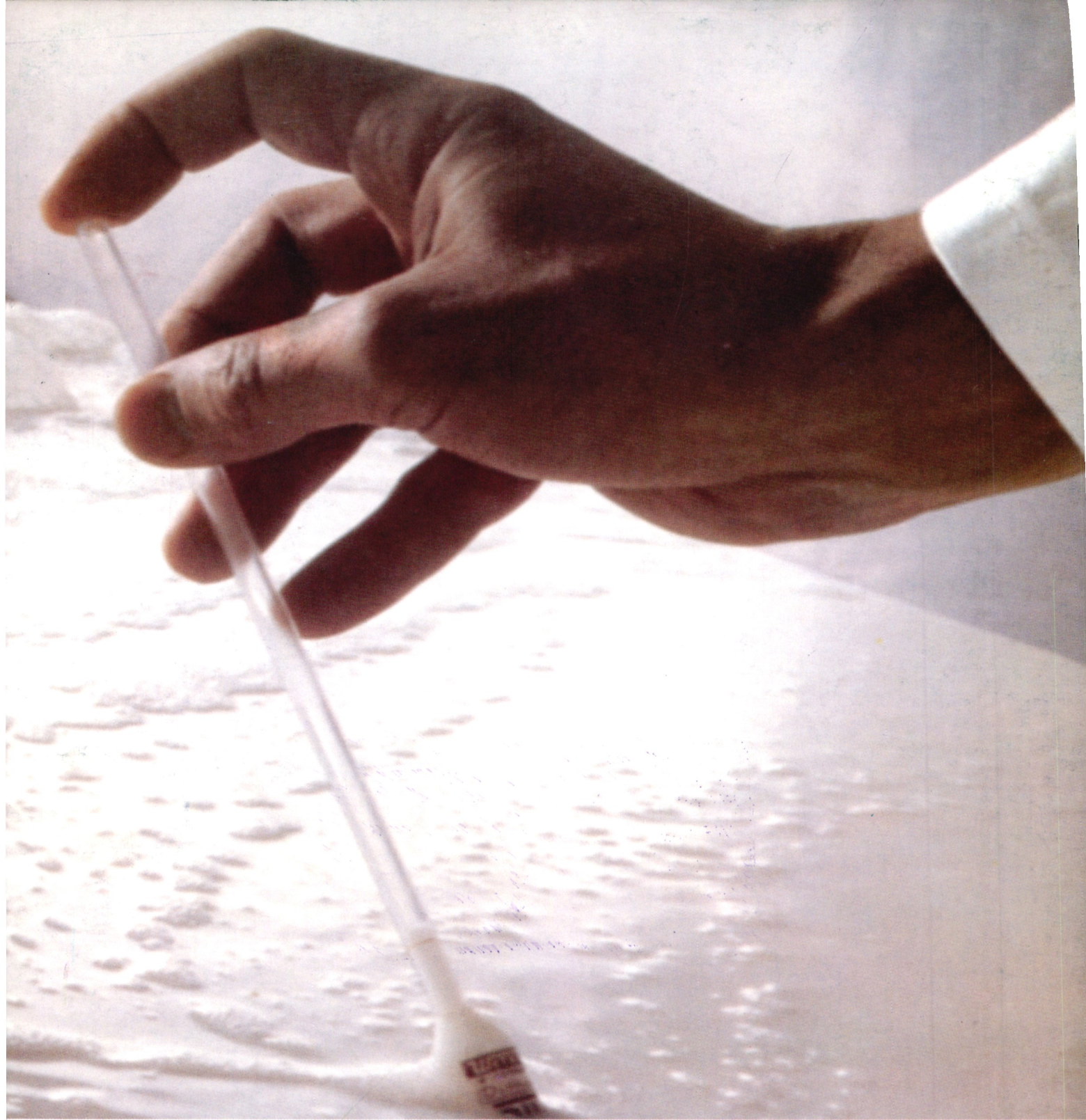
Board has no capital commitments as at 30th June 2007

18. IMPAIRMENT OF ASSETS

Loss on impaired assets is recognized if the recoverable amount has declined below the carrying amount.

19. INCORPORATION

The Board is established under Section 4 of the Dairy Industry Act CAP 336.



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