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KENYA ROADS BOARD

**FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR 2009/2010**

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT
OF
THE
AUDITOR-GENERAL**

ON

**FINANCIAL STATEMENTS
OF KENYA ROADS BOARD FOR THE
YEAR ENDED 30 JUNE 2010**

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2010

<u>TABLE OF CONTENTS</u>	PAGE NO.
CORPORATE INFORMATION	2 - 4
STATEMENT OF THE BOARD'S RESPONSIBILITIES	5
REPORT OF THE INDEPENDENT AUDITORS	6
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF CHANGES IN EQUITY	9
STATEMENT OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11 - 18

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2010

CORPORATE INFORMATION

Kenya Roads Board was formed by an Act of Parliament - No. 7 of 1999.

"The object and purpose for which the Board is established is to oversee the road network in Kenya and coordinate the maintenance, rehabilitation and development funded by the fund and to advise the Minister on all matters related thereto." as stipulated in the Kenya Roads Board Act, 1999 and the subsequent amendments in the Kenya Roads Act, 2007. The specific mandates are as amended in the Kenya Roads Act, 2007.

Registered Office: Kenya Re-Towers
Off Ragati Road, Upper Hill
3rd Floor,
P.O. Box 73718- 00200
NAIROBI

ISDN No. 4980000
Fax No.254-020-2723161
Website: www.krb.go.ke
E-mail address: roadsboard@krb.go.ke

Bankers: Central Bank of Kenya
P.O Box 60000
NAIROBI

Citibank N.A
Upper Hill
P.O Box 30711
NAIROBI

Standard Chartered Bank of Kenya Limited
Kenyatta Avenue
P.O Box 30034
NAIROBI

National Bank of Kenya Limited
Hill Branch
P.O Box 41862 - 00100
NAIROBI

Co-operative Bank of Kenya
Co-operative Bank House
P.O Box 48231 - 00100
NAIROBI

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2010

CORPORATE INFORMATION (CONT.)

Housing Finance
Rehani House
P.O Box 30088
NAIROBI

Auditors

Controller and Auditor General
P.O Box 30084 - 00100
NAIROBI

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2010

MEMBERS OF KENYA ROADS BOARD

Mr. Alfred C. Juma	-	Chairman	Automobile Association of Kenya
Dr. Francis N. Nyangaga	-	Executive Director	Kenya Roads Board
Eng. M.S. M Kamau	-	Member	Permanent Secretary Ministry of Roads
Mr. Joseph Kinyua	-	Member	Permanent Secretary Ministry of Finance
Mr. Osman H. Ibrahim	-	Member	Institute of Certified Accountants of Kenya
Mrs. Consolata M. Yambo	-	Member	League of Kenya Women Voters
Mr. Joel K. Yego	-	Member	Institute of Surveyors of Kenya
Mr. Abdi Awale	-	Member	Kenya Transporters Association
Mr. Robert Cullens	-	Member	Kenya Association of Tour Operators
Ms. Betty Maina	-	Member	Kenya Association of Manufacturers
Eng. Joel Wanyoike	-	Member	Institution of Engineers of Kenya
Dr. Cyrus Njiru	-	Member	Permanent Secretary Ministry of Transport
Prof. Karega Mutahi	-	Member	Permanent Secretary Ministry of Local Government
Mr. David Nalo	-	Member	Permanent Secretary Ministry of East African Community
Mr. Raphael Kanothi	-	Member	Alternate to Permanent Secretary Ministry of East African Community
Mr. James Aloyo	-	Member	Alternate to Permanent Secretary Ministry of Finance
Mr. Mary Owino	-	Member	Alternate to Permanent Secretary Ministry of Local Government
Mr. Billow H. Abdi	-	Member	Alternate to Permanent Secretary Ministry of Roads
Mr. George Wanjau	-	Member	Alternate to Permanent Secretary Ministry of Transport

MANAGEMENT

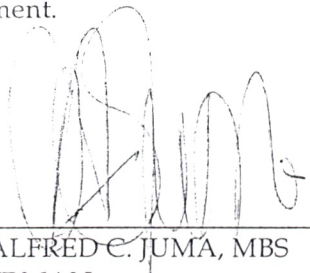
Executive Director	-	Dr. Francis N. Nyangaga
General Manager, Finance	-	Mr. Rashid K. Mohamed
General Manager, Planning and Programming	-	Eng. Jacob Z. Ruwa
General Manager, Technical Compliance	-	Eng. Stephen W. Ndinika
Manager, Human Resources and Administration	-	Mrs. Ruth Moraa Bitia
Manager, Legal and Corporate Affairs	-	Ms Lucy K. Gathika

STATEMENT OF THE BOARD'S RESPONSIBILITIES

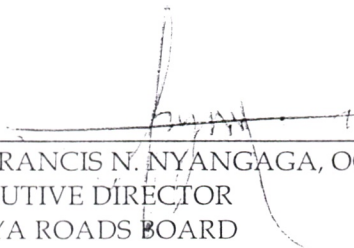
The Kenya Roads Board Act, 1999 requires the Board to prepare financial statements of each financial year which give a true and fair view of the state of affairs of the Roads Board as at the end of the financial year and of the Board's Income and Expenditure statement for that period. It also requires the Board to ensure that the Roads Board keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Board and to ensure that the Financial Statements comply with the enabling Act. They are also responsible for safeguarding the assets of the Roads Board and taking reasonable steps for prevention and detection of fraud and other irregularities.

The Board accepts responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenya Roads Board Act. The Board is of the opinion that the financial statements give a true and fair view of the state of affairs of the Roads Board and of its Statement of Comprehensive Income. The Board accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems on internal financial control.

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



MR. ALFRED C. JUMA, MBS
CHAIRMAN
KENYA ROADS BOARD



DR. FRANCIS N. NYANGAGA, OGW
EXECUTIVE DIRECTOR
KENYA ROADS BOARD

DATE: 22/12/2010

DATE: 22/12/10



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA ROADS BOARD FOR THE YEAR ENDED 30 JUNE 2010

I have audited the accompanying financial statements of Kenya Roads Board set out at pages 7 to 18, which comprise the Statement of Financial Position as at 30 June 2010, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

Responsibility of the Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessments 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 Management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

1. Consolidated Financial Statements and Audited Accounts of Agencies

As previously reported, the financial statements for 2009/2010 have not been consolidated and reflect an amount of Kshs.392,500,000 in respect of funds disbursed for Kenya Roads Board operations, representing approximately 2% of the sum of Kshs.24,440,944,000 received from Fuel Levy, Transit Tolls and Coffee Cess during the year. As disclosed in note 9 to the financial statements, the amount of Kshs.20,070,886,000 disbursed to Agencies namely, Kenya National Highways Authority, Kenya Rural Roads Authority, Kenya Urban Roads Authority and Kenya Wildlife Service has not been consolidated with that of Kenya Roads Board. Similar to the previous year, the Agencies have not prepared and submitted to the Board audited financial statements for the year 2009/2010, contrary to Section 25(2) of the Kenya Roads Board Act, 1999.

In addition, and although the Act requires the Agencies to submit audited accounts to the Board, it is not specific on the requirement for the Board to prepare and submit consolidated financial statements for audit. As similarly indicated in previous correspondence, consolidation by the Management is made difficult by the requirement that the Board prepares accounts within three (3) months after the end of the financial year, while the Agencies are supposed to submit audited accounts to the Board within a period of six (6) months after the end of the same period. Although the Public Investments Committee has since recognized this legal weakness and recommended that a review of the Kenya Roads Board Act, 1999 be undertaken with a view of facilitating and requiring consolidation of the accounts for the Board with those of the Agencies, no meaningful progress has been recorded in this regard. In the circumstances, and until the aforementioned review is concluded, it will not be possible to confirm the financial position and performance with respect to funds disbursed to the Agencies, which as at 30 June 2010 stood at Kshs.20,070,886,000.

2. Annual Public Roads Programme

According to the Kenya Roads Board Act, 1999 Section 19 (5), the Board is required to submit an Annual Public Roads Programme (APRP) to the Minister for Finance and Minister for Roads for approval. The approved programme forms the basis of allocation of funds to Road Agencies by the Board. During the year under review however, funds totalling Kshs.20,070,886,000 as shown under note 9 were allocated and disbursed to the various Road Agencies, but without the requisite approval as required by the Act. The disbursements were therefore in breach of the law.

3. Cash Fraud

As similarly reported in 2008/2009 and disclosed in Note 5 to the financial statements, the agencies receivables balance of Kshs.28,885,756 is due from the National Bank of Kenya on account of a fraudulent cheque indicated as payable to Gusii County Council and cashed at the Council. Although the Board has indicated that it is positive that the amount will be recovered from the Bank, the outcome of a case on the matter before the Court is uncertain as the proceedings are still on-going.

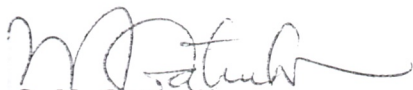
4. Provisions and Accruals

As disclosed at note 7 to the financial statements, the amounts of Kshs.67,216,104 and Kshs.44,393,719 relate to provisions and accruals respectively, all totalling Kshs.111,609,823 as at 30 June 2010. The provision of Kshs.67,216,104 was made for activities that had been planned for and included in the annual budget for 2009/2010 but were not carried out as at the end of the year. Although, the Board is of the view that the provision will enable it to carry out the planned activities in the subsequent year, this treatment of the account is however contrary to the Generally Accepted Accounting Principles, which require that revenue for a particular period be matched with the respective expenses.

In consequence, the surplus for the year has been understated by an amount of Kshs.67,216,104.00.

Opinion

Except for the foregoing reservations, in my opinion, the financial statements present fairly, in all material respects, the financial position of the Board as at 30 June 2010 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Kenya Roads Board Act, Cap. 408 of Laws of Kenya.


A. S. M. Gatumbu
AUDITOR GENERAL

Nairobi

21 January 2011

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2010

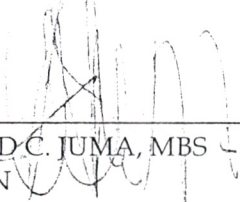
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2010

	Note	Kshs'000	Kshs'000
		2009/2010	2008/2009
KRBF Receipts	9	24,440,944	22,068,071
INCOME			
KRBF Income	9	392,500	372,800
<u>Other Comprehensive Income</u>			
Interest Earned		11,280	5,454
Sale of Tender		100	218
Gain on disposal of property & equipment		2,650	1,775
Other Income - Surplus Funds		119,238	49,044
TOTAL INCOME		525,768	429,291
EXPENDITURE			
<u>Director Costs</u>			
Directors Emoluments		18,630	23,673
Directors Insurances		442	440
Directors Field Trips		1,823	3,092
Directors Overseas Travel		10,626	10,001
Directors Training Local		2,135	1,266
Board Evaluation/Induction		1,094	990
Ministerial Functions		275	755
		35,025	40,217
<u>Staff Costs</u>			
Salaries & Wages		117,477	122,172
Staff Pension		10,035	12,040
Staff Training & Development		16,083	9,528
Staff Welfare		1,725	3,129
Staff Recruitment/Surveys		1,862	947
Staff Insurance		8,099	4,974
		155,281	152,790
<u>Other operating Costs</u>			
Advertising & Publicity		11,321	30,545
Bank Charges		342	489
Conferences & Seminars		8,558	7,998
Consultancies		74,557	106,912
General Insurances		399	720
Legal fees		465	500
Newspapers & Magazines		428	441
Office Expenses		5,350	4,903
Rent of Premises		17,697	14,798
Research & Development		252	0
Security		845	706
Stationery		1,873	2,997
Telephone, Postages & internet		6,487	6,549
Vehicle Expenses & Repairs		7,023	6,243
		135,597	183,801
Audit Fees		2,500	2,500
<u>Field Activities:</u>			
Executive Director		5,533	6,209
Planning & Programming		7,535	4,841
Technical Compliance		8,287	6,006
Finance		5,389	1,178
Information Communication Technology		779	1,316
Human Resource & Administration		3,252	2,849
Legal & Corporate Affairs		4,984	2,200
Procurement		595	195
		36,354	24,794
Corporate Social Responsibility		3,334	982
Depreciation	2	17,423	22,302
TOTAL EXPENSES		385,514	427,386
Surplus from operations		140,254	1,905

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2010

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2010

		KShs'000	KShs'000
		2009/2010	2008/2009
<u>ASSETS</u>			
NON CURRENT ASSETS			
Property & Equipment	2	41,566	47,844
CURRENT ASSETS			
Cash and Bank balances	3	6,753,710	2,387,900
Other receivables - Operations	4	136,865	294,072
Agencies receivable	5	28,886	310,053
		6,919,461	2,992,025
TOTAL ASSETS		6,961,027	3,039,869
<u>RESERVES & LIABILITIES</u>			
RESERVES			
KRB Staff Fund	6(a)	113,499	109,359
Operations Reserves	6(b)	198,010	371,757
KRB Capital Fund	6(c)	350,000	-
		661,509	481,116
CURRENT LIABILITIES			
Other Payables - Operations	7	112,610	106,979
Agencies Payable	8	1,816,850	785,753
KRBF-Undisbursed Agency Funds	9	4,370,058	1,666,021
		6,299,518	2,558,753
TOTAL RESERVES & LIABILITIES		6,961,027	3,039,869


MR. ALFRED C. JUMA, MBS
CHAIRMAN

22/12/2010
DATE


DR. FRANCIS N. NYANGAGA, OGW
EXECUTIVE DIRECTOR

02/12/10
DATE

KENYA ROADS BOARD
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2010

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2010

	Note	Operations Reserves	KRB Capital Fund	KRB Staff Fund	Total
		KShs'000	KShs'000	KShs'000	KShs'000
As at 1 st July 2008		192,832	-	100,000	292,832
Growth in Staff Fund	6(a)	-	-	3,961	3,961
Transfers to Staff fund	6(a)	(5,398)	-	5,398	-
Agency payable adjustment	6(b)	182,418	-	-	182,418
Excess income over expenditure		1,905	-	-	1,905
As at 30 th June 2009		371,756	-	109,359	481,116
As at 1 st July 2009		371,756	-	109,359	481,116
Growth in Staff fund	6(a)	-	-	4,140	4,140
Increase in Capital Fund	6(b)	-	50,000	-	50,000
Transfer to Capital Fund	6(b)	(300,000)	300,000	-	-
Reserves Adjustment	6(b)	(14,000)	-	-	(14,000)
Excess income over expenditure		140,254	-	-	140,254
As at 30 th June 2010		198,010	350,000	113,499	661,509

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2010

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2010

		2009/2010	2008/2009
		KShs'000	KShs'000
Operating Activities	Note		
Surplus of income over expenditure		140,254	1,905
Adjustments for:			
Depreciation of property & equipment	2	17,423	22,302
Interest income		(11,280)	(5,454)
Gain on disposal of property & equipment		(2,650)	(1,775)
Operating income before working capital changes		143,747	16,978
Movement in Working Capital			
Decrease/(Increase) in other receivables		157,207	(290,685)
Decrease/(Increase) in agency receivables		281,167	(31,327)
Increase in other payables		5,631	21,595
Increase / (decrease) in agency payables		1,031,097	(2,024,610)
Net Cash inflow (used) from operating activities		1,618,849	(2,308,049)
Investing activities			
Net interest earned		11,280	5,454
Purchase of property & equipment	2	(11,145)	(34,727)
Proceeds on disposal of property & equipment		2,650	1,775
Net cash used in investing activities		2,785	(27,498)
Financing activities			
Change in retained surplus		(14,000)	182,418
Increase in KRB Capital fund		350,000	-
Decrease in operations reserves		(300,000)	-
Increase in KRB Staff fund		4,140	3,961
Increase in amount un-disbursed funds		2,704,036	354,460
Net cash inflow/ (used) from financing activities		2,744,176	540,839
Net cash increase / (decrease) in cash & cash equivalents		4,365,810	(1,794,708)
Cash & cash equivalents at beginning of year		2,387,900	4,182,608
Cash & cash equivalents at the end of year	3	6,753,710	2,387,900

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Basis of Preparation

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRSs). The financial statements have been prepared under the historical cost basis of accounting. The financial statements are presented in the functional currency, Kenya Shillings (KShs), and all values are rounded to the nearest thousands (KShs'000) except when otherwise indicated.

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

b) Presentation of Financial Statements

Starting 1st January 2009, Kenya Roads Board adopted the revised IAS 1 on Presentation of Financial Statements (2007), which became effective as of 1st January 2009. This Standard has introduced terminology changes in the format and content of the Financial Statements. Since the change in accounting policy only impacts presentation aspects, there is no impact on other aspects of the Financial Statements.

c) Critical Accounting Estimates and Assumptions

In the process of applying the accounting policies, directors make certain assumptions about the future events. In practice, the estimated assumed results differ from the actual results would differ from actual results. Such estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property & Equipment

The directors make estimates in determining the depreciation rates for property and equipment. The rates used are set out in the accounting policy (e) below for property and equipment.

These estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances.

d) Critical Accounting Judgments

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

(i) Provision for doubtful debts

The organization reviews its travel advances portfolio to assess the likelihood of impairment. A provision for impairment of receivables is established when there is objective evidence that the Board will not be able to collect all amounts due. Where necessary, an estimation of the amounts irrecoverable is made in that year. Provision for impairment shall be recognized upon approval by the Board of Directors.

(ii) Other provisions

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

e) Revenue Recognition

Revenue for the Kenya Roads Board Fund (KRBF) includes receipts from Road Maintenance Levy Fund (RMLF), Transit Tolls, Coffee Cess, interest income, grants and other income. RMLF is recognized on receipt basis after an adjustment for Kenya Revenue Authority Refunds on upfront taxes for exports. Transit tolls and coffee cess are recognized on receipt basis while interest income and other income are recognized on accrual basis.

The Board is allocated 2% of the RMLF receipts for its operations. The income is recognized once the Board approves the receipts for disbursements.

f) Property and Equipment and Depreciation

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

<u>Rate</u>	
Computer Equipment	33 ¹ / ₃ %
Office Equipment	12.5%
Motor Vehicles	25.0%
Furniture & Fittings	12.5%

Property and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or losses on de-recognition of the asset is included in the income and expenditure statement in the period the item is de-recognized.

g) Cash and Cash equivalents

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

h) Foreign Currencies

Assets and liabilities denominated in foreign currencies have been translated at rates ruling approximating the mean rates of exchange ruling at the balance sheet date. Transactions in foreign currencies during the year are converted into the functional currency using the prevailing exchange rates ruling at the dates of the transactions.

The resulting exchange differences from conversion and translation are either included in the income statement or where appropriate charged to the fund.

The Board does not have any foreign operations.

i) Inventories

Given the nature of the Board's operations and mandates, items in stock relate to stationery which is expensed off in the comprehensive income statement in the year it is purchased.

j) Employee Benefit

Retirement Benefit Costs

The Board operates a defined contribution provident fund for its employees. The fund is administered independently by Trustees. It is funded by contributions from both the employer and employees.

The Board and its employees also contribute to the statutory pension scheme, the National Social Security Fund (NSSF). Contributions are determined by the local statute and are currently limited to KShs 200 per employee per month.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

k) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Where the Board is the lessee, the total payments made under operating leases are charges to the income and expenditure statement on a straight line basis over the period of the lease. When an operating lease is terminated before the expiry of the lease period, any payment required to be made to the lessor by way of penalty is recognized as expense in the period in which termination takes place.

l) Guarantees, acceptances and letters of credit

Guarantees are accounted for as off balance sheet transactions and disclosed as contingent liabilities.

m) Subsequent Events

There have been no subsequent events that would have an impact on the financial statements for the year ended 30th June 2010.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Equipment

	Computer Equipment	Office Equipment	Motor Vehicles	Furniture & Fittings	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost					
At start of the year	42,837	23,554	41,713	59,828	167,932
Additions	4,701	1,744	4,700	-	11,145
Disposals	(994)	-	(7,559)	-	(8,553)
At 30th June 2010	46,544	25,298	38,854	59,828	170,524
Depreciation					
At start of the year	38,200	12,244	26,851	42,793	120,088
Charge for year	5,228	2,489	6,129	3,577	17,423
Disposals	(994)	-	(7,559)	-	(8,553)
At 30th June 2010	42,434	14,733	25,421	46,370	128,958
Net Book Value					
At 30th June 2010	4,110	10,565	13,433	13,458	41,566
At 30th June 2009	4,637	11,310	14,862	17,035	47,844

3. Cash and Bank Balances

	2009/10	2008/09
	KShs '000	KShs '000
KRB Agency accounts	6,158,022	2,111,722
KRB Operations accounts	482,189	136,819
KRB Staff Fund	113,499	109,359
	<u>6,753,710</u>	<u>2,387,900</u>

4. Other Receivables - Operations

	2009/10	2008/09
	KShs '000	KShs '000
Advances to staff	1,836	1,801
Deposits and Prepayments	2,157	1,943
Other Receivables	<u>132,872</u>	<u>290,328</u>
	<u>136,865</u>	<u>294,072</u>

Included in advances to staff is KShs 93,284 due from the former directors. The Board is positive that the amount will be receivable; therefore no provision for impairment has been made in the current year.

5. Agencies Receivable

	2009/10	2008/09
	KShs '000	KShs '000
National Bank of Kenya Limited	28,886	28,886
Receivable from Ministry of Roads - Africa Development Bank (ADB) Roads 2000 projects	-	281,167
	<u>28,886</u>	<u>310,053</u>

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Amount receivable from National Bank of Kenya Limited relates to loss through fraudulent activities. The Board is positive that the amount will be received from National Bank of Kenya Limited; hence no loss is likely to crystallize in future.

The amount receivable in respect of ADB Roads 2000 projects was fully recovered from the allocation to Districts Equitable under FY 2009/10.

6. RESERVES

6(a) KRB Staff Fund

	2009/10	2008/09
	KShs '000	KShs '000
Car Loan Staff Fund	27,130	26,901
Mortgage Scheme Fund	86,369	82,458
	<u>113,499</u>	<u>109,359</u>

The Board approved establishment of a fund for the members of staff. The growth in the fund (2009/10-KShs. 4,140 million: 2008/09-KShs 3,961 million) represents interest earned during the year.

6(b) Operational Reserves

Operational reserves represent excess income over expenditure which has accumulated over the years.

The Board approved the write-off of KShs 14 million due from the Ministry of Roads. KShs 182 million in FY 2008/09 represents adjustments to reconcile agencies payable and KRB operations.

During the year the Board approved the transfer of KShs 300 million to the KRB Capital Fund.

6(c) KRB Capital Fund

The Board approved the establishment of a Capital Fund. KShs 300 million and KShs 50 million was approved to be transferred from the Operational Reserves and Surplus funds for the year respectively.

7. Other Payables - Operations

	2009/10	2008/09
	KShs '000	KShs '000
Provisions and accruals	111,610	98,749
Interim Management Committee (IMC)	0	8,230
Payables	<u>1,000</u>	<u>0</u>
	<u>112,610</u>	<u>106,979</u>

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Agencies Payable

	2009/10	2008/09
	KShs '000	KShs '000
Kenya Roads Board	-	179,833
KeNHA - ABC Roads	210,570	-
KeNHA - Transit Tolls	212,956	-
10% Special Allocation by KRB	20,216	
KeRRA - Critical Links	100,000	140,779
KeRRA - Constituency Funds	266,000	192,651
KWS	13,822	-
KURA - Local Authorities	794,610	219,717
Revoted Funds - WFP	40,696	40,696
Coffee Cess	157,980	12,077
	<u>1,816,850</u>	<u>785,753</u>

9. Receipts & Disbursements

	2009/10	2008/09
	KShs '000	KShs '000
Receipts		
<i>Net fuel levy receipts</i>	23,572,552	20,650,144
Transit Tolls	441,284	502,956
Coffee Cess	110,158	140,903
Interest Earned	246,064	222,018
Revoted Funds	70,886	552,050
Total KRBF Receipts	<u>24,440,944</u>	<u>22,068,071</u>
Disbursements		
Kenya Roads Board	392,500	372,800
KeNHA - ABC Roads	7,850,000	8,306,000
KeNHA - Transit Tolls	300,000	290,000
KeRRA - D, E & Others	400,000	1,000,000
KeRRA - DRC Equitable	2,455,000	2,032,800
KeRRA - Constituencies	3,925,000	3,728,000
Kenya Wildlife Service	196,250	186,400
KURA - MOLG	2,443,750	2,000,000
10% Allocation by KRB	1,962,500	1,864,000
Revoted Funds	70,886	552,050
Coffee Cess	75,000	70,000
Total Disbursements	<u>20,070,886</u>	<u>20,402,050</u>
Undisbursed Agency Funds	<u>4,370,058</u>	<u>1,666,021</u>

Undisbursed Agency funds refer to amounts that have been received but not yet approved by the Board for disbursement as at the Balance Sheet date.

10. Contingent Assets & Liabilities

	2009/10	2008/09
	KShs '000	KShs '000
Guarantees	-	11,626

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Guarantees

Guarantees commit the Board to make payments on behalf of the guaranteed in the event of a specific act and carry a certain risk.

The Board had given guarantees for rent of the three new authorities amounting to KShs. 9,725,703 and KShs. 1,900,468 for Blue Shield Insurance Company Limited and IKM Place Limited for a period of one year from 4th December 2008 respectively. The guarantees have since lapsed.

b) Amount Receivable/Payable of Kshs. 281,167,334

As noted in note 5, the Board recovered funds receivable from the Ministry of Roads (ADB Roads 2000 projects) from the allocation to Districts Equitable under FY 2009/10. As a result, Districts were underfunded by Kshs 281,167,334 in FY 2009/10.

In the event that these funds are recovered from the Ministry of Roads/ADB, a liability of an equivalent amount will arise due to KeRRA - Districts Equitable.

c) Pending legal Suit

The Board is engaged with National Bank of Kenya Limited in a legal suit in a bid to recover KShs. 28.886 million which was lost through fraudulent activities. The Board is positive that the amount will be received from National Bank of Kenya Limited; hence no loss is likely to crystallize in future.

11. Commitments : Operating Lease Rentals

Non-cancellable operating lease rentals are payable as follows:

	2009/10	2008/09
	KShs '000	KShs '000
One year	14,978	12,576
Two to five years	59,912	56,915
	<u>74,890</u>	<u>69,491</u>

The Board has leased office premises under operating leases. The lease typically runs for 5 years with an option to renew the lease after that date. Lease payments are increased accordingly to reflect market rentals.

12. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation of the Financial Statements as required by IFRS and any amendment whenever necessary in the current year.

13. Currency

The financial statements are presented in Kenya Shillings (KShs'000).
