



**ANNUAL REPORT  
&  
FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2018**

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

1 - 2	1	KEY ENTITY INFORMATION AND MANAGEMENT
3 - 4	2	THE BOARD OF DIRECTORS
5	3	MANAGEMENT TEAM
6	4	CHAIRMAN'S STATEMENT
7	5	REPORT OF THE MANAGING DIRECTOR
8 - 11	6	CORPORATE GOVERNANCE STATEMENT
12 - 15	7	MANAGEMENT DISCUSSIONS AND ANALYSIS
16	8	CORPORATE SOCIAL RESPONSIBILITY STATEMENT
17	9	REPORT OF THE DIRECTORS
18	10	STATEMENT OF DIRECTORS' RESPONSIBILITIES
19 - 22	11	REPORT OF THE INDEPENDENT AUDITORS ON KENYA DAIRY BOARD
		<b>FINANCIAL STATEMENTS</b>
23	12	STATEMENT OF FINANCIAL PERFORMANCE
24	13	STATEMENT OF FINANCIAL POSITION
25	14	STATEMENT OF CHANGES IN NET ASSETS
26	15	STATEMENT OF CASH FLOWS
27	16	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
28 - 41	17	NOTES TO THE FINANCIAL STATEMENTS
		<b>APPENDICES</b>
42		APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS
43		APPENDIX 2: PROJECTS IMPLEMENTED BY THE BOARD
44		APPENDIX 3: INTER ENTITY TRANSFERS
45		APPENDIX 4: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

## KEY BOARD'S INFORMATION AND MANAGEMENT

### (a) Background information

The Board was established in 1958 through an Act of Parliament, The Dairy Industry Act, Cap 336. The Board is domiciled in Kenya.

### (b) Principal Activities

The mandate of the Board is to Regulate, Promote and Develop the Dairy Industry in Kenya.

### (c) Key Management

The Board's day to day Management is under the following;

- Board of Directors
- Managing Director
- Director, Regulatory Services
- Director, Corporate Services
- Finance Manager
- Manager - Internal Audit
- Senior Supply Chain Management Officer

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2018 and who had direct fiduciary responsibility were;

No.	Designation	Name
1.	Managing Director	Margaret Rugut Kibogy
2.	Director, Regulatory Services	Dr. Philip Cherono
3.	Director, Corporate Services	Peter Mutua
4.	Finance Manager	Edward Nyoike
5.	Manager - Internal Audit	Erastus Mutiso
6.	Senior Supply Chain Management Officer	Dorothy Owino

### (e) Fiduciary Oversight Arrangement

#### Audit Committee of the Board

Philip Kibusie  
 Jonah Wala  
 Lorna Odero  
 Daud Ramadhan

#### Finance and Planning Committee of the Board

Jared Makworo Nyanumba  
 Jonah Wala  
 Lorna Odero  
 Jackson Omaido

### (f) Kenya Dairy Board Headquarters

NSSF Building, Block A  
 Eastern Wing, 10th Floor  
 P.O. Box 30406  
 GPO 00100  
 Nairobi, Kenya

### (g) Contacts

Telephone: (020) 310559, 341302, 0733 521438, 0722 573432  
 E-mail: info@kdb.co.ke  
 Website: www.kdb.co.ke

### (h) Bankers

Kenya Commercial Bank Limited  
 Milimani Branch, NSSF Building  
 P.O. Box 69695  
 Tom Mboya 00400  
 Nairobi, Kenya.

Co-operative Bank of Kenya Limited  
 Upper Hill Branch, KUSCO Centre, Kilimanjaro Road  
 P.O. Box 48231  
 City Square 00200  
 Nairobi, Kenya

**KEY BOARD'S INFORMATION AND MANAGEMENT (Continued)**

National Bank of Kenya Limited  
Harambee Avenue Branch  
P.O. Box 72866  
City Square 00200  
Nairobi, Kenya

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

**THE BOARD OF DIRECTORS**



**Anthony Ian Njoroge Mutugi**

Mr. Anthony Mutugi is a Non- Executive Chairman of the Board. A holder of Bachelor of Science Degree in Agriculture from University of Nairobi. He has extensive experience in Agronomics, Tea and Coffee Production Management and Resource Management. He currently the General Manager and Director, Riverdale Blooms Limited. Previously, Mr. Mutugi has served as the Mill Operations Manager at Socfinaf Coffee Mills - Oaklands Estate Ruiru, Managing Director, Tropical Farm Management Tanzania Limited in Moshi, among other Senior Management positions.



**Margaret Rugut Kibogy, OGW**  
*CEO/Secretary to the Board*

Margaret Rugut Kibogy was appointed in May 2016 as the Managing Director, Kenya Dairy Board. Ms. Kibogy brings on board experience in Business Growth, Management and Marketing having served in the Banking Industry in various capacities. She holds Master of Business Administration (MBA), Marketing from University of Nairobi.



**Hon. Matu Wamae, EBS**

He is an Non - Executive Director representing Processors in the Board. He holds a Bachelors Degree in Economics from the University of Delhi, India. Additionally, he has undertaken several other courses including Central Banking and Reserve Banking. He has served the Government of Kenya in Various capacities, which culminated to his appointment as the Executive Director of the Industrial and Commercial Development Corporation. He has also served as a member of Parliament for three terms and a Director in many public and private sector institutions and currently the Chairman of New KCC. Hon Wamae is a renowned Dairy farmer and an accomplished Businessman.



**Jared Nyanumba**

Mr. Jared Nyanumba is a Non- Executive Director of the Board. A holder of MSc Procurement and Logistics –Jomo Kenyatta University of Agriculture & Technology and Bachelor of Arts in Education of the University of Nairobi. He is passionate about Business Strategy Development and implementation having worked in various capacities in Fast Moving Consumer Goods, Insurance and Banking Industries.



**Mrs. Sarah Boit**

Mrs. Sarah Boit is a Non – Executive Director of the Board. She has over 25 years' experience as career educator where she rose to the position of TAC Tutor in charge of Eldoret Municipality. She is also an astute business woman having taken over the proprietorship and management of the Large Scale Kapsuswa Farm as well as Kaptindo Tea Estates turning them into well managed profitable ventures. She has extensive hands on experience in dairy management, production technology and resource management.



**Philip Kibusie**

Mr. Philip Kibusie is a Non- Executive Director of the Board. He is the Current Chairman of Sirikwa Dairies and has extensive experience in Conservation, Production Management and Resource Management with emphasis on Applied Innovation. He holds Diploma in Technical Education (Mechanical Engineering) from Kenya Technical Teachers College. He has wealth of experience in management, dairy farming and products having worked with various stakeholders in the dairy industry.



**Samuel Wanjohi**

Mr. Samuel Wanjohi is a Non- Executive Director of the Board, He has extensive experience in Management of Dairy Cooperatives and a Founder member of Nyala Dairy Co-operative where he is currently serving as the Chairman. He holds Diploma in Education Administration from University of Leeds, England. He has wealth of experience in dairy farming and products having worked with various stakeholders in the dairy industry.



**Kadhengi Dzombo**

Mr. Kadhengi Dzombo is a Non- Executive Director of the Board has had experience in Community mobilization, Water and Resource Management. In His position as the current Chairman of Muungano Dairy and Treasurer of Ganze Dairy. He is a Dairy Farmer of repute.

## THE BOARD OF DIRECTORS



Kenneth Kimoi Lomaibong

Mr. Kenneth P. Lomaibong is a Non -Executive Director of the Board. He is currently serving as the chairman of Lelan Highland Dairy Limited. He is also a member of West Pokot county Budget and economy, Northern Corridor Peace and Conflict Resolution Forum and serves as Board member for a number of Schools.



Monicah Kariithi

Mrs. Monicah Kariithi is a Non-Executive Director of the Board. She graduated from Loreto Convent Limuru in 1966 and Kianda Secretarial College in 1968. She is a seasoned community leader in mobilization of resources and empowerment of community. She is the founder of Kirima Slopes Dairy where she is currently serving as the Coordinator. She has also held various positions in the Church where she is currently serving as the Vice Chair - ACK Kithiru Parish. She has a lot of experience in business particularly in dairy farming among others.



Daud M Ramadhan

Mr. Daud M Ramadhan is a Non - Executive Director of the Board. He has extensive management experience gained in various organizations including Serena Hotel, Kyeni -Runyenje Al-Aswad Hotel, Runvest Limited, Coolbreeze Company Limited and Black Shield Security Services Company Limited. He is also renowned Dairy Farmer.



Daoud Tari Abkula

Mr. Daoud Tari Abkula is a Non - Executive Director of the Board. He has worked in various Government Development Agencies before moving to advocacy work on Pastoralism, where he has served as the Chairman - Pastoralist Thematic Group in the PRSP Process in Kenya, Advisor in DFID Funded and UN housed Horn of Africa Pastoralist Communication Initiative and founding member of the Partners Coordinating Committee of WISP. At the International level, he has played key role in the establishment of Pastoralist Forum in Ethiopia, Regional Pastoralist Bureau, coordination of Pastoralist gatherings across the Globe and Horn of Africa among others. He is very experienced in community leadership.



Jackson Omaido

Mr. Jackson Omaido is a Non - Executive Director of the Board. He is a holder of Bachelor of Arts Degree in Graphic Design - University of Nairobi. He has extensive experience in training, farming as well as management. He is the current Executor and Trustee (Director) of Amagoro Farm which specialises in Cash Crops and Dairy farming. He has also served as the Founding Director, Environmental Concern in Kenya among other senior positions.



CPA. Jonah Wala

CPA Jonah is an accomplished finance consulting leader with more than 18 years' experience leading cross-functional teams in delivering value for money in both private and public-sector enterprises. He is a member of ICPAK and IFAK. Jona is currently the Acting Director, Accounting Services at the National Treasury and Planning. Jona holds a Masters in Banking and Finance Development from Giordano Del Amore University in Italy, and a Bachelors of Arts degree in Mathematics and Economics from Egerton University.



Lorna Akoth Odero, MBS

Ms. Lorna Akoth Odero is the alternate Director to the Principal Secretary, Ministry of Agriculture, Livestock and Fisheries. She holds a Masters of Business Administration in Public Service (International) from University of Birmingham and Bachelor of Arts degree from the University of Nairobi. In addition, she has attended various courses both locally and internationally as part of her professional development. She has served the Government of Kenya in various Capacities raising through the ranks from Assistant Secretary in the Ministry of Co-operatives to her current position where she is the Director of Administration in the Ministry of Agriculture, Livestock, Fisheries and Irrigation, State Department of Livestock.

**MANAGEMENT TEAM**



**Margaret Rugut Kibogy, OGW**  
*CEO/Secretary to the Board*

Margaret Rugut Kibogy was appointed in May 2016 as the Managing Director, Kenya Dairy Board. Mrs. Kibogy brings on board experience in Business Growth, Management and Marketing having served the banking industry in various capacities. She holds Master of Business Administration (MBA), Marketing from University of Nairobi.



**Dr. Phillip Cherono, HSC**  
*Director, Regulatory Services*

Dr. Phillip Cherono hold a degree in Veterinary Medicine from the University of Nairobi and a post graduate Diploma on International Food Audit Systems. He has a long work experience in Public sector. He is a Certified Trainer on Corporate Governance and a member of the Institute of Directors, Kenya.



**Peter Mutua**  
*Director, Corporate Services*

Peter Mutua holds Bachelor of Arts graduate from the University of Nairobi, Mr. Mutua has undergone extensive professional training in the fields of human resource, administration, quality management systems and corporate governance. He has over 20 years experience in the area of human resources and administration gained both in the public and private sectors.



**Edward Nyoike**  
*Finance Manager*

Edward Nyoike holds Bachelor of Agribusiness Management (Egerton University), Certified Public Accountant, CPA (K) and Certified Internal Auditor (CIA). He is currently pursuing Master of Business Administration - Operations Management (University of Nairobi). He is a member of Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of Internal Auditors, Kenya Chapter.



**Erastus Mutiso**  
*Manager - Internal Audit*

Erastus Mutiso holds Bachelor of Commerce in Finance from University of South Africa (UNISA), Certified Fraud Examiner, Forensic and Investigative Auditor and Certified Internal Auditor (CIA). He is currently pursuing Certified Forensic Investigation Professional (CFIP) Accreditation. He is a member of the Association of Certified Fraud Examiners(ACFE) and Institute of Internal Auditors, (IIA) Kenya Chapter.



**Dorothy Owino**  
*Senior Supply Chain Management Officer*

Dorothy Owino holds a Bachelor of Education Degree and a Post Graduate Diploma in Procurement and Supply from Kenyatta University. She is a member of Kenya Institute of Supplies Management (KISM) and The Chartered Institute Procurement & Supply (CIPS).

## CHAIRMAN'S STATEMENT

Kenya Dairy Board is mandated to regulate, develop and promote the dairy industry in the interest of producers, consumers and other stakeholders. The regulatory role of the Board is mainly discharged at the national level. The implementation of policy is executed in collaboration with the County Governments whose role continues to be central to the growth of the industry.

Kenya has a vibrant dairy industry with an estimated value of between 4-5% of gross domestic product (GDP). This vibrancy is anchored on the increasing domestic milk production (averaging 5.3% per year), processing capacity (averaging 7% per year), annual per capita milk consumption (averaging 5.8% per year, currently at 110 litres) and export potential. It is also notable that dairying in Kenya provides food and economic sustenance through income and employment creation. Significantly, dairying provides employment to over 1.8 million people across the dairy value chain; farmers, transporters, traders and vendors, employees of dairy societies, milk processors, input suppliers and service providers, retailers and distributors.

Currently, the production stands at 3.1 billion litres per annum, though this is sufficient for domestic consumption, a lot more is required for the export market. Milk production in Kenya is mainly from cattle and some is obtained from camels and goats. Kenya has an estimated cattle population of 13 million heads with dairy, mainly grade cows, amounting to 3.3 million and beef amounting to approximately 9.7 million. The Kenyan dairy industry is based mostly on smallholder milk production. About 600 000 smallholders produce some 70% of the country's marketed milk. Approximately 56% of this milk is sold raw in the unregulated informal market; leading to public concerns about hygiene and safety.

During the year ended 30 June 2018, the Board developed its fourth cycle Strategic Plan 2017-2022. This came at a critical point in time when the Government entities are starting the implementation of the third Medium Term Plan (MTP III) for realisation of Kenya's Vision 2030. The Strategic Plan provides a coordinated and systematic approach in addressing the many underlying challenges caused by seasonality in milk production, milk quality issues, inadequate knowledge and skills among stakeholders, high production costs and unstable farm gate pricing among others. This calls for the need for continuous improvement in streamlining the operations of the dairy enterprises, provision of level playing field for all operators, mobilization of stakeholders to form viable groups, consumer education and awareness and creation of a conducive environment for ease of doing business.

The Board takes cognisance of the Big 4 Agenda and its role in ensuring Food and Nutrition Security as well as promotion of Manufacturing and Agro-processing. To this end, every stakeholder has a cardinal duty in supporting the Board's mandate of organising, regulating and developing the dairy industry. The support of the National and County Governments continues to be central to the success of our operations. Partnerships and collaborations with other stakeholders including development partners have been beneficial and will continue to be part of our strategy in order to facilitate a sustainable dairy industry which provide quality and safe products.



**Anthony Ian N. Mutugi**  
Chairman of the Board

Nairobi, Kenya



## REPORT OF THE MANAGING DIRECTOR

Kenya Dairy Board (KDB) was established in 1958 through an Act of Parliament, the Dairy Industry Act Cap 336 of the Laws of Kenya to regulate, promote and develop the dairy industry. The Board has continued to facilitate a value driven and sustainable dairy industry as stipulated in Kenya Vision 2030 and the Act, with the primary focus being the quality and safety of milk and milk products for both local and export markets.

Milk production in Kenya is largely dependent on rainfall patterns, leading to seasonality in production. The country experienced unreliable rainfall from the first quarter of FY2017-18, affecting milk production and resulting to decreased formal milk intakes. This increased producer prices and the prices of pasteurized milk by as much as 30%. The Government's approval for the importation of 9,000 metric tons of duty free milk powder by the processors to supplement local production stabilized the situation. The seasonality of milk production therefore needs to be managed to ensure steady production and demand for milk and milk products.

The Board launched its 2017-2022 Strategic Plan in February 2018. The Plan articulates the shared vision, mission, and core values of KDB. The plan further spells out the policy and regulatory priorities and objectives besides the resources required for the period (2017-2022). The Board analysed its strengths, weaknesses, opportunities and threats in the context of the environment in its operations and challenges facing the dairy sector at large. The strategic objectives were designed within their key result areas to enable the Board to effectively carry out its mandate.

In performance of the regulatory function, the Board conducted 14 joint enforcement to covering Nyanza, Western, Rift Valley, Central, Coast, Eastern and Nairobi regions. A total number of 1,200 premises were subjected to quarterly inspections for compliance to industry regulations. Similarly, the Board conducted surveillance on the quality and safety of milk and milk products produced, processed and marketed in nine counties (Nakuru, Bomet, Kisii, Nyamira, Kakamega, Uasin Gishu, Trans Nzoia, Nandi and Bungoma), where total of 215 samples were subjected to 1,421 compliance tests as specified by the relevant dairy standards.

In order to strengthen the Board's regulatory framework, additional revision on the dairy industry regulations were done incorporating the feedback received from stakeholders in June 2017. Two sets of regulations to cover pricing and traceability of dairy produce were introduced. The final draft, comprising of 13 sets of regulations was further subjected to County validation process in which further review was done and incorporated into the final draft.

In the 2017-2018 financial year, the Board undertook several activities aimed at promoting regional dairy trade. The Board hosted management of the Dairy Development Authority of Uganda to discuss bi-lateral trade between Kenya and Uganda. The Board also participated in the bi-lateral trade negotiations with Tanzania that facilitated the re-opening of the Tanzania market for milk and milk products originating from Kenya.

In order to address the growing consumer needs, the Board continued with the national consumer education campaign aimed at encouraging consumption of quality and safe milk, alongside training of 1,515 milk dealers in various parts of the country on dairy quality assurance and compliance. The Board developed quality assurance resource materials for dairy farmers, transporters, bulking and cooling centres, processors and milk bar and dispenser operators. The guides aim at building the capacity of the dairy dealers on best practices and control measures to achieve quality and safety of dairy produce. In addition, a Dairy inspection manual was developed to standardize and enhance regulatory inspection of the dairy value chain by the Board's Compliance Officers.

Low compliance to quality standards and safety requirements continues to pose serious public health concerns to consumers. Over the years, the Board has relied on outsourced services to carry out comprehensive quality surveillance tests. This has proven to be extremely expensive limiting the frequency of sampling and testing. Similarly, the situation makes the Kenyan Dairy regulatory system inadequate and Kenyan Dairy produce have been denied access to lucrative International market. During the year, the Board started the construction of the National Dairy Laboratory Complex. This project is funded by Government Grants. The Boundary wall, Gate House and Electric fence are expected to be completed by end of September 2018, while the National Dairy Laboratory is expected to be completed and ready for equipping in March 2019.

Our Corporate Social Responsibility approach that has been integrated with enterprise management system, hence providing an opportunity to manage the internal and external risks efficiently in all areas of responsible citizenship and the core mandate of the Board. During the year, KDB donated over 8,000 Packets of milk to school going children during various activities, planted over 6,000 trees to promote environmental sustainability and pollution control and supported and participated in the Inaugural Eldoret City Marathon. In addition, the Board donated 110 Aluminium Milk Cans and 20 Milk Carriage Motorcycles to help in milk transportation and minimisation of post harvest losses.

The Board remains committed to establishing a conducive regulatory environment that will promote the development of our dairy industry, stimulate and nurture investment, while protecting the interests of the consumers by promoting compliance to safety and quality requirements across the dairy value chain.



**Margaret Rugut Kibogy**  
Managing Director.  
Nairobi, Kenya

## CORPORATE GOVERNANCE STATEMENT

### THE BOARD OF DIRECTORS

The Board of Directors is the body of appointed members who jointly oversee the activities of the organization. The Board provides strategic direction, exercise control and remain accountable through effective leadership, enterprise, integrity and good judgment. It is diverse in its composition, independent but flexible, pragmatic, objective and focused on balanced and sustainable performance of the organization.

### Board Composition

The appointing authority ensures that the Board composition complies with requirements in the Constitution of Kenya and any applicable legislation, its members act independently, each Board member understands the broad outline of the organization's policies, each Board member is in good standing professionally and has sufficient expertise to perform his or her role as a Board member; and at least one member is a financial expert, meaning that he or she has expertise in financial management and accounting.

### Independence of Board Members

All Board members, including those nominated to represent special interests, recognize that they owe their duties to the organization and not their respective entities or special groups.

### Term Limits

Board members hold office for a period not exceeding three (3) years, and are eligible for reappointment for one more term not exceeding three (3) years. The renewal of a Board Member's tenure for a second is subject to an acceptable evaluation as determined during Board evaluations.

The appointing authority ensured staggering of Board appointments so that the respective expiry dates of the members terms fall at different time to ensure continuity.

### Chairperson of the Board

The Chairperson of the Board is primarily responsible for the activities of the Board and its committees. The role of the Chairperson includes approving the agenda for board meetings, chairing the meetings and ensuring that a record of proceedings of all Board activities is kept. The Chairperson should act as the spokesperson for the Board.

### Chief Executive Officer

The Managing Director/Chief Executive Officer (CEO) is an ex-officio Board member with no voting rights. The CEO and the Board play separate and distinct roles but work together to achieve organizational goals.

The Board is responsible for appointing the CEO, through a competitive process, and for removing them. The CEO is responsible for overseeing the execution of the Board's directions and policies to ensure desirable outcomes. The CEO therefore serves as the link between the Board and the Management.

### Relationship between Board and Management

The Board and Management should execute their mandate in an environment of mutual trust and respect having regard to the principles of good governance. In this regard, the Board shall provide clear and distinct lines of responsibility and accountability, and maintain effective channels of communication.

## THE BOARD CHARTER

The Board of Directors Charter (the "Charter") defines the Board's roles and responsibilities as well as functions and structures in a way that supports the members in carrying out their strategic oversight function. It provides the Board members with an opportunity to think creatively and critically about how their strategic and operational plans align with the organization's strategic direction and expectations, with respect to governance.

The Charter helps the Board in directing the organization to maximize the long term value of services provided for all stakeholders. The Board of Directors reviews this Charter at least annually and, if appropriate, revise this Charter from time to time.

The Charter was adopted by the Board, acting in accordance with *Mwongozo, Code of Governance for State Corporations* ('the Code'), and is complementary to the requirements regarding the Board and Board members contained in applicable Kenyan laws and regulations. In particular, the principles and policies contained in the Charter are in addition to and are not intended to change or interpret any statute, law or regulation.

The Board of Directors reviews this Charter at least annually and, if appropriate, revise this Charter from time to time.

Kenya Dairy Board has adopted high standards and applies strict rules of conduct, based on the best corporate practices. As part of this commitment, the Board adheres to good corporate governance by embracing the following principles:

- To observe high standards of ethical and moral behaviour.
- Act in the best interests of the organization.
- Remunerate and promote fairness and responsibility.
- Recognize the legitimate interests of all stakeholders
- Ensure that the organization acts as a good corporate citizen.

## CORPORATE GOVERNANCE STATEMENT (Continued)

### THE COMMITTEES OF THE BOARD

To effectively discharge its mandate, the Board has established committees with specific terms of reference. The Board appoints into committees, members with requisite skills and competence to discharge allocated responsibilities. In the event that a committee lacks specific skills within its membership, the Board may, with the approval of the oversight body, co-opt skilled non-Board members to serve on the committee, provided that the chair of a committee shall not be a co-opted member or the Chairperson of the Board. The Board may, from time to time, rotate Board members between the committees.

The Board remains collectively responsible for the decisions and actions taken by any committee. A committee may only perform the tasks delegated to it by the Board and may not exceed the authority or powers of the Board.

The Chairperson of each committee, in consultation with the Board, determines the frequency of committee meetings as is necessary to fulfil the Committee's functions. The Chairperson of each committee, in consultation with management, will develop the committee's agenda. The Board will however determine the procedure and process within which committees may take independent professional advice at the organization's expense.

The committees promptly reports to the Board any actions taken for ratification and any major developments that they become aware of. The Board shall, as set out in the terms of reference of the respective committees, receive a report of the committee's findings and actions.

The Board has established the following standing committees;

- Audit Committee
- Finance & Planning Committee
- Technical, Licensing and Marketing Committee
- Human Resources & Administration Committee

The Board may establish any other ad hoc committees to handle any special business. The Terms of Reference of the committees of the Board has been developed by the Board.

### BOARD RESPONSIBILITIES

The basic responsibility of the Board members is to exercise their best judgment and to act in a manner that they reasonably believe to be in the best interest of the organization and its stakeholders. In discharging that obligation, the members are entitled to rely on the honesty and integrity of the organization's management, staff and its external professional advisors and auditors.

In furtherance of its responsibilities, the Board determines the organization's mission, vision, purpose and core values, reviews, evaluates and approves, on a regular basis, long-term plans, budget and financial forecasts, major resource allocations and capital investments for the organization, protects the rights of shareholders and optimizes shareholder value.

### Responsibilities of Individual Board Members

Each Board member exercises the highest degree of care, skill and diligence in discharging their duties, acts honestly at all times and in the best interest of the organization and not for any other purpose.

### Principles of Public Service

The Board, in performing its functions, is guided by the principles of Public Service as provided in Chapter Thirteen of the Constitution of Kenya, which include:

- High standards of professional ethics;
- Efficient, effective and economic use of resources;
- Responsive, prompt, effective, impartial and equitable provision of services;
- Involvement of stakeholders in policy making;
- Accountability for administrative acts;
- Transparent and timely provision to the public of accurate information;
- Fair competition and merit as the basis of appointments and promotions;
- Representation of Kenya's diverse communities; and

### BOARD AND COMMITTEES MEETINGS

Board meetings are held at least four (4) times a year, and not more than 4 months elapse between the date of one meeting and the date of the next meeting. A schedule of dates of the meetings is agreed upon by the Board members and set out in the Board work plan. Notices of the location and the timing of meetings are issued prior to the meetings. The Board work plan may be adjusted if deemed necessary by the Board.

**CORPORATE GOVERNANCE STATEMENT (Continued)**

The quorum for a Board meeting is two thirds of the (2/3) members where the total Board membership is eight to nine and four where the total membership is seven and below. A summary of the board meetings and attendance is shown below:-

Full Board meetings: Members' attendance for 2017/2018

Board Member	14-Jul-17	28-Sep-17	30-Nov-17	26-Jan-18	25-May-18
Anthony Mutugi - Chairman	√	√	√	√	√
Margaret Rugut Kibogy - CEO	√	√	√	√	√
Philip Kibusie	√	√	√	√	√
Daud Ramadhan	√	√	√	√	√
Kenneth Lomaibong	√	√	√	√	√
Kadhengi Dzombo	√	√	√	√	√
Monica W. Kariithi	√	√	√	√	√
Sarah Boit	√	x*	√	√	√
Jared Nyanumba	√	√	√	√	√
Daoud Abkula	x*	√	√	√	√
Matu Wamae	√	√	√	x*	x*
Samuel N.Wanjohi	x*	√	√	√	√
Jackson Omaido	√	√	√	√	√
Lorna Odero	√	√	√	√	√
Jonah Wala*	x*	x*	√	√	√

x\* - Absent with apologies

**Audit Committee**

The Audit Committee consists of four non-executive directors and reports to the Board after every committee meeting. The chairperson is an independent non-executive Director.

Audit Committee meetings: Members' attendance for 2017/2018

Board Committee Member	Position	12-Jul-17	29-Nov-17	24-Jan-18	21-May-18
Philip Kibusie	Chairman	√	√	√	√
Daud Ramadhan	Member	√	√	√	√
Lorna Odero	Member	√	√	√	√
Jonah Wala	Member	x*	√	√	√
Margaret Rugut Kibogy	CEO	√	√	x*	√
Erastus Mutiso	Manager, Audit	√	√	√	√

x\* - Absent with apologies

**Human Resource and Administration Committee**

The Committee is constituted in line with section 5 of the Dairy Industry Act Cap 336 to review Board papers touching on Human Resources, Procurement, Security, Governance, Assets management and Legal issues and make recommendations to the full Board for adoption, provide input to the determination of the organization's mission, vision and core values, make recommendations to the Board for the enhancement of the Board's public image and engagement with stakeholders through effective communication.

Human Resources & Administration Committee meetings: Members' attendance for 2017/2018

Board Committee Member	Position	23-Nov-17	23-May-18
Samuel N.Wanjohi	Chairman	√	x*
Kenneth Lomaibong	Member	√	√
Margaret Rugut Kibogy	CEO	√	√
Kadhengi Dzombo	Member	√	√
Sarah Boit	Member	√	√

x\* - Absent with apologies

**Finance & Planning Committee**

This Committee reviews Board papers touching on budget and financial forecast, resource allocations and capital investments, operating and financial results and makes recommendations to the full Board for adoption or approval.

Finance & Planning Committee meetings: Members' attendance for 2017/2018

Board Committee Member	27-Sep-17	12-Oct-17	12-Jan-18	12-Apr-18	24-May-18
Jared Nyanumba - Chairman	√	√	√	√	√
Jackson Omaido	√	√	√	√	√
Lorna Odero	√	√	√	√	√
Jonah Wala	x*	√	√	√	√
Margaret Rugut Kibogy - CEO	√	√	√	√	√

x\* - Absent with apologies

**CORPORATE GOVERNANCE STATEMENT (Continued)**

**Technical, Licensing and Marketing Committee**

The Technical Licensing and Marketing Committee reviews Board papers touching on Technical, Licensing and marketing, and make recommendation to the Full Board for adoption.

Technical, Licensing and Marketing Committee meetings: Members' attendance for 2017/2018

Board Committee Member	Position	27-Nov-17	22- May-18
Matu Wamae	Chairman	√	√
Daoud Abkula	Member	√	√
Monica W. Kariithi	Member	√	√
Sarah Boit	Member	√	√
Margaret Rugut Kibogy	CEO	√	√

**PROCUREMENT**

**Policy of the Kenya Dairy Board on Procurement**

All funds budgeted and approved for the purpose of procurement are spent on the intended purposes. This applies both to development and recurrent expenditures.

It is also Board's policy to allow open competition for procurement without discrimination in a transparent, fair and accountable manner to ensure achievement of value for money in all procurement.

All transactions for the supply of goods or services, to or execution of work for the Board is be subject to open competitive tendering, quotations (written) or cash imprest except as otherwise provided.

It is the Boards policy to support Kenyan entrepreneurs.

All procurement in KDB must be made centrally and through the Purchasing Section of Administration Department. The Department Manager may initiate procurement but it is required to pass through the centralized supply processes stipulated in the Manual.

The top 10 procurement contracts for the financial year 2017-2018 are as listed below:-

Name of the Supplier	Date Awarded	Amount (Kshs)
Pelican Insurance Brokers (K) Limited	29/09/2017	3,204,610
APA Insurance Company Limited	21/4/2018	15,951,850
Njuca Consolidated Company Limited	15/5/2017	110,000,000
Ibrand Limited	20/9/2017	1,768,660
Kenya Bureau of Standards	4/6/2018	2,074,900
Simba Corporation Limited	25/5/2018	5,804,000
Labcorp Lab. & Supplies	5/7/2017	1,998,050
Likhungu Enterprises	6/9/2017	1,789,350
Bayern General Supplies	16/5/2018	1,980,000
Sanlam Express Limited	13/6/2018	2,065,000

## MANAGEMENT DISCUSSION AND ANALYSIS

The Dairy Industry Act Cap 336 of the laws of Kenya mandates the Kenya Dairy Board to regulate, develop and promote the dairy industry in the interests of producers, consumers and other stakeholders.

In discharging the above mandate, the Board undertook several dairy regulatory, developmental and promotional activities aimed at improving compliance to milk quality and safety requirements and expanding the volumes of formally marketed milk.

### A. PERFORMANCE OF THE DAIRY INDUSTRY

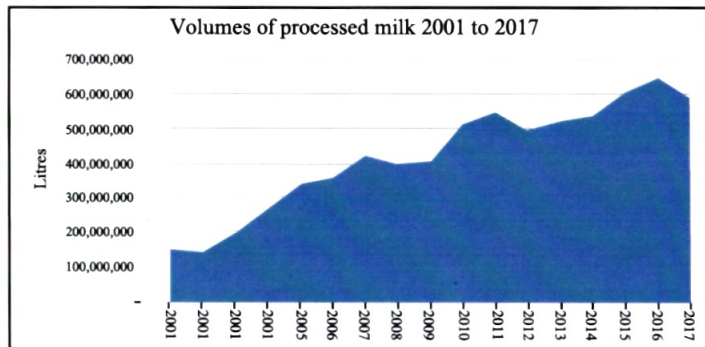
#### Milk production

The annual milk production from cattle, camels and goats is estimated at 5.2 billion litres. Cattle contribute approximately 80% of this production (4.2 billion litres). Production varies across seasons depending on availability of adequate and quality fodder, feeds and water.

Milk production and supply in 2017 was affected by the prolonged drought experienced in the first half of the year. The severity of the situation called for Government intervention which sanctioned the importation of 9000 MT of duty free milk powder through Gazette Notice No.4536 of 11th May 2017 and No 6399 of 4th July 2017 to supplement the local production. Kenya Dairy Board managed this importation, which had an uptake of approximately 6,000 MT, through issuance of import permits to interested milk processors.

#### Milk processing and marketing

Kenya has a well-developed milk processing and marketing infrastructure comprising of milk processors, mini dairies, cottage plants, milk bars and milk dispensers.



The installed milk processing capacity has grown over the years to an estimated capacity of 4.5 million litres per year. The volumes of processed milk have also grown to the current 600 million litres per year. The Board is implementing strategies to increase the volumes of processed milk by 100 million litres per year.

#### Key challenges in the dairy value chain

The current challenges in the dairy industry that impede dairy productivity, value addition, compliance and market access include;

- High cost of milk production primarily due to high cost of feeding. Despite removal of VAT on some of the ingredients, commercial feeds are still expensive.
- Seasonality of milk production across seasons and across years is affecting several variables in the industry including utilization of the milk cooling and processing capacities and pricing of dairy produce. More effort is required to ensure that farmers have access to sufficient fodder and feedstuff through-out the year.
- Low productivity of milk mainly due to poor animal husbandry practices such as feeding and management of calving intervals.
- Compliance to the relevant dairy standards especially by the small and medium scale operators. The parameters affected include bacterial counts and residues for some contaminants. The informal sector has low compliance even to basic milk handling requirements.
- Delay in payments by supermarkets for milk deliveries is affecting the liquidity and hence operations of some premises.
- Limited availability and access of dairy data and information continues to affect planning and decision making.
- Pending policies and regulations (animal feeds policy, breeding policy, dairy regulations) continue to create gaps in the policy and regulatory framework.

### B. OVERVIEW OF OPERATIONS

#### 1. Measures to improve the dairy regulatory environment

Additional revisions were done on the draft dairy regulations by incorporating the feedback received from stakeholders in June 2017. Two sets of regulations to cover pricing and traceability of dairy produce were introduced. The final draft, comprising of 13 sets of regulations was further subjected to County validation process in which further review was done and incorporated into the final draft. In addition, a Dairy inspection manual was developed to standardize and enhance regulatory inspection of the dairy value chain by the Board's Compliance Officers.

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**2. Joint premise inspection and enforcement programs**

The Board conducted 14 joint enforcement since July 2017 to cover Nyanza, Western, Rift Valley, Central, Coast, Eastern and Nairobi regions. In addition a total number of 1,200 premises were inspected for compliance to industry regulations. This has resulted to increased compliance to industry standards and regulation by the dairy dealers.

**3. Licensing**

Automation of the licensing and inspection function was successfully completed in all the 24 branch offices leading to improvements in compliance and service delivery

**4. Surveillance on the quality and safety of milk and milk products**

The Board conducted surveillance on the quality and safety of milk and milk products produced, processed and marketed in nine counties (Nakuru, Bomet, Kisii, Nyamira, Kakamega, Uasin Gishu, Trans Nzoia, Nandi and Bungoma). A total of 215 samples were subjected to 1,421 compliance tests as specified by the relevant dairy standards. The compliance tests included physio-chemical, microbiological and contaminant tests. The results were disseminated and necessary follow-ups made for preventive and corrective actions.

**5. Development of Quality Assurance Guides for dairy dealers**

The Board developed quality assurance resource materials for dairy farmers, transporters, bulking and cooling centres, processors and milk bar and dispenser operators. The guides aim at building the capacity of the dairy dealers on best practices and control measures to achieve quality and safety of dairy produce. This was achieved with the support of the Smallholder Dairy Commercialization Programme (SDCP) and in partnership with Kenya Industrial and Research Development Institute (KIRDI) and Dairy Training Institute (DTI).

**6. Training Needs Assessment and training of dairy dealers**

The Board conducted a Training Needs Assessment (TNA) to determine the training needs of dairy dealers. This was followed by training of 1,515 milk dealers in various parts of the country on dairy quality assurance and compliance. The Board also participated and made contact with over 20,000 stakeholders through various shows and exhibitions including: Nairobi International ASK show, Mombasa International ASK show, Nakuru ASK show, Eldoret ASK Show, Nyeri ASK show, Meru County Trade Fair and University of Eldoret Agricultural and Trade Fair.

**7. Hosting of the third school milk conference**

The third school milk conference, whose objective was to sensitize and review implementation of school milk programs in the counties, was conducted in March 2018. The conference attracted the participation of 41 counties and a total number of 369 participants attended the conference.

**8. Organization of stakeholders**

Ten county stakeholder forums were held to promote organization and market efficiency in the dairy value chain. These were held in Nyandarua, Kiambu, Nakuru, Meru, Muranga, Tharaka Nithi, Laikipia, Kisii, Bomet and Bungoma.

**9. Consumer education and sensitization programs**

The Board carried out 9 major consumer awareness and sensitization activities on consumption of safe and quality milk through road shows, print media, Radio and TV. An impact assessment done by our Marketing Agency in November and December, 2017 indicated an increased top of mind and prompted awareness of the Board and its functions. The consumer education campaign coupled with other activities within the Board has seen a major improvement in compliance quality, safety and statutory requirements. It also indicated some shift towards purchase and consumption of quality and safe milk.

**10. Regional dairy trade facilitation**

The Board participated in several meetings with regional dairy regulatory authorities to facilitate intra-regional trade in dairy products. The Board hosted management of the Dairy Development Authority of Uganda to discuss bi-lateral trade between Kenya and Uganda. The Board also participated in the bi-lateral trade negotiations with Tanzania that facilitated the re-opening of the Tanzania market for milk and milk products originating from Kenya.

**11. Partnerships and collaborations**

The Board had active engagements with several partners including Small Dairy Commercialization Program (SDCP), Kenya Markets Trust (KMT), Technoserve Kenya, Kenya Agricultural Value Chain Enterprises (KAVES), Royal Embassy of Denmark, Kenya Commercial Bank (KCB) and National Food Safety Steering Committee (NFSCC). The output of these partnerships included;

- i) Development of Quality Assurance Guides for dairy farmers, bulking and cooling centres, transporters, processors and milk bar and dispenser operators. This was achieved in collaboration with SDPCP.
- ii) Piloting of a clean milk hub in Countryside and Kinangop dairies, Nyandarua County. This is a multi-stakeholder programme focusing on food safety in dairy and horticultural sectors and funded by the Royal Government of Denmark.
- iii) International training of five KDB technical staff on food safety through the support of Royal Government of Denmark.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

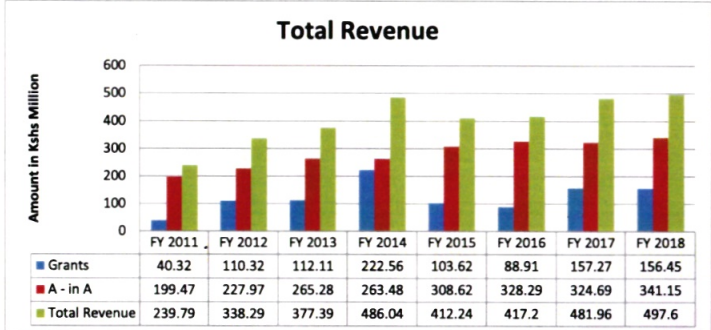
**12. The Dairy Month**

The June Dairy Month is a month celebrated in dairying countries the world over in the month of June. The objective of the month is promote consumption of milk and milk products as well as celebrate the contribution of dairy to the economies of those countries. We were able to sensitize more than 2,500 pupils on the benefits of consuming milk. A total of 27 organizations exhibited their goods and services during the National Field Day which was attended by more than 1,500 people including dairy farmers from dairy cooperatives in the county, milk traders and the general public.

**C. FINANCIAL PERFORMANCE**

**i) Revenue performance**

The Board funds its operations through the internally generated revenue mainly cess, processors' levy, import levy and license fees as well as grants from the parent Ministry of Agriculture, Livestock, Fisheries & Irrigation. In the year ended 30 June 2018, the Board received a total of Kshs. 156.45 million as Grant. The grants received were Ksh. 2.55 million from development partners and Ksh. 153.90 million from Government of Kenya, which is made up of GoK grants of Ksh. 38.9 Million received during the year and Ksh. 115 Million from deferred revenue.

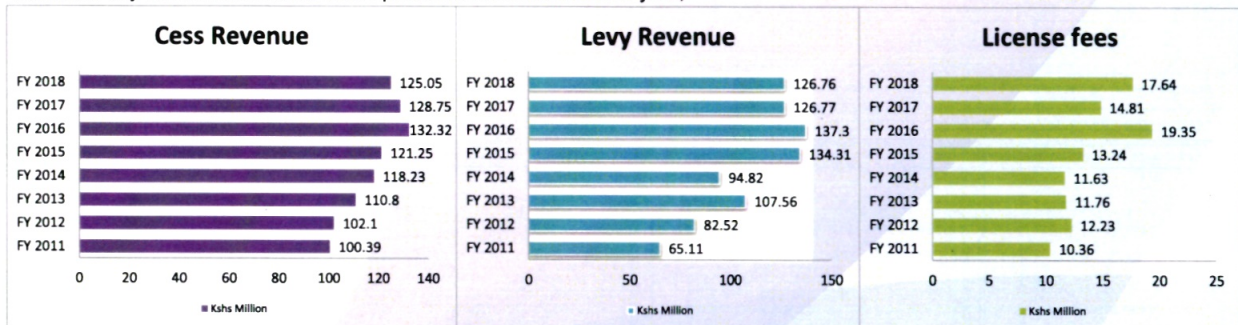


In total, the Board recorded a total revenue of Ksh. 497.60 which is made up of Ksh. 341.15 million generated from the A in A and Ksh. 156.45 million from the grants as recognised in the statement of the financial performance.

Despite the drought which affected local milk production and intakes in the formal sector, the Board posted a 5.07% increase on internally generated revenue. The Board collected a total of Ksh. 341.15 million as compared to the revenue realised in the year ended 30 June 2017 of Ksh. 324.69 million. The positive outlook was maintained by increased revenue collection on import levy and interest income as well as continued surveillance on the informal milk marketing and consumer awareness campaign.

**Cess, processors levy and License fees.**

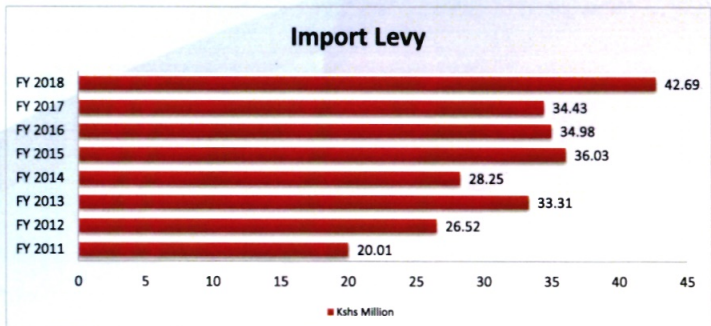
The three key internal revenue sources performed as follows in the year;



Cess which is charged at the rate of 20 Cents per litre decreased from Ksh. 128.75 million to Ksh. 125.05 representing 2.87% decrease, while processors levy decreased marginally to close at Ksh. 126.76 million from Ksh. 126.77 recorded in the year ended 30 June 2017. The reduction on cess and processors levy is as a result of the drought experienced in the year and which had a negative impact on the intakes in the formal sector. However, the continued surveillance on informal milk marketing, consumer education and the rolling out of the Online Licensing & Inspection System resulted to the overall increase in revenue generated from licenses by 19.11% from Ksh. 14.81 million in June 2017 to Ksh. 17.64 million in the year ended June 2018.

**Import levy**

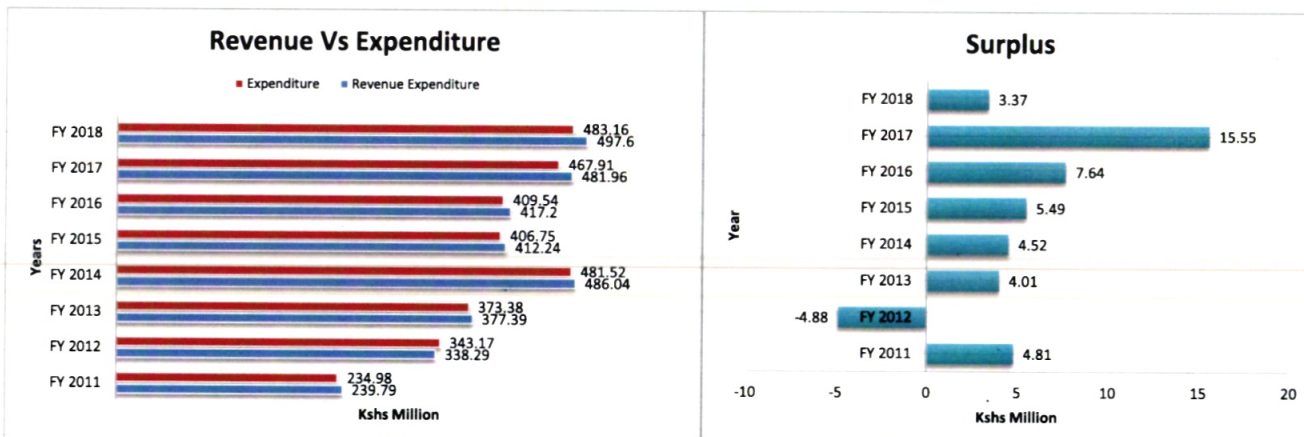
Import levy is charged at the rate of 7% on CIF value of the imported dairy products. The revenue generated from the import increased by 23.99% from Ksh. 34.43 million recorded in the previous financial year to Ksh. 42.69 million. The increase was as a result of the adverse weather experienced in the last financial year which resulted to more importation of specialised dairy products which were not available in the local markets as result of reduced intakes and the processors concentrated more in satisfying fresh milk demand.





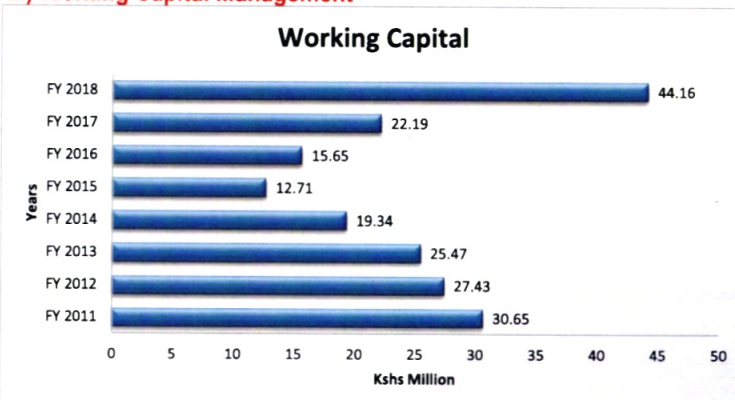
**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**ii) Expenditure and surplus for the year**



The total revenue for the Board in the year ended 30 June 2018 was Ksh. 497.60 million as compared to Ksh. 481.96 million recorded in the previous financial year. The expenditure during the year under review was Ksh. 483.16 million as compared to Ksh. 467.91 million recorded in the year ended June 2017. This resulted to a surplus of Ksh. 3.37 million (after the impairment loss of Kshs. 11.07 Million) as compared to a surplus of Ksh. 15.55 million posted the year ended June 2017.

**iii) Working Capital Management**



The Board has embraced managerial accounting strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure the most financially efficient operation. The primary purpose of working capital management is to make sure the Board always maintains sufficient cash flow to meet its short-term operating costs and obligations.

The working capital, calculated as the excess of current assets in relation to the current liabilities increased by 99% to Ksh. 44.16 million as compared to Ksh. 22.19 million recorded in the year ended 30 June 2017.

**iv) Material arrears in Statutory and financial obligations**

The Board does not have any arrears in statutory or financial obligations. The Board's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Board's reputation. The Board ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts.

**v) Key projects and investment decisions the Board is implementing**

During the year, the Board started the construction of the National Dairy Laboratory Complex. This project is funded by Government Grants. The erection and completion of Boundary Wall, Gate House and Electric Fence as well as erection and completion of National Dairy Laboratory are ongoing.

The project will ensure health and safety of consumers, promote compliance to international standards and facilitate national and international trade. This will spur growth and sustainability of the Dairy Industry leading to increased employment opportunities in production, transportation, processing and distribution of milk and milk products. Further, this will influence growth in other allied sectors such as animal feed processing, equipment manufacturer and distribution, animal breeding, health services, extension/consultancy services pharmaceutical among others.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

Kenya Dairy Board (KDB) recognizes the needs arising from the close correlation of our social commitment with the society, the economy and the environment in line with the Board's strategic objectives. KDB has strived to build mutual trust and transparency both in the relationship with the external environment and the internal environment.

Therefore, in line with the Board's objectives and values, KDB has taken into account to display a customer friendly reputation to its clients, stakeholders, offices and employees which can enable them to have a long term relations and long-term cooperation with business partners, greater involvement on the side of employees and a positive climate for doing business in administrative circles and society.

KDB's Corporate Social Responsibility (CSR) approach that has been adopted integrates with enterprise management system, hence providing an opportunity to manage the internal and external risks efficiently in all areas of CSR and the core business of the Board. KDB's CSR strategy takes into account our corporate, public interest and environmental issues, while increasing the value of the organisation, strengthening reputation, developing new networks, as well as improving relations with stakeholders.

In 2017-2018, Kenya Dairy Board incorporated many issues in its CSR, the main goal was to impact on the triple bottom line which is the social contribution, educational contribution, environmental contribution and economic contribution. Specific which were undertaken during the year include;

**Milk donation to schools**

As an industry leader we work to promote consumption of safe and quality milk to school through donations. As part of our Corporate Social Responsibility activities, Kenya Dairy Board promotes milk consumption especially to schools.

Milk is essential for all kids, we are proud to Co-operate with Schools and other stakeholders Country wide to make Milk available to more and more children. In this Financial year 2017 – 2018, we donated over 8,000 Packets of milk to school going children during various activities.



**Environmental Social Responsibility**



The main areas concentrated on included Environmental sustainability planning, pollution control, education and awareness as well as environmental ecological enhancement. Among some of the projects undertaken was the tree planting exercise. The activity provided a platform to raise awareness on environmental matters and encouraged members of the community to get involved in conservation of the environment.



The Board also partnered with Moi Primary School Thika- Kiambu County and other stakeholders in rehabilitating the degraded riparian forest along the school perimeter wall by planting 600 trees. This activity gave the Board an opportunity to demonstrate its commitment to protecting the environment especially to the school going children. KDB also donated over 5,000 seedlings towards the June Dairy Month Activities country wide.

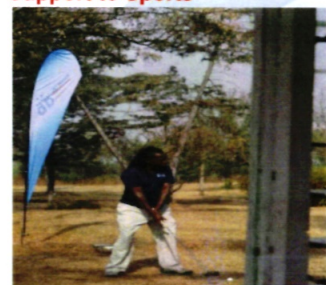
**Effort to minimise post harvest losses**



In contribution to the economy through reduction of post harvest losses, the Board donated 110 Aluminium milk Cans and 20 Milk carriage Motorcycle during Laikipia Field day for Farmers Co-operative Society and other stakeholders. The Board also supported the University of Eldoret during The Agribusiness Trade Fair aiming to develop and disseminate appropriate technological interventions for agricultural production.



**Support to Sports**



Kenya Dairy Board in partnership with The Great Rift Golfing Society (GRGS) Nakuru Golf Club held a Golf Tournament in Nakuru which greatly enhanced our Corporate visibility and offered a platform to showcase the participants that we value their skills and ready to contribute in their day to day lives. In addition, to sensitize the public on it's role as a regulator of the dairy industry, the Board supported and participated in the Inaugural Eldoret City Marathon.



**REPORT OF THE DIRECTORS**

The Directors submit their report together with Audited Financial Statements for the year ended 30 June 2018 which show the state of the Board's affairs.

**Principal activities**

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

**Results**

The results of the Board for the year ended June 30, 2018 are set out on Page 23.

**Directors**

The members of the Board of Directors who served during the year are shown on Page 3 and 4.

**Surplus remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

**Auditors**

The Auditor General is responsible for the statutory audit of the Board in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



**Margaret Rugut Kibogy**  
Secretary to the Board  
Nairobi, Kenya

Date: 28/3/2019

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and the Dairy Industry Act, Cap 336 of the Laws of Kenya requires the Directors to prepare financial statements in respect of the Board, 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 of the Board 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 of the Board. The Directors are also responsible for safeguarding the assets of the Board.

The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2018. 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Accounting Standards (IPSAS), and in the manner required by the PFM Act and the Dairy Industry Act, Cap 336. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2018, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Board's financial statements were approved for issue by the Board of Directors on 27<sup>th</sup> September 2018, and signed on behalf of the Board by:



**Anthony Ian N. Mutugi**  
Chairman of the Board  
Nairobi, Kenya

Date: 28/3/2019



**Margaret Rugut Kibogy**  
Managing Director  
Nairobi, Kenya

Date: 28/3/2019

**REPUBLIC OF KENYA**

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.oagkenya.go.ke](http://www.oagkenya.go.ke)



**P.O. Box 30084-00100  
NAIROBI**

**OFFICE OF THE AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON KENYA DAIRY BOARD FOR THE YEAR ENDED 30 JUNE 2018**

**REPORT ON THE FINANCIAL STATEMENTS**

**Qualified Opinion**

I have audited the accompanying financial statements of Kenya Dairy Board set out on pages 23 to 45, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year 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 35 of the Public Audit Act, 2015. 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.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Dairy Board as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Dairy Industry Act, Cap 336 of the Laws of Kenya.

**Basis for Qualified Opinion**

**1. Property, Plant and Equipment**

As similarly reported in the previous years, the property, plant and equipment balance of Kshs.59,604,224 as at 30 June 2018 includes a parcel of land, Plot No. 205 (formerly Ref. No. PDB/R163/99/15) valued at Kshs.1,500,000, after revaluation, situated in Narok town, that was allocated to the Board in the year 2000 for office development. However, the Board has not obtained a title of ownership to date for the plot from the Ministry of Lands and Physical Planning. Consequently, it has not been possible to confirm ownership status of the plot.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Dairy Board in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

*Report of the Auditor-General on the Financial Statements of Kenya Dairy Board for the year ended 30 June 2018*

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

#### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

#### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and Those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management determines is

*Report of the Auditor-General on the Financial Statements of Kenya Dairy Board for the year ended 30 June 2018*

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability of Kenya Dairy Board to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

#### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness

of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

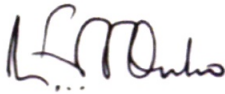
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Kenya Dairy Board to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Kenya Dairy Board to express an opinion on the financial statements.



- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**16 April 2019**

**KENYA DAIRY BOARD  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2017-2018 Kshs	Restated 2016-2017 Kshs
<b>Revenue from non-exchange transactions</b>			
Fines, penalties, fees and levies	6	315,841,484	311,034,149
Transfers from the Government and others	7	156,453,660	157,268,640
		<b>472,295,144</b>	<b>468,302,789</b>
<b>Revenue from exchange transactions</b>			
Interest income	8	25,294,667	13,403,214
Other income (Restated)	9	14,396	254,800
		<b>25,309,063</b>	<b>13,658,014</b>
<b>Total revenue</b>		<b>497,604,207</b>	<b>481,960,803</b>
<b>Expenses</b>			
Use of goods and services	10	14,274,289	12,357,195
Employee costs	11	169,966,655	161,065,931
Board members expenses	12	14,108,635	13,210,801
Depreciation and amortisation expense	13	23,811,691	25,784,253
Repairs and maintenance	14	8,811,147	5,285,289
General and operating expenses	15	252,189,931	250,205,536
<b>Total expenses</b>		<b>483,162,348</b>	<b>467,909,005</b>
<b>Other gains / (losses)</b>			
Gain on sale of assets (Restated)	16	-	1,500,500
Provision for bad and doubtful debts	17	(11,074,326)	-
<b>Surplus for the year</b>		<b>3,367,533</b>	<b>15,552,298</b>
Remission to National Treasury	36	3,030,780	-
<b>Net surplus for the year</b>		<b>336,753</b>	<b>15,552,298</b>

The notes set out on pages 28 to 41 form an integral part of the financial statements.

**KENYA DAIRY BOARD  
 ANNUAL REPORT AND FINANCIAL STATEMENTS  
 STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2018**

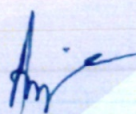
	Notes	2017-2018 Kshs	Restated 2016-2017 Kshs
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	18	59,604,224	44,908,440
Intangible assets	19	9,526,401	11,207,271
Finance leases	20	168,179,293	170,351,010
Long term receivables from non-exchange transactions	21	13,669,453	12,294,902
		<u>250,979,371</u>	<u>238,761,623</u>
<b>Current assets</b>			
Cash and cash equivalents	22	293,634,205	353,206,593
Receivables from non-exchange transactions	23	22,369,003	29,448,822
Other receivables and prepayments	24	14,835,517	13,030,129
		<u>330,838,725</u>	<u>395,685,544</u>
<b>Total assets</b>		<b><u>581,818,096</u></b>	<b><u>634,447,167</u></b>
<b>Liabilities</b>			
<b>Net assets</b>			
Revaluation reserves	25	168,179,293	170,351,010
Accumulated surplus	26	69,956,869	88,745,124
Capital funds	27	57,000,000	-
		<u>295,136,162</u>	<u>259,096,134</u>
<b>Non current liabilities</b>			
Gratuity provision	28	-	1,853,800
<b>Current liabilities</b>			
Gratuity provision	28	3,565,000	-
Trade and other payables from non-exchange transactions (Restated)	29	54,357,980	14,576,340
Current provisions (Restated)	30	1,000,784	2,301,243
Deferred Income	31	227,758,170	356,619,650
		<u>286,681,934</u>	<u>373,497,233</u>
<b>Total net assets and liabilities</b>		<b><u>581,818,096</u></b>	<b><u>634,447,167</u></b>

The financial statements set out on pages 23 to 41 were approved by the Board of Directors on 27 September 2018 and signed on its behalf by:



**Margaret Rugut Kibogy**  
 Managing Director

Date: 28/3/2019



**CPA Edward Nyoike**  
 Finance Manager  
 ICPAK Member No. 5668

Date: 28/3/2019



**Anthony Ian N. Mutugi**  
 Chairman of the Board

Date: 28/3/2019

The notes set out on pages 28 to 41 form an integral part of the financial statements.

**KENYA DAIRY BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	Revaluation reserve Kshs	Accumulated surplus Kshs	Capital Funds Kshs	Total Kshs
<b>At 1 July 2016</b>					
Surplus for the year	26	216,500,000	71,021,109	-	287,521,109
Prior year adjustment	25	-	15,552,298	-	15,552,298
Transfer of amortisation to accumulated surplus	25	(43,977,273)	-	-	(43,977,273)
		(2,171,717)	2,171,717	-	-
<b>At 30 June 2017</b>		<b>170,351,010</b>	<b>88,745,124</b>	<b>-</b>	<b>259,096,134</b>
<b>At 1 July 2017</b>		170,351,010	88,745,124	-	259,096,134
Surplus for the year	26	-	336,753	-	336,753
Transfer from Deferred Grants	27	-	-	35,000,000	35,000,000
Interest on car loan charged during the year	27	-	-	703,275	703,275
Transfer to Staff Car Loan Scheme	26	-	(21,296,725)	21,296,725	-
Transfer of amortisation to accumulated surplus	26	(2,171,717)	2,171,717	-	-
<b>At 30 June 2018</b>		<b>168,179,293</b>	<b>69,956,869</b>	<b>57,000,000</b>	<b>295,136,162</b>

The notes set out on pages 28 to 41 form an integral part of the financial statements.

**KENYA DAIRY BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

		2017-2018	Restated
	Notes	Kshs	2016-2017
			Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fines, penalties, fees and levies	6	311,846,978	306,955,787
Transfers - Government and others	7	40,592,180	165,574,993
Other income	9	14,396	254,800
<b>Total receipts</b>		<b>352,453,554</b>	<b>472,785,580</b>
<b>Payments</b>			
Use of goods and services	10	12,448,127	12,735,172
Employee costs	11	173,300,777	156,635,839
Board members expenses	12	14,454,485	13,024,474
Repairs and maintenance	13	4,032,007	6,939,889
General and operating expenses	14	219,759,048	249,814,740
<b>Total payments</b>	15	<b>423,994,444</b>	<b>439,150,114</b>
<b>Net cash flows from operating activities</b>	37	<b>(71,540,890)</b>	<b>33,635,466</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	18	(32,491,890)	(33,027,916)
Purchase of intangible assets	19	(240,000)	(5,730,100)
Interest income	8	25,294,667	13,403,214
Proceeds from disposal of property, plant and equipment	16	-	1,500,500
Increase in deposit, staff car loans and staff advances	24	(1,948,495)	(6,085,702)
Deposits for purchase disposed assets	29	25,496	-
Increase in non current receivables	21	(1,374,551)	-
<b>Net cash flow used in investing activities</b>		<b>(10,734,773)</b>	<b>(29,940,004)</b>
<b>Cash flow from financing activities</b>			
Capital grant received	7	22,000,000	-
Interest on staff car loan credited to capital funds		703,275	-
<b>Net cash flows from financing activities</b>		<b>22,703,275</b>	<b>-</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(59,572,388)</b>	<b>3,695,462</b>
Cash and cash equivalents at 1 July	22	353,206,593	349,511,131
<b>Cash and cash equivalents at 30 June</b>	22	<b>293,634,205</b>	<b>353,206,593</b>

The notes set out on pages 28 to 41 form an integral part of the financial statements.

**KENYA DAIRY BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	Original Budget	Adjustment	Final Budget	Actual	Performance
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Revenue</b>					
Fines, penalties, fees and levies	309,564,920	1,323,080	310,888,000	315,841,484	4,953,484
Transfers from the Government and others	250,000,000	(93,550,000)	156,450,000	156,453,660	3,660
Interest income	1,500,000	23,500,000	25,000,000	25,294,667	294,667
Other income	1,000,000	(900,000)	100,000	14,396	(85,604)
<b>Total revenue - Note (a)</b>	<b>562,064,920</b>	<b>(69,626,920)</b>	<b>492,438,000</b>	<b>497,604,207</b>	<b>5,166,207</b>
<b>Expenses</b>					
Use of goods and services	12,944,000	1,410,000	14,354,000	14,274,289	(79,711)
Employee costs - <b>Note (b)</b>	187,408,869	(12,939,441)	174,469,428	169,966,655	(4,502,773)
Board members expenses	16,254,000	(1,971,088)	14,282,912	14,108,635	(174,277)
Depreciation and amortisation expense	21,602,817	2,853,689	24,456,506	23,811,691	(644,815)
Repairs and maintenance	8,965,000	(118,800)	8,846,200	8,811,147	(35,053)
General and operating expenses	310,656,420	(54,776,420)	255,880,000	252,189,931	(3,690,069)
<b>Total expenditure</b>	<b>557,831,106</b>	<b>(65,542,060)</b>	<b>492,289,046</b>	<b>483,162,348</b>	<b>(9,126,698)</b>
<b>Surplus for the period - Note (c)</b>	<b>4,233,814</b>	<b>(4,084,860)</b>	<b>148,954</b>	<b>14,441,859</b>	<b>14,292,905</b>

During the year, the Board requested for Ksh. 250 Million in Government of Kenya (GoK) Grants to finance the recurrent expenditure. However, the Board was allocated Ksh. 38.9 Million as recurrent grant for the year in addition to the Ksh. 115 Million deferred from the previous financial year. The reduction in GoK funding and the anticipated interest on the deferred capital development funds necessitated the downward revision of the budgeted revenue from Ksh. 562 Million to Ksh. 492.4 Million.

**Notes**

**a) Total revenue** - Despite the adverse weather which affected milk production in the country, the Board exceeded the budgeted collection on Fines, penalties, fees and levies with Ksh. 4.95 million as a result of increased importation of specialised dairy products, continued surveillance on the informal milk marketing and consumer education which sustained intakes and markets for the formal sector.

**b) Employee costs** - Expenditure of staff salaries and related costs was Ksh. 4.5 Million below budget since the Board did not recruit the anticipated Technical Officers during the year.

**c) Surplus for the period** - In overall, the Board realised a surplus of Ksh. 14.44 Million as compared to the Budgeted surplus of Ksh. 0.15 Million as a result of positive collection on the internally generated revenue and cost management which ensured that the expenditure was within the available resources and the Budget.

<b>d) Reconciliation of surplus as per the Statement of Comparison of Budget and Actual Amounts and net surplus as per the Statement of Financial Performance.</b>	<b>Final Budget</b>	<b>Actual</b>
	<b>2017-2018</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Surplus as per statement of comparison of Budget and actual amounts	148,954	14,441,859
Provision for bad and doubtful debts	-	(11,074,326)
Remission to National Treasury	-	(3,030,780)
<b>Net surplus as per Statement of Financial Performance</b>	<b>148,954</b>	<b>336,753</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**1. General information**

Kenya Dairy Board is established by and derives its authority and accountability from The Dairy Industry Act Cap 336. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to regulate, promote and develop Dairy Industry in Kenya.

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment at fair value and impaired assets at their estimated recoverable amounts. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Board.

The financial statements have been prepared in accordance with the PFM Act, the Dairy Industry Act, Cap 336, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**3. Adoption of New and revised Standards**

**(i) Relevant new standards and amendments to published standards effective in the year ended 30 June 2018**

Standard	Impact
IPSAS 39: Employee Benefits	<p><b>(Applicable: 1 January 2018).</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p> <p>The Board operates a defined contribution pension scheme and thus the standard does not apply.</p>

**(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018**

IPSAS 40: Public Sector Combinations	<p><b>(Applicable: 1 January 2019).</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.</p> <p>The Board is not planning for any Public Sector amalgamation and therefore the standard does not apply.</p>
--------------------------------------	---

**(iii) Early adoption of Standards**

The Board did not early - adopt any new or amended Standards in the year 2018.

**4. Summary of significant accounting policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

The Board recognizes revenues from cess, levies, penalties and fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably. Specifically;

**Cess**

Cess is payable to Kenya Dairy Board by all producers who produces milk for sale or converts milk to any other dairy produce for sale. Cess is collected by all licensed milk traders on behalf of the Board at a rate of twenty cents per litre. Cess is payable to the Board on or before the tenth (10th) day after the month of production and it is accounted for on accrual basis.

**Processors' levy**

Processors' levy payable to Kenya Dairy Board by all licensed processors at a rate of twenty cents per litre of milk processed. The levy is payable to the Board on or before the tenth (10th) day after the month of processing and it is accounted for on accrual basis.

**Summary of significant accounting policies (Continued)**

**Import levy**

Import levy is payable by any person who imports milk or any other Dairy produce at a rate of 7% of gross cost, insurance and freight (landed value) of the milk or dairy produce.

**Penalties**

Penalties are charge to any person who fails to remit the cess or levies to the Board. As required by law. Interest on cess is charged at a rate of 12% for the first of month in which the cess remain unpaid and 6% compound interest for each subsequent month. Any person who fails to pay the levy is liable to pay interest of 25% for the first month in which the levy remains unpaid and 12% compound interest for each subsequent month.

**Licenses and permit fees**

Licensing fees is paid by licensed trader on annual basis, while permit is paid by Dairy transporters and importers. Licenses and permit fees are accounted for on accrual basis.

**Transfers from Government and other 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 Board and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**ii) Revenue from exchange transactions**

**Sale of tenders and publications**

Revenue from the sale of tenders and publications is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Board.

**Interest income**

Interest income is accrued using the effective yield method and recognised net of withholding tax. 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.

**b) Budget information**

The original budget for FY 2017-2018 was approved by The National Treasury in July 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Board upon receiving the respective approvals in order to conclude the final budget.

The Board's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under the same page of these financial statements.

**c) Taxation**

No tax provision has been made in these financial statements since the income of Kenya Dairy Board is exempt from taxation under the First Schedule, Part 1 of the Income Tax Act.



**Summary of significant accounting policies (Continued)**

**d) Property, plant and equipment**

All other 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 entity recognizes such parts as individual assets with specific useful 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 on other assets is calculated using the straight-line method to allocate their cost or revalued amounts less their residual values over their estimated useful lives, as follows:

	<b>Rate (%)</b>
Motor vehicles	25.00%
Office and laboratory equipment	12.50%
Furniture and fittings	12.50%
Computers	30.00%

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the statement of financial performance. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to accumulated surplus.

**e) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as finite and amortisation is calculated using the straight-line method to allocate their cost or revalued amounts less their residual values over their estimated useful lives at a rate of 30%.

**f) Finance leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Board. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Board also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

An asset held under a finance lease is amortised over the useful life of the asset. However, if there is no reasonable certainty that the Board will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**g) Research and Development costs**

The Board expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Board can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**h) Financial instruments**

**i) 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 or available-for-sale financial assets, as appropriate. The Board determines the classification of its financial assets at initial recognition.

Summary of significant accounting policies (Continued)

**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. 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**

The Board assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or an entity of financial assets 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 entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

**ii) 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 Board determines the classification of its financial liabilities at initial recognition.

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

**Loans and borrowings**

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

Amortised 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.

**i) Related parties**

The Board 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 Board, or vice versa. Members of key management are regarded as related parties and comprise the Managing Director, Director - Regulatory Services, Director - Corporate Services, Finance Manager, Manager - Internal Audit and Senior Supply Chain Management Officer.

**j) Provisions**

Provisions are recognized 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 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 Board 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.

**Contingent liabilities**

The Board does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**Contingent assets**

The Board does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Board in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**Summary of significant accounting policies (Continued)**

**k) Nature and purpose of reserves**

The Board creates and maintains reserves in terms of accumulated surplus, revaluation reserves and capital funds.

**l) Changes in accounting policies and estimates**

The Board recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**m) Employee benefits**

**Retirement benefit plan**

The Board provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), 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 for contracted employees are charged against income in the year in which they are earned and are payable at the end of the contract period.

**n) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and which were not surrendered or accounted for at the end of the financial year.

**o) Comparative figures**

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

**p) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

**5. Significant judgements and sources of estimation uncertainty**

The preparation of the Board's 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 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 Board. 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 Notes 28 and 30.

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. The Board maintains provision for bad and doubtful debts, gratuity provision, accrued leave provision and provision for audit fee.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**6. Fines, penalties, fees and levies**

	2017-2018 Kshs	2016-2017 Kshs
Cess receipts	125,054,030	128,748,297
Processors levy	126,755,306	126,767,155
Permit and licence fees	17,641,650	14,812,900
Import levy	42,694,842	34,429,491
Penalties	3,583,137	6,215,267
Confiscated milk sale	112,519	61,039
	<b>315,841,484</b>	<b>311,034,149</b>

**7. Transfers from the Government and others**

	2017-2018 Kshs	2016-2017 Kshs
<b>(a) Unconditional grants</b>		
Operational grants from G.o.K	153,900,000	163,882,813
Other Organisational grants	2,553,660	9,247,307
	<b>156,453,660</b>	<b>173,130,120</b>
<b>Conditional grants</b>		
Capital expenditure grants from G.o.K	22,000,000	-
	<b>178,453,660</b>	<b>173,130,120</b>

**(b) Amount recognised to statement of financial performance**

Deferred amount from previous financial year	115,861,480	100,000,000
Transfers from Ministries, Departments and Agencies	38,900,000	48,882,813
Other organisational grants	1,692,180	8,385,827
	<b>156,453,660</b>	<b>157,268,640</b>

**(c) Transfers from Ministries, Departments and Agencies**

Name of the Entity sending the Grant	Amount recognised to statement of Comprehensive Income Kshs	Amount deferred under Deferred Income Kshs	Amount recognised in the Capital Fund Kshs	Total Grants Income during the year Kshs	Total Grants 2016-2017 Kshs
State Department of Livestock	9,725,000	22,000,000	-	31,725,000	9,725,000
State Department of Livestock	9,725,000	-	-	9,725,000	9,725,000
State Department of Livestock	9,725,000	-	-	9,725,000	9,725,000
State Department of Livestock	9,725,000	-	-	9,725,000	134,707,813
<b>Total</b>	<b>38,900,000</b>	<b>22,000,000</b>	<b>-</b>	<b>60,900,000</b>	<b>163,882,813</b>

**(d) Other organisational grants**

Name of the Entity sending the Grant	Amount recognised to statement of Comprehensive Income Kshs	Amount deferred under Deferred Income Kshs	Amount recognised in the Capital Fund Kshs	Total Grants Income during the year Kshs	Total Grants 2016-2017 Kshs
SDCP*	1,192,180	-	-	1,192,180	2,447,307
Majid Al Futtaim Carrefour	300,000	-	-	300,000	-
Meru Dairy Co-op Union Limited	200,000	-	-	200,000	-
USAID**	-	-	-	-	4,200,000
Brookside Dairy Limited	-	-	-	-	500,000
Kenya Markets Trust	-	-	-	-	2,100,000
<b>Total</b>	<b>1,692,180</b>	<b>-</b>	<b>-</b>	<b>1,692,180</b>	<b>9,247,307</b>

\* Smallholder Dairy Commercialization Programme

\*\* United States Agency for International Development

**8. Interest income**

	2017-2018 Kshs	2016-2017 Kshs
Interest on staff car loans	-	563,620
Interest on bank deposits	25,294,667	12,839,594
	<b>25,294,667</b>	<b>13,403,214</b>

**9. Other income**

Tender sales	6,000	6,000
Sale of publications	8,396	8,800
Miscellaneous income	-	240,000
	<b>14,396</b>	<b>254,800</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

<b>10. Use of Goods and Services</b>	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
Printing and stationery expenses	4,814,906	4,479,656
Electricity and water expenses	308,173	277,217
Postage and courier expenses	1,118,378	631,211
Bank service charges	555,155	499,421
Professional and legal fees	1,310,497	1,438,960
Audit fees	754,000	754,000
Telephone and internet services	4,948,180	3,879,930
Uniform and clothing expenses	465,000	396,800
	<b>14,274,289</b>	<b>12,357,195</b>

<b>11. Employees costs</b>	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
Personnel basic salaries	86,487,174	82,429,491
Gratuity and pension contribution	17,731,407	14,509,390
House allowances	29,243,500	28,081,000
Transport and commuter allowance	14,313,341	13,469,000
Acting allowance	402,492	1,157,344
Entertainment allowance	6,034,000	5,552,000
Extraneous allowance	7,846,236	6,151,272
Relocation and leave allowance	7,908,505	9,716,434
	<b>169,966,655</b>	<b>161,065,931</b>

The Board makes defined contribution to a Pension Scheme administered by Kenindia Assurance Company Limited and the National Social Security Fund (NSSF). The contributions to the Pension Scheme are at a rate of 10% of basic salary by employees and employer 20% and NSSF Kshs. 200 per month. The Board also provides for gratuity to contracted staff at a rate of 31% of the Basic salary payable at the end of the contract period. The contributions and provision made during the year were as follows;

<b>Gratuity and Employer contribution to staff pension</b>	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
NSSF Employer contributions	335,800	323,200
Employer pension contributions	15,684,407	12,436,240
Gratuity provision for contracted staff	1,711,200	1,749,950
	<b>17,731,407</b>	<b>14,509,390</b>

<b>12. Board members expenses</b>	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
Mileage allowances	1,722,040	1,636,678
Travel and accommodation allowances	6,217,298	5,628,862
Sitting allowances	4,500,000	4,340,000
Chairperson's monthly allowance	1,044,000	1,044,000
Directors' Medical insurance	625,297	561,261
	<b>14,108,635</b>	<b>13,210,801</b>

<b>13. Depreciation and amortisation expenses</b>	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
Depreciation of plant, property and equipment	19,719,104	21,331,156
Amortisation of intangible assets	1,920,870	2,281,380
Amortisation of operating leases	2,171,717	2,171,717
	<b>23,811,691</b>	<b>25,784,253</b>

<b>14. Repairs and maintenance</b>	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
Maintenance of plant and equipment	173,826	209,398
Maintenance of Offices	4,860,013	4,390,904
Information technology services	3,777,308	684,987
	<b>8,811,147</b>	<b>5,285,289</b>

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2018**

<b>15. General and Operating expenses</b>	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
Training expenses	6,076,482	7,417,661
Staff medical and benevolent insurance expenses	10,804,184	6,117,306
Motor vehicle and general insurance	2,326,501	4,733,578
Staff welfare	13,431,527	12,710,548
Advertising and publicity	3,133,334	2,897,077
Rent and rates	19,016,620	18,447,819
Donations and environmental conservation	1,580,186	1,606,923
Motor vehicle running expenses	9,400,537	10,181,810
Show expenses	3,150,571	2,734,810
Travel and accommodation expenses	35,601,112	29,958,206
Laboratory expenses	7,614,967	2,600,829
Control of informal milk marketing and consumer education	107,773,425	125,867,504
Conference, exhibitions and training of stakeholders	4,724,800	1,076,501
Marketing and Benchmarking	2,520,169	1,976,755
Promotion of milk consumption	8,423,080	14,072,503
Product value addition	1,156,150	-
Organisation of stakeholders	735,550	2,140,996
Research and Dairy development	4,719,900	934,450
Policy and strengthening of regulatory framework	10,000,836	4,730,260
	<b>252,189,931</b>	<b>250,205,536</b>

<b>16. Gain on sale of Assets</b>	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
Gain on disposal of property, plant and equipment	-	1,500,500

<b>17. Provision for bad and doubtful debts</b>	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
Provision for bad and doubtful debts	11,074,326	-

<b>18. Property, plant and equipment</b>	<b>Capital Work in progress Kshs</b>	<b>Motor vehicles Kshs</b>	<b>Furniture and fitting Kshs</b>	<b>Computers and accessories Kshs</b>	<b>Office and lab equipment Kshs</b>	<b>Total assets Kshs</b>
<b>Cost</b>						
As at 30 June 2016	-	82,134,042	12,938,884	36,158,991	6,946,397	138,178,314
Additions	3,029,377	10,920,000	2,749,109	2,861,564	457,981	20,018,031
Disposals during the year	-	(4,300,000)	(50,126)	-	-	(4,350,126)
<b>As at 30 June 2017</b>	<b>3,029,377</b>	<b>88,754,042</b>	<b>15,637,867</b>	<b>39,020,555</b>	<b>7,404,378</b>	<b>153,846,219</b>
<b>Accumulated depreciation</b>						
As at 30 June 2016	-	51,556,405	7,631,510	28,395,545	4,373,289	91,956,749
Charge for the year	-	13,961,415	1,534,144	5,233,559	602,038	21,331,156
Disposals during the year	-	(4,300,000)	(50,126)	-	-	(4,350,126)
<b>As at 30 June 2017</b>	<b>-</b>	<b>61,217,820</b>	<b>9,115,528</b>	<b>33,629,104</b>	<b>4,975,327</b>	<b>108,937,779</b>
<b>Net Book Value</b>						
<b>As at 30 June 2017</b>	<b>3,029,377</b>	<b>27,536,222</b>	<b>6,522,339</b>	<b>5,391,451</b>	<b>2,429,051</b>	<b>44,908,440</b>

<b>Property, plant and equipment</b>	<b>Capital Work in progress Kshs</b>	<b>Motor vehicles Kshs</b>	<b>Furniture and fitting Kshs</b>	<b>Computers and accessories Kshs</b>	<b>Office and lab equipment Kshs</b>	<b>Total assets Kshs</b>
<b>Cost</b>						
As at 30 June 2017	3,029,377	88,754,042	15,637,867	39,020,555	7,404,378	153,846,219
Additions	22,450,914	5,804,000	502,030	4,140,000	1,517,945	34,414,889
<b>As at 30 June 2018</b>	<b>25,480,291</b>	<b>94,558,042</b>	<b>16,139,897</b>	<b>43,160,555</b>	<b>8,922,323</b>	<b>188,261,108</b>
<b>Accumulated depreciation</b>						
As at 30 June 2017	-	61,217,820	9,115,528	33,629,104	4,975,327	108,937,779
Charge for the year	-	12,772,362	1,396,009	4,800,528	750,206	19,719,105
<b>As at 30 June 2018</b>	<b>-</b>	<b>73,990,182</b>	<b>10,511,537</b>	<b>38,429,632</b>	<b>5,725,533</b>	<b>128,656,884</b>
<b>Net Book Value</b>						
<b>As at 30 June 2018</b>	<b>25,480,291</b>	<b>20,567,860</b>	<b>5,628,360</b>	<b>4,730,923</b>	<b>3,196,790</b>	<b>59,604,224</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

<b>19. Intangible assets</b>	<b>2017-2018</b>	<b>2016-2017</b>
<b>Cost</b>	<b>Kshs</b>	<b>Kshs</b>
At 1 July	23,107,114	18,877,014
Additions	240,000	4,230,100
<b>At 30 June</b>	<b>23,347,114</b>	<b>23,107,114</b>
<b>Amortisation</b>		
At 1 July	11,899,843	9,618,463
Charge for the year	1,920,870	2,281,380
<b>At 30 June</b>	<b>13,820,713</b>	<b>11,899,843</b>
<b>Net book value</b>		
<b>At 30 June</b>	<b>9,526,401</b>	<b>11,207,271</b>

Intangible Assets consist of computer software licences costs and website development costs. They are amortised on the straight-line method to write them off over their expected useful life at the rate of 30% per annum.

<b>20. Finance Leases</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance brought forward	216,500,000	216,500,000
Revaluation during the year	-	-
<b>At 30 June</b>	<b>216,500,000</b>	<b>216,500,000</b>
<b>Amortisation</b>		
At 1 July	46,148,990	-
Prior year adjustment	-	43,977,273
Charge for the year	2,171,717	2,171,717
<b>At 30 June</b>	<b>48,320,707</b>	<b>46,148,990</b>
<b>Net book value</b>		
<b>At 30 June</b>	<b>168,179,293</b>	<b>170,351,010</b>

Finance leases relates to Land L.R. No. 21707 in Kabete Area, Nairobi County valued at Ksh. 215,000,000 and Plot No. 205 situated in Narok Town valued at Ksh. 1,500,000. The lease for Kabete land runs for a period of 99 years from 1 April 1996. The Board has not been able to ascertain the period of lease for the plot in Narok since the Title documents have not been obtained. The value of the Kabete land is amortised with effect from 1 April 1996 over 99 years being the lease period. Accumulated amortisation of Ksh. 43,977,273 relating to 1 April 1996 to 30 June 2016 was included in the prior year adjustment in the year ended 30 June 2017 since no amortisation was provided in the financial statements since the time of acquisition.

<b>21. Long term receivables from non-exchange transactions</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Staff car loans - Non current portion	13,669,453	12,294,902

<b>22. Cash and cash equivalents</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank balances	291,949,549	352,946,642
Cash on hand and in transit	1,684,656	259,951
<b>Total</b>	<b>293,634,205</b>	<b>353,206,593</b>

**Detailed analysis of the cash and cash equivalents**

**(a) Bank balances**

<b>Name of the Bank</b>	<b>Account No.</b>	<b>Currency</b>	<b>2017-2018</b>	<b>2016-2017</b>
			<b>Kshs</b>	<b>Kshs</b>
Co-operative Bank of Kenya	01136010006600	Kshs	1,284,429	48,073,931
Kenya Commercial Bank	1103250906	Kshs	11,747,798	304,541,943
Kenya Commercial Bank	1102653993	Kshs	243,716,729	136,732
Kenya Commercial Bank	1233692348	Kshs	35,000,000	-
National Bank of Kenya	01003002830700	Kshs	200,593	194,036
<b>Total</b>			<b>291,949,549</b>	<b>352,946,642</b>

**(b) Cash on hand and in transit**

<b>Form of cash holding</b>	<b>Currency</b>	<b>2017-2018</b>	<b>2016-2017</b>
		<b>Kshs</b>	<b>Kshs</b>
Undeposited cash	Kshs	522,753	126,571
Mpesa Account	Kshs	1,161,903	133,380
<b>Total</b>		<b>1,684,656</b>	<b>259,951</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

<b>23. Receivables from non-exchange transactions</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Receivables from non-exchange transactions comprises of the following:-		
Fines, penalties, fees and levies receivable	35,367,393	31,372,887
Provision for bad and doubtful debts	(12,998,390)	(1,924,065)
	<b>22,369,003</b>	<b>29,448,822</b>

<b>24. Other receivables and prepayments</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Staff car loans - Current portion	7,871,062	7,052,098
Deposits	3,104,988	3,104,988
Staff salary advances	2,285,691	1,156,160
Ex- Staff receivables	400,782	400,782
Provision for bad and doubtful debts	(400,782)	(400,782)
Prepayments	1,573,776	1,716,883
	<b>14,835,517</b>	<b>13,030,129</b>

Provision for bad and doubtful debts has been made for ex-staff receivables who owes the Board but have since left the service.

<b>25. Revaluation reserves</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
At start of year	170,351,010	216,500,000
Prior year adjustment	-	(43,977,273)
Transfer of excess depreciation on revaluation	(2,171,717)	(2,171,717)
	<b>168,179,293</b>	<b>170,351,010</b>

Revaluation reserve is as a result of valuation of land received from the Government of Kenya as grant. The two parcels of land were revalued to Ksh. 216,500,000 by Chief Government Valuer, Ministry of Lands, Housing and Urban Development in the reports dated February 2015. Prior year adjustment relates to accumulated amortisation for an existing lease on L.R No. 21707 in Kabete area, Nairobi which was not provided in the period 1 April 1996 to 30 June 2016.

<b>26. Accumulated surplus</b>		
This comprises of accumulated surplus over the years.		
At start of the year	88,745,124	71,021,109
Surplus for the year	336,753	15,552,298
Transfer of amortisation from revaluation reserves to accumulated surplus	2,171,717	2,171,717
Transfer from accumulated surplus to Staff Car Loan Scheme Fund	(21,296,725)	-
	<b>69,956,869</b>	<b>88,745,124</b>

<b>27. Capital Funds</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Staff Car Loan Scheme	22,000,000	-
Staff Housing Mortgage Scheme	35,000,000	-
	<b>57,000,000</b>	<b>-</b>

<b>The Capital Funds movement during the year was as follows;</b>	<b>Staff Car Loan Scheme</b>	<b>Staff Housing Mortgage</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Balance brought forward	-	-	-
Transfer from Deferred Grants	-	35,000,000	35,000,000
Transfer from Accumulated surplus	21,296,725	-	21,296,725
Interest on car loan charged during the year	703,275	-	703,275
<b>Balance carried forward</b>	<b>22,000,000</b>	<b>35,000,000</b>	<b>57,000,000</b>

<b>28. Gratuity provision</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance at 1 July	1,853,800	103,850
Provision for the year	1,711,200	1,749,950
Balance at 30 June	<b>3,565,000</b>	<b>1,853,800</b>

**Gratuity provision are payable as follows;**

Within one year	3,565,000	-
Payable after one year	-	1,853,800
	<b>3,565,000</b>	<b>1,853,800</b>



NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2018

29. Trade and other payables from non-exchange transactions	2017-2018 Kshs	2016-2017 Kshs
Payables from non exchange transactions	45,922,477	5,101,507
Payroll liabilities	4,614,814	8,359,677
KMR Staff Pension	109,299	109,299
KNAC Staff Pension	341,051	341,051
Alico Insurance claims	35,082	35,082
Withheld Taxes	278,980	542,724
Chairman monthly allowance	-	87,000
Deposits for purchase disposed assets	25,497	-
Remission to National Treasury	3,030,780	-
	<b>54,357,980</b>	<b>14,576,340</b>

30. Current provisions	2017-2018 Kshs	2016-2017 Kshs
Leave provision	246,784	1,547,243
Audit fees	754,000	754,000
	<b>1,000,784</b>	<b>2,301,243</b>

Description	Leave Provision Kshs	Audit fees Kshs	Total Kshs
Balance at the beginning of the year	1,547,243	754,000	2,301,243
Reduction/payment during the year	(1,300,459)	(754,000)	(2,054,459)
Additional provision	-	754,000	754,000
<b>Balance at the end of the year</b>	<b>246,784</b>	<b>754,000</b>	<b>1,000,784</b>

31. Deferred Income	2017-2018 Kshs	2016-2017 Kshs
National Government	227,758,170	355,758,170
International Funders	-	861,480
	<b>227,758,170</b>	<b>356,619,650</b>

The deferred income movement is as follows;	National Government Kshs	International Funders Kshs	Total Kshs
Balance brought forward	355,758,170	861,480	356,619,650
Received during the year	60,900,000	1,692,180	62,592,180
Recognised in the statement of financial performance	(153,900,000)	(2,553,660)	(156,453,660)
Transferred to Capital Funds - Staff Housing Mortgage Scheme	(35,000,000)	-	(35,000,000)
<b>Balance carried forward</b>	<b>227,758,170</b>	<b>-</b>	<b>227,758,170</b>

**32. Financial risk management**

The Board's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Board's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Board does not hedge any risks and has in place policies to ensure that timely recovery of debts.

The Board's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The Board has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with set limits. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Board's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Board's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Total	Fully	Past	Impaired
Financial assets	amount	Performing	due	
At 30 June 2018	Kshs	Kshs	Kshs	Kshs
Receivables from non-exchange transactions	35,367,393	22,369,003	12,998,390	12,998,390
Other receivables and prepayments	15,236,299	14,835,517	400,782	400,782
Cash and cash equivalents	293,634,205	293,634,205	-	-
	<b>344,237,897</b>	<b>330,838,725</b>	<b>13,399,172</b>	<b>13,399,172</b>
At 30 June 2017	Total	Fully	Past	Impaired
	amount	Performing	due	
			Kshs	Kshs
Receivables from non-exchange transactions	31,372,887	29,448,822	1,924,065	1,924,065
Other receivables and prepayments	13,430,911	13,030,129	400,782	400,782
Cash and cash equivalents	353,206,593	353,206,593	-	-
	<b>398,010,391</b>	<b>395,685,544</b>	<b>2,324,847</b>	<b>2,324,847</b>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Board has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Board has significant concentration of credit risk on amounts due from New Kenya Co-operative Creameries Limited and Lari Dairy Alliance (Under Receivership).

The board of directors sets the Board's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board's directors, who have built an appropriate liquidity risk management framework for the management of the Board's short, medium and long-term funding and liquidity management requirements. The Board manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Board under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Payables	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Gratuity provision	-	-	3,565,000	3,565,000
Trade and other payables	54,357,980	-	-	54,357,980
Current provisions	1,000,784	-	-	1,000,784
Deferred Income	-	-	227,758,170	227,758,170
	<b>55,358,764</b>	<b>-</b>	<b>231,323,170</b>	<b>286,681,934</b>
At 30 June 2017				
Gratuity provision	-	-	1,853,800	1,853,800
Trade and other payables	13,076,340	-	1,500,000	14,576,340
Current provisions	2,301,243	-	-	2,301,243
Deferred Income	9,583,333	28,750,000	318,286,317	356,619,650
	<b>24,960,916</b>	<b>28,750,000</b>	<b>321,640,117</b>	<b>375,351,033</b>

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Board on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

The Board's Finance & Accounted Department is responsible for the development of detailed risk management policies (subject to review and approval by Board of Directors) and for the day to day implementation of those policies.

There has been no change to the Board's exposure to market risks or the manner in which it manages and measures the risk.

**(a) Foreign currency risk**

The Board has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. However, the Board did not have any outstanding invoice denominated in foreign currency as at 30 June 2018.

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2018**

**(b) Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The Board's interest rate risk arises from bank deposits. This exposes the Board to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Board's deposits.

*Management of interest rate risk*

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

*Sensitivity analysis*

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on surplus or deficit of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates decrease by one percentage point as a decrease of Kshs. 3,614,904 (2017: Kshs. 1,834,228 ). A rate decrease to 5% would result in a decrease in surplus before remission to the National Treasury of Kshs. 7,229,808 (2017 – Kshs. 3,668,456)

**Capital risk management**

The objective of the Board's capital risk management is to safeguard the institution's ability to continue as a going concern. The Board's capital structure comprises of the following funds:

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserves	168,179,293	170,351,010
Accumulated surplus	69,956,869	88,745,124
Capital funds	57,000,000	-
<b>Total funds</b>	<b>295,136,162</b>	<b>259,096,134</b>
Less: Cash and bank balances	(293,634,205)	(353,206,593)
Net debt / (excess cash and cash equivalents)	1,501,957	(94,110,459)
<b>Gearing</b>	<b>0.5%</b>	<b>-36%</b>

**33. Related Party Balances**

**Nature of related party relationship**

The Board regards a related party as a person or an authority with the ability to exert control individually, jointly or to exercise significant influence over the Board, or vice versa. The Board is related to:

**Government of Kenya**

The Government of Kenya is the principal shareholder of the Board, holding 100% of the entity's equity interest. Other related parties include:

- i) Ministry of Agriculture, Livestock, Fisheries & Irrigation
- ii) New Kenya Co-operative Creameries Limited
- iii) Key management
- iv) Board of Directors

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(a) Related party transactions</b>		
Revenue received from New Kenya Co-operative Creameries Limited	40,934,061	43,457,288
Car loans and advances granted to Key management	5,872,888	6,600,000
<b>(b) Grants from Government</b>		
Grants received from Government of Kenya	60,900,000	163,882,813
<b>(c) Key management compensation</b>		
Allowances paid to Board Members	14,108,635	13,210,801
Compensation to Managing Director	7,274,683	7,315,480
Compensation to key management	22,594,469	22,445,698
<b>(d) Due from related parties</b>		
Due from New Kenya Co-operative Creameries Limited	9,959,020	9,492,035
Car loans and advances due from Key management	8,597,093	6,038,315

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**34. Contingent liabilities**

**a) Litigations**

(i) Petition No. 552 of 2015 - The Council of Governors Vs. Attorney General, Kenya Dairy Board and 13 others in the matter of Intergovernmental and Relations Act, where the Council of Governors is challenging the Constitutionality of the functions of selected State Corporations and Government Agencies, including Kenya Dairy Board.

(ii) HCCC No. 763 of 2003 - Dairycom (K) Limited Vs Kenya Dairy Board and Kenya Bureau of Standards seeking compensation for lost business following confiscation of imported Butter.

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

**b) Operating lease rentals**

The Board as Lessee: Future minimum lease payments under non-cancellable operating leases;	2017-2018 Kshs	2016-2017 Kshs
<b>Office lease rentals</b>		
Due within one year	12,715,755	13,917,484
Due within two and five years	46,581,149	47,710,988
Later than five years	-	11,585,916
<b>Total operating lease expense commitments</b>	<b>59,296,904</b>	<b>73,214,388</b>

**c) Outstanding Insurance Claim**

During the year, the Board lost a Computer and a Scanner through theft in its Branch Office in Olkalau. The total cost of the assets was Ksh. 101,470 and a net book value of Ksh. 4,788 as at 30 June 2018. The Board lodged a claim with the Insurance Company and the lost items are still included in the value of Property, Plant and Equipment.

**35. Capital commitments**

	2017-2018 Ksh	2016-2017 Ksh
Authorised and contracted for proposed erection and completion of National Dairy Laboratory at Upper Kabete, Nairobi.	98,992,910	110,000,000
Authorised and contracted for proposed erection and completion of Boundary Wall, Gate House and Electric Fence at Upper Kabete, Nairobi	11,125,635	20,771,359
	<b>110,118,545</b>	<b>130,771,359</b>

**36. Surplus remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

**37. (a) Cash generated from operations**

	2017-2018 Kshs	2016-2017 Kshs
Surplus from operating activities	336,753	15,552,298
Add back: Depreciation	19,719,105	21,331,156
Amortisation of intangible assets	1,920,870	2,281,380
Amortisation of finance leases	2,171,717	2,171,717
Contribution to provision	1,711,200	3,297,193
Less: Gain on disposal of non current assets	-	(1,500,500)
Interest income	(25,294,667)	(13,403,214)
	<b>564,978</b>	<b>29,730,030</b>
Adjustment for changes in working capital		
Decrease / (decrease) in receivables from non-exchange transactions	7,079,819	(4,078,362)
(Increase) / decrease in other receivables and prepayments	(1,805,388)	15,225,683
Increase / (decrease) in trade and other payables from non-exchange transactions	39,781,640	(23,103,365)
Decrease in provisions	(1,300,459)	-
(Decrease) / increase in deferred income	(115,861,480)	15,861,480
	<b>(72,105,868)</b>	<b>3,905,436</b>
<b>Net cash flow (used) / generated from operating activities</b>	<b>(71,540,890)</b>	<b>33,635,466</b>

**38. Ultimate Holding Entity**

The Board is a State Corporation established by The Dairy Industry Act Cap 336, under the Ministry of Agriculture, Livestock, Fisheries & Irrigation. Its ultimate parent is the Government of Kenya.

**39. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

**40. Events after the reporting period**

There were no material adjusting and non-adjusting events after the reporting period.

**APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS**

Reference No.	Issue/Observations from Auditor	Management comment			
<b>Property, plant and equipment</b>	As similarly reported in the previous years, the Property, Plant and equipment balance of Kshs. 44,908,440 as at 30 June 2017 includes a parcel of land , Plot No. 205 (Formerly Ref. No. PDB/R163/99/15) valued at Ksh. 1,500,000 after revaluation, situated in Narok Town, that was allocated to the Board in the year 2000 for office development. However, the Board has not obtained a title of ownership to date for the plot from the Ministry of Lands and Physical Planning. Consequently, it has not been possible to confirm the ownership status of the plot.	The National Land Commission issued a Letter of Allotment to the Board in October 2016. Consequently, the Board issued a Letter of Acceptance of Allotment and the conditions therein together with the payment of the prescribed charges of Kshs. 11,395.	Margaret Rugut Kibogy, Managing Director	Not resolved	



**Anthony Ian N. Mutugi**  
Chairman of the Board

Date: 28/3/2019



**Margaret Rugut Kibogy**  
Managing Director

Date: 28/3/2019

**APPENDIX II: PROJECTS IMPLEMENTED BY THE BOARD**

**Projects**

Projects implemented by the Board funded by development partners

Project Title	Project No.	Donor	Duration	Donor Commitment	Separated reporting as per the agreement	Consolidated in the financial statements
None	N/A	N/A	N/A	N/A	No	No

**Status of Project completion**

During the year, the Board initiated the construction of the National Dairy Laboratory Complex. This project is funded by Government Grants.

Project	Total Project Cost Ksh	Total Expended to Date Ksh	Completion % to date	Budget Kshs	Actual Ksh	Sources of funds
Proposed erection and completion of Boundary Wall, Gate House, Electric Fence and proposed erection and completion of National Dairy Laboratory Complex at Upper Kabete, Nairobi.	856,121,359	25,480,291	3%*	25,000,000	25,480,291	GoK

\* The ongoing project had received a total funding of Kshs. 220m as at the 30 June 2018. However the completion rate as at the close of the year was 3% with total payments of Ksh. 25.5m. This was as a result of the delays in the design and approval by the relevant Government Agencies. The Boundary wall, Gate House and Electric fence are expected to be completed by end of September 2018, while the National Dairy Laboratory is expected to be completed by March 2019.

**APPENDIX III: INTER ENTITY TRANSFERS**

ENTITY NAME: KENYA DAIRY BOARD

**Breakdown of Transfers from the State Department of Livestock**

(a) Recurrent Grants	Bank statement date	Amount (Kshs)	Financial year to which the amount relate
	5-Sep-17	9,725,000	2017/2018
	27-Dec-17	9,725,000	2017/2018
	12-Feb-18	9,725,000	2017/2018
	15-Mei-18	9,725,000	2017/2018
	<b>Total</b>	<b>38,900,000</b>	

(b) Development Grants	Bank statement date	Amount (Kshs)	Financial year to which the amount relate
	7-Sep-17	22,000,000	2017/2018
	<b>Total</b>	<b>22,000,000</b>	

The above amounts have been communicated to and reconciled with the Ministry of Agriculture, Livestock, Fisheries & Irrigation (State Department of Livestock)



**Finance Manager**  
**Kenya Dairy Board**

**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of MDA/ Donor Transferring the funds	Date Received as per Bank Statements	Nature: Recurrent or Development	Total Amount (Kshs)	Where recognised		Total Transfer during the year (Kshs)
				Statement of Financial performance (Kshs)	Deferred income (Kshs)	
State Department of Livestock	5-Sep-17	Recurrent	9,725,000	9,725,000	-	9,725,000
State Department of Livestock	7-Sep-17	Development	22,000,000	-	22,000,000	22,000,000
State Department of Livestock	27-Dec-17	Recurrent	9,725,000	9,725,000	-	9,725,000
State Department of Livestock	12-Feb-18	Recurrent	9,725,000	9,725,000	-	9,725,000
State Department of Livestock	15-May-18	Recurrent	9,725,000	9,725,000	-	9,725,000
SDCP**	27-Dec-17	Donor fund**	1,192,180	1,192,180	-	1,192,180
Majid Al Futtaim Carrefour	2-Oct-17	Donor fund*	300,000	300,000	-	300,000
Meru Dairy Co-op Union Ltd	12-Mac-18	Donor fund*	200,000	200,000	-	200,000
			<b>62,592,180</b>	<b>40,592,180</b>	<b>22,000,000</b>	<b>62,592,180</b>

Donor fund\* - Sponsorship for the Third National School Milk Conference

Donor fund\*\* - Funding for development of Milk and Dairy Products Quality Assurance System

\*\* Smallholder Dairy Commercialization Programme