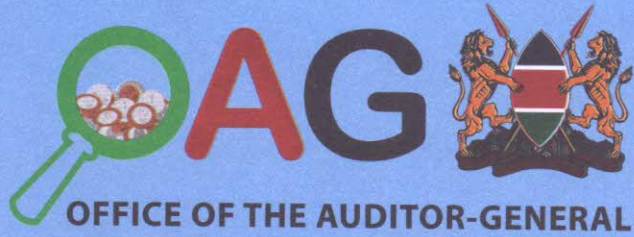


REPUBLIC OF KENYA



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REPORT

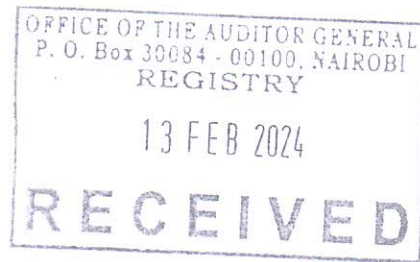
OF

THE AUDITOR-GENERAL

ON

KENYA DAIRY BOARD

**FOR THE YEAR ENDED
30 JUNE, 2023**



KENYA DAIRY BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Table of Contents	Page
ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS	ii
KEY ENTITY INFORMATION AND MANAGEMENT	iii - iv
THE BOARD OF DIRECTORS	v - viii
MANAGEMENT TEAM	ix
CHAIRMAN'S STATEMENT	x - xi
REPORT OF THE MANAGING DIRECTOR	xii - xiii
PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FINANCIAL YEAR 2022 - 2023	xiv - xvii
CORPORATE GOVERNANCE STATEMENT	xviii - xxii
MANAGEMENT DISCUSSIONS AND ANALYSIS	xxiii - xxviii
ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xxix - xxxi
REPORT OF THE DIRECTORS	xxxii
STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxxiii
REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS OF KENYA DAIRY BOARD	xxxiv
<u>FINANCIAL STATEMENTS</u>	
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023	1
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023	2
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023	3
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023	5
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023	6 - 23
<u>APPENDICES</u>	
APPENDIX I: PROJECTS IMPLEMENTED BY THE BOARD	24
APPENDIX II: INTER ENTITY TRANSFERS	25
APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES	26
APPENDIX IV: CLIMATE RELEVANT EXPENDITURES	27
APPENDIX V: DISASTER EXPENDITURE REPORTING	28

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

A. Acronyms, Abbreviations and Glossary of Terms

A. Acronyms and Abbreviations

ADA	Alcohol and Drug Abuse
AIE	Authority to Incur Expenditure
AU-IBAR	African Union – Interafrican Bureau for Animal Resources
BETA	Bottom-up Transformative Agenda
CBK	Central Bank of Kenya
CDF	Constituency Development Fund
CEO	Chief Executive Officer
CIF	Cost, Insurance and Freight
COMESA	Common Market for Eastern and Southern Africa
CPA	Certified Public Accountant
CSR	Corporate Social Responsibility
DDA	Dairy Development Authority, Uganda
DG	Director General
EAC	East African Community
EBS	Elder of the Order of the Burning Spear
ERP	Enterprise Resource Planning
FAO	Food and Agriculture Organisation
FY	Financial Year
GHC	Green House Gas
ICPAK	Institute of Certified Public Accountants of Kenya
IDF	International Dairy Federation
IFAC	International Federation of Accountants
IPSAS	International Public Sector Accounting Standards
KAM	Kenya Association of Manufacturers
KCB	Kenya Commercial Bank
KDB	Kenya Dairy Board
KENAS	Kenya Accreditation Service
KEPSA	Kenya Private Sector Alliance
KMR	Kenya Milk Records
KNAC	Kenya National Assurance Company
KRA	Key Result Area
KSHS	Kenya Shillings
KUSCO	Kenya Union of Savings and Credit Co-operatives
MBA	Master of Business Administration
MD	Managing Director
MSMEs	Micro, Small and Medium Sized Enterprises
NDDB	National Dairy Development Board, India
NSSF	National Social Security Fund
NT	National Treasury
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
OGW	Order of the Grand Warrior
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
PWDs	Persons with Disabilities
SAGAs	Semi-Autonomous Government Agencies
SCAC	State Corporation Advisory Committee
UHT	Ultra Heat Treated
USAID	United States Agency for International Development

B: Glossary of Terms

Fiduciary Management - Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year - Means the prior period.

DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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 Board of Directors, Managing Director, Director - Regulatory Services, Director - Corporate Services, Finance Manager, Manager - Internal Audit and the Principal Supply Chain Management Officer.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2023 and who had direct fiduciary responsibility were;

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

(e) Fiduciary Oversight Arrangement

Audit Committee of the Board

Philip Kipkoech Kibusie *
Monica W. Kariithi *
Kenneth Pkemoi Lomaibong
Dr. Joshua Chepchieng
Mike Kipkirui Koros **
Gabriel Lerionka Pulei **
Beth Wangare Mbuthia **

* Retired 10 February 2023

** Appointed 10 February 2023

Finance and Planning Committee of the Board

Roy Mugo Kaugi *
Dishon Mwanzighe Mngoda *
Dr. Joshua Chepchieng
CPA. Jonah Wala
Brig. (Rtd) Joseph Kamau Mburu **
Josephine Moraa Omanwa **
Fatuma Abdi Haji **

* Retired 10 February 2023

** Appointed 10 February 2023

Technical, Licensing and Marketing Committee of the Board

Kenneth Maitamei Thimba *
CPA. Kennedy Gatheru *
Monica W. Kariithi *
Mukina Kivuvani *
Mercy Karimi Mbogo **
Abraham Kiplel Rugut **
Beth Wangare Mbuthia **
Josephine Moraa Omanwa **
Brig. (Rtd) Joseph Kamau Mburu **

* Retired 10 February 2023

** Appointed 10 February 2023

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

KEY BOARD'S INFORMATION AND MANAGEMENT (Continued)

Human Resource and Administration Committee of the Board

Mukina Kivuvani *
Kenneth Maitamei Thimba *
Dishon Mwanzighe Mngoda *
Kenneth Pkemoi Lomaibong
Fatuma Abdi Haji **
Gabriel Lerionka Pulei **
Abraham Kiplel Rugut **
Mercy Karimi Mbogo **

* Retired 10 February 2023

** Appointed 10 February 2023

(f) Kenya Dairy Board Headquarters

New Loresho Estate, Off Waiyaki Way - Upper Kabete
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

KCB Bank Kenya 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

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

(i) Independent Auditor

Auditor - General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

THE BOARD OF DIRECTORS



Genesio Njagi Mugo
Chairman

Genesio Njagi Mugo was born in 1970 and joined the Board as an independent Director and Chairman to the Board on 10 February 2023. He brings on board over 26 years' experience in business and trading part which he worked with petroleum multinationals namely; Caltex Kenya Limited and Kenya Shell Limited, where he managed various portfolios including lead international petroleum trading and exports, stakeholders and government relations management as well as managing supply operations. He is a member of KEPSA Governing Board, KEPSA Vice Chair Energy, Extractives and Petroleum sector Board and KAM Chair of Energy and Petroleum Sector Board, Chairman emeritus of Shippers Council of East Africa as well as former Board member and Chair of Finance and Strategy Committee, Kenya Ferry Services. He is a holder of Bachelor of Science in Tourism, Moi University and currently pursuing Masters in Business Administration (MBA) at Kenyatta University.



Margaret Rugut Kibogy, OGW
CEO/Secretary to the Board

Margaret Rugut Kibogy was born in 1971 and 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 is highly skilled in Negotiation, Business Planning, Analytical Skills, Risk Management, and Customer Service. She holds Master of Business Administration (MBA), Marketing from University of Nairobi.



Brig. (Rtd.) Joseph K. Mburu, EBS

Brig. (Rtd.) Joseph Kamau Mburu was born in 1964 and joined the Board as an independent Director on 10 February 2023. He is a retired Senior Military Officer with vast experience in personnel matters, public finance management and public procurement as evidenced by various appointments in the Kenya Defence Forces and Ministry of Defence. He is the current chairman of Kenya Defence Forces Pay and Allowances Review Board as has previously served as the Managing Director, the Defence Forces Medical Insurance Scheme, Chief of Personnel, Kenya Airforce and Base Finance Officer, Laikipia Air Base. He has undergone extensive training both locally and internationally and he is a holder of Bachelor Degree in Business Management of East African University as well as Bachelor and Masters of Arts Degrees in International Studies and Diplomacy both from Washington International University.



Mercy Karimi Mbogo

Mercy Karimi Mbogo was born in 1989 and joined the Board as an independent Director on 10 February 2023. She brings over thirteen years of experience in animal husbandry, production, management, sales and marketing. She has previously worked with Farmers Choice Company Limited as a Pig Unit Manager, Kenbrid Farms Limited as Sales Representative and Field Officer and currently working with Bidco Africa Limited as a Sales and Technical Lead in Nairobi Region. She holds Diploma in Animal Production from Bukura Agricultural College.



Fatuma Abdi Sanweine

Fatuma Abdi Sanweine was born in 1976 and joined the Board as an independent Director on 10 February 2023. She brings in wealth of experience in business development, management, trade development, project management as well as human resource management. She is a holder of Bachelor's Degree in Business Administration (Human Resource Management option of East African University). She has previously served as a Loans Officer, Woman Concern - Garissa, Garissa Township constituency Roads Committee member, Committee member - Garissa Township CDF and a Nominated Member, County Assembly of Garissa.



Mike Kipkirui Koros

Mike Kipkirui Koros was born in 1978 and joined the Board as an independent Director on 10 February 2023. He is a holder of Bachelor of Education (Arts) from Maseno University and currently pursuing a Master's Degree Course at Kabianga University. He is currently a Senior Administrative Officer at the University of Kabianga in charge of Senate Secretariat and a community leader who spearheaded the revival of Kabianga Co-operative Society leading to the revolution of Dairy farming in Kericho County. He is also serving as the Chairman, Kabianga Farmers Co-operative Society Limited, a Member of the Board of Management, Cheptuiyet Girls Secondary School and Chairman Kapsiya Catholic Church.

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

THE BOARD OF DIRECTORS



CPA. Jonah Wala

CPA Jonah Wala was born in 1969 and joined the Board as alternate Director to the Principal Secretary, the National Treasury and Economic Planning on 10th May 2017. He 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 IFAC. 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.



Dr. Joshua Chepchieng, HSC

Dr. Joshau Chepchieng was born in 1964 and joined the Board as alternate Director to the Principal Secretary, State Department for Livestock Development - Ministry of Agriculture and Livestock Development in August 2021. He is an Administrator and a Leader with over 25 years of experience in public administration, where he has served as District Commissioner in numerous stations and served in various administration roles in a number of Ministries. Dr. Joshua is currently the Director in charge of Administration, State Department for Livestock under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives. He is a holder of a Doctorate Degree in Project Planning and Management, Master of Arts in Project Planning and Management (MAPPM) and Bachelor of Arts (B.A. Hons) all from the University of Nairobi. He is a member of Kenya Association of Public Administration and Management (KAPAM).



Kenneth P. Lomaibong

Mr. Kenneth P. Lomaibong was born in 1961 and joined the Board as an independent Director on 13 July 2022. 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.



Gabriel Lerionka Pulei

Gabriel Lerionka Pulei was born in 1977 and joined the Board as an independent Director on 10 February 2023. He is an expert in spiritual counselling, education, mentorship and is committed to shepherding individuals to Christ, engaging the community in missionary work and community outreach as well as formulating strategies for long-term operational goals. He has previously served as Chairman of the Board of Management, Olkejuado High School and member of the Committee, National Government Constituency Development Fund - Kajiado Central. He is a holder a Diploma in Christian Ministry from Thaapnet International School of Ministry and Bachelor of Arts in Bible and Theology of Pan African Christian University.



Beth Wangare Mbuthia

Beth Wangare Mbuthia was born in 1990 and joined the Board as an independent Director on 10 February 2023. She is a professional with over 10 years of progressive experience in dairy farming, community development, project management and conflict resolution. She has held various positions in the Church and community where she is currently serving as a Board member, Mianzini Primary School and Secretary to Presbyterian Church of East Africa (PCEA), Rafiki Church in Turi Pariah, Elburgon Presbytery.



Dr. Abraham Kiplé Rugut

Dr. Abraham Kiplé Rugut was born in 1952 and joined the Board as an independent Director on 10 February 2023. He is a trained teacher by profession and a holder of an Honorary Doctorate Degree in Leadership (Honoris Causa) from University of America. He has served in various capacities in the education sector including Head Teacher to Kimogoch Primary School and Head Teacher Kamoiywo Preparatory and Boarding School. He is the founder and current Chairman to Nandi Dairy Co-operative Union and Kabiye Dairies Cooperative Society Limited.



Josephine Moraa Omanwa, HSC

Josephine Moraa Omanwa was born in 1972 joined the Board as an independent Director on 10 February 2023. She is an accomplished professional with over 15 years of experience in administration and operations management. She is highly skilled in directing teams in delivering exceptional service and advancement of top-level objectives. She is the current National Chair, Kenya Booksellers and Stationers Association and an astute entrepreneur currently operating Jonzavike Printers Stationers and Bookshop. She is the founder Nyamira County Widows Association and also served in the Board of Management for Gesiaga Secondary School and Nyachururu Secondary School.

DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

THE BOARD OF DIRECTORS



Dr. Ignatius Kahi
Chairman

Dr. Ignatius Kahi was born in 1956 and joined the Board as an independent Director and Chairman to the Board on 13 July 2022 till his retirement on 10 February 2023. He is a Senior Leader who has been working to improve inclusive and sustainable growth in Kenya and East Africa for more than three decades. Dr. Kahi is a Veterinarian by training and a holder of an MSc. in Organizational Development. He is an active member of a number of veterinary professional associations and has had the privilege to represent Africa as a Vice President in the World Veterinary Association and has been active in a knowledge management and research think tank within the IGAD (Intergovernmental Authority for Development) regional framework to end drought emergencies in the Horn of Africa. Dr. Kahi is also member of the Board of Directors of ASNET (Agricultural Sector Network) and chair of its Implementation, Monitoring and Learning Committee and has also served as the Board Member and later the Chairman for the New Kenya Cooperative Creameries (NKCC) since September 2018.



CPA. Kennedy Gatheru

CPA. Kennedy Gatheru was born in 1978 and joined the Board as an independent Director on 13 July 2022 till his retirement on 10 February 2023. He has over 20 years' experience in management, finance and accounting fields. He has rendered assurance and advisory services to several companies across different industries in the region and in United Kingdom. He has worked for PricewaterhouseCoopers in Kenya and in the UK. He is currently serving in a senior management position in a leading Fast Moving Consumer Goods company in the region. He holds a Bachelor of Commerce degree from the University of Nairobi and is a member of the Institute of Certified Public Accountants of Kenya.



Late Monicah Kariithi

Mrs. Monicah Kariithi was born in 1947 and joined the Board as an independent Director on 13 July 2022 till her retirement on 10 February 2023. 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 - Anglican Church of Kenya, Kithiru Parish. She has a lot of experience in business particularly in dairy farming among others.



Philip Kipkoech Kibusie

Mr. Philip Kibusie was born in 1956 and joined the Board as an independent Director on 13 July 2022 till his retirement on 10 February 2023. 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.



Dishon Mwanzighe Mngoda

Mr. Dishon M. Mngoda was born in 1959 and joined the Board as an independent Director on 13 July 2022 till his retirement on 10 February 2023. He holds Masters Degree in Education from Egerton University, a Bachelor of Education from the University of Nairobi and is currently a candidate for the Doctors of Philosophy in Education Psychology, Moi University. He brings on board wide knowledge and experience in resource management, administration and research. He has previously served as the Dean of Students in Kabarak University (Nakuru Town Campus), Dean of Students at Taita Taveta University, Student Counsellor and Assistant Lecturer at Narok University College and part time Lecturer in a number of Public and Private Universities.



Roy Mugo Kaugi

Mr. Roy M. Kaugi was born in 1965 and joined the Board as an independent Director on 13 July 2022 till his retirement on 10 February 2023. He is a trained Accountant and brings on board wide experience in Accountancy and Management. He has previously served as a Supervisor in Finance & Accounting Department, Co-operative Bank of Kenya Limited, Chief Executive Officer, Murata Savings & Credit Co-operative Society Limited, Managing Director - Fosa Management Consultants Limited and an Auditor with Kimani Onyancha & Company, Certified Public Accountants of Kenya, among other consultancies in management and training.

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

THE BOARD OF DIRECTORS



Mukina Kivuvani

Ms. Mukina Kivuvani was born in 1964 and joined the Board as an independent Director on 13 July 2022 till her retirement on 10 February 2023. She is a trained Business Coach and a Consultant and brings on board over 39 years of experience in helping business owners develop, maintain and achieve their goals. She has successfully coached and trained in various countries including the United Arabs Emirates, Tanzania and Kenya and this has over the years helped various players in Beauty Industry in concept creation, operational support, market research as well as performance measurement. She has previously served as a Board member of Tanathi Water Works Development Agency. She is currently serving as Consultant with Fairmount Mt. Kenya Safari Club and Managing Director, International Institute of Cosmetology.



Kenneth Maitamei Thimba

Mr. Kenneth Thimba was born in 1970 and joined the Board as an independent Director on 13 July 2022 till his retirement on 10 February 2023. He holds a Master of Business Administration in Marketing from the Catholic University of Murcia, Spain, a Postgraduate Diploma in Business Administration of Westford Education Group as well as a Postgraduate Diploma in Organisational Leadership from Chartered Management Institute (UK). He is an expert in the development and execution of strategic business plans with proven success in sales team leadership. He is a retired Board member of Anti-Doping Association of Kenya, Head of Marketing and Business Development at APA Insurance Limited, Vice President Sales at Aquavita LLC, Nairobi and currently Chief Executive Officer and Lead Consultant at Sales Resource Africa, Kenya.

DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

MANAGEMENT TEAM



Margaret Rugut Kibogy, OGW
CEO/Managing Director

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 is highly skilled in Negotiation, Business Planning, Analytical Skills, Risk Management, and Customer Service. She holds Master of Business Administration (MBA), Marketing from University of Nairobi. She has also attended the Strategic Leadership Development Programme at Kenya School of Government.



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 also attended Senior Management Course and Strategic Leadership Development Programme from Kenya School of Government. He has over 20 years' experience in the area of human resources and administration gained both in the public and private sectors.



Dr. William K. Maritim
Director, Regulatory Services

Dr. Kimutai holds a Bachelor of Veterinary Medicine degree and Masters of Science in Veterinary-Epidemiology degree both from University of Nairobi. Has attended Senior Management Course and Strategic Leadership Development Programme from Kenya School of Government. He is a member of Kenya Veterinary Association and registered with Kenya Veterinary Board. He has over 24 years' work experience in public service as Veterinary and food safety officer. Former Chairperson, Codex Committee for Africa (CCAFRICA) region.



CPA. Edward Nyoike
Finance Manager

CPA. Edward Nyoike holds Bachelor of Agribusiness Management (Egerton University), Master of Business Administration (MBA) - Operations Management from University of Nairobi, Certified Public Accountant, CPA (K) and Certified Internal Auditor (CIA). Has attended Senior Management Course and Strategic Leadership Development Programme from Kenya School of Government. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of Internal Auditors, Kenya Chapter. He has over 15 years' experience in management, audit, finance, tax and accounting fields.



Erastus Mutiso
Manager - Internal Audit

Erastus Mutiso holds Bachelor of Commerce in Finance from University of South Africa (UNISA), Certified Fraud Examiner (CFE), Certified Forensic Investigation Professional (CFIP), Forensic and Investigative Auditor (F&IA) and Certified Internal Auditor (CIA). Has attended Senior Management Course (SMC) and Strategic Leadership Development Programme (SLDP) from Kenya School of Government. He is a member of the Association of Certified Fraud Examiners (ACFE), Institute of Certified Forensic Investigation Professional (IICFIP) and Institute of Internal Auditors, (IIA) Kenya Chapter.



Dorothy Owino
Principal 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 has attended Senior Management Course and Strategic Leadership Development Programme from Kenya School of Government. She is a member of Kenya Institute of Supplies Management (KISM) and The Chartered Institute Procurement and Supply (CIPS).

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

CHAIRMAN'S STATEMENT

Kenya is among the largest producers of milk in Africa, with an estimated cattle herd population of 5.02 million. The annual production of milk in 2022 was estimated at 5.2 billion litres of milk with Kiambu, Meru, Nyandarua, Nakuru, Uasin Gishu, Nandi, Transzoia, Embu, Muranga, Bomet, Turkana, Kakamega, and Kericho counties each producing more than 100 million litres of milk during the year. Cow milk was approximately 75 per cent of the production (3.983 billion litres) while that of camels, goats, and sheep was approximately 1.1 billion litres, 273 million litres and 107 million litres respectively. The industry is a source of livelihood to an estimated 1.8 million smallholder households and provides 750,000 direct jobs and 500,000 indirect jobs. During the financial year 2022-2023, the country experienced a severe drought that negatively impacted on the dairy industry including productivity and production of milk and high producer and consumer prices.

In discharging its mandate of regulating, developing, and promoting the Kenyan dairy industry, the Board implemented several activities during the financial year in line with our strategic plan, performance contract, budget and work plans. Key among this was to strengthen our regulatory framework. Under the leadership and direction of the Ministry of Agriculture and Livestock Production, the review of the Dairy Industry Act Cap 336, initiated in 2021, continued. The review seeks to align the Act with the constitutional provisions including devolution while addressing the dynamics in the industry including evolving technological advancements, globalization of trade, and emerging focus and concerns on food safety. During the financial year, the Draft Dairy industry bill resulting from a review of the Act was exposed to public participation in 22 forums held across the country with representation from all 47 counties. The feedback from the public were incorporated into the final Draft Bill which was forwarded to the Cabinet Secretary, Ministry of Agriculture and Livestock Development to initiate the legislation process.

Since the establishment of the Board, the Head office has operated from a rented space. It was therefore very exciting for the Board to complete during the financial year the construction of Phase II of the National Dairy Laboratory Complex, which will among other things host the Head Office operations. The complex will reduce our operational costs by saving on payment of rent and enhance the working environment for our staff. This is expected to improve service delivery to stakeholders. Phase I of the National Dairy Complex is already operational hosting a state-of-the-art milk testing laboratory.

To give policy direction and focus, the Board developed a Strategic Plan for the next five years, that is 2023-2027. The plan is aligned to the Government's socio-economic development policies including Vision 2030, Fourth Medium Term Plan 2023-2027 and the BETA economic model. The strategic model focuses on four Key Result Areas (KRAs), that is, Dairy industry compliance; Industry support for accelerated growth and sustainability; Research, innovation and learning; and Institutional capacity building. The Plan recognizes the underlying ambitions of the Kenyan dairy industry to enhance dairy productivity and production, value addition, market access and food safety compliance. The vision in our Plan is to transform the Kenyan dairy industry into a globally competitive enterprise.

The Board performed its role of regulating the dairy industry by among others registering and issuing regulatory permits to 2,450 dairy business operators. In line with global trends, the Board requires dairy business operators to bear the primary responsibility of ensuring the quality and safety of dairy produce. This entails implementing effective food safety measures in their operations. To support the growth and food safety compliance of the dairy industry, the Board trained 5,073 stakeholders including informal milk traders, dairy business operators, and dairy producers. These were supplemented by consumer education campaigns targeting these stakeholders and consumers of dairy produce. We believe consumers, by demanding quality and safe dairy produce, can play a key role in driving food safety in the dairy industry.

Over the financial year, the dairy business environment was constrained by several challenges. Key among them was the prolonged drought that affected most parts of the country leading to a decline in milk production. This affected the supply of milk to the formal and informal markets. The milk intake by the formal milk market dropped to 755 million litres in 2022 from 802 million litres in 2021. The drought limited the local availability of animal feeds and increased their prices affecting the operations of many farmers. The ongoing war in Ukraine affected the global supply and prices of animal feed raw materials. This limited the opportunities for Kenyan feed millers to import these raw materials on the duty-free basis as granted by the Government. Local solutions are required to manage the recurring shortage of animal feeds in the country. Some measures are already in place including the public land leasing framework which seeks to avail public land for agricultural production including production and conservation of fodder and pasture.

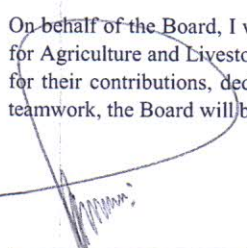
Despite the challenges in the dairy industry, the future is bright, particularly with the focus given by the Kenya Kwanza Government on the industry. The demand for milk and milk products is growing. The International Trade Centre reports that Africa imported milk and milk products valued at USD 103.1 billion in 2022. This demonstrates the sheer size of the dairy market available to our industry. The Kenya Kwanza government has identified 5 key pillars to drive the country's transformation agenda. These pillars are agriculture; MSMEs economy; housing and settlement; health care; digital super highway; and creative economy.

DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

CHAIRMAN'S STATEMENT (Continued)

In agriculture, dairy was selected as a key value chain for transformation given its massive socioeconomic impact and potential including food and nutritional security. The primary goals will be to double the annual production of milk from 5.2 billion litres to 11 billion litres in the next five years by improving dairy cattle feeding among other interventions. The additional production is projected to grow exports of dairy produce to 1 billion litres of milk equivalents and generate thousands of jobs directly and indirectly.

On behalf of the Board, I wish to express my sincere appreciation to all our valued stakeholders led by the Hon. Mithika Linturi, Cabinet Secretary for Agriculture and Livestock Development for their unwavering support. My deepest appreciation to the Board of Directors, management and staff for their contributions, dedication, loyalty, and hard work. I am confident that with their continuing commitment, perseverance, right attitude and teamwork, the Board will be able to realize its Vision, Mission, and Functions and grow the industry to greater heights.



Genesio Njagi Mugo
Chairman of the Board

Nairobi, Kenya

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

REPORT OF THE MANAGING DIRECTOR

Kenya Dairy Board is a regulatory agency established in 1958 by the Dairy Industry Act Cap 336. Apart from the core mandate of regulating the dairy industry, we undertake developmental and promotional roles. The regulatory mandate focuses on compliance of dairy business operators and dairy produce to food safety requirements. This, among others, is realized through risk-based inspections of dairy business operators and quality and safety surveillance of dairy produce. We have a modern and well-equipped national dairy laboratory that routinely samples and tests dairy produce for compliance with the relevant standards. Our network of twenty-seven branches facilitates access to our services by stakeholders.

Milk is one of the most produced and valuable agricultural commodities worldwide. Global production is projected by the Food and Agriculture Organization to grow slightly by 0.9% in 2023 to reach 944 million tonnes. Production of milk in Africa is low, less than six per cent of the global output. According to FAO (2023), an estimated 53.7 billion litres was produced by the continent in 2021. Approximately 85 million tonnes (in milk equivalents) of dairy produce are traded globally per year with whole milk powder, skim milk powder, butter and cheese being the most traded commodities.

Production of milk in Kenya is mainly undertaken by an estimated 1.8 million smallholders who keep three to five cows under zero grazing, semi-zero grazing or open grazing systems. Pastoralist farming contributes to the national milk production, especially in the wet season. A recent study reported that small-scale dairy farmers in Kenya on average have a dairy cow productivity of 6.5 litres per day and generate monthly revenue of Kshs. 20,149 from the sale of milk. With an average operating profit margin ratio of 5.81%, the venture is fairly profitable. This can be further improved by increasing productivity and managing the costs of production especially that of commercial concentrates, pasture and fodder, and labour. The producer prices of milk have increased from an average of Kshs 35.30 per litre in 2018 to Kshs 50.45 in the first half of 2023. This has been partly driven by legislation of minimum guaranteed producer prices for milk in 2021 and growing demand for milk and milk products.

With an estimated production of 5.2 billion litres of milk per year, Kenya's output is approximately 10% of that of Africa. However, with a rapidly growing population, the country requires to increase productivity and production of milk. The Government, under the Bottom-up Transformative Agenda (BETA), has prioritized the dairy value chain for transformation. One of the key goals of the transformation is to double the production of milk from 5.2 billion litres to 11 billion litres by 2027. This output will meet the increasing domestic demand for milk, generate a surplus of over 1 billion litres for export, and create thousands of jobs along the value chain and in support services.

Milk must be cooled and processed as soon as possible after milking. The country has a fairly adequate network and capacity for milk cooling and processing. With 392 milk coolers and a capacity of approximately 3.5 million litres per day, farmers particularly in high milk production areas have fairly good access to this service. However, utilization of the capacity is below 50% for several reasons including low production of milk, competition from the informal market, and disorganization of farmers in some areas. The Board has registered thirty-five milk processing companies that value-add milk into several products for the domestic and export markets. However, seasonality and low production of milk affect the full utilization of the installed capacity. The country has high demand for UHT milk and high-quality milk powders sometimes overstressing the national capacity and thereby necessitating some importation. The BETA goal of doubling the production of milk will significantly benefit the milk processing companies by increasing the milk intakes from 755 million litres in 2023 to an estimated 3.3 billion litres per year. This will create opportunities to enhance value addition and exports of milk and milk products.

The Board implemented several activities on our mandate of regulating, developing and promoting the dairy industry in the financial year 2022-2023. To strengthen our legal framework, the State Department of Livestock, with the support of the Dairy Industry Act Review Taskforce and the Board, completed the review of the Act and submitted the Draft Dairy Bill 2023 to the Ministry of Agriculture and Livestock Development. The Bill seeks to enhance regulation of the dairy industry for food safety, including camel and goat milk. Regulation of dairy equipment and processing aids are proposed in the Bill as they play a significant role in the quality and safety of dairy produce. The roles of Counties in dairy regulation and development are provided in the Bill to complement the roles of the two levels of Government. Implementation of the Dairy Industry Regulations, gazetted in 2021, continued. The areas of implementation included registration and issuance of regulatory permits to 2,450 dairy business operators; 6,130 inspections of dairy business operators for compliance with food safety requirements; 68,570 tests on the quality and safety of dairy produce; and implementation of the minimum guaranteed producer prices for raw. In line with the BETA economic model, the implementation of minimum producer prices has benefited the dairy farming community with favourable prices prevailing since 2021. This price will be reviewed regularly by the Cabinet Secretary, Ministry of Agriculture and Livestock Development. In this regard, the Board conducted two bi-annuals on the cost and profitability of milk production in Kenya across production systems, scales and counties to inform on recommended producer prices.

The sustainability of the dairy industry is an important global agenda given the relatively high level of contribution by the industry to Green House Gas Emissions. The livestock sector in Kenya is estimated to be responsible for 90% of Kenya's agricultural Green House Gas (GHC) emissions of which 15% are from the dairy industry. In the year 2022/2023, the dairy industry was supported by USAID through the Kenya Investment Mechanism to develop a Dairy Sustainability Framework (2023 – 2032). In this regard, the Board conducted two bi-annuals on the cost and profitability of milk production in Kenya across production systems, scales and counties to inform on recommended producer prices.

DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

REPORT OF THE MANAGING DIRECTOR (Continued)

The goals are to competitively produce sufficient milk to meet domestic demand and exports; supply quality, safe and affordable milk while providing decent livelihoods for dairy actors; lower the environmental footprint of the dairy industry to support the country in meeting its Nationally Determined Contributions (NDC) targets; and establish a properly governed and highly inclusive dairy industry.

During the year, the Board generated a total revenue of Kshs. 589.93 million with Kshs. 2.76 million being a Recurrent Grant from the Government of Kenya and Kshs. 587.36 million being internally generated revenue. This resulted in a surplus of Kshs. 11.69 million and a provision for remission to the National Treasury and Planning of Kshs. 10.52 million. The good performance is attributable to the growth in the dairy industry and the Board's investment in information technology to improve service delivery to the stakeholders which further boosted efficiency in revenue collection.

The financial year 2022-2023, despite various challenges to the industry and the Board, was a success on many fronts. The completion of Phase II of the National Dairy Laboratory Complex will provide us with better amenities and opportunities to become better as an organization and therefore improve service delivery to our stakeholders. We sincerely thank the Government, primary producers, dairy business operators and development partners for their continued support and goodwill. We look forward to enhanced collaborations and partnerships with stakeholders for accelerated growth and sustainability of the Kenyan dairy industry.



Margaret Rugut Kibogy, OGW
Managing Director.

Nairobi, Kenya

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FINANCIAL YEAR 2022 - 2023

The Board's Strategic Plan of 2023 to 2028 has four strategic key result areas (KRAs). These are;

- a) KRA 1: Dairy industry compliance
- b) KRA 2: Industry support for accelerated growth and sustainability
- c) KRA 3: Research, Innovation and Learning
- d) KRA 4: Institutional Capacity

The KRAs are used to formulate the Board's Performance Contracts and Work Plans, which are monitored and reviewed quarterly. Implementation of the above KRAs in financial year 2022-2023 is summarized below;

Strategic Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
KRA 1: Dairy Industry Compliance.	To strengthen dairy policy and regulatory framework, compliance and enforcement	Reviewed Draft Dairy Industry Bill	Facilitate legal drafting of the Dairy Industry Bill	Legal drafting of the Draft Dairy Industry Bill undertaken
		Public Participation reports	Conduct public participation on the Dairy Industry Bill by involving stakeholders from all counties	Public participation conducted in 22 forums with representation of stakeholders from all counties.
		Draft Bill and forwarding letter	Incorporate feedback and submit final draft Bill to the Cabinet Secretary	Draft Bill forwarded to the Principal Secretary State Department for Livestock Development.
	Implementation of the Dairy Industry Regulations 2021	Stakeholder sensitization reports	Undertake sensitizations of stakeholders on the Regulations in 20 counties.	Stakeholder sensitizations conducted in 22 counties
		Inspection reports	Conduct 5,500 inspections on registered dairy business operators.	6,130 inspections conducted on dairy business operators.
		Joint Enforcement reports.	Undertake 32 joint enforcement programs in the year	37 Joint enforcement programs conducted.
		Dairy produce quality surveillance reports.	Enhance quality surveillance by conducting 50,000 tests on marketed dairy produce.	68,570 quality surveillance tests were conducted.
		Bi-annual validation reports.	Conduct bi-annual validation of milk intakes and quality data for processors and mini dairies and implement corrective actions.	Validation of milk intakes and quality data for processors and mini dairies was conducted and corrective actions taken.
	Accreditation of the National Dairy Regulatory Laboratory	Gap audit report	Undertake a gap audit for ISO 17025:2017 certification	A gap audit for ISO 17025:2017 certification

DAIRY BOARD
 ANNUAL REPORT AND FINANCIAL STATEMENTS
 THE YEAR ENDED 30 JUNE 2023

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FINANCIAL YEAR 2022 - 2023

Strategic Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
KRA 1: Dairy Industry Compliance.	Accreditation of the National Dairy Regulatory Laboratory	ISO 10025: 2017 Standard implementation reports	Implement requirements for ISO 17025:2017 standard and apply for accreditation by Kenya National Accreditation Services	Laboratory staff trained on Method Validation, Risk Assessment and Internal Audit.
		Application for accreditation	Implement requirements for ISO 17025:2017 standard and apply for accreditation by Kenya National Accreditation Services	Application made to KENAS for accreditation
		Proficiency testing reports.	Participate in two proficiency testing schemes and one interlaboratory comparison	Participated in two proficiency testing schemes and one interlaboratory comparison
KRA 2: Industry support for accelerated growth and sustainability	Strengthen sustainability and competitiveness of dairy businesses enterprises	Quantity of formally marketed milk	To achieve 5% growth of the dairy industry by increasing the formally marketed milk from 875 million litres to 900 million litres within the year.	897.1 million litres formally marketed
		No. trained	Train 2,100 informal traders, dairy business operators and primary producers on safe milk handling and compliance.	Trained 5,073 informal traders, dairy business operators and primary producers
		No. of field days	Organize or participate in four field days to disseminate dairy insights and relevant technologies	Participated in 20 field days across the country
		No. of forums	Promote market access of Kenyan dairy produce in export markets by participating in six promotional and trade facilitation forums.	Participated in 6 forums to promote and facilitate exports of Kenyan dairy produce
		No. of standards	Develop and review four dairy and related standards	Participated in development and review of 16 dairy standards
		Consumers sensitization strategy and implementation reports	Develop and implement consumer sensitization and education program	Consumer education and sensitization strategy developed and implemented
		No. of counties sensitized	Upscale uptake of School Milk Programme by sensitizing 5 counties	Sensitizations done in seven counties (Trans Nzoia, Kericho, Muranga, Kirinyaga, Kajiado, Kiambu and Narok)
		Approved SOPs and no. of border control officers sensitized	Develop standards operating procedures (SOPs) for dairy import and export and sensitize 30 border control Officers	SOPs developed and 30 Compliance Officers sensitized

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FINANCIAL YEAR 2022 - 2023

Strategic Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
KRA 2: Industry support for accelerated growth and sustainability	To promote climate-smart agriculture in the dairy industry to realize net zero emissions	Finalized Dairy Industry Sustainability Framework	Develop Dairy Industry Sustainability Framework to mitigate Green House Gas emissions.	A Dairy Industry Sustainability Roadmap (2023 – 2032) developed in partnership with USAID and other stakeholders.
KRA 3: Research, Innovation and Learning	To enhance research and innovation in the dairy sector	Final study report	Conduct and disseminate study to determine the size and drivers of the informal milk market in Kenya	Study completed and disseminated
		Bi-annual study reports	Conduct bi-annual studies on the cost and profitability of milk production	Bi-annual studies conducted and reported
		Validation report	Validate milk production and marketing data in 20 counties	Data on milk production and marketing was collected from 20 counties. Farms producing 50 or more litres per day in 30 counties documented.
KRA 4: Institutional Capacity	To enhance institutional capacity and efficient services to the dairy industry.	Completion of Phase II of the National Dairy Laboratory Complex	Construction of phase II of the National Dairy Laboratory Complex	126 staff trained
		No. of staff trained	Carry out staff training and development programmes	Policy reviewed
		Reviewed policy	Review disability policy	Website revised to conform with accessibility guidelines for PWDs. Audio-visual of the Dairy Industry regulations done and uploaded on social media.
			Review website to conform with accessibility guidelines for PWDs	
		No. of disability mainstreaming programs implemented	Produce audio visual of the Dairy Industry Regulations 2021	
Approved policy	Review and implement work place gender policy	Policy drafted		

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FINANCIAL YEAR 2022 - 2023

Strategic Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
KRA 4: Institutional Capacity	To enhance institutional capacity and efficient services to the dairy industry.	Baseline survey report	Undertake a baseline survey on ADA in the workplace	Baseline survey done and staff sensitized; policy drafted; treatment mechanisms for substance use disorders
		Reviewed ADA policy	Review and implement workplace ADA prevention policy	incorporated in the Staff medical scheme
		No. of staff support mechanisms	Establish and operationalize support mechanisms for staff with substance use disorders	
		No of staff and stakeholders sensitized	Sensitize staff on HIV prevention and management	101 staff sensitized; 742 stakeholders sensitized
	To enhance institutional capacity and efficient services to the dairy industry.	Implementation of ERP	Leverage on ICT and other innovations to enhance service delivery	ERP implemented
		No. of interventions implemented	Improve welfare, health and occupational safety of staff in the workplace	Safety crash kits fitted in all vehicles; 10 drivers trained on defensive driving; staff sensitized on road safety; vehicles promptly serviced and inspected; 2 inspectorate vehicles and 1 staff bus purchased; repairs and maintenance furniture of various offices.

Table 1: Performance of the Board against set targets in 2022-2023

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS

The Board of Directors is the body of appointed by the Government to 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. Members act independently and each Board member understands the broad outline of the organization's policies. Each of the Board members 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 and succession planning

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 ensures staggering of Board appointments so that the respective expiry dates of the members terms fall at different time to ensure proper succession planning and continuity of the Board affairs. The Board of Directors undergo an induction and training upon gazettelement as organised by State Corporations Advisory Committee.

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 are kept. The Chairperson also acts 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 plays 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 executes their mandate in an environment of mutual trust and respect having regard to the principles of good governance. In this regard, the Board provides 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.

KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

CORPORATE GOVERNANCE STATEMENT (Continued)

ETHICS AND CONDUCT

Kenya Dairy Board has adopted high standards and applies strict rules of conduct, based on the best corporate practices. The Board of Directors have signed the Board's Code of Conduct and Ethics in line with Public Officers' Code of Conduct and Ethics, which embrace 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.

BOARD PERFORMANCE AND REMUNERATION

Board members undertake an annual evaluation of performance which is conducted by the State Corporation Advisory Committee (SCAC). The Board of Directors are paid sitting allowances, travelling and or mileage allowances as well as subsistence and accommodation after the attendance of the Board meetings. In addition, the Chairperson to the Board receives a monthly honoraria. The payment of the Board allowances, honoraria to the chairperson and other expenses are in line with the established Government of Kenya guidelines. The total expenditure in Board allowances and related expenses for the last two financial years are as summarised below;

Board members expenses	2022-2023	2021-2022
	Kshs	Kshs
Mileage, accommodation, lunch and sitting allowances	24,396,585	13,310,707
Chairperson's monthly allowance	1,035,480	957,000
Directors' Medical insurance	1,290,738	555,504
	<u>26,722,803</u>	<u>14,823,211</u>

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.

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

CORPORATE GOVERNANCE STATEMENT (Continued)

BOARD RESPONSIBILITIES

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.

BOARD AND COMMITTEES MEETINGS

Full Board 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 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. The Board held four full board meetings in the financial year 2022/2023 and two inauguration meetings (26 July 2022 and 22 February 2023) since the first set of the Board members were gazetted in July 2022 and retired in February 2023 with the appointment of a new team. The attendance of the Board members during the four full Board meetings held in the year was as follows;

Board Member	Designation	29-Sep-22	16-Dec-22	24-Jan-23	18-May-23
Ignatius Kahiu	Chairman	√	√	√	
Mukina Kivuvani	Director	√	√	√	
Philip Kibusie	Director	√	√	√	
Monica W. Kariithi	Director	√	√	√	Retired 10 February 2023
CPA. Kennedy Gatheru	Director	√	√	√	
Kenneth Thimba	Director	√	√	√	
Roy Mugo Kaugi	Director	√	√	√	
Dishon M. Mngoda	Director	√	√	x	
Dr. Joshua Chepchieng	Director	√	x	√	√
CPA. Jonah Wala	Director	x	√	x	√
Margaret R. Kibogy	Managing Director	√	√	√	√
Kenneth Lomaibong	Director	√	√	x	√
Genesio N. Mugo	Chairman	Appointed 10 February 2023			√
Mike K. Koros	Director				√
Brig.(Rtd.) Joseph K. Mburu	Director				√
Abraham K. Rugut	Director				√
Mercy K. Mbogo	Director				√
Fatuma A. Haji	Director				√
Bishop. Gabriel Pulei	Director				√
Josephine M. Omanwa	Director				√
Beth W. Mbuthia	Director				√

x - Absent with apologies

√ - Present during the meeting

DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

CORPORATE GOVERNANCE STATEMENT (Continued)

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. The Audit Committee held four meetings during the year and the attendance for the meetings was as follows;

Board Committee Member	Position	23-Sep-22	15-Dec-22	17-Jan-23	4-May-23
Philip Kipkoech Kibusie	Chairman	√	√	√	Retired 10 February 2023
Roy Mugo Kaugi	Member	√	√	√	
Monicah W. Kariithi	Member	√	√	√	
Kenneth Lomaibong	Member	√	√	x	√
Dr. Joshua Chepchieng	Member	√	√	√	√
Erastus Mutiso - Secretary	Manager, Internal Audit	√	√	√	√
Mike K. Koros	Chairman	Appointed 10 February 2023			√
Beth W. Mbuthia	Member				√
Bishop. Gabriel Pulei	Member				√

x - Absent with apologies

√ - Present during the meeting

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, Administration, 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.

The Human Resources and Administration Committee held four meetings during the year. The attendance during the Committee meetings was as follows;

Board Committee Member	Position	27-Sep-22	14-Oct-22	13-Jan-23	13-Apr-23
Mukina Kivuvani	Chair Person	√	√	√	Retired 10 February 2023
Kenneth Thimba	Member	√	√	√	
Dishon M. Mngoda	Member	√	√	√	
Kenneth Lomaibong	Member	√	√	x	√
Margaret R. Kibogy	Managing Director	√	√	√	√
Fatuma A. Haji	Chair Person	Appointed 10 February 2023			√
Bishop. Gabriel Pulei	Member				√
Abraham K. Rugut	Member				√
Mercy K. Mbogo	Member				√

x - Absent with apologies

√ - Present during the meeting

Finance & Planning Committee

This Committee reviews Board papers touching on budgets and financial resource allocations and capital investments as well as financial reporting and makes recommendations to the full Board for adoption or approval. The Committee held five meetings during the year. The attendance during the meetings was as follows;

Board Committee Member	Position	26-Sep-22	14-Oct-22	13-Jan-23	20-Jan-23	14-Apr-23
Roy M. Kaugi	Chairman	√	√	√	√	Retired 10 Feb 2023
Dishon M. Mngoda	Member	√	√	√	√	
Dr. Joshua Chepchieng	Member	√	√	√	√	√
CPA. Jonah Wala	Member	√	√	x	x	√
Margaret R. Kibogy	Managing Director	√	√	√	√	√
Brig. (Rtd) Joseph Mburu	Chairman	Appointed 10 February 2023			√	
Josephine M. Omanwa	Member				√	
Fatuma A. Haji	Member				√	

x - Absent with apologies

√ - Present during the meeting

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

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 a recommendation to the Full Board for adoption. The Committee held four meetings during the year and the attendance was as follows;

Board Committee Member	Position	13-Jul-22	28-Sep-22	16-Jan-23	5-May-23
Kenneth Thimba	Chairman	*	√	√	
Dishon M. Mngoda	Member	√	√	√	
CPA. Kennedy Gatheru	Member	√	√	√	Retired 10 Feb 2023
Monica Kariithi	Member	√	x	x	
Mukina Kivuvani	Member	√	√	√	
Margaret R. Kibogy	Managing Director	√	√	√	√
Mercy K. Mbogo	Chairman	Appointed 10 February 2023			√
Beth W. Mbuthia	Member				√
Abraham K. Rugut	Member				√
Brig. (Rtd) Joseph K. Mburu	Member				√
Josephine M. Omanwa	Member				√

* Appointed on 13 July 2022

x - Absent with apologies

√ - Present during the meeting

MANAGEMENT DISCUSSION AND ANALYSIS

A. PERFORMANCE OF THE DAIRY INDUSTRY

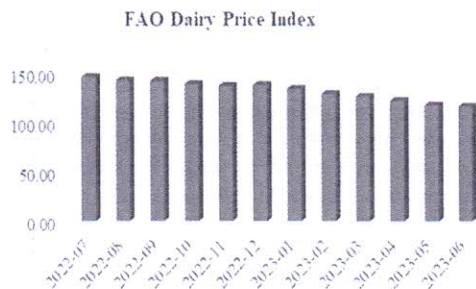
Introduction

This section reviews the status of the dairy industry and performance of the Board. The later covers operations, finance, key ongoing projects, compliance with statutory requirements, and the major risks and opportunities facing the organization.

1. Status of the dairy industry

1.1. Global dairy industry

The Food and Agricultural Organization (FAO) estimates there are 150 million milk producing households worldwide. The global production of milk in 2023 is forecasted by FAO to increase to 944 million tonnes from 936 million tonnes in 2022 (an increase of 0.9 percent). The forecast anticipates production will decline in South America, Africa, Europe and Oceania and slightly increase in Asia, North America, Central America and the Caribbean.

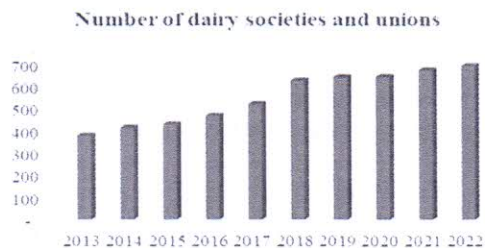


Global dairy trade is projected by FAO to slightly increase to 85.0 million tonnes (in liquid milk equivalents) in 2023 from 84.6 million tonnes in 2022. Growth in demand is projected in Central America, North Africa, the Middle East and South East Asia with declines projected in China, the European Union and Malaysia.

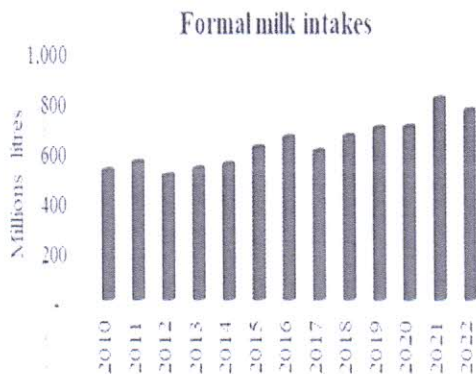
The FAO Dairy Price Index, a measure of the monthly change in global international prices for whole milk powder, skim milk powder, butter and cheddar cheese, declined from 146.47 in July 2022 to 116.72 in June 2023. According to FAO, the decline generally reflects the ongoing low global import demand for dairy products especially in key markets such as China.

1.1. Dairy industry in Africa

Despite a high population and demand for milk, Africa produces less than 6 percent of milk globally. In 2021 production in Africa was estimated by FAO at 53.7 billion litres (out of a global production of 918.2 billion litres). The production is not enough to meet continental needs, necessitating imports valued by International Trade Centre at USD. 103.1 billion in 2022.



The dairy cattle herd in Kenya is estimated at 5.02 million (State Department of Livestock Development, 2023). Approximately 5.2 billion litres of milk is produced annually with counties such as Kiambu, Meru, Nyandarua, Nakuru, Uasin Gishu, Nandi, Trans-Nzoia, Embu, Murang'a, Bomet, Turkana, Kakamega and Kericho each producing more than 100 million litres per year. According to the Economic Survey 2023, the number of dairy societies and unions increased to 689 in 2022 from 670 in 2021. These groups play an important role in organizing farmers to access inputs and markets for dairy produce.

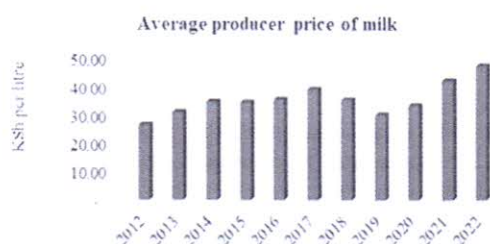


In 2022/2023, the Board had a client base of 2,450 dairy business operators made of milk processors, mini dairies, cooling plants, cottage industries, importers, exporters, dispensers and milk bars. These are regularly inspected by the Board for food safety compliance and issued with annual regulatory permits.

The quantity of milk received from farmers by the formal milk market decreased by 6% from 802 million litres in 2021 to 755 million litres in 2022. The decrease was attributed to the drought experienced between 2022 and 2023. In the first half of 2023 (January to June), 375 million litres were delivered to the formal market. The intakes were supplemented by imports of 142 liquid milk equivalents including milk powders for manufacturing.

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



Producer prices of milk have increased in the last few years following gazettement of minimum producer prices in 2021 and the increasing demand for milk and milk products. The average price per litre increased by 12% from Kshs. 42.01 in 2021 to Kshs. 47.20 in 2022. The average producer price between January and June 2023 was Kshs. 50.45 per litre. The value of milk delivered to the formal market increased from Kshs. 33.7 billion in 2021 to Kshs. 36.9 billion in 2022 (an increase of Kshs. 3.2 billion). Between January and June 2023, the deliveries were valued at Kshs. 18.1 billion.



Under the Bottom Up Economic Transformation Agenda (BETA), the Government is targeting to double the annual production of milk to 11 billion litres by 2027. This will be achieved by among others improving availability and access to fodder and feeds, which is the biggest constraint in increasing productivity and production of milk. The increased production will sustain the domestic market and create a surplus for export, projected at 1 billion litres annually.

B OVERVIEW OF OPERATIONS

3.0 Core activities

1.1. Overview of operations

The Dairy Industry Act Cap 336 provides for the improvement and control of the dairy industry and its products. The core operations of the Board are therefore to regulate, develop and promote the dairy industry. In 2022/2023, several activities were undertaken to realize this mandate.

(a) Review of the Dairy Industry Act Cap 336.

The Board through the Ministry of Agriculture and Livestock Development initiated the review of the Dairy Industry Act Cap 336 in 2021 to align it with the constitution of Kenya (2010) and to address emerging dairy produce safety issues. In financial year 2022-2023, the Board facilitated legal drafting of the Bill and public participation in 22 forums across the country. The Bill was finalized and forwarded to the Principal Secretary, State Department for Livestock Production.

(a) Implementation of the Dairy Industry Regulations 2021.

The Board's compliance officers and stakeholders across the country were sensitized on implementation of the regulations. The compliance officers were trained on risk-based inspections. Implementation of the regulations was continuously monitored and reported.

(a) Inspections of Dairy Business Operators.

The Board conducted inspections of 6,130 dairy business operators against a target of 5,500. To enhance risk based online inspections, the Board contracted a service provider to develop an inspection module which will be integrated with the Board's ERP system.

Number of inspections conducted (2019/2020 to 2022/2023)				
Financial Year	2019/2020	2020/2021	2021/2022	2022/2023
Number of Inspections conducted	3,778	4,298	6,125	6,130
Number of inspections targeted	4,000	4,000	4,800	5,500
Percentage achieved	94.50%	107.50%	127.60%	111.50%

(a) Issuance of regulatory permits to dairy business operators.

The Board issues regulatory permits to dairy business operators who comply with the Dairy Industry Act Cap 336 and the Dairy Industry Regulations, 2021. In the financial year 2022-2023, the Board issued 2,450 regulatory permits to compliant dairy businesses operators.

Number of Regulatory Permits Issued				
Financial Year	2019/2020	2020/2021	2021/2022	2022/2023
No. of Regulatory Permits Issued	987	1,291	1,274	2,450
Target	1,000	1,200	1,000	1,500
Percentage achieved	98.70%	107.60%	127.40%	163.30%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(a) Enforcement of the Dairy Industry Act Cap 336 and its regulations.

Thirty-seven joint enforcement programs were implemented across the country against a target of thirty-two. Routine market surveillance was conducted on imported dairy produce to validate the types, quantities, origin and approval status. The non-compliances encountered were addressed as provided in the Dairy Industry Act Cap 336 including prosecutions, issuance of inspections notices and disposals.

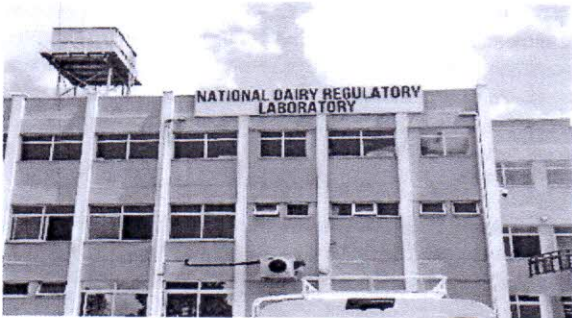
Enforcement Joint Programs Conducted				
Financial Year	2019/2020	2020/2021	2021/2022	2022/2023
Joint Enforcement programs	15	17	18	37
Target	12	12	12	32
Percentage achieved	125.00%	141.70%	150.00%	115.60%

(a) Field surveillance quality tests

A total of 60,223 risk-based milk quality tests were done by the branches. The national laboratory conducted 8,347 tests. The main areas of non-compliances were related to poor hygiene, adulteration, and contaminants in dairy produce. Follow-ups were done to address and close out the non-compliances.

Number of dairy produce quality tests conducted.				
Financial Year	2019/2020	2020/2021	2021/2022	2022/2023
No. of tests conducted by the Branches	37,845	47,875	55,789	60,223
No. of tests conducted by the National Dairy Regulatory	-	4,753	13,512	8,347
Total tests	37,845	47,880	69,301	68,570
Target	45,000	50,000	50,000	50,000
Percentage achieved	84.10%	95.80%	138.60%	137.10%

(a) ISO 17025 Accreditation of the National Dairy Laboratory.



ISO 17025 is an international accreditation system for laboratories. It enables laboratories to demonstrate that they operate competently and generate precise, accurate and valid results, thereby promoting acceptance of test reports and certificates between concerned parties. The Board initiated the certification in 2021/2022 by training the laboratory staff on the implementation of the system and preparing the mandatory pre-accreditation documentation. A gap audit of the laboratory processes was conducted to identify accreditation gaps. An application to accredit the laboratory was made to Kenya National Accreditation Services (KENAS)

(a) Validation of monthly milk intakes and quality data.

The milk intakes received and reported to the Board by processors and mini dairies handling over 500 litres per day were validated through physical inspection of records. This covered several counties including Nyandarua, Kiambu, Muranga, Nairobi and Nyeri Counties (home to 95% of milk co-pasteurizing plants). A few cases of under declaration were encountered and reconciled with the concerned dairy business operators.

(a) Capacity building of stakeholders.

To promote dairy productivity and compliance, the Board trained 5,073 stakeholders through workshops and field days. The trainings targeted informal milk traders, dairy business operators and primary producers. Two major field days, attended by His Excellency President William Ruto, were held in Meru and Githunguri organized by Meru Central Dairy Cooperative Union and Githunguri Dairy Farmers Cooperatives respectively.

(a) Consumer education

The Board continued to implement a consumer education campaign targeting primary producers, dairy business operators, consumers and the public. This addressed hygienic production, handling, value addition and consumption of dairy produce. The services offered by the National Dairy Regulatory Laboratory were promoted to encourage self-regulation through periodic submission of samples for analysis. The medium of communication used included stakeholders' forums, field days, social media (Facebook, twitter, Instagram, you tube and website), ASK shows (Mombasa, Eldoret and Kakamega), road shows (covering 19 counties), conferences and exhibitions, promotional materials and TV, radio and print media

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

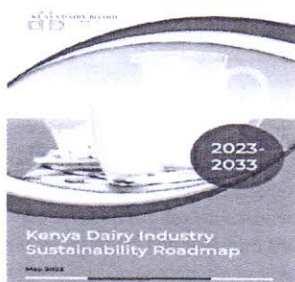
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(a) School milk promotion

Consumption of milk in schools has several benefits including contributing to improved school enrolment, attendance and retention; nutritional and health benefit of pupils; physical and cognitive development of pupils; and market access for the dairy industry. The Board promotes implementation of school milk programs by national and county governments; schools; processors; and development partners. The approach includes stakeholders' sensitization, technical capacity building and supplier linkages. Within the period, the Board sensitized seven counties (Trans Nzoia, Kericho, Muranga, Kirinyaga, Kajiado, Kiambu and Narok) on the implementation of the program.

(a) Dairy trade facilitation

The Board exhibited and promoted exports of Kenyan dairy products at the Dar es Salaam International Trade Fair. The United Republic of Tanzania is a potentially large market for Kenyan milk and milk products particularly UHT milk, fermented milk, butter and cheese. The Board also participated in the following meetings; a COMESA meeting, which among other issues sought to address the long-standing ban of Kenyan dairy exports to Zambia; an EAC meeting to harmonize the fees, charges and levies imposed on intra-regional imports; and a national stakeholder consultative workshop on the barriers affecting Kenyan exports to Ethiopia.



(a) Dairy sustainability framework

With the support of USAID's Kenya Investment Mechanism and in partnership with stakeholders, a Dairy Sustainability Framework (2023 – 2032) was developed. The vision of the framework is to create "A prosperous and environmentally sustainable dairy industry". The framework focuses on four pillars, namely, prosperity, people, planet, and principles of governance. The goals are to produce sufficient milk to meet domestic demand and exports in a competitive way; supply quality, safe and affordable milk while providing decent livelihoods for dairy actors; lower the environmental footprint of the dairy industry to support the country in meeting its Nationally Determined Contributions (NDC) target; and establish a properly governed and highly inclusive dairy industry.

(a) Dairy standards

The Board participated in the development and review of 16 dairy standards comprising national standards (2), EAC standards (6) and continental standards (8). The six EAC standards (for raw milk; pasteurized milk; UHT milk; dairy ice cream; ghee; milk and cream powders) were finalized and submitted to the EAC Secretariat for gazette. The Board also participated in formulation of CODEX standard, including the ongoing work to develop a standard for traditional food markets.

(a) Study on cost and profitability of milk production

Two bi-annual studies were undertaken to estimate the cost and profitability of milk production across counties, production systems, and production scales. The findings were disseminated to stakeholders. The studies inform policy and other operational decisions including recommendations of minimum guaranteed producer prices.

The Board hosted visits by the President of the International Dairy Federation (IDF) and delegations from the National Dairy Development Board (NDDB) of India, Dairy Development Authority (DDA) of Uganda and livestock stakeholders from the State of Eritrea. Kenya is a member of IDF, which is a global association that represents the dairy sector and promotes use of scientific expertise in production of high quality, nutritious, safe and sustainable milk and dairy products. NDDB is the equivalent of the Board in India and played a key role in transforming the dairy industry in India into a viable and profitable economic activity for millions of milk producers. India is the largest producer of milk in the world and highly organized through cooperatives. The visit by DDA was to benchmark on the Kenyan school milk experience.



The Board partnered with several stakeholders on dairy regulation and development. These include the Kenya and Denmark Strategic Sector Cooperation Programme, Trade Mark Africa, cBrain, Micro Enterprise Support Programme Trust, USAID Kenya, ILRI-More milk project, and AU-IBAR.

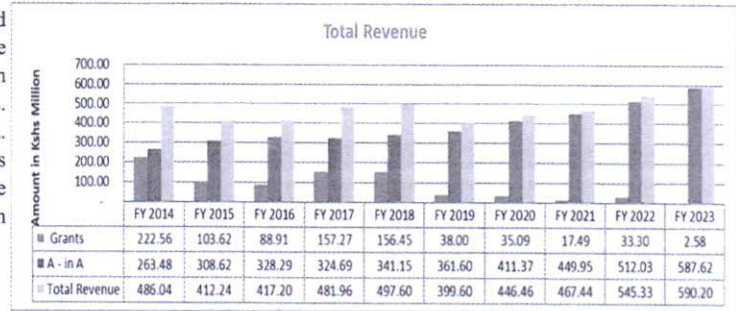
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

C. FINANCIAL PERFORMANCE

i) Revenue performance

The Board funds its operations through the internally generated revenue mainly levies and license fees as well as grants from the parent Ministry of Agriculture and Livestock Development. In the year ended 30 June 2023, the Board received a total of Kshs. 590.20 million as Recurrent Grants from the Government of Kenya. No funds were received in terms of Development Grants towards financing the ongoing construction and equipping of the National Dairy Laboratory Complex Project, despite an allocation of Kshs. 18.75 million.

Board's total revenue for the last 10 years



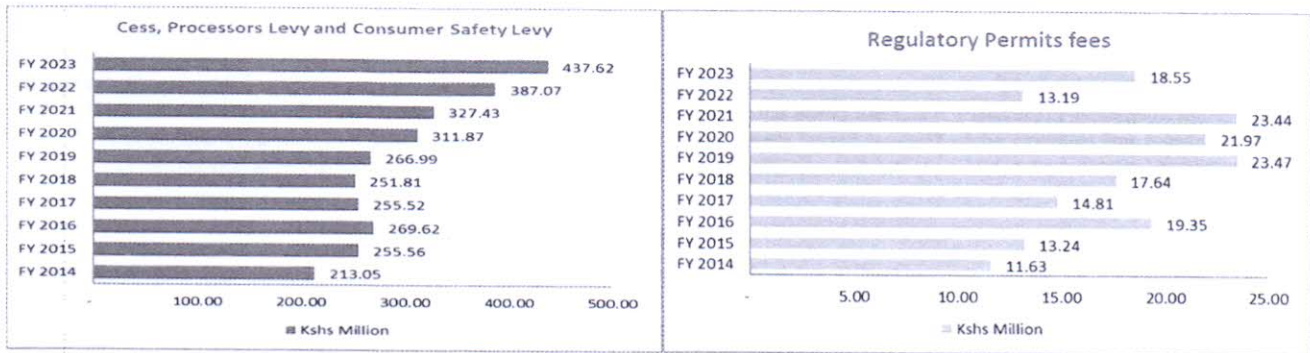
In total, the Board recorded total revenue of Kshs. 590.20 million which is made up of Kshs. 587.62 million generated from the A in A and Kshs. 2.58 million from the grants as recognized in the statement of the financial performance.

The Board posted a 14.76% increase in internally generated revenue. The Board collected a total of Kshs. 587.62 million as compared to Kshs. 512.03 million realized in the year ended 30 June 2022. The positive outlook was maintained by the gazette of the Dairy Industry Regulations, 2021 which introduced a percentage-based charge on consumer safety levy thus cushioning the Board from revenue fluctuations on reduction of intakes due to drought. The Board also continued to benefit from the introduction of a consumer safety levy on milk imported from EAC member countries.

Consumer safety levy and License fees.

Prior to the gazette of the Dairy Industry Regulations, 2021, Cess and processors levy were charged at the rate of 20 Cents per litre. However, with effect from March 2021, the two levies were replaced by the consumer safety levy charged at 0.40 Cents per litre or 1% of the value farm gate price per litre process whichever is higher. In the year under review, the Board received Kshs. 437.62 million in consumer safety levy as compared to the equivalent Kshs. 387.07 million received in the previous year from the same source. Similarly, revenue generated from permits increased from Kshs. 13.19 million realised in the year ended 30 June 2022 to Kshs. 18.55 million. This was attributable to fresh registration of Dairy Business Operators with the implementation of the new Clients Service Portal.

Further analysis on cess, processors levy and license fees is as analysed below;

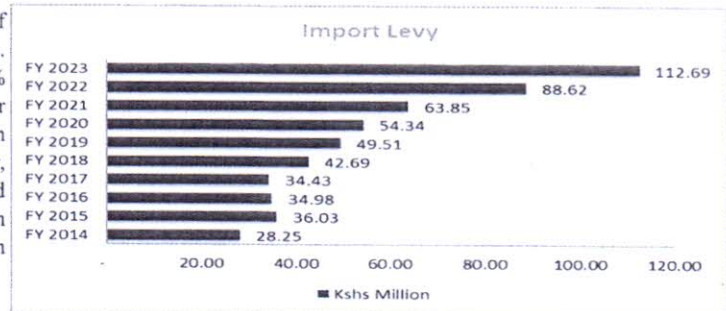


Board's collections from fees and levies for the last 10 years

Import levy

The import levy was increased from 7% to 10% on CIF value of the imported dairy products through the new Dairy Regulations. The revenue generated from the import increased by 26.16% from Kshs. 88.62 million recorded in the previous financial year to Kshs. 112.69 million. The increase was as a result increase in the charge rate from 7% to 10% in the previous financial year, continued surveillance and enforcement on the illegally imported milk and milk products as well as drought in the country which necessitated additional importation to bridge the local production deficit.

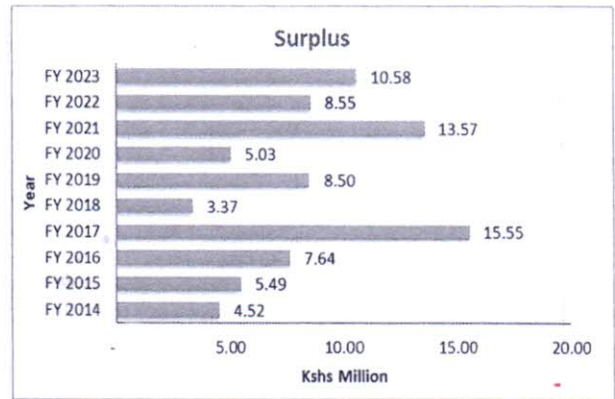
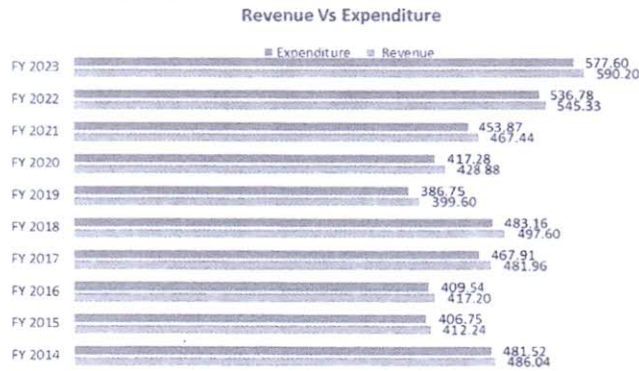
Board's revenue from import levy



**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

ii) Expenditure and surplus for the year



Board's revenue, expenditure and surplus for the last 10 years

The total revenue for the Board in the year ended 30 June 2023 was Kshs. 590.20 million as compared to Kshs. 545.33 million recorded in the previous financial year. The increase in total revenue is attributable to the good performance in the collection of internally generated revenue. The recurrent expenditure during the year under review was Kshs. 577.60 million as compared to Kshs. 536.78 million recorded in the year ended June 2022. This resulted to a surplus of Kshs. 10.58 million (after the receivables impairment loss of Kshs. 2.59 million) as compared to a surplus of Kshs. 8.55 million posted in the year ended June 2022.

iii) 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.

iv) Key projects and investment decisions the Board is implementing

During the year, the Board continued with 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 and civil works were completed in the year ended 30 June 2020. The erection, completion and equipping of the National Dairy Laboratory block were done during the year ended 30 June 2021 and the facility is now fully in use. The construction and furnishing of the Administration Block was completed during the year and the facility is now in use.

The project will improve the Board's physical facility and further boost the institution's capacity in ensuring the 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 and allied sectors leading to increased employment opportunities in the production, transportation, processing and distribution of milk and milk products.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

1.0 Introduction

The dairy industry in Kenya contributes significantly to the national economy by among others providing livelihoods to 1.8 small-scale farmers; employing directly and indirectly 750,000 and 500,000 persons respectively; and as a source of food and nutritional security to millions of households. The livestock sector in Kenya is responsible for 90% of Kenya's agricultural Green House Gas (GHC) emissions of which 15% are from the dairy industry. Approximately 12.3 Megatonnes (Mt) CO₂ eq. are attributed to the Kenyan dairy herd, with, 88 percent of the emissions originating from methane produced by the rumination of cows and 11 percent from the management of stored manure (FAO,2017) The dairy industry is highly susceptible to climate change. To sustain and enhance the contribution of the dairy industry to medium and long-term national development, it is paramount that effective climate change adaptation and mitigation measures are established and implemented.

2.0 Sustainability strategy and profile

In line with the relevant Government's policies and legal framework, the Board takes cognizance of the role and impact of climate change on the dairy industry. In 2022/2023, the Board partnered with USAID's Kenya Investment Mechanism and other stakeholders to develop a Kenya Dairy Industry Sustainability Roadmap (2023-2032). The Roadmap seeks to enable the country to identify and employ modern technology and climate-smart approaches to competitively increase production and value addition of milk while reducing the carbon foot print by the industry. These will be achieved through a set of four high-level goals aligned to the pillars of Prosperity, People, Planet and Principles of Governance. Each goal has a set of targets and related indicators to monitor progress. The Board continued to support initiatives by stakeholders to mobilize resources for financing of climate change actions in the dairy industry through the exchequer, international bodies, development partners and private sector organizations among others.

2.1 Environmental performance

The agricultural sector in Kenya, including dairy is highly dependent on rainfall. However human activities have over the last few decades impacted negatively on the environment and consequently agricultural productivity. These impacts include increasing GHC gas emissions from agricultural and related activities, wanton destruction and cutting down of trees depleting the national tree cover, and poor disposal of solid and liquid wastes. Overall, these have contributed to environmental degradation and climate change, affecting agricultural production including dairy.



The Board as a responsible corporate citizen has an environmental policy that outlines our commitment to provide quality services while ensuring a safe and healthy workplace and environment for internal and external stakeholders. The Board, in partnership with the relevant government agencies, development partners, the community and other players undertakes environmental conservation measures aimed at:

- Supporting the government to plant 15 billion trees to achieve a 30% national forest cover by year 2030;
- Protecting riparian lands and wetlands
- Ensuring a healthy and friendly environment
- Sensitizing and involving staff and stakeholders on environmental conservation

Within the financial year, the Board implemented the following key activities to conserve the environment:

(a) Tree planting

In partnership with Kaiti Greening Champions, local schools, churches and local administration, the Board supported and participated in planting of 10,000 tree seedlings in Makueni County. In Taita Taveta County, the Board donated and planted 1,000 indigenous trees and 20 avocado seedlings at Rukanga Primary School. Together with Netfund, 100,000 trees were planted in Cherangany, with the Board donating 10,000 seedlings.

(a) Biogas plant at Alliance Girls High School

The Board supported the construction of a 96-meter cube biogas plant at Alliance Girls High School. The benefit of the plant to the school includes better management and utilization of manure, reduction in GHC gas emissions, and lowering energy costs.

(a) Internal measures

Internally, the Board continued to promote proper waste management, digitization and paperless transactions, energy conservation by switching off equipment and lights not in use and good fleet management including scheduled servicing and maintenance.

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

2.2 Employee welfare

The Board is committed to establish and maintain a supportive and caring working environment that is conducive to the welfare of all employees that enables them to realize their full potential. This will help us to attract and retain a competent and motivated workforce to serve our stakeholders. The Board has a Human Resource and Procedure Manual developed and approved by the Public Service Commission in 2018. This among other states that the Board is an equal opportunity employer. We have complied with the one third gender parity rule as required by law (Out of 149 employees, 67 are female and 82 are male, 44.9% and 55.1% respectively). We have 3 employees living with disability representing 1.3 % of the total workforce (recommended is 5%). This will be addressed in future recruitments. In 2022/2023, some of the activities implemented on staff welfare included:

(a) **Skills improvement.** The Board organized for short term skills improvement courses for staff as per the table;

Table 1: Staff skills improvement (2022/2023)

No.	Type of course	No. of staff
1	Risk based inspections	63
2	Pre-retirement Training	33
3	Senior Management Course	13
4	Alcohol and Drug Abuse Prevention.	10
5	Supervisory skills	6
6	Laboratory methods and validation	5
7	Food safety courses in Denmark	5
8	Senior Leadership Development	5
9	Resource mobilization	4
10	Sampling for Official Control	3
11	Culture and Leadership Change	1
12	Fleet Management	1
Total		149

(b) **Protective gear for laboratory analysts and compliance officers:** Dustcoats, safety boots and protective gear were procured for 54 Compliance Officers and ten laboratory staff.

(c) **Renovation of office facilities:** This included construction of an office in Narok branch, provision of sanitary facilities in Kapsabet branch and replacement of old furniture and fittings in several branches.

(d) **Performance cascading and evaluation:** The PC was timely negotiated and cascaded and documented to facilitate planning by all staff. Mid-term and end of the period reviews were timely done and reported.

(e) **Replacement of old motor vehicles.** Two field vehicles for the field branches and one staff bus were procured.

(f) **Workplace safety:** To ensure that employees work in a safe and secure environment, the Board continued to institute measures to reduce work related incidents. These included adherence to health and safety requirements in the workplace.

2.3 Market place practices

(a) Responsible competition practices

Being a regulatory agency, the Board is committed to fair market practices. Our regulatory role, apart from addressing quality and safety of dairy produce, also seeks to establish a fair playing ground for dairy business operators. The dairy market is highly competitive requiring the Board to play its role in a transparent, fair and non-discriminative manner. We expect all stakeholders to comply with the Dairy Industry Act Cap 336 and its regulations and exercise self-regulation to enhance compliance and improve the dairy business environment.

(b) Responsible supply chain and supplier relations

The Board being a consumer of goods and services complies with the relevant statutory procurement requirements to ensure transparency, accountability and fairness in our procurement processes. We endeavour to build good relationships with our service providers through timely communication and fulfilment of our contractual obligations among others. The Board gives preference and reservations of procurement opportunities to youth, women and persons with disabilities as per guidelines by Government.

(c) Responsible marketing and advertisement

The Board respects the social, ethical, legal and environmental requirements in marketing and advertising. We strive to be responsible, objective, fair, transparent and truthful in our generic promotions for dairy produce. Our advertisements are implemented in line with relevant guidelines by Government.

(d) Product stewardship

The Board is committed to provision of high-quality services that meet and even exceeds stakeholders' expectations. In regulating the dairy industry, we regulate and promote production and marketing of high quality and safe dairy produce that has positive impact on human health, the environment and the society.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

2.4 Corporate Social Responsibility (CSR)/Community Engagements



The growth and sustainability of the dairy industry and that of the Board is highly hinged on the interactions, loyalty, goodwill and support of the community. The Board has a clear responsibility to society and therefore allocates resources for CSR. Implementation of CSR activities is guided by our CSR Policy that aims at positively impacting and transforming society for improved livelihoods and welfare including interventions on dairy sustainability, productivity, hygiene and compliance. To promote compliance of dairy produce, the Board donated milk testing equipment (alcohol guns) to Kapngetuny Dairies in Uasin Gishu and milk cans to Suwerwa and Kidzo Co-operative Societies in Uasin Gishu and Kwale counties respectively. The Board financially supported 'Mama Care Ruiru Dam Walk' in Kiambu County; 'Women's Capacity Building Program' and 'Girl Run Period' in Nandi County; and equipped new libraries in Kebeheti Secondary and Chelilis Primary Schools in Kericho County.

Milk products were donated to St. Mary's Kapsiolot Girls School in Elgeyo Marakwet County and food donations were given to communities in Turkana County.

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

REPORT OF THE DIRECTORS

The Directors submit their report together with Audited Financial Statements for the year ended 30 June 2023 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 30 June 2023 are set out on Page 1.

Directors

The members of the Board of Directors who served during the year are shown on Pages v to viii. During the year, eight Directors retired with effect from 10 February 2023 and ten Directors were appointed with effect from the same date.

Surplus remission

In accordance with Section 219 (2) of the Public Financial Management (National Government) Regulations, Regulatory Entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the financial statements after the end of each financial year. In the year ended 30 June 2023, Kenya Dairy Board reported a surplus of Kshs. 10,581,538 and has made a provision of Kshs. 9,523,384 (FY 2022 - Kshs. 7,694,024) as surplus remission to Consolidated fund.

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, OGW
Secretary to the Board
Nairobi, Kenya

Date: 12/02/2024

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 30 June 2023. 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, 2012 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 30 June 2023, 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 by Board of Directors on ^{28th} September 2023, and signed on behalf of the Board by:



Genesis Njagi Mugo
Chairman of the Board
Nairobi, Kenya

Date: 13/2/24

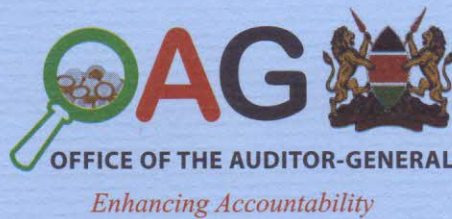


Margaret Rugut Kibogy, OGW
Managing Director
Nairobi, Kenya

Date: 12/02/2024

REPUBLIC OF KENYA

Phone: +254-(20) 3214000
Email: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA DAIRY BOARD FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Kenya Dairy Board set out on pages 1 to 23, which comprise of the statement of financial position as at

30 June, 2023, 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, the financial statements present fairly, in all material respects, the financial position of the Kenya Dairy Board as at 30 June, 2023, 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 the Dairy Industry Act, Cap 336 of the Laws of Kenya.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Dairy Board Management in accordance with ISSAI 130 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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

Non-Remittance of Pension

The statement of financial position reflects a balance of Kshs.151,034,259 under trade and other payables from non-exchange transactions and as disclosed in Note 27 to the financial statement. Included in the balance is an amount of Kshs.485,436 for Kenya Milk Record (KMR) staff pension, Kenya National Assurance Company (KNAC) staff pension and American life Insurance Company (ALICO) insurance claims which have not been

remitted to the beneficiaries. Management has explained that these balances have been outstanding for more than twenty (20) years and due to lack of beneficiary details. However, this is in contravention of section 19(4) of the Employment Act 2007 and the Retirements Benefit Authority Act 2012 Section 53 (a) on proceedings for recovery of deductions from employees.

In the circumstances, Management was in breach of the law.

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 Conclusion on Effectiveness of Internal Controls, Risk Management and Governance 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 overall governance were not effective.

Basis for Conclusion

Duplication of Debtors Accounts

The debtors schedule provided for audit revealed that some customers had duplicate customer accounts. The Management have explained that these duplicate debtor's accounts are as a result of migration to the new ERP system and has since been merged to individual accounts. This is an indication that the internal controls during migration of the ERP system was not adequately handled.

In the circumstances, the Board's internal controls and risk management policies appear inadequate in the migration to the new system.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. 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 overall 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 the Board of Directors

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 controls as Management determines 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Board's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Board or to cease operations.

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.

The Board of Directors is responsible for overseeing the Board's financial reporting process, reviewing the effectiveness of how Management 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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of non-compliance. 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 applicable 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 Board's ability to continue 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 to sustain 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 Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 March, 2024

DAIRY BOARD
 ANNUAL REPORT AND FINANCIAL STATEMENTS
 STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2023

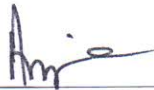
	Notes	2022-2023 Kshs	2021-2022 Kshs
Revenue from non-exchange transactions			
Levies, fines and penalties	6	557,074,776	481,653,924
Licenses and permits	7	18,548,000	13,187,900
Transfers from the Government and other recurrent grants	8	2,575,000	33,300,000
		<u>578,197,776</u>	<u>528,141,824</u>
Revenue from exchange transactions			
Interest income	9	11,983,367	16,103,837
Other income	10	22,744	1,082,559
		<u>12,006,111</u>	<u>17,186,396</u>
Total revenue		<u><u>590,203,887</u></u>	<u><u>545,328,220</u></u>
Expenses			
Use of goods and services	11	25,500,514	24,719,479
Employee costs	12	217,385,828	205,348,560
Board members expenses	13	26,722,803	14,823,211
Depreciation and amortisation expense	14	42,326,179	39,800,947
Repairs and maintenance	15	13,275,618	8,927,290
General and operating expenses	16	252,393,352	237,486,953
Total expenses		<u><u>577,604,294</u></u>	<u><u>531,106,440</u></u>
Other gains / (losses)			
Gain on sale of assets	17	571,200	-
Provision for bad and doubtful debts	18	(2,589,255)	(5,672,865)
Surplus for the year		<u><u>10,581,538</u></u>	<u><u>8,548,915</u></u>
Remission to National Treasury and Economic Planning	38	(9,523,384)	(7,694,024)
Net surplus for the year		<u><u>1,058,154</u></u>	<u><u>854,891</u></u>

The notes set out on pages 6 to 23 form an integral part of these Financial Statements. The Financial Statements set out on Pages 1 to 23 were signed on behalf of the Board of Directors by:



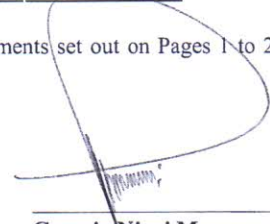
Margaret Rugut Kibogy, OGW
 Managing Director

Date: 12/02/2024



CPA. Edward W. Nyoike
 Finance Manager

ICPAK Member No. 5668
 Date: 12/02/2024



Genesio Njagi Mugo
 Chairman of the Board

Date: 12/2/24


KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

Assets	Notes	2022-2023 Kshs	2021-2022 Kshs
Current assets			
Cash and cash equivalents	19	194,956,905	296,007,057
Receivables from non-exchange transactions	20	22,608,583	8,469,142
Other receivables and prepayments	21	20,037,863	17,146,402
		<u>237,603,351</u>	<u>321,622,601</u>
Non current assets			
Property, plant and equipment	22	510,075,677	371,464,325
Intangible assets	23	9,999,034	8,205,961
Finance leases	24	157,301,768	159,488,637
Long term receivables from non-exchange transactions	25	54,833,511	50,132,268
		<u>732,209,990</u>	<u>589,291,191</u>
Total assets		<u>969,813,341</u>	<u>910,913,792</u>
Liabilities			
Current liabilities			
Gratuity provision	26	74,342	-
Trade and other payables from non-exchange transactions	27	151,034,259	87,526,507
Current provisions	28	4,146,952	5,064,308
Deferred Income	29	490,258,170	490,258,170
Refundable deposits	30	30,881,787	38,835,422
		<u>676,395,510</u>	<u>621,684,407</u>
Non current liabilities			
Gratuity provision	26	1,896,580	185,380
Net assets			
Revaluation reserves	31	157,301,768	159,488,637
Accumulated surplus	32	56,520,792	53,275,769
Capital funds	33	77,698,691	76,279,599
		<u>291,521,251</u>	<u>289,044,005</u>
Total net assets and liabilities		<u>969,813,341</u>	<u>910,913,792</u>

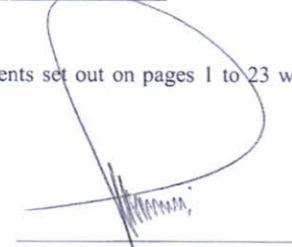
The notes set out on pages 6 to 23 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 23 were signed on behalf of the Board of Directors by:


 Margaret Rugut Kibogy, OGW
 Managing Director

Date: 12/02/2024


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

Date: 12/02/2024


 Genesio Njagi Mugo
 Chairman of the Board

Date: 13/2/24

DAIRY BOARD
 ANNUAL REPORT AND FINANCIAL STATEMENTS
 STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Revaluation reserve Kshs	Accumulated surplus Kshs	Capital Funds Kshs	Total Kshs
At 1 July 2021					
Surplus for the year	32	161,664,142	100,245,373	60,411,703	322,321,218
Interest earned from staff car loans scheme	33	-	854,891	-	854,891
Interest earned from staff housing mortgage scheme	33	-	-	639,182	639,182
Prior year adjustment	32	-	-	228,714	228,714
Transfer to Staff Housing Mortgage Scheme		-	(35,000,000)	-	(35,000,000)
Transfer of amortisation to accumulated surplus		-	(15,000,000)	15,000,000	-
At 30 June 2022		(2,175,505)	2,175,505	-	-
		159,488,637	53,275,769	76,279,599	289,044,005
At 1 July 2022					
Surplus for the year	32	159,488,637	53,275,769	76,279,599	289,044,005
Interest earned from staff car loans scheme	33	-	1,058,154	-	1,058,154
Interest earned from staff housing mortgage scheme	33	-	-	1,059,893	1,059,893
Transfer of amortisation to accumulated surplus	32	-	-	359,199	359,199
At 30 June 2023		(2,186,869)	2,186,869	-	-
		157,301,768	56,520,792	77,698,691	291,521,251

The notes set out on pages 6 to 23 form an integral part of these Financial Statements.

KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

Cash flows from operating activities	Notes	2022-2023	2021-2022
Receipts		Kshs	Kshs
Levies, fines and penalties	6	557,074,776	481,653,924
Licenses and permits	7	18,548,000	13,187,900
Transfers from the Government and other recurrent grants	8	2,575,000	33,300,000
Other income	10	22,744	1,082,559
Total receipts		578,220,520	529,224,383
Payments			
Use of goods and services	11	25,500,514	24,719,479
Employee costs	12	217,385,828	205,348,560
Board members expenses	13	26,722,803	14,823,211
Repairs and maintenance	15	13,275,618	8,927,290
General and operating expenses	16	252,393,352	237,486,953
Provision for bad and doubtful debts	18	2,589,255	5,672,865
Remission to National Treasury and Economic Planning	38	9,523,384	7,694,024
Total payments		547,390,754	504,672,382
Adjustment for changes in working capital			
(Increase) / decrease in receivables from non-exchange transactions		(14,139,441)	1,026,170
(Increase) / decrease in other receivables and prepayments		(2,891,461)	15,504,270
Increase in trade and other payables from non-exchange transactions		63,507,752	12,384,925
Increase / (decrease) in gratuity and current provisions		868,186	(620,092)
Increase in refundable deposits		(7,953,635)	26,385,707
		39,391,401	54,680,980
Net cash flows from operating activities	39	70,221,167	79,232,981
Cash flow from investing activities			
Purchase of property, plant and equipment	22 & 23	(180,543,735)	(127,712,078)
Proceeds from disposal of property, plant and equipment	17	571,200	-
Interest income	9	11,983,367	16,103,837
Increase in long-term receivables	25	(4,701,243)	(12,862,057)
Net cash flow used in investing activities		(172,690,411)	(124,470,298)
Cash flow from financing activities			
Capital grant received	8	-	35,000,000
Interest credited to staff car loan and staff housing mortgage funds	33	1,419,092	867,896
Net cash flows from financing activities		1,419,092	35,867,896
Net decrease in cash and cash equivalents		(101,050,152)	(9,369,421)
Cash and cash equivalents at 1 July	19	296,007,057	305,376,478
Cash and cash equivalents at 30 June	19	194,956,905	296,007,057

The notes set out on pages 6 to 23 form an integral part of these Financial Statements.

DAIRY BOARD
 ANNUAL REPORT AND FINANCIAL STATEMENTS
 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 FOR THE YEAR ENDED 30 JUNE 2023

	Original Budget	Adjustment	Final Budget	Actual	Performance
	2022-2023	2022-2023	2022-2023	Performance	difference
	Kshs	Kshs	Kshs	2022-2023	2022-2023
				Kshs	Kshs
Revenue					
Levies, fines and penalties - Note (a)	467,820,000	94,680,000	562,500,000	557,074,776	(5,425,224)
Licenses and permits - Note (b)	7,680,000	4,966,000	12,646,000	18,548,000	5,902,000
Transfers from the Government and other recurrent grants	33,300,000	(30,725,000)	2,575,000	2,575,000	-
Interest income	7,200,000	4,800,000	12,000,000	11,983,367	(16,633)
Other income and gain on sale of assets	-	-	-	593,944	593,944
Total revenue	516,000,000	73,721,000	589,721,000	590,775,087	1,054,087
Expenses					
Use of goods and services	26,360,000	350,000	26,710,000	25,500,514	(1,209,486)
Employee costs - Note (c)	233,108,538	(4,795,305)	228,313,233	217,385,828	(10,927,405)
Board members expenses	15,696,000	11,298,000	26,994,000	26,722,803	(271,197)
Depreciation and amortisation expense	29,082,862	11,873,705	40,956,567	42,326,179	1,369,612
Repairs and maintenance	9,410,000	4,390,000	13,800,000	13,275,618	(524,382)
General and operating expenses	202,342,600	50,604,600	252,947,200	252,393,352	(553,848)
Total expenditure	516,000,000	73,721,000	589,721,000	577,604,294	(12,116,706)
Surplus for the period - Note (d)	-	-	-	13,170,793	13,170,793
Capital Expenditure - Note (f)	173,960,000	(121,930,000)	52,030,000	180,543,735	(128,513,735)

The anticipated changes in revenue with the implementation of the Dairy Industry Regulations, 2021 necessitated the 12% revision (Kshs. 73.72 million) of the recurrent budget from Kshs. 516 million to Kshs. 589.72 million. Similarly, the capital budget was revised by Kshs. 121.93 million from Kshs. 173.96 million to Kshs. 52 million as a result of the revision of the government of Kenya Capital grants in the revised estimates for the year.

Notes

a) Levies, fines and penalties - The Board did not achieve the budgeted revenue by Kshs. 5.43 million (1%) as a result of unfavorable weather (drought) which contributed to the reduction of intakes in the formal sector.

b) Licenses and permits - The Board exceeded the budgeted collection on permit fees with Kshs. 5.90 million which was mainly brought about by fresh registration of Dairy Business Operators with the implementation of the new Clients Service Portal.

c) Employee costs - The total expenditure under this category was Kshs. 10.93 million (4.8%) below budget as a result of the delays in the engagement of new staff during the year and also the approval of a 20% basic salary increase. The request for a 20% salary review was declined by the Salaries and Remuneration Commission despite approval by the National Treasury and Economic Planning.

d) Surplus for the period - In overall, the Board realised a surplus of Kshs. 13.17 million as a result of surpassed collection on internally generated revenue by Kshs. 1.05 million and unabsorbed expenditure of Kshs. 12.12 million.

e) Reconciliation of surplus as per the Statement of Comparison of Budget and Actual Amounts and net surplus as per the Statement of Financial Performance.	Final Budget 2022-2023 Kshs	Final Budget 2021-2022 Kshs
Surplus as per statement of comparison of Budget and actual amounts	13,170,793	14,221,780
Provision for bad and doubtful debts	(2,589,255)	(5,672,865)
Provision for Remission to National Treasury and Economic Planning	(9,523,384)	(7,694,024)
Net surplus as per Statement of Financial Performance	1,058,154	854,891

f) Reconciliation of actual capital expenditure and the Budget for the year.	Final Budget 2022-2023 Kshs	Final Budget 2021-2022 Kshs
Variance as per the statement of comparison of Budget and actual amounts	(128,513,735)	(65,797,078)
Amount financed through prior year budgetary allocations	132,599,272	72,013,831
The variance between the Budget for the year and actual expenditure	4,085,537	6,216,753

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

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 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 of these financial statements. 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 State Corporations Act and 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) New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact
IPSAS 41: Financial Instruments	<p>(Applicable: 1 January 2023). The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29 by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>The Board has reported the Financial Instruments within the scope of IPSAS 29 - Financial Instruments and therefore the standard does not apply.</p>
IPSAS 42: Social Benefits	<p>(Applicable: 1 January 2023): The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p>The Board incurs no expenditure which is within the scope of IPSAS 42: Social Benefits and therefore the standard does not apply.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1 January 2023:</p> <p>(a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p>

RY BOARD
 REPORT AND FINANCIAL STATEMENTS
 TO THE FINANCIAL STATEMENTS
 YEAR ENDED 30 JUNE 2023

<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1 January 2023:</p> <p>(b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>(c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>(d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The Board has reported the Financial Instruments within the scope of IPSAS 29 - Financial Instruments and therefore the standard does not apply.</p>
<p>Other improvements to IPSAS</p>	<p><i>Applicable 1st January 2023</i></p> <p>(i) IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <p>(ii) IPSAS 39: Employee Benefits Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <p>(iii) IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2023 IIPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p>The Board has presented the financial statements to cover the institutional performance for the year hence improvements on IPSAS 22 does not apply. Similarly, other improvements to IPSAS 29 and IPSAS 39 do not apply to the Board as at 30 June 2023.</p>
<p>IPSAS 43</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The Board has recognised, measured and presented information on the right to use assets and lease liabilities as required under IPSAS 43.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires;</p> <p>(i) Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and;</p> <p>(ii) Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The Board had no current assets held for sale and discontinued operations at at 30 June 2023.</p>

(iii) Early adoption of Standards

The Board did not early - adopt any new or amended Standards in the financial year ended 30 June 2023.

BOARD
REPORT AND FINANCIAL STATEMENTS
THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2023

Summary of significant accounting policies (Continued)

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 expenditure for the year has been presented on Page 5 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.

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:

	Rate (%)
Motor vehicles	25.00%
Office and laboratory equipment	12.50%
Furniture and fittings	12.50%
Computers	33.00%

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 33%.

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.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over 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.

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Summary of significant accounting policies (Continued)

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

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Board does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the financial statements.

h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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.

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 receivable 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.

Summary of significant accounting policies (Continued)

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 Members of key management are regarded as related parties and comprise the Directors, the Chief Executive Officer and Heads of Departments.

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.

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 is 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 30 June

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Summary of significant accounting policies (Continued)

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:

- Ø The condition of the asset based on the assessment of experts employed by the Board.
- Ø The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- Ø The nature of the processes in which the asset is deployed.
- Ø Availability of funding to replace the asset.
- Ø 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 20 and 21 for provisions on doubtful debts and Notes 26 and 28 for provisions on payables.

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. Provision for bad and doubtful debts are made when a receivable or the debtor is experiencing significant financial difficulty, in case of default or delinquency in interest and penalties payments and the probability that the debtor will enter bankruptcy or other financial reorganization.

6. Levies, fines and penalties

	2022-2023	2021-2022
	Kshs	Kshs
Consumer Safety Levy	437,619,240	387,069,919
Import levy	112,687,246	88,624,830
Penalties	6,768,290	5,959,175
	<u>557,074,776</u>	<u>481,653,924</u>

7. Licenses and permits

	2022-2023	2021-2022
	Kshs	Kshs
Licenses and permits application fees	1,434,000	2,028,300
Movement permits	15,939,000	3,667,000
Premise licenses	1,175,000	7,492,600
	<u>18,548,000</u>	<u>13,187,900</u>

8. Transfers from the Government and other recurrent grants

	2022-2023	2021-2022
	Kshs	Kshs
(a) Unconditional grants		
Operational grants from Government of Kenya	2,575,000	33,300,000
	<u>2,575,000</u>	<u>33,300,000</u>
Conditional grants		
Capital expenditure grants from Government of Kenya	-	35,000,000
	<u>-</u>	<u>35,000,000</u>
Total transfers from the Government and others	<u>2,575,000</u>	<u>68,300,000</u>

BOARD
 REPORT AND FINANCIAL STATEMENTS
 TO THE FINANCIAL STATEMENTS
 YEAR ENDED 30 JUNE 2023

Transfers from the Government and other recurrent grants
 b) Amount recognised to statement of financial performance

	2022-2023	2021-2022
	Kshs	Kshs
Recurrent transfers from State Department for Livestock Development	2,575,000	33,300,000
	<u>2,575,000</u>	<u>33,300,000</u>

(c) Transfers from Ministries, Departments and Agencies

Name of the Entity sending the Grants	Amount recognised to statement of Financial Performance Kshs	Amount deferred under Deferred Income Kshs	Amount recognised in the Capital Fund Kshs	Total Transfers 2022/2023 Kshs	Prior year 2021-2022 Kshs
State Department for Livestock Development	2,575,000	-	-	2,575,000	5,550,000
State Department for Livestock Development	-	-	-	-	17,500,000
State Department for Livestock Development	-	-	-	-	8,325,000
State Department for Livestock Development	-	-	-	-	8,325,000
State Department for Livestock Development	-	-	-	-	17,500,000
State Department for Livestock Development	-	-	-	-	8,325,000
State Department for Livestock Development	-	-	-	-	2,775,000
Total	2,575,000	-	-	2,575,000	68,300,000

9. Interest income	2022-2023	2021-2022
	Kshs	Kshs
Interest on bank deposits	11,983,367	16,103,837
	<u>11,983,367</u>	<u>16,103,837</u>

10. Other income	2022-2023	2021-2022
	Kshs	Kshs
Miscellaneous income	22,744	1,082,559
	<u>22,744</u>	<u>1,082,559</u>

11. Use of Goods and Services	2022-2023	2021-2022
	Kshs	Kshs
Printing and stationery expenses	4,998,628	4,895,521
Electricity and water expenses	2,067,951	1,593,863
Postage and courier expenses	1,040,300	1,138,097
Bank service charges	523,577	528,142
Professional and legal fees	2,678,804	4,895,240
Audit fees	754,000	754,000
Telephone and internet services	7,006,833	6,094,178
Uniform and clothing expenses	570,008	541,790
Contracted security and cleaning services	5,860,413	4,278,648
	<u>25,500,514</u>	<u>24,719,479</u>

12. Employees costs	2022-2023	2021-2022
	Kshs	Kshs
Personnel basic salaries	106,733,655	101,307,857
Gratuity and pension contribution	21,895,198	20,135,661
House allowances	37,773,500	34,402,150
Transport and commuter allowance	17,063,813	16,555,237
Acting allowance and responsibility allowances	880,891	1,350,988
Entertainment allowance	9,356,000	8,688,000
Extraneous allowance	10,886,100	10,096,000
Relocation and leave allowance	12,796,671	12,812,667
	<u>217,385,828</u>	<u>205,348,560</u>

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;

KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

12. Employees costs

Gratuity and Employer contribution to staff pension	2022-2023	2021-2022
	Kshs	Kshs
NSSF Employer contributions	1,000,950	371,600
Employer pension contributions	19,108,706	18,052,861
Gratuity provision for contracted staff	1,785,542	1,711,200
	<u>21,895,198</u>	<u>20,135,661</u>

13. Board members expenses

	2022-2023	2021-2022
	Kshs	Kshs
Mileage allowances	3,272,925	654,040
Travel and accommodation allowances	11,513,660	6,670,667
Lunch allowance	372,000	66,000
Sitting allowances	9,238,000	5,920,000
Chairperson's monthly allowance	1,035,480	957,000
Directors' Medical insurance	1,290,738	555,504
	<u>26,722,803</u>	<u>14,823,211</u>

14. Depreciation and amortisation expenses

	2022-2023	2021-2022
	Kshs	Kshs
Depreciation of plant, property and equipment	35,580,899	32,772,462
Amortisation of intangible assets	4,558,411	4,852,980
Amortisation of operating leases	2,186,869	2,175,505
	<u>42,326,179</u>	<u>39,800,947</u>

15. Repairs and maintenance

	2022-2023	2021-2022
	Kshs	Kshs
Maintenance of plant and equipment	2,715,162	1,055,128
Maintenance of Offices	5,676,858	2,746,237
Information technology services	4,883,598	5,125,925
	<u>13,275,618</u>	<u>8,927,290</u>

16. General and Operating expenses

	2022-2023	2021-2022
	Kshs	Kshs
Training expenses	17,436,910	14,636,523
Staff medical insurance expenses	23,988,821	17,355,326
Motor vehicle and general insurance	2,264,088	2,436,938
Staff welfare	13,012,327	22,135,997
Advertising and publicity	9,624,913	4,538,113
Rent and rates	20,512,005	20,906,872
Donations and environmental conservation	3,786,638	2,849,150
Motor vehicle running expenses	19,475,197	13,413,829
Show expenses	2,011,860	-
Travel and accommodation expenses	44,342,417	36,905,804
Laboratory expenses	8,375,725	9,927,164
Control of informal milk marketing and consumer education	40,735,959	34,329,127
Conference, exhibitions and training of stakeholders	8,279,275	4,581,332
Marketing and Benchmarking	7,190,790	4,874,573
Promotion of milk consumption	1,596,950	9,406,000
Product value addition	1,210,990	1,041,055
Organisation of stakeholders	1,539,618	3,292,695
Research and Dairy development	12,881,635	8,325,420
Policy and strengthening of regulatory framework	14,127,234	26,531,035
	<u>252,393,352</u>	<u>237,486,953</u>

BOARD
REPORT AND FINANCIAL STATEMENTS
AND THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Gain on sale of Assets	2022-2023 Kshs 571,200	2021-2022 Kshs -
Gain on disposal of property, plant and equipment		
18. Provision for bad and doubtful debts	2022-2023	2021-2022
	Kshs	Kshs
Provision for bad and doubtful debts	2,589,255	5,672,865
19. Cash and cash equivalents	2022-2023	2021-2022
	Kshs	Kshs
Current accounts	26,345,832	37,523,710
On-call deposits	158,318,746	245,032,596
Staff Housing Mortgage account	9,360,991	13,376,686
Other balances	931,336	74,065
	<u>194,956,905</u>	<u>296,007,057</u>

Detailed analysis of the cash and cash equivalents

Financial Institution	Account Number	2022-2023 Kshs	2021-2022 Kshs
(a) Current accounts			
Co-operative Bank of Kenya Limited	01136010006600	26,477,862	17,760,339
KCB Bank Kenya Limited	1103250906	(327,823)	19,566,378
National Bank of Kenya Limited	01003002830700	195,793	196,993
Sub-total		26,345,832	37,523,710
(b) On - call deposits			
KCB Bank Kenya Limited	1102653993	158,318,746	245,032,596
(c) Staff Housing Mortgage Scheme			
KCB Bank Kenya Limited	1233692348	9,360,991	13,376,686
(d) Other balances			
Undeposited funds		514,080	2,100
Mpesa Pay Bill No. 799 524		417,256	71,965
Sub-total		931,336	74,065
Total cash and cash equivalents		194,956,905	296,007,057

Receivables from non-exchange transactions	2022-2023	2021-2022
	Kshs	Kshs
Receivables from non-exchange transactions comprises of the following:-		
Levies, fines and penalties receivable	75,337,357	58,608,661
Provision for bad and doubtful debts	(52,728,774)	(50,139,519)
	<u>22,608,583</u>	<u>8,469,142</u>

21. Other receivables and prepayments	2022-2023	2021-2022
	Kshs	Kshs
Staff Car Loan Scheme - Current portion	8,181,109	6,969,929
Staff Housing Mortgage Scheme - Current portion	3,300,795	2,850,982
Deposits	4,678,341	4,678,341
Staff salary advances	2,088,115	1,234,904
Ex- Staff receivables	400,782	400,782
Provision for bad and doubtful debts	(400,782)	(400,782)
Prepayments	1,789,503	1,412,246
	<u>20,037,863</u>	<u>17,146,402</u>

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

BOARD
 REPORT AND FINANCIAL STATEMENTS
 TO THE FINANCIAL STATEMENTS
 YEAR ENDED 30 JUNE 2023

	2022-2023	2021-2022
	Kshs	Kshs
Intangible assets		
Cost		
At 1 July	35,656,054	27,450,094
Additions during the year	6,351,484	8,205,960
At 30 June	<u>42,007,538</u>	<u>35,656,054</u>
Amortisation		
At 1 July	27,450,093	22,597,113
Charge for the year	4,558,411	4,852,980
At 30 June	<u>32,008,504</u>	<u>27,450,093</u>
Net book value		
At 30 June	<u>9,999,034</u>	<u>8,205,961</u>

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.

24. Finance Leases

	2022-2023	2021-2022
	Kshs	Kshs
Balance brought forward	216,500,000	216,500,000
Revaluation during the year	-	-
At 30 June	<u>216,500,000</u>	<u>216,500,000</u>
Amortisation		
At 1 July	57,011,363	54,835,858
Charge for the year	2,186,869	2,175,505
At 30 June	<u>59,198,232</u>	<u>57,011,363</u>
Net book value		
At 30 June	<u>157,301,768</u>	<u>159,488,637</u>

Finance leases relate to Land L.R. No. 21707 in Kabete Area, Nairobi County valued at Kshs. 215,000,000 and Plot No. 205 situated in Narok Town valued at Kshs. 1,500,000. The lease for Kabete land runs for a period of 99 years from 1 April 1996 while the lease for Narok Plot runs for a period of 99 years from 1 April 2022. The value for both properties is amortised with effect from 1 April 1996 and 1 April 2022 respectively over 99 years being the period for the two leases.

25. Long term receivables from non-exchange transactions

	2022-2023	2021-2022
	Kshs	Kshs
Staff Car Loan Scheme - Non current portion	15,460,162	14,684,000
Staff Housing Mortgage Scheme - Non current portion	39,373,349	35,448,268
	<u>54,833,511</u>	<u>50,132,268</u>

26. Gratuity provision

	2022-2023	2021-2022
	Kshs	Kshs
Balance at 1 July	185,380	3,607,780
Provision for the year	1,785,542	1,711,200
Payment during the year	-	(5,133,600)
Balance at 30 June	<u>1,970,922</u>	<u>185,380</u>

Gratuity provision are payable as follows;

	2022-2023	2021-2022
	Kshs	Kshs
Within one year	74,342	-
Payable after one year	1,896,580	185,380
	<u>1,970,922</u>	<u>185,380</u>

KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

27. Trade and other payables from non-exchange transactions	2022-2023	2021-2022
	Kshs	Kshs
Payables from non exchange transactions	120,386,934	64,428,279
Payroll liabilities	13,764,419	981,531
KMR Staff Pension	109,299	109,299
KNAC Staff Pension	341,051	341,051
Alico Insurance claims	35,082	35,082
Withheld Taxes	6,874,090	1,722,579
Remission to National Treasury & Economic Planning	9,523,384	19,908,686
	<u>151,034,259</u>	<u>87,526,507</u>

28. Current provisions	2022-2023	2021-2022
	Kshs	Kshs
Leave provision	3,392,952	2,048,308
Audit fees	754,000	3,016,000
	<u>4,146,952</u>	<u>5,064,308</u>

The movement of provision during the year was as follows;	Leave Provision	Audit fees	Total
	Kshs	Kshs	Kshs
Balance at the beginning of the year	2,048,308	3,016,000	5,064,308
Payment during the year	-	(3,016,000)	(3,016,000)
Additional provision during the year	1,344,644	754,000	2,098,644
Balance at the end of the year	3,392,952	754,000	4,146,952

29. Deferred Income	2022-2023	2021-2022
	Kshs	Kshs
National Government	490,258,170	490,258,170
International Funders	-	-
	<u>490,258,170</u>	<u>490,258,170</u>

The deferred income movement during the year was as follows;	National Government	International Funders	Total
	Kshs	Kshs	Kshs
Balance brought forward	490,258,170	-	490,258,170
Received during the year	2,575,000	-	2,575,000
Recognised in the statement of financial performance	(2,575,000)	-	(2,575,000)
Balance carried forward	490,258,170	-	490,258,170

30. Refundable deposits	2022-2023	2021-2022
	Kshs	Kshs
Payments received in advance	30,881,787	38,835,422
	<u>30,881,787</u>	<u>38,835,422</u>

31. Revaluation reserves	2022-2023	2021-2022
	Kshs	Kshs
At start of year	159,488,637	161,664,142
Transfer of excess depreciation on revaluation	(2,186,869)	(2,175,505)
	<u>157,301,768</u>	<u>159,488,637</u>

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 Kshs. 216,500,000 by Chief Government Valuer, Ministry of Lands, Housing and Urban Development in the reports dated February 2015.

BOARD
REPORT AND FINANCIAL STATEMENTS
THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2023

Accumulated surplus	2022-2023	2021-2022
This comprises of accumulated surplus over the years.	Kshs	Kshs
At start of the year	53,275,769	100,245,373
Prior year adjustment	-	(35,000,000)
Surplus for the year	1,058,154	854,891
Transfer of amortisation from revaluation reserves to accumulated surplus	2,186,869	2,175,505
Transfer to Staff Housing Mortgage Scheme	-	(15,000,000)
	<u>56,520,792</u>	<u>53,275,769</u>

Prior year adjustment relates to funding for the Staff Housing Mortgage Scheme that was offset against the capital grants received to finance the ongoing construction of the National Dairy Laboratory Complex as opposed to Accumulated Surplus in the year ended 30 June 2018.

33. Capital Funds	2022-2023	2021-2022
	Kshs	Kshs
Staff Car Loan Scheme	25,663,556	24,603,663
Staff Housing Mortgage Scheme	52,035,135	51,675,936
	<u>77,698,691</u>	<u>76,279,599</u>

The Capital Funds movement during the year was as follows;	Staff Car Loan Scheme	Staff Housing Mortgage Scheme	Total
	Kshs	Kshs	Kshs
Balance brought forward	24,603,663	51,675,936	76,279,599
Prior year interest under provision	1,419	-	1,419
Interest earned during the year	1,058,474	359,199	1,417,673
Balance carried forward	25,663,556	52,035,135	77,698,691

34. 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:

Financial assets	Total amount	Fully Performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Receivables from non-exchange transactions	75,337,357	22,608,583	52,728,774	52,728,774
Other receivables and prepayments	20,438,645	20,037,863	400,782	400,782
Cash and cash equivalents	194,956,905	194,956,905	-	-
	<u>290,732,907</u>	<u>237,603,351</u>	<u>53,129,556</u>	<u>53,129,556</u>

Financial assets	Total amount	Fully Performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Receivables from non-exchange transactions	58,608,661	8,469,142	50,139,519	50,139,519
Other receivables and prepayments	17,547,184	17,146,402	400,782	400,782
Cash and cash equivalents	296,007,057	296,007,057	-	-
	<u>372,162,902</u>	<u>321,622,601</u>	<u>50,540,301</u>	<u>50,540,301</u>

KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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 a significant concentration of credit risk on amounts due from New Kenya Co-operative Creameries Limited considering that the entity is wholly owned by the Government as well as Lari Dairy Alliance and Countryside Dairy Limited which are 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 2023				
Gratuity provision	-	-	1,970,922	1,970,922
Trade and other payables	151,034,259	-	-	151,034,259
Current provisions	4,146,952	-	-	4,146,952
Deferred Income	-	-	490,258,170	490,258,170
Refundable deposits	30,881,787	-	-	30,881,787
	186,062,998	-	492,229,092	678,292,090

Payables	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Gratuity provision	-	-	185,380	185,380
Trade and other payables	87,526,507	-	-	87,526,507
Current provisions	5,064,308	-	-	5,064,308
Deferred Income	-	-	490,258,170	490,258,170
Refundable deposits	38,835,422	-	-	38,835,422
	131,426,237	-	490,443,550	621,869,787

(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 & Accounting 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 2023.

(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.

BOARD
REPORT AND FINANCIAL STATEMENTS
TO THE FINANCIAL STATEMENTS
THE YEAR ENDED 30 JUNE 2023

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 would cause a decrease in the surplus from Kshs. 10,581,538 to Kshs. 8,869,628. A rate decrease of 5% would result in a decrease in the surplus from Kshs. 10,581,538 to Kshs. 2,021,990.

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:

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserves	157,301,768	159,488,637
Accumulated surplus	56,520,792	53,275,769
Capital funds	77,698,691	76,279,599
Deferred Income	490,258,170	490,258,170
Total funds	781,779,421	779,302,175
Less: Cash and bank balances	(194,956,905)	(296,007,057)
Net Shareholder equity	586,822,516	483,295,118
Gearing	75.1%	62.0%

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

- i) Ministry of Agriculture & Livestock Development
- ii) New Kenya Co-operative Creameries Limited
- iii) Board of Directors
- iv) Key Management

	2022-2023	2021-2022
	Kshs	Kshs
(a) Related party transactions		
Revenue received from New Kenya Co-operative Creameries Limited	34,753,239	45,289,416
Car loans and advances granted to Key management	5,400,000	3,240,000
(b) Grants from Government		
Grants received from Government of Kenya	2,575,000	68,300,000
(c) Key management compensation		
Allowances paid to Board Members	26,722,803	14,823,211
Compensation to Managing Director	7,200,000	12,960,873
Compensation to Key management	25,493,938	23,343,678
(d) Due from related parties		
Due from New Kenya Co-operative Creameries Limited	57,373,492	43,273,233
Car loans and advances due from Key management	6,714,955	3,995,272
Staff Housing Mortgage Loans due from Key management	19,915,131	21,858,557

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

36. Contingent liabilities	2022-2023	2021-2022
	Kshs	Kshs
Court case No. HCCC No. 763 of 2003 - Dairycom (K) Limited	2,640,000	2,640,000
Meru ELRC. No. 5 Eunice Nyaga Vs Kenya Dairy Board	785,153	785,153
CMCC No. 992 of 2014 Thika: Esther Mumbi Kamunu Vs Aganyo Evans and 2 others	-	-
	<u>3,425,153</u>	<u>3,425,153</u>

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 case was determined in a ruling dated 24 February 2020 in favour of Dairycom (K) Limited. The Board has provided Kshs. 2,640,000 in its Trade and other payables from non exchange transactions to cater for the Court award. Consequently, 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.

Meru ELRC. No. 5 Eunice Nyaga Vs Kenya Dairy Board: Eunice Nyaga, an employee of Kenya Dairy Board (KDB) filed a suit against the Board claiming that she was illegally and unfairly interdicted and later demoted from the position of Branch Manager in the course of her employment. The case was referred to the Office of the Attorney General. However, there was no appearance on behalf of KDB and an *ex parte* judgement was endorsed. The Court found that Eunice had proved her case on a balance of probability and entered judgement in her favour as prayed as well as Kshs. 500,000 as general damages. The Board was not served with the judgement and in January 2021, the Board received a warrant to attach the Board's assets in Meru Branch or otherwise pay a decretal amount totalling Kshs. 785,153.

The Board sought an injunction for the attachment of the assets and the Judge sitting at Milimani Labour Court agreed to issue an injunction on condition that the decretal amount of Kshs. 785,153 is deposited in the Court's Account. The Board has since appealed the trial court decision.

CMCC No. 992 of 2014 Thika: Esther Mumbi Kamunu Vs Aganyo Evans and 2 others (Kenya Dairy Board): Esther Mumbi Kamumu is claiming compensation for injuries sustained in a road accident which involved a vehicle which was previously owned by a Kenya Dairy Board staff. The Board was enjoined in the case since it had procured the fleet insurance cover under which the car was insured prior to the disposal and the new owner may not have obtained a new insurance policy for the vehicle.

b) Outstanding Insurance Claim

During the financial year ended 30 June 2018, the Board lost a Computer and a Scanner through theft in its Branch Office in Olkalau. The total cost of the assets was Kshs. 101,470 and a net book value was nil as at 30 June 2023. The Board lodged a claim with the Insurance Company and the cost of the lost items is still included in the cost element of Property, Plant and Equipment.

37. Capital commitments	2022-2023	2021-2022
	Kshs	Kshs
a) Authorised and contracted for: Proposed erection and completion of National Dairy Laboratory at Upper Kabete, Nairobi.	-	13,371,155
b) Authorised and contracted for: Supply, Delivery, Installation, Testing and Commissioning of Low Level Water Tank at Upper Kabete, Nairobi	-	377,230
c) Authorised and contracted for: Supply, Installation, Configuration, Testing and Commissioning of an Enterprise Resource Planning (ERP) Solution	4,983,824	1,367,660
d) Authorised and contracted for: Proposed erection and completion of Kenya Dairy Board Administration Block and Associated Works at Upper Kabete, Nairobi	25,144,406	63,109,303
e) Authorised and contracted for: Supply, Delivery, Installation, Testing and Commissioning of Electrical Installation Works at Upper Kabete, Nairobi	4,479,085	24,077,781
f) Authorised and contracted for: Supply, Delivery, Installation, Testing and Commissioning of Lifts Installation Works at Upper Kabete, Nairobi	6,599,138	17,570,064
g) Authorised and contracted for: Supply, Delivery, Installation, Testing and Commissioning of Generator Set Installation Works at Upper Kabete, Nairobi	3,506,124	11,466,289
h) Authorised and contracted for: Supply, Delivery, Installation, Testing and Commissioning of Air Conditioning Installation Works at Upper Kabete, Nairobi	5,333,568	14,601,952
i) Authorised and contracted for: Supply, Delivery, Installation, Testing and Commissioning of IP CCTV, Access Control, IP PBX, Audio Visual and Structured Cabling Installation Works at Upper Kabete, Nairobi	11,149,982	22,452,397
j) Authorised and contracted for: Supply of Isuzu Mini Bus 30-35 Passangers Diesel, NQR81K COWL	7,087,300	-
	<u>68,283,427</u>	<u>168,393,831</u>

BOARD
 REPORT AND FINANCIAL STATEMENTS
 TO THE FINANCIAL STATEMENTS
 YEAR ENDED 30 JUNE 2023

Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the financial statements after the end of each financial year. In line with this legal requirement, the Board has made a provision to remit Kshs. 9,523,384 (Financial Year 2022, Kshs. 7,694,024) to the National Treasury and Economic Planning

The surplus Remission has been computed as follows;	2022-2023 Kshs	2021-2022 Kshs
Surplus for the period	10,581,538	8,548,915
Less: Allowable deduction by the National Treasury	-	-
90% computation (Included in Statement of Financial Performance)	9,523,384	7,694,024

Surplus payable	2022-2023 Kshs	2021-2022 Kshs
Payable at the beginning of the year	19,908,686	16,737,659
Provision for the year	9,523,384	7,694,024
Paid during the year	(19,908,686)	(4,522,997)
Payable at the end of the year	9,523,384	19,908,686

Cash generated from operations	2022-2023 Kshs	2021-2022 Kshs
Surplus from operating activities	1,058,154	854,891
Add back: Depreciation	35,580,899	32,772,462
Amortisation of intangible assets	4,558,411	4,852,980
Amortisation of finance leases	2,186,869	2,175,505
Less: Gain on disposal of non current assets	(571,200)	-
Interest income	(11,983,367)	(16,103,837)
	<u>30,829,766</u>	<u>24,552,001</u>
Adjustment for changes in working capital		
(Increase) / decrease in receivables from non-exchange transactions	(14,139,441)	1,026,170
(Increase)/decrease in other receivables and prepayments	(2,891,461)	15,504,270
Increase in trade and other payables from non-exchange transactions	63,507,752	12,384,925
Increase / (decrease) in provisions	868,186	(620,092)
(Decrease)/ increase in refundable deposits	(7,953,635)	26,385,707
	<u>39,391,401</u>	<u>54,680,980</u>
Net cash flow generated in operating activities	<u>70,221,167</u>	<u>79,232,981</u>

40. Events after the reporting period

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

41. Ultimate Holding Entity

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

42. Currency

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

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

APPENDIX I: PROJECTS IMPLEMENTED BY THE BOARD

Projects

Projects implemented by the Board funded by the Government.

Project Title	Project No.	Donor	Period/ Duration	Donor Commitment	Separated reporting as per the agreement	Consolidated in the financial statements
Construction of National Dairy Laboratory Complex	1162103300	N/A	10 Years	N/A	No	No

Status of Project completion

During the year, the Board continued with the development of the National Dairy Laboratory Complex at Upper Kabete, Nairobi. This project is funded by Government Grants.

Project	Total Project Cost Kshs	Total Expended to Date Kshs	Completion % to date	Budget Kshs	Actual Kshs	Sources of funds
Construction of National Dairy Laboratory Complex	857,000,000	508,911,114	59.4%	509,008,170	508,911,114	GoK

The ongoing project had received a total funding of Kshs. 490,258,170 as at the 30 June 2023. However the completion rate as at the close of the year was 59.4% with total payments of Kshs. 508,911,114. In the year ended 30 June 2023, the Board was allocated Kshs. 18,750,000 as capital grant to finance the project implementation and the Authority to Incur Expenditure (AIE) of the same was issued. However, the exchequer for the same was not released. The Boundary wall, Gate House and Electric fence, civil works as well as erection and completion of the Laboratory wing were completed and handed over in the previous years. Similarly, the Board has continued to equip the Laboratories and are fully in use. During the year, the Board proceeded to Phase II of the project which entailed erection and completion of Kenya Dairy Board Administration Block and Associated Works. The Administration Block was completed as per the plan and the Board has since relocated from NSSF Building to the new Head Quarters in Upper Kabete.

ANNEX II: INTER ENTITY TRANSFERS

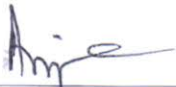
ENTITY NAME: KENYA DAIRY BOARD

Breakdown of Transfers from the State Department for Livestock Development

(a) Recurrent Grants	Bank statement	Amount (Kshs)	Financial year to which the amount relate
State Department for Livestock Development	23-Sep-22	2,575,000	2022/2023
Total		2,575,000	

(b) Development Grants	Bank statement	Amount (Kshs)	Financial year to which the amount relate
State Department for Livestock Development	N/A	-	2022/2023
Total		-	

The above amount has been communicated to and reconciled with the Ministry of Agriculture & Livestock Development (State Department for Livestock Development). The Board did not receive any Development Grant during the year despite the allocation of Kshs. 18,975,000 and issuance of the Authority to Incur Expenditure (AIE).



Finance Manager
 Kenya Dairy Board

KENYA DAIRY BOARD
 ANNUAL REPORT AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2023

APPENDIX III: 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 for Livestock	23-Sep-22	Recurrent	2,575,000	2,575,000	-	2,575,000
			2,575,000	2,575,000	-	2,575,000

The above amount has been communicated to and reconciled with the Ministry of Agriculture & Livestock Development (State Department for Livestock Development). The Board did not receive any Development Grant during the year despite the allocation of Kshs. 18,975,000 and issuance of the Authority to Incur Expenditure (AIE).

ANNEX IV: CLIMATE RELEVANT EXPENDITURES

Name of the Organisation: Kenya Dairy Board
Telephone Number: 0722 573 432
Email address: info@kdb.co.ke
Name of CEO/MD: Margaret R. Kibogy, OGW.

Project Name	Project Description	Project Objectives	Project Activities	Expenditure Kshs	Source of Funds	Implementing Partners
N/A	N/A	N/A	N/A	N/A	N/A	N/A
				-		

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

APPENDIX V: DISASTER EXPENDITURE REPORTING

Date: 28 September 2023						
Entity: Kenya Dairy Board						
Period to which report refers (FY): Year ended 30 June 2023						
Name of Reporting Officer: Edward Nyoike						
Contacts of Reporting Officer:		Email: nyoike.edward@kdb.co.ke		Telephone: 0704 390943		
Column I Programme	Column II Sub-Programme	Column III Disaster Type	Column IV Category of disaster related activity that requires expenditure reporting	Column V Expenditure item	Column VI Amount Kshs	Column VII Comments
Livestock Resources and Market Development Support Services	Kenya Dairy Board	N/A	N/A	N/A	N/A	N/A