

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA DAIRY BOARD

**FOR THE YEAR ENDED
30 JUNE, 2022**



KENYA DAIRY BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2022

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

**KENYA DAIRY BOARD
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KEY BOARD'S INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2022 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.	Senior Supply Chain Management Officer	Dorothy Owino

(e) Fiduciary Oversight Arrangement

Audit Committee of the Board

Philip Kipkoech Kibusie
Dr. Joshua Chepchieng**
Munyembo Mwachala*
Monica W. Kariithi
Kenneth Pkemoi Lomaibong

* Retired in August 2021

** Appointed in August 2021

Finance and Planning Committee of the Board

Roy Mugo Kaugi
CPA. Jonah Wala
Dishon Mwanzighe Mngoda
Dr. Joshua Chepchieng
Jared Makworo Nyamumba*
Jackson Omaido*

* Retired in May 2022.

Technical, Licensing and Marketing Committee of the Board

Kenneth Maitamei Thimba**
CPA. Kennedy Gatheru
Monica W. Kariithi
Mukina Kivuvani**

** Appointed July 2022.

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KEY BOARD'S INFORMATION AND MANAGEMENT (Continued)

Human Resource and Administration Committee of the Board

Mukina Kivuvani**
Kenneth Pkemoi Lomaibong
Kenneth Maitamei Thimba**
Dishon Mwanzighe Mngoda
Sarah C. Boit*
Rosemary Mbauni*

* Retired in May 2022.

** Appointed July 2022.

(f) Kenya Dairy Board Headquarters

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

(g) Contacts

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

(h) Bankers

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 Auditors

The 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
Harambee Avenue
P. O. Box 40112
City Square 00200
Nairobi, Kenya

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THE BOARD OF DIRECTORS



Dr. Ignatius Kahiu
Chairman

Dr. Ignatius Kahiu 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. Kahiu is a Veterinarian by training and he has a solid understanding of pastoralist systems, having worked and lived in ASAL areas. All of the programs he has managed have improved livestock, agricultural development and market systems, including advancements in support services and the enabling environment. Dr. Kahiu holds a 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. Kahiu 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.



Anthony Ian Njoroge Mutugi
Chairman

Mr. Anthony Mutugi was a Non- Executive Chairman of the Board till his retirement in May 2022. He is a holder of Bachelor of Science Degree in Agriculture from University of Nairobi with extensive experience in Agronomics, Tea and Coffee Production Management and Resource Management. He currently the General Manager and Director, Riverdale Blooms Limited. Previously, Mr. Mutugi has served as the Mill Operations Manager at Socfinaf Coffee Mills - Oaklands Estate Ruiru, Managing Director, Tropical Farm Management Tanzania Limited in Moshi, among other Senior Management positions.



Margaret Rugut Kibogy, OGW
CEO/Secretary to the Board

Margaret Rugut Kibogy was appointed in May 2016 as the Managing Director, Kenya Dairy Board. Ms. Kibogy brings on board experience in Business Growth, Management and Marketing having served in the Banking Industry in various capacities. She 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.



CPA. Jonah Wala

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



CPA. Kennedy Gatheru

CPA. Kennedy Gatheru is Non- Executive Director of the Board. 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 FMCG 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.



Monicah Kariithi

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

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THE BOARD OF DIRECTORS



Philip Kipkoech Kibusie

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



Kenneth Kimoi Lomaibong

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



Dishon Mwanzighe Mngoda

Mr. Dishon M. Mngoda is a Non - Executive Director of the Board. 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 Taika 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 is a Non- Executive Director of the Board. 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.



Mukina Kivuvani

Ms. Mukina Kivuvani joined the Board as Non-Executive Director on 13 July 2022. 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 Arab 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 joined the Board as a Non- Executive Director on 13 July 2022. 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.



Dr. Joshua Chepchieng, HSC

Dr. Joshua Chepchieng Joined the Board as alternate Director to the Principal Secretary, State Department for Livestock - Ministry of Agriculture, Livestock, Fisheries and Cooperatives in August 2021. He is an Administrator and a Leader with over 20 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).

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THE BOARD OF DIRECTORS



Muryembo Mwachala

Mr. Muryembo Mwachala was appointed in January 2021 and served as the alternate Director to the Principal Secretary, State Department for Livestock - Ministry of Agriculture, Livestock, Fisheries and Cooperatives till August 2021. He holds an Executive Master of Business Administration (Jomo Kenyatta University of Science and Technology), Master of Arts in International Studies (University of Nairobi) and Bachelor of Arts degree from the University of Nairobi. In addition, he has attended various courses and training both locally and internationally as part of his professional development. He has served the Government of Kenya in various capacities raising through the ranks from District Officer Cadet to Director of Administration in the Ministry of Agriculture, Livestock, Fisheries and Cooperatives - State Department for Livestock.



Mrs. Sarah Boit

Mrs. Sarah Boit was a Non - Executive Director of the Board till her retirement in May 2022. She has over 25 years experience as career educator where she rose to the position of TAC Tutor in charge of Eldoret Municipality. She is also an astute businesswoman having taken over the proprietorship and management of the Large Scale Kapsuswa Farm as well as Kaptindo Tea Estates turning them into well-managed profitable ventures. She has extensive hands-on experience in dairy management, production technology and resource management.



Jared Nyanumba

Mr. Jared Nyanumba was a Non- Executive Director of the Board till his retirement in May 2022. A holder of MSc Procurement and Logistics -Jomo Kenyatta University of Agriculture & Technology and Bachelor of Arts in Education of the University of Nairobi. He is passionate about Business Strategy Development and implementation having worked in various capacities in Fast Moving Consumer Goods, Insurance and Banking Industries.



Jackson Omaido

Mr. Jackson Omaido was a Non - Executive Director of the Board till his retirement in May 2022. He is a holder of a Bachelor of Arts Degree in Graphic Design - from the University of Nairobi. He has extensive experience in training, farming as well as management. He is the current Executor and Trustee (Director) of Amagoro Farm which specializes in Cash Crops and Dairy farming. He has also served as the Founding Director, Environmental Concern in Kenya among other senior positions.



Rosemary W. Mbauni

Mrs. Rosemary Wangechi Mbauni joined the Board as a Non- Executive Director on 14 December 2018 till her retirement in December 2021. She is a seasoned dairy farmer and strong member of Nyala Dairy Multipurpose Co-operative Society Limited. She is excellent in community mobilization as well as organisation and management of public initiatives. She has held various positions in the Church where she is currently serving as the Chairlady to The African Independent Pentocostal Church of Africa (A.I.P.C.A.), Ndaragwa Parish.

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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.



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

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 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, Forensic and Investigative Auditor and Certified Internal Auditor (CIA). He is currently pursuing Certified Forensic Investigation Professional (CFIP) Accreditation. Has attended Senior Management Course and Strategic Leadership Development Programme from Kenya School of Government. He is a member of the Association of Certified Fraud Examiners(ACFE) 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 & Supply (CIPS).

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CHAIRMAN'S STATEMENT

The dairy sector and indeed the Kenya Dairy Board achieved a lot of strides and successes in the financial year 2021/22. Dairy production stood at 5.5 billion litres while the formal sector grew from 775 million litres to 835 million litres representing an increase of 7.7%. This meant positive growth in formal milk intakes for dairy producers, dairy business operators and other players along the value chain.

The Board is mandated to improve and control the dairy industry and its products. This gives us a framework to regulate and promote the dairy industry in Kenya. In pursuit of this mandate and to ensure that the dairy industry remains the investment of choice, the Board undertook a number of activities and programs during the financial year.

The dairy industry continues to operate with the old Dairy Industry Act which was enacted upon the establishment of the Board in 1958. The Act has had very minimal amendments since then, despite several changes in the dairy business environment. Having recognized this, the Ministry of Agriculture, Livestock, Fisheries and Cooperatives constituted a multi-sectoral team with the Board as the secretariat to review the Act. The review process was initiated and significant progress has been made since then with a Dairy Industry Bill drafted and exposed to several stakeholders. The review among others seeks to align the Act with constitutional changes including devolution, and address the dynamics in the dairy business environment including technological changes, changing consumer preferences, globalization, and increasing demand for quality and safe milk products.

The Board with the support of the government constructed and fully equipped a state-of-the-art National Dairy Regulatory Laboratory. The lab is now fully operational offering regulatory testing services to the industry. This coupled with testing services undertaken by our field staff saw compliance to milk quality and safety requirements reach an impressive high of 97.9%.

The Board's programs and activities are guided by a strategic plan. Each plan is based on a five-cycle period with a mid-term review. The current strategy was due to end by the end of the 2021/22 financial year. The Board thus embarked on the development of a new Strategic Plan 2022/2027. This will provide a road map for the Board for the next five years.

The Board highly values the communities which live around us. The Board recognizes that their support and cooperation is very crucial for our survival as an industry and as a Board. We therefore undertook a number of community engagements including tree planting, donations of testing equipment, donations of dairy products as well as donations of milk cans to dairy cooperatives and farmer groups to encourage the use of recommended milk containers.

The country just like the rest of the world was coming out of the COVID-19 pandemic which devastated many economies of the world as well as had many human casualties. The dairy sector though fairly resilient had also experienced the effects of the pandemic. To help the industry recover, the Board developed a post-covid recovery strategy. It is hoped that with the implementation of the strategy, the sector will fully bounce back to its vibrancy and sustainable levels.


However, despite these successes, the industry has not been without challenges that have slowed down the sector from achieving its full potential.

Changing weather patterns remains a key challenge. Dairy just like many agricultural activities in the country is rain-dependent. Unfortunately, during the year, the rains failed or fell below normal in many parts of the country. This led to prolonged drought leading to scarcity of milk and thus supply disruptions increasing processing and marketing costs which eventually led to unprecedented high

The high cost of milk production affected milk production and profitability at the farm level. It has also affected milk intake affecting other players along the value chain. The high cost of milk production was mainly attributed to the high cost and quality of animal feeds. Other contributory factors included high taxation on inputs, low adoption of technology and inefficiencies at the farm level where the producers take dairy farming as a make-feel-good activity as opposed to economic or commercial activity.

Growth of population and the economy coupled with increased urbanization will lead to increased milk demand. This will eventually outstrip the milk supply. Demand for improved service delivery by our stakeholders will also increase. There is thus a need for concerted efforts by the Board and all other players to work together to address these emerging issues.

Moving forward, the outlook for the industry in the coming year looks very promising. As I conclude, therefore, I want to give my commitment that the Board will strive to build on the gains made so far and take the industry to the next level. This will ensure that the sector continues on its upward growth trajectory. This will ensure that we build a globally competitive dairy industry as is envisaged in our vision statement.


Dr. Ignatius Gathigi Kahiu
Chairman of the Board

Nairobi, Kenya

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REPORT OF THE MANAGING DIRECTOR

Kenya Dairy Board was established in 1958 by the Dairy Industry Act Cap 336 to improve and control the dairy industry and its products. This mandate involves regulating, developing, and promoting the dairy industry for increased productivity, compliance and market access of dairy produce. Our services to the industry are delivered by our Head Office in Nairobi, National Dairy Regulatory Laboratory in Kabete, Nairobi, and twenty-seven branch offices strategically located to serve stakeholders and members across the country. The dairy industry and the Board, despite several challenges, achieved important milestones in the 2021/2022 FY.

From the industry perspective, the key milestones included increased formalization of milk marketing; higher producer prices per litre of milk averaging Kshs 42.94 in 2021 compared to Kshs 33.21 in 2020; and an increase in payment to farmers delivering milk to the formal sector from Kshs 22.72 billion in 2020 to Kshs 33.68 billion in 2021. Milk production over the period was however limited by poor short rains and prolonged drought in the second half of 2021 and first half of 2022 respectively. This affected supply of milk to the market, which was manifested in sporadic shortages and high retail prices of milk in most parts of Kenya, especially in the first few months of 2022. The cost of animal feeds, which is one of the most important inputs in dairy farming, significantly increased over the period affecting productivity and the cost of producing milk. To mitigate this challenge, the Government approved duty-free importation of 577,050 metric tonnes of assorted feed raw materials by licensed millers between 31 October 2021 and 31 October 2022. The expected relief to the industry was however limited by the prevailing global shortage and high prices of feed raw materials. The Government also initiated the establishment of a public land leasing framework, which when implemented, will enhance access by the private sector to land for agricultural production including dairy and related activities such as fodder production.

As a Board, we successfully implemented the activities as scheduled in our Strategic Plan (2017 – 2022), Performance Contract (2021/2022), and budget (2021/2022). On the regulatory framework and compliance, the Board fully operationalized the implementation of the Dairy Industry Regulations which were gazetted on 26th February 2021. These included conducting 6,125 inspections on Dairy Business Operators to assess the level of compliance, issuing 1,274 regulatory permits to Dairy Business Operators, and subjecting sampled milk and milk products to 73,212 quality and safety tests to assess the level of compliance and consumer protection. The numbers achieved on these activities were in all cases above the set targets, amounting to a 100% plus performance. Operationalization of the laboratory continued within the period, with more samples collected and tested; commencement of business planning to entrench long-term sustainability of the laboratory; and initiation of ISO 17025 accreditation. The latter involved training of staff on the accreditation process and the development of pre-accreditation mandatory documents. This accreditation will demonstrate that our laboratory operates competently and generates valid, reproducible and credible results. Revision of the Dairy Industry Act Cap 336 and our strategic Plan (2022/23 to 2026/27) were also initiated. To drive consumers' demand for quality and safe milk, the Board continued to implement consumer education activities including audiovisual outdoor promotions in 19 counties, 16 roadshows as well as activations in three radio stations.

On institutional capacity building for enhanced service delivery to the industry and stakeholders, the Board continued to implement the Enterprise Resource Planning (ERP) system, which seeks to automate our key processes, both internal and external. The system will enhance interaction and service delivery to external stakeholders in areas of premise inspections, application and issuance of regulatory permits, and submission of monthly returns. Construction of Phase II of the National Dairy Regulatory Laboratory Complex progressed within the period to a completion rate of 42%. Financially, the revenue collected by the Board grew by 17% from Kshs 466.65 million in 2020/21 to Kshs. 545.33 million in 2021/22. The budgeted activities were all completed within the set budgetary and time limits, ensuring 100% absorption of the available funds.

Some of the challenges experienced by the Board in 2021/22 included reduction of recurrent funding by the exchequer, which affected the implementation of some activities; limited institutional capacities in some areas such as staffing levels and county coverage; a prolonged drought that disrupted milk production and supply leading to high retail prices of milk; and inadequate low purchasing power amongst consumers affecting consumption of dairy products.

However, despite these challenges, the dairy industry remains a highly vibrant and viable enterprise. The demand for milk is growing in the retail and industrial milk market nationally, regionally and in other export markets, setting up a perfect stage for the growth of the Kenyan dairy industry.



Margaret Rugut Kibogy, OGW
Managing Director.

Nairobi, Kenya

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STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/22

Kenya Dairy Board had five strategic key result areas (KRA) within the Strategic Plan of 2017 to 2022. These result areas were as follows:

- a) KRA 1: Compliance and Quality Assurance
- b) KRA 2: Industry support
- c) KRA 3: Research, Innovation, and learning
- d) KRA 4: Customer focus
- e) KRA 5: Institutional capacity

The Board develops its annual work plans based on the above KRA's. Assessment of the Board's performance against this plan is done on a quarterly basis. The Board achieved its performance targets set for the FY 2021-2022 period in the five strategic key results areas as summarized in the table below:

Strategic Key Result Area	Objective	Key Performance Indicators	Activities	Achievements		
KRA 1: Compliance and Quality Assurance	To strengthen dairy policy and regulatory framework, compliance and enforcement	Reviewed Dairy Industry Act, Cap 336	•Establishment of a multi-stakeholder task force to review the Dairy Industry Act Cap 336.	The Act was reviewed by the task force and stakeholders' input was incorporated.		
			•Drafting of a revised Dairy Industry Act Cap 336 by the multi-stakeholder taskforce			
			•Presentation of the Reviewed Bill to the Board of Directors for input.			
			Implementation of the Dairy Industry Regulations, 2021.		Development of a framework for the implementation of the regulations	Implementation framework developed and implemented
			Development of an abridged version of the regulations		Abridged version of the regulations developed and distributed.	
			Building capacity of all compliance officers on the Dairy Industry Regulations		Sixty-three Compliance Officers sensitized	
	Improve and Control the Quality and Safety of Dairy Produce.	Enhanced Compliance to Quality and Safety of dairy produce.	Countrywide sensitizations of stakeholders on the Dairy Industry Regulations	Countrywide sensitization of stakeholders was undertaken.		
			Quarterly monitoring of the implementation of the Regulations.	Quarterly monitoring done		
			Quarterly inspections of 1,200 milk handling premises.	6,125 premises inspections were conducted against an annual target of 4,800		
			Issue 1,200 regulatory permits to dairy business operators countrywide.	1,274 regulatory permits were issued against an annual target of 1,200.		
		Undertake at least three joint quarterly enforcement programs of the Dairy Industry Act Cap 336 in major milk production and marketing areas.	18 Joint operations were conducted against an annual target of 12 programs.			

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STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/22

Strategic Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
KRA 1: Compliance and Quality Assurance	Improve and Control the Quality and Safety of Dairy Produce.	Enhanced Compliance to Quality and Safety of dairy produce.	Conduct 60,000 tests on the quality and safety of dairy produce and undertake follow-up actions where necessary.	73,212 quality and safety tests conducted, results disseminated and corrective and preventive actions initiated.
			Conduct bi-annual validation of milk intakes and quality data in premises handling above 500 liters per day.	Bi-annual validation was conducted on mini dairies and processing plants.
			Procurement, distribution and sensitization of 50 Compliance Officers on the Kenyan Code for hygienic practice for milk and milk products.	Code of practice procured, distributed and 50 Compliance Officers sensitized.
			Biannual supervision and mentorship of staff in all branches.	Supervision and mentorship were conducted across all KDB Branches.
			Development of a business plan and service fee structure for the National Dairy Regulatory Laboratory.	The consultant engaged to develop a business plan and service fee structure for the National Dairy Regulatory Laboratory.
			Develop a documentary to market the services rendered by the laboratory	Documentary to promote the laboratory developed and uploaded on media platforms.
			Sensitize at least 3,000 stakeholders on the services offered by the laboratory.	3,230 dairy industry stakeholders were sensitized on services offered by the laboratory through field days and trainings.
			Engage a consultant to guide in the accreditation of the laboratory to ISO 17025 standards.	Engaged a consultant to guide in the accreditation of the laboratory to ISO 17025 standards.

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STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/22

Strategic Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
			Develop a framework and pre-requisite documentation for accreditation of the laboratory to ISO 17025 standards.	Mandatory pre-requisite documentation for ISO 17025; 2017 Accreditation developed.
KRA 2: Industry support	To enhance the capacity of stakeholders to produce and deliver quality and safe dairy produce and expand market access by 5%	The volume of milk marketed formally	Support the industry to increase the volume of formally marketed milk from 775 to 825 million litres	834.84 million litres of milk marketed formally
		Number of DBOs trained	Build capacity of 1,000 Dairy Business Operators on dairy productivity and hygiene.	2,909 Dairy Business Operators and primary producers trained
		No. of documentaries developed	Develop and disseminated a documentary on the hygienic fermentation of milk	Documentary developed and disseminated to stakeholders
		Number of forums held	Organize a forum to showcase product value addition technologies.	Two forums held
		No. of field days organized	Organize three field days to promote productivity by primary producers and dairy business operators	Organized and participated in 11 field days
		Number of trade facilitation events held or participated	Participate in three trade events to promote market access for Kenyan dairy produce in the domestic and export markets	Participated in 5 key events to promote market access for Kenyan milk and milk products
		Number of dairy standards developed or	Develop or review 4 dairy standards	8 dairy standards developed or reviewed
KRA 3: Research, innovation, and learning	To embrace quality research, innovations and adoption of research findings	Number of bi-annual studies conducted	Undertake bi-annual studies on the cost and profitability of milk production in Kenya	Bi-annual studies were conducted internally and the Consultant was contracted to externally conduct the surveys over the next two years.
		Quarterly monitoring and reporting	Quarterly monitoring and reporting data on intakes, prices, exports and imports of milk	Quarterly monitoring and reporting done
KRA 4: Customer focus	To enhance visibility and awareness of the role of the Board	Improved visibility and profile of the Board	Branding of the Board's vehicles	Branded 3 field vehicles with corporate colors in Bungoma, Thika and Embu branches

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STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/22

Strategic Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
KRA 4: Customer focus	To enhance visibility and awareness of the role of the Board	Enhance consumption of quality and safe milk	Implementation of consumer education and sensitization campaign	<p>Audio-visual promotions held in 19 counties</p> <p>Radio activations were done in Citizen, Inoero and Changei FM</p> <p>Advertorial done in the Standard Newspaper and Corporate Watch Magazine</p> <p>Roadshows conducted in 16 counties</p> <p>Production and distribution of promotional materials</p> <p>Social media communication</p>
			Implementation of Customer Service Charter	Commitments and standards in the charter implemented 100 %
			Resolving of Customer complaints	All complaints received were timely resolved

Table 1: Performance of the Board against set targets in 2021-2022

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 organised every year 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.

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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	2021-2022	2020-2021
	Kshs	Kshs
Mileage, accommodation, lunch and sitting allowances	13,310,707	15,297,598
Chairperson's monthly allowance	957,000	1,044,000
Directors' Medical insurance	555,504	668,481
	14,823,211	17,010,079

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.

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CORPORATE GOVERNANCE STATEMENT (Continued)

BOARD RESPONSIBILITIES

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

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

Responsibilities of Individual Board Members

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

Principles of Public Service

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

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

BOARD AND COMMITTEES MEETINGS

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 three full board meetings in the financial year 2021/2022. No full Board meetings were held in the third and fourth quarters since the Board was not quorate with the expiry of the term of some of the Board members. The attendance of the Board members was as follows;

Board Member	Designation	28-Jul-21	23-Sep-21	8-Dec-21
Antony N. Mutugi	Chairman	✓	✓	✓
Sarah C. Boit	Vice - Chairman	✓	✓	✓
Margaret R. Kibogy	Managing Director	✓	✓	✓
Philip Kibusie	Director	✓	✓	✓
Kenneth Lomaibong	Director	✓	✓	✓
Monica W. Kariithi	Director	x	x	✓
CPA. Kennedy Gatheru	Director	✓	✓	✓
Jared Nyamumba	Director	✓	✓	✓
Rosemary W. Mbaumi	Director	✓	✓	✓
Roy Mugo Kaugi	Director	✓	✓	✓
Dishon Mwanzighe Mngoda	Director	✓	✓	✓
Jackson Omaid	Director	✓	✓	✓
Munyembo Mwachala*	Director	x	x	x
Dr. Joshua Chepchieng**	Director	x	✓	✓
CPA. Jonah Wala	Director	✓	✓	✓

x - Absent with apologies

* Retired in August 2021

** Appointed in August 2021

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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 one meeting during the year since the term for the independent Directors expired on 14 December 2021. The attendance for the meeting held in July 2021 was as follows;

Board Committee Member	Position	16-Jul-21
Philip Kipkoech Kibusie	Chairman	✓
Mwachala Munyembo*	Member	✓
Roy Mugo Kaugi	Member	✓
CPA, Jonah Wala	Member	✓
Erastus Mutiso - Secretary	Manager, Internal Audit	✓

* Retired in August 2021

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 three meetings during the year. No meeting was held in the second half of the year since the term for one Board member expired in December 2021. The attendance during the three meetings was as follows;

Board Committee Member	Position	15-Jul-21	15-Oct-21	6-Dec-21
Sarah C. Boit	Chair Person	✓	✓	✓
Kenneth Lomaibong	Member	✓	✓	✓
Rosemary W. Mbauni	Member	✓	✓	✓
Margaret R. Kibogy	Managing Director	✓	✓	✓

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. No meeting was held in the last quarter of the year since the committee was not quorate with the expiry of the term of the Board members. The attendance during the meetings was as follows;

Board Committee Member	Position	23-Sep-21	15-Oct-21	6-Dec-21	14-Jan-22	14-Apr-22
Jared Nyanumba	Chairman	✓	✓	✓	✓	✓
Jackson Omaid	Member	✓	✓	✓	✓	✓
Dr. Joshua Chepchieng	Member	✓	✓	✓	✓	✓
CPA, Jonah Wala	Member	✓	✓	✓	✓	✓
Margaret R. Kibogy	Managing Director	✓	✓	✓	✓	✓

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 one meeting during the year since the Committee was not quorate with the expiry of the term of one independent Director in December 2021. The attendance of the meeting held in September was as follows;

Board Committee Member	Position	13-Jul-21
Dishon Mngonda	Chairman	✓
Monica W. Karithi	Member	✓
CPA, Kennedy Gatheru	Member	✓
Margaret R. Kibogy	Managing Director	✓

MANAGEMENT DISCUSSION AND ANALYSIS

A. PERFORMANCE OF THE DAIRY INDUSTRY

1.0 Introduction

This section reviews the performance of the dairy industry, and highlights the Board's operational and financial performance, key ongoing projects, compliance with statutory requirements, and the major risks and opportunities facing the organization. On the performance of the dairy industry, the latest available data is reported.

2.0 Dairy in the World

2.1 The Global perspective



Figure 1: Global production of milk by regions (2016 - 2019)

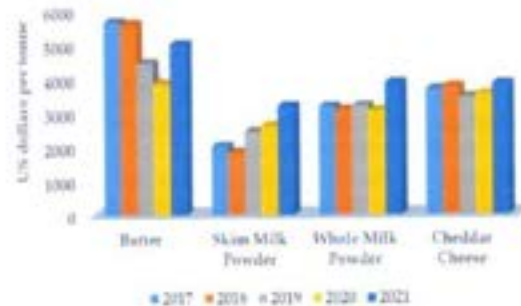


Figure 2: Global average prices of dairy products (2021)

According to FAO (2022), global production of milk increased from 876.9 billion kilograms in 2019 to 886.9 billion kilograms in 2020, a growth of 1.15%. The highest milk-producing region was Asia (374.1 billion kilograms), followed by Europe (234.4 billion kilograms), Americas (196.6 billion kilograms), Africa (51.1 billion kilograms), and Oceania (30.7 billion kilograms) in that order.

The average prices of the major dairy products traded internationally, that is, butter, skim milk powder, whole milk powder, and cheese rose in 2021 due to sustained import demand, especially from Asia, and generally tight exportable supplies from the world's major producing regions. (FAO, 2022).

2.2 Dairy industry in Africa



Figure 3: Production of milk in Africa by regions (2020)

Milk production in Africa increased from 48.68 billion kilograms in 2019 to 51.1 billion kilograms in 2020, a growth of 5% (FAO, 2022). The highest milk producing regions were Eastern Africa (23.5 billion kilograms) and Northern Africa (17.4 billion kilograms).

2.3 Dairy industry in East Africa Community (EAC)



Figure 4: Production of milk in EAC (2016 - 2020)

Production of milk by EAC partner states in 2020 was estimated at 13.94 billion kilograms (FAO, 2022), with Kenya producing 5.52 billion litres or 40% of the production. Production per country between 2016 and 2020 is summarized below.

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MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2.4 Dairy industry in Kenya

In 2021, Kenya had an estimated cattle population of 21.20 million including 5.02 million dairy cattle and 16.82 beef cattle (Directorate of Livestock Production, 2022). The decrease in cattle population between 2020 and 2021 was attributed to unfavorable weather conditions in the country especially in the Arid and Semi and Semi-Arid Lands (ASALs). The population of camels and dairy goats are as summarized in the table.

Year	Dairy Cattle	Beef Cattle	Totals
2019	4,617,168	16,265,320	20,882,488
2020	5,112,340	16,541,255	21,653,595
2021	5,017,991	16,182,356	21,200,347
% change in 2020/21	-1.8	-2.2	-4

Table 1: Cattle population in Kenya (2019 - 2021)

Production of milk is undertaken at large, medium and small scales under zero-grazing, semi-zero grazing and open grazing systems. The quantity of milk produced in 2020 was estimated at 5.52 billion kilograms comprising 4.05 billion kilograms of cow milk, 1.12 billion kilograms of camel milk, 276.12 million kilograms of goat milk and 66.85 million kilograms of sheep milk.

Year	Camels	Dairy Goats
2019	4,735,351	545,984
2020	4,669,739	662,502
2021	4,427,881	558,343
% change 2020/21	5	-16

Table 2: Camels and dairy goats in Kenya (2019 - 2021)

Producer prices of raw milk in 2021 and 2022 remained high as a result of high demand for milk and the implementation of the Dairy Industry Regulations 2021, which established minimum producer prices, currently at Kshs 33 per kilogram. The average milk producer price for 2021 averaged Kshs 42.94 per litre. The value of raw milk formally marketed by primary producers to dairy business operators increased to Kshs 33.68 billion in 2021 from Kshs 22.72 billion, an increase of Kshs 10.96 billion.

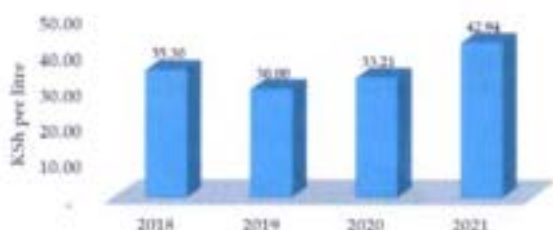


Figure 5: Average producer prices for raw milk (2018 - 2021)

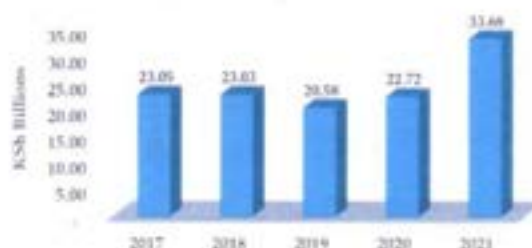


Figure 6: Value of formally marketed raw milk (2017 - 2021)

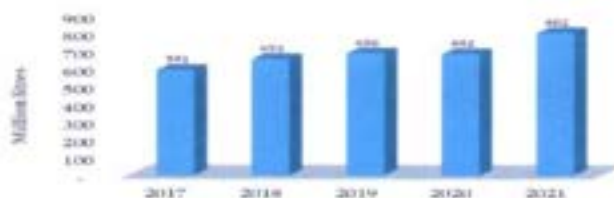


Figure 7: Raw milk intakes by the formal market (2017 - 2021)

The volume of milk received from primary producers by the formal market increased to 801.9 million litres in 2021 from 682.3 million litres in 2020, a growth of 18%. The growth was driven by competitive producer prices and increasing demand for processed milk.

The dairy industry in Kenya contributes to socio-economic development in the following areas:

- National GDP contribution of approximately 4%
- Agricultural GDP contribution of approximately 14%
- Livestock GDP contribution of approximately 42%
- Livelihoods and incomes to 1.8 smallholder dairy farmers
- Employment creation to 750,000 (directly) and 500,000 Kenyans (indirectly)
- Food and nutritional security (per capita milk consumption of 110 litres per year)

The major challenges affecting the dairy industry in Kenya include:

- High cost of milk production mainly due to high cost of feeding
- Low productivity per cow as a result of poor animal husbandry practices including feeding
- Seasonality of milk production leading to scarcities of milk and milk products during the dry season
- Low utilization of the installed infrastructure for milk cooling and processing
- A relatively large informal milk market that often does not comply with milk quality and safety requirements
- Limited interest by the youth to undertake dairy farming

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

B OVERVIEW OF OPERATIONS

This section covers the operational performance of the Board in 2021/2022. It addresses performance on core activities (that is, regulatory, developmental, promotional services, capacity building activities) as well as financial performance.

3.0 Core activities

The core activities undertaken in 2021/2022 in relation to our mandate of regulating, developing and promoting the dairy industry included:

(a) Review of the Dairy Industry Act Cap 336: The Board through the Ministry of Agriculture, Livestock, Fisheries & Cooperatives, initiated the review of the Dairy Industry Act Cap 336 in order to align it with the constitution of Kenya (2010), and to address emerging issues in the Kenyan dairy industry relating to safety and marketing of dairy produce. A multi-stakeholder task force facilitated the drafting of a revised Dairy Industry Act. The document was presented to the Parliamentary Committee on Agriculture, Livestock and Fisheries, Policy Standards and Legislation Sectoral Working Group, and the KDB's Board of Directors. The feedback received from these stakeholders was inputted into the Bill.

(b) Implementation of the Dairy Industry Regulations 2021: These were gazetted by the Cabinet Secretary for Agriculture, Livestock, Fisheries, and Cooperatives on 26th February 2021. During the 2021-2022 FY, the Board developed a framework for the implementation of the regulations and further developed an abridged (simplified) version of the regulations that was tested and disseminated to dairy business operators and other stakeholders. Countrywide sensitizations of stakeholders on the regulations continued to be undertaken alongside the capacity building of all KDB compliance officers for effective implementation. Monitoring and reporting on the implementation of the regulations was continuously undertaken and reported.

(c) Inspections of Dairy Business Operators: The Dairy Industry Act Cap 336 provides for the improvement and control of the Dairy industry and its products. In order to improve the quality and safety of dairy produce along the value chain, and for enhanced consumer safety and market access, the Board conducted 6,125 inspections on dairy business operators in the 2021/22 FY.

Financial Year	2019/2020	2020/2021	2021/2022
No. of inspections	3,778	4,298	6,125
Target	4,000	4,000	4,800

Table 3: Number of inspections conducted in 2019/2020 to 2021/22

(d) 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 2021/2022 FY, the Board issued 1,274 regulatory permits to compliant Dairy Businesses Operators.

Financial Year	2019/2020	2020/2021	2021/2022
No. of regulatory permits issued	987	1,281	1,274
Target	1,000	1,200	1,000

Table 4: Regulatory permits issued between 2019/2020 and 2021/22

(e) Enforcement of the Dairy Industry Act Cap 336 and its regulations: Eighteen joint enforcement programs were implemented across the country against the target of twelve scheduled in the 2021-2022 FY.

Financial Year	2019/2020	2020/2021	2021/2022
No. of joint enforcement programmes conducted	15	17	18
Target	12	12	12

Table 5: No. of joint enforcement programmes FY 2019/2020 to 2021/22

(f) Surveillance on the quality and safety of marketed dairy produce: The Board conducted sampling and testing of dairy produce across the country through the 27 branches and the National Dairy Regulatory Laboratory. In total, 73,212 tests were conducted in 2021/22, with a compliance level of approximately 97.9%.

Financial Year	2019/2020	2020/2021	2021/2022
No. of quality and safety tests	53,553	62,432	73,212
Target	50,000	60,000	60,000

Table 6: No. of quality and safety tests conducted between 2019/2020 and 2021/22

Corrective actions on detected non-conformities were done with follow-up actions including advisory, training and periodic retesting being undertaken to ascertain compliance and close out on the detected non-compliances.

(g) Validation of monthly milk intakes and quality data: This was conducted on all the mini dairies handling over 500 litres per day, and on milk processing establishments. The objective was to validate milk intakes and quality data for reliable and accurate data for planning and decision-making.

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MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(h) Accreditation of the National Dairy Regulatory Laboratory to ISO 17025: 2017: 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 without the need for further testing. The Board initiated this certification by training the relevant staff on the implementation of the system and preparing the mandatory pre-accreditation documents.

(i) Training of primary producers and dairy business operators: In 2021/22, the Board trained 2,909 dairy business operators on dairy productivity, value addition, compliance and related areas.

Financial Year	2019/2020	2020/2021	2021/2022
No. of stakeholders trained	1,509	3,851	2,909
Target	870	500	1,000

Table 7: Number of stakeholders trained from 2019/2020 to 2021/2022

This was delivered through 46 workshops held in more than 25 counties. Audio-visual documentaries on hygienic fermentation of milk, dairy farm business planning and evaluation, dairy cattle feeding, and silage making were also developed and disseminated to stakeholders on social media platforms.

(j) Fields days and forums to showcase production and value addition technologies. The Board partnered with other organizations to hold eleven farmer field days and two value addition forums in Tharaka Nithi, Embu, Nakuru, Kisii, Nyeri, Uasin Gishu, Kwale, Kerugoya, Isiolo, Nairobi and Laikipia Counties. These were attended by over 20,000 stakeholders. In 2020/21, the Board organized and participated in three field days.

(k) Dairy trade facilitation: By issuing exports permits, the Board facilitated exports of dairy products worth Kshs 2.75 Billion in 2021/22 compared to Kshs 471.6 million in 2020/21. The Board participated in four trade facilitation events including exhibitions in United Arab Emirates and Kenya, and two bilateral meetings between the Republic of Kenya and The United Republic of Tanzania. The latter sought to resolve the Non-Technical Barriers affecting exports of Kenyan dairy produce to Tanzania.

(l) Development and review of dairy standards: The Board participated in the development and review of six regional and two national dairy standards. The standards were for raw milk; pasteurized milk; UHT milk; milk powders; ghee; ice cream; lactose free milk; and reconstituted, recombined and toned milk.

(m) Promotion of school milk programme: As part of its promotional and developmental mandate, the Board continued to capacity build and provide technical support to counties to adopt and implement county-based school milk programmes. The program aims to:

- i) Improve nutritional status of school-going children
- ii) Increase school enrolment and retention
- iii) Promote dairy development at county and national levels
- iv) Nurture a milk-drinking culture

In 2021/22 FY, seven counties were implementing the programme in public ECDE centres covering 274,191 pupils in 3,716 ECDE centres as summarized below. In addition, 802 private schools were implementing institutional-based programmes, bringing the total number of schools active on the programme to 4,286.

County	No. of ECDE centers	No. of students
Mombasa	97	32,564
Murang'a	650	40,000
Kilifi	799	80,000
Meru	776	64,574
Embu	396	17,353
Nyandarua	498	22,700
Nairobi	500	17,000
Total	3,716	274,191

Table 8: Adoption of school milk programme by County Governments

(n) Consumer education and sensitization. In order to sensitize consumers on consumption of quality and safe milk and milk products, the Board routinely conducts consumer education activities. In 2021/2022, the Board's consumer education campaign activities targeted several stakeholders including consumers, dairy producers, dairy business operators, staff, media, service providers, development partners, and the general public with the aim of sensitizing them on the Dairy Industry Regulations 2021; services rendered by the National Dairy Regulatory Laboratory; consumption and benefits of safe and quality milk; compliance to quality and safety requirements; and the role and functions of Kenya Dairy Board. The events also sought to improve the image and profile of the Board and network with stakeholders.

The key activities undertaken in 2021/2022 included:

- i) Consumer education road shows – these were undertaken in sixteen counties namely Meru, Tharaka Nithi, Nyeri, Nyandarua, Laikipia, Uasin Gishu, Elgeyo Marakwet, Transzoia, Bungoma, Kakamega, Kitui, Makeni, Kisumu and Siaya.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

ii) Media activations in national and regional radio stations such as Radio Citizen, Inooro FM and Changei FM. Radio Citizen is Kenya's biggest National station by listener affinity & audience measurement. The station has a national reach of 22.1% and a national share standing of 36.1%. It commands an audience size of over 2.5 million listeners countrywide.

iii) Development of promotional materials: Promotional materials are important to deliver the intended messages to our target groups. We therefore developed the materials including brochures, flyers and banners for the purpose of sensitizing and capacity-building of our stakeholders.

iv) Print activations: The Board run advertorial campaigns in the Standard Newspaper and Corporate Watch magazine.

v) Audiovisual promotions - The Board undertook audio-visual promotions in 19 counties.

vi) The 4th National School Milk Conference was held in June 2022 in Mombasa. This brought together stakeholders from national government and 23 County Governments, among other stakeholders.

o) Institutional capacity building activities and commitments: In the 2021/22 FY the Board implemented several institutional capacity building activities and fulfilled commitments directed by Government and scheduled in our Performance Contract 2021/2022.

The Board continued with the construction of Phase II of the National Dairy Regulatory Laboratory Complex, with a 100% completion rate achieved for the year. This moved the overall completion rate of the project to 42% by the end of the 2021/2022 FY. A staff convention was held within the period to promote team building amongst all staff. The training was also conducted with 39 employees undergoing short-term training, as informed by the findings of our annual staff appraisal programme.

Within the period, the Board procured goods and services worth Kshs 45.52 million from youth, women and persons with disabilities. This was 37% of our procurement budget of Kshs 122.26 million. The Board also implemented several activities on cross cutting issues such as road safety mainstreaming, corruption prevention, disability mainstreaming, gender mainstreaming, prevention of alcohol and drug abuse, and prevention of HIV infections and Non-Communicable Diseases.

C. FINANCIAL PERFORMANCE

i) Revenue performance

The Board funds its operations through the internally generated revenue mainly cess, processors' levy, import levy and license fees as well as grants from the parent Ministry of Agriculture, Livestock, Fisheries and Cooperatives. In the year ended 30 June 2022, the Board received a total of Kshs. 545.33 million as Recurrent Grants from the Government of Kenya and a further Kshs. 35 million in Development Grants from the to finance the ongoing construction and equipping of the National Dairy Laboratory complex Project.



Figure 8: Board's total revenue for the last 10 years

In total, the Board recorded total revenue of Kshs. 545.33 million which is made up of Kshs. 512.03 million generated from the A in A and Kshs. 33.30 million from the grants as recognized in the statement of the financial performance.

The Board posted a 14% increase in internally generated revenue. The Board collected a total of Kshs. 512.03 million as compared to Kshs. 449.95 million realised in the year ended 30 June 2021. The positive outlook was maintained by the gazettement 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. The Board also benefited from the introduction of consumer safety levy on milk imported from EAC member countries.

Consumer safety levy and License fees.

Prior to the gazettement 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. 387 million in consumer safety levy as compared to the equivalent Kshs. 327.43 million received in the previous year from cess and processors levy. However, revenue generated from permits decreased from Kshs. 23.44 million realised in the year ended 30 June 2021 to Kshs. 13.19 million, since a number of licensing work was devolved to County Government with the introduction of the aforementioned regulations.

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MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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



Figure 9: 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 38.81% from Kshs. 63.85 million recorded in the previous financial year to Kshs. 88.62 million. The increase was as a result increase in the charge rate from 7% to 10%, 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.

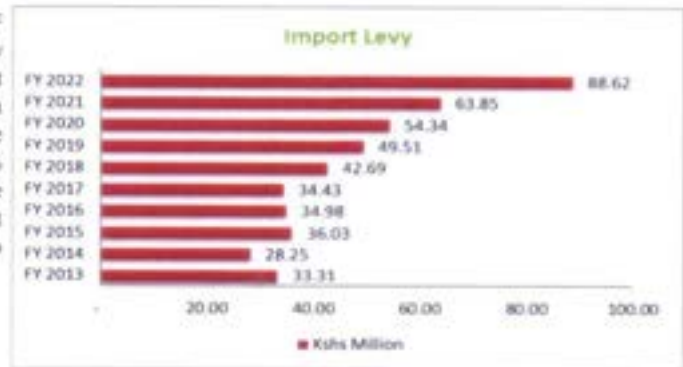


Figure 10: Board's revenue from import levy

ii) Expenditure and surplus for the year



Figure 11: Board's revenue, expenditure and surplus for the last 10 years

The total revenue for the Board in the year ended 30 June 2022 was Kshs. 545.33 million as compared to Kshs. 467.44 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. 536.78 million as compared to Kshs. 453.87 million recorded in the year ended June 2021. This resulted to a surplus of Kshs. 8.55 million (after the receivables impairment loss of Kshs. 5.67 million) as compared to a surplus of Kshs. 13.57 million posted in the year ended June 2021.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 is ongoing and expected to be ready for occupation by 30 June 2022.

The project will ensure health and safety of consumers, promote compliance to international standards and facilitate national and international trade. This will spur growth and sustainability of the Dairy Industry and allied sectors leading to increased employment opportunities in production, transportation, processing and distribution of milk and milk products.

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ENVIRONMENTAL AND SUSTAINABILITY REPORTING

1.0 Introduction

Kenya Dairy Board as a public entity exists to transform the lives of Kenyan citizens especially those engaged in dairy as a source of livelihood and income generation. The dairy industry in Kenya plays a major socio-economic role in our economy. It has many stakeholders who directly or indirectly depend on the sector. Our programs and activities are therefore geared to ensure that we offer services that meet and exceed stakeholders' expectations through improvements in our services and operational efficiencies. This is with the ultimate objective of assuring the sustainability of the dairy industry in the country.

2.0 Sustainability strategy and profile

Sustainability is key to any agricultural activity including dairying. Dairy farming, if not well managed, can severely affect the environment with disastrous results. This is primarily due to its position as a major contributor to green gas emissions. Therefore, at global, regional and national levels, it is important that good dairy practices, and animal health and welfare are promoted and implemented. A growing population will lead to a corresponding increase in demand for dairy produce. This will in turn lead to increased dairy farming activity to meet this demand. It is therefore critical that adequate plans are devised and implemented to ensure the long-term sustainability of the dairy

The industry is however prone to various external shocks including variations in weather patterns. The government and other stakeholders have in response instituted measures to protect or minimize the effects of these shocks on the industry.

At the institutional level, the Board has continuously undertaken a number of interventions aimed at mitigating environmental damage from dairying and related activities. The activities conducted in 2021/22 FY are reported below:

2.1 Environmental Management

Agriculture and dairy in particular is highly dependent on rainfall. As a Board, we recognize that our operations and those of the industry have an impact on the environment. Human activities have led to the degradation of the environment leading to changing weather patterns, increased greenhouse gas emissions and global warming. This has negatively affected the environment and by extension agricultural activities and dairy in particular.

Having recognized this, it is our duty and responsibility as a Board to take care and protect the environment and thus help reverse this process and mitigate against environmental degradation. The Board has in place a workplace environment policy that outlines our commitment to providing quality services in a manner that ensures a safe and healthy workplace and environment for our stakeholders and employees thus minimizing negative impact on the environment. The Board operates in full compliance to all relevant environmental and statutory requirements.

The Board has in partnership with other organizations or on its own undertaken a number of activities aimed at helping in responsible management of the environment and its resources for present and future use. This is aimed at among others to:

- Support government efforts to achieve 10% national forest cover by 2022
- Protect riparian land and wetlands
- Ensure a healthy and friendly environment
- Sensitize staff and stakeholders on the need to conserve the environment

The following environmental protection activities were undertaken during the financial year:

(a) Tree Planting at Kaptagat Forest: This is an annual tree planting event organized in partnership with the Ministry of Environment and Forestry and other players including Kenya Dairy Board, Kenya Forest Service, North Rift Conservatory, World Wide Fund for Nature Kenya, and National Environment Trust Fund among others. During the period, the fifth edition was held at Chepkorio Showground in Kaptagat, Elgeyo Marakwet County. Its aim was to pursue sustainable development, environmental conservation and protection of Kaptagat Forest Block and its environs. Since its conception, the event has rehabilitated over 425 hectares with about a million trees planted. The fifth Edition targeted 225 hectares of degraded areas within Sabor, Penon, Kaptagat, Kipkabus and Kessup Forest blocks. Kenya Dairy Board donated 10,000 trees towards the event.

(b) Tree planting at Eldoret Arboretum: This is an event which was organized in partnership with the County Government of Uasin-Gishu, Eldoret Water and Sanitation Company and other partners and stakeholders and was aimed at raising awareness on environmental conservation in the region. The theme of the activity was "connecting minds, securing the planet". The Chief Guest was the Hellenic Republic Consulate General to the Republic of Kenya, Vicky Nikolitsah.

A conference was also held to discuss threats posed by climate change emphasizing on the declining forest cover in most catchment areas. The Board donated Kshs 250,000 to support the event.

(c) Workplace based activities: The following measures were implemented during the financial year at the workplace:

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

- Proper waste management as provided by the relevant regulations.
- Promoting paperless transactions and double-sided printing to save on paper and reduce waste.
- Energy conservation by switching off lights and other power consuming devices when not in use.
- Sensitizing dairy farmers on the management of manure including its utilization for bio-gas production.
- Good fleet management including scheduled servicing and maintenance of motor vehicles.

2.2 Employee welfare

The Board is committed to attracting and retaining competent employees required for efficient and effective service delivery. This is achieved by among others;

a) Hiring process: The Board has put in place a Human Resource and Procedure manual which is a primary reference document for communicating and interpreting human resource policies and procedures to employees. It further provides guidelines to assist the Board in attracting, compensating, developing and retaining the best manpower. The Human Resource and Procedure Manual clearly stipulates that the Board is an equal opportunity employer and shall not in its recruitment and selection process, discriminate on the basis of gender, race, religion, ethnicity or any other form of discrimination. The constitutional requirement on mainstreaming of gender and persons with disabilities as stipulated in Article 232 of the Constitution is observed alongside any policies issued by the National Cohesion and Integration Commission. In the financial year, out of complement of 158 members of staff, 90 were male while 68 were female representing 57 % and 43 % for the individual gender which is way above the recommended 33%. The Board has also deliberately gone out of its way to encourage persons with disability to apply for available opportunities and recruiting them.

b) Skills Improvement: To continuously improve on the skills and competencies of staff at various levels, the Board undertook a number of training and developmental courses for its staff. The courses and number of staff trained are summarized in the table:

No.	Type of course	No. of staff
1	Transformative Leadership	1
2	Strategic Leadership Development Programme	6
3	Senior Management Course	7
4	Supervisory Skills Development	7
5	Labour Laws and Industrial Relations Framework	2
6	Defensive Driving Course	10
7	Danish Fellowship Courses on food safety	6
	Total	39

Other members of staff were taken through on-job train mainly relating to their specific fields. To ensure continuous professional development, the management has also encouraged staff to train privately for self-development. Achievements of improved skills and competencies contribute significantly to the possibility of an employee being rewarded.

Table 9: Staff skills improvement courses conducted in 2021/22

c) Safety and Compliance: The Board is committed to ensuring that staff work in a safe and secure environment by putting in interventions to minimize work-related incidences. The Board has trained several of its employees on safety-related matters. The Board is also committed to being compliant to requisite safety requirements and certifications including Occupational Safety and Health

2.3 Market place practices

The Board is committed to implementing fair market practices, within and without the organization. The Board does not have a competitor in the execution of its mandate. However, the stakeholders we serve operate in a competitive environment. In discharging our mandate, we strive to create a conducive environment and level playing field for dairy enterprises to thrive and compete in a healthy manner.

We pride ourselves as corruption free organization. We promote good governance and adherence to public officer's code of ethics. We conduct a Corruption Risk Assessment every quarter to update our Corruption Risk Mitigation Plan, which is routinely implemented and evaluated. During the financial year 2021/22 no corruption cases were reported from the members of staff.

We also observe all the procurement laws, regulations and procedures to ensure that service providers apply and access our procurement opportunities transparently and in accordance with the provisions of the law.

2.4 Corporate Social Responsibility (CSR)/Community Engagements

Corporate Social Responsibility (CSR) are practices and policies undertaken by organizations that are intended to have a positive influence on the world around the organization. CSR is therefore core in our business operations. This is because we recognize the fact that our survival is highly hinged on the support and cooperation of those around us. We therefore carried out a number of community engagements in 2021/2022 FY with a view of helping to positively transform the communities around us. These activities included:

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ENVIRONMENTAL AND SUSTAINABILITY REPORTING

(a) Donation of Milk Testing Kits to Kipsaos Dairy Cooperative Society: Milk collection and cooling centres are important points for milk bulking and quality assurance. However, they also present a point of food safety risk if incoming milk is not tested. In the period under review, the Board donated milk testing kits such as alcohol guns to Kipsaos Dairy Farmers Cooperative to boost their capacity to test milk before acceptance.

(b) Donation of aluminium milk cans to Lelan Dairies: Lelan Dairies is a major dairy farmer group with an average intake of 12,000 litres of milk per day. It is located in West Pokot County and its key milk catchment areas are West Pokot and Elgeyo Marakwet Counties. To help the cooperative comply with safety and quality standards and reduce post-harvest losses, the Board trained members of the group on dairy hygiene and productivity and donated 50 aluminium cans to encourage the use of food grade milk containers.



Figure 12: Donation of aluminium milk containers to Lelan Dairies

(c) Donation of milk and other foodstuffs: Milk is a wholesome food contributing significantly to the much-needed human nutrition and health. In line with this, the Board donated milk and milk products and other foodstuffs to various educational institutions during the financial year. The beneficiaries included St. Teresa Kapsiliot Girls Secondary School in Uasin Gishu County, Ng'enyin Primary and Lake Baringo Secondary schools in Baringo County and several schools in Trans Nzoia.

(d) Support to sporting events: Sports plays a key role in the health and wellness of a human being. It also helps in the cohesion of a community as well as providing a platform to particularly engage the youth and tap their talent and thus reduce the youth from engaging in undesired and anti-social behavior. Dairy thus plays a complementary role towards this. For this reason, the Board has been at the forefront in supporting sports events. In the financial year, this included supporting the Eldoret City Marathon and Machakos School Alumni Golf Tournament.

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REPORT OF THE DIRECTORS

The Directors submit their report together with Audited Financial Statements for the year ended 30 June 2022 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 22 are set out on Page 1.

Directors

The members of the Board of Directors who served during the year are shown on Pages iii to v.

Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, Regulatory Entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the financial statements after the end of each financial year. In the year ended 30 June 2022, Kenya Dairy Board reported a surplus of Kshs. 8,548,915 and has made a provision of Kshs. 7,694,024 (FY 2021 - Kshs. 12,214,662) 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: 07/02/2023

**KENYA DAIRY BOARD
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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 2022. 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 2022, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Board's financial statements were approved for issue by the Board of Directors on 29th September 2022, and signed on behalf of the Board by:


Dr. Ignatius Gathigi
Chairman of the Board
Nairobi, Kenya

Date: 07/02/2023


Margaret Rugut Kibogy, OGW
Managing Director
Nairobi, Kenya

Date: 07/02/2023

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA DAIRY BOARD FOR THE YEAR ENDED 30 JUNE, 2022

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 31, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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, 2022, 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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether 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 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 is 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 continue 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, the 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 controls.
- 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide the 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 April, 2023

**KENYA DAIRY BOARD
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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2021-2022 Kshs	2020-2021 Kshs
Revenue from non-exchange transactions			
Levies, fines and penalties	6	481,653,924	396,886,275
Licenses and permits	7	13,187,900	23,441,200
Transfers from the Government and other recurrent grants	8	33,300,000	17,494,353
		<u>528,141,824</u>	<u>437,821,828</u>
Revenue from exchange transactions			
Interest income	9	16,103,837	17,761,336
Other income	10	1,082,559	11,069,852
		<u>17,186,396</u>	<u>28,831,188</u>
Total revenue		<u>545,328,220</u>	<u>466,653,016</u>
Expenses			
Use of goods and services	11	24,719,479	19,191,397
Employee costs	12	205,348,560	203,440,650
Board members expenses	13	14,823,211	17,010,079
Depreciation and amortisation expense	14	39,800,947	28,277,258
Repairs and maintenance	15	8,927,290	5,865,020
General and operating expenses	16	237,486,953	177,123,538
Total expenses		<u>531,106,440</u>	<u>450,907,942</u>
Other gains / (losses)			
Gain on sale of assets	17	-	790,799
Provision for bad and doubtful debts	18	(5,672,865)	(2,964,026)
Surplus for the year		<u>8,548,915</u>	<u>13,571,847</u>
Remission to National Treasury	38	(7,694,024)	(12,214,662)
Net surplus for the year		<u>854,891</u>	<u>1,357,185</u>

The Financial Statements set out on pages 1 to 25 were approved by the Board of Directors on ^{29th} September 2022 and signed on its behalf by:



Margaret Rugut Kibogy, OGW
Managing Director

Date: 07/02/2023



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

Date: 07/02/2023



Dr. Ignatius Gathigi Kabiu
Chairman of the Board

Date: 07/02/2023

The notes set out on pages 6 to 25 form an integral part of these Financial Statements.


KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

Assets	Notes	2021-2022 Kshs	2020-2021 Kshs
Current assets			
Cash and cash equivalents	19	296,007,057	305,376,478
Receivables from non-exchange transactions	20	8,469,142	9,495,312
Other receivables and prepayments	21	17,146,402	32,650,672
		<u>321,622,601</u>	<u>347,522,462</u>
Non current assets			
Property, plant and equipment	22	371,464,325	284,730,669
Intangible assets	23	8,205,961	4,852,981
Finance leases	24	159,488,637	161,664,142
Long term receivables from non-exchange transactions	25	50,132,268	37,270,211
		<u>589,291,191</u>	<u>488,518,003</u>
Total assets		<u>910,913,792</u>	<u>836,040,465</u>
Liabilities			
Current liabilities			
Gratuity provision	26	-	3,607,780
Trade and other payables from non-exchange transactions	27	87,526,507	75,141,582
Current provisions	28	5,064,308	2,262,000
Deferred Income	29	490,258,170	420,258,170
Refundable deposits	30	38,835,422	12,449,715
		<u>621,684,407</u>	<u>513,719,247</u>
Non current liabilities			
Gratuity provision	26	185,380	-
Net assets			
Revaluation reserves	31	159,488,637	161,664,142
Accumulated surplus	32	53,275,769	100,245,373
Capital funds	33	76,279,599	60,411,703
		<u>289,044,005</u>	<u>322,321,218</u>
Total net assets and liabilities		<u>910,913,792</u>	<u>836,040,465</u>


The Financial Statements set out on pages 1 to 25 were approved by the Board of Directors on ^{29th} September 2022 and signed on its behalf by:


Margaret Rugut Kibogy, OGW
 Managing Director

Date: 07/02/2023


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

Date: 07/02/2023


Dr. Ignatius Gathigi Kahiu
 Chairman of the Board

Date: 07/02/2022

The notes set out on pages 6 to 25 form an integral part of these Financial Statements.

KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Revaluation reserve Kshs	Accumulated surplus Kshs	Capital Funds Kshs	Total Kshs
At 1 July 2020		163,835,859	96,716,471	59,608,953	320,161,283
Surplus for the year	32	-	1,357,185	-	1,357,185
Interest earned from staff car loans scheme	33	-	-	605,448	605,448
Interest earned from staff housing mortgage scheme	33	-	-	197,302	197,302
Transfer of amortisation to accumulated surplus	32	(2,171,717)	2,171,717	-	-
At 30 June 2021		161,664,142	100,245,373	60,411,703	322,321,218
At 1 July 2021		161,664,142	100,245,373	60,411,703	322,321,218
Surplus for the year	32	-	854,891	-	854,891
Interest earned from staff car loans scheme	33	-	-	639,182	639,182
Interest earned from staff housing mortgage scheme	33	-	-	228,714	228,714
Prior year adjustment	32	-	(35,000,000)	-	(35,000,000)
Transfer to Staff Housing Mortgage Scheme	32	-	(15,000,000)	15,000,000	-
Transfer of amortisation to accumulated surplus	32	(2,175,505)	2,175,505	-	-
At 30 June 2022		159,488,637	53,275,769	76,279,599	289,044,005

The notes set out on pages 6 to 25 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 2022**

			Restated
Cash flows from operating activities	Notes	2021-2022	2020-2021
Receipts		Kshs	Kshs
Levies, fines and penalties	6	481,653,924	396,886,275
Licenses and permits	7	13,187,900	23,441,200
Transfers from the Government and other recurrent grants	8	33,300,000	17,494,353
Other income	10	1,082,559	11,069,852
Total receipts		529,224,383	448,891,680
Payments			
Use of goods and services	11	24,719,479	19,191,397
Employee costs	12	205,348,560	203,440,650
Board members expenses	13	14,823,211	17,010,079
Repairs and maintenance	15	8,927,290	5,865,020
General and operating expenses	16	237,486,953	177,123,538
Provision for bad and doubtful debts	18	5,672,865	2,964,026
Remission to National Treasury	38	7,694,024	12,214,662
Total payments		504,672,382	437,809,372
Adjustment for changes in working capital			
Decrease in receivables from non-exchange transactions		1,026,170	3,019,778
Decrease/(increase) in other receivables and prepayments		15,504,270	(517,160)
Increase/(decrease) in trade and other payables from non-exchange transactions		12,384,925	(66,025,222)
Decrease/increase in gratuity and current provisions		(620,092)	(7,457,194)
Increase in refundable deposits		26,385,707	6,194,052
		54,680,980	(64,785,746)
Net cash flows from operating activities	39	79,232,981	(53,703,438)
Cash flow from investing activities			
Purchase of property, plant and equipment	22 & 23	(127,712,078)	(67,012,726)
Proceeds from disposal of property, plant and equipment	17	-	790,799
Interest income	9	16,103,837	17,761,336
(Increase) / decrease in long-term receivables	25	(12,862,057)	3,148,452
Net cash flow used in investing activities		(124,470,298)	(45,312,139)
Cash flow from financing activities			
Capital grant received	8	35,000,000	32,500,000
Interest credited to staff car loan and staff housing mortgage funds	33	867,896	802,750
Net cash flows from financing activities		35,867,896	33,302,750
Net increase / (decrease) in cash and cash equivalents		(9,369,421)	(65,712,827)
Cash and cash equivalents at 1 July	19	305,376,478	371,089,305
Cash and cash equivalents at 30 June	19	296,007,057	305,376,478

The Financial Statements set out on pages 1 to 25 were approved by the Board of Directors on ^{29th} September 2022 and signed on its behalf by:


Margaret Rugut Kibogy, OGW
Managing Director

Date: 07/02/2023


CPA. Edward W. Nyoike
Finance Manager
ICPAK Member No. 5668
Date: 07/02/2023


Dr. Ignatius Gathigi Kahiu
Chairman of the Board
Date: 07/02/2023

The notes set out on pages 6 to 25 form an integral part of these Financial Statements.

KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2022

	Original Budget	Adjustment	Final Budget	Actual Performance	Performance difference
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Levies, fines and penalties - Note (a)	433,953,256	50,851,140	484,804,396	481,653,924	(3,150,472)
Licenses and permits - Note (b)	24,457,000	(17,757,000)	6,700,000	13,187,900	6,487,900
Transfers from the Government and other recurrent grants	33,300,000	-	33,300,000	33,300,000	-
Interest income	7,500,000	6,900,000	14,400,000	16,103,837	1,703,837
Other income and gain on sale of assets	-	-	-	1,082,559	1,082,559
Total revenue	499,210,256	39,994,140	539,204,396	545,328,220	6,123,824
Expenses					
Use of goods and services - Note (c)	23,804,000	5,040,000	28,844,000	24,719,479	(4,124,521)
Employee costs	231,110,694	(15,534,515)	215,576,179	205,348,560	(10,227,619)
Board members expenses	14,934,000	512,000	15,446,000	14,823,211	(622,789)
Depreciation and amortisation expense - Note (d)	34,382,862	(3,606,045)	30,776,817	39,800,947	9,024,130
Repairs and maintenance	11,202,200	(1,252,200)	9,950,000	8,927,290	(1,022,710)
General and operating expenses	183,776,500	54,834,900	238,611,400	237,486,953	(1,124,447)
Total expenditure	499,210,256	39,994,140	539,204,396	531,106,440	(8,097,956)
Surplus for the period - Note (e)	-	-	-	14,221,780	14,221,780
Capital Expenditure - Note (g)	61,915,000	15,000,000	76,915,000	142,712,078	(65,797,078)

The anticipated increase in interest generated from deferred capital development funds as well as anticipated changes in revenue with the implementation of the Dairy Industry Regulations, 2021 necessitated the 8% revision (Kshs. 39.99 million) of the recurrent budget from Kshs. 499.21 million to Kshs. 539.20 million. Similarly, the capital budget was revised by Kshs. 15 million from Kshs. 61.92 million to Kshs. 76.92 million to finance the replacement of a motor vehicle.

Notes

a) Levies, fines and penalties - The Board did not achieve the budgeted revenue by Kshs. 3.15 million (0.6%) 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. 6.49 million which was mainly about by licensing of importers and more Dairy Business Operators with the continuing implementation of the Dairy Industry Regulations, 2021.

c) Use of Goods and Services expenses - The total expenditure under this category was Kshs. 4.12 million (14.3%) below budget as a result of under absorption on Electricity and water, Telephone and internet as well as contracted security and cleaning services.

d) Depreciation and amortization expense - The Board exceeded the provision for depreciation and amortization of the non-current assets by Kshs. 9.02 million as a result of the increased value of the assets brought about by the equipping of the laboratory.

e) Surplus for the period - In overall, the Board realised a surplus of Kshs. 14.22 million as a result of surpassed collection on internally generated revenue by Kshs. 6.12 million and unabsorbed expenditure of Kshs. 8.10 million.

f) 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 2021-2022 Kshs	Final Budget 2020-2021 Kshs
Surplus as per statement of comparison of Budget and actual amounts	14,221,780	16,535,873
Provision for bad and doubtful debts	(5,672,865)	(2,964,026)
Provision for Remission to National Treasury	(7,694,024)	(12,214,662)
Net surplus as per Statement of Financial Performance	854,891	1,357,185
g) Reconciliation of actual capital expenditure and the Budget for the year.	Final Budget 2021-2022 Kshs	Final Budget 2020-2021 Kshs
Variance as per the statement of comparison of Budget and actual amounts	(65,797,078)	13,387,274
Amount financed through prior year budgetary allocations	72,013,831	-
The variance between the Budget for the year and actual expenditure	6,216,753	13,387,274

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

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 historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment at fair value and impaired assets at their estimated recoverable amounts. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or complexity, 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 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 2022.

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 2022.

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 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, faithfulness, 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> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p>The Board incurs no expenditure which is within the scope of IPSAS 42: Social Benefits and therefore the standard does not apply.</p>

DAIRY BOARD
 ANNUAL REPORT AND FINANCIAL STATEMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2022

<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<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> <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>Applicable 1st January 2023</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 2021 IPSAS 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 2022.</p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</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>Applicable 1st January 2025</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 2022.</p>

(iii) Early adoption of Standards

The Board did not early - adopt any new or amended Standards in the year ended 30 June 2022.

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

4. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

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

Consumer Safety Levy

Dairy business operators are required to remit consumer safety levy on the dairy produce processed or imported at the rate of forty cents per kilogram of milk processed or one per centum of the cost of milk processed or imported, whichever is higher. Consumer Safety Levy is payable to the Board on or before the tenth (10th) day after the month of processing or importation and it is accounted for on accrual basis.

Cess

Prior to introduction of Consumer Safety Levy in May 2021, cess was payable to Kenya Dairy Board by all producers who produces milk for sale or converts milk to any other dairy produce for sale. Cess was collected by all licensed milk traders on behalf of the Board at a rate of twenty cents per litre. The amount collected was payable to the Board on or before the tenth (10th) day after the month of production and it was accounted for on accrual basis.

Processors' levy

Prior to introduction of Consumer Safety Levy in May 2021, Processors' levy was payable to Kenya Dairy Board by all licensed processors at a rate of twenty cents per litre of milk processed. The levy was payable to the Board on or before the tenth (10th) day after the month of processing and it was accounted for on accrual basis.

Import levy

Import levy was payable by any person who imports milk or any other Dairy produce at a rate of 7% of gross cost, insurance and freight (landed value) of the milk or dairy produce. However, with the gazettelement of the Dairy Industry Regulations, 2021, the rate was revised to 10%.

Penalties

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

Licenses and permit fees

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

Transfers from Government and other entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Board and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Sale of tenders and publications

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

Interest income

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

Summary of significant accounting policies (Continued)

b) Budget information

The original budget for FY 2021-2022 was approved by The National Treasury and Planning in June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Board upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Board recorded additional appropriations of Kshs. 39,994,140 in recurrent expenditure and Kshs. 15,000,000 in capital expenditure on the 2021-2022 budget following the Board's approval.

The Board's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements, save for provision for depreciation and amortisation of non-current assets. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis with additional non-cash item relating to provisions for depreciation and amortisation. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals 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.

**KENYA DAIRY BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

Summary of significant accounting policies (Continued)

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.

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

h) Financial instruments

i) Financial assets

Initial recognition and measurement

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

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.

Summary of significant accounting policies (Continued)

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.

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 Officers 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.

Summary of significant accounting policies (Continued)

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 are charged against income in the year in which they are earned and are payable at the end of the contract period.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and which were not surrendered or accounted for at the end of the financial year.

o) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes 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 2022.

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.

Summary of significant accounting policies (Continued)

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	2021-2022	2020-2021
	Kshs	Kshs
Consumer Safety Levy	387,069,919	65,174,390
Cess receipts	-	127,086,585
Processors levy	-	135,174,045
Import levy	88,624,830	63,845,941
Penalties	5,959,175	5,605,314
	<u>481,653,924</u>	<u>396,886,275</u>

Licenses and permits	2021-2022	2020-2021
	Kshs	Kshs
Licenses and permits application fees	2,028,300	5,197,800
Movement permits	3,667,000	6,362,000
Premise licenses	7,492,600	11,881,400
	<u>13,187,900</u>	<u>23,441,200</u>

8. Transfers from the Government and other recurrent grants	2021-2022	2020-2021
	Kshs	Kshs
(a) Unconditional grants		
Operational grants from Government of Kenya	33,300,000	16,650,000
Other Organisational grants	-	844,353
	<u>33,300,000</u>	<u>17,494,353</u>
Conditional grants		
Capital expenditure grants from Government of Kenya	35,000,000	32,500,000
	<u>35,000,000</u>	<u>32,500,000</u>
Total transfers from the Government and others	<u>68,300,000</u>	<u>49,994,353</u>

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(b) Amount recognised to statement of financial performance

	2021-2022	2020-2021
	Kshs	Kshs
Recurrent transfers from State Department for Livestock	33,300,000	16,650,000
Other organisational grants	-	844,353
	<u>33,300,000</u>	<u>17,494,353</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 2021/2022 Kshs	Prior year 2020-2021 Kshs
State Department for Livestock	5,550,000	-	-	5,550,000	8,325,000
State Department for Livestock	-	17,500,000	-	17,500,000	8,325,000
State Department for Livestock	8,325,000	-	-	8,325,000	32,500,000
State Department for Livestock	8,325,000	-	-	8,325,000	-
State Department for Livestock	-	17,500,000	-	17,500,000	-
State Department for Livestock	8,325,000	-	-	8,325,000	-
State Department for Livestock	2,775,000	-	-	2,775,000	-
Total	33,300,000	35,000,000	-	68,300,000	49,150,000

(d) Other organisational grants

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 2021/2022 Kshs	Prior year 2020-2021 Kshs
Micro Enterprises Support Programme Trust	-	-	-	-	844,353
Total	-	-	-	-	844,353

9. Interest income

	2021-2022	2020-2021
	Kshs	Kshs
Interest on bank deposits	16,103,837	17,761,336
	<u>16,103,837</u>	<u>17,761,336</u>

10. Other income

	2021-2022	2020-2021
	Kshs	Kshs
Sale of publications	-	800
Miscellaneous income	1,082,559	10,909,761
Royalties	-	159,291
	<u>1,082,559</u>	<u>11,069,852</u>

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	2021-2022	2020-2021
	Kshs	Kshs
11. Use of Goods and Services		
Printing and stationery expenses	4,895,521	5,819,655
Electricity and water expenses	1,593,863	1,706,261
Postage and courier expenses	1,138,097	1,060,835
Bank service charges	528,142	584,828
Professional and legal fees	4,895,240	290,967
Audit fees	754,000	754,000
Telephone and internet services	6,094,178	5,451,339
Uniform and clothing expenses	541,790	460,615
Contracted security and cleaning services	4,278,648	3,062,897
	24,719,479	19,191,397
12. Employees costs		
Personnel basic salaries	101,307,857	101,139,566
Gratuity and pension contribution	20,135,661	20,683,008
House allowances	34,402,150	34,580,100
Transport and commuter allowance	16,555,237	16,428,000
Acting allowance and responsibility allowances	1,350,988	1,373,490
Entertainment allowance	8,688,000	8,658,000
Extraneous allowance	10,096,000	9,928,000
Relocation and leave allowance	12,812,667	10,650,486
	205,348,560	203,440,650
<p>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;</p>		
Gratuity and Employer contribution to staff pension		
	2021-2022	2020-2021
	Kshs	Kshs
NSSF Employer contributions	371,600	376,400
Employer pension contributions	18,052,861	17,656,170
Gratuity provision for contracted staff	1,711,200	2,650,438
	20,135,661	20,683,008
13. Board members expenses		
	2021-2022	2020-2021
	Kshs	Kshs
Mileage allowances	654,040	1,177,738
Travel and accommodation allowances	6,670,667	6,321,860
Lunch allowance	66,000	138,000
Sitting allowances	5,920,000	7,660,000
Chairperson's monthly allowance	957,000	1,044,000
Directors' Medical insurance	555,504	668,481
	14,823,211	17,010,079
14. Depreciation and amortisation expenses		
	2021-2022	2020-2021
	Kshs	Kshs
Depreciation of plant, property and equipment	32,772,462	23,826,861
Amortisation of intangible assets	4,852,980	2,278,680
Amortisation of operating leases	2,175,505	2,171,717
	39,800,947	28,277,258
15. Repairs and maintenance		
	2021-2022	2020-2021
	Kshs	Kshs
Maintenance of plant and equipment	1,055,128	614,198
Maintenance of Offices	2,746,237	3,695,506
Information technology services	5,125,925	1,555,316
	8,927,290	5,865,020

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16. General and Operating expenses	2021-2022	2020-2021
	Kshs	Kshs
Training expenses	14,636,523	9,203,498
Staff medical and benevolent insurance expenses	17,355,326	17,353,116
Motor vehicle and general insurance	2,436,938	2,577,141
Staff welfare	22,135,997	8,859,876
Advertising and publicity	4,538,113	3,621,751
Rent and rates	20,906,872	20,912,854
Donations and environmental conservation	2,849,150	2,068,040
Motor vehicle running expenses	13,413,829	12,114,770
Travel and accommodation expenses	36,905,804	35,221,498
Laboratory expenses	9,927,164	5,287,152
Control of informal milk marketing and consumer education	34,329,127	25,947,927
Conference, exhibitions and training of stakeholders	4,581,332	3,661,156
Marketing and Benchmarking	4,874,573	1,733,275
Promotion of milk consumption	9,406,000	1,472,831
Product value addition	1,041,055	730,550
Organisation of stakeholders	3,292,695	710,000
Research and Dairy development	8,325,420	8,810,950
Policy and strengthening of regulatory framework	26,531,035	16,837,146
	237,486,953	177,123,538
17. Gain on sale of Assets	2021-2022	2020-2021
	Kshs	Kshs
Gain on disposal of property, plant and equipment	-	790,799
18. Provision for bad and doubtful debts	2021-2022	2020-2021
	Kshs	Kshs
Provision for bad and doubtful debts	5,672,865	2,964,026
19. Cash and cash equivalents	2021-2022	2020-2021
	Kshs	Kshs
Current accounts	37,523,710	15,475,360
On-call deposits	245,032,596	281,805,398
Staff Housing Mortgage account	13,376,686	8,066,366
Other balances	74,065	29,354
	296,007,057	305,376,478

Detailed analysis of the cash and cash equivalents

Financial Institution	Account Number	2021-2022	2020-2021
		Kshs	Kshs
(a) Current accounts			
Co-operative Bank of Kenya Limited	01136010006600	17,760,339	8,532,776
KCB Bank Kenya Limited	1103250906	19,566,378	6,744,391
National Bank of Kenya Limited	01003002830700	196,993	198,193
Sub-total		37,523,710	15,475,360
(b) On - call deposits			
KCB Bank Kenya Limited	1102653993	245,032,596	281,805,398
(c) Staff Housing Mortgage Scheme			
KCB Bank Kenya Limited	1233692348	13,376,686	8,066,366
(d) Other balances			
Undeposited cash		2,100	2,503
Mpesa Pay Bill No. 799 524		71,965	26,851
		74,065	29,354
Total cash and cash equivalents		296,007,057	305,376,478

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	2021-2022 Kshs	2020-2021 Kshs
20. Receivables from non-exchange transactions		
Receivables from non-exchange transactions comprises of the following:-		
Levies, fines and penalties receivable	58,608,661	53,961,965
Provision for bad and doubtful debts	(50,139,519)	(44,466,653)
	8,469,142	9,495,312
21. Other receivables and prepayments		
Staff Car Loan Scheme - Current portion	6,969,929	6,804,528
Staff Housing Mortgage Scheme - Current portion	2,850,982	2,232,899
Deposits	4,678,341	4,611,141
Staff salary advances	1,234,904	2,476,468
Ex- Staff receivables	400,782	400,782
Provision for bad and doubtful debts	(400,782)	(400,782)
Prepayments	1,412,246	16,525,636
	17,146,402	32,650,672

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

22. (a) Property, plant and equipment

Year ended 30 June 2021	Capital Work in progress Kshs	Motor vehicles Kshs	Furniture and fitting Kshs	Computers and accessories Kshs	Office and lab equipment Kshs	Total assets Kshs
Cost						
As at 1 July 2020	146,784,645	98,673,144	20,373,462	44,690,208	86,860,686	397,382,145
Additions during the year	19,662,254	16,884,951	1,012,386	10,895,958	14,454,197	62,909,746
Disposals during the year	-	(1,900,480)	-	(1,239,975)	(48,000)	(3,188,455)
As at 30 June 2021	166,446,899	113,657,615	21,385,848	54,346,191	101,266,883	457,103,436
Depreciation and impairment						
As at 1 July 2020	-	90,409,846	13,104,137	41,174,987	7,045,391	151,734,361
Charge for the year	-	5,236,899	1,809,663	4,963,005	11,817,294	23,826,861
Disposals during the year	-	(1,900,480)	-	(1,239,975)	(48,000)	(3,188,455)
As at 30 June 2021	-	93,746,265	14,913,800	44,898,017	18,814,685	172,372,767
Net Book Value						
As at 30 June 2021	166,446,899	19,911,350	6,472,048	9,448,174	82,452,198	284,730,669
Year ended 30 June 2022						
Cost						
As at 1 July 2021	166,446,899	113,657,615	21,385,848	54,346,191	101,266,883	457,103,436
Additions during the year	91,849,195	12,780,000	1,809,385	5,421,452	7,646,086	119,506,118
As at 30 June 2022	258,296,094	126,437,615	23,195,233	59,767,643	108,912,969	576,609,554
Depreciation and impairment						
As at 1 July 2021	-	93,746,265	14,913,800	44,898,017	18,814,685	172,372,767
Charge for the year	-	10,654,338	1,854,053	7,292,171	12,971,900	32,772,462
As at 30 June 2022	-	104,400,603	16,767,853	52,190,188	31,786,585	205,145,229
Net Book Value						
As at 30 June 2022	258,296,094	22,037,012	6,427,380	7,577,455	77,126,384	371,464,325

Capital work in progress refers to the ongoing project of the development of the National Dairy Laboratory Complex at Upper Kabete, Nairobi.

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22. (b) Property, plant and equipment

If the property, plant and equipment were stated on the historical cost basis the amounts would be as follows:

Property, plant and equipment	Cost Kshs	Accumulated depreciation Kshs	Net Book Value Kshs
Capital work in progress	258,296,094	-	258,296,094
Motor vehicles	126,437,615	104,400,603	22,037,012
Furniture and fittings	23,195,233	16,767,853	6,427,380
Computers and accessories	59,767,643	52,190,188	7,577,455
Office and laboratory equipment	108,912,969	31,786,585	77,126,384
Total	576,609,554	205,145,229	371,464,325

Property, plant and equipment includes the following assets that are fully depreciated:

Property, plant and equipment	Cost or valuation Kshs	Normal annu. depreciation charge Kshs
Motor vehicles	89,624,265	-
Furniture and fittings	9,887,153	-
Computers and accessories	43,450,233	-
Office and laboratory equipment	6,075,211	-
Total	149,036,862	-

23. Intangible assets

Cost	2021-2022 Kshs	2020-2021 Kshs
At 1 July	27,450,094	23,347,114
Additions during the year	8,205,960	4,102,980
At 30 June	<u>35,656,054</u>	<u>27,450,094</u>
Amortisation		
At 1 July	22,597,113	20,318,433
Charge for the year	4,852,980	2,278,680
At 30 June	<u>27,450,093</u>	<u>22,597,113</u>
Net book value		
At 30 June	<u>8,205,961</u>	<u>4,852,981</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

	2021-2022 Kshs	2020-2021 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	54,835,858	52,664,141
Charge for the year	2,175,505	2,171,717
At 30 June	<u>57,011,363</u>	<u>54,835,858</u>
Net book value		
At 30 June	<u>159,488,637</u>	<u>161,664,142</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.

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	2021-2022	2020-2021
	Kshs	Kshs
25. Long term receivables from non-exchange transactions		
Staff Car Loan Scheme - Non current portion	14,684,000	11,123,319
Staff Housing Mortgage Scheme - Non current portion	35,448,268	26,146,892
	50,132,268	37,270,211

	2021-2022	2020-2021
	Kshs	Kshs
26. Gratuity provision		
Balance at 1 July	3,607,780	3,023,666
Provision for the year	1,711,200	2,650,438
Payment during the year	(5,133,600)	(2,066,324)
Balance at 30 June	185,380	3,607,780

Gratuity provision are payable as follows;

Within one year	-	3,607,780
Payable after one year	185,380	-
	185,380	3,607,780

	2021-2022	2020-2021
	Kshs	Kshs
27. Trade and other payables from non-exchange transactions		
Payables from non exchange transactions	64,428,279	46,108,611
Payroll liabilities	981,531	10,451,281
KMR Staff Pension	109,299	109,299
KNAC Staff Pension	341,051	341,051
Alico Insurance claims	35,082	35,082
Withheld Taxes	1,722,579	1,358,599
Remission to National Treasury	19,908,686	16,737,659
	87,526,507	75,141,582

	2021-2022	2020-2021
	Kshs	Kshs
28. Current provisions		
Leave provision	2,048,308	-
Audit fees	3,016,000	2,262,000
	5,064,308	2,262,000

The movement of provision during the year was as follows;	Leave Provision Kshs	Audit fees Kshs	Total Kshs
Balance at the beginning of the year	-	2,262,000	2,262,000
Provision utilised during the year	2,048,308	-	2,048,308
Additional provision	-	754,000	754,000
Balance at the end of the year	2,048,308	3,016,000	5,064,308

	2021-2022	2020-2021
	Kshs	Kshs
29. Deferred Income		
National Government	490,258,170	420,258,170
International Funders	-	-
	490,258,170	420,258,170

The deferred income movement during the year was as follows;	National Government Kshs	International Funders Kshs	Total Kshs
Balance brought forward	420,258,170	-	420,258,170
Prior year adjustment	35,000,000	-	35,000,000
Received during the year	68,300,000	-	68,300,000
Recognised in the statement of financial performance	(33,300,000)	-	(33,300,000)
Balance carried forward	490,258,170	-	490,258,170

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.

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30. Refundable deposits	2021-2022	2020-2021
	Kshs	Kshs
Payments received in advance	38,835,422	12,449,715
	<u>38,835,422</u>	<u>12,449,715</u>

31. Revaluation reserves	2021-2022	2019-2020
	Kshs	Kshs
At start of year	161,664,142	163,835,859
Transfer of excess depreciation on revaluation	(2,175,505)	(2,171,717)
	<u>159,488,637</u>	<u>161,664,142</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.

32. Accumulated surplus	2021-2022	2020-2021
	Kshs	Kshs
This comprises of accumulated surplus over the years.		
At start of the year	100,245,373	96,716,471
Prior year adjustment	(35,000,000)	-
Surplus for the year	854,891	1,357,185
Transfer of amortisation from revaluation reserves to accumulated surplus	2,175,505	2,171,717
Transfer to Staff Housing Mortgage Scheme	(15,000,000)	-
	<u>53,275,769</u>	<u>100,245,373</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	2021-2022	2020-2021
	Kshs	Kshs
Staff Car Loan Scheme	24,603,663	23,964,481
Staff Housing Mortgage Scheme	51,675,936	36,447,222
	<u>76,279,599</u>	<u>60,411,703</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	23,964,481	36,447,222	60,411,703
Transfer from Accumulated Surplus	-	15,000,000	15,000,000
Interest earned during the year	639,182	228,714	867,896
Balance carried forward	24,603,663	51,675,936	76,279,599

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:

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(i) Credit risk... continued.

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	-	-
	372,162,902	321,622,601	50,540,301	50,540,301

Financial assets	Total amount	Fully Performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Receivables from non-exchange transactions	53,961,965	9,495,312	44,466,653	44,466,653
Other receivables and prepayments	33,051,454	32,650,672	400,782	400,782
Cash and cash equivalents	305,376,478	305,376,478	-	-
	392,389,897	347,522,462	44,867,435	44,867,435

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 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

Payables	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Gratuity provision	-	-	3,607,780	3,607,780
Trade and other payables	75,141,582	-	-	75,141,582
Current provisions	2,262,000	-	-	2,262,000
Deferred Income	-	-	420,258,170	420,258,170
Refundable deposits	12,449,715	-	-	12,449,715
	89,853,297	-	423,865,950	513,719,247

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(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 2022.

(b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates decrease by one percentage point would cause a decrease in the surplus from Kshs. 8,548,915 to Kshs. 6,248,367. A rate decrease of 5% would result in a decrease in the surplus from Kshs. 8,548,915 to a deficit of Kshs. 2,953,826.

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:

	2021-2022 Kshs	2020-2021 Kshs
Revaluation reserves	159,488,637	161,664,142
Accumulated surplus	53,275,769	100,245,373
Capital funds	76,279,599	60,411,703
Deferred Income	490,258,170	420,258,170
Total funds	779,302,175	742,579,388
Less: Cash and bank balances	(296,007,057)	(305,376,478)
Net Shareholder equity	483,295,118	437,202,910
Gearing	62.0%	58.9%

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;

Government of Kenya

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

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

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	2021-2022 Kshs	2020-2021 Kshs
(a) Related party transactions		
Revenue received from New Kenya Co-operative Creameries Limited	45,289,416	27,869,799
Car loans and advances granted to Key management	3,240,000	2,462,090
Staff Housing Mortgage Loans advanced Key management	-	-
(b) Grants from Government		
Grants received from Government of Kenya	68,300,000	49,150,000
(c) Key management compensation		
	2021-2022 Kshs	2020-2021 Kshs
Allowances paid to Board Members	14,823,211	17,010,079
Compensation to Managing Director	12,960,873	7,827,273
Compensation to key management	23,343,678	24,420,444
(d) Due from related parties		
	2021-2022 Kshs	2020-2021 Kshs
Due from New Kenya Co-operative Creameries Limited	43,273,233	37,147,782
Car loans and advances due from Key management	3,995,272	3,206,419
Staff Housing Mortgage Loans due from Key management	21,858,557	23,612,432
36. Contingent liabilities		
	2021-2022 Kshs	2020-2021 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	-	-
	3,425,153	3,425,153

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 Kamunu 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 2022. 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.

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37. Capital commitments	2021-2022 Kshs	2020-2021 Kshs
a) Authorised and contracted for: Proposed erection and completion of National Dairy Laboratory at Upper Kabete, Nairobi.	13,371,155	15,169,916
b) Authorised and contracted for: Proposed erection and completion of Transformer House at Upper Kabete Nairobi - Civil Works	-	38,474
c) Authorised and contracted for: Supply, Delivery, Installation, Testing and Commissioning of Low Level Water Tank at Upper Kabete, Nairobi	377,230	266,278
d) Authorised and contracted for: Supply, Delivery, Installation, Testing and Commissioning of 1 No. 200KVA Standby Generator and Installation Works at Upper Kabete, Nairobi	-	487,884
e) Authorised and contracted for: Supply, Installation, Configuration, Testing and Commissioning of an Enterprise Resource Planning (ERP) Solution	1,367,660	10,897,020
f) Authorised and contracted for: Proposed erection and completion of Kenya Dairy Board Administration Block and Associated Works at Upper Kabete, Nairobi	63,109,303	142,202,0
g) Authorised and contracted for: Supply, Delivery, Installation, Testing and Commissioning of Electrical Installation Works at Upper Kabete, Nairobi	24,077,781	-
h) Authorised and contracted for: Supply, Delivery, Installation, Testing and Commissioning of Lifts Installation Works at Upper Kabete, Nairobi	17,570,064	-
i) Authorised and contracted for: Supply, Delivery, Installation, Testing and Commissioning of Generator Set Installation Works at Upper Kabete, Nairobi	11,466,289	-
j) Authorised and contracted for: Supply, Delivery, Installation, Testing and Commissioning of Air Conditioning Installation Works at Upper Kabete, Nairobi	14,601,952	-
k) Authorised and contracted for: Supply, Delivery, Installation, Testing and Commissioning of IP CCTV Surveillance, Access Control, IP PBX, Audio Visual and Structured Cabling Installation Works at Upper Kabete, Nairobi	22,452,397	-
	168,393,831	169,061,644

38. Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the financial statements after the end of each financial year. In line with this legal requirement, the Board has made a provision to remit Kshs. 7,694,024 (Financial Year 2021, Kshs. 12,214,662) to the National Treasury.

The surplus Remission has been computed as follows;	2021-2022 Kshs	2020-2021 Kshs
Surplus for the period	8,548,915	13,571,847
Less: Allowable deduction by the National Treasury	-	-
90% computation (Included in Statement of Financial Performance)	7,694,024	12,214,662

Surplus payable	2021-2022 Kshs	2020-2021 Kshs
Payable at the beginning of the year	16,737,659	4,522,997
Provision for the year	7,694,024	12,214,662
Paid during the year	(4,522,997)	-
Payable at the end of the year	19,908,686	16,737,659

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	2021-2022	2020-2021
	Kshs	Kshs
Cash generated from operations		
Surplus from operating activities	854,891	1,357,185
Add back: Depreciation	32,772,462	23,826,861
Amortisation of intangible assets	4,852,980	2,278,680
Amortisation of finance leases	2,175,505	2,171,717
Less: Gain on disposal of non current assets	-	(790,799)
Interest income	(16,103,837)	(17,761,336)
	<u>24,552,001</u>	<u>11,082,308</u>
Adjustment for changes in working capital		
Decrease in receivables from non-exchange transactions	1,026,170	3,019,778
Increase in other receivables and prepayments	15,504,270	(517,160)
(Decrease) / decrease in trade and other payables from non-exchange transactions	12,384,925	(66,025,222)
(Decrease) / increase in provisions	(620,092)	(7,457,194)
Increase in refundable deposits	26,385,707	6,194,052
	<u>54,680,980</u>	<u>(64,785,746)</u>
Net cash flow generated / (used) in operating activities	<u>79,232,981</u>	<u>(53,703,438)</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 and Livestock Development. Its ultimate parent is the Government of Kenya.

42. Currency

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

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APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S RECOMMENDATIONS

Reference No.	Issue/Observations from Auditor	Management comments	Status	Time Frame
1.0 Property, plant and equipment	As similarly reported in the previous years, the statement of financial position reflects Property, Plant and equipment balance of Kshs. 284,730,669. The balance include an amount Kshs. 1,500,000 being the value of land situated in Narok Town that was allocated to the Board in year 2000. A review of the position during the year under review revealed that the Board has not obtained the title deed. In the circumstances, the ownership of the plot and the value of the parcel of land of Kshs. 1,500,000 included in the property, plant and equipment balance of Kshs. 284,730,669 as at 30 June 2021 could not be confirmed.	The National Lands Commission issued a letter of allotment to the Board in October 2016 together with a payment demand for Ksh. 11,395. This payment was promptly effected and the Board has been pursuing the matter. In a letter dated 3 February 2021, the NLC has asked the Managing Director to provide additional documents to facilitate processing of the Lease Title Certificate. Similarly, the Board has continued to pay the Annual Rates as charged by the County Government of Narok. The Board is now awaiting issuance of the title deed.	Title Deed obtained with a lease period of 99 years with effect from 1 April 2022.	



Margaret Rugut Kibogy, OGW
 Managing Director

Date: 07/02/2023

APPENDIX II: 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	360,973,714	42.1%	490,258,170	360,973,714	GoK

The ongoing project had received a total funding of Kshs. 490.26 million as at the 30 June 2022. However the completion rate as at the close of the year was 42.1% with total payments of Kshs. 360.97 million. This was as a result of the initial delays in the design and approval by the relevant Government Agencies. 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 year. Similarly, the Board has continued to equip the Laboratories and are fully in use. The contract for the proposed erection and completion of Kenya Dairy Board Administration Block and Associated Works was signed in May 2021 and the project is under implementation and due to be completed within 18 months.

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APPENDIX III: INTER ENTITY TRANSFERS

ENTITY NAME: KENYA DAIRY BAORD

Breakdown of Transfers from the State Department for Livestock

(a) Recurrent Grants	Bank statement	Amount (Kshs)	Financial year to which the amount relate
State Department for Livestock	20-Sep-21	5,550,000	2021/2022
State Department for Livestock	9-Dec-21	8,325,000	2021/2022
State Department for Livestock	7-Feb-22	8,325,000	2021/2022
State Department for Livestock	18-May-22	8,325,000	2021/2022
State Department for Livestock	17-Jun-22	2,775,000	2021/2022
Total		33,300,000	

(b) Development Grants	Bank statement	Amount (Kshs)	Financial year to which the amount relate
State Department for Livestock	20-Sep-21	17,500,000	2021/2022
State Department for Livestock	11-May-22	17,500,000	2021/2022
Total		35,000,000	

The above amounts have been communicated to and reconciled with the Ministry of Agriculture, Livestock, Fisheries and Co-operatives (State Department for Livestock)



**Finance Manager
Kenya Dairy Board**

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of MDA/ Donor Transferring the funds	Date Received as per Bank Statements	Nature: Recurrent or Development	Total Amount (Kshs)	Where recognised		Total Transfer during the year (Kshs)
				Statement of Financial performance (Kshs)	Deferred income (Kshs)	
State Department for Livestock	20-Sep-21	Recurrent	5,550,000	5,550,000	-	5,550,000
State Department for Livestock	20-Sep-21	Development	17,500,000	-	17,500,000	17,500,000
State Department for Livestock	9-Dec-21	Recurrent	8,325,000	8,325,000	-	8,325,000
State Department for Livestock	7-Feb-22	Recurrent	8,325,000	8,325,000	-	8,325,000
State Department for Livestock	11-May-22	Development	17,500,000	-	17,500,000	17,500,000
State Department for Livestock	18-May-22	Recurrent	8,325,000	8,325,000	-	8,325,000
State Department for Livestock	17-Jun-22	Recurrent	2,775,000	2,775,000	-	2,775,000
			68,300,000	33,300,000	35,000,000	68,300,000

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APPENDIX V: CLIMATE RELEVANT EXPENDITURES

Name of the Organisation: Kenya Dairy Board

Telephone Number: 0722 573432

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
				-		
				-		

APPENDIX VI: DISASTER EXPENDITURE REPORTING

Date: 28 September 2022						
Entity: Kenya Dairy Board						
Period to which report refers (FY): Year ended 30 June 2022						
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	Pandemic: Covid-19	Purchase of PPEs	Purchase of Face Masks and Sanitizers	496,100	Purchase for PPEs for staff