

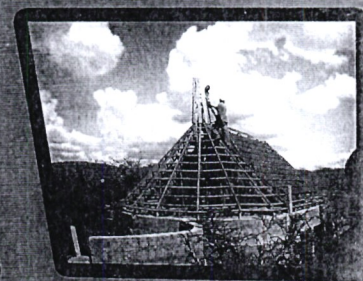
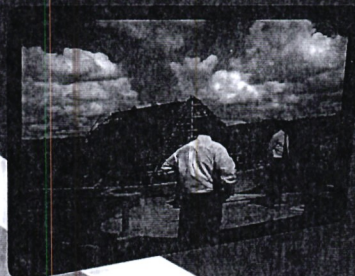
# Research Development Unit Co. Ltd

**RDU**

Raising roofing standards in Kenya



**ANNUAL ACCOUNTS 2006**



A subsidiary of the National Housing Corporation

REPUBLIC OF KENYA

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**KENYA NATIONAL AUDIT OFFICE**

**REPORT OF  
THE CONTROLLER  
AND AUDITOR - GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
RESEARCH DEVELOPMENT UNIT COMPANY LTD  
(A SUBSIDIARY OF NATIONAL HOUSING CORPORATION)  
FOR THE YEAR ENDED 30 JUNE 2006**

**Research Development Unit  
Company Ltd.**

**ANNUAL ACCOUNTS  
FOR THE YEAR ENDED  
30TH JUNE 2006**

## *Vision*

To be a leader in the provision of engineered roofing systems and Housing Research in Kenya.

## *Mission*

To run a profitable bussiness which improves timber processing and building practices and by so doing, assit in the conservation of indigenious forests of Kenya.

# **BOARD OF DIRECTORS**

## **RESEARCH DEVELOPMENT UNIT COMPANY LIMITED**

**30TH JUNE 2006**

1. Mr. Bosire Ogero  
Chairman to the Board
2. M. Povoden Nginja (Mrs)  
Director
3. Mr. D.K. Toro  
Director
4. Mr. C.A. Malai  
Director
5. Mr. Elias Kaburu Murithi  
Director
6. Mr. Mark Ogot  
Alt. Director Representing Permanent Secretary  
Ministry of Finance
7. Arch.V.O. Ogut  
Alt. Director Representing Permanent Secretary  
Ministry of Local Government
8. Arch P.O. Sika  
Alt. Director Representing Permanent Secretary  
Ministry of Roads & Public Works
9. Mr. Karoli Ooko  
Alt. Director Representing Permanent Secretary  
Ministry of Housing
10. Arch. A.J. Adera  
Executive Director / Managing Director
11. Appolinary C. Kisimbo  
General Manager

## **COMPANY INFORMATION**

### **PRINCIPAL PLACE OF BUSINESS**

Ngong Road Forest Station  
Off Ngong Road  
P.O. BOX 15273-00599  
**NAIROBI.**

### **REGISTERED OFFICE**

Ngong Road Forest Station  
Off Ngong Road  
P.O. BOX 15273-00599  
**NAIROBI.**

### **Bankers**

Standard Chartered  
Yaya Centre  
P.O. BOX 76175  
**NAIROBI.**

National Bank of Kenya Ltd  
Harambee Avenue Branch  
P.O. BOX 72866  
**NAIROBI.**

### **AUDITORS**

The Controller & Auditor General  
P.o. Box 3008-00100  
**NAIROBI.**

# CHAIRMAN'S REPORT

For the Financial Year ended 30<sup>th</sup> June 2006



## **Introduction:**

It is my pleasure to present to you our Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2006. Since March 2002, when National Housing Corporation took over management Trussed Rafter Development Unit now (Research Development Unit Company) from the Government, annual trading results had been characterized by poor sales volumes and high operating costs. The same results were witnessed in the year 2005/06.

## **Economy**

The building industry has recorded steady growth since 2002 after a length slump. This has been attributed to prudent fiscal policy and stable political environment. There are challenges in the industry however, and particularly in the roofing part of the building. Availability of timber has been singled out as the most serious challenge considering the speed at which our forests are disappearing. The scarcity of timber therefore means that the little that is available is sold expensively, challenging people in the industry to look at other roofing alternatives.

## **Marketing**

To fully exploit the market, RDU Company Limited is committed to aggressively market the company's products across the country to developers, consultants and other stakeholders. There is potential to market our services in the neighboring countries of Tanzania, Uganda and Southern Sudan, where we believe there is a ready market. These markets will be exploited once we are satisfied that we have the structures and infrastructure to deliver, particularly after we substantially address our enormous untapped local potential. The Company employed a General manager and a Deputy General Manager to study the viability of the Company and develop business strategies to improve the market share and profitability.

## **Future Prospects**

Preliminary studies by the General Manager and the Deputy General Manager indicate that the Company is viable especially with introduction of other complementing products such as panel and flash doors.

## **CHAIRMAN'S REPORT**

For the Financial Year ended 30<sup>th</sup> June 2006

### **Appreciation**

I wish to extend my sincere appreciation to all our customers who supported us this year, my fellow Board Members, Management of National Housing Corporation and all staff. It is my prayer that the same will continue into the future.



**BOSIRE OGERO**  
**CHAIRMAN**



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act Cap 486 requires the Directors to prepare financial statements for each financial year, which include a balance sheet showing in detail the assets and liabilities of the Company, a statement of income and expenditure, and such other statements that the Directors may deem necessary. It also requires the Directors to ensure the Company keeps proper books of account and other books and records in relation to the Company and to all the undertakings, funds, investments activities and property of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with generally accepted accounting practice and in the manner required by the Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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

CHAIRMAN: ..... 

MANAGING DIRECTOR: ..... 

DATE: 28<sup>th</sup> MARCH 2008 .....

## REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
Email: [cag@kenyaweb.com](mailto:cag@kenyaweb.com)



P.O. Box 30084-00100  
NAIROBI

## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF RESEARCH DEVELOPMENT UNIT COMPANY LTD (A SUBSIDIARY OF NATIONAL HOUSING CORPORATION) FOR THE YEAR ENDED 30 JUNE 2006

I have audited the financial statements of Research Development Unit Company Ltd, a subsidiary of National Housing Corporation, for the year ended 30 June 2006 as set out on pages 12 to 22 which comprise the balance sheet as at 30 June 2006, the Profit and Loss Account, statement of changes in equity and cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Directors' Responsibility for the Financial Statements**

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

#### **Responsibility of the Controller and Auditor General**

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

### **Opinion**

In my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Company as at 30 June 2006 and of its loss and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Companies Act (Cap 486 of the Laws of Kenya).



**P. N. Komora, CBS**

**CONTROLLER AND AUDITOR GENERAL**

Nairobi

21 April, 2008

# **PROFIT AND LOSS ACCOUNT**

For the Financial Year ended 30<sup>th</sup> June 2006

	Notes	2005/2006 Kshs.	2004/2005 Kshs.
<b>INCOME</b>			
TURNOVER	1	7,287,695	5,865,261
		<b>7,287,695</b>	<b>5,865,261</b>
<b>OUTGO</b>			
DIRECT COSTS	2	8,472,920	7,042,242
STAFF COSTS	3	4,271,585	1,851,355
OTHER OPERATING EXPENSES	4	4,497,635	4,159,864
		<b>17,242,140</b>	<b>13,053,461</b>
<b>LOSS BEFORE TAX</b>	4	<b>(9,954,445)</b>	<b>(7,188,200)</b>
TAX			-
<b>NET LOSS</b>		<b>(9,954,445)</b>	<b>(7,188,200)</b>
RETAINED LOSSES		<b>(9,954,445)</b>	<b>(7,188,200)</b>

The Notes on Pages 8 to 15 form part of these Accounts.

# BALANCE SHEET

AS AT 30 JUNE 2006

<b>CAPITAL EMPLOYED</b>		<b>2005/2006</b>	<b>2004/2005</b>
	<b>Notes</b>	<b>Kshs.</b>	<b>Kshs</b>
DFID FUNDING	5	8,091,308	8,091,308
NHC FUNDING	6	38,245,337	22,337,245
DFID PROJECT FUNDING	5	29,980,000	29,980,000
RETAINED LOSSES	7	(44,084,439)	(34,129,994)
		<b>32,232,206</b>	<b>26,278,559</b>
<b>REPRESENTED BY</b>			
<b>NON CURRENT ASSETS</b>			
FIXED ASSETS	8	17,367,174	18,032,550
		<b>17,367,174</b>	<b>18,032,550</b>
<b>CURRENT ASSETS</b>			
WORK IN PROGRESS		569,433	609,252
CONSUMABLE STOCK	9	1,695,176	949,453
DEBTORS & PREPAYMENTS	10	2,305,823	1,284,300
CASH & CASH EQUIVALENTS	11	10,908,920	5,483,004
		<b>15,479,352</b>	<b>8,326,009</b>
<b>TOTAL ASSETS</b>		<b>32,846,526</b>	<b>26,358,559</b>
<b>LIABILITIES</b>			
TRADE & OTHER PAYABLES	12	614,320	80,000
<b>TOTAL LIABILITIES</b>		<b>614,320</b>	<b>80,000</b>
<b>NET ASSETS</b>		<b>32,232,206</b>	<b>26,278,559</b>

CHAIRMAN.....

DATE .....

MANAGING DIRECTOR.....

DATE .....

The notes on pages 16 to 23 form part of these accounts.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	<b>2005/2006</b>	<b>2004/2005</b>
	<b>Ksh.</b>	<b>Ksh.</b>
At Start of Year	26,278,560	26,205,105
Net Profit (Loss)	(9,954,445)	(7,188,200)
NHC funding	15,908,091	7,261,655
<b>At Year End</b>	<b>32,232,206</b>	<b>26,278,560</b>

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	<b>Notes</b>	<b>2005/2006</b>	<b>2004/2005</b>
		<b>Ksh.</b>	<b>KSh</b>
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	13	(10,037,574)	(6,875,491)
Net cash from operating activities		(10,037,574)	(6,875,491)
<b>INVESTING ACTIVITIES</b>			
Purchase of fixed assets	8	(444,602)	(100,700)
NHC Funding		15,908,092	7,261,655
Net cash from/ investing activities		15,463,490	7,160,955
<b>FINANCING ACTIVITIES</b>			
Net cash used in financing activities		-	-
<b>Increase/(Decrease) in cash and cash equivalents</b>			
		5,425,916	285,464
<b>MOVEMENT IN CASH AND CASH EQUIVALENTS</b>			
At start of the year		5,483,004	5,197,540
<b>At end of year</b>	11	<b>10,908,920</b>	<b>5,483,004</b>

The principal accounting policies adopted in the preparation of these financial statements are set out below:

**a. BASIS OF PREPARATION**

The financial statements are presented in Kenya Shillings (KShs.) and prepared under the historical cost convention, as modified by the carrying of certain investments at fair value.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires the use of estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Managements best knowledge of current events and actions, actual results ultimately may differ from those estimates.

**b. BUILDINGS, PLANT, EQUIPMENT AND MOTOR VEHICLES**

All items of plant, equipment and motor vehicles are recorded at cost less depreciation.

Depreciation is calculated on the reducing balance basis, at the following annual rates:

-Buildings	2.5%
- Computer System	30%
- Furniture, Fitting & Equipment	20%
- Motor Vehicles	25%
-Plant & Equipment	12.5%

Gains and losses on disposal of motor vehicles are determined by reference to their carrying amounts and are taken into account in determining the operating profit.

## **ACCOUNTING POLICIES Continued**

FOR THE YEAR ENDED 30 JUNE 2006

**c. RETIREMENT BENEFIT OBLIGATIONS**

The Company contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF).

The company's contribution to the NSSF in respect of current service is charged to the profit and loss account in the year.

**d. CASH AND CASH EQUIVALENTS**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and short term, highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

**e. STOCKS**

Consumable stocks are valued at cost, on the basis of first in first out.

**f. REVENUE RECOGNITION**

Income has been recognized on accrual basis. A provision for doubtful debts is made when collection of the full amount is no longer probable.



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

## 1. TURNOVER

The sources of income are as stipulated below:

ITEM	2005/2006	2004/2005
	Ksh.	Ksh.
Sale of timber	7,083,020	5,767,582
Other sales	204,675	97,679
<b>TOTAL</b>	<b>7,287,695</b>	<b>5,865,261</b>

## 2. DIRECT COSTS

This is made up of:

	2005/2006	2004/2005
	Ksh.	Ksh.
Labour	3,031,239	1,938,853
Other Materials	983,353	694,527
Timber	4,409,628	4,074,476
Bonus	-	249,886
Transport	48,700	84,500
<b>TOTAL</b>	<b>8,472,920</b>	<b>7,042,242</b>

## 3. STAFF COSTS

Staff costs comprise the following:

	2005/2006	2004/2005
	Ksh	Ksh.
Salaries & Emoluments	4,271,585	1,851,355
<b>TOTAL</b>	<b>4,271,585</b>	<b>1,851,355</b>

The number of persons employed by the Company by 30.06.2005 was 36

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007/6

## 4. PROFIT BEFORE TAX

Profit before tax is stated after charging:

ITEM	2005/2006 Ksh	2004/2005 Ksh
Depreciation	1,109,978	1,161,915
Directors Fees	-	-
Auditors Remuneration	-	-
<b>Sub-Total</b>	<b>1,109,978</b>	<b>1,161,915</b>
<b>Other Operating Expenses</b>		
Motor Vehicle Expenses	1,051,713	940,244
Repairs of Equipment	21,640	561,320
security	461,135	479,084
Printing & Stationery	32,724	54,925
electricity	153,548	126,366
Postage & Telephones	389,295	148,480
Insurance	370,023	137,466
Bank Charges	7,778	7,847
water	17,200	17,000
Exhibition	242,500	13,961
Training	52,000	102,000
other Expenses	468,225	287,354
purchases	119,876	121,902
<b>Sub-Total</b>	<b>3,387,657</b>	<b>2,997,949</b>
<b>TOTAL</b>	<b>4,497,635</b>	<b>4,159,864</b>

## 5. DFID FUNDING

	2005/2006 Ksh.	2004/2005 Ksh.
DFID FUNDING	8,091,308	8,091,308
DFID PROJECT FUNDING	29,980,000	29,980,000
<b>TOTAL</b>	<b>38,071,308</b>	<b>38,071,308</b>

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Continued

FOR THE YEAR ENDED 30 JUNE 2006

## 6. NHC FUNDING

NHC Equity contribution is as follows:

	2005/2006	2004/2005
	Ksh.	Ksh.
NHC funding	38,245,336	22,337,245
<b>TOTAL</b>	<b>38,245,336</b>	<b>22,337,245</b>

## 7. RETAINED LOSSES

	2005/2006	2004/2005
	Ksh.	Ksh.
Bal b/d	(34,129,994)	(26,941,793)
Prior Year Adjustments	-	-
Losses for the year	(9,954,445)	(7,188,200)
<b>TOTAL</b>	<b>(44,084,439)</b>	<b>(34,129,993)</b>

The accumulated loss brought forward of Kshs.34,129,994 includes a loss of Kshs.26,941,793 from the operations of former Trussed Rafter Development Unit.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

## 8. PROPERTY, PLANT & EQUIPMENT MOVEMENT SCHEDULE

	LAND & BUILDING	MOTOR VEHICLE	PLANT EQUIPMENT	FURNITURE & FITTING	COMPUTER SYSTEM	TOTAL AMOUNT
<b>COST</b>						
At 1ST JULY 2005	15,313,476	3,685,000	11,713,981	1,405,059	80,000	32,197,516
Additions	-	-	188,802	87,600	168,200	444,602
Disposals	-	-	-	-	-	-
At 30TH JUNE 2006	15,313,476	3,685,000	11,902,783	1,492,659	248,200	32,642,118
<b>DEPRECIATION</b>						
At 1ST JULY 2005	2,611,508	3,475,105	6,767,245	1,299,708	11,400	14,164,966
Charge for the year	382,836	47,755	595,855	40,871	42,661	1,109,978
On disposal	-	-	-	-	-	-
At 30TH JUNE 2006	2,994,344	3,522,860	7,363,100	1,340,579	54,061	15,274,944
<b>NET BOOK VALUE</b>						
At 30TH JUNE 2006	12,319,132	162,140	4,539,683	152,080	194,139	17,367,174
At 1ST JULY 2005	12,701,968	209,895	4,946,736	105,351	68,600	18,032,550

Depreciation of fixed assets has been charged to the Profit and Loss Account.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Continued

FOR THE YEAR ENDED 30 JUNE 2006

## 9. CONSUMABLE STOCK

Stock has been valued at cost, and is made up of

	2005/2006	2004/2005
	Ksh.	Ksh.
Stock of Timber	1,695,176	949,453
<b>TOTAL</b>	<b>1,695,176</b>	<b>949,453</b>

## 10. DEBTORS AND PREPAYMENTS

These are made up of:

	2005/2006	2004/2005
	Ksh.	Ksh.
Sundry Debtors	2,287,885	1,186,200
Imprest	17,938	98,100
<b>TOTAL</b>	<b>2,305,823</b>	<b>1,284,300</b>

## 11. CASH AND CASH EQUIVALENTS

For purposes of the cash flow statement, cash and cash equivalents represent cash and bank balances.

## 12. TRADE AND OTHER PAYABLES

These comprise:

	2005/2006	2004/2005
	Ksh.	Ksh.
Sundry Creditors	614,320	80,000
<b>TOTAL</b>	<b>614,320</b>	<b>80,000</b>

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

## 13. CASH GENERATED FROM OPERATING ACTIVITIES

	2005/2006	2004/2005
	Kshs.	KShs.
<b>CASHFLOW GENERATED FROM OPERATIONS</b>		
<b>Net Profit (Loss) before Tax</b>	(9,954,445)	(7,188,200)
<b>Adjustments:for items not involving movement of cash</b>		
Depreciation	<b>1,109,978</b>	1,161,916
Operating profit before working capital	(8,844,467)	(6,026,284)
<b>Working capital adjustments:</b>		
Increase in debtors & prepayments	(1,021,523)	(899,437)
Increase in stock	(745,723)	426,847
Increase/(decrease) in creditors	534,320	(824,618)
Decrease work progress	39,819	448,001
<b>Working capital changes</b>	<b>(1,193,107)</b>	<b>(849,207)</b>
<b>TOTAL CASH GENERATED</b>	<b>(10,037,574)</b>	<b>(6,875,491)</b>

