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Annual Report and

Accounts

2000/2001

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KENYA NATIONAL ASSEMBLY

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HORTICULTURAL CROPS DEVELOPMENT AUTHORITY

HORTICULTURAL CROPS DEVELOPMENT AUTHORITY



Annual Report

And

Accounts

2000/2001

Registered Office:

**Nairobi Horticultural Center (NHC)
JKIA - Off Airport North Road
P.O.Box 42601
NAIROBI.**

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HORTICULTURAL CROPS DEVELOPMENT AUTHORITY



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HORTICULTURAL CROPS DEVELOPMENT AUTHORITY

MEMBERS OF HCDA BOARD OF DIRECTORS

Gen. (Rtd) Daudi R.C. Tonje	-	Chairman
DR. P. Mwanzia	-	Managing Director
Justus Ondara Nyaberi	-	Member
Alice J. Chesire	-	Member
Rebecca Kotut	-	Member
Dr. Margaret Hutchinson	-	Member
Paul Saiti Muthui	-	Member
Simon Ethangatta	-	Member
Kang'ari Muhu	-	Member
P. Ngugi	-	Member
Abdallahi S. Dahir	-	Member
R.K. Pradhan	-	Member
PS, Ministry of Agriculture & Rural Development	-	Member
PS, Ministry of Finance	-	Member
Director of Agriculture	-	Member
Commissioner of Co-operatives	-	Member

CHIEF OFFICERS

Mark Okado	-	General Manager Operations
Esther Kabugi	-	Commercial & Marketing Manager
M.A. Oloo (Mrs)	-	Personnel & Administration Manager
J.O. Ouko	-	Technical Service & Nurseries Manager
Richard Nge'tich	-	Project Engineer
M.M. Muoka	-	Ag. Financial Manager
T.M. Mutua	-	Chief Internal Auditor
L.R. Opiyo	-	Public Relations Officer

CHAIRMAN'S STATEMENT

I am pleased to present our annual report together with the audited accounts for the financial year ended 30th June 2001. The performance of the Authority was affected by the difficult economic times, which affected the whole country at the time. However the industry in general performed better with exports increasing both in volume and value.

During the year under review total income generated from operations increased from Kshs 39.2 million the previous year to 136.3 million. This was as a result of the transfer of the collection import fees to KRA. This source generated a total of Kshs 115 million this year as against 15 million the previous year.

The expenditure however increased from Kshs 43 million the previous year to Kshs 158 million. The following events that occurred during the year affected the results:-

1. The Horticultural Produce Handling Facilities Project was completed and handed over to the Authority in April 2001.
2. The Authority assumed the responsibility of the assets of the project.
3. The Assets and liabilities under the project amounting to 1.5 billion were incorporated in the Authorities Accounts for the first time.

The Increased expenditure can be attributed to the following specific items:-

▪ Insurance of Equipment and motor vehicles	Ksh 18.9 million
▪ depreciation of motor vehicles	kshs11.8 million
▪ amortisation of consultancy costs	Kshs 69.5million
Total	Kshs 100.2 million

The Authority during the year continued to offer its traditional services of specialised extension services and marketing logistics. Our key collaborators in the extension activities included:-

Public sector:-

MOA, KEPHIS, PCPB, KARI, KEBS, KIRDI, EPC, and Ministry of Foreign Affairs.

Private Sector: USAID, DFID, CARE(K) Plan Kenya, IFAD and NGO's

We also participated in the national and international fairs and shows. Farmers have continued to venture into horticultural farming due to demand and availability of markets both locally and internationally, and the better prices horticulture offers compared to other crops. The Authority during the year carried out intensive farmers training and demonstrations and staff training in readiness for the challenges a head as we start the operations of the HPHF project.

Farmers training focused on:-

- Good agricultural practices, (Kenya Code of Practice & Code of Conduct)
- Farmers group management and formation.
- Production planning / commercialisation of farming.

- Value addition through use of cold chain

Field demonstrations on:

- New crop varieties
- Improved production technologies
- Crop management practices
- Utilization of agricultural products.

Staff Training focused on.

- Production technologies/Produce handling
- Quality assurance – ISO 9000
- International Market requirements (including MRLs)

Financial Position

Surplus/(deficit) for the year	(21,983,798.00)	(3,753,350.00)
Net current assets	283,643,839.00	1,525,237.00
General Reserves	(33,684,763.00)	(12,685,419)

Directors

The Directors who served during the year are listed on page (ii).

Auditors

The accounts have been audited by the Controller and Auditor General who is the Statutory Auditor.

Deferred Consultancy – Kshs.208,618,205.00

It is true that Edon Consultants entered into an agreement with HCDA on 27th December 2000, which was an amendment No.2 of the original agreement for the extension of the original contract agreement and amendment No. 1.

It is noted that this amendment attracted additional costs, which were incurred amounting to Kshs. 10,493,750.00 out of which Kshs. 9,470,000.00 was paid leaving a balance of Kshs. 1,023,750.00 as outstanding liability. The bone of contention between Edon Consultants and HCDA has been the validity of the outstanding fees. The Board has not been able to recognise and include the outstanding fees in its Annual Accounts for the year 2000/2001 due to the following reasons:-

- The amendment No.2 agreement on which we were supposed to base the accrued outstanding fees was not signed and has not been signed to date by the third party to the agreement, a Mrs. R.H. Fox who is the Managing Director ROFE KENNARD & LAPWORTH (EA) LTD (RKL). Mr. Fox in his letter Ref. 930801/RHF/630 dated 6th January 2003 to Edon Consultants confirms that he was in no way endorsing the

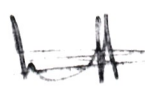
validation of the amendment No. 2. This could have been apparently an attempt by Edon to have Mr. Fox sign the contract. This raises suspicion on the agreement as Rofe Kennard & Lapworth has never submitted a demand note for payment.


- ii) Out of the Kshs. 9,470,000.00 paid to Edon Consultants, there were some cash payments received by him (see schedule of payment from Edon attached). However, the counterfoils for cheques withdrawing the cash and the cashbook entries indicate different payees for the same. These payments were part of the investigation report by the Efficiency Monitoring Unit, Office of the President and the former employees who were involved in this case were arraigned in court.
- iii) The procedure was that the local consultants were supposed to forward their fee notes as certified by Mr. Fox to Sanyu Consultants Inc. through the Ministry of Agriculture to the Ministry of Finance (External Resources Department) to pay. This therefore, means that Mr. Ndong should have forwarded his demand notes to be paid by Sanyu Consultants Inc. It is noted from the schedule of payments submitted by Mr. Ndong that the proper procedure was followed from 1995 upto sometime in 2001 when payments were done by Telegraphic Transfer from Sanyu Consultants Inc. It was also about this time that these questionable payments for contract amendment No.2 were made.
- iv) The mentioned staff training is acknowledged to have been irregular and was addressed in our response to the Controller and Auditor General vide HCDA/CONF/C.3.3/Volume 5/(154) of 17th July 2003.
- v) Considering the above mentioned irregularities the Board could not honour the purported outstanding fee notes.

The above stipulated reasons made the Board decline to authorise the purported fee of Kshs. 1,023,750.00 which the Board believes should have been forwarded to Sanyu Consultants to pay as per the original contract.

The achievements of HCDA have been the result of the staff dedication and team effort with our performance partners; MOA, KEPHIS, PCPB, KARI, EPC, IFAD, JICA and others in facilitating produces, exporters, and local traders. As the organisation responsible for enhancing development of the horticultural industry, HCDA will continue to play its role and contribute to the reduction of rural poverty.


Prof. Rosalind Mutua
CHAIRMAN
HCDA BOARD


Wilson Songa (Dr)
MANAGING DIRECTOR &
SECRETARY TO THE BOARD



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF HORTICULTURAL CROPS DEVELOPMENT
AUTHORITY FOR THE YEAR ENDED 30 JUNE 2001**

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF HORTICULTURAL CROPS DEVELOPMENT
AUTHORITY FOR THE YEAR ENDED 30 JUNE 2001**

I have examined the Financial Statements of Horticultural Crops Development Authority for the year ended 30 June 2001 in accordance with the provisions of Section 29 of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations required for the purpose of the audit. Proper books of account have been kept by the Authority and the Financial Statements, which have been prepared under the historical cost convention, are in agreement therewith and comply with the Agricultural Act (Cap 318).

Except for the matters referred to below, in my opinion, the Financial Statements, when read together with the notes thereon, show a true and fair view of the financial state of affairs of the Authority as at 30 June 2001, and of its loss and cashflow for the year then ended.

1. **LOANS**

The Horticultural Crops Development Authority (HCDA) signed a loan agreement in August 1998 with the Government of Kenya for a sum of Kshs.2,508,308 for a crops grading and packing project at the HCDA stations. The project was implemented between 1971/72 and 1976/77 financial years and the loan agreement was therefore belatedly signed after Government made a clarification to HCDA that advances made to the Authority during the Implementation of the project between the financial years 1971/72 and 1976/77 were approved by parliament as loans and not grants and subventions as earlier understood by HCDA. The loan agreement required the Authority to repay in seventy two monthly consecutive installments. The Authority, however, did not make any repayments during the year ended 30 June 2001 contrary to the terms and conditions of agreement and the loan balance stood at Kshs.1,883,380 as at that date.

2. **STOCKS**

The stocks balance of Kshs.2,966,963 as at 30 June 2001 includes a figure of Kshs.2,789,941 being the value of an irrigation equipment. The location, existence and ownership of the irrigation equipment could not however be established as no information of its whereabouts was provided. Further, it was noted that the stocks schedule made available for audit only supported Kshs.136,316 out of the total stocks figure of Kshs.2,966,963. In the circumstances, therefore, it was not possible to confirm the correctness of the stocks figure of Kshs.2,966,963 as at 30 June 2001.



3. DEFERRED CONSULTANCY

The Horticultural Crops Development Authority entered into an agreement with a firm of consultants in December 2000 by way of an amendment number 2 of the original agreement for the extension of the original contract agreement and amendment number 1. The Consultants were to provide Engineering Consulting Services for the detailed Engineering Design and Construction Supervision of the Horticultural Produce Handling Project. The extension appears to have been caused by delay in the start of construction work by the contractor. Due to the delay in implementation, additional costs of Kshs.10,493,750 were incurred out of which Kshs.9,470,000 has been paid leaving a balance of Kshs.1,023,750 unpaid. This liability has not been recognized in the accounts. Further the original copy of the contract amendment number 2 to the agreement was not made available for audit review and a photocopy of the agreement which was verified appears to be incomplete since it was not signed by all parties to the contract. Consequently, it was not possible to confirm the propriety of the additional costs incurred amounting to Kshs.10,493,750. The management has also not recognized the unpaid balance of Kshs.1,023,750 in their Accounts due to what appears to be an invalid contract agreement. Moreover the Authority signed another agreement with a firm in April 2001 for a contract sum of Kshs.1,953,000 payable at a monthly rate of Kshs.217,000 between 28 April 2001 and 13 December 2001 for the design and implementation of a Computer Networks Systems and related Information Systems and staff training. It was, however, noted that out of the nineteen (19) people trained, only six (6) were HCDA staff, while the other thirteen (13) trainees were non-staff members, and the basis used to identify them for training before recruitment was not explained. The use of the Authority's funds on non-staff members appears irregular. The Authority's records also show that out of the contract sum of Kshs.1,953,000, the Consultant acknowledges having received payment of only Kshs.651,000 between the months of April 2001 and June 2001. However the Authority claims to have paid a sum of Kshs.1,116,650 which the consultant has denied. In the circumstances, therefore it is not possible to confirm the propriety and correctness of the figure of Kshs.208,618,205 shown in the financial statements as Deferred Consultancy.

4. DEBTORS AND PREPAYMENTS

The Debtors and Prepayments balance of Kshs.15,990,595 as at 30 June 2001 includes Kshs.4,088,961 which has remained outstanding from as far back as 1992/93 and for which no age analysis has been provided. The recoverability of these debts appears doubtful. In addition imprest amounting to Kshs.255,749 brought forward from the previous financial year had not been accounted for at the end of the year under review. No explanation has been provided for failure to account for the latter amounts.

5. **BOARD OF DIRECTORS EXPENSES**

During the year 2000/2001 and as was the case in the previous year the Authority operated without a Board of Directors as the term of the previous Board had expired in June 1995. However the Authority incurred expenditure of Kshs.236,959 as Board expenses, when there was no Board of Directors. In the absence of a Board of Directors it is not clear why or how the expenditure was incurred or who discharged the functions provided for under section 15(1) of the State Corporations Act (Cap 446) for the period July 1995 to 30 June 2001.

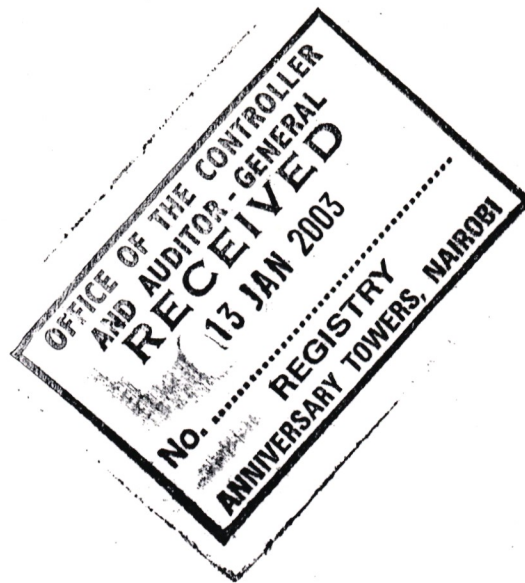


E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

21 April, 2004





HORTICULTURAL CROPS DEVELOPMENT AUTHORITY

FINAL ACCOUNTS

2000/2001



HORTICULTURAL CROPS DEVELOPMENT AUTHORITY
BALANCE SHEET AS AT 30TH JUNE, 2001

		30.6.01	30/6/00
	NOTES	KSHS	KSHS
Fixed Assests (Net)	1	1,431,928,870.00	8,840,210.00
Investments	2	2,000,100.00	100.00
		<u>1,433,928,970.00</u>	<u>8,840,310.00</u>
Current Assets			
Suspense Account	3a	3,187,719.00	
Deferred Consultancy	3b	208,618,205.00	
Stocks		2,966,963.00	2,830,647.00
Debtors & Prepayment	4	15,990,595.00	8,401,533.00
Cash & Bank Balances	5	65,734,194.00	4,499.00
Total Current Assets		<u>296,497,676.00</u>	<u>11,236,679.00</u>
Less Current Liabilities			
BankOverdraft		0.00	1,758,317.00
Creditors	6	12,853,837.00	7,953,125.00
		<u>12,853,837.00</u>	<u>9,711,442.00</u>
Net Current Assets		<u>283,643,839.00</u>	<u>1,525,237.00</u>
Net Assets		<u><u>1,717,572,809.00</u></u>	<u><u>10,365,547.00</u></u>
FINANCED BY:			
GRANTS	8	200,902,995.00	21,202,586.00
LOANS 1	7a	1,888,380.00	1,848,380.00
G.O.K. LOAN 2	7b	1,548,466,197.00	
GENERAL RESERVES	9	-33,684,763.00	-12,685,419.00
		<u>1,717,572,809.00</u>	<u>10,365,547.00</u>


GEN (RTD) DAUDI R. TONJE
CHAIRMAN


S.P. GACHANJA
MANAGING DIRECTOR

HORTICULTURAL CROPS DEVT. AUTHORITY DRAFT INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2001

INCOME	30/6/01	30/6/00
UNIDO PROJECT	1,530,218.00	4,285,300.00
HEAD OFFICE OPERATIONS	134,245,075.60	25,428,619.00
NAIROBI GODOWN TRADING ACCOUNT	128,018.25	171,481.00
MOMBASA GODOWN TRADING ACCOUNT	354,895.25	8,828,545.00
TAVETA GODOWN TRADING ACCOUNT	98,350.00	551,085.00
GROSS INCOME	136,356,557.10	39,265,030.00

EXPENDITURE

ADVERTISEMENTS	404,054.50	758,018.00
AMORTISED DEFERRED CONSULTANCY	69,539,401.70	0.00
AUDIT	350,000.00	200,000.00
BANK CHARGES	183,316.00	198,014.00
BOARD EXPENSES	236,959.80	119,000.00
COMPUTER MAINTAINANCE	69,000.00	73,800.00
CONSULTANCY	75,000.00	189,500.00
DEPRECIATION	11,814,693.00	816,559.00
DONATIONS/TASK FORCE	20,000.00	986,850.00
ENTERTAINMENT	881,437.15	290,588.00
FAIRS & SHOWS	778,556.80	332,524.00
FARMERS TRAINING	718,273.55	933,049.00
FREIGHT & HANDLING	3,812.00	0.00
G.O.K PENSIONS	11,855.00	0.00
GENERAL LABOUR	59,139.00	3,385.00
GENERAL OFFICE EXPENSES	3,413,706.80	1,063,802.00
GENERATOR FUEL	87,290.00	0.00
GRATUITIES	278,547.50	641,680.00
HIRE OF TRANSPORT	10,500.00	0.00
HORTICULTURE RESEARCH FUND EXPENSES	5,000.00	1,469,513.00
INSURANCE	18,957,770.85	692,473.00
LAND RENT	1,624,592.20	0.00
LEAVE EXPENSES	270,691.30	137,651.00
LEGAL EXPENSES	178,571.40	92,530.00
MARKET RESEARCH & PROMOTION	33,000.00	150,000.00
MEDICAL EXPENSES	1,334,899.85	1,098,931.00
MOTOR CYCLE EXPENSES	8,805.00	31,617.00
MOTOR VEHICLE RUNNING EXPENSES	3,633,693.85	2,197,856.00
N.S.S.F EMPLOYERS CONTRIBUTION	116,400.00	107,160.00
NURSERIES & DEMONSTRATIONS	442,322.00	0.00

OVERSEAS TRAVELING	1,771,357.65	55,034.00
PRINTING & STATIONERY	1,904,366.65	1,480,590.00
PROV. FOR DOUBTFUL/BAD DEBTS	826,342.90	805,179.00
RENTS, WATER & RATES	4,421,701.90	4,376,736.00
REPAIRS & MAINTENANCE	85,130.00	83,012.00
SALARIES & WAGES	19,464,636.50	14,191,072.00
SEMINARS	24,000.00	71,765.00
STAFF RETIREMENT PENSION SCHEME	3,776,880.90	409,839.00
STAFF TRAINING	949,035.00	176,965.00
TELEPHONE & POSTAGE	3,642,792.10	1,251,146.00
TRAVELING & SUBSISTENCE	4,397,093.60	2,088,702.00
UNIDO PROJECT EXPENSES	1,479,676.45	5,344,536.00
WELFARE & SANITATION	56,052.50	99,304.00
TOTAL EXPENDITURE	158,340,355.40	43,018,380.00
NET INCOME/LOSS	(21,983,798.30)	(3,753,350.00)

**HORTICULTURAL CROPS DEVT. AUTHORITY HEAD OFFICE OPERATIONS INCOME
AND EXPENDITURE STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2001**

<u>INCOME</u>	30/6/01	30/6/00
EXPORT CESS	12,572,782.45	12,706,394.00
EXPORT LICENCE	640,000.00	790,000.00
PROCESSING LEVY	1,698,727.35	1,556,726.00
HORTICULTURE RESEARCH FUND	3,143,195.60	3,144,009.00
SEEDS, CHEMICALS & SPRAYERS A/C	3,419.20	-
NURSERIES REGISTRATION, LICENCES & TAGS	85,150.00	31,050.00
IMPORT FEES & CHARGES	115,127,393.80	6,692,637.00
GAIN ON SALE OF MOTORVEHICLE	80,000.00	475,998.00
INTEREST ON FIXED DEPOSIT	558,840.45	-
SALE OF FLOWERS (UNIDO PROJECT)	265,821.25	-
MISCELLANEOUS INCOME	69,745.50	31,805.00
TOTAL INCOME	134,245,075.60	25,428,619.00

EXPENDITURE

ADVERTISEMENTS	404,054.50	758,018.00
AMORTISED DEFERRED CONSULTANCY	69,539,401.70	-
AUDIT	350,000.00	200,000.00
BANK CHARGES	136,602.65	135,093.00
BOARD EXPENSES	236,959.80	119,000.00
COMPUTER MAINTENANCE	69,000.00	73,800.00
CONSULTANCY	75,000.00	189,500.00
DEPRECIATION	11,814,692.70	816,559.00
DONATIONS/TASK FORCE	20,000.00	986,850.00
ENTERTAINMENT	881,437.15	280,588.00
FAIRS & SHOWS	769,756.80	332,524.00
FARMERS TRAINING	718,273.55	933,049.00
FREIGHT & HANDLING	3,812.00	-
G.O.K PENSIONS	11,855.00	-
GENERAL LABOUR	37,250.00	240.00
GENERAL OFFICE EXPENSES	3,215,899.30	843,848.00
GENERATOR FUEL	87,290.00	-
GRATUITIES	278,547.50	641,680.00
HIRE OF TRANSPORT	10,500.00	-
HORTICULTURE RESEARCH FUND EXPENSES	5,000.00	1,469,513.00
INSURANCE	18,957,770.85	692,473.00
LEAVE EXPENSES	261,839.40	108,968.00
LEGAL EXPENSES	178,571.40	92,530.00
MARKET RESEARCH & PROMOTION	33,000.00	150,000.00
MEDICAL EXPENSES	1,254,436.70	1,019,650.00
MOTOR CYCLE EXPENSES	8,805.00	31,617.00
MOTOR VEHICLE RUNNING EXPENSES	3,500,572.35	2,058,504.00
N.S.S.F EMPLOYERS CONTRIBUTION	105,920.00	97,320.00
NURSERIES & DEMONSTRATIONS	414,522.00	-
OVERSEAS TRAVELING	1,771,357.65	55,034.00
PRINTING & STATIONERY	1,885,411.65	1,439,343.00



PROV. FOR DOUBTFUL/BAD DEBTS	826,342.90	805,179.00
RENTS, WATER & RATES	3,877,956.40	3,929,872.00
REPAIRS & MAINTENANCE	85,130.00	83,012.00
SALARIES & WAGES	18,494,412.05	13,408,199.00
SEMINARS	24,000.00	71,765.00
STAFF RETIREMENT PENSION SCHEME	3,776,880.90	409,839.00
STAFF TRAINING	937,885.00	176,965.00
TELEPHONE & POSTAGE	3,366,603.20	1,131,634.00
TRAVELING & SUBSISTENCE	4,279,472.10	2,037,653.00
UNIDO PROJECT EXPENSES	1,479,676.45	-
WELFARE & SANITATION	56,052.50	99,304.00
TOTAL EXPENDITURE	154,241,951.15	35,679,123.00
NET INCOME	-19,996,875.55	(10,250,504.00)

**HORTICULTURAL CROPS DEVT. AUTHORITY
NAIROBI GODOWN TRADING ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2001**

INCOME

	30/6/01	30/6/00
ONION SALES & COMMISSION	1,120,306.45	1,098,208.00
SALE OF NETS	62,641.00	263,236.00
HIRE TRANSPORT	12,330.00	0.00
SALE OF MANGOES	11,846.00	0.00
TOTAL	1,207,123.45	1,361,444.00
OPENING STOCKS	-	138.00
ADD: PURCHASE OF NETS	99,150.00	230,412.00
PAYMENTS TO ONION FARMERS	998,327.20	959,413.00
PURCHASE OF MANGOES	7,128.00	0.00
TOTAL	1,104,605.20	1,189,963.00
LESS: CLOSING STOCKS	25,500.00	0.00
COST OF SALES	1,079,105.20	1,189,963.00
GROSS MARGIN	128,018.25	171,481.00

EXPENDITURE

BANK CHARGES	24,954.00	40,350.00
GENERAL LABOUR	1,000.00	0.00
GENERAL OFFICE EXPENSES	109,691.00	163,694.00
MEDICAL EXPENSES	20,880.00	20,221.00
MOTOR VEHICLE EXPENSES	2,000.00	0.00
N.S.S.F EMPLOYERS CONTRIBUTION	2,880.00	2,480.00
RENTS, WATER & RATES	108,000.00	108,000.00
SALARIES & WAGES	250,132.85	111,918.00
STAFF TRAINING	11,150.00	0.00
TELEPHONE & POSTAGE	133,453.35	0.00
TRAVELING & SUBSISTANCE	2,200.00	3,396.00
TOTAL EXPENDITURE	666,341.20	450,059.00
NET(LOSS)	-538,322.95	-278,578.00



**HORTICULTURAL CROPS DEVT. AUTHORITY
MOMBASA GODOWN TRADING ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2001**

INCOME

	30/6/01	30/6/00
SALE OF GENERAL PRODUCE	4,011.00	0.00
ONION SALES & COMMISSION	825,518.65	0.00
SALE OF NETS	3,975.00	0.00
HIRE OWN TRANSPORT	49,391.00	0.00
IMPORT FEES	0.00	8,772,956.00
MISC. INCOME	37,173.40	0.00
SHIPCHANDLERS CESS	164,022.40	55,589.00
TOTAL	1,084,091.45	8,828,545.00
OPENING STOCKS		0
ADD: PURCHASE OF NETS	35,320.00	0.00
PAYMENTS TO ONION FARMERS	676,564.70	0.00
PURCHASE OF PRODUCE	24,451.50	0.00
LESS: CLOSING STOCKS	7,140.00	0
COST OF SALES.	729,196.20	0.00
GROSS MARGIN	354,895.25	8,828,545.00

EXPENDITURE

BANK CHARGES	8,411.40	15,591.00
ENTERTAINMENT	0.00	10,000.00
FAIRS & SHOWS	8,800.00	0.00
GENERAL LABOUR	20,209.00	0.00
GENERAL OFFICE EXPENSES	79,702.50	47,163.00
LEAVE EXPENSES	6,386.90	0.00
MEDICAL EXPENSES	47,703.15	47,420.00
MOTOR VEHICLE EXPENSES	131,121.50	139,352.00
N.S.S.F EMPLOYERS CONTRIBUTION	5,680.00	5,440.00
PRINTING & STATIONERY	17,162.00	37,359.00
PURCHASE OF SEEDLING/DEMONSTRATION	27,800.00	0.00
RENTS	351,745.50	254,865.00
SALARIES & WAGES	584,709.35	546,521.00
TELEPHONE & POSTAGE	138,638.55	113,112.00
TRAVELING & SUBSISTANCE	105,809.50	64,136.00
TOTAL EXPENDITURE	1,533,879.35	1,280,959.00
NET/(LOSS)	-1,178,984.10	7,547,586.00



**HORTICULTURAL CROPS DEVT. AUTHORITY
TAVETA GODOWN TRADING ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2001**

	30/6/01	30/6/00
ONION COMMISSION	0.00	0.00
SALE OF NETS	0.00	0.00
FRUIT TREE NURSERY LICENCE	3,150.00	0.00
ONION CESS	0.00	0.00
EXPORT CESS	84,250.00	550,585.00
MISC. INCOME	10,950.00	500.00
TOTAL	98,350.00	551,085.00

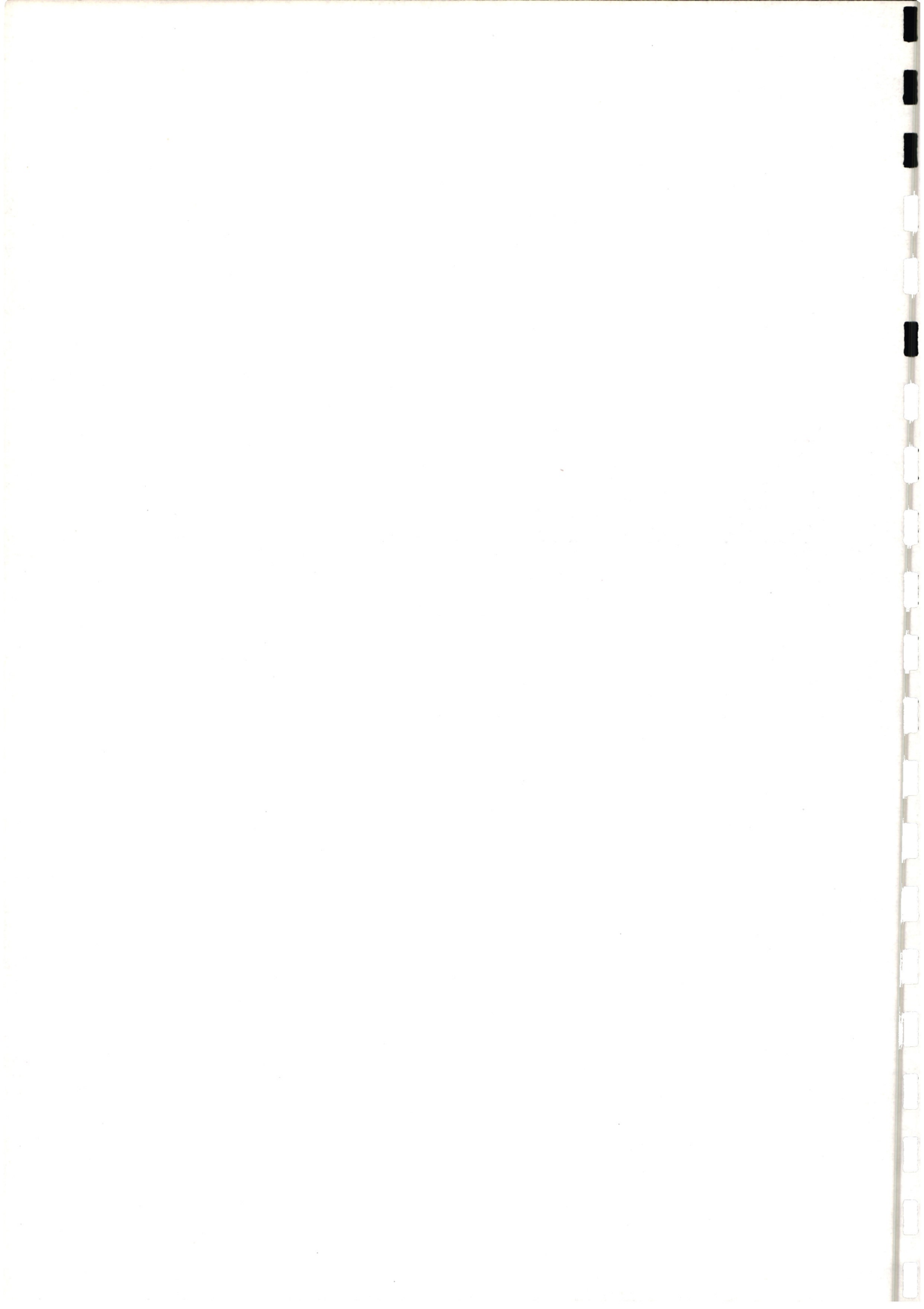
EXPENDITURE

BANK CHARGES	13,347.95	6,980.00
GENERAL LABOUR	680.00	3,145.00
GENERAL OFFICE EXPENSES	8,414.00	9,096.00
LEAVE EXPENSES	2,465.00	5,627.00
MEDICAL EXPENSES	11,880.00	11,640.00
N.S.S.F EMPLOYERS CONTRIBUTION	1,920.00	1,920.00
PRINTING & STATIONERY	1,793.00	3,888.00
RENTS, WATER & RATES	84,000.00	84,000.00
SALARIES & WAGES	135,382.25	124,435.00
TELEPHONE & POSTAGE	4,097.00	6,400.00
TRAVELING & SUBSISTANCE	9,612.00	6,573.00
TOTAL EXPENDITURE	273,591.20	263,704.00
NET PROFIT/LOSS	-175,241.20	287,381.00



**SEEDS, CHEMICALS & SPRAYERS DISTRIBUTION ACCOUNT
FOR THE YEAR ENDED 30TH JUNE, 2001**

	30.6.01 KSHS.	30.6.00 KSHS.
SALE OF SEEDS	25,879.20	76,859.00
SALE OF CHEMICALS & SPRAYERS	0	0
SALE OF IRRIGATION EQUIP	0	0
TOTAL SALES	25,879.20	76,859.00
OPENING STOCKS		
SEEDS	40,706.00	117,565.00
CHEMICALS & SPRAYERS	0	0
IRRIGATION EQUIP	2,789,941.00	2,789,941.00
ADD IRRIGATION EQUIP RETURNED	0	0
ADD PURCHASES		
SEEDS	126,136.00	0
TOTAL	2,956,783.00	2,907,506.00
LESS CLOSING STOCKS		
SEEDS	144,382.00	40,706.00
CHEMICALS & SPRAYERS	0	0
IRRIGATION EQUIP	2,789,941.00	2,789,941.00
	2,934,323.00	2,830,647.00
COST OF SALES	22,460.00	76,859.00
GROSS MARGIN	3,419.20	0



HORTICULTURAL CROPS DEVELOPMENT AUTHORITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2001

CASH FLOWS FROM OPERATING ACTIVITIES

	30/6/01	30/6/00
	<u>Kshs.</u>	<u>Kshs.</u>
Net profit/Deficit before taxation and Extraordinary item	(21,983,799.00)	(3,753,350.00)
Adjustments for:-	Kshs.	
Depreciation	11,814,693.00	816,559.00
Provision for Bad Debts	826,343.00	805,179.00
Armotisation of Def.Consultancy	69,539,401.70	-
Adjustment in loan repayment	40,000.00	-
Prior year adjustments	<u>1,172,548.00</u>	<u>2,553,795.00</u>
	83,392,985.70	4,175,533.00
Increase in suspense Accounts	(3,187,719.00)	(762,845.00)
Increase in debtors/prepayment	(8,415,414.00)	76,997.00
Increase in stock	(136,316.00)	1,369,060.00
increase in creditors	<u>4,900,712.00</u>	<u>4,858,745.00</u>
Net cash from operating activities	<u>54,570,449.70</u>	<u>1,105,395.00</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(1,434,903,353.00)	(3,944,050.00)
Investment	(2,000,000.00)	
Loan repayment	-	(80,000.00)
Prior year adjustment	(188,085.00)	
Consultancy cost	<u>(278,157,606.70)</u>	
Net cash used in financing activities	<u>(1,715,249,044.70)</u>	(4,024,050.00)
	1,660,678,595.00	

CASH FLOWS FROM FINANCING ACTIVITIES

Grant IFAD/ADB/HPHFP	179,700,410.00	1,390,720.00
Proceeds from the loan	1,548,466,197.00	
Net cash used in financing activities	<u>1,728,166,607.00</u>	<u>1,390,720.00</u>
Net increase in cash & cash equivalent	67,488,012.00	(1,527,935.00)
Cash and cash equivalent at beginning of period (A)	(1,753,818.00)	(225,883.00)
Cash and cash equivalent at end of period (B)	<u>65,734,194.00</u>	<u>(1,753,818.00)</u>
A. Bank overdraft	(1,758,317.00)	(907,738.00)
Cash and bank balances (Petty cash)	4,499.00	681,855.00
	<u>(1,753,818.00)</u>	<u>(225,883.00)</u>
B. Cash & Bank Balances	<u>65,734,194.00</u>	<u>(1,753,818.00)</u>

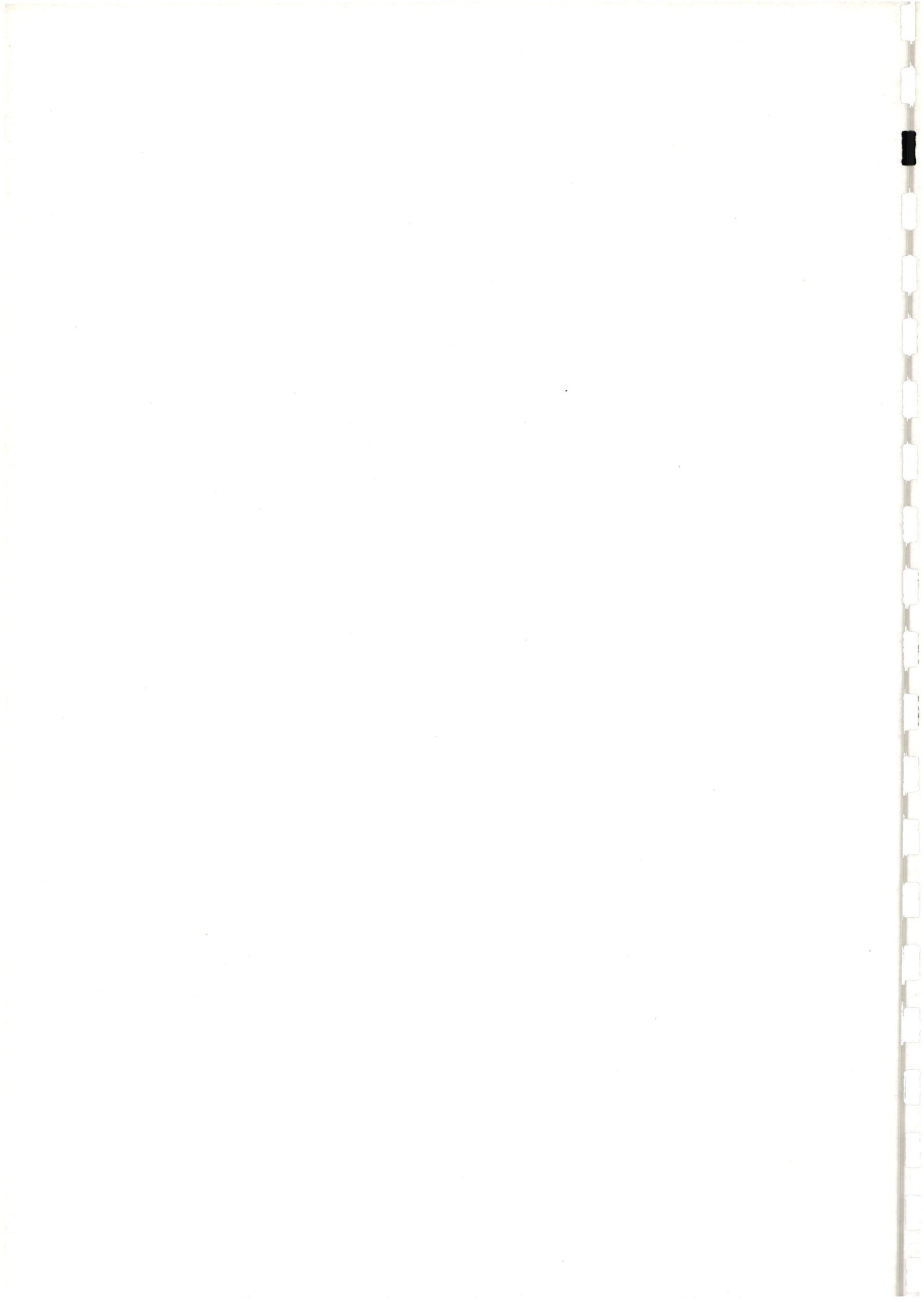
**HORTICULTURAL CROPS DEVELOPMENT AUTHORITY SOURCE
AND APPLICATION OF FUNDS FOR THE YEAR ENDED 30TH JUNE, 2001**

	30.6.01	30.6.00
SOURCES OF FUNDS		
Surplus/Deficit for the year	(21,983,799.00)	(3,753,350.00)
Add; Adjustments for items not involving movement of funds:		
(i) Depreciation	11,814,693.00	816,559.00
(ii) Provision for Bad/doubtful deb	826,343.00	805,179.00
(iii) Prior year adjustment	1,172,548.00	1,390,720.00
	<u>13,813,584.00</u>	2,553,795.00
OTHER SOURCES		
(iv) Grant IFAD/ADB/HPHFP	179,700,410.00	
(v) G.O.K. Loan 2	1,548,466,197.00	
	<u>1,728,166,607.00</u>	<u>1,812,903.00</u>
	<u>1,719,996,392.00</u>	
APPLICATION OF FUNDS		
Purchase of fixed assets	942,149,812.00	3,944,050.00
Loan repayment	(40,000.00)	80,000.00
Prior year adjustment	188,085.00	-
Construction of buildings	492,753,541.00	-
Deferred consultancy expenses	208,618,205.00	-
Suspense	3,187,719.00	-
Total application of funds	<u>1,646,857,362.00</u>	<u>4,024,050.00</u>
Inc/Dec. in working capital	<u>73,139,030.00</u>	<u>(2,211,147.00)</u>
CHANGES IN WORKING CAPITAL		
CURRENT ASSETS		
Stocks	136,316.00	(76,997.00)
Debtors & prepayments	8,415,414.00	762,845.00
Cash & Bank balances	65,729,695.00	(677,356.00)
Fixed deposit	2,000,000.00	-
CURRENT LIABILITIES		
Bank overdraft	1,758,317.00	(850,579.00)
Sundry Creditors	(4,900,712.00)	(1,369,060.00)
Working capital	<u>73,139,030.00</u>	<u>(2,211,147.00)</u>

NOTE 1

SCHEDULE OF FIXED ASSETS FOR THE YEAR
ENDED 30TH JUNE, 2001

	LAND	BUILDING STRUCTURE	TEMP BUILDING	MOTOR VEHICLES	FURNITURE FITTINGS EQUIPMENT	MOTOR, SPRAYER	TOTALS
COST/VALUATION	5,930,000.00	0	226,275.00	1,166,192.00	8,077,440.00	7,980.00	15,407,887.00
Additions		492,753,541.20	100,000.00	203,382,362.20	738,667,449.50		1,434,903,352.90
Disposals				(224,355.00)			(224,355.00)
	5,930,000.00	492,753,541.20	326,275.00	204,324,199.20	746,744,889.50	7,980.00	1,450,086,884.90
DEPRECIATION							
Accumulated B/F	718,600.00	-	202,848.00	1,166,192.00	4,472,057.00	7,980.00	6,567,677.00
Charge for the year	59,300.00	-	31,714.00	10,744,042.00	979,637.00	-	11,814,693.00
Disposals				(224,355.00)	0	-	(224,355.00)
Accum. Depreciator	777,900.00	-	234,562.00	11,685,879.00	5,451,694.00	7,980.00	18,158,015.00
NET BOOK VALUE AS AT 30.6.2001	5,152,100.00	492,753,541.20	91,713.00	192,638,320.20	741,293,195.50	-	1,431,928,869.90
NET BOOK VALUE AS AT 30.6.2000	5,211,400.00		23,427.00	0	3,605,383.00	0	8,840,210.00



**NOTES TO THE ACCOUNTS FOR THE YEAR
ENDED 30TH JUNE 2001.**

1. ACCOUNTING POLICIES

a) Basis of accounting

The Authority's Accounts are prepared on generally accepted accounting principles modified to suit the operations of the Authority. Otherwise, the Accounts are prepared on historical cost convention.

b) Depreciation

The Authority uses straight line method of depreciation, the depreciation rates applied in the accounts are as follows;-

Equipment, furniture & fittings	12.5%
Temporary building	20.0%
Motor vehicles	25.0%
Leasehold land	1.0%

c) Stocks

Stocks are valued at lower of cost or net realisable value. The stocks shown in the accounts consist of seeds, nets and irrigation equipment.

d) Provision for bad and doubtful debts are 9% of the total debtors.

2. INVESTMENTS

The amount shown is the equivalent of one share with the Kenya Nut Company Ltd, plus a fixed deposit of 2,000,000 invested in Daima Bank.

3a. SUSPENSE ACCOUNT

These were payments still under investigation amounting to Kshs. 3,187,719.40 as per the details contained in the appendix.



3b. DEFERRED CONSULTANCY CHARGES

The consultancy costs were incurred during the construction of H.P.H.F.P were to be amortized over a period of 4 years starting with the 2000/2001. The amounts were arrived at as follows:-

Amounts paid by JBIC – Kshs.		269,615,132.80
Paid by HCDA: Edon Consultants -	6,429,474.00	
Enterpreneurs Dev. Centre -	1,953,000.00	
Sanyu Consultants -	<u>160,000.00</u>	8,542,474.00
		278,157,606.80
Less amount w/off in the year as per the income and Expenditure account		<u>69,539,401.70</u>
Balance as per balance sheet		<u>208,618,205.10</u>

4. DEBTORS & PREPAYMENTS

Debtors	9,181,587.60
Less Prov. For doubtful debts	<u>826,342.90</u>
	8,355,244.70
Insurance prepaid	6,000,000.00
Advances to staff	68,358.70
Imprests	1,507,258.00
Deposits	22,734.00
Advance to farmers	35,000.00
Ruto (life insurance)	<u>2,000.00</u>
	<u>15,990,595.40</u>

5. CASH & BANK BALANCES

Cash in hand	285,698.85
Cash at bank	<u>65,448,495.10</u>
	<u>65,734,193.95</u>

6. CREDITORS

The total figure of Sundry Creditors amounts to Kshs. 10,583,836.95 plus an amount of Kshs. 2,270,000, which resulted from unauthorised increase in Licence Fee. This amount is to be refunded back to the payees.

7. LOANS

- a. This is the balance remaining unpaid from the old loan.
- b. Japan bank for International Co-operation for on lending to HCDA for the H.P.H.F Project.

8. GRANTS

The amounts for the grants is made up of Kshs.21,202,586.00 brought forward from previous years, plus a new grant received from KR2 funds through the MOA & R Development for the completion of the H.P.H.F.Project, amounting to Kshs.178,705,000.00

In addition the Authority received Kshs.955,410 from IFAD.

9. GENERAL RESERVES

	<u>2001</u>	<u>2000</u>
Balance b/f	(12,685,419.00)	11,485,864.00)
Add Surplus/deficit	<u>(21,983,798.30)</u>	<u>(3,753,350.00)</u>
	(34,669,217.30)	(15,239,214.00)
Prior year adjustment	984,455.40	2,553,795.00
	<u>(33,684,476.90)</u>	<u>(12,685,419.00)</u>