

NATIONAL CEREALS AND PRODUCE BOARD



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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

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NATIONAL CEREALS AND PRODUCE BOARD



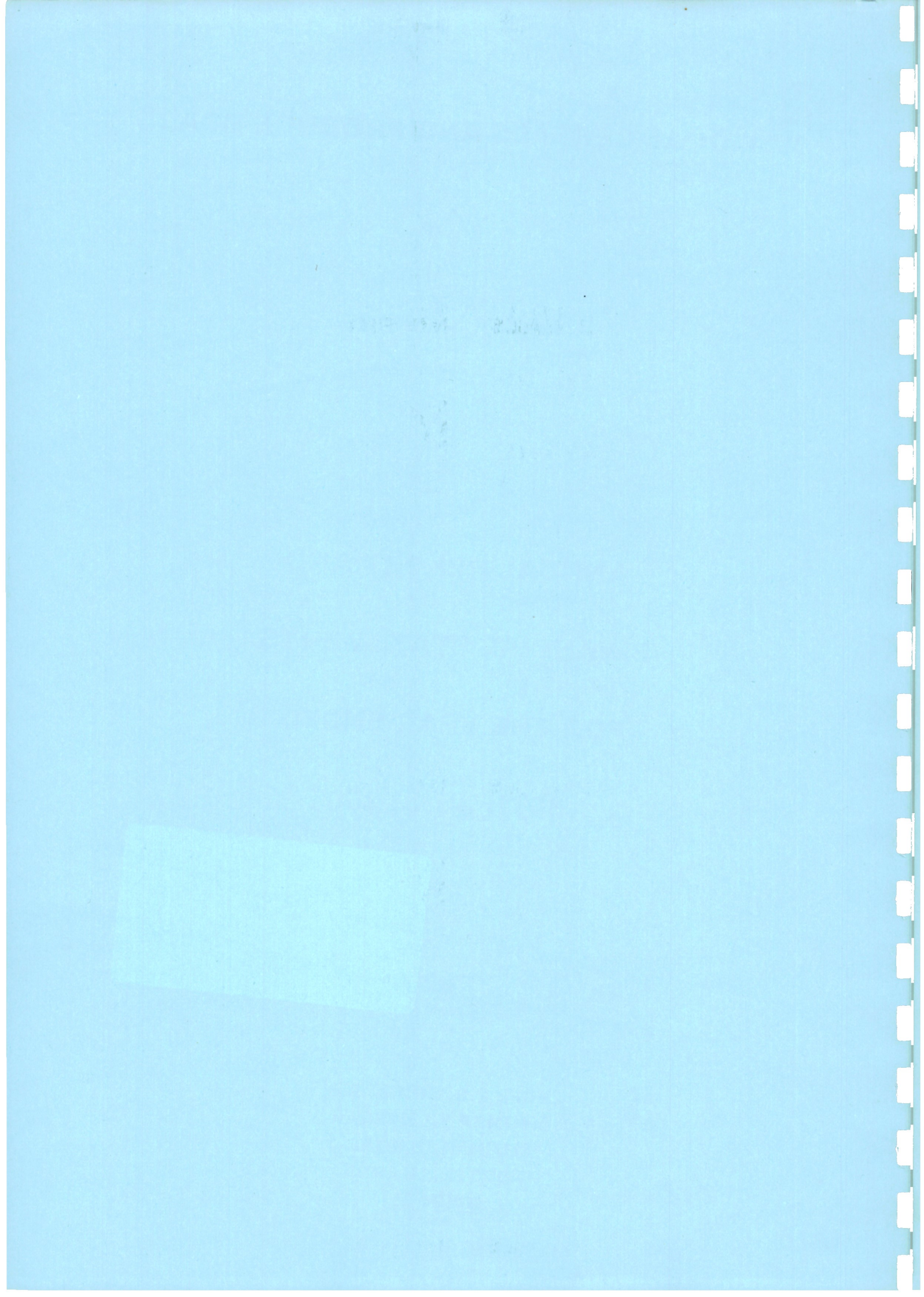
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

KENYA NATIONAL ASSEMBLY
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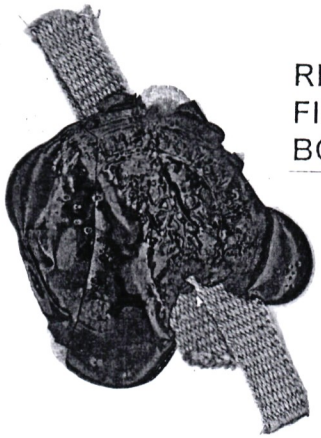
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NAIROBI



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF NATIONAL CEREALS AND PRODUCE
BOARD FOR THE YEAR ENDED 30 JUNE 2005





KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30 JUNE 2005

I have audited the financial statements of National Cereals and Produce Board for the year ended 30 June 2005 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. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and the Controller and Auditor General

As set out in the statement of directors' responsibilities, the directors are responsible for the preparation of financial statements which give a true and fair view of the board's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require 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 includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe my audit provides reasonable basis for my opinion.

Comments

1. Financial Position

As reported in the previous years, the board continued to face financial difficulties. The financial statements show that the board realized a loss of Kshs.279,530,269 (2004 Kshs.598,218,999) which brought its cumulative revenue reserve deficit to Kshs.4,079,524,444 (2004 Kshs.3,778,962,559) as at 30 June 2005. The financial statements have therefore been prepared on the

going concern basis which assumes continued financial support from the Government, its bankers and creditors.

2. Property, Plant and Equipment

As pointed out in the previous years reports, the balance sheet property, plant and equipment figure of Kshs.4,429,751,270 still includes 55 donor funded facilities whose ownership has not been confirmed by the Government to date. The Public Investments Committee during its sitting of 11 August 1998 directed the Parent Ministry and Treasury to consult with regard to formal transfer of the facilities to National Cereals and Produce Board, and a standard procedure for transfer was given by the Investment Secretary in September 1998. However, to date, no evidence has been seen indicating that the board and the Government have come up with any fruitful conclusion of the ownership status of these Donor funded facilities/projects. Property, plant and equipment figure also includes sixty-two (62) plots without title documents and whose ownership and value could not be determined. Further, the board spent Kshs.288,709,708 to build storage facilities on twenty-one (21) plots owned by the Kenya Railways on a temporary occupation basis and after the expiry of thirty-three (33) years lease period, Kenya Railways has been reluctant to renew the lease term. These situations are indicative of significant impairment on some of the properties. In light of the above, I am unable to confirm the carrying values as stated in the financial statements reflect the fair values of the properties as at the balance sheet date.

3. Work In Progress

Included in the fixed assets figure of Kshs.4,429,751,270 as at 30 June 2005 is an amount of Kshs.20,911,645 relating to work in progress paid by the board for projects that stalled many years ago and for which the board has not indicated any chances of being revived. Further, consultancy services for these projects was single sourced and awarded a single consultant without competitive bidding as required by the Public Procurement Regulations. In addition, Kshs.12,511,000 included in the work in progress relates to payments for Information Technology Modernization contract which failed to take off despite the expenditure having been incurred. In the circumstances, therefore, it was not possible to confirm that the board received value for money in respect of the expenditure incurred on the stalled projects.

4. Debtors and Prepayments

Included in the financial statements gross debtors and prepayments figure of Kshs.840,590,054 reflected in note 7 to the accounts as at 30 June 2005 are trade and other debtors amounting to Kshs.726,500,297 most of which have remained outstanding for more than six years and whose recovery has proved difficult due to their age and effects of Limitation of Actions Act. In addition, the

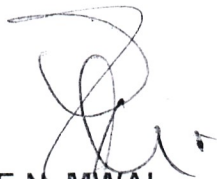
gross debtors and prepayments figure also includes staff debtors amounting to Kshs.60,872,516 out of which Kshs.45,950,018.50 relates to staff who have since left the services of the board. Although the board has made total cumulative provision for bad and doubtful debts of Kshs.640,557,914, no tangible evidence was seen of any efforts made to recover these long outstanding amounts or arrangements made to write-off these amounts.

5. Creditors

During the year under review, total creditors and provisions increased from Kshs.539,687,838 in the year 2004 to Kshs.1,387,760,839 in 2005 due to an increase in money owed to farmers which shot up from Kshs.134,384,997 in 2004 to Kshs.1,004,701,614 in 2005. In addition the board owes the Government Kshs.174,063,028 under the market intervention programme and Kshs.143,195,039 in respect of an agency account. The Board has not explained how the huge total creditors balance of Kshs.2,119,450,810 as at 30 June 2005 will be settled.

Opinion

Except for any adjustments that might be necessary arising from the foregoing reservations, 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 board as at 30 June 2005 and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the National Cereals and Produce Board Act (Cap 338) of the laws of Kenya.



E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

16 June 2006

**NATIONAL CEREALS AND PRODUCE BOARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2005**

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NATIONAL CEREALS AND PRODUCE BOARD

VISION, MISSION AND VALUES OF THE NATIONAL CEREALS & PRODUCE BOARD

Vision Statement

A global leader in management and marketing of grains and related enterprises.

Mission Statement

To cost effectively maximize use of resources, in order to achieve the highest level of commercial performance for the benefit of our customers, employees and other stakeholders, by providing high quality products and services, at competitive prices, in a socially responsible manner.

Values

- Commitment
- Quality
- Honesty
- Integrity
- Professionalism
- Stewardship

NATIONAL CEREALS AND PRODUCE BOARD

CORPORATE INFORMATION

The Directors who served during the year under review were the following:-

Mr. T. K. Twei	-	Chairman
Mr. Tirop Kosgey	-	Managing Director
Mr. H. Wood	-	Member
Mr. A. M. Balala	-	Member
Mr. J. K. M'mutea	-	Member
Mr. F.C. Ganya	-	Member
Mr. M. Cherunya	-	Member
Mr. S. Ahmed	-	Member
Mr. W. K. Maina	-	Appointed representative of KFA Ltd
Mr. S. K. Maina	-	Alternate Director to the Permanent Secretary Office of the President
Mrs. S. S. Boboti	-	Alternate Director to the Permanent Secretary Ministry of Finance.
Mr. E. Gatuguta	-	Alternate Director to the Permanent Secretary Ministry of Agriculture.

SENIOR MANAGEMENT

Mr. Tirop Kosgey	-	Managing Director
Mr. K. Kittony	-	General Manager Finance & Administration
Dr. S. K. Muhihu	-	GM, Marketing & Operations
Mrs. A. G. Kamau	-	Board Secretary
Mr. C.S.Khaemba	-	Chief Accountant
Mr. N. Gikaria	-	Human Resources Manager
Mr. B. O. Umba	-	Operations Manager
Mrs. P. C. Ngenoh	-	Sales and Marketing Manager
Mr. D.K. Chepkwony	-	Quality & Pest Control Manager
Mr. P. N. Mutua	-	Chief Financial Analyst
Mr. J. C. Boit	-	Research & Development Manager
Mr. E. K. M'Mbijiwe	-	Chief Security Advisor
Mr. A. L. Mwakaba	-	Information Systems Manager
Mr. A. K. Maritim	-	Public Relations Manager
Mr. F. K. Sang	-	Chief Internal Auditor
Mr. R. K. Langat	-	Technical Manager

NATIONAL CEREALS AND PRODUCE BOARD**PRINCIPAL PLACE OF BUSINESS****Head Office**

Nyumba ya Nafaka
Machakos Road
P.O. Box 30586
Tel: (020) 536028/555288
NAIROBI

Area Offices:**Nairobi Area**

Area Manager
P. O. Box 30586
Tel: (020) 780384
NAIROBI

North Rift Area

Area Manager
P. O. Box 479
Tel: (053) 32631/22
ELDORET

South Rift Area

Area Manager
P. O. Box 326
Tel: (051) 212420/3
NAKURU

Nyanza/Western Area

Area Manager
P. O. Box 217
Tel: (057) 44891/44135
KISUMU

Coast Area

Area Manager
P. O. Box 84696
Tel:(041) 2490347/2495291
MOMBASA

Eastern/North Eastern Area

Area Manager
P. O. Box 92
Tel: (068) 20126/30675/30180
EMBU

AUDITORS

Controller and Auditor General
Kenya National Audit Office
P.O. Box 30084-00100
NAIROBI

BANKERS

Kenya Commercial Bank
P.O. Box 48400
NAIROBI

NATIONAL CEREALS AND PRODUCE BOARD

CHAIRMAN'S REPORT

ECONOMIC REVIEW

2005 Economic Survey indicated that the Kenyan economy grew from 2.8% in 2003 to a record growth rate of 4.3% for 2004 under new systems of National Accounts (SNA) standards. This growth rate was achieved in spite of unfavourable weather conditions and high oil prices. Annual average inflation rate for the year was 14.97%.

GRAIN SUB-SECTOR REVIEW

All sectors of the economy recorded improved growth in 2004 except the Agricultural sector, which contributed 24.1% of GDP and expanded by 1.4%. Notable improved growth was in respect of horticulture (13.2%) and tea (10.5%).

Maize, which is the core business of the Board, recorded below average production with 2.1million tones being produced during the year. This production was below national demand, a feature that compelled the Government to waive duty on maize importations in order to allow maize importation and cross border inflows at affordable consumer prices. There was also a rise in producer prices to a level that was not commercially viable for the Board to participate in maize trading.

The Government cautiously and deliberately put measures in place to address the grain marketing constraints while at the same time addressing the requirements of the consumers – hence to ensure food security in the country. The Government imported a quantity of 69,537metric tones of maize and locally procured 240,539metric tones of maize using the NCPB as an Agent. The main activities for the year were:-

- a) Trading in agricultural produce, i.e. maize, wheat, rice, beans, millet and sorghum.
- b) Management of the country's Strategic Grain Reserves (SGR) and Famine Relief stocks on Agency basis on behalf of the Government of Kenya.
- c) Provision of grain related services of storage, quality maintenance and storage facilities to third parties and,
- d) Distribution of farm inputs.

NATIONAL CEREALS AND PRODUCE BOARD

CHAIRMAN'S REPORT (Continued)

In order to address the risk associated with grain industry, the Board diversified into a variety of commodities and enhanced its value addition strategy to mill and package rice and millet flour.

The Board imported 69,537 metric tones of maize and locally procured 240,539 metric tones on behalf of the GOK.

The level of commercial operations consisted of procurement and sale of 23,280.25mt of maize and other food staff 11,299.10mt of farm inputs and rendering of grain related services to third parties.


Owing to non-commercially viable maize prices in the market, the Board made a strategic retreat from engaging in maize trading and concentrated on procurement of this commodity on agency basis.

OPERATING PERFORMANCE

As stated in the previous year's report, the strategic measures put in place are gradually ameliorating the operating performance of the Board. During the year ended 30th June 2005, the Board recorded an operating loss of Kshs. 279.5 million as compared to a loss of Kshs. 598.2 million the previous year. The improved trading results are partly attributed to diminished depreciation charge (a reduction of KShs. 189.55 million) as a result of some of the Board's machinery and equipment having been fully depreciated by end of last financial year.

The Board's slow pace to turn around is still attributed to in-adequate working capital and a huge infrastructure some of which requires divestiture.

With the Strategic Plan put in place and Performance Contracts signed with the Government for the year 2005/2006, the Board's focus to turn round to profitability will include enhancing revenue generations through high turn over, undertaking asset divestiture, implementation of strict cost control measures, diversification of products, timely debt collection and value addition of commodities and products. These measures will give the Board a competitive edge in the market environment.



**GEN. (RTD) MOHAMUD H. MOHAMMED (EGH, UM, CBS, DCO)
CHAIRMAN**

NATIONAL CEREALS AND PRODUCE BOARD

REPORT OF THE DIRECTORS

The Directors have a pleasure in submitting their report together with the audited accounts of the Board for the year ended 30th June 2005.

1. INCORPORATION AND HEAD OFFICE

National Cereals and Produce Board was incorporated through an Act of Parliament Chapter 338 and is domiciled in Kenya. The address of its Head office is:

National Cereals and Produce Board
Nyumba ya Nafaka
Machakos Road
P.O. Box 30586
00100 GPO
NAIROBI

2. PRINCIPAL ACTIVITIES

The Board's principal activity is grain handling and marketing with provision allied services and facilities. This is in addition to undertaking social functions on behalf of the Government of Kenya on Agency basis that related to the procurement, storage, quality maintenance, and distribution of famine relief food commodities.

3. RESULTS

The operating results for the year were as follows:-

	30 th June 2005 Kshs.	30 th June 2004 Kshs.
Operating Loss before Depreciation, Provision and Extra ordinary Items	97,282,950	(166,626,395)
Deduct		
Depreciation	226,882,657	416,342,344
Bad and doubtful Debts	147,648,325	15,250,260
Obsolete stocks	<u>2,282,237</u>	0
	<u>376,813,219</u>	<u>431,592,604</u>
Net Deficit for the year	<u>(279,530,269)</u>	<u>(598,218,999)</u>

NATIONAL CEREALS AND PRODUCE BOARD**3. DIRECTORS**

The Directors who served during the year under review were as set out on page 3, the majority of which were appointed into office in December 2002.

4. AUDITORS

The Controller and Auditor General is the statutory Auditor of the Board as provided for under Section 14 of Public Audit Act 2003.

By order of the Board

A. G. Kamau (Mrs.)
BOARD SECRETARY
NAIROBI, KENYA


_____ 2006

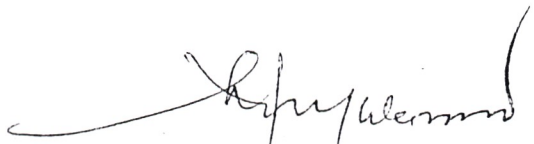
NATIONAL CEREALS AND PRODUCE BOARD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

National Cereals and Produce Board Act Cap 338 and State Corporations Act Cap 446 requires the directors to prepare financial statements for each Financial year which give a true and fair view of the state of affairs of the Board as at the end of the financial year and of its operating results for that year. It also requires the Directors to ensure the Board keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board. They are also responsible for safeguarding the assets of the Board.

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 international financial reporting standards and the requirements of the NCPB Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the Board's financial affairs and of its operating results. The Directors further accept responsibility for the maintenance of accounting records that 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 Board will not remain a going concern for at least twelve months from the date of this statement.



GEN. (RTD) MOHAMUD H. MOHAMMED
(EGH, UM, CBS, DCO)
CHAIRMAN



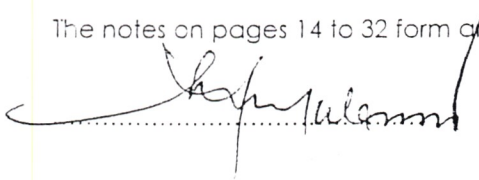
MR. N.O. MOGERE
(MBS)
MANAGING DIRECTOR

30th MAY 2006

NATIONAL CEREALS AND PRODUCE BOARD
FINANCIAL STATEMENTS
BALANCE SHEET AS AT 30TH JUNE 2005

		<u>31TH JUNE 2005</u>	<u>30TH JUNE 2004</u>
ASSETS	Note	Kshs.	Kshs.
NON-CURRENT ASSETS			
Property, Plant and Equipment	3	4,429,751,270	4,649,285,324
Investments	4	0	0
Loans	5	<u>3,222,616</u>	<u>6,618,580</u>
		<u>4,432,973,886</u>	<u>4,655,903,904</u>
CURRENT ASSETS			
Operating stocks	6	232,881,720	666,365,658
Debtors and Prepayments	7	200,032,141	335,962,630
Government Debtors - Net Old Debt	8	40,816,828	196,223,221
Government Debtors - New Agency A/C	9	1,720,888,060	378,314,893
Cash at bank and in hand	10	<u>415,899,730</u>	<u>262,811,867</u>
		<u>2,610,518,479</u>	<u>1,839,678,268</u>
TOTAL ASSETS		<u>7,043,492,365</u>	<u>6,495,582,173</u>
EQUITY AND LIABILITIES			
EQUITY			
Capital Fund	11	6,304,142,172	6,304,142,172
Revaluation Reserve	12	2,699,423,826	2,699,423,826
Revenue Reserve	13	<u>(4,079,524,444)</u>	<u>(3,778,962,559)</u>
		<u>4,924,041,554</u>	<u>5,224,603,439</u>
CURRENT LIABILITIES			
Bank Overdraft	14	414,431,904	414,032,829
Creditors and Provisions	15	1,387,760,839	539,687,838
Creditors - Due to GOK on Past Market			
Intervention Programme	16	174,063,028	174,063,028
Government Agency Account (Old A/C)	17	143,195,039	143,195,039
Taxation	18	0	0
		<u>2,119,450,810</u>	<u>1,270,978,734</u>
TOTAL EQUITY AND LIABILITIES		<u>7,043,492,365</u>	<u>6,495,582,173</u>

The notes on pages 14 to 32 form an integral part of these accounts.


 GEN (RTD) MOHAMOUD MOHAMED (EGH,UM,CBS,DCO)

CHAIRMAN


 MR. N. O. MOGERE(MBS)

MANAGING DIRECTOR

NATIONAL CEREALS AND PRODUCE BOARD

FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE YEAR ENDED 30TH JUNE 2005

	<u>Note</u>	<u>30TH JUNE 2005</u>	<u>30TH JUNE 2004</u>
		<u>KShs</u>	<u>KShs</u>
GROSS SALES	23	785,298,985	446,562,218
COST OF SALES	23	<u>623,884,440</u>	<u>349,405,468</u>
GROSS MARGIN GAIN		161,414,545	97,156,750
GROSS MARGIN GAIN AS A PERCENTAGE TO GROSS SALES		20.55%	21.76%
<u>ADD:</u>			
Other Income	24	<u>754,536,297</u>	<u>434,895,935</u>
TOTAL INCOME		915,950,842	532,052,685
<u>LESS: EXPENDITURE</u>			
Import Costs	25	734,019	-
Railage and Road transport costs	25	44,986,283	68,861,539
Staff costs and Wages	25	442,031,974	364,776,162
Administration expenses	25	181,575,124	161,609,989
Other operating expenses	25	<u>91,902,012</u>	<u>66,880,828</u>
		761,229,411	662,128,517
PROFIT/(LOSS) BEFORE DEPRECIATION AND BAD DEBTS		154,721,430	(130,075,832)
<u>Deduct: Provisions</u>			
Depreciation expense	25	226,882,657	416,342,344
Bad and doubtful debts	25	147,648,325	15,250,260
Obsolete stocks	25	<u>2,282,237</u>	<u>0</u>
		<u>376,813,219</u>	<u>431,592,604</u>
PROFIT FROM OPERATIONS		(222,091,789)	(561,668,436)
Finance cost	25	<u>57,438,480</u>	<u>36,550,562</u>
PROFIT/(LOSS) BEFORE TAX		(279,530,269)	(598,218,998)
Income tax expense		-	-
PROFIT/(LOSS) AFTER TAX		(279,530,269)	(598,218,998)
Extra ordinary items		-	-
NET PROFIT/(LOSS) FOR THE PERIOD		<u>(279,530,269)</u>	<u>(598,218,998)</u>

NATIONAL CEREALS AND PRODUCE BOARD

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH JUNE 2005

	Capital	Revaluation	Revenue	Total
	<u>Fund</u>	<u>Reserve</u>	<u>Reserve</u>	<u>Equity</u>
	Kshs.	Kshs.	Kshs.	Kshs.
At 1st July 2003	6,304,142,172	2,699,423,826	(3,214,908,413)	5,788,657,585
Prior Year				
Adjustment	0	0	34,164,853	34,164,853
Net Profit/(Loss)				
For the Year	<u>0</u>	<u>0</u>	<u>(598,218,999)</u>	<u>(598,218,999)</u>
At 30 th June 2004	<u>6,304,142,172</u>	<u>2,699,423,826</u>	<u>(3,778,962,559)</u>	<u>5,224,603,439</u>
At 1st July 2004	6,304,142,172	2,699,423,826	(3,778,962,559)	5,224,603,439
Prior Year				
Adjustment	0	0	(21,031,616)	(21,031,616)
Net Profit/(Loss)				
For the Year	<u>0</u>	<u>0</u>	<u>(279,530,269)</u>	<u>(279,530,269)</u>
At 30 th June 2005	<u>6,304,142,172</u>	<u>2,699,423,826</u>	<u>(4,079,524,444)</u>	<u>4,924,041,554</u>

NATIONAL CEREALS AND PRODUCE BOARD
FINANCIAL STATEMENTS
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2005

	<u>30TH JUNE 2005</u>	<u>30TH JUNE 2004</u>
	<u>Kshs.</u>	<u>Kshs.</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Loss before extraordinary items	(279,530,269)	(598,218,999)
Adjustments for:		
Provision for Depreciation	226,882,657	411,469,237
Provision for stock shrinkage	1,620,761	4,704,421
Provision for doubtful debts	147,648,325	15,250,260
Gain on disposal of equipment	<u>15,000</u>	<u>0</u>
Operating Profit before		
working capital changes	96,636,474	(166,795,082)
(Increase)/decrease in debtors	(1,198,884,611)	354,988,722
(Increase)/decrease in stocks	431,863,177	(475,633,307)
Increase/(decrease) in creditors	848,073,001	(925,469,036)
Increase/(decrease) in bank loan	<u>0</u>	<u>0</u>
Cash generated from operations	177,688,041	(1,212,908,704)
Extraordinary items:		
Early retirement payments	0	0
Prior year adjustments	<u>(21,031,616)</u>	<u>34,164,853</u>
Net cash from operating activities	<u>156,656,424</u>	<u>(1,178,743,851)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Additions to Fixed Assets	(7,348,603)	(5,371,458)
Proceeds from Sale of Equipment	(15,000)	-
Reduction to Investments and loans	<u>3,395,964</u>	<u>2,680,275</u>
Net cash flow from investing activities	<u>(3,967,638)</u>	<u>(2,691,183)</u>
Net increase/(decrease) in cash and cash equivalent	152,688,786	(1,181,435,034)
Cash and cash equivalent at the beginning		
of the year:		
Cash at Bank and on hand	262,811,867	1,030,233,234
Bank Overdraft	<u>(414,032,829)</u>	<u>(19,163)</u>
Cash and Cash equivalent at end of year	<u>1,467,826</u>	<u>(151,220,962)</u>
ANALYSIS OF CASH HELD		
<u>END OF YEAR</u>		
Cash at Bank and on hand	415,899,730	262,811,867
Bank Overdraft	<u>(414,431,904)</u>	<u>(414,032,829)</u>
	<u>1,467,826</u>	<u>(151,220,962)</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2005

(These Notes form an integral part of the Financial statements)

1. **ACCOUNTING POLICIES**

(a) **Accounting Basis**

The accounts of the Board are prepared under the historical cost convention as modified by revaluation of certain fixed assets.

(b) **Income Recognition**

- i) Income is recognized on actual basis as a general policy, except where there is doubt on its collection.
- ii) Income in respect of credit sales is recognized at the date of collection whereas the buyer recognizes income for cash sales when cash is received commodities sold and collected or set aside for collection.
- iii) Income revenue from services rendered and facilities provided is recognized at the time of rendering and providing such services and facilities.

(c) **Depreciation**

Depreciation charge on fixed assets is provided on a straight line basis and is calculated on cost or valuation at the following rates which are consistent with prior years:

Freehold Land	Nil
Leasehold Land	Over the term of lease
Buildings, Boreholes, Fences and Roads	2.5%
Silos	6%
Plant, machinery and computer equipment	12.5%
Fumigation equipment	20%
Motor vehicles and drying Equipment	25%
Furniture and equipment	12.5%

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2005

(Continued)

1. **ACCOUNTING POLICIES (Cont'd)**

(d) **Valuation of Closing Stocks**

- i) Closing Stocks have been valued on the basis of first-in first-out (FIFO) principle, applying the lower of cost and net realizable value, and provision for stock shrinkage computed at a rate of 2.2% of value of the year's purchases.
- ii) Closing Stock quantities have been stated in terms of standard 90 kg weights unless otherwise disclosed.

(e) **Stocks of Consumable Stores and Supplies**

As from 1st July 1997 there was a change in accounting procedure for consumable supplies and stores that are centrally purchased. The items are initially coded to respective control accounts for these stocks at the time of procurement and the cost expensed/charged at the time of dispatch to the respective user budget centers. This new accounting policy ensures that budget centers are only held responsible for the expenditure directly related to what they have requisitioned and consumed. The balance of stocks held at Head Office (Supplies Section) at year-end are included as part of closing stocks and valued on the basis of First in First Out (FIFO).

(f) **Investment (Equity in Subsidiary)**

Equity investment in Kenya Peanuts Limited has been stated at cost. No account of the operating results of this concern has been included in these accounts.

(g) **Funds from Government**

Funds from the Government of Kenya have been, where applicable, incorporated on accrual basis to recognize its related income in the same fiscal year they were to be provided or paid for by the GOK.

(h) **Provision for Bad and Doubtful Debts**

Provision for bad and doubtful debts has been made on the basis of specific debts and consists of 100 % specific provision for some debtors and a general provision of 7.5% on all other outstanding trade debts at the balance sheet date.

(i) **Foreign currencies**

Assets and Liabilities denominated in foreign currencies are translated into Kenya Shillings at the rate of exchange ruling at the balance sheet date. Transactions during the year in foreign currencies are translated at the rate ruling at the dates of the transactions. Gains and losses are dealt with in the income statement.

2. **GOING CONCERN CONCEPT**

The accounts have been prepared on going concern basis.

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2005

(continued)

3. FIXED ASSETS

	Freehold & Unsurveyed Land	Leasehold Land	Fencing Driveways & Civil works	Buildings and Grain Silos	Motor Vehicles	Plant & Machinery & Equipment	Construction in Progress	Total
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
Cost or Valuation								
At 30th June 2004	72,812,579	355,573,752	326,945,562	5,536,917,964	50,739,563	1,587,555,956	21,730,426	7,952,275,803
Additions	1,222,920	-	365,605	-	-	4,266,540	3,524,338	9,379,403
Adjustment	-	-	-	-	-	-	(2,030,800)	(2,030,800)
Transfers	-	-	-	2,172,318	-	-	(2,172,318)	-
Disposals	-	-	-	-	-	-	-	-
At 30th June 2005	<u>74,035,499</u>	<u>355,573,752</u>	<u>327,311,167</u>	<u>5,539,090,283</u>	<u>50,739,563</u>	<u>1,591,822,496</u>	<u>21,051,646</u>	<u>7,959,624,407</u>
Depreciation:								
At 30th June 2004	-	36,146,628	62,042,458	1,598,128,439	42,780,217	1,563,892,736	-	3,302,990,479
Charge for the period	-	4,888,023	8,179,733	203,138,067	3,697,143	6,979,691	-	226,882,657
On disposals Adjustment	-	-	-	-	-	-	-	-
At 30th June 2005	<u>-</u>	<u>41,034,651</u>	<u>70,222,191</u>	<u>1,801,266,506</u>	<u>46,477,360</u>	<u>1,570,872,427</u>	<u>-</u>	<u>3,529,873,136</u>
Net Book Value:								
At 30th June 2005	<u>74,035,499</u>	<u>314,539,101</u>	<u>257,088,976</u>	<u>3,737,823,777</u>	<u>4,262,203</u>	<u>20,950,069</u>	<u>21,051,646</u>	<u>4,429,751,270</u>
At 30th June 2004	<u>72,812,579</u>	<u>319,427,124</u>	<u>264,903,104</u>	<u>3,938,789,525</u>	<u>7,959,346</u>	<u>23,663,220</u>	<u>21,730,426</u>	<u>4,649,285,324</u>

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NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2005
(Continued)

4. INVESTMENTS

	<u>30.06.2005</u>	<u>30.06.2004</u>
	Kshs.	Kshs.
Composition		
(a) Investments		
(i) Kenya Peanuts Company Ltd:		
55,167 Ordinary shares of KShs. 100/= each at Acquisition cost	2,168,740	2,168,740
(ii) Kenya Cashews Limited:		
400 Ordinary shares of KShs. 5/= each	2,000	2,000
Sub total	<u>2,170,740</u>	<u>2,170,740</u>
Less: Provisions for bad and Doubtful debts	(2,170,740)	(2,170,740)
Net Investments as at 30th June	0	0

(a) Kenya Peanuts Company Limited

The Board owns 46% of the issued share capital of the company. In view of the prevailing uncertainty over the future viability of peanuts industry coupled with effects of market liberalization, a 100 % provision under bad and doubtful debts, amounting to Kshs. 2,168,740 has been made against the Board's investment in the company.

(b) Kenya Cashews Limited

As reported in the previous Financial Years, Kenya Cashews Limited (dormant since inception), is a wholly owned subsidiary of the Board. It was originally intended that the Company would construct a new cashew nut processing factory in Kwale District. However, with limited availability of raw-nuts coupled with effects of Government policy on market liberalization, the proposed business venture is no longer viable.

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2005
(Continued)

5. LOANS

Composition	<u>30.06.2005</u> Kshs.	<u>30.06.2004</u> Kshs.
(i) Milling Corporation of Kenya	3,483,909	7,372,540
(ii) Kenya Cashew nuts Limited:	120,521,118	120,521,118
(iii) Kenya Cashews Limited	231,080	231,080
Sub total	<u>124,236,107</u>	<u>128,124,739</u>
Less: Provisions for bad and Doubtful debts	(121,013,491)	(123,676,899)
Net loans as at 30th June	<u>3,222,616</u>	<u>6,618,580</u>

(a) Kenya Peanuts Company Limited

The outstanding loan represents expenditure incurred by the Board on behalf of the Company in past years, and there are no prospects of recovery of this investment. Consequently, 100% Provision for bad and doubtful debts has been made owing to the uncertainty of recovering the Loan and plans are under way to write it off.

(b) Milling Corporation of Kenya Limited

As at balance sheet date Kshs.3, 483,909.00 were outstanding. As the loan is fully covered by collateral securities and similar provision like last year has been made for bad and doubtful debts on the trade debt as a prudent measure.

(c) Kenya Cashew nuts Limited

The loan amount relates to a trade debt and a loan advance to Kenya Cashew Nuts Ltd before it was disposed of under Government divestiture and privatization programme of non-strategic public enterprises. As part of the Sale Agreement the trade debt, which was initially KShs.46.6 Million, was converted into an Interest Free Loan except for any defaulted amount that would attract interest at commercial rates. This Loan was to be redeemed within a period of 5 years commencing from 1st March 1995. Only the first installment of KShs.9, 320,000 has been fully repaid. Similarly the Kshs.10 Million Loan Advance was converted into a loan redeemable within seven years at an interest rate of 18% p.a. commencing on 1st June 1994. 100 % provision for bad and doubtful debts has been made due to uncertainty in repayment of the two loans.

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2005

6. OPERATING STOCKS

6.1 Closing Stocks

The closing stocks of commodities valued at Kshs. 232,881,720 (2003/2004 Kshs. 666,365,658) were composed of the following: -

	<u>30.06.2005</u>	<u>30.06.2004</u>
	Kshs	Kshs
a) Composition of Stocks:		
Local white Maize	98,291,888	226,902,888
Beans	1,081,281	2,384,530
Wheat – Local	188,100	5,500
Green grams	0	3,207,900
Castor Seeds	640	640
Paddy	24,167,897	27,143,870
Local milled Rice	10,602,974	14,681,212
Wimbi	5,390,309	3,549,375
Fertilizer	65,518,480	238,877,155
Packaging bags (Jute/PP)	7,832,649	130,604,827
Insecticides	683,045	1,021,029
Sub- Total	213,665,813	648,378,927
(b) Stocks of Consumables	23,118,905	23,119,247
Sub- Total	236,784,718	671,498,174
Less: - 2.2 % Provision for		
Stock shrinkage	1,620,761	5,132,516
-Provision for obsolete		
Stocks-Consumables	2,282,237	0
Sub-Total	3,902,998	5,132,516
Total closing stocks at year end	<u>232,881,720</u>	<u>666,365,658</u>

7. DEBTORS AND PREPAYMENTS

7.1 Breakdown analysis

	<u>30.06.2005</u>	<u>30.06.2004</u>
Category	Kshs.	Kshs.
Former Associated company	160,078	160,078
Debtors for imported Wheat	35,933,464	35,633,354
Trade Debtors	688,736,345	713,821,303
Staff debtors	60,872,516	57,000,747
Sundry debtors & Prepayments	54,887,651	59,773,644
	840,590,054	866,389,126
Less: Cumulative Provisions for bad and doubtful Debts	(640,557,914)	(530,386,496)
Total Debtors and Prepayments as		
At year end	<u>200,032,140</u>	<u>335,962,630</u>

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NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2005
(Continued)

7.2 **Notes on Debtors and Prepayments:**

(a) Former Associated company indebtedness consists of the following:-

	<u>30.06.2005</u>	<u>30.06.2004</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Kenya Peanuts Company Ltd	160,078	160,078
	160,078	160,078

(b) The Provision for Bad and Doubtful Debts comprises the following:

	<u>30.06.2005</u>	<u>30.06.2004</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Associated companies	160,078	160,078
Debtors for imported wheat	35,993,464	35,633,354
Other trade debtors	534,039,173	446,407,373
Staff debtors	41,223,201	40,779,316
Sundry debtors	29,201,998	7,406,375
Total cumulative Provision	<u>640,557,914</u>	<u>530,386,496</u>

8 **GOVERNMENT DEBTORS – OLD DEBT**

As part of NCPB commercialization reform process all past Government debts and obligations outstanding as at 30th June 1997 were consolidated and offset against credit balances held in favour of the Government with a net debt of KShs. 3.1 billion established. The net debt was initially recommended to the GOK for repayment over a three-year period but at the request of GOK was varied to six years with annual installment of KShs. 500.0 million from 1st July 1997. Through annual redemptions, the outstanding net debt has been progressively reduced substantially, though not at the agreed level of installments and was standing at KShs 40,816,828.00 as at 30th June 2005 as analyzed here under:-

	<u>30.06.2005</u>	<u>30.06.2004</u>
	Kshs	Kshs
Balance B/F 01/07	390,816,828	791,116,828
Deduct: Amount received During the year	350,000,000	400,300,000
	40,816,828	390,816,828
Less: Provisions for bad & doubtful debts	0	194,593,607
Balance outstanding At year end	<u>40,816,828</u>	<u>196,223,221</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2005
(Continued)

9 GOVERNMENT DEBTORS – NEW AGENCY ACCOUNT

9.1 In compliance with agreed reform actions on GOK social functions, that involved introduction of new Operating Rules on domestic grain marketing the Board has with effect from 1st July 1997 fully adopted the new mode of charging GOK on agency basis for services rendered and facilities provided. Under the Agency Agreement signed between the Board and the Government, the GOK is under obligation to provide funds upfront to meet direct costs and agency remuneration for services rendered and facilities provided at rates to be annually negotiated and mutually agreed.

9.2 The rates applicable in 2004/2005 FY for various services and facilities that were mutually agreed upon by the two parties and which have been in force since 12th November 2002 were as follows:-

<u>Nature of Service/facility</u>	<u>Rate</u> <u>Kshs/Percentage</u>
a) Storage	3.20 per bag per month
b) Quality maintenance	3.50 per bag per month
c) Commission on Purchasing	85.00 per bag
d) Commission on releases	17.00 per bag
e) Commercial sales commission	8 % of sales value
f) Commission on transport	8 % of transport cost
g) Commission on commodity handling (Direct costs)	8 % of handling cost
h) Management fees on 17 selected depots Exclusively reserved for GOK use	5 % of actual expenditure

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2005

(Continued)

- 9.3 The breakdown of the amounts outstanding in relation to each activity as well as remittances received from the Government during the year is summarized here below: -

	<u>Cumulative</u> <u>Amounts Due</u>	<u>Amounts</u> <u>Received</u>	<u>Net amounts</u> <u>Outstanding</u> <u>30th June 2005</u>	<u>Net amounts</u> <u>Outstanding</u> <u>30th June 2004</u>
	KShs	KShs	KShs	KShs
a) Strategic Grain				
<u>Reserve Programme- Old Account</u>				
Balance B/F on 1/7/2004	163,807,949	0	163,807,949	163,807,949
2004/2005 expenses:-				
Direct costs	0	0	0	0
Storage Charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub – Total	<u>163,807,949</u>	<u>0</u>	<u>163,807,949</u>	<u>163,807,949</u>
b) <u>Famine Relief Programme</u>				
Balance B/F on 1/7/2004	(15,507,514)	0	(15,507,514)	(74,174,910)
2004/2005 expenses:-				
Direct costs	3,226,560,222	3,273,558,779	(46,998,557)	431,272,801
Storage Charges	<u>255,928,914</u>	<u>255,928,914</u>	<u>0</u>	<u>(36,694,178)</u>
Sub – Total	<u>3,466,981,622</u>	<u>3,529,487,693</u>	<u>(62,506,071)</u>	<u>320,403,713</u>
c) GOK 17 selected				
<u>Depots for F/Relief</u>				
Balance B/F on 1/7/2004	208,318,977	16,402,339	191,916,638	183,523,305
2004/2005 expenses:-			0	0
Direct costs	0	0	0	23,614,927
Storage Charges	0	0	0	0
5 % Management fees	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,180,746</u>
Sub – Total	<u>208,318,977</u>	<u>16,402,339</u>	<u>191,916,638</u>	<u>208,318,978</u>
d) Strategic Grain				
<u>Reserve Programme - New Account</u>				
Balance B/F on 1/7/2004	21,695,483	32,171,837	(10,476,354)	(152,338,329)
2004/2005 expenses:-				
Direct costs	3,082,501,825	1,724,039,460	1,358,462,365	167,623,953
Storage Charges	<u>324,585,195</u>	<u>0</u>	<u>324,585,195</u>	<u>6,409,858</u>
Sub – Total	<u>3,428,782,503</u>	<u>1,756,211,297</u>	<u>1,672,571,206</u>	<u>21,695,482</u>
Total (a+b+c+d)	<u>7,267,891,049</u>	<u>5,302,101,330</u>	<u>1,965,789,722</u>	<u>714,226,122</u>
e) <u>Less:</u>	Net sales proceeds from sale of returned gunny bags		12,338,467	335,911,228
			1,953,451,255	378,314,893
Deduct:	Provision for bad Debts		<u>232,563,195</u>	<u>0</u>
Net Amount outstanding as at 30th June			<u>1,720,888,060</u>	<u>378,314,893</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2005
(Continued)

10. **CASH AT BANK AND IN HAND**

The amount of KShs 415,899,730.00 represents bank balances and cash-in-hand held in the Board's Cash Offices at Head Office and Depot/Silos as of 30th June, 2005.

11. **CAPITAL FUND**

	30 th June 2005	30 th June 2004
	Amount (KShs)	Amount (KShs)
Balance carried forward at Year end	<u>6,304,142,172</u>	<u>6,304,142,172</u>

12. **REVALUATION OF FIXED ASSETS**

Land, Buildings, Plant and Machinery and Equipment were revalued as at 1st March, 1995 on the basis of existing use by Milligan and Company Limited, (Surveyors and Registered Valuers). The new values were incorporated into the Board's Assets Register and books of Account as from 1st July, 1996. The incorporation of the new values of assets resulted to a net revaluation gain of Kshs. 2,699,423,826.00 as shown below:-

Asset Category	New Valuation	Old Valuation	Revaluation Gain/ (Loss)
	Kshs	Kshs	Kshs
1. Land	406,216,000	124,695,775	281,520,225
2. Railway siding, Fences & Roads	251,484,246	62,869,099	188,615,147
3. Buildings and Grain silos	5,065,556,786	3,003,471,724	2,062,085,062
4. Motor Vehicles	30,695,317	8,549,279	22,146,038
5. Fittings, Furniture and Equipment	1,555,285,999	740,831,349	814,454,650
6. Construction in Progress (included In the Valuation)	0	<u>669,397,296</u>	<u>(669,397,296)</u>
TOTAL	<u>7,309,238,348</u>	<u>4,609,814,522</u>	<u>2,699,423,826</u>

13. **REVENUE RESERVE ACCOUNT**

The Board recorded a Net Operating Loss of KShs. 279,530,269 during the year under review on its commercial activities. The loss together with the prior year adjustment have been transferred to the Revenue Reserves Account thereby eroding the unappropriated retained surpluses to a negative position, with a debit balance of Kshs. 4,079,524,444 as reflected in the Balance Sheet. The reduction in the loss is partly attributed to reduction in depreciation charge for the year by KShs. 189.55 million. Depreciation of KShs. 226.88 million was charged as compared to the previous year figure of KShs. 416.3 million because some of the assets (mainly plant and machinery) were fully depreciated by 30th June 2004.

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2005
(Continued)

14 **BANK OVERDRAFT**

The Board has a standby overdraft facility of KShs.400 million with the Kenya Commercial Bank Limited to supplement working capital and an additional temporary overdraft of KShs. 400.00 million. The overdraft of KShs. 414,431,904 as reflected in the Balance sheet consisted of the following:-

	<u>30.06.2005</u>	<u>30.06.2004</u>
	<u>Kshs</u>	<u>Kshs</u>
Head Office Main Account	414,431,904	413,362,555
Overdrawn Depot Cash-books	0	670,274
	<u>414,431,904</u>	<u>414,032,829</u>

15. **CREDITORS AND PROVISIONS**

	<u>30.06.2005</u>	<u>30.06.2004</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Trade creditors	80,515,668	70,624,377
Creditors –Owings to Farmers/Suppliers	1,004,701,614	134,384,997
Creditors – Staff	3,445,219	3,536,439
Sundry Creditors and Provisions	299,098,337	331,142,025
	<u>1,387,760,839</u>	<u>539,687,838</u>

16 **GOVERNMENT MARKET INTERVENTION MEASURE IN PURCHASING AND DISPOSAL OF SURPLUS MAIZE THROUGH NCPB - 1994/95 TO 1997/98**

The balance in this account relates to 1994/95 maize intervention and subsequent maize exports transactions in 1995/96 and 1996/97. As at the Balance Sheet date there was still a retained surplus of Kshs 174,063,028.00 to be offset against other GOK debts still under review as shown below:-

	30.06.2005	30.06.2004
	Kshs	Kshs
Balance due to GOK as at year end	<u>174,063,028.00</u>	<u>174,063,028.00</u>

17. **GOVERNMENT AGENCY ACCOUNT (OLD ACCOUNT)**

17.1 **Operating Results**

Prior to liberalization in grain marketing in December 1993 the Board used to receive cereals from overseas under either Food Aid or Loan Programs on behalf of the Government of Kenya. A formal Agency Agreement that is still in force was entered into on 18th January, 1990 between the GOK and the Board. The agreement stipulates terms and conditions as well as the accountability procedures to be observed by the Board for these commodities. An Agency Commission of 8% of sales value is charged to meet the Board's management and overhead costs. The balance held on behalf of the Government as at 30th June, 2005 remained the same as in previous year.

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NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2005

(Continued)

30.06.2005

30.06.2004

Kshs.

Kshs.

Balance due to the
Government at year end

143,195,039

143,195,039

18 TAXATION

NCPB is a taxable organization and Income Tax Returns have been filed with the Commissioner of Income Tax up to the year of income ended 30th June 2005, which reflected a cumulative taxable losses amounting to KShs 6,597,736,380.00

19 CONTINGENCIES

19.1 Contingent Liabilities

The Board had contingent liabilities amounting to KShs. 70.97 Million as at 30th June 2005 due to pending disputes with suppliers of goods and services together with other individuals who have filed court cases against the Board for various reasons.

19.2 Contingent Assets

The Board was directed by the Government in 2001/2002 FY to export maize and a loss of KShs. 2.20 billion was realized because it was executed at below cost. The claim for compensation has since been lodged with the Government but the compensation is yet to be received.

20 STAFF ESTABLISHMENT

The staff establishment as at 30th June 2005 was 902 employees.

21 CURRENCY

The financial statements are presented in Kenya Shillings (KShs)

22 RETIREMENT BENEFITS OBLIGATIONS

The Board operates a defined Provident Fund Scheme for all its permanent employees. The Board's contributions are charged to the Profit and loss Account in the period in which it relates. The assets of the scheme are held in a separate trustee administered fund, which is funded from contributions from both the Board and the employees.

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO FINANCIAL STATEMENTS - 30TH JUNE 2005

INCOME STATEMENT FOR THE YEAR ENDED 30TH JUNE 2005

23.1 2004/2005 CONTRIBUTION MARGIN PER PRODUCT	LOCAL										CASCOR		MILLET		SORGHUM		GRASS		PADDY		FECULINES		THE YEAR ENDED									
	MAIZE	WHEAT	RICE	GUINNESS	INSECTICIDES	BEANS	SEEDS	YUJUBI	MILLET	SORGHUM	GRASS	PADDY	FECULINES	31TH JUNE 2004	30TH JUNE 2005	31TH JUNE 2004	30TH JUNE 2005	31TH JUNE 2004	30TH JUNE 2005	31TH JUNE 2004	30TH JUNE 2005	31TH JUNE 2004	30TH JUNE 2005	31TH JUNE 2004	30TH JUNE 2005							
GROSS SALES	181,445,020	0	55,002,714	110,337,093	713,015	31,330,830	0	3,244,232	4,480,275	15,530	73,271,423	4,479,155	240,388,415	765,218,195	444,512,118	181,445,020	0	55,002,714	110,337,093	713,015	31,330,830	0	3,244,232	4,480,275	15,530	73,271,423	4,479,155	240,388,415	765,218,195	444,512,118		
COST OF SALES	226,972,898	5,500	14,461,212	130,604,827	1,021,079	2,384,530	640	3,549,373	0	0	3,207,900	27,143,870	238,897,155	646,378,927	174,278,183	226,972,898	5,500	14,461,212	130,604,827	1,021,079	2,384,530	640	3,549,373	0	3,207,900	27,143,870	238,897,155	646,378,927	174,278,183			
Opening stock	13,545,036	0	0	49,894,000	295,000	24,141,900	0	3,944,680	0	0	58,678,000	32,019,300	182,539,936	1,746,820,039	1,746,820,039	13,545,036	0	0	49,894,000	295,000	24,141,900	0	3,944,680	0	58,678,000	32,019,300	182,539,936	1,746,820,039	1,746,820,039			
Purchases	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Transfer (to)/from GOK Relief Account	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Transfer from third party/milling	0	0	31,264,467	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Plant/Driver Loss Realized	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Provision for Stock package	296,431	0	0	0	0	531,122	0	86,783	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Closing stock	(98,291,850)	(88,100)	(10,951,726)	(7,830,449)	(683,046)	(1,081,280)	(640)	(5,050,107)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(98,291,850)	(88,100)	(10,951,726)	(7,830,449)	(683,046)	(1,081,280)	(640)	(5,050,107)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)		
GROSS PROFIT/(LOSS)	142,472,488	(82,600)	34,993,953	171,668,176	632,933	25,976,272	0	2,530,731	4,067,772	1,098,555	62,718,900	4,435,232	173,338,675	623,884,440	349,505,468	142,472,488	(82,600)	34,993,953	171,668,176	632,933	25,976,272	0	2,530,731	4,067,772	1,098,555	62,718,900	4,435,232	173,338,675	623,884,440	349,505,468		
Gross Profit/(Loss) as a percentage to sales	21.4%	0.00%	36.38%	9.28%	20.18%	17.09%	0.00%	21.99%	13.09%	13.09%	14.43%	5.23%	27.88%	20.55%	21.76%	21.4%	0.00%	36.38%	9.28%	20.18%	17.09%	0.00%	21.99%	13.09%	13.09%	14.43%	5.23%	27.88%	20.55%	21.76%		
OTHER INCOME	Revenue from Services & other miscellaneous income	38,910,532	20,008,744	17,458,715	140,032	5,354,558	0	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	38,910,532	20,008,744	17,458,715	140,032	5,354,558	0	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	(6,437,897)	
LESS: EXPENDITURE	Railage and Road transport costs	5,358,440	1,037,478	6,187,480	124,384	3,142,744	0	27,258	0	0	0	0	0	0	0	5,358,440	1,037,478	6,187,480	124,384	3,142,744	0	27,258	0	0	0	0	0	0	0	0	0	
Import Costs	Milling costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Staff costs and wages	Administration expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other operating expenses		5,358,440	4,180,722	6,312,264	13,940	13,940	0	383,100	383,100	383,100	383,100	383,100	383,100	383,100	383,100	5,358,440	4,180,722	6,312,264	13,940	13,940	13,940	0	383,100	383,100	383,100	383,100	383,100	383,100	383,100	383,100	383,100	383,100
PROFIT/(LOSS) BEFORE DEPRECIATION AND BAD DEBTS	33,632,092	15,828,541	11,346,651	140,032	5,340,618	29%	0	(6,107,495)	(5,825,394)	754,521,972	1,867,631,397	1,379,912,327	34,387,481	154,721,430	(130,075,834)	33,632,092	15,828,541	11,346,651	140,032	5,340,618	29%	0	(6,107,495)	(5,825,394)	754,521,972	1,867,631,397	1,379,912,327	34,387,481	154,721,430	(130,075,834)		
Bad Debt	Depreciation Charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bad and doubtful debts	Obsolete stocks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PROFIT/(LOSS) FROM OPERATIONS	Finance charges net of interest earned	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PROFIT BEFORE TAX	Income tax expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PROFIT AFTER TAX	Early retirement costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET PROFIT/(LOSS) FOR THE PERIOD		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

** Comparative figures for 2003/2004 see page 27

NATIONAL CEREALS AND PRODUCE BOARD
 NOTES TO THE ACCOUNTS - 30TH JUNE 2005
 (Continued)

23.3 STOCK FLOWS-2004/2005

STOCK FLOWS PER PRODUCT

	MAIZE	WHEAT	RICE	GUINNIES	INSECTICIDES	BEANS	SEEDS	WIMBIL	MILLET	SORGHUM	GREEN	PADDY	CAN	NPK
	90kgs	90kgs	100kgs	Pieces	25 kg	90kgs	65kgs	80kgs	80kgs	80kgs	GRAMS	RICE	FERTILIZER	FERTILIZER
	Bags	Bags	Bags		Packets	Bags	Bags	Bags	Bags	Bags	80kgs	80kgs	50kgs	50kgs
OPENING STOCKS	175,919	0	3,000	2,256,182	396	1,281	4	1,955	0	0	1,734	13,144	111,369	116,203
PURCHASES	9,627	0	0	1,024,400	40	10,051	0	1,818	0	0	20,089	12,825	0	0
STOCK AVAILABLE FOR SALE	185,546	0	3,000	3,280,582	436	11,332	4	3,773	0	0	21,823	25,969	111,369	116,203
SALES	110,230	0	9,525	3,024,097	220	10,950	0	1,521	4,350	127	22,304	1,611	101,523	68,079
TRANSFER TO/(FM) GOK STOCKS	0	0	0	0	0	0	0	0	(4,350)	(127)	(245)	0	0	0
TRANSFER (FM) 3RD PARTY STOCKS	0	0	7,738	0	0	0	0	0	0	0	0	14,234	0	0
TRANSFER TO/(FM) MILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
STORAGE LOSS/(GAIN)	(359)	(64)	(915)	797	(1)	(54)	0	47	0	0	(236)	393	(108)	(669)
ADJUSTMENT	109,871	(64)	872	3,024,894	219	10,896	0	1,568	0	0	21,823	16,239	101,415	67,410
DISPOSALS DURING PERIOD	75,675	64	2,128	255,688	217	436	4	2,205	0	0	0	9,730	9,954	48,793
CLOSING STOCKS	109,871	0	872	3,024,894	219	10,896	0	1,568	0	0	21,823	16,239	101,415	67,410

NATIONAL CEREALS AND PRODUCE BOARD
 NOTES TO THE ACCOUNTS -30TH JUNE 2004
 (continued)

23.3 STOCK FLOWS - 2003/2004

STOCK FLOWS PER PRODUCT

	<u>MAIZE</u> 90kgs Bags	<u>WHEAT</u> 90kgs Bags	<u>RICE</u> 100kgs Bags	<u>GUINNIES</u> Pieces	<u>INSECTICIDES</u> 25 kg Packets	<u>BEANS</u> 90kgs Bags	<u>SEEDS</u> 65kgs Bags	<u>WIMBI</u> 80kgs Bags	<u>MILLET</u> 80kgs Bags	<u>SORGHUM</u> 80kgs Bags	<u>GRAMS</u> 80kgs Bags	<u>RICE</u> 80kgs Bags	<u>FERTILIZER</u> 50kgs Bags	<u>FERTILIZER</u> 50kgs Bags
OPENING STOCKS	0	136	1,563	2,918,831	503	0	4	2,431	19,368	2,823	0	0	0	0
PURCHASES	1,069,603	46	2,710	1,678,908	20	8,161	0	0	0	0	1,734	21,932	216,682	122,912
STOCK AVAILABLE FOR SALE	1,320,560	405	6,479	4,597,739	523	8,161	4	2,431	19,368	2,823	1,734	21,932	216,682	122,912
SALES	92,771	279	5,901	2,387,886	366	866	0	476	19,035	5,571	0	0	110,793	2,548
TRANSFER TO/(FM) GOK STOCKS	847,450					5,991		333		(2,748)				
TRANSFER (FM) 3RD PARTY STOCKS	(66,002)													
TRANSFER TO/(FM) MILLING			14,472											7,915
STORAGE LOSS/(GAIN)														
ADJUSTMENT	19,465	(97)	(156)	(46,329)	(239)	23	0	0	0	0	0	873	(5,473)	4,168
DISPOSALS DURING YEAR	823,684	182	1,273	2,341,557	127	6,880	0	476	19,368	2,823	0	8,788	105,320	6,716
CLOSING STOCKS	1,75,919	0	3,000	2,256,182	396	1,281	4	1,955	0	0	1,734	13,144	111,362	116,203

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE ACCOUNTS - 30TH JUNE 2005

(Continued)

24. OTHER INCOME

Other income relate to revenue earned from provision of services and leasing out of Board's properties to third parties, agency remuneration from undertaking GOK social functions and other miscellaneous income derived from sundry items, and the

summary details are as follows:-

	<u>30TH JUNE 2005</u>	<u>30TH JUNE 2004</u>
	<u>Kshs.</u>	<u>Kshs.</u>
(a) Revenue from Services/facilities		
Weigh Bridge charges	11,852,897	11,862,562
Bagging and handling charges	4,676,296	11,539,884
Cleaning charges	0	0
Rental charges	98,692,675	115,916,735
Drying and Fumigation	<u>82,074,718</u>	<u>21,280,773</u>
	<u>197,296,586</u>	<u>160,599,955</u>
(b) Agency Services		
GOK Agency remuneration	531,711,123	253,295,288
Agency commission from inputs	<u>7,420,601</u>	<u>4,965,015</u>
Sub - total (a+b)	<u>736,428,310</u>	<u>418,860,258</u>
(c) Sundry Income		
Receipts for Private Telephone Calls	135,474	71,502
Insurance Compensation	420,436	866,398
Sale of Tender documents	1,451,000	1,114,000
Sale of Obsolete Material	2,784,930	4,923,849
Other Miscellaneous Income	3,758,710	4,670,318
Other fees and charges	2,333,663	1,901,740
Gain/(Loss) on disposal of fixed assets	<u>0</u>	<u>0</u>
	<u>10,884,213</u>	<u>13,547,807</u>
(d) Investment income		
Interest earned on Short term		
Investments (FDR'S)	6,437,897	386,575
Interest/penalties charged on loans to former Associated Companies	785,877	645,215
Less: Withholding tax	<u>0</u>	<u>0</u>
	<u>7,223,774</u>	<u>1,031,789</u>
Total other Income per		
Profit & Loss A/C	<u>754,536,297</u>	<u>433,439,854</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2005

(Continued)

OPERATING AND ADMINISTRATION EXPENSES

FOR THE YEAR ENDED 30TH JUNE 2005

25. EXPENDITURE DETAILS	<u>30TH JUNE 2005</u>	<u>30TH JUNE 2004</u>
	<u>Kshs.</u>	<u>Kshs.</u>
<u>DIRECT COSTS</u>		
Import Costs	734,019	0
Hired road & rail transport	<u>44,986,283</u>	<u>68,861,539</u>
	<u>45,720,303</u>	<u>68,861,539</u>
<u>STAFF COSTS</u>		
Salaries and wages	343,429,251	285,296,036
Board's contributions to Provident Fund and Staff savings schemes	42,689,796	34,014,877
Board's contribution to National Social Security Fund	2,166,800	2,127,032
Medical expenses	23,005,332	24,091,488
Leave pay and gratuities	18,241,417	10,448,008
Welfare and training	<u>12,499,378</u>	<u>8,798,721</u>
	<u>442,031,974</u>	<u>364,776,162</u>
<u>GENERAL ADMINISTRATION</u>		
Board Members Allowances	4,560,861	3,062,418
Advertising	2,558,646	2,202,098
Conservancy, light and water	25,353,252	22,048,796
Consumable stores	549,862	407,916
Entertainment	45,880	59,425
General expenses	0	1,591,677
Insurance	25,402,081	21,671,976
Land rents & rates and siding charges	10,408,221	15,758,233
Maintenance of machinery, furniture and equipment	0	15,053,807
Maintenance of buildings, fences, gates, roads and railway sidings	11,803,561	6,825,374
	0	
Postage, telegram & telephone	13,014,275	13,644,997
Printing and stationery	6,664,552	3,949,507
Security expenses	59,684,179	54,303,104
Subscriptions & Nafaka Newsletter	383,675	886,517
Uniforms and protective clothing	11,017	75,854
Donations	<u>149,840</u>	<u>68,290</u>
	<u>181,575,124</u>	<u>161,609,989</u>
<u>GENERAL OPERATING EXPENSES</u>		
Fumigation expenses	14,811,046	5,013,901
Grain dryers operating costs	31,477,030	14,224,521
Commodity handling costs	1,805,644	2,370,163
Hired transport(Non-commodities)	83,314	141,447
Shows and exhibitions	3,303,024	2,134,453
Travelling and subsistence	18,435,490	18,889,017
Vehicle running costs	14,078,829	16,259,422
Milling Costs	3,170,002	0
<u>PROFESSIONAL EXPENSES</u>		
Audit fees	2,500,000	2,500,000
Legal and other professional fees	<u>2,237,632</u>	<u>4,299,526</u>
	<u>91,902,012</u>	<u>66,880,828</u>

NATIONAL CEREALS AND PRODUCE BOARD
 NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2005

(Continued)

OPERATING AND ADMINISTRATION EXPENSES

FOR THE YEAR ENDED 30TH JUNE 2005

	<u>30TH JUNE 2005</u>	<u>30TH JUNE 2004</u>
	<u>Kshs.</u>	<u>Kshs.</u>
<u>PROVISIONS</u>		
Depreciation charges	226,882,657	416,342,344
Provision for bad and doubtful debts	147,648,325	15,250,260
Provision for obsolete stocks	<u>2,282,237</u>	0
	<u>376,813,219</u>	<u>431,592,604</u>
<u>TOTAL EXPENDITURE BEFORE FINANCE COSTS</u>	<u>1,138,042,632</u>	<u>1,092,672,743</u>
Bank charges	12,300,876	14,725,036
Bank overdraft and loan interest	<u>45,137,605</u>	<u>21,825,526</u>
	<u>57,438,480</u>	<u>36,550,562</u>
<u>TOTAL OPERATING EXPENDITURE</u>		
<u>EXTRA-ORDINARY ITEM OF EXPENSE</u>	<u>1,195,481,113</u>	<u>1,129,223,305</u>
Early retirement staff costs	0	0
<u>TOTAL EXPENDITURE (DIRECT AND INDIRECT)</u>	<u>1,195,481,113</u>	<u>1,129,223,306</u>

FINANCIAL HIGHLIGHTS

AND

STATISTICS

2000/2001—2004/2005



1

NATIONAL CEREALS AND PRODUCE BOARD

RATIO ANALYSIS 2000/2001 - 2004/2005

	<u>2000/2001</u>	<u>2001/2002</u>	<u>2002/2003</u>	<u>2003/2004</u>	<u>2004/2005</u>
<u>LIQUIDITY RATIOS</u>					
a) Current Ratio	276.98%	147.16%	140.62%	144.75%	123.17%
b) Acid Test	120.30%	114.00%	129.65%	92.32%	112.18%
<u>CAPITAL STRUCTURE RATIOS</u>					
a) Ratio of Debt: Total Assets	15.64%	25.80%	23.54%	19.57%	30.09%
b) Gearing Ratio	0.00%	0.00%	0.00%	0.00%	0.00%
<u>ACTIVITY RATIOS</u>					
a) Turnover ratio of Sales: Capital employed	16.93%	31.97%	41.07%	8.55%	15.95%
b) Stock Turnover (Days)	265	664	1,775	296	506
<u>PROFITABILITY RATIOS</u>					
a) Return on capital Employed (ROCE)	-9.09%	-33.65%	-13.20%	-11.45%	-5.68%
b) Profitability of Sales					
i) Gross Margin : Sales	8.77%	-43.32%	2.81%	21.76%	20.55%
ii) Net Profit : Sales	-53.67%	-105.25%	-32.14%	-133.96%	-35.60%

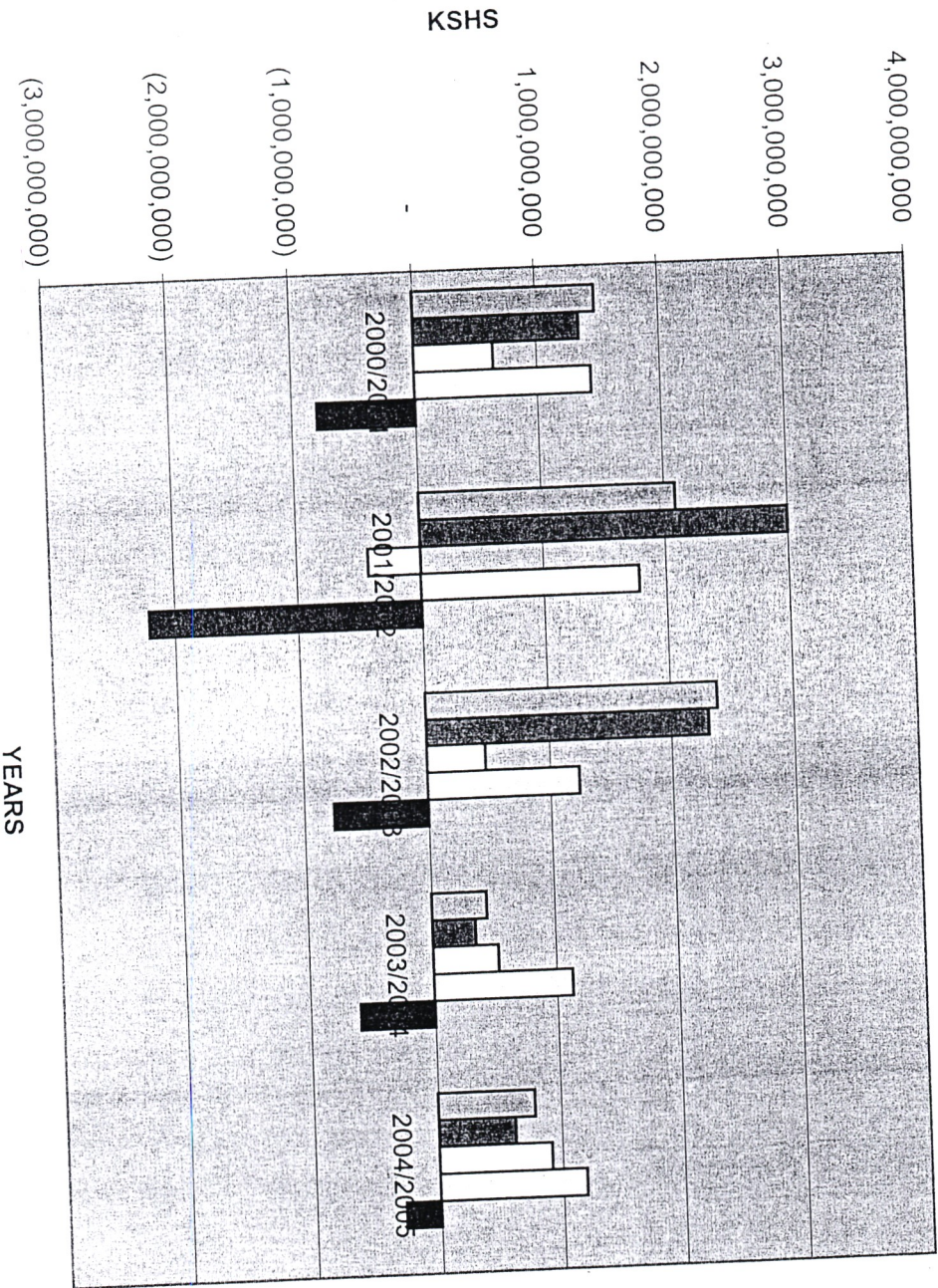
NATIONAL CEREALS AND PRODUCE BOARD

SUMMARY OF OPERATING RESULTS

2000/2001 TO 2004/2005 FY

	<u>2000/2001</u>	<u>2001/2002</u>	<u>2002/2003</u>	<u>2003/2004</u>	<u>2004/2005</u>
	KSHS	KSHS	KSHS	KSHS	KSHS
SALES TURNOVER	1,481,349,426	2,092,846,981	2,377,298,739	446,562,218	785,298,985
COST OF SALES	<u>1,351,469,228</u>	<u>2,999,526,239</u>	<u>2,308,533,226</u>	<u>349,405,468</u>	<u>623,884,440</u>
GROSS MARGIN	129,880,198	(906,679,258)	68,765,513	97,156,750	161,414,545
GROSS MARGIN AS A PERCENTAGE OF SALES	8.77%	-43.32%	2.81%	21.76%	20.55%
OTHER INCOME	<u>516,207,027</u>	<u>483,644,714</u>	<u>405,493,416</u>	<u>434,895,935</u>	<u>754,536,297</u>
GROSS MARGIN & OTHER INCOME	646,087,225	(423,034,544)	474,258,929	532,052,685	915,950,842
TOTAL COSTS BEFORE BAD DEBTS, DEPRECIATION AND EXTRA ORDINARY ITEMS	<u>943,387,226</u>	<u>1,342,737,868</u>	<u>800,734,423</u>	<u>698,679,080</u>	<u>820,950,129</u>
SURPLUS/(DEFICIT) BEFORE BAD DEBTS, DEPRECIATION AND EXTRA ORDINARY ITEMS	(297,300,001)	(1,765,772,412)	(326,475,494)	(166,626,395)	95,000,713
Depreciation Expense	408,643,951	408,837,240	410,725,765	416,342,344	226,882,657
Provision for bad and doubtful debts	18,715,373	13,839,452	21,229,002	15,250,260	147,648,325
Extra-Ordinary Items:	<u>70,411,993</u>	<u>14,312,573</u>	<u>3,359,840</u>	-	-
SURPLUS/(DEFICIT)	<u>(795,071,318)</u>	<u>(2,202,761,677)</u>	<u>(761,790,101)</u>	<u>(598,218,999)</u>	<u>(279,530,269)</u>

3
NATIONAL CEREALS AND PRODUCE BOARD
SUMMARY OF OPERATING RESULTS 2000/2001 TO 2004/2005



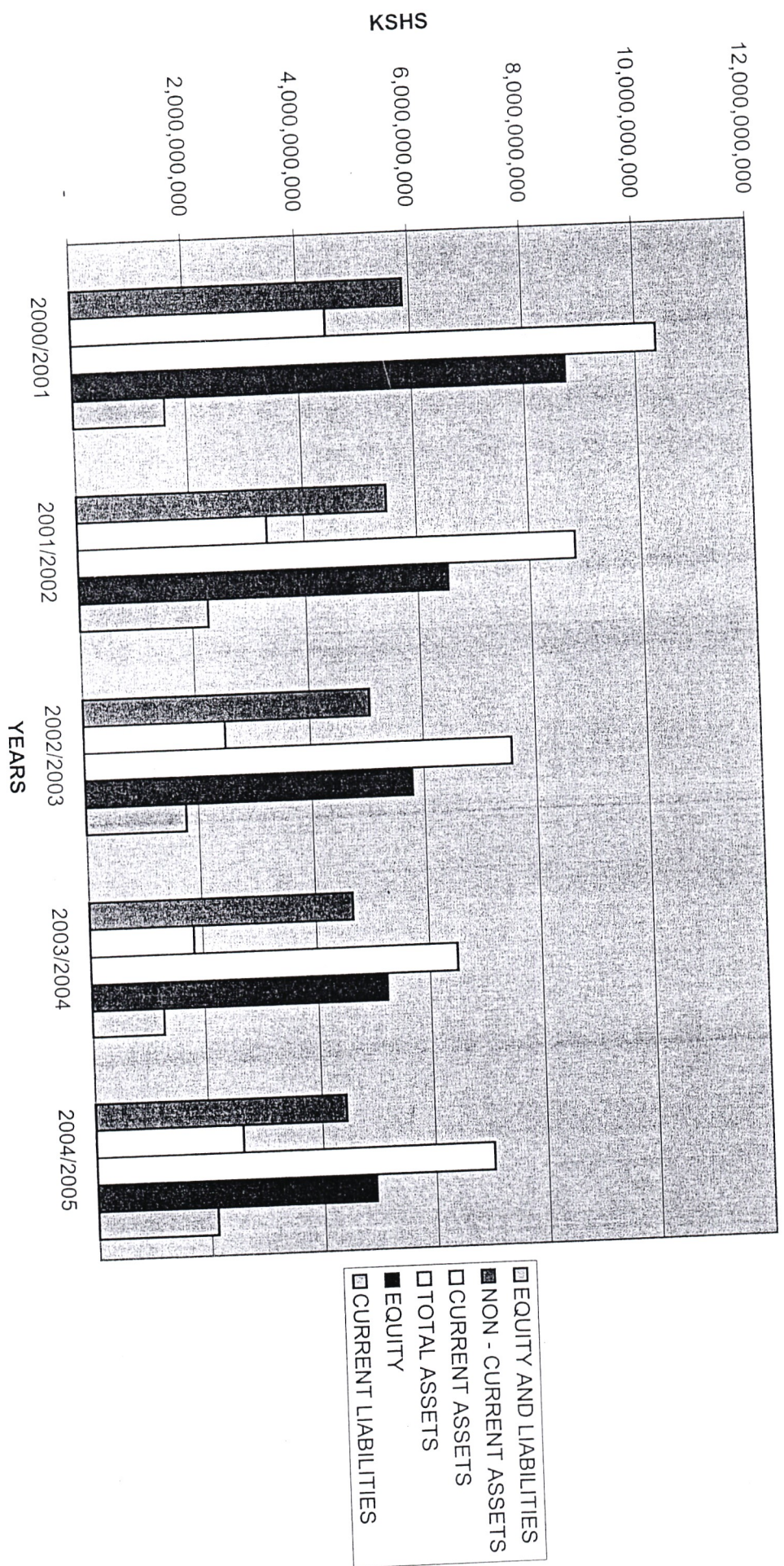
- SALES TURNOVER
- COST OF SALES
- GROSS MARGIN & OTHER INCOME
- TOTAL COSTS
- SURPLUS/(DEFICIT)

NATIONAL CEREALS AND PRODUCE BOARD

COMPARATIVE BALANCE SHEETS 2000/2001 TO 2004/2005

	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
	KSHS	KSHS	KSHS	KSHS	KSHS
	-----	-----	-----	-----	-----
ASSETS					
NON - CURRENT ASSETS					
FIXED ASSETS	5,849,709,166	5,460,996,178	5,055,383,103	4,649,285,324	4,429,751,270
INVESTMENT	27,602,013	12,256,379	9,298,856	6,618,580	3,222,616
LOANS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>5,877,311,179</u>	<u>5,473,252,557</u>	<u>5,064,681,959</u>	<u>4,655,903,904</u>	<u>4,432,973,886</u>
CURRENT ASSETS	<u>4,492,789,692</u>	<u>3,349,890,654</u>	<u>2,506,409,731</u>	<u>1,839,678,269</u>	<u>2,610,518,479</u>
	<u>10,370,100,871</u>	<u>8,823,143,211</u>	<u>7,571,091,690</u>	<u>6,495,582,173</u>	<u>7,043,492,365</u>
EQUITY AND LIABILITIES					
EQUITY					
CAPITAL FUND	6,304,142,172	6,304,142,172	6,304,142,172	6,304,142,172	6,304,142,172
REVALUATION RESERVE	2,699,423,826	2,699,423,826	2,699,423,826	2,699,423,826	2,699,423,826
ACCUMULATED SURPLUS	<u>(255,516,354)</u>	<u>(2,456,838,906)</u>	<u>(3,214,908,413)</u>	<u>(3,778,962,559)</u>	<u>(4,079,524,444)</u>
CAPITAL FUND	<u>8,748,049,644</u>	<u>6,546,727,092</u>	<u>5,788,657,585</u>	<u>5,224,603,439</u>	<u>4,924,041,554</u>
CURRENT LIABILITIES	<u>1,622,051,227</u>	<u>2,276,416,119</u>	<u>1,782,434,105</u>	<u>1,270,978,734</u>	<u>2,119,450,810</u>
EQUITY AND LIABILITIES	<u>10,370,100,871</u>	<u>8,823,143,211</u>	<u>7,571,091,690</u>	<u>6,495,582,173</u>	<u>7,043,492,365</u>

5
NATIONAL CEREALS AND PRODUCE BOARD
BALANCE SHEET 2000/2001 TO 2004/2005



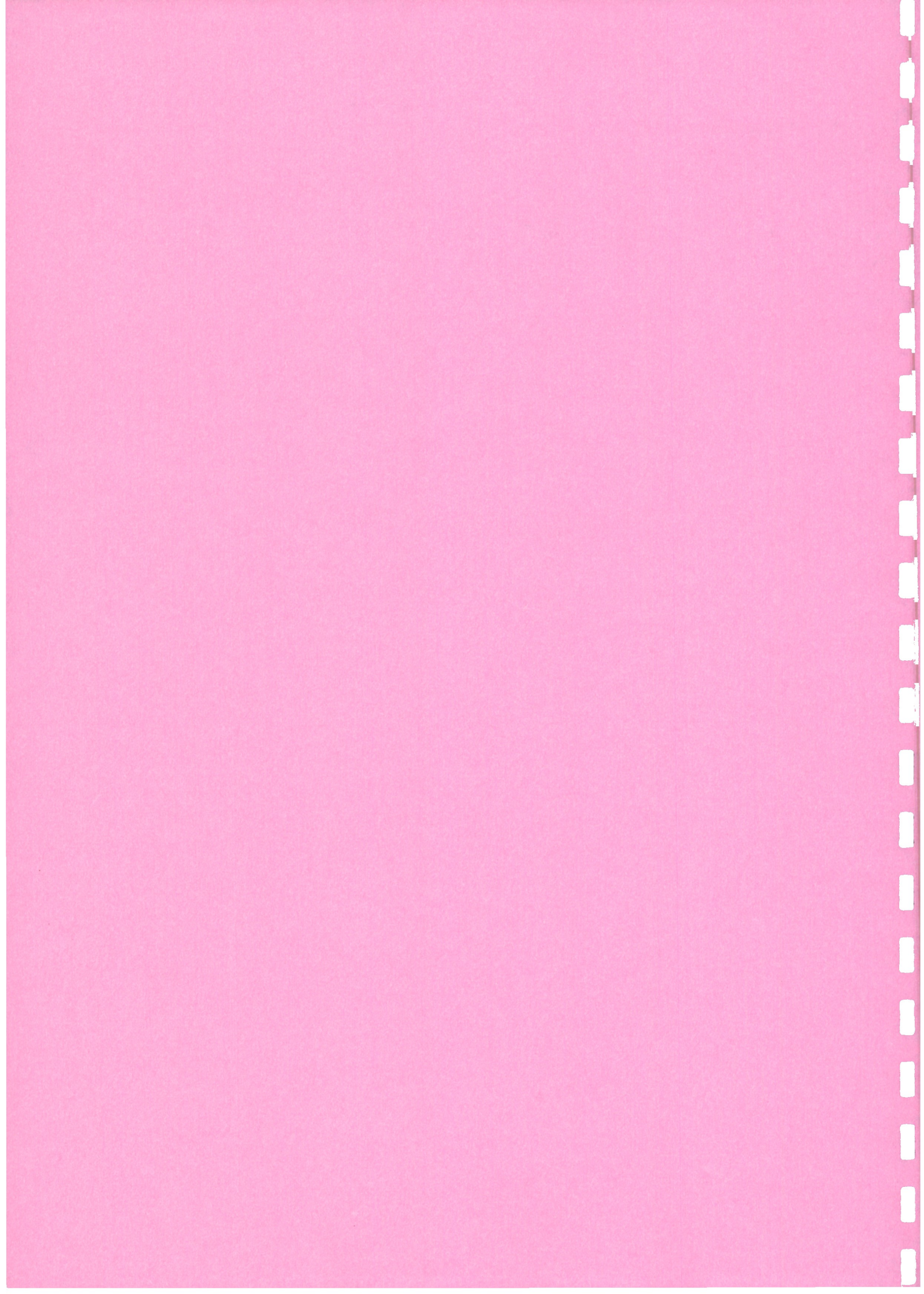
- EQUITY AND LIABILITIES
- NON - CURRENT ASSETS
- CURRENT ASSETS
- TOTAL ASSETS
- EQUITY
- CURRENT LIABILITIES

NATIONAL CEREALS AND PRODUCE BOARD



**GOK AGENCY OPERATIONS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2005**

**NCPB P.O. BOX 30586
NYUMBA YA NAFAKA
MACHAKOS ROAD
INDUSTRIAL AREA
NAIROBI**



NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
ANNUAL REPORT AND ACCOUNTS
30TH JUNE 2005

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NATIONAL CEREALS AND PRODUCE BOARD

GOK AGENCY OPERATIONS - GOK FAMINE RELIEF PROGRAMME

BALANCE SHEET AS AT 30TH JUNE 2005

		<u>30.06.2005</u>	<u>30.06.2004</u>
			<u>Kshs</u>
Famine Relief Stocks	3	1,127,520,123	294,969,068
SGR Stocks		3,969,147,241	1,303,780,842
Amount Due from NCPB			
on Borrowed Stocks	4	0	0
Shortfall in GOK			
funding to NCPB	5	<u>1,953,451,255</u>	<u>378,314,893</u>
		<u>7,050,118,619</u>	<u>1,977,064,803</u>
GOK Agency Account	5	1,953,451,255	378,314,893
Net Surplus		0	0
Stock Reserve Account		<u>5,096,667,364</u>	<u>1,598,749,910</u>
		<u>7,050,118,619</u>	<u>1,977,064,803</u>

GOK AGENCY OPERATIONS

INCOME AND EXPENDITURE ACCOUNT AS AT 30TH JUNE 2005

	GOK Strategic Grain Reserve Old Account	GOK Strategic Grain Reserve New Account	GOK 17 Selected Famine Relief Relief Depots	Famine Relief Programme: Phase II	Food Aid Programme	2001/2002 Maize Famine Relief Programme	2001/2002 Beans Famine Relief Programme	Millet/Sorghum Programme	Green Grams Programme	GOK Maize Importation Programme	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
1 INCOME RECEIPTS FROM GOK											
(a) Direct receipts from GOK	0	1,731,924,841	16,402,339	0	0	1,611,822,827	23,890	113,182	68,752,588	1,844,274,015	5,277,814,873
(b) Receipts from Rent	0	0	0	0	0	0	0	0	0	0	0
(c) Sales proceeds of returned/borrowed S/hand Gunny Bags	0	24,286,456	0	0	0	7,327,840	0	4,177,622	833,000	0	36,624,923
Sub - Total (1)	0	1,756,211,297	16,402,339	0	0	1,619,150,667	23,890	4,290,809	69,585,588	1,844,274,015	5,314,439,796
2 EXPENDITURE											
(a) Direct costs/Remittances											
Remittances of Sales Proceeds to GO	0	24,286,458.00	0	0	0	191,068,784	0	0	0	0	215,355,242
Procurement costs	0	3,017,271,720	0	0	0	1,069,761,524	27,456,000	0	68,000,000	1,333,441,196	5,515,930,440
Import Costs	0	0	0	0	0	0	0	0	0	1,606,955,254	1,629,355,444
Loss on foreign exchange	0	33,617,256	0	0	0	160,274,307	798,549	0	572,494	145,717,389	340,979,995
Transport Costs	0	0	0	0	0	0	0	0	0	0	0
Inter-function transactions	0	7,326,391	0	0	0	8,329,561	16,458	10,175	41,298	5,015,571	20,739,454
Direct Handling costs	0	0	0	0	0	0	0	0	0	0	0
Operating Expenses	0	0	0	0	0	0	0	0	0	0	0
Sub - Total (a)	0	3,082,501,625	0	0	0	1,429,434,176	28,271,007	10,175	68,613,792	1,687,990,882	6,309,062,047
Agency fees and charges for services/facilities provided											
Storage	0	53,102,165	0	0	0	11,618,539	52,186	51,738	121,668	11,641,245	76,587,541
Quality maintenance	0	58,080,493	0	0	0	12,707,777	57,078	56,588	133,075	12,732,608	83,767,619
Commission on purchases	0	1,668,000,090	0	0	0	60,375,160	0	0	0	65,673,879	292,849,129
Commission on releases	0	0	0	0	0	17,990,598	0	57,656	0	9,640,949	27,689,203
Commission on direct transport & imp	0	2,689,381	0	0	0	12,750,202	63,884	0	45,799	24,513,011	40,241,494
Commission on commodity handling costs	0	586,111	0	0	0	666,365	1,317	814	3,304	401,245	1,659,155
Commission on commercial sales	0	1,942,916	0	0	0	586,227	0	0	0	0	2,529,144
Drying costs	0	41,384,038	0	0	0	7,433,202	0	0	0	0	48,817,240
Clearing and forwarding Services	0	0	0	0	0	0	0	0	0	6,373,584	6,373,584
5% management fees on depots exclusively for GOK use	0	0	0	0	0	0	0	0	0	0	0
Sub - Total (b)	0	3,245,585,195	0	0	0	1,241,228,070	174,465	166,776	303,845	1,309,976,521	580,514,109
Total Expenditure (a + b)	0	3,407,087,020	0	0	0	1,553,562,246	28,445,472	176,971	68,917,637	1,828,967,403	6,889,576,156
(c) Net Surplus/(Deficit) for the year	0	(1,650,875,723)	16,402,339	0	0	65,588,421	(28,421,583)	4,113,838	667,951	15,306,612	(1,575,136,360)
Add:											
Shortfall/(Surplus) B/F balance	(163,807,949)	(21,695,483)	(208,318,977)	1,688,052	(168,480)	2,452,342	7,676,398	3,661,285			(378,314,895)
Net due (to)/from the Agent as at 30.06.2005	(163,807,949)	(1,672,571,206)	(191,916,638)	1,688,052	(168,480)	68,040,763	(20,745,185)	7,775,073	667,951	15,306,612	(1,953,451,255)

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2005

1. **ACCOUNTING POLICIES**

(a) **Valuation of closing stocks**

- i) Closing stocks of maize and beans have been valued at cost while the gunnies have been valued at net realizable value.
- ii) Closing stocks of maize and beans have been stated in terms of standard weight of 90 kg bags.

(b) **Funds from the Government (Principal)**

Funds from the Principal for undertaking the GOK social functions have been incorporated in the Accounts on accrual basis to recognize it as income in the same fiscal year that funds were to be provided to the Agent by the Principal for specific operations carried out at the express instructions of the Principal.

(c) **Allocation of Expenses**

Expenses that are specifically and directly attributable to GOK social functions have been charged to the relevant Agency function.

2. **GOK AGENCY ACCOUNT**

2.1 **Guiding Reform Policies and Principles on GOK Social Functions**

In conformity with the new Operating Rules on domestic grain marketing that were introduced as part of NCPB commercialization process, the Government signed an Agency Agreement on 11th May 1998 that requires both the Agent and the Principal to enter into separate Operational Contracts for each specific function and to negotiate and agree on rates for services and facilities to be provided by the Agent. The Agency functions identified for the purpose of the Agency Agreement are as follows:-

- (i) Procurement, handling, storage and maintenance of Strategic Grain Reserve Stocks of up to 3.0 million X 90 Kg bags of maize
- (ii) Procurement, handling, storage, maintenance and distribution of GOK famine Relief/Emergency stocks of commodities
- (iii) Management and up-keep of 17 selected depots for use in storage and distribution of GOK famine relief/emergency programmes
- (iv) Undertaking market intervention measures as directed by the Government from time to time

**NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS – 30TH JUNE 2005**

2.2 Provisions of Agency Agreement

Under the Agency Agreement, the Government (Principal) is required to avail funds upfront to the Agent (NCPB) to meet direct costs and the agency fees and charges which are payable on the basis of pre-costing of activities to be undertaken.

The rates applicable in 2004/2005 FY for various services and facilities which were mutually agreed upon on 12th November 2002 by the two parties were as follows:-

Nature of Service/facility	Rate KShs/Percentage
a) Storage	3.20 per bag per month
b) Quality maintenance	3.50 per bag per month
c) Commission on Purchasing	85.00 per bag
d) Commission on releases	17.00 per bag
e) Commercial on sales	8 % of sales value
f) Commission on direct transport cost	8 % of transport cost
g) Commission on commodity handling	8 % of handling cost
h) Management fees on depots exclusively reserved for GOK use	5 % of actual expenditure

3. CLOSING STOCKS

3.1 Details of quantities and valuation of closing stocks under GOK Famine Relief function were as follows:

Category/Product	As at 30.06.2005		As at 30.06.2004	
	Bags	Value KShs	Bags	Value KShs
GOK Famine Relief – Maize(90 kg)	576,960	1,046,969,207	237,915	276,099,960
GOK Famine Relief – Beans (90 Kg)	9,992	71,538,565	4,571	8,709,503
GOK Famine Relief - S/hand Gunnies	183,573	6,211,266	141,757	3,026,108
Green Grams	1,689	2,708,530	0	0
Millet/Sorghum	107	92,555	7,960	7,133,497
Sub Total F/Relief Stock		1,127,520,123		294,969,068
SGR Maize Stocks	2,600,452	3,969,147,241	984,214	1,303,780,842

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2005

3.2 Stock Movement

	2004/2005FY						2003/2004FY				
	SGR MAIZE (90kg Bags)	F/RELIEF MAIZE (90kg Bags)	GINNIES Pieces	Green Grams (90kg Bags)	BEANS (90kg Bags)	MILLET/ SORGHUM (90kg Bags)	SGR MAIZE (90kg Bags)	GINNIES Pieces	F/RELIEF MAIZE (90kg Bags)	BEANS (90kg Bags)	MILLET/ SORGHUM (90kg Bags)
OPENING STOCKS	984.2	237.915	141.757	0	4.571	7.960	1,418.80	170.818	178.384	6.070	19.974
Transfer To GOK Stock from NCPB Stocks	0	315.517	0	0	0	0	0	0	0	0	0
Purchases/Surrendered	1,962.354	1,482.931	247.656	20,000	9,600	0	676.523	40,525	858.706	5,991	0
Stocks Available For Distribution/Sale	2,946.569	2,036.363	389.413	20,000	14,171	7,960	2,095.326	211,343	1,037,090	12,061	19,974
Deduct Disposals:											
Releases/Sales	14,608	1,459,403	205,840	18,066	4,179	2,854	1,111,111	69,586	799,175	7,490	9,694
Transfer from GOK Stock to NCPB Stocks	0	0	0	245	0	4,999	0	0	0	0	2,320
Storage Loss/(Gain Adjustment	15,992	0	0	0	0	0	0	0	0	0	0
Sub-Total	346,117	1,459,403	205,840	18,311	4,179	7,853	1,111,111	69,586	799,175	7,490	12,014
CLOSING STOCKS	2,600,452	576,960	183,573	1,689	9,992	107	984,215	141,757	237,915	4,571	7,960

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE 2005

(Continued)

AMOUNTS OWING ON AGENCY SERVICES

5.1

Composition

The breakdown of the amounts owing to the Agent as at 30th June 2005 in relation to each Agency operation as well as remittances received from the Government (OP-R&R) during the year are summarized here below:-

	<u>Cumulative</u> <u>Amounts Due</u> KShs	<u>Amounts</u> <u>Received</u> KShs	<u>Net amounts</u> <u>Outstanding</u> KShs
a)			
Strategic Grain			
<u>Reserve</u>			
Balance B/F on 1/7/2004	163,807,949	0	163,807,949
2004/2005 expenses:-			
Direct costs	0	0	0
Storage Charges	<u>0</u>	<u>0</u>	<u>0</u>
Sub - Total	<u>163,807,949</u>	<u>0</u>	<u>163,807,949</u>
b)			
<u>Famine Relief</u>			
Balance B/F on 1/7/2004	(15,507,514)	0	(15,507,514)
2004/2005 expenses:-			
Direct costs	3,226,560,222	3,017,629,865	(46,998,557)
Storage Charges	<u>255,928,914</u>	<u>255,928,914</u>	<u>0</u>
Sub - Total	<u>3,466,981,623</u>	<u>3,273,558,779</u>	<u>(62,506,071)</u>
c)			
GOK 17 selected			
<u>Depots for F/Relief</u>			
Balance B/F on 1/7/2004	208,318,977	16,402,339	191,916,638
2004/2005 expenses:-			
Direct costs	0	0	0
Storage Charges	0	0	0
5 %	<u>0</u>	<u>0</u>	<u>0</u>
Sub - Total	<u>208,318,977</u>	<u>16,402,339</u>	<u>191,916,638</u>
d)			
Strategic Grain			
<u>Reserve</u>			
Balance B/F on 1/7/2004	21,695,483	32,171,837	(10,476,354)
2004/2005 expenses:-			
Direct costs	3,082,501,825	1,724,039,460	1,358,462,365
Storage Charges	<u>324,585,195</u>	<u>0</u>	<u>324,585,195</u>
Sub - Total	<u>3,428,782,503</u>	<u>1,756,211,297</u>	<u>1,672,571,206</u>
Total (a+b+c+d)	<u>7,267,891,050</u>	<u>5,046,172,416</u>	<u>1,965,789,722</u>
e)			
Less:	Net sales		<u>12,338,467</u>
			<u>1,953,451,255</u>
			Net Amount outstanding as at 30th June 2005

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2005

5 **COMMODITY PURCHASES**

6.1 **Purchases on Agency Basis**

During 2004/2005 FY the Agent (NCPB), at the request of the Principal (Government – OP-R&R) procured on agency basis, the under listed commodities for GOK Famine Relief/Emergency Programmes :-

<u>Commodity</u>	2004/2005 FY Quantity (90Kgs)	2003/2004 FY Quantity (90Kgs)
Maize F/R	1,482,931	858,746
Beans	9,600	5,991
Green Grams	20,000	0
SGR Maize	1,962,354	676,523

7 **RELIEF COMMODITIES DISTRIBUTED IN 2004/2005 FY**

7.1 **Commodities Distributed**

During 2004/2005 FY the Agent (NCPB) distributed on behalf of the Government through requisition orders raised in favour of various beneficiary districts, the under-listed commodities under GOK famine Relief/Emergency Programme.

	2004/2005 FY Quantity (90Kgs)	2003/2004 FY Quantity (90Kgs)
Maize	1,459,403	799,175
Beans	4,179	7,490
Wheat Flour	0	216
Green Grams	18,066	0
Millet/Sorghum	2,854	9,694

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2005

7.2 Quantity Transported

For purpose of servicing the Principal's requisition orders raised during the year as well as pre-positioning commodities at the required destinations, the Agent moved relief commodities and SGR maize by road transport services as summarized below:-

	2004/2005 FY		2003/2004 FY	
	Quantity (90Kgs)	Cost KShs	Quantity (90Kgs)	Cost KShs
Maize F/R	1,592,559	305,094,916.35	413,566	103,598,618.35
Maize SGR	231,584	33,617,256.40	0	0
Beans	2,743	798,549.50	4,907	817,835.85
Green Grams	6,883	572,493.60	0	0
Sorghum	3847	1,122,802.80	3847	1,122,802.80
Total		105,539,257.00		105,539,257.00

8 CONTINGENT LIABILITIES

A contingent liability amounting to KShs 178,533,987.00 continued to remain unsettled as at 30th June 2005. This liability relates to a GOK market intervention measure implemented by the Agent (NCPB) in providing a market outlet for local wheat at pre-determined buying prices as directed by the Government during 1997/98 FY. In addition to the above contingent liability there is also an amount of KShs. 2.20 billion which arose from maize export losses during 2001/2002 FY.

