

NATIONAL CEREALS AND PRODUCE BOARD

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**BALANCE SHEET AND ACCOUNTS
WITH THE REPORT OF THE
CONTROLLER AND AUDITOR GENERAL
FOR THE YEAR ENDED
30TH JUNE 2002**

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KENYA NATIONAL ASSEMBLY
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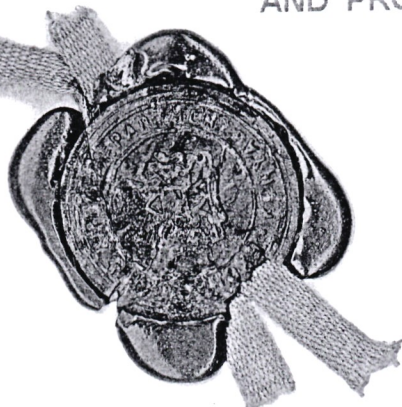


NATIONAL CEREALS AND PRODUCE BOARD

BALANCE SHEET AND ACCOUNTS WITH THE REPORT OF THE CONTROLLER AND AUDITOR GENERAL FOR THE YEAR ENDED 30TH JUNE 2002

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REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON
THE FINANCIAL STATEMENTS OF THE NATIONAL CEREALS
AND PRODUCE BOARD FOR THE YEAR ENDED 30 JUNE 2002.





REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30 JUNE 2002

I have examined the financial statements of the National Cereals and Produce Board for the year ended 30 June 2002, in accordance with Section 29 of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations considered necessary for the purpose of the audit. Proper books of account have been kept and the financial statements which have been prepared under the historical cost convention are in agreement therewith and comply with the National Cereals and Produce Board Act (Cap 338).

Except for the reservations set out below, in my opinion, the financial statements when read together with the notes thereon give a true and fair view of the financial state of affairs of the Board as at 30 June 2002 and of its deficit and cash flow for the year then ended.

1. Financial Position

During the year ended 30 June 2002 the Board realized a loss of Kshs.2,202,761,677 compared with a loss of Kshs.795,071,318 incurred the year ended 30 June 2001. The increase in losses is attributable to the Government directive that the Board exports maize at the then prevailing international market prices which was below production cost. The Board lost Kshs.1,500,484,487.95 as a result of this directive. In addition, the Board's Creditors and Accruals balances increased from Kshs.1,622,051,227 in the previous year to Kshs.2,276,416,119 as at 30 June 2002. In addition, the Board's overdraft stood at Kshs.640,619,920 as at 30 June 2002. From the foregoing it is evident that the Board was facing financial difficulties and unable to service its financial obligation as and when they fell due. The financial statements have, therefore, been prepared as a going concern on the assumption that the Board will continue to get financial support from the Government and its bankers.

2.1 Fixed Assets – Donor Funded Project

As has been previously reported the fixed assets figure of Kshs.5,460,996,178 as at 30 June 2002 includes 55 donor funded facilities whose ownership has to date not been clarified by the Government. Although the Public Investment Committee during their sitting on 11 August 1998, directed the Parent Ministry and the Treasury to consult with a view to formal transfer of the facilities to NCPB, to date, there is no evidence that the Board and Government have come up with any decision on the ownership of the Donor Funded Projects/Facilities. Under the circumstances it has not been possible to ascertain the propriety of incorporating the value of the storage facilities in the Board's financial statements for the year under review.

2.2 Land Without Title Documents

In the previous year, it was reported that fifty two (52) plots had no title documents. A review of the position in 2001/2002 disclosed that 86 plots whose value has not been determined had no title documents and their ownership is, therefore, in doubt. Further, title deeds for three plots in three of the Board's Depots, namely Kitale, Moi's Bridge and Nanyuki were missing. In addition, twelve of the Board's plots had expired leases some of which expired in 1989. The Board also appears not to have depreciated its leasehold land as required by the International Accounting Standard No.17 paragraph 19. Under the circumstances, it has not been possible to confirm the correctness of the figure of fixed assets as shown in the balance sheet as at 30 June 2002.

3. Debtors and Prepayments

Trade debtors figure increased from Kshs.664,299,048 in the previous year to Kshs.1,030,379,066 as at 30 June 2002. Included in the above amount is Kshs.349,101.15 referred to as unreconciled difference whose nature has not been explained. In addition, confirmation figures forwarded by two of the Board's debtors did not agree with the figures in the financial statements. Further, Trade Debtors totalling Kshs.689,793,990.75 have been outstanding for over six years and their recoverability is therefore time barred by Limitation of Actions Act Cap (22) of the Laws of Kenya. Consequently, it has not been possible to confirm the correctness and recoverability of the debtors shown in the financial statements.

4. Creditors and Provisions

The Board's creditors and provisions figure increased from Kshs.488,926,966 in the previous year to Kshs.1,318,538,132 as at 30 June 2002. This was due to an increase in both the Trade Creditors and amounts owed to farmers, which increased from Kshs.215,541,316 in 2000 to Kshs.1,106,120,844 as at 30 June 2002 an increase of over 400%. In addition the Board paid interest of Kshs.147,664,689 on an overdraft of Kshs.640,619,920. Further, the Board still owed the Government an amount of Kshs.174,063,028 in respect of Government market interventions measure in purchasing and disposing of surplus maize through NCPB between 1994/95 to 1997/98. From the foregoing, it is clear that the Board is not able to meet its financial obligations as and when they fall due.

5. Operating Stock

The operating stock balance at the end of the year decreased from Kshs.2,541,409,911 in 2001 to Kshs.754,818,549 in 2002. This figure does not however, include Kshs.2,854,709 being stocks losses caused by staff who were no longer in service. Investigations on these losses had not been finalized to enable the amounts to be transferred to personal accounts of the staff members

concerned. In addition, the Board's stocks included consumable stores valued at Kshs.21,914,287 out of which 10,485,568 is represented by stock cards and carbon copies which were purchased over 18 years ago and most of which appeared obsolete. The recoverability of these losses would therefore appear uncertain more so where the staff members concerned had been dismissed and their terminal dues were less than the attributable losses.



E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

NAIROBI

03 January 2005



NATIONAL CEREALS AND PRODUCE BOARD
BALANCE SHEET AND ACCOUNTS
30TH JUNE 2002

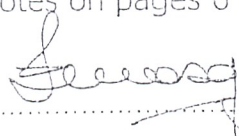
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NATIONAL CEREALS AND PRODUCE BOARD

BALANCE SHEET AS AT 30TH JUNE 2002

		<u>30TH JUNE 2002</u>	<u>30TH JUNE 2001</u>
	Note	Kshs.	Kshs.
FIXED ASSETS	3	5,460,996,178	5,849,709,166
INVESTMENTS AND LOANS	4	<u>12,256,379</u>	<u>27,602,013</u>
		<u>5,473,252,557</u>	<u>5,877,311,179</u>
CURRENT ASSETS			
Operating stocks	5	754,818,549	2,541,404,911
Debtors and Prepayments	6	670,200,463	315,385,903
Government Debtors - Net Old Debt	7	1,096,523,221	1,511,579,221
Government Debtors - New Agency A/C	8	649,334,888	55,506,887
Cash at bank and in hand	9	<u>179,013,533</u>	<u>68,912,770</u>
		<u>3,349,890,654</u>	<u>4,492,789,692</u>
CURRENT LIABILITIES			
Bank Overdraft	10	640,619,920	815,866,194
Creditors and Provisions	11	1,318,538,132	488,926,966
Creditors - Due to GOK on Past Market Intervention Programme	12	174,063,028	174,063,028
Government Agency Account (Old A/C)	13	143,195,039	143,195,039
Taxation	14	<u>0</u>	<u>0</u>
		<u>2,276,416,119</u>	<u>1,622,051,227</u>
NET CURRENT ASSETS		<u>1,073,474,535</u>	<u>2,870,738,465</u>
		<u>6,546,727,092</u>	<u>8,748,049,644</u>
CAPITAL FUND	16	6,304,142,172	6,304,142,172
REVALUATION RESERVE	17	2,699,423,826	2,699,423,826
REVENUE RESERVES	18	<u>(2,456,838,906)</u>	<u>(255,516,354)</u>
		<u>6,546,727,092</u>	<u>8,748,049,644</u>

The notes on pages 6 to 25 form an integral part of these accounts.


.....
MR. T. KOSGEY

MANAGING DIRECTOR


.....
MRS A.G. KAMAU

BOARD SECRETARY

NATIONAL CEREALS AND PRODUCE BOARD

PROFIT AND LOSS ACCOUNT

	Note	30TH JUNE 2002	30TH JUNE 2001
		KShs	KShs
GROSS SALES	20	2,092,846,981	1,481,349,426
COST OF SALES	20	<u>2,999,526,239</u>	<u>1,351,469,228</u>
GROSS MARGIN GAIN		-906,679,258	129,880,198
GROSS MARGIN GAIN AS			
A PERCENTAGE TO GROSS SALES		-43.3%	8.8%
<u>ADD:</u>			
Other Income	21	<u>483,709,297</u>	<u>516,207,027</u>
TOTAL INCOME		(422,969,961)	646,087,224
<u>LESS: EXPENDITURE</u>			
Railage and Road transport costs	22	443,743,331	252,546,575
Export Costs	22	121,732,967	0
Operating and administration expenses	22	<u>777,261,570</u>	<u>690,840,651</u>
		<u>1,342,737,868</u>	<u>943,387,226</u>
PROFIT/(LOSS) BEFORE DEPRECIATION, BAD DEBTS AND EXTRA ORDINARY ITEMS		(1,765,707,829)	(297,300,001)
<u>Deduct: Provisions</u>			
Depreciation expense		408,901,823	408,643,951
Bad and doubtful debts		<u>13,839,452</u>	<u>18,715,373</u>
		<u>422,741,275</u>	<u>427,359,324</u>
PROFIT/(LOSS) BEFORE EXTRA ORDINARY ITEMS		(2,188,449,104)	(724,659,325)
<u>Extra-Ordinary Item:</u>			
Early retirement staff costs		<u>14,312,573</u>	<u>70,411,993</u>
PROFIT/(LOSS) BEFORE TAXATION		(2,202,761,677)	(795,071,318)
Taxation for the year		<u>0</u>	<u>0</u>
NET PROFIT/(LOSS) FOR THE YEAR			
TRANSFERRED TO REVENUE RESERVES		<u>(2,202,761,677)</u>	<u>(795,071,318)</u>

NATIONAL CEREALS AND PRODUCE BOARD

STATEMENT OF REVENUE RESERVES

AS AT 30 JUNE 2002

	<u>30TH JUNE 2002</u>	<u>30TH JUNE 2001</u>
	Kshs.	Kshs.
Balance as at		
1st July 2001	(255,516,354)	536,378,622
Prior year adjustments	1,439,125	3,176,342
Net Loss for the year	<u>(2,202,761,677)</u>	<u>(795,071,318)</u>
Balance as at 30th June 2002	<u>(2,456,838,906)</u>	<u>(255,516,354)</u>

NATIONAL CEREALS AND PRODUCE BOARD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2002

	<u>30TH JUNE 2002</u>	<u>30TH JUNE 2001</u>
	<u>Kshs.</u>	<u>Kshs.</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Loss before extraordinary items	(2,188,449,104)	(724,659,325)
Adjustments for:		
Provision for Depreciation	408,901,824	408,643,951
Provision for stock shrinkage	(6,654,184)	27,577,797
Provision for doubtful debts	13,839,452	18,715,373
Gain on disposal of equipment	<u>(9,113)</u>	<u>(219,547)</u>
Operating Profit before		
working capital changes	(1,772,371,125)	(269,941,751)
(Increase)/decrease in debtors	(547,426,013)	653,027,822
(Increase)/decrease in stocks	1,793,240,545	(1,385,927,333)
Increase/(decrease) in creditors	829,611,166	130,324,255
Increase/(decrease) in bank loan	0	0
Cash generated from operations	303,054,573	(872,517,008)
Extraordinary items:		
Early retirement payments	(14,312,573)	(70,411,993)
Prior year adjustments	<u>1,439,125</u>	<u>3,176,342</u>
Net cash from operating activities	<u>290,181,125</u>	<u>(939,752,658)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Additions to Fixed Assets	(20,188,836)	(18,410,187)
Proceeds from Sale of Equipment	9,113	219,547
Reduction to Investments and loans	<u>15,345,634</u>	<u>(1,060,819)</u>
Net cash flow from investing activities	<u>(4,834,089)</u>	<u>(19,251,459)</u>
Net increase/(decrease) in cash and cash equivalent	285,347,036	(959,004,117)
Cash and cash equivalent at the beginning of the year:		
Cash at Bank and on hand	68,912,770	212,051,422
Bank Overdraft	<u>(815,866,194)</u>	<u>(729)</u>
Cash and Cash equivalent at end of year	<u>(461,606,388)</u>	<u>(746,953,424)</u>
<u>ANALYSIS OF CASH HELD</u>		
<u>END OF YEAR</u>		
Cash at Bank and on hand	179,013,533	68,912,770
Bank Overdraft	<u>(640,619,920)</u>	<u>(815,866,194)</u>
	<u>(461,606,387)</u>	<u>(746,953,424)</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2002

(These Notes form an integral part of the Accounts)

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 income for cash sales is recognized when cash is received and commodities sold collected or set aside for collection by the buyer.
- 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:

Land	- Nil
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 ACCOUNTS - 30TH JUNE 2002
(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 kgs 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 stores and supplies which 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 despatch to the respective user budget centres. This new accounting policy ensures that budget centres 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.

2. **GOING CONCERN CONCEPT**

The accounts have been prepared on going concern basis.

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE ACCOUNTS - 30TH JUNE 2002

(continued)

3. FIXED ASSETS

	Fencing			Plant &			Total
	Driveways & Buildings and		Motor	Machinery & Construction			
	Land	Civil works	Grain Silos	Vehicles	Equipment	in Progress	
	KShs	KShs	KShs	KShs	KShs	KShs	KShs
Cost or							
Valuation							
At 30th							
June 2001	415,206,710	326,100,731	5,507,581,382	38,271,659	1,587,183,682	20,211,645	7,894,555,809
Additions	2,126,170	0	0	3,585,428	3,625,927	11,443,500	20,781,025
Adjustment	0	0	0	0	0	0	0
Transfers	0	644,500	0	0	0	(644,500)	0
Disposals	0	0	0	(300,000)	(1,720,000)	0	(2,020,000)
At 30th							
June 2002	<u>417,332,880</u>	<u>326,745,231</u>	<u>5,507,581,382</u>	<u>41,557,087</u>	<u>1,589,089,609</u>	<u>31,010,645</u>	<u>7,913,316,834</u>
Depreciation:							
At 30th							
June 2001	0	37,541,656	989,839,765	33,534,522	983,930,700	0	2,044,846,643
Charge for							
the period	0	8,163,253	202,362,473	2,484,573	195,891,524	0	408,901,823
On disposals	0	0	0	(300,000)	(1,127,810)	0	(1,427,810)
Adjustment	0	0	0	0	0	0	0
At 30th							
June 2002	0	<u>45,704,909</u>	<u>1,192,202,238</u>	<u>35,719,095</u>	<u>1,178,694,414</u>	0	<u>2,452,320,656</u>
Net Book							
Value:							
At 30th							
June 2002	<u>417,332,880</u>	<u>281,040,322</u>	<u>4,315,379,144</u>	<u>5,837,992</u>	<u>410,395,195</u>	<u>31,010,645</u>	<u>5,460,996,178</u>
At 30th							
June 2001	<u>415,206,710</u>	<u>288,559,075</u>	<u>4,517,741,617</u>	<u>4,737,137</u>	<u>603,252,982</u>	<u>20,211,645</u>	<u>5,849,709,166</u>

**NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2002**

(Continued)

4. INVESTMENTS AND LOANS

	<u>30.06.2002</u>	<u>30.06.2001</u>
	<u>Kshs.</u>	<u>Kshs.</u>
4.1 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>
(b) Loans		
(i) Milling Corporation of Kenya	13,250,139	15,935,478
(ii) Kenya Cashewnuts Limited:	120,521,118	120,521,118
(iii) Kenya Cashews Limited	231,080	231,080
Sub total	<u>134,002,337</u>	<u>136,687,676</u>
Total (a+b)	<u>136,173,077</u>	<u>138,858,416</u>
Less: Provisions for bad and		
 Doubtful debts	<u>(123,916,698)</u>	<u>(111,256,403)</u>
Net Investments and loans as at		
30th June 2002	<u>12,256,379</u>	<u>27,602,013</u>

4.2 Background and Details

(a) Kenya Peanuts Company Limited

Equity

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.

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2002
(Continued)

4. INVESTMENTS AND LOANS (Cont'd)

(b) Kenya Cashews Limited

Equity

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 cashewnut 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.

Loans

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.

(c) Milling Corporation of Kenya Limited

Loans

As part of the Sale Agreement, the trade debt of Kshs 35.90 Million as at 11th April 1994 was converted into an Interest Free Secured Loan, payable over a period of 5 years commencing from 1st January, 1996. At the balance sheet date eight installments totaling to Kshs.30,287,857.00 had been received and the outstanding balance inclusive of accrued interest charges as provided by the sale agreement was standing at KShs.13,250,139.00.

As the loan is fully covered by collateral securities, a general provision of 7.5 %, amounting to kshs. 993,760.00 has been made for bad and doubtful debts on the trade debt as a prudent measure.

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2002
(Continued)

4. INVESTMENTS AND LOANS (Cont'd)

(d) Kenya Cashewnuts Limited

Loans

The loan amount relates to a trade debt and a loan advance to Kenya Cashewnuts 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.

5. OPERATING STOCKS

5.1 Closing Stocks

The closing stocks of commodities valued at Kshs. 754,818,549.(2000/2001 Kshs 2,541,404,911) were composed of the following:-

	<u>30.06.2002</u>	<u>30.06.2001</u>
	<u>Kshs</u>	<u>Kshs</u>
a) <u>Composition of Stocks:</u>		
Local white Maize	703,944,690	2,560,246,231
Beans	0	0
Wheat – Local	585,500	834,600
Local milled rice	505,865	2,519,253
Castor Seeds	640	640
Wimbi	4,426,785	4,437,693
Packaging bags(Jute/PP)	44,946,157	3,569,759
Insecticides	878,151	1,453,155
Sub- Total	755,287,788	2,573,061,331
Less:- 2.2 % Provision for		
Stock shrinkage	<u>22,383,526</u>	<u>57,207,362</u>
Sub – Total	732,904,262	2,515,953,969
b) Stocks of Consumables	<u>21,914,287</u>	<u>25,550,942</u>
Total closing stocks at		
year end	<u>754,818,549</u>	<u>2,541,404,911</u>

**NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2002**

(Continued)

6. DEBTORS AND PREPAYMENTS

6.1 Breakdown analysis

Category	<u>30.06.2002</u> Kshs.	<u>30.06.2001</u> Kshs.
Former Associated company	160,078	160,078
Debtors for imported Wheat	35,633,354	35,684,454
Trade Debtors	1,030,379,066	664,299,048
Staff debtors	50,960,171	51,687,398
Sundry debtors & Prepayments	<u>46,735,228</u>	<u>56,043,202</u>
	1,163,867,897	807,874,180
Less: Cumulative Provisions for bad and doubtful Debts	<u>(493,667,434)</u>	<u>(492,488,277)</u>
Total Debtors and Prepayments as at year end	<u>670,200,463</u>	<u>315,385,903</u>

6.2 Notes on Debtors and Prepayments:

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

	<u>30.06.2002</u> Kshs.	<u>30.06.2001</u> Kshs.
Kenya Peanuts Company Ltd	<u>160,078</u>	<u>160,078</u>
	<u>160,078</u>	<u>160,078</u>

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

	<u>30.06.2002</u> Kshs.	<u>30.06.2001</u> Kshs.
Associated companies	160,078	160,078
Debtors for imported wheat	35,633,354	35,684,454
Other trade debtors	419,611,525	422,941,670
Staff debtors	34,757,336	29,747,289
Sundry debtors	<u>3,505,142</u>	<u>3,954,786</u>
Total cumulative Provision	<u>493,667,435</u>	<u>492,488,277</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2002
(Continued)

7 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, though not at the agreed level of installments, substantially and was standing at KShs1,096,523,221.00 inclusive of arrears of KShs . 625.3 million as at 30th June 2002 as analyzed here under:-

	<u>30.06.2002</u>	<u>30.06.2001</u>
	Kshs	Kshs
Balance B/F 01/07/2001	1,706,172,828	1,960,872,828
Deduct: Amount received		
During the year	<u>415,056,000</u>	<u>254,700,000</u>
	1,291,116,828	1,706,172,828
Less: Provisions for bad &		
doubtful debts	<u>194,593,607</u>	<u>194,593,607</u>
Balance outstanding		
At year end	<u>1,096,523,221</u>	<u>1,511,579,221</u>

8 GOVERNMENT DEBTORS – NEW AGENCY ACCOUNT

- 8.1 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 .

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2002
(Continued)

8.2 The rates applicable in 2001/2002 FY for various services and facilities that were mutually agreed upon by the two parties and which have been in force since 1st July 1999 were as follows:-

<u>Nature of Service/facility</u>		<u>Rate</u>
		<u>Kshs/Percentage</u>
a)	Storage	3.00 per bag per month
b)	Quality maintenance	3.50 per bag per month
c)	Commission on Purchasing	75.00 per bag
d)	Commission on releases	15.00 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 2002

(Continued)

- 8.3 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: -

	Cumulative Amounts Due KShs	Amounts Received KShs	Net amounts Outstanding KShs
a) Strategic Grain Reserve Programme			
Balance B/F on 1/7/2000	151,807,949	0	151,807,949
2000/2001 expenses:-			
Direct costs	0	0	0
Storage Charges	<u>12,000,000</u>	<u>0</u>	<u>12,000,000</u>
Sub – Total	<u>163,807,949</u>	<u>0</u>	<u>163,807,949</u>
b) Famine Relief Programme			
Balance B/F on 1/7/2000	104,329,674	6,979,121	97,350,553
2000/2001 expenses:-			
Direct costs	3,629,276,920	4,021,076,670	(391,799,750)
Agency Commission	<u>282,146,933</u>	<u>292,365,980</u>	<u>(10,199,047)</u>
Sub – Total	<u>4,015,753,527</u>	<u>4,320,421,771</u>	<u>(304,668,244)</u>
c) GOK 17 selected Depots for F/Relief			
Balance B/F on 1/7/2000	186,919,166	0	186,919,166
2000/2001 expenses:-			
Operating expenses	23,196,118	8,267,586	14,928,532
Storage Charges	0	0	0
5 % Management fees	<u>1,159,806</u>	<u>0</u>	<u>1,159,806</u>
Sub – Total	<u>211,275,090</u>	<u>8,267,586</u>	<u>203,007,504</u>
Total (a+b+c)	<u>4,390,836,566</u>	<u>4,328,689,357</u>	<u>62,147,209</u>
d) Less: Net sales proceeds from sale of returned gunny bags			<u>6,640,322</u>
Net Amount outstanding as at 30th June 2002			<u>55,506,887</u>

**NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2002**

(Continued)

9. CASH AT BANK AND IN HAND

The amount of KShs 179,013,533.00 represents bank balances and cash-in-hand held in the Board's Cash Offices at Head Office and Depot/Silos as of 30th June, 2002.

10. 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. 640,619,920.00 as reflected in the Balance sheet consisted of the following:-

	<u>30.06.2002</u>	<u>30.06.2001</u>
	<u>Kshs</u>	<u>Kshs</u>
Head Office Main Account	640,618,974	815,866,024
Overdrawn Depot Cash-books	<u>946</u>	<u>170</u>
	<u>640,619,920</u>	<u>815,866,194</u>

11. CREDITORS AND PROVISIONS

	<u>30.06.2002</u>	<u>30.06.2001</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Trade creditors	212,417,285	52,162,571
Creditors – Owings to Farmers/Suppliers	695,243,961	163,378,745
Sundry Creditors and Provisions	<u>410,876,886</u>	<u>273,385,650</u>
	<u>1,318,538,132</u>	<u>488,926,966</u>

12. 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:-

	<u>30.06.2002</u>	<u>30.06.2001</u>
	<u>Kshs</u>	<u>Kshs</u>
Balance due to GOK as at year end	<u>174,063,028.00</u>	<u>174,063,028.00</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2002
(Continued)

13. GOVERNMENT AGENCY ACCOUNT

13.1 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, 2001 remained the same as in previous year.

	<u>30.06.2002</u>	<u>30.06.2001</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Balance due to the Government at year end	<u>143,195,039</u>	<u>143,195,039</u>

14 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 2001 which reflected a cumulative taxable losses amounting to KShs 5,695,779,720.00

15 CAPITAL FUND

	<u>30th June 2002</u>	<u>30th June 2001</u>
	<u>Amount (KShs)</u>	<u>Amount (KShs)</u>
Balance carried forward at Year end	<u>6,304,142,172</u>	<u>6,304,142,172</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2002
(Continued)

16 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:-

<u>Asset Category</u>		<u>New Valuation</u>	<u>Old Valuation</u>	<u>Revaluation Gain/</u> <u>(Loss)</u>
		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	669,397,296	(669,397,296)
TOTAL		<u>7,309,238,348</u>	<u>4,609,814,522</u>	<u>2,699,423,826</u>

17 REVENUE RESERVE ACCOUNT

The Board recorded a Net Operating Loss of KShs. 2,202,761,677.00 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 un-appropriated retained surpluses to a negative position, with a debit balance of Kshs. 2,456,838,906.00 as reflected in the Balance Sheet.

18 CONTINGENT LIABILITIES

The Board had contingent liabilities amounting to KShs. 71.96 Million as at 30th June, 2002 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.

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE ACCOUNTS - 30TH JUNE 2002

PROFIT AND LOSS ACCOUNT 2001/2002 FY

20.1 2001/2002 CONTRIBUTION MARGI PER PRODUCT	LOCAL MAIZE KSHS	MAIZE EXPORTS KSHS	WHEAT KSHS	RICE KSHS	GUNNIES KSHS	INSECTCIDE KSHS	BEANS KSHS	SEEDS KSHS	WIMBI KSHS	CASTOR KSHS	THE YEAR ENDED 30TH JUNE 2002 KSHS	THE YEAR ENDED 30TH JUNE 2001 KSHS
GROSS SALES	1,215,358,606	728,344,195	1,174,639	2,467,546	142,165,075	2,974,956	351,064	0	10,900		2,092,846,981	1,481,349,426
	1,215,358,606	728,344,195	1,174,639	2,467,546	142,165,075	2,974,956	351,064	0	10,900		2,092,846,981	1,481,349,426
COST OF SALES												
Opening stock	2,560,246,231	0	834,600	2,519,253	3,569,759	1,453,155	0	640	4,437,693		2,573,061,330	1,211,764,714
Purchases	1,061,555,319	0	0	0	152,650,420	1,415,000	364	0	0		1,215,621,103	2,762,055,220
Transfer (to)/from GOK Relief Account	0	0	0	(60,560)	0	0	232,338	0	0		171,778	(52,377,222)
Transfer to Export Account	(975,131,848)	975,131,848									0	
Plant/Dryer Loss Realized	(27,386,000)										(27,386,000)	(24,489,949)
Provision for Stock shrinkage	(6,654,184)	0	0	0	0	0	0	0	0		(6,654,184)	27,577,797
Closing stock	(703,944,690)	0	(585,500)	(505,865)	(44,946,157)	(878,151)	0	(640)	(4,426,785)		(755,287,788)	(2,573,061,331)
	1,908,684,828	975,131,848	249,100	1,952,828	111,274,022	1,990,004	232,702	0	10,908		2,999,526,239	1,351,469,229
GROSS PROFIT/(LOSS)	(693,326,222)	(246,787,653)	925,539	514,718	30,891,053	984,952	118,362	0	(8)		(906,679,258)	129,880,197
Gross Profit/(Loss) as a percentage to sales	-57.05%	-33.88%	78.79%	20.86%	21.73%	33.11%	33.72%	0.00%	-0.07%		-43.32%	13.50%
OTHER INCOME												
Revenue from Services & other miscellaneous income	0	0			0						483,709,297	516,207,027
GROSS PROFIT/(LOSS) & OTHER INCOME	(693,326,222)	(246,787,653)			30,891,053						(422,969,961)	646,087,224
LESS: EXPENDITURE												
Railage and Road transport costs	214,647,877	219,105,941			9,989,514						443,743,331	252,546,575
Export Costs		121,732,967									121,732,967	0
Finance charges net of interest earned											163,562,288	76,725,587
Staff costs and wages operating and administration expenses											349,654,407	346,609,311
	214,647,877	340,838,908			9,989,514						264,044,875	267,505,753
											1,342,737,868	943,387,226
PROFIT/(LOSS) BEFORE DEPRECIATION, BAD DEBTS AND EXTRA ORDINARY ITEMS	(907,974,099)	(587,626,561)			20,901,539						(1,765,707,829)	(297,300,001)
Deduct:												
Depreciation Charges											408,901,823	408,643,951
Bad and doubtful debts											13,839,452	18,715,373
											422,741,275	427,359,324
PROFIT/(LOSS) BEFORE EXTRA ORDINARY ITEMS											(2,188,449,104)	(724,659,325)
Extra-Ordinary Items:												
Early retirement costs											14,312,573	70,411,993
NET PROFIT/(LOSS) FOR THE YEAR											(2,202,761,677)	(795,071,318)

** Comparative figures for 2000/2001 see page 20

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE ACCOUNTS - 30TH JUNE 2002

PROFIT AND LOSS ACCOUNT 2000/2001 FY

20.2 2000/2001 CONTRIBUTION MARGIN				(continued)		CASTOR		THE YEAR ENDED		THE YEAR ENDED	
PER PRODUCT	MAIZE	WHEAT	RICE	GUNNIES	INSECTCIDE	BEANS	SEEDS	WIMBI	30TH JUNE 2001	30TH JUNE 2000	
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE ACCOUNTS - 30TH JUNE 2002

STOCK FLOWS PER PRODUCT

(continued)

20.3 STOCK FLOWS 2001/2002 **

	CASTOR							
	<u>MAIZE</u>	<u>WHEAT</u>	<u>RICE</u>	<u>GUNNIES</u>	<u>INSECTCIDE</u>	<u>BEANS</u>	<u>SEEDS</u>	<u>WIMBI</u>
	90kgs	90kgs	100kgs	Pieces	25 kg	90kgs	65kgs	80kgs
	Bags	Bags	Bags		Packets	Bags	Bags	Bags
OPENING STOCKS	2,078,715	591	378	132,736	1,129	0	4	2,444
PURCHASES	<u>1,017,433</u>	<u>0</u>	<u>0</u>	<u>3,529,078</u>	<u>200</u>	<u>0</u>	<u>0</u>	<u>0</u>
STOCK AVAILABLE FOR SALE	<u>3,096,148</u>	<u>591</u>	<u>378</u>	<u>3,661,814</u>	<u>1,329</u>	<u>0</u>	<u>4</u>	<u>2,444</u>
SALES	2,299,602	724	293	2,417,536	838	92	0	5
TRANSFER TO GOK STOCKS	0		7			(92)		
STORAGE LOSS/(GAIN)								
ADJUSTMENT	<u>24,361</u>	<u>(538)</u>	<u>1</u>	<u>(183,473)</u>	<u>(133)</u>	<u>0</u>	<u>0</u>	<u>0</u>
DISPOSALS DURING YEAR	<u>2,323,963</u>	<u>186</u>	<u>302</u>	<u>2,234,063</u>	<u>705</u>	<u>0</u>	<u>0</u>	<u>5</u>
CLOSING STOCKS	<u>772,185</u>	<u>405</u>	<u>76</u>	<u>1,427,751</u>	<u>624</u>	<u>0</u>	<u>4</u>	<u>2,439</u>

** Comparative figures for 2000/2001 see page 22

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE ACCOUNTS - 30TH JUNE 2002

STOCK FLOWS PER PRODUCT

(continued)

20.3 STOCK FLOWS 2000/2001

							CASTOR		S/FLOWER	
	<u>MAIZE</u>	<u>WHEAT</u>	<u>RICE</u>	<u>GUNNIES</u>	<u>SECTCIDES</u>	<u>BEANS</u>	<u>SEEDS</u>	<u>VIMBI</u>		<u>SEEDS</u>
	90kgs	90kgs	00kgs	Pieces	25 kg	90kgs	65kgs	80kgs		40kgs
	Bags	Bags	Bags		Packets	Bags	Bags	Bags		Bags
OPENING STOCKS	860,647	34	227	320,914	2,362	26,149	4	2,496		10
PURCHASES	<u>2,072,007</u>	<u>19,448</u>	<u>785</u>	<u>2,905,620</u>	<u>120</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>
STOCK AVAILABLE FOR SALE	<u>2,932,654</u>	<u>19,482</u>	<u>1,011</u>	<u>3,226,534</u>	<u>2,483</u>	<u>26,149</u>	<u>4</u>	<u>2,496</u>		<u>10</u>
SALES	816,224	19,337	425	2,937,715	1,695	4,627	0	52		0
TRANSFER TO GOK STOCKS	0		213			21,201				
STORAGE LOSS/(GAIN)										
ADJUSTMENT	<u>37,715</u>	<u>(445)</u>	<u>(5)</u>	<u>156,083</u>	<u>(342)</u>	<u>321</u>	<u>0</u>	<u>0</u>		<u>10</u>
TOTAL DISPOSALS	<u>853,939</u>	<u>18,891</u>	<u>634</u>	<u>3,093,798</u>	<u>1,353</u>	<u>26,149</u>	<u>0</u>	<u>52</u>		<u>10</u>
CLOSING STOCKS	<u>2,078,715</u>	<u>591</u>	<u>378</u>	<u>132,736</u>	<u>1,129</u>	<u>0</u>	<u>4</u>	<u>2,444</u>		<u>0</u>

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE ACCOUNTS - 30TH JUNE 2002

(continued)

21. 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

and the summary details are as follows:-

	<u>30TH JUNE 2002</u>	<u>30TH JUNE 2001</u>
	<u>Kshs.</u>	<u>Kshs.</u>
<u>Revenue from Services/facilities</u>		
Weigh Bridge charges	9,733,192	11,345,675
Bagging and handling charges	4,101,106	1,520,687
Cleaning charges	511,065	388,513
Rental charges	93,303,965	83,552,803
Drying and Fumigation	<u>52,526,919</u>	<u>63,699,790</u>
	<u>160,176,247</u>	<u>160,507,468.05</u>
<u>GOK Agency services</u>		
Agency remuneration	<u>289,850,812</u>	<u>278,584,965</u>
Sub - total (a+b)	<u>450,027,059</u>	<u>439,092,433</u>
<u>Sundry Income</u>		
Receipts for Private Telephone Calls	189,652	36,094
Insurance Compensation	1,845,969	2,231,742
Sale of Tender documents	513,000	143,200
Sale of Obsolete Material	7,470,747	13,340,257
Other Miscellaneous Income	18,340,980	4,811,705
Other fees and charges	2,750,531	4,662,059
Gain/(Loss) on disposal of fixed assets	<u>756,160</u>	<u>1,155,624</u>
	<u>31,867,038</u>	<u>26,380,681</u>
<u>Investment income</u>		
Interest earned on Short term		
Investments (FDR'S)	539	41,728,502
Interest/penalties charged on loans to		
former Associated Companies	1,814,661	15,283,984
Less: Withholding tax	<u>0</u>	<u>(6,278,573)</u>
	<u>1,815,200</u>	<u>50,733,913</u>
Total other Income per		
Profit & Loss A/C	<u>483,709,297</u>	<u>516,207,027</u>

NATIONAL CEREALS AND PRODUCE BOARD
OPERATING AND ADMINISTRATION EXPENSES
FOR THE YEAR ENDED 30TH JUNE 2002

(continued)

22. EXPENDITURE DETAILS

	<u>30TH JUNE 2002</u>	<u>30TH JUNE 2001</u>
	Kshs.	Kshs.
<u>GENERAL ADMINISTRATION</u>		
Board Members Allowances	1,769,500	1,518,458
Advertising	2,176,923	3,057,120
Conservancy, light and water	36,764,555	44,850,122
Consumable stores	142,000	631,396
Entertainment	0	28,603
General expenses	1,387,108	1,591,882
Insurance	10,917,602	9,478,886
Land rents & rates and siding charges	11,356,052	10,476,576
Maintenance of machinery, furniture and equipment	18,605,333	22,131,021
Maintenance of buildings, fences, gates, roads and railway sidings	5,605,970	6,709,501
Postage, telegram & telephone	20,397,675	19,604,726
Printing and stationery	8,849,947	6,596,438
Security expenses	56,838,245	53,230,792
Subscriptions & Nafaka Newsletter	988,543	742,917
Uniforms and protective clothing	373,636	475,502
Donations	1,318,742	1,374,383
Depreciation charges	<u>408,901,824</u>	<u>408,643,951</u>
	<u>586,393,655</u>	<u>591,142,274</u>
<u>GENERAL OPERATING EXPENSES</u>		
Fumigation expenses	20,174,954	7,540,780
Grain dryers operating costs	23,968,253	29,846,674
Commodity handling costs	518,078	762,433
Hired transport(Non-commodities)	66,580	172,713
Shows and exhibitions	2,207,457	2,600,166
Travelling and subsistence	17,763,618	20,271,183
Vehicle running costs	15,695,720	18,048,312
Provision for bad and doubtful debts	<u>13,839,452</u>	<u>18,715,373</u>
	<u>94,234,112</u>	<u>97,957,633</u>

NATIONAL CEREALS AND PRODUCE BOARD
OPERATING AND ADMINISTRATION EXPENSES
FOR THE YEAR ENDED 30TH JUNE 2002

(continued)

30TH JUNE 2002 **30TH JUNE 2001**

STAFF COSTS

Salaries and wages	271,801,356	276,065,229
Board's contributions to Provident Fund and Staff savings schemes	21,581,386	22,179,653
Board's contribution to National Social Security Fund	1,656,360	973,897
Medical expenses	18,387,600	19,523,599
Leave pay and gratuities	13,243,335	14,869,271
Welfare and training	<u>22,984,370</u>	<u>12,997,662</u>
	<u>349,654,407</u>	<u>346,609,311</u>

PROFESSIONAL EXPENSES

Audit fees	2,500,000	2,500,000
Legal and other professional fees	<u>3,658,385</u>	<u>3,265,170</u>
	<u>6,158,385</u>	<u>5,765,170</u>

TOTAL EXPENDITURE BEFORE FINANCE COSTS

1,036,440,559 1,041,474,389

FINANCE COSTS

Bank charges	15,899,099	16,314,278
Bank overdraft and loan interest	<u>147,663,189</u>	<u>60,411,309</u>
	<u>163,562,288</u>	<u>76,725,587</u>

TOTAL INDIRECT EXPENDITURE

1,200,002,847 1,118,199,976

DIRECT COSTS

Hired road & rail transport	443,743,331	252,546,575
Export Costs	<u>121,732,967</u>	<u>0</u>

Total direct costs

565,476,298 252,546,575

TOTAL OPERATING EXPENDITURE

1,765,479,144 1,370,746,550

EXTRA-ORDINARY ITEM OF EXPENSE

Early retirement staff costs	<u>14,312,573</u>	<u>70,411,993</u>
------------------------------	-------------------	-------------------

TOTAL EXPENDITURE (DIRECT AND INDIRECT)

1,779,791,717 1,441,158,544

NATIONAL CEREALS AND PRODUCE BOARD



GOK AGENCY OPERATIONS

BALANCE SHEET AND ACCOUNTS FOR THE YEAR

ENDED 30TH JUNE 2002

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

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
BALANCE SHEET AND ACCOUNTS
30TH JUNE, 2002

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Balance Sheet	2
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NATIONAL CEREALS AND PRODUCE BOARD

AGENCY OPERATIONS - GOK FAMINE RELIEF PROGRAMME

BALANCE SHEET AS AT 30TH JUNE 2002

	<u>Note</u>	<u>30TH JUNE 200</u>	<u>30TH JUNE 200</u>
		<u>Kshs</u>	<u>Kshs</u>
Famine Relief Stocks	3	1,536,850,133	1,661,767,440
SGR Stocks		1,036,000,000	0
Pre-payment to NCPE	4	0	0
Shortfall in GOK funding to NCPB	5	<u>649,334,888</u>	<u>55,506,887</u>
		<u>3,222,185,021</u>	<u>1,717,274,327</u>
GOK Agency Account	5	649,334,888	55,506,887
Stock Reserve Account		<u>2,572,850,133</u>	<u>1,661,767,440</u>
		<u>3,222,185,021</u>	<u>1,717,274,327</u>

GOV AGENCY OPERATIONS

Year	Maize	Beans
2000/2001	1000	1000
2001/2002	1000	1000
2002/2003	1000	1000
2003/2004	1000	1000
2004/2005	1000	1000
2005/2006	1000	1000
2006/2007	1000	1000
2007/2008	1000	1000
2008/2009	1000	1000
2009/2010	1000	1000
2010/2011	1000	1000
2011/2012	1000	1000
2012/2013	1000	1000
2013/2014	1000	1000
2014/2015	1000	1000
2015/2016	1000	1000
2016/2017	1000	1000
2017/2018	1000	1000
2018/2019	1000	1000
2019/2020	1000	1000
2020/2021	1000	1000
2021/2022	1000	1000
2022/2023	1000	1000
2023/2024	1000	1000
2024/2025	1000	1000
2025/2026	1000	1000
2026/2027	1000	1000
2027/2028	1000	1000
2028/2029	1000	1000
2029/2030	1000	1000
2030/2031	1000	1000
2031/2032	1000	1000
2032/2033	1000	1000
2033/2034	1000	1000
2034/2035	1000	1000
2035/2036	1000	1000
2036/2037	1000	1000
2037/2038	1000	1000
2038/2039	1000	1000
2039/2040	1000	1000
2040/2041	1000	1000
2041/2042	1000	1000
2042/2043	1000	1000
2043/2044	1000	1000
2044/2045	1000	1000
2045/2046	1000	1000
2046/2047	1000	1000
2047/2048	1000	1000
2048/2049	1000	1000
2049/2050	1000	1000
2050/2051	1000	1000
2051/2052	1000	1000
2052/2053	1000	1000
2053/2054	1000	1000
2054/2055	1000	1000
2055/2056	1000	1000
2056/2057	1000	1000
2057/2058	1000	1000
2058/2059	1000	1000
2059/2060	1000	1000
2060/2061	1000	1000
2061/2062	1000	1000
2062/2063	1000	1000
2063/2064	1000	1000
2064/2065	1000	1000
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2068/2069	1000	1000
2069/2070	1000	1000
2070/2071	1000	1000
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2072/2073	1000	1000
2073/2074	1000	1000
2074/2075	1000	1000
2075/2076	1000	1000
2076/2077	1000	1000
2077/2078	1000	1000
2078/2079	1000	1000
2079/2080	1000	1000
2080/2081	1000	1000
2081/2082	1000	1000
2082/2083	1000	1000
2083/2084	1000	1000
2084/2085	1000	1000
2085/2086	1000	1000
2086/2087	1000	1000
2087/2088	1000	1000
2088/2089	1000	1000
2089/2090	1000	1000
2090/2091	1000	1000
2091/2092	1000	1000
2092/2093	1000	1000
2093/2094	1000	1000
2094/2095	1000	1000
2095/2096	1000	1000
2096/2097		

INCOME AND EXPENDITURE ACCOUNT														
	2000/2001 Beans													
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**NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2002**

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 which 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 2002**

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 2001/2002 FY for various services and facilities which were mutually agreed upon by the two parties were as follows:-

Nature of Service/facility	Rate KShs/Percentage
a) Storage	3.00 per bag per month
b) Quality maintenance	3.50 per bag per month
c) Commission on Purchasing	75.00 per bag
d) Commission on releases	15.00 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 30.06.2002		As at 30.06.2001	
	Bags	Value KShs	Bags	Value KShs
GOK Famine Relief – Maize(90 kg)	1,405,550	1,491,358,063	1,223,935	1,577,981,905
GOK Famine Relief – Beans (90 Kg)	13,124	28,846,030	37,497	80,580,130
GOK Famine Relief - S/hand Gunnies	173,833	2,476,570	198,587	3,205,405
Millet/Sorghum	14,466	14,169,470	0	0
Sub Total F/Relief Stock		1,536,850,133		1,661,767,440
SGR Maize Stocks	1,000,000	1,036,000,000	0	0

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2002

3.2 Stock Movement

	2001/2002FY					2000/2001FY		
	SGR MAIZE (90kg Bags)	GUNNIES Pieces	F/RELIEF MAIZE (90kg Bags)	BEANS (90kg Bags)	MILLET/ SORGHUM (90kg Bags)	GUNNIES Pieces	MAIZE (90kg Bags)	BEANS (90kg Bags)
	0							
OPENING STOCKS		198,587	1,223,935	37,497	0	201,090	84,930	(0)
Transfer To GOK Stock from NCPB Stocks	0	0	0	0	0	0	319,950	21,201
Purchases/Surrendered Stocks Available For Distribution/Sale	1,000,000 1,000,000	82,525	811,590	10,000	16,74	229,295	2,016,876	26,360
		281,112	2,035,525	47,561	16,274	430,385	2,421,756	47,561
Deduct Disposals:								
Releases/Sales	0	107,279	629,975	34,289	0	231,798	1,197,821	10,404
Transfer To GOK Stock from NCPB Stocks	0			92	0			
Storage Loss/(Gain Adjustment	0	0	0	(8)	0	0	0	0
Sub-Total	0	107,833	629,975	34,373	0	231,798	1,197,821	10,892
CLOSING STOCKS	1,000,000	173,833	1,405,550	13,124	16,274	198,587	1,223,935	37,497

**NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2002**

5 AMOUNTS OWING ON AGENCY SERVICES

5.1 Composition

The breakdown of the amounts owing to the Agent as at 30th June 2002 in relation to each Agency operation as well as remittances received from the Government (OP-R&R) during the year are summarized here below: -

	Cumulative Amounts Due KShs	Amounts Received KShs	Net amounts Outstanding KShs
a) Strategic Grain Reserve Programme			
Balance B/F on 1/7/2000	151,807,949	0	151,807,949
2000/2001 expenses:-			
Direct costs	0	0	0
Storage Charges	12,000,000	0	12,000,000
Sub – Total	<u>163,807,949</u>	<u>0</u>	<u>163,807,949</u>
b) Famine Relief Programme			
Balance B/F on 1/7/2000	104,329,674	6,979,121	97,350,553
2000/2001 expenses:-			
Direct costs	3,629,276,920	4,021,076,670	(391,799,750)
Agency Commission	282,146,933	292,365,980	(10,199,047)
Sub – Total	<u>4,015,753,527</u>	<u>4,320,421,771</u>	<u>(304,668,244)</u>
c) GOK 17 selected Depots for F/Relief			
Balance B/F on 1/7/2000	186,919,166	0	186,919,166
2000/2001 expenses:-			
Operating expenses	23,196,118	8,267,586	14,928,532
Storage Charges	0	0	0
5 % Management fees	1,159,806	0	1,159,806
Sub – Total	<u>211,275,090</u>	<u>8,267,586</u>	<u>203,007,504</u>
Total (a+b+c)	<u>4,390,836,566</u>	<u>4,328,689,357</u>	<u>62,147,209</u>
d) Less: Net sales proceeds from sale of returned gunny bags			<u>6,640,322</u>
Net Amount outstanding as at 30th June 2002			<u>55,506,887</u>

**NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2002**

6 COMMODITY PURCHASES

6.1 Purchases on Agency Basis

During 2001/2002 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 Programme :-

Commodity	2001/2002 FY Quantity (90Kgs)	2000/2001 FY Quantity (90Kgs)
Maize	811,590	2,016,876
Beans	10,000	48,389
Millet/Sorghum	16,274	0
SGR Maize	1,000,000	

7 RELIEF COMMODITIES DISTRIBUTED IN 2001/2002 FY

7.1 Commodities Distributed

During 2001/2002 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.

	2001/2002 FY Quantity (90Kgs)	2000/2001 FY Quantity (90Kgs)
Maize	629,975	1,196,951
Beans	34,289	10,404
Wheat Flour	10,571	0
Rice	10,163	0

**NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2002**

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 by road transport services as summarized below:-

	2001/2002 FY		2000/2001 FY	
	Quantity (90Kgs)	Cost KShs	Quantity (90Kgs)	Cost KShs
Maize	500,857	172,064,168.70	1,207,391	348,657,160.00
Beans	31,306	9,868,157.15	13,822	1,270,670.00
Wheat flour	9,090	2,815,377.75	0	0.00
Rice	5,597	1,727,632.15	0	0.00
Total		186,475,335.75		349,927,830.00

8 CONTINGENT LIABILITIES

A contingent liability amounting to KShs 178,533,987.00r continued to remain unsettled as at 30th June 2002. 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. 63,348,396.15 relating to 18% VAT claimed by transporters which the Principal was still seeking for waiver from the Ministry of Finance.