

NATIONAL CEREALS AND PRODUCE BOARD



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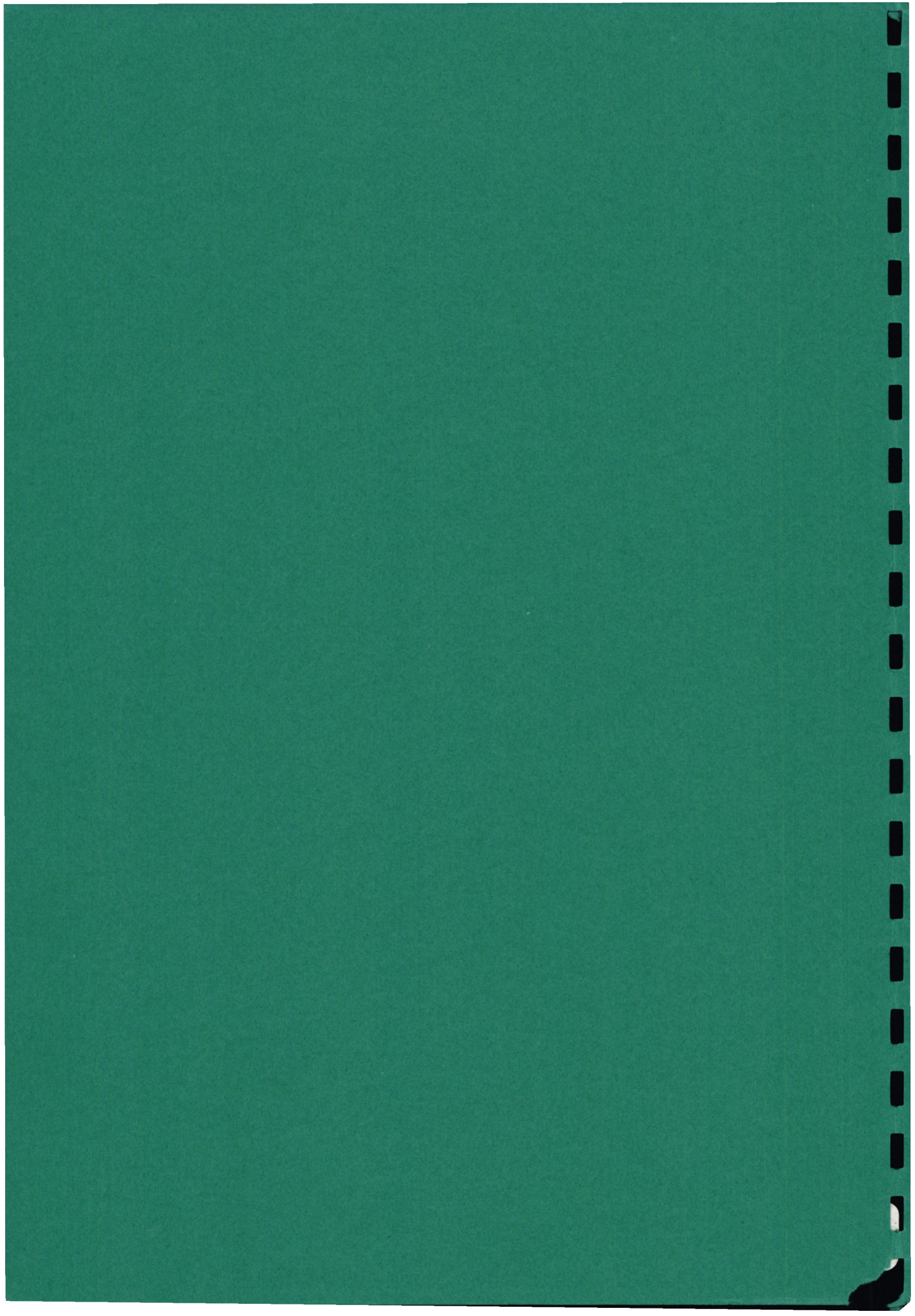
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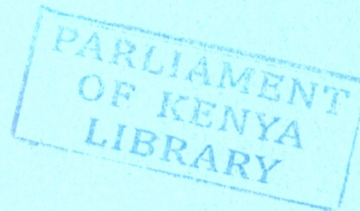
BALANCE SHEET AND ACCOUNTS
WITH THE REPORT OF THE
AUDITOR GENERAL (CORPORATIONS)
FOR THE YEAR ENDED
30TH JUNE 1999

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

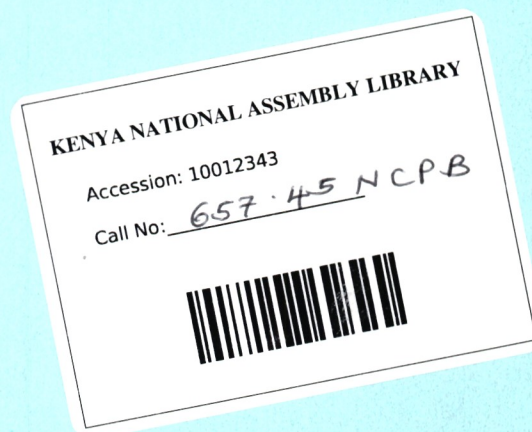
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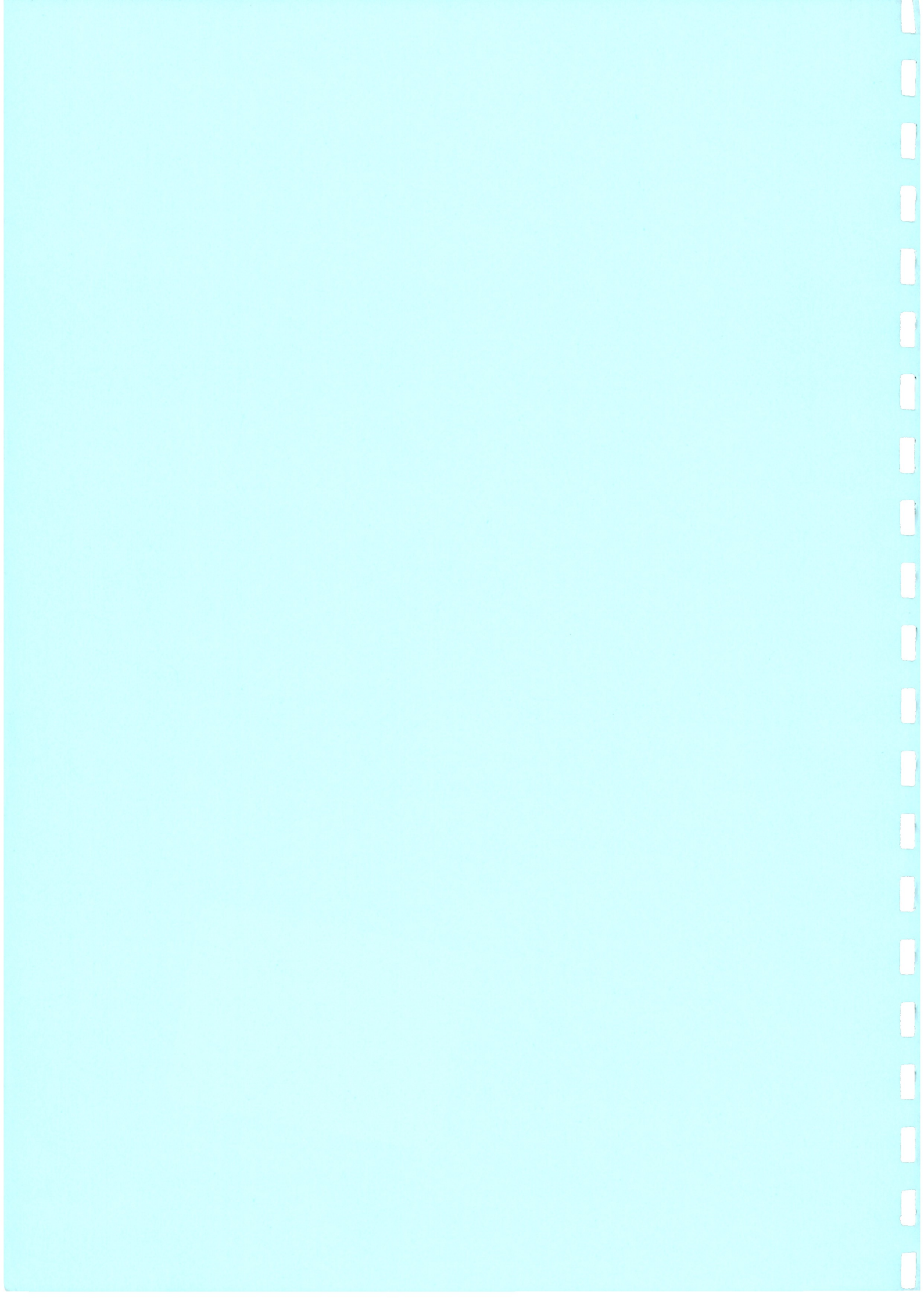


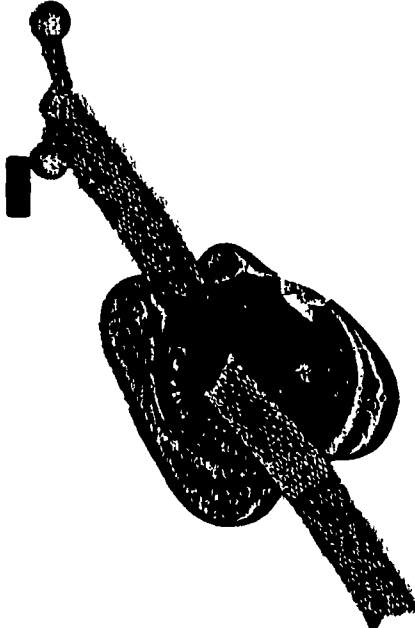
NATIONAL CEREALS AND PRODUCE BOARD



BALANCE SHEET AND ACCOUNTS
WITH THE REPORT OF THE
AUDITOR GENERAL (CORPORATIONS)
FOR THE YEAR ENDED
30TH JUNE 1999







REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS
OF NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED
30 JUNE 1999

**REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON
THE ACCOUNTS OF NATIONAL CEREALS AND PRODUCE
BOARD FOR THE YEAR ENDED 30 JUNE 1999**

I have examined the Accounts of the National Cereals and Produce Board for the year ended 30 June 1999 in accordance with the provisions of Section 29 (2) of the Exchequer and Audit Act Cap.412. I have obtained all the information and explanations required for the purpose of the audit. Proper books of account have been kept and the Accounts, which have been prepared under the historical cost convention, are in agreement therewith and comply with the provisions of the National Cereals and Produce Board Act Cap.338.

In my opinion, and except for the reservations set out herebelow, the Accounts, when read together with the Notes thereon, present fairly the Boards financial state of affairs as at 30 June 1999 and of its deficit and cash flow for the year then ended.

1. OPERATING RESULTS

The Board's Accounts for the year 1998/99 show that the Board realized a net loss of Kshs.605,748,783, which together with a prior year's adjustment of Kshs.541,403,770 reduced its accumulated surplus from Kshs.859,157,950 as at 30 June 1998 to Kshs.794,812,937 as at 30 June 1999. The Board's adverse financial performance is still attributable to, among other factors, its inability to sustain itself in a grain liberalized market and also high staff costs which, after the retrenchment action taken in the previous years, only reduced slightly by about Kshs.9,874,597 or 3.5% as at 30 June 1999. The Board also continues to rely heavily on expensive loan and overdraft facilities which during the year under review cost it Kshs.140,750,440 on interest charges.

2. OTHER DEBTORS

The Balance Sheet other debtors figure of Kshs.411,742,744 as at 30 June 1999 is net of cumulative provision for bad and doubtful debts of Kshs.725,522,982 or about 64% of the total other debtors of Kshs.1,137,265,726. To explain this extremely high level of provision, the Board has indicated that its effort to pursue recovery of the debts has proved difficult due to the age and effects of Limitation of Actions Act, lack of supporting documentation and general inability to trace the origin of some of the debts. This explanation is, however, at variance with the Board's other action to appoint and pay a consultant to verify and evaluate such debts and to recommend appropriate action for collection. When source or supporting documents for any of the debts are not available, it is clearly not possible for the consultant to come up with any effective recovery programme for the outstanding debtors' balances. The Board has, therefore, not fully justified its action to hire consultants for the exercise.

3. CONSULTANCY FEES

During the year 1998/99 the Board engaged a consultant at an agreed cost of Kshs.3.3 million to carry out a detailed verification and evaluation of its outstanding debtors and creditors and to provide recommendations for action on the matter. It was, however, noted that except, possibly, for review and advice on the personal ledger system and on viable preventive measures or strategies for effective address of future management of debt portfolio and risk exposure, the contract related to recovery of debts and settlement of creditors but without relevant source or supporting documents being available. In previous years and whenever the matter of huge uncollected debts or unsettled creditors had been raised with the Board, the Board had always given lack of such source documents as the main reason for its failure to analyse and reconcile such accounts and, therefore, its inability to take effective action on the debtors or creditors accounts. When engaging the consultant for this job, the Board has not, however, satisfactorily explained how the problem of the previously unavailable records for such accounts would be handled, particularly in view that the consultant could not be expected to verify or evaluate and advise on balances for which the Board was, in the first place, unable to confirm or avail supporting documentation thereof.


S. M. MALUKI

AUDITOR GENERAL (CORPORATIONS)

31 August 2001

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 1999.

1 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.

2 RESULTS

The operating results for the year were as follows:-

	30 th June 1999 KShs.	30 th June 1998 KShs.
Operating Loss before Depreciation, provisions and Extra ordinary Items	(122,580,314)	(175,780,905)
<u>Deduct:</u>		
Depreciation	415,898,614	410,291,654
Bad and doubtful Debts	5,000,000	20,609,626
Extra Ordinary Item (Retrenchment Costs)	<u>62,269,855</u>	<u>116,843,959</u>
	<u>483,168,469</u>	<u>547,745,239</u>
Net Deficit for the year	<u>(605,748,783)</u>	<u>(723,526,144)</u>

3 DIRECTORS

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

Mr. J.K. Mutua, OGW	-	Chairman
Major (Rtd) W.K. Koitaba, EBS	-	Managing Director
Mr. H.P. Barclay	-	Member
Mr. R.O. Bigogo	-	Member
Mr. J.L. Rorat	-	Member
Mr. R.C. Mibei	-	Member
Mr.T.C Kagota	-	Member
Mr. M.K. Too	-	Member
Mr. Y.S. Yahya	-	Appointed representative of KFA Ltd
Mrs. C.N. Kimura	-	Alternate Director to the Permanent Secretary Ministry Finance & Planning
Mr. Ng'ethe Mbugua	-	Alternate Director to the Permanent Secretary Ministry of Agriculture & Rural Development
Mr. P.I. Muchukuri	-	Alternate Director to Permanent Secretary Office of the President
Mrs. Juster Nkoroi	-	Alternate Director to the Attorney General

4 AUDITORS

The Auditor General (Corporations) is the statutory Auditor of the Board as provided for under Section No. 29(1) of the Exchequer and Audit Act (Cap 412).

By order of the Board


A.G. Kamau (Mrs.)
Board Secretary
31st December 2001

NATIONAL CEREALS AND PRODUCE BOARD
BALANCE SHEET AND ACCOUNTS
30TH JUNE 1999

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NATIONAL CEREALS AND PRODUCE BOARD
BALANCE SHEET AS AT 30TH JUNE 1999

		<u>30TH JUNE 1999</u>	<u>30TH JUNE 1998</u>
		Kshs.	Kshs.
	Note		
FIXED ASSETS	3	6,625,657,731	7,041,040,370
INVESTMENTS AND LOANS	4	<u>25,393,908</u>	<u>31,342,881</u>
		<u>6,651,051,639</u>	<u>7,072,383,251</u>
 CURRENT ASSETS			
Operating stocks	5	689,668,531	1,851,159,086
Other Debtors	6	411,742,744	494,236,056
Debtors - 1993/94 GOK on Famine Relief Programme	7	0	665,844,700
Debtors - 1996/97 GOK on Famine Relief Programme	7	0	1,307,421,779
Debtors - Subvention Due from GOK	7	0	3,095,767,260
Government Debtors - Old Debts	7	2,169,112,093	0
Debtors - Due from GOK on Agency	8	172,878,552	255,509,559
Cash at Bank - EC-CPRF	9	0	80,458
Cash at bank and in hand	10	<u>593,191,760</u>	<u>20,726,057</u>
		<u>4,036,593,680</u>	<u>7,690,744,955</u>
 CURRENT LIABILITIES			
Bank Overdraft	11	145,512	285,809,858
Creditors and provisions	12	571,862,805	655,346,611
Creditors - Due to GOK on Strategic Reserve Stock disposed	7	0	2,541,749,357
Pre-payment by GOK	13	0	71,800,000
Other Loans - Current Portion	14	0	400,000,000
Creditors - Due to GOK on Market Intervention Programme	7	174,063,028	789,720,542
Government agency	15	<u>143,195,039</u>	<u>155,977,890</u>
		<u>889,266,384</u>	<u>4,900,404,258</u>
NET CURRENT ASSETS		<u>3,147,327,296</u>	<u>2,790,340,697</u>
		<u>9,798,378,935</u>	<u>9,862,723,948</u>
CAPITAL FUND	16	6,304,142,172	229,283,233
INTEREST FREE IRREDEEMABLE LOAN		0	2,556,234,976
GRANTS FOR SPECIFIC PROJECTS		0	2,522,055,875
GRANTS - EC-CPRF		0	996,568,088
REVALUATION RESERVE	17	2,699,423,826	2,699,423,826
ACCUMULATED SURPLUS	18	<u>794,812,937</u>	<u>859,157,950</u>
		<u>9,798,378,935</u>	<u>9,862,723,948</u>

The notes on pages 6 to 23 form an integral part of these accounts.

) Directors

NATIONAL CEREALS AND PRODUCE BOARD
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 1999

	<u>Note</u>	<u>30TH JUNE 1999</u>	<u>30TH JUNE 1998</u>
		KShs	KShs
GROSS SALES	20	1,731,860,323	966,528,964
COST OF SALES	20	<u>1,550,349,390</u>	<u>1,071,315,943</u>
GROSS MARGIN GAIN/(LOSS)		181,510,933	(104,786,979)
GROSS MARGIN GAIN/(LOSS) AS A PERCENTAGE OF SALES		10%	-11%
<u>ADD:</u>			
Other Income	21	<u>385,072,506</u>	<u>487,183,818</u>
		566,583,439	382,396,839
<u>LESS:</u>			
Railage and Road transport	22	99,973,206	1,010,168
Other Operation and administration expenses	22	<u>589,190,547</u>	<u>547,139,097</u>
		<u>689,163,753</u>	<u>548,149,265</u>
SURPLUS/(DEFICIT) BEFORE DEPRECIATION, BAD DEBTS AND EXTRA ORDINARY ITEMS		(122,580,314)	(165,752,426)
<u>Deduct:</u>			
Depreciation expense		415,898,614	410,291,654
Bad and doubtful debts		<u>5,000,000</u>	<u>20,609,626</u>
		<u>420,898,614</u>	<u>430,901,280</u>
SURPLUS/(DEFICIT) BEFORE EXTRA ORDINARY ITEMS		(543,478,928)	(596,653,706)
<u>Extra-Ordinary Items:</u>			
Early retirement costs		<u>62,269,855</u>	<u>116,843,959</u>
SURPLUS/(DEFICIT) FOR THE YEAR		(605,748,783)	(713,497,665)

NATIONAL CEREALS AND PRODUCE BOARD

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 1999**

	<u>30TH JUNE 1999</u>	<u>30TH JUNE 1998</u>
	Kshs.	Kshs.
STATEMENT OF ACCUMULATED SURPLUS/(DEFICIT)		
<hr/>		
Accumulated surplus at beginning of the year	859,157,950	928,017,399
Prior year adjustments	541,403,770	654,666,695
Net surplus/(deficit) for the Period	<u>(605,748,783)</u>	<u>(723,526,144)</u>
Accumulated surplus at end of the year	<u>794,812,937</u>	<u>859,157,950</u>

NATIONAL CEREALS AND PRODUCE BOARD
CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30TH JUNE 1999

	<u>30TH JUNE 1999</u>	<u>30TH JUNE 1998</u>
	<u>Kshs.</u>	<u>Kshs.</u>
<u>Cash from operating activities</u>		
Surplus/(Deficit) before extraordinary items	(543,478,928)	(606,682,185)
Adjustments for:		
Depreciation	415,898,614	410,291,653
Gain on disposal of equipment	(2,010,028)	(455,482)
Provision for stock shrinkage	9,089,233	59,457,921
Provision for doubtful debts	<u>5,000,000</u>	<u>20,609,626</u>
Operating Surplus/(Deficit) before working capital changes	(115,501,109)	(116,778,467)
(Increase)/decrease in debtors	3,060,045,966	281,501,903
(Increase)/decrease in stocks	1,152,401,322	(1,699,280,587)
Increase/(decrease) in creditors	(3,325,473,528)	(775,291,896)
Increase/(decrease) in bank Consortium Loan	<u>(400,000,000)</u>	<u>400,000,000</u>
Cash generated from operations	371,472,651	(1,909,849,047)
Extraordinary items:		
Early retirement payments	(62,269,855)	(116,843,959)
Prior year adjustments	<u>541,403,770</u>	<u>654,666,695</u>
Net cash from operating activities	<u>850,606,566</u>	<u>(1,372,026,311)</u>
<u>Cash flows from investing activities:</u>		
Additions to Fixed Assets	(515,975)	(136,772,594)
Proceeds from Sale of equipment	2,010,028	455,482
Reduction/(Additions) to Loans and Investments	<u>5,948,973</u>	<u>100,536</u>
Net cash flow from investing activities	<u>7,443,026</u>	<u>(136,216,576)</u>
Net increase/(decrease) in cash and cash equivalent	858,049,592	(1,508,242,887)
Cash and cash equivalent at the beginning of the period:		
CPRF Account	80,458	81,658
NCPB other Accounts	20,726,056	1,245,270,183
Bank Overdraft	<u>(285,809,858)</u>	<u>(2,112,298)</u>
Cash and Cash equivalent at end of year	<u>593,046,248</u>	<u>(265,003,344)</u>
Analysis of Cash held at the end of period:		
CPRF Account	0	80,458
NCPB other Accounts	593,191,760	20,726,056
Bank Overdraft	<u>(145,512)</u>	<u>(285,809,858)</u>
	<u>593,046,248</u>	<u>(265,003,344)</u>

**NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 1999**

(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**

Income on all cereals and produce is recognized at the date of delivery or sale while income on services rendered and facilities provided are 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, Borehole 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 1999
(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 the year's purchases.
- ii) Closing Stock quantities have been stated in terms of standard weights in bags unless otherwise disclosed.

(e) **Stocks of Consumable stores and supplies**

As from 1st July, 1997 there was a change in accounting 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 budget centres. This new accounting policy will ensure that budget centres are only held responsible for the expenditure directly related to what they have requisitioned and consumed. The balance held at head office (Supplies Section) at year end are included as part of 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**

Subvention grants from the Government of Kenya have been, where applicable, incorporated on accrual basis to recognize income in the same fiscal year funds were to be provided 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 specific provision for some debtors with 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 1999

(continued)

3. FIXED ASSETS

	<u>Land</u>	Fencing Driveway & <u>Civilworks</u>	Buildings and <u>Grain Silos</u>	Motor <u>Vehicles</u>	Furniture, fittings & <u>Equipment</u>	Construction <u>in Progress</u>	<u>Total</u>
	<u>KShs</u>	<u>KShs</u>	<u>KShs</u>	<u>KShs</u>	<u>KShs</u>	<u>KShs</u>	<u>KShs</u>
Cost or Valuation							
At 30th							
June 1998	408,999,095	325,871,931	5,501,007,382	36,540,631	1,567,478,578	11,168,281	7,851,065,898
Additions	2,362,208	0	489,921	0	607,120	3,567,426	7,026,675
Adjustment	0	0	0	0	0	(1,753,408)	(1,753,408)
Transfers	0	0	3,200,176	0	0	(3,200,176)	0
Disposals	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,200,000)</u>	<u>(5,400,000)</u>	<u>0</u>	<u>(7,600,000)</u>
At 30th							
June 1999	<u>411,361,303</u>	<u>325,871,931</u>	<u>5,504,697,479</u>	<u>34,340,631</u>	<u>1,562,685,698</u>	<u>9,782,123</u>	<u>7,848,739,165</u>
Depreciation:							
At 30th							
June 1998	0	13,091,423	384,746,487	17,017,357	395,170,261	0	810,025,528
Charge for the period	0	8,146,792	200,956,605	8,639,322	198,155,895	0	415,898,614
On disposals	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,154,166)</u>	<u>(1,688,542)</u>	<u>0</u>	<u>(2,842,708)</u>
At 30th							
June 1999	<u>0</u>	<u>21,238,215</u>	<u>585,703,092</u>	<u>24,502,513</u>	<u>591,637,615</u>	<u>0</u>	<u>1,223,081,434</u>
Net Book Value:							
At 30th							
June 1999	<u>411,361,303</u>	<u>304,633,717</u>	<u>4,918,994,387</u>	<u>9,838,118</u>	<u>971,048,083</u>	<u>9,782,123</u>	<u>6,625,657,731</u>
At 30th							
June 1998	<u>408,999,095</u>	<u>312,780,509</u>	<u>5,116,260,895</u>	<u>19,523,273</u>	<u>1,172,328,317</u>	<u>11,168,281</u>	<u>7,041,060,370</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 1999
(Continued)

4. INVESTMENTS AND LOANS

	<u>30.06.99</u>	<u>30.06.98</u>
	<u>Kshs.</u>	<u>Kshs.</u>
(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	14,030,687	19,979,660
(ii) Kenya Cashewnuts Limited:	94,794,903	82,516,957
(iii) Kenya Cashews Limited	<u>231,080</u>	<u>231,080</u>
Sub total	<u>109,056,670</u>	<u>102,727,697</u>
Total (a+b)	<u>111,227,410</u>	<u>99,593,132</u>
Less: Provisions for possible Losses on loan and equity Investments in Kenya Cashewnuts limited, Kenya Cashew Limited and Kenya Peanuts Company Limited	<u>(85,833,502)</u>	<u>(73,355,556)</u>
Net Investments and loans	<u>25,393,908</u>	<u>31,342,881</u>

(a) Kenya Cashewnuts Limited

Loans

The loan amount relates to a trade debt and a loan advance to Kenya Cashewnuts Ltd before it was disposed off. As part of the Sale agreement the trade debt of which was initially KShs.46.6 Million, was converted into an interest free Loan except 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. So far the first installment of KShs.9,320,000 has been fully repaid. Similarly the Kshs.10 Million Loan advance was converted into a loan. The Loan was to be redeemed within seven years at an interest rate of 18% p.a. commencing from 1st June 1994. The increase in the amount outstanding from KShs. 82,516,957.00 in 1997/98 FY to Kshs. 94,794,903.00 in 1998/99 FY is attributed to the penalties and additional interest arising from default in repayment of the loans and interest accrued as stipulated in the sale agreement.

A provision of Kshs. 81,933,207.00 has been made for any possible loss on the two loans.

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 1999
(Continued)

4. **INVESTMENTS AND LOANS (Cont'd)**

(b) Kenya Cashews Limited

As reported in the previous Financial Years, Kenya Cashews Limited (currently dormant), 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 and effects of liberalization of the marketing, this possibility appears remote. The outstanding loan represents expenditure made 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.

(c) Milling Corporation of Kenya Limited

Loans

As part of the Sale Agreement, the trade debt of Kshs 35.90 Million 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 the seven installments totaling to Kshs. 23,287,857.00 had been received.

A general provision of 7.5% for bad and doubtful debts amounting to kshs. 1,498,475 made on the trade debt has been maintained as a prudent measure.

(d) 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 liberalization, a provision for bad and doubtful debts of 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 1999
(Continued)

5. OPERATING STOCKS

5.1 Closing Stocks

The closing stocks of the commodities valued at Kshs.689,668,531 (1997/98 Kshs 1,851,159,086) were composed of the following:

	<u>30.06.99</u>	<u>30.06.98</u>
	<u>Kshs</u>	<u>.kshs.</u>
a) <u>Composition of Stocks:</u>		
Local white Maize	555,220,450	1,689,364,155
Beans	80,170,556	79,393,452
Wheat – Local	701,841	32,714,612
Local milled rice	129,675	739,756
Castor Seeds	640	640
Millet	0	6,162,240
Sunflower seeds	0	790
Gunny bags	23,276,219	67,083,526
Insecticide	<u>2,670,262</u>	<u>4,298,481</u>
Sub- Total	662,169,643	1,879,757,652
Less:- 2.2 % Provision for Stock shrinkage	<u>9,089,233</u>	<u>59,457,921</u>
Sub – Total	653,080,410	1,820,299,731
b) Stocks of Consumables	<u>36,588,121</u>	<u>30,859,355</u>
Total	<u>689,668,531</u>	<u>1,851,159,086</u>

6. DEBTORS AND PREPAYMENTS

6.1 Analysis

	<u>30.06.99</u>	<u>30.06.98</u>
	<u>Kshs.</u>	<u>Kshs.</u>
KFA Ltd (Ex KGGCU Ltd.)	0	360,099,812
Government debtors	0	316,018,048
Former Associated company	160,078	160,078
Debtors for imported Wheat	36,027,009	42,830,603
Other Trade Debtors	883,792,342	1,029,383,552
Staff debtors	136,776,596	141,225,969
Sundry debtors	<u>80,509,701</u>	<u>71,647,487</u>
	1,137,265,726	1,961,365,549
Less: Cummulative bad and Provision for doubtful Debts	<u>(725,522,982)</u>	<u>(1,467,129,493)</u>
	<u>411,742,744</u>	<u>494,236,056</u>

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NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 1999
(Continued)

6.2 **Notes on Other Debtors:**

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

	<u>30.06.1999</u>	<u>30.06.1998</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Kenya Peanuts Company Ltd	160,078	160,078
	<u>160,078</u>	<u>160,078</u>

(b) The provision for bad and doubtful debts comprises the following:

	<u>30.06.99</u>	<u>30.06.1998</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Government debtors	0	494,900,400
Associated companies	160,077	160,077
Debtors for imported wheat	35,870,686	35,887,878
Other trade debtors	548,846,565	791,488,719
Staff debtors	118,574,803	122,621,568
Sundry debtors	<u>22,070,851</u>	<u>22,070,851</u>
	<u>725,522,982</u>	<u>1,467,129,493</u>

7.1 **GOVERNMENT DEBTORS – OLD DEBTS**

The Government Debts which were outstanding as at 1st July 1997 at the time when commercialization was concluded were recommended by the Technical Services Contractors (TSC) to be consolidated and partly offset against credit due to GOK. The balance was to be repaid by GOK within a period of three years. These recommendations have now been implemented and the position of GOK indebtedness to NCPB is as follows: -

	Outstanding Subventions Kshs	1993/94 F/Relief Programme Kshs	1996/97 F/Relief Programme Kshs	Other Debts Kshs	KFA Ltd (Former KGGCU) Kshs	Total Kshs
Bal B/F 01/07/98	3,095,767,260	665,944,700	1,307,421,779	316,018,048	360,099,812	5,745,151,599
Amount received During the year	<u>250,000,000</u>	<u>0</u>	<u>6,871,900</u>	<u>0</u>	<u>0</u>	<u>256,871,900</u>
	<u>2,845,767,260</u>	<u>665,944,700</u>	<u>1,300,549,879</u>	<u>316,018,048</u>	<u>360,099,812</u>	5,488,279,699
Less Accounts with Credit balances						
	(i) Net proceeds from disposals of SGR stocks				2,541,749,357	
	(ii) Surplus due to GOK on Market Intervention Programme				<u>615,657,514</u>	
						<u>3,157,406,871</u>
						2,330,872,828
Less. 7.5 % General provision						<u>161,760,735</u>
Balance As at 30 06 99						<u>2,169,112,093</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 1999
(Continued)

7.2 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 a surplus of Kshs 174,063,028.00 as shown below:

	<u>30.06.99</u>	<u>30.06.98</u>
	<u>Kshs</u>	<u>Kshs</u>
Balance B/F beginning of year	(789,720,542)	(756,229,918)
<u>Add:</u>		
8 % Agency commission on disposal of gunny bags	0	2,912,228
	(789,720,542)	(753,317,690)
<u>Deduct</u>		
Net proceeds from Sale of second hand gunnies	0	36,402,852
	(789,720,542)	(789,720,542)
<u>Deduct:</u>		
Amount off-set against Old GOK debts (Refer to Note No. 7.1 above)	615,657,514	0
Short-fall (Surplus) Carried forward	(174,063,028)	(756,229,918)
	=====	=====

GOK AGENCY ACCOUNT FOR SERVICES RENDERED AND FACILITIES PROVIDED

- 8.1 As from 1st July, 1997 the Board adopted the Technical Service Contractors' recommendations on mode of charging GOK on agency basis for services rendered and facilities provided. Under the agency arrangement the GOK will avail funds upfront to meet direct costs and the commission for services rendered will be settled upon presentation of invoices.

The rates applicable in 1998/99 FY for various services and facilities which were mutually agreed upon by the two parties were as follows:-

	Rate
<u>Nature of Service/facility</u>	<u>Kshs/Percentage</u>
a) Storage	3.00 per bag per month
b) Quality maintenance	3.00 per bag per month
c) Commission on Purchasing	75.00 per bag
d) Commission on releases	15.00 per bag
e) Commercial sales	8 % of sales value
f) Commission of transport	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

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 1999
(Continued)

8.2 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: -

	Amount KShs	Amount Received KShs	Net amount Outstanding KShs
(a) <u>Strategic Grain Reserve Programme</u>			
Balance B/F on 1/7/98	108,000,000.00	100,000,000.00	8,000,000.00
1998/99 expenses -			
Direct costs	748,061,833.65	748,061,833.65	0.00
Agency Commission	<u>174,746,115.65</u>	<u>138,938,166.35</u>	<u>35,807,949.30</u>
Sub - Total	<u>1,030,807,949.30</u>	<u>987,000,000.00</u>	<u>43,807,949.30</u>
(b) <u>Famine Relief Programme</u>			
Balance B/F on 1/7/98	76,341,313.25	76,341,313.25	0.00
1998/99 expenses:-			
Direct costs	80,571,547.95	68,657,403.15	11,914,144.80
Agency Commission	<u>8,097,624.40</u>	<u>3,142,596.85</u>	<u>4,955,027.55</u>
Sub - Total	<u>165,010,485.60</u>	<u>148,141,313.25</u>	<u>16,869,172.35</u>
(c) <u>GOK 17 selected Depots for F/Relief</u>			
Balance B/F on 1/7/98	71,168,245.60	22,928,245.60	48,240,000.00
Reserved storage	48,240,000.00	0.00	48,240,000.00
Operating expenses	19,113,017.90	0.00	19,113,017.90
5 % Management fees	<u>955,645.50</u>	<u>0.00</u>	<u>955,645.50</u>
Sub - Total	<u>139,476,909.00</u>	<u>22,928,245.60</u>	<u>116,548,663.40</u>
Sub - total (a to c)	<u>1,335,295,343.90</u>	<u>1,158,069,558.85</u>	177,225,785.05
(d) <u>Less:</u> Net sales proceeds from sale of returned gunny bags			<u>4,347,233.00</u>
			<u>172,878,552.05</u>

9. **EEC-CPR FUND**

The amount of Kshs 996,568,088 received under the EEC Cereals Sector Reform Programme I had been depleted due to un-reimbursed expenditure from GOK for social functions undertaken by the Board on its behalf.

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

The amount of kshs 593,191,760.00 represents bank balances and cash-in-hand held in the Board's Cash Offices at Head Office and Depot/Silos as of 30th June, 1999.

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 1999

(Continued)

11. BANK OVERDRAFT

The Board has a standby overdraft facility of KShs.400 million with the Kenya Commercial Bank Limited to supplement working capital. The overdraft of KShs. 145,512.00 as reflected in the Balance sheet consisted of the following:-

	<u>30.06.1999</u>	<u>30.06.1998</u>
	<u>Kshs</u>	<u>KShs</u>
Normal Overdraft – Head office	0	285,033,876
Overdrawn Depot Cash-books	<u>145,512</u>	<u>775,982</u>
	<u>145,512</u>	<u>285,809,858</u>

12. CREDITORS AND PROVISIONS

	<u>30.06.99</u>	<u>30.06.1998</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Trade creditors	208,288,620	315,848,785
Sundry creditors and Provisions	<u>363,574,185</u>	<u>339,497,826</u>
	<u>571,862,805</u>	<u>655,346,611</u>

13. Pre-payment by GOK

This amount was utilized in the course of the year in procuring maize and payment of related costs for GOK Famine Relief Programme.

	<u>30.06.1999</u>	<u>30.06.1998</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Advance payment	<u>0</u>	<u>71,800,000</u>

14. OTHER LOANS

	<u>30.06.1999</u>	<u>30.06.1998</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Short – Term Bank Loan	<u>0</u>	<u>400,000,000</u>

The bank loan was fully repaid during the course of the year.

15. GOVERNMENT AGENCY ACCOUNT

15.1 Operating Results

The Board used to receive prior to liberalization in grain marketing in December 1993 cereals from overseas under either Food Aid or Loan Programs on behalf of the Government of Kenya. A formal Agency Agreement was entered into 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 payable to the Government as at 30th June, 1999 were as follows:

	<u>30.06.99</u>	<u>30.06.1998</u>
	<u>Kshs.</u>	<u>KShs.</u>
Balance due to Government At 30 th June 1998	155,977,890	155,977,890
Less: Reimbursable expenses from EEC on staff		
Supplementation scheme	<u>12,782,851</u>	0
Balance due to the Government at 30th June 1999	<u>143,195,039</u>	<u>155,977,890</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 1999
(Continued)

16 CAPITAL FUND

As part of financial restructuring under NCPB commercialization reform process, the some Balance sheet items have been re-organized through consolidation of balances held in Interest free Irredeemable loan, Grants for Specific Projects and Grants under EEC-CPRF to form an integral part of Capital Fund Account for purpose of attaining Clean Balance Sheet Status. The effect of the above Balance Sheet re-organization is as follows;-

<u>Item Description</u>	<u>30th June 1999</u> <u>Amount (KShs)</u>	<u>30th June 1998</u> <u>Amount (KShs)</u>
a) Capital Fund	6,304,142,172	229,283,233
b) Interest Free Irredeemable Loan	0	2,556,234,976
c) Grants for Specific Projects	0	2,522,055,875
d) Grants – EC-CPRF	<u>0</u>	<u>996,568,088</u>
Total	<u>6,304,142,172</u>	<u>6,304,142,172</u>

17 REVALUATION OF FIXED ASSETS

Land, Buildings, Plant and Machinery and Equipment were revalued at 1st March, 1995 on the existing use basis by Milligan and Company Limited, surveyors and registered valuers. The new values were incorporated in NCPB records as from 1st July, 1996. The incorporation of the new values of assets resulted to a revaluation surplus of Kshs. 2,699,423,826.00 as shown below:-

<u>Asset Category</u>	<u>New Valuation</u> Kshs	<u>Old Valuation</u> Kshs	<u>Revaluation Surplus/ (Deficit)</u> 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>

18. ACCUMULATED SURPLUS REVENUE ACCOUNT

The Board realized a deficit of KShs. 605,748,783.00 during the year under review on its commercial activities. The deficit together with the prior year adjustment have been transferred to the Accumulated Surplus Fund Account thereby reducing the retained surplus to Kshs. 794,812,937.00 as reflected in the Balance Sheet.

19. CONTINGENT LIABILITIES

The Board had contingent liabilities amounting to KShs. 233.1 Million as at 30th June, 1999 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 1999
 PROFIT AND LOSS ACCOUNT 1998/99 FY

20 1998/99 CONTRIBUTION MARGIN PER PRODUCT	(continued)										S/FLOWER		THE YEAR ENDED 30TH JUNE 1999		THE YEAR ENDED 30TH JUNE 1998	
	MAIZE KSHS	WHEAT KSHS	RICE KSHS	GUNNIES KSHS	INSECTICIDES KSHS	BEANS KSHS	CASTOR SEEDS KSHS	MILLET KSHS	SEEDS KSHS	SEEDS KSHS	30TH JUNE 1999 KSHS	30TH JUNE 1998 KSHS	30TH JUNE 1999 KSHS	30TH JUNE 1998 KSHS		
SALES	1,624,128,562	26,059,950	1,484,455	67,351,095	4,934,861	970,450	0	6,930,866	84	1,731,860,323	966,528,964	84	1,731,860,323	966,528,964		
COST OF SALES	1,624,128,562	26,059,950	1,484,455	67,351,095	4,934,861	970,450	0	6,930,866	84	1,731,860,323	966,528,964	84	1,731,860,323	966,528,964		
Opening stock	1,644,599,911	18,020,935	739,756	67,083,526	4,298,481	79,393,452	640	6,162,240	790	1,820,299,731	211,336,420	790	1,820,299,731	211,336,420		
Purchases	413,146,944	4,438,661	450,000	11,621,964	0	0	0	0	0	429,657,569	2,680,305,504	0	429,657,569	2,680,305,504		
Transfer to Relief account	(46,527,500)	0	0	0	0	0	0	0	0	(46,527,500)	(26,250)	0	(46,527,500)	(26,250)		
Provision for shrinkage	9,089,233	0	0	0	0	0	0	0	0	9,089,233	59,457,922	0	9,089,233	59,457,922		
Closing stock	(555,220,450)	(701,841)	(129,675)	(23,276,219)	(2,670,262)	(80,170,556)	(640)	0	0	(662,169,643)	(1,879,757,652)	0	(662,169,643)	(1,879,757,652)		
GROSS MARGIN GAIN/(LOSS) AS	1,465,088,138	21,257,755	1,060,081	55,429,271	1,628,219	(777,104)	0	5,162,240	790	1,550,349,390	1,071,315,944	(706)	1,550,349,390	1,071,315,944		
GROSS MARGIN GAIN/(LOSS) AS	159,040,424	4,302,195	424,374	11,921,824	3,306,642	1,747,554	0	768,626	(706)	181,510,933	(104,786,980)	(706)	181,510,933	(104,786,980)		
A PERCENTAGE OF SALES	9.79%	16.51%	28.59%	17.70%	67.01%	180.08%	0.00%	11.09%	-840.48%	10.48%	-10.84%	-840.48%	10.48%	-10.84%		
Other Income	0	0	0	0	0	0	0	0	0	385,072,506	487,183,819	0	385,072,506	487,183,819		
LESS:	159,040,424			11,921,824						566,583,439	382,396,839		566,583,439	382,396,839		
Railage and Road transport	98,808,913			1,164,293						99,973,206	1,010,168		99,973,206	1,010,168		
Finance charges net of interest earned										132,410,005	38,482,847		132,410,005	38,482,847		
Staff costs and wages										282,882,610	283,683,867		282,882,610	283,683,867		
Other operation and administration expenses	0			0						173,897,932	224,972,383		173,897,932	224,972,383		
SURPLUS/(DEFICIT) BEFORE DEPRECIATION, BAD DEBTS AND EXTRA ORDINARY ITEMS	98,808,913			1,164,293						689,163,753	548,149,265		689,163,753	548,149,265		
DEDUCT:										(122,580,314)	(165,752,426)		(122,580,314)	(165,752,426)		
Depreciation expense										415,898,614	410,291,654		415,898,614	410,291,654		
Bad and doubtful debts										5,000,000	20,609,626		5,000,000	20,609,626		
SURPLUS/(DEFICIT) BEFORE EXTRA ORDINARY ITEMS	60,231,511			10,757,531						(543,478,928)	(596,653,706)		(543,478,928)	(596,653,706)		
Extra-Ordinary Items:										62,269,855	116,843,959		62,269,855	116,843,959		
Early retirement costs										(605,748,783)	(713,497,665)		(605,748,783)	(713,497,665)		
SURPLUS/(DEFICIT) FOR THE YEAR																

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE ACCOUNTS - 30TH JUNE 1999

STOCK FLOW PER PRODUCT

(continued)

STOCK FLOW 1998/99

	<u>MAIZE</u>	<u>WHEAT</u>	<u>RICE</u>	<u>GUNNIES</u>	<u>INSECTICIDES</u>	<u>BEANS</u>	<u>CASTOR</u>	<u>S/FLOWER</u>	
	90kgs	90kgs	100kgs	Pieces	25 kg	90kgs	<u>SEEDS</u>	<u>MILLET</u>	
	Bags	Bags	Bags		Packets	Bags	65kgs	80kgs	
							Bags	Bags	
							4	10	
OPENING STOCK	1,498,317	22,948	171	1,247,889	4,269	25,748	4	9,408	10
PURCHASES	<u>383,751</u>	<u>2,921</u>	<u>72</u>	<u>522,324</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
STOCK AVAILABLE FOR SALE	<u>1,882,068</u>	<u>25,869</u>	<u>243</u>	<u>1,770,213</u>	<u>4,269</u>	<u>25,748</u>	<u>4</u>	<u>9,408</u>	<u>10</u>
SALES	1,307,272	16,511	184	1,035,593	1,623	290	0	8,728	0
TRANSFER TO GOK STOCK	36,500								
STORAGE LOSS/(GAIN)									
ADJUSTMENT	<u>12,173</u>	<u>8,869</u>	<u>(62)</u>	<u>6,276</u>	<u>(561)</u>	<u>(441)</u>	<u>0</u>	<u>680</u>	<u>10</u>
	<u>1,355,946</u>	<u>25,380</u>	<u>123</u>	<u>1,041,869</u>	<u>1,062</u>	<u>(151)</u>	<u>0</u>	<u>9,408</u>	<u>10</u>
CLOSING STOCK	<u>526,122</u>	<u>489</u>	<u>120</u>	<u>728,344</u>	<u>3,207</u>	<u>25,899</u>	<u>4</u>	<u>0</u>	<u>0</u>

** (Comparative figures for 1997/98 see page 20)

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 1999
STOCK FLOW PER PRODUCT

(continued)

STOCK FLOW 1997/98

	MAIZE	WHEAT	RICE	GUNNIES	INSECTICIDES	BEANS	WIMBI	GREEN	CASTOR	MILLET	CASHEWNUITS	S/FLOWER	NIAHI
	90kgs	90kgs	100kgs	Pieces	25 kg	90kgs	80kgs	GRAMS	SEEDS	80kgs	80kgs	40kgs	90kgs
	Bags	Bags	Bags		Packets	Bags	Bags	Bags	Bags	Bags	Bags	Bags	Bags
OPENING STOCK	0	233	124	3,043,067	9,098	5,274	385	2	4	22,739	1	12	2
PURCHASES	1,666,387	371,593	480	19,031	0	26,755	0	0	0	0	0	0	0
STOCK AVAILABLE FOR SALE	1,666,387	371,826	604	3,062,098	9,098	32,029	385	2	4	22,739	1	12	2
SALES	152,778	348,507	459	1,820,380	3,182	5,851	385	0	0	13,450	0	0	0
TRANSFER TO GOK STOCK	0	0	0	0	0	0	0	0	0	35	0	0	0
STORAGE LOSS/(GAIN)													
ADJUSTMENT	15,292	371	(26)	(6,171)	1,646	430	(1)	2	0	(154)	0	2	2
	168,070	348,878	433	1,814,209	4,828	6,281	384	2	0	13,331	0	2	2
CLOSING STOCK	1,498,317	22,948	171	1,247,889	4,269	25,748	1	0	4	9,408	1	10	0

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 1999

(continued)

21. OTHER SUNDRY REVENUE

SUNDRY REVENUE IS COMPOSED OF THE FOLLOWING:

	30TH JUNE 1999	30TH JUNE 1998
	-----	-----
	Kshs.	Kshs.
	----	----
Weigh Bridge charges	10,019,408	4,639,484
Receipts for Private Calls	33,736	62,791
Insurance Compensation	1,906,303	3,401,416
Despatch Money Earned	0	9,620,410
Sale of Tender documents	0	384,890
Sale of Obsolete Material	10,916,951	14,592,253
Other Miscellaneous Income	1,552,331	1,950,497
Bagging charges	2,045,660	333,287
Cleaning charges	877,980	694,031
Other fees and charges	580,342	48,577
Rental Income	93,245,498	63,617,204
Gain/(Loss) on disposal of fixed assets	(422,988)	455,482
Government Agency Commission	232,411,118	290,839,353
Drying and Fumigation Income	<u>31,906,167</u>	<u>96,544,143</u>
	<u>385,072,506</u>	<u>487,183,818</u>

**NATIONAL CEREALS AND PRODUCE BOARD
OPERATING AND ADMINISTRATION EXPENSES
FOR THE YEAR ENDED 30TH JUNE 1999
(continued)**

22. Breakdown of Expenses

	<u>30TH JUNE 1999</u>	<u>30TH JUNE 1998</u>
	Kshs.	Kshs.
<u>GENERAL ADMINISTRATION</u>		
Allowance Board Members	671,216	376,697
Advertising	2,190,064	2,589,425
Conservancy, light and water	22,583,248	33,552,046
Consumable stores	974,388	623,279
Entertainment	573,244	338,952
General expenses	1,376,144	1,600,292
Insurance	10,543,993	12,851,869
Land and siding rent and rates	10,833,942	10,652,253
Maintenance of machinery, furniture and equipment	15,027,951	22,272,835
Maintenance of buildings, fences and gates, roads and railway sidings	10,271,810	14,664,225
Postage, telegram & telephone	15,936,810	18,604,820
Printing and stationery	6,209,537	8,740,543
Rent for offices, staff houses and stores	0	1,007,028
Security expenses	33,850,993	35,760,273
Subscriptions and Newsletter	1,099,985	845,757
Uniforms	86,110	452,358
Depreciation	415,898,614	410,291,654
Donations	<u>982,100</u>	<u>877,040</u>
	<u>549,110,149</u>	<u>576,101,348</u>
<u>GENERAL OPERATING EXPENSES</u>		
Fumigation expenses	9,073,341	2,043,852
Grain dryers operating costs	3,758,560	28,580,150
Handling and agency fees	156,631	356,129
Hired transport(Non-commodities)	24,500	63,133
Shows and exhibitions	1,854,623	1,992,754
Travelling and subsistence	14,661,887	15,642,049
Vehicle running costs	15,055,265	15,323,980
Provision for bad and doubtful accounts	<u>5,000,000</u>	<u>20,609,626</u>
	<u>49,584,807</u>	<u>84,611,672</u>

NATIONAL CEREALS AND PRODUCE BOARD
OPERATING AND ADMINISTRATION EXPENSES
FOR THE YEAR ENDED 30TH JUNE 1999

(continued)

	<u>30TH JUNE 1999</u>	<u>30TH JUNE 1998</u>
	Kshs.	Kshs.
<u>STAFF COSTS</u>		
Salaries and wages	215,081,361	217,664,871
Board's contribution to pension scheme, provident fund and savings schemes	15,351,565	14,527,725
Medical expenses	14,318,126	16,043,208
National Social Security Fund	1,242,012	1,448,870
Leave pay, passages and gratuities	14,156,723	15,404,809
Welfare and training	<u>13,659,483</u>	<u>18,594,384</u>
	<u>273,809,270</u>	<u>283,683,867</u>
<u>PROFESSIONAL EXPENSES</u>		
Audit fees	2,500,000	2,500,000
Legal and other fees	<u>2,674,931</u>	<u>2,689,122</u>
	<u>5,174,931</u>	<u>5,189,122</u>
TOTAL EXPENDITURE BEFORE FINANCE COSTS	<u>877,679,156</u>	<u>949,586,010</u>
<u>FINANCE COSTS</u>		
Bank charges	8,771,656	18,170,541
Bank overdraft and loan interest	140,750,440	94,191,721
Withholding tax on Short term fixed deposits	636,652	11,151,290
Less: Interest earned	<u>(17,748,744)</u>	<u>(85,030,705)</u>
	<u>132,410,004</u>	<u>38,482,847</u>
TOTAL INDIRECT EXPENDITURE	<u>1,010,089,160</u>	<u>988,068,857</u>
<u>DIRECT EXPENSES</u>		
Hired road transport	<u>99,973,206</u>	<u>1,010,168</u>
Total direct costs	<u>99,973,206</u>	<u>1,010,168</u>
TOTAL OPERATING EXPENSES	<u>1,110,062,367</u>	<u>989,079,025</u>
Early retirement costs	<u>62,269,855</u>	<u>116,843,959</u>
TOTAL EXPENSES (DIRECT AND INDIRECT)	<u>1,172,332,222</u>	<u>1,105,922,984</u>

NATIONAL CEREALS AND PRODUCE BOARD



GOK AGENCY OPERATIONS
BALANCE SHEET AND ACCOUNTS FOR THE
YEAR ENDED 30TH JUNE 1999

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY ACCOUNT
BALANCE SHEET AND ACCOUNTS
30TH JUNE 1999

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NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 1999

GOK AGENCY ACCOUNT

BALANCE SHEET AS AT 30TH JUNE 1999

		<u>Kshs</u>	<u>Kshs</u>
	Note	<u>30TH JUNE 1999</u>	<u>30TH JUNE 1998</u>
Stocks	5	457,124,887	106,707,424
Pre-payment	6	0	71,800,000
Shortfall	7	<u>172,878,552</u>	<u>183,709,559</u>
		<u>630,003,439</u>	<u>362,216,983</u>
Agency Account	7	172,878,552	255,509,559
Stock Reserve		<u>457,124,887</u>	<u>106,707,424</u>
		<u>630,003,439</u>	<u>362,216,983</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 1999

GOK AGENCY ACCOUNT

INCOME AND EXPENDITURE ACCOUNT

GOK Strategic Famine Relief GOK 17 Selected

<u>INCOME</u>	<u>Grain Reserve</u>	<u>Programme</u>	<u>Famine Relief Depots</u>	<u>Total</u>
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
(a) Receipts from GOK	987,000,000	148,141,313	22,928,246	1,158,069,559
(b) Sales proceeds of returned Gunny Bags	<u>0</u>	<u>4,718,963</u>	<u>0</u>	<u>4,718,963</u>
	<u>987,000,000</u>	<u>152,860,276</u>	<u>22,928,246</u>	<u>1,162,788,522</u>
 <u>EXPENDITURE</u>				
(a) <u>Direct costs</u>				
Procurement cost	676,718,145	61,237,500	0	737,955,645
Direct transport cost	69,327,692	18,860,091	0	88,187,783
handling costs	2,015,997	473,955	0	2,489,952
Operating Expenses	<u>0</u>	<u>0</u>	<u>19,113,018</u>	<u>19,113,018</u>
Sub - Total	<u>748,061,834</u>	<u>80,571,546</u>	<u>19,113,018</u>	<u>847,746,397</u>
 (b) <u>Commissions/facilities provided</u>				
Storage	109,961,907	249,631	48,240,000	158,451,537
Quality maintenance	8,156,047	887,399	0	9,043,446
Commission on purchases	47,537,475	3,562,500	0	51,099,975
Commission on releases	3,383,292	1,851,373	0	5,234,665
Commission on transport	5,546,215	1,508,807	0	7,055,023
Commission on commodity handling costs	161,180	37,916	0	199,097
Commission on commercial sales	0	371,730	0	371,730
5 % management fees on depots exclusively for GOK use	<u>0</u>	<u>0</u>	<u>955,646</u>	<u>955,645.50</u>
Sub - Total	<u>174,746,116</u>	<u>8,469,356</u>	<u>49,195,646</u>	<u>232,411,118</u>
Total Expenditure (a + b)	<u>922,807,949</u>	<u>89,040,902</u>	<u>68,308,663</u>	<u>1,080,157,515</u>
Net Surplus/(Deficit) for the year	64,192,051	63,819,374	(45,380,418)	82,631,007
Add:				
Balance B/F	108,000,000	76,341,313	71,168,246	255,509,559
	<u>(43,807,949)</u>	<u>(12,521,940)</u>	<u>(116,548,663)</u>	<u>(172,878,552)</u>

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY ACCOUNT
NOTES TO THE ACCOUNTS - 30TH JUNE, 1999

1. **ACCOUNTING POLICIES**

(a) **Valuation of closing stock**

- i) Closing stocks of FAQ maize have been valued at the lower of cost, the average procurement cost and net realizable value.
- ii) Closing stock of maize have been stated in terms of standard weight of 90 kg bags.

(b) **Grants from GOK**

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 Famine Relief Programme have been charged to the appropriate Famine Relief Programme account.

2. **GOK AGENCY ACCOUNT**

2.1 **Policy Reform Changes 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 were 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 ACCOUNT
NOTES TO THE ACCOUNTS - 30TH JUNE 1999
(Continued)

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 expected to be paid on the basis of pre-costing of activities to be undertaken.

The rates applicable in 1997/98 FY for various services and facilities which were mutually agreed upon by the two parties 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	3.00 per bag per month
c) Commission on Purchasing	75.00 per bag
d) Commission on releases	15.00 per bag
e) Commercial sales	8 % of sales value
f) Commission of transport	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 PURCHASES OF COMMODITIES

In 1998/99 FY the Board procured 681,333 bags of maize on agency basis for the GOK social functions as shown below:-

<u>Programme</u>	<u>1998/99 FY</u> <u>Quantity purchased</u> <u>(90 kg bags)</u>	<u>1997/98 FY</u> <u>Quantity purchased</u> <u>(90 kg bags)</u>
GOK Famine Relief	47,500	1,023,626
GOK Strategic Grain Reserve	633,833	<u>0</u>
Total quantity	<u>681,333</u>	<u>1,023,626</u>

4. RELIEF MAIZE DISTRIBUTED IN 1998/99 FY

In 1998/99 the commodities distributed for famine relief purposes were as follows:-

	<u>1998/99 FY</u> <u>Quantity</u> <u>(Bags)</u>	<u>1997/98 FY</u> <u>Quantity</u> <u>(Bags)</u>
Maize Bulk	327,369	1,134,437
Beans	1,084	21,046
Millet	0	35

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY ACCOUNT
NOTES TO THE ACCOUNTS - 30TH JUNE 1999
(Continued)

5. **CLOSING STOCKS**

Details of closing stocks were as follows:

	<u>30.06.1999</u>		<u>30.06.1998</u>	
	Quantity	Value(KShs)	Quantity	Value(KShs)
GOK Strategic Reserve - Maize	414,753	423,940,539	0	0
GOK Famine Relief - Maize	15,710	16,731,150	76,499	86,466,821
GOK Famine Relief - Beans	80	288,000	1,164	4,192,000
GOK Famine Relief - S/hand Gunnies	306,275	16,165,198	443,844	16,068,603
Total value		<u>457,124,887</u>		<u>106,707,424</u>

6 **Pre-payment by GOK**

The prepaid amount brought forward from 1997/98 FY was utilized in the course of the year in procuring maize and payment of related costs for GOK Famine Relief Programme.

	<u>30.06.1999</u>	<u>30.06.1998</u>
	KShs	KShs
Advance payment	<u>0</u>	<u>71,800,000</u>

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY ACCOUNT
NOTES TO THE ACCOUNTS - 30TH JUNE 1999
(Continued)

7 AMOUNT DUE TO NCPB ON AGENCY SERVICES

The breakdown of the amounts owing to the Agent as at 30th June 1999 in relation to each Agency operation as well as remittances received from the Government during the year summarized here below: -

	Amount KShs	Amount Received KShs	Net amount Outstanding KShs
(a) <u>Strategic Grain Reserve Programme</u>			
Balance B/F on 1/7/98	108,000,000.00	100,000,000.00	8,000,000.00
1998/99 expenses:-			
Direct costs	748,061,833.65	748,061,833.65	0.00
Agency Commission	<u>174,746,115.65</u>	<u>138,938,166.35</u>	<u>35,807,949.30</u>
Sub – Total	<u>1,030,807,949.30</u>	<u>987,000,000.00</u>	<u>43,807,949.30</u>
 (b) <u>Famine Relief Programme</u>			
Balance B/F on 1/7/98	76,341,313.25	76,341,313.25	0.00
1998/99 expenses:-			
Direct costs	80,571,547.95	68,657,403.15	11,914,144.80
Agency Commission	<u>8,097,624.40</u>	<u>3,142,596.85</u>	<u>4,955,027.55</u>
Sub – Total	<u>165,010,485.60</u>	<u>148,141,313.25</u>	<u>16,869,172.35</u>
 (c) <u>GOK 17 selected Depots for F/Relief</u>			
Balance B/F on 1/7/98	71,168,245.60	22,928,245.60	48,240,000.00
Reserved storage	48,240,000.00	0.00	48,240,000.00
Operating expenses	19,113,017.90	0.00	19,113,017.90
5 % Management fees	<u>955,645.50</u>	<u>0.00</u>	<u>955,645.50</u>
Sub – Total	<u>139,476,909.00</u>	<u>22,928,245.60</u>	<u>116,548,663.40</u>
 Sub - total (a to c)	<u>1,335,295,343.90</u>	<u>1,158,069,558.85</u>	177,225,785.05
 (d) <u>Less:</u>			
Net sales proceeds from sale of returned gunny bags			<u>4,341,446.00</u>
Amount due to Agent((NCPB) as at 30 th June 1999			<u>172,878,552.05</u>

8 CONTINGENT LIABILITIES

Contingent liabilities amounting to KShs 185,174,210.00 were outstanding as at 30th June 1999 for market intervention measures undertaken by the Agent(NCPB) in respect of wheat and strategic reserve maize purchases in 1997/98 FY and 1998/99 FY respectively. The intervention measures were undertaken on the basis of Government directives

