

# 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 30<sup>TH</sup> JUNE 2003

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NAIROBI

# KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF NATIONAL CEREALS AND PRODUCE  
BOARD FOR THE YEAR ENDED 30 JUNE 2003

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KENYA NATIONAL ASSEMBLY  
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# KENYA NATIONAL AUDIT OFFICE

## REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30 JUNE 2003

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I have audited the financial statements of Cereals and Produce Board for the year ended 30 June 2003 in accordance with the provisions of section 29 of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

### **Respective Responsibilities of the Directors and the Controller and Auditor General**

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

### **Basis of Opinion**

The audit was conducted in accordance with the International Standards on Auditing. Those Standards require that the audit be planned and performed with a view of obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe my audit provides a reasonable basis for my opinion.

### **Comments**

#### **1. Financial Position**

During the year ended 30 June 2003 the Board realized a loss of Kshs.766,513,829 (2002 Kshs.2,202,761,677) bringing accumulated revenue reserves to negative Kshs.3,214,908,413 (2002 Kshs.2,456,838,906) as at 30

June 2003. In addition, the Board owed the Government of Kenya Kshs.1,305,048,192 as at 30 June 2003 on account of famine relief maize under the GOK Famine Relief Programme, past market intention programme and an old GOK Agency account. From the foregoing it is evident that the Board's financial position is precarious, and it is likely that it will face financial difficulties in meeting its financial obligations as and when they fall due. The financial statements have, therefore, been prepared on a going concern basis on the assumption that the Board will continue to receive financial support from the Government, its bankers and creditors.

## **2. Donor Funded Projects**

As has been reported in prior years, the balance sheet fixed assets figure of Kshs.5,055,383,103 includes 55 donor funded storage facilities whose ownership has not been clarified by the Government to date. Although the Public Investments Committee during its sitting on 11 August 1998, directed the Parent Ministry and the Treasury to consult with a view to formally transferring the facilities to N.C.P.B, to date there is no evidence that the Board and the Government have come up with any fruitful conclusion of the ownership status of the Donor Funded Facilities/Projects. In the circumstances therefore it is not possible to confirm the propriety of incorporating the donor funded storage facilities in the Board's financial statements for the year ended 30 June 2003 without conclusive evidence of the ownership status of the facilities.

## **3. Land – Without Title Documents**

The Board's property, plant and equipment figure of Kshs.5,055,383,103 also includes 49 plots without title documents and whose ownership and value could not be determined. Under the circumstances, it was not possible to confirm ownership of the plots and whether the carrying values as stated in the financial statements reflect the fair values of the properties as at the balance sheet date.

## **4. Work In Progress**

Included in the fixed assets figure of Kshs.5,055,383,103 as at June 2003 is an amount of Kshs.20,911,645 relating to work in progress paid by the board for projects that stalled many years ago, and which the Board has not indicated any possibility of revival. Further consultancy services for these projects were single sourced and given to only one consultant. In addition Kshs.12,511,000 included in the figure of work in progress relates to Information Technology modernization which was completed, but whose certificate of completion has not been signed and handed over to the Board. In the circumstances therefore, it was not possible to confirm that the Board received value for money in respect of the expenditure incurred on the stalled projects and any provision that would have been necessary in relation to this uncertainties has not been incorporated in these financial statements.

## **5. Debtors and Prepayments**

Included in the financial statements debtors and prepayments figure of Kshs.796,015,292 are trade and other debtors amounting to Kshs.695,007,323 most of which have remained outstanding for more than six years and whose recovery has proved difficult due to their age and effects of limitations of Actions Act. Although the Board has made total cumulative provision for bad and doubtful debts of Kshs.515,136,236 on debtors and prepayments, no evidence was seen of any efforts to recover the debts or of any arrangements for write-off action. In addition, the bad and doubtful debtors provision increased by Kshs.21,468,802 in the year under review, while the charge to profit and loss account was Kshs.21,229,002, leading to unexplained difference of Kshs.239,800. Further, debtors totaling Kshs.85,982,816 were either partially supported or not supported at all. Under the circumstances, it was not possible to confirm whether the amounts were recoverable and if so, when the Board will be able to recover the amounts. The accuracy of the debtors as shown in the financial statements could not be confirmed.

## **6. Creditors**

Included in the financial statements creditors and provisions figure of Kshs.477,366,750 is an amount of Kshs.24,762,848 referred to as Trade Creditors which are over six years old, while another Kshs.20,482,011 did not have supporting source documents. In addition, the Board owes the Government Kshs.174,063,028 for the market intervention programme and Kshs.143,195,039 in respect of an Agency account. The Board has not explained how these creditors will be settled. Consequently, in the absence of supporting documentation cited above, I am unable to express an opinion as to the accuracy of the creditors and provisions figure shown in the financial statements.

## **Opinion**

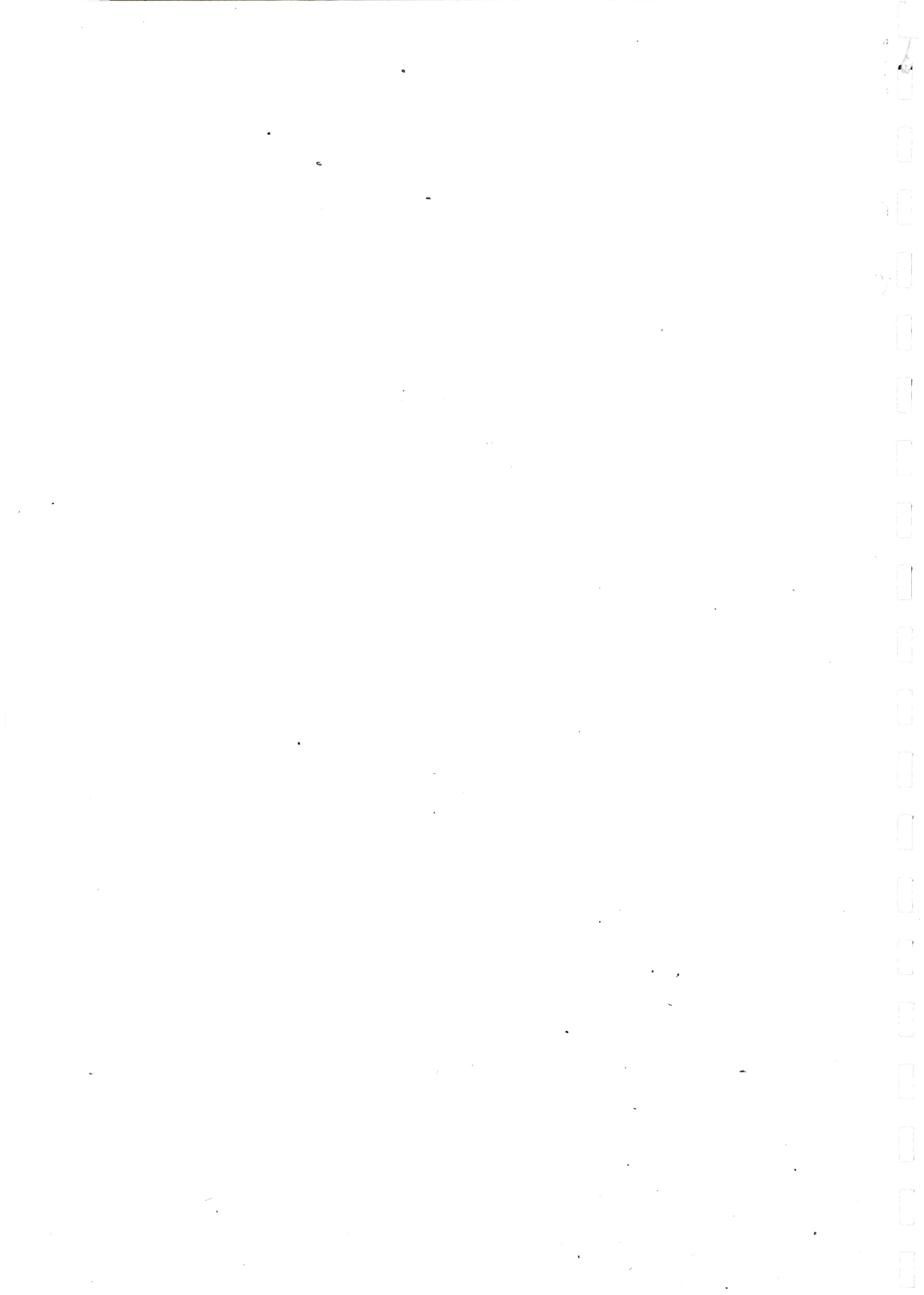
Except for the foregoing reservations, in my opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Board as at 30 June 2003 and of its loss and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the National Cereals and Produce Board Act (Cap 338)



**E.N. MWAI**  
**CONTROLLER AND AUDITOR GENERAL**

Nairobi

28 September 2005

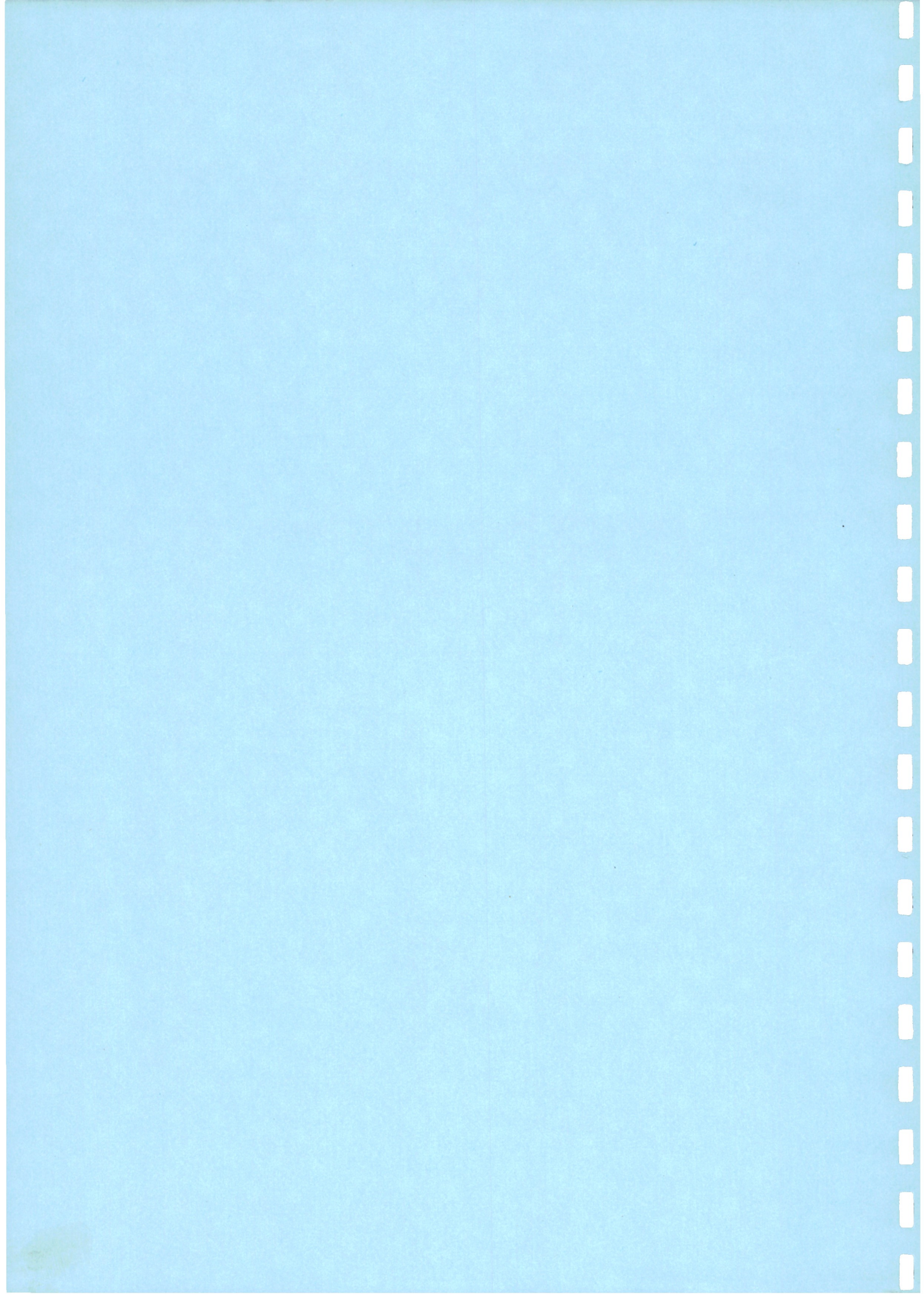


# **NATIONAL CEREALS AND PRODUCE BOARD**



## **BALANCE SHEET AND ACCOUNTS WITH THE REPORT OF THE CONTROLLER AND AUDITOR GENERAL FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2003**

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



**NATIONAL CEREALS AND PRODUCE BOARD**  
**BALANCE SHEET AND ACCOUNTS**  
**30TH JUNE 2003**

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NATIONAL CEREALS AND PRODUCE BOARD  
BALANCE SHEET AND ACCOUNTS  
30TH JUNE 2003

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

**Vision Statement**

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

**Mission Statement**

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

**Values**

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

**NATIONAL CEREALS AND PRODUCE BOARD**  
**BALANCE SHEET AND ACCOUNTS**  
**30TH JUNE 2003**

**CORPORATE INFORMATION**

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

Mr. T. K. Twei	-	Chairman
Mr. Tirop Kosgey	-	Managing Director
Dr. J. T. Rotich	-	Managing Director (Upto 22nd August 2003)
Mr. H. Wood	-	Member
Mr. L. M. Mwashigadi	-	Member
Mr. J.K.M'mutea	-	Member
Mr. F.C. Ganya	-	Member
Mr. Michael Cherunya	-	Member
Mr. S. Bajaber	-	Member
Mr. F. Rotich	-	Appointed representative of KFA Ltd
Mr. S. K. Maina	-	Alternate Director to the Permanent Secretary Office of the President
Mr. F. W. King'ori	-	Alternate Director to the Permanent Secretary Ministry of Finance & Planning.
Mr. J. K. Wanjaiya	-	Alternate Director to the Permanent Secretary Ministry of Agriculture & Rural Development
Mr. J. M. Otenyo	-	Inspector General - Inspectorate of State Corporations

**SENIOR MANAGEMENT**

Mr. Tirop Kosgey	-	Managing Director
Dr. J. T. Rotich	-	Managing Director (Up to 22nd August 2003)
Mr. K. Kittony	-	General Manager Finance & Administration
Mrs. A. G. Kamau	-	Board Secretary
Dr. S. K. Muhihu	-	GM, Marketing & Operations
Mr. N. Gikaria	-	Human Resources Manager
Mr. C. S. Khaemba	-	Chief Accountant
Mr. B. O. Umba	-	Operations Manager
Mr. D.K. Chepkwony	-	Quality & Pest Control Manager
Mr. P. N. Mutua	-	Chief Financial Analyst
Mr. J. C. Boit	-	Research & Development Manager
Mr. E. K. M'mbijiwe	-	Chief Security Advisor
Mr. A. L. Mwakaba	-	Information Systems Manager
Mr. A. K. Maritim	-	Public Relations Manager
Mr. F. K. Sang	-	Chief Internal Auditor
Mr. R. K. Langat	-	Technical Manager

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**NATIONAL CEREALS AND PRODUCE BOARD**  
**BALANCE SHEET AND ACCOUNTS**  
**30TH JUNE 2003**

**PRINCIPLE PLACE OF BUSINESS**

Nyumba ya Nafaka  
Machakos Road  
P.O. Box 30586  
**NAIROBI**

**AUDITORS**

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

**BANKERS**

Kenya Commercial Bank  
P.O. Box 48400  
**NAIROBI**

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**NATIONAL CEREALS AND PRODUCE BOARD**  
**BALANCE SHEET AND ACCOUNTS**  
**30TH JUNE 2003**

**CHAIRMAN'S REPORT**

**ECONOMIC REVIEW**

The year 2003 began with high expectations with the new Government embarking on an ambitious plan aimed at reviving the economy. The Government projected a growth rate of 3-4% and focused on reducing corruption, speeding up the economic and legal reforms and creating an enabling environment for foreign and local investment.

Through prudent monetary policies, the Government drastically reduced domestic borrowing and consequently reduced interest rates on Treasury Bills. Lending rates and rates on deposits by Commercial Banks recorded a decline. The impact of this was that the cost of borrowing was lower while deposit rates were low.

**GRAIN SUB-SECTOR REVIEW**

In the grain sub-sector, the focus was to revive the agriculture based institutions that impact on farmers. Institutions that were targeted for revival included AFC, KFA, KCC and the sugar processing companies. These measures provided inspiration to farmers in general to take their farming responsibilities seriously.

The Board's main activities during the year were

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

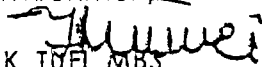
On the Commercial front, the Board purchased 49,354 mt of maize and 3,383 mt rice and pulses combined.

The demand for maize was higher than what the Board could immediately supply and as a result, the Board borrowed 76,271 mt of maize from GOK stocks in order to address the supply market. A total of 195,976 mt of maize were sold.

The Board purchased 37,692 mt of maize on account of SGR and distributed 34,174 mt of maize for Famine Relief. Besides maize, the Board also distributed 988 mt of beans.

An operating loss of Kshs. 766.5 million was realised, mainly due to inadequate working capital and a huge infrastructure, substantial portion of which is due for divestiture.

There are strategic measures that the Board of Directors has put in place to turn the Board around to profitability in the foreseeable future. These measures include developing a strategic plan, undertaking asset divestiture, implementation of strict cost control measures, diversification of products and value addition to give the Board a competitive edge in the environment.

  
T.K. TOEI, MBS  
**CHAIRMAN**

**NATIONAL CEREALS AND PRODUCE BOARD**  
**BALANCE SHEET AND ACCOUNTS**  
**30TH JUNE 2003**

**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 30<sup>th</sup> June 2003.

**1. INCORPORATION AND HEAD OFFICE**

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

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

**2. PRINCIPLE ACTIVITIES**

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

**3. RESULTS**

The operating results for the year were as follows:-

	<b>30<sup>th</sup> June 2003</b>	<b>30<sup>th</sup> June 2002</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Operating Loss before Depreciation, Provision and Extra ordinary Items	(326,475,494)	(1,765,707,829)
<b>Deduct</b>		
Depreciation	415,449,493	408,901,823
Bad and doubtful Debts	21,229,002	13,839,452
Extra Ordinary Item (Retrenchment Costs)	3,359,840	14,312,573
	<u>440,038,335</u>	<u>437,053,847</u>
<b>Net Deficit for the year</b>	<b><u>(766,513,829)</u></b>	<b><u>(2,202,761,677)</u></b>

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**NATIONAL CEREALS AND PRODUCE BOARD**  
**BALANCE SHEET AND ACCOUNTS**  
**30TH JUNE 2003**

**3. DIRECTORS**

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

**4. AUDITORS**

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

By order of the Board



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

26<sup>th</sup> August 2005

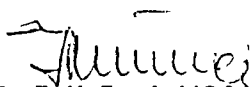
**NATIONAL CEREALS AND PRODUCE BOARD**  
**BALANCE SHEET AND ACCOUNTS**  
**30TH JUNE 2003**

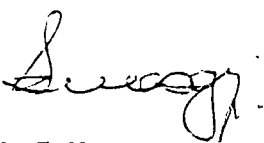
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with international financial reporting standards and the requirements of the NCPB act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the corporation's financial affairs and of its operating results. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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

  
Mr. T. K. Twei MBS  
Chairman

  
Mr. T. Kosgey  
Managing Director

26<sup>th</sup> August, 2005

**NATIONAL CEREALS AND PRODUCE BOARD**  
**BALANCE SHEET AS AT 30TH JUNE 2003**

<b>ASSETS</b>		<u>30TH JUNE 2003</u>	<u>30TH JUNE 2002</u>
<b>NON-CURRENT ASSETS</b>	<b>Note</b>	Kshs.	Kshs.
Property, Plant and Equipment	3	5,055,383,103	5,460,996,178
Investments	4	0	0
Loans	4	<u>9,298,856</u>	<u>12,256,379</u>
		<u>5,064,681,959</u>	<u>5,473,252,557</u>
 <b>CURRENT ASSETS</b>			
Operating stocks	5	195,436,774	754,818,549
Debtors and Prepayments	6	280,879,056	670,200,463
Government Debtors - Net Old Debt	7	596,523,221	1,096,523,221
Government Debtors - New Agency A/C	8	403,337,446	649,334,888
Cash at bank and in hand	9	<u>1,030,233,234</u>	<u>179,013,533</u>
		<u>2,506,409,731</u>	<u>3,349,890,654</u>
<b>TOTAL ASSETS</b>		<b><u>7,571,091,690</u></b>	<b><u>8,823,143,211</u></b>
 <b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Capital Fund	16	6,304,142,172	6,304,142,172
Revaluation Reserve	17	2,699,423,826	2,699,423,826
Revenue Reserve	18	<u>(3,214,908,413)</u>	<u>(2,456,838,906)</u>
		<u>5,788,657,585</u>	<u>6,546,727,092</u>
 <b>CURRENT LIABILITIES</b>			
Bank Overdraft	10	19,163	640,619,920
Creditors and Provisions	11	477,366,750	1,318,538,132
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
Creditors - Due to GOK on F/Relief Maize	14	987,790,125	0
Taxation	15	0	0
		<u>1,782,434,105</u>	<u>2,276,416,119</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>7,571,091,690</u></b>	<b><u>8,823,143,211</u></b>

The notes on pages 13 to 32 form an integral part of these accounts.

.....*M. T. K. Tui*.....

MR. T.K. TUEI MBS

CHAIRMAN

.....*T. Kosgey*.....

MR. T. KOSGEY

MANAGING DIRECTOR

**NATIONAL CEREALS AND PRODUCE BOARD  
PROFIT AND LOSS ACCOUNT**

	<u>Note</u>	<u>30TH JUNE 2003</u>	<u>30TH JUNE 2002</u>
		KShs	KShs
<b>GROSS SALES</b>	23	2,377,298,739	2,092,846,981
<b>COST OF SALES</b>	23	<u>2,308,533,226</u>	<u>2,999,526,239</u>
<b>GROSS MARGIN GAIN</b>		68,765,513	(906,679,258)
<b>GROSS MARGIN GAIN AS A PERCENTAGE TO GROSS SALES</b>		2.9%	-43.3%
<b><u>ADD:</u></b>			
Other Income	24	<u>405,493,416</u>	<u>483,709,297</u>
<b>TOTAL INCOME</b>		474,258,929	(422,969,961)
<b><u>LESS: EXPENDITURE</u></b>			
Railage and Road transport costs	25	130,812,513	443,743,331
Export Costs	25	25,818,928	121,732,967
Operating and administration expenses	25	<u>644,102,982</u>	<u>777,261,570</u>
		<u>800,734,423</u>	<u>1,342,737,868</u>
<b>PROFIT/(LOSS) BEFORE DEPRECIATION, BAD DEBTS AND EXTRA ORDINARY ITEMS</b>		(326,475,494)	(1,765,707,829)
<b><u>Deduct: Provisions</u></b>			
Depreciation expense		415,449,493	408,901,823
Bad and doubtful debts		<u>21,229,002</u>	<u>13,839,452</u>
		<u>436,678,495</u>	<u>422,741,275</u>
<b>PROFIT/(LOSS) BEFORE EXTRA ORDINARY ITEMS</b>		(763,153,989)	(2,188,449,104)
<b><u>Extra-Ordinary Item:</u></b>			
Early retirement staff costs		<u>3,359,840</u>	<u>14,312,573</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		(766,513,829)	(2,202,761,677)
Taxation for the year		<u>0</u>	<u>0</u>
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>			
<b>TRANSFERRED TO REVENUE RESERVES</b>		<u>(766,513,829)</u>	<u>(2,202,761,677)</u>

NATIONAL CEREALS AND PRODUCE BOARD  
STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2003

	Capital <u>Fund</u> Kshs.	Revaluation <u>Reserve</u> Kshs.	Revenue <u>Reserve</u> Kshs.	Total <u>Equity</u> Kshs.
At 1st July 2001	6,304,142,172	2,699,423,826	(255,516,354)	8,748,049,644
Prior Year				
Adjustment	0	0	1,439,125	1,439,125
Net Profit/(Loss)				
For the Year	0	0	(2,202,761,677)	(2,202,761,677)
<b>At 30 th June 2002</b>	<b><u>6,304,142,172</u></b>	<b><u>2,699,423,826</u></b>	<b><u>(2,456,838,906)</u></b>	<b><u>6,546,727,092</u></b>
At 1st July 2002	6,304,142,172	2,699,423,826	(2,456,838,906)	6,546,727,092
Prior Year				
Adjustment	0	0	8,444,322	8,444,322
Net Profit/(Loss)				
For the Year	0	0	(766,513,829)	(766,513,829)
<b>At 30 th June 2003</b>	<b><u>6,304,142,172</u></b>	<b><u>2,699,423,826</u></b>	<b><u>(3,214,908,413)</u></b>	<b><u>5,788,657,585</u></b>

## NATIONAL CEREALS AND PRODUCE BOARD

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2003

	<u>30TH JUNE 2003</u>	<u>30TH JUNE 2002</u>
	Kshs.	Kshs.
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
<b>Loss before extraordinary items</b>	<b>(763,153,989)</b>	<b>(2,188,449,104)</b>
Adjustments for:		
Provision for Depreciation	415,449,493	408,901,824
Provision for stock shrinkage	641,870	-6,654,184
Provision for doubtful debts	21,229,002	13,839,452
Gain on disposal of equipment	<u>322,538</u>	<u>-9,113</u>
<b>Operating Profit before</b>		
<b>working capital changes</b>	<b>-325,511,086</b>	<b>-1,772,371,125</b>
(Increase)/decrease in debtors	1,114,089,848	-547,426,013
(Increase)/decrease in stocks	558,739,904	1,793,240,545
Increase/(decrease) in creditors	146,618,743	829,611,167
Increase/(decrease) in bank loan	<u>0</u>	<u>0</u>
<b>Cash generated from operations</b>	<b>1,493,937,409</b>	<b>303,054,574</b>
Extraordinary items:		
Early retirement payments	(3,359,840)	(14,312,573)
Prior year adjustments	<u>8,444,322</u>	<u>1,439,125</u>
<b>Net cash from operating activities</b>	<b><u>1,499,021,891</u></b>	<b><u>290,181,126</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Additions to Fixed Assets	(9,836,418)	(20,188,836)
Proceeds from Sale of Equipment	(322,538)	9,113
Reduction to Investments and loans	<u>2,957,524</u>	<u>15,345,634</u>
<b>Net cash flow from investing activities</b>	<b><u>(7,201,432)</u></b>	<b><u>(4,834,089)</u></b>
<b>Net increase/(decrease) in cash and cash equiv:</b>	<b>1,491,820,459</b>	<b>285,347,037</b>
Cash and cash equivalent at the beginning		
of the year:		
Cash at Bank and on hand	179,013,533	68,912,770
Bank Overdraft	<u>(640,619,920)</u>	<u>(815,866,194)</u>
<b>Cash and Cash equivalent at end of year</b>	<b><u>1,030,214,071</u></b>	<b><u>(461,606,387)</u></b>
<b>ANALYSIS OF CASH HELD</b>		
<b><u>END OF YEAR</u></b>		
Cash at Bank and on hand	1,030,233,234	179,013,533
Bank Overdraft	<u>(19,163)</u>	<u>(640,619,920)</u>
	<b><u>1,030,214,071</u></b>	<b><u>(461,606,387)</u></b>

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**NATIONAL CEREALS AND PRODUCE BOARD**  
**NOTES TO THE ACCOUNTS - 30TH JUNE 2003**

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

**NATIONAL CEREALS AND PRODUCE BOARD**  
**NOTES TO THE ACCOUNTS - 30TH JUNE 2003**  
**(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 2003

(continued)

3. FIXED ASSETS

	Freehold		Fencing		Motor Vehicles	Plant & Machinery & Construction		Total
	& Unsurveyed	Leasehold	Driveways &	Buildings and		Equipment	in Progress	
	<u>Land</u>	<u>Land</u>	<u>Civil works</u>	<u>Grain Silos</u>		<u>Equipment</u>	<u>in Progress</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 2002	61,759,128	355,573,752	326,745,231	5,507,581,382	41,557,087	1,589,089,609	31,010,645	7,913,316,834
Additions	5,011,456		0	949,000	8,710,148	5,371,154	18,288,582	38,330,340
Adjustment	0		0	0	0	0	0	0
Transfers	0		0	28,387,582	0	0	(28,387,582)	0
Disposals	0	0	0	0	(1,625,000)	(7,990,000)	0	(9,615,000)
At 30th								
June 2003	<u>66,770,584</u>	<u>355,573,752</u>	<u>326,745,231</u>	<u>5,536,917,964</u>	<u>48,642,235</u>	<u>1,586,470,763</u>	<u>20,911,645</u>	<u>7,942,032,174</u>
Depreciation:								
At 30th								
June 2002	0	0	45,704,909	1,192,202,238	35,719,095	1,178,694,414	0	2,452,320,656
Charge for								
the period	0	4,723,728	8,168,631	202,825,521	3,664,936	196,066,678	0	415,449,494
On disposal	0		0	0	(1,083,333)	(6,587,538)	0	(7,670,871)
Adjustment	0	<u>26,549,792</u>	0	0	0	0	0	<u>26,549,792</u>
At 30th								
June 2003	0	<u>31,273,520</u>	<u>53,873,540</u>	<u>1,395,027,759</u>	<u>38,300,698</u>	<u>1,368,173,554</u>	0	<u>2,886,649,071</u>
Net Book								
Value:								
At 30th								
June 2003	<u>66,770,584</u>	<u>324,300,232</u>	<u>272,871,691</u>	<u>4,141,890,205</u>	<u>10,341,537</u>	<u>218,297,209</u>	<u>20,911,645</u>	<u>5,055,383,103</u>
At 30th								
June 2002	<u>417,332,880</u>	0	<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>

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**NATIONAL CEREALS AND PRODUCE BOARD**  
**NOTES TO THE ACCOUNTS - 30TH JUNE 2003**  
**(Continued)**

**4.1 INVESTMENTS**

<b>Composition</b>	<b><u>30.06.2003</u></b> <b>Kshs.</b>	<b><u>30.06.2002</u></b> <b>Kshs.</b>
(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	2,170,740	2,170,740
Less: Provisions for bad and Doubtful debts	<u>(2,170,740)</u>	<u>(2,170,740)</u>
<b>Net Investments as at 30<sup>th</sup> June 2003</b>	<b>0</b>	<b>0</b>

**(a) Kenya Peanuts Company Limited**

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

**(b) Kenya Cashews Limited**

As reported in the previous Financial Years, Kenya Cashews Limited (dormant since inception), is a wholly owned subsidiary of the Board. It was originally intended that the Company would construct a new 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.

**NATIONAL CEREALS AND PRODUCE BOARD**  
**NOTES TO THE ACCOUNTS - 30TH JUNE 2003**

(Continued)

**4.2 LOANS**

<b>Composition</b>	<b><u>30.06.2003</u></b> <b>Kshs.</b>	<b><u>30.06.2002</u></b> <b>Kshs.</b>
(i) Milling Corporation of Kenya	10,052,817	13,250,139
(ii) Kenya Cashewnuts Limited:	120,521,118	120,521,118
(iii) Kenya Cashews Limited	<u>231,080</u>	<u>231,080</u>
Sub total	130,805,015	134,002,337
Less: Provisions for bad and Doubtful debts	<u>(121,506,159)</u>	<u>(121,745,958)</u>
<b>Net loans as at 30<sup>th</sup> June 2003</b>	<b><u>9,298,856</u></b>	<b><u>12,256,379</u></b>

**(a) Kenya Cashews Limited**

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

**(b) Milling Corporation of Kenya Limited**

As part of the Sale Agreement, the trade debt of Kshs 35.90 Million as at 11<sup>th</sup> April 1994 was converted into an Interest Free Secured Loan, payable over a period of 5 years commencing from 1<sup>st</sup> 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.8,042,192.00.

As the loan is fully covered by collateral securities, a general provision of 7.5 %, amounting to kshs. 753,961.00 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 2003**  
**(Continued)**

(c) **Kenya Cashewnuts Limited**

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.195,436,774.(2001/2002 Kshs 754,818,549) were composed of the following:-

	<b><u>30.06.2003</u></b>	<b><u>30.06.2002</u></b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
a) <b>Composition of Stocks:</b>		
Local white Maize	0	703,944,690
Sorghum	2,499,484	0
Wheat – Local	188,100	585,500
Local milled rice	8,572,945	505,865
Castor Seeds	640	640
Wimbi	4,412,265	4,426,785
Millet	17,809,844	0
Packaging bags(Jute/PP)	139,742,003	44,946,157
Insecticides	1,052,901	878,151
Sub- Total	174,278,182	755,287,788
<b>Less:- 2.2 % Provision for Stock shrinkage</b>	<b>446,196</b>	<b>22,383,526</b>
Sub – Total	173,831,986	732,904,262
b) Stocks of Consumables	<u>21,604,788</u>	<u>21,914,287</u>
<b>Total closing stocks at year end</b>	<b><u>195,436,774</u></b>	<b><u>754,818,549</u></b>

**NATIONAL CEREALS AND PRODUCE BOARD**  
**NOTES TO THE ACCOUNTS - 30TH JUNE 2003**

(Continued)

**6. DEBTORS AND PREPAYMENTS**

**6.1 Breakdown analysis**

<u>Category</u>	<u>30.06.2003</u> Kshs.	<u>30.06.2002</u> Kshs.
Former Associated company	160,078	160,078
Debtors for imported Wheat	35,633,354	35,633,354
Trade Debtors	659,213,891	1,030,379,066
Staff debtors	52,675,398	50,960,171
Sundry debtors & Prepayments	<u>48,332,571</u>	<u>46,735,228</u>
	796,015,292	1,163,867,897
Less: Cumulative Provisions for bad and doubtful Debts	<u>(515,136,236)</u>	<u>(493,667,434)</u>
<b>Total Debtors and Prepayments as at year end</b>	<b><u>280,879,056</u></b>	<b><u>670,200,463</u></b>

**6.2 Notes on Debtors and Prepayments:**

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

	<u>30.06.2003</u> Kshs.	<u>30.06.2002</u> Kshs.
Kenya Peanuts Company Ltd	<u>160,078</u>	<u>160,078</u>
	160,078	160,078

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

	<u>30.06.2003</u> Kshs.	<u>30.06.2002</u> Kshs.
Associated companies	160,078	160,078
Debtors for imported wheat	35,633,354	35,633,354
Other trade debtors	442,387,022	419,611,525
Staff debtors	33,354,848	34,757,336
Sundry debtors	<u>3,600,934</u>	<u>3,505,142</u>
<b>Total cumulative Provision</b>	<b><u>515,136,236</u></b>	<b><u>493,667,435</u></b>

**NATIONAL CEREALS AND PRODUCE BOARD**  
**NOTES TO THE ACCOUNTS - 30TH JUNE 2003**  
**(Continued)**

**7 GOVERNMENT DEBTORS – OLD DEBT**

As part of NCPB commercialization reform process all past Government debts and obligations outstanding as at 30<sup>th</sup> 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 1<sup>st</sup> 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 KShs 596,523,221.00 as at 30<sup>th</sup> June 2003 as analyzed here under:-

	<u>30.06.2003</u>	<u>30.06.2002</u>
	Kshs	Kshs
Balance B/F 01/07/2002	1,291,116,828	1,706,172,828
<b>Deduct:</b> Amount received		
During the year	500,000,000	415,056,000
	791,116,828	1,291,116,828
<b>Less:</b> Provisions for bad &		
doubtful debts	194,593,607	194,593,607
<b>Balance outstanding</b>		
<b>At year end</b>	<u>596,523,221</u>	<u>1,096,523,221</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 1<sup>st</sup> 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 2003  
(Continued)

8.2 The rates which were applicable for various services and facilities in 2001/2002 FY were revised with effect from 13<sup>th</sup> November, 2002 as follows:-

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

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NATIONAL DEBTS AND PRODUCE DEBTS  
NOTES TO THE ACCOUNTS - 30TH JUNE 2003

(Continued)

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

	<u>Cumulative</u> <u>Amounts Due</u> KShs	<u>Amounts</u> <u>Received</u> KShs	<u>Net amounts</u> <u>Outstanding</u> KShs
<b>a) Strategic Grain</b>			
<u>Reserve Programme- Old Account</u>			
Balance B/F on 1/7/2002	163,807,949	0	163,807,949
2002/2003 expenses:-			
Direct costs	0	0	0
Storage Charges	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub - Total</b>	<u>163,807,949</u>	<u>0</u>	<u>163,807,949</u>
<b>b) Famine Relief Programme</b>			
Balance B/F on 1/7/2002	108,451,506	108,451,506	0
2002/2003 expenses:-			<u>0</u>
Direct costs	87,072,675	60,574,303	26,498,372
Agency Commission	<u>104,568,829</u>	<u>95,917,803</u>	<u>8,651,026</u>
<b>Sub - Total</b>	<u>300,093,010</u>	<u>264,943,613</u>	<u>35,149,397</u>
<b>c) GOK 17 selected</b>			
<u>Depots for F/Relief</u>			
Balance B/F on 1/7/2002	218,327,246	41,885,167	176,442,079
2002/2003 expenses:-			0
Operating expenses	21,334,226	0	21,334,226
Storage Charges	0	0	0
5 % Management fees	<u>1,066,741</u>	<u>0</u>	<u>1,066,741</u>
<b>Sub - Total</b>	<u>240,728,213</u>	<u>41,885,167</u>	<u>198,843,046</u>
<b>d) Strategic Grain</b>			
<u>Reserve Programme - New Account</u>			
Balance B/F on 1/7/2002	158,748,187	158,748,187	0
2002/2003 expenses:-			
Direct costs	483,334,492	483,334,492	0
Agency Commission	<u>134,942,830</u>	<u>128,532,972</u>	<u>6,409,858</u>
<b>Sub - Total</b>	<u>777,025,509</u>	<u>770,615,651</u>	<u>6,409,858</u>
<b>Total (a+b+c+d)</b>	<u>1,481,654,681</u>	<u>1,077,444,431</u>	<u>404,210,250</u>
<b>e) Less:</b>		Net sales proceeds from sale of returned gunny bags	872,804
			<u>403,337,446</u>
<b>Net Amount outstanding as at 30<sup>th</sup> June 2003</b>			<u>403,337,446</u>

**NATIONAL CEREALS AND PRODUCE BOARD**  
**NOTES TO THE ACCOUNTS - 30TH JUNE 2003**

(Continued)

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

The amount of KShs 1,030,233,234.00 represents bank balances and cash-in-hand held in the Board's Cash Offices at Head Office and Depot/Silos as of 30th June, 2003.

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. 19,163.00 as reflected in the Balance sheet consisted of the following:-

	<u>30.06.2003</u>	<u>30.06.2002</u>
	Kshs	Kshs
Head Office Main Account	0	640,618,974
Overdrawn Depot Cash-books	19,163	946
	<u>19,163</u>	<u>640,619,920</u>

11. **CREDITORS AND PROVISIONS**

	<u>30.06.2003</u>	<u>30.06.2002</u>
	Kshs	Kshs
Trade creditors	129,190,093	212,067,136
Creditors – Owings to Suppliers	14,224,280	695,243,961
Creditors - Staff	4,072,935	0
Sundry Creditors and Provisions	329,879,442	410,875,886
	<u>477,366,750</u>	<u>1,318,538,132</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:-

	30.06.2003	30.06.2002
	Kshs	Kshs
Balance due to GOK as at year end	174,063,028.00	174,063,028.00

**NATIONAL CEREALS AND PRODUCE BOARD**  
**NOTES TO THE ACCOUNTS - 30TH JUNE 2003**  
**(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 18<sup>th</sup> 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, 2003 remained the same as in previous year.

	<u>30.06.2003</u>	<u>30.06.2002</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 **CREDITORS - DUE TO GOK ON BORROWED STOCKS**

The Board borrowed 847,450 bags of maize and 533 bags of beans valued at Kshs. 987,790,125.00 from GOK Famine Relief Programme during the year which was sold commercially to ease mounting pressure arising from maize shortage in the country. The borrowed maize will be replaced in the coming season.

15 **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 30<sup>th</sup> June 2002 which reflected a cumulative taxable losses amounting to KShs 6,597,736,380.00

16 **CAPITAL FUND**

	30 <sup>th</sup> June 2003	30 <sup>th</sup> June 2002
	Amount (KShs)	Amount (KShs)
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 2003**  
**(Continued)**

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

**18 REVENUE RESERVE ACCOUNT**

The Board recorded a Net Operating Loss of KShs. 766,513,829 during the year under review on its commercial activities. The loss together with the prior year adjustment have been transferred to the Revenue Reserves Account thereby eroding the unappropriated retained surpluses to a negative position, with a debit balance of Kshs. 3,214,908,413.00 as reflected in the Balance Sheet.

**19 CONTINGENT LIABILITIES**

The Board had contingent liabilities amounting to KShs. 71.37 Million as at 30th June, 2003 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.

**20 STAFF ESTABLISHMENT**

The staff establishment as at 30<sup>th</sup> June 2003 was 950 employees.

**21 CURRENCY**

The financial statements are presented in Kenya Shillings (KShs)

**22 RETIREMENT BENEFITS OBLIGATIONS**

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

NATIONAL CEREALS AND PRODUCE BOARD  
 NOTES TO THE ACCOUNTS - 30TH JUNE 2003  
 PROFIT AND LOSS ACCOUNT 2002/2003 FY

PER PRODUCT	LOCAL MAIZE		MAIZE EXPORTS		WHEAT		RICE		GUMMIES		MISCELLANEOUS		BEANS		CASTOR SEEDS		MILLET		SOPHOROLUM		30TH JUNE 2003		THE YEAR ENDED 30TH JUNE 2002	
	MAIZE KSHS	LOCAL KSHS	EXPORTS KSHS	WHEAT KSHS	RICE KSHS	GUMMIES KSHS	MISCELLANEOUS KSHS	BEANS KSHS	CASTOR SEEDS KSHS	MILLET KSHS	SOPHOROLUM KSHS	30TH JUNE 2003 KSHS	THE YEAR ENDED 30TH JUNE 2002 KSHS	30TH JUNE 2003 KSHS	THE YEAR ENDED 30TH JUNE 2002 KSHS									
GROSS SALES	1,899,797,101	356,794,200	2,482,000	2,482,000	35,013,954	58,012,458	1,138,038	23,843,854	0	17,080	0	0	2,317,298,737	2,077,846,981										
COST OF SALES	703,944,690	0	585,500	585,500	505,865	44,946,157	878,151	0	640	4,426,785	0	0	755,287,788	2,573,061,330										
Opening stock	517,074,484	0	0	37,014,924	143,964,587	1,602,193	19,674,024	0	0	17,790,622	2,484,991	739,091,655	1,215,621,103											
Purchases	986,724,125	0	0	0	0	0	1,066,000	0	0	0	0	987,790,125	171,778											
Transfer (to)/from COG	(356,794,200)	356,794,200	0	0	0	0	0	0	0	0	0	0	0											
Transfer to Export Acco	0	0	0	0	0	0	0	0	0	0	0	0	0											
Plant/Driver loss-Realize	195,674	0	0	0	0	0	0	0	0	391,526	54,670	(6,654,184)	(27,385,000)											
Provision for Stock shrink	0	0	0	(188,150)	(8,572,945)	(139,742,003)	(1,052,901)	0	(640)	(17,809,844)	(2,499,484)	(174,278,183)	(755,287,788)											
Closing stock	1,851,144,773	356,794,200	397,400	29,027,844	49,168,540	827,443	20,740,024	0	14,520	378,303	40,177	2,358,533,226	2,999,526,232											
GROSS PROFIT/(LOSS)	48,452,328	0	2,264,400	5,984,113	8,843,918	310,645	3,103,832	0	2,540	(378,303)	(40,177)	48,765,513	(904,679,258)											
Gross Profit/(Loss) as a percentage to sales	2.55%	0.00%	85.18%	17.10%	15.24%	27.30%	13.02%	0.00%	14.95%	0.00%	0.00%	2.89%	-43.32%											
OTHER INCOME	Revenue from Services & other miscellaneous income	0	0	0	0	0	0	0	0	0	0	405,493,416	483,209,297											
GROSS PROFIT/(LOSS) A	48,452,328	0	2,264,400	5,984,113	8,843,918	310,645	3,103,832	0	2,540	(378,303)	(40,177)	48,765,513	(904,679,258)											
LESS EXPENDITURE	Freight and Road transport costs	123,209,230	0	0	192,983	7,374,136	36,164	0	0	0	0	130,812,513	443,743,331											
Export Costs	Finance charges net of interest earned	0	0	0	0	0	0	0	0	0	0	25,818,928	121,739,967											
Staff costs and wages operating and administration expense	0	0	0	0	0	0	0	0	0	0	0	54,730,098	163,562,288											
PROFIT/(LOSS) BEFORE DEPRECIATION AND EXTRA ORDINARY ITEMS	123,209,230	25,818,928	7,374,136	1,469,781	0	0	0	0	0	0	0	231,213,704	264,044,825											
DEPRECIATION	74,556,901	-5,818,928	0	0	0	0	0	0	0	0	0	600,734,423	1,342,737,858											
AND EXTRA ORDINARY ITEMS	0	0	0	0	0	0	0	0	0	0	0	0	0											
DEDUCT	0	0	0	0	0	0	0	0	0	0	0	0	0											
NET PROFIT/(LOSS) FOR THE YEAR	48,452,328	20,000,000	7,374,136	1,469,781	0	0	0	0	0	0	0	174,476,781	(1,080,737,291)											



## NATIONAL CEREALS AND PRODUCE BOARD

## NOTES TO THE ACCOUNTS - 30TH JUNE 2003

STOCK FLOWS PER PRODUCT

(continued)

23.3 STOCK FLOWS 2002/2003 \*\*

	<u>MAIZE</u> 90kgs Bags	<u>WHEAT</u> 90kgs Bags	<u>RICE</u> 100kgs Bags	<u>GUNNIES</u> Pieces	<u>INSECTICIDES</u> 25 kg Packets	<u>BEANS</u> 90kgs Bags	<u>SEEDS</u> 65kgs Bags	<u>WIMBI</u> 80kgs Bags	<u>MILLET</u> 80kgs Bags	<u>SORGHUM</u> 80kgs Bags
OPENING STOCKS	772,185	405	76	1,427,751	624	0	4	2,439	0	0
PURCHASES	<u>548,375</u>	<u>0</u>	<u>6,403</u>	<u>2,975,494</u>	<u>120</u>	<u>10,751</u>	<u>0</u>	<u>0</u>	<u>19,368</u>	<u>2,823</u>
STOCK AVAILABLE FOR SALE	<u>1,320,560</u>	<u>405</u>	<u>6,479</u>	<u>4,403,245</u>	<u>744</u>	<u>10,751</u>	<u>4</u>	<u>2,439</u>	<u>19,368</u>	<u>2,823</u>
SALES	2,177,508	2,235	4,989	1,494,744	244	11,353	0	8	0	0
TRANSFER TO/(FM) GOK STOCKS	(847,450)					(533)				
STORAGE LOSS/(GAIN)										
ADJUSTMENT	<u>(9,498)</u>	<u>(1,966)</u>	<u>(73)</u>	<u>(10,330)</u>	<u>(2)</u>	<u>(69)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
DISPOSALS DURING YEAR	<u>1,320,560</u>	<u>269</u>	<u>4,916</u>	<u>1,484,414</u>	<u>241</u>	<u>10,751</u>	<u>0</u>	<u>8</u>	<u>0</u>	<u>0</u>
CLOSING STOCKS	0	<u>136</u>	<u>1,563</u>	<u>2,918,831</u>	<u>503</u>	0	<u>4</u>	<u>2,431</u>	<u>19,368</u>	<u>2,823</u>

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE ACCOUNTS - 30TH JUNE 2003

STOCK FLOWS PER PRODUCT

(continued)

23.3 STOCK FLOWS 2001/2002

	<u>MAIZE</u>	<u>WHEAT</u>	<u>RICE</u>	<u>GUNNIES</u>	<u>INSECTICIDES</u>	<u>BEANS</u>	<u>SEEDS</u>	<u>WIMBI</u>
	90kgs	90kgs	00kgs	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>	0	0	<u>3,529,078</u>	<u>200</u>	0	0	0
STOCK AVAILABLE FOR SALE	<u>3,096,148</u>	<u>591</u>	<u>378</u>	<u>3,661,814</u>	<u>1,329</u>	0	4	<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>	1	<u>(183,473)</u>	<u>(133)</u>	0	0	0
DISPOSALS DURING YEAR	<u>2,323,963</u>	<u>186</u>	<u>302</u>	<u>2,234,063</u>	<u>705</u>	0	0	5
CLOSING STOCKS	<u>772,185</u>	<u>405</u>	<u>76</u>	<u>1,427,751</u>	<u>624</u>	0	4	<u>2,439</u>

## NATIONAL CEREALS AND PRODUCE BOARD

## NOTES TO THE ACCOUNTS - 30TH JUNE 2003

(continued)

**24. OTHER INCOME**

Other income relate to revenue earned from provision of services and of Board's properties to third parties, agency remuneration from under social functions and other miscellaneous income derived from sundry i and the summary details are as follows:-

	<u>30TH JUNE 2003</u>	<u>30TH JUNE 2002</u>
	<u>Kshs.</u>	<u>Kshs.</u>
<b>(a) Revenue from Services/facilities</b>		
Weigh Bridge charges	7,796,879	9,733,192
Bagging and handling charges	6,520,833	4,101,106
Cleaning charges	46,145	511,065
Rental charges	106,601,063	93,303,965
Drying and Fumigation	<u>24,545,617</u>	<u>52,591,502</u>
	145,510,537	160,240,830
<b>(b) Agency Services</b>		
GOK Agency remuneration	240,578,394	289,850,812
Agency commission from inputs	<u>4,213,800</u>	<u>0</u>
Sub - total (a+b)	<u><b>390,302,731</b></u>	<u><b>450,091,642</b></u>
<b>(c) Sundry Income</b>		
Receipts for Private Telephone Calls	54,783	189,652
Insurance Compensation	630,205	1,845,969
Sale of Tender documents	728,000	513,000
Sale of Obsolete Material	3,942,020	7,470,747
Other Miscellaneous Income	4,903,498	18,340,980
Other fees and charges	1,101,753	2,750,531
Gain/(Loss) on disposal of fixed asse	<u>1,061,081</u>	<u>691,576</u>
	<u><b>12,421,340</b></u>	<u><b>31,802,455</b></u>
<b>(d) Investment income</b>		
Interest earned on Short term		
Investments (FDR'S)	-	539
Interest/penalties charged on loans to former Associated Companies	2,769,345	1,814,661
Less: Withholding tax	<u>0</u>	<u>0</u>
	<u><b>2,769,345</b></u>	<u><b>1,815,200</b></u>
<b>Total other Income per</b>		
<b>Profit &amp; Loss A/C</b>	<u><b>405,493,416</b></u>	<u><b>483,707,297</b></u>

31  
 NATIONAL CEREALS AND PRODUCE BOARD  
 OPERATING AND ADMINISTRATION EXPENSES  
FOR THE YEAR ENDED 30TH JUNE 2003

(continued)

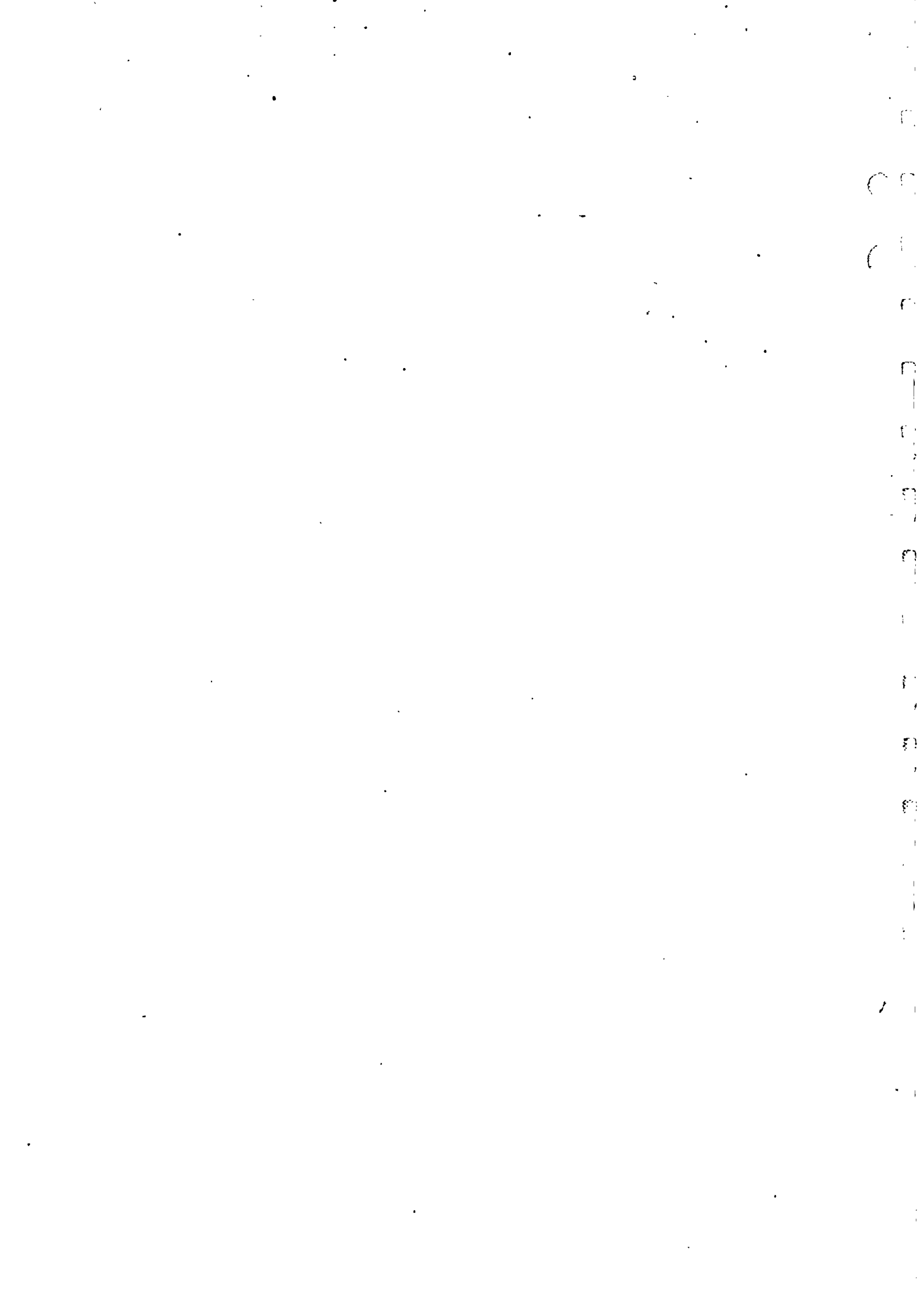
**25. EXPENDITURE DETAILS**

	<u>30TH JUNE 2003</u>	<u>30TH JUNE 2002</u>
	Kshs.	Kshs.
<b><u>GENERAL ADMINISTRATION</u></b>		
Board Members Allowances	1,523,395	1,769,500
Advertising	2,840,074	2,176,923
Conservancy, light and water	26,677,624	36,764,555
Consumable stores	545,785	142,000
Entertainment	19,940	0
General expenses	1,411,902	1,387,108
Insurance	20,289,851	10,917,602
Land rents & rates and siding charges	14,035,861	11,356,052
Maintenance of machinery, furniture and equipment	15,271,974	18,605,333
Maintenance of buildings, fences, gates, roads and railway sidings	6,359,243	5,605,970
Postage, telegram & telephone	14,930,949	20,397,675
Printing and stationery	6,487,805	8,849,947
Security expenses	48,594,531	56,838,245
Subscriptions & Nafaka Newsletter	1,218,660	988,543
Uniforms and protective clothing	104,642	373,636
Donations	176,485	1,318,742
Depreciation charges	<u>415,449,493</u>	<u>408,901,824</u>
	<u>575,938,214</u>	<u>586,393,655</u>
<b><u>GENERAL OPERATING EXPENSES</u></b>		
Fumigation expenses	10,854,016	20,174,954
Grain dryers operating costs	14,422,017	23,968,253
Commodity handling costs	930,977	518,078
Hired transport( Non-commodities)	44,475	66,580
Shows and exhibitions	2,962,271	2,207,457
Travelling and subsistence	18,055,436	17,763,618
Vehicle running costs	16,799,673	15,695,720
Provision for bad and doubtful debt	<u>21,229,002</u>	<u>13,839,452</u>
	<u>85,297,867</u>	<u>94,234,112</u>

NATIONAL CEREALS AND PRODUCE BOARD  
OPERATING AND ADMINISTRATION EXPENSES  
FOR THE YEAR ENDED 30TH JUNE 2003

(continued)

	<u>30TH JUNE 2003</u>	<u>30TH JUNE 2002</u>
	Kshs.	Kshs.
<b><u>STAFF COSTS</u></b>		
Salaries and wages	280,177,716	271,801,356
Board's contributions to Provident Fund and Staff savings schemes	22,690,754	21,581,386
Board's contribution to National Social Security Fund	2,197,480	1,656,360
Medical expenses	21,973,594	18,387,600
Leave pay and gratuities	17,568,014	13,243,335
Welfare and training	<u>13,551,622</u>	<u>22,984,370</u>
	<u>358,159,180</u>	<u>349,654,407</u>
<b><u>PROFESSIONAL EXPENSES</u></b>		
Audit fees	2,500,000	2,500,000
Legal and other professional fees	<u>4,156,119</u>	<u>3,658,385</u>
	<u>6,656,119</u>	<u>6,158,385</u>
<b>TOTAL EXPENDITURE BEFORE FINANCE COSTS</b>	<u>1,026,051,380</u>	<u>1,036,440,559</u>
<b><u>FINANCE COSTS</u></b>		
Bank charges	19,349,929	15,899,099
Bank overdraft and loan interest	<u>35,380,169</u>	<u>147,663,189</u>
	<u>54,730,098</u>	<u>163,562,288</u>
<b>TOTAL INDIRECT EXPENDITURE</b>	<u>1,080,781,478</u>	<u>1,200,002,847</u>
<b><u>DIRECT COSTS</u></b>		
Hired road & rail transport	130,812,513	443,743,331
Export Costs	<u>25,818,928</u>	<u>121,732,967.15</u>
<b>Total direct costs</b>	<u>156,631,441</u>	<u>565,476,298</u>
<b>TOTAL OPERATING EXPENDITURE</b>	<u>1,237,412,919</u>	<u>1,765,479,144</u>
<b><u>EXTRA-ORDINARY ITEM OF EXPENSE</u></b>		
Early retirement staff costs	<u>3,359,840</u>	<u>14,312,573</u>
<b>TOTAL EXPENDITURE (DIRECT AND INDIRECT)</b>	<u>1,240,772,759</u>	<u>1,779,791,717</u>

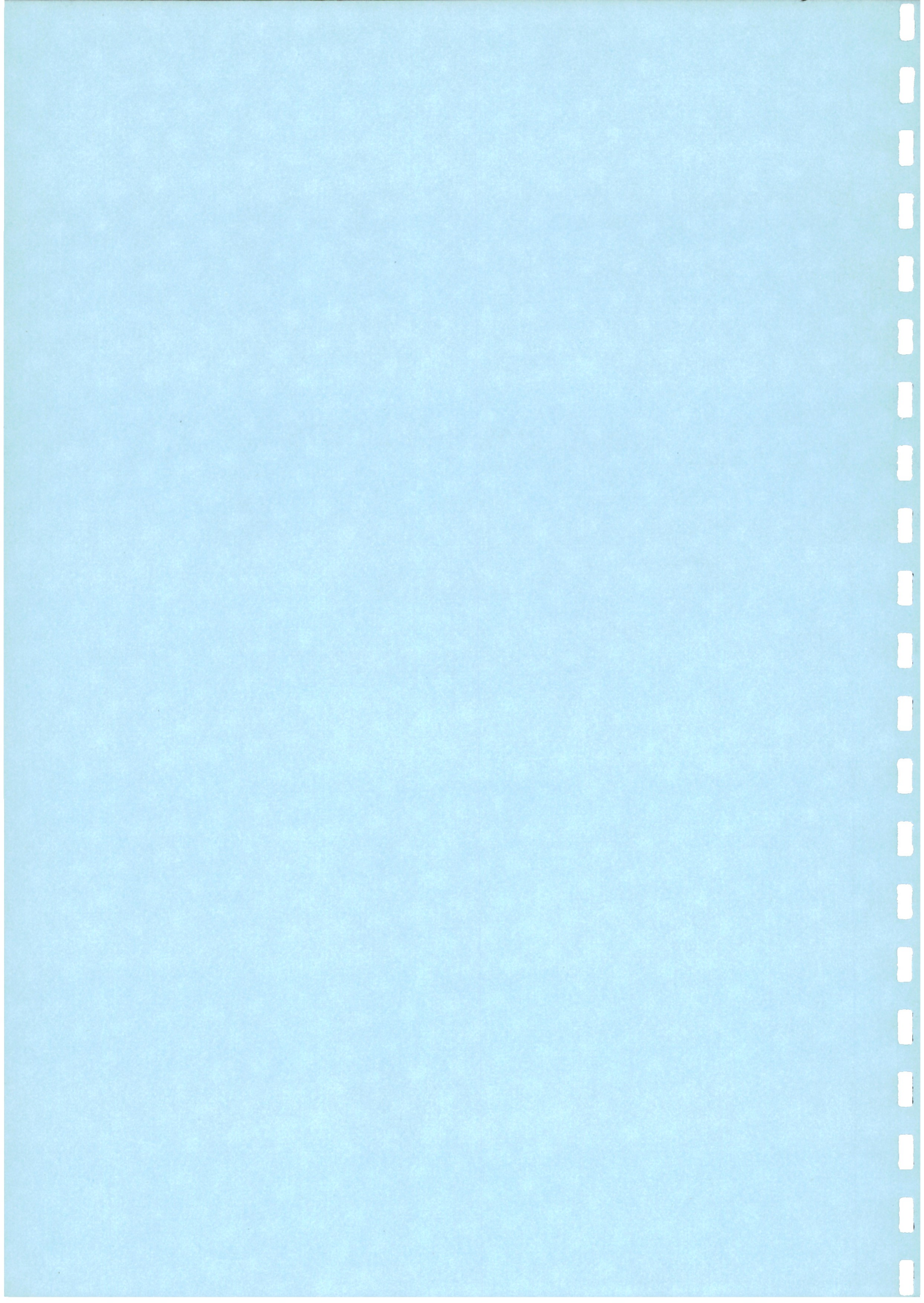


**FINANCIAL HIGHLIGHTS**

**AND**

**STATISTICS**

**1998/99 – 2002/2003**



## NATIONAL CEREALS AND PRODUCE BOARD

RATIO ANALYSIS 1989/90 - 2002/2003

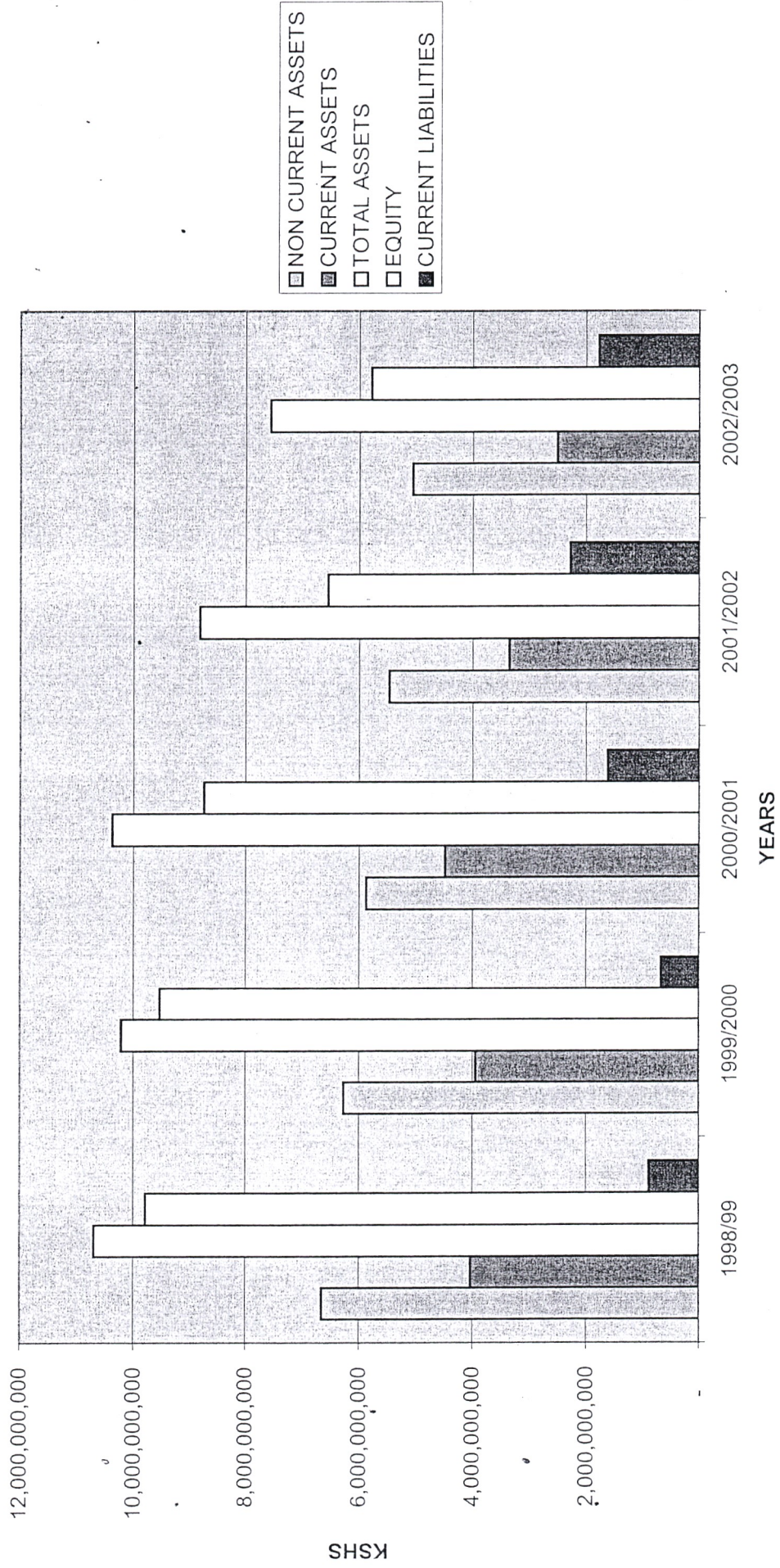
	<u>1998/99</u>	<u>1999/2000</u>	<u>2000/2001</u>	<u>2001/2002</u>	<u>2002/2003</u>
1. LIQUIDITY RATIOS					
a) Current Ratio	453.92%	584.34%	276.98%	147.16%	140.62%
b) Acid Test	376.37%	409.29%	120.30%	114.00%	129.65%
2. CAPITAL STRUCTURE RATIOS					
a) Ratio of Debt: Total Assets	8.32%	6.62%	15.64%	25.80%	23.54%
b) Gearing Ratio	0.00%	0.00%	0.00%	0.00%	0.00%
3. ACTIVITY RATIOS					
a) Turnover ratio of Sales: Capital employed	17.67%	25.40%	16.93%	31.97%	41.07%
b) Stock Turnover (Days)	29909.45%	16303.29%	50294.45%	20055.19%	7506.15%
4. PROFITABILITY RATIOS					
a) Return on capital Employed (ROCE)	-6.24%	-4.02%	-9.09%	-33.65%	-13.20%
b) Profitability of Sales					
i) Gross Margin : Sales	10.48%	13.50%	8.77%	-43.32%	2.81%
ii) Net Profit : Sales	-35.30%	-15.81%	-53.67%	-105.25%	-32.14%

## NATIONAL CEREALS AND PRODUCE BOARD

COMPARATIVE BALANCE SHEETS 1998/1999 TO 2002/2003

ASSETS	1998/99 KSHS	1999/2000 KSHS	2000/2001 KSHS	2001/2002 KSHS	2002/2003 KSHS
<b>NON - CURRENT ASSETS</b>					
FIXED ASSETS	6,625,657,731	6,239,942,930	5,849,709,166	5,460,996,178	5,055,383,103
INVESTMENT	25,393,908	26,541,194	27,602,013	12,256,379	9,298,856
LOANS	0	0	0	0	0
	<u>6,651,051,639</u>	<u>6,266,484,124</u>	<u>5,877,311,179</u>	<u>5,473,252,557</u>	<u>5,064,681,959</u>
<b>CURRENT ASSETS</b>	<u>4,036,593,680</u>	<u>3,949,322,003</u>	<u>4,492,789,692</u>	<u>3,349,890,654</u>	<u>2,506,409,731</u>
<b>TOTAL ASSETS</b>	<b><u>10,687,645,319</u></b>	<b><u>10,215,806,127</u></b>	<b><u>10,370,100,871</u></b>	<b><u>8,823,143,211</u></b>	<b><u>7,571,091,690</u></b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
CAPITAL FUND	6,304,142,172	6,304,142,172	6,304,142,172	6,304,142,172	6,304,142,172
REVALUATION RESERVE	2,699,423,826	2,699,423,826	2,699,423,826	2,699,423,826	2,699,423,826
ACCUMULATED SURPLUS	<u>794,812,937</u>	<u>536,378,622</u>	<u>(255,516,354)</u>	<u>(2,456,838,906)</u>	<u>(3,214,908,413)</u>
	<u>9,798,378,935</u>	<u>9,539,944,620</u>	<u>8,748,049,644</u>	<u>6,546,727,092</u>	<u>5,788,657,585</u>
<b>CURRENT LIABILITIES</b>	<u>889,266,384</u>	<u>675,861,507</u>	<u>1,622,051,227</u>	<u>2,276,416,119</u>	<u>1,782,434,105</u>
<b>EQUITY AND LIABILITIES</b>	<b><u>10,687,645,319</u></b>	<b><u>10,215,806,127</u></b>	<b><u>10,370,100,871</u></b>	<b><u>8,823,143,211</u></b>	<b><u>7,571,091,690</u></b>

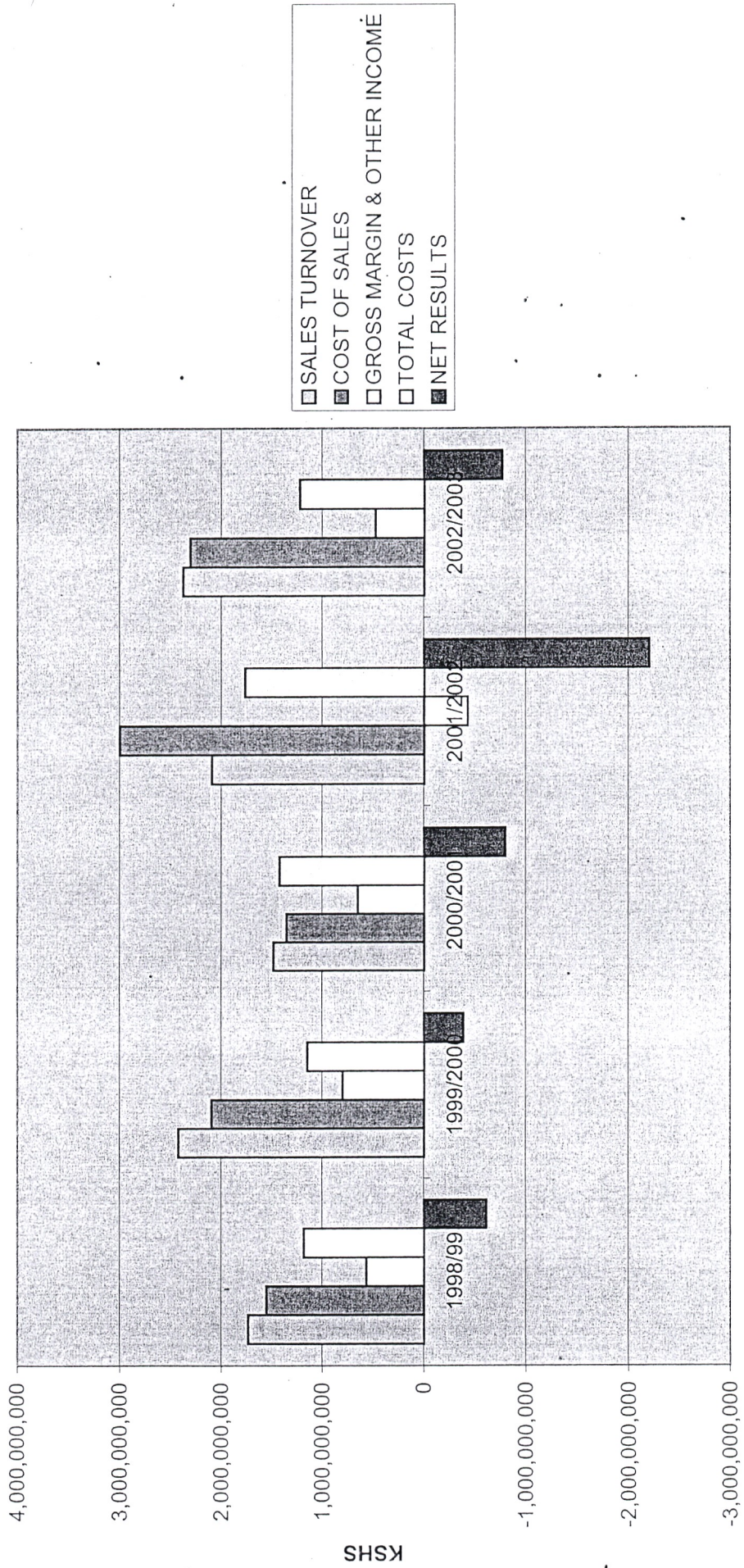
3  
**NATIONAL CEREALS AND PRODUCE BOARD  
 BALANCE SHEET 1998/99 TO 2002/2003**

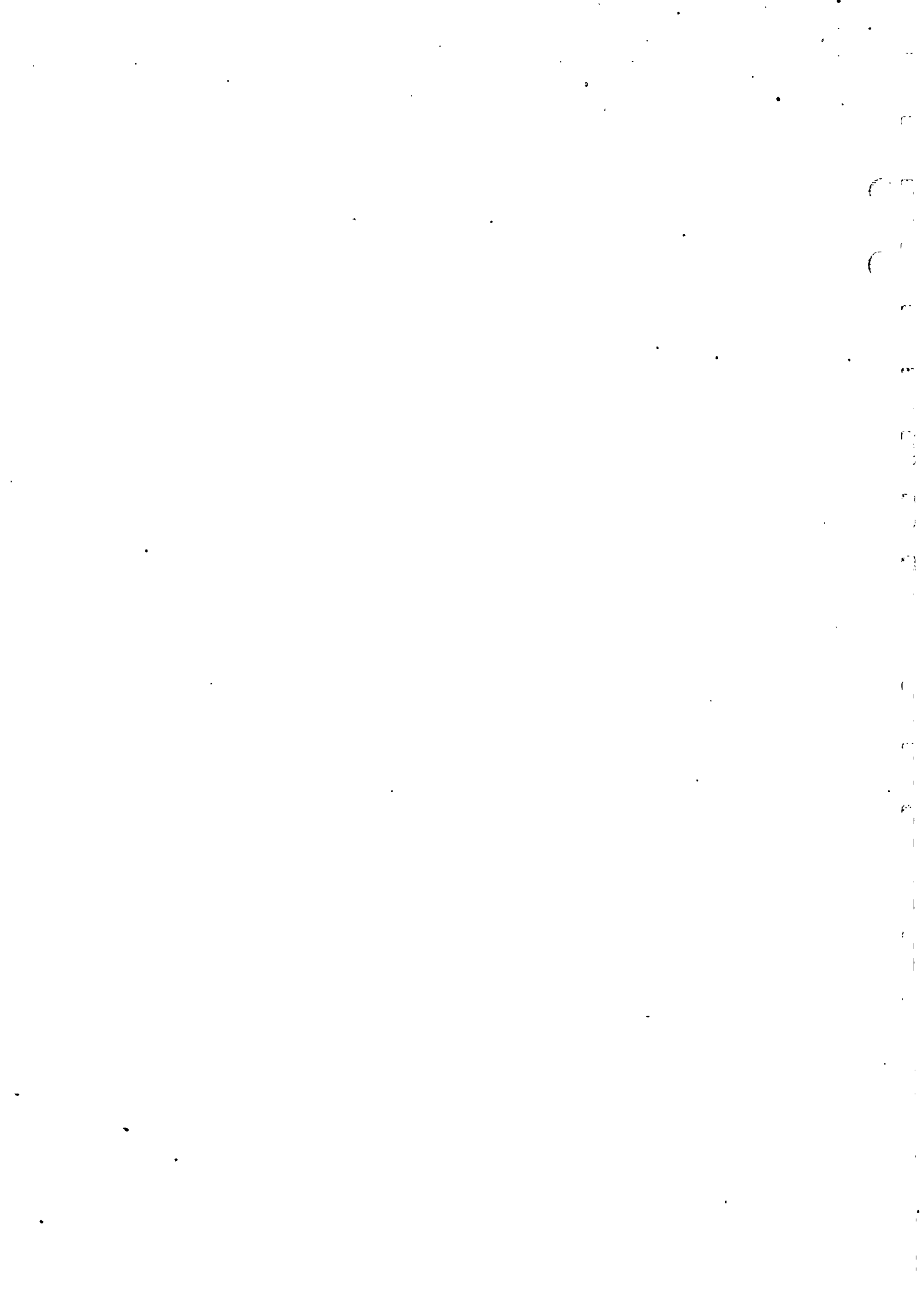


**NATIONAL CEREALS AND PRODUCE BOARD**  
**SUMMARY OF OPERATING RESULTS**  
**1998/1999 TO 2002/2003 FY**

	<u>1998/99</u> KSHS	<u>1999/2000</u> KSHS	<u>2000/2001</u> KSHS	<u>2001/2002</u> KSHS	<u>2002/2003</u> KSHS
SALES TURNOVER	1,731,860,323	2,423,548,147	1,481,349,426	2,092,846,981	2,377,298,739
COST OF SALES	<u>1,550,349,390</u>	<u>2,096,337,855</u>	<u>1,351,469,228</u>	<u>2,999,526,239</u>	<u>2,308,533,226</u>
<b>GROSS MARGIN</b>	181,510,933	<b>327,210,292</b>	<b>129,880,198</b>	<b>(906,679,258)</b>	<b>68,765,513</b>
GROSS MARGIN AS A PERCENTAGE OF SALES	10.48%	13.50%	8.77%	-43.32%	2.81%
OTHER INCOME	<u>385,072,506</u>	<u>469,936,525</u>	<u>516,207,027</u>	<u>483,644,714</u>	<u>405,493,416</u>
<b>GROSS MARGIN &amp; OTHER INCOME</b>	566,583,439	<b>797,146,817</b>	<b>646,087,225</b>	<b>(423,034,544)</b>	<b>474,258,929</b>
TOTAL COSTS BEFORE BAD DEBTS, DEPRECIATION AND EXTRA ORDINARY ITEMS	<u>699,770,713</u>	<u>715,669,621</u>	<u>943,387,226</u>	<u>1,342,737,868</u>	<u>800,734,423</u>
<b>SURPLUS/(DEFICIT)</b> <b>BEFORE BAD DEBTS, DEPRECIATION</b> <b>AND EXTRA ORDINARY ITEMS</b>	<b>(133,187,274)</b>	<b>81,477,196</b>	<b>(297,300,001)</b>	<b>(1,765,772,412)</b>	<b>(326,475,494)</b>
Depreciation Expense	415,898,614	417,965,623	408,643,951	408,837,240	415,449,493
Provision for bad and doubtful debts		35,939,598	18,715,373	13,839,452	21,229,002
Extra-Ordinary Items:	<u>62,269,855</u>	<u>10,728,600</u>	<u>70,411,993</u>	<u>14,312,573</u>	<u>3,359,840</u>
<b>SURPLUS/(DEFICIT)</b>	<b><u>(611,355,743)</u></b>	<b><u>(383,156,625)</u></b>	<b><u>(795,071,318)</u></b>	<b><u>(2,202,761,677)</u></b>	<b><u>(766,513,829)</u></b>

NATIONAL CEREALS AND PRODUCE BOARD  
SUMMARY OF OPERATING RESULTS 1998/99 TO 2002/2003





# **NATIONAL CEREALS AND PRODUCE BOARD**

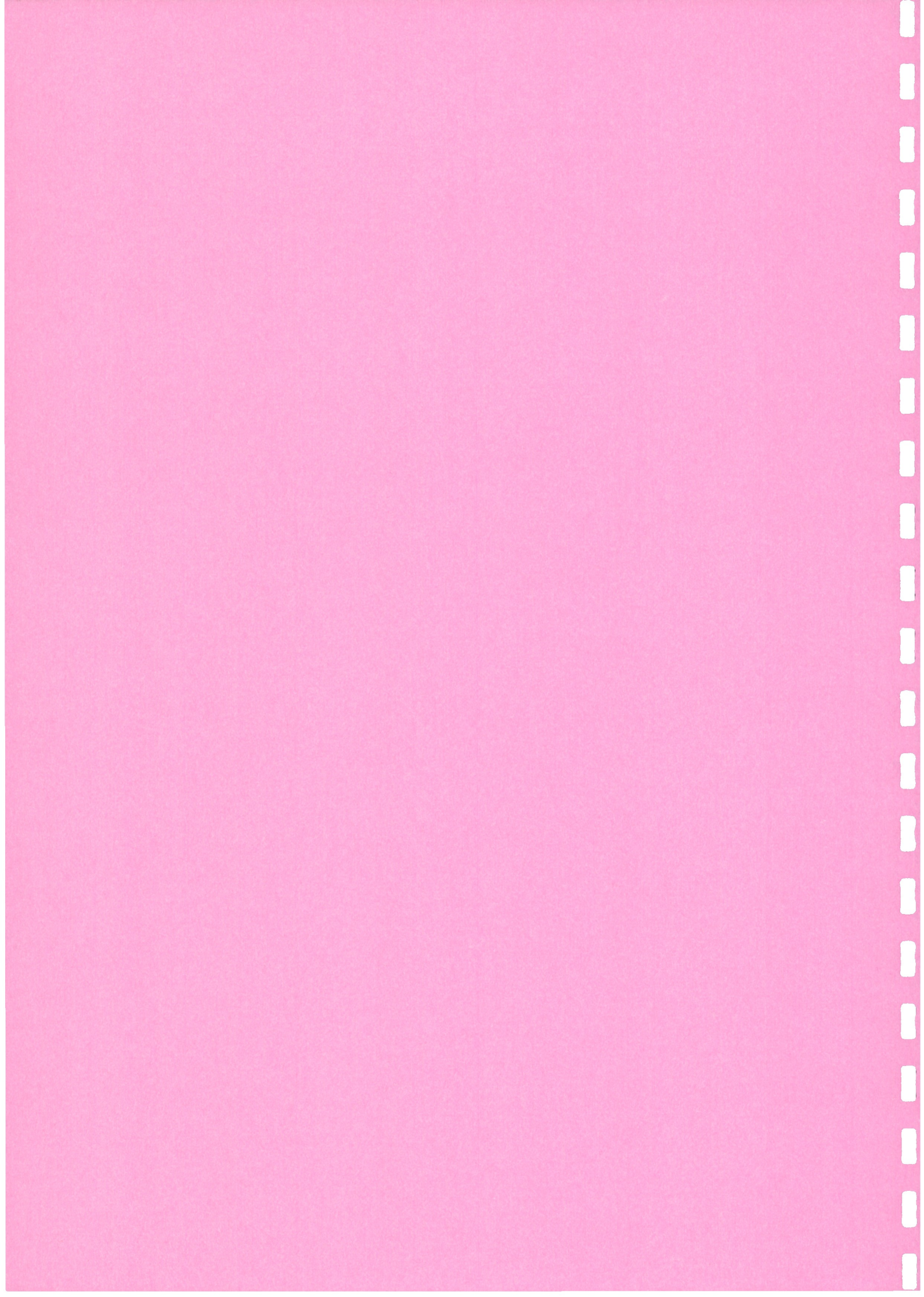


## **GOK AGENCY OPERATIONS**

### **BALANCE SHEET AND ACCOUNTS FOR THE YEAR**

### **ENDED 30<sup>TH</sup> JUNE 2003**

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



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**NATIONAL CEREALS AND PRODUCE BOARD**  
**GOK AGENCY OPERATIONS**  
**BALANCE SHEET AND ACCOUNTS**  
**30TH JUNE, 2003**

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**NATIONAL CEREALS AND PRODUCE BOARD**

**GOK AGENCY OPERATIONS - GOK FAMINE RELIEF PROGRAMME**

**BALANCE SHEET AS AT 30TH JUNE 2003**

	<u>Note</u>	<u>30TH JUNE 2003</u>	<u>30TH JUNE 2002</u>
		<u>Kshs</u>	<u>Kshs</u>
Famine Relief Stocks	3	219,747,137	1,536,850,133
SGR Stocks		1,382,380,234	1,036,000,000
Amount Due from NCPB			
on Borrowed Stocks	4	987,790,125	0
Shortfall in GOK			
funding to NCPB	5	0	<u>649,334,888</u>
		<u>2,589,917,496</u>	<u>3,222,185,021</u>
GOK Agency Accour	5	403,337,446	649,334,888
Net Surplus		584,452,679	0
Stock Reserve Account		<u>1,602,127,371</u>	<u>2,572,850,133</u>
		<u>2,589,917,496</u>	<u>3,222,185,021</u>

NATIONAL CEREALS AND PRODUCE BOARD  
GOK AGENCY OPERATIONS

INCOME AND EXPENDITURE ACCOUNT AS AT 30TH JUNE 2003

	GOK Strategic		GOK 17 Selected		1997/2000 Emergency		2000/2001 More		2000/2001 More		2000/2001 More		2001/2002 More		2001/2002 More		2001/2002 More		Total	
	Gain Reserve	Old Account	Gain Reserve	Relief Deposits	Famine Relief Programme	Famine Relief Programme	Famine Relief Programme	Phase II	Commercial Sale	Phase I	Food Aid Programme	Food Aid Programme	Famine Relief Programme	Famine Relief Programme	Famine Relief Programme	Famine Relief Programme	Famine Relief Programme	Famine Relief Programme		
(a) Direct receipts from GOK	0	0	770,615,651	41,885,167	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,077,444,430
(b) Receipts from Rent	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(c) Sales proceeds of returned S/brand Gummy Bags	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub - Total (1)	0	0	770,615,651	41,885,167	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,077,444,430

2 EXPENDITURE

	GOK Strategic		GOK 17 Selected		1997/2000 Emergency		2000/2001 More		2000/2001 More		2000/2001 More		2001/2002 More		2001/2002 More		2001/2002 More		Total	
	Gain Reserve	Old Account	Gain Reserve	Relief Deposits	Famine Relief Programme	Famine Relief Programme	Famine Relief Programme	Phase II	Commercial Sale	Phase I	Food Aid Programme	Food Aid Programme	Famine Relief Programme	Famine Relief Programme	Famine Relief Programme	Famine Relief Programme	Famine Relief Programme	Famine Relief Programme		
(a) Direct costs	0	0	428,551,338	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	428,551,338
Procurement costs	0	0	51,474,979	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	51,474,979
Transport Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inter-function transactions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Direct transport costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Handling costs	0	0	3,308,175	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,308,175
Operating Expenses	0	0	0	21,334,226	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	21,334,226
Sub - Total (a)	0	0	428,551,338	21,334,226	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	449,885,564

(b) Agency fees and charges for services/facilities provided

Storage	0	0	45,751,247	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	45,751,247
Quality maintenance	0	0	49,210,676	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	49,210,676
Commission on purchases	0	0	35,598,255	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	35,598,255
Commission on releases	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commission on direct transport cost	0	0	4,117,998	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,117,998
Commission on commodity handling costs	0	0	264,654	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	264,654
Commission on commercial scales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Drying costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 % management fees on deposits exclusively for GOK use	0	0	0	1,066,741	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,066,741
Sub - Total (b)	0	0	134,942,830	1,066,741	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	136,009,571
Total Expenditure (a + b)	0	0	563,504,168	22,400,967	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	585,915,135
Net Surplus/(Deficit) for the year	0	0	152,338,329	19,484,200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	171,822,529

(c) Add:

Shortfall/(Surplus) B/F Balance	(153,807,949)	(158,748,182)	(218,327,246)	(2,897,253)	(3,019,286)	(18,102,854)	(1,498,052)	(1,292,440)	(1,841,065)	(1,886,019)	(156,484)	(125,592,860)	(9,920,167)	(5,431,452)	(649,314,898)					
Net due (to)/from the Agent as at 30.06.2003 (Note 5)	(163,807,949)	(6,403,858)	(118,843,045)	(2,897,253)	(3,019,286)	(18,102,854)	(1,498,052)	(1,292,440)	(1,841,065)	(1,886,019)	(156,484)	(125,592,860)	(9,920,167)	(5,431,452)	(649,314,898)					

**NATIONAL CEREALS AND PRODUCE BOARD**  
**GOK AGENCY OPERATIONS**  
**NOTES TO THE ACCOUNTS - 30TH JUNE, 2003**

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 11<sup>th</sup> 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 - 30<sup>TH</sup> JUNE 2003**

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 were revised on 13<sup>th</sup> November 2002 as follows:-

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

3. **CLOSING STOCKS**

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

Category/Product	As at 30.06.2003		As at 30.06.2002	
	Bags	Value KShs	Bags	Value KShs
GOK Famine Relief - Maize(90.kg)	178,384	190,290,400	1,405,550	1,491,358,063
GOK Famine Relief - Beans (90.Kg)	6,070	12,063,708	13,124	28,846,030
GOK Famine Relief - S/hand Gunnies	170,818	3,250,210	173,833	2,476,570
Millet/Sorghum	19,974	17,460,584	14,466	14,169,470
<b>Sub Total F/Relief Stock</b>		<b>219,747,137</b>		<b>1,536,850,133</b>
<b>SGR Maize Stocks</b>	<b>1,418,803</b>	<b>1,382,380,234</b>	<b>1,000,000</b>	<b>1,036,000,000</b>

**NATIONAL CEREALS AND PRODUCE BOARD**  
**GOK AGENCY OPERATIONS**  
**NOTES TO THE ACCOUNTS - 30TH JUNE, 2003**

**3.2 Stock Movement**

	2002/2003 FY					2001/2002FY				
	SGR MAIZE				MILLET/ SORGHU M	SGR MAIZE		F/RELIEF MAIZE		MILLET/ SORGHUM
	(90kg Bags	GUNNIES • Pieces	F/RELIEF MAIZE (90kg Bags)	BEANS (90kg Bags)	(90kg Bags)	(90kg Bags	GUNNIES Pieces	F/RELIEF MAIZE (90kg Bags)	BEANS (90kg Bags)	(90kg Bags)
OPENING STOCKS	1,000,000	173,833	1,405,550	13,124	16,274	0	198,587	1,223,935	37,497	0
Transfer To GOK Stock from NCPB Stocks	0	0	0	0	0	0	0	0	0	0
Purchases/Surrendered	418,803	37,622	0	4,455	3,700	1,000,000	82,525	811,590	10,000	16,74
Stocks Available For Distribution/Sale	1,418,803	211,455	1,405,550	17,579	19,974	1,000,000	281,112	2,035,525	47,561	16,274
Deduct Disposals:										
Releases/Sales	0	40,637	379,716	10,976		0	107,279	629,975	34,289	0
Transfer To GOK Stock from NCPB Stocks	0	0	847,45	533	0	0			92	0
Storage Loss/(Gain Adjustment	0	0	0	0	0	0	0	0	(8)	0
Sub-Total	0	0	1,227,166	11,576	0	0	107,833	629,975	34,373	0
CLOSING STOCKS	1,418,803	170,818	178,384	6,070	19,974	1,000,000	173,833	1,405,550	13,124	16,274

**4 DUE FROM NCPB ON BORROWED STOCKS**

The Board borrowed 847,450 bags of maize and 533 bags of beans valued at Kshs. 987,790,125.00 from GOK Famine Relief Programme during the year which was sold commercially to ease mounting pressure arising from maize shortage in the country. The borrowed maize will be replaced in the coming season.

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NATIONAL CEREALS AND PRODUCE BOARD  
GOK AGENCY OPERATIONS

NOTES TO THE ACCOUNTS - 30TH JUNE 2003

(Continued)

**5 AMOUNTS OWING ON AGENCY SERVICES**

**5.1 Composition**

The breakdown of the amounts owing to the Agent as at 30th June 2003 in relation to each Agency operations as well as remittances received from the Government (OP-R&R) during the year are summarized here below:-

	<u>Cumulative</u> <u>Amounts Due</u> KShs	<u>Amounts</u> <u>Received</u> KShs	<u>Net amounts</u> <u>Outstanding</u> KShs
<b>a) <u>Strategic Grain</u></b>			
<u>Reserve Programme</u>			
Balance B/F on 1/7/2002	163,807,949	0	163,807,949
2002/2003 expenses:-			
Direct costs	0	0	0
Storage Charges	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub – Total</b>	<u>163,807,949</u>	<u>0</u>	<u>163,807,949</u>
<b>b) <u>Famine Relief Programme</u></b>			
Balance B/F on 1/7/2002	108,451,506	108,451,506	0
2002/2003 expenses:-			
Direct costs	87,072,675	-35,343,500	26,498,372
Agency Commission	<u>104,568,829</u>	<u>95,917,803</u>	<u>8,651,026</u>
<b>Sub – Total</b>	<u>300,093,010</u>	<u>169,025,809</u>	<u>35,149,397</u>
<b>c) <u>GOK 17 selected</u></b>			
<u>Depots for F/Relief</u>			
Balance B/F on 1/7/2002	218,327,246	41,885,167	176,442,079
2002/2003 expenses:-			
Operating expenses	21,334,226	0	21,334,226
Storage Charges	0	0	0
5 % Management fees	<u>1,066,741</u>	<u>0</u>	<u>1,066,741</u>
<b>Sub – Total</b>	<u>240,728,213</u>	<u>41,885,167</u>	<u>198,843,046</u>
<b>d) <u>Strategic Grain</u></b>			
<u>Reserve Programme</u>			
Balance B/F on 1/7/2002	158,748,187	158,748,187	0
2002/2003 expenses:-			
Direct costs	483,334,492	483,334,492	0
Agency Commission	<u>134,942,830</u>	<u>128,532,972</u>	<u>6,409,858</u>
<b>Sub – Total</b>	<u>777,025,509</u>	<u>770,615,651</u>	<u>6,409,858</u>
<b>Total (a+b+c+d)</b>	<u>1,481,654,681</u>	<u>981,526,628</u>	404,210,250
<b>e) <u>Less:</u></b>			
Net sales			872,804
<b>Net Amount outstanding as at 30<sup>th</sup> June 2003</b>			<u>403,337,446</u>

**NATIONAL CEREALS AND PRODUCE BOARD**  
**GOK AGENCY OPERATIONS**  
**NOTES TO THE ACCOUNTS - 30TH JUNE, 2003**

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 and SGR :-

<b><u>Commodity</u></b>	<b>2002/2003 FY Quantity (90Kgs)</b>	<b>2001/2002 FY Quantity (90Kgs)</b>
Maize F/R	0	811,590
Beans	4,455	10,000
Millet/Sorghum	3,700	16,274
SGR Maize	418,803	1,000,000

7 **RELIEF COMMODITIES DISTRIBUTED IN 2002/2003 FY**

7.1 **Commodities Distributed**

During 2002/2003 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.

	<b>2002/2003 FY Quantity (90Kgs)</b>	<b>2001/2002 FY Quantity (90Kgs)</b>
Maize	379,716	629,975
Beans	10,976	34,289
Wheat Flour	1,008	10,571
Rice	1,510	10,163

**NATIONAL CEREALS AND PRODUCE BOARD**  
**GOK AGENCY OPERATIONS**  
**NOTES TO THE ACCOUNTS - 30TH JUNE, 2003**

**7.2 Quantity Transported**

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

	2002/2003 FY		2001/2002 FY	
	Quantity (90Kgs)	Cost KShs	Quantity (90Kgs)	Cost KShs
Maize F/R	270,694	70,671,825.45	500,857	172,064,168.70
Maize SGR	341,961	51,474,978.55	0	0
Beans	31,306	1,390,484.60	31,306	9,868,157.15
Wheat flour	0	0	9,090	2,815,377.75
Rice	0	0	5,597	1,727,632.15
Sorghum	1,001	112,881.25	0	0
Millet	2,438	274,986.25		
<b>Total</b>		<b>123,925,158.10</b>		<b>186,475,335.75</b>

**8 CONTINGENT LIABILITIES**

A contingent liability amounting to KShs 178,533,987.00r continued to remain unsettled as at 30<sup>th</sup> 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.