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NATIONAL CEREALS AND PRODUCE BOARD



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BALANCE SHEET AND ACCOUNTS

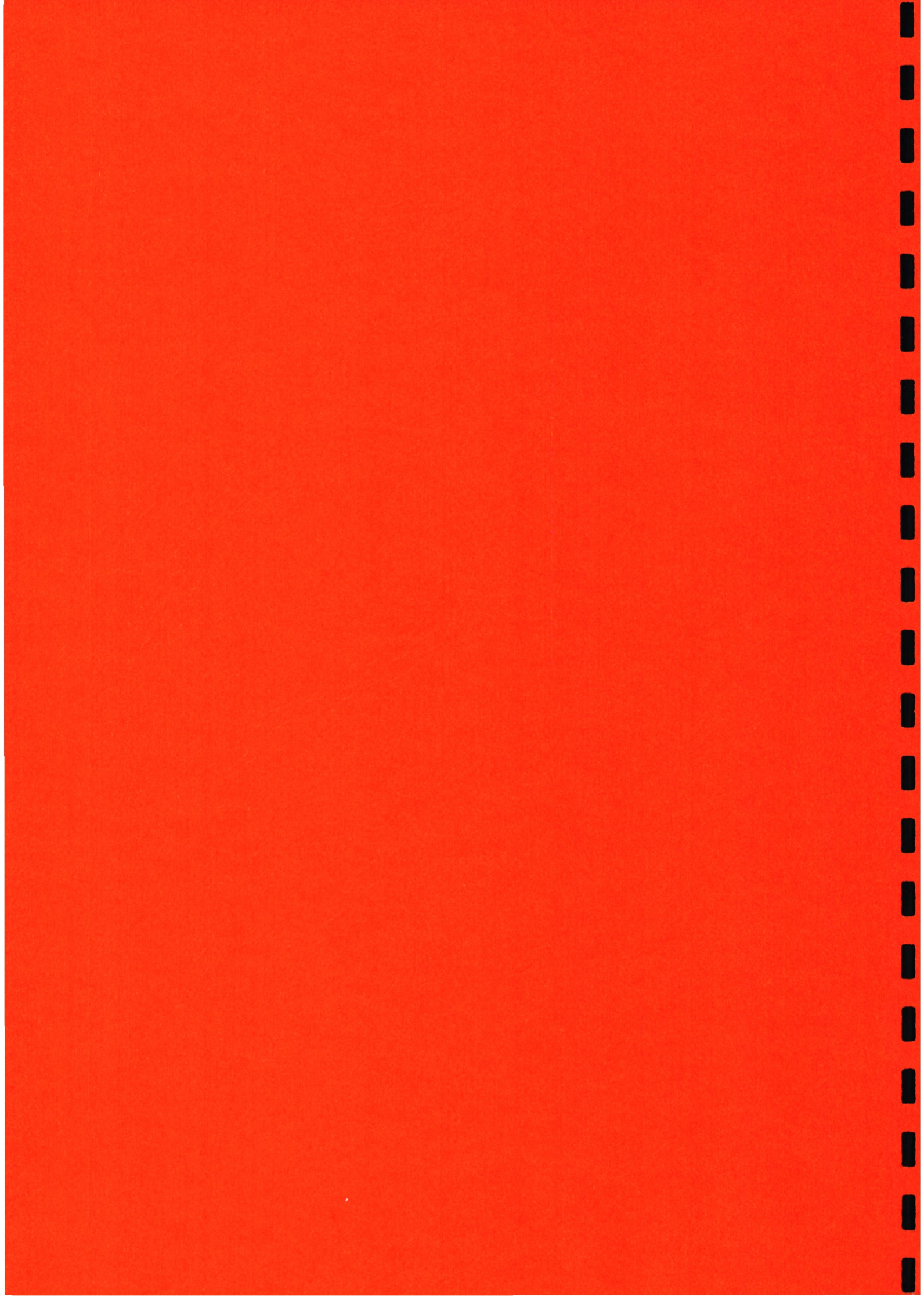


**WITH THE REPORT OF THE
CONTROLLER AND AUDITOR GENERAL**

FOR THE YEAR ENDED

30TH JUNE 2004

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



REPUBLIC OF KENYA

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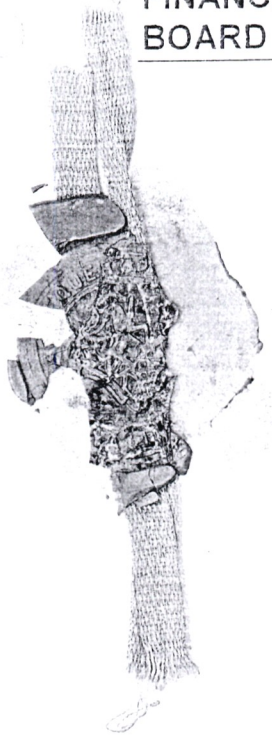


P.O. Box 30084-00100

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 2004





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 2004

I have audited the financial statements of National Cereals and Produce Board for the year ended 30 June 2004 in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and the Controller and Auditor General

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

Basis of Opinion

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

Comments

1. Financial Position

As was reported in the previous years' audit reports, the Board continued to face financial difficulties. The financial statements for the year ended 30 June 2004 reflected a loss of Kshs.598,218,999 (2003 Kshs.766,513,829) bringing

the Board's accumulated revenue reserves to negative Kshs 3,778,962,559 as at 30 June 2004. In addition, the Board's current liabilities stood at Kshs.1,270,978,734 including a bank overdraft of Kshs.414,032,829. From the foregoing, it is evident that the Board was facing serious financial difficulties and was unable to service its financial obligations as and when they fell due. The financial statements have therefore been prepared on a going concern basis which assumes 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 the previous years, the balance sheet property, plant and equipment figure of Kshs.4,649,285,324 includes 55 donor funded storage facilities whose ownership has not been clarified by the Government. Although the Public Investments Committee in their sitting of 11 August 1998 directed the Parent Ministry and the Treasury to consult with regard to formal transfer of these facilities to N.C.P.B no evidence has been seen indicating that the Board and the Government have come up with any fruitful conclusion of the ownership status of these Donor funded facilities/projects. 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 2004 without conclusive evidence of the ownership status of these facilities.

3. Land Without Title Documents

The Board's properties, plant and equipment figure of Kshs.4,649,285,324 as at 30 June 2004 also includes 68 plots without title documents and whose ownership and value could not be determined. The Board has subsequently managed to obtain only two(2) of the title documents leaving a balance of 66 plots without titles. Further, the Board spent Kshs.288,709,708 to build storage facilities on 21 plots owned by the Kenya Railways on a temporary occupation basis and after the expiry of the thirty three (33) years lease period Kenya Railways have been reluctant to renew the lease term. 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 property, plant and equipment figure of Kshs.4,649,285,324 as at 30 June 2004 is an amount of Kshs.19,950,544 relating to work in progress paid by the Board in respect of the following projects which stalled

many years ago and will be a total loss. The Board is currently in the process of revival.

Project	Contracted Amount	Remarks
1. Shimanzi Electrical works	2,677,640	Contract terminated after payment of Kshs.1,120,587, although works done were assessed to be worth Kshs.850,000.
2. Keringet Housing project	14,602,217	Stores constructed on land not owned by the Board and has already spent Kshs.4,609,370
3. Head office additional floor	2,670,687	Expenditure incurred and paid on drawings and design, without parent ministry and Treasury approval.
Total	<u>19,950,544</u>	

Consultancy services for these projects were single sourced, were awarded to a single consultant without competitive bidding as required by Public Procurement regulations. In addition, Kshs.12,911,644 included in the figure of work in progress relates to Information Technology Modernization contracted at Kshs.13,972,500 which failed to take off despite the expenditure incurred and paid by the Board. In the circumstances, therefore, it was not possible to confirm that the Board received value for money in respect of the expenditure on the stalled projects and any provision for write offs that would have been necessary in relation to these uncertainties has not been incorporated in these financial statement.

5. Debtors and Prepayments

Included in the financial statements gross debtors and prepayments figure of Kshs.866,389,126 are trade debtors amounting to Kshs.713,821,303 (2003 Kshs.796,015,292) 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. Also included in the debtors and prepayments

Further the staff debtors include Kshs 3,365,412 on account of imprests owed by six (6) current and former Board employees of which Kshs.2,698,508 is owed by three (3) senior management staff. Although the Board has made total cumulative provision for bad and doubtful debts of Kshs 530,386,496 as at 30 June 2004, no tangible evidence was seen of any efforts made to recover these amounts or arrangements made for their write-offs. Under the circumstances, it was not possible to confirm whether and if so, when, the Board will be able to recover the amounts of the outstanding debtors as shown in the financial statements as at 30 June 2004.

6. Creditors

The creditors and provisions figure of Kshs.539,687,838 as at 30 June 2004 includes unpaid accrued charges of land rent Kshs.10,860,811, VAT on hired transport of Kshs.36,293,204 and presumptive Income tax of Kshs 47,231,272 which have remained unpaid for long period of time, thereby denying Government the much needed revenue. 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 or when the huge creditors and accruals balances will be settled.

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 financial affairs of the Board as at 30 June 2004 and of its loss and cash flows for the year then ended and comply with the National Cereals and Produce Board Act (Cap 338).

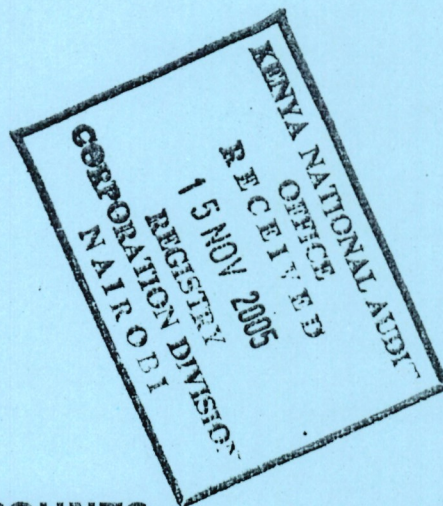


E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

09 December 2005

NATIONAL CEREALS AND PRODUCE BOARD



**BALANCE SHEET AND ACCOUNTS
WITH THE REPORT OF THE
CONTROLLER AND AUDITOR GENERAL
FOR THE YEAR ENDED
30TH JUNE 2004**

**NYUMBA YA NAFKA
P.O BOX 30586
MACHAKOS ROAD
INDUSTRIAL AREA
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**NATIONAL CEREALS AND PRODUCE BOARD
ANNUAL REPORT AND ACCOUNTS
30TH JUNE 2004**

<u>CONTENTS</u>	<u>PAGE</u>
Vision, Mission and Values of NCPB	2
Corporate Information	3 - 4
Chairman's Report	5
Report of the Directors	6 - 7
Statement of Directors Responsibilities	8
Balance Sheet	9
Profit and Loss Account	10
Statement of Revenue Reserves Account	11
Cash Flow Statement	12
Notes to the Accounts	13 - 32
Financial Highlights	1 - 5
<u>ANNEX</u>	
GOK Agency Functions – Balance Sheet and Accounts	1 - 9

**NATIONAL CEREALS AND PRODUCE BOARD
BALANCE SHEET AND ACCOUNTS
30TH JUNE 2004**

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

3
NATIONAL CEREALS AND PRODUCE BOARD
BALANCE SHEET AND ACCOUNTS
30TH JUNE 2004

CORPORATE INFORMATION

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

Mr. T. K. Twei	-	Chairman
Mr. Tirop Kosgey	-	Managing Director
Mr. H. Wood	-	Member
Mr. A. M. Balala	-	Member
Mr. J. K. M'mutea	-	Member
Mr. F.C. Ganya	-	Member
Mr. M. Cherunya	-	Member
Mr. S. S. Ahmed	-	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. Kingori	-	Alternate Director to the Permanent Secretary Ministry of Finance.
Mr. W. G. Kerario	-	Alternate Director to the Permanent Secretary Ministry of Agriculture.

SENIOR MANAGEMENT

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

**NATIONAL CEREALS AND PRODUCE BOARD
BALANCE SHEET AND ACCOUNTS
30TH JUNE 2004**

PRINCIPLE PLACE OF BUSINESS

Head Office

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

NAIROBI

Area Offices:

Nairobi Area

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

NAIROBI

North Rift Area

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

ELDORET

South Rift Area

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

NAKURU

Nyanza/Western Area

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

KISUMU

Coast Area

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

MOMBASA

Eastern/North Eastern Area

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

EMBU

AUDITORS

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

NAIROBI

BANKERS

Kenya Commercial Bank
P.O. Box 48400
NAIROBI

**NATIONAL CEREALS AND PRODUCE BOARD
BALANCE SHEET AND ACCOUNTS
30TH JUNE 2004**

CHAIRMAN'S REPORT

ECONOMIC REVIEW

The 2004 economic survey indicated that the Kenyan economy recorded a growth rate of 1.8% in 2003 compared to the rate of 1.2% in 2002 and a target of 3%. Contributing to the low rate were the slow pace of public sector reforms, poor infrastructure and low foreign direct investment. Inflation rate averaged 9.8% against the target of 5%.

AGRICULTURAL SECTOR

Agriculture remained the key driver contributing 24.1% of GDP. It expanded by 1.5% as compared to 1.2% during the previous year due to favourable weather and improved management.

A ray of hope dawned to the farming community as the GOK continued to address the marketing constraints affecting the farmers with specific attention being directed towards a better and working institutional framework.

The main Board's activities for the year were:-

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

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

The Board locally procured 138,171 metric tones of maize on behalf of the GOK.

The level of commercial operations consisted of procurement and sale of 99,399 mt of maize and other food staff 16,980 mt of farm inputs and rendering of grain related services to third parties.

NATIONAL CEREALS AND PRODUCE BOARD
BALANCE SHEET AND ACCOUNTS
30TH JUNE 2004

CHAIRMAN'S REPORT (Continued)

OPERATING PERFORMANCE

As stated in the previous year's report, the strategic measures put in place are gradually ameliorating the operating performance of the Board. During the year ended 30th June 2004, the Board recorded an operating loss of Kshs. 598.2 million as compared to a loss of Kshs. 766.5 million the previous year. The improvement in the performance is attributed to prudent use of available financial resources.

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

The Board's focus to turn round to profitability will include enhancing revenue generations through high turn over, undertaking asset divestiture, implementation of strict cost control measures, diversification of products, timely debt collection and value addition of commodities and products. These measures will give the Board a competitive edge in the market environment.



T. K. TUEL, MBS
CHAIRMAN

**NATIONAL CEREALS AND PRODUCE BOARD
BALANCE SHEET AND ACCOUNTS
30TH JUNE 2004**

REPORT OF THE DIRECTORS

The Board of Directors have a pleasure in submitting their report together with the audited accounts of the Board for the year ended 30th June 2004.

1. INCORPORATION AND HEAD OFFICE

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

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

2. PRINCIPLE ACTIVITIES

The Board's principal activity is grain handling and marketing with provision of allied services and facilities. NCPB also undertakes social functions on behalf of the Government of Kenya on Agency basis that related to procurement, storage, quality maintenance of Strategic Grain Reserve and Famine Relief Stocks and distribution of famine relief food commodities.

3. RESULTS.

The operating results for the year were as follows:-

	30 th June 2004 Kshs.	30 th June 2003 Kshs.
Operating Loss before Depreciation, Provision and Extra ordinary Items	(166,626,395)	(326,475,495)
Deduct		
Depreciation	416,342,344	415,449,493
Bad and doubtful Debts	15,250,260	21,229,002
Extra ordinary item (Retrenchment costs)	<u>0</u>	<u>3,339,840</u>
	<u>431,592,604</u>	<u>440,038,335</u>
Net Deficit for the year	<u>(598,218,999)</u>	<u>(766,513,829)</u>

8
NATIONAL CEREALS AND PRODUCE BOARD
BALANCE SHEET AND ACCOUNTS
30TH JUNE 2004

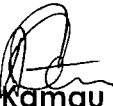
DIRECTORS

The Directors who served during the year under review were as set out on page 3.

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

21ST OCTOBER 2005

**NATIONAL CEREALS AND PRODUCE BOARD
BALANCE SHEET AND ACCOUNTS
30TH JUNE 2004**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

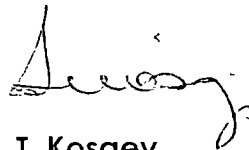
National cereals and Produce Board Act Cap 338 and State Corporations Act Cap 446 requires the directors to prepare financial statements for each Financial year which give a true and fair view of the state of affairs of the corporation as at the end of the financial year and of the operating results 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**

21ST OCTOBER 2005

NATIONALCEREALS AND PRODUCE BOARD
BALANCE SHEET AS AT 30TH JUNE 2004

ASSETS		<u>30TH JUNE 2004</u>	<u>30TH JUNE 2003</u>
NON-CURRENT ASSETS	Note	Kshs.	Kshs.
Property, Plant and Equipment	3	4,649,285,324	5,055,383,103
Investments	4	0	0
Loans	5	<u>6,618,580</u>	<u>9,298,856</u>
		<u>4,655,903,904</u>	<u>5,064,681,959</u>
CURRENT ASSETS			
Operating stocks	6	666,365,658	195,436,774
Debtors and Prepayments	7	335,962,630	280,879,056
Government Debtors - Net Old Debt	8	196,223,221	596,523,221
Government Debtors - New Agency A/	9	378,314,893	403,337,446
Cash at bank and in hand	10	<u>262,811,867</u>	<u>1,030,233,234</u>
		<u>1,839,678,269</u>	<u>2,506,409,731</u>
TOTAL ASSETS		<u>6,495,582,173</u>	<u>7,571,091,690</u>
EQUITY AND LIABILITIES			
EQUITY			
CAPITAL FUND	11	6,304,142,172	6,304,142,172
REVALUATION RESERVE	12	2,699,423,826	2,699,423,826
REVENUE RESERVES	13	<u>(3,778,962,559)</u>	<u>(3,214,908,413)</u>
		<u>5,224,603,439</u>	<u>5,788,657,585</u>
CURRENT LIABILITIES			
Bank Overdraft	14	414,032,829	19,163
Creditors and Provisions	15	539,687,838	477,366,750
Creditors - Due to GOK on Past Market Intervention Programme	16	174,063,028	174,063,028
Government Agency Account (Old A/C)	17	143,195,039	143,195,039
Creditors - Due to GOK on F/Relief Maize		0	987,790,125
Taxation	18	<u>0</u>	<u>0</u>
		<u>1,270,978,734</u>	<u>1,782,434,105</u>
TOTAL EQUITY AND LIABILITIES		<u>6,495,582,173</u>	<u>7,571,091,690</u>

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



MR. T.R. TUI MBS

CHAIRMAN

NATIONAL CEREALS AND PRODUCE BOARD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2004

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

NATIONAL CEREALS AND PRODUCE BOARD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2004

	<u>30TH JUNE 2004</u>	<u>30TH JUNE 2003</u>
	Kshs.	Kshs.
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Loss before extraordinary items	(598,218,999)	(763,153,989)
Adjustments for:		
Provision for Depreciation	411,469,237	415,449,493
Provision for stock shrinkage	4,704,421	641,870
Provision for doubtful debts	15,250,260	21,229,002
Gain on disposal of equipment	<u>0</u>	<u>322,538</u>
Operating Profit before		
working capital changes	(166,795,082)	(325,511,086)
(Increase)/decrease in debtors	354,988,721	1,114,089,848
(Increase)/decrease in stocks	(475,633,305)	558,739,904
Increase/(decrease) in creditors	(925,469,037)	146,618,743
Increase/(decrease) in bank loan	<u>0</u>	<u>0</u>
Cash generated from operations	(1,212,908,704)	1,493,937,409
Extraordinary items:		
Early retirement payments	0	(3,359,840)
Prior year adjustments	<u>34,164,853</u>	<u>8,444,322</u>
Net cash from operating activities	(1,178,743,851)	1,499,021,891
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Additions to Fixed Assets	(5,371,458)	(9,836,418)
Proceeds from Sale of Equipment	0	(322,538)
Reduction to Investments and loans	<u>2,680,275</u>	<u>2,957,524</u>
Net cash flow from investing activities	(2,691,183)	(7,201,432)
Net increase/(decrease) in cash and cash equivalent	(1,181,435,034)	1,491,820,459
Cash and cash equivalent at the beginning		
of the year:		
Cash at Bank and on hand	1,030,233,234	179,013,533
Bank Overdraft	<u>(19,163)</u>	<u>(640,619,920)</u>
Cash and Cash equivalent at end of year	(151,220,962)	1,030,214,071
ANALYSIS OF CASH HELD		
<u>END OF YEAR</u>		
Cash at Bank and on hand	<u>262,811,867</u>	1,030,233,234
Bank Overdraft	<u>(414,032,829)</u>	

**NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2004**

(These Notes form an integral part of the Accounts)

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 commodities sold and 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 2004
(Continued)**

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

(d) **Valuation of Closing Stocks**

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

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

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

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

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

(g) **Funds from Government**

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

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

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

2. **GOING CONCERN CONCEPT**

The accounts have been prepared on going concern basis.

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

(continued)

3. PROPERTY, PLANT AND EQUIPMENT

Cost or Valuation	Freehold & Unsurveyed Land		Fencing Driveways & Civil works		Buildings and Grain Silos	Motor Vehicles	Plant & Machinery & Equipment	Construction in Progress	Total
	Land	Leasehold Land							
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
At 30th									
June 2003	66,770,584	355,573,752	326,745,231	5,536,917,964	48,642,235	1,586,470,763	20,911,645	7,942,032,174	
Additions	6,041,995		200,331	0	2,097,328	1,085,194	818,782	10,243,629	
Adjustment	0		0	0	0	0	0	0	
Transfers	0		0	0	0	0	0	0	
Disposals	0	0	0	0	0	0	0	0	
At 30th									
June 2004	<u>72,812,579</u>	<u>355,573,752</u>	<u>326,945,562</u>	<u>5,536,917,964</u>	<u>50,739,563</u>	<u>1,587,555,956</u>	<u>21,730,426</u>	<u>7,952,275,803</u>	
Depreciation:									
At 30th									
June 2003	0	31,273,520	53,873,540	1,395,026,823	38,300,698	1,368,173,554	0	2,886,648,134	
Charge for the period	0	4,873,108	8,168,918	203,100,677	4,479,520	195,720,121	0	416,342,344	
On disposals	0		0	0	0	0	0	0	
Adjustment	0	0	0	0	0	0	0	0	
At 30th									
June 2004	0	<u>36,146,628</u>	<u>62,042,458</u>	<u>1,598,127,500</u>	<u>42,780,217</u>	<u>1,563,893,675</u>	0	<u>3,302,990,479</u>	
Net Book Value:									
At 30th									
June 2004	<u>72,812,579</u>	<u>319,427,124</u>	<u>264,903,104</u>	<u>3,938,790,464</u>	<u>7,959,346</u>	<u>23,662,281</u>	<u>21,730,426</u>	<u>4,649,285,324</u>	
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>40,341,537</u>	<u>218,297,209</u>	<u>20,911,645</u>	<u>5,055,383,103</u>	

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

3.1 Work in Progress

The status of work in progress as at 30th June 2004 is as shown below:-

	Project Site	Nature of Work	Payments as at 30/06/2004 Kshs.	Remarks
1.	Shimanzi	Electrical works	1,120,587.00	The contractor did not complete the project but payment was made for work done
2.	Keringet	Stores and Offices	4,609,370.00	The project stalled because of a dispute on ownership of the land
3.	Head office	Office Extension	2,670,687.00	The project was abandoned because it was not approved by Ministry of Finance
5.	"	Roof Repairs	488,781.00	On going project
4.	Bungoma	Store repairs	330,000.00	On going project
6.	Head office	IT Modernization	12,511,001.00	The project was completed but not officially handed over to the Board
			21,730,426.00	

4. INVESTMENTS

30.06.2004 30.06.2003
Kshs. Kshs.

Composition

(a) Investments

(i) Kenya Peanuts Company Ltd:

55,167 Ordinary shares of
KShs. 100/= each at

Acquisition cost

2,168,740 2,168,740

(ii) Kenya Cashews Limited:

400 Ordinary shares of
KShs. 5/= each

2,000 2,000

Sub total

2,170,740 2,170,740

Less: Provisions for bad and

Doubtful debts

(2,170,740) (2,170,740)

Net Investments as at 30th June

0 0

(a) Kenya Peanuts Company Limited

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

(b) Kenya Cashews Limited

As reported in the previous Financial Years Kenya Cashews Limited (dominant since inception), is a wholly owned subsidiary of the Board. It was originally intended that the Company would construct a new cashew nut processing factory in a State District. However, with limited availability of a viable market, the effect of Government policy, and an ill-planned and unimproved business venture, the factory is not yet complete.

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

5. LOANS

	<u>30.06.2004</u>	<u>30.06.2003</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Composition		
(i) Milling Corporation of Kenya	7,372,540	10,052,817
(ii) Kenya Cashewnuts Limited:	120,521,118	120,521,118
(iii) Kenya Cashews Limited	231,080	231,080
Sub total	<u>128,124,739</u>	<u>130,805,015</u>
Less: Provisions for bad and Doubtful debts	<u>(121,506,159)</u>	<u>(121,506,159)</u>
Loans as at 30th June	<u>6,618,580</u>	<u>9,298,856</u>

(a) Milling Corporation of Kenya Limited

As at balance sheet date Kshs.7,372,540.00 was outstanding. As the loan is fully covered by collateral securities a similar provision like last year has been made for bad and doubtful debts on the trade debt as a prudent measure.

(b) 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.

(c) 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. Plans are under way to write it off.

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

6: OPERATING STOCKS**6.1 Closing Stocks**

The closing stocks of commodities valued at Kshs. 666,365,658 (2002/2003 Kshs 195,436,774) were composed of the following:-

	<u>30.06.2004</u>	<u>30.06.2003</u>
	Kshs	Kshs
a) <u>Composition of Stocks:</u>		
Local white Maize	226,902,888	0
Beans	2,384,530	0
Sorghum		2,499,484
Wheat - Local	5,500	188,100
Green grams	3,207,900	0
Castor Seeds	640	640
Paddy	27,143,870	0
Local milled Rice	14,681,212	8,572,945
Wimbi	3,549,375	4,412,265
Millet	0	17,809,844
Fertilizer	238,877,155	0
Packaging bags(Jute/PP)	130,604,827	139,742,003
Insecticides	1,021,029	1,052,901
Sub- Total	648,378,927	174,278,182
Less:- 2.2 % Provision for Stock shrinkage	5,132,516	446,196
Sub - Total	643,324,411	173,831,986
b) Stocks of Consumables	<u>23,119,247</u>	<u>21,604,788</u>
Total closing stocks at year end	<u>666,365,658</u>	<u>195,436,774</u>

7. DEBTORS AND PREPAYMENTS**7.1 Breakdown analysis**

	<u>30.06.2004</u>	<u>30.06.2003</u>
<u>Category</u>	<u>Kshs.</u>	<u>Kshs.</u>
Former Associated company	160,078	160,078
Debtors for imported Wheat	35,633,354	35,633,354
Trade Debtors	713,821,303	659,213,891
Staff debtors	57,000,747	52,675,398
Sundry debtors & Prepayments	<u>59,773,644</u>	<u>48,332,571</u>
	866,389,126	796,015,292
Less: Cumulative Provisions for bad and doubtful Debts	<u>(530,386,496)</u>	<u>(515,136,236)</u>
Total Debtors and Prepayments as at year end	<u>335,962,630</u>	<u>280,879,056</u>

20
NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2004
(Continued)

7.2 **Notes on Debtors and Prepayments:**

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

	<u>30.06.2004</u>	<u>30.06.2003</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Kenya Peanuts Company Ltd	160,078	160,078
	160,078	160,078

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

	<u>30.06.2004</u>	<u>30.06.2003</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Associated companies	160,078	160,078
Debtors for imported wheat	35,633,354	35,633,354
Other trade debtors	446,407,373	442,387,022
Staff debtors	40,779,316	33,354,848
Sundry debtors	7,406,375	3,600,934
Total cumulative Provision	<u>530,386,496</u>	<u>515,136,236</u>

8 GOVERNMENT DEBTORS – OLD DEBT

As part of NCPB commercialization reform process all past Government debts and obligations outstanding as at 30th June 1997 were consolidated and offset against credit balances held in favour of the Government with a net debt of KShs. 3.1 billion established. The net debt was initially recommended to the GOK for repayment over a three year period but at the request of GOK was varied to six years with annual installment of KShs. 500.0 million from 1st July, 1997. Through annual redemptions, the outstanding net debt has been progressively reduced substantially, though not at the agreed level of installments and was standing at KShs 196,223,221.00 as at 30th June 2004 as analyzed here under:-

	<u>30.06.2004</u>	<u>30.06.2003</u>
	<u>Kshs</u>	<u>Kshs</u>
Balance B/F 01/07	791,116,828	1,291,116,828
Deduct: Amount received During the year	400,300,000	500,000,000
	390,816,828	791,116,828
Less: Provisions for bad & doubtful debts	194,593,607	194,593,607
Balance outstanding At year end	<u>196,223,221</u>	<u>596,523,221</u>

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

9 GOVERNMENT DEBTORS – NEW AGENCY ACCOUNT

- 9.1 In compliance with agreed reform actions on GOK social functions, that involved introduction of new Operating Rules on domestic grain marketing the Board has with effect from 1st July 1997 fully adopted the new mode of charging GOK on agency basis for services rendered and facilities provided. Under the Agency Agreement signed between the Board and the Government, the GOK is under obligation to provide funds upfront to meet direct costs and agency remuneration for services rendered and facilities provided at rates to be annually negotiated and mutually agreed.
- 9.2 The rates applicable in 2003/2004 FY for various services and facilities that were mutually agreed upon by the two parties and which have been in force since 12th November 2002 were as follows:-

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

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

(Continued)

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

	<u>Cumulative</u> <u>Amounts Due</u> KShs	<u>Amounts</u> <u>Received</u> KShs	<u>Net amounts</u> <u>Outstanding</u> KShs
a) Strategic Grain			
<u>Reserve Programme- Old Account</u>			
Balance B/F on 1/7/2003	163,807,949	0	163,807,949
2003/2004 expenses:-			
Direct costs	0	0	0
Storage Charges	<u>0</u>	<u>0</u>	<u>0</u>
Sub - Total	<u>163,807,949</u>	<u>0</u>	<u>163,807,949</u>
b) <u>Famine Relief Programme</u>			
Balance B/F on 1/7/2003	34,276,596	108,451,506	(74,174,910)
2003/2004 expenses:-			
Direct costs	120,856,141	(310,416,660)	431,272,801
Agency Commission	<u>59,223,625</u>	<u>95,917,803</u>	<u>(36,694,178)</u>
Sub - Total	<u>214,356,362</u>	<u>(106,047,351)</u>	<u>320,403,712</u>
c) GOK 17 selected			
<u>Depots for F/Relief</u>			
Balance B/F on 1/7/2003	198,843,045	15,319,740	183,523,305
2003/2004 expenses:-			0
Operating expenses	23,614,927	0	23,614,927
Storage Charges	0	0	0
5 % Management fees	<u>1,180,746</u>	<u>0</u>	<u>1,180,746</u>
Sub - Total	<u>223,638,718</u>	<u>15,319,740</u>	<u>208,318,978</u>
d) Strategic Crain			
<u>Reserve Programme - New Account</u>			
Balance B/F on 1/7/2003	6,409,858	158,748,187	(152,338,329)
2003/2004 expenses:-			
Direct costs	975,628,202	808,004,249	167,623,953
Agency Commission	<u>196,284,948</u>	<u>189,875,090</u>	<u>6,409,858</u>
Sub - Total	<u>1,178,323,009</u>	<u>1,156,627,526</u>	<u>21,695,483</u>
Total (a+b+c+d)	<u>1,780,126,037</u>	<u>1,065,899,917</u>	<u>714,226,121</u>
e) <u>Less:</u>			
		Net sales proceeds from sale of returned gunny bags-	335,911,228

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

10. CASH AT BANK AND IN HAND

The amount of KShs 262,811,867.00 represents bank balances and cash-in-hand held in the Board's Cash Offices at Head Office and Depot/Silos as of 30th June, 2004.

1.1 CAPITAL FUND

	30 th June 2004 Amount (KShs)	30 th June 2003 Amount (KShs)
Balance carried forward at Year end	<u>6,304,142,172</u>	<u>6,304,142,172</u>

12 REVALUATION OF FIXED ASSETS

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

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

13 REVENUE RESERVE ACCOUNT

The Board recorded a Net Operating Loss of KShs. 598,218,999 during the year under review on its commercial activities. The loss together with the prior year adjustment have been transferred to the Revenue Reserves Account thereby eroding the un-appropriated retained surpluses to a negative position, with a debit balance of Kshs. 3,778,962,559 as reflected in the Balance Sheet.

**NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2004**

(Continued)

4 BANK OVERDRAFT

The Board has a standby overdraft facility of KShs.400 million with the Kenya Commercial Bank Limited to supplement working capital and an additional temporary overdraft of KShs. 400.00 million. The overdraft of KShs. 414,032,828.85 as reflected in the Balance sheet consisted of the following:-

	<u>30.06.2004</u>	<u>30.06.2003</u>
	<u>Kshs</u>	<u>Kshs</u>
Head Office Main Account	413,362,555	0
Overdrawn Depot Cash-books	670,274	19,163
	<u>414,032,829</u>	<u>19,163</u>

15. CREDITORS AND PROVISIONS

	<u>30.06.2004</u>	<u>30.06.2003</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Trade creditors	70,624,377	129,190,093
Creditors –Owings to Farmers/Suppliers	134,384,997	14,224,280
Creditors – Staff	3,536,439	4,072,935
Sundry Creditors and Provisions	331,142,025	329,879,442
	<u>539,687,838</u>	<u>477,366,750</u>

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

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

	30.06.2004	30.06.2003
	Kshs	Kshs
Balance due to GOK as at year end	174,063,028.00	174,063,028.00

17. GOVERNMENT AGENCY ACCOUNT

17.1 Operating Results

Prior to liberalization of grain marketing in December 1993 the Board used to receive cereals from overseas under either Food Aid or Loan Programs on behalf of the Government of Kenya. A formal Agency Agreement that is still in force was entered into on 18th January, 1990 between the GOK and the Board. The agreement stipulates terms and conditions as well as the accountability procedures to be observed by the Board for these commodities. An Agency Commission of 8% of sales value is charged to meet the Board's management and overhead costs. The balance held on behalf of the Government as at 30th June 2004 remained the same as in previous year.

25
NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE ACCOUNTS - 30TH JUNE 2004
(Continued)

17.1 **Operating Results** (Continued)

	<u>30.06.2004</u>	<u>30.06.2003</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>

18 **TAXATION**

NCPB is a taxable organization and Income Tax Returns have been filed with the Commissioner of Income Tax up to the year of income ended 30th June 2004 which reflected a cumulative taxable losses amounting to KShs 6,597,736,380.00

19 **CONTINGENCIES**

19.1 **Contingent Liabilities**

The Board had contingent liabilities amounting to KShs. 70.97 Million as at 30th June, 2004 due to pending disputes with suppliers of goods and services together with other individuals who have filed court cases against the Board for various reasons.

19.2 **Contingent Assets**

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

20 **STAFF ESTABLISHMENT**

The staff establishment as at 30th June 2004 was 925 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 2004
 PROFIT AND LOSS ACCOUNT 2003/2004 FY

23.1 2003/2004 CONTRIBUTION MARGIN *
 PER PRODUCT LOCAL THE YEAR ENDED 30TH JUNE 2004 THE YEAR ENDED 30TH JUNE 2003

	MAIZE	WHEAT	RICE	GUINNESS	DISCTCODES	BEANS	SEEDS	WHEAT	MILLET	SORGHUM	GRAMS	PADRY	FERTILIZER		
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS		
GROSS SALES	121,435,152	390,200	37,812,420	112,575,272	943,274	1,439,288	0	952,145	19,780,192	5,340,555	0	0	145,893,720	446,562,218	2,377,298,739
COST OF SALES	121,435,152	390,200	37,812,420	112,575,272	943,274	1,439,288	0	952,145	19,780,192	5,340,555	0	0	145,893,720	446,562,218	2,377,298,739
Opening stock	0	188,100	8,572,945	139,742,003	1,052,901	0	640	4,412,265	17,809,844	2,499,484	0	0	336,597,921	1,748,820,039	755,287,788
Purchases	1,249,914,685	62,100	14,864,679	95,533,225	885,000	4,721,555	0	0	0	0	3,207,900	-43,002,975	336,597,921	1,748,820,039	739,091,625
Transfer (to)/from GOK Relief Account	(986,724,125)	0	0	0	0	(1,066,000)	0	0	(337,329)	2,433,079	0	0	0	(985,694,375)	987,790,125
Transfer from third party/milling	55,676,125	0	16,463,200	0	0	0	0	0	0	0	(16,463,200)	0	0	55,676,125	0
Plant/Dryer Loss Realized	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Provision for Stock shrinkage	4,704,421	0	0	0	0	0	0	0	0	0	0	0	0	4,704,421	641,870
Closing stock	(225,902,889)	(5,500)	(14,681,213)	(130,604,822)	(1,021,030)	(2,384,530)	(640)	(3,549,373)	0	0	(3,207,900)	(22,143,870)	(238,877,155)	(648,378,922)	(1,74,278,182)
GROSS PROFIT/(LOSS)	96,668,218	244,200	25,219,612	104,670,401	916,872	1,271,025	0	862,890	17,472,515	4,932,563	0	(574,095)	97,220,765	349,405,468	2,308,533,226
Gross Profit/(Loss) as	24,766,935	145,500	12,592,808	7,904,871	26,403	168,263	0	89,255	2,307,677	407,992	0	574,095	48,172,954	97,156,750	68,765,513
4 Percentage to sales	20.40%	37.29%	33.30%	7.02%	2.80%	11.69%	0.00%	9.37%	11.67%	7.64%	0.00%	0.00%	33.02%	21.76%	2.89%
OTHER INCOME	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue from Services & other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GROSS PROFIT/(LOSS) & OTHER INCOME	24,766,935	145,500	12,592,808	7,904,871	26,403	168,263	0	89,255	2,307,677	407,992	0	574,095	48,172,954	97,156,750	68,765,513
LESS: EXPENDITURE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Railage and Road	27,635,868	612,562	3,778,865	0	0	0	0	0	0	0	0	0	0	0	0
transport costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Export Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance charges net of interest earned	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Staff costs and wages	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
operating and administration expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PROFIT/(LOSS) BEFORE DEPRECIATION, BAD DEBTS AND EXTRA ORDINARY ITEMS	(2,869,934)	0	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	0	0
Depreciation Charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bad and doubtful debts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PROFIT/(LOSS) BEFORE EXTRA ORDINARY ITEMS	(2,869,934)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Extra-Ordinary Items:	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Early retirement costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET PROFIT/(LOSS) FOR THE YEAR	(2,869,934)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	11,339,710	(166,626,395)	(326,475,494)	416,342,344	415,449,493	15,250,260	21,229,002	431,592,604	435,678,495	(598,218,999)	(753,153,989)	0	3,359,840	(598,218,999)	(756,513,829)

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE ACCOUNTS - 30TH JUNE 2004

STOCK FLOWS PER PRODUCT

(continued)

3. STOCK FLOWS 2003/2004**

	MAIZE	WHEAT	RICE	GUNNIES	INSECTICIDES	BEANS SEEDS	WIMBI	MILLET	SORGHUM	GRAMS	GREEN	PADDY	CAN	NPK
	90kgs	90kgs	100kgs	Pieces	25 kg	90kgs	80kgs	80kgs	80kgs	80kgs	80kgs	80kgs	50kgs	50kgs
	Bags	Bags	Bags		Packets	Bags	Bags	Bags	Bags	Bags	Bags	Bags	Bags	Bags
OPENING STOCKS	0	136	1,563	2,918,831	503	0	4	2,431	19,368	2,823	0	0	0	0
ACQUISITIONS	1,069,603	46	2,710	1,678,908	20	8,161	0	0	0	1,734	21,932	216,689	122,919	
CLOSING STOCKS	1,069,603	182	4,273	4,597,739	523	8,161	4	2,431	19,368	2,823	1,734	21,932	216,689	122,919
SALES	92,771	279	5,901	2,387,886	366	866	0	476	19,035	5,571	0	0	110,793	2,548
TRANSFER TO/(FM) GOK STOCKS	847,450					5,991		333	(2,748)					
TRANSFER (FM) 3RD PARTY	(66,002)													
TRANSFER TO/(FM) MILLING			(4,472)											7,915
STORAGE LOSS/(GAIN)														
ADJUSTMENT	19,465	(97)	(156)	(46,329)	(239)	23	0	0	0	0	0	873	(5,473)	4,168
DISPOSALS DURING YEAR	893,684	182	1,273	2,341,557	127	6,880	0	476	19,368	2,823	0	8,788	105,320	6,716
CLOSING STOCKS	175,919	0	3,000	2,256,182	396	1,281	4	1,955	0	1,734	13,144	111,369	116,203	

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE ACCOUNTS - 30TH JUNE 2004

STOCK FLOWS PER PRODUCT

(continued)

23.4 STOCK FLOWS 2002/2003

	CASTER									
	<u>MAIZE</u>	<u>WHEAT</u>	<u>RICE</u>	<u>GUNNIES</u>	<u>INSECTICIDES</u>	<u>BEANS</u>	<u>SEEDS</u>	<u>WTMBI</u>		
	90kgs	90kgs	100kgs	Pieces	25 kg	90kgs	65kgs	80kgs		
	Bags	Bags	Bags		Packets	Bags	Bags	Bags		
OPENING STOCKS	772,185	405	76	1,427,751	624	0	4	2,439		
PURCHASES	<u>548,375</u>	0	<u>6,403</u>	<u>2,975,494</u>	<u>120</u>	<u>10,751</u>	0	0		0
STOCK AVAILABLE FOR SALE	<u>1,320,560</u>	405	<u>6,479</u>	<u>4,403,245</u>	<u>744</u>	<u>10,751</u>	4	<u>2,439</u>		
SALES	2,177,508	2,235	4,989	1,494,744	244	11,353	0	8		
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>	0	0		0
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>	0	8		
CLOSING STOCKS	0	<u>136</u>	<u>1,563</u>	<u>2,918,831</u>	<u>503</u>	0	4	<u>2,431</u>		

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE ACCOUNTS - 30TH JUNE 2004

(continued)

24. OTHER INCOME

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

	<u>30TH JUNE 2004</u>	<u>30TH JUNE 2003</u>
	<u>Kshs.</u>	<u>Kshs.</u>
<u>Revenue from Services/facilities</u>		
Weigh Bridge charges	11,862,562	7,796,879
Bagging and handling charges	11,539,884	6,520,833
Cleaning charges	0	46,145
Rental charges	115,916,735	106,601,063
Drying and Fumigation	<u>21,280,773</u>	<u>24,545,617</u>
	160,599,954	145,510,536
<u>Agency Services</u>		
GOK Agency remuneration	254,664,542	240,578,394
Agency commission from inputs	<u>4,965,015</u>	<u>4,213,800</u>
Sub - total (a+b)	<u>420,229,511</u>	<u>390,302,731</u>
<u>Sundry Income</u>		
Receipts for Private Telephone Calls	71,502	54,783
Insurance Compensation	866,398	630,205
Sale of Tender documents	1,114,000	728,000
Sale of Obsolete Material	4,923,849	3,942,020
Other Miscellaneous Income	4,757,146	4,903,498
Other fees and charges	1,901,740	1,101,753
Gain/(Loss) on disposal of fixed assets	<u>0</u>	<u>1,061,081</u>
	<u>13,634,635</u>	<u>12,421,340</u>
<u>Investment income</u>		
Interest earned on Short term		
Investments (FDR'S)	386,575	0
Interest/penalties charged on loans to former Associated Companies	645,215	2,769,345
Less: Withholding tax	<u>0</u>	<u>0</u>
	<u>1,031,789</u>	<u>2,769,345</u>
Total other Income per		

NATIONAL CEREALS AND PRODUCE BOARD
OPERATING AND ADMINISTRATION EXPENSES
FOR THE YEAR ENDED 30TH JUNE 2004

(continued)

25. EXPENDITURE DETAILS

	<u>30TH JUNE 2004</u>	<u>30TH JUNE 2003</u>
	Kshs.	Kshs.
<u>GENERAL ADMINISTRATION</u>		
Board Members Allowances	3,062,418	1,523,395
Advertising	2,202,098	2,840,074
Conservancy, light and water	22,048,796	26,677,624
Consumable stores	407,916	545,785
Entertainment	59,425	19,940
General expenses	1,591,677	1,411,902
Insurance	21,671,976	20,289,851
Land rents & rates and siding charges	15,758,233	14,035,861
Maintenance of machinery, furniture and equipment	15,053,807	15,271,974
Maintenance of buildings, fences, gates, roads and railway sidings	6,825,374	6,359,243
Postage, telegram & telephone	13,644,997	14,930,949
Printing and stationery	3,949,507	6,487,805
Security expenses	54,303,104	48,594,531
Subscriptions & Nafaka Newsletter	886,517	1,218,660
Uniforms and protective clothing	75,854	104,642
Donations	68,290	176,485
Depreciation charges	<u>416,342,344</u>	<u>415,449,493</u>
	<u>577,952,334</u>	<u>575,938,214</u>
<u>GENERAL OPERATING EXPENSES</u>		
Fumigation expenses	5,013,901	10,854,016
Grain dryers operating costs	14,224,521	14,422,017
Commodity handling costs	2,370,163	930,977
Hired transport(Non-commodities)	141,447	44,475
Shows and exhibitions	2,134,453	2,962,271
Travelling and subsistence	18,889,017	18,055,436
Vehicle running costs	16,259,422	16,799,673
Provision for bad and doubtful debts	<u>15,250,260</u>	<u>21,038,000</u>

NATIONAL CEREALS AND PRODUCE BOARD
OPERATING AND ADMINISTRATION EXPENSES
FOR THE YEAR ENDED 30TH JUNE 2004

(continued)

30TH JUNE 2004 0TH JUNE 2003

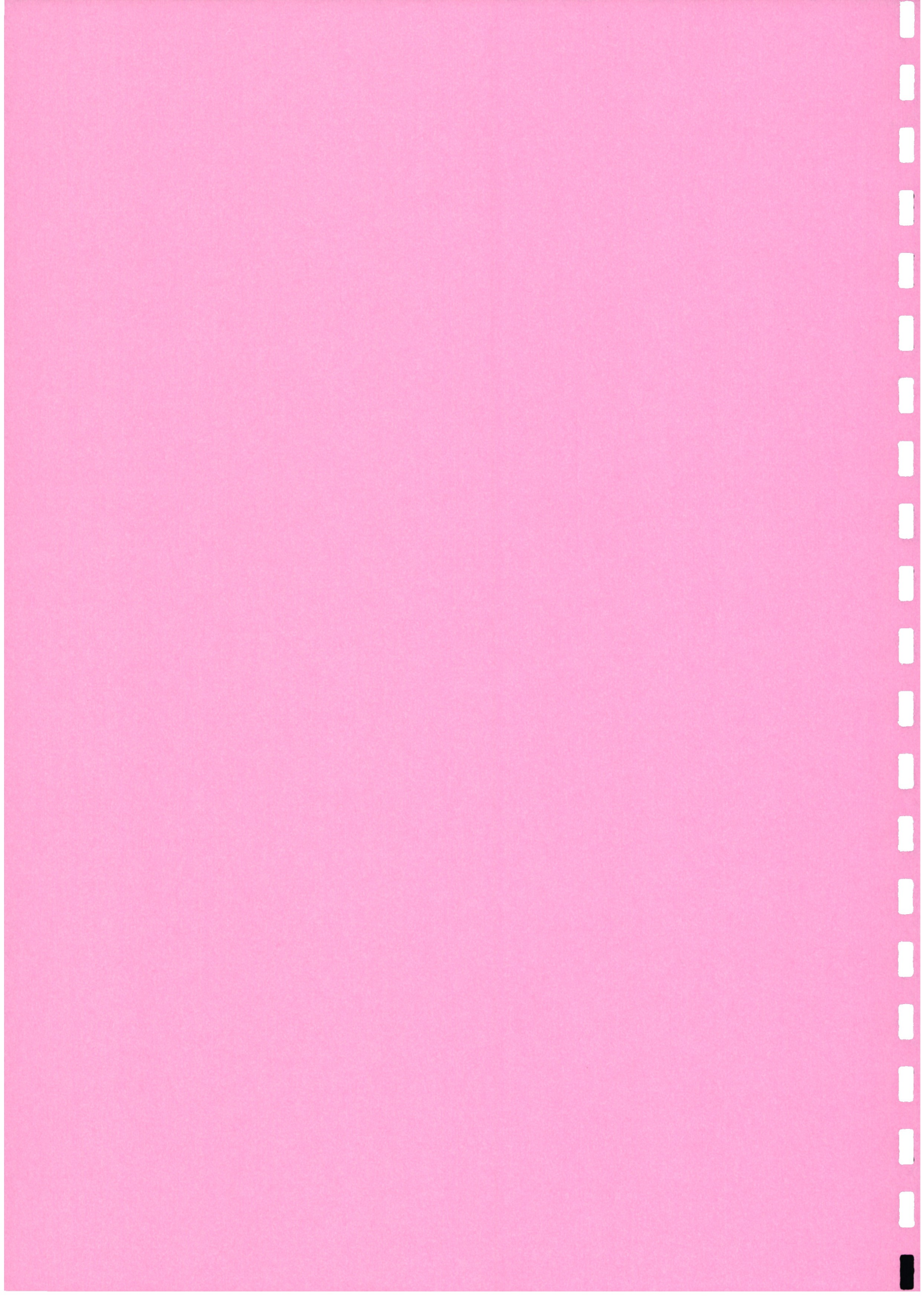
	Kshs.	Kshs.
<u>STAFF COSTS</u>		
Salaries and wages	285,296,036	280,177,716
Board's contributions to Provident Fund and Staff savings schemes	34,014,877	22,690,754
Board's contribution to National Social Security Fund	2,127,032	2,197,480
Medical expenses	24,091,488	21,973,594
Leave pay and gratuities	10,448,008	17,568,014
Welfare and training	<u>8,798,721</u>	<u>13,551,622</u>
	<u>364,776,162</u>	<u>358,159,180</u>
<u>PROFESSIONAL EXPENSES</u>		
Audit fees	2,500,000	2,500,000
Legal and other professional fees	<u>4,299,526</u>	<u>4,156,119</u>
	<u>6,799,526</u>	<u>6,656,119</u>
TOTAL EXPENDITURE BEFORE FINANCE COSTS	<u>1,023,811,206</u>	<u>1,026,051,380</u>
<u>FINANCE COSTS</u>		
Bank charges	14,725,036	19,349,929
Bank overdraft and loan interest	<u>21,825,526</u>	<u>35,380,169</u>
	<u>36,550,562</u>	<u>54,730,098</u>
TOTAL INDIRECT EXPENDITURE	<u>1,060,361,767</u>	<u>1,080,781,479</u>
<u>DIRECT COSTS</u>		
Hired road & rail transport	68,861,539	130,812,513
Export Costs	<u>0</u>	<u>25,818,928</u>
Total direct costs	<u>68,861,540</u>	<u>156,631,441</u>
TOTAL OPERATING EXPENDITURE	<u>1,129,223,306</u>	<u>1,237,412,919</u>
<u>EXTRA-ORDINARY ITEM OF EXPENSE</u>		
Early retirement staff costs	<u>0</u>	<u>3,359,840</u>

FINANCIAL HIGHLIGHTS

AND

STATISTICS

1999/2000 – 2003/2004



NATIONAL CEREALS AND PRODUCE BOARD

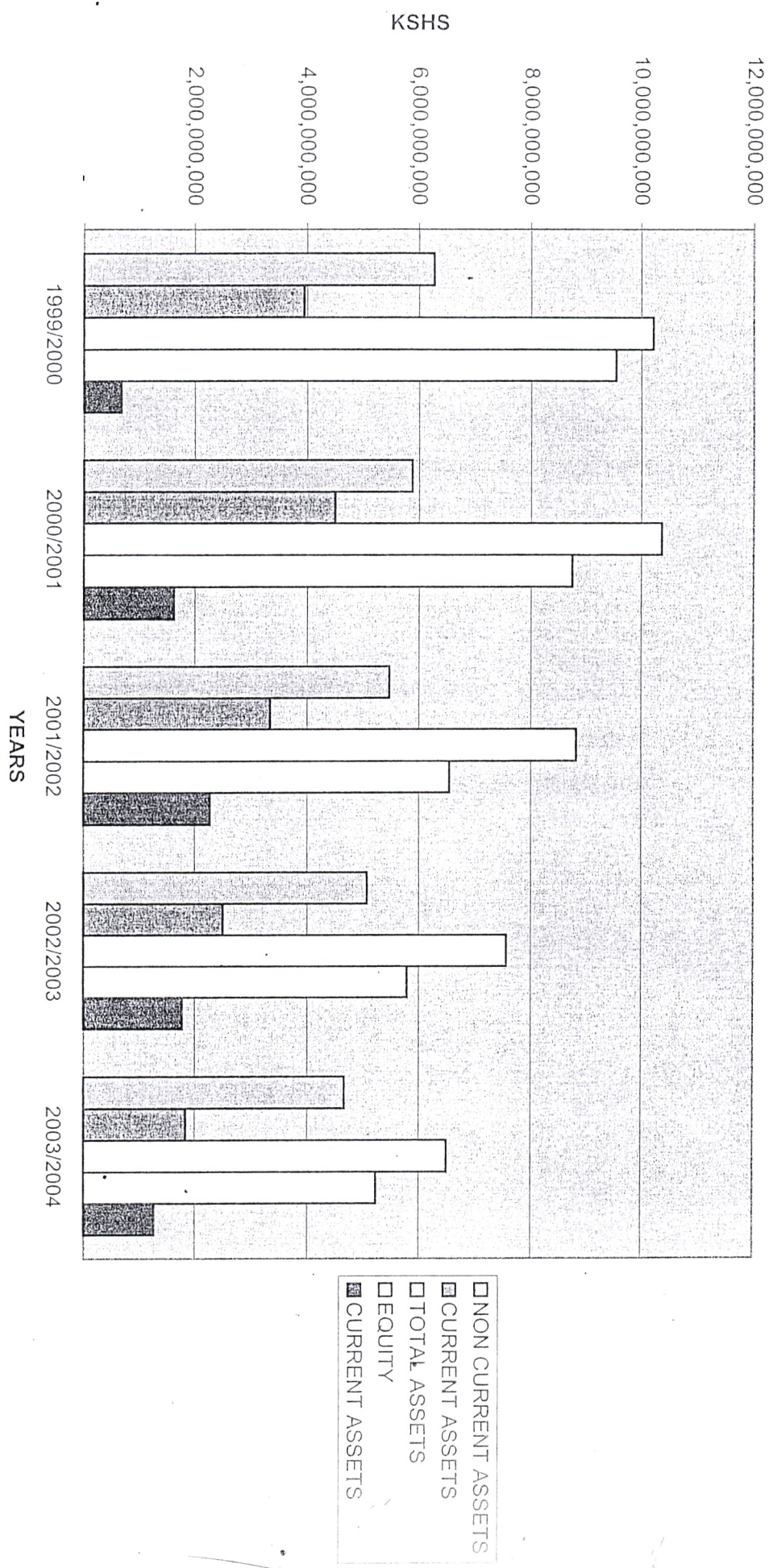
RATIO ANALYSIS 1999/2000 - 2003/2004

	<u>1999/2000</u>	<u>2000/2001</u>	<u>2001/2002</u>	<u>2002/2003</u>	<u>2003/2004</u>
<u>LIQUIDITY RATIOS</u>					
a) Current Ratio	584.34%	276.98%	147.16%	140.62%	144.75%
b) Acid Test	409.29%	120.30%	114.00%	129.65%	92.32%
<u>2. CAPITAL STRUCTURE RATIOS</u>					
a) Ratio of Debt: Total Assets	6.62%	15.64%	25.80%	23.54%	19.57%
b) Gearing Ratio	0.00%	0.00%	0.00%	0.00%	0.00%
<u>3. ACTIVITY RATIOS</u>					
a) Turnover ratio of Sales: Capital employed	25.40%	16.93%	31.97%	41.07%	8.55%
b) Stock Turnover (Days)	163	503	201	75	450
<u>4. PROFITABILITY RATIOS</u>					
a) Return on capital Employed (ROCE)	-4.02%	-9.09%	-33.65%	-13.20%	-11.45%
b) Profitability of Sales					
i) Gross Margin : Sales	13.50%	8.77%	-43.32%	2.81%	21.76%
ii) Net Profit : Sales	-15.81%	-53.67%	-105.25%	-32.14%	-133.96%

NATIONAL CEREALS AND PRODUCE BOARD
SUMMARY OF OPERATING RESULTS
1999/2000 TO 2003/2004 FY

	<u>1999/2000</u> KSHS	<u>2000/2001</u> KSHS	<u>2001/2002</u> KSHS	<u>2002/2003</u> KSHS	<u>2003/2004</u> KSHS
SALES TURNOVER	2,423,548,147	1,481,349,426	2,092,846,981	2,377,298,739	446,562,218
COST OF SALES	<u>2,096,337,855</u>	<u>1,351,469,228</u>	<u>2,999,526,239</u>	<u>2,308,533,226</u>	<u>349,405,468</u>
GROSS MARGIN	327,210,292	129,880,198	(906,679,258)	68,765,513	97,156,750
GROSS MARGIN AS A PERCENTAGE OF SALES	13.50%	8.77%	-43.32%	2.81%	21.76%
OTHER INCOME	<u>469,936,525</u>	<u>516,207,027</u>	<u>483,644,714</u>	<u>405,493,416</u>	<u>434,895,935</u>
GROSS MARGIN & OTHER INCOME	797,146,817	646,087,225	(423,034,544)	474,258,929	532,052,685
TOTAL COSTS BEFORE BAD DEBTS, DEPRECIATION AND EXTRA ORDINARY ITEMS	<u>715,669,621</u>	<u>943,387,226</u>	<u>1,342,737,868</u>	<u>800,734,423</u>	<u>698,679,080</u>
SURPLUS/(DEFICIT) BEFORE BAD DEBTS, DEPRECIATION AND EXTRA ORDINARY ITEMS	81,477,196	(297,300,001)	(1,765,772,412)	(326,475,494)	(166,626,395)
Depreciation Expense	417,965,623	408,643,951	408,837,240	410,725,765	416,342,344
Provision for bad and doubtful debts	35,939,598	18,715,373	13,839,452	21,229,002	15,250,260
Extra-Ordinary Items:	<u>10,728,600</u>	<u>70,411,993</u>	<u>14,312,573</u>	<u>3,359,840</u>	<u>-</u>
SURPLUS/(DEFICIT)	<u>(383,156,625)</u>	<u>(795,071,318)</u>	<u>(2,202,761,677)</u>	<u>(761,790,101)</u>	<u>(598,218,999)</u>

3
NATIONAL CEREALS AND PRODUCE BOARD
BALANCE SHEET 1999/2000 TO 2003/2004



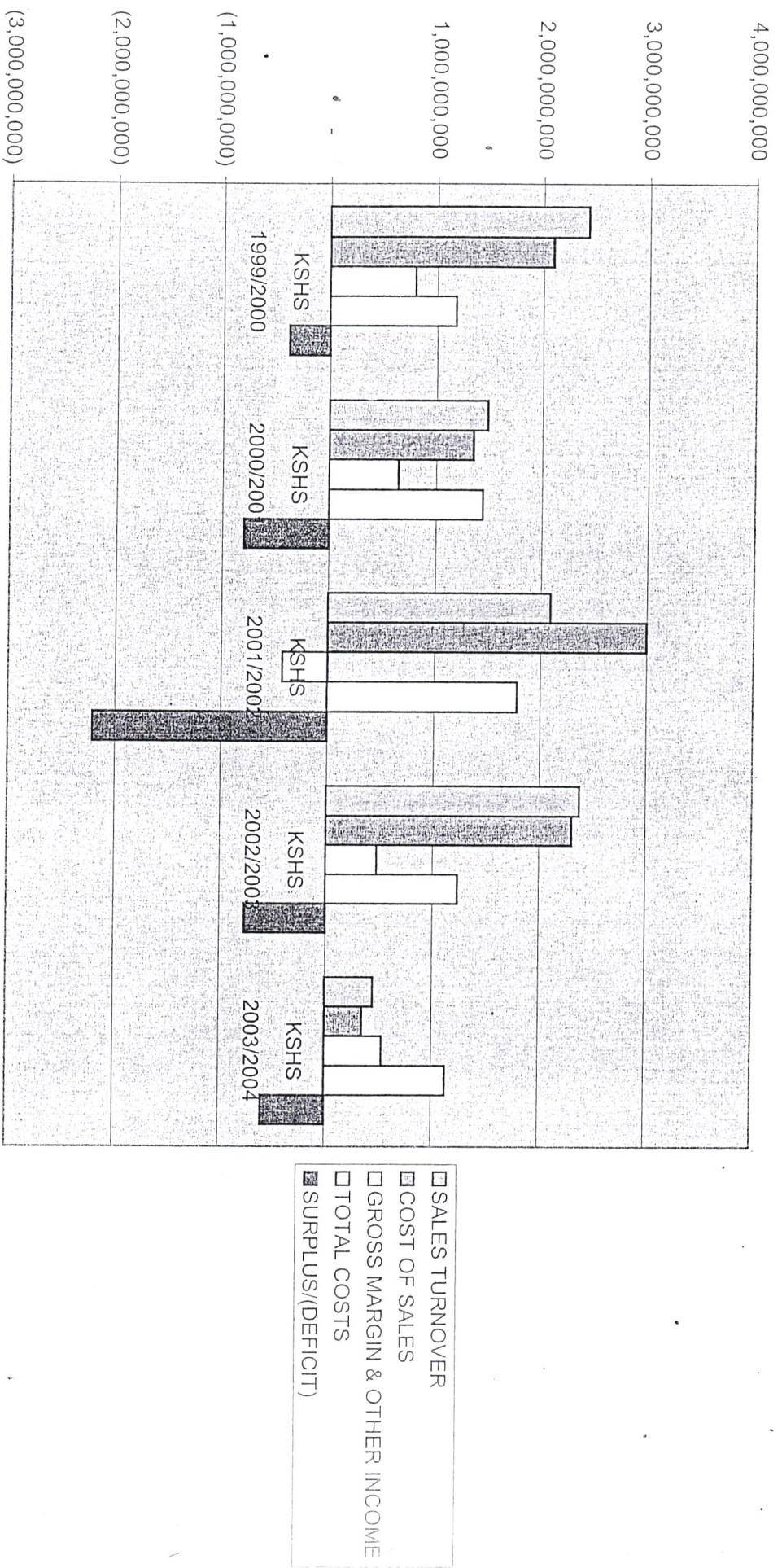
- NON CURRENT ASSETS
- ▨ CURRENT ASSETS
- TOTAL ASSETS
- EQUITY
- ▨ CURRENT ASSETS

NATIONAL CEREALS AND PRODUCE BOARD

COMPARATIVE BALANCE SHEETS 1999/2000 TO 2003/2004

	1999/2000 KSHS	2000/2001 KSHS	2001/2002 KSHS	2002/2003 KSHS	2003/2004 KSHS
ASSETS					
NON - CURRENT ASSETS					
FIXED ASSETS	6,239,942,930	5,849,709,166	5,460,996,178	5,055,383,103	4,649,285,324
INVESTMENT	26,541,194	27,602,013	12,256,379	9,298,856	6,618,580
LOANS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</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>	<u>4,655,903,904</u>
CURRENT ASSETS	<u>3,949,322,003</u>	<u>4,492,789,692</u>	<u>3,349,890,654</u>	<u>2,506,409,731</u>	<u>1,839,678,269</u>
	<u>10,215,806,127</u>	<u>10,370,100,871</u>	<u>8,823,143,211</u>	<u>7,571,091,690</u>	<u>6,495,582,173</u>
EQUITY AND LIABILITIES					
EQUITY					
CAPITAL FUND	6,304,142,172	6,304,142,172	6,304,142,172	6,304,142,172	6,304,142,172
REVALUATION RESERVE	2,699,423,826	2,699,423,826	2,699,423,826	2,699,423,826	2,699,423,826
ACCUMULATED SURPLUS	<u>536,378,622</u>	<u>(255,516,354)</u>	<u>(2,456,838,906)</u>	<u>(3,214,908,413)</u>	<u>(3,778,962,559)</u>
CAPITAL FUND	<u>9,539,944,620</u>	<u>8,748,049,644</u>	<u>6,546,727,092</u>	<u>5,788,657,585</u>	<u>5,224,603,439</u>
CURRENT LIABILITIES	<u>675,861,507</u>	<u>1,622,051,227</u>	<u>2,276,416,119</u>	<u>1,782,434,105</u>	<u>1,270,978,734</u>
EQUITY AND LIABILITIES	<u>10,215,806,127</u>	<u>10,370,100,871</u>	<u>8,823,143,211</u>	<u>7,571,091,690</u>	<u>6,495,582,173</u>

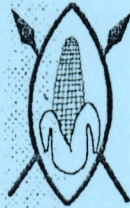
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NATIONAL CEREALS AND PRODUCE BOARD
SUMMARY OF OPERATING RESULTS 1999/2000 TO 2003/2004



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



NATIONAL CEREALS AND PRODUCE BOARD



GOK AGENCY OPERATIONS BALANCE SHEET AND ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2004

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

1

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
BALANCE SHEET AND ACCOUNTS
30TH JUNE, 2004

Page

CONTENTS

Balance Sheet	2
Income and Expenditure Account	3
Notes to the Accounts	4-9

NATIONAL CEREALS AND PRODUCE BOARD

**GOK AGENCY OPERATIONS - GOK FAMINE RELIEF PROGRAMME
BALANCE SHEET AS AT 30TH JUNE 2004**

	<u>Note</u>	<u>30TH JUNE 2004</u>	<u>30TH JUNE 2003</u>
		<u>Kshs</u>	<u>Kshs</u>
Famine Relief Stocks	3	219,747,137	219,747,137
SGR Stocks		1,382,380,234	1,382,380,234
Amount Due from NCPB			
on Borrowed Stocks	4	0	987,790,125
Shortfall in GOK			
funding to NCPB	5	0	0
		<u>1,602,127,371</u>	<u>2,589,917,496</u>
GOK Agency Account	5	378,314,893	403,337,446
Net Surplus		(378,314,893)	584,452,679
Stock Reserve Account		<u>1,602,127,371</u>	<u>1,602,127,371</u>
		<u>1,602,127,371</u>	<u>2,589,917,496</u>

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
EXPENDITURE ACCOUNT AS AT 30TH JUNE 2004

ACCOUNT CODE	GOK Strategic Grain Reserve Old Account		GOK Strategic Grain Reserve New Account		GOK 17 Selected Famines Relief Relief Depots		Italian Food Aid Programme		Libyan Food Aid Programme		2001/2002 Famine Relief Programme		2001/2002 Famine Relief Programme		Millet/Sorghum Programme		Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Net receipts from UNCTAD	0	1,011,785,082	15,319,740	0	0	0	0	0	0	0	0	0	0	0	0	0	1,065,046,182
Net proceeds from bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net proceeds of returned borrowed funds	0	1,144,842,444	0	0	0	0	0	0	0	0	0	0	0	0	0	0	853,734
Net Gain	0	1,156,627,526	15,319,740	0	0	0	0	0	0	0	0	0	0	0	0	0	1,171,911,228
Total	0	1,156,627,526	15,319,740	0	0	0	0	0	0	0	0	0	0	0	0	0	1,401,811,144
EXPENDITURE																	
PROJECT COSTS																	
Government costs	0	966,308,160	0	0	0	0	0	0	0	0	0	0	0	0	0	0	979,590,240
Project Costs	0	3,957,143	0	0	0	0	0	0	0	0	0	817,836	1,122,803	0	0	0	1,099,496,400
Multi-function transactions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(2,095,750)
Net transport costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Building costs	0	5,362,899	0	0	0	0	0	0	360	4,029,351	51,913	48,930	0	0	0	0	9,493,453
Printing Expenses	0	0	23,614,927	0	0	0	0	0	0	0	0	0	0	0	0	0	23,614,927
Total	0	975,628,202	23,614,927	0	0	0	0	0	360	120,910,049	869,749	(924,917)	1,120,099,269	0	0	0	979,590,240
Agency fees and charges for services/facilities provided																	
Agency	0	21,256,600	0	0	0	0	0	0	346	16,465,894	110,973	664,176	0	0	0	0	38,507,989
Agency maintenance	0	23,250,344	0	0	0	0	0	0	378	18,009,572	108,114	726,443	0	0	0	0	42,104,851
Commission on purchases	0	57,504,455	0	0	0	0	0	0	0	956,760	0	0	0	0	0	0	59,461,215
Commission on sales	0	0	0	0	0	0	0	0	2,040	13,131,542	127,330	146,472	0	0	0	0	13,407,384
Commission on bank transport cost	0	0	0	0	0	0	0	0	0	8,297,889	65,427	89,824	0	0	0	0	8,443,141
Commission on commodity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Printing costs	0	429,032	0	0	0	0	0	0	29	322,348	4,153	3,915	0	0	0	0	759,477
Banking charges on commercial sales	0	93,824,518	0	0	0	0	0	0	0	0	0	0	0	0	0	0	93,824,518
Agency costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Agency management fees on	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Agency charges on directly for UNCTAD use	0	0	1,180,746	0	0	0	0	0	0	0	0	0	0	0	0	0	1,180,746
Total	0	196,284,948	1,180,746	0	0	0	0	0	2,793	57,174,005	415,998	1,630,830	0	0	0	0	256,689,321
Net Expenditure (a + b)	0	1,171,913,150	24,795,673	0	0	0	0	0	3,153	178,084,054	1,285,747	706,813	0	0	0	0	1,376,788,591
Surplus/(Deficit) for the year	0	(15,285,624)	(9,475,932)	0	0	0	0	0	(3,153)	51,779,823	(1,285,748)	(706,813)	0	0	0	0	25,022,553
Balance																	
Opening (Surplus) B/F balance	(163,807,949)	(6,409,958)	(198,813,045)	1,886,019	(165,327)	(198,813,045)	1,886,019	(165,327)	(165,327)	(49,327,482)	8,962,146	4,368,048	(403,337,446)	0	0	0	(378,314,881)
Total	(163,807,949)	(6,409,958)	(198,813,045)	1,886,019	(165,327)	(198,813,045)	1,886,019	(165,327)	(165,327)	(49,327,482)	8,962,146	4,368,048	(403,337,446)	0	0	0	(378,314,881)

**NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2004**

1. **ACCOUNTING POLICIES**

(a) **Valuation of closing stocks**

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

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

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

(c) **Allocation of Expenses**

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

2. **GOK AGENCY ACCOUNT**

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

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

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

**NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS – 30TH JUNE 2004**

2.2 Provisions of Agency Agreement

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

The rates applicable in 2003/2004 FY for various services and facilities which were mutually agreed upon on 12th November 2002 by the two parties were as follows:-

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

3. CLOSING STOCKS

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

Category/Product	As at 30.06.2004		As at 30.06.2003	
	Bags	Value KShs	Bags	Value KShs
GOK Famine Relief -- Maize (90 kg)	237,915	276,099,960	178,384	190,290,400
GOK Famine Relief -- Beans (90 Kg)	4,571	8,709,503	6,070	12,063,708
GOK Famine Relief - S/hand Gunnies	141,757	3,026,108	170,818	3,250,210
Millet/Sorghum	7,960	7,133,497	19,974	17,460,584
Sub Total F/Relief Stock		294,969,068		219,747,137
SGR Maize Stocks	984,214	1,303,780,842	1,418,800	1,382,380,234

**NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2004**

3.2 Stock Movement

	2003/2004FY					2002/2003FY				
	SGR MAIZE (90kg Bags)	GINNIES Pieces	F/RELIEF MAIZE (90kg Bags)	BEANS (90kg Bags)	MILLET/ SORGHU M (90kg Bags)	SGR MAIZE (90kg Bags)	GINNIES Pieces	F/RELIEF MAIZE (90kg Bags)	BEANS (90kg Bags)	MILLET/ SORGHU M (90kg Bags)
OPENING STOCKS	1,418,803	170,818	178,384	6,070	19,974	1,000,000	173,833	1,405,550	13,124	16,274
Transfer To GOK Stock from NCPB Stocks	0	0	0	0	0	0	0	0	0	0
Purchases/Surrendered	676,523	40,525	858,706	5,991	0	418,803	37,622	0	4,455	3,700
Stocks Available For Distribution/Sale	2,095,326	211,343	1,037,090	12,061	19,974	1,418,803	211,455	1,405,550	17,579	19,974
Deduct Disposals:										
Releases/Sales	1,111,111	69,586	799,175	7,490	9,694	0	40,637	379,716	10,976	0
Transfer To GOK Stock from NCPB Stocks	0	0	0	0	2,320	0	0	847,450	533	0
Storage Loss/(Gain Adjustment	0	0	0	0	0	0	0	0	0	0
Sub-Total	1,111,111	69,586	799,175	7,490	12,014	0	40,637	1,227,166	11,576	0
CLOSING STOCKS	984,215	141,757	237,915	4,571	7,960	1,418,803	170,818	178,384	6,070	19,974

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE 2004

(Continued)

5 AMOUNTS OWING ON AGENCY SERVICES

5.1 Composition

The breakdown of the amounts owing to the Agent as at 30th June 2004 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
a) Strategic Grain			
<u>Reserve Programme</u>			
Balance B/F on 1/7/2003	163,807,949	0	163,807,949
2003/2004 expenses:-			
Direct costs	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Storage Charges	<u>0</u>	<u>0</u>	<u>0</u>
Sub - Total	<u>163,807,949</u>	<u>0</u>	<u>163,807,949</u>
b) <u>Famine Relief Programme</u>			
Balance B/F on 1/7/2003	34,276,596	108,451,506	(74,174,910)
2003/2004 expenses:-			
Direct costs	120,856,141	(406,334,463)	431,272,801
	<u>59,223,625</u>	<u>95,917,803</u>	<u>(36,694,178)</u>
Agency Commission	<u>214,356,362</u>	<u>(201,965,154)</u>	<u>320,403,712</u>
Sub - Total	<u>214,356,362</u>	<u>(201,965,154)</u>	<u>320,403,712</u>
c) <u>GOK 17 selected</u>			
<u>Depots for F/Relief</u>			
Balance B/F on 1/7/2003	198,843,045	15,319,740	183,523,305
2003/2004 expenses:-			
Operating expenses	23,614,927	0	23,614,927
	<u>0</u>	<u>0</u>	<u>0</u>
Storage Charges	<u>0</u>	<u>0</u>	<u>0</u>
5 % Management fees	<u>1,180,746</u>	<u>0</u>	<u>1,180,746</u>
Sub - Total	<u>223,638,718</u>	<u>15,319,740</u>	<u>208,318,978</u>
d) <u>Strategic Grain</u>			
<u>Reserve Programme</u>			
Balance B/F on 1/7/2003	6,409,858	158,748,187	(152,338,329)
2003/2004 expenses -			
Direct costs	975,628,202	808,004,249	167,623,953
Agency Commission	<u>196,284,948</u>	<u>189,875,090</u>	<u>6,409,858</u>
Sub - Total	<u>1,178,323,009</u>	<u>1,156,627,526</u>	<u>21,695,483</u>
Total (attached)	<u>1,730,129,057</u>	<u>909,987,117</u>	<u>714,226,121</u>
less:			<u>335,911,229</u>
		Net sales	

**NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2004**

5 COMMODITY PURCHASES

6.1 Purchases on Agency Basis

During 2003/2004 FY the Agent (NCPB), at the request of the Principal (Government – OP-R&R) procured on agency basis, the under listed commodities for GOK Famine Relief/Emergency Programmes :-

Commodity	2003/2004 FY Quantity (90Kgs)	2002/2003 FY Quantity (90Kgs)
Maize F/R	858,746	0
Beans	5,991	4,455
Millet/Sorghum	0	3,700
SGR Maize	676,523	418,803

7 RELIEF COMMODITIES DISTRIBUTED IN 2003/2004 FY

7.1 Commodities Distributed

During 2003/2004 FY the Agent (NCPB) distributed on behalf of the Government through requisition orders raised in favour of various beneficiary districts, the under-listed commodities under GOK famine Relief/Emergency Programme.

	2004/2004 FY Quantity (90Kgs)	2002/2003 FY Quantity (90Kgs)
Maize	799,175	379,716
Beans	7,490	10,976
Wheat Flour	216	1,008
Rice	0	1,510
Millet/Sorghum	9,694	0

**NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2004**

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:-

	2003/2004 FY		2002/2003 FY	
	Quantity (90Kgs)	Cost KShs	Quantity (90Kgs)	Cost KShs
Maize F/R	413,566	103,598,618.35	270,694	70,671,825.45
Maize SGR	0	0	341,961	51,474,978.55
Beans	4,907	817,835.85	31,306	1,390,484.60
Wheat flour	0	0	0	0
Rice	0	0	0	0
Sorghum	3847	1,122,802.80	1,001	112,881.25
Millet	0	0	2,438	274,986.25
Total		105,539,257.00		123,925,158.10

8 CONTINGENT LIABILITIES

A contingent liability amounting to KShs 178,533,987.00r continued to remain unsettled as at 30th June 2004. This liability relates to a GOK market intervention measure implemented by the Agent (NCPB) in providing a market outlet for local wheat at pre-determined buying prices as directed by the Government during 1997/98 FY. In addition to the above contingent liability there is also an amount of KShs. 2.20 billion which arose from maize export losses during 2001/2002 FY.

