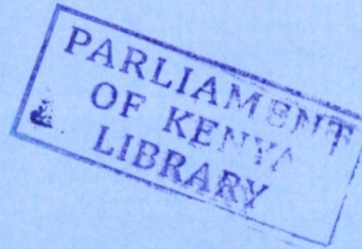
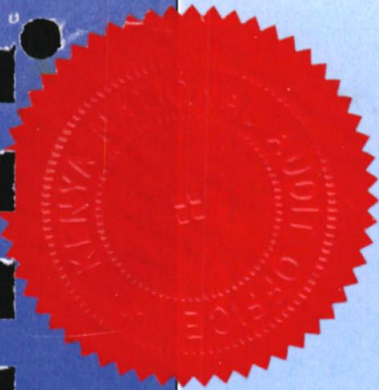


REPUBLIC OF KENYA



Paper Laid
By the Leader of
Majority Party
on Wed 26/8/2015

KENYA NATIONAL AUDIT OFFICE



REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
NATIONAL CEREALS AND
PRODUCE BOARD
FOR THE YEAR ENDED
30 JUNE 2014



NATIONAL CEREALS AND PRODUCE BOARD



KENYA NATIONAL AUDIT OFFICE
P. O. Box 30084 - 00100, NAIROBI.

- 8 JUN 2015

RECEIVED

**ANNUAL ACCOUNTS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE, 2014**

**NCPB P.O. BOX 30586 - 00100
NYUMBA YA NAFKA
MACHAKOS ROAD
INDUSTRIAL AREA
NAIROBI**

-1-
NATIONAL CEREALS AND PRODUCE BOARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2014

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NATIONAL CEREALS AND PRODUCE BOARD

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

Vision Statement

Be the leading agricultural commodity management and trading organization in the world.

Mission Statement

To promote free and fair trade in commodities through research and market development, and ensure that there is timely accessibility of commodities to all.

Values

- Commitment with Enthusiasm
- Team Spirit
- Integrity and Honesty
- Impartiality and fairness
- Accountability
- Professionalism

NATIONAL CEREALS AND PRODUCE BOARD



**CORPORATE INFORMATION AND SOCIAL
RESPONSIBILITY**

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

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

NAIROBI**Regional Offices:****Nairobi/Eastern Region**

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

NAIROBI**North Rift Region**

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

ELDORET**South Rift Region**

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

NAKURU**Lake/Western Region**

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

KISUMU**Coast Region**

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

MOMBASA**Northern Region**

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

EMBU**AUDITORS**

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

NAIROBI**BANKERS**

Kenya Commercial Bank
P.O. Box 48400

NAIROBI

Co-operative Bank of Kenya
P.O. Box 577220-00200

NAIROBI

NATIONAL CEREALS AND PRODUCE BOARD

CORPORATE INFORMATION

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

Col. (Rtd) Geoffrey. M. King'ang'i-	-	Chairman (Appointed on 10/01/2014)
Prof. Wilfred Mwangi PhD, EBS	-	Chairman (Resigned on 10/01/2014)
Mr. Newton Terer	-	Managing Director (Appointed 29/05/2014)
Mr. C.K. Ngelechey	-	Ag. Managing Director (Upto 29/05/2014)
Prof. Gideon K. Misoi (OGW)	-	Managing Director (Contract ended 31/07/2013)
Mr. Geoffrey Gitamo Obure	-	Member
Dr. Ahmed Ferej	-	Member
Mr. Daniel Damocha	-	Member
M/s. Monica Amolo	-	Member (Vacated on 12/02/2014)
Abdullahi Haji Abdi	-	Member
Amb. Binsai Chepsongol	-	Alternate Director to the Permanent Secretary Ministry of Devolution and Planning
M/s Beatrice Gathirwa	-	Alternate Director to the Permanent Secretary National Treasury
M/s Rosemary Onam	-	Alternate Director to the Permanent Secretary Ministry of Agriculture, Livestock and Fisheries

SENIOR MANAGEMENT

Mr. C.K. Ngelechey	-	Ag. General Manager- Finance and Procurement
Mr J. M. Gichuru	-	Ag. Finance Manager
Mr. E. M. Ogwora	-	Operations Manager
Mr. F. Muchina	-	Human Resources Manager
Mr.P.M.Karanja	-	Ag. Board Secretary
Mr. F. K. Siele	-	Ag. Manager Services Marketing
Mr. J. C. Boit	-	Research & Business Development Manager
Mr. J.K. Githuku	-	ICT Manager
Mr. E. S. Wasike	-	Ag. Public Relations Manager
Mr. J. Chebii	-	Ag. Internal Audit Manager
Mr. D. C. Mundia	-	Procurement Manager
M/s. H. Kilel	-	Ag. Administration Manager
Mr.J.M. Ndonga	-	Ag. Sales and Marketing Manager
Dr. S. Kakai	-	Ag. Quality Assurance Manager
Mr. M. Mwango	-	Ag. Technical Manager

NATIONAL CEREALS AND PRODUCE BOARD – BOARD OF DIRECTORS



Col.(Rtd) Geoffrey
M.King'angi

Col.(Rtd) Geoffrey M.King'angi, aged 53 years, holds a Masters in International Security from Leicester University, Bsc, Civil Engineering and Architecture from St. Georges University International UK. He also holds Postgraduate Diploma in Strategic Studies from University of Nairobi.

He has over twenty five (25) years in handling security matters from tactical, operational and strategic levels.

Col. (Rtd) Geoffrey King'angi is the Chairperson of the Board of Directors of NCPB.



Mr. Newton S.K. Terer

Mr. Newton S.K. Terer, aged 50 years, holds Masters in Business Administration from Moi University and BEd (Arts), Economics from Kenyatta University.

He has over twenty (20) years of professional experience with leading commercial banks and agricultural sector in Kenya. Mr. Newton K. Terer is the current Managing Director.



Dr. Ahmed Kibet Ferej

Dr. Ahmed Kibet Ferej, aged 60, holds PhD in Education from University Illinois, US, Bachelors & Master in Education from University of Brunwick, Canada.

He has over thirty (30) years' experience in the field of Education. He worked for UNESCO Headquarters in Paris, Iraq, Liberia and Leone. He is a Board Member and chairman of HR Committee.



Daniel Damocha Dibo

Daniel Damocha Dibo, aged 55 years, holds BA in Development Studies – Arusha Tanzania.

He is involved in coordinating Community Development & Support Programmes on behalf of Government. He is a Board Member and chairman of Finance Committee.

NATIONAL CEREALS AND PRODUCE BOARD – BOARD OF DIRECTORS



Abdullahi Haji Abdi

Abdullahi Haji Abdi, aged 56 years, holds BEd (Physics & Education) from University of Exeter, Exeter UK.

He has Experience in Education Administration & Management, Curriculum Development, Education Policy Statement and Quality Assurance & Standards. He serves as Board member and Chairman of Strategic Planning and Procurement Committee.



Beatrice W. King'ori

Ms Beatrice W. King'ori, aged 36 years holds masters of Science in Agronomy from University of Nairobi.

She has experience spanning over 32 years' in agricultural management under the MOALF. She is the alternate director to the Principal Secretary Ministry of Agriculture, Livestock and Fisheries, State Department of Agriculture.



Beatrice W. Gathirwa

Ms Beatrice W. Gathirwa, aged 58 years holds Bachelor of Commerce degree from University of Nairobi and MBA from Moi University.

She has experience spanning over 32 years in public finance management at The National Treasury. She is the alternate director to the Principal Secretary, The National Treasury.



Samson P. Wangusi

Mr. Samson P. Wangusi, aged 48 years holds MA in Public Administration from Moi University.

He has 25 years' experience in public administration under the Office of President. He is the alternate director to the Principal Secretary, Ministry of Devolution & Planning.

NATIONAL CEREALS AND PRODUCE BOARD – BOARD OF DIRECTORS



Late Monica A. Amollo

The late Monica Akeyo Amollo, aged fifty (50), she was holder of certificates in Entrepreneurship, Financial Management & Presentation & Negotiation Skill-predec from Finland. National certificate in institutional Management from Law Institutional Management Training College, Diploma in Institution Management from Kenya Polytechnic

She was Founder/Director – Programme for Rehabilitation of Women and Children in Socio-Economic difficulty. Programme Officer – VSO in charge of basic business skill & Revolving funds African Tours & Hotels, Assistant Manager Director in-charge of Exports Naudo Fashion House Ltd. She serves as Board member.



Geoffrey Gitamo Obure

Geoffrey Gitamo Obure, aged forty four (44) years, holds MA Economics and BA Economics.

He has 15 years' experience in financial management with various corporate entities including EABL and Airtel (K) Ltd. He is a Board Member and Chairman of Audit and Risk Committee.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES 2013/2014

National Cereals and Produce Board (NCPB) continues to dedicate part of its profit to corporate social responsibility activities aimed at enhancing the livelihoods of those in need and Kenyans in general.

The Board strives to conduct its business in a way that minimizes environmental impact as well as promoting positive interaction with the community in accordance with sound ethical standards.

This brings benefits to all concerned and is in line with the “Social Pillar” of Vision 2030, which calls for “a modern, fair, socially inclusive and equal society supported by a productive and prosperous economy”.

During the year under review, the organization focused on various activities aimed at making positive impact on various communities while creating a cordial relationship and raising the organization's profile. Areas of focus included environmental conservation, support to sporting activities and visiting of children's homes.

Environmental Conservation

To safeguard the environment, NCPB ensures that any practical adverse impact on the environment from its activities shall be prevented or mitigated. Protection of the environment in which we live and operate is part of NCPB's values and principles and we consider it to be sound business practice. Care for the environment is one of our key responsibilities and an important part of the way in which we do business. We shall strive to reduce our energy use, manage our carbon footprint and decrease our overall environmental impact.

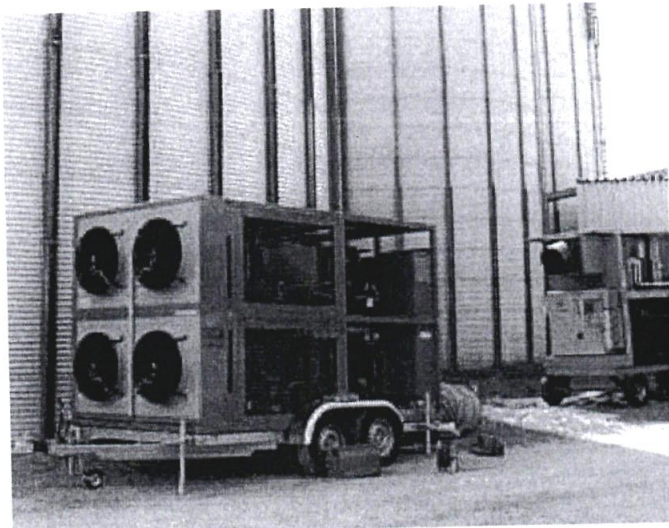


NCPB staff planting trees during World Environment Day at the Industrial Area G.K. Remand Prison

NATIONAL CEREALS AND PRODUCE BOARD – BOARD OF DIRECTORS

During the year under review, NCPB actively participated in environmental initiatives aimed at conserving catchment areas and other delicate ecosystems. We planted 1000 trees and participated in the World Environment day activities at the Industrial area Prison Nairobi - Kenya under the auspices of the "Neighbors Against Aids". Further, NCPB continues to maintain a vibrant tree nursery which nurtures tree seedlings, both exotic and indigenous, which are sold to farmers and interested parties at affordable prices.

NCPB ensures that its operations are in line with the world best practices. In this regard, NCPB has discontinued the application of methyl bromide in pest control and has introduced the use phosphine gas generators and chillers in its silos.



A Chiller used for grain pest control at NCPB silo.

Sports

Sporting activities are known to provide physical and emotional benefits and NCPB has continued to support Handball Teams for both Men and Women to participate in the various events both at national and international level. NCPB men handball team won the East and Central African Championship held in Nairobi and the National league.



NCPB handball team fights it out with Congo police during the East and Central African Handball club championship in Nairobi.

Community Support

NCPB encourages interaction with communities especially the less fortunate by lending out financial, social, and moral support. So during the year under review NCPB staff visited a children's home, which also serves as a children's rehabilitation center, in South B Nairobi.



NCPB staff in readiness to visit ST. Elizabeth children's home in Githurai

NATIONAL CEREALS AND PRODUCE BOARD



REPORTS AND FINANCIAL STATEMENTS

NATIONAL CEREALS AND PRODUCE BOARD

CHAIRMAN'S REPORT

ECONOMIC REVIEW

According to Economic Survey for 2014, the Kenyan GDP expanded by 4.7% in 2013 as compared to 4.6% in 2012. This performance was supported by stable macroeconomic environment and low and stable inflation supported by improved supply of basic foods, lower international oil prices and lower costs of electricity. Various sectors of the economy recorded positive growths in varying magnitudes. The Agriculture sector decelerated in 2013 to 2.9% from a revised growth of 4.2% in 2012 partly due to inadequate rainfall received in some grain growing regions of the country. The annual inflation decreased from 9.4% in 2012 to 5.7% in 2013 was largely attributed to improved supply of basic foodstuffs and stable domestic prices of petroleum products.

The Economic outlook for 2014 is that the macroeconomic stability witnessed in 2013 will continue into the first quarter of 2014 and is likely to be maintained to the rest of the year. However, the operationalization of the development budget in the counties is expected to spur further economic growth. Further private consumption is likely to improve given the stable interest rate and low inflation regime.

GRAIN SUB-SECTOR REVIEW

Generally the key crop production recorded improved performance save for coffee and maize which registered a decrease of 18.8% and 2.0% respectively. Maize production was 38.9 million bags in 2013 as compared to 39.74 million bags in the previous year resulting in a decrease of 2.0%. Significant improvements were recorded in Tea and wheat with an increase of 17.1% and 19.5% respectively.

To spur growth in this sector, the Government will expedite establishment of fertilizer factories to reduce the cost of agricultural inputs to farmers to increase investment in irrigation to reduce dependency on rain fed agriculture and increase the amount of land under crop production. Further in collaboration with county Governments, the central Government will ensure that each county has at least one agricultural value added processing plant.

NCPB MAIN ACTIVITIES

The main activities for the year were:-

- a) Trading in agricultural produce, i.e maize, wheat, rice, beans, millet, green grams 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) Importation and sale of farm inputs.

OPERATING PERFORMANCE

Trading Activities

Though the Board commenced the Financial year with almost nil stocks arising from the disruption of its operations the previous year, concerted efforts of the Board and the management ensured that the Board not only remained afloat but also be able to discharge its mandate. The sales turnover improved from 0.58 million in 2012/2013 FY to Kshs.5.96 billion in 2013/2014 FY.

NATIONAL CEREALS AND PRODUCE BOARD

CHAIRMAN'S REPORT (CONTINUED)

At the same time the performance improved significantly and loss reduced from Kshs. 936.66 million in 2012/2013 FY to kshs.218.11 million in the year under review.

Future out look


Due to the challenges being faced by the Board, the Government through the Ministry of Agriculture, Livestock & Fisheries, hired a consulting firm (Ernest & Young) to assist in the restructuring of NCPB to enhance service delivery. Some of the key Terms of Reference for the consultants were as follows:-

1. Assess economic viability and sustainability of the NCPB given its current mandate, as well as the proposed mandate.
2. Identify and assess potential additional functions that could be performed on commercial terms and contribute to NCPB's current mandate especially through WRS and Commodity Exchange.
3. Assess the expectations of the stakeholders given the new constitutional dispensation and advice on the viability and appropriateness of the establishment of the NCPB facilities in the devolved counties.
4. Advice and analyse the effects of the implementation of the NCPB's divestiture programme of non-core assets.
5. Recommended on the appropriate legislation that would facilitate and enhance the restructuring of the NCPB.

The consultants concluded the exercise and key recommendations are summarised as follows:-

- a) Establishment of an independent **Grain Regulator** to regulate the grain industry in the country
- b) Separation of the Social and Commercial roles to enable NCPB play its rightful role in liberalized and competitive grain market through establishing **a National Food Security Agency**.
- c) Restructuring the current NCPB into **Grain Corporation of Kenya** that will deal with the commercial activities including becoming a major National Warehousing institution to support on-going market reforms.
- d) Expansion of the **Warehouse Receipting System (WRS)**
- e) Establishment of **a Commodity Exchange (COMEX)** that encompasses all agricultural commodities in the region.
- f) Preparing adequate **Legal and Regulatory Framework** to govern and assist grain trade to prosper.

The report was submitted to the Government and we are awaiting further guidance on its implementation.


COL. (RTD) G.M. KING'ANGI
CHAIRMAN

NATIONAL CEREALS AND PRODUCE BOARD

REPORT OF THE DIRECTORS

The Directors have a pleasure in submitting their report together with the audited accounts of the Board for the year ended 30th June 2014.

1. INCORPORATION AND HEAD OFFICE

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

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

2. PRINCIPAL ACTIVITIES

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

3. RESULTS

The operating results for the year were as follows: -

	<u>30.06.2014</u>	<u>30.06.2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Operating Loss before Depreciation, Provision	<u>212,492,248</u>	<u>(459,168,097)</u>
Less:		
Depreciation	374,144,679	424,460,075
Amortization	6,667,004	5,036,295
Bad and doubtful Debts	<u>48,000,000</u>	<u>48,000,000</u>
	<u>428,811,683</u>	<u>477,496,370</u>
Net Loss	<u>(216,319,435)</u>	<u>(936,664,467)</u>

NATIONAL CEREALS AND PRODUCE BOARD**4. DIRECTORS**

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

5. AUDITORS

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

By order of the Board



MR J. K. NGETICH
AG. BOARD SECRETARY
NAIROBI, KENYA
4TH JUNE 2015

NATIONAL CEREALS AND PRODUCE BOARD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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



COL (RTD) G.M.KING'ANG'I
CHAIRMAN
15TH JUNE 2015



N. K. TERER
MANAGING DIRECTOR

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
Email: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Cereals and Produce Board set out on pages 10 to 33 which comprise the statement of financial position as at 30 June 2014 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution and 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit

also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Property, Plant and Equipment

1.1 Storage Facilities

As previously reported, the property, plant and equipment balance of Kshs.7,724,446,602 as at 30 June 2014 includes fifty five (55) donor funded storage facilities whose ownership has not been clarified. Although at its sitting on 11 August 1998, the Public Investment Committee directed both the parent Ministry and Treasury to look into the matter with a view to formerly transferring the facilities to the Board, no meaningful progress appears to have been recorded in this regard as at 30 June 2014.

1.2 Land

The property, plant and equipment balance of Kshs.7,724,446,602 also includes thirty seven (37) parcels of land with a cost of Kshs.54,383,887 whose title deeds were not availed for audit review. According to additional information available, some of the parcels are leased from the Kenya Railways Corporation

2. Current Assets

2.1 Debtors and Prepayments

As previously reported, the debtors and payments figure of Kshs.262,646,227 as disclosed under note 6 to the financial statements includes trade debtors figure of Kshs. 914,648,227. However, included in this balance are debtors with a balance of Kshs.841,839,360 representing 92% of the trade debtors that have been outstanding for more than two (2) years. Although a cumulative provision for bad and doubtful debts of Kshs.895,557,914 has been provided for in the financial statements, the management has not produced evidence of the actions being taken to ensure recovery of these debts which remains doubtful.

2.2 Government Debtors - Old Strategic Grain Reserve (SGR) and Famine Relief Account

The Government Agency Account balance of Kshs.1,987,299,955 includes Kshs.342,341,936 and Kshs.191,916,638 in respect to SGR old account and Famine Relief old account respectively both of which are disputed by Government. The debts have remained unpaid for over 15 years and no specific provision has been made in the financial statements to cover the two debts totalling to Kshs.534,258,574.

In view of the above, it has not been possible to confirm that the Government debtors-new agency account figure of Kshs.1,987,299,955 as at 30 June 2014 is fairly stated.

3. Procurement of 40,000 Metric Tons of Maize

As previously reported, the Board entered into a contract with a Company on 26 November, 2004 to supply 40,000 MT of white maize at US Dollars 229 per MT for a contract sum of Kshs. 730,968,000. The contract was not executed and on 2 May 2007, the supplier wrote to the Chairman, Kenya Chapter, Institute of Chartered Arbitrators for arbitration. In September 2007, the Institute appointed an arbitrator to arbitrate the dispute between the Board and the supplier. In the ruling of July, 2009, the arbitrator awarded the supplier US\$3,106,000 for breach of contract. The Board was not satisfied with the arbitration and filed an appeal in the High Court. The High Court on its ruling held on 11February, 2013 increased the award to US Dollars 6,140,859 equivalent to Ksh.552, 677,382. On 19 March, 2013, the Board's bankers i.e. Kenya Commercial Bank Limited transferred Ksh.297,386,505 being decretal sum payable to the claimant. On 27 June, 2013 the Board's banker National Bank of Kenya transferred Kshs.13,364,671.40 to Erads Suppliers and Contractors Limited to satisfy the decretal sum payable of Kshs.264,864,285 as per the court's order dated 31 May, 2013 leaving a balance of Kshs.251,499,614 to be settled. The case is pending in court awaiting its hearing and determination.

In the circumstances, it has not been possible to ascertain the total actual liability which may arise until the liability is fully settled.

4. Board Expenses

According to Section 10(1) of the State Corporations Act, Cap 446 of the Laws of Kenya the Chairman and Members of a Board, other than the Chief Executive are to be paid sitting allowances from the funds of the State Corporation upon attending Board or Committee meetings. However and as previously reported, the Board paid a total of Kshs.480,463 as sitting allowances to non-Board members in attendance during Board/Committee meetings. The Board was therefore in breach of the law to the extent of these payments.

5. Cash at Bank and in Hand

- i. Included in the cash at bank figure of Kshs.391,127,566 as disclosed under note 8 to the financial statements is Kshs.9,003,010 in the bank reconciliation statements described as payment in bank not in cash book relating to various bank accounts held by the Board. The management has not explained how payments were effected in the bank without being recorded in the cash book.
- ii. In addition, the cash at bank figure includes Kshs.12,890,151.15 described as receipts in the bank not in the cash book. No logical explanation has been given by management as to how bankings were made in the Board's bank accounts without corresponding entries in the cash book.

- iii. Further audit examination of records revealed that the balance includes Kshs.5,100,919 described as receipts in the cash book not in the bank dating back to April 2014. A sample of deposit slips taken from Kapenguria main account were found not reflected in the bank statements. The management has not provided a logical explanation for this anomaly.

In view of the above, it is not possible to confirm whether cash at bank and in hand figure of Kshs.39,127,566 as at 30 June 2015 is fairly stated.

6. Staff Costs

6.1 Acting Allowance

The staff costs as disclosed under note 29 to the financial statements includes Kshs.2,575,594 in respect of acting allowances paid to employees for periods exceeding six months. Contrary to the Government Code of Regulations and the Board's Human Resource Policy. Although the management has explained that the exercise of filling the positions has been put on hold to pave way for the ongoing restructuring process, the restructuring process has taken well over six months and the management has not given any indications as to when the process will be concluded. The Board is therefore in breach of the Government Code of Regulations and its Human Resource Policy.

6.2 Suspension of Employees

During the year under review, 34 employees were suspended and on reinstatement were not paid withheld salaries and allowances amounting to Kshs. 8,149,031 contrary to Board's HR Manual Policy Section 13.8 Part V which states "A suspended employee, who is reinstated into employment, receives the balance of any salary, remunerative allowances or any other benefit withheld during the period. If he is not reinstated, he loses the portion of the withheld remuneration". The Board is therefore in breach of its own internal policy.

In view of the above, it has not been possible to confirm that staff costs and wages figure of Kshs.959,724,909 as at 30 June 2014, is fairly stated.

7. Creditors and Provisions

The creditors and provisions figure of Kshs. 4,313,019,275 as disclosed under note 13 to the accounts includes Kshs.68,859,225 relating to trade creditors that have been outstanding since July 2012. The management has not given a logical explanation as to why these liabilities remains unsettled to date.

Under the circumstances, it is not possible to confirm whether creditors and provisions figure of Kshs.4,313,019,275 as at 30 June 2014 is fairly stated.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion Paragraph, the financial statements present fairly, in all material respects, the financial position of the Board as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the National Cereals and Produce Board Act, Cap 338 of the Laws of Kenya.

Emphasis of Matter

Financial Performance

I draw attention to note 2 to the financial statements which states that the accounts have been prepared on a going concern. However, during the year under review the Board recorded a loss of Kshs.216, 319,435 (2012/2013 – Kshs.936,664,467) resulting in an accumulated loss of Kshs.7,783,301,842 as at 30 June 2014. According to the information available, the loss was occasioned mainly by high operating costs. In the absence of clear strategies in place to generate additional revenue and minimize operating costs in a sustainable manner, the Board is likely to experience difficulty in reversing the trend, and in the long-term may face serious financial constraints. My opinion is not qualified in respect of this matter.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

8 July 2015

NATIONAL CEREALS AND PRODUCE BOARD
FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30TH JUNE 2014

	Note	30TH JUNE. 2014 <u>KShs</u>	30TH JUNE 2013 <u>KShs</u>
GROSS SALES	27	5,959,748,651	580,496,896
COST OF SALES	27	<u>4,688,087,950</u>	<u>491,883,099</u>
GROSS MARGIN GAIN		1,271,660,701	88,613,796
GROSS MARGIN GAIN AS A PERCENTAGE TO GROSS SALES		21.34%	15.27%
ADD:			
Other Income	28	<u>1,034,932,868</u>	<u>919,120,827</u>
TOTAL INCOME		2,306,593,568	1,007,734,623
<u>LESS: EXPENDITURE</u>			
Railage and Road transport costs	29	698,624,217	21,110,241
Staff costs and Wages	29	959,724,909	928,713,367
Administration expenses	29	249,649,546	238,603,183
Other operating expenses	29	<u>125,120,782</u>	<u>111,834,038</u>
		2,033,119,453	1,300,260,829
PROFIT/(LOSS) BEFORE DEPRECIATION AND BAD DEBTS		273,474,116	(292,526,206)
<u>Deduct: Provisions</u>			
Depreciation expense	3	374,144,679	424,460,075
Amortisation expense	3	6,667,004	5,036,295
Bad and doubtful debts	29	<u>48,000,000</u>	<u>48,000,000</u>
		428,811,683	477,496,370
PROFIT FROM OPERATIONS		(155,337,567)	(770,022,576)
Finance cost	29	<u>60,981,868</u>	<u>166,641,891</u>
LOSS BEFORE TAX		(216,319,435)	(936,664,467)
Income tax expense		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(216,319,435)</u>	<u>(936,664,467)</u>

NATIONAL CEREALS AND PRODUCE BOARD
 FINANCIAL STATEMENTS
 STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 30TH JUNE 2014

	Capital Fund <u>Kshs.</u>	Revaluation Reserve <u>Kshs.</u>	Revenue Reserve <u>Kshs.</u>	Total Equity <u>Kshs.</u>
At 1st July 2012	6,304,142,172	9,589,422,793	(6,630,317,940)	9,263,247,025
Net Loss For the Period	-	-	(936,664,467)	(936,664,467)
30th June 2013	6,304,142,172	9,589,422,793	(7,566,982,407)	8,326,582,558
At 1st July 2013	6,304,142,172	9,589,422,793	(7,566,982,407)	8,326,582,558
Net Loss For the Period	-	-	(216,319,435)	(216,319,435)
30th June 2014	6,304,142,172	9,589,422,793	(7,783,301,842)	8,110,263,123

**NATIONAL CEREALS AND PRODUCE BOARD
FINANCIAL STATEMENTS**

**STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30TH JUNE 2014**

	<u>30TH JUNE, 2014</u>	<u>30TH JUNE 2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before extraordinary items	(216,319,435)	(936,664,467)
Adjustments for:		
Provision for Depreciation	374,144,679	424,460,075
Provision for Amortisation	6,667,004	5,036,295
Provision for stock shrinkage	3,601,323	2,399,303
Provision for doubtful debts	48,000,000	48,000,000
Operating Profit before working capital changes	216,093,571	(456,768,794)
(Increase)/decrease in debtors	(2,113,207,749)	(959,472,900)
(Increase)/decrease in stocks	(1,056,652,788)	286,271,820
Increase/(decrease) in creditors	3,001,366,903	1,824,180,112
Net cash from operating activities	47,599,935	694,210,237
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Fixed Assets	(18,199,206)	(9,065,162)
Net cash flow from investing activities	(18,199,206)	(9,065,162)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in bank loan	-	(918,306,000)
NET CASH FLOWS FROM FINANCING ACTIVITIES	-	(918,306,000)
Net increase/(decrease) in cash and cash equivalent	29,400,731	(233,160,925)
Cash and cash equivalent at the beginning of the period:		
Cash at Bank and on hand	100,924,515	697,274,644
Bank Overdraft	(64,274,087)	(427,463,293)
Cash and Cash equivalent at end of period	66,051,159	36,650,428
ANALYSIS OF CASH HELD END OF PERIOD		
Cash at Bank and on hand	391,127,566	100,924,515
Bank Overdraft	(325,076,407)	(64,274,087)
	66,051,159	36,650,428

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014

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

1. **ACCOUNTING POLICIES**

(a) **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies adopted remain unchanged from the previous year.

(b) **Accounting Basis**

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

(c) **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 from the buyer for commodities sold and collected or set aside for collection.
- iii) Income from services rendered and facilities provided is recognized at the time of rendering and providing such services and facilities.

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014
(Continued)

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

(d) **Depreciation**

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

Freehold Land	Nil
Leasehold Land	Over the term of lease
Buildings, Boreholes, Fences and Roads	2.5%
Silos, Cyprus bins, machinery house and loading bay	6%
Plant, machinery and computer Equipment	12.5%
Fumigation equipment	20%
Motor vehicles, Computer software (Intangible Assets) and drying Equipment	25%
Furniture and equipment	12.5%

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NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014

(continued)

1.0 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Land KShs	Fencing Driveways & Civil works KShs	Buildings and Grain Silos KShs	Motor Vehicles KShs	Plant & Machinery & Equipment KShs	COMPUTER SOFTWARE KShs	Construction in Progress KShs	
Cost /Valuation								
At 30th June 2012	945,960,177	422,430,110	9,540,474,401	61,214,314	449,437,098	18,332,008	27,603,347	11,465,451
Additions	-	-	642,295	6,701,000	-	-	1,721,867	9,065
Transfers	-	-	11,674	-	-	18,068,858	18,080,532	-
At 30th June 2013	<u>945,960,177</u>	<u>422,430,110</u>	<u>9,541,128,370</u>	<u>67,915,314</u>	<u>449,437,098</u>	<u>36,400,866</u>	<u>11,244,681</u>	<u>11,474,516</u>
Depreciation:								
At 30th June 2012	93,560,950	74,795,846	2,348,864,384	50,605,355	369,831,839	5,503,048	-	2,943,161
Charge for the period	13,405,007	12,093,030	335,931,277	6,417,129	56,613,632	5,036,295	-	429,496
At 30th June 2013	<u>106,965,957</u>	<u>86,888,876</u>	<u>2,684,795,660</u>	<u>57,022,484</u>	<u>426,445,471</u>	<u>10,539,343</u>	<u>-</u>	<u>3,372,657</u>
Net Book Value								
At 30th June 2013	<u>838,994,219</u>	<u>335,541,234</u>	<u>6,856,332,709</u>	<u>10,892,829</u>	<u>22,991,627</u>	<u>25,861,523</u>	<u>11,244,681</u>	<u>8,101,858</u>
Cost or Valuation								
At 30th June 2013	945,960,177	422,430,110	9,541,128,370	67,915,314	449,437,098	36,400,866	11,244,681	11,474,516
Additions	-	-	904,983	-	16,952,365	-	4,736,633	22,593
Adjustment	-	-	-	-	-	4,394,775	-	(4,394)
At 30th June 2014	<u>945,960,177</u>	<u>422,430,110</u>	<u>9,542,033,353</u>	<u>67,915,314</u>	<u>466,389,463</u>	<u>32,006,091</u>	<u>15,981,314</u>	<u>11,492,715</u>
Depreciation:								
At 30th June 2013	106,965,957	86,888,876	2,684,795,660	57,022,484	426,445,471	10,539,343	-	3,372,657
Charge for the period	13,409,540	10,615,530	336,183,608	3,684,930	10,251,070	6,667,004	-	380,811
On disposals	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-
At 30th June 2014	<u>120,375,497</u>	<u>97,504,406</u>	<u>3,020,979,269</u>	<u>60,707,415</u>	<u>436,696,541</u>	<u>17,206,347</u>	<u>-</u>	<u>3,753,469</u>
Net Book Value								
At 30th June 2014	<u>825,584,678</u>	<u>324,925,704</u>	<u>6,521,054,083</u>	<u>7,207,899</u>	<u>29,692,922</u>	<u>14,799,744</u>	<u>15,981,314</u>	<u>7,739,246</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014

(Continued)

(e) **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 purchases.
- ii) Closing Stock quantities have been stated in terms of standard 90 kg weight unless otherwise disclosed.

(f) **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).

(g) **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.

(h) **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.

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

Provision for bad and doubtful debts has been made on the basis of specific debt 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.

(j) **Foreign currencies**

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

2. **GOING CONCERN CONCEPT**

The accounts have been prepared on going concern basis.

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014
(Continued)

3. INVESTMENTS

<u>Composition</u>	<u>30.06.2014</u> <u>Kshs.</u>	<u>30.06.2013</u> <u>Kshs.</u>
(i) Kenya Peanuts Company Ltd: 55,167 Ordinary shares of Kshs.100/= each at Acquisition cost	2,168,740	2,168,740
(ii) Kenya Cashews Limited: 400 Ordinary shares of Kshs.5/= each	2,000	2,000
Sub total	<u>2,170,740</u>	<u>2,170,740</u>
<u>Less:</u> Provisions for bad and Doubtful debts	(2,170,740)	(2,170,740)
Net Investments at year end	<u>0</u>	<u>0</u>

(i) 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.

(ii) Kenya Cashews Limited

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

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014
(Continued)

4. **LOANS**

	<u>30.06.2014</u>	<u>30.06.2013</u>
<u>Composition</u>	<u>Kshs.</u>	<u>Kshs.</u>
(i) Kenya Cashew nuts Limited:	120,521,118	120,521,118
(ii) Kenya Cashews Limited	<u>231,080</u>	<u>231,080</u>
Sub total	<u>120,752,198</u>	<u>120,752,198</u>
<u>Less:</u> Provisions for bad and Doubtful debts	<u>(120,752,198)</u>	<u>(120,752,198)</u>
Net loans at year end	<u>0</u>	<u>0</u>

(i) **Kenya Cashew nuts Limited**

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

(ii) **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.

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014
(Continued)

5. OPERATING STOCKS

5.1 Closing Stocks

The closing stocks of commodities valued at Kshs.1,652,564,023 (2012/2013 Kshs. 599,512,558) was composed of the following:

	<u>30.06.2014</u>	<u>30.06.2013</u>
	<u>Kshs</u>	<u>Kshs</u>
a) <u>Composition of Stocks:</u>		
Local white Maize	451,536,297	393,693,181
Beans	19,947,755	38,150,914
Wheat – Local	691,600	691,600
Green grams	377,654	119,611,770
Castor Seeds	640	640
Paddy	142,937,550	48,532,103
Local milled Rice	17,494,795	19,089,111
Wimbi	109,880	172,320
Fertilizer	1,037,287,045	4,657
Packaging bags (Jute/PP)	45,414,840	37,063,724
Insecticides	43,443	43,443
Sub- Total	1,715,841,499	657,053,463
(b) Stocks of Consumables	32,555,028	34,690,275
Sub- Total	1,748,396,527	691,743,738
<u>Less: - 2.2 % Provision for Stock shrinkage</u>	93,550,267	89,948,943
<u>-Provision for obsolete Stocks-Consumables</u>	2,282,237	2,282,237
Sub-Total	95,832,504	92,231,180
Total closing stocks at year end	<u>1,652,564,023</u>	<u>599,512,558</u>

6. DEBTORS AND PREPAYMENTS

7.1 Breakdown analysis

	<u>30.06.2014</u>	<u>30.06.2013</u>
<u>Category</u>	<u>Kshs.</u>	<u>Kshs.</u>
Former Associated company	160,078	160,078
Debtors for imported Wheat	35,933,464	35,933,464
Trade Debtors	914,648,227	887,732,990
Staff debtors	112,336,721	109,971,203
Sundry debtors & Prepayments	95,125,651	99,524,831
	1,158,204,141	1,133,322,566
<u>Less: Cumulative Provisions for bad and doubtful Debts</u>	(895,557,914)	(847,557,914)
Total Debtors and Prepayments as at year end	<u>262,646,227</u>	<u>285,764,652</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014

(Continued)

6.1.2 GOK Fertilizer:

During the year the Board handled assorted quantities of GOK fertilizers and sold commercial fertilizer at subsidized price as shown below.

	<u>30.06.2014</u>	<u>30.06.2013</u>
	<u>Kshs</u>	<u>Kshs</u>
Balance B/F	1,893,432,807	1,665,495,705
Add cost for the year	<u>1,732,836,907</u>	<u>602,081,003</u>
	3,626,269,714	2,267,576,708
Deduct: Amount received during the year	54,955,705	374,143,901
Balance at year end	<u>3,571,314,009</u>	<u>1,893,432,807</u>

6.2 Notes on Debtors and Prepayments:

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

	<u>30.06.2014</u>	<u>30.06.2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Kenya Peanuts Company Ltd	<u>160,078</u>	<u>160,078</u>
	<u>160,078</u>	<u>160,078</u>

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

	<u>30.06.2014</u>	<u>30.06.2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Associated companies	160,078	160,078
Debtors for imported wheat	35,933,464	35,933,464
Other trade debtors	783,604,397	735,604,397
Staff debtors	50,891,834	50,891,834
Sundry debtors	<u>24,968,141</u>	<u>24,968,141</u>
Total cumulative Provision	<u>895,557,914</u>	<u>847,557,914</u>

7.0 GOVERNMENT DEBTORS – NEW AGENCY ACCOUNT

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

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014

(Continued)

- 7.2 The rates applicable in 2013/2014 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	4.80 per bag per month
b) Quality maintenance	5.00 per bag per month
c) Commission on Purchasing	115.00 per bag
d) Commission on releases	25.00 per bag
e) Commercial sales commission	9 % of sales value
f) Commission on transport	10 % of transport cost
g) Commission on commodity handling (Direct costs)	10 % of handling cost

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014
(Continued)

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

The amount of Kshs. 391,127,566 represents bank balances and cash-in-hand held in the Board's Cash Offices at Head Office and Depot/Silos and Cash in Transit as of 30th June 2014.

	<u>30.06.2014</u>	<u>30.06.2013</u>
	<u>Kshs</u>	<u>Kshs</u>
Cash at Bank	377,607,834	79,300,794
Cash in Hand	3,630,058	4,334,286
Cash in Transit	9,889,674	17,289,435
	<u>391,127,566</u>	<u>100,924,515</u>

9. **CAPITAL FUND**

	<u>30.06.2014</u>	<u>30.06.2013</u>
	<u>Kshs</u>	<u>Kshs</u>
Balance carried forward at		
Year end	<u>6,304,142,172</u>	<u>6,304,142,172</u>

10 **REVALUATION OF FIXED ASSETS**

10.1 **Valuers and Date of valuation**

Land, Buildings, Plant and Machinery and Equipment were revalued in 2005/2006 FY on the basis of existing use by Tyson and Crystal Valuers Limited. The new values were incorporated into the Board's Asset Register and books of Accounts as at 1st July 2005.

The incorporation of the new values of assets resulted to a net revaluation gain of Kshs.6,889,998,967 and together with brought forward balance increased revaluation reserve to Kshs.9,589,422,793 as shown below: -

<u>Asset Category</u>	<u>New Valuation</u>	<u>Old Valuation</u>	<u>Revaluation Gain/ (Loss)</u>
	Kshs	Kshs	Kshs
1. Land	944,682,000	388,574,600	556,107,400
2. Railway siding, Fences & Roads	421,882,490	257,088,978	164,793,512
3. Buildings and Grain silos	9,524,252,006	3,737,823,777	5,786,428,229
4. Motor Vehicles	26,201,000	4,262,203	21,938,797
5. Fittings, Furniture and Equipment	381,681,098	20,950,069	360,731,029
TOTAL	<u>11,298,698,594</u>	<u>4,408,699,627</u>	<u>6,889,998,967</u>
Add: Brought Forward Balance			<u>2,699,423,826</u>
Balance Carried Forward			<u>9,589,422,793</u>

11 **REVENUE RESERVE ACCOUNT**

The Board recorded a Net Operating Loss of Kshs.216,319,435 during the year under review on its commercial activities. The Loss have been transferred to the Revenue Reserves Account leaving a debit balance of Kshs.7,783,303,761 as shown below;

	<u>30.06.2014</u>	<u>30.06.2013</u>
	<u>Kshs</u>	<u>Kshs</u>
Balance B/F	<u>(7,566,982,407)</u>	(6,630,317,940)
Net Loss for the Year	(216,319,435)	(936,664,467)
Balance at year end	<u>(7,783,301,842)</u>	<u>(7,566,982,407)</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014

(Continued)

12 BANK OVERDRAFT AND SHORT TERM LOAN

The Board has a standby overdraft facility of Kshs.500 million with the Kenya Commercial Bank Limited to supplement working capital and an additional short-term loan facility of Kshs.2.0 billion. The balances as at 30th June 2014 were as follows: -

	<u>30.06.2014</u>	<u>30.06.2013</u>
	<u>Kshs</u>	<u>Kshs</u>
Main Bank Account	325,076,407	64,274,087
	<u>325,076,407</u>	<u>64,274,087</u>

13. CREDITORS AND PROVISIONS

13.1 Creditors and provisions

	<u>30.06.2014</u>	<u>30.06.2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Trade creditors	3,463,708,787	414,200,507
Creditors –Owings to Farmers/Suppliers	10,475,268	14,331,764
Creditors – Staff	4,298,403	3,097,084
Sundry Creditors and Provisions	834,536,817	1,067,619,342
	<u>4,313,019,275</u>	<u>1,499,248,697</u>

13.2 Creditors – Due to Gok - Fertiliser sales

	<u>30.06.2014</u>	<u>30.06.2014</u>
	<u>Kshs</u>	<u>Kshs</u>
Balance B/Forward	1,784,768,937	387,899,197
Sales	0	1,696,869,740
	1,784,769,937	2,084,768,937
Remittances/offset amount owing	0	300,000,000
NCPB debt balance at year end	<u>1,784,768,937</u>	<u>1,784,768,937</u>

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

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

	<u>30.06.2014</u>	<u>30.06.2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Balance due to GOK as at year end	<u>174,063,028</u>	<u>174,063,028</u>

15. GOVERNMENT AGENCY ACCOUNT (OLD ACCOUNT)

15.1 Operating Results

Prior to liberalization in grain marketing in December 1993 the Board used to receive cereals from overseas under either Food Aid or Loan Programs on behalf of the Government of Kenya. A formal Agency Agreement that is still in force was entered into on 18th January 1990 between the GOK and the Board. The agreement stipulated 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 was charged to meet the Board's management and overhead costs. The balance held on behalf of the Government as at 30th June 2014 remained the same as in previous year.

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014

(Continued)

	<u>30.06.2014</u>	<u>30.06.2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Balance due to the Government at year end	143,195,039	143,195,039
16 CREDITORS – DUE TO GOK ON SGR MAIZE SALES.		
	<u>30.06.2014</u>	<u>30.06.2013</u>
	<u>Kshs</u>	<u>Kshs</u>
Balance B/F	156,123,625	232,383,800
Sales for the year	165,448,525	452,221,465
Amount received for purchase of Gok gunny	<u>200,000,000</u>	<u>0</u>
Balance	521,572,150	684,605,265
Less:		
Amount used to purchase Gok maize	84,472,000	528,481,640
Amount used to purchase Gok gunny	<u>93,380,200</u>	<u>0</u>
Total	<u>177,852,200</u>	<u>528,481,640</u>
Balance due to GOK	<u>343,719,950</u>	<u>156,123,625</u>

17 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 2013, which reflected a cumulative taxable losses amounting to Kshs.7, 478,898,535. However Kshs 410,092,367 represents VAT arrears payable to KRA on provision of agencies services to GOK.

18 CONTINGENCIES

18.1 Contingent Liabilities

The Board had contingent liabilities amounting to Kshs.345.18 Million as at 30th June 2014 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.

18.2 Contingent Assets

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

19. BANK GUARANTEES

As at 30th June 2014 the Board had no Bank guarantees at Kenya Commercial Bank.

20 STAFF ESTABLISHMENT

The staff establishment as at 30th June 2014 was 971 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 Income Statement 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
STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30TH JUNE 2014

PER PRODUCT	THE YEAR ENDED 30TH JUNE 2014										THE YEAR ENDED 30TH JUNE 2013		
	LOCAL MAIZE KSHS	WHEAT KSHS	RICE KSHS	GUINNIES KSHS	INSECTICIDES KSHS	BEANS KSHS	CASTOR SEEDS KSHS	WIMBI KSHS	GRAMS KSHS	PADDY KSHS	FERTILIZER KSHS	THE YEAR ENDED 30TH JUNE 2014 KSHS	THE YEAR ENDED 30TH JUNE 2013 KSHS
GROSS SALES	9,171,240	-	105,554,568	128,451,081	-	19,871,650	0	1,105	109,189,294	5,587,709,713	5,959,748,651	590,496,896	590,496,896
COST OF SALES	(81,245)	-	(105,554,568)	(128,451,081)	-	(19,871,650)	0	1,105	(109,189,294)	(5,587,709,713)	(5,959,748,651)	(845,949,080)	(845,949,080)
Opening stock	393,893,181	691,800	19,089,111	37,063,725	43,443	38,150,914	840	172,320	119,611,770	4,657	657,053,463	188,545,015	188,545,015
Purchases	64,128,705	-	-	127,611,617	-	-	-	-	-	5,383,522,170	5,736,958,992	(104,466,981)	(104,466,981)
Transfer (to)/from GOX Relief Account	-	-	-	-	-	-	-	-	-	-	4,315,671	12,043,165	12,043,165
Milling costs	-	-	4,315,671	-	-	-	-	-	(72,892,376)	-	-	104,466,981	104,466,981
Transfer from mill	-	-	72,892,376	-	-	-	-	-	3,601,323	-	3,601,323	2,399,303	2,399,303
Provision for Stock shrinkage	-	-	(17,494,796)	(45,414,840)	(43,443)	(19,947,755)	(640)	(109,880)	(377,654)	(1,037,287,045)	(1,715,841,499)	(957,053,464)	(957,053,464)
Closing stock	(451,536,297)	(691,800)	78,802,353	119,260,503	-	18,203,159	-	62,440	119,234,116	4,346,239,782	4,688,087,950	491,883,099	491,883,099
	2,885,651	-	28,752,205	9,190,579	-	1,468,491	-	(61,335)	(10,044,822)	1,241,468,931	1,271,690,700	88,613,796	88,613,796
GROSS PROFIT/(LOSS)	31.46%	0	25.34%	7.15%	0.00%	7.47%	0.00%	-5550.68%	-9.20%	22.22%	21.34%	15.27%	15.27%
Gross Profit/(Loss) as a percentage to sales													
OTHER INCOME													
Revenue from Services & other miscellaneous income	2,885,651	-	28,752,205	9,190,579	-	1,468,491	-	(61,335)	(10,044,822)	1,241,468,931	1,034,932,858	919,120,827	919,120,827
GROSS PROFIT/(LOSS) & OTHER INCOME											2,306,593,566	1,007,734,623	1,007,734,623
LESS: EXPENDITURE													
Reloading and Road transport costs	-	-	1,115,012	9,981,456	-	518,523	-	-	-	687,009,227	698,624,217	21,110,241	21,110,241
Staff costs and wages	-	-	-	-	-	-	-	-	-	-	959,724,909	828,713,367	828,713,367
Administration expenses	-	-	-	-	-	-	-	-	-	-	249,649,546	238,603,183	238,603,183
Other operating expenses	-	-	-	-	-	-	-	-	-	-	125,120,752	111,834,038	111,834,038
											2,033,119,452	1,300,260,829	1,300,260,829
PROFIT/(LOSS) BEFORE DEPRECIATION AND BAD DEBTS											273,474,116	(292,526,206)	(292,526,206)
DEDUCT:													
Depreciation Charges	-	-	-	-	-	-	-	-	-	-	374,144,679	424,460,075	424,460,075
Amortisation expense	-	-	-	-	-	-	-	-	-	-	6,667,004	5,036,295	5,036,295
Bad and doubtful debts	-	-	-	-	-	-	-	-	-	-	48,000,000	48,000,000	48,000,000
PROFIT/(LOSS) FROM OPERATIONS											428,811,683	477,496,370	477,496,370
Finance charges net of interest earned											(155,337,567)	(770,022,578)	(770,022,578)
LOSS BEFORE TAX											50,381,956	156,541,891	156,541,891
Income tax expense											(216,319,435)	(936,664,467)	(936,664,467)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR											(216,319,435)	(936,664,467)	(936,664,467)

NATIONAL CEREALS AND PRODUCE BOARD
STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30TH JUNE 2013

27.1 2012/2013 CONTRIBUTION MARGIN PER PRODUCT	LOCAL										THE YEAR ENDED	THE YEAR E		
	MAIZE KSHS	WHEAT KSHS	RICE KSHS	GUNNIES KSHS	INSECTICIDES KSHS	BEANS KSHS	CASTOR SEEDS KSHS	WIMBI KSHS	SORGHUM KSHS	GREEN GRAMS KSHS	PADDY KSHS	FERTILIZER KSHS	30TH JUNE 2013 KSHS	30TH JUNE KSHS
GROSS SALES	221,109,339	-	137,502,700	73,811,222	10,360	5,503,780	0	22,705	-	9,215,155	-	133,321,635	580,496,896	5,262,74
	221,109,339	-	137,502,700	73,811,222	10,360	5,503,780	0	22,705	-	9,215,155	-	133,321,635	580,496,896	5,262,74
COST OF SALES	496,819,078	579,600	20,759,458	109,852,568	49,638	13,576,402	640	322,880	-	121,611,068	73,277,710	109,100,040	945,949,080	1,962,72
Opening stock	79,485,800	-	-	-	-	28,401,800	-	-	-	-	80,657,415	-	188,545,015	3,127,04
Purchases	-	-	-	-	-	-	-	-	-	-	(104,466,981)	-	(104,466,981)	(144,13)
Transfer (to)/from GOK Relief Account	-	-	12,043,165	-	-	-	-	-	-	-	-	-	12,043,165	4,64
Milling costs	-	-	104,466,981	-	-	-	-	-	-	-	-	-	104,466,981	144,13
Transfer from mill	-	-	-	-	-	624,840	-	-	-	1,774,463	-	-	2,399,303	1,35
Provision for Stock shrinkage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing stock	(393,693,181)	(691,600)	(19,089,111)	(37,063,725)	(43,443)	(38,150,914)	(640)	(172,320)	-	(119,611,770)	(48,532,103)	(4,657)	(657,053,464)	(945,94)
	182,611,697	(112,000)	118,180,492	72,788,844	6,195	4,452,128	-	150,560	-	1,999,298	2,710,503	109,095,383	491,883,100	4,149,81
	38,497,642	112,000	19,322,208	1,022,378	4,165	1,051,652	-	(127,855)	-	7,215,857	(2,710,503)	24,226,252	88,613,796	1,112,93
GROSS PROFIT/(LOSS)	38,497,642	112,000	19,322,208	1,022,378	4,165	1,051,652	-	(127,855)	-	7,215,857	(2,710,503)	24,226,252	88,613,796	1,112,93
Gross Profit/(Loss) as a percentage to sales	16.66%	#DIV/0!	14.15%	1.37%	37.23%	18.36%	0.00%	-563.11%	#DIV/0!	78.30%	0.00%	17.49%	15.27%	2
OTHER INCOME														
Revenue from Services & other miscellaneous income	-	-	-	-	-	-	-	-	-	-	-	-	919,120,827	1,072,60
	-	-	-	-	-	-	-	-	-	-	-	-	919,120,827	1,072,60
GROSS PROFIT/(LOSS) & OTHER INCOME	36,505,642	112,000	19,478,203	1,014,748	3,675	1,000,992	-	(127,855)	-	7,215,857	(2,710,503)	23,126,011	1,007,734,623	2,185,53
LESS: EXPENDITURE														
Railage and Road transport costs	-	-	808,283	119,597	-	29,169	-	-	-	43,075	-	20,110,116	21,110,241	609,59
Staff costs and wages	-	-	-	-	-	-	-	-	-	-	-	-	928,713,367	921,92
Administration expenses	-	-	-	-	-	-	-	-	-	-	-	-	238,603,183	222,11
Other operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	111,834,038	153,22
	-	-	808,283	119,597	-	29,169	-	-	-	43,075	-	20,110,116	1,300,260,829	1,906,86
PROFIT/(LOSS) BEFORE DEPRECIATION AND BAD DEBTS													(292,526,206)	278,67
Deduct:														
Depreciation Charges													424,460,075	424,03
Amortisation expense													5,036,295	4,35
Bad and doubtful debts													48,000,000	38,00
													477,496,370	466,38
													(770,022,576)	(187,71
LOSS FROM OPERATIONS													166,641,891	248,43
Finance charges net of interest earned													(936,664,467)	(436,15
LOSS BEFORE TAX													-	-
Income tax expense													(936,664,467)	(436,15
TOTAL COMPREHENSIVE INCOME FOR THE YEAR													(936,664,467)	(436,15

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 NATIONAL CEREALS AND PRODUCE BOARD
 NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014
 (Continued)

27.3 STOCK FLOWS PER PRODUCT-2013/2014

	MAIZE 90kgs Bags	WHEAT 90kgs Bags	RICE 100kgs Bags	GUNNIES Pieces	INSECTCIDES 25 kg Packets	BEANS 90kgs Bags	CASTOR SEEDS 65kgs	WIMBI 80kgs Bags	GREEN GRAMS 80kgs Bags	PADDY RICE 80kgs Bags	DAP FERTILIZER 50kgs Bags	NPK FERTILIZER 50kgs Bags	UREA FERTILIZER 50kgs Bags	SA FERTILIZER 50kgs Bags	CAN FERTILIZER 50kgs Bags
OPENING STOCKS	160,278	247	1,953	1,016,260	8	7,173	4	59	17,530	10,808	-	-	-	-	-
PURCHASES	20,970	-	-	3,367,578	-	-	-	-	-	37,204	505,255	744,808	301,501	218,350	1,027,185
STOCK AVAILABLE FOR SALE	181,248	247	1,953	4,383,838	8	7,173	4	59	17,530	48,012	505,255	744,808	301,501	218,350	1,027,185
SALES	2,548	-	9,389	3,108,076	-	3,385	-	0	17,508	-	504,155	507,331	244,868	24,280	915,613
TRANSFER TO((FM) GOK STOCKS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANSFER (FM) 3RD PARTY STOCKS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANSFER TO((FM) MILLING	-	-	(8,855)	-	-	-	-	-	-	15,535	-	-	-	-	-
STORAGE LOSS((GAIN)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ADJUSTMENT	(310)	-	(475)	-	-	1	-	19	(31)	(9)	-	(18)	-	-	-
DISPOSALS DURING PERIOD	2,239	-	59	3,108,076	-	3,386	-	20	17,477	15,526	504,155	507,313	244,868	24,280	915,613
CLOSING STOCKS	179,009	247	1,894	1,275,762	8	3,787	4	40	52	32,486	1,100	237,495	56,633	194,070	111,572

NATIONAL CEREALS AND PRODUCE BOARD
 NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2013
 (Continued)

27.3 STOCK FLOWS PER PRODUCT-2013/2014

	MAIZE 90kgs <u>Bags</u>	WHEAT 90kgs <u>Bags</u>	RICE 100kgs <u>Bags</u>	GUNNIES SECTCIDES 25 kg <u>Pieces</u> <u>Packets</u>	BEANS 90kgs <u>Bags</u>	SEEDS 65kgs <u>Bags</u>	WIMBI 80kgs <u>Bags</u>	GREEN GRAMS 80kgs <u>Bags</u>	PADDY RICE 80kgs <u>Bags</u>	DAP FERTILIZER 50kgs <u>Bags</u>	NPK FERTILIZER 50kgs <u>Bags</u>	FERTI !
OPENING STOCKS	198,952	207	2,724	1,607,164 9	2,762	4	107	17,559	16,872	1,303	-	58
PURCHASES	26,397	-	-	- -	5,149	-	-	-	16,389	-	-	-
STOCK AVAILABLE FOR SALE	225,349	207	2,724	1,607,164 9	7,911	4	107	17,559	33,261	1,303	-	58
SALES	64,849	-	12,697	591,681 1	798	-	3	1,045	-	1,303	-	58
TRANSFER TO/(FM) GOK STOCKS	-	-	-	- -	-	-	-	-	-	-	-	-
TRANSFER (FM) 3RD PARTY STOCKS	-	-	-	- -	-	-	-	-	-	-	-	-
TRANSFER TO/(FM) MILLING	-	-	(11,986)	- -	-	-	-	-	22,507	-	-	-
STORAGE LOSS/(GAIN)	-	-	-	- -	-	-	-	-	-	-	-	-
ADJUSTMENT	222	(40)	60	(777) -	(60)	-	44	(1,015)	(54)	-	-	-
DISPOSALS DURING PERIOD	65,071	(40)	771	590,904 1	738	-	47	30	22,453	1,303	-	58
CLOSING STOCKS	160,278	247	1,953	1,016,260 8	7,173	4	59	17,530	10,808	-	-	-

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014

(Continued)

28. OTHER INCOME

Other income relates 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 as summarised below:

	<u>30TH JUNE. 2014</u>	<u>30TH JUNE 2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
(a) <u>Revenue from Services/facilities</u>		
Weigh Bridge charges	17,365,307	17,489,777
Bagging and handling charges	15,294,171	12,414,801
Cleaning charges	1,129,324	1,483,741
Rental charges	279,000,004	269,056,668
Warehousing Receipts	5,762,785	-
Drying and Fumigation	30,232,965	14,824,705
	<u>348,784,556</u>	<u>315,269,692</u>
<u>Agency Services</u>		
(b) GOK Agency remuneration	535,817,218	392,206,005
Agency commission from inputs	102,009,250	159,253,593
Sub - total (a+b)	<u>986,611,024</u>	<u>866,729,290</u>
(c) <u>Sundry Income</u>		
Insurance Compensation	2,233,235	329,191
Sale of Tender documents	694,395	2,971,651
Sale of Obsolete Material	58,414	33,579
Other Miscellaneous Income	1,137,396	2,747,845
Other fees and charges	29,908,355	2,765,429
	<u>34,031,794</u>	<u>8,847,694</u>
(d) <u>Investment income</u>		
Interest earned on Short term Investments (FDR'S)	14,290,050	43,543,843
	<u>14,290,050</u>	<u>43,543,842.95</u>
<u>Total other Income per Profit & Loss A/C</u>	<u>1,034,932,868</u>	<u>919,120,827</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014

(Continued)

OPERATING AND ADMINISTRATION EXPENSES
FOR THE PERIOD ENDED 30TH JUNE 2014

29. EXPENDITURE DETAILS

	<u>30TH JUNE. 2014</u>	<u>30TH JUNE 2013</u>
Kshs.	<u>Kshs</u>	<u>Kshs</u>
<u>DIRECT COSTS</u>		
Hired road & rail transport	698,624,217	21,110,241
	698,624,217	21,110,241
<u>STAFF COSTS</u>		
Salaries and wages	771,645,625	739,830,458
Board's contributions to Provident Fund and Staff savings schemes	126,527,770	125,616,712
Board's contribution to National Social Security Fund	2,343,400	2,381,400
Medical expenses	31,028,819	31,104,636
Leave pay and gratuities	17,438,447	15,543,886
Welfare and training	10,740,848	14,236,275
	959,724,909	928,713,367
<u>GENERAL ADMINISTRATION</u>		
Board Members Allowances	7,206,125	7825085.43
Entertainment costs	4,196,514	4,602,291
Advertising	3,571,702	2,792,720
Conservancy, light and water	45,922,401	37,935,950
Consumable stores	841,738	691,043
Insurance	19,725,074	15,593,369
Land rents & rates and siding charges	20,999,709	24,118,614
Maintenance of machinery, furniture and equipment	25,868,245	31,641,004
Maintenance of buildings, fences, gates, roads and railway sidings	11,697,057	13,409,693
Postage, telegram & telephone	12,706,850	14,470,173
Printing and stationery	12,428,487	13,685,647
Security expenses	82,763,780	70,661,789
Subscriptions & Nafaka Newsletter	681,000	565,685
Uniforms and protective clothing	990,865	610,120
Donations	50,000	-
	249,649,546	238,603,183

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014

OPERATING AND ADMINISTRATION EXPENSES
FOR THE PERIOD ENDED 30TH JUNE 2014

	30TH JUNE. 2014	30TH JUNE 2013
<u>GENERAL OPERATING EXPENSES</u>	<u>Kshs</u>	<u>Kshs</u>
Fumigation expenses	14,457,273	5,676,358
Grain dryers operating costs	31,255,714	18,652,714
Commodity handling costs	745,195	664,281
Hired transport(Non-commodities)	91,750	90,162
Shows and exhibitions	3,558,644	4,016,472
Travelling and subsistence	38,174,088	32,442,362
Vehicle running costs	17,631,402	15,985,542
<u>PROFESSIONAL EXPENSES</u>		
Audit fees	2,500,000	2,900,000
Legal and other professional fees	16,706,718	31,406,148
	<u>125,120,782</u>	<u>111,834,038</u>
<u>PROVISIONS</u>		
Depreciation charges	374,144,679	424,460,075
Amortisation expense	6,667,004	5,036,295
Provision for bad and doubtful debts	48,000,000	48,000,000
	<u>428,811,683</u>	<u>477,496,370</u>
TOTAL EXPENDITURE BEFORE FINANCE COSTS	<u>2,461,931,136</u>	<u>1,777,757,199</u>
Bank charges	38,061,626	8,399,619
Bank overdraft and loan interest	22,920,242	158,242,272
	<u>60,981,868</u>	<u>166,641,891</u>
TOTAL EXPENDITURE (DIRECT AND INDIRECT)	<u>2,522,913,004</u>	<u>1,944,399,090</u>

NATIONAL CEREALS AND PRODUCE BOARD



**FINANCIAL HIGHLIGHTS
AND STATISTICS
FOR THE FINANCIAL YEARS
2009/2010 TO 2013/2014**

**NCPB P.O. BOX 30586 – 00100
NYUMBA YA NAFAKA
MACHAKOS ROAD
INDUSTRIAL AREA
NAIROBI**

NATIONAL CEREALS AND PRODUCE BOARD**RATIO ANALYSIS 2009/2010 - 2013/2014 FY**

	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>
1. LIQUIDITY RATIOS					
a) Current Ratio	120.07%	123.61%	120.09%	105.31%	104.95%
b) Acid Test	115.74%	67.67%	96.01%	91.14%	82.90%
2. CAPITAL STRUCTURE RATIOS					
a) Ratio of Debt: Total Assets	37.36%	25.83%	28.48%	33.70%	48.03%
b) Gearing Ratio	0.00%	0.00%	0.00%	0.00%	0.00%
3. ACTIVITY RATIOS					
a) Turnover ratio of Sales: Capital employed	9.53%	36.04%	56.81%	6.97%	73.48%
b) Stock Turnover (Days)	75	141	122	552	88
4. PROFITABILITY RATIOS					
a) Return on capital Employed (ROCE)	-4.13%	-6.31%	-4.71%	-11.25%	-2.67%
b) Profitability of Sales					
i) Gross Margin : Sales	16.28%	19.67%	21.15%	15.27%	21.34%
ii) Net Profit : Sales	-43.29%	-17.52%	-8.29%	-161.36%	-3.63%

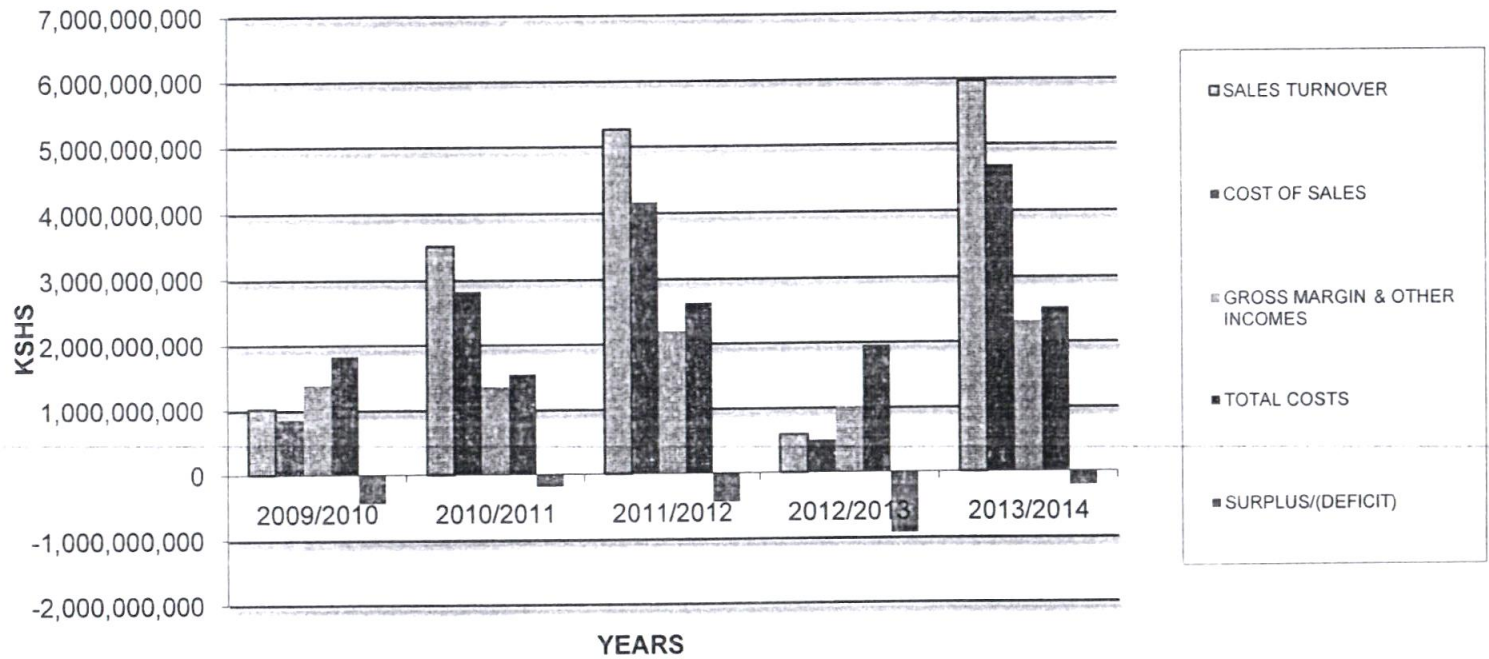
NATIONAL CEREALS AND PRODUCE BOARD

SUMMARY OF OPERATING RESULTS

2009/2010 TO 2013/2014 FY

	<u>2009/2010</u> <u>KSHS</u>	<u>2010/2011</u> <u>KSHS</u>	<u>2011/2012</u> <u>KSHS</u>	<u>2012/2013</u> <u>KSHS</u>	<u>2013/2014</u> <u>KSHS</u>
SALES TURNOVER	1,012,634,172	3,508,381,764	5,262,748,246	580,496,896	5,959,748,651
COST OF SALES	<u>847,789,891</u>	<u>2,818,123,174</u>	<u>4,149,817,605</u>	<u>491,883,099</u>	<u>4,688,087,950</u>
GROSS MARGIN	164,844,281	690,258,590	1,112,930,641	88,613,797	1,271,660,701
GROSS MARGIN AS A					
PERCENTAGE OF SALES	16.28%	19.67%	21.15%	15.27%	21.34%
OTHER INCOME	<u>1,218,886,395</u>	<u>767,166,902</u>	<u>1,072,606,221</u>	<u>919,120,827</u>	<u>1,034,932,868</u>
GROSS MARGIN & OTHER INCOM	1,383,730,677	1,457,425,492	2,185,536,862	1,007,734,624	2,306,593,569
TOTAL COSTS BEFORE BAD DEBTS, DEPRECIATION AND EXTRA ORDINARY ITEMS	<u>1,361,576,538</u>	<u>1,647,788,573</u>	<u>2,155,303,794</u>	<u>1,466,902,720</u>	<u>2,094,101,321</u>
SURPLUS/(DEFICIT)					
BEFORE BAD DEBTS, DEPRECIATION AND EXTRA ORDINARY ITEMS	22,154,140	(190,363,081)	30,233,067	(459,168,097)	212,492,247
Depreciation Expense	422,549,317	421,434,665	428,389,902	429,496,370	380,811,683
Provision for bad and doubtful debts	<u>38,000,000</u>	<u>38,000,000</u>	<u>38,000,000</u>	<u>48,000,000</u>	<u>48,000,000</u>
SURPLUS/(DEFICIT)	<u>(438,395,178)</u>	<u>(649,797,746)</u>	<u>(436,156,835)</u>	<u>(936,664,467)</u>	<u>(216,319,435)</u>

3
NATIONAL CEREALS AND PRODUCE BOARD
SUMMARY OF OPERATING RESULTS 2009/2010 TO 2013/2014 FY



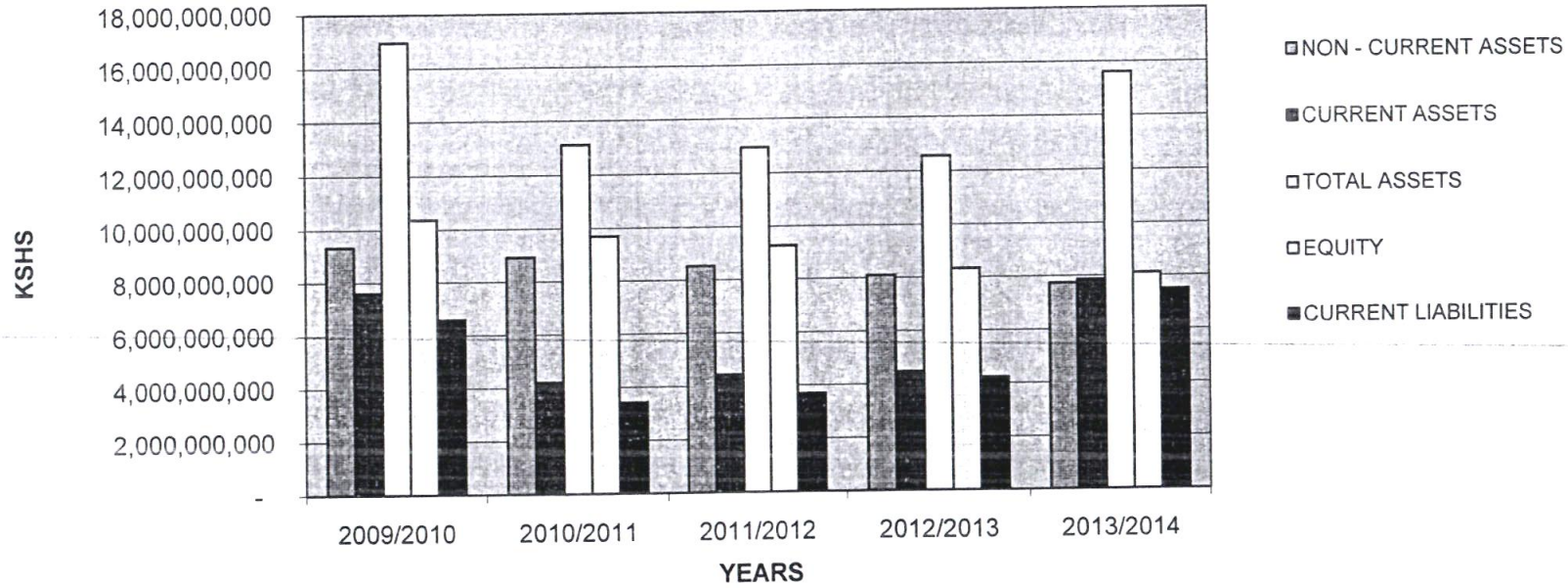
NATIONAL CEREALS AND PRODUCE BOARD

COMPARATIVE BALANCE SHEETS

2009/2010 TO 2013/2014 FY

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
	KSHS	KSHS	KSHS	KSHS	KSHS
	-----	-----	-----	-----	-----
ASSETS					
NON - CURRENT ASSETS					
FIXED ASSETS	<u>9,350,032,792</u>	<u>8,933,863,961</u>	<u>8,522,290,032</u>	<u>8,101,858,824</u>	<u>7,739,246,346</u>
	<u>9,350,032,792</u>	<u>8,933,863,961</u>	<u>8,522,290,032</u>	<u>8,101,858,824</u>	<u>7,739,246,346</u>
CURRENT ASSETS	<u>7,606,794,069</u>	<u>4,191,087,194</u>	<u>4,430,037,866</u>	<u>4,456,489,514</u>	<u>7,864,951,779</u>
	<u>16,956,826,861</u>	<u>13,124,951,155</u>	<u>12,952,327,898</u>	<u>12,558,348,338</u>	<u>15,604,198,125</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	9,589,422,793	9,589,422,793	9,589,422,793	9,589,422,793	9,589,422,793
ACCUMULATED SURPLUS	<u>(5,528,239,078)</u>	<u>(6,159,069,899)</u>	<u>(6,630,317,940)</u>	<u>(7,566,982,407)</u>	<u>(7,783,301,842)</u>
CAPITAL FUND	<u>10,365,325,887</u>	<u>9,734,495,066</u>	<u>9,263,247,025</u>	<u>8,326,582,558</u>	<u>8,110,263,123</u>
CURRENT LIABILITIES	<u>6,591,500,973</u>	<u>3,390,456,089</u>	<u>3,689,080,873</u>	<u>4,231,765,780</u>	<u>7,493,935,002</u>
EQUITY AND LIABILITIES	<u>16,956,826,861</u>	<u>13,124,951,155</u>	<u>12,952,327,898</u>	<u>12,558,348,338</u>	<u>15,604,198,125</u>

NATIONAL CEREALS AND PRODUCE BOARD BALANCE SHEET 2009/2010 TO 2013/2014 FY



NATIONAL CEREALS AND PRODUCE BOARD



**GOK AGENCY OPERATIONS
ANNUAL ACCOUNTS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE, 2014**

**NCPB P.O. BOX 30586 - 00100
NYUMBA YA NAFAKA
MACHAKOS ROAD
INDUSTRIAL AREA
NAIROBI**

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
ANNUAL REPORT AND ACCOUNTS
30TH JUNE 2014

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NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS - GOK FAMINE RELIEF PROGRAMME
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014

		30.06.2014	30.06.2013
		<u>Kshs</u>	<u>Kshs</u>
Famine Relief Stocks	3	54,571,337	-
SGR Stocks	3	8,085,729,248	6,206,882,205
Shortfall in GOK funding to NCPB	4	<u>2,219,863,150</u>	<u>1,809,418,177</u>
		<u>10,360,163,735</u>	<u>8,016,300,382</u>
GOK Agency Account	4	2,219,863,150	1,809,418,177
Net Surplus		-	-
Famine Relief Stocks owe	3	-	144,380,054
Stock Reserve Account		<u>8,140,300,585</u>	<u>6,062,502,151</u>
		<u>10,360,163,735</u>	<u>8,016,300,382</u>

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS

INCOME AND EXPENDITURE ACCOUNT AS AT 30TH JUNE 2014

	GOK Strategic Grain Reserve Old Account Kshs	GOK Strategic Grain Reserve New Account Kshs	GOK 17 Selected Famine Relief Depots Kshs	Italian Famine Relief Relief Depots Kshs	Libyan Food Aid Programme Kshs	2001/2002 Maize Famine Relief Programme Kshs	2001/2002 Beans Famine Relief Programme Kshs	Milled/ Famine Relief Programme Kshs	Green Sorghum Programme Kshs	Cow/Garden Ornamental Programme Kshs	GOK Maize Importation Programme Kshs	Importation Programme Kshs	Total Kshs
1 INCOME/RECEIPTS FROM GOK													
(a) Direct receipts from GOK	-	3,425,437,768	-	-	-	228,197,248	-	-	-	-	-	-	3,653,635,017
(b) Adjustments	-	6,898,333	-	-	-	-	-	-	-	-	-	-	6,898,333
(c) Sales proceeds of returned/borrowed Shand Gummy Bags	-	84,472,000	-	-	-	-	-	-	-	-	-	-	84,472,000
	-	3,195,955	-	-	-	-	-	-	-	-	-	-	3,195,955
Sub - Total (1)	-	3,519,994,077	-	-	-	228,197,248	-	-	-	-	-	-	3,748,191,325
2 EXPENDITURE													
(a) Direct costs/Remittances													
Sales Proceeds used to purchase GOK maize	-	-	-	-	-	303,642,945	-	-	-	-	-	-	3,378,114,645
Procurement costs	-	3,074,472,000	-	-	-	-	-	-	-	-	-	-	-
Import Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Vat arrears on agency services	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport Costs	-	148,613,460	-	-	-	-	-	-	-	-	-	-	148,613,460
Amount confiscated by Errad	-	2,106,843	-	-	-	-	-	-	-	-	-	-	2,106,843
Direct Handling costs	-	7,504,793	-	-	-	710,358	-	-	-	-	38,272	-	8,253,422
Cost of clearing Iron Sheets	-	-	-	-	-	-	-	-	-	-	38,272	-	3,537,088,369
Sub - Total (a)	-	3,232,687,095	-	-	-	304,353,003	-	-	-	-	38,272	-	3,537,088,369
(b) Agency fees and charges for services/facilities provided	-	281,439,987	-	-	-	-	-	-	-	7,526	-	-	281,447,513
Storage	-	-	-	-	-	-	-	-	-	-	-	-	-
Quality maintenance	-	117,654,760	-	-	-	11,643,635	-	-	-	-	-	-	128,498,395
Commission on purchases	-	-	-	-	-	3,389,420	-	-	-	-	318,927	-	3,707,347
Commission on releases	-	14,861,346	-	-	-	-	-	-	-	-	-	-	14,861,346
Commission on direct transport handling costs	-	750,479	-	-	-	71,036	-	-	-	-	3,827	-	825,342
Commission on commercial sales	-	87,530,310	-	-	-	-	-	-	-	-	-	-	87,530,310
Commission on direct import costs	-	-	-	-	-	-	-	-	-	-	0	-	17,946,927
Drying costs	-	17,946,927	-	-	-	-	-	-	-	1,204	51,641	-	85,730,748
VAT on services	-	83,261,409	-	-	-	2,416,494	-	-	-	-	-	-	-
Storage of stocks supplied by third party	-	-	-	-	-	-	-	-	-	-	-	-	-
5 % management fees on deposits exclusively for GOK use	-	-	-	-	-	-	-	-	-	8,730	374,395	-	821,547,828
Sub - Total (b)	-	603,645,218	-	-	-	17,519,584	-	-	-	8,730	374,395	-	4,158,636,297
Total Expenditure (a + b)	-	3,836,342,313	-	-	-	321,872,587	-	-	-	8,730	412,667	-	4,158,636,297
Net Surplus/(Deficit) for the year	-	(316,348,237)	-	-	-	(93,675,339)	-	-	-	(8,730)	(412,667)	-	(410,444,971)
(c) Add:													
Shortfall/(Surplus) B/f balance 1/07/2013	-	(342,341,936)	-	3,967,805	(168,480)	(48,273,983)	46,238,041	8,441,839	745,259	(59,338)	(189,860,897)	(84,569,709)	(1,809,418,177)
Net due (to)/from the Agent as at 30.06.2014	-	(342,341,936)	-	3,967,805	(168,480)	(48,273,983)	46,238,041	8,441,839	745,259	(59,338)	(189,860,897)	(84,569,709)	(2,219,863,150)

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2014

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 2014

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 2013/2014 FY for various services and facilities which were mutually agreed upon on 12th November 2002 by the two parties were as follows:-

<u>Nature of Service/facility</u>	<u>Rate</u> <u>KShs/Percentage</u>
a) Storage	4.80 per bag per month
b) Quality maintenance	5.00 per bag per month
c) Commission on Purchasing	115.00 per bag
d) Commission on releases	25.00 per bag
e) Commercial on sales	9 % of sales value
f) Commission on direct transport cost	10 % of transport cost
g) Commission on commodity handling	10 % of handling cost
h) Drying services	28.00 per 1% moisture content reduction for 90kg bag

3. CLOSING STOCKS

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

<u>Category/Product</u>	<u>As at 30.06.2014</u>		<u>As at 30.06.2013</u>	
	<u>Bags</u>	<u>Value KShs</u>	<u>Bags</u>	<u>Value KShs</u>
GOK Famine Relief – Maize (90 kg)	14,910	44,730,067	0	0
GOK Famine Relief – Beans (90 Kg)	1,547	7,502,500	1,547	7,502,500
GOK Famine Relief - S/hand Gunnies	151,566	2,294,570	98,511	1,743,913
Green Grams	0	0	0	0
Millet/Sorghum	0	0	0	0
Garden peas	64	44,200	64	44,200
Imported wheat	0	0	0	0
Pigeon peas	0	0	0	0
Sub Total F/Relief Stock		54,571,337		9,290,613
SGR Maize Stocks		8,085,729,248		6,206,882,205

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE 2014

3.2 Stock Movement

	2013/2014FY					2012/2013FY					
	SGR MAIZE (90kg Bags)	F/RELIEF MAIZE (90kg Bags)	GUNNIES Pieces	PIGEON PEAS (90kg Bags)	BEANS (90kg Bags)	SGR MAIZE (90kg Bags)	F/RELIEF MAIZE (90kg Bags)	GUNNIES Pieces	Fertilizer (90kg Bags)	PIGEON PEAS (90kg Bags)	BEANS (90kg Bags)
OPENING STOCKS	2,240,814	(66,813)	98,511	64	1,547	2,090,445	4,831	-	-	64	
Transfer from SGR stock to F/Relief Stock/adjust.	12,251	94,529	-	-	-	-	-	-	-	-	1,
Purchases/Surrendered/s/o	1,024,824	101,249	1,587,225	-	-	642,844	-	151,566	460,000	-	
Transfer from SGR Stocks	-	-	-	-	-	-	245,000	-	-	-	
Stocks Available For Distribution/Sale	3,277,889	128,965	1,685,736	64	1,547	2,733,289	249,831	151,566	460,000	64	1,
Deduct Disposals:											
Releases/Sales	373,793	114,055				247,231	316,644	53,055	-	-	
Transfer to F/Relief Stock from SGR Stocks	94,529					245,000		-	-	-	
Storage Loss/(Gain Adjustment)	10,131	-				244	-				
Sub-Total	478,453	114,055	-	-	-	492,475	316,644	53,055	460,000	-	1,
CLOSING STOCKS	2,799,436	14,910	1,685,736	64	1,547	2,240,814	(66,813)	98,511	-	64	1,

NATIONAL CEREALS AND PRODUCE BOARD
 GOK AGENCY OPERATIONS
 NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2014
 (Continued)

7

4 AMOUNTS OWING ON AGENCY SERVICES

4.1 Composition

The breakdown of the amounts owing to the Agent as at 30th June 2014 in relation to each Agency operations as well as remittances received from the Government (OP-R&R) during the year are summarized here below:-

	Cumulative Amounts Due KShs	Amounts Received KShs	Net amounts Outstanding KShs
a) Strategic Grain Reserve Programme			
Balance B/F on 1/7/2013	342,341,936	-	342,341,936
2013/2014 expenses:-			
Direct costs	-	-	-
Storage Charges	-	-	-
Sub – Total	342,341,936	-	342,341,936
b) Famine Relief Programme			
Balance B/F on 1/7/2013	274,641,463	-	274,641,463
2013/2014 expenses:-			
Direct costs	304,391,274	-	76,194,026
Storage Charges	17,902,710	-	17,902,710
Sub – Total	596,935,447	-	368,738,198
c) GOK 17 selected Depots for F/Relief			
Balance B/F on 1/7/2013	191,916,638	-	191,916,638
2013/2014 expenses:-			
Direct costs	-	-	-
Storage Charges	-	-	-
5 % Management fees	-	-	-
Sub – Total	191,916,638	-	191,916,638
d) Strategic Grain Reserve Programme			
Balance B/F on 1/7/2013	1,000,518,140	-	1,000,518,140
2013/2014 expenses:-			
Direct costs	3,232,697,095	3,519,994,077	(287,296,982)
Storage Charges	603,645,218	-	603,645,218
Sub – Total	4,836,860,453	3,519,994,077	1,316,866,377
Total (a+b+c+d)	5,968,054,474	3,519,994,077	2,219,863,150
e) Less cost of maize suspected to have aflatoxin			-
Net Amount outstanding as at 30th June 2014			<u>2,219,863,150</u>

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2014

5 **COMMODITY PURCHASES**

6.1 **Purchases on Agency Basis**

During 2013/2014 FY the Agent (NCPB), at the request of the Principal (Government – OP-R&R) procured on agency basis, the under listed commodities for GOK Famine Relief/Emergency Programmes :-

<u>Commodity</u>	2013/2014 FY Quantity (90Kgs)	2012/2013 FY Quantity Quantity (90Kgs)
Maize F/R	101,249	0
Beans	0	0
Green Grams	0	0
Millet/Sorghum	0	0
SGR Maize	1,024,824	642,844
SGR Fertiliser	0	0

7 **RELIEF COMMODITIES DISTRIBUTED IN 2013/2014 FY**

7.1 **Commodities Distributed**

During 2013/2014 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.

	2013/2014 FY Quantity (90Kgs)	2012/2013 FY Quantity Quantity (90Kgs)
Maize	114,055	316,644
Beans	0	0
Green Grams	0	0
Millet/Sorghum	0	0
Garden peas	0	0

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS
NOTES TO THE ACCOUNTS - 30TH JUNE, 2014

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:-

	2013/2014 FY		2012/2013 FY	
	Quantity (90Kgs)	Cost Kshs.	Quantity (90Kgs)	Cost Kshs
Maize F/R	0	0	0	0
Maize SGR	552,857	148,613,460	188,376	49,109,344
Beans	0	0	0	0
Green Grams	0	0	0	0
Sorghum	0	0	0	0
Total		148,613,460		49,109,344

8 **CONTINGENT LIABILITIES**

A contingent liability amounting to Kshs.178,533,987.00 continued to remain unsettled as at 30th June 2014. 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.