

REPUBLIC OF KENYA



*Paper laid by the  
Leader of Majority  
on 6/8/2014  
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**KENYA NATIONAL AUDIT OFFICE**



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

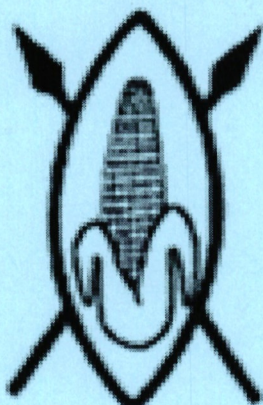
**ON**

**THE FINANCIAL STATEMENTS OF  
NATIONAL CEREALS AND PRODUCE BOARD**

**FOR THE YEAR ENDED**

**30 JUNE 2013**

# **NATIONAL CEREALS AND PRODUCE BOARD**



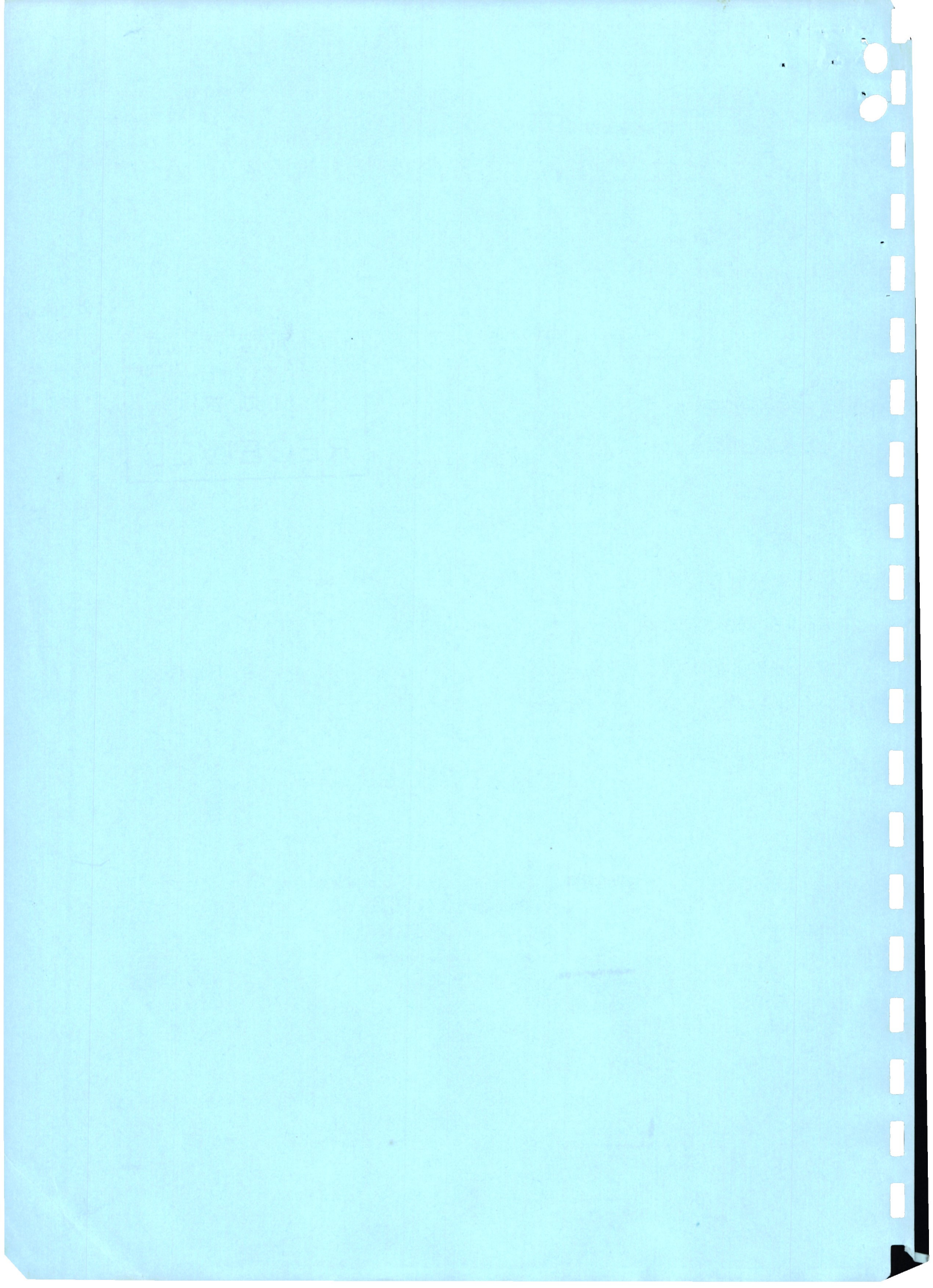
KENYA NATIONAL AUDIT OFFICE  
P. O. Box 30084 - 00100, NAIROBI.

-1 JUL 2014

RECEIVED

## **ANNUAL ACCOUNTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2013**

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



**NATIONAL CEREALS AND PRODUCE BOARD  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2013**

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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

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

Prof. Wilfred Mwangi PhD, EBS	-	Chairman
Prof. Gideon K. Misoi (OGW)	-	Managing Director
Mr. Geoffrey Gitamo Obure	-	Member
Mr. Sunil N. Shah	-	Member (Resigned on 02/01 2013)
Dr. Ahmed Ferej	-	Member
Mr. Daniel Damocha	-	Member
M/s. Monica Amolo	-	Member
Abdullahi Haji Abdi	-	Member (Appointed on 17/09/2012)
Amb. Binsai Chepsongol	-	Alternate Director to the Permanent Secretary Ministry of State for Special Programmes
M/s Beatrice Gathirwa	-	Alternate Director to the Permanent Secretary Ministry of Finance
M/s Rosemary Onam	-	Alternate Director to the Permanent Secretary Ministry of Agriculture
Edward M. Ngigi	-	Ag. Inspector General (Corporations)

### SENIOR MANAGEMENT

Mr. C.K. Ngelechey	-	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. S. K. Mbutu	-	Technical Manager
Mr. D. C. Mundia	-	Procurement Manager
M/s. H. Kilel	-	Ag. Administration Manager
Mr.J.M Ndonga	-	Ag. Sales and Marketing Manager

**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  
Office of the Auditor General  
P.O. Box 30084-00100

**NAIROBI****BANKERS**

Kenya Commercial Bank  
P.O. Box 48400

**NAIROBI**

## NATIONAL CEREALS AND PRODUCE BOARD

### CHAIRMAN'S REPORT

#### ECONOMIC REVIEW

According to Economic Survey for 2013, the Kenyan economy posted a real GDP growth of 4.6% in 2012 compared to a growth of 4.4% in 2011. All the sectors of the economy recorded positive growths of varying magnitudes. Overall, economic activity in 2012 showed improvement despite a myriad of challenges that include turbulent global economy, delayed long rains and a weakened Kenya shilling in the beginning of the year. This performance was supported by stable macroeconomic environment, increased domestic demand and notable growth in agriculture, wholesale and retail trade and transport and communication.

The Agriculture sector recorded a growth of 3.8% per cent in 2012 compared to a suppressed growth of 1.5 per cent in 2011. The performances of different sub-sector varied mainly on account of delayed long rains across the ecological zones.

The annual inflation decreased from 14.0 per cent in 2011 to 9.4 per cent in 2012 due to better food supply resulting from favourable weather conditions.

The Economic outlook for 2013 is likely to sustain a projected growth of 5.8% as compared to 4.8% in 2012. This positive growth is based on increased investor and business confidence due to the peaceful elections, sufficient rainfall and stability of the Kenya shilling coupled the stability of international oil prices.

#### GRAIN SUB-SECTOR REVIEW

Generally the agricultural sector experienced increased production in key crops save for horticulture, tea and pyrethrum which recorded declines.

Maize production was 40 million bags in 2012 as compared to 34.4 million bags in the previous year resulting in an increase of 16%. Further wheat production recorded an increase from 105,900 tonnes to 162,700 tonnes while Rice production increased from 80,200 tonnes in 2011 to 83,600 tonnes in 2012.

The Maize market increased by 29.6 per cent on account of higher marketed volumes buoyed by improved prices paid to farmers during 2012.

#### 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.

## NATIONAL CEREALS AND PRODUCE BOARD CHAIRMAN'S REPORT (Continued)

### OPERATING PERFORMANCE

#### Trading Activities

During the year ended 30th June 2013, the Board recorded an operating loss of Kshs.936.7 million as compared to a loss of Kshs.436.1 million the previous year.

The poor performance was due to major disruptions on the Board's operations after its bank accounts were frozen by a garnishee order in respect of Erad court case. This action meant that NCPB could not undertake its mandate resulting into huge loss. The sales turnover declined from Kshs 5.26 billion the previous year to Kshs 0.58 billion in 2012/2013 FY.

#### Future Outlook

Due to the challenges being faced by the Board the Government of Kenya through the Ministry of Agriculture has already commenced restructuring of the Board by commissioning Ernst and Young as the consultant. The consultant has already submitted Inception Report and is in the process of finalising the Draft final Report before submitting the final restructuring Report.

Some of the Terms of reference of the consultant include the following:

- Assess the economic and financial viability and sustainability of the NCPB given its current mandate.
- Identify and assess potential additional functions that could be performed on commercial terms and contribute to NCPB's current mandate especially through Warehouse Receipt System and Commodity Exchange.
- 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.
- Assess the appropriateness of the current management/technical staff skills and advice accordingly.
- Advise and analyse the effects of the implementation of the NCPB's divesture programme of non-core assets
- Recommend on the appropriate legislation that would facilitate and enhance the restructuring of the NCPB.

**NATIONAL CEREALS AND PRODUCE BOARD**  
**CHAIRMAN'S REPORT (Continued)**

Drafting of legislation and regulations on WRS and Commodity Exchange has been undertaken and a zero draft bill published with the technical support from Attorney General's chamber. The bill is undergoing validation by stakeholders under MOA coordination.



**COL. (RTD) G. M. KING'ANG'I**  
**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 30<sup>th</sup> June 2013.

#### 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: -

	<b><u>30.06.2013</u></b>	<b><u>30.06.2012</u></b>
	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
		<b><u>Restated</u></b>
Operating Loss before Depreciation, Provision	(459,168,097)	30,233,067
Depreciation	424,460,075	424,032,604
Amortization	5,036,295	4,357,298
Bad and doubtful Debts	48,000,000	38,000,000
	<u>477,496,370</u>	<u>466,389,902</u>
<b>Net Loss</b>	<b><u>(936,664,467)</u></b>	<b><u>(436,156,835)</u></b>

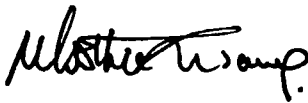
**NATIONAL CEREALS AND PRODUCE BOARD****4. DIRECTORS**

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 P. M. KARANJA**  
**AG. BOARD SECRETARY**  
**NAIROBI, KENYA**  
**20<sup>TH</sup> JUNE 2014**

**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 NCPB 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**  
**20<sup>TH</sup> JUNE 2014**



**N. K. TERER**  
**MANAGING DIRECTOR**

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## KENYA NATIONAL AUDIT OFFICE

### **REPORT OF THE AUDITOR-GENERAL ON NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30 JUNE 2013**

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Cereals and Produce Board set out on pages 11 to 34, which comprise the statement of financial position as at 30 June 2013, 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 judgment, 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**

### **1.0 Financial Performance**

During the year under review, the Board recorded a loss of Kshs.936,664,467 (2012 – Kshs.436,156,835) resulting in an accumulated loss of Kshs.7,566,982,407 as at 30 June 2013. According to the information available, the loss was occasioned mainly by low sales and 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 this trend, and in the long-term may face serious financial constraints.

### **2.0 Property, Plant and Equipment**

#### **2.1 Storage facilities**

As reported in 2011/2012, the property, plant and equipment balance of Kshs.8,075,997,301 as at 30 June 2013 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 2013.

#### **2.2 Land**

The property, plant and equipment balance of Kshs.8,075,997,301 also includes thirty nine (39) parcels of land with a cost of Kshs.60,383,887 whose title documents were not availed for audit review. According to additional information available, some of the parcels are leased from the Kenya Railways Corporation.

### 3.0 Debtors and Prepayments

As disclosed in note 7, the Debtors and Prepayments balance includes debts totaling Kshs.1,133,322,566 which has been outstanding for over one year as analyzed below;

<b>Particulars</b>	<b>Amount (Kshs)</b>
Farmers Associated Companies	160,078
Debtors from imported wheat	35,933,464
Trade Debtors	887,732,990
Staff Debtors	109,971,203
Sundry Debtors	99,524,831
<b>TOTAL</b>	<b>1,133,322,566</b>

Although a provision for bad and doubtful debts of Kshs.847,557,914 has been provided for in the financial statements, the management has not provided evidence of any meaningful action being taken to ensure that these debts are recovered.

### 4.0 Procurement of 40,000 metric tons of maize

#### 4.1 Breach of contract on Procurement of 40,000 Metric tons of Maize

The Board entered into 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 its 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 11 February, 2013 increased the award to US Dollars 6,140,859 equivalent to Kshs.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 the claimant 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. As at the time of reporting, the case was pending in court awaiting 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. Further, the Board may experience serious financial constraints as the main bank accounts have been frozen.

## **4.2 Legal Services**

Further, information available indicates that as at 30 June 2013, the Board had incurred a total expenditure of Kshs.48,515,172 in legal costs since the commencement of the case. However, out of Kshs.48,515,172, Kshs.38,560,000 was incurred to pay two additional law firms not included in the list of prequalified list, contrary Section 32

of the Public Procurement and Disposal Act, 2005 read together with Section 25 subsection 1, 2 and 3 of the Public Procurement and Disposal Regulations, 2006.

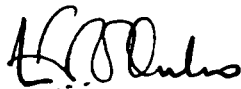
**4.3** Similarly, included in the operating expenses of Kshs.111,834,038 is Kshs.9,860,000 in respect of legal expenses. However, examination of documents revealed that the law firm paid the fee was not included in the list of prequalified law firms in line with the law. Consequently, therefore, the Board was in breach of the law.

## **5. 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, in the records under review, the Board paid a total of Kshs. 112,031 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.

### **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 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with National Cereals and Produce Board Act, Cap 338 of the Laws of Kenya.



**Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

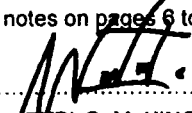
**Nairobi**

**21 July 2014**

11  
**NATIONAL CEREALS AND PRODUCE BOARD**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013**

<b>ASSETS</b>	Note	<b>30TH JUNE 2013</b>	<b>30TH JUNE 2012</b>
		<u><b>Kshs.</b></u>	<u><b>Kshs.</b></u>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	3	8,075,997,301	8,509,461,072
Investments	4	-	-
Intangible Assets	3	<u>25,861,523</u>	<u>12,828,960</u>
		<u>8,101,858,824</u>	<u>8,522,290,032</u>
<b>CURRENT ASSETS</b>			
Operating stocks	6	599,512,558	888,183,681
Debtors and Prepayments	7	285,764,652	321,276,842
Government Debtors - New Agency A/C	9	1,576,854,982	857,806,994
Government Debtors - MOA Fertilizer A/C	7	1,893,432,807	1,665,495,705
Cash at bank and in hand	9	<u>100,924,515</u>	<u>697,274,644</u>
		<u>4,456,489,514</u>	<u>4,430,037,866</u>
<b>TOTAL ASSETS</b>		<u><b>12,558,348,338</b></u>	<u><b>12,952,327,898</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Capital Fund	10	6,304,142,172	6,304,142,172
Revaluation Reserve	11	9,589,422,793	9,589,422,793
Revenue Reserve	12	<u>(7,566,982,407)</u>	<u>(6,630,317,940)</u>
		<u>8,326,582,558</u>	<u>9,263,247,025</u>
<b>CURRENT LIABILITIES</b>			
Bank Overdraft	13	64,274,087	427,463,293
Short Term Loan	13	-	918,306,000
Creditors and Provisions	14	1,499,248,697	1,405,770,516
Creditors - Due to GOK on Fertiliser sales		1,784,768,937	387,899,197
Creditors - Due to GOK on Past Market Intervention Programme	15	174,063,028	174,063,028
Government Agency Account (Old A/C)	16	143,195,039	143,195,039
Creditors - Due to GOK on SGR Maize sales	17	156,123,625	232,383,800
Taxation	18	<u>410,092,367</u>	<u>-</u>
		<u>4,231,765,780</u>	<u>3,689,080,873</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>12,558,348,338</b></u>	<u><b>12,952,327,898</b></u>

The notes on pages 6 to 34 form an integral part of these accounts.

  
.....20TH JUNE 2014  
COL. (Rtd) G. M. KING'ANG'I CHAIRMAN

  
.....20TH JUNE 2014

N. K. TERER

MANAGING DIRECTOR

NATIONAL CEREALS AND PRODUCE BOARD  
FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2013

	Note	30TH JUNE 2013 <u>KShs</u>	30TH JUNE 2012 <u>KShs</u>
GROSS SALES	27	580,496,896	5,262,748,246
COST OF SALES	27	<u>491,883,099</u>	<u>4,149,817,606</u>
<b>GROSS MARGIN GAIN</b>		<b>88,613,796</b>	<b>1,112,930,640</b>
<b>GROSS MARGIN GAIN AS A PERCENTAGE TO GROSS SALES</b>		<b>15.27%</b>	<b>21.15%</b>
<b>ADD:</b>			
Other Income	28	<u>919,120,827</u>	<u>1,072,606,221</u>
<b>TOTAL INCOME</b>		<b>1,007,734,623</b>	<b>2,185,536,861</b>
<b>LESS: EXPENDITURE</b>			
Railage and Road transport costs	29	21,110,241	609,593,840
Staff costs and Wages	29	928,713,367	921,926,446
Administration expenses	29	238,603,183	222,116,447
Other operating expenses	29	<u>111,834,038</u>	<u>153,227,606</u>
		1,300,260,829	1,906,864,339
<b>PROFIT/(LOSS) BEFORE DEPRECIATION AND BAD DEBTS</b>		<b>(292,526,206)</b>	<b>278,672,522</b>
<b>Deduct: Provisions</b>			
Depreciation expense	3.1	424,460,075	424,032,604
Amortisation expense	3.2	5,036,295	4,357,298
Bad and doubtful debts	29	<u>48,000,000</u>	<u>38,000,000</u>
		477,496,370	466,389,902
<b>LOSS FROM OPERATIONS</b>		<b>(770,022,576)</b>	<b>(187,717,380)</b>
Finance cost	29	<u>166,641,891</u>	<u>248,439,455</u>
<b>LOSS BEFORE TAX</b>		<b>(936,664,467)</b>	<b>(436,156,835)</b>
Income tax expense		-	-
<b>NET LOSS AFTER TAX</b>		<b>(936,664,467)</b>	<b>(436,156,835)</b>

NATIONAL CEREALS AND PRODUCE BOARD  
 FINANCIAL STATEMENTS  
 STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 30TH JUNE 2013

	Capital Fund	Revaluation Reserve	Revenue Reserve	Total Equity
	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>
At 1st July 2011	6,304,142,172	9,589,422,793	(6,194,161,105)	9,699,403,860
Net Profit/(Loss) For the Period	-	-	(436,156,835)	(436,156,835)
<b>30th June 2012</b>	<b><u>6,304,142,172</u></b>	<b><u>9,589,422,793</u></b>	<b><u>(6,630,317,940)</u></b>	<b><u>9,263,247,025</u></b>
At 1st July 2012	6,304,142,172	9,589,422,793	(6,630,317,940)	9,263,247,025
Net Profit/(Loss) For the Period	-	-	(936,664,467)	(936,664,467)
<b>30th June 2013</b>	<b><u>6,304,142,172</u></b>	<b><u>9,589,422,793</u></b>	<b><u>(7,566,982,407)</u></b>	<b><u>8,326,582,558</u></b>

**NATIONAL CEREALS AND PRODUCE BOARD  
FINANCIAL STATEMENTS  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 30TH JUNE 2013**

	<u>30TH JUNE 2013</u>	<u>30TH JUNE 2012</u>
	<u>Kshs.</u>	<u>Kshs.</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before extraordinary items	(936,664,467)	(436,156,835)
Adjustments for:		
Provision for Depreciation	424,460,075	424,032,604
Provision for Amortisation	5,036,295	4,357,298
Provision for stock shrinkage	2,399,303	1,355,379
Provision for doubtful debts	48,000,000	38,000,000
Gain on disposal of Fixed Assets	-	(4,118,501)
<b>Operating Profit before working capital changes</b>	<b>(456,768,794)</b>	<b>27,469,945</b>
(Increase)/decrease in debtors	(959,472,900)	(838,769,663)
(Increase)/decrease in stocks	286,271,820	1,007,058,636
Increase/(decrease) in creditors	1,824,180,112	495,128,841
Increase/(decrease) in bank loan	(918,306,000)	(217,661,700)
<b>Net cash from operating activities</b>	<b>(224,095,761)</b>	<b>438,134,852</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Fixed Assets	(9,065,162)	(16,815,974)
Proceeds from Sale of Equipment	-	4,118,501
<b>Net cash flow from investing activities</b>	<b>(9,065,162)</b>	<b>(12,697,473)</b>
<b>Net increase/(decrease) in cash and cash equivalent</b>	<b>(233,160,924)</b>	<b>425,437,379</b>
Cash and cash equivalent at the beginning of the period:		
Cash at Bank and on hand	697,274,644	250,679,622
Bank Overdraft	(427,463,293)	(406,305,650)
<b>Cash and Cash equivalent at end of period</b>	<b>36,650,428</b>	<b>269,811,351</b>
<b>ANALYSIS OF CASH HELD</b>		
<b>END OF PERIOD</b>		
Cash at Bank and on hand	100,924,515	697,274,644
Bank Overdraft	(64,274,087)	(427,463,293)
	<b>36,650,428</b>	<b>269,811,351</b>

**NATIONAL CEREALS AND PRODUCE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2013**

**(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 2013**

(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 and drying Equipment	25%
Furniture and equipment	12.5%

(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's purchases.
- ii) Closing Stock quantities have been stated in terms of standard 90 kg weights unless otherwise disclosed.

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

(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 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.

(j) **Foreign currencies**

Assets and Liabilities denominated in foreign currencies are translated into Kenya 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 2013

(cont:rued)

3. PROPERTY, PLANT, EQUIPMENT AND COMPUTER SOFTWARE

	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	Total KShs
<u>Cost at Valuation</u>								
At 30th June 2011	945,960,177	422,430,110	9,534,553,355	57,522,929	446,603,598	18,332,008	29,023,304	11,454,425,481
Additions	-	-	1,872,164	9,481,385	2,833,500	-	2,628,925	16,815,974
Transfers	-	-	4,048,882	-	-	-	4,048,882	-
Disposals	-	-	-	(5,790,000)	-	-	-	(5,790,000)
At 30th June 2012	<u>945,960,177</u>	<u>422,430,110</u>	<u>9,540,474,401</u>	<u>61,214,314</u>	<u>449,437,098</u>	<u>18,332,008</u>	<u>27,603,347</u>	<u>11,465,451,455</u>
<u>Depreciation</u>								
At 30th June 2011	80,078,589	63,350,826	2,010,907,830	52,449,082	312,629,442	1,145,750	-	2,520,561,519
Charge for period	13,482,361	11,445,020	337,956,554	3,946,273	57,202,397	4,357,298	-	428,389,902
On disposals	-	-	-	(5,790,000)	-	-	-	(5,790,000)
At 30th June 2012	<u>93,560,950</u>	<u>74,795,846</u>	<u>2,348,864,384</u>	<u>50,605,355</u>	<u>369,831,839</u>	<u>5,503,048</u>	<u>-</u>	<u>2,943,161,421</u>
<u>Net Book Value</u>								
At 30th June 2012	<u>852,399,227</u>	<u>347,634,264</u>	<u>7,191,610,017</u>	<u>10,608,959</u>	<u>79,605,259</u>	<u>12,828,960</u>	<u>27,603,347</u>	<u>8,522,290,032</u>
<u>Cost/Valuation</u>								
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	11,465,451,454
Additions	-	-	642,295	6,701,000	(0)	-	1,721,867	9,065,162
Transfers	-	-	11,674	-	-	18,068,858	(18,080,532)	0
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>11,474,516,616</u>
<u>Depreciation</u>								
At 30th June 2012	80,078,589	63,350,826	2,010,907,830	52,449,082	312,629,442	1,145,750	-	2,520,561,519
Charge for the period	13,482,361	11,445,020	337,956,554	3,946,273	57,202,397	4,357,298	-	428,389,902
At 30th June 2013	<u>93,560,950</u>	<u>74,795,846</u>	<u>2,348,864,384</u>	<u>50,605,355</u>	<u>369,831,839</u>	<u>5,503,048</u>	<u>-</u>	<u>2,943,161,421</u>
<u>Net Book Value</u>								
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>3,372,657,791</u>
<u>At 30th June 2013</u>	<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>8,101,858,824</u>

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

**4. INVESTMENTS**

<u>Composition</u>	<u>30.06.2013</u> <u>Kshs.</u>	<u>30.06.2012</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	<u>2,000</u>	<u>2,000</u>
<b>Sub total</b>	<b><u>2,170,740</u></b>	<b><u>2,170,740</u></b>
<u>Less:</u> Provisions for bad and Doubtful debts	<u>(2,170,740)</u>	<u>(2,170,740)</u>
<b>Net Investments at year end</b>	<b><u>0</u></b>	<b><u>0</u></b>

**(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 2013**  
**(Continued)**

5. **LOANS**

<b><u>Composition</u></b>	<b><u>30.06.2013</u></b> <b><u>Kshs.</u></b>	<b><u>30.06.2012</u></b> <b><u>Kshs.</u></b>
(i) Kenya Cashew nuts Limited:	120,521,118	120,521,118
(ii) Kenya Cashews Limited	<u>231,080</u>	<u>231,080</u>
<b>Sub total</b>	<b><u>120,752,198</u></b>	<b><u>120,752,198</u></b>
<b>Less: Provisions for bad and Doubtful debts</b>	<b><u>(120,752,198)</u></b>	<b><u>(120,752,198)</u></b>
<b>Net loans at year end</b>	<b><u>0</u></b>	<b><u>0</u></b>

**(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 2013**

(Continued)

**6. OPERATING STOCKS**

**6.1 Closing Stocks**

The closing stocks of commodities valued at Kshs.599,512,558 (2011/2012 Kshs. 888, 183,681) was composed of the following:

	<u>30.06.2013</u>	<u>30.06.2012</u>
	<u>Kshs</u>	<u>Kshs</u>
a) <u>Composition of Stocks:</u>		
Local white Maize	393,693,181	496,819,078
Beans	38,150,914	13,576,402
Wheat – Local	691,600	579,600
Green grams	119,611,770	121,611,068
Castor Seeds	640	640
Paddy	48,532,103	73,277,710
Local milled Rice	19,089,111	20,759,458
Wimbi	172,320	322,880
Fertilizer	4,657	109,100,040
Packaging bags (Jute/PP)	37,063,724	109,852,568
Insecticides	43,443	49,638
Sub- Total	<b>657,053,463</b>	<b>945,949,080</b>
(b) Stocks of Consumables	<u>34,690,275</u>	<u>32,066,479</u>
Sub- Total	<b>691,743,738</b>	<b>978,015,559</b>
<b>Less: - 2.2 % Provision for</b>		
<b>Stock shrinkage</b>	89,948,943	87,549,641
<b>-Provision for obsolete</b>		
<b>Stocks-Consumables</b>	<u>2,282,237</u>	<u>2,282,237</u>
Sub-Total	<b>92,231,180</b>	<b>89,831,878</b>
<b>Total closing stocks at year end</b>	<b><u>599,512,558</u></b>	<b><u>888,183,681</u></b>

**7. DEBTORS AND PREPAYMENTS**

**7.1 .1 Breakdown analysis**

	<u>30.06.2013</u>	<u>30.06.2012</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	887,732,990	911,774,913
Staff debtors	109,971,203	102,779,406
Sundry debtors & Prepayments	<u>99,524,831</u>	<u>70,186,895</u>
	1,133,322,566	1,120,834,756
<u>Less: Cumulative Provisions for bad and</u>		
<u>doubtful Debts</u>	<u>(847,557,914)</u>	<u>(799,557,914)</u>
<b>Total Debtors and Prepayments as</b>		
<b>at year end</b>	<b><u>285,764,652</u></b>	<b><u>321,276,842</u></b>

**NATIONAL CEREALS AND PRODUCE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2013**

**(Continued)**

**7.1.2 GOK Fertilizer:**

During the year the Board handled 37,821 MT of GOK DAP fertilizers and sold commercial fertilizer at subsidized price as shown below.

	<u>30.06.2013</u>	<u>30.06.2012</u>
	<u>Kshs</u>	<u>Kshs</u>
Balance B/F	1,665,495,705	1,055,860,315
Add cost for the year	<u>602,081,003</u>	<u>1,459,635,390</u>
	2,267,576,708	2,515,495,705
Deduct: Amount received during the year	<u>374,143,901</u>	<u>850,000,000</u>
<b>Balance at year end</b>	<b><u>1,893,432,807</u></b>	<b><u>1,665,495,705</u></b>

**7.2 Notes on Debtors and Prepayments:**

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

	<u>30.06.2013</u>	<u>30.06.2012</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Kenya Peanuts Company Ltd	<u>160,078</u>	<u>160,078</u>
	<b><u>160,078</u></b>	<b><u>160,078</u></b>

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

	<u>30.06.2013</u>	<u>30.06.2012</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	725,604,397	687,604,397
Staff debtors	50,891,834	50,891,834
Sundry debtors	<u>24,968,141</u>	<u>24,968,141</u>
<b>Total cumulative Provision</b>	<b><u>847,557,914</u></b>	<b><u>799,557,914</u></b>

**8.0 GOVERNMENT DEBTORS – NEW AGENCY ACCOUNT**

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

**NATIONAL CEREALS AND PRODUCE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2013**

**(Continued)**

- 8.2 The rates applicable in 2012/2013 FY for various services and facilities that were mutually agreed upon by the two parties and which have been in force since 12<sup>th</sup> 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

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

The amount of Kshs. 100,924,515 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 30<sup>th</sup> June 2013.

	<b><u>30.06.2013</u></b> <b><u>Kshs</u></b>	<b><u>30.06.2012</u></b> <b><u>Kshs</u></b>
Cash at Bank	79,300,794	695,518,625
Cash in Hand	4,334,286	1,756,019
Cash in Transit	<u>17,289,435</u>	<u>0</u>
	<b><u>100,924,515</u></b>	<b><u>697,274,644</u></b>

10. **CAPITAL FUND**

	<b><u>30.06.2013</u></b> <b><u>Kshs</u></b>	<b><u>30.06.2012</u></b> <b><u>Kshs</u></b>
Balance carried forward at Year end	<b><u>6,304,142,172</u></b>	<b><u>6,304,142,172</u></b>

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

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

	Cumulative Amounts Due	Amounts Received	Net amounts Outstanding 30th June 2013	Net amounts Outstanding 30th June 2012
Balance B/F on 1/7/2012	342,341,936	-	342,341,936	342,341,936
2012/2013 expenses:-				
Direct costs	-	-	-	-
Storage Charges	-	-	-	-
Sub - Total	<u>342,341,936</u>	-	<u>342,341,936</u>	<u>342,341,936</u>
b) Famine Relief Programme				
Balance B/F on 1/7/2012	264,565,060	-	264,565,060	264,565,060
2012/2013 expenses:-				
Direct costs	1,338,715	-	1,338,715	-
Storage Charges	8,737,667	-	8,737,667	-
Sub - Total	<u>274,641,442</u>	-	<u>274,641,442</u>	<u>264,565,060</u>
c) GOK 17 selected				
Depots for F/Relief				
Balance B/F on 1/7/2012	191,916,638	-	191,916,638	191,916,638
2012/2013 expenses:-				
Direct costs	-	-	-	-
Storage Charges	-	-	-	-
5 % Management fees	-	-	-	-
Sub - Total	<u>191,916,638</u>	-	<u>191,916,638</u>	<u>191,916,638</u>
d) Strategic Grain				
Reserve Programme - New Account				
Balance B/F on 1/7/2012	291,546,536	-	291,546,536	291,546,536
2012/2013 expenses:				
Direct costs	2,434,617,807	1,707,450,116	727,167,690	401,664,420
Storage Charges	<u>383,468,333</u>	-	<u>383,468,333</u>	-
	<u>3,109,632,676</u>	<u>1,707,450,116</u>	<u>1,402,182,565</u>	<u>693,210,961</u>
Total (a+b+c+d)	<u>3,918,532,692</u>	<u>1,707,450,116</u>	<u>2,211,082,593</u>	<u>1,492,034,608</u>
e) Less: Sales of gunnies			-	-
			2,211,082,597	1,492,034,609
<b>Deduct:</b> Provision for bad and Doubtful Debts			232,563,195	232,563,195
			<b>1,978,519,402</b>	<b>1,259,471,414</b>
Less cost of maize suspected to have aflatoxin			401,664,420	401,664,420
<b>Net Amount outstanding at the end of Year</b>			<b>1,576,854,982</b>	<b>857,806,994</b>

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

**11 REVALUATION OF FIXED ASSETS**

**11.1 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 1<sup>st</sup> 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: -

Asset Category	New Valuation	Old Valuation	Revaluation
			Gain/ (Loss)
	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
<b>TOTAL</b>	<b>11,298,698,594</b>	<b>4,408,699,627</b>	<b>6,889,998,967</b>
<b>Add: Brought Forward Balance</b>			<b>2,699,423,826</b>
<b>Balance Carried Forward</b>			<b>9,589,422,793</b>

**12 REVENUE RESERVE ACCOUNT**

The Board recorded a Net Operating Loss of Kshs.936, 664,467 during the year under review on its commercial activities. The Loss has been transferred to the Revenue Reserves Account leaving a debit balance of Kshs.7,566,982,407 as shown below;

	<b>30.06.2013</b>	<b>30.06.2012</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance B/F	(6,630,317,940)	(6,194,161,105)
Net Loss for the Year	(936,664,467)	(436,156,835)
<b>Balance at year end</b>	<b>(7,566,982,407)</b>	<b>(6,630,317,940)</b>

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

- 13 **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 2013 were as follows: -

	<u>30.06.2013</u>	<u>30.06.2012</u>
	<u>Kshs</u>	<u>Kshs</u>
Main Bank Account	64,274,087	427,463,293
Short Term Loan	0	918,306,000
	<b><u>64,274,087</u></b>	<b><u>1,345,769,293</u></b>

14. **CREDITORS AND PROVISIONS**

14.1 **Creditors and provisions**

	<u>30.06.2013</u>	<u>30.06.2012</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Trade creditors	414,200,507	552,273,316
Creditors –Owings to Farmers/Suppliers	14,331,764	100,691,925
Creditors – Staff	3,097,084	2,052,317
Sundry Creditors and Provisions	1,067,619,342	750,752,958
	<b><u>1,499,248,697</u></b>	<b><u>1,405,770,516</u></b>

14.2 **Creditors – Due to Gok - Fertiliser sales**

	<u>30.06.2013</u>	<u>30.06.2013</u>
	<u>Kshs</u>	<u>Kshs</u>
Balance B/Forward	387,899,197	73,521,197
Sales	1,696,869,740	1,164,378,000
	2,084,768,937	1,237,899,197
Remittances/offset amount owing	300,000,000	850,000,000
<b>NCPB debt balance at year end</b>	<b><u>1,784,768,937</u></b>	<b><u>387,899,197</u></b>

15 **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>30.06.2013</u>	<u>30.06.2012</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Balance due to GOK as at year end	<b><u>174,063,028</u></b>	<b><u>174,063,028</u></b>

16. **GOVERNMENT AGENCY ACCOUNT (OLD ACCOUNT)**

16.1 **Operating Results**

Prior to liberalization in grain marketing in December 1993 the Board used to receive cereals from overseas under either Food Aid or Loan Programs on behalf of the Government of Kenya. A formal Agency Agreement that is still in force was entered into on 18<sup>th</sup> January 1990 between the GOK and the Board. The agreement 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 2013 remained the same as in previous year.

**NATIONAL CEREALS AND PRODUCE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2013**

**(Continued)**

	<u>30.06.2013</u>	<u>30.06.2012</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Balance due to the Government at year end	143,195,039	143,195,039
<b>17 <u>CREDITORS – DUE TO GOK ON SGR MAIZE SALES.</u></b>		
	<u>30.06.2013</u>	<u>30.06.2012</u>
	<u>Kshs</u>	<u>Kshs</u>
Balance B/F	232,383,800	0
Sales for the year	452,221,465	232,383,000
Balance	684,605,265	232,383,800
Remittance during the year	528,481,640	0
Balance due to GOK	<u>156,123,625</u>	<u>232,383,800</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 2012, 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.

**19 CONTINGENCIES**

**19.1 Contingent Liabilities**

The Board had contingent liabilities amounting to Kshs.345.18 Million as at 30th June 2013 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 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.

**20. BANK GUARANTEES**

As at 30th June 2013 the Board had no Bank guarantees at Kenya Commercial Bank.

**21 STAFF ESTABLISHMENT**

The staff establishment as at 30th June 2013 was 1,020 employees.

**22 CURRENCY**

The financial statements are presented in Kenya Shillings (Kshs.)

**23 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.



28  
 MA OVAL CEREALS AND PRODUCE BOARD  
 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	2012		2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001		2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		1990		1989		1988		1987		1986		1985		1984		1983		1982		1981		1980		1979		1978		1977		1976		1975		1974		1973		1972		1971		1970		1969		1968		1967		1966		1965		1964		1963		1962		1961		1960		1959		1958		1957		1956		1955		1954		1953		1952		1951		1950		1949		1948		1947		1946		1945		1944		1943		1942		1941		1940		1939		1938		1937		1936		1935		1934		1933		1932		1931		1930		1929		1928		1927		1926		1925		1924		1923		1922		1921		1920		1919		1918		1917		1916		1915		1914		1913		1912		1911		1910		1909		1908		1907		1906		1905		1904		1903		1902		1901		1900		1899		1898		1897		1896		1895		1894		1893		1892		1891		1890		1889		1888		1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875		1874		1873		1872		1871		1870		1869		1868		1867		1866		1865		1864		1863		1862		1861		1860		1859		1858		1857		1856		1855		1854		1853		1852		1851		1850		1849		1848		1847		1846		1845		1844		1843		1842		1841		1840		1839		1838		1837		1836		1835		1834		1833		1832		1831		1830		1829		1828		1827		1826		1825		1824		1823		1822		1821		1820		1819		1818		1817		1816		1815		1814		1813		1812		1811		1810		1809		1808		1807		1806		1805		1804		1803		1802		1801		1800		1799		1798		1797		1796		1795		1794		1793		1792		1791		1790		1789		1788		1787		1786		1785		1784		1783		1782		1781		1780		1779		1778		1777		1776		1775		1774		1773		1772		1771		1770		1769		1768		1767		1766		1765		1764		1763		1762		1761		1760		1759		1758		1757		1756		1755		1754		1753		1752		1751		1750		1749		1748		1747		1746		1745		1744		1743		1742		1741		1740		1739		1738		1737		1736		1735		1734		1733		1732		1731		1730		1729		1728		1727		1726		1725		1724		1723		1722		1721		1720		1719		1718		1717		1716		1715		1714		1713		1712		1711		1710		1709		1708		1707		1706		1705		1704		1703		1702		1701		1700		1699		1698		1697		1696		1695		1694		1693		1692		1691		1690		1689		1688		1687		1686		1685		1684		1683		1682		1681		1680		1679		1678		1677		1676		1675		1674		1673		1672		1671		1670		1669		1668		1667		1666		1665		1664		1663		1662		1661		1660		1659		1658		1657		1656		1655		1654		1653		1652		1651		1650		1649		1648		1647		1646		1645		1644		1643		1642		1641		1640		1639		1638		1637		1636		1635		1634		1633		1632		1631		1630		1629		1628		1627		1626		1625		1624		1623		1622		1621		1620		1619		1618		1617		1616		1615		1614		1613		1612		1611		1610		1609		1608		1607		1606		1605		1604		1603		1602		1601		1600		1599		1598		1597		1596		1595		1594		1593		1592		1591		1590		1589		1588		1587		1586		1585		1584		1583		1582		1581		1580		1579		1578		1577		1576		1575		1574		1573		1572		1571		1570		1569		1568		1567		1566		1565		1564		1563		1562		1561		1560		1559		1558		1557		1556		1555		1554		1553		1552		1551		1550		1549		1548		1547		1546		1545		1544		1543		1542		1541		1540		1539		1538		1537		1536		1535		1534		1533		1532		1531		1530		1529		1528		1527		1526		1525		1524		1523		1522		1521		1520		1519		1518		1517		1516		1515		1514		1513		1512		1511		1510		1509		1508		1507		1506		1505		1504		1503		1502		1501		1500		1499		1498		1497		1496		1495		1494		1493		1492		1491		1490		1489		1488		1487		1486		1485		1484		1483		1482		1481		1480		1479		1478		1477		1476		1475		1474		1473		1472		1471		1470		1469		1468		1467		1466		1465		1464		1463		1462		1461		1460		1459		1458		1457		1456		1455		1454		1453		1452		1451		1450		1449		1448		1447		1446		1445		1444		1443		1442		1441		1440		1439		1438		1437		1436		1435		1434		1433		1432		1431		1430		1429		1428		1427		1426		1425		1424		1423		1422		1421		1420		1419		1418		1417		1416		1415		1414		1413		1412		1411		1410		1409		1408		1407		1406		1405		1404		1403		1402		1401		1400		1399		1398		1397		1396		1395		1394		1393		1392		1391		1390		1389		1388		1387		1386		1385		1384		1383		1382		1381		1380		1379		1378		1377		1376		1375		1374		1373		1372		1371		1370		1369		1368		1367		1366		1365		1364		1363		1362		1361		1360		1359		1358		1357		1356		1355		1354		1353		1352		1351		1350		1349		1348		1347		1346		1345		1344		1343		1342		1341		1340		1339		1338		1337		1336		1335		1334		1333		1332		1331		1330		1329		1328		1327		1326		1325		1324		1323		1322		1321		1320		1319		1318		1317		1316		1315		1314		1313		1312		1311		1310		1309		1308		1307		1306		1305		1304		1303		1302		1301		1300		1299		1298		1297		1296		1295		1294		1293		1292		1291		1290		1289		1288		1287		1286		1285		1284		1283		1282		1281		1280		1279		1278		1277		1276		1275		1274		1273		1272		1271		1270		1269		1268		1267		1266		1265		1264		1263		1262		1261		1260		1259		1258		1257		1256		1255		1254		1253		1252		1251		1250		1249		1248		1247		1246		1245		1244		1243		1242		1241		1240		1239		1238		1237		1236		1235		1234		1233		1232		1231		1230		1229		1228		1227		1226		1225		1224		1223		1222		1221		1220		1219		1218		1217		1216		1215		1214		1213		1212		1211		1210		1209		1208		1207		1206		1205		1204		1203		1202		1201		1200		1199		1198		1197		1196		1195		1194		1193		1192		1191		1190		1189		1188		1187		1186		1185		1184		1183		1182		1181		1180		1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NATIONAL CEREALS AND PRODUCE BOARD  
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2012

27.12.2012 CONTRIBUTE TO VARIOUS LOCAL CHARITIES

PER PRODUCT	THE YEAR ENDED 30TH JUNE 2011										THE YEAR ENDED 30TH JUNE 2012									
	MAIZE KSHS	WHEAT KSHS	RICE KSHS	GUNNIES KSHS	INSECTICIDES KSHS	BEANS KSHS	CASTOR SEEDS KSHS	WYBI KSHS	SORGHUM KSHS	GRAMS KSHS	PADDY KSHS	FERTILIZER KSHS	30TH JUNE 2011 KSHS	30TH JUNE 2012 KSHS	30TH JUNE 2011 KSHS	30TH JUNE 2012 KSHS				
NET SALES	17,967,354	-	98,328,213	159,818,698	20,691	13,220,600	0	1,950	368,500	-	4,873,028,239	3,508,381,764	5,262,748,246	3,508,381,764	5,262,748,246					
COST OF SALES	17,967,354	-	98,328,213	159,818,698	20,691	13,220,600	0	1,950	368,500	-	4,873,028,239	3,508,381,764	5,262,748,246	3,508,381,764	5,262,748,246					
Opening stock	424,597,540	579,600	2,780,308	213,784,095	69,698	4,696,290	640	324,080	132	74,408,011	1,131,460,798	1,962,721,911	337,756,390	1,962,721,911	337,756,390					
Purchases	85,984,222	-	32,105,000	48,707,690	-	19,525,700	-	-	121,879,000	42,082,426	2,776,759,265	3,127,043,302	4,039,364,376	3,127,043,302	4,039,364,376					
Transfer (to)/from GOK Ref. Account:	-	-	-	-	-	-	-	-	-	(144,138,540)	-	(144,138,540)	364,888,520	(144,138,540)	364,888,520					
Milling costs	-	-	4,646,813	-	-	-	-	-	-	-	-	4,646,813	36,795,900	4,646,813	36,795,900					
Transfer from mill	-	-	(44,138,540)	-	-	-	-	-	-	-	-	2,059,181	-	2,059,181	-					
Provision for Stock shrinkage	-	(579,600)	(20,758,458)	(1,098,852,568)	(49,638)	429,565	(640)	(322,880)	(121,611,068)	(73,277,710)	(1,091,000,040)	(1,962,721,911)	(1,962,721,911)	(1,962,721,911)	(1,962,721,911)					
Closing stock	(496,819,078)	-	(20,758,458)	(1,098,852,568)	(49,638)	429,565	(640)	(322,880)	(121,611,068)	(73,277,710)	(1,091,000,040)	(1,962,721,911)	(1,962,721,911)	(1,962,721,911)	(1,962,721,911)					
<b>GROSS PROFIT/(LOSS)</b>	13,762,684	-	(72,911,224)	(52,639,218)	20,052	(1,075,153)	1,200	1,200	268,064	(10)	3,799,140,024	2,818,123,176	4,498,817,606	2,818,123,176	4,498,817,606					
<b>Gross Profit/(Loss) as a percentage to sales</b>	79.0%	-	(74.2%)	(33.0%)	0.1%	(8.0%)	0.1%	0.1%	73.0%	(0.0%)	78.0%	79.8%	86.8%	79.8%	86.8%					
<b>OTHER INCOME</b>	4,198,670	-	25,417,009	7,179,480	631	2,145,447	-	750	100,436	0	1,073,888,215	1,457,425,492	2,185,536,861	1,457,425,492	2,185,536,861					
Revenue from Services & other miscellaneous income	-	-	-	-	-	-	-	-	-	-	-	767,166,902	1,072,606,221	767,166,902	1,072,606,221					
<b>LESS: EXPENDITURE</b>	-	-	926,219	1,430,512	-	334,556	-	-	606,902,553	-	606,902,553	198,033,613	929,378,997	198,033,613	929,378,997					
Railage and Road transport costs	-	-	926,219	1,430,512	-	334,556	-	-	606,902,553	-	606,902,553	198,033,613	929,378,997	198,033,613	929,378,997					
Staff costs and wages	-	-	-	-	-	-	-	-	-	-	-	921,926,446	222,116,447	921,926,446	222,116,447					
Administration expenses	-	-	-	-	-	-	-	-	-	-	-	53,227,606	145,981,181	53,227,606	145,981,181					
Other operating expenses	-	-	926,219	1,430,512	-	334,556	-	-	606,902,553	-	606,902,553	1,516,117,500	1,516,117,500	1,516,117,500	1,516,117,500					
<b>PROFIT/(LOSS) BEFORE DEPRECIATION AND BAD DEBITS</b>	13,762,684	-	25,417,009	7,179,480	631	2,145,447	-	750	100,436	0	1,073,888,215	1,457,425,492	2,185,536,861	1,457,425,492	2,185,536,861					
<b>Deduct:</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Depreciation Charges	-	-	-	-	-	-	-	-	-	-	-	424,032,604	424,032,604	424,032,604	424,032,604					
Amortisation charges	-	-	-	-	-	-	-	-	-	-	-	38,000,000	38,000,000	38,000,000	38,000,000					
Bad and doubtful debts	-	-	-	-	-	-	-	-	-	-	-	466,389,902	466,389,902	466,389,902	466,389,902					
<b>NET LOSS FROM OPERATIONS</b>	13,762,684	-	25,417,009	7,179,480	631	2,145,447	-	750	100,436	0	1,073,888,215	1,457,425,492	2,185,536,861	1,457,425,492	2,185,536,861					
Finance charges net of interest earned	-	-	-	-	-	-	-	-	-	-	-	1,145,750	1,145,750	1,145,750	1,145,750					
<b>NET LOSS BEFORE TAX</b>	13,762,684	-	25,417,009	7,179,480	631	2,145,447	-	750	100,436	0	1,073,888,215	1,457,425,492	2,185,536,861	1,457,425,492	2,185,536,861					
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	36,439,455	36,439,455	36,439,455	36,439,455					
<b>NET LOSS AFTER TAX</b>	13,762,684	-	25,417,009	7,179,480	631	2,145,447	-	750	100,436	0	1,073,888,215	1,493,864,947	1,493,864,947	1,493,864,947	1,493,864,947					

Revenue from Services & other miscellaneous income

Staff costs and wages

Administration expenses

Other operating expenses

Depreciation Charges

Amortisation charges

Bad and doubtful debts

Finance charges net of interest earned

Income tax expense

NET LOSS FROM OPERATIONS

NET LOSS BEFORE TAX

NET LOSS AFTER TAX

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

**27.3 STOCK FLOWS PER PRODUCT-2012/2013.**

	MAIZE 90kgs Bags	WHEAT 90kgs Bags	RICE 100kgs Bags	GUNNIES Pieces	INSECTICIDES 25 kg Packets	BEANS 90kgs Bags	SEEDS 65kgs Bags	WIMBI 80kgs Bags	GREEN GRAMS 80kgs Bags	PADDY RICE 80kgs Bags	DAP FERTILIZER 50kgs Bags	CAN FERTILIZER 50kgs Bags
OPENING STOCKS	198,952	207	2,724	1,607,164	9	2,762	4	107	17,559	16,872	1,303	58,549
PURCHASES	26,397	-	-	-	-	5,149	-	-	-	16,389	-	-
<b>STOCK AVAILABLE FOR SALE</b>	<b>225,349</b>	<b>207</b>	<b>2,724</b>	<b>1,607,164</b>	<b>9</b>	<b>7,911</b>	<b>4</b>	<b>107</b>	<b>17,559</b>	<b>33,261</b>	<b>1,303</b>	<b>58,549</b>
SALES	64,849	-	12,697	591,681	1	798	-	3	1,045	-	1,303	58,549
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)	-	-
<b>DISPOSALS DURING PERIOD</b>	<b>65,071</b>	<b>(40)</b>	<b>771</b>	<b>590,904</b>	<b>1</b>	<b>738</b>	<b>-</b>	<b>47</b>	<b>30</b>	<b>22,453</b>	<b>1,303</b>	<b>58,549</b>
<b>CLOSING STOCKS</b>	<b>160,278</b>	<b>247</b>	<b>1,953</b>	<b>1,016,260</b>	<b>8</b>	<b>7,173</b>	<b>4</b>	<b>59</b>	<b>17,530</b>	<b>10,808</b>	<b>-</b>	<b>-</b>

NATIONAL CEREALS AND PRODUCE BOARD  
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2012  
(Continued)

**27.3 STOCK FLOWS PER PRODUCT-2011/2012**

	MAIZE 90kgs Bags	WHEAT 90kgs Bags	RICE 100kgs Bags	GUNNIES SECTICIDES 25 kg Packets	BEANS 90kgs Bags	SEEDS 65kgs Bags	WIMBI 80kgs Bags	GREEN GRAMS 80kgs Bags	PADDY RICE 80kgs Bags	DAP FERTILIZER 50kgs Bags	NPK FERTILIZER 50kgs Bags	CAN FERTILIZER 50kgs Bags
OPENING STOCKS	178,035	207	1,249	2,037,534	11	1,043	4	-	38,472	22,807	-	580,555
PURCHASES	29,041	-	4,140	1,456,300	-	3,668	-	17,597	9,500	696,947	-	400,000
<b>STOCK AVAILABLE FOR SALE</b>	<b>207,076</b>	<b>207</b>	<b>5,389</b>	<b>3,493,834</b>	<b>11</b>	<b>4,711</b>	<b>4</b>	<b>17,597</b>	<b>47,971</b>	<b>719,754</b>	<b>-</b>	<b>980,555</b>
SALES	8,123	-	20,111	1,886,670	3	1,967	-	37	-	718,451	2	922,007
TRANSFER TO/(FM) GOK STOCKS	-	-	-	-	-	-	-	-	-	-	-	-
TRANSFER (FM) 3RD PARTY STOCKS	-	-	-	-	-	-	-	-	-	-	-	-
TRANSFER TO/(FM) MILLING	-	-	(17,731)	-	-	-	-	-	31,107	-	-	-
STORAGE LOSS/(GAIN)	-	-	-	-	-	-	-	-	-	-	-	-
ADJUSTMENT	1	-	284	-	(17)	-	-	(0)	(8)	-	(2)	(1)
DISPOSALS DURING PERIOD	8,124	-	2,665	1,886,670	2	1,950	-	37	31,099	718,451	-	922,006
<b>CLOSING STOCKS</b>	<b>198,952</b>	<b>207</b>	<b>2,724</b>	<b>1,607,164</b>	<b>9</b>	<b>2,762</b>	<b>4</b>	<b>17,559</b>	<b>16,872</b>	<b>1,303</b>	<b>-</b>	<b>58,549</b>

## NATIONAL CEREALS AND PRODUCE BOARD

## NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2013

(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 2013</u>	<u>30TH JUNE 2012</u>
	<u>Kshs.</u>	<u>Kshs.</u>
(a) <b><u>Revenue from Services/facilities</u></b>		
Weigh Bridge charges	17,489,777	17,945,397
Bagging and handling charges	12,414,801	7,877,974
Cleaning charges	1,483,741	1,619,097
Rental charges	269,056,668	207,319,201
Warehousing Receipts	-	27,843,188
Drying and Fumigation	14,824,705	16,413,081
	<u>315,269,692</u>	<u>279,017,938</u>
(b) <b><u>Agency Services</u></b>		
GOK Agency remuneration	392,206,005	390,412,423
Agency commission from inputs	159,253,593	236,934,771
Sub - total (a+b)	<u>866,729,290</u>	<u>906,365,132</u>
(c) <b><u>Sundry Income</u></b>		
Insurance Compensation	329,191	3,084,752
Sale of Tender documents	2,971,651	1,299,064
Sale of Obsolete Material	33,579	541,863
Other Miscellaneous Income	2,747,845	10,768,389
Other fees and charges	2,765,429	2,210,400
Gain/(Loss) on disposal of fixed assets	-	4,118,501
	<u>8,847,694</u>	<u>22,022,970</u>
(d) <b><u>Investment income</u></b>		
Interest earned on Short term		
Investments (FDR'S)	43,543,843	144,218,119
	<u>43,543,843</u>	<u>144,218,119</u>
<b>Total other Income per</b>		
<b>Profit &amp; Loss A/C</b>	<u>919,120,827</u>	<u>1,072,606,221</u>

**NATIONAL CEREALS AND PRODUCE BOARD  
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2013**

(Continued)

**OPERATING AND ADMINISTRATION EXPENSES  
FOR THE YEAR ENDED 30TH JUNE 2013**

**29. EXPENDITURE DETAILS**

	<u>30TH JUNE 2013</u>	<u>30TH JUNE 2012</u>
	<u>Kshs</u>	<u>Kshs</u>
<b><u>DIRECT COSTS</u></b>		
Hired road & rail transport	21,110,241	609,593,840
	<u>21,110,241</u>	<u>609,593,840</u>
<b><u>STAFF COSTS</u></b>		
Salaries and wages	739,830,458	742,421,596
Board's contributions to Provident Fund and Staff savings schemes	125,616,712	121,571,364
Board's contribution to National Social Security Fund	2,381,400	2,356,200
Medical expenses	31,104,636	29,664,258
Leave pay and gratuities	15,543,886	13,657,090
Welfare and training	14,236,275	12,255,937
	<u>928,713,367</u>	<u>921,926,446</u>
<b><u>GENERAL ADMINISTRATION</u></b>		
Board Members Allowances	12,427,376	7,043,450
Advertising	2,792,720	1,855,316
Conservancy, light and water	37,935,950	43,464,998
Consumable stores	691,043	1,056,188
Insurance	15,593,369	16,646,437
Land rents & rates and siding charges	24,118,614	19,606,791
Maintenance of machinery, furniture and equipment	31,641,004	26,158,491
Maintenance of buildings, fences, gates, roads and railway sidings	13,409,693	19,081,752
Postage, telegram & telephone	14,470,173	15,116,421
Printing and stationery	13,685,647	10,727,257
Security expenses	70,661,789	59,885,760
Subscriptions & Nafaka Newsletter	565,685	554,430
Uniforms and protective clothing	610,120	737,746
Donations	-	181,410
	<u>238,603,183</u>	<u>222,116,447</u>

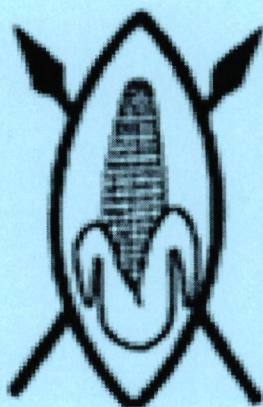
## NATIONAL CEREALS AND PRODUCE BOARD

## NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2013

OPERATING AND ADMINISTRATION EXPENSES  
FOR THE YEAR ENDED 30TH JUNE 2013

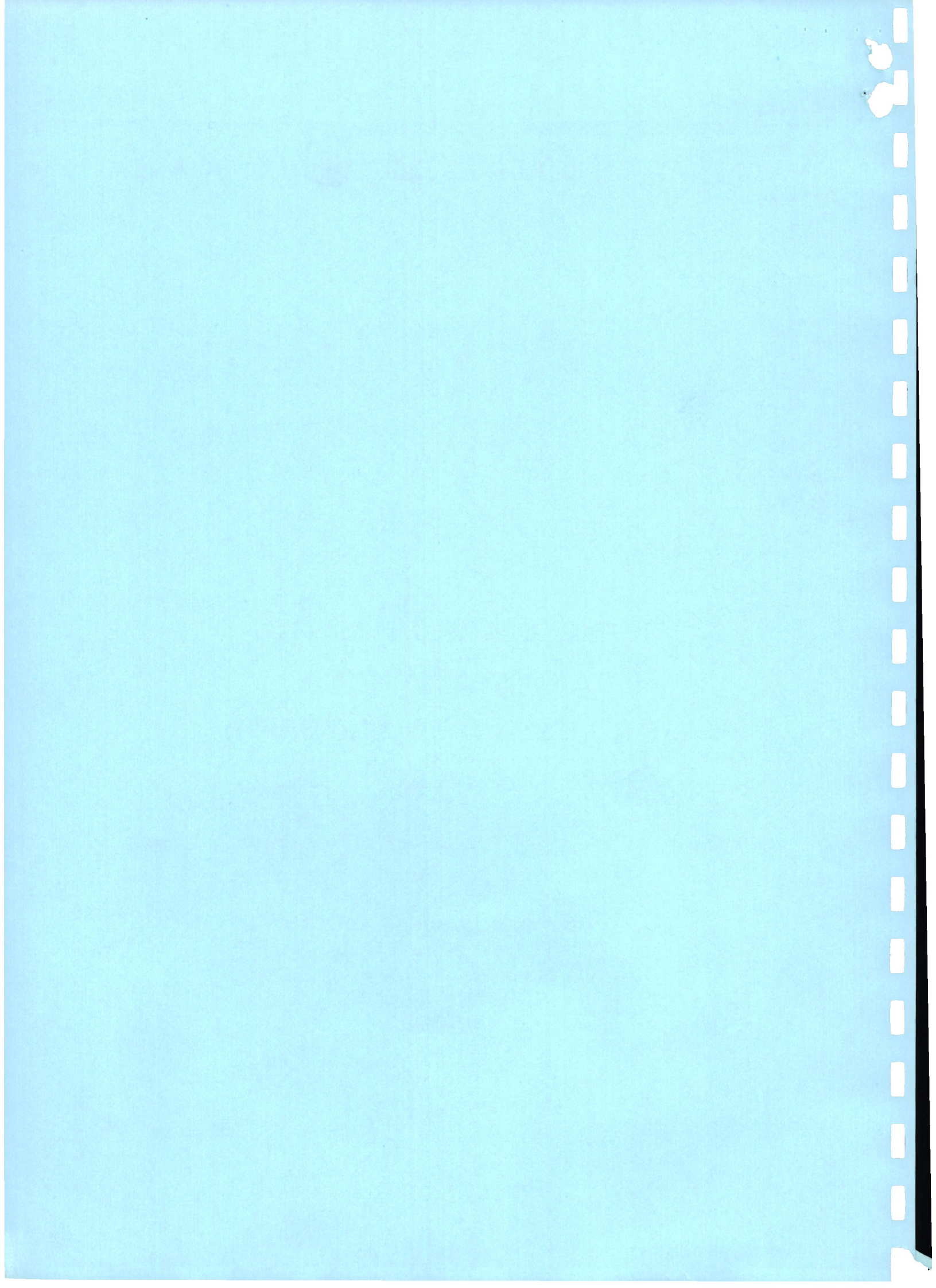
	30TH JUNE 2013	30TH JUNE 2012
	<u>Kshs</u>	<u>Kshs</u>
<b><u>GENERAL OPERATING EXPENSES</u></b>		
Fumigation expenses	5,676,358	16,755,939
Grain dryers operating costs	18,652,714	20,830,818
Commodity handling costs	664,281	965,493
Hired transport( Non-commodities)	90,162	-
Shows and exhibitions	4,016,472	6,826,781
Travelling and subsistence	32,442,362	36,020,980
Vehicle running costs	15,985,542	19,984,873
<b><u>PROFESSIONAL EXPENSES</u></b>		
Audit fees	2,900,000	2,500,000
Legal and other professional fees	31,406,148	49,342,723
	<u>111,834,038</u>	<u>153,227,606</u>
<b><u>PROVISIONS</u></b>		
Depreciation charge	424,460,075	424,032,604
Amortisation expense	5,036,295	4,357,298
Provision for bad and doubtful debts	48,000,000	38,000,000
	<u>477,496,370</u>	<u>466,389,902</u>
<b>TOTAL EXPENDITURE BEFORE FINANCE COSTS</b>	<u>1,777,757,199</u>	<u>2,373,254,240</u>
Bank charges	8,399,619	16,952,260
Bank overdraft and loan interest	158,242,272	231,487,195
	<u>166,641,891</u>	<u>248,439,455</u>
<b>TOTAL EXPENDITURE (DIRECT AND INDIRECT)</b>	<u>1,944,399,090</u>	<u>2,621,693,696</u>

**NATIONAL CEREALS AND PRODUCE BOARD**



**FINANCIAL HIGHLIGHTS  
AND STATISTICS  
FOR THE FINANCIAL YEARS  
2008/2009 TO 2012/2013**

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



**NATIONAL CEREALS AND PRODUCE BOARD****RATIO ANALYSIS 2008/2009 - 2012/2013 FY**

	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>
1. LIQUIDITY RATIOS -----					
a) Current Ratio	134.50%	120.07%	123.61%	120.09%	105.31%
b) Acid Test	106.27%	115.74%	67.67%	96.01%	91.14%
2. CAPITAL STRUCTURE RATIOS -----					
a) Ratio of Debt: Total Assets	21.87%	37.36%	25.83%	28.48%	33.70%
b) Gearing Ratio	0.00%	0.00%	0.00%	0.00%	0.00%
3. ACTIVITY RATIOS -----					
a) Turnover ratio of Sales: Capital employed	36.37%	9.53%	36.04%	56.81%	6.97%
b) Stock Turnover (Days)	51	75	141	122	552
4. PROFITABILITY RATIOS -----					
a) Return on capital Employed (ROCE)	0.56%	-4.13%	-6.31%	-4.71%	-11.25%
b) Profitability of Sales					
i) Gross Margin : Sales	15.34%	16.28%	19.67%	21.15%	15.27%
ii) Net Profit : Sales	1.55%	-43.29%	-17.52%	-8.29%	-161.36%

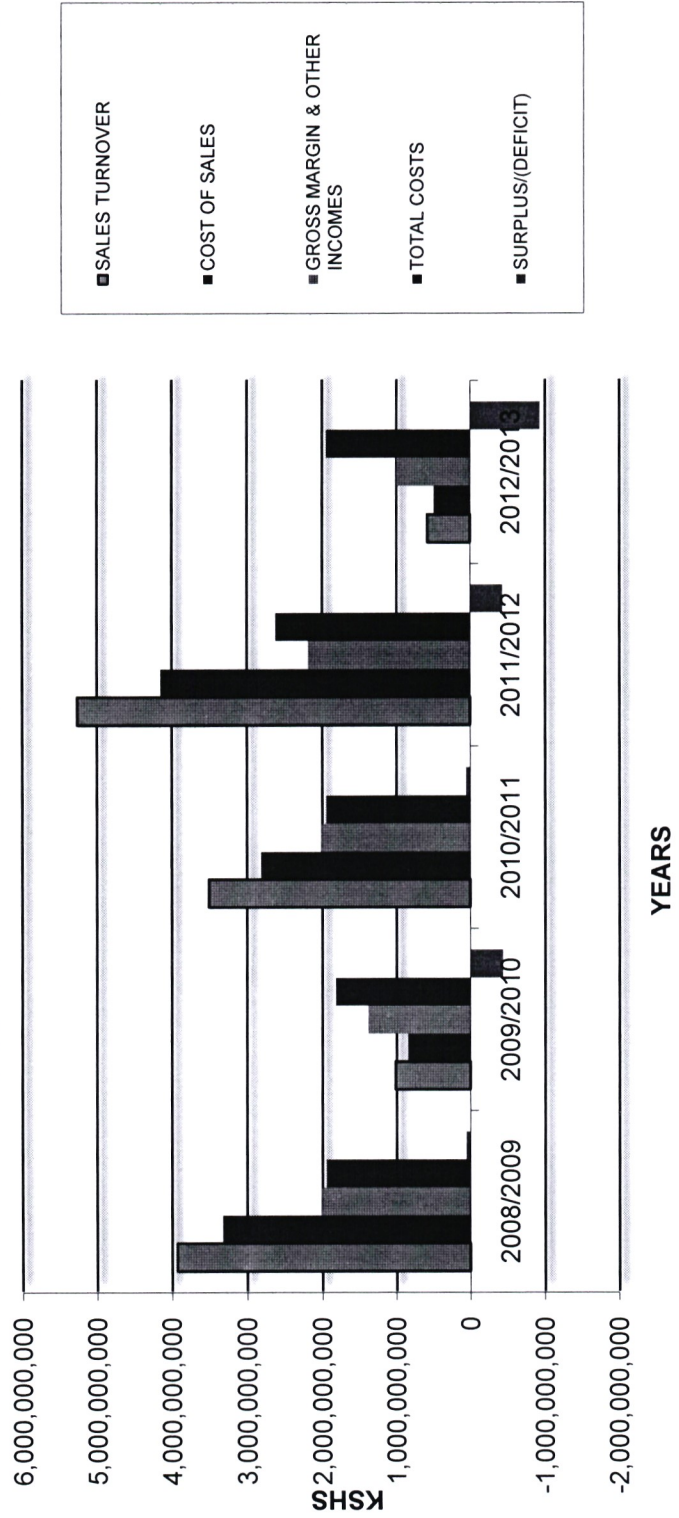
## NATIONAL CEREALS AND PRODUCE BOARD

### SUMMARY OF OPERATING RESULTS

2008/2009 TO 2012/2013 FY

	<u>2008/2009</u> <u>KSHS</u>	<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>
SALES TURNOVER	3,930,112,777	1,012,634,172	3,508,381,764	5,262,748,246	580,496,896
COST OF SALES	<u>3,327,061,914</u>	<u>847,789,891</u>	<u>2,818,123,174</u>	<u>4,149,817,605</u>	<u>491,883,099</u>
<b>GROSS MARGIN</b>	<b>603,050,863</b>	<b>164,844,281</b>	<b>690,258,590</b>	<b>1,112,930,641</b>	<b>88,613,797</b>
GROSS MARGIN AS A PERCENTAGE OF SALES	15.34%	16.28%	19.67%	21.15%	15.27%
OTHER INCOME	<u>1,405,856,499</u>	<u>1,218,886,395</u>	<u>767,166,902</u>	<u>1,072,606,221</u>	<u>919,120,827</u>
<b>GROSS MARGIN &amp; OTHER II</b>	<b>2,008,907,362</b>	<b>1,383,730,677</b>	<b>1,457,425,492</b>	<b>2,185,536,862</b>	<b>1,007,734,624</b>
TOTAL COSTS BEFORE BAD DEBTS, DEPRECIATION AND EXTRA ORDINARY ITEMS	<u>1,512,218,099</u>	<u>1,361,576,538</u>	<u>1,647,788,573</u>	<u>2,155,303,794</u>	<u>1,466,902,720</u>
<b>SURPLUS/(DEFICIT) BEFORE BAD DEBTS, DEPRECIATION AND EXTRA ORDINARY ITEI</b>	<b>496,689,263</b>	<b>22,154,140</b>	<b>(190,363,081)</b>	<b>30,233,067</b>	<b>(459,168,097)</b>
Depreciation Expense	425,792,897	422,549,317	421,434,665	428,389,902	429,496,370
Provision for bad and doubtful d	<u>10,000,000</u>	<u>38,000,000</u>	<u>38,000,000</u>	<u>38,000,000</u>	<u>48,000,000</u>
<b>SURPLUS/(DEFICIT)</b>	<b><u>60,896,365</u></b>	<b><u>(438,395,178)</u></b>	<b><u>(649,797,746)</u></b>	<b><u>(436,156,835)</u></b>	<b><u>(936,664,467)</u></b>

**NATIONAL CEREALS AND PRODUCE BOARD  
SUMMARY OF OPERATING RESULTS 2008/2009 TO 2012/2013 FY**

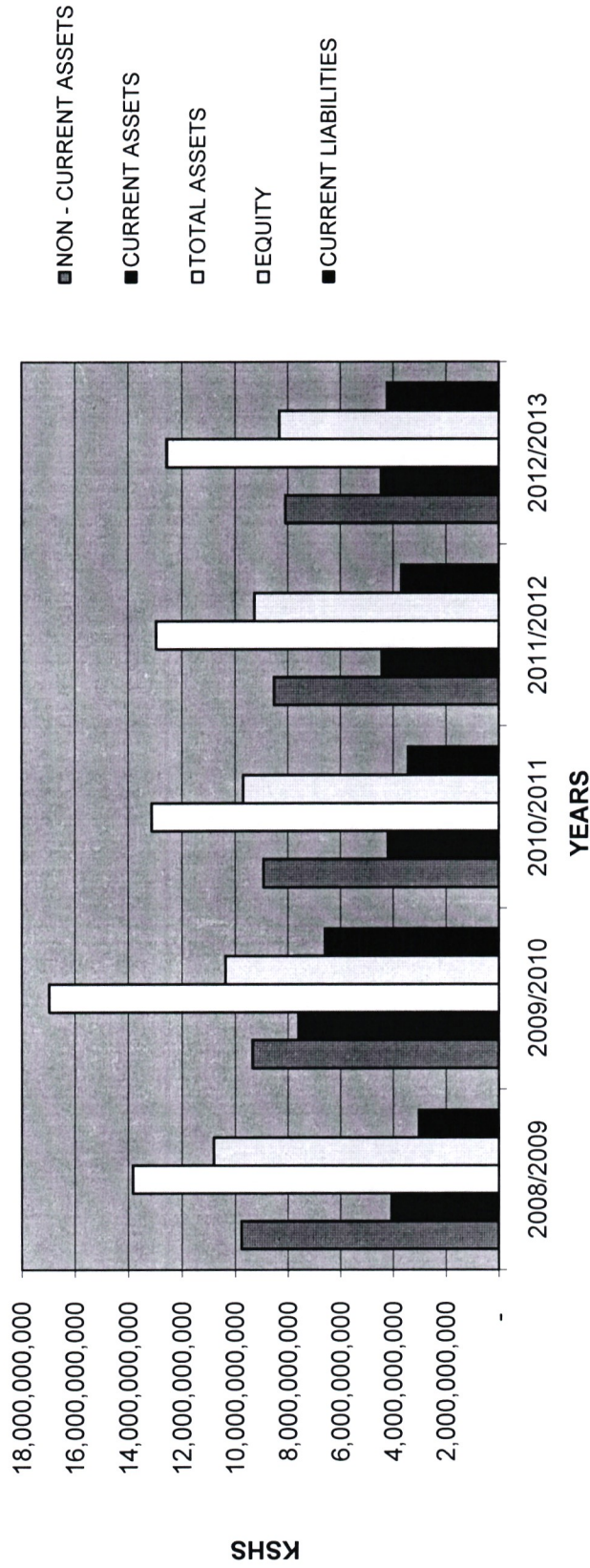


## NATIONAL CEREALS AND PRODUCE BOARD

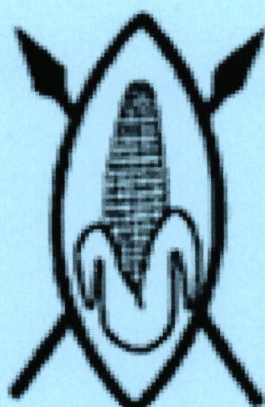
### COMPARATIVE BALANCE SHEETS 2008/2009 TO 2012/2013 FY

	2008/2009 KSHS -----	2009/2010 KSHS -----	2010/2011 KSHS -----	2011/2012 KSHS -----	2012/2013 KSHS -----
<b>ASSETS</b>					
<b>NON - CURRENT ASSETS</b>					
FIXED ASSETS	9,761,249,761	9,350,032,792	8,933,863,961	8,522,290,032	8,101,858,824
	<u>9,761,249,761</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>
<b>CURRENT ASSETS</b>	<u>4,066,752,536</u>	<u>7,606,794,069</u>	<u>4,191,087,194</u>	<u>4,430,037,866</u>	4,456,489,514
	<b><u>13,828,002,297</u></b>	<b><u>16,956,826,861</u></b>	<b><u>13,124,951,155</u></b>	<b><u>12,952,327,898</u></b>	<b><u>12,558,348,338</u></b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
CAPITAL FUND	6,304,142,172	6,304,142,172	6,304,142,172	6,304,142,172	6,304,142,172
REVALUATION RESERVE	9,589,422,793	9,589,422,793	9,589,422,793	9,589,422,793	9,589,422,793
ACCUMULATED SURPLUS	<u>(5,089,082,060)</u>	<u>(5,528,239,078)</u>	<u>(6,159,069,899)</u>	<u>(6,630,317,940)</u>	-7566982407
CAPITAL FUND	<u>10,804,482,905</u>	<u>10,365,325,887</u>	<u>9,734,495,066</u>	<u>9,263,247,025</u>	<u>8,326,582,558</u>
CURRENT LIABILITIES	<u>3,023,519,392</u>	<u>6,591,500,973</u>	<u>3,390,456,089</u>	<u>3,689,080,873</u>	<u>4,231,765,780</u>
<b>EQUITY AND LIABILITIES</b>	<b><u>13,828,002,297</u></b>	<b><u>16,956,826,861</u></b>	<b><u>13,124,951,155</u></b>	<b><u>12,952,327,898</u></b>	<b><u>12,558,348,338</u></b>

**NATIONAL CEREALS AND PRODUCE BOARD  
BALANCE SHEET 2008/2009 TO 2012/2013 FY**

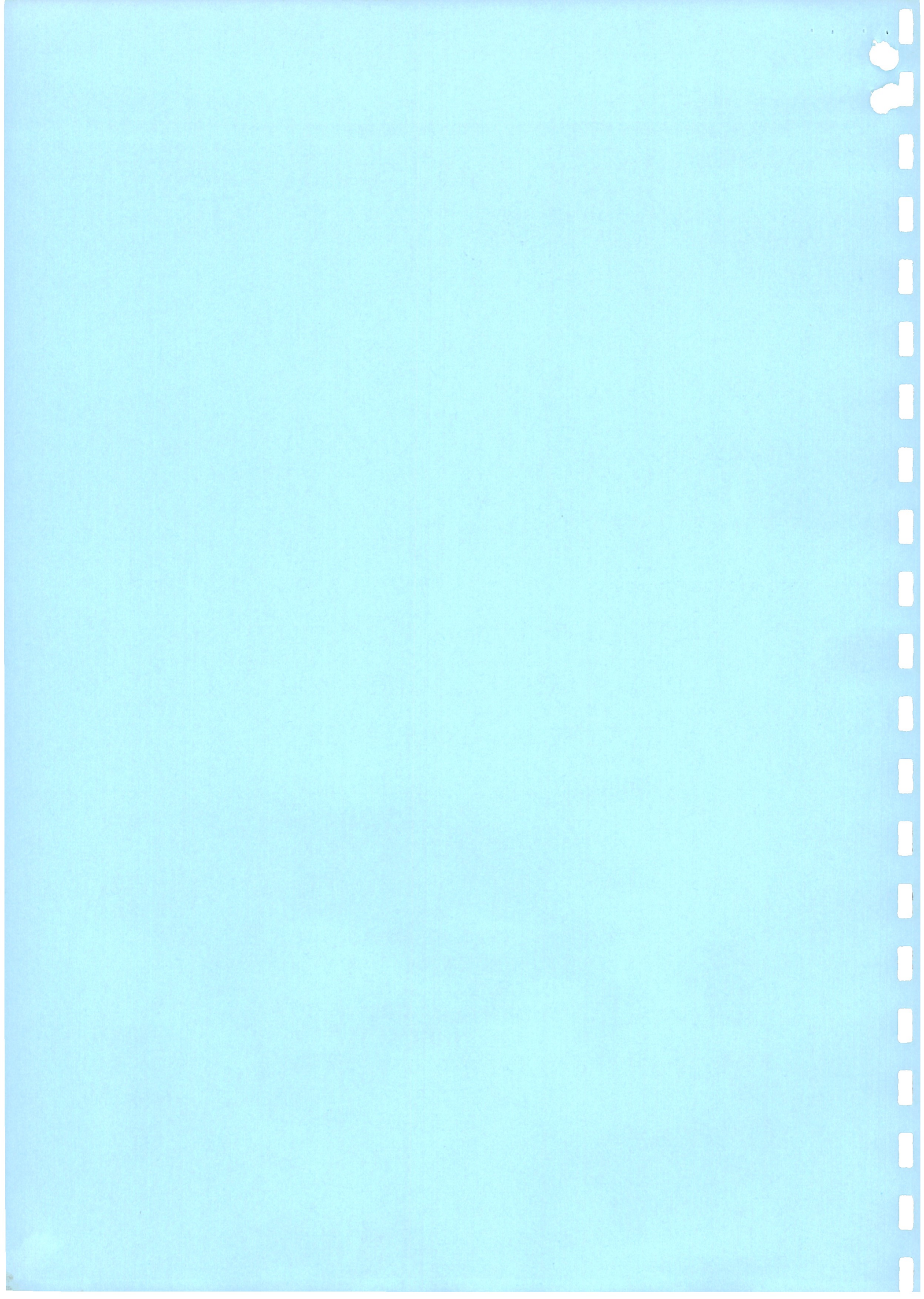


**NATIONAL CEREALS AND PRODUCE BOARD**



**GOK AGENCY OPERATIONS  
ANNUAL ACCOUNTS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30TH JUNE, 2013**

**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 2013**

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**NATIONAL CEREALS AND PRODUCE BOARD**  
**GOK AGENCY OPERATIONS - GOK FAMINE RELIEF PROGRAMME**  
**STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013**

		30.06.2013	30.06.2012
		<u>Kshs</u>	<u>Kshs</u>
Famine Relief Stocks	3	-	12,718,444
SGR Stocks	3	6,206,882,205	5,465,807,920
Shortfall in GOK funding to NCPB	4	<u>1,809,418,177</u>	<u>1,090,370,189</u>
		<u><b>8,016,300,382</b></u>	<u><b>6,568,896,553</b></u>
GOK Agency Account	4	1,809,418,177	1,090,370,189
Net Surplus		-	-
Owing to SGR by F/Relief		144,380,054	-
Stock Reserve Account		<u>6,062,502,151</u>	<u>5,478,526,364</u>
		<u><b>8,016,300,382</b></u>	<u><b>6,568,896,553</b></u>



**NATIONAL CEREALS AND PRODUCE BOARD**  
**GOK AGENCY OPERATIONS**  
**NOTES TO THE ACCOUNTS - 30TH JUNE, 2013**

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 11<sup>th</sup> May 1998 that requires both the Agent and the Principal to enter into separate Operational Contracts for each specific function and to negotiate and agree on rates for services and facilities to be provided by the Agent. The Agency functions identified for the purpose of the Agency Agreement are as follows:-

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

**NATIONAL CEREALS AND PRODUCE BOARD**  
**GOK AGENCY OPERATIONS**  
**NOTES TO THE ACCOUNTS – 30TH JUNE 2013**

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 2012/2013 FY for various services and facilities which were mutually agreed upon on 12<sup>th</sup> 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 30.06.2013</u>		<u>As at 30.06.2012</u>	
	<u>Bags</u>	<u>Value KShs</u>	<u>Bags</u>	<u>Value KShs</u>
GOK Famine Relief – Maize(90 kg)	0	0	4,831	11,681,358
GOK Famine Relief – Beans (90 Kg)	1,547	7,502,500	0	0
GOK Famine Relief - S/hand Gunnies	98,511	1,743,913	106,780	992,886
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
<b>Sub Total F/Relief Stock</b>		<b>9,290,613</b>		<b>12,718,444</b>
<b>SGR Maize Stocks</b>		<b>6,206,882,205</b>		<b>5,465,807,920</b>

NATIONAL CEREALS AND PRODUCE BOARD  
GOK AGENCY OPERATIONS  
NOTES TO THE ACCOUNTS - 30TH JUNE 2013

**3.2 Stock Movement**

	2012/2013FY						2011/2012FY		
	SGR MAIZE (90kg Bags)	F/RELIEF MAIZE (90kg Bags)	GUINNIES Pieces	Fertilizer (90kg Bags)	PIGEON PEA (90kg Bags)	BEANS (90kg Bags)	SGR MAIZE (90kg Bags)	F/RELIEF MA (90kg Bags)	GARDEN PEA (90kg Bags)
<b>OPENING STOCKS</b>	2,090,445	4,831	-	-	64	-	2,223,269	380,608	64
Transfer from SGR stock to F/Relief Stock	-	-	-	-	-	1,547	-	655,555	-
Purchases/Surrendered/s/o	642,844	-	151,566	460,000	-	-	618,105	-	-
Transfer from SGR Stocks	-	245,000	-	-	-	-	-	-	-
<b>Stocks Available For Distribution/Sale</b>	<b>2,733,289</b>	<b>249,831</b>	<b>151,566</b>	<b>460,000</b>	<b>64</b>	<b>1,547</b>	<b>2,841,374</b>	<b>1,036,163</b>	<b>64</b>
<b>Deduct Disposals:</b>									
Releases/Sales	247,231	316,644	53,055	460,000	-	-	82,897	1,031,332	-
Transfer to F/Relief Stock from SGR Stocks	245,000	-	-	-	-	-	655,555	-	-
Storage Loss/(Gain Adjustment)	244	-	-	-	-	-	12,477	-	-
<b>Sub-Total</b>	<b>492,475</b>	<b>316,644</b>	<b>53,055</b>	<b>460,000</b>	<b>-</b>	<b>-</b>	<b>750,929</b>	<b>1,031,332</b>	<b>-</b>
<b>CLOSING STOCKS</b>	<b>2,240,814</b>	<b>(66,813)</b>	<b>98,511</b>	<b>-</b>	<b>64</b>	<b>1,547</b>	<b>2,090,445</b>	<b>4,831</b>	<b>64</b>

NATIONAL CEREALS AND PRODUCE BOARD  
GOK AGENCY OPERATIONS  
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2013  
(Continued)  
AMOUNTS OWING ON AGENCY SERVICES

Composition

The breakdown of the amounts owing to the Agent as at 30th June 2013 in relation to each Agency operation as well as remittances received from the Government (OP-R&R) during the year are summarized here below -

	Cumulative Amounts Due KShs	Amounts Received KShs	Net amounts Outstanding KShs
a) Strategic Grain Reserve Programme			
Balance B/F on 1/1/2012	342,341,936		342,341,936
2012/2013 expenses			
Direct costs			-
Storage Charges			-
<b>Sub Total</b>	<b>342,341,936</b>		<b>342,341,936</b>
b) Famine Relief Programme			
Balance B/F on 1/1/2012	264,565,060		264,565,060
2012/2013 expenses			
Direct costs	1,338,715		1,338,715
Storage Charges	8,737,667		8,737,667
<b>Sub Total</b>	<b>274,641,442</b>		<b>274,641,441</b>
c) GOK 1/ selected Depots for F/Relief			
Balance B/F on 1/1/2012	191,916,638		191,916,638
2012/2013 expenses			
Direct costs			
Storage Charges			
5 % Management fees			
<b>Sub Total</b>	<b>191,916,638</b>		<b>191,916,638</b>
d) Strategic Grain Reserve Programme			
Balance B/F on 1/1/2012	291,546,536		291,546,536
2012/2013 expenses			
Direct costs	2,434,617,807	1,707,450,116	727,167,695
Storage Charges	383,468,333		383,468,333
<b>Sub Total</b>	<b>3,109,632,676</b>	<b>1,707,450,116</b>	<b>1,402,182,583</b>
e) Total (a+b+c+d)	<b>3,918,532,691</b>	<b>1,707,450,117</b>	<b>2,211,082,597</b>
Loss cost of maize suspected to have aflatoxin			401,664,420
<b>Net Amount outstanding as at 30th June 2013</b>			<b>1,809,418,177</b>

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5 **COMMODITY PURCHASES**

6.1 **Purchases on Agency Basis**

During 2012/2013 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 :-

<b><u>Commodity</u></b>	2012/2013 FY	2011/2012 FY
	Quantity (90Kgs)	Quantity Quantity (90Kgs)
Maize F/R	0	0
Beans	0	0
Green Grams	0	0
Millet/Sorghum	0	0
SGR Maize	642,844	0
SGR Fertiliser	0	0

7 **RELIEF COMMODITIES DISTRIBUTED IN 2012/2013 FY**

7.1 **Commodities Distributed**

During 2012/2013 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.

	2012/2013 FY	2011/2012 FY
	Quantity (90Kgs)	Quantity (90Kgs)
Maize	316,644	1,031,332
Beans	0	0
Green Grams	0	0
Millet/Sorghum	0	0
Garden peas	0	0

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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:-

	<b>2012/2013 FY</b>		<b>2011/2012 FY</b>	
	Quantity (90Kgs)	Cost Kshs.	Quantity (90Kgs)	Cost Kshs
Maize F/R	0	0	0	0
Maize SGR	188,376	49,109,344	804,886	266,112,087
Beans	0	0	0	0
Green Grams	0	0	0	0
Sorghum	0	0	0	0
<b>Total</b>		<b>49,109,344</b>		<b>266,112,087</b>

8 **CONTINGENT LIABILITIES**

A contingent liability amounting to Kshs.178,533,987.00 continued to remain unsettled as at 30th June 2013. 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.

