

**ANNUAL REPORT AND** 

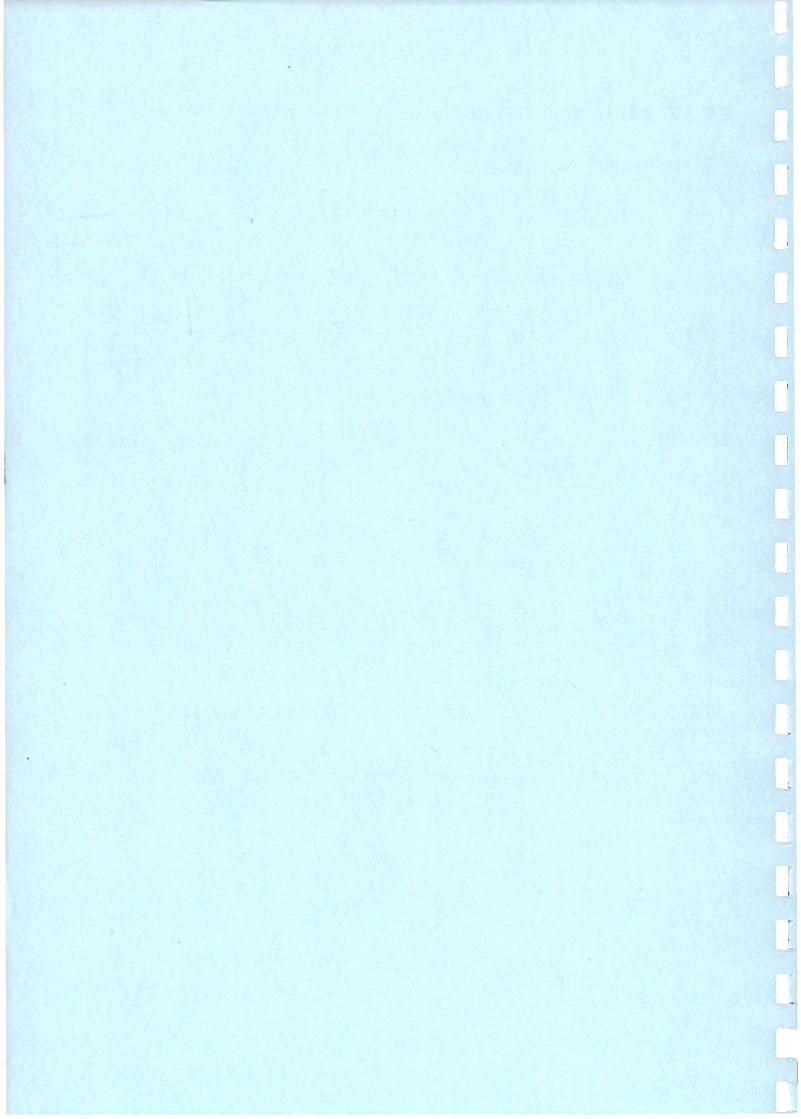
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FINANCIAL STATEMENTS

FOR THE YEAR ENDED

**30<sup>TH</sup> JUNE 2008** 

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





# KENYA NATIONAL AUDIT OFFICE

# REPORT OF THE CONTROLLER AND AUDITOR GENERAL

ON

THE FINANCIAL STATEMENTS OF NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30 JUNE 2008

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# KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30 JUNE 2008

I have audited the financial statements of the National Cereals and Produce Board set out in pages 10 to 32 which comprise the balance sheet as at 30 June 2008, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

### The Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements which give a true and fair view of the Board's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

#### 1. Financial Position

As reported in 2006/2007, the Board continued to face financial difficulties. During the year ended 30 June 2008 the Board realized a loss of Kshs.185,638,313 (2007-Kshs.537,704,212) which brought its cumulative revenue reserve deficit to Kshs.5,110,963,129 (2007-Kshs.4,972,836,938). Similar to the previous year, the management attributes the financial difficulties to excess storage facilities which are not generating any income, exchange losses amounting to Kshs.2.2 billion incurred during 2001/2002 and 2002/2003 and failure by Government to settle its indebtedness arising from provision of various agency services by the Board. Although the Board has explained that it has lodged a claim with the Government for the losses amounting to Kshs.2.2 billion, the status of the claim is uncertain. In the absence of an intervention, if this trend continues unchecked, the Board will clearly be unable to meet its financial obligations as and when they fall due. The financial statements have therefore been prepared on the basis of a going concern which assumes that the Board will continue to receive financial support from the Government, bankers and creditors.

### 2.0 Property, Plant and Equipment

### 2.1 Donor Funded Projects

As previously reported, the property, plant and equipment figure of Kshs 10,137,769,552 as at 30 June 2008 includes fifty five (55) donor funded storage facilities whose ownership has not been clarified by the Government. Although at its sitting on 11 August 1998, the Public Investments Committee directed the Parent Ministry and the Treasury to look into the matter with a view to formally transferring the facilities to the Board, no evidence has however been seen to confirm that the transfer has been effected.

#### 2.2 Plots without Title Documents

Similarly included in the property, plant and equipment balance of Kshs.10,137,769,552 are fifty six (56) plots valued at Kshs.81,880,000 which have not been registered in the name of the Board. Although the Board has explained that the fifty six (56) properties have ownership documents such as letter of allotment, letter of offer and survey plans, no title deeds were however provided for audit verification. Further and as indicated in 2006/2007, the Board spent a sum of Kshs.288,709,708 to build storage facilities on twenty one (21) plots owned by the Kenya Railways Corporation and whose 33 years' lease

period has since expired. The Corporation has been reluctant to renew the lease on account of outstanding arrears amounting to Kshs.17 million pertaining to sidings and land rent. The foregoing is indicative of the significant impairment of the properties.

### 2.3 Stalled Projects

The property, plant and equipment balance of Kshs.10,137,769,552 includes an amount of Kshs.21,798,391 relating to work in progress for projects that stalled over 10 years ago. Further, and as similarly observed in the report for the previous year, consultancy services worth Kshs.4,130,644 for the projects were awarded to a consultant without competitive bidding. Further, an amount of Kshs.12,511,000 included in the work in progress relates to payments in respect of an information technology modernization project which failed to take off despite the expenditure having been incurred. In the circumstances, it has not been possible to confirm whether the Board will complete the projects or to determine the additional costs, if any, that would be necessary to complete them. It has also not been possible to confirm the carrying value of Kshs.21,798,391 in respect of work in progress of as at 30 June 2008.

### 3.0 Debtors and Prepayments

As disclosed in Note 7 to the financial statements, the debtors and prepayments increased from Kshs.267,750,121 in the previous Kshs.923,393,252 as at 30 June 2008 after a provision of Kshs.675,557,914 for bad and doubtful debts. Further, and included in the total outstanding debtors figure of Kshs.1,598,915,166 is an amount of Kshs.751,997,674 which has been outstanding for a considerably long period of time and whose recovery remains uncertain and of Kshs.84,463,701 owing from staff, some of whom have since left In addition, the trade debtors balance includes debts totalling Kshs.8.847.180 due from the National Irrigation Board which have been Although the Public Investments Committee outstanding for over ten years. directed that a joint reconciliation to agree on the amount due from the National Irrigation Board be carried out, such reconciliation has not been finalized. Consequently, it has not been possible to confirm that the debtors and prepayments balance of Kshs.923,393,252 as at 30 June 2008 has been fairly stated.

#### 4.0 Creditors

Included under current liabilities are dues of Kshs.174,063,028 to G.O.K. on past market intervention programme, Kshs.143,195,039 in respect of Government agency account (old account) and Kshs.633,222,675 relating to SGR sales, which have been outstanding for a considerably long period of time. No action appears to have been taken to settle these long outstanding debts.

### **Opinion**

Except for the reservations set out in the preceding paragraphs, in my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the financial position of the Board as at 30 June 2008 and of its loss and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the National Cereals and Produce Board Act Cap, 338 of the laws of Kenya.

A. S. M. GATUMBU

CONTROLLER AND AUDITOR GENERAL

Nairobi

15 June 2009

# NATIONAL CEREALS AND PRODUCE BOARD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2008

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

#### **Vision Statement**

To be a global leader in management and marketing of grains and related enterprises.

### **Mission Statement**

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

#### Values

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

#### CORPORATE INFORMATION

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

Gen.(RTD) M.Mohammed- Chairman

Prof. G. K. Misoi - Managing Director

Mr. Arch. K.Njendu - Member Mr. F. Wanyonyi - Member

Mr. M. D. Ahmed - Member (Appointed on 17.11.2007)

Mrs. G. K. Maina - Member Brig. (Rtd) B. M. Killu - Member

Mr. W. K. Maina - Appointed representative of KFA Ltd

Mr. I. Maalim - Alternate Director to the Permanent Secretary Office of

the President

Mr. S. Kiiru - Alternate Director to the Permanent Secretary Ministry of

Finance.

M/s. B. Kingori - Alternate Director to the Permanent Secretary Ministry of

Agriculture

### SENIOR MANAGEMENT

Mr. R. K. Langat - General Manager Marketing & Operation

Mr. P. N. Mutua - Ag. General Manager Finance & Administration

Mrs. A. G. Kamau - Board Secretary
Mr. C.K. Ngelechey - Chief Accountant

Mr. F. Muchina - Human Resources Manager

Mr. B. O. Umba - Operations Manager

Mr. J. C. Boit - Sales and Marketing Manager
Mr. D.K. Chepkwony - Quality & Pest Control Manager
Mr. E. M. Ogwora - Manager Services Marketing

Mrs. P. C. Ngenoh - Research & Development Manager/PA to MD

Mr. G. Murithi - Security Manager Mr. J. K. Githuku - ICT Manager

Mr. A. K. Maritim - Public Relations Manager
Mr. F. K. Sang - Internal Audit Manager

Mr. S. K. Mbutu - Technical Manager

Mr. D. C. Mundia - Ag. Procurement Manager

### PRINCIPAL PLACE OF BUSINESS

#### **Head Office**

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

NAIROBI

### Regional Offices:

Nairobi Region Area Manager P. O. Box 30586

Tel: (020) 780384

**NAIROBI** 

North Rift Region

Area Manager
P. O. Box 479

Tel: (053) 32631/22

**ELDORET** 

**South Rift Region** 

Area Manager P. O. Box 326

Tel: (051) 212420/3

**NAKURU** 

Nyanza/Western Region

Area Manager
P. O. Box 217
Tel: (057) 44891/4413

Tel: (057) 44891/44135

**KISUMU** 

**Coast Region** 

Area Manager P. O. Box 84696

Tel:(041) 2490347/2495291

MOMBASA

Eastern/North Eastern Region

Area Manager P. O. Box 92

Tel: (068) 20126/30675/30180

**EMBU** 

#### **AUDITORS**

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

### **BANKERS**

Kenya Commercial Bank P.O. Box 48400 NAIROBI

#### CHAIRMAN'S REPORT

### **ECONOMIC REVIEW**

2007 Economic Survey indicated that the Kenyan economy grew from 6.4% in 2006 to a record growth rate of 7.0% for 2007 under new systems of National Accounts (SNA) standards. This growth rate was achieved in spite of unfavourable weather conditions and high oil prices. The annual average inflation rate for the year was 18.5% as compared to 16.9% during the previous year. Inflation still remained high on account of sustained high food and fuel prices

### **GRAIN SUB-SECTOR REVIEW**

All sectors of the economy recorded improved growth in 2007 in which the Agricultural sector expanded marginally by 2.3%.

Maize, which is the core business of the Board, recorded normal production with 2.79 million metric tones being produced during the year. However arising from the crop destruction during the post election violence and the increased international grain prices, there was a shortage in the maize market and the Government intervened by releasing strategic grain reserves to cushion consumers against spiralling food prices. In an effort to avert the rooming food shortage, the Government authorised immediate importation of 3 million bags of maize duty free to meet the country's food requirements and increased producer prices from Kshs.1, 300 per 90Kg bag to Kshs.1,700 to attract deliveries to the Board by the local farmers. The Board on its part released all commercial stocks to the market and instituted modalities to implement GoK directives on food and fertilizers imports.

During the year under review, the Government put further measures in place to address the grain production and marketing constraints faced by the farmers while at the same time addressing the requirements of the consumers in order to ensure food security in the country. In this regard the Government increased the level of SGR stocks from 4 million bags to 8 million bags to be progressively built in the next two years. NCPB imported 13,750 MT of CAN top dressing fertilizer that was sold at subsidised prices.

The Government also released 33,492 MT of food stuff for famine relief distribution in the drought stricken areas and sold 141,764 MT of SGR maize at market stabilising price through NCPB as an Agent.

The main activities for the year were:-

- a) Trading in agricultural produce, i.e.maize, wheat, rice, beans, millet and sorghum
- b) Management of the country's Strategic Grain Reserves (SGR) and Famine Relief stocks on Agency basis on behalf of the Government of Kenya.

### CHAIRMAN'S REPORT (Continued)

- c) Provision of grain related services of storage, quality maintenance and storage facilities to third parties and,
- d) Distribution of farm inputs.

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

The level of commercial operations consisted of procurement and sale of 144,497 MT of maize and other food stuffs as well as 9,493 MT of farm inputs and rendering of grain related services to third party.

Owing to the food shortage in the market the Board offload all its commercial maize during the period. Similarly, the Board sold all carry over fertilizers and substantial quantities of imports at subsidised prices.

#### **OPERATING PERFORMANCE**

As stated in the previous year's report, the strategic measures put in place are gradually ameliorating the operating performance of the Board. During the year ended 30<sup>th</sup> June 2008, the Board recorded a slight improvement with an operating loss of Kshs. 185.6 million as compared to a loss of Kshs. 537.7 million the previous year.

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

With the Strategic Plan put in place and Performance Contracts signed with the Government for the year 2008/2009, the Board's focus to turn round to profitability will include enhancing revenue generations through high turn over, undertaking asset divestiture, implementation of strict cost control measures, diversification of products, timely debt collection and value addition of commodities and products. These measures will give the Board a competitive edge in the market environment. The strategy is particularly, hedged on the ability of NCPB to increase its working capital with the support of the GoK as the key stakeholder

MR JIMNAH MBARU

CHAIRMAN

#### 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 2008.

### 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. 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: -

,	30.06.2008 <u>Kshs</u> .	30.06.2007 <u>Kshs.</u>
Operating Loss before Depreciation,		
₽rovision and Extra ordinary Items	245,508,288	(105,018,976)
<u>Deduct</u>		,
Depreciation .	421,146,601	417,685,236
Bad and doubtful Debts	10,000,000	15,000,000
Obsolete stocks	<u>0</u>	<u>0</u>
	431,146,601	432,685,236
Net Deficit for the year	<u>(185,638,313)</u>	(537,704,212)

### 3. **DIRECTORS**

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

### 4. AUDITORS

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

By order of the Board

A. G. Kamau (Mrs.) BOARD SECRETARY NAIROBI, KENYA 25TH FEBRUARY 2009

### 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.

MR JIMNÁH MBARU CHAIRMAN

25TH FEBRUARY 2009

PROF. G. K. MISOI (OGW) MANAGING DIRECTOR

### NATIONAL CEREALS AND PRODUCE BOARD FINANCIAL STATEMENTS

## BALANCE SHEET AS AT 30TH JUNE 2008

ASSETS	Note	30TH JUNE 2008 Kshs.	30TH JUNE 2007 Kshs
NON-CURRENT ASSETS			
Property, Plant and Equipment	3	10,137,769,552	10,534,462,905
Investments	4	0	(
Loans	5	<u>0</u>	<u>.</u> <u>. 0</u>
CURRENT ASSETS		10,137,769,552	10,534,462,905
Operating stocks	6	75 100 001	0.400.000.700
		75,192,021	2,489,099,793
Debtors and Prepayments	7	923,393,252	267,750,121
Government Debtors - Net Old Debt	8	816,828	816,828
Government Debtors - New Agency A/C	9	792,656,625	2,530,270,077
Cash at bank and in hand	10	1,275,442,233	244,107,147
		3,067,500,959	5,532,043,966
TOTAL ASSETS		13.205,270,511	16.086,508,871
EQUITY AND LIABILITIES			
EQUITY			
Capital Fund Revaluation Reserve	11	6,304,142,172	6,304,142,172
Revenue Reserve	12 13	9,589,422,793	9,589,422,793
Kerenee Keserve	13	(5,110,963,129)	(4,972,836,938)
CURRENT LIABILITIES		<u>10,782,601,836</u>	10,920,728,027
Bank Overdraft	14	224,913,582	487,551,331
Short Term Loan	14	419,738,586	
Creditors and Provisions			1,929,644,097
Creditors - Due to GOK on Past Market	15	827,536,062	2,411,325,349
Intervention Programme	16	174,063,028	174,063,028
Government Agency Account (Old A/C)	17	143,195,039	143,195,039
Creditors - Due to GOK on SGR Sales	18	633,222,378	0
Taxation	19	0	0
	_	2,422,668,675	5,145,778,844
The notes on pages 14 to 32 form an integral	1	13,205,270,511	16.066.506,871

The notes on pages 14 to 32 form an integral part of these accounts.

25TH FEBRUARY 2009

MR JIMNAH MBARU

CHAIRMAN

PROF.G.K. MISOI (OGW)

25TH FEBRUARY 2009

MANAGING DIRECTOR

# NATIONAL CEREALS AND PRODUCE BOARD FINANCIAL STATEMENTS

### INCOME STATEMENT FOR THE PERIOD ENDED 30TH JUNE 2008

٠,٠,٠		<u>Note</u>	30TH JUNE 2008 KShs	30TH JUNE 2007 KShs
	GROSS SALES	27	3,377,025,025	1,504,687,000
,,,,	COST OF SALES	27	2,750,378,058	1,357,459,166
,-	-			•
	GROSS MARGIN GAIN		626,646,967	147,227,834
	GROSS MARGIN GAIN AS			
	A PERCENTAGE TO GROSS SALES		18.6%	9.8%
	ADD:			
	Other Income	28	727,910,909	867,769,238
٠.	TOTAL INCOME LESS: EXPENDITURE		1,354,557,876	1,014,997,073
	Export Costs .	29	4,468,513	-
	Railage and Road			
	transport costs	29	12,347,014	47,442,693
	Staff costs and Wages	29	608,478,785	526,894,301
	Administration expenses	29	179,446,300	214,405,643
	Other operating expenses	29	92,630,667	157,361,173
			897,371,279	946,103,810
	PROFIT/(LOSS) BEFORE			
-	DEPRECIATION AND BAD DEBTS		457,186,597	68,893,262
	Deduct: Provisions	•		
	Depreciation expense	29	421,146,601	417,685,236
	Bad and doubtful debts	29	10,000,000	15,000,000
	Obsolete stocks	29	<u>0</u>	<u>O</u>
			431,146,601	432,685,236
	PROFIT FROM OPERATIONS		26,039,996	(363,791,974)
	l inance cost	29	211,678,309	173,912,238
	PROFIT/(LOSS) BEFORE TAX		(185,638,313)	(537,704,212)
:	Income tax expense			<del></del>
	PROFIT/(LOSS) AFTER TAX		(185,638,313)	(537,704,212)
	l-xtra ordinary items		<del></del>	
	NET PROFIT/(LOSS) FOR THE PERIOD		(185,638,313)	(537,704,212)
	I KOTH/(LOOS) TOK HILT LKIOD		(100,000,010)	(337,734,212)

# NATIONAL CEREALS AND PRODUCE BOARD FINANCIAL STATEMENTS STATEMENT OF CHANGES IN EQUITY

### FOR THE PERIOD ENDED 30TH JUNE 2008

	Capital	Revaluation	Revenue	Total
	<u>Fund</u>	<u>Reserve</u>	Reserve	<u>Equity</u>
	Kshs.	Kshs.	Kshs.	Kshs.
At 1st July 2006 Prior Year	6,304,142,172	9,589,422,793	(4,649,628,533)	11,243,936,432
Adjustment Net Profit/(Loss)	0	-	214,495,807	214,495,807
For the Year	<u>0</u>	Q	(537,704,212)	(537,704,212)
At 30 th June 2007	6,304,142,172	9,589,422,793	(4,972,836,938)	10,920,728,027
At 1st July 2007 . Prior Year	6,304,142,172	9,589,422,793	(4.972,836,938)	10,920,728,027
Adjustment Net Profit/(Loss)	0	-	47,512,122	47,512,122
For the Period	0	0	(185,638,313)	(185,638,313)
At 30th June 2008	6,304,142,172	9,589,422,793	(5,110,963,129)	10,782,601,836

# NATIONAL CEREALS AND PRODUCE BOARD FINANCIAL STATEMENTS

### CASH FLOW STATEMENT

### FOR THE PERIOD ENDED 30TH JUNE 2008

FOR THE PERIOD LINDED SOITS	30TH JUNE 2008 30TH JUNE 2007		
	Kshs.	<u>Kshs.</u>	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before extraordinary items	(185,638,313)	(537,704,212)	
Adjustments for:			
Provision for Depreciation	421,146,601	417,685,236	
Provision for stock shrinkage	5,117,888	62,458,264	
Provision for doubtful debts	10,000,000	15,000,000	
Gain on disposal of equipment	<del>_</del>		
Operating Profit before			
working capital changes	250,626,176	(42,560,712)	
(Increase)/decrease in debtors	1,071,970,319	(1,852,668,018)	
(Increase)/decrease in stocks	2,408,789,884	(1,529,637,830)	
Increase/(decrease) in creditors	(950,566,909)	1,113,444,428	
Increase/(decrease) in bank loan	(1,509,905,511)	1,567,016,828	
Cash generated from operations	1,270,913,959	(744,405,303)	
Extraordinary items:			
Early retirement payments	-	0	
Prior year adjustments	47,512,122	<u>214,495,808</u>	
Net cash from operating activities	1,318,426,081	(529,909,495)	
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to Fixed Assets	(24,453,248)	(30,905,595)	
Proceeds from Sale of Equipment	-	-	
Reduction to Investments and loans			
Net cash flow from investing activities	(24,453,248)	(30,905,595)	
Net increase/(decrease) in cash and cash equivalent	1,293,972,833	(560,815,089)	
Cash and cash equivalent at the beginning		f	
of the year:		000 404 000	
Cash at Bank and on hand	244,107,147	822,604,088	
Bank Overdraft	(487,551,331)	(505,233,183)	
Cash and Cash equivalent at end of year	1,050,528,651	(243,444,184)	
ANALSYSIS OF CASH HELD			
END OF YEAR			
Cash at Bank and on hand	1,275,442,233	244,107,147	
Bank Overdraft	(224,913,582)	(487,551,331)	
	1,050,528,651	(243,444,184)	

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

### 1. ACCOUNTING POLICIES

### (a) Accounting Basis

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

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### (b) <u>Income Recognition</u>

- 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.
- lncome from services rendered and facilities provided is recognized at the time of rendering and providing such services and facilities.

### (c) **Depreciation**

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

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 and drying Equipment	25%
Furniture and equipment	12.5%

### **ACCOUNTING POLICIES (Cont'd)**

1.

#### Valuation of Closing Stocks (d)

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.

Closing Stock quantities have been stated in terms of standard 90 kg ii)

weights unless otherwise disclosed.

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

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).

#### Investment (Equity in Subsidiary) (f)

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.

#### **Funds from Government** (g)

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.

Provision for Bad and Doubtful Debts (h)

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 genera provision of 7.5% on all other outstanding trade debts at the balance sheet date.

Foreign currencies (I)

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

#### GOING CONCERN CONCEPT 2.

The accounts have been prepared on going concern basis.

### (continued)

### 3. FIXED ASSETS

		Fencing			Plant &		
	Leasehold	Driveways &	<b>Buildings</b> and	Motor	Machinery &	Construction	
	<u>Land</u>	Civil works	Grain Silos	<u>Vehicles</u>	<u>Equipment</u>	in Progress	<u>Total</u> · ·
	KShs	<u>KShs</u>	<u>K\$hs</u>	<u>KShs</u>	<u>K\$hs</u>	<u>KShş</u>	<u>KShs</u>
Cost or							<del></del>
Valuation							
At 30th							
June 2007	945,940,177	422,430,110	9,526,811,482	43,911,646	405,034,898	21,798,391	11,365,926,704
Additions	20,000	0	517,659	3,138,990	17,879,079	3,617,805	25,173,533
Adjustment/							
Transfers	0	o	3,161,024	0	0	(3,161,024)	0
Disposals	Q	<u>o</u>	Q	<u>0</u>	Q	. <u>ο</u>	Q
At 30th					_	_	_
June 2008	945,960,177	422,430,110	9,530,490,165	47,050,636	422,913,977	22,255,172	11,391,100,237
Depreciation:							17707 171001201
At 30th							
June 2007	26,704,811	21,107,816	670,126,343	16,923,320	97,575,584	0	832,437,874
							, ,
Charge for							
the period	13,354,111	10,560,753	335,097,752	11,453,452	50,426,743	0	420,892,811
On disposals	0	0	0	0	0	0	0
Adjustment	Q	<u>Q</u>	Q	Q	<u>o</u>	Q	<u>0</u>
At 30th					_	_	-
June 2008	40,058,922	31,668,568	1,005,224,095	<u> 28,376,771</u>	148,002,327	<u>o</u>	1,253,330,685
Nel Book						_	
Value:							
At 30th							
June 2008	905.901.255	390.761.541	8.525.266.069	18.673.864	274.911.650	22.255.172	10.137.769.552
At 30th							- ALLEGE MENTE
June 2007	919.235.367	401.322.294	8.856.685.140	<u>27.962.401</u>	307.459.314	21.798.391	10.534.462.905
			<u></u>		2017-2017	<u> </u>	TN:324'405'A02

4. INVESTMENTS  Composition	30.06.2008 <u>Kshs.</u>	30.06.2007 Kshs.
(i) Kenya Peanuts Company Ltd:		
55,167 Ordinary shares of KShs. 100/= each at Acquisition cost	2,168,740	2,168,740
<ul><li>(ii) Kenya Cashews Limited: 400 Ordinary shares of KShs. 5/= each</li></ul>	2,000 2,170,740	2,000 2,170,740
Sub total	2,170,740	2,170,140
Less: Provisions for bad and Doubtful debts  Net Investments at year end	(2,170,740) <u><b>0</b></u>	(2,170,740) <b>Q</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 effect 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 sinc 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 policing on market liberalization, the proposed business venture is no longer viable.

### 5. LOANS

<u>Composition</u>	30.06.2008 Kshs.	30.06.2007 Kshs.
(i) Kenya Cashew nuts Limited: (ii) Kenya Cashews Limited <b>Sub total</b>	120,521,118 231,080 120,752,198	120,521,118 <u>231,080</u> <b>120,752,198</b>
Less: Provisions for bad and Doubtful debts Net loans at year end	(120,752,198) <b>Q</b>	(120,752,198) <b>Q</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.

### 6. OPERATING STOCKS

### 6.1 Closing Stocks

The closing stocks of commodities valued at Kshs. 75,192,021 (2006/2007 Kshs 2,488,099,793) were composed of the following:

	•	30.06.2008	<u>30.06.2007</u>
		<u>Kshs</u>	<u>Kshs</u>
a)	Composition of Stocks:		
•	Local white Maize	204,781	2,033,906,981
	Beans	12,312,400	205,334,675
	Wheat – Local	0	16,000
	Green grams	198	1,026,300
	Castor Seeds	640	640
	Paddy	25,686,436	55,782,860
	Local milled Rice	2,409,303	15,598,596
	Wimbi	1,999,166	17,755,934
	Fertilizer	891,942	190,678,853
	Packaging bags (Jute/PP)	73,021,470	22,559,276
	Insecticides	<u>462,922</u>	<u>293,096</u>
	Sub-Total	116,989,258	2,542,953,211
(b)	Stocks of Consumables	<u>32,805,828</u>	<u>20,654,160</u>
	Sub-Total	149,805,156	2,563,460,711
	Less: - 2.2 % Provision for		
	Stock shrinkage	72,320,828	72,225,341
	-Provision for obsolete		
	Stocks-Consumables	<u>2,282,237</u>	<u>2,282,237</u>
	Sub-Total	<u>74,603,065</u>	<u>74,507,578</u>
	Total closing stocks at year end	<u>75,192,021</u>	<u>2,489,099,793</u>

### 7. **DEBTORS AND PREPAYMENTS**

### 7.1 Breakdown analysis

	<u>30.06.2008</u>	<u>30.06.2007</u>
Category	<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	1,384,816,770	763,215,860
Staff debtors	84,463,701	76,868,835
Sundry debtors & Prepayments	93,577,153	<u>57,129,798</u>
	1,598,951,166	933,308,035
Less: Cumulative Provisions for bad and		
doubtful Debts	<u>(675,557,914)</u>	(665,557,914)
Total Debtors and Prepayments as		
At year end	923,393,252	267,750,121

### (Continued)

- 7.2 Notes on Debtors and Prepayments:
- Former Associated company indebtedness consists of the following:-(a)

	<u>30.06.2008</u>	<u>30.06.2007</u>
	Kshs.	Kshs.
Kenya Peanuts		
Company Ltd	<u> 160,078</u>	160,078
, ,	160,078	160,078

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

<u>30.06.2008</u>	<u>30.06.2007</u>
Kshs.	<u>Kshs.</u>
160,078	160,078
35,933,464	35,933,464
560,987,088	553,160,336
50,889,942	50,900,176
<u>27,587,342</u>	<u>25,403,860</u>
<u>675,557,914`</u>	<u>665,557,914`</u>
	Kshs. 160,078 35,933,464 560,987,088 50,889,942 27,587,342

### 8 GOVERNMENT DEBTORS - OLD DEBT

As part of NCPB commercialization reform process all past Government debts and obligations outstanding as at 30th June 1997 were consolidated and offset against credit balances held in favour of the Government with a net debt of KShs. 3.1 billion established. The net debt was initially recommended to the GOK for repayment over c. three-year period but at the request of GOK was varied to six years with annual installment of KShs. 500.0 million from 1st July 1997. Through annual redemptions, the outstanding net debt has been progressively reduced substantially, though not at the agreed level of installments and was standing at KShs 816,828.00 as at 30th June 2008 a analyzed here under: -

	<u>30.06,2008</u>	<u>30.06.2007</u>
	<u>Kshs</u>	<u>Kshs</u>
Balance B/F01/07	816,828	40,816,828
Deduct: Amount received		
During the year	<u>0</u>	<u>40,000,000</u>
Balance outstanding		
At year end	<u>816,828</u>	<u>816,828</u>

### 9 GOVERNMENT DEBTORS - NEW AGENCY ACCOUNT

- 9.1 In compliance with agreed reform actions on GOK social functions, that involved introduction of new Operating Rules on domestic grain marketing the Board has with effect from 1st July 1997 fully adopted the new mode of charging GOK on agency basis for services rendered and facilities provided. Under the Agency Agreement signed between the Board and the Government, the GOK is under obligation to provide funds upfront to meet direct costs and agency remuneration for services rendered and facilities provided at rates to be annually negotiated and mutually agreed.
- 7.2 The rates applicable in 2007/2008 FY for various services and facilities that were mutually agreed upon by the two parties and which have been in force since 12th Novembe 2002 were as follows:-

Data

		Raie
	Nature of Service/facility	<u>Kshs/Percentage</u>
a)	Storage	3.20 per bag per month
b)	Quality maintenance	3.50 per bag per month
C	Commission on Purchasing	85.00 per bag
d)	Commission on releases	17.00 per bag
e)	Commercial sales commission	8% of sales value
f)	Commission on transport	8% of transport cost
a)	Commission on commodity	8% of handling cost
91	handling (Direct costs)	
	Harialing (Direct Cosis)	

10. CASH AT BANK AND IN HAND

The amount of Kshs 1,275,442,233 represents bank balances and cash-in-hand held i the Board's Cash Offices at Head Office and Depot/Silos as of 30th June 2008.

11 CAPITAL FUND

30.06.2008 Kshs 30.06.2007 Kshs

Balance carried forward at Year end

end <u>6,304,142,172</u>

6,304,142,172

# NATIONAL CEREALS AND PRODUCE BOARD NOTES TO THE ACCOUNTS - 30TH JUNE 2008

(Continued)

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

a) Strategic Grain	Cumulative <u>Amounts Due</u> <u>KShs</u>	Amounts Received  KShs	Net amounts Outstanding 30th June 2008 KShs	Net amounts Outstanding ' 30th June 2007 KShs
Reserve Programme- Old Acc				•
Balance B/F on 1/7/2007				1.52
2007/2008 expenses:-	342,341.936	0	342,341,936	163,807,949
Direct costs				
Storage Charges	0	0	0	0
Sub - Total	Q	<u>0</u>	<u>0</u>	<u>o</u>
b) Famine Relief Programme	<u>342,341,936</u>	<u>o</u>	342,341,936	163,807,949
Balance B/F on 1/7/2006				
2007/2008 expenses:-	429,358,379	0	429,358,379	359,129,542
Direct costs	100 000 000			-
Storage Charges	199,944,626	263,954,899	(64,010,273)	232,663,896
Sub – Total	<u>56.870.783</u>	Q	<u>56,870,783</u>	245,712,409
c) GOK 17 selected	<u>686,173,789</u>	263,954,899	422,218,890	837,505,848
Depois for F/Relief				
Balance B/F on 1/7/2007	191.916.638			·
2007/2008 expenses:-	171,710,638	0	191,916,638	191,916,638
Direct costs	0			
Storage Charges	0	0	0	0
5 % Management fees	-	0	0	0
Sub – Total	197 914 429	<u>o</u>	<u>0</u>	<u>0</u>
d) Strategic Grain	<u>191.916.638</u>	<u>o</u>	191,916,638	191,916,638
Reserve Programme - New Acc	count			
Balance B/F on 1/7/2007		1 105 000 000		
2007/2008 expenses:-	1,799,216,319	1,485,209,807	314,006,512	(2,855,315,072)
Direct costs	445,234,542	1110001		
Storage-Charges	·	1,148,226,551	-702,992,009	4,330,417,563
	462,162,286 2,704,412,147	Q 2 422 474 675	462,162,286	324,113,827
Tolai (a+b+c+d)	2,706,613,147	2,633,436,35B	73,176,789	<u>1,799,216,318</u>
e) Less:	3.927.045,508  Net sales proceeds from sale of returned gunny bags	<u>2,897,391,258</u>	1,029,654,253	2,992,446,753
	, FEEEE STATE OF FORMED GUILDING GUILDINGS	<del>-</del>	4,434,432	229,613,481
Deduct: Provision for bad and D	oubiful Debts		1,025,219,821	2,762,833,272
Net Amount outstanding at the			232,563,195	<u>232,563,195</u>
_	•		<u>792,656,625</u>	<u>2,530,270,077</u>

### 12 **REVALUATION OF FIXED ASSETS**

### 12.1 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: -

	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			Revaluation Gain/
			200	•
	Asset Category	New Valuation	<u>Old</u>	(Loss)
			<u>Valuation</u>	
		Kshs	Kshs	Kshs
1.	Land	944,682,000	388,574,600	556,107,400
2.	Railway siding, Fences &	421,882,490	257,088,978	164,793,512
	Roads			
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	<u>381,681,098</u>	20,950,069	360,731,029
	Equipment			
	TOTAL	11,298,698,594	4,408,699,627	6,889,998,967
	Add: Brought Forward Bala	ince		<u>2,699,423,826</u>
	<b>Balance Carried Forward</b>			9,589,422,793

### 13 **REVENUE RESERVE ACCOUNT**

The Board recorded a Net Operating Loss of Kshs. 185,638,313 during the year under review on its commercial activities. The loss together with the prior year adjustment have been transferred to the Revenue Reserves Account thereby eroding the unappropriated retained surpluses further to a negative position, with a debit balance of Kshs.5,110,963,129 as shown below;

	<u>30.06.2008</u> Kshs	30.06.2007 Kshs
Balance B/F	(4,972,836,938)	(4,649,628,533)
Prior Year adjustment	47,512,122	214,495,807
Net Profit/(Loss) for the Year Balance at year end	(185,638,313) (5,110,963,129)	(537,704,212) (4,972,836,938)

### 14 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 of KShs. 2.5 billion. The balances as at 30<sup>th</sup> June 2008 were as follows: -

	<u>30.06.2008</u>	<u>30.06.2007</u>
	<u>Kshs</u>	<u>Kshs</u>
Head Office Main Account	224,913,582	487,551,331
Short Term Loan	<u>419,738,586</u>	1,929,644,097
	<u>644.652.168</u>	2,417,195,428

### 15. **CREDITORS AND PROVISIONS**

	<u>30.06.2008</u>	<u> 30.06.2007</u>
	Kshs.	<u>Kshs.</u>
Trade creditors	133,095,407	140,728,173
Creditors –Owings to Farmers/Suppliers	199,102,875	1,814,432,122
Creditors – Staff	3,878,060	3,692,613
Sundry Creditors and Provisions	<u>491,459,720</u>	452,472,441
	827,536,062	2,411,325,349

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

The balance in this account relates to 1994/95 maize intervention and subsequen 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 debt still under review as shown below:-

	30.06.2008	<u>30.06.2007</u>
	Kshs.	<u>Kshs.</u>
Balance due to GOK as at year end	174.063.028	<u>174.063.028</u>

### 17. GOVERNMENT AGENCY ACCOUNT (OLD ACCOUNT)

### 17.1 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 term 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 2008 remained the same as in previous year.

30.06.2008

30.06.2007

Kshs.

Kshs.

Balance due to the Government at year end

143,195,039

143,195,039

18 CREDITORS - DUE TO GOK ON SGR SALES - KSHS 633,222,378.

The Board sold 1,534,050 x 90 kg bags of SGR maize realizing Kshs. 2,163,503,428 upon which Kshs. 1,530, 280,050 was remitted leaving a balance of Kshs. 633,222,378

19 TAXATION

NCPB is a taxable organization and Income Tax Returns have been filed with the Commissioner of Income Tax up to the year of income ended 30<sup>th</sup> June 2008, which reflected a cumulative taxable losses amounting to KShs 7,739,617,393.00

### 20 **CONTINGENCIES**

20.1 Contingent Liabilities

The Board had contingent liabilities amounting to KShs. 61.61 Million as at 30th June 2006 due to pending disputes with suppliers of goods and services together with othe individuals who have filed court cases against the Board for various reasons.

20.2 Contingent Assets

The Board was directed by the Government in 2001/2002 FY to export maize and a los 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 yet to be received.

21. BANK GUARANTEES

As at 30<sup>th</sup> June 2008 the Board had Bank guarantees amounting to Kshs 31,884,814.00 a Kenya Commercial Bank.

22 STAFF ESTABLISHMENT

The staff establishment as at 30<sup>th</sup> June 2008 was 992 employees.

23 **CURRENCY** 

The financial statements are presented in Kenya Shillings (KShs)

24 RETIREMENT BENEFITS OBLIGATIONS

The Board operates a defined Provident Fund Scheme for all its permanent employee The Board's contributions are charged to the Income Statement in the period in which relates. The assets of the scheme are held in a separate trustee administered fun which is funded from contributions from both the Board and the employees.

NOTES TO FINANCIAL STATEMENTS - 30TH JUNE 2008

T CONTRIBUTION MARGIN  T CONTRIBUTION MARGIN  T CONTRIBUTION MARGIN  T CONTRIBUTION  T CONTRIB		INCOME STATEMENT FOR THE PERIOD ENDED 18TH JUNE 2208	L FOR THE PERIOD	ANDL MICE GEORE	100									
150,000   150,	27.1 2007/2008 CONTRIBUTION MARGIN	IOCAL											THE PEPIOD ENDED	THE YEAP ENDED
Secretary of the state   Secretary   Sec	TAL TODOG	MANZE SHS3	<u>rmeal</u> rs45	결품		ISECTCIDES 13HC	EAUS 1340	VIABI VSHS	SORGHUM ISHS	GRAMS TSPE	TADO.	FEFTUZES	30TH JULIE 3008 1 5HS	SOTH JUNE 2002
Statistical Colore account   Statistical Co														
	GROSS SALES	2,594,452,924	οι	98,782,030	41,141,058	733,411	.317,735,756	18,552,743	1,690,000	1,204,500	οι	300,597,382		1,504,687,000
111   111	COST OF SALES	2,574,452,124	OI	96,762,030	41,141,650	733,411	319,235,954	10,552,763	1,400,000	1,208,500	01	300,517,382	3,377,025,025	1.504.484.977
1,11,11,11,11,11,11,11,11,11,11,11,11,1	Operang stoch	2033,904,981	900 91	15,598,596	22.559,276	293.094	205,234,475	17,755,934	0	1,026,300	55 782.840	190,478,853	2542953.211	1,010,982,785
177.51   177.52   1	Purchases	123.431.884	0	۰	50.943,382	246,350	73.548.700	•	٥	٥	35,650,649	18.073.809	302,394,795	2.884,674,976
Column	Transfer (la)/sam GOK Refel Account Milling costs	-27,226,245	o	0 15 987.748	27.226 245	0	0	48.674	645,000	0	(43 021,152)	•	(62.956.152)	(117,681,404)
1,244   1,24	Frontier from ma	0		53,128,152							٥		43.621.152	55.077.864
Colonia   Colo	Provison for Slock strankens	2.715.501	c		•	c	110 617	c	ć		, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	c	\$ 112 and	***********
1   1   1   1   1   1   1   1   1   1	Champ stoch	(10,781)	,   	12 404,303)	\$	(462.072)	112312.400	(1,977.164)	-   -   -	(941)	783,873 [25 686 436]	[691,943]	1116,789,2501	C.542.953.2111
1,2000   1	GROSS PROFIT/(LOSS) Gress Prafit/(Less) as	2132,423,342 441,827,582	14,000)	5,785,195 5,783,637	13,454,424	576.524 157,087	268.209,484 \$1,724,449	15,805,442 2,747,323	735,000	1,026,102	2.689.814)	207.840,719 92,734,443	2,750,378,058 421,444,747	1,357,459,166
120   120	a percentage la sales	17.80%	3000	5.84%	32.6%	21 41%	14 17%	14.81%	45.94%	15.09%	Ø/AIQ#	30.85	<b>29</b> 281	. 78%
1,100,000   1,10,000	OTHER INCOME													
1,100,000   1,100,000   1,10,10	Revenue from Services & other miscelloneous income												227 010 006	AK2 248 738
1,000   1,00						1			1				161,71010-	1077/00
124-1014   124-1014	GROSS PROM/(LOSS) & OTHER INCOME LESS: EXCENDITURE Rabage and Road	441,829,582	(14,000)	5,783,837	13,454,424	157,007	51,724,449	2,747,322	735,000	142,374	(2,489,014)	72,734,663	1,354,557,874	1,014,797,072
1,044,533   1,045,134   1,04	Franspari cosis	956.278		1,485	591 937		3374.400					7,386,514	12,347,014	47,442,693
1744.200   1744.200   1745	Export Costs				•		4,468,513					•	4,448,513	•
1744,200   1744,200	Staff casts and wages			•									408.478.785	524.894.301
1,000   1,00	Adminitration expenses												179,446,300	214 405.443
1465   291,572   246,115   270,245   157,65   274,212														
1465   1517   1465   1517	Olher operaling expenses		-	-			1					-	62,620,467	157,367,173
15   15   15   15   15   15   15   15		988.278		1 685	591.937	1	7,845 115	-	-			7,388.5) 4	897,371,279	946,103,809
12   12   12   12   12   12   12   12	PROFIT/(LOSS) NEFORE													
421.144.01 10,000,000 0 0 0 0 0 0 0 0 0 0 0 0 0	DEPRECIATION AND BAD DEBTS	460 841,303	(10,000)	3782152	12,862,484	182.751	45 138 0	274732	735 000	96CCB1	(-148° 814)	65 3ve 150	457 189 597	590,548.99
10,000,000   10,	Depreciation Charge.												421,146,801	417.485,234
43),146,60]  An Orbanions  An Orbanions  An Orbanions  (115,435,31)  (115,435,31)  (115,435,31)  (115,435,31)  (115,435,31)	End and doubling debit												10,000,000	15,000,000
36.03-97-9-10-03-20-03-97-9-10-03-20-03-97-9-10-03-20-03-97-9-10-03-20-03-97-9-10-03-20-03-97-9-10-03-20-03-97-9-10-03-20-03-97-9-10-03-20-03-97-9-10-03-20-03-97-9-10-03-20-03-97-9-10-03-20-03-20-03-97-9-10-03-20-03-20-03-97-9-10-03-20-03-97-9-10-03-20-03-97-9-10-03-20-03-97-9-10-03-20-03-97-9-10-03-20-03-97-9-10-03-20-03-97-9-10-03-9-9-9-9-9-9-9-9-9-9-9-9-9-9-9-9-9-9													O	0 70 787 117
(185,428,313) (185,428,313)	PROHT/(LOSS) FROM OFERATIONS											I	28,030,996	[3e3,791 974]
(165,453,13) (165,453,13) (165,453,13)	finance chapes nel of													
	ROFIT BEFORE TAX											•	(1854283)3)	(537.704.712)
(C   C   C   C   C   C   C   C   C   C	income for expense											ļ		
utit set stil	PROPIT AFTER TAX												(616,856,313)	[537 704 212]
wit ity stil	cody refreshall Costs											ļ		
	NEI TROHIVILIASI FOR THE PERIOD												(185 438 31%	(212,207, 522)

GBONE REAR GOOD BREET HIT GENERAL WAYNESS WAS A STUDEN	K5H5 K5H5 F5H5	00078979051 91979715 0	1.594.686.777 1.012	0 26,029,039 611,294,547 <u>1,010,992,725</u> 213,665,813 993,000 80,690,450 <u>10,160,501</u> <u>2,884,674,726</u> 1,637,433,746	64.5507.84.0 0 4.899.891 0 4.899.891 0	35.077.864 44.878.576		-1,026,000 (55,782,840) (190,678,853) -2,542,953,211 (1,010,982,785)	-33,300 -236,045 430,276,125 1,357,459,166 948,652,251 543,045 1,534,045 1,5	1025.00% # DIV/DI 15.81% 9.78% 16.16%	927.997.298	1,961,410,327 2,346,045 80,891,421 1,014,997,072 793,802,545		37,713,297 47,442,693 88,537,465	0	. 526.894,301 463,431,396	. 214,405,645 186.234,906	521.185.251	946,103,802 946,103,802 946,590,611	1961,410,327 2,366,045 43,178,124 68,893,392 152,788,0641	4	15,000,000	422,685,236 424,678,562	_	PF981C19 9CC16C61	(537,704,2)2) (548,685,272)	(2C 387 873) (0.10.10F 202)			
	KSHS KSHS		3.070,738 1.341,600	210.618 0 84.450 0	756.460		1.858		2,782,319 756,460 288,412 585,140	9.39% 43.62%	]	288,419 585,140 1,94		161.274					161,274	122,145 585,140 1.9										
a.	KSHS KSHS		<u>89, 647, 607</u> <u>9,07</u> 0	67,819,614 640 20,210,618 211,798,685 0 84,450	0		. 175,659,571	(205,334,675) -640 (17,755,934)	78,243,195 Q 2,785 18,704,412 Q 288	11.94% #DIV/0! 9	   	10,704,412 - 288		1,553,000				1	<u>91</u> 0 <u>0007557</u> T	9.151.412 0 <u>12</u>										
	KSHS KSHS	2,159,141	2,159,141	252.693	0	,	4,6	(293,096)	1.666.467 493.674	22.82%		492,674		0	,			1	Ø	492.674										
4 JUNE 2008 0TH JUNE 2002	RICE GUITHIES KSHS		70.699.501 254.260.944	13.836.750 224,511,575 32.802,601	0 458 544		55.077.864	[15.598.594] [22.559.274]	57.974.582 234.754.899 12.724.912 12.506.045	18.00% 7.67%	]	12,604,261 19,480,044		79,443 3,529,505					79,443 3,522,505	15,959,51										
AENTS - 301	KSHS KSHS	45.845.732	45,845,732	43.239.206			0	000'91-	43,273,706	\$ 5.72%	   	2,622,526		8	• 3				OI SI	2,622,526										
NOTES TO THE FINAN INCOME STATEMENT LOCAL	KSHS	525,990,521	525,990,521	3,788,103	63,360,000	,	56.021,645	(2,033,906,981)	781,182,802 781,182,802	3.23%	'	17,009,334		4,406.175	٠	٠	•		4,406,175	12,603,159										
27.2 2004/2007 CONTRIBUTION MARGIN	PER PRODUCT	GROSS SALES	COST OF SALES	Opening stack	Transfer (10)/from GOK Relief Account	Miling Costs	Transfer from mill Provision for Slock shrinkage	Closing stock	GROSS PROFIT/(LOSS) Gross Profit/(Loss) as	a percentage to sales	OTHER INCOME Revenue from Services & other miscellaneous income	GROSS PROFIT/(LOSS) & OTHER INCOME	Railage and Road	Iransport costs	Import Costs	Slaff costs and wages	Administration	Other operating expenses		PROFIT/(LOSS) BEFORE DEPRECIATION AND BAD DEBTS	Depreciation Charges	Bad and doubliv! debi:	Obsolete stocks	PROFIT/(LOSS) FROM OPERATIONS	Finance charges net of	PROFIT BEFORE TAX	Income lax expense	PROFIT AFTER TAX	Early relirement Costs	Early relirement Costs

NATIONAL CEREALS AND PRODUCE BOARD NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2008

(Continued)

27.3 STOCK FLOWS PER PRODUCT-2007/2008

									GREEN	PADDY	DAP	Z X	N N N
	MAIZE	WHEAT	RICE		INSECTOIDES	BEANS	SEEDS	WIMB	GRAMS	RICE	FERTILIZER	FERTILIZER	FERTILIZER
	90kgs	90kgs	100kgs	Pieces	25 kg	90kgs	65kgs	80kgs	BOkgs	80kgs	50kgs	50kgs	50kgs
	Bags	Bags	Bags		Packets	Bags	Вадѕ	Bags	Bags	Bags	Bags	Bags	Bags
OPENING STOCKS	1,506,465	10	3,674	1,133,173	99	72,954	4	8,083	330	19,660	728	412	170,761
PURCHASES	81,417	OI	OI	1,792,252	101	21,050	OI	OI		12,378	OI	OI	19,120
STOCK AVALABLE FOR SALE	1,587,881	의	3,674	2,925,425	167	94,004	41	8,083	330	32,038	728	412	189,881
SALES	1,587,414	0	16,299	1,127,193	80	88,737	0	7,174	330	0	881	405	188,565
TRANSFER TO/(FM) GOK STOCKS	0	O	0	0	0	0	0	0	0		0	0	0
TRANSFER (FM) 3RD PARTY STOCKS TRANSFER TO/(FM) MILLING			(13.048)					0		22.496			
STORAGE LOSS/(GAIN)													
ADJUSTMENT	123	의	S	(30,032)	-	365		32	0	(96)	(221)		488
DISPOSALS DURING PERIOD	1,587,538	의	3.301	1,097,161	티	89,102	OI	7,206	330	22,400	099	404	189,053
CLOSING STOCKS .	343	01	373	1.828.264	98	4.802	41	228	OI	2.638	क्ष	<b>col</b>	828

NATIONAL CEREALS AND PRODUCE 30ARD NOTES TO THE FINANCIAL STATEMENTS - 30JUNE 2008

(Continued)

27.4 STOCK FLOWS PER PRODUCT-2006/2007								PADDY	DAP	Z K	OAN	
	MAIZE	WHEAT	RICE	GUNNIES INSECTOIDES	CICIDES	BEANS	<u>SEEDS</u>	WIMBI RICE	FERTILIZER			IZER
	90kgs	90kgs	100kgs	Pieces	25 kg	90kgs	65kgs	80kgs 80kgs	50kgs	50kgs	50kgs	
	Bags	Bags	Bags		Packets	Bags	Bags	Bags Bags	Bags	Bags	Bogs	
OPENING STOCKS PURCHASES	3,230	25,816 <u>0</u>	2,657	3,083,257 <u>509,420</u>	113 148	22,785 <u>55,114</u>	4 OI ,	9,176	10,612 21, 26,124	216,016 Q	8,619 <u>0</u>	259,331 <u>0</u>
STOCK AVALABLE FOR SALE	1,594,427	25,816	2,657	3,592,677	261	77,899	Þ١	9,220	36,736 21	216,016	8,619	259,331
SALES	348,606	26,187	6,177	2,274,865	92	22,042	0	747	0 17	173,143	6,316	27,110
TRANSFER TO/(FM) GOK STOCKS								0				
TRANSFER (FM) 3RD PARTY STOCKS TRANSFER TO/(FM) MILLING			-9,802					-347	12,252			
STORAGE LOSS/(GAIN) ADJUSTMENT	(271)	(558)	(13)	(21,051)	0	6		(4)	130]	[45]	160	(104)
DISPOSALS DURING PERIOD	348,335	25,629	-3,638	2,253,814	<u>82</u>	22,051	OI	395	12,122	173,098	6,476	27.006
CLOSING STOCKS	1.246.092	187	6.295	1,338,863	162	55.848	41	8.825	24,614 4	42,918	2,143	232,325

## NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2008 (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:

	30TH JUNE 2008	30TH JUNE 2007
(a) Revenue from Services/facilities	<u>Kshs.</u>	<u>Kshs.</u>
Weigh Bridge charges	19,717,416	21,189,565
Bagging and handling charges	17,569,322	16,398,554
Cleaning charges	0	0
Rental charges	143,125,849	116,528,564
Drying and Fumigation	17,805,791	92,609,594
	<u>198,218,378</u>	<u>246,726,277</u>
(b) Agency Services		
GOK Agency remuneration	519,033,069	571,521,464
Agency commission from inputs	<u>0</u>	19,053,021
Sub - total (a+b)	<u>717,251,447</u>	<u>837,300,762</u>
(c) <u>Sundry Income</u>		
Receipts for Private Telephone Calls	27,881	34,866
Insurance Compensation	2,625,730	16,758,606
Sale of Tender documents	1,388,000	1,333,000
Sale of Obsolete Material	415,484	961,265
Other Miscellaneous Income	4,863,906	6,536,326
Other fees and charges	1,338,461	3,534,535
Gain/(Loss) on disposal of fixed assets	<u>0</u>	<u>0</u>
	<u>10,659,462</u>	29,158,599
(d) <u>Investment income</u>		
Interest earned on Short term		
Investments (FDR'S)	. 0	1,309,877
Interest/penalties charged on loans to		
former Associated Companies	0	0
<u>Less</u> : Withholding tax	<u>0</u>	<u>0</u>
	<u>o</u>	1,309,877
Total other Income per		
Profit & Loss A/C	<u>727.910.909</u>	867,769,238

## NATIONAL CEREALS AND PRODUCE BOARD NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2008

(Continued)

## OPERATING AND ADMINISTRATION EXPENSES FOR THE PERIOD ENDED 30TH JUNE 2008

#### 29. EXPENDITURE DETAILS

	30TH JUNE 2008	30TH JUNE 2007
	<u>Kshs</u>	<u>Kshs</u>
DIRECT COSTS		
Import Costs	4,468,513	0
Hired road & rail transport	12,347,014	47,442,694
	16,815,527	47,442,694
STAFF COSTS		
Salaries and wages Board's contributions to	482,003,221	412,228,965
Provident Fund and Staff		
savings schemes	67,000,636	57,642,831
Board's contribution to		
National Social Security Fund	2,380,366	2,716,200
Medical expenses .	29,765,571	26,759,380
Leave pay and gratuities	13,693,229	11,201,273
Welfare and training	<u>13,635,762</u>	16,345,653
	<u>608,478,785</u>	526,894,301
GENERAL ADMINISTRATION		
Board Members Allowances	3,679,718	3,431,678
Advertising	1,102,661	2,787,688
Conservancy, light and water	30,801,799	47,044,849
Consumable stores	788,972	779,580
Entertainment	76,127	130,740
General expenses	C	0
Insurance	17,823,927	16,377,772
Land rents & rates and siding charges	17,174,429	17,767,104
Maintenance of machinery, furniture		
and equipment	14,687,801	27,851,618
Maintenance of buildings, fences, gates,		
roads and railway sidings	19,390,253	3 20,366,874
Postage, telegram & telephone	14,113,399	12,625,442
Printing and stationery	10,708,320	9,720,386
Security expenses	47,150,999	53,937,628
Subscriptions & Nafaka Newsletter	551,770	723,680
Uniforms and protective clothing	1,210,253	3 732,782
Donations	<u>185,872</u>	
	179,446,300	214,405,643

#### NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2008

(Continued)

# OPERATING AND ADMINISTRATION EXPENSES FOR THE PERIOD ENDED 30TH JUNE 2008

	30TH JUNE 2008	30TH JUNE 2007
GENERAL OPERATING EXPENSES	<u>Kshs</u>	<u>Kshs</u>
Fumigation expenses	18,609,965	14,577,615
Grain dryers operating costs	]1,056,319	70,847,682
Commoditity handling costs	1,656,199	2,895,960
Hired transport( Non-commodities)	0	0
Shows and exhibitions	3,342,749	5,654,870
Travelling and subsistence	26,625,495	26,365,613
Vehicle running costs	21,023,742	23,444,959
Milling Costs	16,036,422	4,899,891
PROFESSIONAL EXPENSES		
Audit fees	2,500,000	2,500,000
Legal and other professional fees	<u>7,816,196</u>	11,074,472
	108,667,087	162,261,063
PROVISIONS		
Depreciation charges	421,146,601	417,685,236
Provision for bad and doubtful debts	10,000,000	15,000,000
Provision for obsolete stocks	<u>0</u>	<u>0</u>
	431,146,601	432,685,236
TOTAL EXPENDITURE BEFORE FINANCE COSTS	1,344,554,300	1,383,688,937
Bank charges	32,306,052	41,802,600
Bank overdraft and loan interest	179,372,257	132,109,638
	211,678,309	173,912,238
TOTAL OPERATING EXPENDITURE		
EXTRA-ORDINARY ITEM OF EXPENSE	1,556,232,610	<u>1,557,601,174</u>
Early retirement staff costs	0	<u>0</u>
		_
TOTAL EXPENDITURE (DIRECT AND INDIRECT)	1.556.232.610	1.557.601.174



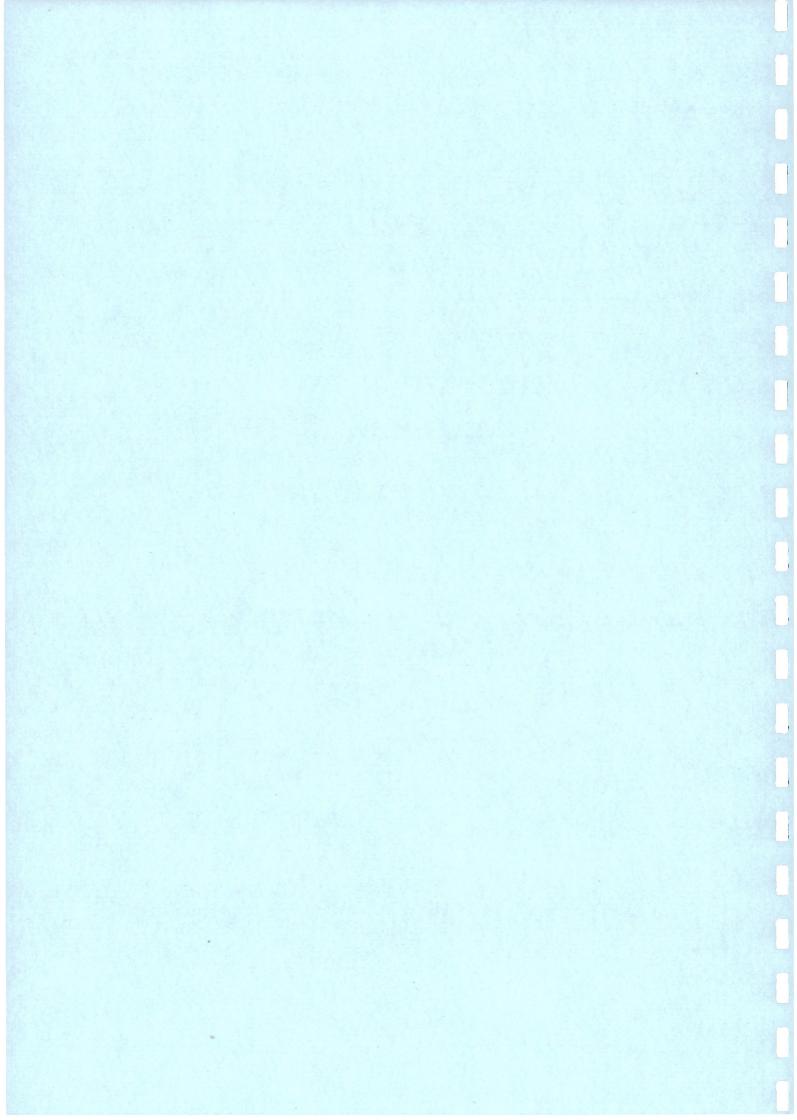
#### **FINANCIAL HIGHLIGHTS**

AND

**STATISTICS** 

2003/2004 TO 2007/2008

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



RATIO ANALYSIS 2003/2004 - 2007/2008

ii) Net Profit : Sales

741 er

		2003/2004	2004/2005	2005/2006	2006/2007	<u>2007/20(</u>
1.	LIQUIDITY RATIOS					
a)	Current Ratio	144.75%	123.17%	113.00%	107.51%	171.42'
b)	Acid Test	92.32%	112.18%	71.84%	59.13%	167.22
2.	CAPITAL STRUCTURE RATIOS					
a)	Ratio of Debt: Total Assets	19.57%	30.09%	18.09%	32.03%	13.55
b)	Gearing Ratio	0.00%	0.00%	0.00%	0.00%	0.00
3.	ACTIVITY RATIOS					
a)	Turnover ratio of Sales: Capital employed	8.55%	15.95%	9.01%	13.78%	29.58
b)	Stock Turnover (Days)	450	263	270	472	1
<b>1</b> .	PROFITABILITY RATIOS					
a)	Return on capital Employed (ROCE)	-11.45%	-5.68%	-5.06%	-4.92%	-1.63
b)	Profitability of Sales					
	i) Gross Margin : Sales	21.76%	20.55%	16.16%	9.78%	18.5€

-35.60%

-133.96%

-56.16%

-5.5(

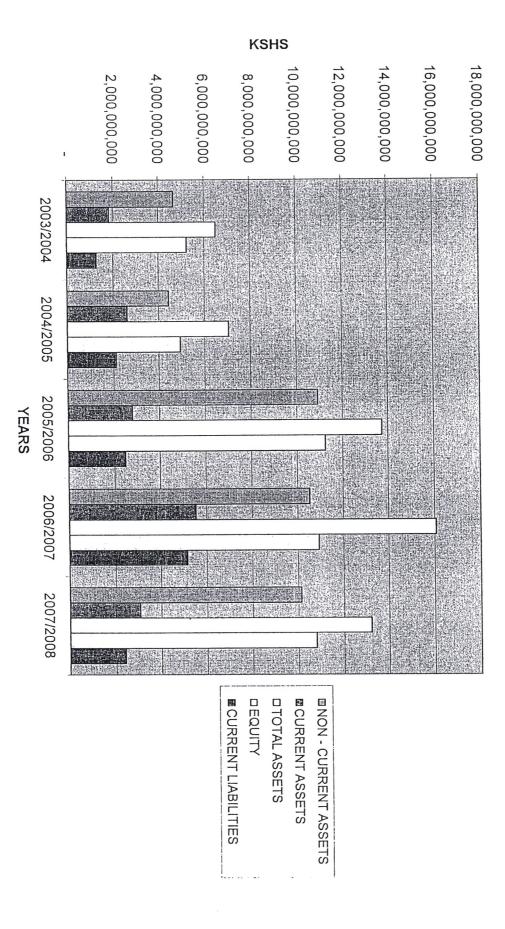
-35.74%

2

# NATIONAL CEREALS AND PRODUCE BOARD SUMMARY OF OPERATING RESULTS 2003/2004 TO 31.12.2008

	2003/2004 KSHS	2004/2005 KSHS	2005/2006 KSHS	2006/2007 KSHS	2007/2008 • KSHS
SALES TURNOVER	446,562,218	785,298,985	1,012,605,447	1,504,687,000	3,377,025,025
COST OF SALES	349,405,468	623,884,440	848,982,251	1,357,459,166	2,750,378,058
GROSS MARGIN	97,156,750	161,414,545	163,623,196	147,227,834	626,646,967
GROSS MARGIN AS A PERCENTAGE OF SALES .	21.76%	20.55%	16.16%	9.78%	18.569
OTHER INCOME	434,895,935	<u>754,536,297</u>	630,183,349	867,769,238	727,910,909
GROSS MARGIN & OTHER INCOME TOTAL COSTS BEFORE BAD DEBTS,	532,052,685	915,950,842	793,806,545	1,014,997,072	1,354,557,87€
DEPRECIATION AND EXTRA ORDINARY ITEMS	698,679,080	<u>820,950,129</u>	937,813,255	1,120,016,048	1,109,044,588
SURPLUS/(DEFICIT) BEFORE BAD DEBTS, DEPRECIATION			•		
AND EXTRA ORDINARY ITEMS	(166,626,395)	95,000,713	(144,006,710)	(105,018,976)	245,513,288
Depreciation Expense Provision for bad and doublful debts Extra-Orumary mems:	416,342,344 15,250,260	226,882,657 147,648,325 	414,678,562 10,000,000	417,685,236 15,000,000	421,146,60 10,000,000
					*
SURPLUS/(DEFICIT)	(598,218,999)	(279.530.269)	(568,685,272)	(537.704.212)	(185,633,313

3 NATIONAL CEREAL AND PRODUCE BOARD BALANCE SHEET 2003/2004 TO 2007/2008 FY



## NATIONAL CEREALS AND PRODUCE BOARD COMPARATIVE BALANCE SHEETS 2003/2004 TO 2007/2008 FY

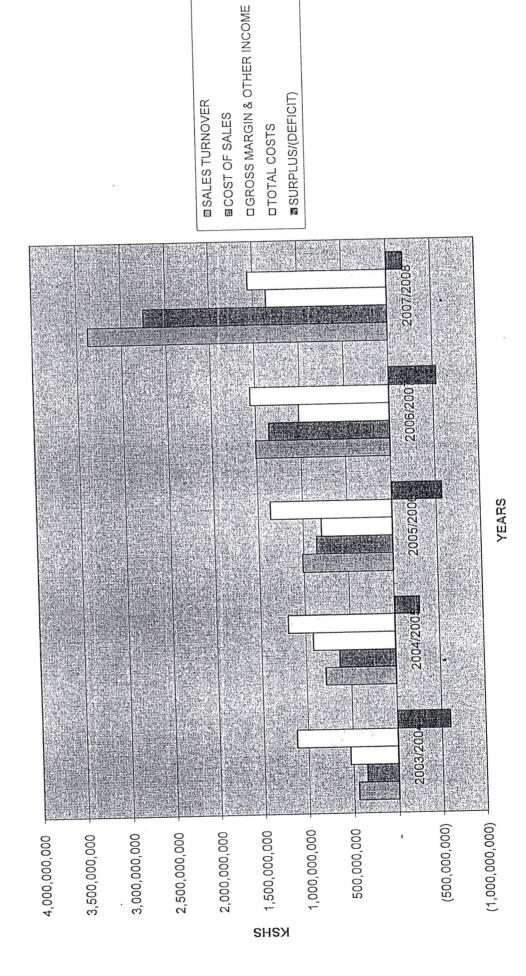
	2003/2004 KSHS	2004/2005 KSHS	2005/2006 KSHS	2006/2007 KSHS	2007/2008 KSHS
ASSETS					
NON - CURRENT ASSETS FIXED ASSETS	4,649,285,324	4,429,751,270	10,921,242,546	10,534,462,905	10,137,769,552
INVESTMENT	6,618,580	3,222,616	0	0	0
LOANS	<u>0</u>	<u>0</u>	<u>0</u>	0	0
	4,655,903,904	<u>4,432,973,886</u>	10,921,242,546	10,534,462,905	10,137,769,552
CURRENT ASSETS	1,839,678,269	<u>2,610,518,479</u>	<u>2,805,693,326</u>	<u>5,532,043,966</u>	3,067,500,959
	6.495.582.173	7.043.492.365	13,726,935,872	<u>16.066,506,871</u>	13,205,270,511
EQUITY AND LIABILITIES					ŗ
EQUITY					
CAPITAL FUND	6,304,142,172	6,304,142,172	6,304,142,172	6,304,142,172	6,304,142,172
REVALUATION RESERVE	2,699,423,826	2,699,423,826	9,589,422,793	9,589,422,793	9,589,422,793
ACCUMULATED SURPLUS	(3,778,962,559)	(4,079,524,444)	_(4,649,628,533)	(4,972,836,938)	(5,110,963,129)
CAPITAL FUND	<u>5,224,603,439</u>	4,924,041,554	<u>11,243,936,432</u>	10,920,728,027	<u>10,782,601,836</u>
CURRENT LIABILITIES	<u>1,270,978,734</u>	2,119,450,811	2,482,999,440	<u>5,145,778,844</u>	<u>2,422,668,675</u>
EQUITY AND LIABILITIES	6,495,582,173	7.043,492,365	13.726.935.872	16,066,506,871	13,205,270,511

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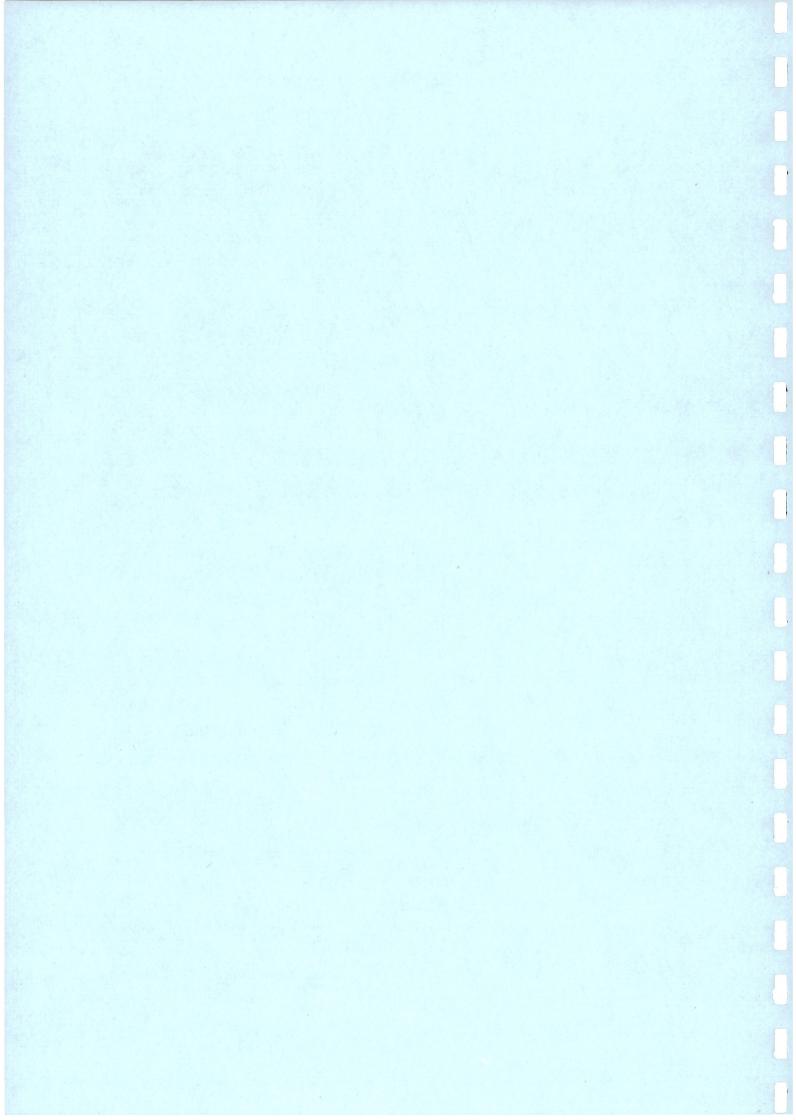
5 NATIONAL CEREAL AND PRODUCE BOARD SUMMARY OF OPERATING RESULTS 2003/2004 TO 2007/2008





# GOK AGENCY OPERATIONS BALANCE SHEET AND ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2008

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



# NATIONAL CEREALS AND PRODUCE BOARD GOK AGENCY OPERATIONS ANNUAL REPORT AND ACCOUNTS 30TH JUNE 2008

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# NATIONAL CEREALS AND PRODUCE BOARD GOK AGENCY OPERATIONS - GOK FAMINE RELIEF PROGRAMME BALANCE SHEET AS AT 30TH JUNE 2008

		30.06.2008	30.06.2007
		<u>Kshs</u>	<u>Kshs</u> .
Famine Relief Stocks	3	943,754,936	79,549,012
SGR Stocks		2,297,531,375	5,733,257,770
•			
Shortfall in GOK			
funding to NCPB	4	391,997,443	2,584,299,285
		<u>3,633,283,754</u>	8.397.106.067
GOK Agency Account	4	391,997,44	3 2,584,299,285
Net Surplus			0 0
Stock Reserve Account		<u>3,241,286,31</u>	<u>5,812,806,782</u>
		<u>3,633,283,75</u>	<u>4</u> <u>8.397,106,067</u>

# NATIONAL CEREALS AND PRODUCE BOARD GOK AGENCY OPERATIONS NOTES TO THE ACCOUNTS - 30TH JUNE, 2008

#### 1. ACCOUNTING POLICIES

#### (a) Valuation of closing stocks

- 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 beer 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 fo 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 <u>Guiding Reform Policies and Principles on GOK Social Functions</u>

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

- (i) Procurement, handling, storage and maintenance of Strategic Grai Reserve Stocks of up to 3.0 million X 90 Kg bags of maize
- (ii) Procurement, handling, storage, maintenance and distribution of GC 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 Governme from time to time

# NATIONAL CEREALS AND PRODUCE BOARD GOK AGENCY OPERATIONS NOTES TO THE ACCOUNTS – 30<sup>TH</sup> JUNE 2008

#### 2.2 Provisions of Agency Agreement

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

The rates applicable in 2007/2008 FY for various services and facilities which were mutually agreed upon on 12th November 2002 by the two parties were as follows:-

<u>Natur</u>	e of Service/facility KS	Rate Shs/Percentage
a) b) c) d) e) f) g)	Storage Quality maintenance Commission on Purchasing Commission on releases Commercial on sales Commission on direct transport of Commission on commodity hand	3.20 per bag per month 3.50 per bag per month 85.00 per bag 17.00 per bag 8 % of sales value ost 8 % of transport cost lling 8 % of handling cost

#### CLOSING STOCKS

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

Category/Product	As at 30.0	6.2008	As at 30.	06.2007
	Bags	Value KShs	Bags	Value KShs
GOK Famine Relief -			1	_
Maize(90 kg)	672,998	938,747,620	0	0
GOK Famine Relief -				
Beans (90 Kg)	0	0	20,667	64,834,785
GOK Famine Relief -				
S/hand Gunnies	151,566	3,722,276	327,129	7,495,522
Green Grams	. 0	0	59	97,350
Millet/Sorghum	106	91690	1,224	960,105
Garden peas	386	1,003,600	1,374	3,572,400
Imported wheat	0	0	0	C
Pigeon peas	115	189,750	1,569	2,588,850
Sub Total F/Relief Stock		943,754,936		79,549,012
SGR Maize Stocks	1,656,852	2,297,531,375	3,942,934	5,733,257,770

GOK AGENCY OPERATIONS NOTES TO THE ACCOUNTS - 30TH JUNE 2008

Stock Movement

														,		
				1	7000 1000 EV								2006/200/FT	_		
				707	1/20001/				Ţ	1		, and 100 A		CEREN GIRASORGHUM		GARDEN PEAS
	SGR MAIZE	F/RELIEF MA GUNNIES	GUNNIES	GARDEN PEA WHEAT		PIGEON PE	PIGEON PE Green Grams	BEANS	SORGHUM	SGR MAIZE	GUNNES	r/KELIET IN BEANNA				
							(2000	COOKE BARK	(90ka Baas)	(90kg Bags	Pleces	(90kg Bay	90kg Bags)	(90kg Baj (90kg Bags) (90kg Bags) (90kg Bags)	90kg Bags)	90kg Bags)
	(90kg Bags	(90kg Bags) Pleces	Pleces	(90kg Bags) (90kg Bag	(90kg Bag	(yukg bag	(YUKG BAG) (YUKG BAG)		1 104	1 892 457	153.748		30,660	1,139	1,224	1,374
	BAN AFO F		327,129	1,374	•	1,374	1,628	70,007	to!'.	1017701						
OPENING SIOCKS	20,00,00								_	77,281		48,311				
Transfer from SGP stock to F/Relief Stock	48,311	1,080,094	•	•			.			107 037 6	1003001	374.532	18.422	,	866	•
		076 61	197.81		,		•	/99'£1	•	1,0,10,10	1700001	,				
Purchases/Surrendered	76/7/9	15,047	10,401				90%	155 16	1 104	4.429.429	1,156,769	422,843	49,082	1,139	2,222	1,3/4
Stocks Available For Distribution/Sale	4,251,655	1,093,443	345,920	1,374		1,3/4	070'1	Lone Lo								,
Deduct Disposals:							155	756 76	801	429.429	829,640	345,562	28,415	080′1	,	,
Dolores (Sales	1,575,160	372,134	194,354	988	•	1,374	CIC,I	נייייייייייייייייייייייייייייייייייייי	2001	110.07		180 77		,		•
Valences/Surjes		118.87		   			•	,	•	40,01						
Transfer to F/Relief Stock from SGR Stock		200								15,621		•	•	,	1,118	
Storage Loss/(Gain Adjustment	19,643		•						000	172 007	000 440	422 RA3	28.415	1,080	1,118	•
	2 504 903	377 067	194.354	988	•	1,374	1,513	34,334	000,1	00,074	20172		1	2	1 104	1 374
Sub-Total	2,374,003			, 60			115		104	3,936,068	327,129		20,66/	23	1,101	
CLOSING STOCKS	1,656,852	672,998	151,566	200												

NATIONAL CEREALS AND PRODUCE BOARD GOK AGENCY OPERATIONS

. as at 30.04.2008	Net due (to)/from the Agent	1/07/2007	Add:	(c) Nel Surplus/(Delicit) for the year	iotal Expenditure (a + b)	Sub - lotal (b)	debots exclusively for COs one	5 % management fees on	storage of stocks supplied by third party		Interest on delayed payments	Drying costs	Commission on commercial sales	handling costs	Commission on commodity	Commission on direct transport	Commission on releases	Commission on purchases	Quality maintenance	Storage	services/lacilijes provided	Agency fees and charges for	(b) Sub - Total (a)	Operating Expenses	Direct Handling costs	Inter-function transactions	Transport Costs	Lass on foreign exchange	Import Costs	Procurement costs	Remittances of Sales Proceeds to GO	(a) Direct costs/Remittances	2 EXPENDITURE	and - lotal (1)		S/hand Gunny Boas	(c) Soles proceeds of returned	(b) Receipts from Rent	(a) Direct receipts from GOK	I INCOME/RECEIPTS FROM GOK					No.
[342,341,936]		[342,341,936]				ı la			mild parry			0	ales 0	0		97	0	0	0	0			ΙQ	Q	0	0	0			0	ds to GO 0			IC	, ,	0		0	0		Kshs	Old Account	Grain Reserve	GOK Strete pic	
560,045,582		(1.799.216.319)		2,359,261,908	2,43/,6/6,8/8	462,162,286	. 10	•	c		0	0	173,080,194	576,624		4,893,407	0	22,718,460	0	260,893,601.45			1,975,514,592	Q	7,207,798	0	61,167,584	0	0	376,859,160	1,530,280,050			4,/76,738,/86		2 163 507 428			2,633,436,358		Kshs	New Account	Grain Reserve	GOX Strategic	
[191,916,638]		(191.916.638)		0	IC	10	, IC	o	c		o	0	0	0		0	0	0	c				ю	ю	0	0	0	0	0		0			IC	, ,	0		0	0	ļ	Kehs	Relief Depots	famine Relief	GOX 17 Selected	
3.247.805		3.967.805		0	lo	ı lo	ı ic	•		,	0	0	0	0		0	0	0	0	0			ю	10	0	0	0			0	0			IC	, ,	0		0			X sh	Programme	Food Aid		
(168.480)		[168,480]		0	ı tc	ı IC		o	c		0	0	0	0		0	0	0	0	0			10	Q	0	0	0	0	0	0	0			IC	<b>o</b> 1	0		0	0		Kshs	?rogramme	Food Aid		INCOA
(394.275.449)		(357.709.161)		53,433,712	171,205,617	35,326,171	IC.	•	c		0	0	0	114.172		215,814	6.726.095	7,942,655	0	40,327,435			135,879,448	Ю	1,427,145	0	2,697,673			131,754,630				44,637,331		4 434 432		0	240.204,899		Kshs	Programme	Famine Relief	2001/2007 Malz	GOK AGE
(79,049,430)		(36,648,768)		-42,400,643	66,150,663	1,233,230			c		0	0	0	7.635		0	540,787	0	0	684,808			64,917,433	Ω	95,433	0	0	0	0	64.822,000	0			23,730,000		0		0	23,750,000		Kahs	Programme:	Famine Relief	2001/2002 hears	GOK AGENCY OPERATIONS INCOME AND EXPENDITURE ACCOUNT AS AT 30TH JUNE 2008
8.359.192		7,573,891		784,102	-/86,102	70,877		5	c		0	0	0	0	0	0	0	0	0	78.899			-865,000	0	0	-865,000	0				0			IC	<b>o</b> 1	0		0	0		Kshs	frogramme	Sorghum	WE!!	1 JUNE 2008
745.252		749,312		(4,053)	4,053	3///	,	<b>o</b>	-		0	0	0	23	0	0	1,560	0	0	2,195			275	10	275	0		0	0		0			IC	,			0	0	1	Kshs	?rogramme	Grams	G.	
(395,795)		[191,053]		(204,743)	204,/43	17/.6/4								566	0	0	40,058	0	0	157,050			7.069	10	7,069		0	0	0	0	0			IC	•				0			17	9	Caw/Gomien	
					ıc	ı IC	•							0	0	0	0	0	0	0			ю	Ю	0		0	0	0.00	0	0			IC		0			0		Kshs	Wheat	Swap	GOK	
(46.168.357)		[46,931,925]		(34,434)	36,434	31,034	. 10			3 2	0	0	0	432		0	30,602	0	0	0			5,400	9	5,400	0	0				0			IC		0		0	0		Kshs	Programme	Importation	GOX Maire	
(391,997,443)		(2.762.833.272)		2,370,835,830	2.674.472.28/	517,033,070	IC	•	c		0	0	173,080,194	699,450	0	5.109,221	7.339,102	30.661,115	0	302.143,989			2,175,459,217	10	8,743,120	-865,000	63,865.257	0	0	573,435,790	1,530,280,050			3,063,328,117		2.167.936.860	5	0	2.897,391,257		Kshs	Total			

#### NATIONAL CEREALS AND PRODUCE BOARD GOK AGENCY OPERATIONS

#### NOTES TO THE ACCOUNTS - 30TH JUNE 2008

#### (Continued)

#### AMOUNTS OWING ON AGENCY SERVICES

#### 5.1 <u>Composition</u>

5

The breakdown of the amounts owing to the Agent as at 30th June 2008 in relation to each Agency operationas well as remittances received from the Government (OP-R&R) during the year are summarized here below:-

			Cumulative Amounts Due	Amounts Received	Net amounts Outstanding	Net amounts Outstanding
					30th June 2008	30th June 2007
			<u>KShs</u>	<u>K\$hs</u>	KShs	<u>KShs</u>
a)	Strategic Grain					
	<u>Reserve Programme</u>					
	Balance B/F on 1/7/2007		342,341,936	0	342,341,936	163,807,949
	2007/2008 expenses:-					•
	Direct costs		0	0	0	0
•	Storage Charges		Q	Q	Q	. 0
	Sub – Total		342,341,936	<u>o</u>	342,341,936	163,807,949
b)	<u>Famine Relief Programme</u>					
	Balance B/F on 1/7/2007		429,358,379	0	429,358,379	359,129,542
	2007/2008 expenses:-					
	Direct costs		199,944,626	263,954,899	(64,010,273)	232,663,896
	Storage Charges		56.870,783	Q	<u>56.870.783</u>	245,712,409
	Sub — Total	·	<u>686,173,789</u>	263,954,899	. 422,218,890	837,505,848
c)	GOK 17 selected					
	Depois for F/Relief					
	Balance B/F on 1/7/2007		191,916,638	0	191,916,638	191,916,638
	2007/2008 expenses:-					
	Direct costs		0	0	0	
	Storage Charges		0	0	0	
	5 % Management fees		<u>0</u>	Q	. 0	
	Sub – Total		191,916,638	<u>o</u>	191,916,638	191,916,638
d)	Strategic Grain					
	Reserve Programme					
	Balance B/F on 1/7/2007		1.799,216,319	1,485,209,807	314,006,512	-2,855,315,072
	2007/2008 expenses:-					
	Direct costs		1,975,514,592	3,311,728,979	(1,336,214,387)	4,330,417,563
	Storage Charges		<u>462,162,286</u>	Q	462,162,286	324,113,827
	Sub — Total		4,236,893,197	4,796,938,786	<u>-560,045,589</u>	1,799,216,318
	Total (a+b+c+d)		5,457,325,558	5,060,893,686	396,431,875	2,992,446,753
e) *	<u>Less:</u>	Net sales 			4,434,432	<u>229.613.481</u>
	Net Amount outstanding as at	30th June 2008			<u>391,997,443</u>	2,762,833,272

# MATIONAL CEREALS AND PRODUCE BOARD GOK AGENCY OPERATIONS NOTES TO THE ACCOUNTS - 30TH JUNE, 2008

#### 5 **COMMODITY PURCHASES**

#### 6.1 Purchases on Agency Basis

During 2007/2008 FY the Agent (NCPB), at the request of the Principal (Government – OP-R&R) procured on agency basis, the under listed commodities for GOK Famine Relief/Emergency Programmes:-

Commodity	2007/2008 FY Quantity (90Kas	2006/2007 FY Quantity (90Kgs
Maize F/R	13,349	374,532
Beans	13,667	18,422
Green Grams	0	0
Millet/Sorghum	0	998
SGR Maize	267,276	2,459,691

#### 7 RELIEF COMMODITIES DISTRIBUTED IN 2007/2008 FY

#### 7.1 Commodities Distributed

During 2007/2008 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.

	2007/2008 FY Quantity (90Kgs)	2006/2007 FY Quantity (90Kgs)	
Maize	372,134	345,562	
Beans	0	28,415	
Green Grams	1,513	1,080	
Millet/Sorghum	1,000	0	
Pigeon peas	0	795	

# MATIONAL CEREALS AND PRODUCE BOARD GOK AGENCY OPERATIONS NOTES TO THE ACCOUNTS - 30TH JUNE, 2008

#### 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:-

	2007	2007/2008 FY		2006/2007 FY	
	Quantity	Cost	Quantity	Cost	
	(90Kgs)	KShs	(90Kgs)	KShs	
Maize F/R	11,860	2,697,673	148,388	51,879,266	
Maize SGR	264,801	61,167,584	2,054,392	437,521,506	
Beans	0	0	0	0	
Green Grams	0	0	0	0	
Sorghum	0	0	0	0	
Total		63,865,257		493,625,667	

#### 8 **CONTINGENT LIABILITIES**

A contingent liability amounting to KShs 178,533,987.00 continued to remain unsettled as at 30<sup>th</sup> June 2008. This liability relates to a GOK market intervention measure implemented by the Agent (NCPB) in providing a market outlet for local wheat at predetermined 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 grose from maize export losses during 2001/2002 FY.