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Sisal Board of Kenya

ANNUAL REPORT - 1995

AND

ANNUAL AUDITED ACCOUNTS

1994/1995 FINANCIAL YEAR

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SISAL BOARD OF KENYA



CONTENTS

	<u>PAGE</u>
Annual Report	1-3
Appendices to the Annual Report	4-6
Auditor's Report	7
Balance Sheet	8
Income and Expenditure Account	9
Notes to the Accounts	10 - 15

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SISAL BOARD OF KENYA

ANNUAL REPORT - 1995

BOARD MEMBERSHIP

Harold Robert Mngoda	—	Chairman
Anthony George Combos	—	Member
Fritz Kaestli	—	“
Abner Ochieng	—	“
Erastus Kamau Rukungu	—	“
C. D. Wilson	—	“
E. S. Musila	—	“
Permanent Secretary, Ministry of Agriculture, Livestock Development and Marketing	—	“
Permanent Secretary, Ministry of Finance	—	“
Director of Agriculture	—	“
Managing Director, Sisal Board of Kenya	—	Member and Secretary
Registered Head Office	—	Old Mutual Building, Kimathi Street, P.O. Box 41179 <u>NAIROBI.</u>
Regional Offices	—	Sisal Board Inspectorate Mozambique Road P.O. Box 81764 <u>MOMBASA.</u>

SISAL INDUSTRY REVIEW - 1995

(a) Sisal Production

There was a marked decline in sisal fibre production compared to 1994. The 1994 production was 33,953 tonnes compared to 27,946 tonnes in 1995. This was a result of depressed demand in the world markets in 1991/92 and the first half of 1993 which large scale plantation had not fully recovered from.

On regional basis, production of all grades of sisal fibre and tow during the last two consecutive years was as follows:-

<u>Province</u>	<u>Production in 1994 (Tonnes)</u>	<u>Production 1995 (Tonnes)</u>
Coast	14,159	12,465
Rift Valley	13,295	11,303
Central	935	608
Eastern	4,473	3,168
Nyanza	1,091	402
Total Whole Country	<u>33,953</u>	<u>27,946</u>

(b) Sisal Marketing

Between 80-90% of all sisal fibre and tow produced in Kenya is exported to over 30 countries every year. The rest is sold locally. In 1995 out of the production of 27,946 metric tonnes, a total of 23,718.8 tonnes were exported. The country earned KShs. 608,322,637. In 1994 a total of 26,315 tonnes were exported earning the country an equivalent of KShs. 689,046,615. In 1995 a total of 7,317 metric tonnes of sisal was sold locally earning farmers a total of KShs. 148,145,970. Our sisal fibre is still in high demand due to its high quality and wide spread importing countries stretching from Europe to the Far East. Currently the average price of widely exported sisal grades UG and 3L stand at US\$717 per tonne f.o.b. Mombasa.

The top ten importers are Portugal, Japan, Germany, Egypt, Belgium, U.K. S. Korea, Syria, Spain and S. Africa.

(c) Sisal Board Operational Results

For the second year running, the Board realized a financial surplus from 1994/95 operational budget. The result was achieved despite the lower fibre production.

The Board intends to maintain a small surplus situation in its revenue and expenditure account at the end of the current financial year and during the future years. This is a reversal of the periods 1992/93 financial year.

Pre-shipment inspection of sisal was and still remain one of the major roles of the Board. This has enabled the Board to continue to uphold the countries reputation as an exporter of some of the best sisal fibre in the world.

K.S. MUKUNA
MANAGING DIRECTOR

SISAL BOARD OF KENYA

APPENDIX "A"

SISAL EXPORTS BY COUNTRY DESTINATIONS - 1996

<u>COUNTRIES</u>	<u>TONNES</u>
AUSTRALIA	345
BANGLADESH	224
BELGIUM	1,472
CANADA	374
DENMARK	112
EGYPT	1,566
FRANCE	128
GERMANY	1,671
HONG KONG	32
HOLLAND	94
INDIA	164
ITALY	326
IVORY COAST	110
ISRAEL	16
JAPAN	2,081
MOROCCO	73
NETHERLANDS	274
NEW ZEALAND	272
PAKISTAN	222
PORTUGAL	3,736
PHILIPPINES	587
S. AFRICA	764
S. ARABIA	553
SRI-LANKA	30
SPAIN	851
SYRIA	982
S. KOREA	212
TAIWAN	524
TURKEY	474
U.K.	1,455

TOTAL 20,724

VALUE OF EXPORTS 1995 IS KSHS. 605,322,637

APPENDIX "B"

WORLD MARKET AVERAGE SISAL PRICES IN US\$ PER TONNE

F.O.B. MOMBASA PORT - 1995

MONTHS	GRADES						
	NO. 1	NO. 2	3L	NO. 3	UG	UHDS	TOW I
JANUARY	600	510	550	500	485	450	260
FEBRUARY	640	540	550	520	500	450	290
MARCH	645	540	555	530	520	450	290
APRIL	650	550	570	560	550	450	290
MAY	650	550	570	560	550	450	290
JUNE	650	580	590	570	550	470	300
JULY	650	600	590	570	550	500	300
AUGUST	650	600	600	580	550	500	300
SEPTEMBER	680	600	600	580	555	525	310
OCTOBER	680	600	610	580	555	525	320
NOVEMBER	690	650	620	590	580	525	350
DECEMBER	720	670	640	500	580	530	350

APPENDIX "C"

MONTHLY SISAL PRODUCTION IN TONNES BY GRADE - 1995

MONTHS	GRADES										TOTAL
	NO.1	NO.2	3L	NO.3	UG	UHDS	TOW I	TOW II	F/TOW		
JANUARY	66	31	901	108	1122	-	205	3	-		2436
FEBRUARY	14	28	784	58	1277	57	145	3	-		2366
MARCH	11	7	689	1	1307	160	131	1	-		2307
APRIL	23	51	613	179	1551	27	147	2	-		2588
MAY	12	24	627	97	1515	19	167	2	5		2468
JUNE	17	18	585	128	1619	150	160	-	-		2679
JULY	19	23	472	95	1715	19	160	-	-		2503
AUGUST	49	32	482	66	1489	14	174	1	-		2312
SEPTEMBER	19	28	296	60	1556	236	160	-	-		2356
OCTOBER	6	16	275	80	1493	44	145	13	-		2072
NOVEMBER	15	41	258	46	1180	257	121	18	-		1936
DECEMBER	32	64	186	170	1007	317	55	92	-		1923
TOTAL	283	363	6173	1088	16831	1295	1770	138	5		27946

SISAL BOARD OF KENYA

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA SISAL BOARD FOR THE YEAR ENDED 30^{6/4} JUNE 1995

I have examined the accounts of the Kenya Sisal Board for the year ended 30 June 1995 in accordance with the provisions of Section 29 (2) of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations that I required for the purpose of the audit. Proper books of account have been kept by the Board and the accounts are in agreement therewith and comply with the Sisal Board Act (Cap 341).

Subject to the matters referred to herebelow, in my opinion, the Balance Sheet and the Income and Expenditure Account when read together with the notes thereon present a true and fair view of the Board's state of affairs as at 30 June 1995 and of its surplus and source and application of funds for the year then ended.

1. BOARD OF DIRECTORS

It was observed that the Sisal Board had been operating without a legally constituted Board of Directors contrary to the requirements of Section 3 (1) of the Sisal Board Industry Act (Cap 341) and Section 6 (1) of the State Corporations Act (Cap 446). In the absence of a Board of Directors, it is clear that the requirements of Section 15 (1) of the State Corporation's Act (Cap 446) regarding accountability for the Board's funds, business and management have not been upheld.

2. DEBTORS AND PREPAYMENTS

Included in the debtors and prepayments figure of Kshs. 902,704 shown in the Balance Sheet are debtors and prepayments amounting to Kshs. 178,535 which have been outstanding for a number of years and whose recoverability looks doubtful. I am now informed that action is being taken to get approval of the Board when it is constituted to write off the irrecoverable debts and that collectable debts will be collected.

3. AWARDING OF CONTRACTS

During the year under review, the Management awarded a contract for repair of its godowns in Mombasa at a cost of Kshs. 1,423,246 to the only firm which tendered and further paid the firm an advance of Kshs. 400,000 contrary to the existing regulations. Further, the Management appointed a consultancy firm to supervise the repairs of the godowns without inviting open tenders or quotations. In the absence of tenders or quotations, it is not clear how the consultancy firm was identified for this supervisory role.

4. STAFF MEDICAL SCHEME

While reviewing the operations of the staff medical scheme, it became apparent that the scheme had not been approved by the Board of Directors and also the relevant Government authorities. The medical allowances for the rest of the staff is limited but the allowances for three top officers are open ended besides lacking the necessary approval. I am informed that action is under way to regularize the scheme.

W.K. KEMEI

AUDITOR-GENERAL (CORPORATIONS)

30 May 1996

SISAL BOARD OF KENYA

BALANCE SHEET AS AT 30TH JUNE, 1995

	<u>NOTES</u>	<u>1994/95</u> <u>KSHS.</u>	<u>1993/94</u> <u>KSHS</u>
FIXED ASSETS	(1 and 2)	10,465,712	11,168,147
<u>CURRENT ASSETS:-</u>			
- Stocks	(3)	34,659	72,629
- Integrated Sisal/Dairy Project	(4)	171,845	
- Debtors and Prepayments	(5)	902,704	488,281
- Cash and Bank Balances	(6)	1,099,371	471,305
TOTAL CURRENT ASSETS		<u>2,208,579</u>	<u>1,032,215</u>
<u>CURRENT LIABILITIES:-</u>			
- Creditors and Provisions	(7)	237,327	211,220
NET CURRENT ASSETS		<u>1,971,252</u>	<u>820,995</u>
TOTAL NET ASSETS		<u><u>12,436,964</u></u>	<u><u>11,989,142</u></u>
<u>FINANCED BY:-</u>			
REVALUATION RESERVE		8,855,531	8,855,531
GENERAL FUND	(8)	3,581,433	2,903,202
F.A.O. GRANT		-	230,409
		<u><u>12,436,964</u></u>	<u><u>11,989,142</u></u>

SIGNED:-

MANAGING DIRECTOR

DATE 3 - 8 - 95

CHAIRMAN

SISAL BOARD OF KENYA

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1995

	<u>NOTES</u>	<u>1994/95</u> <u>KSHS.</u>	<u>1993/94</u> <u>KSHS.</u>
<u>INCOME</u>			
Cess	(9)	956,638	1,082,138
Rent	(10)	4,367,166	3,001,048
Inspection Service Charge	(11)	3,630,208	5,106,958
Licence fees	(12)	81,490	85,950
Rebaling Charge	(13)	150,779	89,408
Extra Ordinary Gain			27,150
Miscellaneous		27,818	11,250
TOTAL INCOME		<u>9,214,099</u>	<u>9,403,902</u>
<u>EXPENDITURE</u>			
Administrative and General Expenses	(14)	5,468,806	5,351,391
Personal Emoluments	(15)	3,092,248	3,328,981
TOTAL EXPENSES		<u>8,561,054</u>	<u>8,680,372</u>
TRANSFER TO GENERAL FUND ACCOUNT		<u>653,045</u>	<u>723,530</u>

SISAL BOARD OF KENYA

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 1995

NOTE 1 - ACCOUNTING POLICY

- (a) The accounts have been prepared on the historical cost basis of accounting. Regard has however been given to the revaluation of the motor vehicles which was done at the end of the previous financial year and thus the same carried at their depreciated revalued amounts.
- (b) The fixed assets have been depreciated on a reducing balance method at the following rates:-
- | | |
|--|-----|
| (i) Godowns | 3% |
| (ii) Furniture, fixtures, fittings and Equipment | 10% |
| (iii) Office Block - Mombasa | 3% |
| (iv) Motor vehicles | 25% |
| (v) A.S.K. Show Stand - Mombasa | 10% |
- (c) Revenues and expenses have been recognised and matched in the period to which they accrue.

KENYA SISAL BOARD

NOTE 2 - SCHEDULE OF FIXED ASSETS IN KSHS.

ASSETS	Cost Kshs.	Add. 1994/95 Kshs.	Dispo- sals 1994/95 Kshs.	Accum. Dep. Kshs.	Curr. Dep. Kshs.	1993/94 Net Book Value Kshs.	1994/95 Net Book Value Kshs.
Godown No. 1	4,451,811	-	-	806,661	109,355	3,645,150	3,535,795
“ ” 2	1,475,577	-	-	246,315	36,878	1,229,262	1,192,384
“ ” 3	3,271,990	-	-	556,088	81,477	2,715,902	2,634,425
“ ” 4	1,362,209	-	-	212,605	34,488	1,149,604	1,115,116
F.F.F. & Equip - Insp.	423,510	-	-	347,593	7,592	75,917	68,325
“ ” - H/O	473,830	20,000	-	228,016	25,582	245,814	240,232
“ ” - M/D' Res.	202,990	-	-	46,611	15,638	156,379	140,741
“ ” - H/Bay	34,019	-	-	7,503	2,651	26,516	23,865
Office Block - Msa	100,590	-	-	12,199	2,652	88,391	85,739
A.S.K. Show Stand - Msa	562,384	-	-	211,171	35,122	351,213	316,092
M/Vehicles - KWU 589	798,016	-	-	294,017	126,000	503,999	377,999
- KXL 129	659,674	-	-	271,674	97,000	388,000	291,000
- KAA 113P	853,399	-	-	261,399	148,000	592,000	444,000
TOTALS	14,669,999	20,000	-	3,501,852	722,435	11,168,147	10,465,713

NOTE 3 - STOCKS

Stocks valued at their cost price consist of baling ropes and baling press oils at KShs.20,509/= and KShs.14,150/= respectively.

NOTE 4 - INTEGRATED SISAL/DAIRY PROJECT

As at the close of the 1994/95 financial year the Board had incurred a sum of KShs.171,845/= from its resources on this project on behalf of Food and Agricultural Organization's farming systems programme of which it expects a reimbursement.

NOTE 5 - DEBTORS AND PREPAYMENTS

	1994/95	1993/94
	<u>KSHS.</u>	<u>KSHS.</u>
Trade Debtors	419,736	346,891
Staff Debtors	80,329	58,051
Prepayments	402,639	83,339
	<u>902,704</u>	<u>488,281</u>

NOTE 6 - CASH AND BANK BALANCES

	1994/95	1993/94
	<u>KSHS.</u>	<u>KSHS.</u>
Petty cash - Field Office (H/Bay)	284	1,254
“ “ - Insp.(Mombasa)	516	683
“ “ - H/Office (Nairobi)	15,912	9,006
Bank Balance	1,082,659	460,362
	<u>1,099,371</u>	<u>471,305</u>

NOTE 7 - CREDITORS AND PROVISIONS

	1994/95	1993/94
	<u>KSHS.</u>	<u>KSHS.</u>
Trade Creditors	104,666	94,700
Staff Creditors	72,661	28,737
Statutory Dues	-	27,783
Provisions	60,000	60,000
	<u>237,327</u>	<u>211,220</u>

NOTE 8 - GENERAL FUND ACCOUNT

	1994/95	1993/94
	<u>KSHS.</u>	<u>KSHS.</u>
Balance Brought forward	2,903,202	2,164,786
Prior Period Adjustments	25,186	14,886
	<u>2,928,388</u>	<u>2,179,672</u>
Transfer from Income and Expenditure Account	653,045	723,530
Balance Carried Forward	<u>3,581,433</u>	<u>2,903,202</u>

NOTE 9 - CESS INCOME

During the 1994/95 financial year a total of 31,888 metric tons of sisal was levied cess earning the Board a sum of KShs.956,638/= compared to 36,071 metric tons in 1993/94 when the Board earned KShs.1,082,138/= from this source. This represents a revenue drop of about 11.6% (KShs.125,500/=), which is attributable to a reduced production level occasioned by depressed shilling equivalent of export sales.

NOTE 10 - RENT INCOME

As a result of an upward adjustment of rental charges during the financial year the Board earned a sum of KShs.4,367,166/= from this source of revenue compared to the 1993/94 income of KShs.3,001,048/=. This represents an increase of KShs.1,366,118/= or 45.5% in rental income from the previous financial year.

NOTE 11 - INSPECTION SERVICE CHARGE

Revenue from this source dropped from KShs.5,106,958/= in 1993/94 financial year to KShs.3,630,208/= in 1994/95. This reflects a decline of KShs.1,476,750/= or 28.9%. This decline is attributable to the reduced sales volume experienced during the financial year coupled with the generally strong Kenyan shilling against the United States dollar (the major convertible currency that Kenya sisal is denominated in in the world market) compared to the 1993/94 financial year.

NOTE 12 - LICENCE FEES

This source of revenue registered a slight drop of KShs.4,460/= (about 5%) from the previous financial year when a sum of KShs.85,950/= was received from this source as compared to KShs.81,490/= during this financial year. This drop is attributable to the reduced export sales and hence fewer export licences were approved.

NOTE 13 - REBALING CHARGE

Revenue from this source went up by KShs.61,371/= (68.6%) from KShs.89,408/= in 1993/94 to KShs.150,779/= in 1994/95. This increase follows the Board's action to increase the charges per bale from KShs.59.80 to KShs.120/= during the second half of the financial year.

NOTE 14 - ADMINISTRATIVE AND GENERAL EXPENSES

	<u>1994/95</u>	<u>1993/94</u>
	<u>KSHS.</u>	<u>KSHS.</u>
National Social Security Fund	32,960	37,233
Retirement Benefit Scheme	400,640	275,834
Pension Contribution	-	28,834
Service Charge	15,480	15,480
Medical Expenses	286,913	118,657
Repairs and Maintenance	345,399	229,957
Travelling and Accommodation	276,345	193,592
Security Expenses	31,076	41,319
Conservancy Expenses	29,006	25,684
Rent	682,770	554,920
Motor Vehicle Running Expenses	706,804	790,111
Staff Uniforms	69,699	75,708

Staff Training and Welfare	35,020	24,872
Trade Fairs and Exhibitions	61,710	67,823
Telephone Expenses	428,453	269,953
Electricity Expenses	39,545	26,486
Bank Charges	53,121	39,512
Subsistence Allowance	25,036	31,823
Printing and Stationery	205,785	212,340
Postage Expenses	26,618	25,972
Sundry Expenses	111,245	112,590
Transport Expenses	18,289	13,393
Wages	6,630	8,140
Leave Travelling Expenses	39,720	26,950
Board Members Expenses	-	94,255
Newspapers and Publications	56,876	43,245
Subscriptions	16,350	35,765
Advertising and Publicity	37,283	18,880
Audit Fees	60,000	60,000
Overseas Conference Expenses	-	364,673
Insurance Expenses	266,007	274,052
Baling Press Operating Expenses	194,960	265,221
Mileage Claims	6,139	3,554
Land Rates	31,985	256,839
Land Rent	100,500	150,750
Penalties/Interest	7,080	87,221
Sisal Research Project	6,300	10,314
Small-holder Rehabilitation Project	-	9,814
Legal Expenses	34,628	-
Depreciation	722,434	429,625
	<u>5,468,806</u>	<u>5,351,391</u>

NOTE 15 - PERSONAL EMOLUMENTS

	1994/95	1993/94
	<u>KSHS.</u>	<u>KSHS.</u>
Salaries	2,389,157	2,326,224
House Allowance	540,800	631,763
Acting Allowance	38,351	16,702
Bicycle Allowance	600	600
Honorarium	60,000	61,667
Overtime	8,140	23,642
Drivers Allowance	10,800	8,100
Watchmen Allowance	2,400	3,400
Entertainment Allowance	18,000	17,032
Transport Allowance	24,000	22,710
Gratuity	-	217,141
	<u>3,092,248</u>	<u>3,328,981</u>

Category of Employment	1994/95	
	Number of Employees	Total Staff Cost in KShs.
1. Management	7	1,169,135
2. Skilled	20	1,359,812
3. Unskilled	15	503,30
Total	42	3,032,248

The above tabulation is exclusive of the Chairman and his respective honorarium of KShs.60,000/= incurred during the 1994/95 financial year. During the financial year, 1 management, 6 skilled and 2 unskilled employees left the Board's service thus reducing the total number of employees as at the close of the financial year to 33 comprising of management 6, skilled 14 and unskilled 13.



Sisal Board of Kenya