



**Sisal Board
of
Kenya**

ANNUAL REPORT - 1999

AND

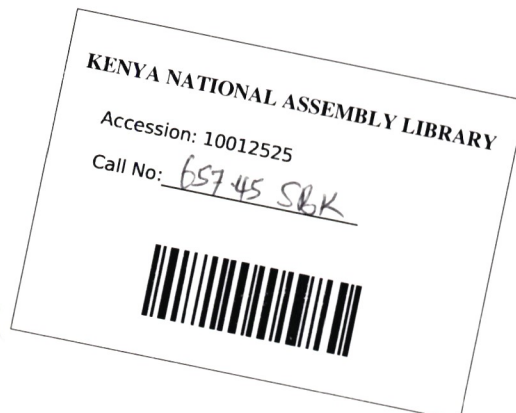
ANNUAL AUDITED ACCOUNTS

1998/99 FINANCIAL YEAR

SISAL BOARD OF KENYA

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SISAL BOARD OF KENYA

ANNUAL REPORT - 1999

BOARD MEMBERSHIP

Harold Robert Mngoda	-	Chairman
Muhoho Kenyatta	-	Member
Shadrack J. Karisa	-	"
Constantine Kyriazi	-	"
Abner Ochieng	-	"
C.D. Wilson	-	"
E.S. Musila	-	"
Permanet Secretary, Ministry of Agriculture, and Rural Development	-	"
Permanent Secretary, Ministry of Firiance	-	"
Director of Agriculture	-	"
Managing Director, Sisal Board of Kenya	-	Member and Secretary
Registred Head Office	-	Old Mutual Building, Kimathi Street, P.O. Box 41179, <u>NAIROBI.</u>
Regional Office	-	Sisal Board Inspectorate, Mozambique Rd, P.O. Box 81764, <u>MOMBASA</u>

SISAL INDUSTRY REVIEW - 1999

(a) Sisal Production

There was a slight increase in sisal fibre and tow production in 1999 as compared to 1998. The 1998 production was 19,991 metric tonnes compared to 21,914 metric tonnes for 1999. This slight increase was as a result of increased leaf growth due to the excessive rainfall from El-NINO.

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 1998</u> <u>(Metric Tonnes)</u>	<u>Production in 1999</u> <u>(Metric Tonnes)</u>
Coast	9,286	8,944
Rift Valley	5,982	5,330
Eastern	3,350	6,587
Nyanza	973	620
Central	400	433
	<hr/>	<hr/>
	19,991	21,914
	<hr/>	<hr/>

b) Sisal Marketing

Between 80-90% of all sisal fibre and tow produced in Kenya is exported overseas to over 30 countries every year. The rest is sold locally. In 1999 out of the production of 21,914 metric tonnes, a total of 16,219 metric tonnes were exported, earning the country KShs. 608,157,763. In 1998 a total of 16,234 metric tonnes were exported earning the country an equivalent of KShs. 622,746, 403. In 1999 a total of 6,393 metric tonnes of sisal were sold locally earning farmers a total of KShs. 188,878,216.

Our sisal fibre is still in high demand since is being used on an increasing scale for the manufacture of higher added value end products, particularly pulp for speciality paper production and non woven products for reinforcement purposes. Currently the average price of the widely exported sisal grades UG and 3L stands at US\$ 630 per metric tonne f.o.b. Mombasa.

The top ten importers are:- Belgium, India, Italy, Portugal, Spain, United Kingdom, Australia, China, Japan and Jordan.

c) Sisal Board Operational Results

In spite of reduced revenue receipts resulting from low level of sisal prices, the Board continued to fully discharge its functions as required under the Sisal Industry Act (Cap 341). The Board realized a financial surplus from the 1998/99 operational budget.

The Board's inspection at Mombasa continued to intensify its inspection procedure and quality control checks on exported sisal. The welcome result of all this is the maintenance of steady demand of our premium sisal used for blending purposes in the world's sisal fibre markets.

As regards the Board's field activities, the product and Market Development of Sisal and

Henequen Products Project which took off towards the end of 1997 and is now in its fourth year of implementation and is expected to continue upto the end of the year 2001

The Report of the review of past Sisal Research and Current Cultivation Practices was carried out in Kenya and Tanzania and is in the process of editing for publishing as a hard copy and on the internet. It is expected this will be complete by end of year 2000.

The sisal variety performance trial were planted towards the end of 1997 at KARI substation in Malindi, Kibwezi and Nakuru. Data on the trials is being routinely collected and analysed.

The animal Feeds Trials based on feeding dairy and beef cows, goats and sheep on sisal decortication waste and boles, both fresh and ensiled started at Kilifi Plantations Ltd. Feeding trials commenced in October 1999 and are to be completed in July 2000. Data collected will be statistically analysed and technical and economic report on the viability, and applicability of the system released.

A component on development of an improved flume tow recovery technology and equipment was also started at Rea Vipingo Estate in Kilifi. The development and manufacture of the equipment is complete and tests are being carried to establish the efficiency of the plant. A techno/economic report will be released by the end of the year 2000.

The process of initiating a study into development of efficient and cost effective sisal fibre extraction technology is also at an advanced stage. Three experts (Mr. F. Opar, Kenya, Mr. G. Kisaka and A magaga, Tanzania) went to Netherlands for 5 months in 1999 to conduct trials to identify available technologies which can be adapted for efficient pulpable sisal fibre extraction and recommended to continue more tests on a crusher and sprout bauer.

A follow up visit to Brazil by the Tanzania experts in 2000 recommended more tests on a modified hammer mill which was successfully used in a sisal pulping mill in Brazil.

The process of developing sisal tissue culture technology has also been initiated at the Plant Quarantine Station. A scientist has already completed a one month training on Agave tissue culture in Mexico. Expansion and adapting the laboratory to accommodate sisal has been completed, and two local technicians have been trained at the laboratory. Tissue culture trials have also been commenced and over 1000 tissue culture plants are ready for field trials.

Preliminary results from the on going activities are expected to start flowing in mid of year 2000. In Tanzania, the project has also taken off and a number of activities are already underway.



K.S. Mukuna
Managing Director

SISAL EXPORTS BY COUNTRY DESTINATION - 1999

<u>COUNTRIES</u>	<u>TONNES</u>
1. BELGIUM	1388
2. INDIA	201
3. ITALY	225
4. PORTUGAL	1486
5. SPAIN	2462
6. U.K.	2037
7. AUSTRALIA	413
8. CHINA	1348
9. JAPAN	996
10. JORDAN	210
11. MOROCCO	352
12. SAUDI ARABIA	1637
13. TURKEY	473
14. GREECE	93
15. GHANA	33
16. ISRAEL	47
17. PHILLIPINES	324
18. SYRIA	301
19. PAKISTAN	226
20. GERMANY	278
21. BEIRUT	28
22. NETHERLANDS	71
23. ALGERIA	76
24. SOUTH AFRICA	32
25. CROATIA	11
26. EGYPT	472
27. TAIWAN	88
28. BAHRAIN	27
29. BANGLADESH	84
30. FRANCE	13
31. BENIN	22
32. NEW ZEALAND	352
33. SRI LANKA	63
34. MAZAMBIQUE	227
35. INDONESIA	15
36. CANADA	108

16,219

TOTAL VALUE

608, 157, 763

WORLD MARKET AVERAGE PRICES IN US\$ PER TONNE
FOB MOMBASA PORT 1999
GRADES

MONTHS	No. 1	No. 2	3L	No. 3	UG	UHDS	TOW 1
JANUARY	925	745	775	695	655	510	365
FEBRUARY	925	730	760	690	630	445	360
MARCH	845	730	755	683	625	470	365
APRIL	820	725	760	640	615	445	360
MAY	820	720	725	605	605	445	350
JUNE	800	720	730	700	580	460	345
JULY	800	700	730	540	530	445	340
AUGUST	850	680	700	540	525	460	335
SEPTEMBER	850	625	680	600	500	380	335
OCTOBER	725	625	655	600	515	380	320
NOVEMBER	725	690	630	540	470	380	300
DECEMBER	725	690	620	540	430	380	280

MONTHLY SISAL PRODUCTION IN TONNES BY GRADES - 1999
GRADES

MONTHS	No. 1	No. 2	3L	No. 3	UG	UHDS	TOW 1	TOW 11	F/TOW	TOTAL
JANUARY	15	40	312	143	1058	340	115	1	1	2025
FEBRUARY	10	37	280	223	1015	288	157	-	-	2010
MARCH	9	19	210	237	898	286	174	2	-	1835
APRIL	7	18	150	251	975	70	3	-	-	1474
MAY	2	13	238	208	972	155	159	-	56	1803
JUNE	8	30	354	143	1159	231	154	1	49	2129
JULY	7	12	349	207	1243	174	147	-	-	2139
AUGUST	9	22	242	143	1189	280	87	-	-	1972
SEPTEMBER	13	8	275	143	1240	199	135	-	-	2013
OCTOBER	3	13	273	144	912	170	110	-	-	1625
NOVEMBER	11	11	415	115	956	108	87	-	-	1703
DECEMBER	14	2	210	177	628	73	82	-	-	1186
TOTAL	108	225	3308	2134	12245	2374	1410	4	106	21914

**REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS
OF KENYA SISAL BOARD FOR THE YEAR ENDED 30 JUNE 1999**

I have examined the Accounts of Kenya Sisal Board for the year ended 30 June 1999 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 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).

In my opinion, and except for the matters referred to here below, the Accounts, when read together with the Notes thereon, present a true and fair view of the Board's financial state of affairs as at 30 June 1999 and its surplus for the year then ended.

1. **FIXED ASSETS**

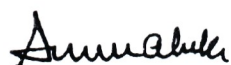
The Balance Sheet Fixed Assets figure of KShs. 20,019,234 excludes value of four (4) leasehold plots, numbers Mombasa/Block 1/88, 1/89, 1/187 and 1/251. Accordingly, the board's fixed assets of KShs. 20,019,234 as at 30th June, 1999 are understated to the extent of the value of the four (4) pieces of land not valued and entered in its books. I have, however, been informed that the assets have now been valued and that the values will be incorporated in the Accounts for 1999/2000.

2. **DEBTORS AND PREPAYMENTS**

As was the case in previous year, the Balance Sheet Debtors figure of KShs. 1,843,718 as at 30 June, 1999 includes cash advances and imprests made to the Board's Chief Executive totalling KShs. 383,979, which have remained outstanding for a period of over four years. The Board has not, however, explained why these advances and imprests still continue to be owed by its Chief Executive. Further the Board has not been able to recover advances totalling KShs. 77,690 made to two ex-staff who retired and whose pension funds are presently held by Kenya National Assurance Company, now in liquidation. During the year under review, the Board made further cash advances to two other retirees totalling KShs. 73,284; thus increasing total cash advances made to such retirees to KShs. 150,974. Although the Board has explained that the advances to ex-staff were made because the Insurance Company with which the Board was running its Staff Pension Scheme was under liquidation, the Board, has not, however, given any indications as to the arrangements made with the liquidators, if any, on how to recover the advances already made nor has it explained how the rest of the staff pensions held by the Insurance Company would be made available to the pensioners.

3. **BOARD MEETINGS**

During the year 1998/99, the Board held only two board meetings instead of the statutory minimum of four such meetings as provided for under Section 8(1) (a) of the State Corporations Act, (Cap 446). The Board's breach of this statutory requirement has not been explained or justified and in the absence of any such explanation it has not been possible to confirm how the functions of the board as regards over-all direction and management were carried out.



S.M. MALUKI
AUDITOR GENERAL (CORPORATIONS)

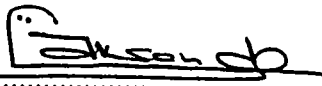
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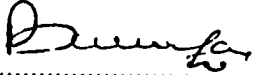
KENYA SISAL BOARD

BALANCE SHEET AS AT 30TH JUNE 1999

		<u>1998/99 KShs.</u>	<u>1997/98 KShs.</u>
	NOTES		
Fixed Assets	(1&2)	20,019,234	21,011,406
 <u>CURRENT ASSETS</u>			
Stock	(3)	186,858	104,779
Debtors and prepayments	(4)	1,843,718	1,282,315
TOTAL CURRENT ASSETS		2,030,576	1,387,094
 <u>CURRENT LIABILITIES</u>			
Cash and Bank Balances	(5)	173,039	70,262
Creditors and provisions	(6)	1,571,972	1,094,956
PMDSHP Project	(7)	360	50,986
TOTAL CURRENT LIABILITIES		1,745,371	1,216,204
 NET CURRENT ASSETS		 285,205	 170,890
		20,304,439	21,182,296
 <u>FINANCED BY:</u>			
Revaluation Reserve		8,855,531	8,855,531
General Fund	(8)	7,648,908	7,386,765
Loan from KCFC	(16)	3,800,000	4,940,000
		20,304,439	21,182,296

SIGNED BY:

MANAGING DIRECTOR.......... DATE ..21ST SEPTEMBER, 1999.....

BOARD ACCOUNTANT.......... DATE ..21ST SEPTEMBER, 1999.....

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1999

		<u>1998/99 KShs.</u>	<u>1997/98 KShs.</u>
<u>INCOME</u>	<u>NOTES</u>		
Cess	(9)	554,237	524,849
Rent	(10)	8,111,838	6,797,362
Inspection Service Charge	(11)	3,854,155	4,117,444
Licence Fees	(12)	65,800	68,270
Rebaling Charges	(13)	370,500	345,420
Gain on disposal of A.S.K. stand		5,761	-
Miscellaneous		17,942	22,702
TOTAL INCOME		<u>12,980,233</u>	<u>11,876,047</u>
<u>EXPENDITURES</u>			
Administration and general Expenditure	(14)	8,488,301	9,007,060
Personal Emoluments	(15)	3,892,074	3,629,438
TOTAL EXPENSES		<u>12,380,375</u>	<u>12,636,498</u>
<u>TOTAL EXPENSES</u>			
Operating (deficit) surplus		599,858	(760,451)
Prior period Adjustments		-	262,293
Transfer to General Fund		<u>599,858</u>	<u>(498,158)</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1999
NOTE 1 ACCOUNTING POLICY

- (A) The accounts have been prepared on the historical cost basis of accounting.
- (B) The fixed assets have been depreciated on a reducing balance method at the following rates:-
- (i) Godowns 3%
 - (ii) Furniture, Fixtures, Fittings & Equipment 10%
 - (iii) Motor Vehicles 25%
- (C) Revenue and expenses have been recognised and matched in the period to which they accrue.

SCHEDULE OF FIXED ASSETS

ASSETS	COST KSH.	ADDITIONS 1998/99 KSHS.	TOTALS KSH.	DISPOSALS 1998/99 KSH.	ACCUMULATED DEPRECIATION KSH.	CURRENT DEPRECIATION KSH.	1 9 9 7 / 9 8 NET BOOK VALUE KSH.	1 9 9 8 / 9 9 NET BOOK VALUE KSH.
A.S.K. Show Stand - Mombasa	562,384		562,384	(562,384)	(439,651)	(331,954)	230,430	-
Godown No. 1	4,451,811		4,451,811		1,321,597	96,811	3,227,025	3,130,215
Godown No. 2	1,988,236		1,988,236		478,773	46,684	1,556,147	1,509,463
Godown No. 3	3,372,580		3,372,580		964,439	74,479	2,482,620	2,408,143
Godown No. 4	12,633,663		12,633,663		590,993	372,454	12,415,124	12,042,673
F.F.F. Equipment - Godown	607,529		607,529		437,694	18,871	188,706	169,836
F.F.F. Equipment - H/Office	694,723	9,860	704,583		393,331	34,309	335,701	311,255
F.F.F. Equipment - MD's Res.	207,386		207,386		111,891	10,610	106,105	95,495
Motor Vehicle - KWU 589	798,016		798,016		678,414	39,867	159,469	119,602
Motor Vehicle - KXL 129	659,674		659,674		567,600	30,692	122,766	92,074
Motor Vehicle - KAA 113P	853,399		853,399		712,914	46,828	187,313	140,485
	26,829,401	9,860	26,839,261	(562,384)	5,817,995	439,651	21011,406	20,019,234

NOTE 2 FIXED ASSETS**1998/99 KSHS.****1997/98 KSHS.**

A.S.K. Show Stand		230,430
Godowns	19,090,490	19,680,916
F.F.F. & Equipment	576,583	630,512
Motor Vehicles	352,161	469,548
	<u>20,019,234</u>	<u>21,011,406</u>

NOTE 3 STOCKS

Stocks are valued at their cost price and they consist of baling ropes and baling press oils at KShs. 174,836 and KShs. 12,022 respectively.

NOTE 4 DEBTORS

Trade debtors	1,194,125	635,668
Staff debtors	536,903	533,957
Prepayments	35,000	35,000
Other debtors	77,690	77,690
	<u>1,843,718</u>	<u>1,282,315</u>

NOTE 5 CASH AND BANK BALANCES

Petty Cash - Inspectorate - Msa.	3,643	1,564
Petty Cash - Head Office -	1,693	5,814
Bank Balances	22,303	(89,198)
Bank balance - KCB Kilindini	(200,678)	11,558
	<u>(173,039)</u>	<u>(70,262)</u>

NOTE 6 CREDITORS AND PROVISION

Accrued interest on KCFC Bank	107,295	107,295
Trade Creditors	753,296	808,095
Other Creditors	418,714	-
Staff Creditors	32,667	19,566
Provision	260,000	160,000
	<u>1,571,972</u>	<u>1,094,956</u>

NOTE 7 PMDSHP PROJECT

The product and Market Development of Sisal and Henequen Products Project advanced the board one thousand nine hundred and nine dollars (KSh. 128,602.60) in April 1999 for transplanting of Nurseries and variety trials in Kibwezi and Nakuru. As at the end of 1998/99 financial year, there was a balance of KShs. 360/= on this account.

NOTE 8 GENERAL FUND

	<u>1998/99 KShs.</u>	<u>1997/98 KShs.</u>
Balance brought forward	7,386,765	7,884,923
Accumulated depreciation on ASK Stand	(337,715)	
Transfer from Income and Expenditure Account	599,858	(498,158)
Balance carried forward	7,648,908	7,386,765

NOTE 9 CESS INCOME

During the 1998/99 financial year, a total of 18,474.55 metric tons of sisal was levied cess earning the Board a sum of KShs. 554,237/= compared to 17,495 metric tons in 1997/98 when the board earned KShs. 524,849/= from this source. This represents a revenue increase of about 5% (KShs. 29,388). This meagre increase is attributable to depressed demand in the world markets.

NOTE 10 RENT INCOME

The rental income of KShs. 8,111,838/= reflects an increase of KShs. 1,314,476/= which represents 19% over the previous year when a sum of KShs. 6,797,302/= was realised from this source. This increase is as a result of the increased charge per square foot of godown No. 4 after completion of re-construction.

NOTE 11 INSPECTION SERVICE CHARGE

During the 1998/99 financial year, the Board earned a sum of KShs. 3,854,155/= from this source of revenue. This reflects a revenue drop of about (7%) (KShs. 263,289) from the previous years earnings when a sum of KShs. 4,117,444/ was received from this source. This is as a result of depressed demand in the world markets.

NOTE 12 LICENCE FEES.

During the 1998/99 financial year, the Board earned a sum of KShs. 65,800/= from this source of revenue. This reflects a drop of about 3.7 % (Ksh. 2,470/=) from the previous financial year when a sum of KShs. 68,270/= was received. This drop is due to the reduced export sales and hence fewer export licences.

NOTE 13 REBALING CHARGE

Revenue from this source increased by KShs. 25,080/= from KShs. 345,420/= in 1997/98 to KShs. 370,500 in 1998/99. This increase is attributed to more bales having been rebaled and thus more charges.

NOTE 14 ADMINISTRATION AND GENERAL EXPENSES

	<u>1998/99 KShs.</u>	<u>1997/98 KShs.</u>
National Social Security Fund	31,600	31,280
Retirement Benefit	328,984	250,104
Service Charge	14,400	14,400
Medical Expenses	395,059	450,791
Repairs and Maintenance	314,022	532,346
Travelling and Accommodation	221,063	248,042
Security expenses	37,805	150,149
Conservancy expenses	38,926	38,590
Rent expenses	1,176,100	1,086,419
Motor vehicle running expenses	957,879	1,220,203
Staff uniforms expenses	79,415	95,680
Staff training and welfare	69,992	45,984
Trade fairs and Exhibitions	71,114	57,057
Telephone expenses	400,586	464,540
Electricity expenses	58,751	76,153
Bank charges	113,529	194,646
Subsistence Allowance	37,580	42,387
Printing and Stationery expenses	388,089	295,367
Postage expenses	37,980	33,355
Sundry expenses	160,082	131,701
Transport expenses	58,740	36,271
Wages expenses	7,000	10,100
Leave travelling expenses	108,805	77,737
Board members expenses	124,395	-
Newspapers and publication expenses	90,395	83,785
Subscriptions	13,437	5,500
Advertising and Publicity	27,740	105,306
Provision for audit fees expenses	100,000	80,000
Insurance expenses	284,225	292,268
Baling press operating expenses	368,991	352,127
Mileage claims	6,763	3,044
Land rent	100,500	100,500
Penalties / Interest	-	1,950
Overseas conference expenses	134,935	-
Depreciation	439,651	695,429
Legal expenses	-	208,535
Official entertainment expenses	26,880	24,450
Valuation fees expenses	-	2,000
Donations	69,000	5,000
Loan Interest expenses	1,287,740	1,151,852
Project expenses	208,148	307,062
Consumable store expenses	-	4,950
Fees and Honoraria	98,000	-
	<hr/>	<hr/>
	8,488,301	9,007,060

NOTE 15 PERSONAL EMOLUMENTS

1998/99 KSHS.

1997 / 98 KSHS.

Salaries	2,865,068	2,698,811
House Allowance	790,600	786,632
Acting Allowance	72,935	78,580
Honorarium	78,313	-
Overtime	-	12,315
Drivers Allowance	11,100	11,100
Entertainment Allowance	18,000	18,000
Transport Allowance	24,000	24,000
Gratuity Allowance	32,058	-
	<u>3,892,074</u>	<u>3,629,428</u>

NOTE 16 K.C.F.C. LOAN

KSHS.

K.C.F.C. Loan	5,700,000
Being loan advance for 5 years at 30%	
Loan advance	5,700,000
Less repayment to date	<u>1,900,000</u>
Balance as at 30/6/99	<u><u>3,800,000</u></u>

<u>TITLE</u>	<u>NUMBER OF EMPLOYEES</u>
Management	6
Skilled	8
Unskilled	18
Total	<u>32</u>

The above tabulation is exclusive of the Chairman and his respective honorarium of KShs. 75,180/= paid during the year.

During the 1998/99 financial year, 1 skilled and 2 unskilled employees were employed by the Board. However, 1 skilled and 1 unskilled employees left the service of the Board thus reducing the total number of employees as at the close of the financial year to 34 comprising of 6 management, 8 skilled and 20 unskilled.



Sisal Board of Kenya