

Sisal Board of Kenya

ANNUAL REPORT - 1997

AND

ANNUAL AUDITED ACCOUNTS

1996/1997 FINANCIAL YEAR

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SISAL BOARD OF KENYA

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SISAL BOARD OF KENYA

ANNUAL REPORT - 1997

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 & 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 Office	- Sisal Board Inspectorate, Mozambique Rd, P.O. Box 81764, <u>MOMBASA.</u>

SISAL INDUSTRY REVIEW - 1997

(a) Sisal Production

There was a marked decline in sisal fibre production in 1997 as compared to 1996. The 1997 production was 20,314 metric tons compared to 28,278 metric tons for 1996. This was as a result of El-nino rains which halted production in several estates especially in the Coastal area and also Planting programme had been low in several estates due to drought in the 1st half of 1997.

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 1996 (Metric Tonnes)</u>	<u>Production in 1997 (Metric Tonnes)</u>
1. Coast	11,718	9,738
2. Rift Valley	10,608	4,560
3. Eastern	3,657	4,379
4. Central	2,295	1,637
	<u>28,278</u>	<u>20,314</u>

(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 1997 out of the production of 20,314 metric tonnes a total of 17,457 were exported earning the country Ksh.614,690/=.

In 1996 a total of 21,038 metric tonnes were exported earning the country an equivalent of Ksh. 779,369,574/=. In 1997 a total of 2,857 metric tonnes of sisal was sold locally earning farmers a total of Ksh 82,600,000/=. 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 the widely exported sisal grades - UG and 3L stands at US dollar 735 per metric tonne f.o.b. Mombasa.

The top ten importers are: Spain, Portugal, Saudi Arabia, Belgium, Japan, United Kingdom, South Africa, Korea, Australia and Syria.

(c) Sisal Board Operations Results

For the fourth year running, the Board realized a financial surplus from the 1996/97 operational budget. The result was achieved despite the low fibre production.

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 was the maintenance of steady demand of Kenya's 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 took off towards the end of 1997 and is now in its second year of implementation and is expected to continue for another three years.

A review of Past Sisal Research Results and Current Cultivation Practices was carried out in Kenya and Tanzania and successfully completed in April, 1998.

A sisal variety performance trial was planted towards the end of 1997 in Kilifi, Kibwezi and Nakuru and the Nurseries are now ready for transplanting into the main fields.

The animal feeds trials base on feeding dairy and beef cows, goats and sheep on sisal decortication waste and boles, both fresh and ensiled was started at Kilifi Plantations Ltd. in Kilifi. In 1998 all the necessary infrastructure including equipment and animal sheds were put in place and it is expected that feeding trials will commence in April 1999.

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 at an advanced stage and tests will commence in December 1998.

The process of initiating a study into development of efficient and cost effective sisal fibre extraction technology is also at an advanced stage at Kenya Industrial Research and Development Institute. It is expected that a technology based on the sugar milling principle will be ready for trial tests of production of pulpable sisal fibre, early in 1999.

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 and has now embarked on expansion and adapting the laboratory to accommodate sisal.

Preliminary results from the ongoing activities are expected to start flowing in mid of year 2000.

In Tanzania, the project has also taken off and a number of activities area already underway.

**K. S. MUKUNA
MANAGING DIRECTOR**

APPENDIX "A"

SISAL EXPORTS BY COUNTRY DESTINATION - 1997

<u>COUNTRIES</u>	<u>TONNES</u>
1. ALGERIA	452
2. NEW ZEALAND	256
3. IVORY COAST	217
4. AUSTRALIA	566
5. SPAIN	3785
6. PORTUGAL	1973
7. UNITED KINGDOM	1140
8. SAUDI ARABIA	1520
9. TAIWAN	210
10. KOREA	573
11. ITALY	98
12. BELGIUM	1402
13. SRI LANKA	57
14. HOLLAND	176
15. JAPAN	1300
16. JORDAN	269
17. PHILLIPINES	384
18. TURKEY	75
19. BANGLADESH	90
20. SYRIA	481
21. BENIN	12
22. FRANCE	85
23. INDIA	175
24. GERMANY	396
25. ISRAEL	62
26. CANADA	217
27. SOUTH AFRICA	593
28. EGYPT	261
29. KUWAIT	48
30. CHINA	457
31. SLOVENIA	22
32. GREECE	46
33. EL-SAVADOR	56
34. GUINEA	11
	<u>17,457</u> TONNES

VALUE KSHS. 614,195,690/=

WORLD MARKET AVERAGE SISAL PRICES IN US\$ PER TONNE

F.O.B MOMBASA PORT 1997

GRADES

MONTHS	NO.1	NO.2	3L	NO.3	UG	UHDS	TOW I
JANUARY	880	710	700	700	670	590	370
FEBRUARY	820	780	770	660	640	550	360
MARCH	850	750	780	660	650	550	360
APRIL	850	800	750	750	650	580	380
MAY	830	820	800	660	630	550	370
JUNE	860	780	790	660	650	560	380
JULY	860	790	790	670	650	570	380
AUGUST	910	750	790	690	640	560	370
SEPTEMBER	900	750	790	660	630	570	370
OCTOBER	840	750	780	660	680	560	360
NOVEMBER	850	750	770	680	630	560	370
DECEMBER	840	730	770	680	640	560	360

APPENDIX "C"

MONTHLY SISAL PRODUCTION IN TONNES BY GRADES - 1997

MONTHS	NO.1	NO.2	3L	NO.3	UG	UHDS	TOW I	TOW II	F/TOW	TOTAL
JANUARY	29	37	357	100	996	29	126	2	-	1676
FEBRUARY	3	32	93	99	915	153	114	4	-	1413
MARCH	21	9	279	12	662	169	81	6	-	1239
APRIL	22	53	296	279	733	156	125	3	-	1667
MAY	28	53	296	159	902	35	117	-	-	1590
JUNE	30	38	390	148	938	18	152	-	-	1714
JULY	14	24	287	119	1394	88	92	3	-	2021
AUGUST	17	142	516	147	1264	33	93	1	-	2213
SEPTEMBER	25	118	644	255	1086	263	93	-	-	2484
OCTOBER	13	130	192	121	964	42	68	-	-	1530
NOVEMBER	11	148	182	118	835	60	73	-	-	1427
DECEMBER	5	139	221	186	674	27	87	1	-	1340
TOTAL	218	923	3753	1743	11363	1073	1221	20	0	20314

KENYA SISAL BOARD

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA SISAL BOARD FOR THE YEAR ENDED 30 JUNE 1997

I have examined the accounts of the Kenya Sisal Board for the year ended 30 June 1997 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 1997 and of its surplus and cash flow for the year then ended.

1. FIXED ASSETS

The Balance Sheet fixed assets figure of Kshs. 9,073,175 includes Agricultural Show of Kenya stand valued at Kshs.256,034 which has been used by Kenya Broadcasting Corporation since 1996. However, the Board has not been able to produce, for audit verification, the lease agreement signed between the Board and the Corporation stipulating the terms under which the Corporation uses this stand. The Board has also not recovered any rent from the Corporation since 1996 and Board's surplus of Kshs.3,312,677 is understated to the extent of the rent income not recovered from the use of this property by the Kenya Broadcasting Corporation.

2. DEBTORS AND PREPAYMENTS

2.1. The debtors and prepayments figure of Kshs.891,280 includes cash advances totalling Kshs.370,106 to the Chief Executive of the Board some of which have been outstanding for over two years. The Board has not explained under what terms these advances were made and how they will be recovered.

2.2. Further, the debtors figure also includes pension payments amounting to Kshs.77,690 made to two former employees of the Board by the Board as the Insurance Company with which the Board was running its staff pension scheme was under liquidation. The board has not advised me of any arrangements with the liquidator on how to make good the debt or even how the rest of the pension funds will be made available to the pensioners.

3. CONSTRUCTION CONTRACTS

During the year under review, tenders were invited for the re-construction of the Board's Godown number four which had been destroyed by fire. A review of the quotations indicated that the contract was, vide minute number 22/96 of November 1996, awarded to the fifth lowest bidder who quoted Kshs. 11,999,500 while the lowest bidder quoted Kshs. 9,126,264.

Had the contract been awarded to the lowest bidder, the Board would have saved Kshs.2,873,236. The Board has not given satisfactory reasons for the awarding of the contract to the fifth lowest bidder which resulted in the overpayment of Kshs.2,873,236.

W.K. KEMEI
AUDITOR -GENERAL (CORPORATIONS)

7 September 1998

KENYA SISAL BOARD

BALANCE SHEET AS AT 30 JUNE, 1997

<u>FIXED ASSETS</u>	<u>NOTES</u>	<u>1996/97</u> <u>KSHS</u>	<u>1995/96</u> <u>KSHS</u>
Fixed Assets	(1&2)	9,073,175	11,388,361
Work in progress	(3)	9,200,000	
<u>CURRENT ASSETS</u>			
- Stocks	(4)	19,111	33,708
- PMDSHP Project	(5)	124,540	5,345
- Debtors and Prepayment	(6)	891,280	1,106,323
- Cash and Bank Balance	(7)	768,193	1,092,973
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		1,803,124	2,238,349
<u>CURRENT LIABILITIES</u>			
Creditors & Provisions	(8)	3,335,845	198,933
NET CURRENT ASSETS		(1,532,721)	2,039,416
TOTAL NET ASSETS		<u>16,740,454</u>	<u>13,427,777</u>
FINANCED BY:			
REVALUATION RESERVE		8,855,531	8,855,551
GENERAL FUND	(10)	<u>7,884,923</u>	<u>4,572,246</u>
		<u>16,740,454</u>	<u>13,427,777</u>

SIGNED:

MANAGING DIRECTOR DATE

CHAIRMAN..... DATE.....

KENYA SISAL BOARD

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1997

<u>INCOME</u>	<u>NOTES</u>	<u>1996/97 KSH.</u>	<u>1995/96 KSH.</u>
Cess	(11)	739,479	833,419
Rent	(12)	5,826,782	5,395,992
Inspection Service Charge	(13)	4,183,610	4,438,001
Licence Fees	(14)	57,360	67,690
Rebaling Charges	(15)	231,370	54,820
Interest Income	(16)	338,912	-
Miscellaneous		128,192	16,125
TOTAL INCOME		<u>11,505,705</u>	<u>10,806,047</u>
EXPENDITURE			
Administration and General Expenditure	(17)	8,438,075	6,518,900
Personal Emoluments	(18)	3,344,248	3,296,334
TOTAL EXPENSES		<u>11,782,323</u>	<u>9,815,234</u>
Operating (deficit)/surplus		(276,618)	990,813
Extra-ordinary item Note	(9)	3,669,295	-
Prior period adjustments		(80,000)	-
TRANSFER TO GENERAL FUND (10)		<u>3,312,677</u>	<u>990,813</u>

KENYA SISAL BOARD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED **30TH JUNE, 1997**

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, Fixture, Fittings & Equipment 10%
 - (III) Motor Vehicles 25%
 - (IV) 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

SCHEDULE OF FIXED ASSETS

NOTE 2

Assets	Cost	Additions 1996/97	Totals	Disposals 1996/97	Accumulated Depreciation	Current Depreciation	1995/96 Net Book Value	1996/97 Net Book Value
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
A.S.K Show stand - Mombasa	562,384	-	562,384	-	277,902	28,448	284,482	256,034
Godown No. I	4,451,811	-	4,451,811	-	1,022,090	102,891	3,429,721	3,326,830
Godown No. II	1,988,236	-	1,988,236	-	334,344	49,616	1,653,892	1,604,276
Godown No. III	3,372,580	-	3,372,580	-	734,021	79,157	2,638,559	2,559,402
Godown No. IV	-	-	-	-	-	-	1,994,031	-
F.F.F. & Equipment - Godown	457,529	150,000	607,529	-	374,558	23,297	82,971	209,674
F.F.F. & Equipment - Head Office	619,956	74,767	694,723	-	280,995	40,727	338,961	373,001
F.F.F. & Equipment - MD's Residence	207,386	-	207,386	-	76,392	13,099	130,994	117,895
Motor Vehicle - KWU 589	798,016	-	798,016	-	514,516	70,875	283,500	212,625
Motor Vehicle - KXL 129	659,674	-	659,674	-	441,424	54,562	218,250	163,688
Motor Vehicle - KAA 113P	853,399	-	853,399	-	520,399	83,250	333,000	249,750
TOTAL	13,970,971	224,767	14,195,738	-	4,576,641	545,922	11,388,361	9,073,175

NOTE 3 - WORK IN PROGRESS

As at the close of the last financial year, Godown No. 4 was damaged by fire and written off. As at the close of this financial year, the value of work done on the above Godown was Ksh. 9,200,000/=.

NOTE 4 - STOCKS

Stocks are valued at their cost price and they consist of baling ropes and baling press oils at Kshs. 2,933/= and Ksh 16,178/= respectively.

NOTE 5 - PMDSHP PROJECT

As at the end of 1996/97 financial year, the Board had incurred Kshs. 124,540/= on behalf of Product and Market Development of Sisal and Henequen Project of which it expects a reimbursement.

NOTE 6 - DEBTORS

	1996/97	1995/96
	<u>Kshs.</u>	<u>Kshs.</u>
Trade Debtors	387,625	738,455
Staff Debtors	503,655	367,868
	<u>891,280</u>	<u>1,106,323</u>

NOTE 7 - CASH AND BANK BALANCES

	1996/97	1995/96
	<u>Kshs.</u>	<u>Kshs.</u>
Petty Cash - Inspectorate - Msa	-	1,152
" " - Head Office	15,796	63,219
Bank Balances	752,397	1,028,602
	<u>768,193</u>	<u>1,092,973</u>

NOTE 8 - CREDITORS AND PROVISION

	1996/97	1995/96
	<u>Kshs.</u>	<u>Kshs.</u>
Trade Creditors	3,253,319	134,027
Staff Creditors	2,526	4,006
Provision	80,000	60,000
	<u>3,335,845</u>	<u>198,933</u>

NOTE 9 - EXTRA - ORDINARY ITEM: ACCOUNT

	1996/97	1995/96
	<u>Kshs.</u>	<u>Kshs.</u>
Insurance compensation	5,663,326	-
Godown No. 4 (N.B.V.) written off	<u>(1,994,031)</u>	<u>-</u>
	<u>3,669,295</u>	<u>-</u>

NOTE 10 GENERAL

	1996/97	1995/96
	<u>Kshs.</u>	<u>Kshs.</u>
Balance brought forward	4,572,246	3,581,433
Transfer from Income and Expenditure Account.	<u>3,313,677</u>	<u>990,813</u>
Balance carried forward	<u>7,884,923</u>	<u>4,572,246</u>

NOTE 11 - CESS INCOME

During the 1996/97 financial year a total of 24,650 metric tons of sisal was levied cess earning the Board a sum of Kshs. 739,479/= compared to 27,781 metric tons in 1995/96 when the Board earned about 11% (Kshs.93,940). This is as a result of low production level in the entire 1996.

NOTE 12 - RENT INCOME

The rental income of Kshs. 5,826,782 reflects an increase of Kshs. 430,790/= which represents 8% over the previous year when a sum of Kshs. 5,395,992 was realised from this source. This increase is as a result of an upward adjustment on the rental charges on the Boards three remaining godowns and the proceeds from consequential loss of rent claim following fire damage to godown No. 4 at the close of the last financial year.

NOTE 13 - INSPECTION SERVICE CHARGE

During the 1996/97 financial year the Board earned a sum of Kshs. 4,183,610/= from this source of revenue. This reflects a revenue drop of about 6% (Kshs. 254,391) from the previous years earnings when a sum of Kshs. 4,438,001 was received from this source. This is attributable to a reduced produced level occasioned by depressed shilling equivalent of export sales.

NOTE 14 - LICENCE FEES

During the 1996/97 financial year the Board earned a sum of Kshs. 57,360/= from this source of revenue. This source of revenue registered a drop of Kshs. 10,330/= or 15% from the previous financial year when a sum of Kshs 67,690/= was received. This drop is due to the reduced export sales and hence fewer export licences.

NOTE 15 - REBALING CHARGE

Revenue from this source increased by Kshs. 176,550/= (322%) from Kshs. 54,820 in 1995/96 to Ksh.231,370/= in 1996/97. This increase is attributed to more bales having been rebaled and thus more charges.

NOTE 16 - INTEREST INCOME

This is net accrued from the proceeds of material damage claim to godown No. 4 and the consequential loss claim having been placed in fixed deposit account for three months.

NOTE 17 - ADMINISTRATION AND GENERAL EXPENSES

	<u>1996/97</u>	<u>1995/96</u>
	<u>Kshs.</u>	<u>Kshs.</u>
National Social Security Expenses	31,992	32,206
Retirement Benefit Scheme	297,601	279,367
Service Charge	14,400	14,400
Medical Expenses	357,020	379,365
Repairs & Maintenance	427,662	179,071
Travelling & Accommodation	365,358	444,733
Security Expenses	138,926	33,363
Conservancy Expenses	38,043	18,582
Rent	987,750	854,550
Motor vehicle running expenses	1,979,384	1,430,845
Staff Uniforms	6,220	84,803
Staff Training and Welfare	22,333	22,670
Trade Fairs and Exhibitions	55,609	66,656
Telephone Expenses	452,031	380,075
Electricity Expenses	48,494	58,708
Bank Charges	50,586	53,252
Subsistence Allowance	32,931	36,753
Printing and Stationery	365,789	246,157
Postage Expenses	31,452	23,520
Sundry Expenses	124,116	106,518
Transport Expenses	46,797	131,355
Wages	8,850	15,014
Leave Travelling Expenses	69,170	33,190
Board Members Expenses	187,054	34,157
Newspapers and Publications	74,198	59,255
Subscriptions	46,339	15,494
Advertising and Publicity	136,888	53,101
Audit fees expenses	80,000	-
Overseas Conference Expenses	245,462	-
Insurance Expenses	271,283	246,151
Baling press operating expenses	312,882	126,176
Mileage Claims	8,145	4,597
Land rates	51,400	-
Land rent	100,500	100,500
Penalties/Interest	1,190	122,950
Depreciation	545,922	661,120
Legal Expenses	500	-
Official Entertainment expenses	31,795	-
Valuation Fees expenses	297,735	-
Donation	55,000	-
Bad debts	33,923	170,246
Integrated Sisal Diary Project	5,345	-
	<u>8,438,075</u>	<u>6,518,900</u>

NOTE 18 - PERSONAL EMOLUMENTS

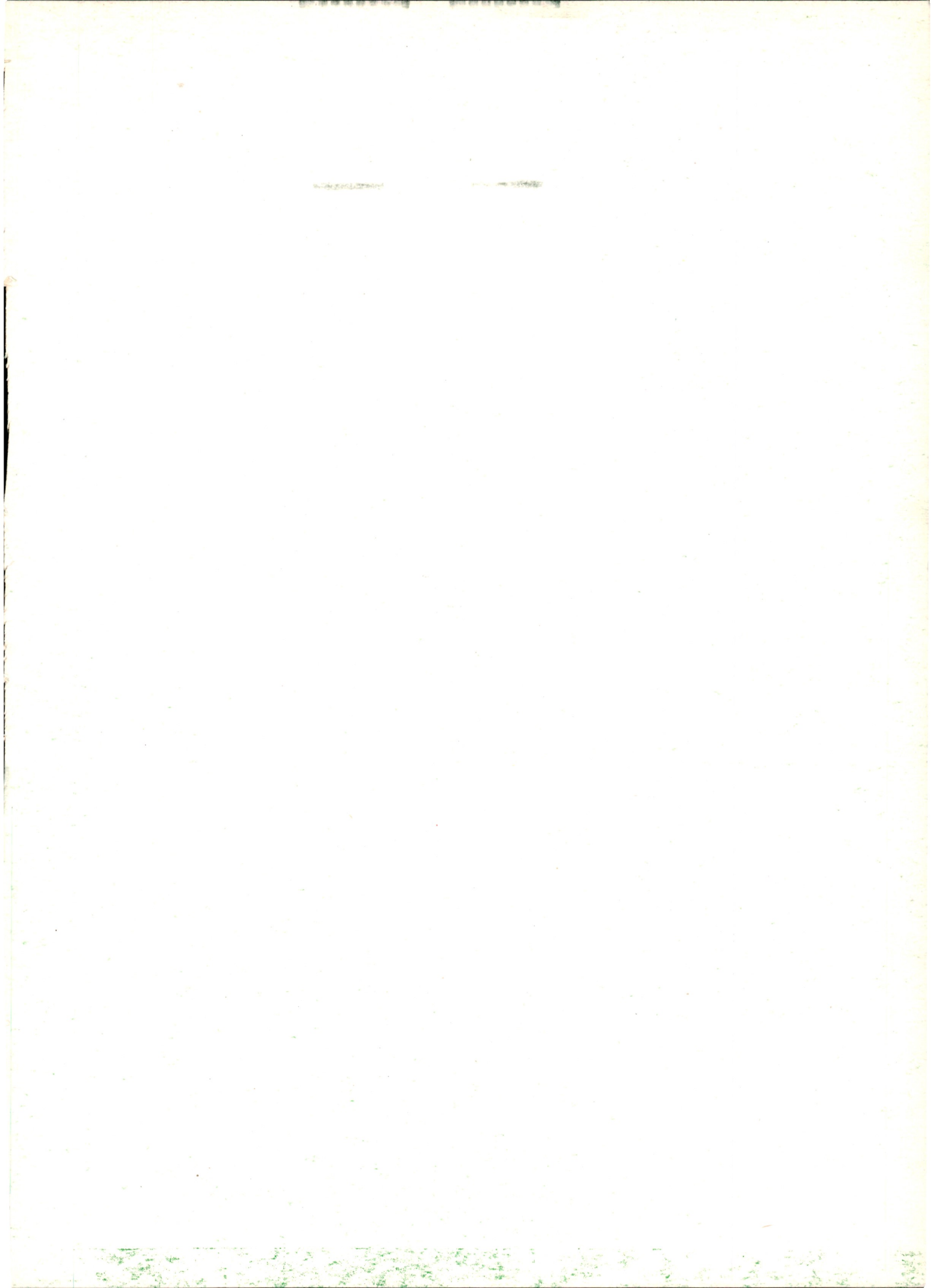
	<u>1996/97</u>	<u>1995/96</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Salaries	2,316,998	2,314,915
House Allowance	715,260	637,053
Acting Allowance	64,820	38,427
Bicycle Allowance	315	1,150
Honorarium	55,000	60,000
Overtime	12,520	16,078
Driver's Allowance	11,100	10,800
Watchman Allowance	600	2,400
Entertainment Allowance	18,000	18,000
Transport Allowance	24,000	24,000
Gratuity	125,635	173,511
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	3,344,248	3,296,334
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KENYA SISAL BOARD

1996/97		
	Number of Employees	Total Staff Cost in KShs.
1. Management	6	1,212,468/=
2. Skilled	10	1,043,043/=
3. Unskilled	19	1,033,737/=
Total	35	3,289,248/=

The above tabulation is exclusive of the Chairman and his respective honorarium of KShs. 55,000/= incurred during the 1996/97 financial year.

During the 1996/97 financial year 1 skilled and 1 unskilled employee 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 9, and unskilled 18.





Sisal Board of Kenya