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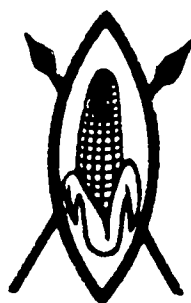
NATIONAL CEREALS AND PRODUCE BOARD

ANNUAL REPORT AND ACCOUNTS FOR FINANCIAL YEAR ENDED — 30TH JUNE, 1989

NCPB HEAD OFFICE
NAFAKA HOUSE
INDUSTRIAL AREA
MACHAKOS ROAD
P.O. BOX 30586
NAIROBI



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BOARD**

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FOR FINANCIAL YEAR ENDED
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P.O. BOX 30586
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NATIONAL CEREALS AND PRODUCE BOARD

BOARD OF DIRECTORS

- | | | | |
|----|----------------------------|---|--|
| 1 | Mr. J. K. Mutua | - | Chairman |
| 2 | Mr. H. P. Barclay | - | |
| 3 | Mr. R. C. Mibei | - | |
| 4 | Mr. Shadrack K Ole Rotiken | - | |
| 5 | Mr. Mark Too | - | |
| 6 | Mr. R. C. Butaki | - | Representative (KGGCU) |
| 7 | Mr. P. E. Mwaisaka | - | Permanent Secretary (MSM) |
| 8 | Mr. P. M. Lewa | - | (Alternate to Permanent Secretary) |
| 9 | Mr. K. B. Ogara-Okech | - | Representative (Office of the President) |
| 10 | Mr. I. G. Mwaniki | - | Representative (Office of the Vice President
and Ministry of Finance) |
| 11 | Mr. F. M. Oduk | - | Representative - Ministry of Agriculture |

Managing Director - Maj. (Rtd) W. K. Koitaba

Registered Office
Machakos Road
P.O Box 30586
NAIROBI

Auditors
Githongo & Company
Certified Public Accountants
on Behalf of The Auditor General (Corporations)

Bankers
Kenya Commercial Bank Ltd.

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CHAIRMAN'S STATEMENT

It is my profound pleasure to present the Annual Report and Accounts of the National Cereals and Produce Board (NCPB), together with the statutory Auditors Report for the financial year ended 30th June, 1989. This is the first issue of the Annual Report to be published since the amalgamation of the former Maize and Produce Board (MPB) and Wheat Board of Kenya (WBK) through an Act of Parliament (NCPB Act Cap. 338 of 1985) to form the present National Cereals and Produce Board. Prior to formalization of the legal status on 16th August, 1985, the NCPB operated on a decree with effect from 1979.

First and foremost, I wish to record the Board of Directors' and the entire management of NCPB's sincere appreciation to His Excellency Honourable Daniel T. Arap Moi, CGH, M.P., President of the Republic of Kenya and Commander in Chief of the Armed Forces whose dynamic leadership and personal attention to the Agricultural Sector has made Kenya self sufficient in the major food staples by achieving steady growth in this sector.

The Board acknowledges with much appreciation the excellent co-operation that has existed between Government Ministries and Institutions which facilitated the smooth running of the operations of the National Cereals and Produce Board.

The Board is indeed grateful for the financial support received from the Government, the Kenya Commercial Bank Ltd., and other banks as well as that from the European Economic Community (EEC) for the implementation of the on-going Cereals Sector Reform Programme.

I am also pleased to report that Major (Rtd) W. K. Koitaba was appointed the Managing Director of the Board with effect from 9th August, 1988 while Mr. W. K. Maina was appointed during March, 1989 as the Finance Manager. These appointments bring to NCPB a wealth of experience and it is my belief and hope that this will lead to strengthening of Management and facilitate rapid achievement of the restructuring objectives.

Last, but not least, I wish to record my Board's appreciation to the Management and all staff of the Board whose dedication, hard work and proper management, have enabled the National Cereals and Produce Board to successfully fulfil its functional obligations and responsibilities. This has resulted in the improvement of operational performance recorded during the year under review. It is the Board's hope that future annual results will continue to reflect greater progressive improvement in performance.

J.K. MUTUA
CHAIRMAN OF THE BOARD.

MANAGING DIRECTOR'S REVIEW OF ACTIVITIES

1.1 Introduction

I am pleased to report that 1988/89 financial year was a fairly successful one in the operations of the National Cereals and Produce Board. The modest surplus of KShs. 51.6m was made possible by favourable weather conditions that prevailed almost throughout the season coupled with the fruitful benefits arising from the re-structured status of the Board's finances which involved an injection of additional working capital that was obtained through the assistance of the Government under the Cereals Sector Reform Programme being sponsored by the European Communities (EEC).

1.2 Agricultural Sector - Economic Outlook

The period under review was characterized by a steady growth in the Food Sector which is a reflection of the existing enabling environment provided by the Government and impact and of favourable weather conditions. In the Sessional Paper No. 1 of 1986 on Economic Management for renewed growth, the Government undertook to create an enabling environment that would stimulate rapid growth in the overall economy at a projected rate of 5.6% per annum. The Agricultural sector being the backbone of Kenya's economy is projected to contribute between 4.6 to 5.3 of the Gross Domestic Product.

The Sessional Paper further recognised the role for major institutions and policy reforms required in the agricultural sector in order to facilitate accelerated economic growth and sustenance of food production.

The task of providing food for the ever increasing population is, therefore, one of Kenya's key objectives for its development policy during the 1990s, up to the year 2000 and beyond. This means the Government is expected to continue promoting and maintaining a favourable environment so as to attract and channel more productive investment to the Agro-Food Sector. Under the 1989 - 1993 Development plan, the Government has undertaken to regularly review and improve agricultural commodity prices upwards with the aim of maintaining the correct balance of trade between agricultural sector and other sectors.

This measure coupled with assured market and timely payment to the farmers for their produce is expected to continue stimulating agricultural production.

The world economic performance during 1988 is reported to have shown a marked improvement compared to 1987 results with an output of 4.1% against 3.2% in 1987. Kenya's gross domestic product (GDP) rose from 4.8% in 1987 to 5.2% in 1988. The contribution from the agricultural sector alone rose significantly from 3.8% in 1987 to 4.4% in 1988 as a result of favourable weather conditions, rise in local demand, better prices for maize, beans, wheat, tea as well as coffee, among others. Implementation of appropriate economic measures and structural adjustments was to a certain extent, a contributory factor to reckon with during the year under review.

The world market prices for major commodities like maize, tea, coffee among others were for a greater part of the period much depressed due to increased global supply.

The domestic inflation rate is reported to have indicated an upward trend and was at 11.5% at the end of the fiscal year, compared to 8.7% at the end of June, 1998.

Highlights of Operating Performance

The Board recorded satisfactory operating results which reflect a surplus of KShs. 51.6 million as compared to the previous years' operating deficit of KShs. 44.4 million.

The annual sales turnover for the period under review was KShs. 2.270 billion and remained almost on the same level as that of the previous year which was KShs. 2.856 billion while that of 1986/87 was KShs. 2.983 billion. These results exclude the turnover on commodities handled by the Board on behalf of the Government of Kenya under Food Aid which dropped from KShs. 308.6 million in 1986/87 to 249.2 million during 1987/89.

During the period under review, the Board purchased a total crop of 7.1 million bags of maize at a cost of KShs. 1.56 billion. Other commodity purchases include 0.2 million bags of beans at a cost of KShs. 79.9 million; 0.1 million bags of rice at a cost of KShs. 116.3 million; while other minor produce items were procured at a cost of KShs. 115 million. This brings the total expenditure on purchases of various commodities to KShs. 1.88 billion during 1988/89 as compared to KShs. 1.65 billion in 1987/88 financial year.

The external trade performance for maize was better in 1988/89 as compared to 1987/88 as the Board exported 2.0 million bags and realised KShs 462 million as compared to 1.1 million bags exported in 1987 that fetched KShs 171 million.

The export of beans dropped from 366,231 bags at KShs 123 million in 1987/88 to 33,140 bags at KShs 17.6 million in 1988/89. The operating results of beans export, however, improved from a loss position of KShs 44.88 million in 1987/88 to a surplus of KShs 4.4 million in 1988/89.

The poor external trade performance reflects the degree of vulnerability of the Board's to inevitable exposure to a competitive world market trading environment.

The commercial import of wheat rose substantially from 0.5 million bags at KShs 120.9 million in 1987/88 to 1.7 million bags at KShs 535.5 million in 1988/89. This is an indication of the country's continued dependence on the external source to supplement the local production of wheat and underscores the need to review incentives available to wheat growers so as to stimulate further the local production.

The value of closing stock of the commodities handled by the Board stood at KShs 1.344 billion in 1988/89 as compared to KShs 1.329 billion in 1987/88. This excludes the value of the strategic reserve stock of maize and beans being maintained by the Board on behalf of the Government valued at KShs 1.64 billion in 1988/89 compared to KShs 1.52 billion during 1987/88.

The positive operating results is a clear manifestation that the Government intervention in strengthening the Board's financial; bases, organisational re-structuring of operations and management as well as prescription of appropriate financial parameters have begun to show signs of achieving the desired objectives.

1.4 Major Events

1.4.1 Reform In the Grain Sector

During 1988/89, the Government of Kenya embarked on the implementation of an ambitious Cereal Sector Reform Programme (CSRP) with substantial financial support (estimated at ECU's 65 million) from the European Economic Communities (EEC) within the project period. The commissioning of the reform programme was formalised through a Memorandum of Understanding signed on 25th January, 1988 between EEC and GOK. It marked significant turning-point in the grain marketing

sector of our economy. In this regard, a phased out liberalization programme which started initially with millers being allowed to purchase 20% of their requirement from farmers began during 1988/89 is envisaged to gradually increase in the coming years.

The Cereals Sector Reform Programme entails the establishment of a Crop Purchase Revolving Fund, capital investment for grain silos, storage facilities and railway rolling stock. Other components of the Project relate to the provision of technical assistance, studies and training, and contribution to debt write-off in the restructuring of Board's financial base.

During the year under review the Board received the first tranche of KShs 500 million as grant for crop Purchases and further disbursement is expected in the coming year. The EEC support has substantially boosted the Board's liquidity position to the extent that prompt payment for crop delivery was achieved and maintained throughout the crop season.

Three Technical Assistance staff and two local counter-part personnel were also appointed during the year and more key positions were expected to be filled in the coming year.

1.4.2 Storage Development Programme

The financial year ended in June, 1989 witnessed the commissioning of ultra-modern Grain Silos in Kusumu, Nakuru and Bungoma. These were constructed with financial support of the Japanese Government.

This is part of the Board's on-going effort to expand its storage capacity to meet the country's requirement now and in the future as envisaged in the National Development Plan. The new Silos brings additional storage capacity of 1.21 million bags making the total available storage capacity in the country to 16.4 million bags as at 30th June, 1989.

Besides the three completed grain Silos, the Board was actively implementing construction of grain stores at Changamwe, Kiridoni and Nairobi Grain Silos which are expected to increase storage capacity by 1.26 million bags before the end of June, 1990.

The Programme of expanding the storage capacity with modern bulk handling facility is expected to acquire more prominence in all future investments with continued dependance on financial assistance of the Government and support from external donors.

At this juncture, I wish on behalf of the Board to express our sincere gratitude to all the external Donors and the Government for their valuable support in this important venture of storage expansion and modernisation development programme.

Handling of Locally Grown Wheat

As from 1st July, 1988, the Kenya Grain Growers Co-operative Union Ltd, (KGGCU Ltd) were appointed by decree to be the principal agents for handling locally grown wheat. The Union is primarily responsible for documentation, accounting and processing of payment to wheat farmers whereas the management of bulk handling grain Silos and distribution to the millers continue to remain under the control of the Board.

Constraints

There are, however, still a number of past teething issues that have continued to pose enormous constraints to Management. Most of these issues have been subject of extensive reporting in the previous Management Letters from the Auditor General (Corporations).

The present Management will continue to endeavour to find lasting solutions in the course of the coming financial years. The most problematic issues include among others substantial uncollected debts, gunny bags losses, and operating stock losses etc.

Owing to the impact of the Government budget rationalization measures, the Board was unable to secure adequate funding for the two principal non-commercial functions of maintenance of strategic reserve and market stabilization as well as for the Government sponsored storage development projects.

It is my hope and belief that with the full support of Management, the Board of Directors and Government, these issues will eventually be resolved one way or another.

Finally, it is the Board's expectation that arising from implementation of austerity measures envisaged to emerge from the cereals sector reform programme, the operations of the Board will in future years continue to reflect an improvement in the degree of performance as well as in the provision of satisfactory service to the nation.

MAJ. (Rtd.) W.K. KOITABA

MANAGING DIRECTOR.

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30 JUNE 1989

The accounts of the National Cereals and Produce Board for the year ended 30 June, 1989 have been examined on my behalf by the Board's authorized auditors in accordance with section 29 (2) (b) of the Exchequer and Audit Act, (Cap 412). The authorised auditors have reported to me the results of the audit and on the basis of their report, I am satisfied that all the information and explanations required for the purpose of the audit were obtained. Proper books of account have been kept and the accounts which have prepared under the historical cost convention as modified by the revaluation of certain fixed assets, are in agreement therewith and comply with the provisions of National Cereals and Produce Board Act, (Cap 338).

In my opinion and subject to the observations stated in the following paragraphs, the accounts, when read together with the notes thereon, present a true and fair view of the Board's financial position as at 30 June 1989 and of its surplus and source and application of funds for the year then ended.

1. FIXED ASSETS

(a) As indicated in Note 2 (b) to the accounts, the Board has not kept an up-to-date fixed assets register and has not maintained title deeds for a number of its properties. As a result of this shortcoming, the scope of verification of fixed assets was limited. I am, however, informed that the issue of obtaining title deeds for all the properties of the Board is now receiving appropriate attention of the newly created Legal Department of the Board.

(b) Construction in progress includes an amount of KShs. 21,815,991.00 brought forward from 1984/85 which was paid by the Board to the Board's architects for local consultancy services provided on three Grain Silo Projects which were completed and handed over to the Government by the financier in 1987/88. Although the Board was to seek reimbursement of the funds from the Government, I have not seen confirmation from the relevant Ministries of the Government that the Board will be reimbursed this material amount. In view of the underlying uncertainty, I am unable to state whether the amount is recoverable. This matter has remained unsolved for a long time and has been the subject of my audit report since the accounts for the year ended 30 June 1985.

2. OPERATING STOCK

The standardization exercise carried out on stocks of maize revealed potential weight loss in

some depots that was far in excess of tolerable limit of an average of 2.2% set for grain industry. Such potential loss in weight of maize totalled 237,427 bags valued at Kshs. 54,312,423.00 after allowing for 2.2% acceptable normal loss arrived at as follows:-

Depot	No. of Stores	Physical Maize (bag 90 Kgs)	Average Weight per Bag	Equivalent Loss in Bags (90 Bags)
Kisumu	6	262,516	84.9	14,875
Nakuru	12	785,654	76.9	115,230
Mombasa	23	1,085,282	81.1	107,427
				<u>237,427</u>

The potential loss has not been separately revealed in the accounts. It is evident that there are abnormal factors that have occasioned such huge losses. In Mombasa and Nakuru, cases were noted of pilferage of maize bags which remained in rented stores for many years and also through prolonged storage such that the maize bags had become powdery.

3. SUB-STANDARD COMMODITIES

The physical closing stock of sub-standard maize as at 30 June 1989 were determined at 226,923 bags of maize as opposed to the 102,359 shown in the final schedule for the white maize stock movement. The 226,923 bags were valued and included in the balance sheet at a lower than standard valuation of Kshs. 200.00 per bag instead of Kshs. 233.90 per bag resulting into a stock loss of Kshs. 7,692,689.00. Further, it was noted that 412,889 bags of maize were downgraded out of which 329,705 bags were sold at an average of 200.00 per bag was. This sale price of Kshs. 200.00 per bag was in fact below the purchase price of maize which was Kshs. 233.90 per bag giving a loss of Kshs. 33.90 per bag thus resulting into a loss of Kshs. 11,177,000.00 on 329,705 bags said to have been sold. The Management has, however, explained that more elaborate procedures on handling, storage and disposal of commodities have been introduced and will greatly minimise incidences of deterioration in quality and weight.

4. GOVERNMENT DEBTORS

Government Debtors totalled Kshs. 183,922,031.00 made out of the following amounts:-

<u>Institution</u>	<u>Amount (Kshs.)</u>
Ministry of Health - Hospitals and Health Centres	200,976
Prisons Department (Prisons and Prisons Staff Colleges)	3,119,356
Office of the President	113,654,419
National Youth Service	3,796,670
Other Government Institutions including Administration	5,989,013
District Commissioner (1986/87 and 1987/88)	57,161,597
Total	<u>183,922,031</u>

Balances due from Ministries and Government Institutions have remained quite high in the last 4 years. Note 7 to the accounts debtors includes an amount of Kshs. 57,161,597.00 representing the outstanding amount still to be accounted for by the District Commissioners in regard to the amount originally transferred by Government to various District Commissioners for the purpose of paying farmers on behalf of the Board in 1986/87 and 1987/88. No provision has been made against possible mis-statement of this amount despite the fact that the amount has neither been reconciled nor agreed by the District Commissioners. In these circumstances, I am unable to satisfy myself as to whether the amount is fairly stated.

5. SUNDRY DEBTORS

Sundry Debtors figure of Kshs. 94,931,783.00 in Note 7 to the accounts includes gunny bags loanees balance of Kshs. 6,234,292.00 mentioned in my previous years report. The amount which has been outstanding since 1986/87 was recoverable from specific farmers on delivery of maize to the Board. In addition, the Sundry Debtors figure includes balances which have been outstanding for three or more years but which would not be verified due to lack of sufficient details. Some of the significant items that continue to recur include the following:-

<u>Description</u>	<u>1987/88</u>	<u>1988/89</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Cash Loss Suspence	7,477,909	6,504,512
Port Charges	9,074,997	9,074,997
Depot Operating Losses	3,325,717	3,325,717
Famine Relief	1,670,614	1,802,177

Although the management has explained that every effort is being made to follow up the debtors, no provision has been made in these accounts in respect of undoubtful debtors.

6. OTHER TRADE DEBTORS

As indicated in Note 7 to accounts, there were other debtors amounting to Kshs. 508,627,349.00 as at 30 June 1989. This amount represents an increase of Kshs 313,609,344.00 or approximately 161% over and above the previous years figure of Kshs. 195,018,005.00. The increase is mainly attributable to seven major debtors which were classified under stock and sundry debtors in 1987/88 totalling Kshs. 261,171,314.00. The amount of Kshs. 99,865,548.00 owed by a company and its subsidiary has previously been referred to in audit reports as stock with third party since 1985/86. It is understood that the Board has registered a claim with Official Receiver since the Company has gone into liquidation.

Other two amounts of Kshs. 5,000,000.00 and Kshs. 18,000,000.00 owed by two companies transferred from Sundry Debtors were in respect of a case recently concluded in court relating to gunny bags paid for but not received. In addition, there were five significant debtors balances totalling Kshs. 43,080,504.00 that have remained unsettled for periods ranging from 2 and 5 years.

7. IMPORTED WHEAT DEBTORS

Trade Debtors for imported wheat amounted to Kshs. 172,321,072.00 but as reflected in Note 7 (c) to these accounts, a total of Kshs. 138,099,676.00 or 80% owed by 10 firms is considered by the Board to be Bad Debts and has been provided in the accounts. The provision for bad debts were made as a result of unresolved dispute between some wheat millers and the Board. The Board does not send out regular customer statements or demand letters to speed up recovery. For example, one firm which owes some Kshs. 20,034,236.00 now considered by the Board as bad debts made an undertaking to repay Kshs. 1 million monthly instalments from July 1989 but failed to meet this obligation.

8. KENYA GRAIN GROWERS CO-OPERATIVE UNION LIMITED

As indicated in Note 6 to the accounts, the debts of Kshs. 363,652,603.00 due from Kenya Grain Growers Co-operative Union Limited was in dispute at the Balance Sheet date and had been referred to the Government for arbitration. It is understood that the Board may not realize the full debt due to the Union's unfavourable financial position and in my opinion, a specific provision for the possible loss should have been made in these accounts.

9. SUBSIDIARY AND ASSOCIATED COMPANIES

In Note 7 (a) to the accounts, associated Companies indebtedness as at 30 June 1989 was Kshs. 93,363,386.00. Out of this amount, a provision of Kshs. 51,355,340.00 has been made to cover debts that may not be recovered, the remaining amount of Kshs. 42,008,046.00 is what the Board is certain to recover. The breakdown is as follows:-

Company	Debt Balance as at 30.6.89	Bad Debt Provision	Balance not Provided For
	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>
Milling Corporation of Kenya Limited	42,208,302	30,208,302	12,000,000
Kenya Cashewnuts Limited	48,640,968	18,640,968	30,000,000
Kenya Bixa Ltd.	1,279,696	1,271,650	8,046
Kenya Peanuts Co. Ltd.	1,234,420	1,234,420	--
	<u>93,363,386</u>	<u>51,355,340</u>	<u>42,008,046</u>

The Board has explained that Milling Corporation of Kenya Limited and Kenya Cashewnuts Limited have been experiencing serious financial and liquidity problems that the two companies cannot repay the debts in foreseeable future. It is not clear why the two companies have been allowed to deteriorate to the extent that they cannot pay debts.

10. STAFF DEBTORS

Included in the Staff Debtors balance of Kshs. 7,376,608.00 as at 30 June 1989 are car loan balances totalling Kshs. 937,658.00 and cash loan balances totalling 78,039.00 owed by staff who are no longer with the board. It would appear that staff debtors were not reviewed by management in the past and lack of such regular reviews and follow-up of debtors may result into losses by the board.

11. NAROK WHEAT PROJECT

Following the restructuring of the Board Balance Sheet as at 30 June 1987, a full provision for Narok Wheat Project debtors amounting to Kshs. 58,572,681.00 was made in the accounts. However, the report on the restructuring of the Board as at 30 June 1987 had recommended that management should review all outstanding balances and reissue debt account statements through the debt collection unit for further follow-up. During the year under review, only an amount of Kshs. 79,991.00 was recovered bringing the cumulative recoveries as at 30 June 1989 to Kshs. 161,138.00. This is a very low rate of debt recovery and indications are that the outstanding amount may never be fully recovered.

A.J. OKOTH
AUDITOR GENERAL (CORPORATIONS)

8th May, 1991

BALANCE SHEET AT 30TH JUNE, 1989

	<u>Notes</u>	<u>1989</u> <u>KShs.</u>	<u>1988</u> <u>KShs.</u>
FIXED ASSETS	2	1,567,844,095	1,502,680,879
INVESTMENTS AND LOANS	3	6,621,160	6,621,160
STRATEGIC RESERVE STOCK	4	1,649,130,500	1,521,903,200
		<u>3,223,595,755</u>	<u>3,031,205,239</u>
CURRENT ASSETS			
Operating stocks	5	1,344,371,692	1,329,379,419
Kenya Grain Growers'			
Co-operative Union Limited	6	363,652,603	363,652,603
Debtors	7	831,601,815	1,185,000,455
Cash at bank and in hand	10	299,804,712	215,160,101
		<u>2,839,430,822</u>	<u>3,093,192,578</u>
CURRENT LIABILITIES			
Creditors and provisions	8	483,700,862	385,526,465
Cereals and Sugar Finance			
Corporation	9	--	578,924,898
Bank overdraft	10	--	207,137,602
Other loans - current portion	11 (a)	200,457,065	170,429,169
Government Agency	12	160,122,066	239,330,140
		<u>844,279,993</u>	<u>1,581,248,274</u>
NET CURRENT ASSETS		<u>1,995,150,829</u>	<u>1,511,844,304</u>
		<u>5,218,746,584</u>	<u>4,543,049,543</u>
CAPITAL FUND		229,283,233	229,283,233
INTEREST FREE IRREDEEMABLE LAON	13	2,360,062,821	2,489,902,262
		<u>2,589,349,054</u>	<u>2,719,185,495</u>
GRANTS FOR SPECIFIC PROJECTS	14	696,576,309	196,576,309
INTEREST FREE IRREDEEMABLE LOAN			
FOR RESERVE STOCK		1,649,130,500	1,521,903,200
LONG TERM LOANS	11 (b)	10,350,750	10,350,750
ACCUMULATED SURPLUS		273,342,971	95,033,789
		<u>5,218,746,584</u>	<u>4,543,049,543</u>

The notes on pages 9 to 21 form an integral part of these accounts.

.....))
)) Directors
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.....)

**INCOME AND EXPENDITURE ACCOUNT FOR
THE YEAR ENDED 30TH JUNE, 1989**

SURPLUS/(DEFICIT) TRANSFERRED FROM OPERATING ACCOUNTS	<u>1989</u> <u>KShs.</u>	<u>1988</u> <u>KShs.</u>
Maize : Internal	(19,886,045)	(35,165,111)
: Imported commercial	--	(21,343,747)
: Commercial exports	(86,569,808)	(200,908,578)
Wheat : Local	--	118,390,974)
: Imported commercial	56,048,447	160,871,218
Beans : Internal	47,635,681	(45,092,479)
: Exports	4,423,580	(44,836,013)
Rice : Imported commercial	(25,049,970)	(1,632,874)
: Locally milled	(1,459,187)	(15,066,850)
Irrigated paddy	253,683	(4,359,633)
Other produce	(2,051,751)	19,569,328
Empty Gunny Bags	34,911,306)	8,145,395
Insecticides	(811,007)	(780,267)
Surplus/(Deficit) before other income	<u>7,444,929</u>	<u>(62,208,637)</u>
 OTHER INCOME		
Dividends	2,523,127	--
Rents	289,221	518,522
Gain on disposal of fixed assets	--	15,536
Government Agency Commission	19,939,322	--
Adminstration and agency fees	--	46,098
Sundries	21,430,263	17,233,368
	<u>44,181,933</u>	<u>17,813,524</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR	<u>51,626,862</u>	<u>(44,395,113)</u>
 <u>STATEMENT OF ACCUMULATED SURPLUS/(DEFICIT)</u>		
Accumulated surplus at beginning of the year	95,033,789	--
Subvention received	33,217,320	40,000,000
Prior year adjustments (Note 18)	93,465,000	(20,200,000)
Restructuring adjustments	--	119,628,902
Net surplus/(deficit) for the year	51,626,862	(44,395,113)
Acumulated surplus at end of the year	<u>273,342,971</u>	<u>95,033,789</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30TH JUNE, 1989

	<u>1989</u> <u>KShs.</u>	<u>1988</u> <u>KShs.</u>
SOURCE OF FUNDS		
Subvention from Government	33,217,320	40,000,000
Sales of fixed assets	--	223,380
Prior year adjustments	93,465,00	(20,200,000
Grants - Specific Project/Programme	500,00,00	5,670,392
Irredeemable loan for strategic stock	127,227,300	(81,496,800)
Irredeemable laon increase	--	1,163,941,902
Restructuring adjustments	--	119,628,902
	<u>753,909,620</u>	<u>1,227,767,776</u>
APPLICATION OF FUNDS		
(Surplus)/Deficit for the year	(51,626,862)	44,395,113
Less: Items requiring no movement of funds:		
Depreciation	(59,182,269)	(28,838,940
Gain on disposal of fixed assets	--	15,536
Provision for doubtful debts	(54,570,966)	(5,626,760)
Used to finance operational losses	(165,380,097)	9,944,949
Additions to fixed assets	97,911,737	175,597,880
Reduction of irredeemable loan	129,839,441	--
Revaluation of fixed assets	26,433,748	783,374,858
	<u>88,804,829</u>	<u>968,917,687</u>
NET INCREASE IN WORKING CAPITAL	<u>665,104,791</u>	<u>258,850,089</u>
ANALYSIS OF CHANGES		
Increase/(decrease) in stocks	145,646,340	(509,656,350)
Increase/(decrease) in debtors	276,670,457	543,886,738
(Increase)/decrease in creditors	(98,174,397)	193,479,678
(Increase)/decrease in Government Agency Account	79,208,074	204,821,326
(Increase) in CSFC loans	--	(84,723,740)
(Increase)/decrease in bank overdraft and loans	177,109,706	(252,143,652)
Increase/(decrease) in cash and bank	84,644,611	163,186,089
NET INCREASE IN WORKING CAPITAL	<u>665,104,791</u>	<u>258,850,089</u>

NOTES TO THE ACCOUNTS - 30TH JUNE, 1989

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.

(b) INCOME RECOGNITION

Income on all produce is recognised at the date of sale.

(c) DEPRECIATION

Depreciation 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:-

Land	-	Nil
Building	-	2.5%
Silos	-	6%
Plant and machinery	-	12.5%
Fumigation equipment	-	20%
Motor vehicles, wheat handling and drying equipment	-	25%
Furniture and drying equipment	-	12.5%

(d) VALUATION OF STOCKS

(i) Stocks have been valued at the lower cost and net realisable value except strategic reserve stocks which are valued at the current purchase prices in line with the 1988 Board Restructuring Study report.

(ii) Stock quantities have been stated in terms of standard bags unless otherwise stated.

(e) INVESTMENTS

Equity investments in subsidiary and associated companies have been stated at cost. No account of the operating results of these concerns have been included in these accounts.

NOTES TO THE ACCOUNTS - 30TH JUNE, 1989

(These notes form an integral part of the accounts)

1. ACCOUNTING POLICIES (Cont'd)

(f) FUNDS FROM GOVERNMENT

Subvention and Irredeemable Loan from the Government of Kenya have been incorporated on a accrual basis to bring them into account in the same fiscal year they are provided by Government.

(g) ALLOCATION OF OVERHEAD EXPENSES

Expenses which are not specifically and directly attributable to particular operations have been charged against all relevant operating accounts on the basis of the number of bags sold adjusted for differences in standard weights.

(h) PROVISION FOR DOUBTFUL DEBTS

Provision for doubtful debts has been made on the basis of specific debts together with a general provision against other outstanding trade debts at the balance sheet date except where noted otherwise.

(i) FOREIGN CURRENCIES

(i) Foreign currency items in the Balance Sheet are translated in terms of Kenya shillings at the buying rate ruling at the balance sheet date.

(ii)

Foreign currency items in the income and expenditure account have been translated in terms of Kenya shillings at the actual rate ruling at the date of transaction or in the case of accruals of expenses at the rate ruling at the balance sheet date.

(j) STRATEGIC RESERVE STOCK COSTS

The direct and indirect costs allocated to maize and beans operating accounts which the Board considers to be costs of financing and revolving Strategic Reserve Stocks have been set against the Interest Free Irredeemable Loan in the proportion of the closing stocks of strategic reserve stocks to the total physical stocks of maize and beans at the year end.

NOTES TO THE ACCOUNTS - 30TH JUNE, 1989

(Continued)

<u>FIXED ASSETS</u>	<u>Land and Buildings KShs.</u>	<u>Equipment and Vehicles KShs.</u>	<u>Construction in Progress KShs.</u>	<u>Total KShs.</u>
Cost or valuation:				
At 1st July, 1988	1,177,555,600	183,619,527	202,661,671	1,563,836,798
Revaluation	66,271,70	--	--	66,271,700
Additions	578,106	13,152,095	84,181,536	97,911,737
Transfers	75,826,713	--	(75,826,713)	--
Adjustments	--	(38,756,010)	(35,991,180)	(74,747,190)
At 30th June, 1989	<u>1,320,232,119</u>	<u>158,015,612</u>	<u>175,025,314</u>	<u>1,653,273,045</u>
Depreciation:				
At 30th June, 1988	--	61,155,919	--	61,155,919
Charge for the year	41,035,953	18,146,316	--	59,182,269
Adjustments	--	(34,909,238)	--	(34,909,238)
At 30th June, 1989	<u>41,035,953</u>	<u>44,392,997</u>	<u>--</u>	<u>85,428,950</u>
Net Book Value:				
At 30th June, 1989	<u>1,279,196,116</u>	<u>113,622,615</u>	<u>175,025,314</u>	<u>1,567,844,095</u>
At 30th June, 1988	<u>1,177,555,600</u>	<u>122,463,608</u>	<u>202,661,671</u>	<u>1,502,680,879</u>

(a) REVALUATION OF FIXED ASSETS

Land, buildings and equipment (excluding vehicles) which were excluded in the 1987/88 revaluation were revalued during 1988/89 by Milligan and Company Limited, surveyors and registered valuers and reflected as at 30th June, 1989.

(b) FIXED ASSETS

The Board has not kept a fixed assets register for the physical control of its fixed assets and it accordingly is not possible to carry out proper cross verification with the physical count. The Board anticipates that proper fixed assets records will be available during the financial year 1989/90.

NOTES TO THE ACCOUNTS - 30TH JUNE, 1989
(Continued)

3. **INVESTMENTS AND LOANS**

	<u>1989</u>	<u>1988</u>
	<u>KShs.</u>	<u>KShs.</u>
Kenya Cashewnuts Limited:		
268,404 Ordinary shares of KShs. 20 each	5,368,080	5,368,080
Kenya Cashewnuts Limited:		
400 Ordinary shares of KShs. 20 each	2,000	2,000
Loan	231,080	231,080
Milling Corporation of Kenya Limited		
425,000 shares of KShs. 20 each	8,500,000	8,500,000
Loan	11,971,340	11,971,340
Kenya Bixa Limited:		
51,000 shares of KShs. 100 each	1,020,000	1,020,000
Kenya Peanuts Company Limited:		
55,167 shares of KShs. 100 each	2,168,240	2,168,740
	29,261,240	29,261,240
Less: Provision for possible losses on loan and equity investments in Millings Corporation of Kenya Limited and Kenya Peanuts Company Limited	(22,640,080)	(22,640,080)
	6,621,160	6,621,160

(a) **KENYA CASHEWNUTS LIMITED**

The Board owns 31.5% of the issued share capital of the Company. The original investment was financed by a grant from the Government of Kenya of KShs. 6,400,00.

(b) **KENYA CASHEWS LIMITED**

The Company is wholly owned subsidiary of the Board. It is at present dormant. It was intended that the Company would eventually construct a new cashewnuts processing factory in Kwale District. However, with limited Raw-Nuts this possibility appears remote. The loan outstanding represents expenditure met by the Board on behalf of the Company in prior years.

NOTES TO THE ACCOUNTS - 30TH JUNE, 1989
(Continued)

3. INVESTMENTS AND LOANS (Cont'd)

(c) MILLING CORPORATION OF KENYA LIMITED

The Corporation is 50% owned by the Board. The accounts for the year ended 30th June, 1986 on which the Corporation's auditors disclaimed any opinion, showed accumulated losses of KShs. 274,431,243. A provision of KShs. 20,471,340 has been made against the Board's loan and equity investment in the Corporation.

(d) KENYA BIXA LIMITED

The Company is 51% owned by the Board. The Company declared dividend of KShs. 1,040,000 during 1988/89.

(e) KENYA PEANUTS COMPANY LIMITED

The Board owns 46% of the issued share capital of the company. A provision of KShs. 2,168,740 has been made against the Board's investment in the company.

4. STRATEGIC RESERVE STOCK

	<u>1989</u> KShs.	<u>Bags</u> 90 Kgs.	<u>1988</u> KShs.	<u>Bags</u> 90 Kgs.
Maize	1,523,400,00	6,000,000	1,403,400,000	6,000,000
Beans	125,730,500	253,461	118,503,200	296,258
	<u>1,649,130,500</u>		<u>1,521,903,200</u>	

The Strategic Stocks have been valued at the current purchase prices.

NOTES TO THE ACCOUNTS - 30TH JUNE, 1989
(Continued)

	<u>1989</u> <u>KShs.</u>	<u>1988</u> <u>KShs.</u>
5. OPERATING STOCKS		
Maize	799,602,181	701,332,143
Wheat - Local	--	3,426,767
Wheat - Imported	211,480,192	11,347,629
Imported Commercial rice	124,297	30,136,642
Local milled rice	62,681,237	112,476,117
Irrigated paddy	--	68,324,611
Other produce	89,201,166	2,537,525
Gunny bags	178,099,297	390,873,984
Insecticides	3,183,322	8,924,001
	<u>1,344,371,692</u>	<u>1,329,379,419</u>

6. KENYA GRAIN GROWERS' CO-OPERATIVE UNION LIMITED (KGGCU)

- (a) The amount of KShs. 363,652,603 due from Kenya Grain Growers' Co-operative Union Limited is to dispute. The Government's arbitration in the matter is about to be finalised and a decision will then be taken in on the treatment of the difference between the above debt and the amount determined by the arbitration once an agreement is finally signed.

The Wheat Industry Agency which was operated between the Board and KGGCU in the handling of local wheat was terminated effective from 1st July, 1988. As at 30th June, 1988 the following figures were incorporated in the Board's balance sheet in relation to the Wheat Industry. These figures were extracted from KGGCU management accounts.

	<u>1989</u> <u>KShs.</u>	<u>1988</u> <u>KShs.</u>
Stocks (See note 5)	--	3,426,767
Debtors (see note 7)	--	575,498,131
	<u> </u>	<u> </u>
	--	578,924,898
	<u> </u>	<u> </u>
Cereals and Sugar		
Finance Corporation	<u> </u>	<u> </u>
(See note 9)	--	578,924,898
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS - 30TH JUNE, 1989
(Continued)

7. DEBTORS	<u>1989</u> KShs.	<u>1988</u> KShs.
Government debtors	348,475,703	266,290,797
Associated companies	93,363,386	112,625,751
Trade debtors for imported wheat	172,321,072	269,271,484
Other trade debtors	508,627,349	195,018,005
Staff debtors	7,376,608	6,121,008
Sundry debtors	94,931,783	99,098,349
	<u>1,225,095,901</u>	<u>948,425,394</u>
Less: Provision for doubtful debts	<u>(393,494,086)</u>	<u>(338,923,070)</u>
	831,601,815	609,502,324
Local wheat	--	575,498,131
	<u>831,601,815</u>	<u>1,185,000,455</u>

Notes on debtors

- (a) Associated companies indebtedness is made up as follows:

	<u>1989</u> KShs.
Milling Corporation of Kenya Limited	42,208,302
Kenya Cashewnuts Limited	48,640,948
Kenya Bixa Limited	1,279,696
Kenya Peanuts Company Limited	1,234,420
	<u>93,363,386</u>

- (b) Government debtors include a balance of KShs. 98,129,500 which is part of the amount originally transferred to District Commissioners for the purpose of paying farmers. The balance represents an amount yet to be accounted for by the District Commissioners. Also included in Government debtors is an amount of KShs. 123,585,769 accrued in respect of Irredeemable Loan and reimbursement of capital expenditure by the Ministry of Supplies and Marketing provided for in 1988/89 budget received after the Balance Sheet date.

The provision for doubtful debts covers debtors as follows:-

	<u>KShs.</u>
Government debtors	3,475,305
Associated companies	51,355,340
Debtors for imported wheat	138,099,676
Other trade debtors	105,428,798
Sundry debtors	51,553,802
General provision	43,581,165
	<u>393,494,086</u>

NOTES TO THE ACCOUNTS - 30TH JUNE, 1989
(Continued)

	<u>1989</u>	<u>1988</u>
	<u>Kshs.</u>	<u>Kshs.</u>
8. <u>CREDITORS AND PROVISIONS</u>		
Trade creditors	309,037,314	136,539,607
Sundry creditors and provisions	174,663,548	172,595,999
Mwea Rice Mills Limited	--	42,354,779
National Irrigation Board	--	34,036,080
	483,700,862	385,526,465
9. <u>CEREALS AND SUGAR FINANCE CORPORATION</u>		
Loan - Current portion:		
Advance for local wheat purchases	--	578,924,898
10. <u>BANK OVERDRAFT</u>		
Kenya Commercial Bank Limited	--	207,137,602

The Board has a standby overdraft facility of KShs. 150 million with Kenya Commercial Bank Limited. The overdraft position at 30th June, 1989 stood at 42.5 million and was set off against the bank balance at that date.

NOTES TO THE ACCOUNTS - 30TH JUNE, 1989
(Continued)

11. <u>OTHER LOANS</u>	<u>1989</u>	<u>1988</u>
	<u>KShs.</u>	<u>KShs.</u>
(a) <u>Due within one year:</u>		
Danish Government loan No. 1	457,065	429,169
Consortium of Commercial Bank in Kenya	<u>200,000,000</u>	<u>170,000,000</u>
Loans - Current portion	<u>200,457,065</u>	<u>170,429,169</u>
(b) <u>Long-term loans due after one year:</u>		
World Bank soft loan	10,350,750	10,350,750

Notes:

(i) The Danish Government loan was given to finance the construction of maize driers at Bungoma and Webuye.

(ii) The loans given by local commercial banks as bridging finance to finance maize purchase. This has become a common financing feature since 1982/83. During the 1988/89 a bridging facility of KShs. 250 million was secured from Kenya Commercial Bank. The loans bear interest at 16% per annum payable monthly. The principal outstanding as at 30th June, 1989 is due to the banks as follows:-

	<u>1989</u>	<u>1988</u>
	<u>KShs.</u>	<u>KShs.</u>
Kenya Commercial Bank Limited	200,000,000	85,000,000
Barclays Bank of Kenya Limited	--	34,000,000
National Bank of Kenya	--	17,000,000
Standard Chartered Bank	--	34,000,000
	<u>200,000,000</u>	<u>170,000,000</u>

(iii) The World Bank soft loan represents reimbursements in respect of computer maintenance, costs of their procedures manuals, training expenses, and the cost of the computer centre building.

NOTES TO THE ACCOUNTS - 30TH JUNE, 1989
(Continued)

12. GOVERNMENT AGENCY ACCOUNT

The Board receives wheat, rice and maize from overseas under either Aid or Loan Programmes on behalf of the Government of Kenya. A formal Agency Agreement has been drawn and signed between the Government and the Board. The agreement stipulates terms and conditions as well as the accountability by the Board for these commodities. The past practise has been that the Board, after recovering expenses incurred in the process of receiving, storing and selling the commodities, pays the surplus to the Government of Kenya. Following the restructuring of the balance sheet at 30th June, 1987, indirect expenses are no longer recovered. An Agency Commission at 8% of the sales value is therefore charged to meet the Board's management and overhead costs. The amounts of surplus to be paid as at 30th June, 1989 were as follows:-

	<u>1989</u> <u>KShs</u>	<u>1988</u> <u>KShs</u>
Balance due to Government at 30th June, 1988	239,330,140	444,151,466
Transferresd from operating accounts:		
PL 480 Wheat	66,629,834	156,596,912
PL 480 Rice	15,382,311	38,309,466
Food Aid Wheat - EEC	2,518,997	23,183,115
Food Aid Rice	1,260,784	10,396,856
Prior year adjustment (See Note below)	<u>(65,000,000)</u>	<u> --</u>
	260,122,066	672,637,815
<u>Less: Payment to Government during the year</u>	<u>(100,000,000)</u>	<u>(433,307,675)</u>
Balance due to Government at 30th June, 1989	<u>160,122,066</u>	<u>239,330,140</u>

- (a) The balance shown due to the Government is subject to reconciliation between the Board and the Government of Kenya.
- (b) A subvention from the Government of KShs. 65,000,000 due to the Board but was instead remitted directly to Treasury and set against the Government Agency account in settlement of the bakance on the Japanese Aid rice programme.

NOTES TO THE ACCOUNTS - 30TH JUNE, 1989
(Continued)

13. INTEREST FREE IRREDEEMABLE LOAN

The movements on the Interest Free Irredeemable Loan during the year were as follows:-

	KShs.
Balance at 30th June, 1988	2,489,902,262
Received during the year	399,435,831
Strategic Reserve Stock Costs for the year (Note 17)	(595,546,972)
Surplus on revaluation of fixed assets	66,271,700
 Balance at 30th June, 1989	 2,360,062,821

14. GRANTS FOR SPECIFIC PROJECTS

	<u>1989</u> KShs.	<u>1988</u> KShs.
EEC Crop Purchase Grant	116,502,846	116,502,846
British Government Grant	20,228,100	20,228,100
Danish Government Grant	39,045,363	39,045,363
IBRD Grant for Computer Enhancement	20,800,000	20,800,000
EEC Grant in Aid for Crop Purchasing Revolving Fund	500,000,000	--
	696,576,309	196,576,309

15. CONTINGENT LIABILITIES

The Board had contingent liabilities at 30th June, 1989 due to dispute with suppliers of goods and services amounting to KShs. 15.5 million.

NOTES TO THE ACCOUNTS - 30TH JUNE, 1989
(Continued)

16. GOING CONCERN

The accounts have been prepared on the going concern basis.

17. COST OF MANAGING AND REVOLVING STRATEGIC RESERVE STOCKS

The costs of managing, handling and revolving Strategic Reserve Stocks of maize and beans operating accounts and set against the Interest Free Irredeemable loan as follows:-

	<u>KShs.</u>
Internal maize	383,704,920
Export maize	150,489,457
Internal beans	30,170,461
Export beans	3,431,461
Maize export loss due to price difference	27,750,673
	<hr/>
(see note 13)	<u>595,546,972</u>

Direct costs and overheads which the Board has determined to relate to its roles of maintaining and revolving Strategic Stocks, and as an agent of the Government in its role as a buyer of last resort, have been re-allocated to the Interest Free Irredeemable loan.

18. PRIOR YEAR ADJUSTMENTS

	<u>KShs.</u>
Subvention relating to 1987/88 paid direct towards Government Agency Account (See note 12(b))	65,000,000
Uninvoiced maize sales for 1987/88 taken in 1988/89	28,465,000
	<hr/>
	<u>93,465,000</u>

INTERNAL MAIZE OPERATING ACCOUNT
FOR THE YEAR ENDED 30TH JUNE, 1989

	1989		1988	
	Bags	KShs.	Bags	KShs.
SALES	4,615,536	1,279,616,027	5,428,246	1,448,142,746
STORAGE LOSS/(GAIN)	(5,207)	--	125,139	--
	4,610,329	1,279,616,027	5,553,385	1,448,142,746
COST OF SALES				
Openong stock	3,630,326	701,328,897	5,023,477	1,061,290,803
Provision-Export losses	--	--	--	(541,828,574)
		701,328,897	5,023,477	519,462,229
Purchases	7,148,393	1,569,464,064	5,334,939	1,226,616,154
Transfers to Maize				
Export account cost	(2,099,590)	(490,302,775)	(1,174,705)	(248,175,440)
Provision - Export losses	--	--	--	76,495,458
Closing stock	(4,068,800)	(799,602,181)	(3,630,326)	(701,328,897)
	4,610,329	980,893,005	5,553,385	873,069,504
GROSS MARGIN		298,723,022		575,073,242
LESS:				
Railage and transport expenses		323,746,990		365,898,110
Operating and administration expenses		378,566,997		244,340,243
		702,313,987		610,238,353
Strategic Reserve				
Stock costs		(383,704,920)		--
(See note 17)		318,609,067		610,238,353
DEFICIT TRANSFERRED TO INCOME AND EXPENDITURE ACCOUNT				
		(19,886,045)		(35,165,111)

Closing stock quantities are stated in terms of physical bags.

**COMMERCIAL MAIZE EXPORT OPERATING ACCOUNT
FOR THE YEAR ENDED 30TH JUNE, 1989**

	1989		1988	
	Bags	KShs.	Bags	KShs.
SALES	2,099,590	462,552,102	1,174,705	171,679,982
COST OF SALES				
Transfer-in for export cost	2,099,590	490,302,775	1,174,705	248,175,440
Export price differential loss transferred to irredeemable loan (Note 17)		(27,750,673)		(76,495,458)
Direct export costs		64,850,558		142,213,521
		527,402,660		313,893,503
GROSS (LOSS)		(64,850,558)		(142,213,521)
Operating and administration expenses		172,208,707		58,695,057
Strategic Reserve Stock costs (See Note 17 and note below)		(150,489,457)		--
		21,719,250		58,695,057
DEFICIT TRANSFERRED TO INCOME AND EXPENDITURE ACCOUNT		(86,569,808)		(200,908,578)

Note: The cost transferred to the Interest Free Irredeemable loan in note 17 comprise of:-

	KShs.
Direct export costs	64,850,558
Operating and administration expenses	85,638,899
	150,489,457

**IMPORTED COMMERCIAL WHEAT OPERATING
ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1989**

	1989		1988	
	Bags	KShs.	Bags	KShs.
SALES	1,207,473	591,782,473	1,201,962	486,339,400
STORAGE	--	--	55,966	--
	<u>1,207,473</u>	<u>591,782,473</u>	<u>1,257,928</u>	<u>486,339,400</u>
COST OF SALES				
Opening Stocks	64,388	11,347,629	748,877	106,597,300
Purchases	1,700,846	535,588,533	573,439	120,959,634
Less: Clothing stock	(557,761)	(211,480,192)	(64,388)	(11,347,629)
	<u>1,207,473</u>	<u>335,455,970</u>	<u>1,257,928</u>	<u>216,209,305</u>
 GROSS MARGIN		<u>256,326,503</u>		<u>270,130,095</u>
LESS:				
Railage and transport costs		31,689,141		16,494,953
Direct import expenses		56,749,232		27,126,813
Operating and administration expenses		111,839,683		60,141,196
Provision for bad and doubtful debts in respect of short weight and grade claims		--		5,495,195
		<u>200,278,056</u>		<u>109,258,877</u>
 SURPLUS TRANSFERRED TO INCOME AND EXPENDITURE ACCOUNT		<u>56,048,447</u>		<u>160,871,218</u>

INTERNAL BEANS
OPERATING ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1989

	1989		1988	
	Bags	KShs.	Bags	KShs.
SALES	171,327	126,241,372	698,551	276,181,420
Prior year adjustment (see note below)		(11,928,262)		--
STORAGE LOSS/(GAIN)	--		(25,959)	
	171,827	114,313,110	672,592	276,181,420
COST OF SALES				
Opening stocks	--	--	631,928	247,633,666
Purchases	204,967	79,933,429	203,153	80,720,957
Transfer from Strategic Reserve Stock	--	--	203,742	81,496,800
Less: Transfer to Expenditure Account	(33,140)	(13,256,000)	(366,231)	(144,491,011)
	171,827	66,677,429	672,592	265,360,412
GROSS MARGIN		47,635,681		10,821,008
Less:				
Railage and transport expenses		9,216,480		22,017,048
Operating and administration expenses		20,953,981		33,896,439
		30,170,461		55,913,487
Strategic Reserve Stock (See Note 17)		(30,170,461)		--
		--		55,913,487
DEFICIT TRANSFERRED TO INCOME AND EXPENDITURE ACCOUNT		47,635,681		45,092,479

Note: The prior year adjustment is for the 1987/88 unrecorded sales of beans swapped with the unrecorded purchase of gunny bags.

BEANS EXPORT
OPERATING ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1989

	1989		1988	
	Bags	KShs.	Bags	KShs.
SALES	33,140	17,679,580	366,231	123,619,292
COST OF SALES				
Transfers-in				
for export	33,140	13,256,000	366,231	144,491,011
Direct export costs		913,156		5,665,275
		14,169,156		150,156,286
GROSS MARGIN (LOSS)		3,510,424		(26,536,994)
Less:				
Operating and administration expenses		2,518,305		18,299,019
Strategic Reserve Stocks (Note 17)		(3,431,461)		--
		(913,156)		18,299,019
SURPLUS/(DEFICIT) TRANSFERRED TO INCOME AND EXPENDITURE ACCOUNT		4,423,580		(44,836,013)

IMPORTED COMMERCIAL RICE OPERATING ACCOUNT
FOR THE YEAR ENDED 30TH JUNE, 1989

	1989		1988	
	<u>Bags</u>	<u>KShs.</u>	<u>Bags</u>	<u>KShs.</u>
SALES	85,607	17,305,298	1,153	625,682
STORAGE LOSS/(GAIN)	--	--	--	--
	<u>85,607</u>	<u>17,305,298</u>	<u>1,153</u>	<u>625,682</u>
COST OF SALES				
Opening stock	85,795	30,136,642	607	275,251
Purchases	--	--	86,341	30,461,362
<u>Less: Closing stock</u>	(188)	(124,297)	(85,795)	(30,136,642)
	<u>85,607</u>	<u>30,012,345</u>	<u>1,153</u>	<u>599,971</u>
GROSS MARGIN (LOSS)		<u>(12,707,047)</u>		<u>25,711</u>
<u>Less:</u>				
Railage and transport				
. expenses		--		28,516
Direct import costs		5,321,424		1,572,458
Operating and administration				
expenses		7,021,499		57,611
		<u>12,342,923</u>		<u>1,658,585</u>
(DEFICIT) TRANSFERRED				
TO INCOME AND EXPENDITURE				
ACCOUNT		<u>(25,049,970)</u>		<u>(1,632,874)</u>

LOCAL MILLED RICE
OPERATING ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1989

	1989		1988	
	<u>Bags</u>	<u>KShs.</u>	<u>Bags</u>	<u>KShs.</u>
SALES	212,720	213,286,464	124,793	99,474,490
STORAGE LOSS	2,590	--	8,782	--
	<u>215,310</u>	<u>213,286,469</u>	<u>133,575</u>	<u>99,474,490</u>
COST OF SALES				
Opening stocks	167,334	112,476,117	116,248	76,561,802
Purchases	119,149	116,302,528	184,661	139,567,484
<u>Less: Closing stocks</u>	(71,173)	(62,681,237)	(167,334)	(112,476,117)
	<u>215,310</u>	<u>166,097,408</u>	<u>133,575</u>	<u>103,653,169</u>
GROSS MARGIN (LOSS)		<u>47,189,061</u>		<u>(4,178,679)</u>
<u>Less:</u>				
Railage and transport		6,973,596		3,604,992
Operating and administration expenses		41,674,652		7,283,179
		<u>48,648,248</u>		<u>10,888,171</u>
DEFICIT TRANSFERRED TO INCOME AND EXPENDITURE ACCOUNT		<u>(1,459,187)</u>		<u>(15,066,850)</u>

LOCAL IRRIGATED PADDY OPERATING ACCOUNT
FOR THE YEAR ENDED 30TH JUNE, 1989

	<u>1989</u>		<u>1988</u>	
	<u>Bags</u>	<u>KShs.</u>	<u>Bags</u>	<u>KShs.</u>
SALES	283,384	69,735,004	371,442	111,478,498
STORAGE LOSS/ GAIN)	(33,354)	--	38,699	--
	<u>250,030</u>	<u>69,735,004</u>	<u>41,141</u>	<u>111,478,498</u>
COST OF SALES				
Opening Stocks	245,790	68,324,611	197,231	57,050,493
Purchases	4,240	796,786	458,700	125,403,468
<u>Less: Closing stocks</u>	--	--	(245,790)	(68,324,611)
	<u>250,030</u>	<u>69,121,397</u>	<u>410,141</u>	<u>114,129,350</u>
GROSS MARGIN/LOSS		<u>613,607</u>		<u>(2,650,852)</u>
<u>Less:</u>				
Railage and transport		359,924		1,708,781
		<u>359,924</u>		<u>1,708,781</u>
SURPLUS/(DEFICIT)				
TRANSFERRED TO				
INCOME AND				
EXPENDITURE		<u>253,683</u>		<u>(4,359,633)</u>

PRODUCE OTHER THAN MAIZE, WHEAT, RICE AND BEANS OPERATING ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1989

	Wimbi	Cashewnuts	Bixa Annato	Grams	Simsim	Sorghum	Castor seed	Non-irrigated paddy	Millet	Peas	Ground-nuts	Capsicums	Sun-flower seeds	Njahi	Total
	KShs	KShs	KShs	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.	KShs	KShs.	KShs.	KShs.	KShs.
SALES	1,800	28,448,080	6,243,305	54,250	1,400	264,310	60,515	1,416,250	-	22,434	-	107,100	185	1,000	36,620,629
Opening stocks	1,200	1,524,825	71,402	2,276	62,020	119,127	124,007	538,200	-	7,447	3,600	57,800	16,731	18,890	2,537,525
Purchases	600	21,121,182	7,286,270	37,338,036	17,926	4,211,968	184,498	528,570	-	45,382,311	-	37,660	3,144	15,522	116,127,687
	1,800	22,636,007	7,357,672	37,340,312	79,946	4,331,095	308,505	1,066,770	-	45,389,758	3,600	95,460	19,875	34,412	118,665,212
Closing stocks	--	--	(1,147,595)	(34,681,625)	(80,814)	(4,198,025)	(104,473)	(69,631)	-	(48,851,778)	(3,600)	(8,799)	(18,667)	(36,179)	(89,201,166)
COST OF SALES	1,800	22,636,007	6,210,077	2,658,687	(868)	133,070	204,032	997,139	-	(3,462,020)	-	86,681	1,208	(1,767)	29,464,046
Gross Margin/(loss)	--	5,812,073	33,228	(2,604,437)	2,268	131,240	(143,517)	419,111	-	3,484,454	-	20,419	(1,023)	2,767	-7,156,583
Operating expenses	634	7,090,370	1,811,328	16,497	254	185,016	33,374	7,032	-	3,299	-	60,022	254	254	9,208,334
SURPLUS/(DEFICIT) FOR THE YEAR 1988/89	(634)	(1,278,297)	(1,778,100)	(2,620,934)	2,014	(53,776)	(176,891)	412,079	-	3,481,155	-	(39,603)	(1,277)	2,513	(2,051,751)
SURPLUS/(DEFICIT) FOR THE YEAR 1987/88	61,400	9,475,211	4,291,210	5,462,818	17,285	922,040	(123,334)	13,178	(46,940)	(35,613)	(15,732)	(173,836)	(28,154)	(250,205)	19,569,328

EMPTY GUNNY BAGS
OPERATING ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1989

	<u>1989</u> <u>KShs.</u>	<u>1988</u> <u>KShs.</u>
SALES	<u>159,258,472</u>	<u>108,844,044</u>
COST OF SALES		
Opening stocks	390,873,984	577,073,278
<u>Less: Overstated in previous year</u> (See Note (a) below)	<u>(92,748,778)</u>	<u>(43,200,000)</u>
	298,125,206	533,873,278
Purchases	12,118,654	4,168,887
<u>Less: Prior year adjustment</u> (See Note (b) below)	<u>(11,928,262)</u>	--
<u>Less: Insurance for burnt gunny bags</u>	--	(50,077,457)
Closing stocks	<u>(178,099,297)</u>	<u>(390,873,984)</u>
	<u>120,216,301</u>	<u>97,090,724</u>
GROSS MARGIN	39,042,171	11,753,320
<u>LESS:</u>		
Railage and transport	<u>4,130,865</u>	<u>3,607,925</u>
SURPLUS TRANSFERRED TO INCOME AND EXPENDITURE ACCOUNT	<u><u>34,911,306</u></u>	<u><u>8,145,395</u></u>

Note:

- (a) The value of 4,023,000 and 461,000 gunny bags paid for but not yet supplied by East Africa Bag and Cordage and Kensack Limited respectively has been transferred to debtors. The two companies are under receivership and the matter is now in court. The amount paid amounts to KShs. 92,748,778.
- (b) The prior adjustment is for the 1987/88 purchase of gunny bags swapped with the unrecorded 1987/88 sales of beans.

INSECTICIDES
OPERATING ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1989

	<u>1989</u>	<u>1988</u>
	<u>KShs.</u>	<u>KShs.</u>
SALES	<u>5,073,224</u>	<u>1,018,866</u>
 COST OF SALES		
Opening stocks	8,924,001	9,872,106
Purchases	--	642,567
<u>Less: Clothing stocks</u>	<u>(3,183,322)</u>	<u>(8,924,001)</u>
	<u>5,740,679</u>	<u>1,590,672</u>
 GROSS (LOSS)	 (667,445)	 (571,806)
<u>Less: Railage and transport costs</u>	<u>143,452</u>	<u>208,461</u>
 DEFICIT) TRANSFERRED TO INCOME AND EXPENDITURE ACCOUNT	 <u>(811,007)</u>	 <u>(780,267)</u>

PL 480
OPERATING ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1989

	<u>WHEAT</u> KShs.	<u>RICE</u> KShs.
SALES	<u>202,675,513</u>	<u>35,634,267</u>
<u>LESS:</u>		
Direct import costs	108,249,134	15,433,649
Railage and transport costs	11,582,504	1,967,566
Government Agency Commission at 8% of sales (See Note below)	16,214,041	2,850,741
	<u>136,045,679</u>	<u>20,251,956</u>
 SURPLUS TRANSFERRED TO GOVERNMENT AGENCY ACCOUNT	 <u>66,629,834</u>	 <u>15,382,311</u>
 QUANTITIES - Bags @ 90 Kgs.		
	<u>Bags</u>	<u>Bags</u>
Opening stocks	11,415	104,522
Received during the year	1,082,188	--
Sales	(710,292)	(101,401)
	<u>383,311</u>	<u>3,121</u>

Closing stocks of PL 480 produce are not included in stock on hand at 30th June, 1989 because they are the property of the Government of Kenya.

NOTE

An Agency Commission to cover Administrative and Management costs has been charged at 8% of Gross Sales.

FOOD AID
OPERATING ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1989

	<u>WHEAT</u> <u>KShs.</u>	<u>RICE</u> <u>KShs.</u>
SALES	8,165,618	2,766,134
<u>Less:</u>		
Direct import costs	3,942,922	1,046,285
Railage and transport costs	1,050,450	237,774
Government Agency Commission at 8% of Gross Sales (See Note below)	653,249	221,291
	5,646,621	1,505,350
SURPLUS TRANSFERRED TO GOVERNMENT ACCOUNT	2,518,997	1,260,784
QUANTITIES - Bags @ 90 Kgs.	<u>Bags</u>	<u>Bags</u>
Opening stocks	32,206	4,861
Received during the year	165,998	--
Sales	(40,285)	4,607)
Closing stocks	157,919	254

Closing stocks of Food Aid produce are not included in stock on hand at 30th June, 1989 because they are the property of the Government of Kenya.

NOTE

The Agency Commission to cover for Administrative and Management costs have been charged at 8% of the Gross Sales and transferred to miscellaneous income.

OPERATING AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED 30TH JUNE, 1989

	<u>1989</u>	<u>1988</u>
	<u>KShs.</u>	<u>KShs.</u>
<u>GENERAL ADMINISTRATION</u>		
Allowance to Board Members	130,634	37,788
Advertising	1,055,471	735,110
Computer unit expenses	650,081	258,474
Conservancy, light and water	5,715,595	4,871,813
Consumable store	2,523,606	1,573,485
Entertainment	4912,358	138,830
General expenses	3,061,514	4,075,251
Insurance	11,446,906	7,593,255
Land and siding rent and rates	5,040,173	2,564,814
Maintenance of machinery, furniture and equipment	13,222,147	14,138,234
Maintenance of buildings	6,750,251	5,649,377
Postage, telegram and telephone	8,370,030	6,326,266
Printing and stationery	8,098,393	9,257,541
Rent for offices, staff, staff houses and stores	34,994,683	34,351,792
Security expenses	10,578,208	11,055,207
Subscriptions	111,723	83,150
Uniforms	1,721,562	612,024
Depreciation	59,182,269	28,838,940
Donations	1,108,580	--
	<u>174,253,184</u>	<u>132,161,351</u>
<u>GENERAL OPERATING ADMINISTRATION</u>		
Cyprus bins operating costs	49,980	221,148
Fumigation expenses	4,636,799	287,304
Grain dryers operating costs	6,553,742	2,463,177
Handling and agency fees	17,389,571	3,280,952
Hired transport	3,173,350	1,282,345
Maize yield survey and research	30,346	31,353
Shows and exhibitions	3,209,005	2,011,275
Travelling and subsistence	26,654,060	22,351,199
Vehicle running costs	7,544,017	5,406,241
Provision for bad and doubtful debts	54,570,966	292,765
Tarpaulins	38,025,347	12,351,330
Dunnages	4,550,847	2,547,444
Fumigation equipment	516,518	1,265,623
	<u>166,904,548</u>	<u>53,792,156</u>

OPERATING AND ADMINISTRATION EXPENSES
FOR THE YEAR ENDED 30TH JUNE, 1989
(Continued)

<u>STAFF COSTS</u>	<u>1989</u> <u>KShs.</u>	<u>1988</u> <u>KShs.</u>
Salaries and wages	316,404,138	234,480,258
Board's contribution to pension scheme, provident fund and savings scheme	7,637,791	5,138,368
Medical expenses	4,563,626	3,545,049
National Social Security Fund	4,164,323	3,765,578
Provision for leave pay, passages and gratuities	5,592,673	2,306,951
Welfare and training	1,001,659	248,954
Training - World Bank Component	--	1,181,488
	<u>339,364,210</u>	<u>250,666,646</u>
 <u>PROFESSIONAL EXPENSES</u>		
Accountancy fee and expenses	--	214,936
Audit fees	2,500,000	2,300,000
Audit fees under provided in previous years	1,311,764	--
Legal and other fees	7,472,890	1,616,677
	<u>11,284,654</u>	<u>4,131,613</u>
 TOTAL EXPENDITURE BEFORE FINANCE COSTS	 691,806,596	 440,751,766
 FINANCE COSTS		
Bank charges and bank loan interest	30,958,591	11,144,211
Bank overdraft interest	17,500,767	16,371,134
Interest on loans	27,896	--
Other Loans - Interest payable	--	8,931,927
<u>Less: Interest receivable</u>	--	(4,037,168)
	<u>48,487,254</u>	<u>32,410,104</u>
 TOTAL EXPENDITURE TO BE APPORTIONED	 <u>740,293,850</u>	 <u>473,161,870</u>

OPERATING AND ADMINISTRATION EXPENSES
FOR THE YEAR ENDED 30TH JUNE, 1989
(Continued)

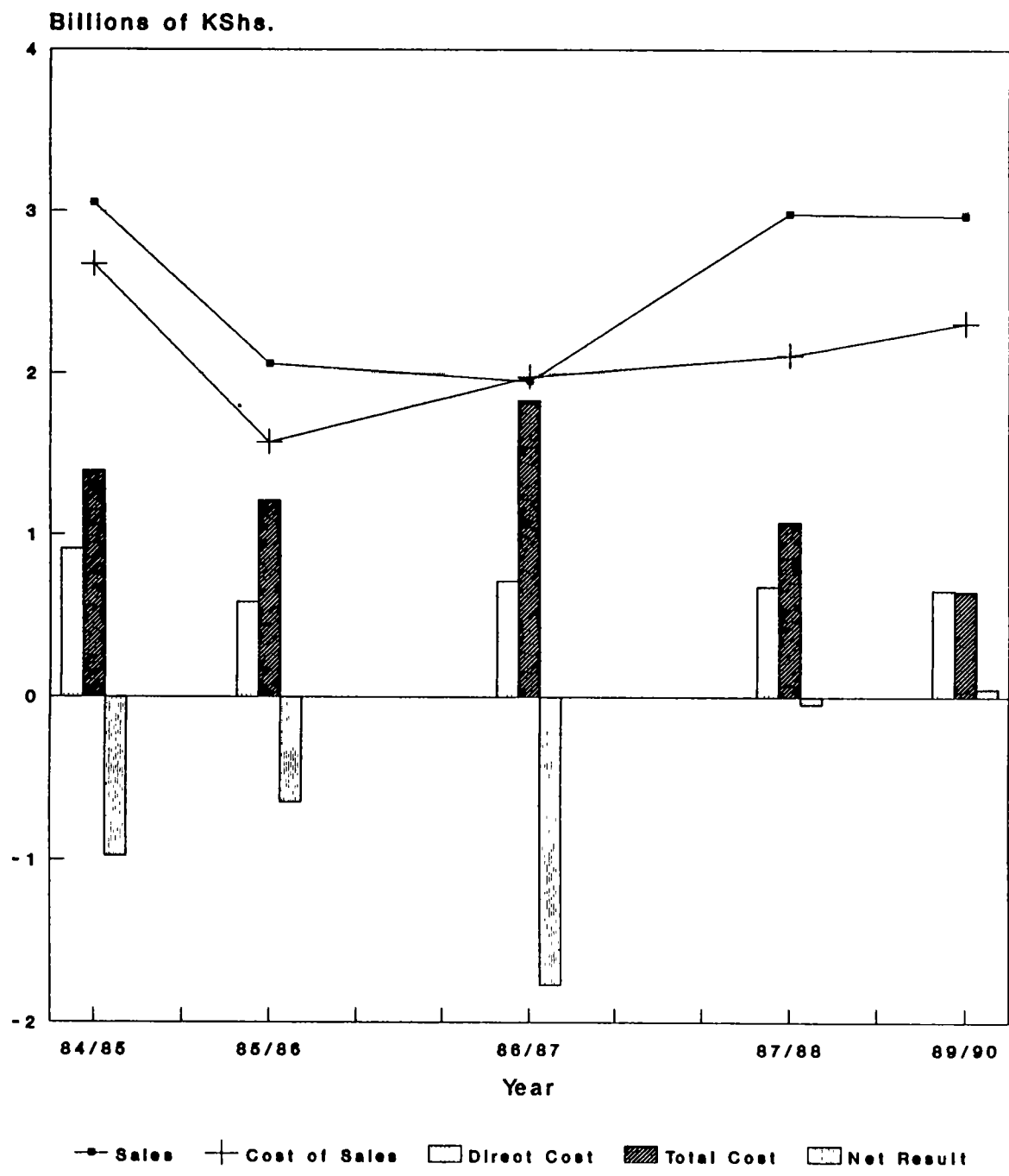
(a) APPORTIONED AS FOLLOWS:	<u>1989</u> <u>KShs.</u>	<u>1988</u> <u>KShs.</u>
MAIZE : Internal	378,566,997	244,340,243
: Imported commercial	--	17,135,966
: Commercial exports	172,208,707	58,695,057
WHEAT : Local	--	20,000,000
: Imported commercial	111,839,683	60,141,916
RICE : Imported commercial	7,021,499	57,611
: Locally milled	41,674,652	7,283,179
BEANS : Internal	20,953,981	33,896,439
: Export	2,518,305	18,299,019
OTHER PRODUCE	5,510,026	13,312,440
	<hr/>	<hr/>
	740,293,850	473,161,876
	<hr/>	<hr/>
EXPENSES DIRECTLY ALLOCATED	651,303,510	681,155,401
	<hr/>	<hr/>
(b) TOTAL EXPENSES	1,391,597,362	1,154,317,271
	<hr/>	<hr/>
GOVERNMENT AGENCY OPERATING EXPENSES INCLUDED (b) above	143,510,284	76,455,342
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See note 1(g) to the accounts for the basis of all allocation of overhead expenses.

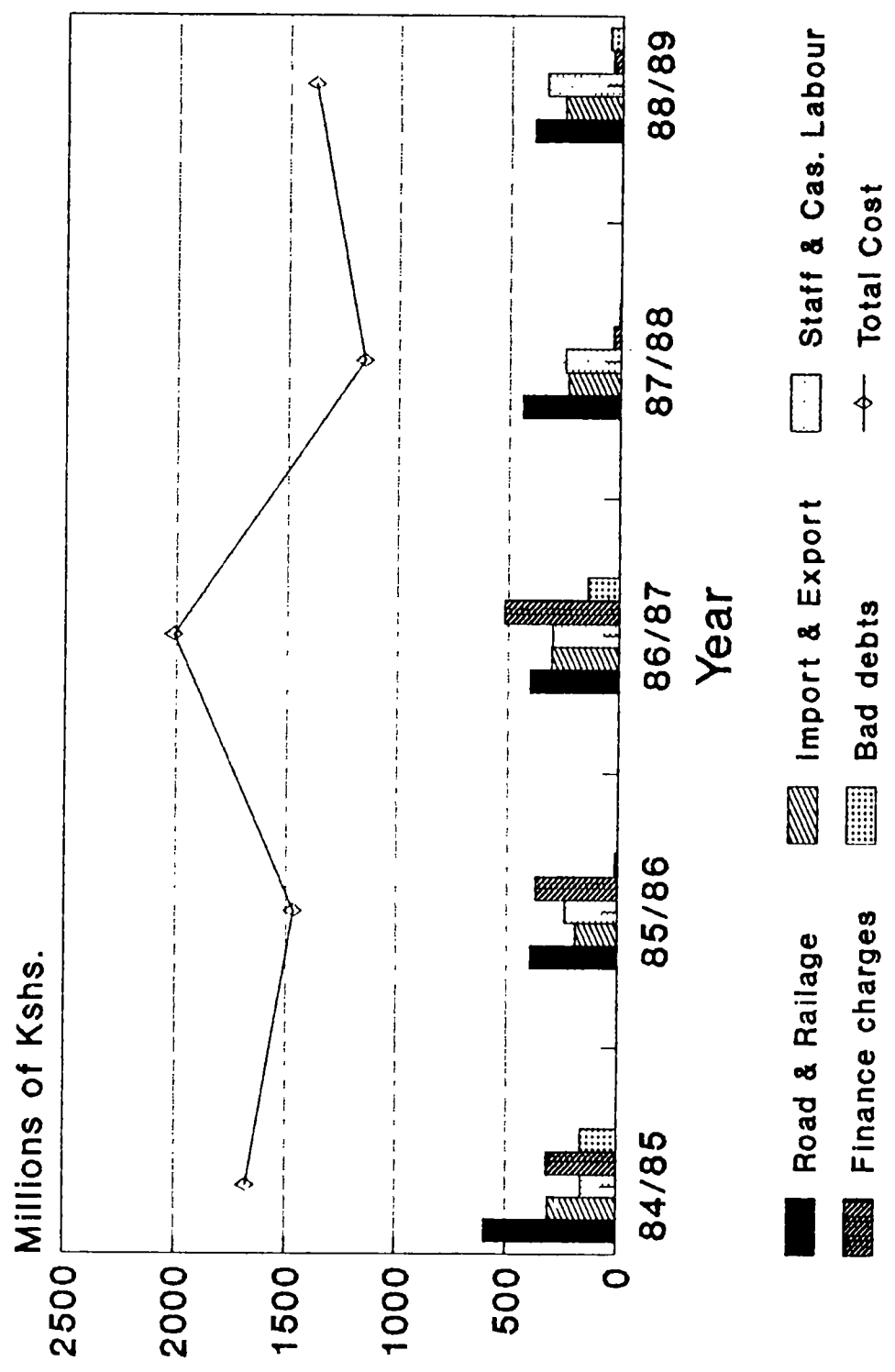
**SUMMARY OF OPERATIONS —
1984/85 TO 1988/89**

	1984/85	1985/86	1986/87	1987/88	1988/89
DESCRIPTION	KSHS	KSHS	KSHS	KSHS	KSHS
SALES	3,051,190,190	2,059,657,883	1,949,968,821	2,982,955,955	2,967,222,388
- COST OF SALES	2,671,908,642	1,572,121,894	1,976,046,096	2,109,990,125	2,307,237,355
GROSS MARGIN	379,281,548	487,535,989	(26,077,275)	872,965,830	659,985,033
= % of Sales	12	24	(1)	29	22
OTHER INCOME	36,596,742	72,784,961	83,976,235	156,687,707	34,744,808
OPERATING EXPENSES					
Railage & transport	600,406,079	391,947,735	404,243,809	438,887,016	394,797,151
Export costs	0	38,175,395	144,696,262	147,878,796	65,763,714
Import costs	310,217,218	154,632,882	160,151,417	88,737,432	190,742,645
Sub-Total, Direct Cost	910,623,297	584,756,012	709,091,488	675,503,244	651,303,510
Staff costs incl. casuals	162,718,843	241,038,954	302,383,752	250,666,646	339,364,210
Professional fees	3,280,345	4,238,714	4,364,129	4,131,613	11,284,654
Other operational cost	114,787,186	251,589,336	331,970,473	185,660,742	286,586,766
Sub-Total, Overhead	280,786,374	496,867,004	638,718,354	440,459,001	637,235,630
Sub-Total before bad debts and finance costs	1,191,409,671	1,081,623,016	1,347,809,842	1,115,962,245	1,288,539,140
Bad debts	163,866,008	12,198,497	141,255,685	5,787,960	54,570,966
Finance costs	319,877,189	371,185,974	519,901,566	32,410,104	39,050,129
TOTAL COSTS	1,675,152,868	1,465,007,487	2,008,967,093	1,154,160,309	1,382,160,235
Less: Gov't Agency costs	(282,305,519)	(256,844,042)	(180,364,167)	(80,111,660)	(143,510,284)
: Market Stabil./Strat	0	0	0	0	(595,546,972)
NET COST	1,392,847,349	1,208,163,445	1,828,602,926	1,074,048,649	643,102,979
NET RESULT	(976,969,059)	(647,842,495)	(1,770,703,966)	(44,395,112)	51,626,862

NATIONAL CEREALS AND PRODUCE BOARD OPERATIONS 1984/85 TO 1988/89



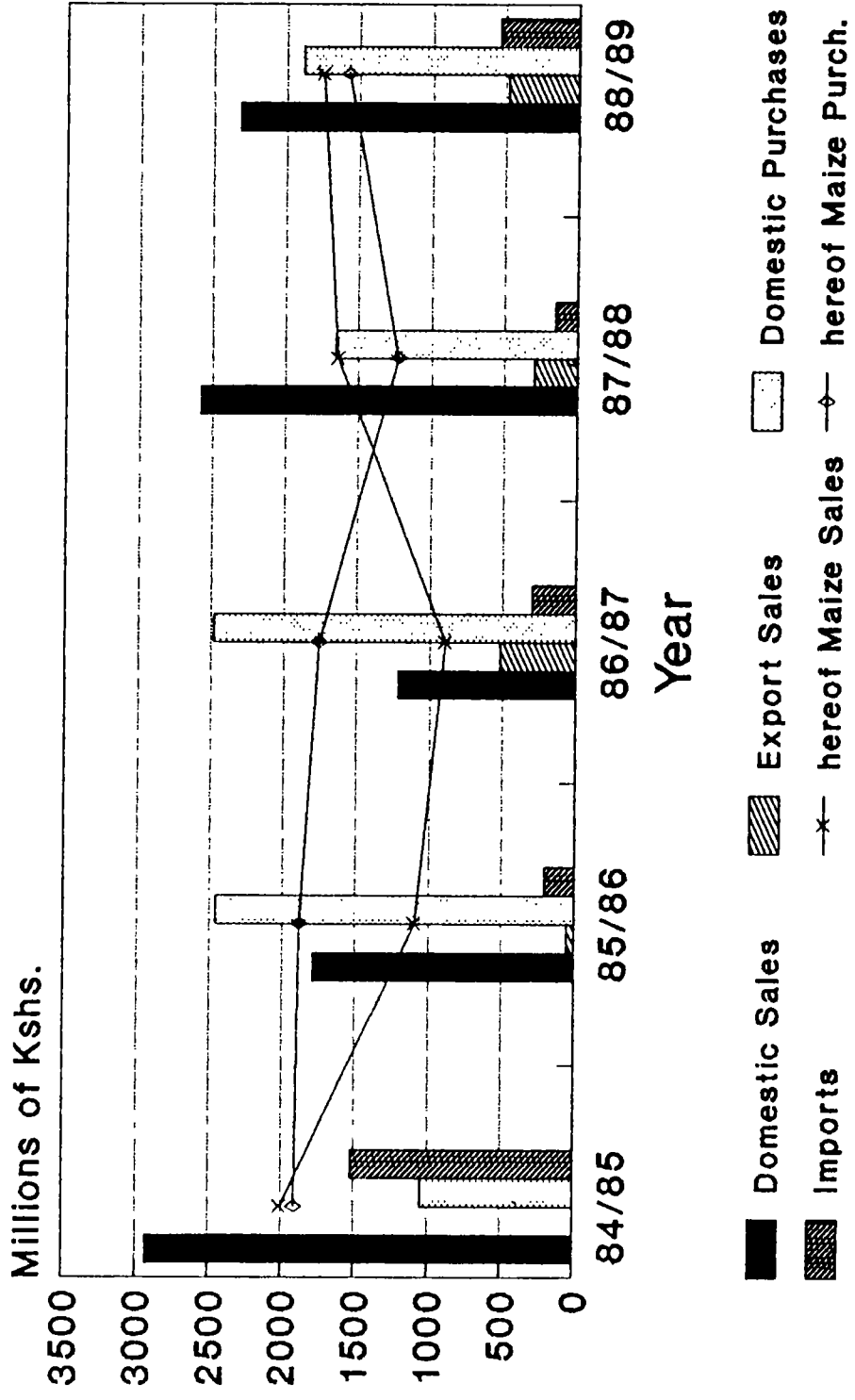
NATIONAL CEREALS AND PRODUCE BOARD EXPENSES 1984/85 TO 1988/89



SALES AND PURCHASES — 1984/85 TO 1988/89

SALES:	1984/85 KSHS.	1985/86 KSHS.	1986/87 KSHS.	1987/88 KSHS.	1988/89 KSHS.
Domestic -----					
Maize	2,002,225,512	1,064,020,729	491,994,735	1,465,153,041	1,279,616,027
Wheat	443,090,750	282,503,745	366,767,079	486,339,400	591,782,473
Beans	27,047,912	37,796,840	39,705,384	276,181,420	114,313,110
Rice	380,677,957	333,905,569	235,297,170	211,578,932	301,743,021
Other	83,406,660	70,054,286	84,929,408	138,540,978	35,204,379
Sub-Total	2,936,448,791	1,788,281,169	1,218,693,776	2,577,793,771	2,322,659,010
Exports -----					
Maize	0	34,050,931	401,304,832	171,679,982	462,552,102
Beans	0	18,510,432	115,957,086	123,619,292	17,679,580
Other	0	0	0	0	0
Sub-Total	0	52,561,363	517,261,918	295,299,274	480,231,682
Sub-Total	2,936,448,791	1,840,842,532	1,735,955,694	2,873,093,045	2,802,890,692
Gunny Bags	113,938,499	217,922,556	212,946,014	108,844,044	159,258,472
Insecticides	802,900	892,795	1,067,113	1,018,866	5,073,224
TOTAL SALES	3,051,190,190	2,059,657,883	1,949,968,821	2,982,955,955	2,967,222,388
PURCHASES:					
Domestic -----					
Maize	729,265,354	1,883,092,519	1,753,756,657	1,226,616,154	1,569,469,064
Beans	15,214,128	222,777,752	369,635,368	80,720,957	79,933,429
Rice	252,749,802	277,953,650	282,566,711	265,496,192	117,627,884
Other	46,177,853	73,190,957	75,827,053	80,732,454	115,599,117
Sub-Total	1,043,407,137	2,457,014,878	2,481,785,789	1,653,565,757	1,882,629,494
Imports -----					
Maize	1,180,587,564	0	0	0	0
Wheat	341,914,171	206,891,855	300,445,216	120,959,634	535,588,533
Rice	0	0	0	30,461,362	0
Sub-Total	1,522,501,735	206,891,855	300,445,216	151,420,996	535,588,533
Sub-Total	2,565,908,872	2,663,906,733	2,782,231,005	1,804,986,753	2,418,218,027
Gunny Bags	180,619,675	184,596,726	514,630,735	4,168,887	12,118,654
Insecticides	1,593,772	6,347,626	4,767,929	642,567	0
TOTAL PURCHASES	2,748,122,319	2,854,851,085	3,301,629,669	1,809,798,207	2,430,336,681

NATIONAL CEREALS AND PRODUCE BOARD PURCHASES AND SALES OF COMMODITIES 1984/85 TO 1988/89



BALANCE SHEETS (IN KSHS.)

	1984/85	1985/86	1986/87	1987/88	1988/89
FIXED ASSETS	389,503,093	500,354,192	572,754,925	1,502,680,879	1,567,844,095
MAROK WHEAT PROJECT	55,916,990	55,540,152	0	0	0
INVESTMENT AND LOANS	17,289,900	17,289,900	6,621,160	6,621,160	6,621,160
STRATEGIC RESERVE STOCK	0	0	1,603,400,000	1,521,903,200	1,649,130,500
	-----	-----	-----	-----	-----
	462,709,983	573,184,244	2,182,776,085	3,031,205,239	3,223,595,755
	-----	-----	-----	-----	-----
CURRENT ASSETS					
Operating Stocks	1,133,268,597	2,517,736,351	1,757,538,969	1,329,379,419	1,344,371,692
Debtors	533,212,107	662,541,818	780,712,386	1,185,000,455	831,601,815
A/R KGCCU	94,621,508	147,861,248	229,680,694	363,652,603	363,652,603
Cash at bank and in hand	389,008,696	95,660,727	51,974,012	215,160,101	299,804,712
	-----	-----	-----	-----	-----
	2,150,110,908	3,423,800,144	2,819,906,061	3,093,192,578	2,839,430,822
	-----	-----	-----	-----	-----
CURRENT LIABILITIES					
Creditors and provisions	322,837,544	314,413,748	579,006,143	385,526,465	483,700,862
Cereals and Sugar Finance Corporation	750,855,331	1,399,908,749	494,201,158	578,924,898	0
Bank overdraft	140,375,548	195,347,113	55,020,143	207,137,602	0
Other loans - Current portion	305,576,104	277,057,996	70,402,976	170,429,169	200,457,065
Government Agency	120,868,634	31,050,362	444,151,466	239,330,140	160,122,066
	-----	-----	-----	-----	-----
	1,640,513,161	2,217,777,968	1,642,781,886	1,581,348,274	844,279,993
	-----	-----	-----	-----	-----
NET CURRENT ASSETS	509,597,747	1,206,022,176	1,177,124,175	1,511,844,304	1,995,150,829
	-----	-----	-----	-----	-----
	972,307,730	1,779,206,420	3,359,900,260	4,543,049,543	5,218,746,584
	=====	=====	=====	=====	=====
CAPITAL FUND	18,010,920	18,010,920	229,283,233	229,283,233	229,283,233
CAPITAL RESERVE	84,852,820	84,852,820	0	0	0
INTERESTFREE IRREDEEMABLE LOANS	40,000,000	440,000,000	1,325,960,360	2,489,902,262	2,360,062,821
	-----	-----	-----	-----	-----
	142,863,740	542,863,740	1,555,243,593	2,719,185,495	2,589,346,054
GRANTS FOR SPECIFIC PROJECTS	25,692,320	55,216,391	190,905,917	196,576,309	696,576,309
INTERESTFREE IRREDEEMABLE LOANS FOR STRATEGIC RESERVE STOCK	0	0	1,603,400,000	1,521,903,200	1,649,130,500
LONG TERM LOANS	1,633,501,485	2,469,172,836	10,350,750	10,350,750	10,350,750
ACCUMULATED SURPLUS	(829,749,815)	(1,288,046,547)	0	95,033,789	273,342,971
	-----	-----	-----	-----	-----
	972,307,730	1,779,206,420	3,359,900,260	4,543,049,543	5,218,746,584
	=====	=====	=====	=====	=====

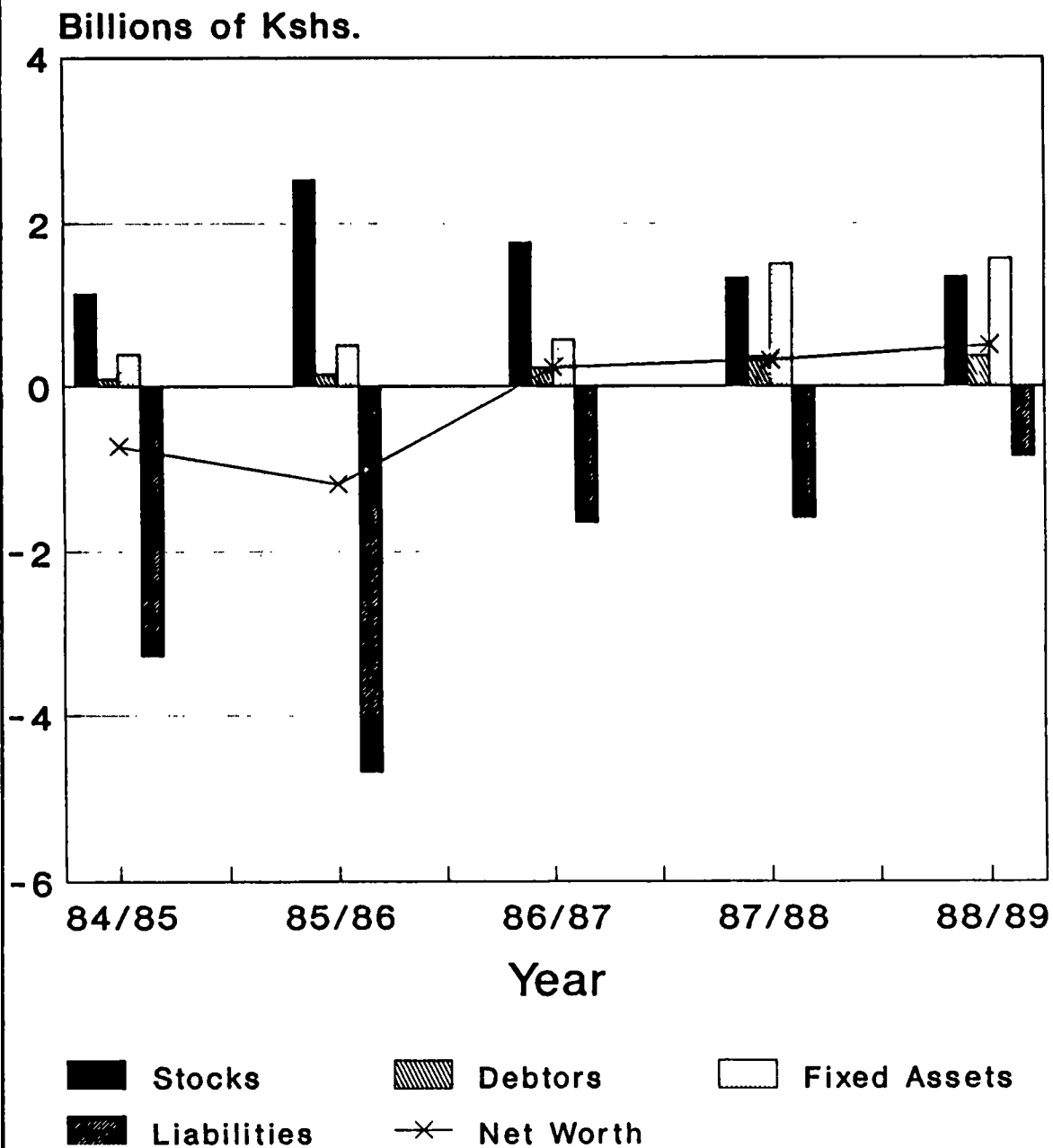
NOTE:

1) 1986/87 balance sheet figures represent restructured balance sheet

**ANALYSIS OF RESTRUCTURING ADJUSTMENTS
(IN KSHS.)**

	Prior to Restructuring 1986/87	After Restructuring 1986/87	Restructuring Adjustments
FIXED ASSETS	601,196,654	572,754,925	(28,441,729)
NAROK WHEAT PROJECT	1,000	0	(1,000)
INVESTMENT AND LOANS	6,621,160	6,621,160	0
STRATEGIC RESERVE STOCK	0	1,603,400,000	1,603,400,000
	-----	-----	-----
	607,818,814	2,182,776,085	1,574,957,271
	-----	-----	-----
CURRENT ASSETS			
Operating Stocks	3,825,054,203	1,757,538,969	(2,067,515,234)
Debtors	795,081,629	780,712,386	(14,369,243)
A/R KGCCU	229,680,694	229,680,694	0
Cash at bank and in hand	51,974,012	51,974,012	0
	-----	-----	-----
	4,901,790,538	2,819,906,061	(2,081,884,477)
	-----	-----	-----
CURRENT LIABILITIES			
Creditors and provisions	439,510,641	579,006,143	139,495,502
Cereals and Sugar Finance Corporation	1,850,379,719	494,201,158	(1,356,178,561)
Bank overdraft	287,180,696	55,020,143	(232,160,553)
Other loans - Current portion	144,520,598	70,402,976	(74,117,622)
Government Agency	141,214,624	444,151,466	302,936,842
	-----	-----	-----
	2,862,806,278	1,642,781,886	(1,220,024,392)
	-----	-----	-----
NET CURRENT ASSETS	2,038,984,260	1,177,124,175	(861,860,085)
	-----	-----	-----
	2,646,803,074	3,359,900,260	713,097,186
	*****	*****	*****
CAPITAL FUND	18,010,920	229,283,233	211,272,313
CAPITAL RESERVE	84,852,820	0	(84,852,820)
INTERESTFREE IRREDEEMABLE LOANS	1,990,000,000	1,325,960,360	(664,039,640)
	-----	-----	-----
	2,092,863,740	1,555,243,593	(537,620,147)
GRANTS FOR SPECIFIC PROJECTS	74,934,049	190,905,917	115,971,868
INTERESTFREE IRREDEEMABLE LOANS FOR STRATEGIC RESERVE STOCK	0	1,603,400,000	1,603,400,000
LONG TERM LOANS	3,429,351,588	10,350,750	(3,419,000,838)
ACCUMULATED SURPLUS	(2,950,346,303)	0	2,950,346,303
	-----	-----	-----
	2,646,803,074	3,359,900,260	713,097,186
	*****	*****	*****

NATIONAL CEREALS AND PRODUCE BOARD BALANCE SHEETS 1984/85 - 1988/89



Balance sheet restructured 86/87

BALANCE SHEETS (IN KSHS.)

	1984/85	1985/86	1986/87	1987/88	1988/89
FIXED ASSETS	389,503,093	500,354,192	572,754,925	1,502,680,879	1,567,844,095
NAROK WHEAT PROJECT	55,916,990	55,540,152		0	0
INVESTMENT AND LOANS	17,289,900	17,289,900	6,621,160	6,621,160	6,621,160
STRATEGIC RESERVE STOCK	0	0	1,603,400,000	1,521,903,200	1,649,130,500
	-----	-----	-----	-----	-----
	462,709,983	573,184,244	2,182,776,085	3,031,205,239	3,223,595,755
	-----	-----	-----	-----	-----
CURRENT ASSETS					
Operating Stocks	1,133,268,597	2,517,736,351	1,757,538,969	1,329,379,419	1,344,371,692
Debtors	533,212,107	662,541,818	780,712,386	1,185,000,455	831,601,815
A/R IGCCU	94,621,508	147,861,248	229,680,694	363,652,603	363,652,603
Cash at bank and in hand	389,008,696	95,660,727	51,974,012	215,160,101	299,804,712
	-----	-----	-----	-----	-----
	2,150,110,908	3,423,800,144	2,819,906,061	3,093,192,578	2,839,430,822
	-----	-----	-----	-----	-----
CURRENT LIABILITIES					
Creditors and provisions	322,837,544	314,413,748	579,006,143	385,526,465	483,700,862
Cereals and Sugar Finance Corporation	750,855,331	1,399,908,749	494,201,158	578,924,898	0
Bank overdraft	140,375,548	195,347,113	55,020,143	207,137,602	0
Other loans - Current portion	305,576,104	277,057,996	70,402,976	170,429,169	200,457,065
Government Agency	120,868,634	31,050,362	444,151,466	239,330,140	160,122,066
	-----	-----	-----	-----	-----
	1,640,513,161	2,217,777,968	1,642,781,886	1,581,348,274	844,279,993
	-----	-----	-----	-----	-----
NET CURRENT ASSETS	509,597,747	1,206,022,176	1,177,124,175	1,511,844,304	1,995,150,829
	-----	-----	-----	-----	-----
	972,307,730	1,779,206,420	3,359,900,260	4,543,049,543	5,218,746,584
	-----	-----	-----	-----	-----
CAPITAL FUND	18,010,920	18,010,920	229,283,233	229,283,233	229,283,233
CAPITAL RESERVE	84,852,820	84,852,820	0	0	0
INTERESTFREE IRREDEEMABLE LOANS	40,000,000	440,000,000	1,325,960,360	2,489,902,262	2,360,062,821
	-----	-----	-----	-----	-----
	142,863,740	542,863,740	1,555,243,593	2,719,185,495	2,589,346,054
GRANTS FOR SPECIFIC PROJECTS	25,692,320	55,216,391	190,905,917	196,576,309	696,576,309
INTERESTFREE IRREDEEMABLE LOANS FOR STRATEGIC RESERVE STOCK	0	0	1,603,400,000	1,521,903,200	1,649,130,500
LONG TERM LOANS	1,633,501,485	2,469,172,836	10,350,750	10,350,750	10,350,750
ACCUMULATED SURPLUS	(829,749,815)	(1,288,046,547)	0	95,033,789	273,342,971
	-----	-----	-----	-----	-----
	972,307,730	1,779,206,420	3,359,900,260	4,543,049,543	5,218,746,584
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NOTE:

1) 1986/87 balance sheet figures represent restructured balance sheet

SALES AND PURCHASES 1984/85 TO 1988/89

SALES:	1984/85 KSHS.	1985/86 KSHS.	1986/87 KSHS.	1987/88 KSHS.	1988/89 KSHS.
Domestic					

Maize	2,002,225,512	1,064,020,729	491,994,735	1,465,153,041	1,279,616,027
Wheat	443,090,750	282,503,745	366,767,079	486,339,400	591,782,473
Beans	27,047,912	37,796,840	39,705,384	276,181,420	114,313,110
Rice	380,677,957	333,905,569	235,297,170	211,578,932	301,743,021
Other	83,406,660	70,054,286	84,929,408	138,540,978	35,204,379
Sub-Total	2,936,448,791	1,788,281,169	1,218,693,776	2,577,793,771	2,322,659,010
Exports					

Maize	0	34,050,931	401,304,832	171,679,982	462,552,102
Beans	0	18,510,432	115,957,086	123,619,292	17,679,580
Other	0	0	0	0	0
Sub-Total	0	52,561,363	517,261,918	295,299,274	480,231,682
Sub-Total	2,936,448,791	1,840,842,532	1,735,955,694	2,873,093,045	2,802,890,692
Gunny Bags	113,938,499	217,922,556	212,946,014	108,844,044	159,258,472
Insecticides	802,900	892,795	1,067,113	1,018,866	5,073,224
TOTAL SALES	3,051,190,190	2,059,657,883	1,949,968,821	2,982,955,955	2,967,222,388
PURCHASES:					
Domestic					

Maize	729,265,354	1,883,092,519	1,753,756,657	1,226,616,154	1,569,469,064
Beans	15,214,128	222,777,752	369,635,368	80,720,957	79,933,429
Rice	252,749,802	277,953,650	282,566,711	265,496,192	117,627,884
Other	46,177,853	73,190,957	75,827,053	80,732,454	115,599,117
Sub-Total	1,043,407,137	2,457,014,878	2,481,785,789	1,653,565,757	1,882,629,494
Imports					

Maize	1,180,587,564	0	0	0	0
Wheat	341,914,171	206,891,855	300,445,216	120,959,634	535,588,533
Rice	0	0	0	30,461,362	0
Sub-Total	1,522,501,735	206,891,855	300,445,216	151,420,996	535,588,533
Sub-Total	2,565,908,872	2,663,906,733	2,782,231,005	1,804,986,753	2,418,218,027
Gunny Bags	180,619,675	184,596,726	514,630,735	4,168,887	12,118,654
Insecticides	1,593,772	6,347,626	4,767,929	642,567	0
TOTAL PURCHASES	2,748,122,319	2,854,851,085	3,301,629,669	1,809,798,207	2,430,336,681

**ANALYSIS OF RESTRUCTURING ADJUSTMENTS
(IN KSHS.)**

	Prior to Restructuring 1986/87	After Restructuring 1986/87	Restructuring Adjustments
FIXED ASSETS	601,196,654	572,754,925	(28,441,729)
WAROK WHEAT PROJECT	1,000	0	(1,000)
INVESTMENT AND LOANS	6,621,160	6,621,160	0
STRATEGIC RESERVE STOCK	0	1,603,400,000	1,603,400,000
	-----	-----	-----
	607,818,814	2,182,776,085	1,574,957,271
	-----	-----	-----
CURRENT ASSETS			
Operating Stocks	3,825,054,203	1,757,538,969	(2,067,515,234)
Debtors	795,081,629	780,712,386	(14,369,243)
A/R KCCCU	229,680,694	229,680,694	0
Cash at bank and in hand	51,974,012	51,974,012	0
	-----	-----	-----
	4,901,790,538	2,819,906,061	(2,081,884,477)
	-----	-----	-----
CURRENT LIABILITIES			
Creditors and provisions	439,510,641	579,006,143	139,495,502
Cereals and Sugar Finance Corporation	1,850,379,719	494,201,158	(1,356,178,561)
Bank overdraft	287,180,696	55,020,143	(232,160,553)
Other loans - Current portio	144,520,598	70,402,976	(74,117,622)
Government Agency	141,214,624	444,151,466	302,936,842
	-----	-----	-----
	2,862,806,278	1,642,781,886	(1,220,024,392)
	-----	-----	-----
NET CURRENT ASSETS	2,038,984,260	1,177,124,175	(861,860,085)
	-----	-----	-----
	2,646,803,074	3,359,900,260	713,097,186
	-----	-----	-----
CAPITAL FUND	18,010,920	229,283,233	211,272,313
CAPITAL RESERVE	84,852,820	0	(84,852,820)
INTERESTFREE IRREDEEMABLE LOAN	1,990,000,000	1,325,960,360	(664,039,640)
	-----	-----	-----
	2,092,863,740	1,555,243,593	(537,620,147)
GRANTS FOR SPECIFIC PROJECTS	74,934,049	190,905,917	115,971,868
INTERESTFREE IRREDEEMABLE LOANS FOR STRATEGIC RESERVE STOCK	0	1,603,400,000	1,603,400,000
LONG TERM LOANS	3,429,351,588	10,350,750	(3,419,000,838)
ACCUMULATED SURPLUS	(2,950,346,303)	0	2,950,346,303
	-----	-----	-----
	2,646,803,074	3,359,900,260	713,097,186
	-----	-----	-----

ANALYSIS OF RESTRUCTURING ADJUSTMENTS (IN KSHS.)

	Prior to Restructuring 1986/87	After Restructuring 1986/87	Restructuring Adjustments
FIXED ASSETS	601,196,654	572,754,925	(28,441,729)
MAROK WHEAT PROJECT	1,000	0	(1,000)
INVESTMENT AND LOANS	6,621,160	6,621,160	0
STRATEGIC RESERVE STOCK	0	1,603,400,000	1,603,400,000
	-----	-----	-----
	607,818,814	2,182,776,085	1,574,957,271
	-----	-----	-----
CURRENT ASSETS			
Operating Stocks	3,825,054,203	1,757,538,969	(2,067,515,234)
Debtors	795,081,629	780,712,386	(14,369,243)
A/R XGCCU	229,680,694	229,680,694	0
Cash at bank and in hand	51,974,012	51,974,012	0
	-----	-----	-----
	4,901,790,538	2,819,906,061	(2,081,884,477)
	-----	-----	-----
CURRENT LIABILITIES			
Creditors and provisions	439,510,641	579,006,143	139,495,502
Cereals and Sugar Finance Corporation	1,850,379,719	494,201,158	(1,356,178,561)
Bank overdraft	287,180,696	55,020,143	(232,160,553)
Other loans - Current portio	144,520,598	70,402,976	(74,117,622)
Government Agency	141,214,624	444,151,466	302,936,842
	-----	-----	-----
	2,862,806,278	1,642,781,886	(1,220,024,392)
	-----	-----	-----
NET CURRENT ASSETS	2,038,984,260	1,177,124,175	(861,860,085)
	-----	-----	-----
	2,646,803,074	3,359,900,260	713,097,186
	=====	=====	=====
CAPITAL FUND	18,010,920	229,283,233	211,272,313
CAPITAL RESERVE	84,852,820	0	(84,852,820)
INTERESTFREE IRREDEEMABLE LOAN	1,990,000,000	1,325,960,360	(664,039,640)
	-----	-----	-----
	2,092,863,740	1,555,243,593	(537,620,147)
GRANTS FOR SPECIFIC PROJECTS	74,934,049	190,905,917	115,971,868
INTERESTFREE IRREDEEMABLE LOANS FOR STRATEGIC RESERVE STOCK	0	1,603,400,000	1,603,400,000
LONG TERM LOANS	3,429,351,588	10,350,750	(3,419,000,838)
ACCUMULATED SURPLUS	(2,950,346,303)	0	2,950,346,303
	-----	-----	-----
	2,646,803,074	3,359,900,260	713,097,186
	=====	=====	=====

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF
NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30 JUNE 1989

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF
NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30 JUNE 1989

The accounts of the National Cereals and Produce Board for the year ended 30 June 1989 have been examined on my behalf by the Board's authorized auditors in accordance with Section 29 (2) (b) of the Exchequer and Audit Act, (Cap 412). The authorized auditors have reported to me the results of the audit and on the basis of their report, I am satisfied that all the information and explanations required for the purpose of the audit were obtained. Proper books of account have been kept and the accounts which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, are in agreement therewith and comply with the provisions of National Cereals and Produce Board Act, (Cap 338).

In my opinion and subject to the observations stated in the following paragraphs, the accounts, when read together with the notes thereon, present a true and fair view of the Board's financial position as at 30 June 1989 and of its surplus and source and application of funds for the year then ended.

1. FIXED ASSETS

(a) As indicated in Note 2 (b) to the accounts, the Board has not kept an up-to-date fixed assets register and has not maintained title deeds for a number of its properties. As a result of this shortcoming, the scope of verification of fixed assets was limited. I am, however, informed that the issue of obtaining title deeds for all the properties of the Board is now receiving appropriate attention of the newly created Legal Department of the Board.

(b) Construction in progress includes an amount of Kshs.21,815,991.00 brought forward from 1984/85 which was paid by the Board to the Board's architects for local consultancy services provided on three Grain Silo Projects which were completed and handed over to the Government by the financier in 1987/88. Although the Board was to seek reimbursement of the funds from the Government, I have not seen confirmation from the relevant Ministries of the Government that the Board will be reimbursed this material amount. In view of the underlying uncertainty, I am unable to state whether the amount is recoverable. This matter has remained unsolved for a long time and has been the subject of my audit report since the accounts for the year ended 30 June 1985.

2. OPERATING STOCK

The standardization exercise carried out on stocks of maize revealed potential weight loss in some depots that was far in excess of tolerable limit of an average of 2.2% set for grain industry. Such potential loss in weight of maize totalled 237,427 bags valued at Kshs.54,312,423.00 after allowing for 2.2% acceptable normal loss arrived at as follows:-

<u>Depot</u>	<u>No. of Stores</u>	<u>Physical Maize (bag 90 Kgs)</u>	<u>Average Weight per Bag</u>	<u>Equivalent Loss in Bags (90 Kgs)</u>
Kisumu	6	262,516	84.9	14,875
Nakuru	12	785,654	76.9	115,230
Mombasa	23	1,085,282	81.1	<u>107,322</u>
				<u>237,427</u>
				=====

The potential loss has not been separately revealed in the accounts. It is evident that there are abnormal factors that have occasioned such huge losses. In Mombasa and Nakuru, cases were noted of pilferage of maize bags which remained in rented stores for many years and also through prolonged storage such that the maize bags had become powdery.

3. SUB-STANDARD COMMODITIES

The physical closing stock of sub-standard maize as at 30 June 1989 were determined at 226,923 bags of maize as opposed to the 102,359 bags shown in the final schedule for the white maize stock movement. The 226,923 bags were valued and included in the balance sheet at a lower than standard valuation of Kshs.200.00 per bag instead of Kshs.233.90 per bag resulting into a stock loss of Kshs.7,692,689.00. Further, it was noted that 412,889 bags of maize were downgraded out of which 329,705 bags were sold at an average price of Kshs.200.00 per bag. This sale price of maize of Kshs.200.00 per bag was in fact below the purchase price which was Kshs.233.90 per bag giving a loss of Kshs.33.90 per bag thus resulting into a loss of Kshs.11,177,000.00 on 329,705 bags said to have been sold. The Management has, however, explained that more elaborate procedures on handling, storage and disposal of commodities have been introduced and will greatly minimise incidences of deterioration in quality and weight.

4. GOVERNMENT DEBTORS

Government Debtors totalled Kshs.183,922,031.00 made of the following amounts:-

<u>Institution</u>	<u>Amount (Kshs.)</u>
Ministry of Health - Hospitals and Health Centres	200,976
Prisons Department, (Prisons and Prisons Staff Colleges)	3,119,356
Office of the President	113,654,419
National Youth Service	3,796,670
Other Government Institutions including Administration	5,989,013
District Commissioner (1986/87 and 1987/88 Balance)	<u>57,161,597</u>
Total	<u>183,922,031</u>
	=====

Balances due from Ministries and Government Institutions have remained quite high in the last 4 years. Note 7 to the accounts debtors includes an amount of Kshs.57,161,597.00 representing the outstanding amount still to be accounted for by District Commissioners in regard to the amount originally transferred by Government to various District Commissioners for the purpose of paying farmers on behalf of the Board in 1986/87 and 1987/88. No provision has been made against possible mis-statement of this amount despite the fact that the amount has neither been reconciled nor agreed by the District Commissioners. In these circumstances, I am unable to satisfy myself as to whether the amount is fairly stated.

5. SUNDRY DEBTORS

Sundry Debtors figure of Kshs.94,931,783.00 in Note 7 to the accounts includes gunny bags loanees balance of Kshs.6,234,292.00 mentioned in my previous years report. The amount which has been outstanding since 1986/87 was recoverable from specific farmers on delivery of maize to the Board. In addition, the Sundry Debtors figure includes balances which have been outstanding for three or more years but which would not be verified due to lack of sufficient details. Some of the significant items that continue to recur include the following:-

<u>Description</u>	<u>1987/88</u>	<u>1988/89</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Cash Loss Suspense	7,477,909	6,504,512
Port Charges	9,074,997	9,074,997
Depot Operating Losses	3,325,717	3,325,717
Famine Relief	1,670,614	1,802,177

Although Management has explained that every effort is being made to follow up the debtors, no provision has been made in these accounts in respect of undoubtful debtors.

6. OTHER TRADE DEBTORS

As in indicated in Note 7 to the accounts, there were other debtors amounting to Kshs.508,627,349.00 as at 30 June 1989. This amount represents an increase of Kshs.313,609,344.00 or approximately 161% over and above the previous years figure of Kshs.195,018,005.00. The increase is mainly attributable to seven major debtors which were classified under stock and sundry debtors in 1987/88 totalling Kshs.261,171,314.00. The amount of Kshs.99,865,548.00 owed by a company and its subsidiary has previously been referred to in audit reports as stock with third party since 1985/86. It is understood that the Board has registered a claim with Official Receiver since the Company has gone into liquidation.

Other two amounts of Kshs.5,000,000.00 and Kshs.18,000,000.00 owed by two companies transferred from Sundry Debtors were in respect of a case recently concluded in court relating to gunny bags paid for but not received. In addition, there were five significant debtors balances totalling Kshs.43,080,504.00 that have remained unsettled for periods ranging from 2 and 5 years.

7. IMPORTED WHEAT DEBTORS

Trade Debtors for imported wheat amounted to Kshs.172,321,072.00 but as reflected in Note 7 (c) to these accounts, a total of Kshs.138,099,676.00 or 80% owed by 10 firms is considered by the Board to be Bad Debts and has been provided in the accounts. The provision for bad debts were made as a result of unresolved dispute between some wheat millers and the Board. The Board does not send out regular customer statements or demand letters to speed up recovery. For example, one firm which owe some Kshs.20,034,236.00 now considered by the Board as bad debts made an undertaking to repay Kshs.1 million monthly instalments from July 1989 but failed to meet this obligation.

8. KENYA GRAIN GROWERS CO-OPERATIVE UNION LIMITED

As indicated in Note 6 to the accounts, the debt of Kshs.363,652,603.00 due from Kenya Grain Growers Co-operative Union Limited was in dispute at the Balance Sheet date and had been referred to the Government for arbitration. It is understood that the Board may not realize the full debt due to the Union's unfavourable financial position and in my opinion, a specific provision for the possible loss should have been made in these accounts.

9. SUBSIDIARY AND ASSOCIATED COMPANIES

In Note 7 (a) to the accounts, associated Companies indebtedness as at 30 June 1989 was Kshs.93,363,386.00. Out of this amount, a provision of Kshs.51,355,340.00 has been made to cover debts that may not be recovered, the remaining amount of Kshs.42,008,046.00 is what the Board is certain to recover. The breakdown is as follows:-

<u>Company</u>	<u>Debt Balance as at 30.6.89</u>	<u>Bad Debt Provision</u>	<u>Balance not Provided For</u>
	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>
Milling Corporation of Kenya Limited	42,208,302	30,208,302	12,000,000
Kenya Cashewnuts Limited	48,640,968	18,640,968	30,000,000
Kenya Bixa Ltd	1,279,696	1,271,650	8,046
Kenya Peanuts Co. Ltd	<u>1,234,420</u>	<u>1,234,420</u>	<u>-</u>
	<u>93,363,386</u>	<u>51,355,340</u>	<u>42,008,046</u>
	=====	=====	=====

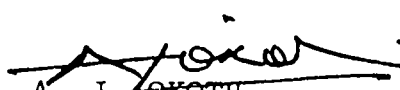
The Board has explained that Milling Corporation of Kenya Limited and Kenya Cashewnuts Limited have been experiencing serious financial and liquidity problems that the two companies cannot repay the debts in foreseeable future. It is not clear why the two companies have been allowed to deteriorate to the extent that they cannot pay the debts.

10. STAFF DEBTORS

Included in the Staff Debtors balance of Kshs.7,376,608.00 as at 30 June 1989 are car loan balances totalling Kshs.937,658.00 and cash loan balances totalling Kshs.78,039.00 owed by the staff who are no longer with the Board. It would appear that staff debtors were not reviewed by management in the past and the lack of such regular reviews and follow-up of debts may result into losses by the Board.

11. NAROK WHEAT PROJECT

Following the restructuring of the Board Balance Sheet as at 30 June 1987, a full provision for the Narok Wheat Project debtors amounting to Kshs.58,572,681.00 was made in the accounts. However, the report on the restructuring of the Board as at 30 June 1987 had recommended that management should review all outstanding balances and reissue debt account statements through the debt collection unit for further follow-up. During the year under review, only an amount of Kshs.79,991.00 was recovered bringing the cumulative recoveries as at 30 June 1989 to Kshs.161,138.00. This is a very low rate of debt recovery and indications are that the outstanding amount may never be fully recovered.


A. J. OKOTH
AUDITOR-GENERAL (CORPORATIONS)

8th May, 1991

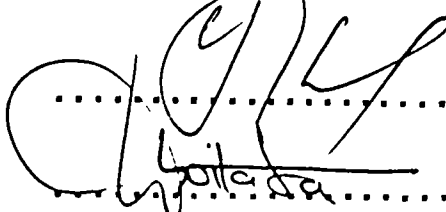
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NATIONAL CEREALS AND PRODUCE BOARD

BALANCE SHEET AT 30TH JUNE, 1989

	<u>Note</u>	<u>1989</u> KShs.	<u>1988</u> KShs.
FIXED ASSETS	2	1,567,844,095	1,502,680,879
INVESTMENTS AND LOANS	3	6,621,160	6,621,160
STRATEGIC RESERVE STOCK	4	1,649,130,500	1,521,903,200
		<u>3,223,595,755</u>	<u>3,031,205,239</u>
CURRENT ASSETS			
Operating stocks	5	1,344,371,692	1,329,379,419
Kenya Grain Growers' Co-operative Union Limited	6	363,652,603	363,652,603
Debtors	7	831,601,815	1,185,000,455
Cash at bank and in hand	10	299,804,712	215,160,101
		<u>2,839,430,822</u>	<u>3,093,192,578</u>
CURRENT LIABILITIES			
Creditors and provisions	8	483,700,862	385,526,465
Cereals and Sugar Finance Corporation	9	-	578,924,898
Bank overdraft	10	-	207,137,602
Other loans - current portion	11(a)	200,457,065	170,429,169
Government Agency	12	160,122,066	239,330,140
		<u>844,279,993</u>	<u>1,581,348,274</u>
NET CURRENT ASSETS		1,995,150,829	1,511,844,304
		<u>5,218,746,584</u>	<u>4,543,049,543</u>
CAPITAL FUND		229,283,233	229,283,233
INTEREST FREE IRREDEEMABLE LOAN	13	2,360,062,821	2,489,902,262
		2,589,346,054	2,719,185,495
GRANTS FOR SPECIFIC PROJECTS	14	696,576,309	196,576,309
INTEREST FREE IRREDEEMABLE LOAN FOR RESERVE STOCK	†	1,649,130,500	1,521,903,200
LONG TERM LOANS	11(b)	10,350,750	10,350,750
ACCUMULATED SURPLUS		273,342,971	95,033,789
		<u>5,218,746,584</u>	<u>4,543,049,543</u>

The notes on pages 9 to 21 form an integral part of these accounts.

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 Directors

