


NATIONAL CEREALS AND PRODUCE BOARD

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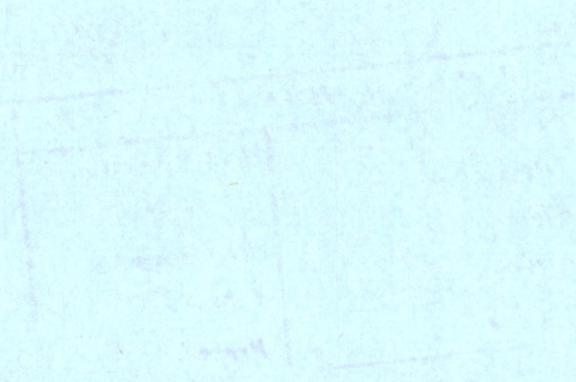


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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2008

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INDUSTRIAL AREA
NAIROBI



REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT
OF
THE CONTROLLER
AND AUDITOR GENERAL**

ON

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



KENYA NATIONAL AUDIT OFFICE

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

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

The Directors' Responsibility for the Financial Statements

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

Responsibility of the Controller and Auditor General

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the

purpose of expressing an opinion on the effectiveness of the Board's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

1. Financial Position

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

2.0 Property, Plant and Equipment

2.1 Donor Funded Projects

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

2.2 Plots without Title Documents

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

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

2.3 Stalled Projects

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

3.0 Debtors and Prepayments

As disclosed in Note 7 to the financial statements, the debtors and prepayments balance increased from Kshs.267,750,121 in the previous year to Kshs.923,393,252 as at 30 June 2008 after a provision of Kshs.675,557,914 for bad and doubtful debts. Further, and included in the total outstanding debtors figure of Kshs.1,598,915,166 is an amount of Kshs.751,997,674 which has been outstanding for a considerably long period of time and whose recovery remains uncertain and of Kshs.84,463,701 owing from staff, some of whom have since left the Board. In addition, the trade debtors balance includes debts totalling Kshs.8,847,180 due from the National Irrigation Board which have been outstanding for over ten years. Although the Public Investments Committee directed that a joint reconciliation to agree on the amount due from the National Irrigation Board be carried out, such reconciliation has not been finalized. Consequently, it has not been possible to confirm that the debtors and prepayments balance of Kshs.923,393,252 as at 30 June 2008 has been fairly stated.

4.0 Creditors

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

Opinion

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



A. S. M. GATUMBU
CONTROLLER AND AUDITOR GENERAL

Nairobi

15 June 2009

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

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NATIONAL CEREALS AND PRODUCE BOARD**VISION, MISSION AND VALUES OF THE NATIONAL CEREALS & PRODUCE BOARD****Vision Statement**

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

Mission Statement

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

Values

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

NATIONAL CEREALS AND PRODUCE BOARD

CORPORATE INFORMATION

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

Gen.(RTD) M.Mohammed-	Chairman
Prof. G. K . Misoi	- Managing Director
Mr. Arch. K.Njendu	- Member
Mr. F. Wanyonyi	- Member
Mr. M. D. Ahmed	- Member (Appointed on 17.11.2007)
Mrs. G. K. Maina	- Member
Brig. (Rtd) B. M. Killu	- Member
Mr. W. K. Maina	- Appointed representative of KFA Ltd
Mr. I. Maalim	- Alternate Director to the Permanent Secretary Office of the President
Mr. S. Kiiru	- Alternate Director to the Permanent Secretary Ministry of Finance.
M/s. B. Kingori	- Alternate Director to the Permanent Secretary Ministry of Agriculture

SENIOR MANAGEMENT

Mr. R. K. Langat	- General Manager Marketing & Operation
Mr. P. N. Mutua	- Ag. General Manager Finance & Administration
Mrs. A. G. Kamau	- Board Secretary
Mr. C.K. Ngelechey	- Chief Accountant
Mr. F. Muchina	- Human Resources Manager
Mr. B. O. Umba	- Operations Manager
Mr. J. C. Boit	- Sales and Marketing Manager
Mr. D.K. Chepkwony	- Quality & Pest Control Manager
Mr. E. M. Ogowora	- Manager Services Marketing
Mrs. P. C. Ngenoh	- Research & Development Manager/PA to MD
Mr. G. Murithi	- Security Manager
Mr.J.K. Githuku	- ICT Manager
Mr. A. K. Maritim	- Public Relations Manager
Mr. F. K. Sang	- Internal Audit Manager
Mr. S. K. Mbutu	- Technical Manager
Mr. D. C. Mundia	- Ag. Procurement Manager

NATIONAL CEREALS AND PRODUCE BOARD**PRINCIPAL PLACE OF BUSINESS****Head Office**

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

NAIROBI**Regional Offices:****Nairobi Region**

Area Manager
P. O. Box 30586
Tel: (020) 780384

NAIROBI**North Rift Region**

Area Manager
P. O. Box 479
Tel: (053) 32631/22

ELDORET**South Rift Region**

Area Manager
P. O. Box 326
Tel: (051) 212420/3

NAKURU**Nyanza/Western Region**

Area Manager
P. O. Box 217
Tel: (057) 44891/44135

KISUMU**Coast Region**

Area Manager
P. O. Box 84696
Tel: (041) 2490347/2495291

MOMBASA**Eastern/North Eastern Region**

Area Manager
P. O. Box 92
Tel: (068) 20126/30675/30180

EMBU**AUDITORS**

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

NAIROBI**BANKERS**

Kenya Commercial Bank
P.O. Box 48400

NAIROBI

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NATIONAL CEREALS AND PRODUCE BOARD

CHAIRMAN'S REPORT

ECONOMIC REVIEW

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

GRAIN SUB-SECTOR REVIEW

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

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

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

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

The main activities for the year were:-

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

NATIONAL CEREALS AND PRODUCE BOARD**CHAIRMAN'S REPORT (Continued)**

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

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

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


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

OPERATING PERFORMANCE

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

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

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



MR JIMNAH MBARU
CHAIRMAN

NATIONAL CEREALS AND PRODUCE BOARD

REPORT OF THE DIRECTORS

The Directors have a pleasure in submitting their report together with the audited accounts of the Board for the year ended 30th June 2008.

1. INCORPORATION AND HEAD OFFICE

National Cereals and Produce Board was incorporated through an Act of Parliament Chapter 338 and is domiciled in Kenya. The address of its Head office is:

National Cereals and Produce Board
Nyumba ya Nafaka
Machakos Road
P.O. Box 30586
00100 GPO
NAIROBI

2. PRINCIPAL ACTIVITIES

The Board's principal activity is grain handling and marketing with provision of allied services and facilities. This is in addition to undertaking social functions on behalf of the Government of Kenya on Agency basis that relates to the procurement, storage, quality maintenance, and distribution/sale of famine relief food commodities as well as SGR stock.

3. RESULTS

The operating results for the year were as follows: -

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

NATIONAL CEREALS AND PRODUCE BOARD

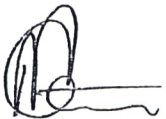
3. **DIRECTORS**

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

4. **AUDITORS**

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

By order of the Board



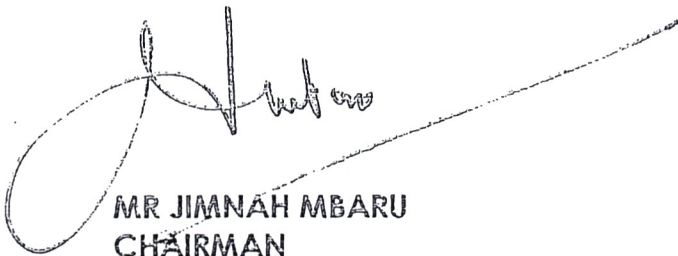
A. G. Kamau (Mrs.)
BOARD SECRETARY
NAIROBI, KENYA
25TH FEBRUARY 2009

NATIONAL CEREALS AND PRODUCE BOARD**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

National Cereals and Produce Board Act Cap 338 and State Corporations Act Cap 446 requires the directors to prepare financial statements for each Financial year which give a true and fair view of the state of affairs of the Board as at the end of the financial year and of its operating results for that year. It also requires the Directors to ensure the Board keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board. They are also responsible for safeguarding the assets of the Board.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with international financial reporting standards and the requirements of the NCPB Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the Board's financial affairs and of its operating results. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Board will not remain a going concern for at least twelve months from the date of this statement.



MR JIMNAH MBARU
CHAIRMAN
25TH FEBRUARY 2009



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

**NATIONAL CEREALS AND PRODUCE BOARD
FINANCIAL STATEMENTS**

BALANCE SHEET AS AT 30TH JUNE 2008

ASSETS	Note	<u>30TH JUNE 2008</u> Kshs.	<u>30TH JUNE 2007</u> Kshs
NON-CURRENT ASSETS			
Property, Plant and Equipment	3	10,137,769,552	10,534,462,905
Investments	4	0	0
Loans	5	<u>0</u>	<u>0</u>
		<u>10,137,769,552</u>	<u>10,534,462,905</u>
CURRENT ASSETS			
Operating stocks	6	75,192,021	2,489,099,793
Debtors and Prepayments	7	923,393,252	267,750,121
Government Debtors - Net Old Debt	8	816,828	816,828
Government Debtors - New Agency A/C	9	792,656,625	2,530,270,077
Cash at bank and in hand	10	<u>1,275,442,233</u>	<u>244,107,147</u>
		<u>3,067,500,959</u>	<u>5,532,043,966</u>
TOTAL ASSETS		<u>13,205,270,511</u>	<u>16,066,506,871</u>
EQUITY AND LIABILITIES			
EQUITY			
Capital Fund	11	6,304,142,172	6,304,142,172
Revaluation Reserve	12	9,589,422,793	9,589,422,793
Revenue Reserve	13	<u>(5,110,963,129)</u>	<u>(4,972,836,938)</u>
		<u>10,782,601,836</u>	<u>10,920,728,027</u>
CURRENT LIABILITIES			
Bank Overdraft	14	224,913,582	487,551,331
Short Term Loan	14	419,738,586	1,929,644,097
Creditors and Provisions	15	827,536,062	2,411,325,349
Creditors - Due to GOK on Past Market Intervention Programme	16	174,063,028	174,063,028
Government Agency Account (Old A/C)	17	143,195,039	143,195,039
Creditors - Due to GOK on SGR Sales	18	633,222,378	0
Taxation	19	<u>0</u>	<u>0</u>
		<u>2,422,668,675</u>	<u>5,145,778,844</u>
TOTAL EQUITY AND LIABILITIES		<u>13,205,270,511</u>	<u>16,066,506,871</u>

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


.....
MR JIMNAH MBARU

25TH FEBRUARY 2009

CHAIRMAN


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

25TH FEBRUARY 2009

MANAGING DIRECTOR

**NATIONAL CEREALS AND PRODUCE BOARD
FINANCIAL STATEMENTS**

INCOME STATEMENT FOR THE PERIOD ENDED 30TH JUNE 2008

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

NATIONAL CEREALS AND PRODUCE BOARD
FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30TH JUNE 2008

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

NATIONAL CEREALS AND PRODUCE BOARD

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30TH JUNE 2008

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

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

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

1. **ACCOUNTING POLICIES**

(a) **Accounting Basis**

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

(b) **Income Recognition**

- i) Income is recognized on actual basis as a general policy, except where there is doubt on its collection.
- ii) Income in respect of credit sales is recognized at the date of collection whereas income for cash sales is recognized when cash is received from the buyer for commodities sold and collected or set aside for collection.
- iii) Income from services rendered and facilities provided is recognized at the time of rendering and providing such services and facilities.

(c) **Depreciation**

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

Freehold Land	Nil
Leasehold Land	Over the term of lease
Buildings, Boreholes, Fences and Roads	2.5%
Silos, Cyprus bins, machinery house and loading bay	6%
Plant, machinery and computer Equipment	12.5%
Fumigation equipment	20%
Motor vehicles and drying Equipment	25%
Furniture and equipment	12.5%

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

(Continued)

1. **ACCOUNTING POLICIES (Cont'd)**

(d) **Valuation of Closing Stocks**

i) Closing Stocks have been valued on the basis of first-in first-out (FIFO) principle, applying the lower of cost and net realizable value, and provision for stock shrinkage computed at a rate of 2.2% of value of the year's purchases.

ii) Closing Stock quantities have been stated in terms of standard 90 kg weights unless otherwise disclosed.

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

As from 1st July 1997 there was a change in accounting procedure for consumable supplies and stores that are centrally purchased. The items are initially coded to respective control accounts for these stocks at the time of procurement and the cost expensed/charged at the time of dispatch to the respective user budget centers. This new accounting policy ensures that budget centers are only held responsible for the expenditure directly related to what they have requisitioned and consumed. The balance of stocks held at Head Office (Supplies Section) at year-end are included as part of closing stocks and valued on the basis of First in First Out (FIFO).

(f) **Investment (Equity in Subsidiary)**

Equity investment in Kenya Peanuts Limited has been stated at cost. No account of the operating results of this concern has been included in these accounts.

(g) **Funds from Government**

Funds from the Government of Kenya have been, where applicable, incorporated on accrual basis to recognize its related income in the same fiscal year they were to be provided or paid for by the GOK.

(h) **Provision for Bad and Doubtful Debts**

Provision for bad and doubtful debts has been made on the basis of specific debts and consists of 100 % specific provision for some debtors and a general provision of 7.5% on all other outstanding trade debts at the balance sheet date.

(i) **Foreign currencies**

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

2. **GOING CONCERN CONCEPT**

The accounts have been prepared on going concern basis.

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2008

(continued)

3. FIXED ASSETS

	<u>Leasehold Land</u>	<u>Fencing Driveways & Civil works</u>	<u>Buildings and Grain Silos</u>	<u>Motor Vehicles</u>	<u>Plant & Machinery & Equipment</u>	<u>Construction In Progress</u>	<u>Total</u>
	<u>KShs</u>	<u>KShs</u>	<u>KShs</u>	<u>KShs</u>	<u>KShs</u>	<u>KShs</u>	<u>KShs</u>
Cost or Valuation							
At 30th							
June 2007	945,940,177	422,430,110	9,526,811,482	43,911,646	405,034,898	21,798,391	11,365,926,704
Additions	20,000	0	517,659	3,138,990	17,879,079	3,617,805	25,173,533
Adjustment/ Transfers	0	0	3,161,024	0	0	(3,161,024)	0
Disposals	0	0	0	0	0	0	0
At 30th							
June 2008	<u>945,960,177</u>	<u>422,430,110</u>	<u>9,530,490,165</u>	<u>47,050,636</u>	<u>422,913,977</u>	<u>22,255,172</u>	<u>11,391,100,237</u>
Depreciation:							
At 30th							
June 2007	26,704,811	21,107,816	670,126,343	16,923,320	97,575,584	0	832,437,874
Charge for the period	13,354,111	10,560,753	335,097,752	11,453,452	50,426,743	0	420,892,811
On disposals	0	0	0	0	0	0	0
Adjustment	0	0	0	0	0	0	0
At 30th							
June 2008	<u>40,058,922</u>	<u>31,668,568</u>	<u>1,005,224,095</u>	<u>28,376,771</u>	<u>148,002,327</u>	<u>0</u>	<u>1,253,330,685</u>
Net Book Value:							
At 30th							
June 2008	<u>905,901,255</u>	<u>390,761,541</u>	<u>8,525,266,069</u>	<u>18,673,864</u>	<u>274,911,650</u>	<u>22,255,172</u>	<u>10,137,762,552</u>
At 30th							
June 2007	<u>919,235,367</u>	<u>401,322,294</u>	<u>8,856,685,140</u>	<u>27,962,401</u>	<u>307,459,314</u>	<u>21,798,391</u>	<u>10,534,462,905</u>

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

4. **INVESTMENTS**

	<u>30.06.2008</u>	<u>30.06.2007</u>
<u>Composition</u>	<u>Kshs.</u>	<u>Kshs.</u>
(i) Kenya Peanuts Company Ltd: 55,167 Ordinary shares of KShs. 100/= each at Acquisition cost	2,168,740	2,168,740
(ii) Kenya Cashews Limited: 400 Ordinary shares of KShs. 5/= each	<u>2,000</u>	<u>2,000</u>
Sub total	<u>2,170,740</u>	<u>2,170,740</u>
<u>Less:</u> Provisions for bad and Doubtful debts	<u>(2,170,740)</u>	<u>(2,170,740)</u>
Net Investments at year end	<u>0</u>	<u>0</u>

(i) **Kenya Peanuts Company Limited**

The Board owns 46% of the issued share capital of the company. In view of the prevailing uncertainty over the future viability of peanuts industry coupled with effect of market liberalization, a 100 % provision under bad and doubtful debts, amounting to Kshs. 2,168,740 has been made against the Board's investment in the company.

(ii) **Kenya Cashews Limited**

As reported in the previous Financial Years, Kenya Cashews Limited (dormant since inception), is a wholly owned subsidiary of the Board. It was originally intended that the Company would construct a new cashew nut processing factory in Kwale District. However, with limited availability of raw-nuts coupled with effects of Government policies on market liberalization, the proposed business venture is no longer viable.

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

5. **LOANS**

<u>Composition</u>	<u>30.06.2008</u> <u>Kshs.</u>	<u>30.06.2007</u> <u>Kshs.</u>
(i) Kenya Cashew nuts Limited:	120,521,118	120,521,118
(ii) Kenya Cashews Limited	<u>231,080</u>	<u>231,080</u>
Sub total	<u>120,752,198</u>	<u>120,752,198</u>
<u>Less:</u> Provisions for bad and Doubtful debts	<u>(120,752,198)</u>	<u>(120,752,198)</u>
Net loans at year end	<u>0</u>	<u>0</u>

(i) **Kenya Cashew nuts Limited**

The loan amount relates to a trade debt and a loan advance to Kenya Cashew Nuts Ltd before it was disposed of under Government divestiture and privatization programme of non-strategic public enterprises. As part of the Sale Agreement the trade debt, which was initially KShs.46.6 Million, was converted into an Interest Free Loan except for any defaulted amount that would attract interest at commercial rates. This Loan was to be redeemed within a period of 5 years commencing from 1st March 1995. Only the first installment of KShs.9, 320,000 has been fully repaid. Similarly the Kshs.10 Million Loan Advance was converted into a loan redeemable within seven years at an interest rate of 18% p.a. commencing on 1st June 1994. 100 % provision for bad and doubtful debts has been made due to uncertainty in repayment of the two loans.

(ii) **Kenya Cashews Limited**

The outstanding loan represents expenditure incurred by the Board on behalf of the Company In past years, and there are no prospects of recovery of this investment. Consequently, 100% Provision for bad and doubtful debts has been made owing to the uncertainty of recovering the Loan and plans are under way to write it off.

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

6. OPERATING STOCKS**6.1 Closing Stocks**

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

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

7. DEBTORS AND PREPAYMENTS**7.1 Breakdown analysis**

	<u>30.06.2008</u>	<u>30.06.2007</u>
<u>Category</u>	<u>Kshs.</u>	<u>Kshs.</u>
Former Associated company	160,078	160,078
Debtors for imported Wheat	35,933,464	35,933,464
Trade Debtors	1,384,816,770	763,215,860
Staff debtors	84,463,701	76,868,835
Sundry debtors & Prepayments	<u>93,577,153</u>	<u>57,129,798</u>
	1,598,951,166	933,308,035
<u>Less: Cumulative Provisions for bad and</u>		
<u>doubtful Debts</u>	<u>(675,557,914)</u>	<u>(665,557,914)</u>
Total Debtors and Prepayments as		
At year end	<u>923,393,252</u>	<u>267,750,121</u>

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

(Continued)

7.2 Notes on Debtors and Prepayments:

(a) Former Associated company indebtedness consists of the following:-

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

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

	<u>30.06.2008</u>	<u>30.06.2007</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Associated companies	160,078	160,078
Debtors for imported wheat	35,933,464	35,933,464
Other trade debtors	560,987,088	553,160,336
Staff debtors	50,889,942	50,900,176
Sundry debtors	<u>27,587,342</u>	<u>25,403,860</u>
Total cumulative Provision	<u>675,557,914</u>	<u>665,557,914</u>

8 GOVERNMENT DEBTORS – OLD DEBT

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

	<u>30.06.2008</u>	<u>30.06.2007</u>
	<u>Kshs</u>	<u>Kshs</u>
Balance B/F 01/07	816,828	40,816,828
Deduct: Amount received		
During the year	0	<u>40,000,000</u>
Balance outstanding		
At year end	<u>816,828</u>	<u>816,828</u>

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

9 **GOVERNMENT DEBTORS – NEW AGENCY ACCOUNT**

9.1 In compliance with agreed reform actions on GOK social functions, that involve introduction of new Operating Rules on domestic grain marketing the Board has with effect from 1st July 1997 fully adopted the new mode of charging GOK on agency basis for services rendered and facilities provided. Under the Agency Agreement signed between the Board and the Government, the GOK is under obligation to provide funds upfront to meet direct costs and agency remuneration for services rendered and facilities provided at rates to be annually negotiated and mutually agreed.

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

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

10. **CASH AT BANK AND IN HAND**

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

11 **CAPITAL FUND**

	<u>30.06.2008</u> <u>Kshs</u>	<u>30.06.2007</u> <u>Kshs</u>
Balance carried forward at Year end	<u>6,304,142,172</u>	<u>6,304,142,172</u>

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

(Continued)

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

	Cumulative Amounts Due	Amounts Received	Net amounts Outstanding 30th June 2008	Net amounts Outstanding 30th June 2007
	KShs	KShs	KShs	KShs
a) Strategic Grain				
<u>Reserve Programme- Old Account</u>				
Balance B/F on 1/7/2007	342,341,936	0	342,341,936	163,807,949
2007/2008 expenses:-				
Direct costs	0	0	0	0
Storage Charges	0	0	0	0
Sub - Total	<u>342,341,936</u>	<u>0</u>	<u>342,341,936</u>	<u>163,807,949</u>
b) <u>Famine Relief Programme</u>				
Balance B/F on 1/7/2006	429,358,379	0	429,358,379	359,129,542
2007/2008 expenses:-				
Direct costs	199,944,626	263,954,899	(64,010,273)	232,663,896
Storage Charges	<u>56,870,783</u>	0	<u>56,870,783</u>	245,712,409
Sub - Total	<u>686,173,789</u>	<u>263,954,899</u>	<u>422,218,890</u>	<u>837,505,848</u>
c) GOK 17 selected				
<u>Depots for F/Relief</u>				
Balance B/F on 1/7/2007	191,916,638	0	191,916,638	191,916,638
2007/2008 expenses:-				
Direct costs	0	0	0	0
Storage Charges	0	0	0	0
5 % Management fees	0	0	0	0
Sub - Total	<u>191,916,638</u>	<u>0</u>	<u>191,916,638</u>	<u>191,916,638</u>
d) Strategic Grain				
<u>Reserve Programme - New Account</u>				
Balance B/F on 1/7/2007	1,799,216,319	1,485,209,807	314,006,512	(2,855,315,072)
2007/2008 expenses:-				
Direct costs	445,234,542	1,148,226,551	-702,992,009	4,330,417,563
Storage Charges	<u>462,162,286</u>	0	<u>462,162,286</u>	324,113,827
Total (a+b+c+d)	<u>2,706,613,147</u>	<u>2,633,436,358</u>	<u>73,176,789</u>	<u>1,799,216,318</u>
e) Less:				
Net sales proceeds from sale of returned gunny bags			1,029,654,253	2,992,446,753
			4,434,432	229,613,481
			<u>1,025,219,821</u>	<u>2,762,833,272</u>
<u>Deduct: Provision for bad and Doubtful Debts</u>			<u>232,563,195</u>	<u>232,563,195</u>
Net Amount outstanding at the end of period			<u>792,656,625</u>	<u>2,530,270,077</u>

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

12 **REVALUATION OF FIXED ASSETS**

12.1 **Valuers and Date of valuation**

Land, Buildings, Plant and Machinery and Equipment were revalued in 2005/2006 FY on the basis of existing use by Tyson and Crystal Valuers Limited. The new values were incorporated into the Board's Asset Register and books of Accounts as at 1st July 2005. The incorporation of the new values of assets resulted to a net revaluation gain of Kshs. 6,889,998,967 and together with brought forward balance increased revaluation reserve to Kshs 9,589,422,793 as shown below: -

<u>Asset Category</u>	<u>New Valuation</u>	<u>Old Valuation</u>	Revaluation Gain/ (Loss)
	Kshs	Kshs	Kshs
1. Land	944,682,000	388,574,600	556,107,400
2. Railway siding, Fences & Roads	421,882,490	257,088,978	164,793,512
3. Buildings and Grain silos	9,524,252,006	3,737,823,777	5,786,428,229
4. Motor Vehicles	26,201,000	4,262,203	21,938,797
5. Fittings, Furniture and Equipment	<u>381,681,098</u>	<u>20,950,069</u>	<u>360,731,029</u>
TOTAL	<u>11,298,698,594</u>	<u>4,408,699,627</u>	6,889,998,967
Add: Brought Forward Balance			<u>2,699,423,826</u>
Balance Carried Forward			<u>9,589,422,793</u>

13 **REVENUE RESERVE ACCOUNT**

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

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

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

(Continued)

14 BANK OVERDRAFT AND SHORT TERM LOAN

The Board has a standby overdraft facility of KShs.500 million with the Kenya Commercial Bank Limited to supplement working capital and an additional short-term loan of KShs. 2.5 billion. The balances as at 30th June 2008 were as follows: -

	<u>30.06.2008</u>	<u>30.06.2007</u>
	<u>Kshs</u>	<u>Kshs</u>
Head Office Main Account	224,913,582	487,551,331
Short Term Loan	<u>419,738,586</u>	<u>1,929,644,097</u>
	<u>644,652,168</u>	<u>2,417,195,428</u>

15. CREDITORS AND PROVISIONS

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

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

The balance in this account relates to 1994/95 maize intervention and subsequent maize exports transactions in 1995/96 and 1996/97. As at the Balance Sheet date there was still a retained surplus of Kshs 174,063,028.00 to be offset against other GOK debt still under review as shown below:-

	<u>30.06.2008</u>	<u>30.06.2007</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Balance due to GOK as at year end	<u>174,063,028</u>	<u>174,063,028</u>

17. GOVERNMENT AGENCY ACCOUNT (OLD ACCOUNT)

17.1 Operating Results

Prior to liberalization in grain marketing in December 1993 the Board used to receive cereals from overseas under either Food Aid or Loan Programs on behalf of the Government of Kenya. A formal Agency Agreement that is still in force was entered into on 18th January 1990 between the GOK and the Board. The agreement stipulated terms and conditions as well as the accountability procedures to be observed by the Board for these commodities. An Agency Commission of 8% of sales value was charged to meet the Board's management and overhead costs. The balance held on behalf of the Government as at 30th June 2008 remained the same as in previous year.

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

	<u>30.06.2008</u>	<u>30.06.2007</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Balance due to the Government at year end	<u>143,195,039</u>	<u>143,195,039</u>
18	<u>CREDITORS – DUE TO GOK ON SGR SALES – KSHS 633,222,378.</u>	
	The Board sold 1,534,050 x 90 kg bags of SGR maize realizing Kshs. 2,163,503,428 upon which Kshs. 1,530, 280,050 was remitted leaving a balance of Kshs. 633,222,378	
19	<u>TAXATION</u>	
	NCPB is a taxable organization and Income Tax Returns have been filed with the Commissioner of Income Tax up to the year of income ended 30 th June 2008, which reflected a cumulative taxable losses amounting to KShs 7,739,617,393.00	
20	<u>CONTINGENCIES</u>	
20.1	<u>Contingent Liabilities</u>	
	The Board had contingent liabilities amounting to KShs. 61.61 Million as at 30th June 2008 due to pending disputes with suppliers of goods and services together with other individuals who have filed court cases against the Board for various reasons.	
20.2	<u>Contingent Assets</u>	
	The Board was directed by the Government in 2001/2002 FY to export maize and a loss of KShs. 2.20 billion was realized because it was executed at below cost. The claim for compensation has since been lodged with the Government but the compensation is yet to be received.	
21.	<u>BANK GUARANTEES</u>	
	As at 30 th June 2008 the Board had Bank guarantees amounting to Kshs 31,884,814.00 on Kenya Commercial Bank.	
22	<u>STAFF ESTABLISHMENT</u>	
	The staff establishment as at 30 th June 2008 was 992 employees.	
23	<u>CURRENCY</u>	
	The financial statements are presented in Kenya Shillings (KShs)	
24	<u>RETIREMENT BENEFITS OBLIGATIONS</u>	
	The Board operates a defined Provident Fund Scheme for all its permanent employees. The Board's contributions are charged to the Income Statement in the period in which they relate. The assets of the scheme are held in a separate trustee administered fund which is funded from contributions from both the Board and the employees.	

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2008
INCOME STATEMENT FOR THE YEAR ENDED 30TH JUNE 2007

27.2 2004/2007 CONTRIBUTION MARGIN FEEL PRODUCT	LOCAL KSHS	WHEAT KSHS	BICE KSHS	GUINIEES KSHS	INSECTICIDES KSHS	BEANS KSHS	SEEDS KSHS	VILVILI KSHS	SORGHUM KSHS	GPANIS KSHS	PADDY KSHS	FERTILIZER KSHS	THE REP-PEIDEC 30TH JUNE 2007 KSHS	THE REP-PEIDEC 30TH JUNE 2008 KSHS
GROSS SALES	528,890,821	48,845,232	70,677,501	254,240,744	2,157,141	87,647,407	0	3,070,728	1,341,400	3,400	3,400	0	1,504,687,000	1,012,405,447
COST OF SALES														
Opening stock	3,788,100	43,339,206	13,838,750	224,511,575	252,693	67,819,814	640	20,210,619	0	0	26,079,039	611,294,547	1,010,982,785	213,665,813
Purchases	2,546,438,419	0	32,802,401	1,706,870	211,798,685	84,450	0	84,450	0	993,000	80,690,450	10,160,501	2,884,474,974	1,637,433,746
Transfer (to)/from GOK Relief Account	-63,300,000	0	0	0	0	0	0	0	756,460	0	-55,077,864	0	-117,481,404	-45,780,176
Milling costs	0	0	4,658,584	0	0	0	241,327	0	0	0	0	0	4,899,891	0
Transfer from mill			55,077,864											44,878,576
Provision for stock shrinkage	36,021,445	0	0	0	0	4,659,571	0	1,858	0	0	1,775,190	0	62,458,264	9,767,077
Closing stock	(2,033,906,981)	(16,000)	(15,598,596)	(22,559,276)	(293,096)	(205,334,625)	(640)	(17,255,934)	-	(1,026,300)	(65,789,860)	(190,678,653)	(5,542,543,211)	(1,010,982,785)
GROSS PROFIT/(LOSS)	500,981,187	49,203,232	57,077,502	234,754,892	1,666,547	78,253,195	0	2,782,219	256,460	33,300	2,346,045	430,276,195	1,357,492,166	848,982,231
Less: Profit/(Loss) at	17,009,334	2,422,324	12,724,517	17,596,045	492,674	18,704,412	0	288,417	585,140	316,000	2,346,045	80,891,421	1,627,427,833	143,423,174
a percentage to sales	3.33%	5.72%	18.00%	7.67%	22.82%	11.94%	#DIV/0!	9.39%	43.62%	1025.00%	#DIV/0!	15.81%	9.78%	16.16%
OTHER INCOME														
Revenue from Services & other miscellaneous income	17,009,334	2,422,324	12,704,241	19,480,044	492,674	10,704,412	0	288,417	585,140	1,941,410,327	2,346,045	80,891,421	867,749,238	630,183,249
GROSS PROFIT/(LOSS) & OTHER INCOME	517,990,521	51,625,556	69,781,743	254,234,936	2,159,221	88,957,607	0	2,782,219	256,460	34,241,637	2,346,045	430,276,195	1,357,492,166	793,802,545
LESS: EXPENDITURE														
Reloage and Road transport costs	4,406,175	0	79,443	3,529,505	0	1,553,000	0	161,274	0	0	0	0	47,442,693	88,537,465
Import Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Staff costs and wages	0	0	0	0	0	0	0	0	0	0	0	0	0	5,561,681
Administration expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	463,431,396
Other operating expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	186,234,906
PROFIT/(LOSS) BEFORE DEPRECIATION AND BAD DEBTS	4,606,175	0	29,443	3,529,505	0	1,553,000	0	161,274	0	0	0	0	47,442,693	88,537,465
Deduct:														
Depreciation Charges	12,403,159	2,622,324	12,524,818	15,950,539	492,674	9,151,412	0	1,271,445	585,140	1,861,410,327	2,346,045	43,178,124	68,892,252	157,788,046
Bad and doubtful debt	0	0	0	0	0	0	0	0	0	0	0	0	0	10,000,000
Obsolete stocks	0	0	0	0	0	0	0	0	0	0	0	0	0	424,678,562
PROFIT/(LOSS) FROM OPERATIONS	4,606,175	0	29,443	3,529,505	0	1,553,000	0	161,274	0	0	0	0	47,442,693	88,537,465
Finance charges net of interest earned	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PROFIT BEFORE TAX	4,606,175	0	29,443	3,529,505	0	1,553,000	0	161,274	0	0	0	0	47,442,693	88,537,465
Income tax expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PROFIT AFTER TAX	4,606,175	0	29,443	3,529,505	0	1,553,000	0	161,274	0	0	0	0	47,442,693	88,537,465
Early retirement costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET PROFIT/(LOSS) FOR THE PERIOD	4,606,175	0	29,443	3,529,505	0	1,553,000	0	161,274	0	0	0	0	47,442,693	88,537,465

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

(Continued)

27.3 STOCK FLOWS PER PRODUCT-2007/2008

	MAIZE	WHEAT	RICE	GUNNIES	INSECTICIDES	BEANS	SEEDS	WIMBI	GREEN	PADDY	DAP	NPK	CAN
	90kgs	90kgs	100kgs	Pieces	25 kg	90kgs	65kgs	80kgs	GRAMS	RICE	FERTILIZER	FERTILIZER	FERTILIZER
	Bags	Bags	Bags		Packets	Bags	Bags	Bags	80kgs	80kgs	50kgs	50kgs	50kgs
	Bags	Bags	Bags			Bags	Bags	Bags	Bags	Bags	Bags	Bags	Bags
OPENING STOCKS	1,506,465	10	3,674	1,133,173	66	72,954	4	8,083	330	19,660	728	412	170,761
PURCHASES	<u>81,417</u>	0	0	<u>1,792,252</u>	<u>101</u>	<u>21,050</u>	0	0	<u>12,378</u>	0	0	0	<u>19,120</u>
STOCK AVAILABLE FOR SALE	<u>1,587,881</u>	<u>10</u>	<u>3,674</u>	<u>2,925,425</u>	<u>167</u>	<u>94,004</u>	<u>4</u>	<u>8,083</u>	<u>330</u>	<u>32,038</u>	<u>728</u>	<u>412</u>	<u>189,881</u>
SALES	1,587,414	0	16,299	1,127,193	80	88,737	0	7,174	330	0	881	405	188,565
TRANSFER TO/(FM) GOK STOCKS	0	0	0	0	0	0	0	0	0	0	0	0	0
TRANSFER (FM) 3RD PARTY STOCKS													
TRANSFER TO/(FM) MILLING			(13,048)					0	22,496				
STORAGE LOSS/(GAIN)													
ADJUSTMENT	<u>123</u>	<u>10</u>	<u>50</u>	<u>(30,032)</u>	<u>1</u>	<u>365</u>	<u>-</u>	<u>32</u>	<u>0</u>	<u>(96)</u>	<u>(221)</u>	<u>(1)</u>	<u>488</u>
DISPOSALS DURING PERIOD	<u>1,587,538</u>	<u>10</u>	<u>3,301</u>	<u>1,097,161</u>	<u>81</u>	<u>89,102</u>	<u>0</u>	<u>7,206</u>	<u>330</u>	<u>22,400</u>	<u>660</u>	<u>404</u>	<u>189,053</u>
CLOSING STOCKS	<u>343</u>	<u>0</u>	<u>373</u>	<u>1,828,264</u>	<u>86</u>	<u>4,902</u>	<u>4</u>	<u>877</u>	<u>0</u>	<u>2,638</u>	<u>68</u>	<u>8</u>	<u>828</u>

NATIONAL CEREALS AND PRODUCE BOARD
NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008
(Continued)

27.4 STOCK FLOWS PER PRODUCT-2006/2007

	MAIZE		WHEAT		RICE		GUNNIES		INSECTICIDES		BEANS		SEEDS		PADDY		DAP		NPK		CAN		
	90kgs	Bags	90kgs	Bags	100kgs	Bags	Pieces	25 kg	Packets	90kgs	Bags	65kgs	80kgs	Bags	80kgs	Bags	50kgs	Bags	50kgs	Bags	50kgs	Bags	
OPENING STOCKS	3,230		25,816		2,657		3,083,257	113		22,785	4	9,176	10,612	216,016	8,619	259,331							
PURCHASES	<u>1,591,197</u>		<u>0</u>		<u>0</u>		<u>509,420</u>	<u>148</u>		<u>55,114</u>	<u>0</u>	<u>44</u>	<u>26,124</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
STOCK AVAILABLE FOR SALE	<u>1,594,427</u>		<u>25,816</u>		<u>2,657</u>		<u>3,592,677</u>	<u>261</u>		<u>77,899</u>	<u>4</u>	<u>9,220</u>	<u>36,736</u>	<u>216,016</u>	<u>8,619</u>	<u>259,331</u>							
SALES	348,606		26,187		6,177		2,274,865	92		22,042	0	747	0	173,143	6,316	27,110							
TRANSFER TO/(FM) GOK STOCKS																							
TRANSFER (FM) 3RD PARTY STOCKS																							
TRANSFER TO/(FM) MILLING																							
STORAGE LOSS/(GAIN)																							
ADJUSTMENT	<u>(271)</u>		<u>(558)</u>		<u>(13)</u>		<u>(21,051)</u>	<u>(0)</u>		<u>9</u>		<u>(4)</u>	<u>(130)</u>	<u>(45)</u>	<u>1,60</u>	<u>(104)</u>							
DISPOSALS DURING PERIOD	<u>348,335</u>		<u>25,622</u>		<u>3,638</u>		<u>2,253,814</u>	<u>92</u>		<u>22,051</u>	<u>0</u>	<u>395</u>	<u>12,122</u>	<u>173,098</u>	<u>6,476</u>	<u>27,006</u>							
CLOSING STOCKS	<u>1,246,092</u>		<u>187</u>		<u>6,295</u>		<u>1,338,863</u>	<u>169</u>		<u>55,848</u>	<u>4</u>	<u>8,825</u>	<u>24,614</u>	<u>42,918</u>	<u>2,143</u>	<u>232,325</u>							

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2008

(Continued)

28. OTHER INCOME

Other income relates to revenue earned from provision of services and leasing out of Board's properties to third parties, agency remuneration from undertaking GOK social functions and other miscellaneous income derived from sundry items as summarised below:

	<u>30TH JUNE 2008</u>	<u>30TH JUNE 2007</u>
	<u>Kshs.</u>	<u>Kshs.</u>
(a) Revenue from Services/facilities		
Weigh Bridge charges	19,717,416	21,189,565
Bagging and handling charges	17,569,322	16,398,554
Cleaning charges	0	0
Rental charges	143,125,849	116,528,564
Drying and Fumigation	<u>17,805,791</u>	<u>92,609,594</u>
	<u>198,218,378</u>	<u>246,726,277</u>
(b) Agency Services		
GOK Agency remuneration	519,033,069	571,521,464
Agency commission from inputs	<u>0</u>	<u>19,053,021</u>
Sub - total (a+b)	<u>717,251,447</u>	<u>837,300,762</u>
(c) Sundry Income		
Receipts for Private Telephone Calls	27,881	34,866
Insurance Compensation	2,625,730	16,758,606
Sale of Tender documents	1,388,000	1,333,000
Sale of Obsolete Material	415,484	961,265
Other Miscellaneous Income	4,863,906	6,536,326
Other fees and charges	1,338,461	3,534,535
Gain/(Loss) on disposal of fixed assets	<u>0</u>	<u>0</u>
	<u>10,659,462</u>	<u>29,158,599</u>
(d) Investment income		
Interest earned on Short term		
Investments (FDR'S)	0	1,309,877
Interest/penalties charged on loans to former Associated Companies	0	0
Less: Withholding tax	<u>0</u>	<u>0</u>
	<u>0</u>	<u>1,309,877</u>
Total other Income per Profit & Loss A/C	<u>727,910,909</u>	<u>867,769,238</u>

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

(Continued)

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

29. EXPENDITURE DETAILS

	<u>30TH JUNE 2008</u>	<u>30TH JUNE 2007</u>
	<u>Kshs</u>	<u>Kshs</u>
<u>DIRECT COSTS</u>		
Import Costs	4,468,513	0
Hired road & rail transport	<u>12,347,014</u>	<u>47,442,694</u>
	<u>16,815,527</u>	<u>47,442,694</u>
<u>STAFF COSTS</u>		
Salaries and wages	482,003,221	412,228,965
Board's contributions to Provident Fund and Staff savings schemes	67,000,636	57,642,831
Board's contribution to National Social Security Fund	2,380,366	2,716,200
Medical expenses	29,765,571	26,759,380
Leave pay and gratuities	13,693,229	11,201,273
Welfare and training	<u>13,635,762</u>	<u>16,345,653</u>
	<u>608,478,785</u>	<u>526,894,301</u>
<u>GENERAL ADMINISTRATION</u>		
Board Members Allowances	3,679,718	3,431,678
Advertising	1,102,661	2,787,688
Conservancy, light and water	30,801,799	47,044,849
Consumable stores	788,972	779,580
Entertainment	76,127	130,740
General expenses	0	0
Insurance	17,823,927	16,377,772
Land rents & rates and siding charges	17,174,429	17,767,104
Maintenance of machinery, furniture and equipment	14,687,801	27,851,618
Maintenance of buildings, fences, gates, roads and railway sidings	19,390,253	20,366,874
Postage, telegram & telephone	14,113,399	12,625,442
Printing and stationery	10,708,320	9,720,386
Security expenses	47,150,999	53,937,628
Subscriptions & Nafaka Newsletter	551,770	723,680
Uniforms and protective clothing	1,210,253	732,782
Donations	<u>185,872</u>	<u>127,822</u>
	<u>179,446,300</u>	<u>214,405,643</u>

NATIONAL CEREALS AND PRODUCE BOARD

NOTES TO THE FINANCIAL STATEMENTS - 30TH JUNE 2008

(Continued)

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

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

NATIONAL CEREALS AND PRODUCE BOARD



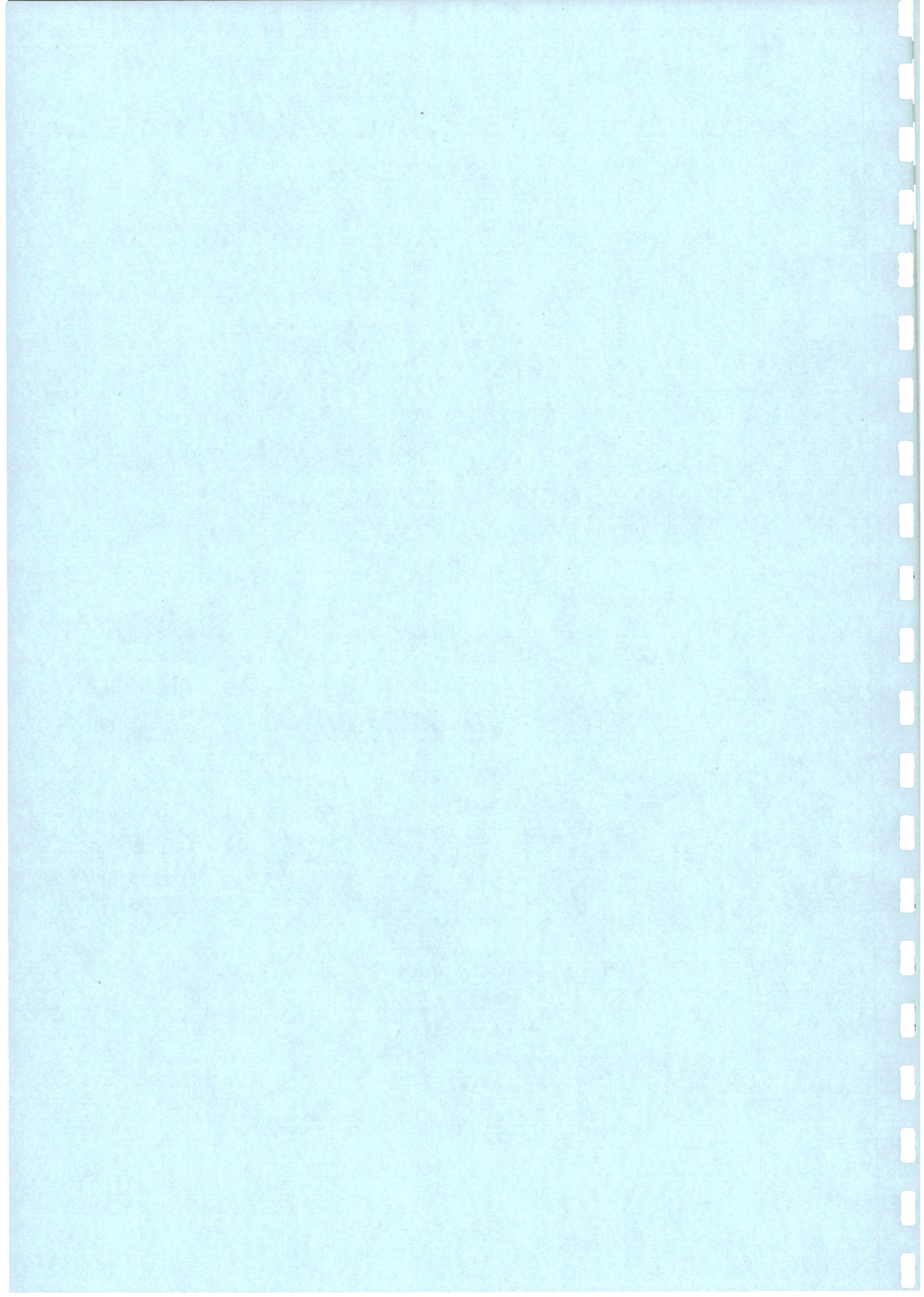
FINANCIAL HIGHLIGHTS

AND

STATISTICS

2003/2004 TO 2007/2008

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



NATIONAL CEREALS AND PRODUCE BOARD

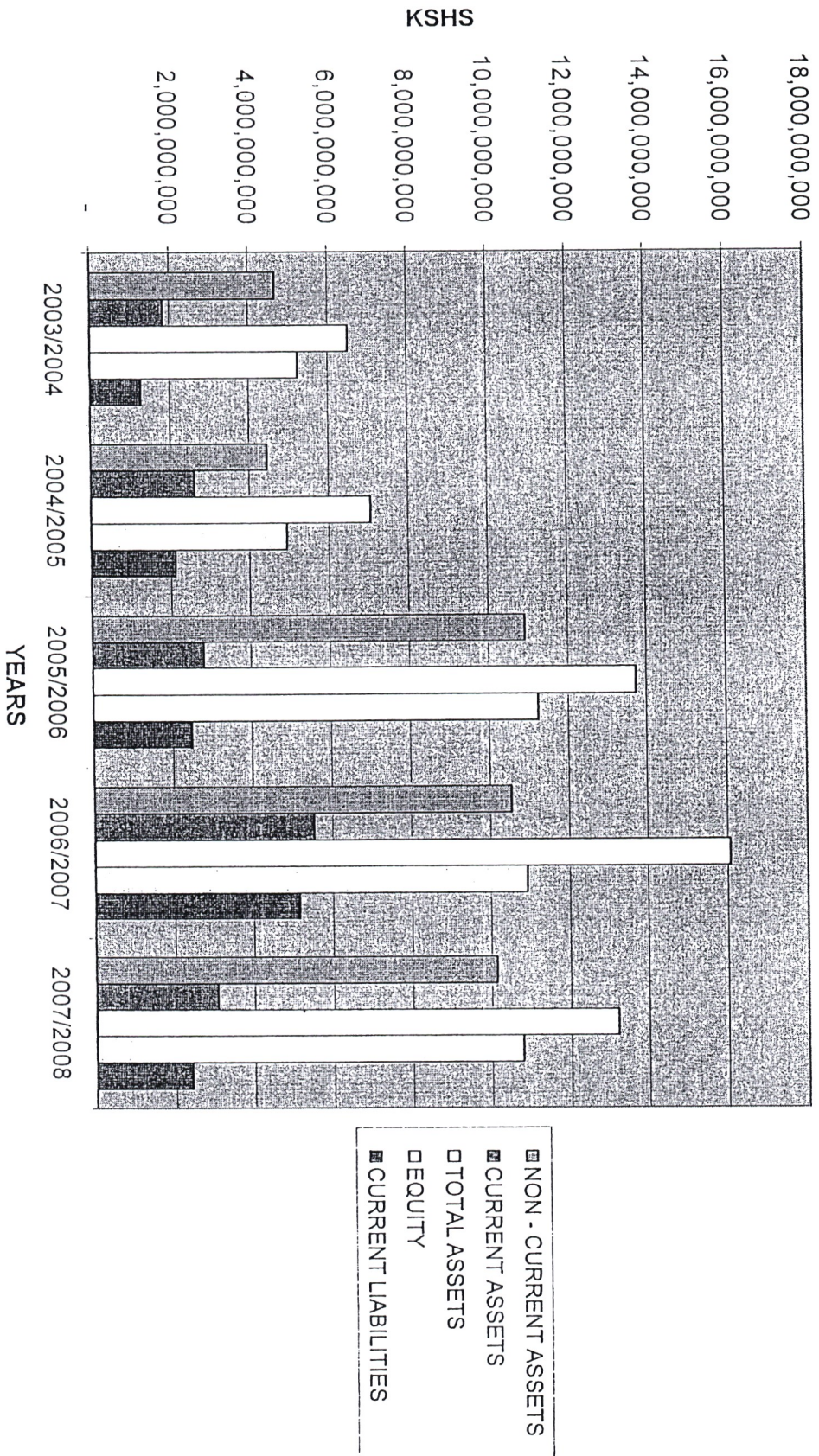
RATIO ANALYSIS 2003/2004 - 2007/2008

	<u>2003/2004</u>	<u>2004/2005</u>	<u>2005/2006</u>	<u>2006/2007</u>	<u>2007/2008</u>
1. LIQUIDITY RATIOS					
a) Current Ratio	144.75%	123.17%	113.00%	107.51%	171.42%
b) Acid Test	92.32%	112.18%	71.84%	59.13%	167.22%
2. CAPITAL STRUCTURE RATIOS					
a) Ratio of Debt: Total Assets	19.57%	30.09%	18.09%	32.03%	13.55%
b) Gearing Ratio	0.00%	0.00%	0.00%	0.00%	0.00%
3. ACTIVITY RATIOS					
a) Turnover ratio of Sales: Capital employed	8.55%	15.95%	9.01%	13.78%	29.58%
b) Stock Turnover (Days)	450	263	270	472	1
4. PROFITABILITY RATIOS					
a) Return on capital Employed (ROCE)	-11.45%	-5.68%	-5.06%	-4.92%	-1.63%
b) Profitability of Sales					
i) Gross Margin : Sales	21.76%	20.55%	16.16%	9.78%	18.56%
ii) Net Profit : Sales	-133.96%	-35.60%	-56.16%	-35.74%	-5.50%

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

	<u>2003/2004</u> KSHS	<u>2004/2005</u> KSHS	<u>2005/2006</u> KSHS	<u>2006/2007</u> KSHS	<u>2007/2008</u> - KSHS
SALES TURNOVER	446,562,218	785,298,985	1,012,605,447	1,504,687,000	3,377,025,025
COST OF SALES	<u>349,405,468</u>	<u>623,884,440</u>	<u>848,982,251</u>	<u>1,357,459,166</u>	<u>2,750,378,058</u>
GROSS MARGIN	97,156,750	161,414,545	163,623,196	147,227,834	626,646,967
GROSS MARGIN AS A PERCENTAGE OF SALES	21.76%	20.55%	16.16%	9.78%	18.56%
OTHER INCOME	<u>434,895,935</u>	<u>754,536,297</u>	<u>630,183,349</u>	<u>867,769,238</u>	<u>727,910,909</u>
GROSS MARGIN & OTHER INCOME	532,052,685	915,950,842	793,806,545	1,014,997,072	1,354,557,876
TOTAL COSTS BEFORE BAD DEBTS, DEPRECIATION AND EXTRA ORDINARY ITEMS	<u>698,679,080</u>	<u>820,950,129</u>	<u>937,813,255</u>	<u>1,120,016,048</u>	<u>1,109,044,588</u>
SURPLUS/(DEFICIT) BEFORE BAD DEBTS, DEPRECIATION AND EXTRA ORDINARY ITEMS	(166,626,395)	95,000,713	(144,006,710)	(105,018,976)	245,513,288
Depreciation Expense	416,342,344	226,882,657	414,678,562	417,685,236	421,146,600
Provision for bad and doubtful debts extra-ordinary items:	15,250,260	147,648,325	10,000,000	15,000,000	10,000,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SURPLUS/(DEFICIT)	<u>(598,218,999)</u>	<u>(279,530,269)</u>	<u>(568,685,272)</u>	<u>(537,704,212)</u>	<u>(185,633,313)</u>

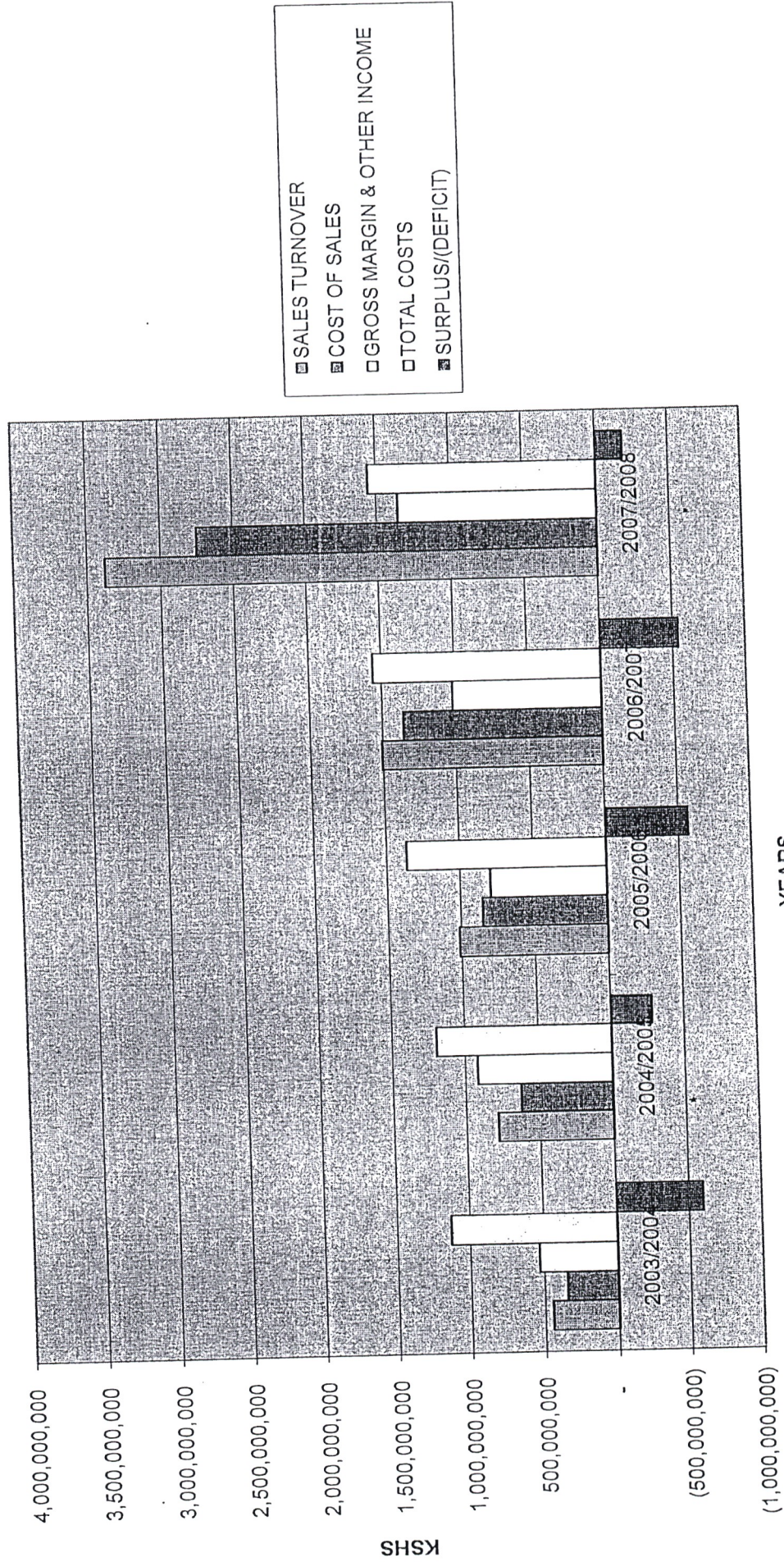
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**NATIONAL CEREAL AND PRODUCE BOARD
 BALANCE SHEET 2003/2004 TO 2007/2008 FY**



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

	2003/2004 KSHS	2004/2005 KSHS	2005/2006 KSHS	2006/2007 KSHS	2007/2008 KSHS
ASSETS					
NON - CURRENT ASSETS					
FIXED ASSETS	4,649,285,324	4,429,751,270	10,921,242,546	10,534,462,905	10,137,769,552
INVESTMENT	6,618,580	3,222,616	0	0	0
LOANS	0	0	0	0	0
	<u>4,655,903,904</u>	<u>4,432,973,886</u>	<u>10,921,242,546</u>	<u>10,534,462,905</u>	<u>10,137,769,552</u>
CURRENT ASSETS	<u>1,839,678,269</u>	<u>2,610,518,479</u>	<u>2,805,693,326</u>	<u>5,532,043,966</u>	<u>3,067,500,959</u>
	<u>6,495,582,173</u>	<u>7,043,492,365</u>	<u>13,726,935,872</u>	<u>16,066,506,871</u>	<u>13,205,270,511</u>
EQUITY AND LIABILITIES					
EQUITY					
CAPITAL FUND	6,304,142,172	6,304,142,172	6,304,142,172	6,304,142,172	6,304,142,172
REVALUATION RESERVE	2,699,423,826	2,699,423,826	9,589,422,793	9,589,422,793	9,589,422,793
ACCUMULATED SURPLUS	<u>(3,778,962,559)</u>	<u>(4,079,524,444)</u>	<u>(4,649,628,533)</u>	<u>(4,972,836,938)</u>	<u>(5,110,963,129)</u>
CAPITAL FUND	<u>5,224,603,439</u>	<u>4,924,041,554</u>	<u>11,243,936,432</u>	<u>10,920,728,027</u>	<u>10,782,601,836</u>
CURRENT LIABILITIES	<u>1,270,978,734</u>	<u>2,119,450,811</u>	<u>2,482,999,440</u>	<u>5,145,778,844</u>	<u>2,422,668,675</u>
EQUITY AND LIABILITIES	<u>6,495,582,173</u>	<u>7,043,492,365</u>	<u>13,726,935,872</u>	<u>16,066,506,871</u>	<u>13,205,270,511</u>

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

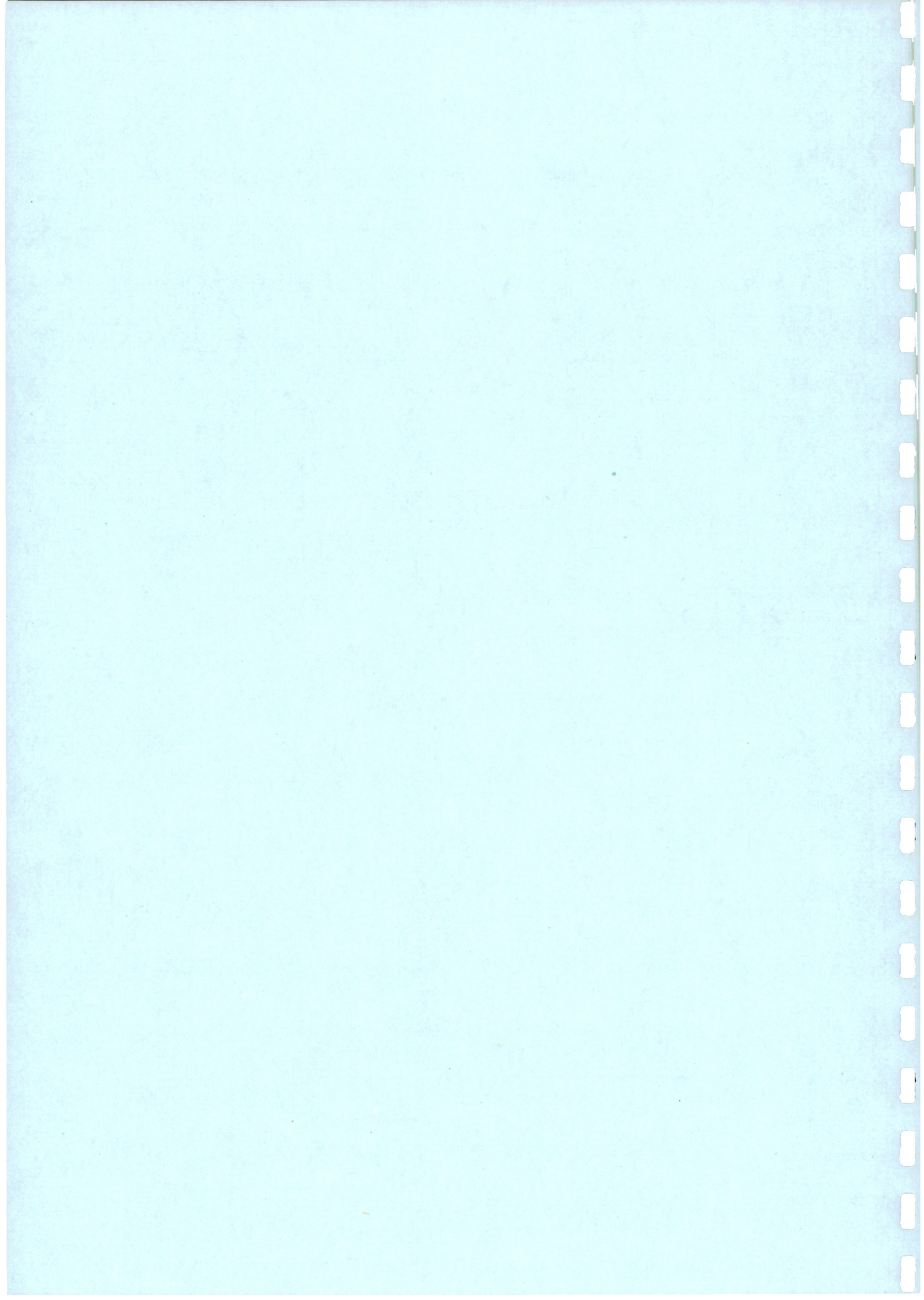


NATIONAL CERÉALS AND PRODUCE BOARD



**GOK AGENCY OPERATIONS
BALANCE SHEET AND ACCOUNTS
FOR THE YEAR ENDED
30TH JUNE 2008**

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



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

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

		<u>30.06.2008</u>	<u>30.06.2007</u>
		<u>Kshs</u>	<u>Kshs</u>
Famine Relief Stocks	3	943,754,936	79,549,012
SGR Stocks		2,297,531,375	5,733,257,770
Shortfall in GOK funding to NCPB	4	<u>391,997,443</u>	<u>2,584,299,285</u>
		<u>3,633,283,754</u>	<u>8,397,106,067</u>
GOK Agency Account	4	391,997,443	2,584,299,285
Net Surplus		0	0
Stock Reserve Account		<u>3,241,286,311</u>	<u>5,812,806,782</u>
		<u>3,633,283,754</u>	<u>8,397,106,067</u>

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

1. **ACCOUNTING POLICIES**

(a) **Valuation of closing stocks**

- i) Closing stocks of maize and beans have been valued at cost while the gunnies have been valued at net realizable value.
- ii) Closing stocks of maize and beans have been stated in terms of standard weight of 90 kg bags.

(b) **Funds from the Government (Principal)**

Funds from the Principal for undertaking the GOK social functions have been incorporated in the Accounts on accrual basis to recognize it as income in the same fiscal year that funds were to be provided to the Agent by the Principal for specific operations carried out at the express instructions of the Principal.

(c) **Allocation of Expenses**

Expenses that are specifically and directly attributable to GOK social functions have been charged to the relevant Agency function.

2. **GOK AGENCY ACCOUNT**

2.1 **Guiding Reform Policies and Principles on GOK Social Functions**

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

- (i) Procurement, handling, storage and maintenance of Strategic Grain Reserve Stocks of up to 3.0 million X 90 Kg bags of maize
- (ii) Procurement, handling, storage, maintenance and distribution of GC famine Relief/Emergency stocks of commodities
- (iii) Management and up-keep of 17 selected depots for use in storage and distribution of GOK famine relief/emergency programmes
- (iv) Undertaking market intervention measures as directed by the Government from time to time

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

2.2 Provisions of Agency Agreement

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

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

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

3. CLOSING STOCKS

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

<u>Category/Product</u>	<u>As at 30.06.2008</u>		<u>As at 30.06.2007</u>	
	<u>Bags</u>	<u>Value KShs</u>	<u>Bags</u>	<u>Value KShs</u>
GOK Famine Relief – Maize(90 kg)	672,998	938,747,620	0	0
GOK Famine Relief – Beans (90 Kg)	0	0	20,667	64,834,785
GOK Famine Relief – S/hand Gunnies	151,566	3,722,276	327,129	7,495,522
Green Grams	0	0	59	97,350
Millet/Sorghum	106	91,690	1,224	960,100
Garden peas	386	1,003,600	1,374	3,572,400
Imported wheat	0	0	0	0
Pigeon peas	115	189,750	1,569	2,588,850
Sub Total F/Relief Stock		943,754,936		79,549,010
SGR Maize Stocks	1,656,852	2,297,531,375	3,942,934	5,733,257,770

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

Stock Movement

	2007/2008FY					2006/2007FY									
	SGR MAIZE (90kg Bags)	F/RELIEF MA (90kg Bags) Pieces	GUNNIES Pieces	GARDEN PEA (90kg Bags)	WHEAT (90kg Bag)	PIGEON PE (90kg Bag)	Green Grams (90kg Bags)	BEANS (90kg Bags)	SORGHUM (90kg Bags)	SGR MAIZE (90kg Bags)	GUNNIES Pieces	F/RELIEF MA (90kg Bag)	BEANS (90kg Bags)	GREEN GTRASORGHUM (90kg Bags)	GARDEN PEAS (90kg Bags)
OPENING STOCKS	3,936,068	-	327,129	1,374	-	1,374	1,628	20,667	1,104	1,892,457	153,748	-	30,660	1,139	1,224
Transfer from SGR stock to F/Relief Stock	48,311	1,080,094	-	-	-	-	-	-	-	77,281	48,311	-	-	-	-
Purchases/Surrendered	267,276	13,349	18,791	-	-	-	13,667	-	-	2,459,691	1,003,021	374,532	18,422	-	998
Stocks Available For Distribution/Sale	4,251,655	1,093,443	345,920	1,374	-	1,374	1,628	34,334	1,104	4,429,429	1,156,769	422,843	49,082	1,139	2,222
Deduct Disposals:															
Releases/Sales	1,575,160	372,134	194,354	988	-	1,374	1,513	34,334	1,000	429,429	829,640	345,562	28,415	1,080	-
Transfer to F/Relief Stock from SGR Stocks	1,000,000	48,311	-	-	-	-	-	-	-	48,311	77,281	-	-	-	-
Storage Loss/(Gain) Adjustment	19,643	-	-	-	-	-	-	-	-	15,621	-	-	-	-	1,118
Sub-Total	2,594,803	420,445	194,354	988	-	1,374	1,513	34,334	1,000	493,361	829,640	422,843	28,415	1,080	1,118
CLOSING STOCKS	1,656,852	672,998	151,566	386	-	115	-	-	104	3,936,068	327,129	-	20,667	59	1,104

NATIONAL CEREALS AND PRODUCE BOARD
GOK AGENCY OPERATIONS

INCOME AND EXPENDITURE ACCOUNT AS AT 30TH JUNE 2008

	GOK Strategic Grain Reserve Old Account	GOK Strategic Grain Reserve New Account	GOK 17 Selected Family Retail Retail Depot	Human Food Aid Programme	Urban Food Aid Programme	2001/2002 Male Family Relief Programme	2001/2002 Male Family Relief Programme	Milli/ Sorghum Programme	Green Cereals Programme	Cav/Garden Pean Programme	GOK Swap Wheat	GOK Murr Imperial Programme	Total
1 INCOME/RECEIPTS FROM GOK													
(a) Direct receipt from GOK	0	2,638,436,358	0	0	0	240,204,899	23,750,000	0	0	0	0	0	2,877,391,257
(b) Receipts from Rent	0	0	0	0	0	0	0	0	0	0	0	0	0
(c) Sales Proceed of returned/borrowed 5/brand Gummy Bags	0	2,163,502,428	0	0	0	4,434,432	0	0	0	0	0	0	2,167,936,860
Sub - Total (1)	0	4,798,938,786	0	0	0	244,639,331	23,750,000	0	0	0	0	0	5,065,328,117
2 EXPENDITURE													
(a) Direct cost/expense:													
Remittances of Sales Proceeds to GOK	0	1,530,280,050	0	0	0	131,754,430	64,822,000	0	0	0	0	0	1,530,280,050
Procurement costs	0	376,859,160	0	0	0	0	0	0	0	0	0	0	376,859,160
Import Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
Loss on foreign exchange	0	0	0	0	0	0	0	0	0	0	0	0	0
Transport Costs	0	611,647,584	0	0	0	2,697,673	0	0	0	0	0	0	614,345,257
Inter-function transactions	0	0	0	0	0	0	0	0	0	0	0	0	0
Direct handling costs	0	7,207,798	0	0	0	1,427,145	95,433	0	275	7,049	0	0	8,741,120
Operating Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
(b) Sub - Total (a)	0	1,975,514,532	0	0	0	135,872,448	64,917,433	0	275	7,049	0	0	2,178,459,212
Agency fees and charges for land/cell/facilities provided	0	260,893,601.45	0	0	0	40,327,435	684,808	78,899	2,195	157,050	0	0	302,143,989
Storage	0	0	0	0	0	0	0	0	0	0	0	0	0
Quality maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0
Commission on purchases	0	22,718,460	0	0	0	7,942,655	0	0	0	0	0	0	30,661,115
Commission on releases	0	0	0	0	0	6,726,095	540,787	0	1,560	40,058	0	0	7,339,102
Commission on direct transport	0	4,893,407	0	0	0	215,814	0	0	0	0	0	0	5,109,221
Commission on commodity handling costs	0	576,624	0	0	0	114,172	7,435	0	22	566	0	0	697,450
Commission on commercial sales	0	173,080,194	0	0	0	0	0	0	0	0	0	0	173,080,194
Drying costs	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest on delayed payments	0	0	0	0	0	0	0	0	0	0	0	0	0
Storage of stocks supplied by third party	0	0	0	0	0	0	0	0	0	0	0	0	0
5 % management fees on deposits exclusively for GOK use	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub - Total (b)	0	462,142,286	0	0	0	53,328,121	1,233,230	78,899	3,777	197,674	0	0	519,033,070
Total Expenditure (a + b)	0	2,437,657,818	0	0	0	129,200,519	66,150,663	78,899	4,053	204,743	0	0	2,456,492,282
(c) Net Surplus/(Deficit) for the year Add:	0	2,359,281,908	0	0	0	53,433,712	-42,400,663	786,102	(4,053)	(204,743)	0	0	2,370,855,890
Shortfall/(Surplus) B/F balance 1/07/2007	(342,341,936)	(1,729,216,319)	(171,916,638)	3,927,805	(168,480)	(357,209,161)	(36,648,768)	7,573,881	248,312	(191,051)	(46,931,925)	(2,762,853,221)	
Net due (to)/from the Agent as at 30.06.2008	(342,341,936)	560,045,582	(171,916,638)	3,927,805	(168,480)	(304,275,449)	(72,049,450)	8,357,492	745,232	(315,725)	(46,931,925)	(371,997,443)	

NATIONAL CEREALS AND PRODUCE BOARD

GOK AGENCY OPERATIONS

NOTES TO THE ACCOUNTS - 30TH JUNE 2008

(Continued)

5 AMOUNTS OWING ON AGENCY SERVICES5.1 Composition

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

	Cumulative Amounts Due	Amounts Received	Net amounts Outstanding 30th June 2008	Net amounts Outstanding 30th June 2007
	KShs	KShs	KShs	KShs
a) Strategic Grain				
<u>Reserve Programme</u>				
Balance B/F on 1/7/2007	342,341,936	0	342,341,936	163,807,949
2007/2008 expenses:-				
Direct costs	0	0	0	0
Storage Charges	0	0	0	0
Sub - Total	<u>342,341,936</u>	<u>0</u>	<u>342,341,936</u>	<u>163,807,949</u>
b) Famine Relief Programme				
Balance B/F on 1/7/2007	429,358,379	0	429,358,379	359,129,542
2007/2008 expenses:-				
Direct costs	199,944,626	263,954,899	(64,010,273)	232,663,896
Storage Charges	<u>56,870,783</u>	<u>0</u>	<u>56,870,783</u>	<u>245,712,409</u>
Sub - Total	<u>686,173,789</u>	<u>263,954,899</u>	<u>422,218,890</u>	<u>837,505,848</u>
c) GOK 17 selected				
<u>Depots for F/Relief</u>				
Balance B/F on 1/7/2007	191,916,638	0	191,916,638	191,916,638
2007/2008 expenses:-				
Direct costs	0	0	0	0
Storage Charges	0	0	0	0
5 % Management fees	0	0	0	0
Sub - Total	<u>191,916,638</u>	<u>0</u>	<u>191,916,638</u>	<u>191,916,638</u>
d) Strategic Grain				
<u>Reserve Programme</u>				
Balance B/F on 1/7/2007	1,799,216,319	1,485,209,807	314,006,512	-2,855,315,072
2007/2008 expenses:-				
Direct costs	1,975,514,592	3,311,728,979	(1,336,214,387)	4,330,417,563
Storage Charges	<u>462,162,286</u>	<u>0</u>	<u>462,162,286</u>	<u>324,113,827</u>
Sub - Total	<u>4,236,893,197</u>	<u>4,796,938,786</u>	<u>-560,045,589</u>	<u>1,799,216,318</u>
Total (a+b+c+d)	<u>5,457,325,558</u>	<u>5,060,893,686</u>	<u>396,431,875</u>	<u>2,992,446,753</u>
e) <u>Less:</u>	Net sales		<u>4,434,432</u>	<u>229,613,481</u>
	Net Amount outstanding as at 30th June 2008		<u>391,997,443</u>	<u>2,762,833,272</u>

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

5 **COMMODITY PURCHASES**

6.1 **Purchases on Agency Basis**

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

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

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

7.1 **Commodities Distributed**

During 2007/2008 FY the Agent (NCPB) distributed on behalf of the Government through requisition orders raised in favour of various beneficiary districts, the under-listed commodities under GOK famine Relief/Emergency Programme.

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

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

7.2 **Quantity Transported**

For purpose of servicing the Principal's requisition orders raised during the year as well as pre-positioning commodities at the required destinations, the Agent moved relief commodities and SGR maize by road transport services as summarized below:-

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

8 **CONTINGENT LIABILITIES**

A contingent liability amounting to KShs 178,533,987.00 continued to remain unsettled as at 30th June 2008. This liability relates to a GOK market intervention measure implemented by the Agent (NCPB) in providing a market outlet for local wheat at pre-determined buying prices as directed by the Government during 1997/98 FY. In addition to the above contingent liability there is also an amount of KShs. 2.20 billion which arose from maize export losses during 2001/2002 FY.