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Sisal Board of Kenya

ANNUAL REPORT 1989
AND
ANNUAL AUDITED ACCOUNTS.
1988/89 FINANCIAL YEAR

45

SISAL BOARD OF KENYA

BOARD MEMBERSHIP - 1989

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REVIEW OF THE SISAL INDUSTRY - JANUARY TO DECEMBER, 1989

a) Sisal Fibre Production

Production of sisal fibre during 1989 fell slightly short of the projected figure of forty thousand (40,000) metric tons. A total of 37,720 metric tons of line fibre and tow was produced. There was therefore an increase in fibre production of 748 tons above the 1988 level. Output of small-holder sisal rose slowly during 1989 to a total of 2,634 tons. The figure for 1988 was 2,629 tons. The level of production was below the target of 5,000 tons of small-holder (U.H.D.S.) grade fibre expected for last year.

On a regional basis, production of all grades of sisal fibre and tow was as follows:-

<u>Province</u>	<u>Production in 1988</u> (Metric Tons)	<u>Production in 1989</u> (Metric Tons)
Coast	13,460	15,197
Rift Valley	14,648	13,551
Central	3,375	2,696
Eastern	4,195	4,713
Nyanza	1,294	1,582
Total whole country	<u>36,972</u>	<u>37,739</u>

Although the rising fibre production trend is not as encouraging as originally projected by the Board, there is every indication that the country's production and export of sisal fibre will continue to rise, at least for the next three years. Production at the end of 1992 is expected to reach 48,000 metric tons.

III

b) Sisal Fibre Marketing

The "bull" sisal market of 1988 continued unabated throughout the whole of 1989. Current indications are that this upward trend in sisal prices will continue even into the 1990/91 season beginning next September.

With the world market sisal fibre prices continuing to rise and the end product market remaining steady, Kenya during 1989, held its position as the 2nd largest exporter of sisal fibre and tow, after Brazil. The country exported 32,223 metric tons of sisal fibre and tow in 1989. The fibre was shipped to thirty countries, with Egypt leading the list of ten largest importers of Kenya's sisal fibre. Other large importers were Japan, Spain, Belgium, United Kingdom, Ivory Coast, U.S.S.R., South Korea, and Portugal. There was marked decline in exports to U.S.S.R. and a dramatic rise in Kenya's sisal exports to Egypt.

Foreign exchange receipts from the sale of sisal fibre and tow was an amount equivalent to KSh. 318,460,343. This represented a substantial increase over 1988 when the country exported 30,701 metric tons of sisal fibre, fetching the equivalent of KSh.232,890,593 in foreign exchange.

The domestic sisal market expanded further inspite of the problems facing the Juja based sisal spinning factory. Sales of sisal fibre to the three local spinning factories totalled 7,930 metric tons. The value of this weight of sisal fibre was KSh.49,157,326. In 1988 a total of 6,017 tons of sisal fibre valued at KSh.45,539,555 was sold locally.

IV

c) Sisal Board Operations

The Board's financial base has improved considerably since the writing of the last annual report. This welcome improvement followed the gazettment of a new source of revenue - the Inspection Service Charge - in September 1989. The Board expects to realize an average of K£75,000 annually from this additional revenue source.

The Board was therefore able to undertake preliminary work with a view to implement the long suspended small-holder sisal rehabilitation and research projects. Recruitment of technical staff and procurement of the necessary support facilities has already started.

The small-holder sisal rehabilitation project will cover the establishment of sisal nurseries and sisal demonstration plots in Nyanza and Eastern provinces. In addition, the Board plans to promote the processing and marketing of small-holder produced sisal fibre. As regards research, two projects will initially be undertaken in conjunction with the Kenya Agricultural Research Institute (KARI). These are the re-establishment of a Gene Bank of Agaves and Clonal Selection of the Agave Sisalana and Hybrid 11 648; and Genetic Improvement of Hybrid 11 648.

The Board also finished the year under review with a much improved situation in relation to settling of outstanding debts to creditors. By the end of the current financial year, most arrears of debts will have been cleared.

SISAL BOARD OF KENYA**ANNUAL ACCOUNTS FOR THE YEAR ENDED 30TH JUNE,
1989**

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REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE KENYA SISAL BOARD FOR THE YEAR ENDED 30 JUNE 1989

I have examined the Balance Sheet and the Income and Expenditure Account of the Kenya Sisal Board in accordance with the provisions of the Sisal Industry Act, (Cap. 341) as amended by the Exchequer and Audit Act, (Cap. 412). I have obtained all the information and explanations that I have required for the purpose of the audit. Proper books of account have been kept and the accounts are in agreement therewith.

Except for the reservations set out here below, in my opinion, the Balance Sheet and the Income and Expenditure Account, when read together with the notes thereon, give a true and fair view of the state of affairs of the Board as at 30 June 1989 and of its deficit for the year ended on that date.

1. DISCREPANCIES IN DEBTORS' BALANCES

Discrepancies as detailed herebelow were noted between the individual ledgers and their respective control accounts:-

	<u>Individual Ledger Balances</u>	<u>Control Account Balances</u>	<u>Difference</u>
	K£	K£	K£
Cess and Rebalancing Debtors	21,299	18,481	2,818
Rent Debtors	3,464	2,828	636

No satisfactory explanation was given by the Board for the difference and in the absence of such explanation, I was unable to confirm the correctness or otherwise of the amounts of K£ 18,481 and K£ 2,828 appearing in the accounts as Cess Rebalancing and Rent Debtors respectively.

2. SUSPENSE ACCOUNT

The Board's Trial Balance as at 30 June 1989 showed a debit balance difference of K£ 173. Accordingly, the Balance Sheet as at 30 June 1989 did not balance and it had only to be balanced through this suspense. Under the circumstances, I am unable to satisfy myself that the Trial Balance difference of K£ 173 is not a net result of a major error and, therefore, cannot confirm the effect, if any, that the difference may have on the accuracy of the Board's Accounts for the year 1988/89.

A.J. OKOTH
AUDITOR-GENERAL (CORPORATIONS)

19th April, 1990

SISAL BOARD OF KENYA

BALANCE SHEET AS AT 30TH JUNE, 1989

	NOTES	1988/89	1987/88
		K£	K£
FIXED ASSETS	(1 & 2)	529,822	173,036
CURRENT ASSETS			
Stock	(1)	773	826
Debtors	(8)	25,965	26,456
Bank & Cash	(7)	1,732	262
Total Current Assets		<u>28,470</u>	<u>27,544</u>
CURRENT LIABILITIES			
Creditors	(9)	<u>71,963</u>	<u>71,973</u>
NET CURRENT ASSETS		<u>(43,493)</u>	<u>(44,429)</u>
Suspense A/C		173	—
NET TOTAL ASSETS		<u>486,502</u>	<u>128,607</u>
Financed by:			
CAPITAL RESERVE	(2)	377,176	—
GENERAL FUND	(3)	109,326	128,139
SUSPENSE ACCOUNT		—	468
TOTALS		<u>486,502</u>	<u>128,607</u>

Signed:

.....
 E.G. KARANJA
 MANAGING DIRECTOR

.....
 J.K. BORTER
 CHAIRMAN

SISAL BOARD OF KENYA

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

	<u>NOTES</u>	1988/89 K£	1987/88 K£
<u>INCOME</u>			
Cess on Production	(1 & 4)	55,397	57,177
Sundry Credit	(6)	12,192	7,233
Rent Receivable		78,242	78,242
		<u>145,831</u>	<u>142,652</u>
 <u>EXPENDITURE</u>			
Administration & General Expenses	(5)	104,984	108,818
Personal Emoluments	(5)	59,660	57,319
		<u>164,644</u>	<u>166,137</u>
 TRANSFERRED TO GENERAL FUND	 (3)	 (18,813)	 (23,485)

SISAL BOARD OF KENYA

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1989

NOTE NO. I ACCOUNTING POLICIES

- (a) The Board prepares its Accounts on the historical basis of Accounting.

(b) **DEPRECIATION**

Depreciation is calculated to write off the assets on the reducing Balance method at the following rates:-

Godowns	3%
Godown Equipment	10%
Inspectorate Plant and Equipment	10%
Motor Vehicles	25%
Office Furniture and Fittings	10%

(c) **CESS INCOME**

Cess income is calculated on sisal production at the rate of KSh. 30/- per tonne of sisal fibre produced.

- (d) Stocks are shown at cost.

SISAL BOARD OF KENYA

<u>COST</u>	<u>NOTE NO. 2</u> Godowns*	<u>FIXED ASSETS SCHEDULE</u>				<u>TOTAL</u> K£
	K£	Godown Furniture & Fittings. K£	Motor Vehicles K£	Head Office Furniture, Fittings & Equipment K£	A.S.K. Stand K£	
At 30/6/88	229,937	18,232	30,835	14,947	7,345	301,296
Additions	292,284	—	—	152	—	292,436
At 30/6/89	522,221	18,232	30,835	15,099	7,345	593,732
 <u>DEPRECIATION</u>						
At 30/6/88	89,124	14,800	16,508	6,144	1,664	128,240
Write Offs	84,892	—	—	—	—	84,892
Charge for the year	15,667	343	3,582	896	74	20,562
At 30/6/89	19,899	15,143	20,090	7,040	1,738	63,910
 <u>NET BOOK VALUE</u>						
At 30/6/88	140,797	3,432	14,327	8,803	5,681	173,040
At 30/6/89	502,322	3,089	10,745	8,059	5,607	529,822

* The Board of Directors, in their 177th Meeting, revalued all the Godowns in proportion to the value given by professional valuers (M/S Tysons & Habenga) on Godown No. I in 1986 so as to have them at more realistic values. Professional valuers could not be engaged for the exercise as the costs are prohibitive.

SISAL BOARD OF KENYA

NOTE NO. 3

GENERAL FUND

	<u>1988/89</u>	<u>1987/88</u>
	<u>K£</u>	<u>K£</u>
As at 30th June	128,139	143,454
Transfer from Income & Expenditure	(18,813)	(23,485)
Prior year adjustments	—	8,170
	<u>109,326</u>	<u>128,139</u>

NOTE NO. 4

CESS ON PRODUCTION

	<u>1988/89</u>	<u>1987/88</u>
	<u>K£</u>	<u>K£</u>
38118 tonnes at Shs. 30/- per ton	—	57,177
36931 tonnes at Shs. 30/- per ton	55,397	—
	<u>55,397</u>	<u>57,177</u>

SISAL BOARD OF KENYA

NOTE NO. 5

ADMINISTRATION AND GENERAL EXPENSES

	<u>1988/89</u>	<u>1987/88</u>
	<u>K£</u>	<u>K£</u>
Electricity	640	275
Water & Security	1,674	1,890
Office Rent	—	7,456
Office & House Rent	15,256	—
Exhibitions & Fairs	790	711
Newspapers & Publications	595	377
Entertainment Allowance	660	963
Accommodation & Travelling	8,123	6,763
Bank Charges	544	125
Conference Expenses	3,796	4,424
Repairs - A.S.K. stands	1,634	2,631
Office Equipment Maintenance	759	3,494
Repairs - Office Premises	28	270
Medical Expenses	1,923	2,225
Insurances	7,241	7,225
Salaries & Wages (Personal Emoluments)	56,660	57,319
Members fees (Allowances)	323	1,858
Printing, Stationery & Uniforms	3,795	4,757
Postage, Telephones	5,708	6,396
Rates	4,902	3,909
Subscriptions	417	352
Sundry Expenses	1,596	1,652
Motor Vehicles Running Expenses	6,405	5,702
Chairman's Honorarium (Personal Emoluments)	3,000	3,750
Advertising	1,357	2,449
Legal Expenses	479	254
Gratuity Retirement Benefits	1,049	7,018
R.B.S. Board's Contribution	2,879	3,240

SISAL BOARD OF KENYA

	<u>1988/89</u>	<u>1987/88</u>
	<u>K£</u>	<u>K£</u>
Audit Fees	500	2,500
Donations	1,900	2,504
Loan Interest	2,376	4,584
Land Rent	807	737
Baling Machine Oil	188	451
Baling Materials	3,091	2,568
Transport	19	695
Repairs & Maintenance - Godown Premises	530	1,445
Godown Equipment Maintenance	442	782
Staff Welfare	347	534
N.S.S.F. Board's Contribution	1,116	1,287
Mileage Allowance	533	—
 <u>Depreciation</u>		
Motor Vehicles	3,582	4,776
Godowns	15,667	4,355
Equipment, Furniture & Fittings	213	236
Tools & Equipment	24	27
Baling Press	106	118
Stand Premium	74	74
Head Office Furniture & Fittings	896	978
	<u>164,644</u>	<u>166,137</u>

SISAL BOARD OF KENYA

NOTE NO. 6 SUNDRY CREDIT

	K£
Rebaling Receivable	1,374
Rates Reimbursed	10,713
Miscellaneous	105
	12,192

NOTE NO. 7 BANK & CASH BALANCES

Bank Balance - Nairobi	1,630
Petty Cash Balance - Nairobi	96
Petty Cash Balance - Mombasa	6
	1,732

NOTE NO. 8 DEBTORS

Cess & Rebaling Debtors	18,481
Rent Debtors	2,828
Prepayments	2,532
Staff Debtors	2,124
	25,965

NOTE NO. 9 CREDITORS

Creditors Control A/C	52,051
Bank Loan	6,907
<u>Payroll Creditors</u>	
P.A.Y.E.	3,145
N.S.S.F.	/67
N.H.I.F.	81
Service Charge	364
Ukulima Co-operative	3,332
Union	33
R.B.S.	5,243
Harambee Co-operative	40
	13,005
	71,963



SISAL BOARD OF KENYA