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Sisal Board of Kenya

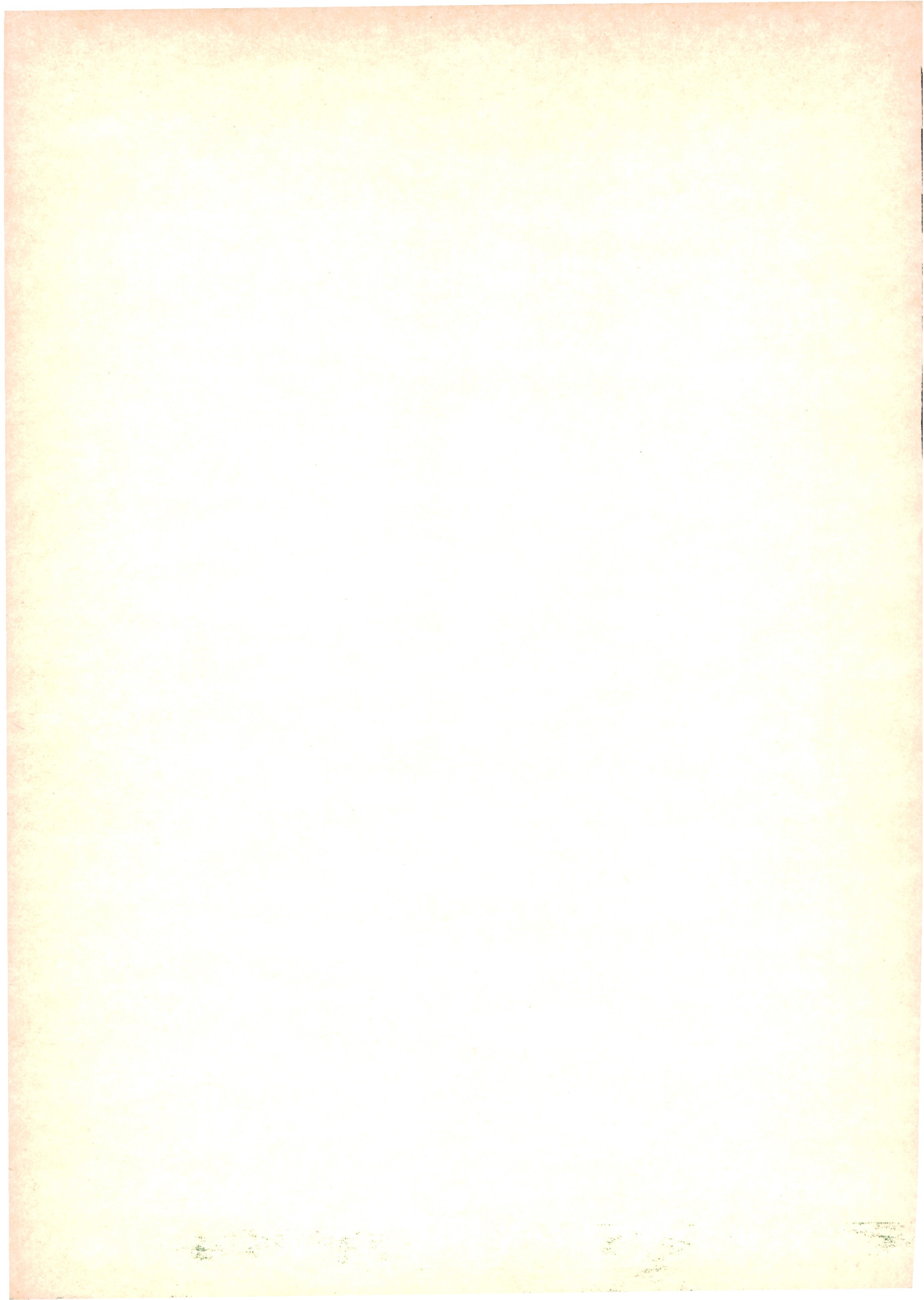
ANNUAL REPORT - 1998

AND

ANNUAL AUDITED ACCOUNTS

1997/98 FINANCIAL YEAR

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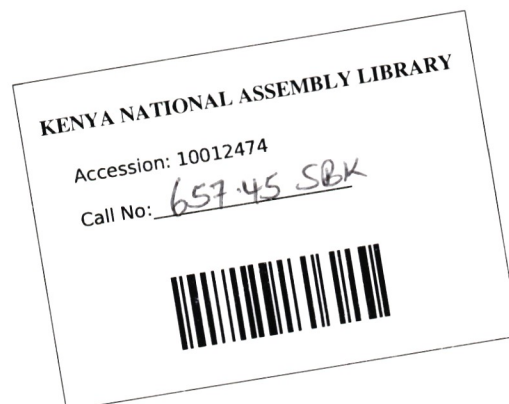


SISAL BOARD OF KENYA

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SISAL BOARD OF KENYA

ANNUAL REPORT - 1998

BOARD MEMBERSHIP

Harold Robert Mngoda	- Chairman
Muhoho Kenyatta	- Member
Shadrack J. Karisa	- "
Constantine Kyriazi	- "
Abner Ochieng	- "
Harry Horn (Jnr)	- "
Erastus Kamau Rukungu	- "
C.D. Wilson	- "
E.S. Musila	- "
Permanent Secretary, Ministry of Agriculture, Livestock Development & Marketing	- "
Permanent Secretary, Ministry of Finance	- "
Director of Agriculture	- "
Managing Director, Sisal Board of Kenya	- Member and Secretary
Registered Head Office	- Old Mutual Building, Kimathi Street, P.O. Box 41179, <u>NAIROBI.</u>
Regional Office	- Sisal Board Inspectorate, Mozambique Rd, P.O. Box 81764, <u>MOMBASA</u>

SISAL INDUSTRY REVIEW - 1998

(a) Sisal Production

There was a slight drop in the overall sisal fibre production in 1998 as compared to 1997. The 1998 production was 19,991 metric tons compared to 20,314 metric tons for 1997. This was as a result of depressed demand in the world markets and also planting programme had been low on several estates.

On regional basis, production of all grades of sisal fibre and tow during the last two consecutive years was as follows:-

<u>Province</u>	<u>Production in 1997</u> <u>(Metric Tonnes)</u>	<u>Production in 1998</u> <u>(Metric Tonnes)</u>
1. Coast	9,738	9,286
2. Rift Valley	4,560	5,982
3. Eastern	4,379	3,350
4. Central	1,637	400
5. Nyanza	—	973
	<u>20,314</u>	<u>19,991</u>

(b) Sisal Marketing

Between 80-90% of all sisal fibre and tow produced in Kenya is exported overseas to over 30 countries every year. The rest is sold locally. In 1998 out of the production of 19,991 metric tonnes a total of 16,234 metric tonnes were exported earning the country KSh.662,746,403/=.

In 1997, a total of 17,457 metric tonnes were exported. The country earned Kshs. 705,573,876/=. In 1998 a total of 3,757 metric tonnes of sisal was sold locally earning farmers a total of KSh.171,463,228. Our sisal fibre is still in high demand due to its high quality and wide spread importing countries stretching from Europe to the Far East. Currently the average price of the widely exported sisal grades - UG and 3L stands at US dollar 663 per metric tonne f.o.b. Mombasa.

The top ten importers are:- United Kingdom, Egypt, Portugal, Spain, Arabia, Belgium, Japan, Mexico, India and Australia.

(c) Sisal Board Operational Returns

In spite of reduced revenue receipts resulting from low level of sisal prices, the Board continued to fully discharge its functions as required under the Sisal Industry Act (Cap. 341). An operational deficit of KSh.498,158/= was consequently occasioned in the Board's Income and Expenditure Account for 1997/98 financial year.

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

As regards the Board's field activities, the Product and Market Development of Sisal and Henequen Products Project took off towards the end of 1997 and is now in its third year of implementation and is expected to continue for another two years.

The report of the Review of Past Sisal Research and Current Cultivation Practices was carried out in Kenya and Tanzania and will be published on the internet for wide circulation.

The sisal variety performance trial was planted towards the end of 1997 at KARI substation in Malindi. Data on the trials is being routinely collected.

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

A component on development of an improved flume tow recovery technology and equipment was also started at Rea Vipingo Estate in Kilifi. The development and manufacture of the equipment is at an advanced state and tests will commence in September, 1999.

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

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

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



K.S. MUKUNA
MANAGING DIRECTOR

APPENDIX "A"

SISAL EXPORTS BY COUNTRY - 1998

	<u>COUNTRY</u>	<u>METRIC TONS</u>
1.	INDIA	568.50
2.	SYRIA	326
3.	AUSTRALIA	432
4.	BELGIUM	1,287
5.	HONG KONG	140
6.	ITALY	162
7.	PORTUGAL	1,545
8.	JAPAN	777.50
9.	SPAIN	1,524.50
10.	IVORY COAST	185.60
11.	GERMANY	404.70
12.	GREECE	31
13.	UNITED KINGDOM	2,359
14.	SAUDI ARABIA	1,319
15.	JORDAN	205.60
16.	TAIWAN	196
17.	BENIN	23
18.	FELIXTOWE	64
19.	TURKEY	299
20.	CANADA	364
21.	BANGLADESH	16
22.	SOUTH AFRICA	281
23.	MEXICO	723
24.	CHINA	336
25.	ISRAEL	122
26.	EGYPT	1,854
27.	NEW ZEALAND	191
28.	NETHERLAND	32
29.	PAKISTAN	48
30.	INDONESIA	15.50
31.	ISMIR	31
32.	TUNISIA	15
33.	AQABA PORT	26.6
34.	ZIMBABWE	14
35.	MOROCCO	186
36.	PHILLIPHINES	92.50
37.	GHANA	22
38.	SRI LANKA	15
		<u>16,234.00</u> TONNES

TOTAL VALUE IN KSH. 622,746,403.00

APPENDIX "B"

WORLD MARKET AVERAGE SISAL PRICES IN US\$ PER TONNE

F.O. B. MOMBASA PORT - 1998

MONTHS	G R A D E S							TOW 1
	NO.1	NO. 2	3L	NO. 3	UG	UHDS		
JANUARY	830	720	770	640	630	560	360	
FEBRUARY	830	750	765	695	635	560	360	
MARCH	840	770	785	690	640	560	370	
APRIL	885	755	780	710	660	560	370	
MAY	885	755	800	710	660	560	370	
JUNE	885	755	790	715	670	570	370	
JULY	910	755	800	710	670	570	380	
AUGUST	910	755	785	715	675	580	370	
SEPTEMBER	910	755	785	710	700	580	380	
OCTOBER	900	755	785	715	690	570	370	
NOVEMBER	925	735	773	715	680	565	360	
DECEMBER	925	745	760	715	652	560	370	
ANNUAL AVERAGE	886	750	782	703	664	566	368	

APPENDIX "C"

MONTHLY SISAL PRODUCTION IN TONNES BY GRADE - 1998

MONTHS	GRADES							TOTAL
	NO.1	NO.2	3L	NO.3	UG	UHDS	TOW 1	
JANUARY	41	46	360	119	510	32	101	1209
FEBRUARY	6	24	224	61	748	120	97	1280
MARCH	10	18	333	134	780	23	110	1408
APRIL	8	38	153	239	829	142	139	1548
MAY	11	26	341	70	842	164	189	1643
JUNE	11	29	378	88	880	172	151	1709
JULY	21	30	325	185	832	181	164	1738
AUGUST	19	29	357	201	862	197	182	1847
SEPTEMBER	24	39	440	211	935	207	187	2043
OCTOBER	19	29	420	191	815	192	202	1868
NOVEMBER	35	27	441	193	645	285	133	1759
DECEMBER	28	32	364	217	854	293	151	1939
TOTAL	233	367	4136	1909	9532	2008	1806	19991

KENYA SISAL BOARD

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA SISAL BOARD FOR THE YEAR ENDED 30 JUNE 1998

I have examined the accounts of Kenya Sisal Board for the year ended 30th June 1998 in accordance with the provisions of Section 29 (2) of the Exchequer and Audit Act (CAP 412). I have obtained all the information and explanations that I required for the purpose of the audit. Proper books of account have been kept by the Board and the accounts are in agreement therewith and comply with the Sisal Board Act (Cap 341).

Subject to the matters referred to here below, in my opinion, the Balance Sheet and the Income and Expenditure account when read together with the notes thereon, present a true and fair view of the Board's financial state of affairs as at 30th June 1998 and of its deficit and cash flow for the year then ended.

1. DEBTORS AND PREPAYMENTS

1.1 As reported in the previous year, the debtors figure of Kshs. 1,282,315 includes cash advances and imprests totalling Kshs. 443, 364 to the Chief Executive some of which have remained outstanding for over three years. The Board has not explained under what terms these advances were made and how they will be recovered.

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

2. BUDGETARY CONTROL

The Board incurred an over-expenditure of Kshs.1,713,320 on 11 expenditure items. This over-expenditure was about 64% of the budgeted amount on the eleven items. The Board has not produced any evidence to confirm that the over-expenditure was approved by the Board, the Parent Ministry and the Treasury. Further the Board did not appear serious in controlling its expenses which was aggravating the Board's financial position.

3. BOARD MEETINGS

During the year under review, the Board of directors did not hold any single meeting and all the Boards business were transacted by the Managing Director. Although the management requested the parent ministry to appoint a Board in May, 1997. The minister did not appoint the Board of Directors until 10th July 1998 after the close of the year under review.

Consequently, I was unable to confirm that the business of Kenya sisal Board was conducted in accordance with the Kenya Sisal Board Act.



W.K. KEMEI
AUDITOR-GENERAL (CORPORATIONS)
16TH JUNE 1999

KENYA SISAL BOARD

BALANCE SHEET AS AT 30TH JUNE, 1998

<u>FIXED ASSETS</u>	NOTES	1997/98 KSHS.	1996/97 KSHS.
Fixed Assets	(1&2)	21,011,406	9,073,175
Work in progress		-	9,200,000
		<u>21,011,406</u>	<u>18,273,175</u>
 <u>CURRENT ASSETS</u>			
Stock	(3)	104,779	19,111
PMDSHP Project		-	124,540
Debtors and Prepayments	(4)	1,282,315	891,280
Cash and Bank Balances		-	768,193
		<u>1,387,094</u>	<u>1,803,124</u>
 <u>CURRENT LIABILITIES</u>			
Cash and Bank Balances	(5)	70,262	-
Creditors and Provisions	(6)	1,094,956	3,335,845
PMDSHP Project	(7)	50,986	-
		<u>1,216,204</u>	<u>3,335,845</u>
TOTAL CURRENT LIABILITIES			
Net Current Assets		<u>170,890</u>	<u>(1,532,721)</u>
		<u>21,182,296</u>	<u>16,740,454</u>
 <u>FINANCED BY:</u>			
Revaluation Reserve		8,855,531	8,855,531
General fund		7,386,765	7,884,923
Loan from KCFC		4,940,000	-
		<u>21,182,296</u>	<u>16,740,454</u>

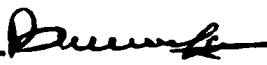
SIGNED BY:

MANAGING DIRECTOR



DATE 30TH OCTOBER 1998

BOARD ACCOUNTANT



DATE 30TH OCTOBER 1998

KENYA SISAL BOARD

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1998

<u>INCOME</u>	<u>NOTES</u>	<u>1997/98</u> <u>KSHS</u>	<u>1996/97</u> <u>KSHS</u>
Cess	(9)	524,849	739,479
Rent	(10)	6,797,362	5,826,782
Inspection Service Charge	(11)	4,117,444	4,183,610
Licence Fees	(12)	68,270	57,360
Rebaling Charges	(13)	345,420	231,370
Interest Income		-	338,912
Miscellaneous		22,702	128,192
Total Income		<u>11,876,047</u>	<u>11,505,705</u>
 <u>EXPENDITURE</u>			
Administration and General Expenditure	(14)	9,007,060	8,438,075
Personal Emoluments	(15)	3,629,438	3,344,248
TOTAL EXPENSES		<u>12,636,498</u>	<u>11,782,323</u>
Operating (deficit) surplus		(760,451)	(276,618)
Extra ordinary item		-	3,669,295
Prior period adjustments		262,293	80,000
TRANSFER TO GENERAL FUND		<u>(498,158)</u>	<u>3,312,677</u>

KENYA SISAL BOARD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED **30TH JUNE 1998**

NOTE 1- ACCOUNTING POLICY

- (A) The accounts have been prepared on the historical cost basis of accounting.
- (B) The fixed assets have been depreciated on a reducing balance method at the following rates:-
 - (I) Godowns 3%
 - (II) Furniture, Fixtures, Fittings & Equipment 10%
 - (III) Motor vehicle 25%
 - (IV) A.S.K. Show stand - Mombasa 10%
- (C) Revenue and expenses have been recognised and matched in the period to which they accrue.

KENYA SISAL BOARD

NOTE 2 - SCHEDULE OF FIXED ASSETS

ASSETS	COST KSHS	ADDITIONS 1997/98 KSHS	TOTALS KSHS	DISPOSAL 1997/98 KSH	ACCUMULATED DEPRECIATION KSHS	CURRENT DEPRECIATION KSHS	1996/97 NET BOOK VALUE KSHS	1997/98 NET BOOK VALUE KSHS
A.S.K. Show stand - Mombasa	562,384		562,384		331,954	25,603	256,034	230,430
Godown No 1	4,451,811		4,451,811		1,224,786	99,805	3,326,830	3,227,025
Go down No.2	1,988,236		1,988,236		432,089	48,128	1,604,276	1,556,147
Godown No.3	3,372,580		3,372,580		889,960	76,782	2,559,402	2,482,620
Godown No.4	12,633,633		12,633,633		218,539	218,539		12,415,124
F.F.F. Equipment-Godown	607,529		607,529		418,823	20,968	209,674	188,706
F.F.F.Equipment-Head Office	694,723		694,723		359,022	37,300	373,001	335,701
F.F.F.Equipment - MD's Residence	207,386		207,386		101,281	11,789	117,895	106,105
Motor Vehicle - KWU 589	798,016		798,016		638,547	53,156	212,625	159,469
Motor Vehicle - KXL 129	659,674		659,674		536,908	40,922	163,688	122,766
Motor Vehicle-KAA 113P	853,399		853,399		666,086	62,437	249,750	187,313
TOTAL	26,829,371		26,829,371	-	5,817,995	695,429	9,073,175	21,011,406

NOTE 3 - STOCKS

Stocks are valued at their cost price and they consist of baling ropes and baling press oils at Kshs.92,319 and Kshs.14,658/= respectively.

NOTE 4 - DEBTORS

	1997/98 <u>KSH.</u>	1996/97 <u>KSH.</u>
Trade Debtors	635,668	387,625
Staff Debtors	533,957	503,665
Prepayments	35,000	-
Other Debtors	77,690	-
	<u>1,282,315</u>	<u>891,280</u>

NOTE 5 - CASH AND BANK BALANCE

	1997/98 <u>KSHS.</u>	1996/97 <u>KSHS.</u>
Petty cash - Inspectorate - Mombasa	1,564	-
Petty cash - Head Office	5,814	15,796
Bank Balances	(89,198)	752,397
Bank Balance - KCB Kilindini	11,558	-
	<u>(70,262)</u>	<u>768,193</u>

NOTE 6 - CREDITORS AND PROVISION

	1997/98 Kshs	1996/97 Kshs
Accrued Interest on KCFC loan	107,295	
Trade creditors	808,095	3,253,319
Staff creditors	19,566	2,526
Provision	160,000	80,000
	<u>1,094,956</u>	<u>3,335,845</u>

NOTE 7 - PMDSHP PROJECT

The Product and Market Development of sisal and Henequen Products Project advanced the Board three thousand dollars (Kshs.189,696.75) in May 1998 for preparation of Bulbil collection and planting of Nurseries. As at the end of 1997/98 financial year, there was a balance of Kshs.50,986 on this account.

NOTE 8 - GENERAL FUND

	1997/98 <u>KSHS.</u>	1996/97 <u>KSHS.</u>
Balance brought forward	7,884,923	4,572,246
Transfer from Income and Expenditure Account	(498,158)	3,312,677
Balance carried forward	<u>7,386,765</u>	<u>7,884,923</u>

NOTE 9 - CESS INCOME

During the 1997/98 financial year a total of 17,495 metric tons of sisal was levied cess earning the Board a sum of Kshs.524,849/= compared to 24,650 metric tons in 1996/97 when the Board earned Kshs. 739,479/= from this source. This represents a revenue drop of about 29% earned Kshs.739,479/= from this source. This represents a revenue drop of about 29% (Kshs.214,630). This attributable to a reduced production level in the entire 1997 as a result of El-nino rains.

NOTE 10 - RENT INCOME

The rental income of Kshs.6,797,362/= reflects an increase of Kshs.970,580 which represents 16% over the previous year when a sum of Kshs.5,826,782/= was realised from this source. This increase is as a result of the increased charge per square foot of godown No. 4 after completion of re-construction.

NOTE 11 - INSPECTION SERVICE CHARGE

During the 1997/98 financial year the Board earned a sum of Kshs. 4,117,444/= from this source of revenue. This reflects a revenue drop of about 1.59% (Kshs.66,166) from the previous year's earnings when a sum of Kshs.4,183,610/= was received from this source. This is as a result of low production level in the entire 1997.

NOTE 12 - LICENCE FEES

During the 1997/98 financial year the Board earned a sum of Kshs.68,270/= from this source of revenue. This source of revenue registered an increase of Kshs. 10,910/= (19%) from the previous financial year when a sum of Kshs. 57,360/= was received. This increase is attributed to more export sales and hence export licenses.

NOTE 13 - REBALING CHARGE

Revenue from this source increased by Kshs.114,050, (49%) from Kshs.231,370/= in the 1996/97 to Kshs.345,420/= in 1997/98. This increase is attributed to more bales having been rebaled and thus more charges.

NOTE 14 ADMINISTRATION AND GENERAL EXPENSES

	1997/98	1996/97
	<u>KSHS.</u>	<u>KSHS.</u>
National Social Security Fund Expenses	31,280	31,992
Retirement Benefits Scheme	250,104	297,601
Service Charge	14,400	14,400
Medical Expenses	450,791	357,020
Repairs and Maintenance	532,346	427,662
Travelling and Accommodation	248,042	365,358
Security expenses	150,149	138,926
Conservancy Expenses	38,590	38,043
Rent Expenses	1,086,419	987,750
Motor Vehicle Running Expenses	1,220,203	1,979,384
Staff Uniform Expenses	95,680	6,220
Staff Training and Welfare	45,984	22,333
Trade fairs and Exhibitions	57,057	55,609
Telephone Expenses	464,540	452,031
Electricity Expenses	76,153	48,494
Bank Charges	194,646	50,586
Subsistence allowance	42,387	32,931
Printing and Stationery Expenses	295,367	365,789
Postage Expenses	33,355	31,452
Sundry Expenses	131,701	124,116
Transport Expenses	36,271	46,797
Wages	10,100	8,850
Leave travelling Expenses	77,737	69,170
Board Members Expenses	-	187,054
Newspapers and Publications	83,785	74,198
Subscriptions	5,500	46,339
Advertising and Publicity	105,306	136,888
Audit Fee expenses	80,000	80,000
Overseas conference Expense	-	245,462
Insurance Expenses	292,268	271,283
Baling Press Operating Expenses	352,127	312,882
Mileage claims	3,044	8,145
Land Rates	-	51,400
Land Rent	100,500	100,500
Penalties/Interest	1,950	1,190
Depreciation	695,429	545,922
Legal Expenses	208,535	500
Official Entertainment Expenses	24,450	31,795
Valuation Fee Expenses	2,000	297,735
Donations	5,000	55,000
Bad Debts	-	33,923
Integrated Sisal/Diary Project	-	5,345
Loan Interest Expenses	1,151,852	-
Project Expenses	307,062	-
Consumable Stores	4,950	-
	<u>9,007,060</u>	<u>8,438,075</u>

NOTE 15 - PERSONAL EMOLUMENTS

	1997/98	1996/97
	<u>KSHS.</u>	<u>KSHS.</u>
Salaries	2,698,811	2,316,998
House Allowance	786,632	715,260
Acting Allowance	78,580	64,820
Bicycle Allowance	-	315
Honorarium	-	55,000
Overtime	12,315	12,520
Drivers' Allowance	11,100	11,100
Watchman's Allowance	-	600
Entertainment Allowance	18,000	18,000
Transport Allowance	24,000	24,000
Gratuity Allowance	-	125,635
	<u>3,629,438</u>	<u>3,344,248</u>

NOTE 16 - KCFC LOAN

KCFC Loan	5,700,000
Being loan advanced for 5 years at 30% p.a.	
Loan Advanced	5,700,000
Less repayment to date	<u>760,000</u>
Balance as at 30/6/98	<u>4,940,000</u>

KENYA SISAL BOARD

	<u>NUMBER OF EMPLOYEES</u>
Management	6
Skilled	9
Unskilled	<u>20</u>
Total	<u>35</u>

During the 1997/98 financial year 1 skilled and 2 unskilled employees were employed by the Board. However 1 management, 1 skilled and 2 unskilled employees left the Board's service thus reducing the total number of employees as at the close of the financial year to 32 comprising of 8 management, 6 skilled and unskilled 18.



Sisal Board of Kenya