



KENYA NATIONAL TRADING CORPORATION

REPORTS AND FINANCIAL STATEMENTS

For The Financial Year Ended,

June 30, 2014

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

paper laid by
the Majority Whip
on 20/7/2016



KENYA NATIONAL TRADING CORPORATION LTD

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KEY ENTITY INFORMATION

Background information

The Kenya National Trading Corporation Ltd was established by the legal notice No.155 of November 2008. At cabinet level, Kenya National Trading Corporation Ltd is represented by the Cabinet Secretary for East African Affairs, Commerce & Tourism who is responsible for the general policy and strategic direction of the Corporation.

Principal Activities

The principal activity of the Corporation is to Promote and increase wholesale and retail trade. The Corporation also participates in the wholesale distribution of a wider range of products like; Cement, Lime, Fertilizer, Magadi Salts, Paints, Building Materials, Chicken Wire, Human Salt, Rice, Farm inputs, Plastic ware, Drinking Water, Sufurias, Tissue paper, Sugar e.t.c

Directors

The Directors who served the entity during the year/period were as follows:

- | | | |
|---------------------------------|--|---------------------------|
| 1. Mr. Peter Kinya | - Chairman | - Appointed on 10-01-2014 |
| 2. Mr. Mohammed Shaiya | - Ex Managing Director | - Appointed on 29-02-2013 |
| 3. Mrs. Rose Okemwa | - Appointed on 11-05-2012 | |
| 4. Mr. Hamisi Mwangya | - Appointed on 11-05-2012 | |
| 5. Mr. Hussein Jama | - Appointed on 11-05-2012 | |
| 6. Eng. Ronald King'ang'i | - Appointed on 30-01-2012 | |
| 7. Mr. William Kamuren Chirchir | - Appointed on 04-09-2012 | |
| 8. Mr. Geoffrey Kibanda | - Alternate to the PS The National Treasury. | |
| 9. Mrs. Margaret Byama | - Alternate to the PS Commerce & Tourism. | |
| 10. Mr. Byron Mudhune | - Alternate to Executive Director ICDC | |
| 11. Mr Simon Chacha | - Left on 04-08-2013 | |

Company Secretary

Mrs. Grace Magunga
P.O. Box 45519,
Nairobi

2. National Bank of Kenya
Harambee Avenue
P.O Box 41862-00100,
Nairobi, Kenya.

Registered Office

Yarrow Road Complex
Yarrow Road off Nanyuki Road,
Industrial Area,
P.O.Box 30587-00100
Nairobi, Kenya

3. Co-operative Bank of Kenya
Industrial Area
P.O Box 18119-00500,
Nairobi, Kenya.

Corporate Headquarters

P.O.Box 30587-00100
KNTC Yarrow Road Complex
Yarrow Road off Nanyuki Road,
Industrial Area,

Independent Auditors

The Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

Corporate Contacts

Tel: (020) 2430824 Fax: (020) 556331
GSM: 0736-563912, 0714563911
Website: www.kntcl.com
E-mail: kntcl@kntcl.com

Principal Legal Advisers






1. The Attorney General
State Law Office
P.O. Box 40112
City Square 00200
Nairobi, Kenya
2. Mohammed Kinyanjui & Co. Advocates
P.O Box 79692-00200
Nairobi.

Corporate Bankers



1. Barclays Bank of Kenya
Enterprise Road,
P.O. Box 18060-00500,
Nairobi, Kenya

THE BOARD OF DIRECTORS

NAME	KEY PROFESSION/ACADEMIC QUALIFICATION, DATE OF BIRTH AND WORK EXPERIENCE
<p>Mr. Peter Kinya</p> 	<p>Born in 1949. He holds a Bachelor of Commerce degree, He is a Certified Internal Auditor, Certified Accountant and has over 20 years work experience</p>
<p>Mrs. Rose Okemwa</p> 	<p>Born 1955. She holds a Masters in Education and a Bachelors degree in Education. She has over 20 years work experience</p>
<p>Mr. Hamisi Mwanguya</p> 	<p>Born 1973, He holds a Msc in Local & Regional Economic Development, BA-Management Studies and has over 17 years of work experience</p>
<p>Mr. Hussein Jama</p> 	<p>Born 1954. He holds a Degree in Islamic Education And a Diploma in Business Administration. He has over 20 years Work Experience</p>

<p>Eng. Ronald King'ang'i</p> 	<p>Born in 1959. Bsc-Civil Engineering and is a registered Civil Engineer. He is a Member, Institute of Engineers and American Society of Civil Engineers. He has over 20 years Work Experience</p>
<p>Mr. Geoffrey Kibanda</p> 	<p>Represents the Principal Secretary to The National Treasury</p>
<p>Mr. Byron Mudhune</p> 	<p>Born in 1974. He has over 10 years work experience with extensive international experience including assignments across Africa, Asia , Middle East and also in Europe.</p>
<p>Margaret Byama</p> 	<p>Represents the Principal Secretary to The Ministry of East African Affairs, Commerce & Tourism.</p>
<p>William Chirchir</p> 	<p>He has over 10 years work experience</p>

MANAGEMENT TEAM

<p>1. Mohammed Shaiya He holds a PhD in Entrepreneurship, Msc.-Entrepreneurship, Bsc.-Accounting, CPA Part 1 And Diploma in Business Administration. He has over 20 years work experience.</p>	<p>Ex Managing Director</p>
<p>2. Regina Kamwenji She holds an MBA (Human Resource Management) and a Diploma in Personnel Management and Industrial Relation (Human Resource Management). She has 10 years experience in Human Resource Management</p>	 <p>Manager Human Resource & Administration</p>
<p>3. Maxwell Maigo He holds a Bachelor of Arts in Languages and Literary Studies and is pursuing an MBA. He has 7 years of experience and is a member of the Marketing Society of Kenya and Eco-Tourism Kenya.</p>	 <p>Manager Sales and Marketing</p>

4. Virginia Mwangi

Over 8 years experience in Finance and Accounting. Prior to joining KNTC, she held various senior accounts positions in FMCG and Education Sector. Holds a Masters of Business Administration Finance Option from University of Nairobi, Bachelor of Commerce, CPA-K, Member of Institute of Certified Public Accountants of Kenya



Manager Finance and Accounts

5. Lynn Obwanda

She is an Advocate of the high court of Kenya. She holds an LLB from the University of Nairobi and a post graduate diploma from the Kenya school of Law. She is a member of the Law society of Kenya. Currently, she is pursuing Masters in international relations and CPS (Certified Public Secretary) course.



Manager Corporate Affairs & Legal Services

6. James Mwangi

He holds a Bachelor of Business Administration (Accounting & Finance Option), CPA (K) and is a member of ICPAK. He has over 8 years experience undertaking Internal Audit Functions and over 2 years experience in Finance & Accounts. He is currently pursuing an MBA (Finance Option).



Manager Internal Audit

CHAIRMAN'S STATEMENT

Global Economies

Global Economy growth in 2013/2014 witnessed reduced rates characterized by more dynamic changes in the drivers of the various activities. These dynamics brought with them new policy challenges. A lot needs to be done in the sectors to spur growth and consolidate the gains realized amid the dual challenges of slowing growth and tighter global financial conditions.

National Economy

The National Gross Domestic Product (GDP) grew by 4.7 per cent in 2013 which was a slight improvement from than for year 2012 which stood at 4.6 per cent. This was supported by the stable macroeconomic environment during the year. In addition, the economy witnessed Low and stable inflation supported by improved supply of basic foods, lower international oil prices and lower costs of electricity among other factors.

Global Trading trends

Trading globally is expected to grow by a modest 4.7% in 2014 and at a slightly accelerate at the rate of 5.3% in 2015 according to the World Trade Organization (WTO). Although the 2014 forecast of 4.7% is more than double the 2.1% increase of 2013, it remains below the 20-year average of 5.3%, with the growth has averaging at only 2.2%. This was due to a combination of moderate import growth in developing economies such as Kenya and KNTC will tap into the economy by importation of products like sugar to grow the corporation as per the strategic plan

National Trading trends

With the setting up of the County Governments complete which was taking place for the better part of the year 2013/2014, the next spending will be on the procurement of goods and services to activate the developments in the respective Counties. This entails increased local market for our products which are mainly construction materials among other basic household goods.

Progress in Strategic Initiatives

The Corporation is looking at other ways to generate more revenue to the exchequer through provision of distinct products and services and importation while ensuring that the prices of specific items is checked and maintained at the lowest minimum levels possible.

Acknowledgement

I wish to express my gratitude to the KNTC Management and staff for their commitment to the Company. I would also like to thank my colleagues on the Board for their continued unwavering support.

Finally, on behalf of the Board, I wish to thank you, our esteemed stakeholders for the trust bestowed upon us in the management of this corporation. With your unwavering support, KNTC will continue to strive for sustainable growth for the benefit of all its stakeholders.

REPORT OF THE MANAGING DIRECTOR

Introduction

It is a great pleasure to report on behalf of the Board on performance of the Corporation and financial Statements for the year ended 30th June 2014.

The Kenya National Trading Corporation Ltd. (KNTC) is wholly owned by the Government through the Ministry of East African Affairs, Commerce and Tourism, through Industrial and Commercial Development Corporation (ICDC). The Corporation has specific objectives, the most important of which is promoting and growing wholesale and retail trade.

Focus

The Corporation is in the process of exploiting the Export market and it has already undertaken the feasibility study of opening a Trading House in DRC. The feasibility has established that the market is viable with the next steps being establishing of a warehouse facility and tap in to the Central African market. On the other hand, the corporation is enhancing its services of Procurement and Logistics Agency services for the Central Government, County Governments and other Institutions.

The corporation has a combined trading strategy with a special focus on government procurement. The corporation trading report over the last one year reflects a promising trend for the corporation business operation as a result of higher return margin.

The Corporation is formulating its next strategic plan for the period 2014/2015 to 2018/2019 which will guide on its future direction and focus. This will help the corporation to identify its strategies and objectives for the next five years in order to improve on its performance and turn around to profitability.

Financial performance

During the year the Corporation's turnover fell by 54% over 2013/2014 as we delved into new market avenues to concentrate on government and county business but despite the decline in turnover, the operating loss declined by 44% to Shs.12.6 million, predominantly due to increased reliance of on higher margin products and government sales.

We have remained focused on cost control and efficient distribution models to improve operating profit and with the new strategic plan in place the corporation expect to turn around and report a profit in the next financial year. Over the next year, we will continue to relentlessly exert downward pressure on our costs and optimize our assets to deliver greater value. We remain determined to deliver on our strategic plans through our people and efficient customer service.

Change of Leadership

After 1½ years at the helm in KNTC as Managing Director, Mr Mohammed Shaiya resigned from the Corporation at the end of September 2014. Mr. Mohammed helped transform the company's strategy, structure and operations and his leadership saw the corporation aggressively embark on cost cutting measures. We thank Mr. Mohammed for his service.

Appreciation

Finally, the Corporation wants to thank the Kenya Government and other organizations for continued support to the Corporation. I would also like to thank the KNTC Board of directors for their determination and commitment to the company. We also thank the Corporation staff for their dedication and commitment.

Corporate governance is the process by which corporate bodies are directed and controlled with the objective of increasing stake/shareholders value and satisfying them. This is achieved by establishing a system of clearly defined authorities and responsibilities, which result in a system of internal controls that is regularly tested to ensure effectiveness.

At Kenya National Trading Corporation, the Board places a high degree of importance on maintaining a sound control environment and applying the highest standards of business integrity and professionalism in all areas of the Board's activities.

We engage with the society on the basis of strong principles of governance and compliance that provide the framework of how we do business. The chairman and the MD ensure good governance at board level and below. The board regularly reviews its governance on the basis of new legal requirements and best practices. It helps us maintain trust with the employees, suppliers, government, customers and other stakeholders.

The Board is responsible for the governance of the Corporation and conducts the business and operations of the Corporation with integrity and in accordance with generally accepted corporate practices, in a manner based on transparency, accountability and responsibility.

Board of Directors

The composition of the Board is compliant with good corporate governance practices. The role of the Chairman and the Managing Director are segregated. The Managing Director is in charge of the day to day running of the business of the Corporation and the Chairman of the Board acts as non-executive director. The current Board is composed of eight Members who possess broad range of expertise, diverse professional background. They are drawn from various ministries and business sectors. The remuneration is based on guidelines on terms and conditions of service for State Corporation's circular of 23rd Nov 2008.

Board Meetings

Board Meetings are held every quarter except with exceptional circumstances. During their meetings the Board reviews the Company performance against the planned strategies and also approves issues of strategic nature

Board Committees

The Board has three committees of which are guided by clear terms of reference. The committees are instrumental in monitoring the corporation operations, conduct of business, systems and internal controls. The committees are as follows:

1. Sales and Marketing Committee
2. Finance and Administrative committee
3. Audit committee

Code of Conduct

The corporation has a code of conduct which seeks to guide employees in ethical conduct of business. All directors, management and employees are expected to observe high standards of integrity and ethical conduct when dealing with customers, staff, suppliers and regulators

Internal Control

The effectiveness of the corporation internal control is monitored on a regular basis by the Internal Audit function. The Internal Audit function reviews the corporation compliance with the laid down policies and procedures as well as assessing the effectiveness of the internal control structures.

The Internal Audit function focuses their attention to areas the corporation could be exposed to greatest risks. The Internal Audit function reports to the Audit Committee of the Board. The corporation has established operational procedures and controls to facilitate proper safeguard of assets and accurate financial reporting.

Conflicts of Interest

All directors and management are under duty to avoid conflict of interest. The directors are required to disclose outside business interests that would conflict with the corporation business.

Going Concern

The directors confirm that the corporation has adequate resources to continue in business for the foreseeable future and therefore to continue to use the going concern basis when preparing the financial statements.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the Kenya National Trading Corporation's affairs.

Principal activities

The principal activity of the Corporation is to Promote and increase wholesale and retail trade, be the agent for Government procurement and logistics. The Corporation also participates in the wholesale distribution of a wider range of products like; Cement, Lime, Fertilizer, Magadi Salts, Paints, Building Materials, Chicken Wire, Human Salt, Rice, Farm inputs, Plastic ware, Drinking Water, Sufurias, Tissue paper, Sugar e.t.c

Results

The results of the entity for the year ended June 30, 2014 are set out on page 15 and 16

Auditors

The Auditor General is responsible for the statutory audit of the Corporation for the year ended June 30, 2014.

By Order of the Board



Company Secretary
Nairobi

Date:

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and require the Directors to prepare financial statements which give a true and fair view of the state of affairs of the Corporation at the end of the financial year and the operating results of the corporation for the year. The Directors are also required to ensure that the corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the corporation. The Directors are also responsible for safeguarding the assets of the Corporation.

The Directors are responsible for the preparation of the corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2014.

This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Corporation;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that KNTC'S financial statements give a true and fair view of the state of transactions during the financial year ended June 30, 2014, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Kenya National Trading Corporation's financial statements were approved by the Board on 29TH SEPTEMBER 2014 and signed on its behalf by:



Director



Director



Director

REPORT OF THE INDEPENDENT AUDITORS

I have audited the accompanying financial statements of Kenya National Trading Corporation set out on pages 15 to 31, which comprise the statement of financial Position as at 30 June 2014 and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Internal Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is responsible for the submission of the financial statements to the Auditor-General in accordance with provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and to submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 judgments, including the assessment of the risks of material misstatement of assessments, the auditor considers internal control 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 Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinion

Basis for Qualified Opinion

1. Property, plant and equipment

- (i). As similarly reported in 2012/2013, the property, plant and equipment balance of Kshs. 602,270.225 as at 30th June 2014 includes the tree parcels of land situated at Nanyuki, Nyahururu and Kapsabet. Valued at Kshs. 5,600,000 as shown below whose ownership documents were not made available for audit verification.

<u>Locality</u>	<u>Registration No.</u>	<u>Size</u>	<u>Value (Kshs)</u>
Nanyuki	2787/514	0.4645 hectares	3,000,000
Nyahururu	6585/323/2	0.405 hectares	2,100,100
Kapsabet	Kapsabet/54	0.112 hectares	<u>500,000</u>
Total			<u>5,600,000</u>

Further, although the management had explained that the Kapsabet plot was allocated to an individual and that the matter had been referred to the Ethics and Anti-Corruption Commission (EACC) for investigation, the process of outcome was not availed

Information available on Nyahururu and Nanyuki plot indicate that the matter had been referred to the ministry of land for processing of title deeds. However, until the title deed are processed and issued to the Corporation, ownership status of the properties cannot be confirmed.

(ii). Nakuru Municipality plot

As similarly reported in the previous year, plot No 6/42 in Nakuru municipality measuring 0.2788 ha. with title deed dated 29th October 2001 and registered in the name of the corporation, was illegally apportioned to create plot No 6/158, apparently, without the knowledge of the corporation. According to information availed the hived off plot was registered in the name of a private developer.

The Corporation unsuccessfully pursued the matter with the relevant Government Departments and subsequently, the case was handed over to Ethics and Anti-Corruption Commission (EACC) for investigation. Additional information indicates that view of reinstating its ownership to the Corporation. The property, plant and equipment balance of Kshs. 602, 270, 225 therefore excludes plot No. 6/158 valued at Kshs. 2,800,000 (excluding any improvement as at February 2008 when the plot was last valued).

(iii) Loita Street Plot

As per note 16(a) to the financial statements, Loita Street plot LR.209/103430 valued at Kshs. 30,462,543 was irregularly surrendered to the Commissioner of lands under unclear circumstances and no efforts are being made to recover this plot. In view of the foregoing, it has not been possible to confirm the accuracy and ownership of the property, plant and equipment balance of Kshs. 602,270,225 as at 30 June 2014.

2. Trade and Other Receivables

- (i). As similarly previously reported in the previous year, the trade and other receivables balance of Kshs. 63,011,316 as at 30 June 2014 includes an amount of Kshs. 24,816,298 relating to various private debtors which have been outstanding since the year 1994. Further, rental debtors comprised of ex-tenants with rent arrears totaling to Kshs. 2,473,573 have remained outstanding for long period during which the debts have remained unsettled, the Corporation has not specifically provided for debts, but has instead made a general provision for bad debts amounting to Kshs. 4,882,190, which appears inadequate to cover these specific long outstanding debts totaling Kshs. 27,289,871 as at 30 June 2014.
- (ii) Further, included in accounts receivables balance are bounced cheques for rent receivable of Kshs. 3,999,947 and travel advance brought forward of Kshs. 1,278, 468 which was not supported and could therefore not be attributed to the staff of the Corporation.

Consequently, it has not been possible to confirm that trade and other receivables balance of Kshs. 63,011,317 as at 30 June 2014 is fairly stated.

3. Financial Performance

The Corporation recorded a loss of Kshs. 14, 902,938 (2012/2013 – loss Kshs. 22,555,292) which brought the cumulative losses to Kshs. 192,358,978 as at 30 June 2014. Further, the statements of financial position reflect that the current liabilities of Kshs. 112,044,283 exceed the current assets of Kshs. 96,154,613, leading to a negative working capital of Kshs. 15,889,670.

Evidently, the Corporation is technically insolvent and its continued existence as a going concern is dependent on continued support from the Government and its creditors.

4. Unaccounted revenue

Available records indicate that stocks of 253.5 tons of cement worth Kshs. 3,599,700 could not be accounted for as at 30 June 2014. The cement was collected from Bamburi Cement Company on various dates in September and October 2013. Under the circumstances, the property of the sales proceeds amounting to Kshs. 3,599,700 could be confirmed as at 30 June 2014.

5. Inventories

The inventories balance of Kshs. 26,797,607 is net of provision for obsolescence of Kshs. 8,258 which has remained constant for a period of time. This is despite of the fact that the Corporation continues to incur further obsolescence in recent times. Further, no policy on provision of obsolescence was provided for audit verification. Consequently, it has not been possible to confirm that inventories balance of Kshs. 26,797,607 as at 30 June 2014 is fairly stated.

Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Corporation and its cash flows for the year then ended, in accordance with International financial Reporting Standards and comply with the Companies Act, Cap 486 of the Laws of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act Cap 486, I report based on my audit, that:

- (i). 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.
- (ii). In my opinion, proper books of account have been kept by the Corporation, so far as appears from my examination of those books, and.
- (iii). The Corporation's statement of financial position and statements of comprehensive income are in agreement with the books of account.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

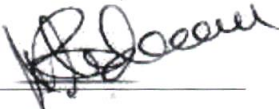
Nairobi
3 June 2015

STATEMENT OF COMPREHENSIVE INCOME

	Note	2013/2014	2012/2013	RESTATED 2012/2013
		Kshs	Kshs	Kshs
REVENUES				
Sales	5	213,424,878	326,860,917	326,860,917
Cost of Sales	6	(190,956,370)	(299,613,130)	(299,613,130)
Gross Profit		22,468,507	27,247,787	27,247,787
Commission Income		18,261,032	12,268,011	12,268,011
Trading Income		40,729,540	39,515,798	39,515,798
Other Income	7	53,169,708	48,141,762	48,141,762
TOTAL REVENUES		93,899,247	87,657,560	87,657,560
OPERATING EXPENSES				
Administration Costs	8	28,680,947	37,234,333	37,234,333
Staff Costs	9	47,595,536	39,493,832	39,493,832
Directors Emoluments	10	6,085,200	5,839,129	5,839,129
Depreciation of property, plant and equipment	11	17,027,029	18,473,016	18,473,016
Other Expenses	12	569,353	762,634	762,634
TOTAL OPERATING EXPENSES		99,958,065	101,802,944	101,802,944
OPERATING PROFIT/(LOSS)		(6,058,817)	(14,145,384)	(14,145,384)
Finance Costs	13	7,706,888	8,409,908	8,409,908
PROFIT/(LOSS) BEFORE TAXATION		(13,765,705)	(22,555,292)	(22,555,292)
INCOME TAX EXPENSE/(CREDIT)		1,137,233	-	-
Adjust for Retained earnings b/f *	14		7,659,193	-
PROFIT/(LOSS) AFTER TAXATION		(14,902,938)	(30,214,485)	(22,555,292)
Earnings per share – basic and diluted	15	-47%	-94%	-70%
Dividend per share		-	-	-

* Retained earnings have been restated as per note 14

The financial statements were approved by the Board of Directors on 2014 and signed on its behalf by:


Chairman


Director


Director

STATEMENT OF FINANCIAL POSITION

	Note	2013/2014	2012/2013	RESTATED 2012/2013
		Kshs	Kshs	Kshs
ASSETS				
Non-Current Assets				
Property, plant and equipment	16	602,270,225	618,540,106	618,540,106
Intangible assets	17	880,400	880,400	880,400
Total Non-Current Assets		603,150,625	619,420,506	619,420,506
Current Assets				
Inventories	18	26,797,607	21,992,041	21,992,041
Trade and other receivables	19	63,011,316	51,301,824	51,297,824
Bank and cash balances	20	6,341,689	3,297,318	3,297,318
Total Current Assets		96,154,613	76,591,183	76,587,183
Total Assets		699,301,237	696,011,689	696,007,689
EQUITY AND LIABILITIES				
Capital and Reserves				
Share Capital	21	32,000,000	32,000,000	32,000,000
Revaluations Reserve	22	733,219,770	733,219,770	733,219,770
Retained Earnings		(192,358,978)	(177,456,040)	(169,796,847)
Capital and Reserves		572,860,792	587,763,730	595,422,923
Non-Current Liabilities				
ICDC Loans	23	-	18,671,617	
Finance Leases	23	13,329,662	23,152,767	16,552,669
Rent Leases		1,066,500	2,949,250	17,708,522
Total Non-Current Liabilities		14,396,162	44,773,634	34,261,191
Current Liabilities				
ICDC Loans	23	10,429,732		
Finance Leases	23	8,060,000		
Trade and other payables	24	93,554,551	63,474,325	66,323,575
Total Current Liabilities		112,044,283	63,474,325	66,323,575
TOTAL EQUITY AND LIABILITIES		699,301,237	696,011,689	696,007,689

The financial statements were approved by the Board of Directors on 2014 and signed on its behalf by:


Chairman


Director


Director

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	REVALUATIONS RESERVE	RETAINED EARNINGS	TOTAL
Balance as at 1st July 2012	32,000,000	733,219,770	(169,796,847)	595,422,923
Prior adjustment			(7,659,193)	(7,659,193)
Balance as at 30th June 2013	32,000,000	733,219,770	(177,456,040)	587,763,730
Balance as at 1st July 2013	32,000,000	733,219,770	(177,456,040)	587,763,730
Net Profit/(Loss) for the year			(14,902,938)	(14,902,938)
Balance as at 30th June 2014	32,000,000	733,219,770	(192,358,978)	572,862,792

STATEMENT OF CASH FLOWS

	Note	2013/2014 Kshs	2012/2013 Kshs
CASHFLOWS FROM OPERATING ACTIVITIES			
Net Profit/(Loss) for the year		(14,902,938)	(22,555,291)
Adjustment for;			
Depreciation	11	17,027,029	18,473,015
Staff Leave Days	25	474,152	
Interest Expense	26	7,351,410	8,111,406
Deficit/Surplus before working capital changes		9,951,653	4,029,130
(Increase)/Decrease in Receivables	19	(11,709,493)	3,566,916
(Increase)/Decrease in Inventories	18	(4,805,566)	(8,180,502)
Increase/(Decrease) in Payables	24	30,080,226	15,174,689
		23,516,821	14,590,233
Taxation Paid			
Leave Days Paid	25	(217,038)	
Interest Paid	26	(7,429,057)	(8,111,406)
Net cash generated from/(used in) operating activities		15,870,726	6,478,827
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of Office Equipment	16	(936,615)	(24,000)
Decrease in Rent lease deposits	27	(1,882,750)	
Net cash generated from/(used in) investing activities		(2,819,365)	(24,000)
CASHFLOWS FROM FINANCING ACTIVITIES			
Net Increase (decrease) in Loans	23	(8,241,885)	219,459
Net Increase (decrease) in Finance Leases	23	(1,763,105)	(12,819,918)
Net cash generated from/(used in) financing activities		(10,004,990)	(12,600,459)
Increase/(Decrease) In Cash & Cash Equivalents		3,046,371	(6,145,632)
Cash & Cash Equivalents at the beginning of the Year	20	3,297,318	9,442,950
Cash & Cash Equivalents at the end of the Year	20	6,341,689	3,297,318

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain properties and investments.

(b) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Although these estimates are based on the director's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The financial statements have been prepared and presented in Kenya Shillings. The accounting policies adopted have been consistently applied to all the years presented.

For the Kenyan companies Act reporting purposes, in these financial statements the balance sheet is represented by/ is equivalent to the statement of financial position and the profit and loss account is presented in the statement of comprehensive income.

(C) Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2014

Standard	Effective on or After	Key Requirements
Amendments to IFRS 10, Consolidated financial statements	1 January 2014	The standard provides additional guidance to assist in determining control where this is difficult to assess. The amendments had no effect on the corporation's financial statements.
IFRS 11, Joint arrangements	1 January 2014	This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. Proportional consolidation of joint ventures is no longer allowed. The amendments had no effect on the corporation's financial statements.
IFRS 12, Disclosures of interests in other entities	1 January 2014	This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The amendments had no effect on the corporation's financial statements.

Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial	1 January 2014	The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion.
Amendments to IAS 36, 'Impairment of assets'	1 January 2014	These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments had no effect on the corporation's financial statements
IFRIC 21, Levies	1 January 2014	This interpretation is on IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The amendments had no effect on the corporation's financial statements

(ii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2014

The Corporation has not applied the following new and revised IFRSs that have been issued but are not yet effective:

	Effective for annual periods beginning on or after
1. Amendment to IAS 19 regarding defined benefit plans	1 January 2014
2. Annual improvements 2012 cycle <ul style="list-style-type: none"> • IFRS 2, 'Share-based payment' • IFRS 3, 'Business Combinations' • IFRS 8, 'Operating segments' • IFRS 13, 'Fair value measurement' • IAS 16, 'Property, plant and equipment' and • IAS 38, 'Intangible assets' • Consequential amendments to IFRS 9, 'Financial instruments', • IAS 37, 'Provisions, contingent liabilities and contingent assets', and • IAS 39, financial instruments – Recognition and measurement' 	1 July 2014
3. Annual improvements 2013 cycle <ul style="list-style-type: none"> • IFRS 1, 'First time adoption' • IFRS 3, 'Business combinations' • IFRS 13, 'Fair value measurement' and • IAS 40, 'Investment property' 	1 July 2014
4. IFRS 14 Regulatory Deferral Accounts	1 January 2016.
5. Amendment to IAS 16, and IAS 38 on depreciation and amortisation of 'Property, plant and equipment and 'Intangible assets',	1 January 2016

(iii) Early adoption of standards

The corporation did not early-adopt any new or amended standards in the period.

2. ACCOUNTING POLICIES

(d) Revenue recognition

Revenue comprises the fair value of the consideration recorded or receivable for the sale of goods and/or performance of services. In the ordinary course, rebates and discounts

The Corporation recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific entrance have been met for each of the company's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Corporation estimates its losses on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

1. Sale of goods is recognized upon delivery/collection of products and customer acceptance.
2. Commission is accounted for in the period it is earned.
3. Rental income is accounted for in the period it is earned.
4. Interest income is accounted for in the period it is earned.

(e) Property, plant and equipment

Property and equipment are stated at cost or valuation less accumulated depreciation. Freehold land, buildings and plant and machinery are subsequently shown at market value, based on periodic, but at least triennial valuations by external independent valuers' less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is recognized.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Increase in the carrying amount arising on revaluation is credited to a revaluation reserve in equity. Decrease that off-set previous increase of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the income statement) and depreciation based on the assets original cost is transferred from the revaluation reserve to retained earnings.

(f) Depreciation and Impairment of Property, Plant and Equipment

Freehold land and construction work in progress are not depreciated. Construction work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual depreciation rates in use are:

Buildings	2%
Office equipment, furniture and fittings	15%
Plant and machinery	20%
Motor vehicles	20%
Computers and related equipment	33 $\frac{1}{3}$ %

Depreciation is not charged in the year of asset acquisition but is fully charged in the year of disposal.

(g) Intangible assets

Intangible assets comprise purchased computer software, which are capitalised on the basis of costs incurred to acquire and to bring it to use. The Corporation is still implementing the software and will amortise over 3 years from the year that it is available for use.

(h) Finance and operating leases

Leases of property, plant and equipment where the Corporation assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the estimated present value of the lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance charge is charged to the income statement over the lease period. The Property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, transportation costs and handing charges. Cost is determined using the first-in first-out method. Net realizable value is the estimate of the selling price in the ordinary course of business, less the cost of selling expenses

(j) Trade and other receivables

Trade receivables are stated at their nominal value as reduced by appropriate provisions for estimated irrecoverable amounts. Bad debts are written off during the year in which they are identified after all efforts at recovery have been exhausted.

(k) Financial assets and liabilities

The corporation recognizes all financial assets and liabilities on the trade date at which the corporation becomes a party to the contractual provision of the instrument. A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. The corporation classifies its financial assets in the trade investments and loans and receivables categories.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Corporation's trading activity.

(l) Employees Entitlement

Employees' entitlement to gratuity and long service awards are recognized when they accrue to employees. A provision is made for the estimated liability for such entitlement as a result of services rendered by employees' up to the balance sheet date. The estimated monetary liabilities for employees accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

(m) Related parties

In the normal course of business, the corporation has entered into transactions with related parties. The related party transactions are at arm's length.

(n) Retirement Benefit Obligations

The Corporation operates a defined contribution staff retirement scheme for its current employees. The scheme is administered by Insurance Company of East Africa (ICEA). The Corporation's contributions to the defined contribution retirement benefit scheme are charged to the income statement account in the year to which they relate. The assets of funded scheme are held independently in a separate trustee administered funds account.

The Corporation also contributes to the National Social Security Fund (NSSF). The company's contributions to the defined contribution scheme and NSSF are charged to the profit & loss account in the year to which they relate.

(o) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue to the employees. A provision is made for the estimated liability for annual leave at the reporting date.

(p) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

(q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
IN APPLYING THE CORPORATION'S ACCOUNTING POLICIES**

In the process of applying the corporation's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. These are dealt with below:

Property and equipment

Critical estimates are made by the directors in determining depreciation rates for property and equipment.

4. FINANCIAL RISKS REVIEW

Financial risks	Key controls and mitigating factors
<p>Funding and liquidity risk The risk of being unable to continue to fund our operations on an ongoing basis. Weak performance could put pressure on cash flow and credit metrics and affect our credit rating</p>	<ul style="list-style-type: none"> The corporation finances its operations by a combination of retained profits, disposals of properties, bank borrowings and leases We have placed greater focus on balancing growth with returns and being more focused on both cash and margins. Liquidity risk is managed by continuously monitoring cash forecasts and actual cash flows.
<p>Interest rate risk The risk to our profit and loss account resulting from rising interest rates</p>	<ul style="list-style-type: none"> The corporation enters into fixed rate agreements for borrowings rather than fluctuating rates Negotiations for interest rate reviews in times of favourable rates.
<p>Credit risk The risk of loss arising from default by parties to financial transactions</p>	<ul style="list-style-type: none"> Credit risk is managed through the corporation's credit policy framework with standards and limits defined, including new account sanctioning, collections and recovery activity.
<p>Market risk The risk of loss that arising from changes in market prices for products or changes in other market factors.</p>	<ul style="list-style-type: none"> The corporation employs Just-In-Time inventory strategies. The depots retain very low inventory levels, relying on the supply chain to deliver the stocks within the shortest time when they are needed.

	2013/2014	2012/2013
	Kshs	Kshs
5. SALES		
Local Sales	213,424,878	326,860,917
Exports	-	
Total	213,424,878	326,860,917
6. COST OF SALES		
Cost of Sales	170,297,927	277,367,114
Transport	12,553,675	13,402,969
Handling Costs	4,999,489	2,604,727
Travelling & Entertainment	3,103,279	6,238,320
	190,954,370	299,613,130
7. OTHER INCOME		
Rent Income	52,639,927	47,397,132
Interest Income	166,781	-
Sale of Tender Documents	278,000	74,630
Transport Income	85,000	670,000
	53,169,708	48,141,762

8. ADMINISTRATION COSTS

Electricity	480,125	381,385
Water	138,027	97,294
Telephone & Postage	1,601,271	1,754,180
Legal & Professional Fees	3,357,397	1,380,864
Licences	193,324	484,945
Printing & Stationery	1,290,063	1,392,958
Publications & Advertising	677,597	1,707,904
Education & Training	110,800	163,973
Insurance	3,665,145	4,805,392
Property Repairs & Maintenance	889,628	1,467,384
Office Equipment Repairs	187,247	265,288
Motor Vehicle Expenses	5,508,251	5,619,253
Rent & Rates	4,565,994	3,472,365
Security	5,816,727	4,420,366
Subscriptions & Memberships	199,350	174,860
	28,680,947	27,588,411

9. STAFF COSTS

Salaries & Wages	37,899,494	33,549,643
N.S.S.F.	162,200	159,200
Pension & Gratuities	2,082,437	1,506,281
Medical Expenses	2,585,232	2,955,075
Staff Welfare Expenses	2,488,360	3,007,602
Leave Days	474,152	1,323,634
Travelling & Entertainment other staff	1,903,662	-
	47,595,536	42,501,435

10. DIRECTORS' EMOLUMENTS

Board Travel & Entertainment	3,306,458	3,578,499
Board Sitting Allowances	2,282,000	2,072,631
Chairman's Honoraria	496,742	188,000
	6,085,200	5,839,129

11. DEPRECIATION

Depreciation of Property plant & Equipment	17,027,029	18,473,016
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12. OTHER EXPENSES

Miscellaneous Expenses	44,585	153,604
V.A.T	124,768	
Income Tax		609,030
Audit Fees	400,000	400,000
	569,353	1,162,634

13. FINANCE COSTS

Bank Charges	355,478	635,867
Bank and Loan Interest	7,351,410	7,774,042
	7,706,888	8,409,908

14. RETAINED EARNINGS ADJUSTMENT

Retained earnings b/f have been restated after reconciliation of loan and finance lease balances for year 2012/2013 as follows;

	As per 2012/2013 Accounts	Amounts after Reconciliation	Variance
Finance Leases			
ICDC 24m Finance Lease	16,351,725	20,650,698	(4,298,973)
NIC Bank Insurance Financing		1,145,273	(1,145,273)
Co-op Bank Loan	1,356,797	1,356,797	0
Total	17,708,522	23,152,767	(5,444,245)
Loans			
ICDC 20m Loan	10,612,992	12,386,910	(1,773,918)
ICDC 25m Loan	5,939,677	6,284,707	(345,030)
Total	16,552,669	18,671,617	(2,118,947)
Rent Leases			
Crown Chemicals Ltd	-	100,000	(100,000)
Welfare scheme	75,009	79,009	4,000
Grand Total	34,261,191	41,824,384	(7,659,193)

15. EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year of 32,000,000. There were no dilutive or potentially dilutive ordinary shares as at the reporting date. The corporation reported a loss of ksh 14.9 Million during the financial year.

16. SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	LAND	BUILDINGS	MACHINERY AND OFFICE EQUIPMENT	COMPUTERS	FURNITURE & FITTINGS	MOTOR VEHICLES	TOTAL
COST OR VALUATION							
As at 1st July 2012	244,762,540	427,800,000	10,126,866	4,614,087	6,759,111	48,089,668	742,152,272
Additions			24,000			-	24,000
Revaluation							-
Disposals							-
Reclassified to Intangible assets			(880,400)				-
Provision for Loss on:							(880,400)
Loita street Plot							-
Nakuru Plot	(30,462,540)						(30,462,540)
As at 30th June 2013	(2,800,000)						(2,800,000)
	211,500,000	427,800,000	9,270,466	4,614,087	6,759,111	48,089,668	708,033,332
As at 1st July 2013	244,762,540	427,800,000	9,270,466	4,614,087	6,759,111	48,089,668	708,033,332
Additions				936,615		-	936,615
Revaluation							-
Disposals							-
Provision for Loss on:							-
Loita street Plot	(30,462,540)						(30,462,540)
Nakuru Plot	(2,800,000)						(2,800,000)
As at 30th June 2014	211,500,000	427,800,000	9,270,466	5,550,702	6,759,111	48,089,668	675,707,407
DEPRECIATION							
As at 1st July 2012		42,780,000	7,168,622	4,255,154	5,876,035	10,760,934	70,840,745
Charge for the year		8,556,000	212,201	179,467	86,881	9,617,934	18,652,483
Disposals							-
Revaluation							-
As at 30th June 2013	-	51,336,000	7,380,823	4,434,621	5,962,916	20,378,868	89,493,228
As at 1st July 2013		51,336,000	7,380,823	4,434,621	5,962,916	20,378,868	89,493,228
Charge for the year		8,556,000	475,666	179,466	119,429	7,875,934	17,027,029
Disposals						-	-
Revaluation							-
As at 30th June 2014		59,892,000	7,856,490	4,614,087	6,082,345	28,254,802	102,085,636
NET BOOK VALUE							
As at 30th June 2014	211,500,000	367,908,000	1,413,977	936,615	676,766	19,834,866	602,270,224
As at 30th June 2013	211,500,000	376,464,000	1,889,643	179,466	796,196	27,710,800	618,540,104

a) Loita Street plot LR.209/103430 valued at ksh 30,462,543.5 in the accounts was irregularly surrendered to commissioner of lands in November 1991.

b) Part of Nakuru plot LP.6/158 was irregularly acquired by a private developer and no development was done on it.

17. INTANGIBLE ASSETS

Intangible assets represent computer software purchased in 2012 but not fully implemented.

Therefore it has never been amortized since purchase.

Cost		880,400
Amortization		-
Written down Value		<u>880,400</u>

18. INVENTORIES

Inventories	26,805,865	22,000,299
Provision for Obsolescence	(8,258)	(8,258)
	<u>26,797,607</u>	<u>21,992,041</u>

19 TRADE & OTHER RECEIVABLES

Private Debtors	24,816,297	24,816,297
Staff Welfare Scheme	98,004	75,009
Government Debtors	15,616,392	9,295,460
Receivable bank Guarantees	1,000,000	1,000,000
A/c Receivable D.I.T.	603,182	603,182
Rent Receivable	5,970,961	5,829,285
Salary advance	87,000	572,356
Travel Advance	2,568,854	2,940,376
Commission receivable	1,404,135	1,181,228
Claims Receivable	5,535,746	2,274,005
Bounced Cheques receivable	3,999,947	3,999,947
Sundry Debtors	159,150	150,000
Prepaid Expenses	170,288	-
Prepaid Insurance	1,667,059	1,145,273
Deposits	810,920	810,920
Prepaid Stock	685,027	1,845,328
Rebates	3,392,954	
Less Provision for Doubtful debts	(4,882,190)	(4,882,190)
VAT Recoverable	(692,408)	(358,651)
	<u>63,011,317</u>	<u>51,297,824</u>

20. BANK AND CASH BALANCES

Co-Operative Bank Fixed A/c	-	2,316,366
Co-Operative Bank Sugar A/c	4,147,909	362,388
National Bank	1,593,691	282,096
Barclays Bank A/c	(221,047)	(1,656,523)
Co-Operative Bank Magadi A/c	244,228	1,204,703
Mpesa A/c	116,020	56,310
Petty Cash Floats	164,175	
Undeposites Funds	296,713	731,977
	6,341,689	3,297,318

21. SHARE CAPITAL

Ordinary shares Issued and fully paid 1.6million shares of ksh.20 each	32,000,000	32,000,000
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22. REVALUATIONS RESERVE

Balance b/f	733,219,770	733,219,770
Revaluations	-	-
Disposals	-	-
Balance 30th June 2014	<u>733,219,770</u>	<u>733,219,770</u>

23. BORROWINGS

	Finance Leases	Loans
Due to be settled in the next 12 months	8,060,000	10,429,732
Due to be settled after 12 months	13,329,662	-
	21,389,662	10,429,732

24. TRADE & OTHER PAYABLES

Trade Payables	23,449,932	34,334,210
Magadi Sales Deposits	25,288,970	16,159,068
Accrued Charges	8,319,198	3,490,900
Accrued Audit Fees	1,600,000	1,200,000
Claims Payable	28,199,708	1,147,945
Accrued Redudancy	426,836	426,836
Accrued Leave Days	3,711,346	3,454,232
Accrued Salaries	898,865	1,051,136
Accrued Directors Fees	100,000	100,000
Accrued Gratuity/Pension	864,269	1,397,213
Statutory Creditors	695,427	712,785
	93,554,551	63,474,325

25. STAFF LEAVE DAYS

Leave days b/f	(3,454,232)
Leave days for the year	(474,152)
Leave Days c/f	3,711,346
Leave days paid	(217,038)

26. INTEREST PAID

Arrears of interest b/f	(3,043,663)
Interest charge for the year	(7,351,410)
Arrears of interest c/f	2,966,016
Interest Paid for the Year	(7,429,057)

27. RENT LEASE DEPOSITS

Balance b/f	(2,949,250)
Balance c/f	(1,066,500)
Net increase/(Decrease)	(1,882,750)

28. CONTINGENT LIABILITIES

(i) The corporation had guarantees amounting to ksh 45 million in respect to third parties in the ordinary course of business from which material loss is not anticipated. The guarantees are in respect of the following:-

Bamburi Cement	10,000,000
Tata Chemicals Ltd	20,000,000
Kensalt Ltd	5,000,000
Mombasa Cement Ltd	1,000,000
Athi River Mining Ltd	4,000,000
Agro Irrigation & Pump Services Ltd	5,000,000

The corporation also discloses the following:-

(ii) Tax assessment by KRA of ksh 132 million has been disputed by the corporation and engaged consultants for taxation services. The same has been disclosed as a contingent liability.

(iii) Legal Claims against the corporation amounting to ksh KNTC 4,983,647 have been appealed.

29. RELATED PARTY TRANSACTIONS

Borrowings

ICDC Loans & Finance Leases	29,518,998
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Contributions to

NSSF	162,200
Defined contribution pension scheme	2,082,437

Key management compensation

Salaries and other short-term employment benefits	13,246,128
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Directors' remuneration

Fees for services as a director	6,085,200
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