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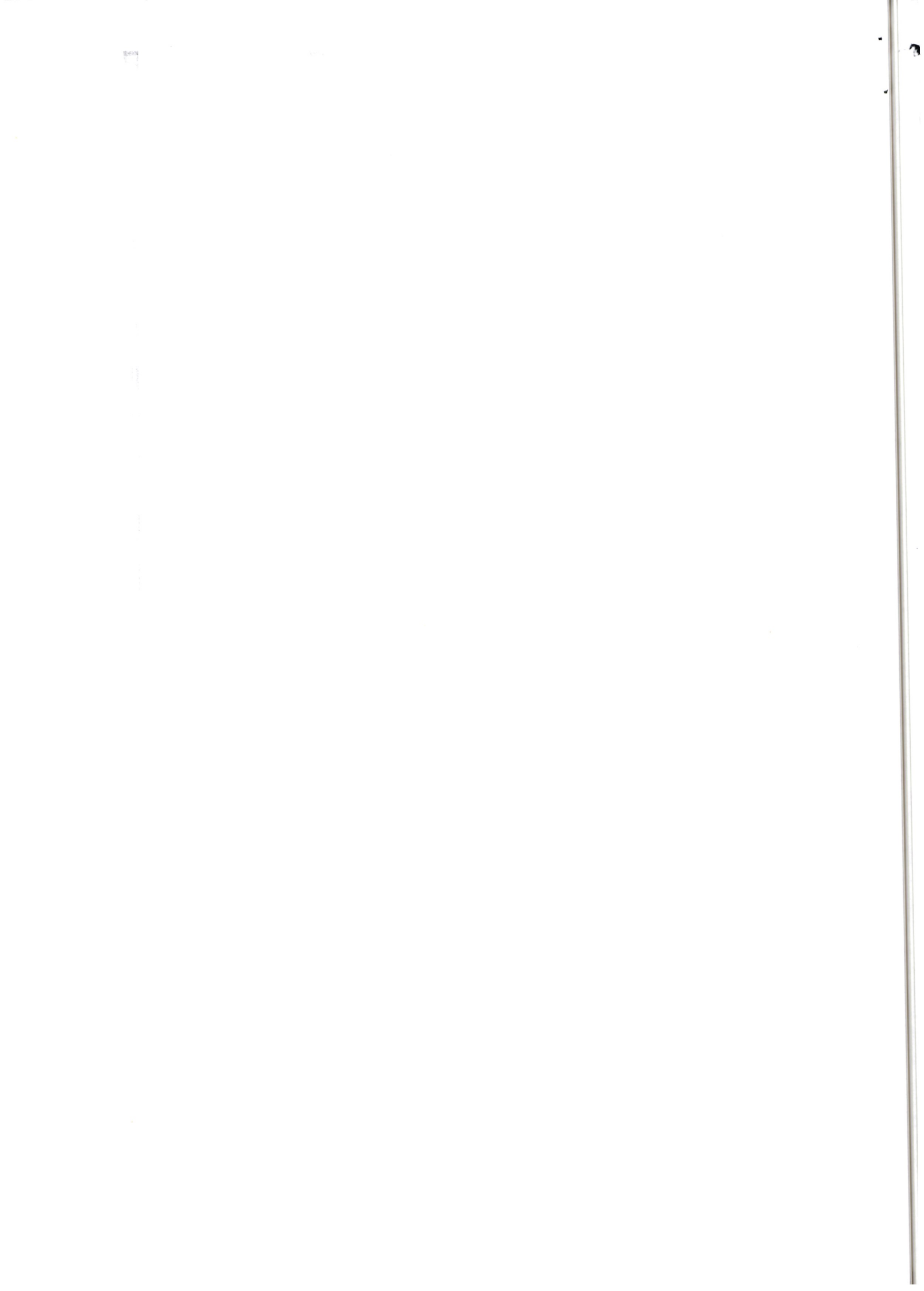
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# KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA INDUSTRIAL ESTATES FOR THE YEAR ENDED 30 JUNE 2003

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KENYA INDUSTRIAL ESTATES LIMITED

AUDITED ACCOUNTS

YEAR 2002/2003

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**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2003**

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KENYA INDUSTRIAL ESTATES LTD  
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2003

COMPANY INFORMATION

Principal Place of Business

KIE Building  
Likoni Road  
Industrial Area  
P. O. Box 78029  
00507 Viwandani, Nairobi

Registered Office

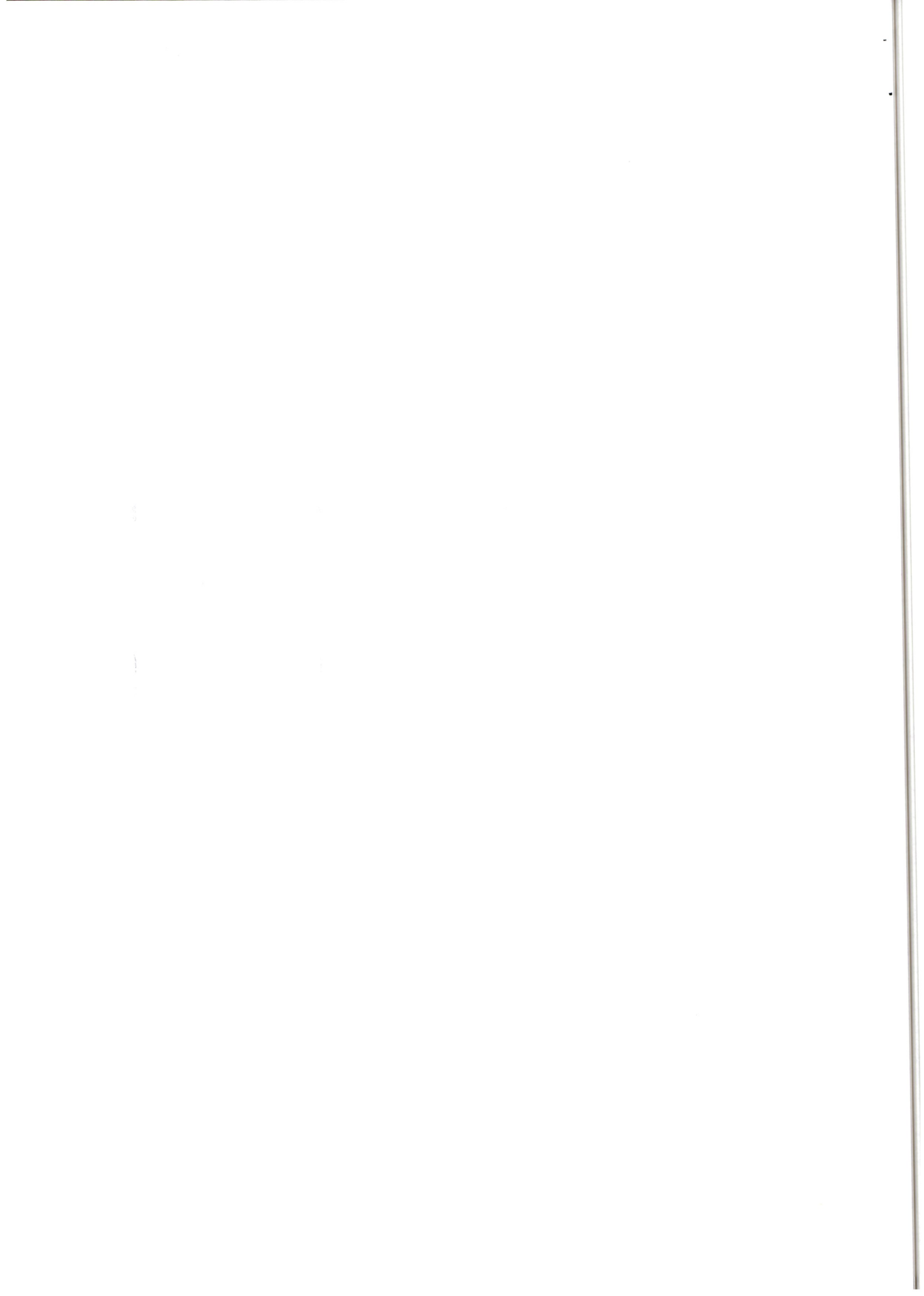
KIE Building,  
P. O. Box 78029  
00507 Viwandani, Nairobi

Company Secretary

Mrs. R. A. Ochanda  
P. O. Box 78029  
00507 Viwandani, Nairobi

Company Auditors

Controller and Auditor-General  
P. O. Box 30084  
00100 Nairobi GPO



**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2003**

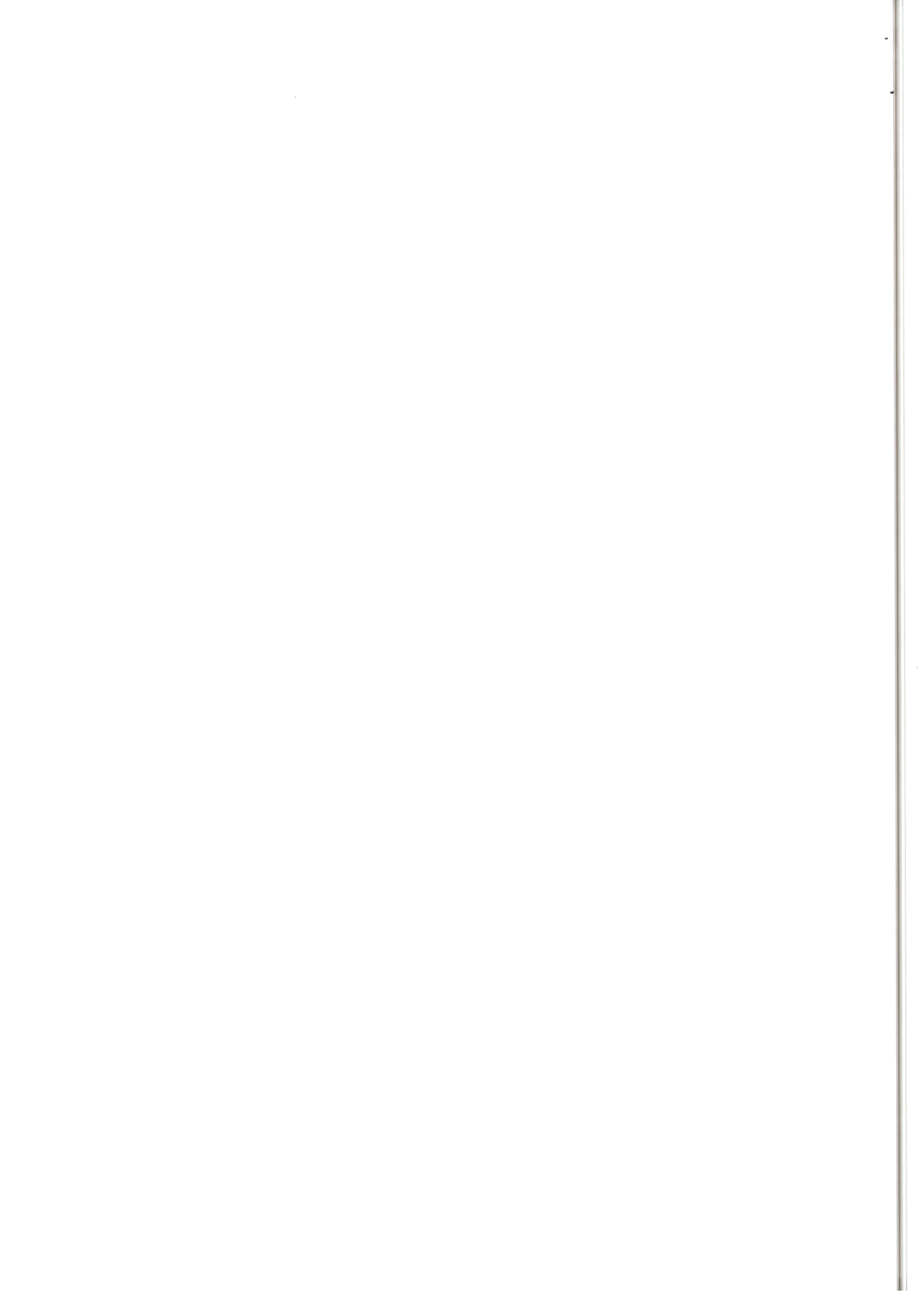
**Board of Directors**

**Old Board**

Mr. Luka K. Cheptoo	- Chairman upto 17 <sup>th</sup> June 2003
Mr. Peter G. Nduru	- Director upto 17 <sup>th</sup> June 2003
David D. Orioba	- Director upto 17 <sup>th</sup> June 2003
Mrs. Elizabeth Masigá	- Director upto 17 <sup>th</sup> June 2003
Dr. Joseph K. Kiplagat	- Director upto 17 <sup>th</sup> June 2003
Mr. Peter B. Kones	- Director upto 17 <sup>th</sup> June 2003
Permanent Secretary	- The Treasury
Permanent Secretary	- Ministry of Trade and Industry
Inspector of State Corporations	- Office of the President
Mr. D. K. Opiyo Ag. Managing Director	- up to 17 <sup>th</sup> June 2003

**Current Board**

Maj. Gen. (Rtd) Barrack O. C. Onyango	- Chairman from 18 <sup>th</sup> June 2003
Mr. John G. M. Mwirichia	- Director from 18 <sup>th</sup> June 2003
Mr. Charles Mumanyi	- Director from 18 <sup>th</sup> June 2003
Dr. Reuben Indiatsi Nasibi	- Director from 18 <sup>th</sup> June 2003
Mr. Kipterer Paul Lang'at	- Director from 18 <sup>th</sup> June 2003
Mr. Henry W. Awori	- Director from 18 <sup>th</sup> June 2003
Mr. Henry M. Mwaniki	- Managing Director from 18 <sup>th</sup> June 2003
Permanent Secretary	- The Treasury
Permanent Secretary	- Ministry of Trade and Industry
Inspector of State Corporations	- Office of the President.



ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2003

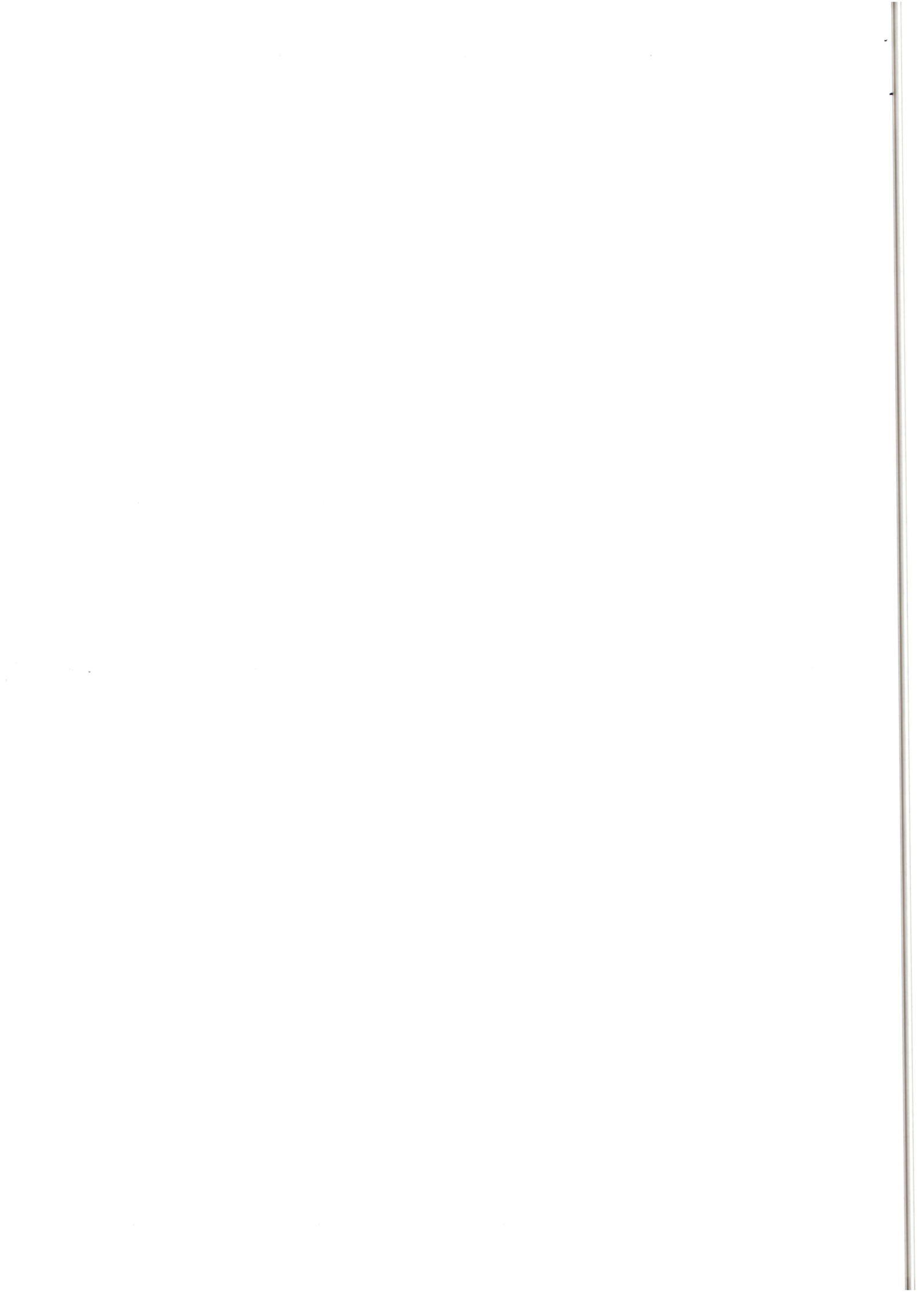
Senior Management

Mr. Henry M. Mwaniki	- Managing Director
Mr. D. K. O. Opiyo	- General Manager
Mr. C. O. Kamidi	- Human Resource & Administration Manager
Mr. J. K. Tele	- Finance Manager
Ms. N. K. Mwitiki	- Corporate Planning Manager
Mr. J. O. Obiero	- Projects Manager
Mr. S. K. Tanui	- Chief Internal Auditor
Mr. T. D. Odeny	- Ag. Debt Recovery Manager

Branch Network

There are twenty one (21) branches including head office and these are:-

Head office	- Nairobi
Regional offices	- Nakuru, Kisumu, Mombasa, Eldoret, Machakos, Nyeri, Kakamega and Embu.
Branches:	- Kabarnet, Malindi, Voi, Kericho, Kitui, Sultan Hamud, Murang'a, Thika, Bungoma, Garissa, Kisii and Meru



## Report of the Directors

The Directors submit their report and the audited financial statements for the year ended 30<sup>th</sup> June 2003, which show the state of the affairs of the company.

1. **Principal Activities**

The company continues to facilitate development and incubation of Small & Medium Enterprises (SMES) countrywide by establishing and offering industrial parks, sustainable Credit and Business Development services.

2. **Company Results.**

The company results are set out on pages 8 to 24

3. **Dividend**

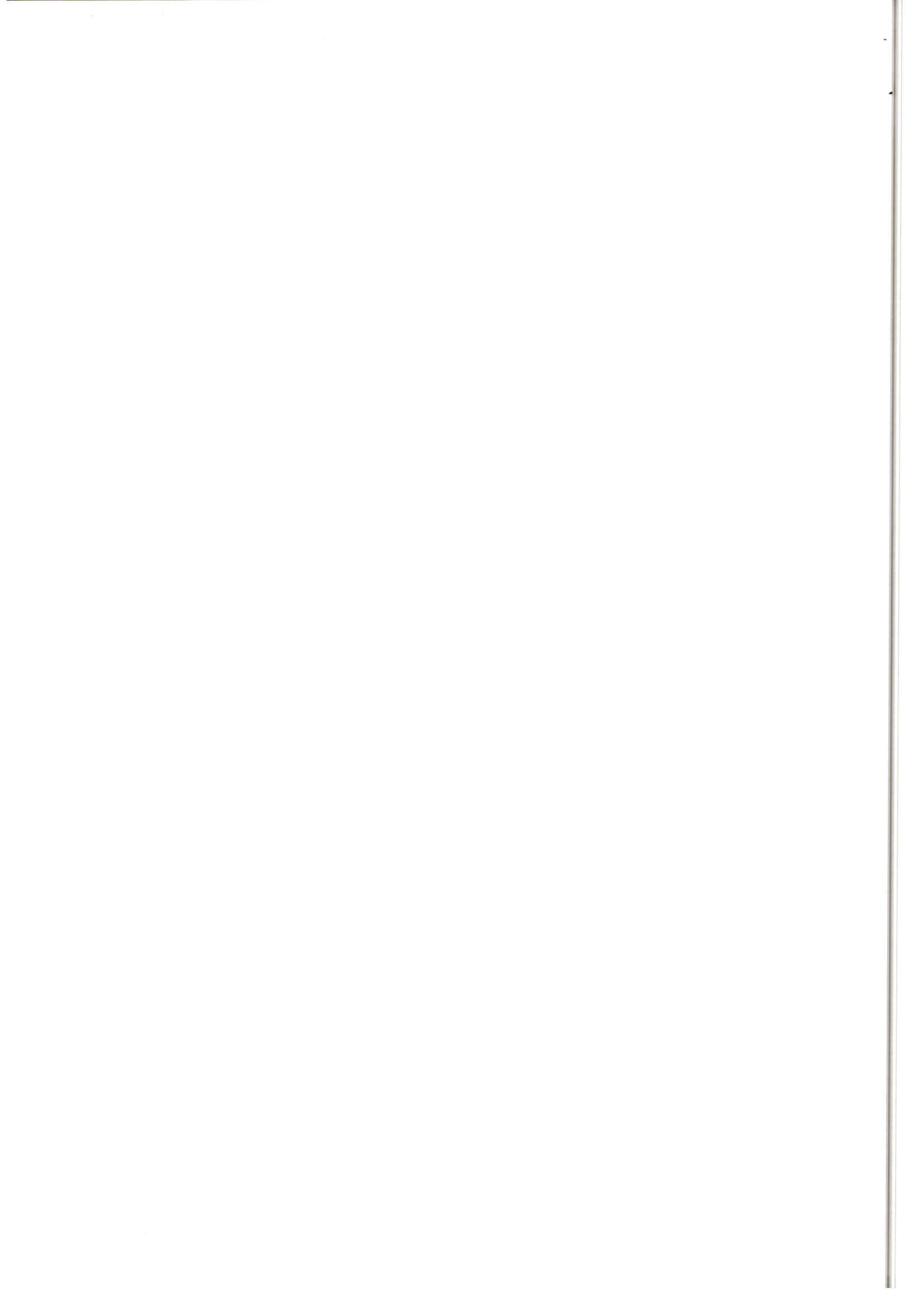
The Directors do not recommend payment of dividends

4. **Reserves**

The reserves of the company are set out on page 19 note 14(a)

By Order of The Board

Rose A. Ochanda  
**Secretary**



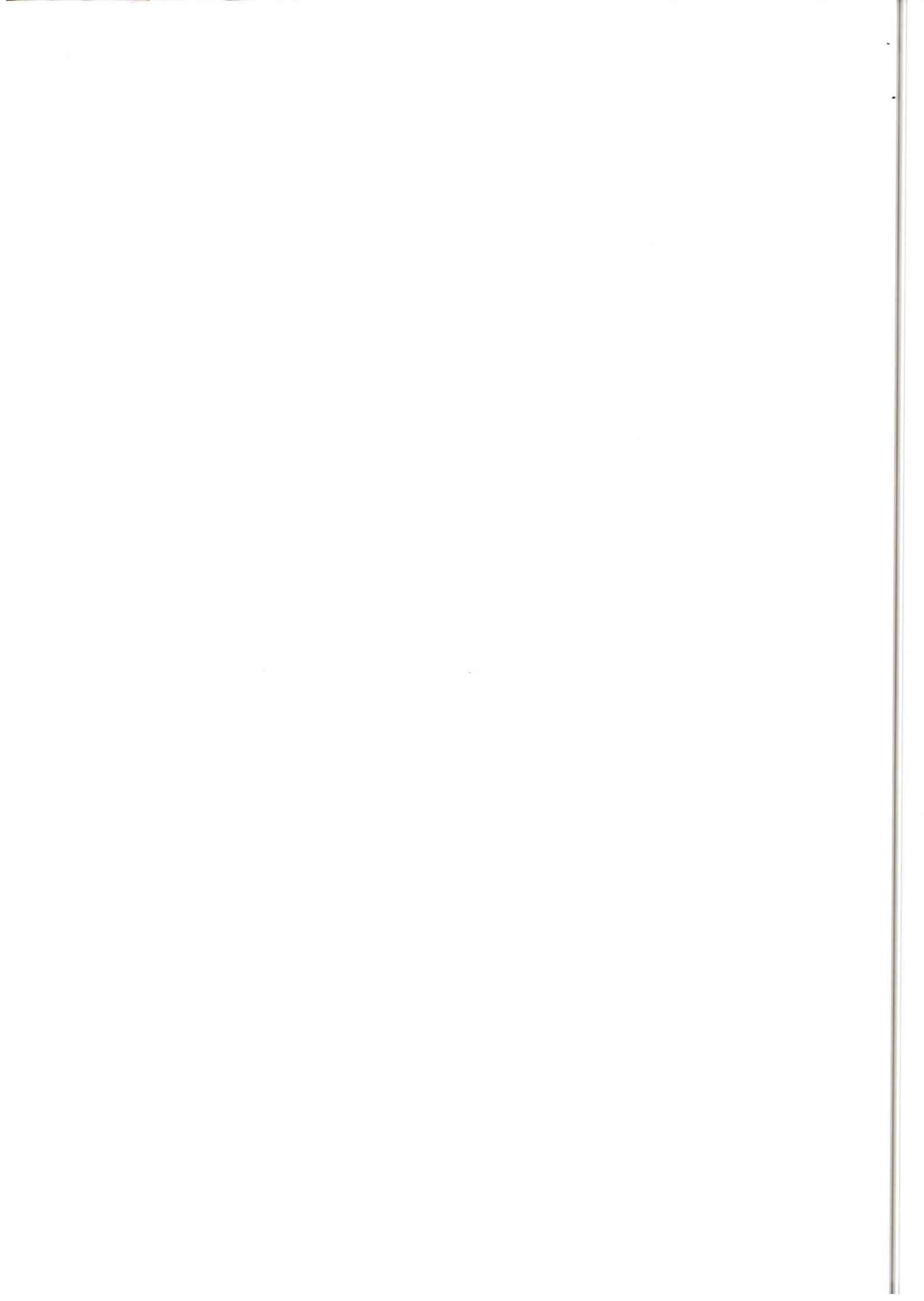
## Finance and Audit Committee

With effect from 29<sup>th</sup> September 2003

John G. M. Mwirichia	- Chairman
Permanent Secretary	- Ministry of Finance
Permanent Secretary	- Ministry of Trade & Industry
Inspector of State Corporations	- Office of the President
Chairman of the Board	
Dr. Reuben Indiatsi Nasibi	
Mr. Kipketer Paul Lang'at	
The Managing Director	- In attendance
The General Manager	- In attendance
Finance Manager	- In attendance
The Chief Internal Auditor	- In attendance
The Company Secretary	- Secretary

## **Corporate Governance Statement**

Kenya Industrial Estates is committed to the new standards of Corporate Governance introduced by the Government of Kenya. The Board of Directors is responsible for the long term growth and the profitability of the company, whilst being accountable to shareholders for compliance with the law and maintaining the highest standards of corporate governance and business ethics.



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REPUBLIC OF KENYA



Box 30084-00100

NAIROBI

# KENYA NATIONAL AUDIT OFFICE

## REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA INDUSTRIAL ESTATES FOR THE YEAR ENDED 30 JUNE 2003

I have audited the financial statements of Kenya Industrial Estates for the year ended 30 June 2003 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 which to the best of my knowledge and belief were necessary for the audit. The financial statements are in agreement with the books of account.

### **Respective Responsibilities of the Directors and the Controller and Auditor General**

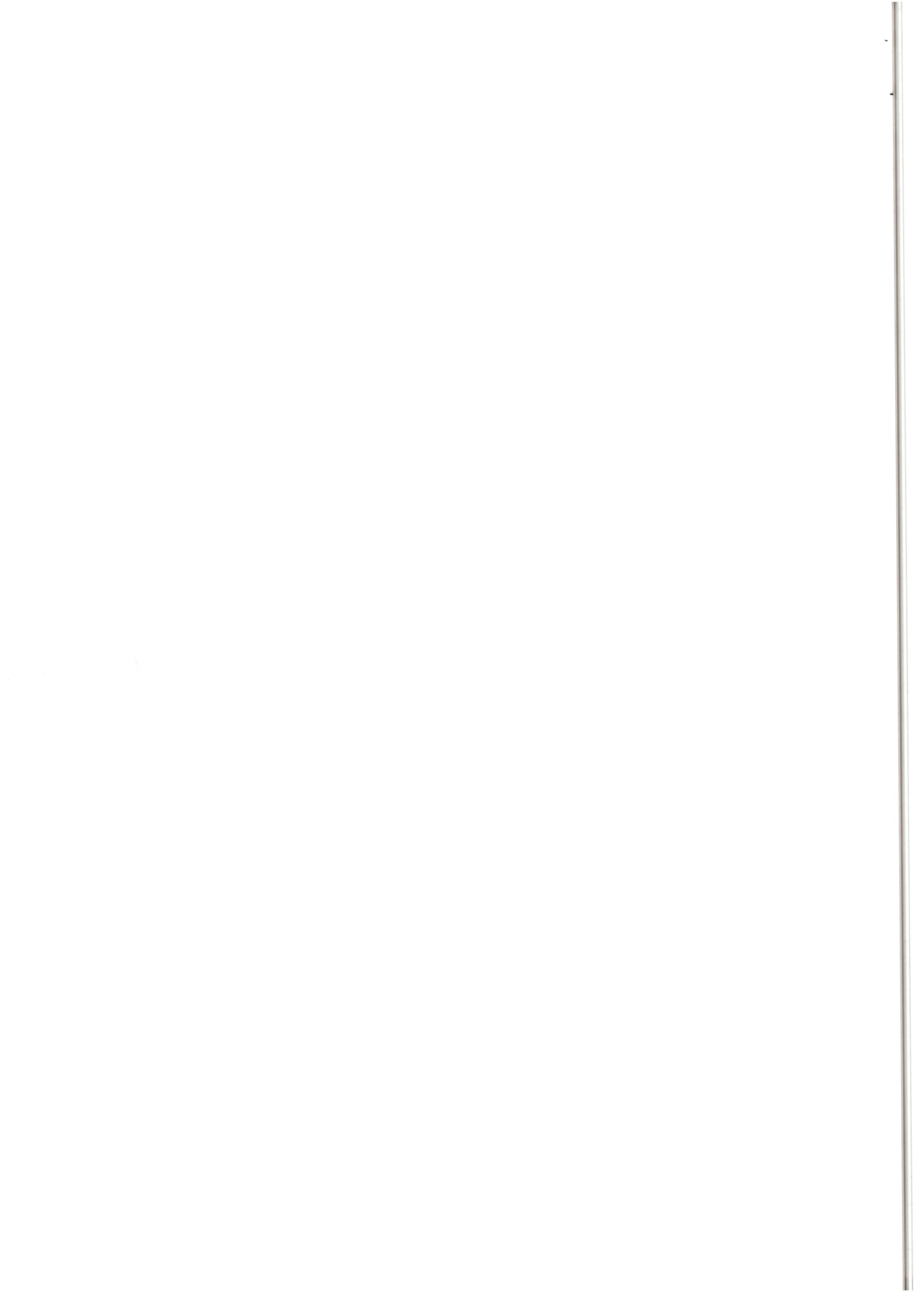
The directors are responsible for the preparation of financial statements which give a true and fair view of the company's affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit

### **Basis of Opinion**

The audit was conducted in accordance with International Standards on Auditing. Those standards require 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 includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe my audit provides a reasonable basis for my opinion.

### **1. Financial Position**

The Company incurred a loss of Kshs.1,947,946,000 during the year which reduced its reserves from a positive balance of Kshs.436,010,000 as at 30 June 2002 to a negative balance of Kshs.1,012,941,000 as at 30 June 2003. The loss was attributable to suspended interest income deemed unrecoverable of Kshs.5,658,467,000 out of which Kshs.5,468,565,000 and Kshs.189,902,000 was due from loans and mortgages respectively which were not reflected in the previous years financial statements and whose details were not provided for



audit. The Company's liabilities exceeded its total assets by Kshs.689,141,000 as at 30 June 2003. Further the Company was unable to pay interest on Long Term Loans of Kshs.288,695,000, Government loans of Kshs.223,535,000 and external loans of Kshs.421,729,000. As pointed out in the previous year's report the Company was unable to fulfill its mandate of providing loans and its continued operation as a going concern will depend on Government support.

## **2. Land**

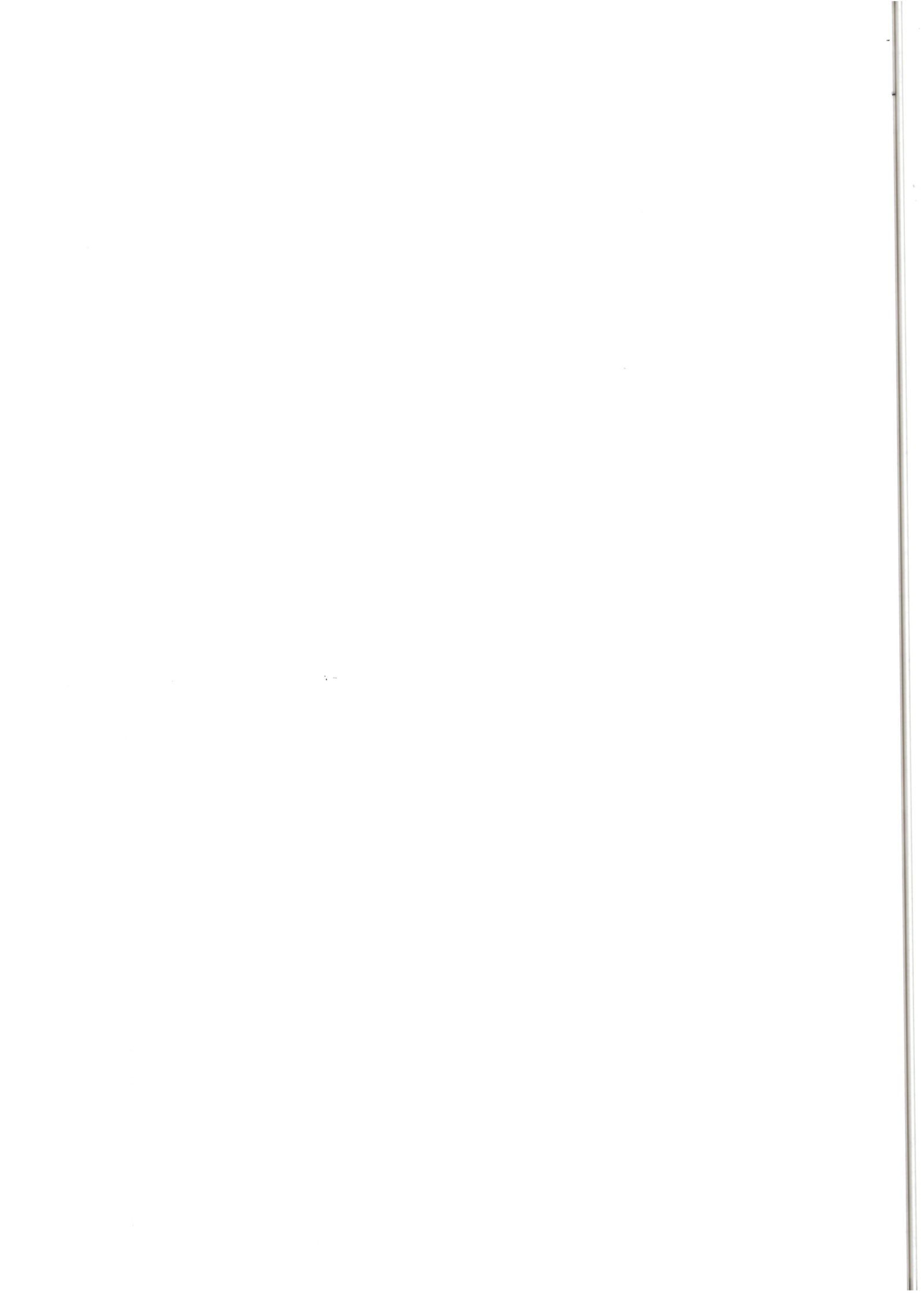
Parcels of land identified as plots No.1 LR No.209/9469-9498 and No. 75 measuring 5.9 and 5.4 hectares respectively in Dandora area of Nairobi valued at Kshs.32,280,000 in 1996 was allocated to the Company between 1979 and 1980. However, although the Company subsequently surveyed and sub-divided the plots for development of sheds, the Commissioner of Lands repossessed the plots. Although subsequently, the Ndungu Commission recommended that the land reverts back to Kenya Industrial Estates, there is no evidence of the land having reverted back to the organization. This situation is indicative of significant impairment on property and consequently, it is not possible to confirm whether the carrying values as stated in the financial statements reflect the fair values of the properties as at the balance sheet date

## **3. Provision For Bas and Doubtful Debts**

As disclosed in Note 5 to the financial statements, a provision of Kshs.6,452,193,000 has been made in respect of bad and doubtful debts out of which Kshs.5,658,467,000 relates to suspended interest on loans and mortgages while Kshs.727,317,000 relates to specific provisions on loans and mortgages and Kshs.65,409,000 on fixed deposits. There was no evidence of efforts made to realize the debts and no details of these debts were made available for audit. In the absence of proper explanations and supporting documentation, I am unable to give an opinion on the carrying value of bad debts provision of Kshs.6,451,193,000 and the reserves of Kshs.1,012,941,000 as reflected in the financial statements as at 30 June 2003.

## **4. Loans and Mortgage Loans**

As discussed in note 1(b), KIE changed its accounting policy in respect of its provisions for bad and doubtful debts. Loans outstanding as at 30 June 2003 amounted to Kshs.57,665,000 as compared to the balance of Kshs.1,058,558,000 at 30 June 2002. As reflected in Note 9(a) to the accounts, the loan balance as at 30 June 2002 amounted to Kshs.1,558,919,000 while the balance as at 30 June 2003 had increased to Kshs.6,182,373,000 which reflects an unexplained increase of Kshs.4,623,454,000. The new balance of Kshs.6,182,373,000 has then been reduced by Kshs.6,124,708,000, being provision of bad debts and suspended interest according to the new policy leaving a balance of Kshs.57,665,000 compared to the balance of



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Kshs.1,058,558,000 in the year ended 30 June 2002. Similarly, mortgage loans as at 30 June 2002 amounted to Kshs.205,045,000 compared to a balance of Kshs.278,199,000 as at 30 June 2003 thus showing an unexplained increase of Kshs.73,154,000 as reflected in Note 10 to the financial statements. Provision for bad debts of Kshs.215,416,000 have been made leaving a balance of Kshs.62,783,000 as shown in the Balance Sheet. In the absence of proper explanations and supporting documentation and as there were no further alternative procedures that could have been performed to satisfy myself as to the fair statement of loans and mortgages, I am unable to give an opinion on the carrying value of the loans and mortgages as reflected in the financial statements.

#### **5. Creditors Balance**

Creditors balance as disclosed in note 15 to the financial statements increased by Kshs.206,052,000 (608%) from Kshs.33,864,000 in 2002 to Kshs.239,916,000 as at 30 June 2003. Bulk of this increase is attributable to the differences between loan and mortgage control ledger and subsidiary ledger accounts totaling Kshs.166,096,000. The Company has not established what the difference between the two records represents. In the absence of proper explanations and supporting documentation, it is not possible to give an opinion on the carrying value of the creditors balance of Kshs.239,916,000 as reflected in the financial statements.

#### **Opinion**

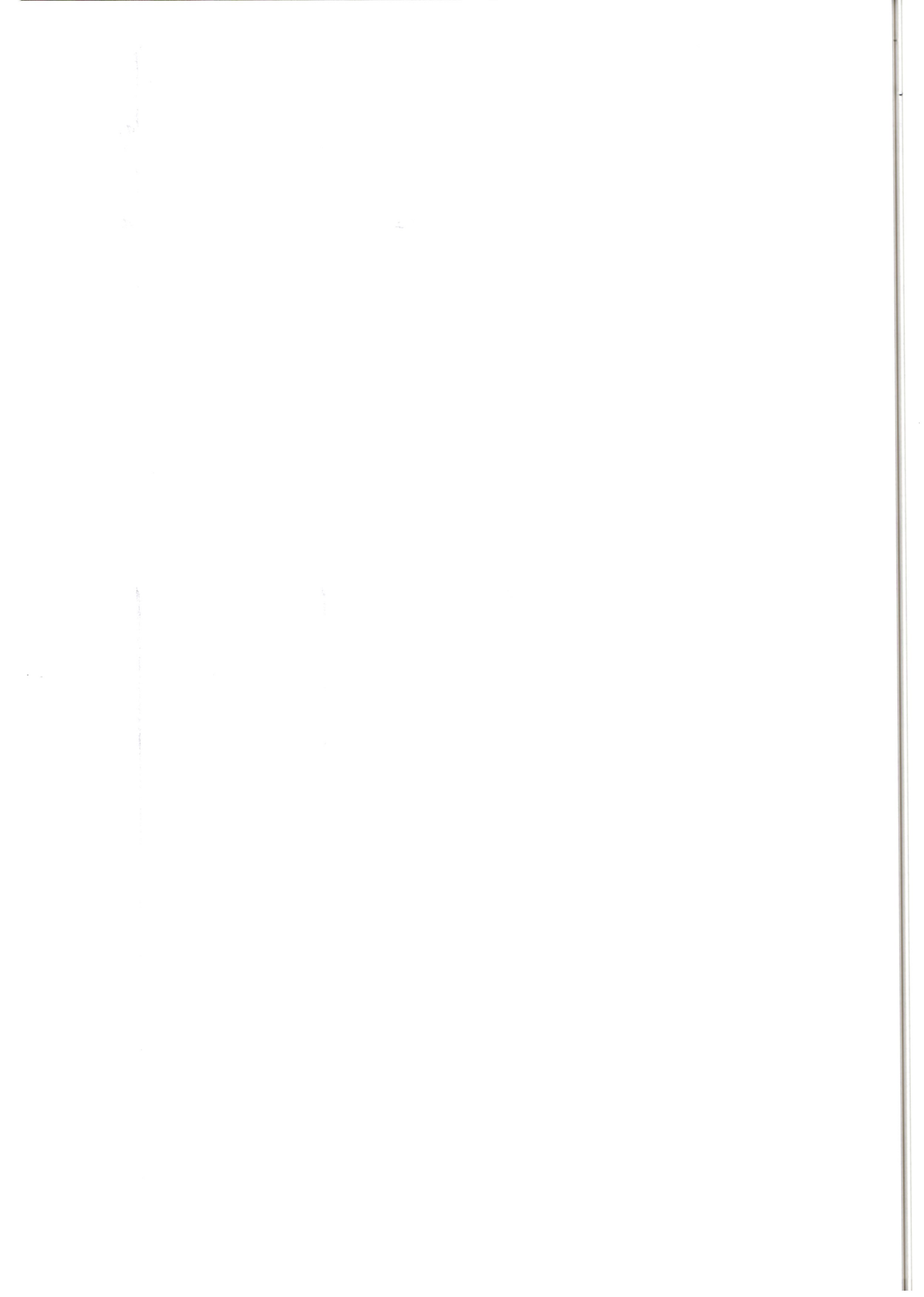
Subject to the foregoing reservations, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Company as at 30 June 2003 and of its loss and cash flows for the year then ended and comply with Companies Act, Cap 486 of the laws of Kenya.



**E.N. MWAI**  
**CONTROLLER AND AUDITOR GENERAL**

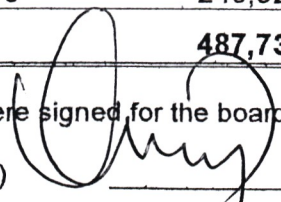
Nairobi

07 December 2005

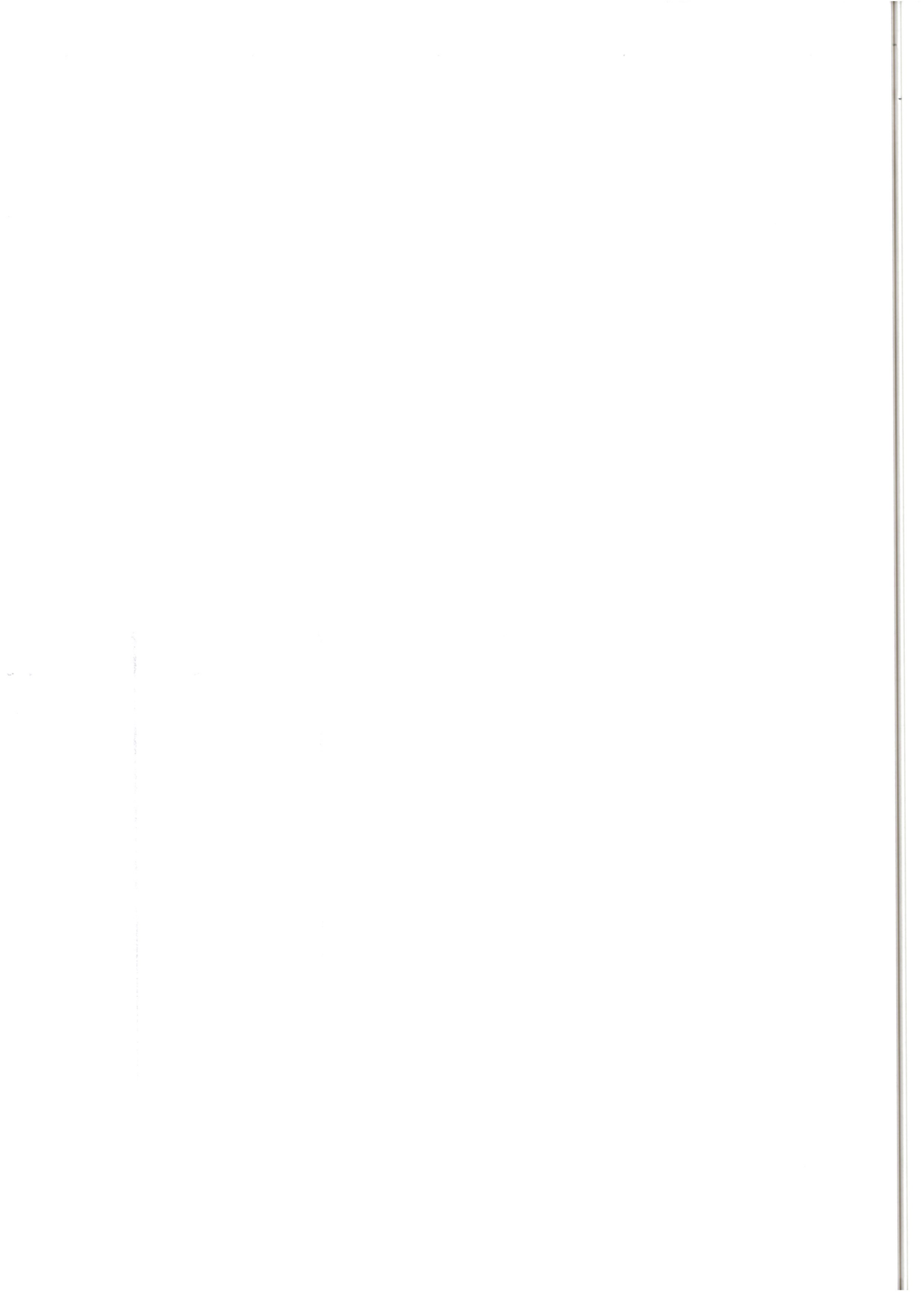


**KENYA INDUSTRIAL ESTATES LIMITED****BALANCE SHEET FOR THE YEAR ENDED 30TH JUNE 2003**

<b>ASSETS</b>	<b>Notes</b>	<b>Year 2003</b>	<b>Year 2002</b>
		<b>Kshs'000</b>	<b>Kshs'000</b>
Cash and Bank Balance		46,704	28,774
Time deposits	12	-	67,631
Debtors	11	87,607	57,859
Stock		1,188	575
Staff Loans	8	32,866	65,003
Mortgages	10	62,783	205,045
Loans	9(a)	57,665	1,058,558
Other Investments	9(b)	11,200	11,200
Property and Equipment	7	187,721	193,999
<b>Total Assets</b>		<b>487,734</b>	<b>1,688,644</b>
<b>LIABILITIES</b>			
Interest on Long Term Loans	17(l)	288,695	265,543
Bank Overdraft	12	-	3,422
Tax Payable		-	2,203
Creditors	15	239,916	33,864
Kenya Government Loans	17	223,535	206,151
External Loans	17	421,729	421,729
<b>Total Liabilities</b>		<b>1,173,875</b>	<b>932,912</b>
<b>Capital Resources</b>			
Share capital	13	80,277	80,277
Reserves	14	-1,012,941	436,010
Shareholders Funds		-932,664	516,287
Grants	16	246,523	239,445
<b>Total Liabilities, Grants and Shareholders Funds</b>		<b>487,734</b>	<b>1,688,644</b>

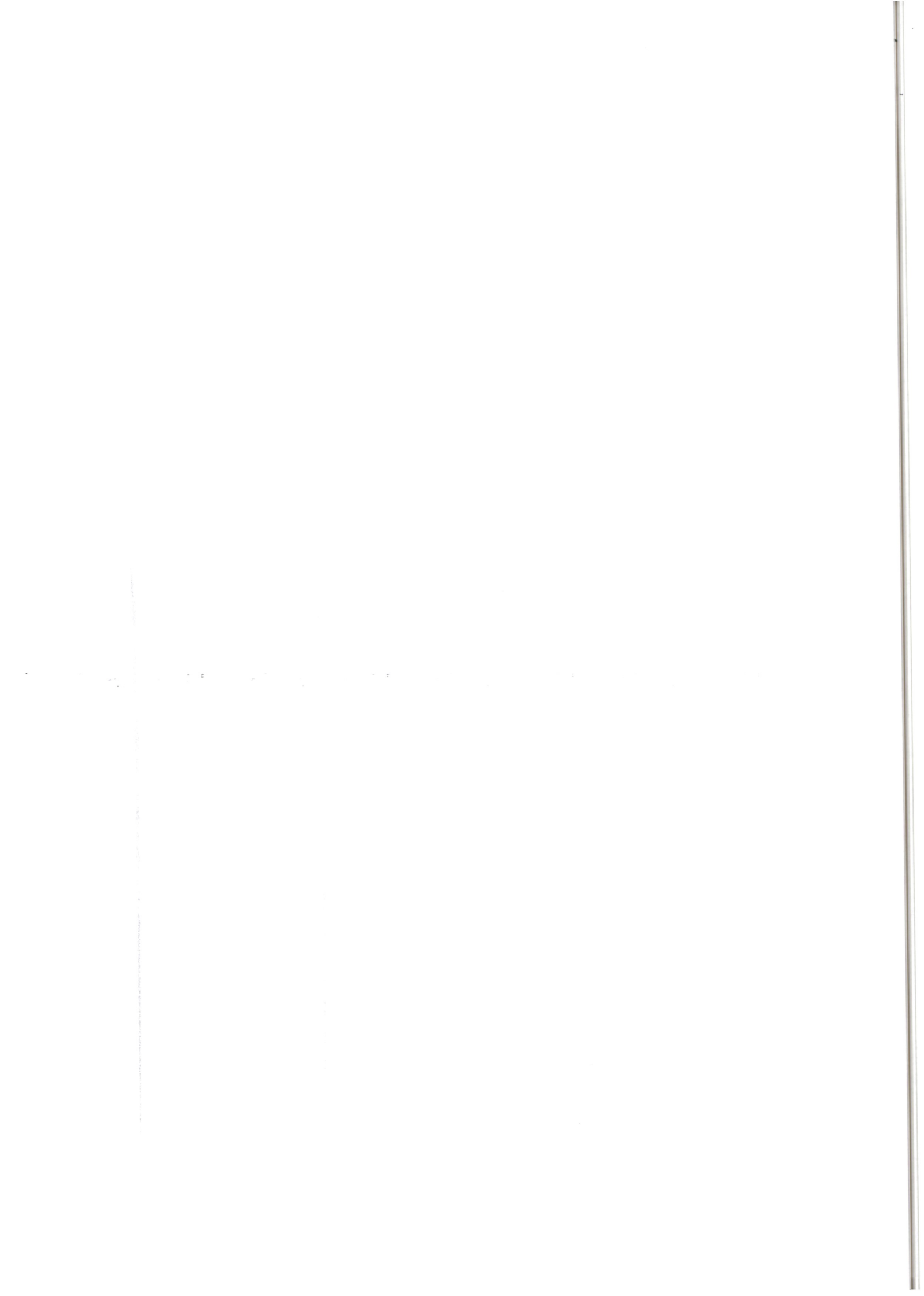
The Financial statements for the year 2002/2003 were signed for the board on  
16/01/06 by   
Maj. Gen. (Rtd) Barrack O. C. Onyango (Chairman)

Mr. Henry M. Mwaniki (Managing Director) 



**KENYA INDUSTRIAL ESTATES LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING 30TH JUNE 2003**

	Notes	Year 2003 Kshs'000	Year 2002 Kshs'000
INTEREST INCOME	2	-979,835	248,862
INTEREST EXPENSES	3	23,610	23,111
<b>NET INTEREST INCOME</b>		<b>-1,003,445</b>	<b>225,751</b>
Rent Income		8,206	2,873
Profit on asset disposal		-22	1377
Other income		4,134	5,237
<b>OPERATING INCOME</b>		<b>-991,127</b>	<b>235,238</b>
Operating Expenses	4	136,093	129,413
Provision for pending cases	18(d)	28,000	2,000
Operating Profit before provisions		-1,155,220	103,825
Provisions for bad debts	5	792,726	99,644
Profit/(Loss) before Tax		-1,947,946	4,181
Corporation Tax		-	1946
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>		<b>-1,947,946</b>	<b>2,235</b>
<b>EARNINGS/(LOSS) PER SHARE</b>	6	<b>-485.29</b>	<b>0.56</b>



**KENYA INDUSTRIAL ESTATES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30/6/2003**

**1. ACCOUNTING POLICIES**

a) The Financial Statements are prepared under the historical cost Convention and as per the requirements of the IAS.

**b) Provisioning and Interest Suspension**

In the year 2002/2003 we adopted the Central Bank prudential regulations on provision of bad and doubtful debts. Since they have not been applied in the past comparative figures will show major shifts in recognition and treatment of income and provisioning. Interest income for accounts in arrears over three months is suspended and specific loss is provided for all accounts over six months.

The interpretation of it is shown on note 5.

**c) Fixed Assets**

Leasehold land allocated by Kenya Government is stated at cost or professional valuation when such land value is capitalized. Other Fixed Assets are stated at cost with the exception of donated assets, which are stated at invoice value. The value of donated assets is credited to capital reserve.

**d) Depreciation**

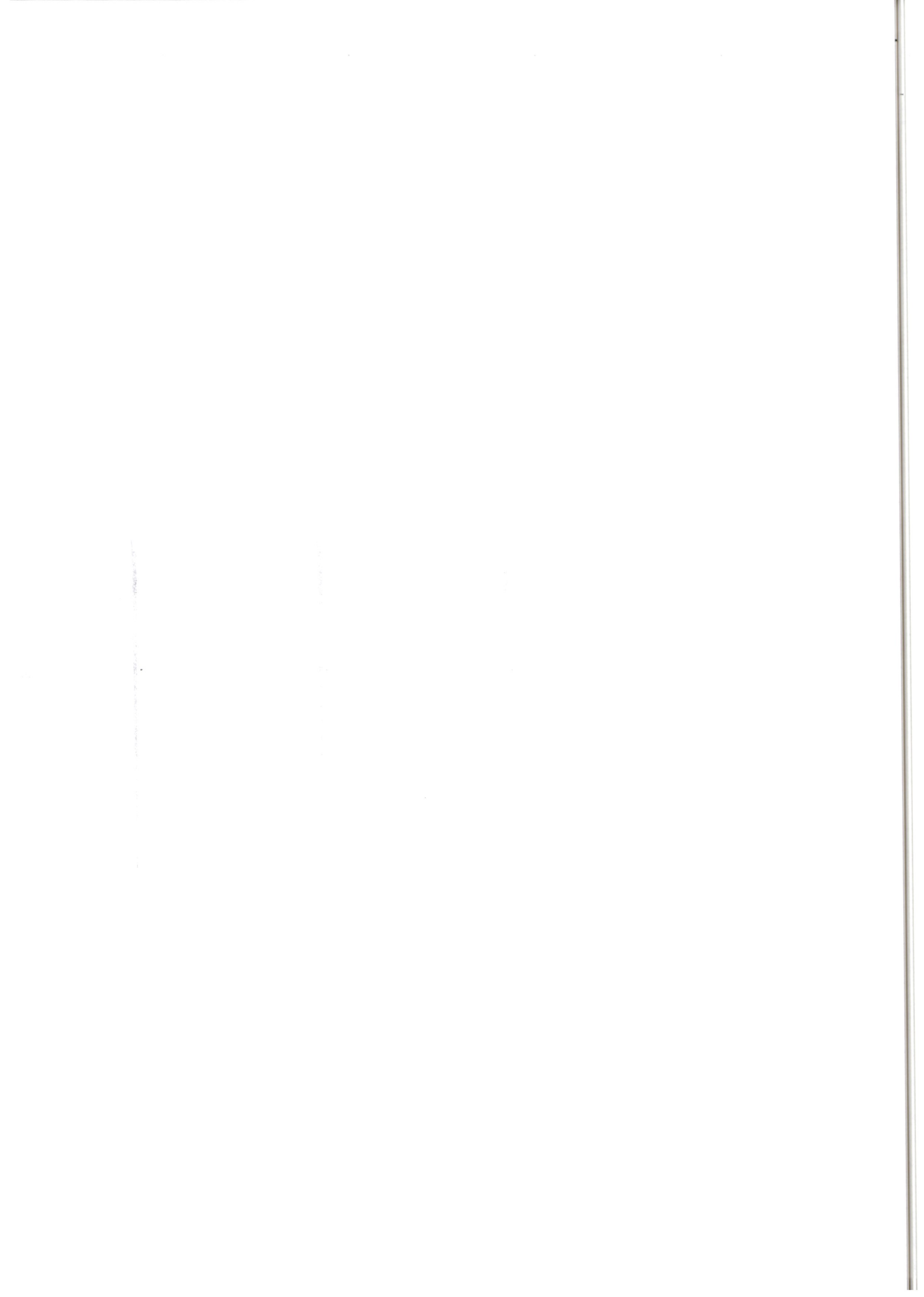
Leasehold land is written off in equal annual installments over the period of the lease. Other Fixed Assets are depreciated on the reducing balance basis to write off the cost of the assets over their expected useful life.

The annual rates of depreciation applied are as follows:

Building and improvements	2.5%
Plant Machinery and Tools	12.5%
Furniture Fittings and Office Equip	10.00 %
Computers	25.00% to be reviewed to 33.3% fro 1 <sup>st</sup> July 2003
Motor Vehicles	20.00%

**e) Stock**

Stock is stated at the lower of cost or net realization value.

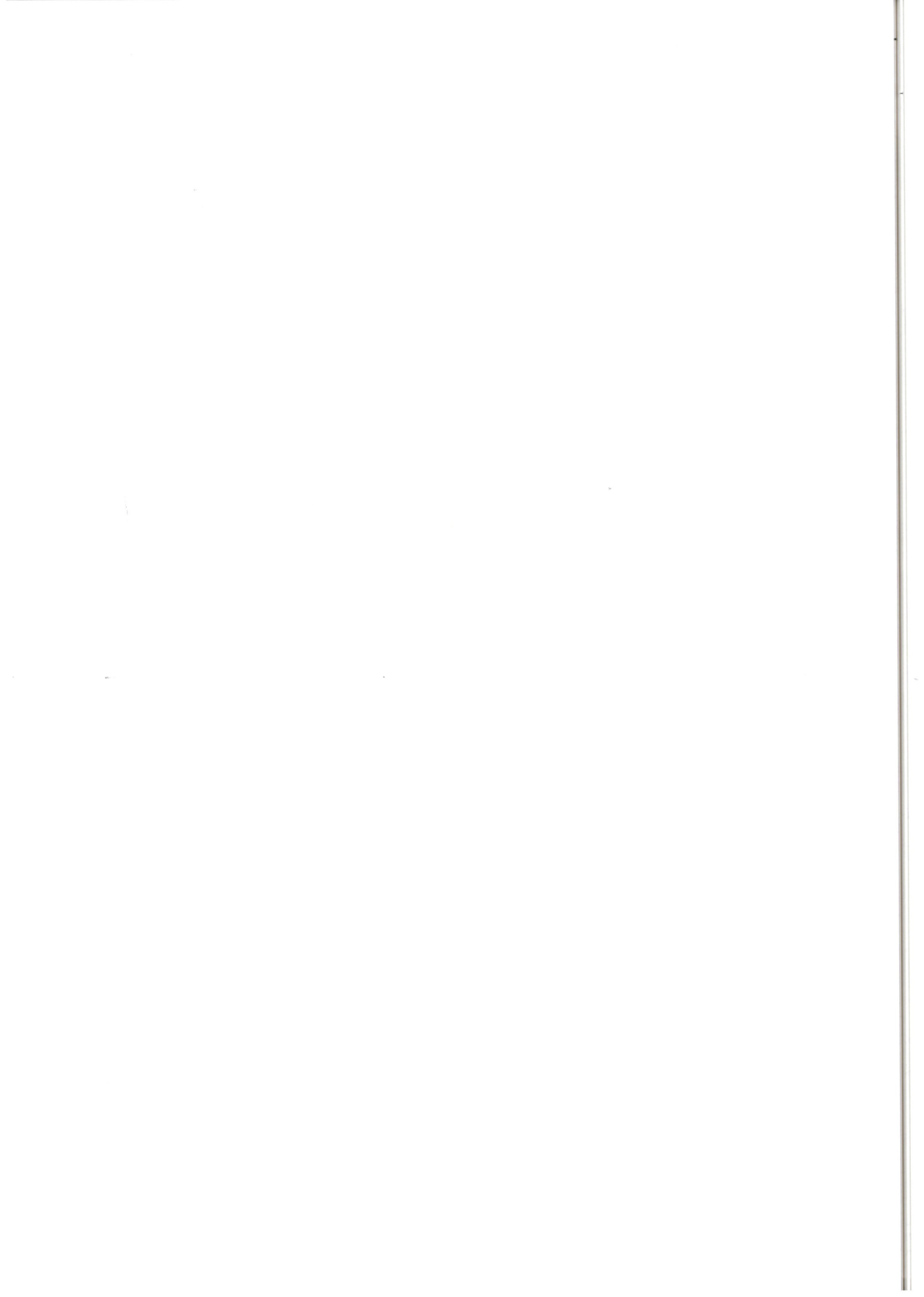


## 2. INTEREST INCOME

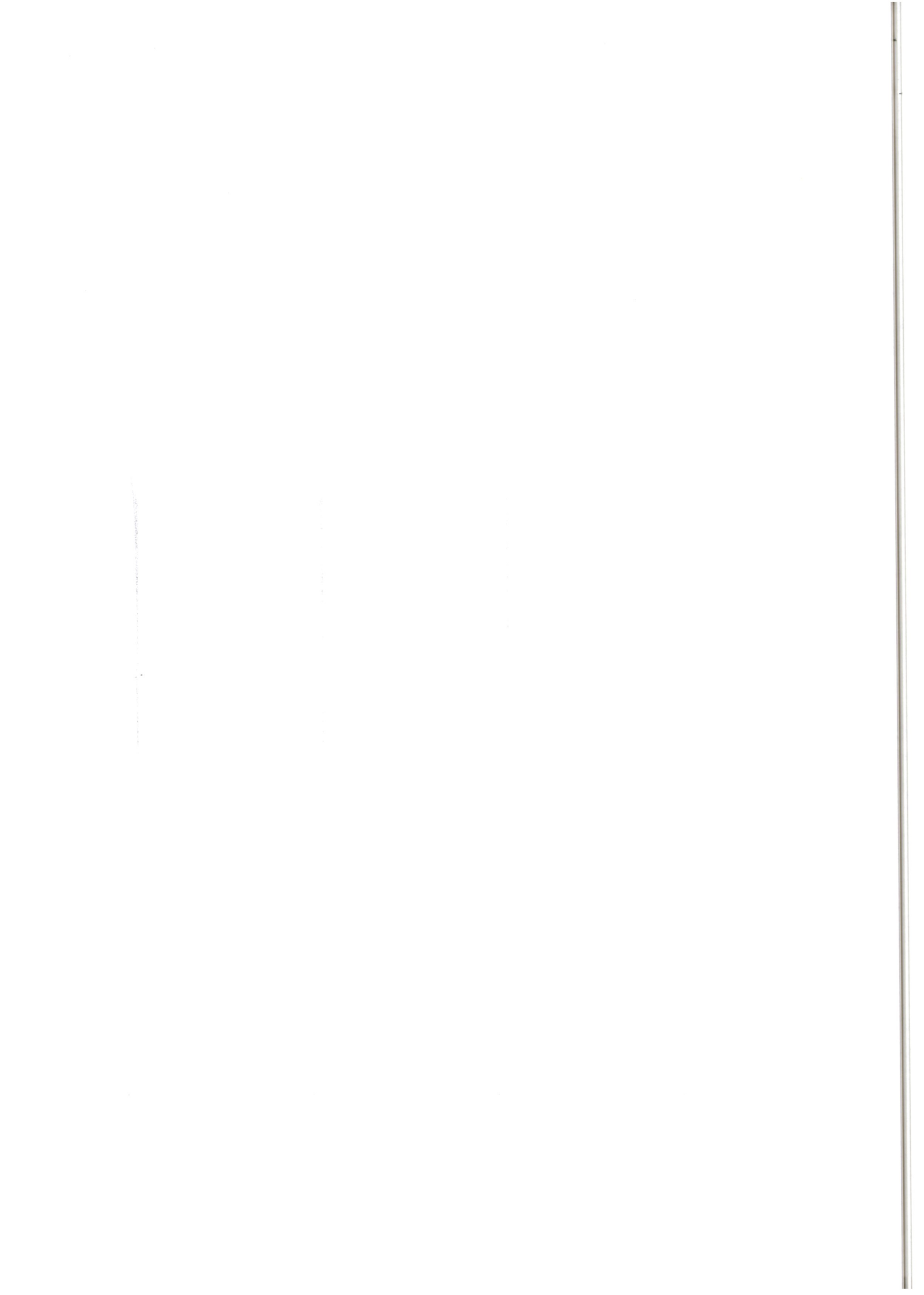
	<u>YEAR 2003</u>	<u>YEAR 2002</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
Loans	273,270	205,512
Mortgage	30,570	29,879
Staff home loan	16139 (15,020) 15020	12650
Staff car loan	(249.00) 1119	352
Current Account	24.00 24	36
Fixed deposits	467.00 467	433
Total Interest Income	320,470	248,862
Add: Prior years interest adjustments	4,358,162	-
	4,678,632	248,862
Less interest suspended	5,658,467	-
	<u>(979,835)</u>	<u>248,862</u>

## 3. INTEREST EXPENSES

	<u>YEAR 2003</u>	<u>YEAR 2002</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
GOK Loans	6,185	5,686
KFW Loans	5,576	5,576
IDA 1	2,871	2,871
IDA II	1,099	1,099
ADF Loan	7,543	7,543
Belgium	336	336
Total Interest Expenses	<u>23,610</u>	<u>23,111</u>



<b>4. OPERATING EXPENSES</b>		
	<b>2003</b>	<b>2002</b>
	<b>Kshs'000</b>	<b>Kshs'000</b>
Directors fees & expenses	798	364
Audit fees	400	400
Training expenses	971	973
Medical expenses	2,537	2,909
Salaries & Wages	73,698	73,594
Welfare expenses	538	438
NSSF Employer	458	327
Provident fund	1,190	3,543
Staff retrenchment	1,376	-
Pension Employer	3,356	3,592
Recruitment of personnel	3	-
Gratuity	118	-
Entertainment	99	73
Light, Water & Conservancy	1,111	898
Newspapers & Periodicals	407	466
Rent & Rates	1,879	1,449
Repairs & Maintenance	1,297	3,180
Subscription & Donations	597	671
BAS expenses	-	54
Travelling Expenses	6,644	5,026
Motor vehicle expense	4,125	5,624
Depreciation	6,455	7,380
General expenses	1,994	2,017
Security expenses	1,848	1,626
Bank charges	4,267	2,120
Communications	4,248	6,060
Printing & Stationary	1,506	1,878
Professional & legal fees	9,511	703
Show expenses	80	107
Advertisement	440	-925
Publication & promotion	48	21
Insurance	4,094	2,995
<b>Total</b>	<b>136,093</b>	<b>129,413</b>



## 5. PROVISIONS FOR BAD & DOUBTFUL DEBTS

During the year 2002/2003 the organization decided to adapt the banking regulations issued by the Central Bank on risk classification for loans and provisioning for bad and doubtful loans, using prudential guidelines ref. CBK/RG/10, NOV. 1990.

### Classification and Provisioning

<u>Category</u>	<u>Classification</u>	<u>Provisioning</u>
A	normal risk	general provision of 1%
B	watch	general provision of 1%
C	sub-standard	all interest not received is suspended
D	doubtful	provision on total amount in full, net of interest suspended and realizable value of security
E	loss	Provision on total amount in full, net of net of interest suspended and realizable value of security

<u>Type of provision</u>	<u>Loans</u>	<u>Mortgages</u>	<u>Staff</u>	<u>Fixed Deposits</u>	<u>Total</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>
General Provision	173	59	-	-	232
Specific Provision	655,971	25,455	45,659	65,409	792,494
Total Provision	656,144	25,514	45,659	65,409	792,726
Suspended interest	5,468,565	189,902			5,658,467
Total	6,124,709	215,416	45,659	65,409	6,451,193

## 6 EARNINGS PER SHARE

Earnings per share are calculated on the loss attributed to share holders of Kshs. 1,947.946 million and the issued shares outstanding during the period.

### Earnings per share

	<u>YEAR 2003</u>	<u>YEAR 2002</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
Net profit/(loss) for they year	(1,947,946)	2,235
No. of shares 4,013,865 @ 20/=	80,277	80,277
Earning per share	(485.29)	0.56



## 7. FIXED ASSETS 2002/2003

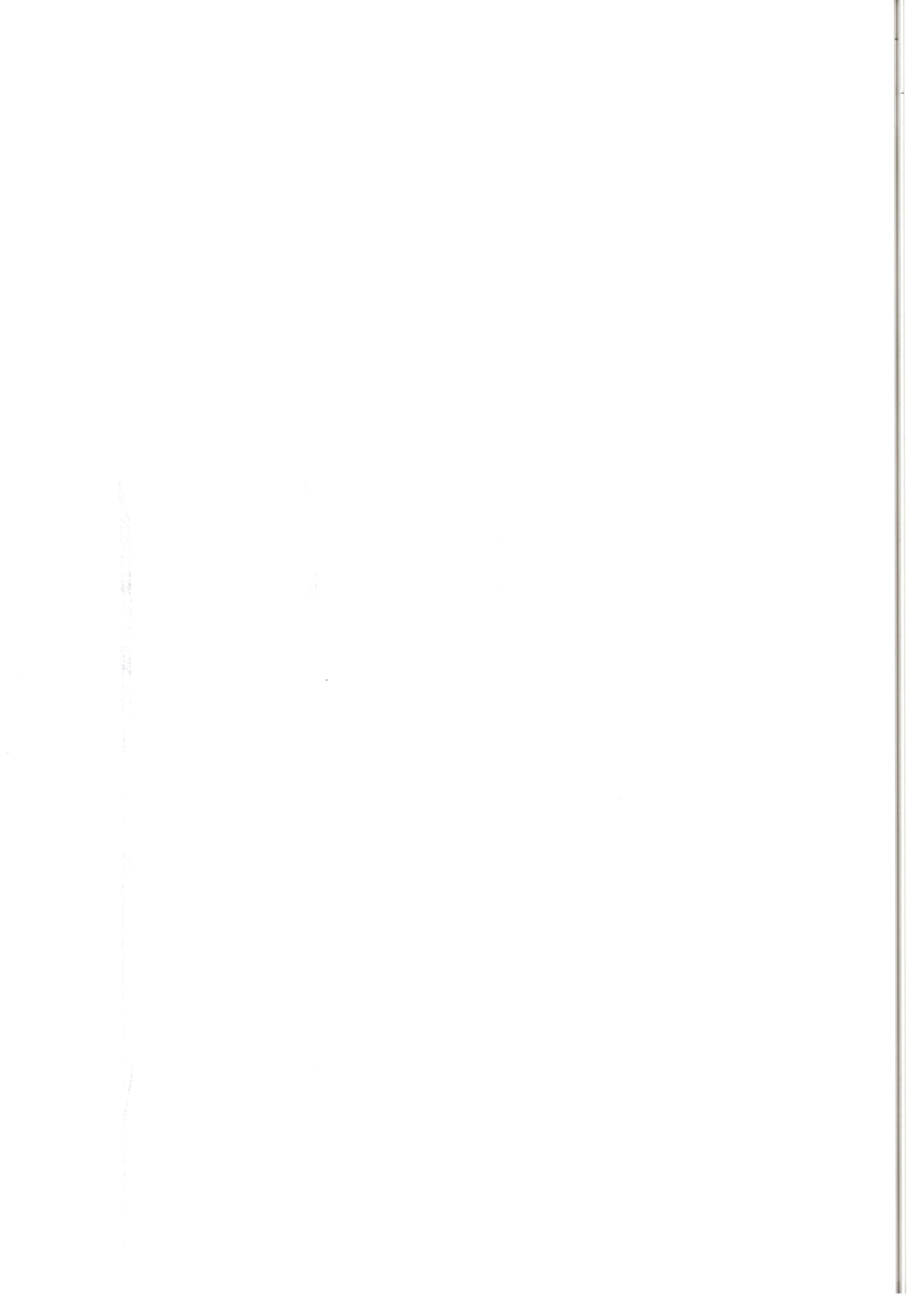
							Kshs'000
	Leasehold Land & Buildings	Plant & Machinery	Office Equipment	Furniture & Fitting	Motor Vehicles	Motor Bikes	Totals
As at 1/07/2002	203,086	583	31,320	9,916	18,820	2,789	266,514
Additions	110	-	1,301	-	-	-	1,411
Disposals	-	-	1,008	-	-	285	1,293
As at 30/6/2003	203,196	583	31,613	9,916	18,820	2,504	266,632
<b>DEPRECIATION</b>							
As at 1/07/2002	30,138	583	18,098	8,024	13,461	2,455	72,759
Charge for Year	3,461	-	1,625	237	1,072	60	6,455
Eliminated on Disposal	-	-	52	-	-	251	303
As at 30/6/2003	33,599	583	19,671	8,261	14,533	2,264	78,911
<b>Net Book Value</b>							
As at 30/6/2003	169,597	-	11,942	1,651	4,287	240	187,721
As at 30/6/2002	172,948	-	13,222	1,892	5,359	334	193,755

## 8. STAFF LOANS

Staff loans are arrived at after netting off those loans that are unlikely to be collected, which relate to former staff. Former MD's house is shown after adjusting for the value of the security given.

These loans are secured and bear rates of 6% with exception of the former Managing Director's house whose loan interest rate of 20% per annum is charged. House loans are payable within 10 and 20 years and car loans within two (2) and Seven (7) years.

	2003	2002
	Kshs'000	Kshs'000
House Loans	75,615	60,755
Car Loans	2,910	4,248
Total	78,525	65,003
Less: Provision for bad debts	45,659	-
Net balance	32,866	65,003



9. (a) Loans

The table below shows the net loan balance after suspension of interest for all accounts categorized as sub-standard, doubtful and loss accounts. These accounts are in arrears over six months. An additional specific provision is made for all accounts in arrears for period exceeding nine months. General provision is 1 % of loan balance for accounts in arrears for three months or less.

	Year 2003	Year 2002
	Kshs'000	Kshs'000
Loan balance	6,182,373	1,558,919
Specific Provision	-655,971	-
Suspended interest	-5,468,564	-
General provision	-173	-500,361
Net Asset	57,665	1,058,558

9.(b) Investment In Consolidated bank Limited

			Year 2003	Year 2002
			Kshs'000	Kshs'000
Value of Shares			11,200	11,200
<b>Made Up of</b>	<b>Shares Held</b>	<b>Proportion of Total paid</b>	<b>Kshs'000</b>	<b>Kshs'000</b>
	a) 440,000 non-cumulative Preference shares of Kshs.20/= each	1.22%	8,800	8,800
	b) 120,000 Ordinary shares of Kshs 20/= each	0.60%	2,400	2,400
<b>Total nominal value</b>			11,200	11,200



### 10. MORTGAGE

These are Industrial Sheds sold to entrepreneurs where 10% of the purchase price was paid as down payment and the balance is repaid over a period of 20 years at an interest rate of 25% per annum. Repossessed sheds are held as fixed assets in the books at their repossessed values until they are revalued.

Mortgages	Year 2003	Year 2002
	Kshs'000	Kshs'000
Mortgage loan	278,199	205,045
Specific Provision	-25,455	-
Suspended interest	-189,902	-
General provision	-59	-
<b>Net mortgages</b>	<b>62,783</b>	<b>205,045</b>

### 11. DEBTORS

Debtors	2003	2002
	Kshs'000	Kshs'000
Debtors	136,525	106,777
Less: Provision	48,918	48,918
<b>Balance</b>	<b>87,607</b>	<b>57,859</b>

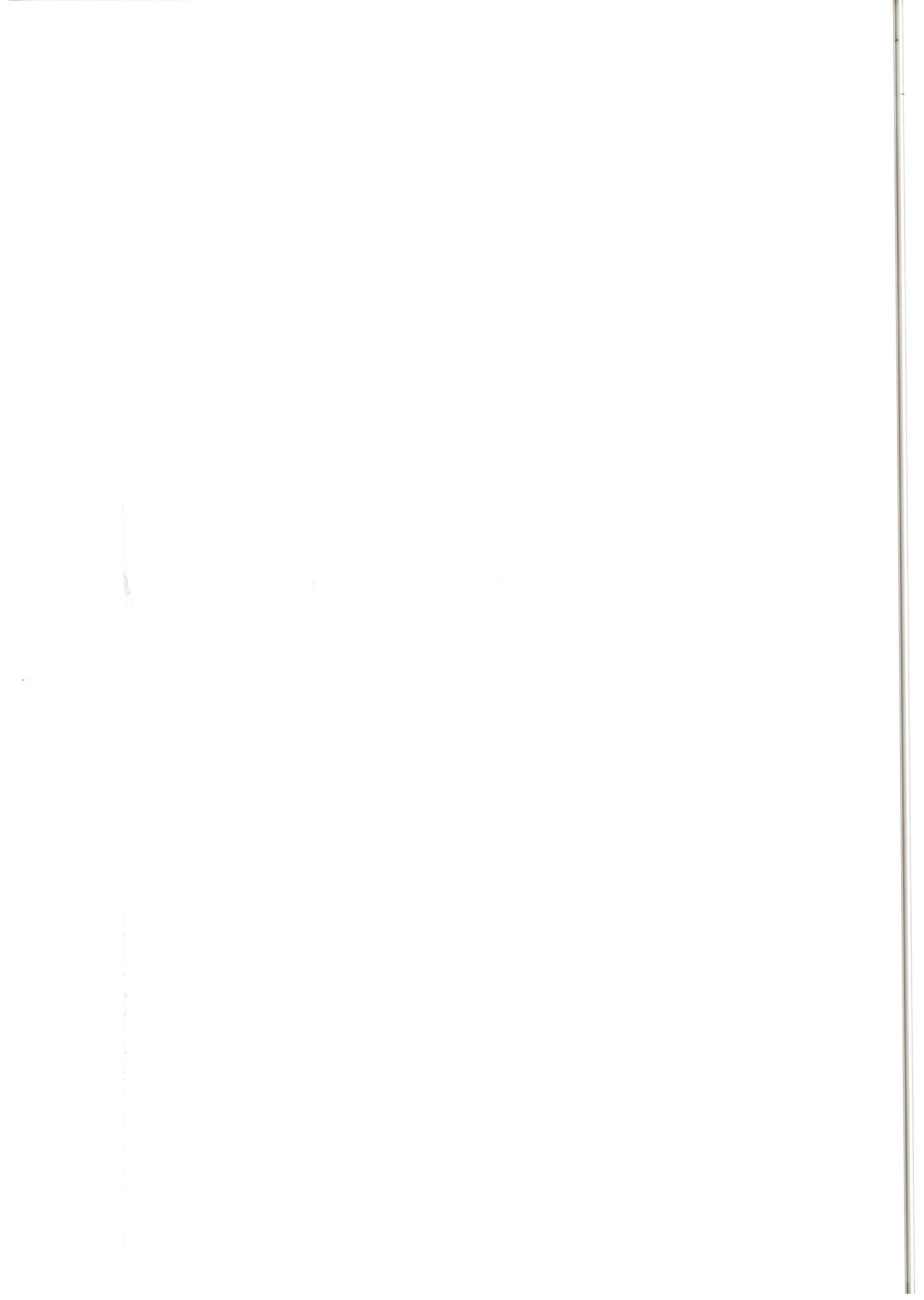
### 12. TIME DEPOSITS

#### a) Pioneer Building Society

	Rate Period		Kshs'000
Nairobi Branch	15%	Call	240
	14.5	Call	5,870
	14	Call	5,371
Total			11,481
Less Repayments			4,039
			7,442
Less Provision			7,442
			-

#### b)Cosmopolitan Building Society

Nairobi Branch	13%	Call	2000
	13	Call	2000
	20.5	Call	12
Total			4012
Less Provision			4012
			-

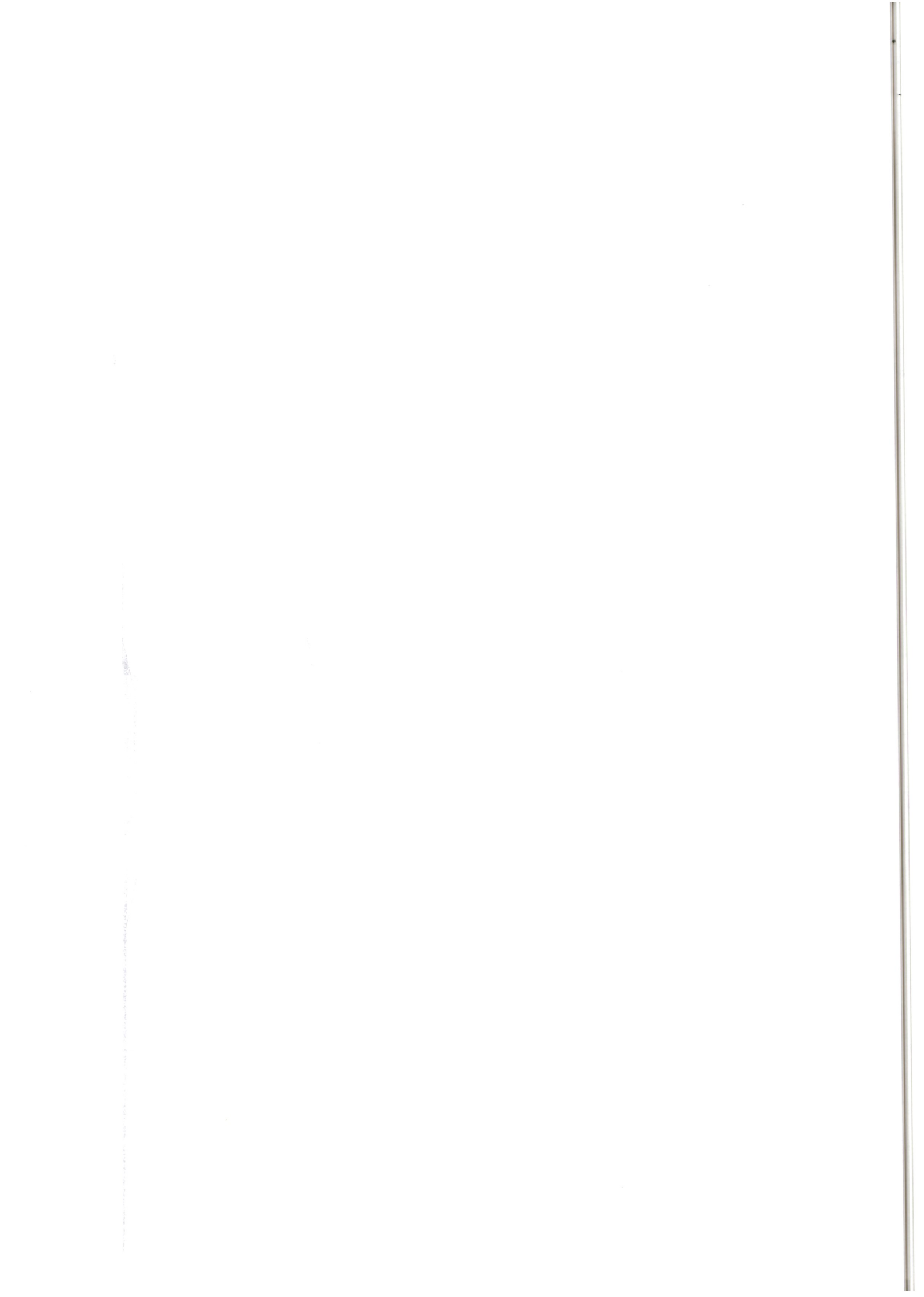


**c) Thabiti Finance Co Ltd**

			Kshs'000
Nairobi Branch	22%	Call	2,000
	20.5	Call	3,928
Total			5,928
Dividend paid capitalized 5/6/1998			-500
Dividend paid June 2000			-1,200
			4,228
Less Provision			-4,228
			-

**d) Continental Credit Finance Ltd.**

	Branch	Term	FDR NO	Kshs'000
Nairobi Branch		14.5% Call	A.008829	5,745
		14.5% Call	A.008830	1,651
		14.5% Call	8848	2,612
		13% Call	8835	1,666
		14.5% Call	8843	2,590
		13% Call	8834	1,000
		14.75% Call	8845	2,148
		14% Call	8844	2,070
		14% Call	8837	3,109
		14.5% Call	8852	752
		14.5% Call	8849	2,000
		14.5% Call	8836	1,150
		14% Call	8846	5,000
		14.5% Call	8853	4,108
		14% Call	8839	5,716
		14.5% Call	8842	4,786
		14.5% Call	8851	3,745
		14.5% Call	8850	4,000
		14.5% Call	8839	3,877
		14% Call	8840	2,164
		14% Call	8841	2,239
		14.5% Call	8832	156
		14.5% Call	8831	339
		14.5% Call	8847	3,110
		13% Call	A.008827	472
		14.5% Call	a.008828	5,266
		14.5% Call	8833	123
Total				71,594
Repayment				-1,800



Dividend paid	-16,391
	53,403
Less Bank Overdraft	-3,422
Less Provision for bad debts	-49,981
	<u>          </u>

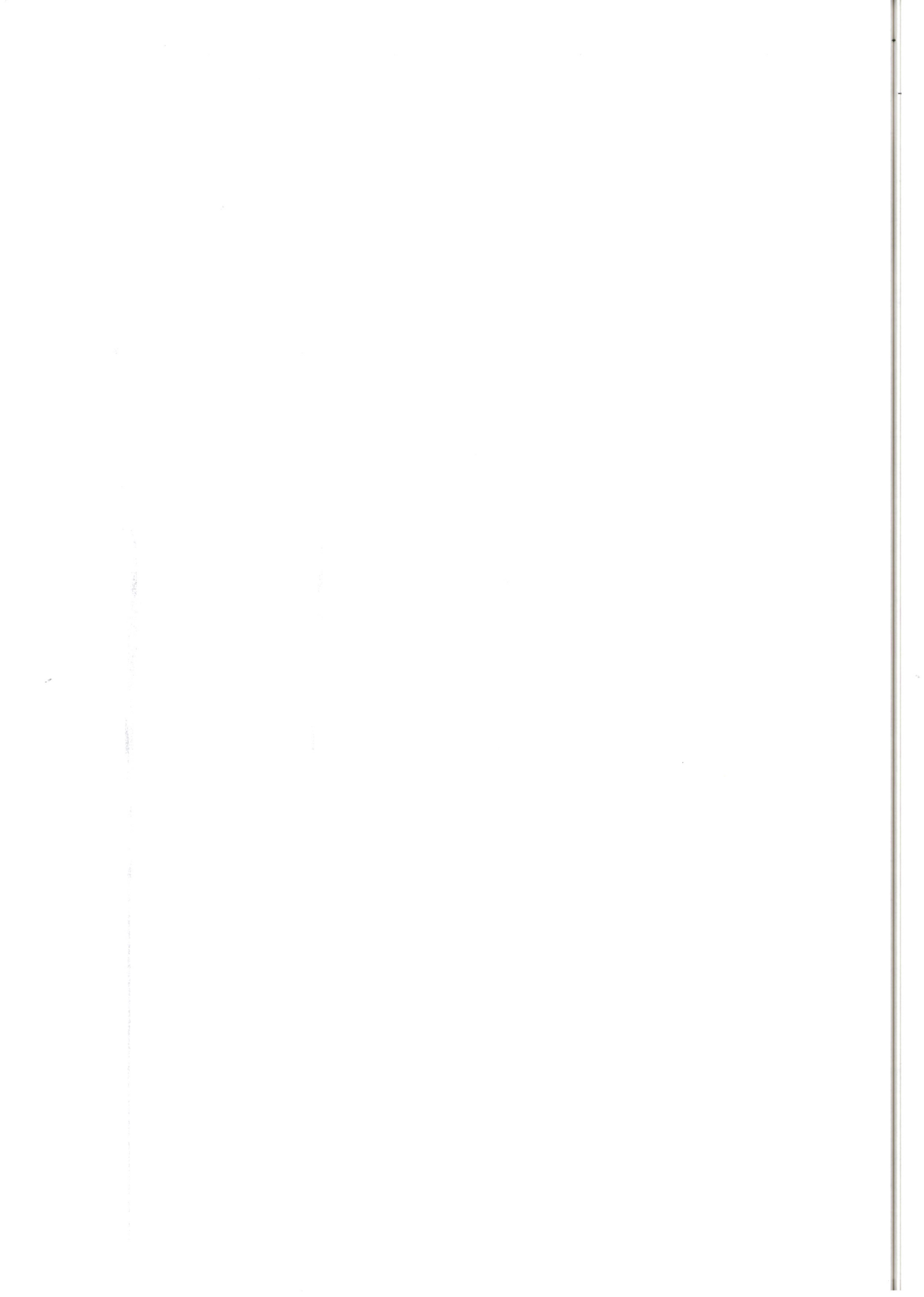
**Summary**

	<u>2003</u>	<u>2002</u>
	<u>Kshs'000</u>	<u>Kshs'000</u>
Total Fixed Deposits	68,831	80,285
Add Accrued interest	-	-
Total FTD and interest	68,831	80,285
Less Bank Overdraft	-3,422	-
Less Provision for Principal debt	-65,409	-11,454
Less Provision for Accrued interest	-	-
	<u>          </u>	<u>68,831</u>

- e) Bank overdraft of Kshs. 3,421,918.20 is from Continental Bank Ltd, which is under receivership. A set off against the fixed deposit is expected. Provision on FDR with Continental Credit Finance Company Ltd has been made. We have a commitment from the Management of the Continental Credit Company that they will base the interest on the overdraft over and above the interest they were offering on the O. D. The two were related companies.

**13. SHARE CAPITAL**

	<b>Year 2003</b>	<b>Year 2002</b>
	<b>Kshs'000</b>	<b>Kshs'000</b>
Authorized share capital. No of shares 10,000,000 @ Kshs.20.00 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid .No of shares 4,013,865 @ Kshs.20.00 each	<u>80,277</u>	<u>80,277</u>

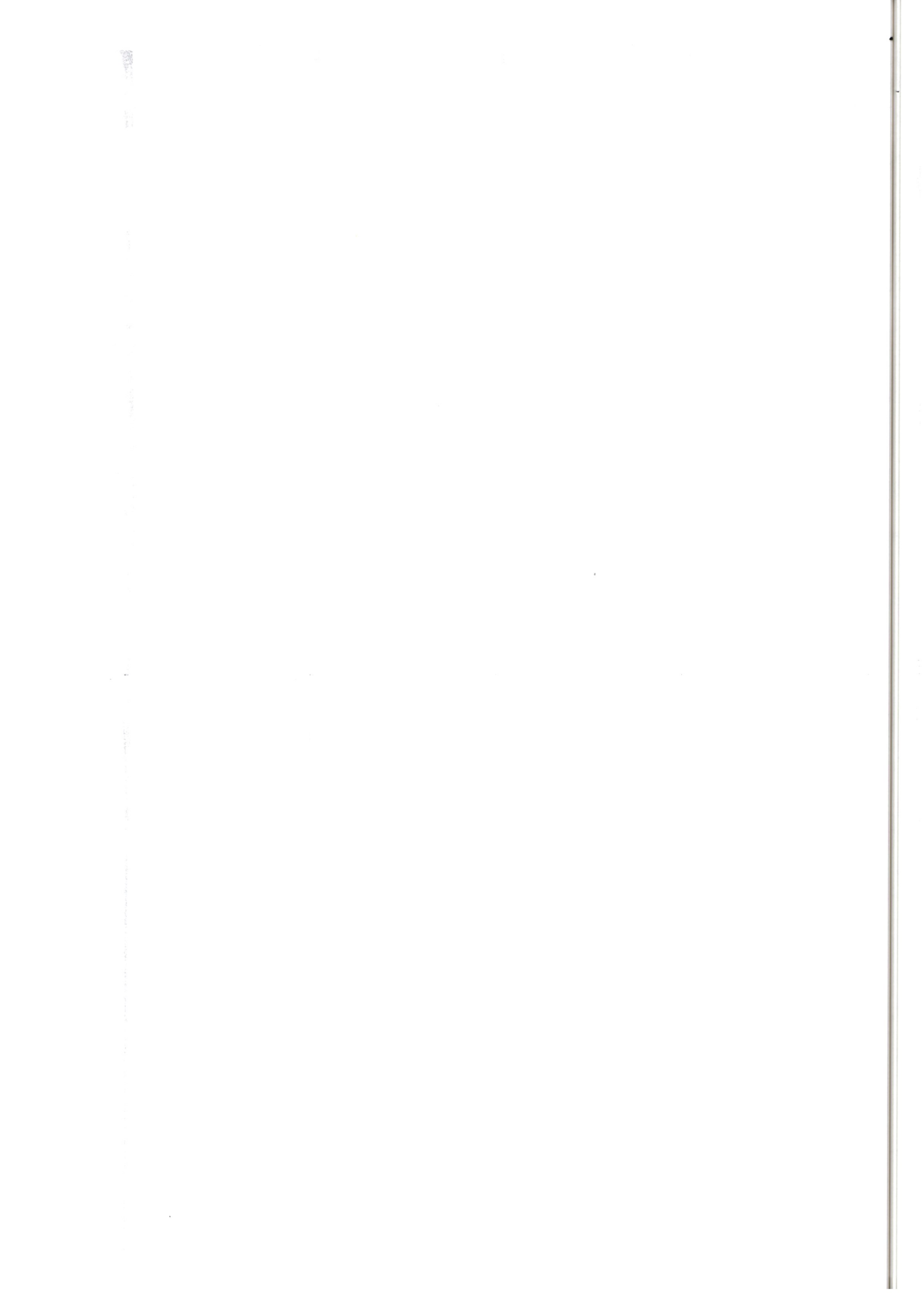


**14. (a) RESERVES**

Type of Reserve	YEAR 2003	YEAR 2002
	Kshs'000	Kshs'000
Capital Reserves	22,523	22,525
Revaluation Reserves	153,571	153,570
Retained Profit	-1,442,685	6,973
GOK Irredeemable Loans	190,257	190,257
Profit on sale of sheds	63,393	62,685
<b>Total</b>	<b>-1,012,941</b>	<b>436,010</b>
<b>14. (b) RETAINED PROFIT</b>		
	YEAR 2003	YEAR 2002
	Kshs'000	Kshs'000
Net profit/Loss	-1,947,946	2235
Retained Profit	512,418	4,809
Prior period Adjustment	-7,157	-71
	<b>-1,442,685</b>	<b>6,973</b>

**15. CREDITORS**

	Year 2003	Year 2002
	Kshs'000	Kshs'000
Creditors	211,916	31,864
Provision for pending cases	28,000	2,000
<b>Total</b>	<b>239,916</b>	<b>33,864</b>



## 16. GRANTS

### a. Norwegian Government

	2003 shs.'000	2002 Kshs.'000
Opening balance 1 <sup>st</sup> July 2002	146,040	146,040

Under the terms of this grant interest earned on the deposit and part of the interest earned on disbursed funds is credited to the revolving fund. None was accrued this year.

### b. E.E.C Grant

	2003 Kshs.'000	2002 Kshs.'000
Opening balance 1 <sup>st</sup> July 2002	1,857	1,857

Under the terms of this grant, 3% of the interest earned on disbursed funds is credited to the revolving fund. None was accrued this year.

### c. G.T.Z Grant for ISL

	2003 Kshs.'000	2002 Kshs.'000
Opening balance 1 <sup>st</sup> July 2002	17,594	17,594

Under the terms of this grant, the excess of administration expenses over income earned out of financing from grant is withdrawn from the revolving fund and credited to the Income Account and subsidy.

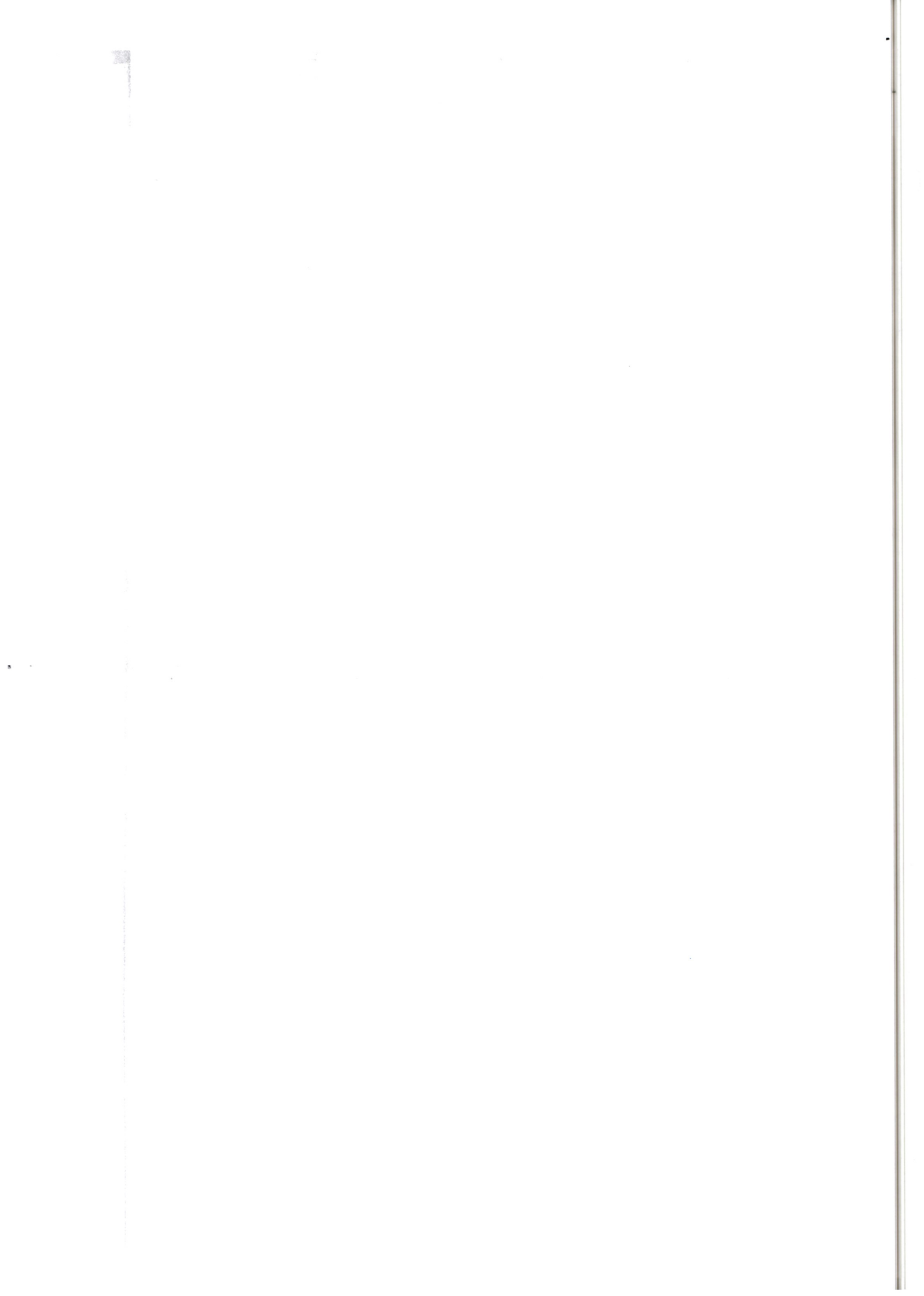
### d. GTZ Financing Grant

	2003 Kshs.'000	2002 Kshs.'000
Opening balance 1 <sup>st</sup> July 2002	4,385	4,385

Under the terms of this grant the amount utilized for development of prototypes for Renewal Energy is treated as subsidy and withdrawn from the grant. There were no developments of the Prototypes for Renewal Energy in the current year.

### e. KFW Grant for Informal Sector Loans

	2003 Kshs.'000	2002 Kshs.'000
Opening balance 1 <sup>st</sup> July 2002	72,943	72,943



**f. GTZ Co-operation Fund**

	2003 Kshs.'000	2002 Kshs.'000
Opening balance 1 <sup>st</sup> July 2002	3,705	3,705

**g. Summary of Grants**

	2003 Kshs.'000	2002 Kshs.'000
Norwegian Government	146,040	146,040
EEC Grant	1,856	1,856
GTZ Grant for ISL	17,594	17,594
GTZ Rep. Financing Grant	4,385	4,385
KFW Grant for ISL Loans	72,943	72,943
GTZ Co-operation Fund	3,705	3,705
<b>Total</b>	<b>246,523</b>	<b>246,523</b>

**17. EXTERNAL LOANS**

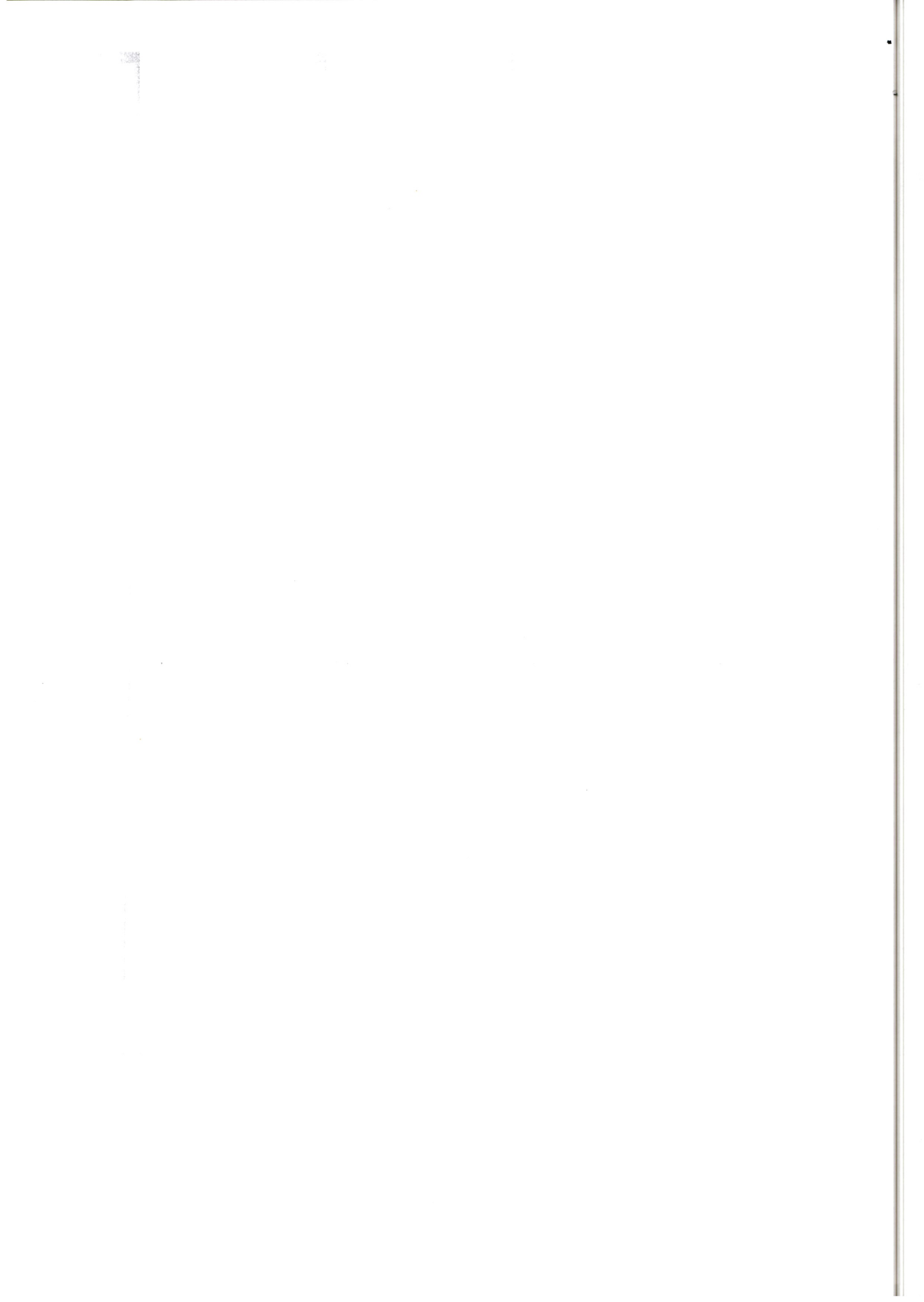
**a) GOK Irredeemable Loans**

The amount of Kshs. 190,257,000/= includes the book value of Kshs. 137,900,000/= of Industrial Sheds constructed as at 30<sup>th</sup> June, 1985 from Government of Kenya Loans up to 30<sup>th</sup> June 1985. These loans are irredeemable subordinate to equity and bear no interest. These are included as part of reserves. They were part of the restructuring done on that date.

**b) Kenya Government Loans**

	2003 shs.'000	2002 Kshs.'000
Opening balance 1 <sup>st</sup> July 2002	206,151	187,151
Received during the year	18,400	19,000
Repayment	1,016	-
<b>Balance 30<sup>th</sup> June 2003</b>	<b>223,35</b>	<b>206,151</b>

The loans carry interest of 3% per annum payable to the Treasury on 31<sup>st</sup> December and 30<sup>th</sup> June each year commencing from July 1984 and are included as part of accrued interest on long Terms Loans.



**c) IDA Loans**

	<b>2003</b> shs.'000	<b>2002</b> Kshs.'000
Opening balance 1 <sup>st</sup> July 2002	47,849	47,849
Received during the year	-	-
Repayment	-	-
Balance 30 <sup>th</sup> June 2003	47,849	47,849

**d) IDA II (1738-KE)**

	<b>2003</b> Kshs.'000	<b>2002</b> Kshs.'000
Opening balance 1 <sup>st</sup> July 2002	18,321	18,321
Received during the year	0	0
Repayment due- current liabilities	9,649	8,428
Balance 30 <sup>th</sup> June 2003	8,672	9,893

Interest on these loans is computed at 6% per annum and payable half yearly. IDA I Loan is payable through the Government of Kenya over 15 years with effect from 1<sup>st</sup> July 1985. Repayment of IDA II Loan Commenced from 15<sup>th</sup> August 1995.

**e) Development Loan Co-operation (KFW or West Germany)**

	<b>2003</b> Kshs.'000	<b>2002</b> Kshs.'000
Opening balance 1 <sup>st</sup> July 2002	92,935	92,935
Received during the year	-	-
Repayment due- current liabilities	92,935	92,935
Balance 30 <sup>th</sup> June 2003	-	-

They relates to amount disbursed by KFW up to 10<sup>th</sup> June 1989 in respect of the approved and finance projects in accordance with the terms of the agreement dated 26<sup>th</sup> March 1974 between Kenya Government and KFW. Interest on this loan is computed at the rate of 6% per annum and payable half yearly. This loan was repayable through the government of Kenya over 15 years with effect from 1<sup>st</sup> July 1985.

The exchange risk in respect of borrowings in US Dollars and SDRs from IDA and Deutsche Marks from KFW is borne by the Government of Kenya.



f) African Development Bank (ADF)

	2003 shs.'000	2002 Kshs.'000
Opening balance 1 <sup>st</sup> July 2002	251,424	251,424
Received during the year	-	-
Repayment due- current liabilities	99,733	82,971
Balance 30 <sup>th</sup> June 2003	157,691	168,453

This loan carries an interest rate of 3% per annum and repayable through the Government of Kenya over 15 years period with effect from 1/7/97.

g) Belgium Loan

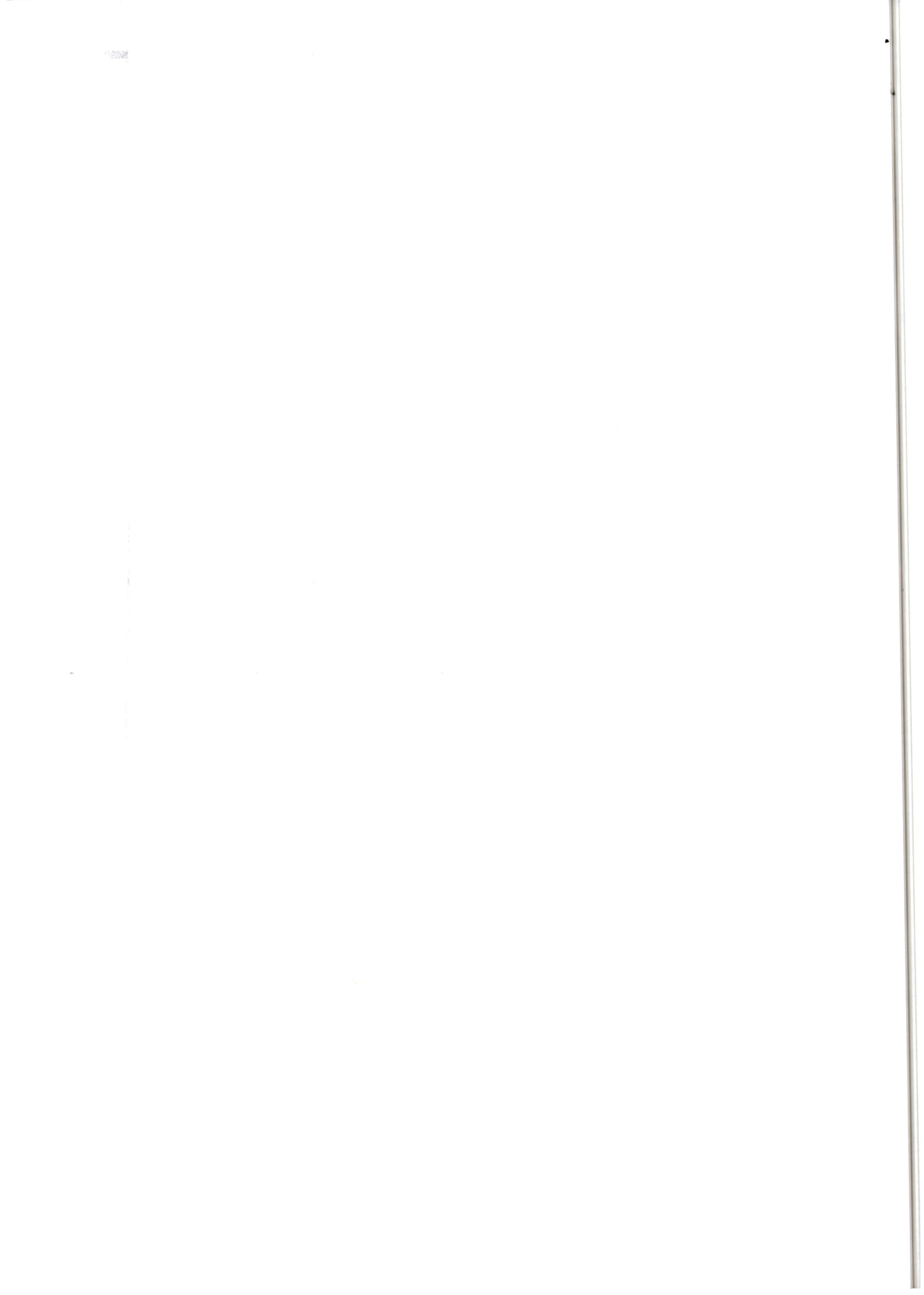
	2003 Kshs.'000	2002 Kshs.'000
Opening balance 1 <sup>st</sup> July 2003	11,200	11,200
Received during the year	0	0
Repayment due- current liabilities	0	0
Balance 30 <sup>th</sup> June 2003	11,200	11,200

The loan carries an interest rate of 3% per annum payable to the Government of Kenya.

h. Summary of External and GOK Loans

Institution	Loans due Kshs'000	Principal Kshs'000	Total 2003 Kshs'000	Cumulative Interest to 30.06.2003 Kshs'000	Total 2002 Kshs'000	Cumulative Interest to 30.06.2002 Kshs'000
IDA 1 Loan	47,849	-	47,849	43,678	47,849	38,561
IDA 11 Loan	9,649	8,672	18,321	20,583	18,321	17,712
KFW Loan	92,935	-	92,935	89,346	92,935	88,247
ADF loan	99,733	151,691	251,424	72,284	251,424	64,741
Belgium Loan	-	11,200	11,200	3,038	11,200	2,702
GoK Loans	223,535	-	223,535	59,766	206,151	53,580
	473,701	171,563	645,264	288,695	627,880	265,543

i. Interest on external loans comprises interest on Government of Kenya loans of Kshs.59,765,399.09 and other financiers Kshs.228,929,770.29 as at 30<sup>th</sup> June 2003.



## 18. CONTINGENT LIABILITIES

These comprise :

### A. Bank overdraft

The company may be required to pay interest on the Bank Overdraft of Kshs.3.422 million with Continental Bank. This interest is expected to accrue from the date the Bank was placed under official Receivership. However, we had been assured in writing at the time of receiving the overdraft that any interest accrued in excess of the interest we were receiving on our deposit would be borne by the Continental Credit Finance, with whom we had placed the deposit. Both were related Institutions.

### B. Corporation Tax

This exists for the Financial Years 1997 and 1998 where the company has filed a section 90 appeal against self-assessment. There is also a likelihood of tax charges against self-assessment tax due of Kshs. 7,816,201.00.

### C. Receiverships

There are projects under receiverships Whose outcome appear doubtful, claims against the receiver managers may arise in future, it is however not possible to quantify the amount.

### D. Pending legal cases.

There are pending legal cases whose outcome is unknown. Some of the advocates have not forwarded their bills but some of the legal costs will be borne by the clients through debiting their accounts, an amount of kshs.8,026,467.50 has been accrued in the accounts, however, a further Kshs.28 million contingent is provided for cases lodged against us, they are being vigorously defended, however there is a likelihood some of them being decided against the company.

### E. Mortgages

There are cases of disputed ownership of industrial sheds in certain stations, where titles were obtained fraudulently. The financial implication arising from these disputes is unknown. However, a contingent of Kshs.22,765,000.00 is provided for two mortgage accounts currently in court.

