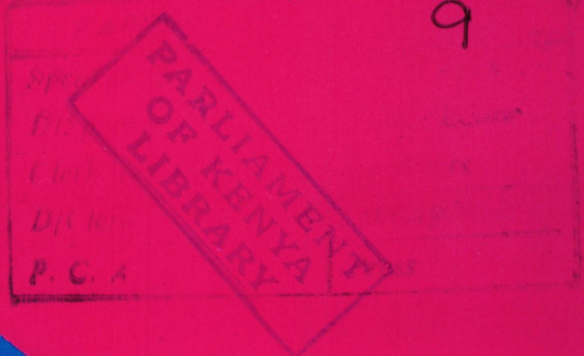


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KENYA NATIONAL TRADING CORPORATION LTD.



ANNUAL REPORT AND ACCOUNTS

2000

57-3
KNTC



REPORT AND ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 2000

INDEX	PAGE
Profit and Loss Account.....	7
Balance Sheet	8
Cash flow statement.....	9
Notes to the Accounts	10 - 15
Trading Account	16
Detailed Profit & Account	17 - 19

KENYA NATIONAL ASSEMBLY
Accession: 10013520

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COMPANY INFORMATION

Board of Directors

- | | | |
|---|---|-------------------|
| 1. Executive Director
I. C. D. C. | - | Chairman |
| 2. Eng. H.K.A. Rotich | - | Managing Director |
| 3. The Permanent Secretary
Ministry of Trade | | |
| 4. The Permanent Secretary
Ministry of Finance | | |
| 5. J. M. Mugwe | | |
| 6. Mr. Kassim Owango | | |
| 7. Mr. S. R. Shah | | |

Registered Head Office

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

Tel: 542167
Fax: 532800

Auditors:

Auditor - General (Corporations)

Company Secretary

Mrs. Lucy Wanjohi

Bankers:

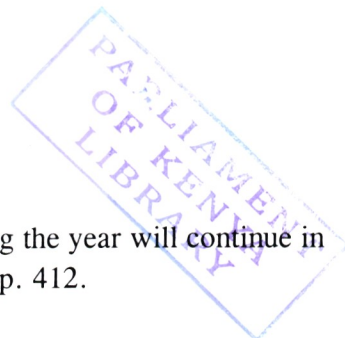
Kenya Commercial Bank
National Bank of Kenya



DIRECTORS REPORT FOR THE YEAR ENDED 30TH JUNE 2000

AUDITORS

The Auditor General (Corporations) who held office during the year will continue in office in accordance with the Exchequer and Audit Act Cap. 412.



BY ORDER OF THE BOARD

L. W. WANJOHI (MRS)
COMPANY SECRETARY

DATE _____



THE DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2000

The Directors' submit their report with the audited accounts for the year ended 30th June 2000.

PRINCIPAL ACTIVITIES

The Corporation is in distribution trade for various products.

RESULTS

	2000 KSHS	1999 KSHS
Profit /(Loss) before Tax	(144,941,220)	(111,873,560)
Tax	-	-
Profit/(Loss) after Tax	(144,941,220)	(111,873,560)
Prior year adjustment	474,802,020	548,808,620
Accumulated Profit/(Loss) Brought Forward	(621,743,840)	(1,058,678,900)
Proposed Dividend	-	-
Profit/(Loss) Carried Forward	(291,883,040)	(621,743,840)

DIRECTORS

The Directors who held office this year were:-

1. Eng. H.K.A. Rotich - Managing Director
2. Executive Director - Chairman
I. C. D. C.
3. The Permanent Secretary
Ministry of Trade
4. The Permanent Secretary
Ministry of Finance
5. Mr. J. M. Mugwe
6. Mr. Kassim Owango
7. Mr. S. R. Shah
8. Mr. M. Kigame



REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA NATIONAL TRADING CORPORATION LTD. FOR THE YEAR ENDED 30 JUNE 2000

I have examined the Accounts of Kenya National Trading Corporation Limited for the year ended 30 June 2000 in accordance with Section 29 (2) of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations required for the purpose of the audit. Proper books of account have been kept and the Accounts which have been prepared under the historical cost convention, are in agreement therewith and comply with Companies Act (Cap 486).

In my opinion, and subject to the reservations set out herebelow, the Accounts, when read together with the Notes thereon, present fairly the state of financial affairs of the Corporation as at 30th June 2000 and of its loss and Cash flows for the year then ended.

1. FINANCIAL POSITION

During the year 1999 / 2000, the Corporation incurred a loss of Kshs. 144,941, 220 which together with an irregular prior period adjustment amount of Kshs. 468,000,000 brought its accumulated losses to Kshs. 291,883,040 as at 30 June 2000. The Corporation's Balance Sheet as at 30 June 2000 also reflects negative working capital figure of Kshs. 269,449,080. Quite evidently, therefore, the Corporation is technically insolvent and its continued operation as a going concern will depend mainly on the support of its creditors, lenders, bankers and Government.

2. IRREGULAR INCREASE OF SHARE CAPITAL

During the year 1998 /99, the Corporation purportedly increased its share capital from Kshs. 32 million to Kshs. 500 million by converting into Government equity funds held in respect of the S.E.F. amounting to Kshs. 468 million. This conversion was, however, done through a resolution of the Board, contrary to proper procedures adopted when raising share capitalization. The error was subsequently and partly corrected in 1999/2000 by adjusting the Share Capital Account by the same amount but the Corporation wrongly credited Accumulated Profit and Loss Account, through a prior year adjustment, instead of crediting and restating the Ministry of Trade - S.E.F's Account by the amount of Kshs. 468 million. The wrong treatment has had the effect of not only reducing accumulated losses and understating the Corporation's long term liabilities but has also resulted in misrepresentation of the Financial Statements as at 30 June 2000. As approval for offsetting past losses against funds due to Government of Kenya has not been seen, such treatment in the Accounts of the Corporation for the year 1999/2000 makes the correctness of the Accounts highly doubtful.

**3. FIXED ASSETS**

The Accounts of the Corporation for the year 1999/2000 reflect fixed assets worthy Kshs. 798,522,240 as at 30 June 2000 which include eight (8) properties valued at Kshs. 422,550,600 whose title deeds/allotment letters were not seen. Also included in the assets is a sum of Kshs. 445,855 in respect of furniture unrecovered from a former Managing Director and furniture purchased but not supplied whose value continues to be reflected as part of the fixed assets. Further, three (3) motor vehicles belonging to the Corporation and valued at a total of Ksh. 1,526,460 have been transferred to ICDC reportedly as security for financial facilities extended to Kenya National Trading Corporation by ICDC. It is not clear, however, why the vehicles were not registered in joint names of the Corporation and ICDC as is normally the practice in such financial arrangements. Under the circumstances, it was not possible to confirm the correctness of the Balance Sheet value of fixed assets of Kshs. 798,522,240 as at 30 June 2000.

4. CASH AND BANK BALANCES

The Cash and Bank balances amount of Kshs. 3,837,580 reflected in the Accounts as at 30 June 2000 differed from the Trial Balance figure of Kshs. 3,678,922, as of the same date. Similarly, the bank overdraft balance reflected in the Accounts of Kshs. 92, 164,880 also differed from the Trial Balance figure of Kshs. 92,207,530 as of the same date. In addition, the Bank reconciliation statements reflect Kshs. 1,242,000 and Kshs. 2,517,455 as Cash-in-transit and Miscellaneous debits, respectively, which have been outstanding since 1994 while Bank statements in respect of 10 depot accounts were not seen. In view of the foregoing and also on account of the materiality of the variances, it has not been possible to confirm the accuracy of the Cash at Bank and overdraft balances shown in these Accounts.

5. STAFF PENSIONS

As at 30 June 2000, the Corporation had not remitted to its Pension Scheme managers pension contributions totalling Kshs. 6,397,789, being contributions since 1996/97 while contributions of Kshs. 284,492 which were not remitted to the defunct Kenya National Assurance Company have not, to date, been refunded to contributors. During the year 1999/2000, the Corporation received Kshs. 2,699,424 and Kshs. 461,944 from Insurers in form of death dues and pension refunds respectively which as at 30 June 2000 had not, however, been paid to the beneficiaries. The Board of Trustees for the Pension Scheme did not also prepare accounts as required under Section 21 of the Retirement Benefits.



(Individual Retirement Benefit Schemes) Regulations, 2000. In view of the foregoing, it has not been possible to confirm both the safety of the staff pension funds or even establish the current position of the Staff Pensions Fund in the absence of any accounts for the Fund.

S. M. Maluki

S. M. MALUKI
AUDITOR GENERAL (CORPORATIONS)

14 January 2002


PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2000

	NOTES	2000 KSHS	1999 KSHS
Turnover		102,524,600	93,655,980
Profit/(Loss) before Tax		(144,941,220)	(111,873,560)
Taxation		-	-
Profit/(Loss) after Tax	11	(144,941,220)	(111,873,560)
Prior Year Adjustment		474,802,020	548,808,620
Profit/(Loss) Brought Forward		(621,743,840)	(1,058,678,900)
Accumulated Profit/(Loss) Carried Forward		(291,883,040)	(621,743,840)



BALANCE SHEET FOR THE YEAR ENDED 30TH JUNE 2000

	NOTES	2000 KSHS	1999 KSHS
NON-CURRENT ASSETS			
Property, Plant & Equipments	4	798,522,240	837,167,580
Long Term Investments	7	107,660	730,660
		<u>798,629,900</u>	<u>837,898,240</u>
CURRENT ASSETS			
Inventories	5	6,867,800	17,258,320
Trade & other Receivables	6	222,275,300	200,285,300
Cash at Bank	8	3,480,740	8,307,000
Cash in Hand	8	356,840	399,620
		<u>232,980,680</u>	<u>226,250,240</u>
CURRENT LIABILITIES			
Bank Overdraft	8	92,164,880	64,659,860
Trade & other Payables	9	199,045,820	147,497,860
Loans	9	195,189,960	147,968,040
Taxation		16,029,100	16,029,100
		<u>502,429,760</u>	<u>376,154,860</u>
NET CURRENT ASSETS		<u>(269,449,080)</u>	<u>(149,904,620)</u>
		529,180,820	687,993,620
FINANCED BY			
Share Capital	10	32,000,000	500,000,000
Profit and Loss Account	11	(291,883,040)	(621,743,840)
Capital Reserve	12(a)	107,660	730,660
Revaluation Reserve	12(b)	788,956,200	809,006,800
		<u>529,180,820</u>	<u>687,993,620</u>

Director

Date

10/07/01

Director

Date

5/7/01



CASHFLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2000

	2000 KSHS	1999 KSHS
CASHFLOWS FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before Tax	(144,941,220)	(111,873,560)
Adjust for: Depreciation	16,573,600	18,999,420
Interest Income	(208,980)	(842,400)
Bad Debts Recovered	(424,540)	(61,717,680)
Provision for Bad Debts	219,520	2,748,440
Provision for Obsolescence	1,356,140	2,077,640
Interest expense	72,070,580	60,991,580
Operating profit before working Capital	(55,354,900)	(89,616,560)
Decrease in Inventories	10,390,520	16,886,780
Decrease/ Increase in trade and other Receivables	(21,990,000)	13,619,820
Increase in Trade and other Payables	51,547,960	3,119,720
Cash generated from operations	(15,406,420)	(55,990,240)
Income Tax Paid	-	(3,987,300)
Interest Paid	(71,230,580)	(4,832,360)
Profit on Disposal of property, plant & Equip.	274,500	1,095,720
Net Cash from operating Activities	(86,362,500)	(63,714,180)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant & Equipment	(1,089,020)	(539,620)
Proceeds from sale of Property, Plant & Equip.	274,500	1,095,720
Interest Received	208,980	808,280
Dividend Received	15,080	15,080
Net Cash from Investing Activities	(590,460)	1,379,460
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in borrowings	47,221,920	47,798,280
Repayment borrowings	(1,200,000)	(1,440,000)
Increase in Short Term Borrowings	8,556,980	-
Net Cash used in Financing Activities	54,578,900	46,358,280
Net Increase in Cash and Cash Equivalents	(32,374,060)	(15,976,440)
Cash & Cash Equivalents at Beginning of Period	(55,953,240)	(39,976,800)
CASH & CASH EQUIVALENTS AT END OF PERIOD	(88,327,300)	(55,953,240)



NOTES TO THE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2000

1. SIGNIFICANT ACCOUNTING POLICIES

The following paragraphs describe the significant accounting policies used by the Corporation.

a) **ACCOUNTING CONVENTION**

The Accounts have been prepared under the historical cost as modified by revaluation of leasehold land and buildings and the calculation of related depreciation convention.

b) **DEPRECIATION**

Depreciation is calculated to write off the cost/valuation of fixed assets on a straight line basis over the expected useful lives. The annual rates used are as follows:

Land and buildings (Buildings only)	2%
Machinery and Equipment	20%
Furniture and fittings	15%
Motor Vehicles	20%

Leasehold land and buildings are amortised over 50 years or the period of the lease, whichever is less.

c) **INVENTORIES**

Stocks are stated at the lower of cost and net realizable value. In arriving at the cost the simple average method of valuation has been used.

d) **TURNOVER**

Turnover consists of receivables for goods sold Net of V.A.T.



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2000

	2000 KSHS	1999 KSHS
2. PROFIT BEFORE TAX		
Profit before tax is stated after charging:-		
Depreciation	16,373,600	18,999,420
Auditors Remuneration	1,352,640	785,000
Directors Remuneration	113,160	367,120
3.		
Due to trading loss in the preceeding years and the year under review no provision for tax has been made. Tax rate for both 1998/99 and 1999/2000 is 32.5%. There is no timing differences as regards deferred Taxation.		

KENYA NATIONAL TRADING CORPORATION LIMITED
FIXED ASSETS SCHEDULE AS AT 30TH JUNE 2000

4. a)

COST / VALUATION	LEASEHOLD LAND & BUILDINGS KSHS.	MACHINERY & OFFICE EQUIPMENT KSHS.	FURNITURE & FITTINGS KSHS.	MOTOR VEHICLES KSHS.	TOTALS KSHS.
1ST July 1999	839,660,600	14,342,660	8,157,680	14,536,100	876,697,040
Loita Street	30,462,540	-	-	-	30,462,540
Additional / Revaluation	15,540	1,335,180	-	-	1,350,720
Disposal	(30,463,140)	(27,860)	(33,980)	-	(30,524,980)
30th June 2000	839,675,540	15,649,980	8,123,700	14,536,100	877,985,320
Depreciation					
1st July 1999	28,778,000	13,893,140	7,270,520	13,009,640	70,044,980
Charge for the Year	14,291,000	383,620	372,540	1,526,460	16,573,620
Disposal	-	(27,860)	(33,980)	-	(61,840)
30th June 2000	43,069,000	14,248,900	7,609,080	14,536,100	86,556,760
Net Book Value					
30th July 2000	796,606,540	1,401,080	514,620	-	791,428,560
30th July 1999	834,251,460	449,520	887,160	1,526,460	837,114,600

b) Loita Street Plot L. R. No. 209/10343 Valued Kshs. 30,462,543.50 in the Accounts was irregularly surrendered to Commissioner of Lands in November 1991 has been adjusted to conform with IAS 16. & IAS 36.

c) Land & Buildings were valued by GIMCO in 1998 & restatement of Depreciation on Land to comply with IAS 16. & IAS 36.



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2000

	2000 KSHS	1999 KSHS
5. INVENTORIES		
Inventories	12,202,980	32,988,640
Less: Provision for Obsolescence	(5,335,180)	(5,335,180)
	6,867,800	27,653,460
6. TRADE & OTHER RECEIVABLES		
Other Trade Receivables	394,140	355,500
Trade Receivables	367,553,440	346,082,780
Teachers Service Commission	6,435,960	6,435,960
Receivable Investment	—	49,520
Claims for Short Supplies	42,794,920	42,264,580
Staff Debtors	7,614,040	6,206,880
Other Debtors	13,407,700	11,172,000
	438,200,200	405,726,240
Less: Bad Debts Provision	(215,924,920)	(212,281,920)
	222,275,280	200,285,300
7. INVESTMENTS		
Investment comprise of 21,530 Uchumi Supermarket Limited Shares as per value of 5.00 per share.		
8. CASH AND CASH EQUIVALENTS		
a) Bank Balance:		
Bank Overdraft (KCB)	(75,407,800)	(56,530,760)
Bank Overdraft (DBK)	(16,684,580)	(8,127,580)
Bank Overdraft (NBK)	(72,500)	(1,520)
Cash at Bank	3,480,740	8,307,000
	(88,684,140)	(56,352,860)
b) Cash in Hand	356,840	399,620

Cash & Cash Equivalent Comprise Cash Deposits with Bank Overdrafts and Cash at Hand.



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2000

9. TRADE & OTHER PAYABLES

	2000 KSHS	1999 KSHS
a)		
Depot Payables	4,186,480	3,877,960
Other Trade Payables	120,975,820	86,353,560
Deposits	2,435,600	2,433,640
Accruals	71,447,920	54,832,700
Tax Provision	16,029,100	16,029,100
	<u>215,074,920</u>	<u>163,526,960</u>
b) Bank Loan (K.C.B.) (Secured by Debenture)	186,666,060	140,464,040
I.C.D.C. (Unsecured)	8,523,900	7,504,000
	<u>195,189,960</u>	<u>147,968,040</u>
10. SHARE CAPITAL		
Authorised, issued and fully paid 1.6 Million ordinary shares of Kshs. 20 each	32,000,000	32,000,000
11. PROFIT AND LOSS ACCOUNT		
Accumulated Surplus (Deficit) B/F	(621,743,840)	(1,058,678,900)
Prior Year Adjustment;	474,802,020	548,808,620
Restated Surplus/ (Deficit) B/F	(146,941,820)	(509,870,280)
Surplus/ (Deficit) for the year	(144,941,220)	(111,873,560)
	<u>(291,883,040)</u>	<u>(621,743,840)</u>

NOTEPrior Year Adjustment Comprise

1. S.E.F. Gain	468,000,000	143,145,500
2. Net gain on Treasury claim	-	405,663,120
3. Expense, Capital Loss (Land) & Excess Dep, on Land.	(3,464,720)	
4. Coffee Loss Provision Adjustment	10,266,740	
	<u>474,802,020</u>	<u>548,808,620</u>



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2000

	2000 KSHS	1999 KSHS
12. CAPITAL RESERVE		
a) Bonus Issue :		
Uchumi Supermarkets Ltd.	107,660	730,660
b) Revaluation Reserve	788,956,200	809,006,800

13. These financial statements are presented in Kenya Shillings (KShs.)



KENYA NATIONAL TRADING CORPORATION LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2000

TRADING ACCOUNTS IN KSHS.

	2000			1999		
	SALES	COST OF SALES	GROSS PROFIT/ LOSS	SALES	COST OF SALES	GROSS PROFIT/ LOSS
Sugar	52,662,200	52,026,080	636,120	16,131,200	15,388,700	742,500
Cement	21,885,660	19,531,020	2,354,640	55,595,480	53,630,920	1,964,560
Salt	5,108,500	4,538,840	569,660	3,882,500	3,578,500	304,000
Domestic Appliance	912,460,00	857,600	54,860	206,680	193,700	12,980
Fertilizer & Chemical	-	-	-	9,776,120	21,511,880	(11,735,760)
Bicycle and Spares	-	-	-	1,955,760	367,580	1,588,180
Hardware	9,729,040	9,431,840	297,200	2,714,420	2,382,940	331,480
Others	12,226,740	11,521,040	705,700	3,393,820	3,310,280	83,540
Toilet Papers Agricultural Sprayers Paints, News Prints, Etc						
TOTALS	102,524,600	97,906,420	4,618,180	93,655,980	100,364,500	(6,708,520)
Commission Income	-	-	26,652,260			
Less Handling Costs			(6,693,660)			(1,022,300)
NET TRADING INCOME			24,576,780			(7,730,820)



**DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
30TH JUNE 2000**

	2000 KSHS	1999 KSHS
INCOME		
Trading Income (Loss)	24,576,780	(7,730,820)
Divided Income	15,080	64,600
Interest Income	208,980	842,400
Miscellaneous Income	63,040	468,900
Rent Income	14,109,640	13,924,060
Profit on Sale of F. Assets & Shares	274,500	1,095,720
Bad Debts recovered	424,540	61,717,680
	39,672,560	70,382,540
EXPENDITURE		
<u>Staff Costs:</u>		
Directors Emoluments	113,160	367,120
Salaries and Wages	35,116,860	38,060,560
N.S.S.F.	183,360	202,240
Pension and Life Assurance	11,046,640	2,169,300
Staff Welfare and Medical	5,122,300	5,031,980
Retrenchment Expenses	814,840	46,660
	52,397,160	46,900,160
TOTALS	52,397,160	46,900,160



**DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
30TH JUNE 2000**

	2000 KSHS	1999 KSHS
ADMINISTRATION AND FINANCIAL EXPENSES		
Advertising	52,400	220,080
Audit Fees	2,811,680	785,000
Bank Charges and Interest	78,296,360	62,806,500
Electricity and water	713,880	428,840
Hire and repair of Office Equipment	397,180	183,480
Hire of Security Escorts	4,270,360	2,841,680
Insurance	3,570,120	3,397,060
Legal and Professional Fees	5,480,340	20,606,940
Licences	361,320	302,020
Motor Vehicle Expenses	4,496,820	4,708,580
Postage, Revenue Stamps, Telephones and Telegrams	3,396,220	2,567,880
Rents and Rates	6,020,960	7,493,460
Property Repairs, Maintenance and Cleaning	652,600	291,980
Staff Training	315,000	1,100
Stationery, Printing and Publications	1,739,800	630,840
Subscriptions & Memberships	72,760	27,580
Travelling and Entertainment	2,218,360	1,944,840
Donations	10,000	50,200
	114,876,160	109,288,060



**DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
30TH JUNE 2000**

	2000 KSHS	1999 KSHS
OTHER COSTS		
Depreciation	16,573,600	18,999,420
Provision for Doubtful Debts	219,520	2,748,440
Provision for Obsolescence	1,356,140	2,077,640
Sundry Expenses	262,400	284,740
VAT Net	(1,071,200)	(2,979,940)
	<hr/> 17,340,460 <hr/>	<hr/> 27,090,180 <hr/>
TOTAL EXPENSES	184,613,780	183,278,400
Net Profit/(Loss) Before Tax	(144,941,220)	(111,873,560)
Tax	-	-
Net Profit/(Loss) After Tax	(144,941,220)	(111,873,560)
Dividend	-	-
Profit/(Loss) Carried Forward	(144,941,220)	(111,873,560)

