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KENYA COFFEE AUCTIONS LIMITED

REPORT OF THE
CONTROLLER AND AUDITOR GENERAL
ON THE ACCOUNTS
OF THE KENYA COFFEE AUCTIONS LIMITED
FOR THE YEAR ENDED
30 JUNE, 2002.

KENYA COFFEE AUCTIONS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

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KENYA COFFEE AUCTIONS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors	Timothy Ogucha Omatu Hugh Anthony Valentine Elias Njagi Njoka Matthew Musyimi Nzube Ashford M Miriti
Secretary	John L G Maonga
Registered Office	Coffee Plaza 7th Floor Exchange Lane Nairobi
Auditors	The Controller and Auditor General
Bankers	Barclays Bank of Kenya Limited Queensway Branch Mama Ngina Street Nairobi

KENYA COFFEE AUCTIONS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 30 June 2002.

ACTIVITIES

The principal activity of the company continued to be the auctioning of coffee.

RESULTS

	KShs.
Profit for the year	963,636
Proposed Dividends	-
Transferred to reserves	963,636

DIVIDEND

The directors do not recommend the payment of a dividend.

DIRECTORS

The directors who served during the year are set out on page 2.

Mr Jackson Mutisya Nzioki, Mr Julius Riungu and Mrs Ruth Wasawo resigned on 3 January 2002. Mr Timothy Ogucha Omato, Mr Elias Njagi Njoka, Mr Matthew Musyimi Mzuba and Mr Ashfold M Miriti were appointed on 3 January 2002.

SECRETARY

Mr J L G Maonga was appointed Secretary on 18 October 2002 in place of Mr A M Simwa who had resigned on the same date.

AUDITORS

The auditors, The Controller and Auditor General, will continue in office in accordance with Section 29(2) of the Exchequer and Audit Act, Cap 412.

BY ORDER OF THE BOARD

Secretary

2003

KENYA COFFEE AUCTIONS LIMITED

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF THE KENYA COFFEE AUCTIONS LIMITED FOR THE YEAR ENDED 30 JUNE, 2002.

I have examined the Accounts of Kenya Coffee Auctions Limited for the year ended 30 June, 2002 in accordance with provisions of Section 29 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 the Companies Act, (Cap. 486).

FINANCIAL POSITION

During the year under review, the Company's sales revenue declined from Kshs. 21,586,716 in the previous year to Kshs. 11,789,068 as at 30 June, 2002. Similarly, profits reduced from Kshs. 8,470,173 in the previous year to Kshs. 963,636 as at 30 June 2002. The company's total assets also dropped from Kshs. 14,920,285 in the preceding year to Kshs. 7,774,091 during the year under audit. The company attributes the adverse financial position mainly to the fall in prices following world over-production and shrinking crops production in the country.

Except for the above observation, in my opinion the accounts, when read together with the notes thereon, show a true and fair view of the financial state of affairs of the company as at 30 June, 2002 and of its profits and cash flow for the year then ended.

D.G. NJOROGE
CONTROLLER AND AUDITOR GENERAL

Nairobi

6 March, 2003

KENYA COFFEE AUCTIONS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2002

	Note	2002 KShs.	2001 KShs.
INCOME		11,789,068	21,586,716
EXPENDITURE		10,807,531	10,217,011
OPERATING PROFIT FOR THE YEAR	2	981,537	11,369,705
INTEREST RECEIVABLE	3	447,397	809,518
PROFIT BEFORE TAXATION		1,428,934	12,179,223
TAXATION	4	(465,298)	(3,709,050)
PROFIT AFTER TAXATION		963,636	8,470,173

KENYA COFFEE AUCTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE, 2002

	Share capital KShs.	Revenue deficit KShs.	Proposed dividend KShs.	Total KShs.
At 1 July 2000	304,000	5,632,296	10,000,000	15,936,296
Net profit for the year	-	8,470,173	-	8,470,173
Proposed dividend	-	(8,000,000)	8,000,000	-
Dividend paid	-	-	(10,000,000)	(10,000,000)
Balance at 30 June 2001	304,000	6,102,469	8,000,000	14,406,469
At 1 July 2001	304,000	6,102,469	8,000,000	14,406,469
Net profit for the year	-	963,636	-	963,636
Dividend paid		-	(8,000,000)	(8,000,000)
Balance at 30 June 2002	304,000	7,066,105	-	7,370,105

KENYA COFFEE AUCTIONS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2002

	2002 KShs.	2001 KShs.
CASHFLOWS FROM OPERATING ACTIVITIES		
Operating profit	981,537	11,369,705
Adjustment for:		
Depreciation	46,546	52,621
Operating profit before working capital changes	1,028,083	11,422,326
Movement in trade and other receivables	433,181	(204,209)
Movement in trade and other payables	98,168	(320,043)
Net cash generated from operations	1,559,432	10,898,074
Interest received	447,397	809,518
Taxation paid	(800,070)	(4,247,725)
Net cash generated from operating activities	1,206,759	7,459,867
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(67,125)	-
Dividends paid	(8,000,000)	(10,000,000)
Net cash used in investing activities	(8,067,125)	(10,000,000)
Net decrease in cash and cash equivalents	(6,860,366)	(2,540,133)
Cash and cash equivalents at the beginning of the year	14,143,126	16,683,259
Cash and cash equivalents at the end of the year	7,282,760	14,143,126

KENYA COFFEE AUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2002

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards. The principal accounting policies adopted remain unchanged from the previous year and are set out below:

Basis of Accounting	The financial statements have been prepared on the historical cost basis of accounting.						
Turnover	Turnover represents the value of brokerage income receivable during the year.						
Taxation	Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.						
Deferred taxation	<p>Deferred tax is provided, using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently, enacted tax rates are used to determine deferred income tax.</p> <p>Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit can be foreseen.</p>						
Equipment	Equipment is stated at cost less accumulated depreciation.						
Depreciation	<p>Depreciation on equipment is provided over their estimated useful lives on the reducing balance method at the following annual rates:</p> <table><tr><td>Motor vehicles</td><td>25%</td></tr><tr><td>Furniture, fittings and office equipment</td><td>10%</td></tr><tr><td>Computers</td><td>30%</td></tr></table>	Motor vehicles	25%	Furniture, fittings and office equipment	10%	Computers	30%
Motor vehicles	25%						
Furniture, fittings and office equipment	10%						
Computers	30%						
Foreign Currencies	Assets and liabilities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the income statement.						
Retirement benefits Obligations	The company operates a defined contribution pension scheme for its employees. The scheme is administered by Livingstone Registrars Limited and is funded by contributions from both the company and the employees. The company's contributions to the defined contribution plan are charged to the income statement in the year to which they relate.						

KENYA COFFEE AUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The company also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Shs. 200 per month per employee. The company's contributions are charged to the income statement in the year to which they relate.

Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

2. OPERATING PROFIT

	2002 KShs.	2001 KShs.
Operating profit is arrived at after charging		
Directors' remuneration - Fees	122,020	91,500
- Others	2,256,000	2,150,400
Depreciation	46,546	52,621
Audit fees - Current	56,250	50,000
- Prior	6,250	(50,000)
Staff costs (Note 10)	5,161,293	4,748,286

3. INTEREST RECEIVABLE

	2001 KShs.	2000 KShs.
Interest from treasury bills	-	395,100
Interest from bank deposits	447,397	414,418
	447,397	809,518

4. TAXATION

(a) Taxation expense

	2001 KShs.	2000 KShs.
Current taxation based on taxable profit for the year at 30%	472,317	3,708,894
Deferred tax credit	(7,019)	(585)
Prior year underprovision	-	741
	465,298	3,709,050

KENYA COFFEE AUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(b) Reconciliation of Tax Expense to the Expected Tax Based on Accounting Profit

	2002 KShs.	2001 KShs.
Accounting profit before taxation	1,428,934	12,179,223
Tax at the applicable rate of 30%	428,680	3,653,765
Tax effect of expenses not deductible for tax	36,618	54,544
Prior year underprovision	-	741
Tax expense	465,298	3,709,050

5. EQUIPMENT

	Computer KShs.	Furniture fittings & equipment KShs.	Motor vehicles KShs.	Total KShs.
COST				
At 1 July 2001	349,571	452,135	344,149	1,145,855
Additions	-	67,125	-	67,125
At 30 June 2002	349,571	519,260	344,149	1,212,980
DEPRECIATION				
At 1 July 2001	263,764	319,786	340,724	924,274
Charge for the year	25,742	19,947	857	46,546
At 30 June 2002	289,506	339,733	341,581	970,820
NET BOOK VALUE				
At 30 June 2002	60,065	179,527	2,568	242,160
At 30 June 2001	85,807	132,349	3,425	221,581

6. TRADE AND OTHER RECEIVABLES

	2002 KShs.	2001 KShs.
Trade receivables	66,145	433,326
Deposits	56,252	56,252
Staff advances	-	66,000
	122,397	555,578

KENYA COFFEE AUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. SHARE CAPITAL

	2002 KShs.	2001 KShs.
Authorised: 30,000 ordinary shares of Sh 20 each	600,000	600,000
Issued and fully paid: 15,200 ordinary shares of Sh 20 each	304,000	304,000

8. DEFERRED TAX

	2002 KShs.	2001 KShs.
The net deferred taxation liability is attributed to the following:		
Accelerated capital allowances	4,526	11,545
The movement on the deferred tax account is as follows:		
As at 1 July		
- as previously reported	11,545	(12,130)
- prior year adjustment	-	24,260
As restated	11,545	12,130
Income statement credit	(7,019)	(585)
	4,526	11,545

9. STAFF COSTS

	2002 KShs.	2001 KShs.
Wages and salaries	4,663,002	4,287,145
Social security costs (NSSF)	23,400	13,440
Company's pension Contribution, and life assurance premiums	474,891	447,701
	5,161,293	4,748,286

The average number of persons employed by the company during the year on a full time basis were 13. There were no part time employees.

10. INCORPORATION

The company is incorporated in Kenya under the Company's Act.

11. CURRENCY

The financial statements are presented in Kenya Shillings (Kshs.)

KENYA COFFEE AUCTIONS LIMITED

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE, 2002

INCOME	2002 KShs.	2001 KShs.
Coffee brokerage	11,789,068	21,586,716

EXPENDITURE	2002 KShs.	2001 KShs.
Salaries and wages - Current	4,686,402	4,300,585
- Prior	-	(309,616)
Directors emoluments	2,256,000	2,150,400
Accountancy, secretarial and taxation fees: - Current	490,614	671,635
- Prior	172,724	6,550
Provident fund, pension and life assurance premium	474,891	447,701
Motor vehicle expenses	447,605	458,546
Telephone, telex and telegrams	546,889	450,985
Medical	192,276	372,359
Rent and rates	213,191	201,130
Travelling expenses	200,969	333,649
Office expenses	280,782	271,043
Directors' fees and expenses - Current	122,020	91,500
Insurance	104,170	68,788
Entertainment expenses	122,058	176,819
Auditors' remuneration - Current	56,250	50,000
- Prior	6,250	(50,000)
Repairs and renewals	95,145	104,906
Bank charges	25,738	62,572
Depreciation	46,546	52,621
Stationery	238,183	223,212
Licences and subscriptions	28,828	76,626
Donations	-	5,000
	10,807,531	10,217,011
Operating profit for the year	981,537	11,369,705
Interest receivable	447,397	809,518
NET PROFIT FOR THE YEAR	1,428,934	12,179,223