KENYA NATIONAL TRADING CORPORATION LIMITED

2001

Annual Report and Accounts

COMPANY INFORMATION

Board of Directors

1. Mr. William Shimanyula	-	Managing Director Appointed 1.1.2001
2. Eng. H.K.A. Rotich	-	Managing Director Resigned on 31.12.2000
3. Industrial & Commercial Development Corporation	-	Chairman
4. The Permanent Secretary	-	Ministry of Trade & Industry
5. The Permanent Secretary	-	Ministry of Finance
6. Mr. Kassim Owango		
7. Mr. Suresh. R. Shah		

Registered and Head Office

Uchumi House
Aga Khan Walk
P.O. Box 30587 - 00100
NAIROBI

Auditor

Controller & Auditor General

Corporation Secretary

I.B. MOGAKA

Bankers

Standard Chartered Bank
National Bank of Kenya
Barclays Bank of Kenya

REPORT AND ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2001

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DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2001

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

I.B.R. MOGAKA

DATE: 07/05/02

THE DIRECTORS REPORT FOR THE YEAR ENDED 30TH JUNE 2001

The directors submit their report with the Audited Accounts for the year ended 30th June 2001.

PRINCIPAL ACTIVITIES

The corporation is in the distribution trade for various products.

RESULTS	2001 Kshs	2000 Kshs
Profit/(Loss) Before Tax	(105,787,480)	(144,941,220)
Tax	-	-
Profit/(Loss) after Tax	**(105,787,480)**	**(144,941,220)**
Prior year Adjustment	(297,760)	474,802,020
Accumulated Profit/(Loss) B/F	(291,883,040)	(621,743,840)
Proposed Dividend	-	-
Profit/(Loss) Carried Forward	**(397,968,280)**	**(291,883,040)**

DIRECTORS

The Directors who held office this year were:-

1. Mr. William Shimanyula - Managing Director - Appointed 1.1.2001
2. Eng. H.K.A. Rotich - Managing Director - Resigned on 31.12.2000
3. Industrial & Commercial Development Corporation - Chairman
4. The Permanent Secretary Ministry of Trade & Industry
5. The Permanent Secretary - Ministry of Finance
6. Mr. Kassim Owango
7. Mr. Suresh. R. Shah

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA NATIONAL TRADING CORPORATION LIMITED FOR THE YEAR ENDED 30 JUNE 2001

I have examined the financial statements of Kenya National Trading Corporation Limited for the year ended 30 June 2001 in accordance with the provisions of Section 29 of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations considered necessary for the purpose of the audit. Proper books of account have been kept and the financial statements which have been prepared under the historical cost convention are in agreement therewith and comply with the Companies Act (Cap 486).

Except for the reservations set out below, in my opinion the financial statements when read together with the notes thereon present fairly the state of financial affair of the Corporation as at 30 June 2001 and of its loss and cash flows for the year ended on that date.

1. FINANCIAL POSITION

During the year ended 30 June 2001 the Corporation incurred a loss of Kshs.105, 787,760 which, together with prior year adjustment amount of Kshs.297,760, brought its accumulated losses to Kshs.397,968,280. Further, the Corporation's Balance Sheet reflects a negative working capital figure of Kshs.360,758,640 as at the same date. Evidently the Corporation is technically insolvent and its continued operation as a going concern is dependent upon the support of its creditors, lenders, bankers and the Government.

2. FIXED ASSETS

The Fixed Asset figure of Kshs.783,746,560 as at 30 June 2001 includes three (3) properties in Kericho, Nanyuki and Iten with a total value of Kshs.1,565,535.35. The Corporation has not acquired title deeds for these properties. Under the circumstances, it was not possible to confirm the ownership and security of the properties.

3. TRADE AN OTHER RECEIVABLES

The Trade and Other Receivables figure of Kshs.224,911,540 as at 30 June 2001 includes Staff Debtors balance of Kshs.6,439,356.90 which in turn includes a figure

of Kshs.4,693,303.45 owed by some ex-staff members since 1992. The Corporation has not indicated how it intends to recover the amount owed by its former staff members. Further, other Debtors amounting to Kshs.79,212,816.75 included in the figure of Kshs.224,911,540.00 have been outstanding for over ten (10) years and their recoverability is highly doubtful. The debtors circularized did not respond and their existence is doubtful. Under the circumstances, it was not possible to confirm the recoverability, existence and correctness of the Trade and other Receivables amounting to Kshs.224,911,540 as at 30 June 2001.

4. CASH AND BANK BALANCES

The bank reconciliation statements as at 30 June 2001 in respect of bank account with Kenya Commercial Bank reflect Kshs.1,242,000 and Kshs.2,137,100 as cash-in-transit and miscellaneous debits, respectively, which have been outstanding since 1994. Other bank reconciliations and statements in respect of six deposit bank accounts were not seen and it is doubtful whether they were prepared. In view of the foregoing, it has not been possible to confirm the accuracy of the Cash at bank and Overdraft balances of Khs.611,260 and Kshs111,610,340 respectively reflected in the financial statements.

5. TRADE AND OTHER PAYABLES

Although Section 14 (4) of the State Corporations Act (Cap 446) provides for audit fees to be borne by the State Corporation, KNTC had, as at 30 June 2001, not paid audit fees totalling Kshs.8,309,944 covering the period between 1991 and 2001. Although the Corporation had, on 5 April 2001, proposed to liquidate the liability by installments of Kshs.200,000 per month, it reneged on its undertaking after making only one payment. Further, the Corporation did not remit pension contributions totalling Kshs.7,974,851.30 to its Pension Scheme Managers, while contributions which were not remitted to the defunct Kenya National Assurance Company of Kshs.2,961,295.70 have not to date been refunded to contributors. The Corporation also received Kshs.2,148,443.80 from insurers in form of terminal dues which as at 30 June, 2001 had not been paid to the beneficiaries. In addition, the Trade and other Payables figure of Kshs.256,234,940 as at 30 June 2001 includes salary withholdings totalling Kshs.53,254,320 which had not been remitted to various institutions as at 30 June 2001. The Corporation has not explained how and when it intends to remit the accumulated withholdings. Under the circumstances, it has not been possible to confirm the safety of the staff pension funds retained by the Corporation or to establish the current position of the staff pensions fund. The Corporation is also in breach of the law.

6. SALE OF M/S MEPAL PLASTICS KENYA LIMITED

M/s Mepal Plastics, a subsidiary Company of KNTC, was sold in 1994 at Kshs.17,000,000 free from any encumbrances as per the terms of the Sale Agreement whose copy has not been availed for audit review. The purchasers later realized that KNTC had an existing debenture over the Company which had not been discharged and which the Corporation failed to disclose at the time of sale. Consequently, the purchasers brought arbitration proceedings against the Corporation for failure to disclose the debenture and the court awarded against the Corporation to the tune of Kshs.8,886,666 for general damages and another Kshs. 9,790,277 being interest at commercial rate of 25% per annum from 15 April, 1998 making a total of Kshs.18,656,943. Further, information indicates that the award has been attracting interest at 12% p.a. from 15 December, 1998 as a result of which the Corporation owed the purchasers a total of Kshs.23,000,000 as at 30 June 2001. It is not understood why the Corporation failed to disclose the existence of the debenture to the purchasers consequent upon which the Corporation stands to lose Kshs.23,000,000 in addition to further interest which continues to accrue on the outstanding amounts.

E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

17 August, 2004

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30th JUNE 2001

	Notes	2001 Kshs.	2000 Kshs.
TURNOVER		**18,270,680**	**102,524,600**
Profit/(Loss) Before Tax		**(105,787,480)**	**(144,941,220)**
Taxation		-	-
Profit/(Loss) After Tax	11	**(105,787,480)**	**(144,941,220)**
Prior Year Adjustment	11	(297,760)	474,802,020
Profit/(Loss) B/F		**(291,883,040)**	**(621,743,840)**
Accumulated Profit/(Loss) C/F		**(397,968,280)**	**(291,883,040)**

BALANCE SHEET FOR THE YEAR ENDED 30TH JUNE 2001

	Notes	2001 Kshs.	2000 Kshs.
NON-CURRENT ASSETS			
Property, Plant & Equipment	4	783,746,560	798,522,240
Long Term Investments	7	-	107,660
		783,746,560	**798,629,900**
CURRENT ASSETS			
Inventories	5	9,870,760	6,867,800
Trade & Other Receivables	6	224,911,540	222,275,300
Cash at Bank	8	611,260	3,480,740
Cash in Hand	8	254,400	356,840
		235,647,960	**232,980,680**
CURRENT LIABILITIES			
Bank Overdraft	8	111,610,340	92,164,880
Trade & Other Payables	9	257,234,940	199,045,820
Loans	9	211,532,220	195,189,960
Taxation		16,029,100	16,029,100
		596,406,600	**502,429,760**
NET CURRENT LIABILITIES		(360,758,640)	(269,449,080)
		422,987,920	**529,180,820**
FINANCED BY			
Share Capital	10	32,000,000	32,000,000
Profit and Loss Account	11	(397,968,280)	(291,883,040)
Capital Reserve	12a	-	107,660
Revaluation Reserve	12b	788,956,200	788,956,200
		422,987,920	**529,180,820**

DIRECTOR _____ Date: 07 / 05 / 02

DIRECTOR _____ Date: 07 / 05 / 02

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2001

	2001 Kshs	2000 Kshs
Cash Flows from Operating Activities		
Net Profit/(Loss) Before Tax	**(105,787,480)**	**(144,941,220)**
Adjust for: Depreciation	14,915,740	16,573,600
Interest Income	(2,281,940)	(208,980)
Bad Debts Recovered	(12,945,820)	(424,540)
Provision for Bad Debts	-	219,520
Provision for Obsolescence	-	1,356,140
Interest Expense	44,505,820	72,070,580
Operating Profit Before Workin Capital	**(61,593,680)**	**(55,354,900)**
Decrease / (Increase) in Inventories	(3,002,960)	10,390,520
Decrease / (Increase) in Trade & Other Receivables	(2,636,240)	(21,990,000)
Increase in Trade and Other Payables	58,189,120	51,547,960
Cash generated from Operations	**(9,043,760)**	**(15,406,420)**
Income Tax Paid	-	-
Interest Paid	(44,505,820)	(71,230,580)
Profit on Disposal Property, Plant & Equipment	3,124,400	274,500
Net Cash from operating Activities	**(50,425,180)**	**(86,362,500)**
Cash flows from Investing Activities		
Purchase of Property, Plant & Equipment	(140,140)	(1,089,020)
Proceeds from Sale of property, Plant & Equipment	3, 124,400	274,500
Interest Received	2,281,940	208,980
Dividend Received	-	15,080
Net Cash from Investing Activities	**5,266,200**	**(590,460)**
Cash Flows from Financing Activities		
Net Increase in Borrowings	29,141,120	47,221,920
Repayment Borrowings	-	(1,200,000)
Increase in Short Term Borrowings	(6,405,120)	8,556,980
Net Cash used in Financing Activities	**22,736,000**	**54,578,900**
Net Increase in Cash and Cash Equivalents	(22,422,980)	(32,374,060)
Cash & Cash Equivalents at Beginning of Period	(88,327,300)	(55,953,240)
Cash & Cash Equivalents at end of period	**(110,750,280)**	**(88,327,300)**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2001

1. SIGNIFICANT ACCOUNTING POLICIES

The following paragraphs describe the significant Accounting Policies used by the Corporation.

a) ACCOUNTING CONVENTION

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 as the lower of cost and net realizable value. In arriving at the cost 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 30TH JUNE 2001

2. PROFIT BEFORE TAX

	2001 Kshs	2000 Kshs
Profit before tax is stated after charging		
Depreciation	14,915,740	16,373,600
Auditors Remuneration	1,036,680	1,352,640
Directors Remuneration	191.980	113,160

3. Due to trading loss in the preceding years and the year under review no provision for tax has been made. Tax rate for both 1999/2000 and 2000/2001 is 30%.

KENYA NATIONAL TRADING CORPORATION LIMITED

FIXED ASSET SUMMARY AS AT 30TH JUNE 2001

4.a)					
COST / VALUATION	**LEASEHOLD LAND & BUILDINGS**	**MACHINERY & OFFICE EQUIPMENT**	**FURNITURE & FITTINGS**	**MOTOR VEHICLES**	**TOTALS**
	Kshs	**Kshs**	**Kshs**	**Kshs**	**Kshs**
1st July 2000	839,675,540	15,649,960	8,123,700	14,536,100	877,985,300
Loita Street Plot	30,462,540	-	-	-	30,462,540
Additions / Revaluations	-	140,040	-	-	140,040
Disposals	-	-	-	(3,859,000)	(3,859,000)
Provisions for Loss on Loita St.	(30,462,540)	-	-	-	(30,462,540)
30TH June 2001	**839,675,540**	**15,790,000**	**8,123,700**	**10,677,100**	**874,266,340**
DEPRECIATION					
1st July 2000	43,069,000	14,248,900	7,609,060	14,536,100	**79,463,060**
Charge for the year	14,291,000	410,660	214,060	-	**14,915,720**
Disposals	-			(3,859,000)	**(3,859,000)**
30TH June 2001	**57,360,000**	**14,659,560**	**7,823,120**	**10,677,100**	**90,519,780**
NET BOOK VALUE					
30TH June 2001	**782,315,540**	**1,130,440**	**300,580**	**-**	**783,746,560**
30TH June 2000	796,634,540	1,401,080	514,640	-	798,550,260

b) Loita Street Plot L.R. No. 209/10343 Valued Kshs.30,462,543.5 in the Accounts was irreguarly surrendered to Commissioner of Lands in November 1991 has been adjusted to conform with IAS 16 & IAS 36.

c) Land and Buildings were valued by GIMCO in 1998.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2001

	2001 Kshs.	2000 Kshs.
5. INVENTORIES		
Inventories	12,350,800	12,202,980
Less: Provision for Obsolescence	(2,480,040)	(5,335,180)
	9,870,760	**6,867,800**
6. TRADE & OTHER RECEIVABLES		
Other Trade Receivables	763,560	394,140
Trade Receivables	334,882,820	367,553,440
Teachers Service Commission	6,435,960	6,435,960
Receivable Investment	-	-
Claims for short Supplies	42,892,120	42,794,920
Staff Debtors	6,419,600	7,614,040
Other Debtors	14,871,580	13,407,700
	406,265,640	438,200,200
Less: Bad Debts Provision	(181,354,100)	(215,924,920)
	224,911,540	**222,275,280**

7. INVESTMENT

Investment comprising of 21,530 Uchumi Supermarket Limited Shares at Par Value Kshs.5.00 per share were disposed.

8. CASH AND CASH EQUIVALENTS

a)	Bank Balance:		
	Bank Overdraft (KCB)	(88,448,140)	(75,407,800)
	Bank Overdraft (DBK)	(23,012,780)	(16,684,580)
	Bank Overdraft (NBK)	(104,120)	(72,500)
	Bank Overdraft (BBK)	(45,300)	-
		(111,610,340)	**(92,164,880)**
	Cash at Bank	611,260	3,480,740
b)	Cash in Hand	254,400	356,840

Cash & Cash Equivalent Comprise Cash Deposit with Banks, Overdrafts and Cash at Hand,

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2001

	2001 Kshs.	2000 Kshs.
9. TRADE & OTHER PAYABLES		
a)		
Depot Payables	4,224,840	4,186,480
Other Trade Payables	118,874,600	120,975,820
Deposits	6,773,700	2,435,600
Accruals	127,361,800	71,447,920
Tax Provision	16,029,100	16,029,100
	273,264,040	**215,074,920**
b)Bank Loan (K.C.B)		
secured by Debenture	201,226,320	186,666,060
I.C.D.C. (Secured)	10,305,900	8,523,900
	211,532,220	**195,189,960**
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	(291,883,040)	(621,743,840)
Prior Year Adjustment:	(297,760)	474,802,020
	(292,180,800)	(146,941,820)
Restated Surplus / (Deficit) B/F	(105,787,480)	(144,941,220)
	(397,968,280)	**(291,883,040)**

NOTE

Prior Year Adjustment Comprise

1. S.E.F. Gain	468,000,000
2. Net gain on Treasury claim	-
3. Expenses, Capital Loss (Land) & Excess Dep., on Land	(3,464,720)
4. Coffee Loss Provision Adjustment	10,266,740
	474,802,020

NOTES TO THE ACCOUNTS FOR YEAR ENDED 30TH JUNE 2001

12. CAPITAL RESERVE	2001 Kshs	2000 Kshs
a) Bonus Issue:		
Uchumi Supermarkets Ltd.	-	107,660
b) Revaluation Reserve	788,956,200	788,956,200

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

14. CONTINGENT LIABILITY

As at 30th June 2001 the corporation had a contingent liability in respect of Kenya Commercial Bank Loan amounting to Kshs.241,226,320.00 which continues to attract monthly of interest Kshs 4 Million.

The management is of the view that the Counter Claim filed against the Bank in respect to Coffee transactions shall Offset the loan liability when finally settled.

KENYA NATIONAL TRADING CORPORATION LIMITED

TRADING ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2001

	2001			2000		
Product	**Sales**	**Cost of Sales**	**Gross Profit/ (Loss)**	**Sales**	**Cost of Sales**	**Gross Profit / (Loss)**
Sugar	1,030,100	890,020	**140,080**	52,662,200	52,026,080	636,120
Cement			-	21,885,660	19,531,020	2,354,640
Salt	4,207,020	3,678,000	**529,020**	5,108,500	4,538,840	569,660
Domestic Appliances	109,720	94,200	**15,520**	912,460	857,600	54,860
Hardware	1,341,940	1,226,340	**220,120**	9,729,040	9,431,840	297,200
Toilet Papers	5,728,280	5,508,160	**115,600**	12,226,740	11,521,040	705,700
Seeds	5,853,600	5,587,840	**265,760**	-	-	-
Others				-	-	-
TOTAL	**18,270,660**	**16,984,560**	**1,286,100**	**102,524,600**	**97,906,420**	**4,618,180**
Commission Income			18,162,440			26,652,260
Less Handling Costs			(3,921,240)			(6,693,660)
Net Trading Income			**15,527,300**			**24,576,780**

DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2001

	2001 Kshs.	2000 Kshs.
INCOME		
Trading Income /(Loss)	15,527,320	24,576,780
Dividend Income	-	15,080
Interest Income	2,281,940	208,980
Miscellaneous Income	1,257,420	63,040
Rent Income	19,803,320	14,109,640
Profit on Sale of F.Assets & Shares	3,124,400	274,500
Bad Debts Recovered	12,945,820	424,540
Transport Income	154,320	-
	55,094,540	**39,672,560**
EXPENDITURE		
Staff Costs		
Directors Emoluments	191,980	113,160
Salaries and Wages	32,150,640	35,116,860
N.S.S.F.	169,200	183,360
Pension and Life Assurance	1,853,860	11,046,640
Staff Welfare and Medical	4,565,180	5,122,300
Retrenchment Expenses	-	814,840
TOTALS	**38,930,860**	**52,397,160**

DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2001

ADMINISTRATION AND FINANCIAL EXPENSES	2001 Kshs.	2000 Kshs.
Advertising	612,500	52,400
Audit Fees	1,036,680	2,811,680
Bank Charges and Interest	45,829,240	78,296,360
Electricity and Water	481,640	713,880
Repair of Office Equipment & Maintenance	32,740	397,180
Hire of Security Escorts	4,432,360	4,270,360
Insurance	2,434,780	3,570,120
Legal and Professional Fees	40,390,720	5,480,340
Licences	254,620	361,320
Motor Vehicle Expenses	1,527,140	4,496,820
Postage Revenue Stamps, Telephone & Telegrams	2,414,880	3,396,220
Rents & Rates	4,160,400	6,020,960
Property Repairs, Maintenance & Cleaning	97,400	652,600
Staff Training	237,920	315,000
Stationery, printing & Publications	455,760	1,739,800
Subscriptions & Memberships	44,140	72,760
Travelling an Entertainment	1,266,460	2,218,360
Donations	12,300	10,000
	105,721,680	**114,876,160**

DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2001

	2001 Kshs.	2000 Kshs.
OTHER COSTS		
Depreciation	14,915,740	16,573,600
Provision for doubtful debts	817,600	219,520
Provision for Obsolescence	-	1,356,140
Sundry Expenses	487,380	262,400
VAT Net	8,760	(1,071,200)
	16,229,480	**17,340,460**
TOTAL EXPENSES	**160,882,020**	**184,613,780**
Net Profit /(Loss) Before Tax	(105,787,480)	(144,941,220)
Tax	-	-
Net Profit /(Loss) After Tax	**(105,787,480)**	**(144,941,220)**
Dividend	-	-
Profit / (Loss) Carried Forward	**(105,787,480)**	**(144,941,220)**