

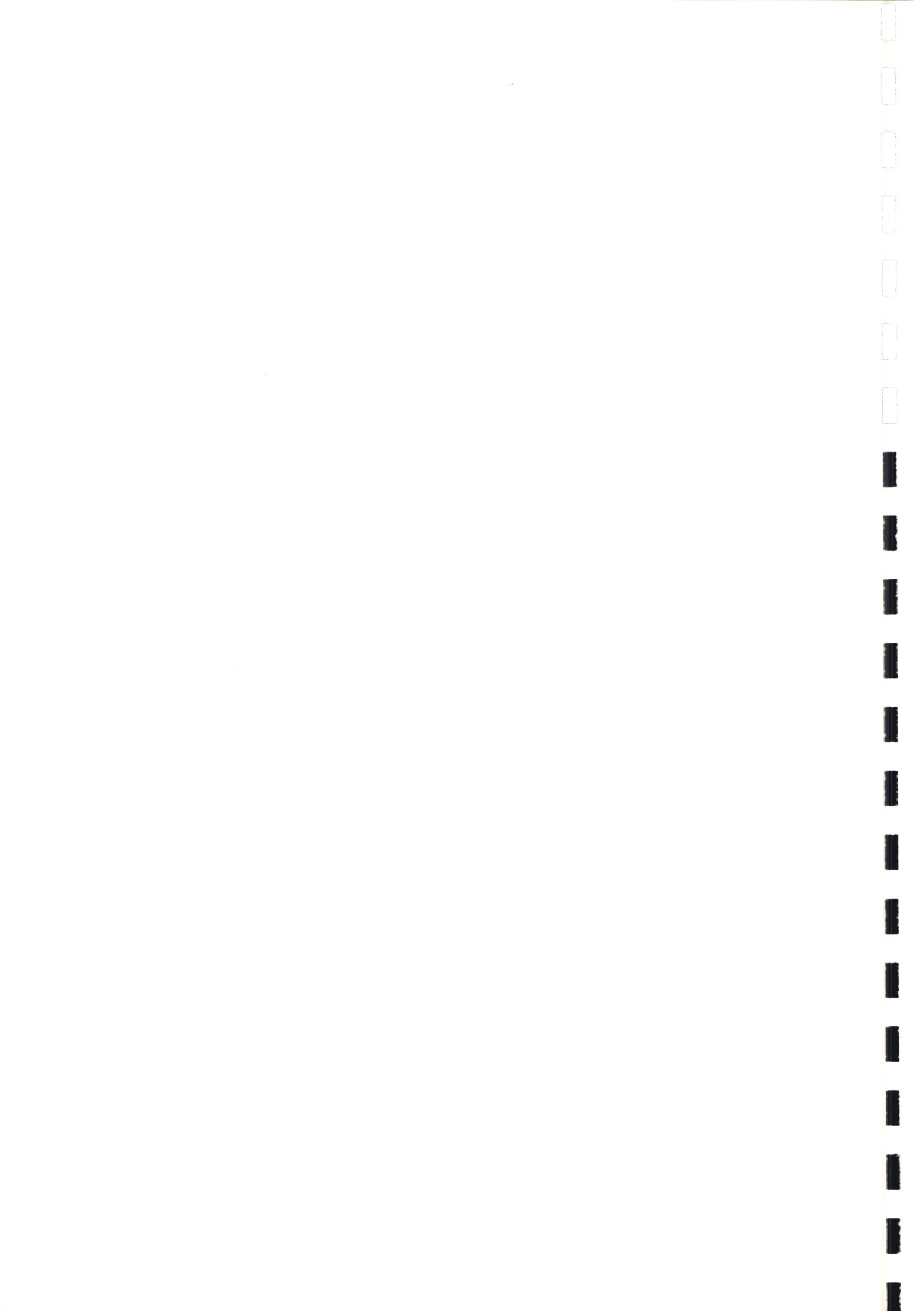


**KENYA NATIONAL TRADING CORPORATION**

The background of the cover is a blue-tinted photograph of a credit card and a document. The credit card is in the foreground, showing a chip and some text. The document behind it has several purple stamps, one of which clearly reads 'PARLIAMENT OF KENYA'. The overall image is slightly blurred, creating a sense of depth and focus on the financial theme.

**THE FINANCIAL  
STATEMENTS**

**For The Year Ended 30<sup>th</sup> June 2013**



Paper laid by  
the Majority Whp  
on 20/7/2016  
Aburh.



**KENYA NATIONAL TRADING CORPORATION LTD  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2013**

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# **CORPORATION INFORMATION**

## **OUR VISION**

To be a national world class trading company.

## **OUR MISSION**

To efficiently trade in quality products and services to ensure balance of supply and demand in the country's distribution networks, while promoting e-commerce and global trade with an aim to maximizing stakeholder's value

## **OUR CORE VALUES**

1. Customer Orientation
2. Accountability
3. Integrity
4. Transparency
5. Professionalism
6. Team Work

## **BACKGROUND**

In 1965, the Government revised the development plans and came out with bold policies outlining how KNTC would promote and increase the participation of indigenous people in the wholesale and retail trade. The plan stated that with regard to wholesale trade, the agent for Government policy would be KNTC, which would become the sole distributor of Essential commodities consumed countrywide. The corporation would also participate in the wholesale distributor of a wider range of products.

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

The Kenya National Trading Corporation also handles the following for distribution: -Cement, Lime, Fertilizer, Magadi Products, Paints, Nails, Barbed Wire, Chicken Wire, Varnish, Iron Sheets, Salt, Rice, Chuff Cutters, Plastics, Sufurias, Tissue paper, Sugar e.tc.

## **CORPORATE GOVERNANCE STATEMENT**

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.

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.

## COMPOSITION OF THE BOARD

The Board comprises 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.

### The Corporation Board Members-at 30th June 2013

NAME	POSITION
Mr. Mohammed Shaiya	Managing Director
Eng Ronald N.King'ang'i	Director
Mrs.Rose Okemwa	Director
Mr.Hamisi Mwaguya	Director
Mr. Hussein Jama	Director
Mr. William Kamuren Chirchir	Director
Mr.Geoffrey Kibanda	Alternate Director to the P/S,Treasury
Mr. Simon Chacha	Alternate Director to the P/S,Trade
Byron Mudhune	ICDC Representative

## **OFFICERS OFF THE CORPORATION**

The Corporation's management team comprises of the Managing Director and Heads of Departments

Mohamed Shaiya - Managing Director

Maxwell Maigo - Head of Sales and Marketing

Michael Munyao - Ag. Head of Finance

Regina Kamwenji - Head of Human Resources and Administration

Moses Chelugui - Head of ICT

James Mwangi - Head of Internal Audit

**REGISTERED OFFICE AND  
PRINCIPAL PLACE OF BUSINESS**

**Yarrow Road Complex**

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

Website: [www.kntcl.com](http://www.kntcl.com)

E-mail: [kntcl@kntcl.com](mailto:kntcl@kntcl.com)

Tel: (020) 2430824 Fax: (020) 556331

GSM: 0736-563912,0714563911

**AUDITORS**

Auditor General

Kenya National Audit Office

P.O. Box 30084-00100

Nairobi, Kenya

**BANKERS**

Barclays Bank Limited

Enterprise Road Branch

P.O. Box 18060-00500,

Nairobi, Kenya.

**Co-operative Bank of Kenya**

Industrial Area Branch,

P.O. Box 18119-00500,

Nairobi, Kenya.

**National Bank of Kenya**

Harambee Avenue Branch

P.O. Box 72866-00200

Nairobi.

# DIRECTOR'S REPORT

## 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 2013.

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

The Corporation is in the process of exploiting the Export Market and it's undertaking a feasibility study on opening a Trading House in DRC and also enhance its services of Procurement and Logistics Agency services for the Government / Institutions.

## Financial performance

During the year the Corporation's turnover was Ksh.339,128,928 compared to Ksh.320,578,920 over the same period last year an increase of 5% this was mainly due to increase in sales of hardware to Government Institutions and sugar. The Corporation expects to get a loan of Ksh.30 million from ICDC for trading and to secure a trade Guarantee of Ksh.15 Million from Bank of Kenya in respect to Bamburi cement Ltd.

On the overall, the Corporation recorded a financial Deficit of Kshs.169 Million, compared to a deficit of Kshs.147 million in the previous financial year restated accounts.

Finally, the Corporation wants to thank the Kenya Government and other organizations for continued support to the Corporation. We also thank the Corporation staff for their dedication and commitment.



Mr. Peter Kinya  
**Chairman of the Board**

## REPORT OF THE CORPORATIONS BOARD OF DIRECTORS

The Corporation Board presents their Report together with the Financial for the Year ended 30 June 2013, which shows the Corporation affairs.

### Principal activities

The Corporation promotes and increases the participation of indigenous people in the wholesale and retail trade. The plan stated that with regard to wholesale trade, the agent for Government policy would be KNTC, which would become the distributor of essential commodities consumed countrywide. The Corporation would also participate in the wholesale distribution of a wider range of products like; cement, lime, Fertilizer, Magadi products, Paints, Nails, Barbed wire, Chicken wire, Vanish, Iron Sheets, Salt, Rice, Chaff Cutters, Plastics, Sufurias, Tissue paper, Sugar etc

### Results

On the overall, the Corporation recorded a financial Deficit of Ksh.169 Million, compared to a deficit of Ksh.147 million during the previous financial year.

### Financing

The Corporation financed its operations from internally generated funds for both recurrent and development Expenditure.

### Auditors

The Auditor General continues in office.



*By Order of the B.O.D*  
*Managing Director/KNTC*

Date.....  
21/1/14

## STATEMENT OF THE CORPORATION BOARD OF DIRECTORS RESPONSIBILITY

The Companies Act requires the directors to prepare financial statements for the year that give a true and fair view of the affairs of the Corporation as at end of the financial year and the Corporation's profit and loss. It also requires the directors to ensure that the Corporation keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the Corporation.

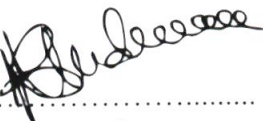
The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Corporation and Corporation's profit/ (loss). The directors further accept responsibility for the maintenance of the accounts records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control

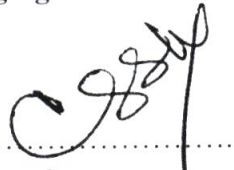
Nothing has come to the attention of the directors to indicate the Corporation will not remain a going concern for at least twelve months from the date of this statement.

Approved by the Corporation Board and signed on its behalf by:

Mr. Peter Kinya  
**For Chairman of the Board**

Mohamed Shaiya  
**Managing Director**

Sign: 

Sign: 

Date: 31/01/14

Date: 31/1/14

# **REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL TRADING CORPORATION FOR THE YEAR ENDED 30 JUNE 2013**

## **REPORT ON THE FINANCIAL STATEMENTS**

I have audited the accompanying financial statements of Kenya National Trading Corporation set on pages 12 to 26, which comprises the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and 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 Articles 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 International 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 also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003

### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial 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 misstatement.

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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk 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 effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 audit opinion.

## Basis for Qualified Opinion

### 1. Property, plant and Equipment

(i) As similarly reported in the previous year, the property, plant and equipment balance of Kshs. 618,540,106 as at 30 June 2013 includes three parcels of land situated in Nanyuki, Nyahururu and Kapsabet valued at Kshs.5, 600,000 as shown below whose ownership documents were not availed for audit verification. Consequently, the accuracy of the property, plant and equipment balance of Kshs.618, 540,106 as at 30 June 2013 could not be ascertained.

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

Further, and although the management had explained that the Kapsabet plot was allocated to an individual and that the matter has been referred to the Ethics and Anti-Corruption Commission (EACC) for investigation, the process or outcome of the process has not been availed. In addition, information available on Nyahururu and Nanyuki plots indicates that the matter had been referred to the Ministry of Lands for processing of title deeds. However, until the title deeds 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 29 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 EACC has since filed a suit seeking to have the sub-division of the plot nullified with a view of reinstating its ownership to the Corporation. The property, plant and equipment balance of Kshs.618,540,106 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)

In the circumstances, it has not been possible to confirm that the property, plant and equipment balance of Kshs.618,540,106 as at 30 June 2013 is fairly stated.

### 2.Trade and Other Receivables

As similarly reported in the previous year, the trade and other receivable balance of Kshs.51,297,824 as at June 2013 includes an amount of Kshs.24,816,298 relating to various private debtors which has been outstanding since the year 1994. Further, rental debtors comprised of ex-tenants with rent arrears totaling to Kshs.2,473,573 which have remained outstanding for long with minimal chances of recovering these amounts. Despite the long period during which the debts have remained unsettled, the Corporation has

not specifically provided for the 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, 2013.

In the circumstances, it has not been possible to confirm that trade and other receivables balance of Kshs.51,297,824 as at 30 June is fairly stated.

### **3. Finance Performance**

The Corporation recorded a loss of Kshs.22,555,291 (2011/2012 – loss Kshs.51,841,646) which brought the cumulative losses to Kshs.169,796,847 as at 30 June 2013. Further, the statement of financial position reflects that the current liabilities of Kshs.100,584,766 exceeds the current assets of Kshs.76,587,183 leading to a negative working capital of Kshs.23,997,583.

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. Financial Leases**

The finance leases balance of Kshs.17,708,522 as at 30 June 2013 arose from loans borrowed by the KNTC from Industrial and Commercial Development Corporation (ICDC) and the Co-operative Bank of Kenya. According to provisional loan statement presented for audit review from the two entities, total outstanding balance was Kshs.23,696,067 as at June 2013, out of which Kshs.1,212,601 relates to Co-operative Bank and Kshs.22,483,466 relates to ICDC.

However, the financial statements reflect a balance of Kshs.17,708,522, resulting to un-reconciled difference of Kshs.5,987,545 between the two sets of records.

Consequently, it has not been possible to confirm that the finance leases balance of Kshs. 17,708,522 as at June 2013 is fairly stated.

### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Corporation as at 30 June 2013, and of its financial performance 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 Kenya Companies Act, 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 company, so far as appears from my examination of the purpose of the audit;
- iii) The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



**Edward R.O. Ouko**  
**AUDITOR-GENERAL**

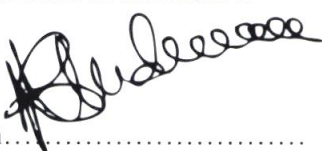
**Nairobi**

**16 May 2014**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2013**

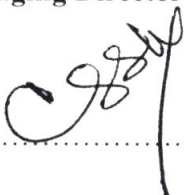
	Restated	2012-2013	2011-2012
	Notes	Kshs	Kshs
<b>TOTAL TURNOVER</b>		<u><b>339,128,928</b></u>	<u><b>320,578,920</b></u>
Total Income	12b	87,657,560	77,971,460
Adjust for loss on Magadi sales			(22,369,236)
<b>EXPENDITURE</b>			
Directors Emolument	12c	5,839,129	9,544,810
Staff Costs	12d	39,493,832	33,336,850
Administration & Establishment Costs	12e	45,644,241	49,006,740
Other Expenses	12f	<u>19,235,650</u>	<u>13,847,320</u>
<b>Total operating expenses</b>		<u><b>110,212,852</b></u>	<u><b>105,735,720</b></u>
<b>Profit / (Loss) before tax</b>	<b>2</b>	<u><b>(22,555,291)</b></u>	<u><b>(50,133,496)</b></u>
Tax		-	1,708,150
<b>Profit/(Loss) After Tax</b>	<b>g</b>	<u><b>(22,555,291)</b></u>	<u><b>(51,841,646)</b></u>
<b>Profit/(Loss)B/F</b>		<u><b>(147,241,556)</b></u>	<u><b>(95,399,910)</b></u>
<b>Profit/(Loss) C/F</b>		<u><u><b>(169,796,847)</b></u></u>	<u><u><b>(147,241,556)</b></u></u>

For Mr. Peter Kinya  
Chairman of the Board

Sign.....  


Date.....  
31/01/14

Mohamed Shaiya  
Managing Director

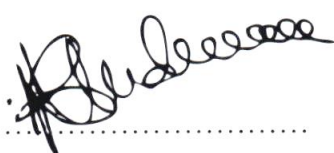
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Date.....  
21/1/14

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2013**

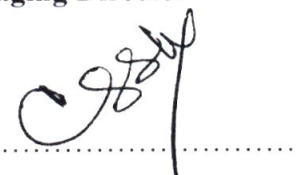
		2012/2013	Restated 2011/2012	2010/2011
		Kshs	Kshs	Kshs
<b>ASSETS</b>	Notes			
<b>NON CURRENT ASSETS</b>				
Property, plant and Equipment	4a	618,540,106	637,869,520	625,485,610
Intangible Assets	4d	880,400	-	-
<b>Total</b>		<b>619,420,506</b>	<b>637,869,520</b>	<b>625,485,610</b>
<b>CURRENT ASSETS</b>				
Inventories	5	21,992,041	37,166,730	42,494,770
Trade and other receivables	6	51,297,824	54,864,740	43,664,320
Cash and Bank Balances	7	3,297,318	9,442,950	14,521,370
<b>Total Current Assets</b>		<b>76,587,183</b>	<b>101,474,420</b>	<b>100,680,460</b>
<b>Total Assets</b>		<b>696,007,689</b>	<b>739,343,940</b>	<b>726,166,070</b>
<b>ACCUMULATED FUND</b>				
Capital Fund	9	32,000,000	32,000,000	32,000,000
Retained Earnings		(169,796,847)	(147,241,556)	(95,399,910)
Revaluation Reserves	10	733,219,770	733,219,770	733,219,770
<b>Total Accumulated Fund</b>		<b>595,422,923</b>	<b>617,978,214</b>	<b>669,819,860</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	8	66,323,574	74,504,076	45,916,630
Loans		16,552,669	16,333,210	-
Finance Leases		17,708,522	30,528,440	10,429,580
<b>Total Current Liabilities</b>		<b>100,584,766</b>	<b>121,365,726</b>	<b>56,346,210</b>
<b>Total Capital and Liabilities</b>		<b>696,007,689</b>	<b>739,343,940</b>	<b>726,166,070</b>

For Mr. Peter Kinya  
Chairman of the Board

Sign: 

Date: 31/01/14

Mohamed Shaiya  
Managing Director

Sign: 

Date: 21/1/14

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 2013**

	SHARE CAPITAL	REVALUATION RESERVE	RETAINED EARNINGS	TOTAL
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2011	32,000,000	733,219,770	(95,399,910)	669,819,860
Restated Net Surplus / Deficit for the year	-	-	(51,841,646)	(51,841,646)
<b>As 30 June 2012</b>	<b>32,000,000</b>	<b>733,219,770</b>	<b>(147,241,556)</b>	<b>617,978,214</b>
Balance as at 1 July	32,000,000	733,219,770	147,241,556	617,978,214
Net Deficit for the Year	-	-	(22,555,291)	(22,555,291)
<b>As at 30 June 2013</b>	<b>32,000,000</b>	<b>733,219,770</b>	<b>(169,796,847)</b>	<b>595,422,923</b>

For Mr. Peter Kinya  
**Chairman of the Board**

Sign. 

Date.. 31/01/14 .....

Mohamed Shaiya  
**Managing Director**

Sign. 

Date.. 31/1/14 .....

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	2012/2013 Kshs	Restated 2011/2012 Kshs
<b>Surplus (Deficit) for the year</b>			
<b>Adjustment for:</b>		<b>(22,555,291)</b>	<b>(50,133,496)</b>
Depreciation	4a	18,473,016	13,623,410
Interest Expense	12e	8,111,406	6,349,780
		<b>26,584,421</b>	<b>19,973,190</b>
<b>(Deficit)/Surplus before working Capital changes in;</b>		<b>4,029,130</b>	<b>(30,160,306)</b>
(Increase)/Decrease in Receivables	5	3,566,916	(11,200,420)
Increase/(Decrease) in payables	8	(8,180,502)	28,587,446
(Increase)/Decrease in Inventory	5	15,174,689	5,328,040
Income Tax Paid	12f	-	(1,708,150)
Interest Paid		(8,111,406)	(6,349,780)
<b>Net Cash Generated/Absorbed from /by Operating Activities</b>		<b>6,478,827</b>	<b>(15,503,170)</b>
<b>Cash Flow from Investing Activities</b>			
Purchase of Property and Equipment	4a	(24,000)	(26,007,300)
<b>Net Cash from Investing Activities</b>		<b>(24,000)</b>	<b>(26,007,300)</b>
<b>Cash flow from Financing Activities</b>		-	-
Net Increase on borrowing		219,459	16,333,190
Repayment on borrowing (Leases)		(12,819,918)	20,098,860
<b>Net Cash used in Financing Activities</b>		<b>(12,600,459)</b>	<b>36,432,050</b>
<b>Net Increase (Decrease) in Cash &amp; cash Equivalents</b>		<b>(6,145,632)</b>	<b>(5,078,420)</b>
<b>Cash and Cash equivalents at start of the year</b>		<b>9,442,950</b>	<b>14,521,370</b>
<b>Cash and Cash equivalents at end of the year</b>		<b>3,297,318</b>	<b>9,442,950</b>

For Mr. Peter Kinya  
Chairman of the Board

Sign.....

Date..... 31/01/14

Mohamed Shaiya  
Managing Director

Sign.....

Date..... 31/1/14

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted in the preparation of these financial statements are set out below.

### a) **Basis of Preparation**

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reporting amounts of revenues and expenses during the reporting period. Although these estimates are based on the director's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

### b) **Basis of Accounting**

The accounts have been prepared on accrual basis of accounting.

### c) **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.

### d) **Inventories**

Inventories are stated at the lower of cost and net realizable value. 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.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### **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 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 offset 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.

### **a) Depreciation**

Freehold land is not depreciated.

Depreciation on other property and equipment is calculated on a straight-line basis using the following annual rates:

• Buildings	2%
• Plant & machinery	20%
• Furniture & Fittings	15%
• Computers & Printers	33 1/3%
• Motor Vehicles	20%

Depreciation is not charged in the year of acquisition but it is fully charged in the year of disposal. Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into accounts in determining operating profit/loss. On disposal of revalued assets, amounts in the revaluation reserves relating to that asset are transferred to retained earnings.

## **NOTES TO THE FINANCIAL STATEMENTS (*Continued*)**

### **f) Trade 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.

### **g) Accounting for 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 statement over the period. The property plant and equipment required under the income finance leasing contracts is depreciated over the useful life of the asset.

### **Employees Entitlement**

Employees' entitlements to gratuity and 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 recognized as an expense accrual.

### **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.

### **Currency**

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

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 2. PROFIT BEFORE TAX

Profit Before Tax is stated after Charging

	<b>2012/2013</b>	<b>2011/2012 Kshs</b>
	<b>Kshs</b>	<b>Kshs</b>
Depreciation	18,473,016	13,623,410
Auditors Remuneration	400,000	400,000
Directors' Remuneration	5,839,129	9,544,810

### 3. TAXATION

Due to trading losses in the preceding years, no provision for tax has been made. Tax rate for 2012/2013 is 30%.

## Notes to the financial statements (continued)

### 4 (a). SCHEDULE PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	LAND KSHS	BUILDINGS KSHS	MACHINERY & OFFICE EQUIPMENT KSHS	FURNITURE & FITTINGS KSHS	MOTOR VEHICLES KSHS	TOTAL KSHS
<b>As at 1st July 2012</b>	<b>211,500,000</b>	<b>427,800,000</b>	<b>14,740,953.00</b>	<b>6,759,111.00</b>	<b>48,089,668.00</b>	<b>708,889,732.00</b>
Loita street Plot	30,462,540.00					30,462,540.00
Nakuru plot	2,800,000.00					2,800,000.00
Additions			24,000.00			24,000.00
<b>Revaluation</b>						-
Disposals						-
Transfer of Intangible Asset			(880,400)			(880,400)
<b>Provision for loss on:</b>						-
Loita street plot	30,462,540.00					(30,462,540.00)
Nakuru plot	(2,800,000.00)					(2,800,000.00)
<b>As at 30th June 2012</b>	<b>211,500,000</b>	<b>427,800,000</b>	<b>13,884,553.00</b>	<b>6,759,111.00</b>	<b>48,089,668.00</b>	<b>708,913,732.00</b>
<b>Accumulated Depreciation as at 30.06.2012</b>		<b>42,780,000.00</b>	<b>11,603,243.00</b>	<b>5,876,035.00</b>	<b>10,760,934.00</b>	<b>71,020,212.00</b>
Depreciation Charge for the period	-	8,556,000.00	212,201.00	86,880.50	9,617,934.00	18,473,015.50
Disposals						-
Revaluation						-
<b>Accumulated Depreciation As at 30th June 2013</b>	<b>-</b>	<b>51,336,000.00</b>	<b>11,815,444.00</b>	<b>5,962,915.50</b>	<b>20,378,868.00</b>	<b>89,493,227.50</b>
<b>Net Book Value:</b>						
As at 30th June 2013	211,500,000	376,464,000.00	2,069,109.00	796,195.50	27,710,800.00	618,540,104.50
As at 30th June 2012	211,500,000	385,020,000	3,137,710.00	883,076.00	37,328,734.00	637,869,520.00

b) Loita street plot LR.209/103430 valued at Kshs 30,462,543.50 in accounts was irregularly Surrendered to commissioner of Lands in November 1991.

c) Part of Nakuru plot 6/158 was irregularly acquired by private developer and a go-down constructed on it.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### d) Intangible Asset

<b>COST/VALUATION</b>	<b>INTANGIBLE ASSET</b>
	<b>KSHS</b>
<b>1st July 2012</b>	<b>880,400.00</b>
Additions	-
Revaluation	
Disposal	
<b>30th June 2013</b>	<b>880,400.00</b>
<b>Depreciation</b>	
<b>1st July 2012</b>	-
Charge for the period	-
Disposals	-
Revaluation	
<b>30th June 2013</b>	<b>880,400.00</b>
<b>Net book value</b>	
<b>30th June 2013</b>	<b>880,400.00</b>
<b>30th June 2012</b>	<b>880,400.00</b>

### 5. INVENTORIES

	<b>2012/2013</b>	<b>2011/2012</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Inventories	22,000,299	37,174,990
Less		
Provision for Obsolescence	(8,258)	(8,260)
<b>TOTAL</b>	<b><u>21,992,040</u></b>	<b><u>37,166,730</u></b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 6. TRADE DEBTORS AND OTHER RECEIVABLES

	2012/2013	2011/2012
	Kshs	Kshs
Trade Receivables	13,898,692	33,680,112
Staff loans	3,587,741	2,529,670
Other Debtors	34,890,060	17,292,729
Less provision for Bad debt	(4,882,190)	(4,882,190)
<b>Total</b>	<b>47,494,303</b>	<b>48,620,321</b>
<b>Add</b>		
Prepayment	3,803,521	6,244,516
<b>TOTAL</b>	<b>51,297,824</b>	<b>54,864,740</b>

### 7. CASH AND BANK BALANCES

	2012/2013	2011/2012
	Kshs	Kshs
Comprising of:		
Cash in Hand	731,977	309,740
Cash in Bank	248,975	6,775,770
Fixed Deposit	2,316,366	2,357,440
<b>TOTAL</b>	<b>3,297,318</b>	<b>9,442,950</b>

### 8 TRADE, OTHER PAYABLES AND ACCRUALS

	2012/2013	2011/2012
	Kshs	Kshs
Trade creditors	34,334,210	37,331,046
Deposits		22,014,050
Accruals		15,158,980
Statutory creditors	712,785	
Other creditors	9,114,931	
Magadi Account	16,159,068	
Accrued Leave Days	3,454,232	
Accrued Salaries	1,051,136	
Accrued Directors expenses	100,000	-
Accrued Gratuity/Pension	1,397,213	-
<b>TOTAL</b>	<b>66,323,574</b>	<b>74,504,076</b>



## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### b) TRADING INCOME

	2012/2013 Kshs.	2011/2012 Kshs.
Trading Income	39,515,798	35,779,860
Miscellaneous Income	74,630	-
Rent Income	47,397,132	42,036,330
Transport Income	670,000	-
Interest Income	-	155,270
<b>Total</b>	<b>87,657,560</b>	<b>77,971,460</b>
<b>Adjust for loss on Magadi Sale</b>		<b>(22,369,239)</b>

The figure of Kshs. 22,369,236 was in respect of sales of stock held on behalf of Magadi Soda Company Ltd. The proceeds were used to fund the Corporation's recurrent expenditure and not remitted to the supplier as per the agreement hence restatement to reverse the sales.

### EXPENDITURE

#### c) DIRECTORS EMOLUMENT

	2012/2013 Kshs	2011/2012 Kshs
Directors' Emolument	5,839,129	9,544,810

#### d) STAFF COSTS

	2012/2013 Kshs	2011/2012 Kshs
Salaries and wages	33,549,643	26,793,870
N.S.S.F	159,200	155,600
Pension and Gratuity	1,506,281	3,923,480
Medical expenses	2,955,075	2,463,900
Leave Days	1,323,634	
<b>TOTAL</b>	<b>39,493,832</b>	<b>33,336,850</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### e) ADMINISTRATION COSTS

	2012/2013	2011/2012
	Ksh	Ksh
Advertising & Publications	1,707,904	2,446,320
Electricity and Water	478,679	423,780
Repair of Office Equipment & Maintenance	265,288	859,880
Bank Charges and Interest	8,409,908	6,349,790
Audit fees	400,000	400,000
Security	4,420,366	3,662,790
Insurance	4,805,392	2,346,450
Legal and Professional Fees	1,380,864	2,891,310
License	484,945	188,010
Motor Vehicle	5,619,253	7,658,450
Postage, Revenue Stamps Telephone	1,754,180	1,878,850
Rents and Rates	3,472,365	4,210,050
Property Repairs, Maintenance	1,467,384	1,835,580
Staff Training	163,973	1,077,070
Stationery & printing	1,392,958	1,575,930
Subscriptions & Membership	174,860	297,680
Donations	-	40,000
Welfare	3,007,602	2,950,160
Travelling and Entertainment	6,238,320	7,914,640
<b>Total</b>	<b>45,644,241</b>	<b>49,006,740</b>

### OTHER EXPENSES

	2012/2013	2011/2012
	Kshs	Kshs
Sundry Expenses	153,604	216,618
Depreciation	18,473,016	13,623,410
Provision for stocks	-	7,230
Income Tax	609,030	-
<b>TOTAL</b>	<b>19,235,649</b>	<b>13,847,320</b>
<b>TOTAL EXPENSES</b>	<b>104,373,722</b>	<b>96,190,910</b>

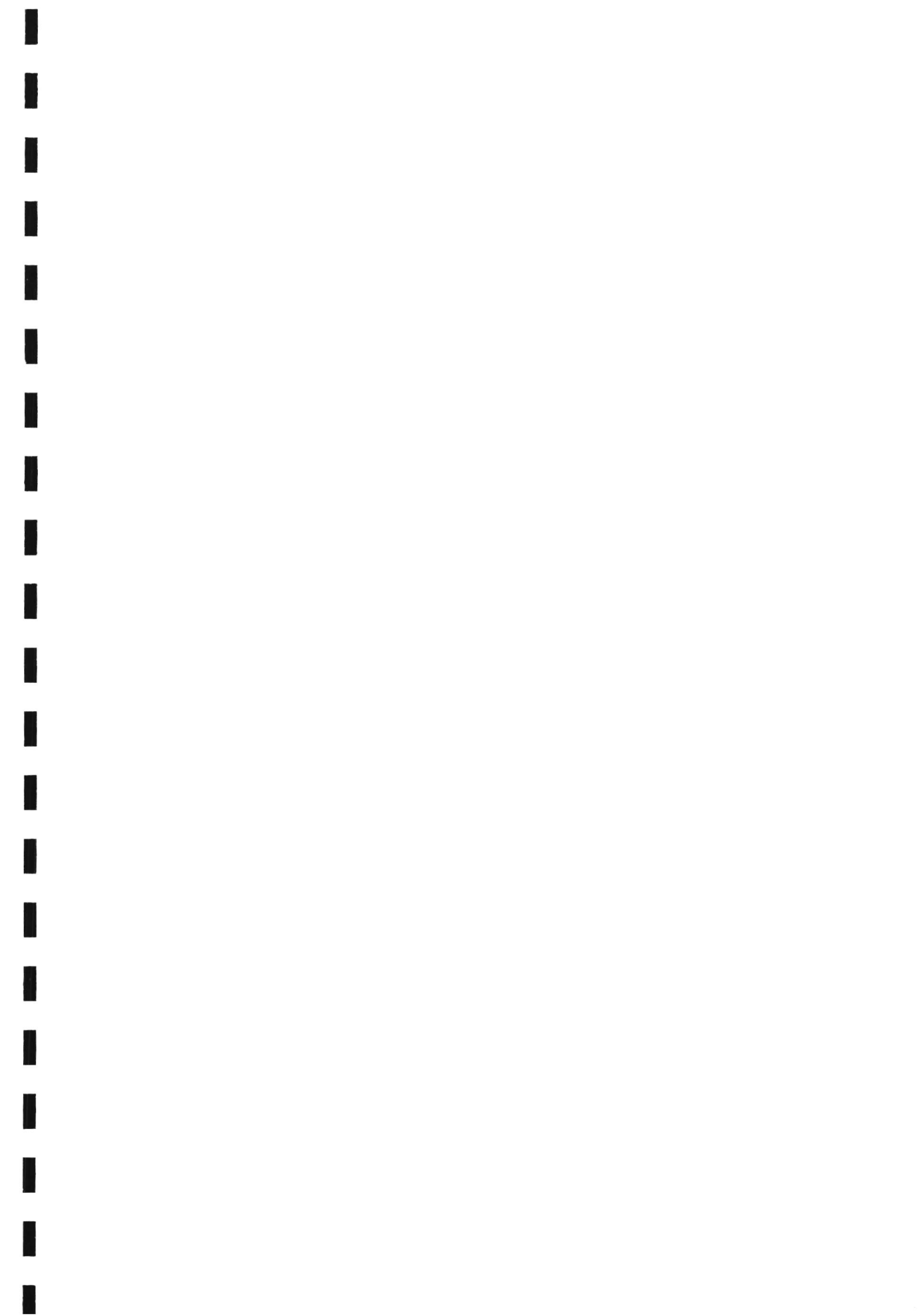
### G) NET INCOME AFTER TAX

	2012/2013	2011/2012
	Kshs	Kshs
Net profit/Loss Tax	(22,555,291)	(50,133,496)
Tax	-	(1,708,150)
<b>Net profit/Loss After Tax</b>	<b>(22,555,291)</b>	<b>(51,841,646)</b>
<b>Profit/Loss carried Forward</b>	<b>(22,555,291)</b>	<b>(51,841,646)</b>











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