Mr. Speaker (131)

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA INDUSTRIAL ESTATES LIMITED FOR THE YEAR ENDED 30 JUNE 2000

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA INDUSTRIAL ESTATES LIMITED FOR THE YEAR ENDED 30 JUNE 2000

I have examined the Accounts of Kenya Industrial Estates Company Limited for the year ended 30 June 2000 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 considered necessary 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).

In my opinion, and except for the matters referred to herebelow, the Accounts, when read together with the notes thereon, give a true and fair view of the financial state of affairs of the Company as at 30 June 2000 and of its profit and cash flows for the year then ended.

1. FINANCIAL POSITION

During the year 1999/2000 the Kenya Industrial Estates (KIE) did not repay loans and accrued interest thereof totalling Kshs.50,300,000 which brought cumulative loan redemption and interest due from the KIE to Kshs.423,804,000 as at 30 June 2000. The non-repayment of loans by the Company appears to have largely resulted from its inability to recover loans on-lent to non-performing projects as well as non-availability of considerable funds earlier invested and now held by KIE in collapsed financial institutions. As a result reduced funds were available for issuance of more investment loans such that only loans of Kshs.28,815,785 were granted during 1999/2000, compared to loans of Kshs.69,386,411 disbursed during the year 1998/99. This adverse financial position has, therefore, incapacitated the Company as regards its ability to meet its loan repayment obligations and has also made it difficult for KIE to fulfil its mandate of providing investments loans.

2. NON-PERFORMING PROJECTS

Of the Company's total project loans of Kshs.1,012,840,000 as at 30 June 2000, over 90% of the same were held in non-performing projects which have either been repossessed or have outstanding arrears of over 12 months. Substantial amounts of money were still outstanding as loan balances even after repossession and sale of projects due to Company's policy of using mortgage of chattels and personal guarantees as opposed to tangible collateral as security for the loans. In addition, present and former directors of the Company's Board as well as other prominent persons capable of servicing their

loans still hold large balances in non-performing projects thereby casting doubts as to the effectiveness and efficiency of Company's debt collection machinery including the soundness of its loaning policies. It is also not understood what action is being taken by KIE to realize the over 90% of the non-performing loans.

3. STAFF IMPRESTS

Twenty-four (24) former and present employees of the Company were holding unsurrendered imprests of Kshs.5,872,611 out of the total outstanding imprests of Kshs.10,827,528 as at 30 June, 2000. A further amount of Kshs.413,997 held by eight employees had been converted into interest free loans, contrary to the Company's own regulations governing staff imprests. Due to this evident flouting of the Company's rules and regulations, it has not been possible to ascertain whether or not staff imprests are issued for the purpose for which they are intended or even to confirm that the imprests are properly managed.

4. IRREGULAR PAYMENTS

During the year 1999/2000, the Managing Director lived in his own house which KIE had leased from him at a monthly rent of Kshs.75,000 or Kshs.900,000 per year, contrary to provisions of Section 7 of Office of the President Circular No.OP.9/21/2A VOL.XXXVII/(52) dated 29 April 1993, which prohibits State Corporations from leasing houses owned by employees of such Corporations. The house under reference is located on Plot No.LR 10251/20, situated in Karen and was apparently leased without approval of the Board. Under regulations existing during 1999/2000 the Managing Director would have been entitled to owner-occupier house allowance at a maximum rate of Kshs.23,000 per month or Kshs.276,000 per year. The Company, therefore, made lease overpayment of Kshs.624,000, being the difference between the owner occupier house allowance that the officer ought to have been paid and the actual rent paid of Kshs.900,000 per annum. In addition the Managing Director drew fuel allowance of Kshs.450,000 in 1999/2000 when at the same time he was provided with two official vehicles for his use throughout the year. There was also further payment totalling Kshs.71,208, made to Group 4 Security Company which was termed as security back up which apparently was not within his terms of employment and which was in addition to the expenditure of Kshs.375,360 incurred on security provided by M/S Securicor Security Company.

5. IRREGULAR PAYMENTS TO BOARD CHAIRMAN

During the year under review the Chairman of the Board was paid a total of Kshs.271,698 purportedly for attending unspecified weekly duties/consultations with the management. No satisfactory information was, however, produced to fully support the duties performed by or consultations made with the Chairman on weekly basis for which the expenditure of Kshs.271,698 was incurred. In the circumstances, therefore, it has not been possible to confirm the propriety of this expenditure, particularly in view that the Chairman was non-executive and was not therefore, entitled to night out and fuel allowances, leave alone the unlimited use of Company car in addition to payment of a monthly honorarium.

S.M. MALUKI
AUDITOR GENERAL (CORPORATIONS)

21 June 2002

KENYA INDUSTRIAL ESTATES LIMITED

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

	Notes	2000 Kshs'000	1999 Kshs'000
INTEREST INCOME	2	218,524	226,971
INTEREST EXPENSE	3	23,229	23,026
NET INTEREST INCOME		195,295	203,945
Rent Income		8,143	4,140
Profit on Assets Disposal		1,526	809
Other Income		3,689	6,941
OPERATING INCOME		208,653	215,835
Operating Expenses	4	133,600	165,043
OPERATING PROFIT BEFORE PROVISIONS		75,053	50,792
Provision for Bad and Doubtful Debts	5	72,170	41,038
PROFIT BEFORE TAX		2,883	9,754
Withholding Tax Paid		315	803
RETAINED PROFIT FOR THE YEAR		2,568	8,951
Earnings Per Share	6	0.640	2.229

KENYA INDUSTRIAL ESTATES LIMITED

BALANCE SHEET FOR THE YEAR ENDED 30th JUNE 2000

	Notes	2000 Kshs'000	1999 Kshs'000
Assets			
Cash and Bank Balances	12	22,337	31,829
Time Deposits		68,830	88,030
Staff Debtors and other Debtors		37,665	76,843
Mortgages Due	11	54,696	44,180
Loans Due	10	582,711	370,498
Stock		509	1,331
Staff Loans		49,302	48,360
Mortgages Advanced to Clients	11	140,390	155,749
Loans Advanced to Clients	9	430,129	547,592
Other Investments		11,200	11,200
Property and Equipment	7	207,564	202,340
TOTAL ASSETS		1,605,333	1,577,952
Liabilities			
Accrued Interest on Long Term Loans		219,392	196,164
Long Term Loans Due	17	204,412	117,340
Bank Overdraft	13	3,422	3,422
Tax Payable		-	-
Creditors		20,670	30,306
Kenya Government Loans	17	187,151	187,151
External Loans	17	217,317	244,389
TOTAL LIABILITIES		852,364	838,772
Capital Resources			
Share Capital	14	80,277	80,277
Reserves	15	433,247	419,079
Shareholders Funds		513,524	499,356
Grants	16	239,445	239,824
Total Liabilities, Grants and Shareholders Funds		1,605,333	1,557,952

The Financial Statements for the Year ending 30th June 2000 were approved by the Board of Directors on 22nd November, 2000 and were signed on their behalf by:

DIRECT

LUKA K. CHEPTOO	-	CHAIRMAN	
N. K. CHESONI	-	MANAGING DIRECTOR	
ROSE A. OCHANDA (MRS)		SECRETARY	

KENYA INDUSTRIAL ESTATES
CASH FLOW STATEMENT AS AT 30TH JUNE 2000

CASH FLOWS FROM OPERATING ACTIVITIES:

	30/06/2000 KSHS'000	30/06/1999 KSHS'000
Net Profit before Taxation and Extra-Ordinary Items	2,270	9,754
ADJUSTMENTS FOR:		
Depreciation	8,670	8,240
Profit on Disposal of Fixed Assets	(1,526)	(809)
Provision for Loan Interest	23,229	23,026
Provision for Bad & Doubtful Debts	72,170	41,038
Adjustment on Profit and Loss Accounts	0	0
Audit Fees	400	402
Loan Repayments - Staff	10,013	7,735
Loan Repayments	113,225	155,432
Mortgage Repayments	29,161	34,066
Loan Disbursements	(38,100)	(69,484)
Loans Disbursement to Staff	(3,738)	(6,128)
Interest Income added to Loans	(183,905)	(165,172)
Interest on Staff Loans Debited	(8,866)	(7,657)
Interest on Mortgage Debited	(24,318)	(48,595)
Operating Profit/Loss before Working Capital charges	(1,315)	(18,152)
INCREASE/DECREASE IN OPERATING ASSETS:		
Stock	(822)	816
Debtors	(39,178)	(739
	(40,000)	77
INCREASE/DECREASE IN OPERATING LIABILITIES:		
Sundry Creditors	9,424	10,315
Cash Generated from Operating Activities:	(30,576)	10,392
Less Tax Paid	(315)	(803)
	(30,891)	9,589
Net Cash From Operating Activities	(29,576)	(8,563)
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds on Disposal of Fixed Assets	1,526	1,521
Purchase of Fixed Assets	(599)	(1,223)
Net Cash from Investing Activities	927	298
CASH FLOWS FROM FINANCING ACTIVITIES:		
GTZ Grant ISP	0	0
GOK Loans	0	3,000
GTZ Co-operation Fund	-	-
KFW Loans	-	-
SIDA Fund	-	-

Interest on GOK Loans	-	-
Subsidy for ISP – Grant Utilized	0	(20,535)
Net Cash from Financing Activities	0	(17,535)
Net Increase/Decrease in Cash and Cash Equivalent	(28,649)	(25,800)
Cash and Cash equivalent at beginning of Period	116,438	142,238
Cash and Cash equivalents at end of Period	87,789	116,438

RECONCILIATION OF CASH AND CASH EQUIVALENTS

	NET MOVEMENT KSHS'000	AT 30-06-2000 KSHS'000	AT 30-06-1999 KSHS'000
Treasury Bills/Fixed Deposit	(19,201)	68,830	88,031
Cash/Bank	(9,448)	22,381	31,829
Overdraft	0	(3,422)	(3,422)
	(28,649)	87,789	116,438

KENYA INDUSTRIAL ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/2000

1. **ACCOUNTING POLICIES**

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

b) **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. Fixed Assets realized after merger with the former ISP are credited to revaluation reserve at valuation.

c) **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%
Plant Machinery and Tools	10%
Furniture Fittings and Office Equip.	12.5%
Motor Vehicles	20%

d) **Loans**

Loans for SSI are shown inclusive of accrued interest. The provision for bad and doubtful debts has been made at 20% p.a. on arrears over 12 months and 100% p.a. on outstanding loan on projects whose assets have been sold (excluding those granted out of NORAD, GTZ, (ISL), GTZ (REP) and EEC Grant Funds). Interest was not accrued on repossessed projects and those under receivership.

For ISP loans, 100% provision is made on principal arrears on loans 180 days past due or projects with loan balances 180 days past the loan completion date.

Loans granted out of Norad, GTZ (ISL), GTZ (REP) and EEC funds are excluded since agreements with these donors provide for bad debts to be charged to the grant accounts.

e) **Stock**

Stock is stated at the lower of cost and net realizable value.

2. **INTEREST INCOME**

	2000 Shs'000	1999 Shs.'000
Interest on Loans	183,161	165,172
Interest on Mortgages	24,318	48,595
Interest on Staff Car Loans	660	955
Interest on Staff House Loans	8,206	6,702
Interest on Current Account	72	31
Interest on Fixed Deposits	2,107	5,516
Total Interest Income	218,524	226,971

3. **INTEREST EXPENSES**

GOK Loans	5,661	5,601
KFW Loan	5,622	5,576
IDA I	2,894	2,871
IDA II	1,108	1,009
ADF Loan	7,605	7,543
Belgium	339	336
Total Interest Expense	23,229	23,026

4. **OPERATING EXPENSES**

Security Expenses	1,616	2,098
Show Expenses	756	901
Advertisement	146	152
Bank Charges	1,574	2,267
Directors Allowances:		
For Management	394	431
As Directors	1,064	991
Entertainment	91	181
General Expenses	2,592	4,402
Insurance	4,575	4,773
Light, Water & Conservancy	1,407	1,458
Newspaper & Periodicals	517	900
Communications	4,827	5,798
Printing & Stationery	2,193	3,753
Professional & Legal Fees	3,087	2,916
Recruitment & Personnel Expenses.	0	400
Rent & Rates	1,541	1,945
Repairs & Maintenance	1,711	1,891
Training Expenses	1,142	1,166
Medical Expenses	2,615	4,636
Salaries & Wages	67,511	82,621
Audit Fees	400	402
Subscription & Donation	501	1,013
Publication & Promotion	34	22
Welfare Expenses	331	2,037
Travelling Expenses	5,709	7,899
Local Government Charges	2	1
Motor Vehicle Expenses	5,920	10,354

NSSF Employer	219	258
Provident Fund	1,343	1,549
Staff Retrenchment	6,805	3,596
Pension Employer	4,307	6,127
Depreciation	8,670	8,240
OPERATING EXPENSES	133,600	165,043

5. **PROVISION FOR BAD & DOUBTFUL DEBTS**

The provision for bad and doubtful debts has been made at 20% p.a. on arrears over 12 months and 100% p.a. on outstanding loan on projects whose assets have been sold (excluding those granted out of NORAD, GTZ (ISL), GTZ (REP) and EEC Grant Funds).

For ISP loans, 100% provision is made on principal arrears on loans 180 days past due or projects with loan balances 180 days past the loan completion date. A provision of 20% has been made on incremental rent and TSC debtors.

	2000 Shs'000	1999 Shs'000
Provision on Loan Arrears	70,914	41,038
Provision on Rent Arrears	261	-
Provision on TSC Debtors	995	-
Total Provision	72,170	41,038

6. **EARNINGS PER SHARE**

Earnings per share is calculated on the profit attributable to share holders of Kshs.2.265 million (1999: Kshs.8.951 million) and on the issued shares outstanding during the period.

		2000 Shs'000		1999 Shs'000
Net Profit for the Year		2,568		8,951
No. of Shares	4,014 @ 20/=	80,277	4,014 @ 20/=	80,277
Earning Per Share		0.640		2,229

7. PROPERTY AND EQUIPMENT

	LEASEHOLD LAND AND BUILDINGS KSHS'000	PLANT AND MACHINERY KSHS'000	FURNITURE FITTINGS AND OFFICE EQIPMENT KSHS.'000	MOTOR VEHICLES & BIKES KSHS'000	TOTAL KSHS'000
As at 1st July 1999	198,072	583	35,321	27,953	261,929
Additions					
Transfers	389	-	210	-	599
Disposal	4,355	-	4,325	(113)	8,567
	-	-	(1)	-	(1)
As at 30th June 2000	202,816	583	39,855	27,840	271,094
DEPRECIATION					
As at 1st July 1999	19,338	583	19,175	20,492	59,588
Transfer	-	-	-	(4,728)	(4,728)
Charge for the Year	3,669	-	2,586	2,415	8,670
Eliminated on Disposal	-	-	-	-	-
As at 30th June 2000	23,007	583	21,761	18,179	63,530
NET BOOK VALUE					
As at 30th June 2000	179,809	-	18,094	9,661	207,564
As at 30th June 1999	178,734	-	16,146	7,460	202,340

8. STAFF LOANS

	2000 Shs'000	1999 Shs'000
House Loans	42,054	37,620
Car Loans	8897	10,740
Total	50,951	48,360

These loans are secured and bear varying rates of interest between 6% and 12% with exception of the former Managing Director's house loan where interest rate of 205 per annum is charged. House Loans are repayable within 10 to 20 years and Car Loans within two (2) to seven (7) years.

9 LOANS & INVESTMENT

	2000 Shs'000	1999 Shs'000
Consolidated Bank of (K) Ltd	11,200	11,200
Loans to Clients	1,313,201	1,146,282
	1,324,401	1,157,481
Less Repayments due treated as:		
Current Assets		
Consolidated bank of (K) Ltd	(883,072)	(598,689)
	11,200	11,200
	430,129	558,792
Repayments due treated as:		
Current Assets	883,072	598,689
Less Provision for Bad Debts	(300,361)	(228,191)
	582,711	370,498

The following information relates to the company in which investments are held:

NAME OF COMPANY	SHARES HELD	PROPORTION OF TOTAL PAID UP CAPITAL
1. Consolidated Bank	a) 440,000 4% non-cumulative Preference Share of Kshs.20/=	0.44%
	b) 120,000 ordinary shares of KShs.20/= each.	0.12%

Total Nominal Value is Kshs.11,200,000

10. MORTGAGE

These are Industrial Sheds sold to entrepreneurs 10% of the purchase price is paid as down payment and the balance is repaid over a period of 20 years at an interest rate of 25% per annum.

11. DEBTORS

	2000 Ksh.'000	1999 Kshs'000
Debtors	71,713	109,635
Less Provision	34,048	(32,792)
	37,665	76,843

Summary of Provision for Bad and Doubtful Debts as at 30th June 2000:

	2000 Kshs'000
Provision for Bad Debts - Staff	1,113
Provision for Bad Debts - Rent	30,060
Provision for Bad Debts - TSC	2,881
Provision for Bad Debts - Others	(6)
	34,048

12. CASH AND BANK BALANCE

	2000 Kshs'000
Cash in Hand	1,623
Bank Account	20,714
	22,337

13. (a) TIME DEPOSITS

- **Pioneer Building Society - Nairobi Branch**

	15%	CALL	240
	4.5%	CALL	5,870
	14%	CALL	5,371
			11,481
Repayments			(4,039)
Less Provision for Bad Debts			7,442
			(7,442)
			NIL

- 1. **Cosmopolitan Building Society - Nairobi Branch**

	13%	CALL	2,000
	13%	CALL	2,000
	12.5%	CALL	12
Less Provision for Bad Debts			4,012
			4,012
			NIL

2. **Thabiti Finance Co. Ltd - Nairobi**

	22.0%	CALL	2,000
	20.5%	CALL	3,928
Dividend Paid Capitalized 5/6/1998			(500)
			5,428

- **Continental Credit Finance Ltd - Nairobi Branch**

14.5%	CALL FDR NO. A. 008829	5,745
14.5%	CALL FDR NO. A. 008830	1,651
14.5%	CALL FDR NO. 8848	2,612
13%	CALL FDR NO. 8835	1,666
14.5%	CALL FDR NO. 8843	2,590
13%	CALL FDR NO. 8834	1,000
14.75%	CALL FDR NO. 8845	2,148
14%	CALL FDR NO. 8844	2,070
14%	CALL FDR NO. 8837	3,109
14.5%	CALL FDR NO. 8852	752
14.5%	CALL FDR NO. 8849	2,000
14.5%	CALL FDR NO. 8836	1,150

14%	CALL FDR NO. 8846	5,000
14.5%	CALL FDR NO. 8853	4,108
14%	CALL FDR NO. 8839	5,716
14.5%	CALL FDR NO. 8842	4,786
14.5%	CALL FDR NO. 8851	3,745
14.75%	CALL FDR NO. 8850	4,000
14.5%	CALL FDR NO. 8838	3,877
14%	CALL FDR NO. 8840	2,164
14%	CALL FDR NO. 8841	2,239
14.5%	CALL FDR NO. 8832	156
14.5%	CALL FDR NO. 8831	339
14.5%	CALL FDR NO. 8847	3,110
14.5%	CALL FDR NO. A.008827	472
13%	CALL FDR NO. A.008828	5,266
14.5%	CALL FDR NO. 8833	123
		71,594
	Repayment of interest Capitalized	(1,800)
	Dividends paid Capitalized	(16,391)
		53,403
	Central Bank of Kenya -Nairobi	10,000

(b) **SUMMARY OF TIME DEPOSITS**

	2000 KSHS'000	1999 KSHS'000
Total Fixed Deposits	80,284	99,485
Less Provision for Bad Debts	(11,454)	(11,454)
	68,830	88,031

(c) Bank Overdraft of Kshs.3,421,918.30 is from Continental Bank Ltd which is under receivership. A set off against the fixed deposit is being negotiated.

(d) Provision on FDR's with Continental Credit Finance Company Ltd has not been made since there is a pending Court Case.

14. **SHARE CAPITAL**

	2000 KSHS'000	1999 KSHS'000
Authorized Ordinary Shares	200,000	200,000
Issued and Fully Paid	80,277	80,277

15. **RESERVES**

Capital Reserves	22,524	22,524
Revaluation Reserve	153,570	139,885
Retained Profit	4,211	3,727
GOK Irredeemable Loans	190,257	190,257
Profit on Sale of Sheds	62,685	62,686
	433,247	419,079

15(b) RETAINED PROFIT

	2000 KSHS'000	1999 KSHS'000
Net Profit	2,568	8,950
Retained Profit B/F	3,727	9,944
Prior Period Adjustment	(2,084)	(13,395)
	4,211	5,500
Transfer to Norad	-	1,771
Transfer to EEC Grant	-	2
	4,211	3,727

16. GRANTS

(a) *NORWEGIAN GOVERNMENT*

1st July, 1999	146,040	144,269
Interest Credited	-	1,771
Write-off	-	-
30th June 2000	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*

	2000 KSHS'000	1999 KSHS'000
1st July, 1999	1,857	1,845
Received during the Year	-	10
Interest Credited	-	2
30th June, 2000	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*

	2000 KSHS'000	1999 KSHS'000
1st July, 1999	10,894	10,894
Refunded during the Year	379	-
Less: Subsidy for the Year	-	-
30th June, 2000	10,515	10,894

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 as subsidy.

d) *GTZ REP FINANCING GRANT*

	2000 KSHS'000	1999 KSHS'000
1st July, 1999	4,385	4,385
Received during the Year	-	-
Less Subsidies	-	-
Adjustments	-	-
30th June, 2000	4,385	4,385

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

e) *KFW GRANT FOR INFORMAL SECTOR LOANS*

	2000 KSHS'000	1999 KSHS'000
1st July, 1999	72,943	72,943
Received during the Year	-	-
30th June, 2000	72,943	72,943

f) *GTZ CO-OPERATION FUND*

1st July, 1999	3,705	3,705
Received during the Year	-	-
30th June, 2000	3,705	3,705

g) **SUMMARY OF GRANTS**

Norwegian GOVERNMENT Grant	146,040
EEC Grant	1,857
GTZ Grant for ISL	10,515
GTZ Rep Financing Grant	4,385
KFW Grant for ISL Loans	72,943
GTZ Co-operation Fund	3,705
	239,445

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 30th June, 1985 from Government of Kenya Loans and Kshs.52,266,000/= accrued interest on Government of Kenya Loans up to 30th June 1985. These loans are irredeemable subordinated to equity and bear no interest. These are included as part of reserves.

(b) *KENYA GOVERNMENT LOANS*

	2000 KSHS'000	1999 KSHS'000
1st July, 1999	187,151	184,15 ~~187,151~~
Received during the Year	-	3,000
30th June, 2000	187,151	187,151

The loans carry interest of 3% per annum payable to the Treasury on 31st December and 30th June each year commencing from July, 1984 and is included as part of accrued interest on Long Term Loans. These are irredeemable.

(c) *IDA LOANS*

	2000 KSHS'000	1999 KSHS'000
IDA I (750-KE)		
1st July, 1999	47,849	47,849
Repayments due (Current Liabilities)	(47,849)	(47,448)
30th June, 2000	-	401
IDA II (1738-KE)		
1st July, 1999	18,321	18,321
Repayments due (Current Liabilities)	(6,107)	(4,886)
30th June 2000	12,214	13,435

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 1st July 1985. Repayment of IDA II Loan commenced from 15th August, 1995.

d) *DEVELOPMENT LOAN CORPORATION (KFW OF WEST GERMANY)*

	2000 KSHS'000	1999 KSHS'000
1st July, 1999	92,935	92,935
Repayments due (Current Liabilities)	(91,790)	(91,483)
30th June, 2000	1,145	1,452

The loan relates to amount disbursed by KFW up to 10th June 1989 in respect of the approved and financed projects in accordance with the terms of the agreement dated 26th 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 is repayable through the government of Kenya over 15 years with effect from 1st 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.

e) *AFRICAN DEVELOPMENT BANK (ADF)*

	2000 KSHS'000	1999 KSHS'000
1st July, 1999	251,424	251,424
Repayments due (Current Liabilities)	(58,666)	(33,523)
30th June, 2000	192,758	217,901

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.

f) *BELGIUM LOAN*

	2000 KSHS'000	1999 KSHS'000
1st July, 1999	11,200	11,200
30th June, 2000	11,200	11,200

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

g) **SUMMARY OF EXTERNAL LOANS**

	LOANS DUE	PRINCIPLE O/S	TOTAL
IDA I Loan	47,849	-	47,849
IDA II Loan	6,107	12,214	18,321
KFW Loan	91,790	1,145	92,935
ADF Loan	58,666	192,758	251,424
Belgium Loan	-	11,200	11,200
	204,412	217,317	421,729

18. **CONTINGENT LIABILITIES**

There is a contingent liability in that 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 to the date the Court makes a decision on case currently pending in Court for determination. A further liability in respect of Corporate Tax exist for the Financial Years 1997 and 1998 where the company has filed a Section 90 appeal against the self assessment.