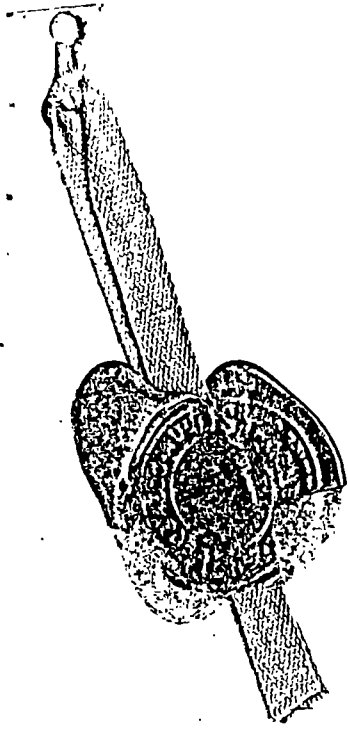


**KENYA
FLUORSPAR
COMPANY
LIMITED**

PARLIAMENT
OF KENYA
LIBRARY

ANNUAL REPORT 1992

INCORPORATED 18th OCTOBER, 1979



REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF
KENYA FLUORSPAR COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 1992

KENYA FLUORSPAR COMPANY LIMITED

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KENYA FLUORSPAR COMPANY LIMITED

BOARD OF DIRECTORS

Lt. General (Rtd) J.M. Sawe (Executive Chairman)
Executive Chairman Kenya Railways
Permanent Secretary to the Treasury
Permanent Secretary to the Ministry of Industry
Permanent Secretary to the Ministry of Environment and Natural Resources
Industrial and Commercial Development Corporation
Kipkurui Orgut

SECRETARY

P. Muthiga

REGISTERED OFFICE

Mine Office at Kimwarer
Kerio Valley
P.o Private Bag
ELDORET

BANKERS

National Bank of Kenya Limited
Harambee Avenue Branch
P.o Box 41862
NAIROBI

Kenya Commercial Bank Limited
P.o Box 560
ELDORET

AUDITORS

Auditor General (Corporations)
P.o Box 49384
NAIROBI

ADVOCATES

Kaplan & Stratton
Queensway House
P.o Box 40111
NAIROBI

KENYA FLUORSPAR COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present the audited accounts for the year ended 30th June 1992.

RESULTS

The results for the year are set out in the profit and loss account on page 9.

DIVIDENDS

The directors do not recommend the declaration of a dividend.

DIRECTORS

The names of the directors are set out on page 2.

AUDITORS

The Auditor General (Corporations), will continue in office in accordance with the Exchequer and Audit (Amendment) Act, 1985 (Cap 412)

BY ORDER OF THE BOARD

CHAIRMAN

Date.....


KENYA FLUORSPAR COMPANY LIMITED

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

In my report last year I indicated that the Company would be facing a difficult year ahead due to the continuing depression of the fluorspar market. It is against this background that I am pleased to report that the Company made a pre-tax profit of KShs 5.497 million. This compares with a KShs 19.586 million profit achieved in the previous year.

Although the stiff competition from the Chinese continued to force the price of fluorspar down on the world market, KFC was able to maintain its profitability by achieving a 5% increase in total sales and careful control of operating costs.

During the year, KFC achieved a turnover of KShs 162.346 million which compares to KShs 147.638 million earned in the previous year. This is a 10% increase in turnover. However the average price dropped 13.25% from \$ 83 FOB Mombasa to \$72. Total foreign exchange earnings for the country amounted to \$5.3 million compared to \$5.8 million earned in the previous year.

The continued depreciate of the Kenya Shilling against the US dollar in 1991/92 realised an exchange rate gain of KShs 2.2 million from the Overseas Sales transactions.

Export compensation was reduced from 20% to 18% during the year. This gave a mean rate of 18.6% of the total export proceeds received amounting to KShs 27.484 million compared to KShs 36.572 million received in 1990/91.

During the year, the Company produced 80,630 wet metric tonne (WMT) of fluorspar equivalent to 71,661 dry metric tonne (DMT) at an average cost of KShs 975.35 per DMT. This compares with production of 86,936 WMT (77,402 DMT) at an average production cost of KShs 1212.45 per DMT achieved in the previous year.

The reduction in production cost was due to careful management control particularly in the later half of the year. The greatest single saving was due to the decision to cease mining operations for 3 months and to use up the existing stocks of ore already at the mill.

PROSPECTS

The world fluorspar market continues to be dominated by China which produces high quality fluorspar offered at aggressively low prices. China therefore continues to present stiff competition to KFC in terms of price and quality. Some European producers of fluorspar are beginning to seek anti-dumping legislation against the Chinese through the EEC. However if such action is taken it will probably not come into force until 1993/94.

KENYA FLUORSPAR COMPANY LIMITED

CHAIRMAN'S STATEMENT (continued)

In the short term then KFC expects prices to continue to fall whilst the demand for better quality material will increase. This will put considerable strain on the Company's ability to remain profitable. It is therefore expected that the next financial year will be a very difficult one with the need for management to exercise strong fiscal control to ensure the Company does not slip in a loss making position. It will certainly be necessary for KFC to postpone the current development of the open pit mine during the coming year.

REVENUE

The Board of directors do not recommend any dividend. This is because the expected turnover in the next few years is predicted to be lower than expenditure. In addition the need to postpone the open pit development will result in higher costs when this development recommences. KFC therefore needs to retain its cash reserves to help it through this period.

STAFF

There were several important staff changes during 1991/92.

Mr. Robert Berry took over as Resident Manager on 1st May 1992. The incumbent Resident Manager Mr. Norman Wilson moved back to his previous position as Metallurgical Superintendent. This was done so that Mr. Wilson could concentrate fully on improving the quality of the product.

Mr. Musa Kiptanui joined the Company as Chief Engineer on the 7th January 1992.

Mr. Bernard Muchunku was transferred from the mill (Concentrate Superintendent) to Nairobi Office as Technical Business Manager on 1st February 1992.

Mr. Toroitich Mereng was promoted from Chief Chemist to Concentrate Superintendent on 1st February 1992.

The number of employees on permanent or contract terms of service fell to an average of 542 in 1991/92 from 546 in 1990/91.

The Company continued to have an excellent working relationship with Kenya Quarry and Mine Workers Union, to follow its policy of good relations at work, and to concern itself with the well-being and progress of all its employees.

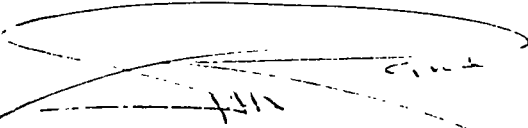
The continued success of Kenya Fluorspar Company during a difficult year was done to the dedication and careful planning of **its** Management and the hard work of its employees. On behalf of the Board, I would like to thank the Management and staff of the Company for the excellent and devoted performance during 1991/92.

KENYA FLUORSPAR COMPANY LIMITED

CHAIRMAN'S STATEMENT (continued)

J.M. SAWE

EXECUTIVE CHAIRMAN


DATE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA FLUORSPAR COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 1992

I have examined the accounts of Kenya Fluorspar Company Limited for the year ended 30 June 1992 in accordance with Section 29 (2) of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations which were considered necessary for the purpose of the audit. Proper books of account have been maintained by the Company and the accounts which have been prepared under the historical cost convention are in agreement therewith and comply with the Companies Act.

Subject to the following reservation, in my opinion, the accounts, when read together with the notes thereon, present a true and fair view of the state of affairs of the Company as at 30 June 1992 and of its profit and the statement of source and application of funds for the year then ended.

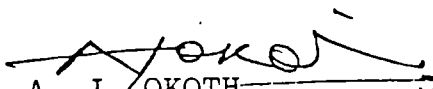
DEBTORS

The debtors balance of Kshs.57,736,000.00 as at 30 June 1992 includes the following items with amounts totalling Kshs.1,983,203.00 whose analyses were not produced for the audit verification:-

<u>Item</u>	<u>Amount(Kshs.)</u>
Miscellaneous Item Account	413,086.00
Fuel Deposit Account	22,724.00
Salaries Control Account	598,721.00
Wages Control Account	418,452.00
New Chebutie Club	446,117.00
Chebutie Recreation Club	<u>84,103.00</u>
	1,983,203.00
	=====

In the absence of the analyses of the items, it was not possible to confirm that the debtors are fairly stated in the accounts.

The total amount of Kshs.57,736,000.00 also includes Kshs.179,680.00 in respect of the interest free car loan due from the former Company's Chairman. Although the Company has written to him demanding the settlement of the amount, the former Chairman has not responded. Under the circumstances it was not possible to ascertain the recoverability of the loan


A. J. OKOTH
AUDITOR-GENERAL (CORPORATIONS)

KENYA FLUORSPAR COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 1992

	Note	30 June 1992 Shs'000	30 June 1991 Shs'000
TURNOVER	1	162346	147638
OPERATING PROFIT	2	5497	19586
TAXATION	3	484	6450
PROFIT FOR THE YEAR AFTER TAXATION		5013	13136
STATEMENT OF RETAINED PROFITS			
1ST JULY 1991		74327	61191
PRIOR YEAR ADJUSTMENT		(15344)	-
PROFIT FOR THE YEAR AFTER TAX		5013	13136
30TH JUNE 1992		63996	74327

Report of the auditors - page 7


Statement of source and application of funds - page 11

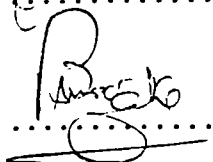
The notes on pages form part of these accounts

KENYA FLUORSPAR COMPANY LIMITED

BALANCE SHEET - 30TH JUNE 1992

	Note	30 June 1992 Shs'000	30 June 1991 Shs'000
FIXED ASSETS	4	52846	49364
CURRENT ASSETS			
Stocks	5	66195	90079
Debtors		57736	14817
Short term deposits		7784	7600
Bank balances and cash		3089	27296
		134804	139792
CURRENT LIABILITIES			
Creditors		36809	17372
Taxation		5909	6043
		42718	23415
NET CURRENT ASSETS		92086	116377
Financed by:-		144932	165741
SHARE CAPITAL	6	76712	76712
RESERVES	7	66079	76411
SHAREHOLDER'S INTEREST		142791	153123
LOAN CAPITAL	8	2141	12618
		144932	165741


.....director


.....director

Report of the auditors - page 7
Statement of source and application of funds - page 10
The notes on pages to form part of these accounts

KENYA FLUORSPAR COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30 JUNE 1992

	30 June 1992 Shs'000	30 June 1991 Shs'000
SOURCE OF FUNDS		
Operating Profit		
Adjustments for items not involving the movement of funds	5497	19586
Depreciation	9092	15007
Loss(Profit) on sale of fixed assets	(1665)	(744)
Total generated from operations	12924	33849
Issue of shares	-	56712
Proceeds on sale of fixed assets	1665	1711
Loans received	-	20000
Decrease in stocks	23884	4827
Reduction in debtors	-	-
Increase in creditors	19437	-
Total from all sources	57910	117099
APPLICATION OF FUNDS		
Expenditure:		
Fixed assets	12592	3337
Tax paid	620	4116
Decrease in loan capital	10477	35451
Increase in:		
Stocks	-	21776
Debtors	42898	
Decrease in creditors	-	43614
Provision of Terminal Benefits upto 30.6.91	15345	
	81932	108294
	(24022)	8805
INCREASE(DECREASE) IN LIQUID FUNDS		
Short term fixed deposits	185	-
Bank balances and cash	(24207)	8805
	(24022)	8805

KENYA FLUORSPAR COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30TH JUNE 19911. PRINCIPAL ACCOUNTING POLICIES

The accounts are prepared in accordance with the historical cost convention. The following is a summary of the more important accounting policies used.

(a) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The annual rates used for this purpose are:-

Earth moving mining and exploration equipment	Actual hours worked
Loading, weighing and despatch equipment	5.0 %
Plant, machinery and project development	10.0 %
Communication equipment, furniture and fittings	12.0 %
Lighting plant and generators, laboratory and building equipment	20.0 %
Motor vehicles, implements and tools	25.0 %

(b) Stocks

Stocks are stated at the lower of cost and net realisable value. In general cost is determined on a first in, first out basis and includes transport and handling costs; in the case of manufactured products costs include all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which the stock can be realised in the normal course of business after allowing for the costs of realisation. Provision is made for obsolete, slow moving and defective stocks. Reagents and grinding media are written off at the time of purchase.

(c) Foreign Currencies

Assets and liabilities expressed in foreign currencies are translated to Kenya Shillings at the rates of exchange ruling at the year end.

(d) Export Compensation

Export compensation income is accounted for on a receipts basis. As at 30 June 1993 KShs 16,377,000 was outstanding.

(e) Bad and doubtful debts

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

KENYA FLUORSPAR COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30TH JUNE 1992 (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Sales

A Sale is deemed to have been made once a loaded ship has sailed from Mbaraki Wharf, Mombasa.

(g) Turnover

Turnover of the company, which excludes value added tax and export rebates is the aggregate invoiced value of goods and the sales value of deliveries made on contracts, estimated by reference to the total sales value of each contract.

	30 June 1992 Shs'000	30 June 1991 Shs'000
2. OPERATING PROFIT		
This is stated after charging:-		
Depreciation	9092	15007
Auditor's Remuneration	192	192
Interest on Loans	1566	2718
Director's Emoluments and after crediting:	395	95
Interest from fixed deposits	1884	1828
Export Compensation	27484	36572
	=====	

3. TAXATION

On the operating profit for the year	484	6450
Adjustment for previous years	-	-

	484	6450
	=====	

KENYA FLUORSPAR COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30TH JUNE 1992

4. FIXED ASSETS	Flotation Plant Shs'000	Earth Moving & Drilling Equipment Shs'000	Staff Houses and other Buildings Shs'000	Company Motor Vehicles Shs'000	Other Assets Shs'000	Total Shs'000
Cost:						
1 July 1991	13332	70176	13303	4869	22082	123762
Additions	-	10525		1384	681	12591
Disposals		(6900)		(520)	(57)	(7477)
30 June 1992	13332	73801	13303	5733	22706	128876
Depreciation:-						
1 July 1991	12061	40165	5316	3170	13686	74398
Charge for the year	440	5797	1050	752	1053	9092
On disposals		(6900)		(520)	(41)	(7461)
30 June 1992	12501	39061	6366	3404	14696	76029
Net book value:						
30 June 1992	831	34739	6937	2329	8010	52846
30 June 1991	1271	30011	7987	1699	8396	49364

There was no capital work in progress as at 30th June 1992 compared to Shs.215000 at 30th June 1991.

5. STOCKS	30 June 1992 Shs'000	30 June 1991 Shs'000
Fluorspar Concentrate	30335	49825
Flotation Plant Spares and Materials	16498	20477
General Spares, Materials and Consumables	15323	18393
Laboratory Stocks	651	437
Goods in Transit	3388	947
	66195	90079

KENYA FLUORSPAR COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30TH JUNE 1992 (Continued)

6. SHARE CAPITAL	30 June 1992 Shs'000	30 June 1991 Shs'000
Ordinary shares of Shs 20 each Authorised - 3,835,600 Shares	76712	76712

7. RESERVES	Capital Shs'000	Retained Shs'000	Total Shs'000
1st July 1991	2083	58983	61066
Profit for the year	-	5013	5013
30 June 1991	2083	63996	66079

The capital reserve represents the excess of the book value of assets acquired from the receivers and Managers of Fluorspar Company of Kenya Limited over the amount paid.

8. LOAN CAPITAL	30 June 1992 Shs'000	30 June 1991 Shs'000
Secured Short Term Loan	2141	12618

In August 1990, Standard Chartered Financial Services Ltd advanced the Company a short term loan of Shs 20 million to finance new mining equipment. This loan is repayable within 24 months effective from September 1990. The loan is secured by the assets of the company.

KENYA FLUORSPAR COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30TH JUNE 1992 (Continued)

9.	CAPITAL COMMITMENTS	30 June 1992 Shs'000	30 June 1991 Shs'000
	Approved by the board of directors but not contracted for	9812	13691
		=====	=====
10	EXPORT COMPENSATION		
	Outstanding claims at the year end	16377	9937

KENYA FLUORSPAR COMPANY LIMITED

DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1992

	30 June 1992 Shs'000	30 June 1991 Shs'000
SALES	162346	147638
COST OF SALES		
Opening Stock	49825	32129
Mill Operating Cost	71417	93847
Carriage, freight and handling	47675	48150
Closing stock	(30335)	(49825)
	138582	124301
GROSS PROFIT	23764	23337
<u>ADD:-</u>		
Export Compensation	27484	36572
Miscellaneous Income	6131	7997
	57379	67906
<u>LESS:-</u>		
Selling expenses	3217	4051
Administration expenses	15439	14298
Service Department Expenses	24497	21099
Road Maintenance Expenses	1777	1573
Finance Expenses	2494	4294
Amortisation of Development Costs	1050	1040
Abnormal Shutdown Expenses	3408	1965
	51882	48320
NET OPERATING PROFIT	5497	19586

KENYA FLUORSPAR COMPANY LIMITED

MILL OPERATING COSTS	30 June 1992 Shs'000	30 June 1991 Shs'000
Acid Grade Mining - Production	18805	34009
Diamond Drilling	1994	3113
Laboratory Operating Costs	2094	2066
Production Overheads	2494	2202
Crushing and Fine Ore	10248	10393
Grinding	10536	16113
Boiler House	105	96
Thickening and Filtering	1258	2653
Flotation	6417	6728
Water Supply and Treatment	452	235
Pollution and Effluent Control	1298	1183
Power Supply	12381	11823
Mill Maintenance Overheads	3335	3233
	<u>71417</u>	<u>93847</u>
=====		
CARRIAGE, FREIGHT AND HANDLING EXPENSES		
Transport and Handling Expenses	47675	48150
	<u>47675</u>	<u>48150</u>
=====		
SELLING EXPENSES		
Sales Commission	2280	3104
Other Expenses	937	947
	<u>3217</u>	<u>4051</u>
=====		
ADMINISTRATION EXPENSES		
Audit Fees	192	192
Personnel	1752	1701
Accounts	1833	1520
Stores	2354	2123
Administration Overheads	7957	7564
Legal and Professional Charges	154	164
Nairobi Office	1196	1034
	<u>15438</u>	<u>14298</u>
=====		
SERVICE DEPARTMENT EXPENSES		
Security	2682	2423
Safety and Fire	193	285
Building Repairs and Maintenance	5613	6322
Medical	8528	7198
General Welfare	5098	2297
School	2383	2574
	<u>24497</u>	<u>21099</u>
=====		
FINANCE EXPENSES		
Interest on Loan Capital	1993	2718
Bank Charges	501	659
Other Charges	-	917
	<u>2494</u>	<u>4294</u>
=====		