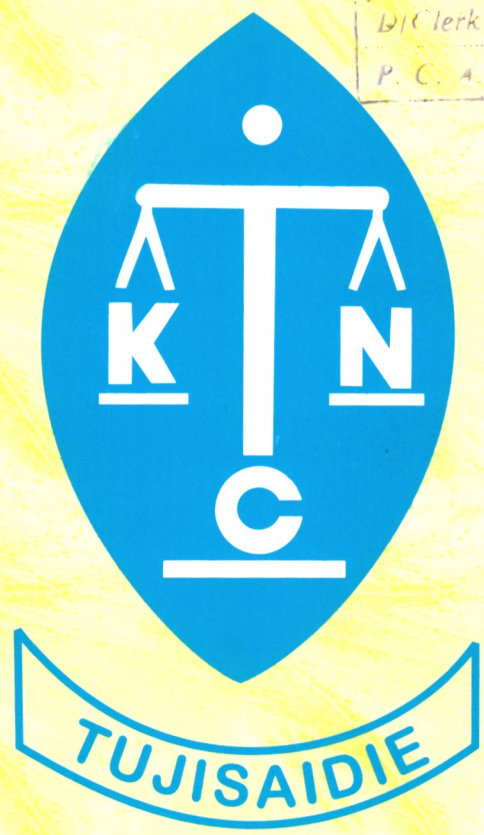


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ANNUAL REPORTS AND ACCOUNTS

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REPORT AND ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2003

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KENYA NATIONAL ASSEMBLY
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COMPANY INFORMATION

BOARD OF DIRECTORS

- | | | | |
|----|---|---|--|
| 1. | Eng. Joseph M. Munene | - | Chairman
Appointed on 18.06.2003 |
| 2. | Mr. Vincent H.L. Opanga | - | Managing Director |
| 3. | Industrial & Commercial
Development Corporation. | - | (Alternate Mr. I. B. Mogaka) |
| 4. | The Permanent Secretary | - | Ministry of Trade & Industry
(Alternate Mr. Seth A. Otieno) |
| 5. | The Permanent Secretary | - | Ministry of Finance
(Alternate Mr. P. B. M. Ngugi) |
| 6. | Mr. Suresh. R. Shah | - | (Resigned on 27.01.2003) |
| 7. | Mr. David M. Githere | | |
| 8. | Mr. Mohammed M. Ali | | |
| 9. | Dr. Nehemiah K. Ngeno | - | (Retired on 18.06.2003) |

Registered and Head Office

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

Auditors

Controller & Auditor General

Corporation Secretary

I.B. MOGAKA

Bankers

Standard Chartered Bank
National Bank of Kenya
Barclays Bank of Kenya



DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE 2003

AUDITORS

The Controller and Auditor General 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. MOGAKA
CORPORATION SECRETARY

DATE 23/05/05



THE DIRECTORS REPORT FOR THE YEAR ENDED 30TH JUNE 2003

The Directors submit their Report with the Audited Accounts for the year ended 30th June 2003

PRINCIPAL ACTIVITIES

The Corporation is in the distribution trade for various products.

RESULTS	2003	2002
	Ksh	Ksh
Profit/(Loss) Before Tax	(46,882,800)	(63,397,520)
Tax	<u>(2,945,920)</u>	<u>(9,069,340)</u>
Profit/(Loss) after Tax	(49,828,720)	(72,466,860)
Prior Year Adjustment	9,417,700	-
Accumulated Profit/(Loss) B/F	<u>(470,435,140)</u>	<u>(397,968,280)</u>
Profit/(Loss) Carried Forward	<u>(510,846,160)</u>	<u>(470,435,140)</u>

DIRECTORS

The Directors who held office during the year were:-

1. Eng. Joseph M. Munene (Chairman) Appointed on 18.06.2003
2. Mr. Vincent H.L. Opanga (Managing Director)
3. Industrial & Commercial Development Corporation. (Alternate Mr. I. B. Mogaka)
4. The Permanent Secretary Ministry of Trade & Industry (Alternate Mr. Seth A. Otieno)
5. The Permanent Secretary Ministry of Finance (Alternate Mr. P. B. M. Ngugi)
6. Mr. Suresh. R. Shah (Resigned on 27.01.2003)
7. Mr. David M. Githere
8. Mr. Mohammed M. Ali
9. Dr. Nehemiah K. Ngeno (Retired on 18.06.2003)



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF KENYA NATIONAL TRADING CORPORATION
LIMITED FOR THE YEAR ENDED 30 JUNE 2003**

I have audited the financial statements of Kenya National Trading Corporation for the year ended 30 June 2003 in accordance with the provisions of Section 29 of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations which to the best of my knowledge and belief was necessary for the purpose of my audit. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and the Controller and Auditor General

The directors are responsible for the preparation of financial statements that give a true and fair view of the Corporation's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of Opinion

The audit was conducted in accordance with International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe my audit provides a reasonable basis for my opinion.

Financial Position

The Corporation incurred a deficit of Kshs. 49,828,720 which brought its accumulated losses after prior year adjustments to Kshs. 510,846,160 as at 30 June 2003. The Corporation's current liabilities exceeded its current assets by Kshs. 445,284,700. The current liabilities included bank overdraft of



Kshs. 94,086,700, creditors of Kshs. 278,941,580 and loan of Kshs. 215,096,240. The unfavourable result realized by the Corporation was mainly attributable to low trading income, staff costs amounting to Kshs. 35,706,240, bank charges and interest paid on borrowed funds amounting to Kshs. 20,115,140, (2002 - Kshs. 17,311,340), and other high administrative costs. These factors raise doubts as to whether the Corporation will be able to continue as a going concern and its continued operation is dependent on support from the Government, debt financiers and creditors.

Opinion

Subject to the reservation stated above, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the Corporation's financial affairs as at 30 June 2003 and of its deficit and cash flows for the year then ended and comply with the Companies Act (Cap 486).

E. N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

8 July 2005



NATIONAL ASSEMBLY LIBRARY
 SESSION No. _____
 DATE _____

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30th JUNE 2003

	Notes	2003 Ksh.	2002 Ksh.
TURNOVER		61,480,220	67,180,040
Profit /(Loss) Before Tax		<u>(46,882,800)</u>	<u>(63,397,520)</u>
Taxation		<u>(2,945,920)</u>	<u>(9,069,340)</u>
Profit /(Loss) After Tax	11	<u>(49,828,720)</u>	<u>(72,466,860)</u>
Prior Year Adjustment	11	9,417,700	-
Profit /(Loss) B/F		<u>(470,435,140)</u>	<u>(397,968,280)</u>
Accumulated Profit/(Loss) C/F		<u><u>(510,846,160)</u></u>	<u><u>(470,435,140)</u></u>



BALANCE SHEET FOR THE YEAR ENDED 30TH JUNE 2003

	Notes	2003 Ksh.	2002 Ksh.
NON-CURRENT ASSETS			
Property, Plant & Equipment	4	762,469,780	779,988,600
		762,469,780	779,988,600
CURRENT ASSETS			
Inventories	5	8,555,440	13,501,760
Trade & Other Receivables	6	70,369,920	71,426,860
Investments	7	-	100,355,680
Cash at Bank	8	79,503,560	3,100,860
Cash in Hand	8	440,000	440,000
		158,868,920	188,825,160
CURRENT LIABILITIES			
Bank Overdraft	8	94,086,700	117,427,240
Trade & Other Payables	9	278,941,580	271,522,120
Loans	9	215,096,240	213,314,240
Taxation		16,029,100	16,029,100
		604,153,620	618,292,700
NET CURRENT ASSETS/(LIABILITIES)		(445,284,700)	(429,467,540)
FINANCE LEASES	9c	7,075,040	
		310,110,040	350,521,060
FINANCED BY			
Share Capital	10	32,000,000	32,000,000
Profit and Loss Account	11	(510,846,160)	(470,435,140)
Revaluation Reserve	12	788,956,200	788,956,200
		310,110,040	350,521,060

DIRECTOR(1) NAME: YINIBET H.L. OPIINGA

SIGNATURE: [Signature]

Date: 23/05/05

DIRECTOR(2) NAME: J.M. MURINDI

SIGNATURE: [Signature]

Date: 23/05/05



CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2003

	2003	2002
	Ksh	Ksh
Cash Flows from Operating Activities		
Net Profit/(Loss) Before Tax	(46,882,800)	(72,466,860)
Adjust for: Depreciation	17,599,680	17,648,200
Interest Income	(6,462,160)	(4,385,360)
Interest Expense	<u>20,115,140</u>	<u>17,311,340</u>
Operating Profit Before Working Capital	(15,630,140)	(41,892,680)
Decrease/(Increase) in Inventories	4,946,320	(3,631,000)
Decrease / (Increase) in Trade and Other Receivables	1,056,940	148,725,300
Increase in Trade and Other Payables	<u>7,419,460</u>	<u>14,287,180</u>
Cash generated from Operations	(2,207,420)	117,488,800
Income Tax Paid	2,945,920	1,188,980
Interest Paid	(20,115,140)	(17,311,340)
Profit on Disposal Property, Plant & Equipment	<u>(126,520)</u>	<u>653,760</u>
Net Cash from operating Activities	(19,503,160)	102,020,200
Cash flows from Investing Activities		
Purchase of Property, Plant & Equipment	(80,860)	(13,889,900)
Proceeds from Sale of Property, Plant & Equipment	126,520	742,800
Interest Received	<u>6,462,160</u>	<u>4,385,360</u>
Net Cash from Investing Activities	6,507,820	(8,761,740)
Cash Flows from Financing Activities		
Net Increase in Borrowings	1,782,000	1,782,020
Repayment Borrowings(Finance Leases)	(2,410,600)	(3,637,800)
Waiver of bank Interest on Overdraft	<u>13,011,500</u>	<u>5,816,900</u>
Net Cash used in Financing Activities	12,382,900	3,961,120
Net increase in Cash and Cash Equivalents	(612,440)	97,219,580
Cash & Cash Equivalents at Beginning of Period	<u>(13,530,700)</u>	<u>(110,750,280)</u>
Cash & Cash Equivalents at end of Period	<u>(14,143,140)</u>	<u>(13,530,700)</u>



NOTES TO THE ACCOUNTS

REPORT & ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2003

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 at the lower of cost or 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, Transport income and gross Commission Income net of V.A.T.



NOTES TO THE ACCOUNTS FOR THE YEAR 30TH JUNE 2003

2. PROFIT BEFORE TAX

Profit before tax is stated after charging:-

	2003	2002
	<u>Ksh.</u>	<u>Ksh.</u>
Depreciation	17,599,680	17,648,200
Auditors Remuneration	942,000	942,000
Directors Remuneration	89,420	232,960

3. TAXATION

Tax liabilities amounting to **Kshs.16,029,100** relates to prior year periods' provisions. Though the amount has been appearing in the corporation's financial statements as tax liabilities, the same is in dispute between the corporation and Kenya Revenue Authority. Tax paid **Kshs.2,945,920** relates to withholding tax paid on Interest & Commission income. Due to trading loss in the preceding years and the year under review no provision for tax has been made. Tax rate for both 2001/2002 and 2002/2003 is 30%.



KENYA NATIONAL TRADING CORPORATION LIMITED
SUMMARY OF ASSETS AS AT 30.06.2003

4A)	COST / VALUATION	LEASEHOLD LAND & BUILDINGS KSHS.	MACHINERY & OFFICE EQUIPMENT KSHS.	FURNITURE & FITINGS KSHS.	MOTOR VEHICLES KSHS	TOTAL KSHS
	1st July 2002	839,675,540	16,000,320	8,189,480	23,704,840	887,570,180
	Loita Street Plot	30,462,540				30,462,540
	Additions / Revaluations	-	18,900	61,960	-	80,860
	Disposals	-	-	(112,460)	-	(112,460)
	Provision for loss on Loita St. Plot	(30,462,540)	-	-	-	(30,462,540)
	30th June 2003	839,675,540	16,019,220	8,138,980	23,704,840	887,538,580
	Depreciation					
	1st July 2002	71,651,000	15,097,680	7,971,640	12,861,260	107,581,580
	Charge for the period	14,291,000	451,020	146,760	2,710,900	17,599,680
	Disposals	-	-	(112,460)	-	(112,460)
	30th June 2003	85,942,000	15,548,700	8,005,940	15,572,160	125,068,800
	Net Book Value					
	30th June 2003	753,733,540	470,520	133,040	8,132,680	762,469,780
	30th June 2002	768,024,540	902,640	217,840	10,843,580	779,988,600
	B) Loita street Plot L.R. No. 209/10343 Valued KShs. 30,462,543.5 in Accounts was irregularly surrendered to the Commissioner of Lands in November 1991.					
	C) Land & Building were Valued by Gimco in 1998					



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2003

	2003	2002
	Ksh.	Ksh.
5. INVENTORIES		
Inventories	10,135,060	15,484,340
Less :Provision for Obsolescence	<u>(1,579,620)</u>	<u>(1,982,580)</u>
	<u>8,555,440</u>	<u>13,501,760</u>
6. TRADE & OTHER RECEIVABLES		
Other Trade Receivables	1,617,680	1,708,460
Trade Receivables	173,650,000	176,674,640
Teachers Service Commission	6,435,960	6,435,960
Receivable Investment	-	-
Claims for short Supplies	44,017,960	44,205,980
Staff Debtors	11,104,660	8,982,860
Others Debtors	<u>13,421,880</u>	<u>14,873,440</u>
	<u>250,248,140</u>	<u>252,881,340</u>
Less : Bad Debts Provision	<u>(179,878,220)</u>	<u>(181,454,480)</u>
	<u>70,369,920</u>	<u>71,426,860</u>
7. INVESTMENTS		
Investments comprise funds invested in 91 days treasury bills.		
8. CASH AND CASH EQUIVALENTS		
a) Bank Balance: Bank Overdraft(KCB)	(94,086,700)	(89,104,480)
Bank Overdraft(DBK)	-	(28,276,520)
Bank Overdraft(NBK)	-	(46,240)
Bank Overdraft(BBK)	<u>-</u>	<u>-</u>
	<u>(94,086,700)</u>	<u>(117,427,240)</u>
Cash at Bank	79,503,560	3,100,860
b) Cash in Hand	<u>440,000</u>	<u>440,000</u>

Cash & Cash Equivalent Comprise Cash Deposits with Banks, Overdrafts and Cash at Hand.



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2003

9. TRADE & OTHER PAYABLES	2003	2002
	Ksh.	Ksh.
a)		
Depot Payables	4,224,840	4,224,840
Other Trade Payables	85,834,100	102,897,420
Deposits	7,801,880	6,510,360
Accruals	181,080,760	157,889,500
Tax Provision	16,029,100	16,029,100
	<u>294,970,680</u>	<u>287,551,220</u>
b) Bank Loan (K.C.B)-Secured by Debenture	201,226,340	201,226,340
I.C.D.C (Secured)	13,869,900	12,087,900
	<u>215,096,240</u>	<u>213,314,240</u>
c) Finance Leases	<u>7,075,040</u>	
10. SHARE CAPITAL		
Authorised, Issued and fully paid 1.6million	32,000,000	32,000,000
Ordinary shares of Kshs. 20 each		
11. PROFIT AND LOSS ACCOUNT		
Accumulated Surplus (Deficit) B/F	(470,435,140)	(397,968,280)
Prior Year Adjustment:	9,417,700	-
Restated Surplus/(Deficit) B/F	(461,017,440)	(397,968,280)
Surplus\ (Deficit) For the year	(49,828,720)	(72,466,860)
	<u>(510,846,160)</u>	<u>(470,435,140)</u>

Prior Year Adjustment:

1. Waiver of accumulated interest on Development Bank Account **Sh.8,276,712.45**
2. Write back of unutilised Guarantee Fees paid to ICDC **Sh.1,675,000.00**
3. Overstated income **sh.534,012.45**



NOTES TO THE ACCOUNTS FOR YEAR ENDED 30TH JUNE 2003

	2003	2002
	Ksh.	Ksh.
12. <u>CAPITAL RESERVE</u>		
Revaluation Reserve	788,956,200	788,956,200

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

14. COLLATERAL DISCLOSURE

As at 30th June 2003 the Corporation had an overdraft and a loan with Kenya Commercial Bank amounting to **Kshs295,313,040** a debenture issued respectively in respect of pledged assets, whose revalued amount total **Kshs.448,810,000** as per 1998 independent assets valuations.

The Management is of the view that the counter claim filed against the Bank in respect of Coffee transactions shall offset the Loan & overdraft liability when the case is finally settled and discharge the pledged assets.



KENYA NATIONAL TRADING CORPORATION LIMITED
TRADING ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2003

PRODUCT	2003			2002		
	SALES	Cost of Sales	Gross Profit (Loss)	Sales	Cost of Sales	Gross Profit (Loss)
Sugar	188,300	188,300	-	7,862,460	7,952,520	(90,060)
Cement	-	-	-	2,920	-	2,920
Salt	11,373,740	11,551,340	(177,600)	11,821,480	12,584,260	(762,780)
Domestic Appliances	90,060	98,100	(8,040)	355,040	174,400	180,640
Hardware	6,921,900	6,273,200	648,700	5,263,560	4,991,300	272,260
Toilet Papers	3,517,380	3,368,960	148,420	8,599,260	8,454,660	144,600
Seeds	2,361,120	2,252,140	108,980	5,125,420	5,040,680	84,740
Others	1,575,920	1,483,740	92,180	83,300	-	83,300
Plastics	831,220	754,360	76,860	3,480	5,660	(2,180)
TOTAL	26,859,640	25,970,140	889,500	39,116,920	39,203,480	(86,560)
Commission Income			29,494,000			24,355,860
Less Handling Costs			(6,053,120)			(5,810,860)
Net Trading Income			24,330,380			18,458,440



DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2003

	2003	2002
	Ksh.	Ksh.
INCOME		
Trading Income/(Loss)	24,330,380	18,458,440
Interest Income	6,462,160	4,385,360
Miscellaneous Income	3,119,220	169,620
Bad Debts recovered	336,420	
Reinstated Debtors	2,960,220	
Rent Income	24,923,820	19,288,240
Profit on Sale of F.Assets & Shares	126,520	653,760
Transport Income	<u>5,126,560</u>	<u>3,707,260</u>
	64,425,080	46,662,680
EXPENDITURE		
STAFF COSTS		
Directors Emoluments	89,420	232,960
Salaries and Wages	28,626,020	31,107,520
N.S.S.F.	403,400	1,589,600
Pension and Life Assurance	1,755,320	1,810,860
Staff welfare and Medical	<u>4,832,080</u>	<u>5,651,360</u>
TOTALS	<u>35,706,240</u>	<u>40,392,300</u>



DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2003

	2003	2002
	Ksh.	Ksh.
ADMINISTRATION AND FINANCIAL EXPENSES		
Advertising	535,380	584,220
Audit Fees	942,000	942,000
Bank Charges and Interest	20,115,140	17,311,340
Electricity and Water	351,880	364,680
Repair of Office Equipment. & Maintenance	68,560	92,780
Hire of Security Escorts	3,336,960	4,620,000
Insurance	3,507,780	1,993,940
Legal and Professional Fees	9,263,720	11,463,580
Licences	239,220	390,180
Motor Vehicle Expenses	3,942,900	3,800,020
Postage Revenue Stamps, Telephone & Telegrams	2,108,740	2,331,760
Rents and Rates	8,387,180	5,613,620
Property Repairs, Maintenance & Cleaning	685,680	4,370,400
Staff Training	120,420	159,800
Stationery, Printing & Publications	514,180	812,600
Subscriptions & Memberships	14,200	12,120
Travelling and Entertainment	1,703,220	2,113,820
Donations	20,000	1,800
	55,857,160	56,978,660


DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2003

	2003 Ksh.	2002 Ksh.
OTHER COSTS		
Depreciation	17,599,680	17,648,200
Sundry Expenses	74,360	223,220
VAT Net	<u>2,070,440</u>	<u>(5,182,180)</u>
	<u>19,744,480</u>	<u>12,689,240</u>
 TOTAL EXPENSES	 <u>111,307,880</u>	 <u>110,060,200</u>
 Net Profit/(Loss) Before Tax	 (46,882,800)	 (63,397,520)
Tax	<u>2,945,920</u>	<u>9,069,340</u>
Net Profit/(Loss) After Tax	<u>(49,828,720)</u>	<u>(72,466,860)</u>
 Profit/(Loss) Carried Forward	 <u>(49,828,720)</u>	 <u>(72,466,860)</u>

