AN EMPIRICAL INVESTIGATION OF THE SHORT-TERM RESPONSES TO FINANCIAL DISTRESS BY COMPANIES QUOTED IN THE NAIROBI STOCK EXCHANGE.

By

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DECLARATION

This Management Project is my own original work and has not been presented for a Degree in any other University.

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This Management Project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

To my dear wife Elizabeth Mueni.

She knows when the long journey started, what it has taken and the support she has given me.

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LIST OF ABBREVIATIONS

A:	Agricultural sector
Bn.	Billion
C:	Commercial sector
F:	Financial sector
I:	Industrial sector
Ksh.	Kenya Shillings
NSE:	Nairobi Stock Exchange
NPV:	Net Present Value
ROA:	Return on Assets
U.S:	United States of America

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ABSTRACT

When a company records a poor financial performance, usually such a company is expected to take some steps in order to avoid getting into the situation of a financial distress, which in turn would result to serious financial problems to the extend of being unable to meet it's financial obligations as and when they fall due.

This study examined the conventional actions taken by companies quoted in the Nairobi Stock Exchange for the period 1995 – 1999 in response to financial distress.

Performance of the listed companies was established and all the companies ranked in their superiority of performance using Return on Assets (ROA) as the measure. This was done for the years 1995 to 1999. Companies that shifted from the top 40 percentile in one year to the lower 40 percentile in the next year were identified and studied to establish what kind of actions they took, with an objective of finding out whether such companies characteristics in terms of size, leverage and sector determined the choice of response actions. In addition, those companies that managed to improve their performance significantly were also studied to find out whether they took unique response actions from the rest of the companies that did not succeed in improving their performances to the same levels.

The study sought to ascertain whether company characteristics such as level of leverage and the sector the company operated determined the kind of response action taken by such companies. It was established that the characteristics of the companies did not determine the response actions they took in the face of financial distress.

It was also established that not all the companies were able to improve their perfomance even after they took the response action. The companies that were able to achieve a superior performance, after implementing the response actions, were found to have taken unique

Actions such as recruiting more staff and holding constant or increasing dividends paid out at the critical moment of financial distress during which they were expected to have taken the conventional response actions.

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CHAPTER ONE: INTRODUCTION

1.1 Background

When a Company experiences poor performance, it responds either operationally, by making changes in top management (Gilson (1989)] or by reformulating its organizational strategy and structure [Wruck (1990)], or financially, through debt restructuring and bankruptcy fillings [Gilson et al (1990)].

Typical responses to a period of poor performance include asset restructuring, employee layoffs, and management replacement [John et al (1992)].

A firm is said to be in financial distress at a given point in time when the liquid assets of the firm are not sufficient to meet the current requirements of its hard contracts [John et al (1993)]. Financial distress may be manifested in different forms such as retrenchment, change of operations of the Company, branch closures, replacement of top management, dividend cuts and the worst is receivership and bankruptcy. Since financial distress results from a mismatch between the current available liquid assets and the current obligations of a companies' "hard" financial contracts, mechanisms for managing financial distress rectify the mismatch by either restructuring the assets or restructuring the financial contracts or both.

If financial distress is not addressed, it leads the company into bankruptcy.

In order for financially distressed companies to remain in business, there is evidence that they have been forced to take one action or another with an objective of avoiding the undesirable result of being forced into bankruptcy.

The Barclays Bank of Kenya Limited for example, in the late 1990's carried out staff rationalization programme, where top managers were replaced, staff reduced from 2,968 in 1997 to 2,742 in 1998. (Barclays Bank of Kenya Limited, 1998 Annual Report & Financial Statements) and the bank has continued with the exercise of automation, which could also be perceived as pre-distress actions.

Different companies have taken different remedial and survival actions and some have succeeded in turning themselves round whereas others have failed to achieve the desired positive results.

Some of the main operational actions taken by financially distressed firms in order to avoid bankruptcy include the following:

1. Changing the asset structure by selling assets, divesting, divisions and discontinuing unprofitable operations [Brown et al (1991)].

2. Changing the size and scope of operations by consolidating production facilities and laying off employees [John and John (1992)]

3. Changing the top management[Gilson (1990)].

4. Restructuring debt covenants [Gilson (1990)].

5. Dividend cuts [Smith and Warner (1979)].

It is possible to find Companies that have similar characteristics in terms of size, leverage, operations in the same industry and structure of ownership, among others taking different actions in response to financial distress. In deed, some have been able to turn themselves round, while others have failed.

In the late 1990's, many companies listed in the Nairobi Stock Exchange (NSE) performed poorly and as a result their values declined tremendously. Hitherto, such companies had a record of good performance and hence high values. The profit before tax, among listed companies grew slightly between 1995 and 1997, but lost by over 50% in the following two years. The market experienced a massive drop in profits from an aggregate of Kshs.22 billion in 1995 to Kshs.8 billion in 1999. The sector worst hit by the drop in profits was the financial sector dropping from Kshs.11.3 billion in 1995 to Kshs.1.9 billion in 1999. An interesting thing to note is that, although the financial sector had the biggest drop, it also had the best performers. Shareholders earnings dropped by 60% in aggregate from Kshs.14 billion in 1995 to Kshs. 6 billion in 1999. (Nairobi Stock Exchange Handbooks 1995 - 1999). The poor financial performance, which has persisted for some companies, has led to such firms being unable to meet their financial obligations as and when they fall due, hence leading to financial distress, among other problems.

1.2 Statement of the Problem

A drop in profits from an aggregate of Ksh.22 billion in 1995 to Ksh. 8 billion in 1999 by companies quoted in the Nairobi Stock Exchange is a performance that caused alot of concern to the investors and the Government alike. Indeed, this must have led many companies into financial distress.

The financial distress led such companies to react in one way or the other in an attempt to change their undesirable state to a better position. So far, there is no research, which has been carried in Kenya, on the actions taken by companies in response to financial distress or poor financial performance. Further more, there is need to establish whether the actions that have been taken by different companies though with similar characteristics, differ or not.

This study aimed at establishing what actions have different companies that have experienced financial distress, taken in response to financial distress in order to save themselves from bankruptcy and turn their financial performance to be on an upward trend. It was also to find out whether companies unique characteristics, such as size, leverage and industry influence the actions such companies took in order to respond to financial distress.

In Kenya, to the best of my knowledge, no studies had so far been carried out on determinants of short-term responses to financial distress.

1.3 Objectives of the Study

This study sought to: -

(i) Ascertain the extent of use of different actions in response to short term financial distress.

(ii) Establish the relationship between response actions and characteristics of distressed companies, if any.

(iii) Establish differences in response actions taken by companies that successfully turned themselves round and those that did not succeed within the study period.

1.4 Importance of the Study

The study will be of interest to:-

Investors: Both local and foreign investors to understand what kind of actions should firms take when they get financially distressed in order to change their trend.

Management: Out of the research, managers of various companies will get information on what short term actions should they take when the companies they run get into financial distress.

Academicians: Scholars will also use this study to build up on knowledge and in addition to assist them do further research on the actions taken by financially distressed companies in order to correct their situations.

Government: The study will be so useful to the government in that based on the outcomes of the study, the government may be able to learn some useful lessons to influence formulation of policies to the commercial sector.

CHAPTER TWO : LITERATURE REVIEW

2.1. Meaning of Financial Distress

A firm is financially distressed when it finds itself with inadequate liquid assets to meet the current requirements of its hard contracts [John and John (1993)]. Therefore financial distress is an outcome of a mismatch between the current available assets and the current obligations of a Company's hard financial contracts. This mismatch causes companies to experience serious operational problems, which if not checked could result to the worst being put under receivership and ultimately being liquidated.

Therefore, any company which finds itself financially distressed will result to one action or another to employ mechanisms for managing the financial distress so that it can be able to rectify the mismatch between its current available liquid assets and the current obligations of its "hard" financial contracts [Hart and Moore (1989)].

2.2 Hard and Soft Financial Contracts

The Financial contracts of a firm may be categorized into two; the "hard" and the "soft" contracts.

The "hard" contract specifies periodic payments by the firm to the bondholders. If the payments are not made on time, the firm is regarded to be in violation of the contract and the claim holders may take specified or unspecified legal actions to enforce the contract. Examples of this type of contracts are; coupon debt contracts, contracts with suppliers and also contracts with employees.

The "soft" contracts on the other hand, are those type of contracts that even though claim holders have expectations of receiving current pay outs from the firm in addition to their ownership rights, the level and frequency of these payouts are directed by policy decisions made by the firm. Examples are such contracts as common stock and preference stock.

During hard financial times firms with contracts react financially, through debt restructuring and bankruptcy filings [Gilson et al (1990)].

2.3 Signals of Financial Distress

The first signal of financial distress is a tremendous decline in financial performance in a company. This is the beginning of financial problems, assuming that the company had sound Working Capital Management. Immediately a company experiences a serious decline in its financial performance, such a firm is supposed to initiate actions to contain the situation, unless such decline in financial performance can be accounted for under circumstances of being extraordinary and therefore the company would be back to its normal trend of good financial performance in the subsequent years.

2.4 Response to Financial Distress

Once a company finds itself experiencing serious decline in financial performance, such a company would of course embark on pre-financial distress actions in order to avoid getting into a situation of financial distress [Jensen (1989)]. Some of the actions taken are:

i) Changes in organizational Strategy and Structure

Companies will change their strategies and their organization structures in order to respond to a looming financial distress [Wruck (1990)]. This is therefore a sign of financial distress or a looming financial distress.

ii) Employee Lay Offs

This is also a common action for short-term period of poor financial performance. The employees are laid off and once the company is back to good performance, it may go ahead and re-hire more employees to match its new work pressure requirements [John et al (1992)].

iii) Changing the Top Management

Firms experiencing poor performance may respond operationally, by making changes in top management [Gilson(1989)]. This would be in the hope that if they inject new managerial skills, the new team would employ new strategies to turn around the company.

iv) Debt Restructuring

Companies could also take financial actions aimed at restructuring their debts, so that the Debt covenants are softened in their favour. In addition, if the situation is found to be very severe, such companies could file for bankruptcy in order to secure for themselves a court protection. [Gilson et al (1990)].

v) Dividend Cuts

A Company could change the amount of total annual regular dividend paid and reduce it in order to respond to financial distress [Warner (1990)].

Formal and informal reaction to financial distress

There are two main ways in which a firm experiencing a looming financial distress may react in order to save itself.

i) Formal approach

ii) Informal approach

i) Formal Response to Financial Distress

Through this approach, a Company will take deliberate actions of operational nature or financial nature in order to change its poor performance trend.

The operational actions include; making changes in top management, changes in organizational strategy and structures or by taking financial actions such as debt restructuring, dividends cuts and bankruptcy filings. Other actions could be asset restructuring and employee lay offs [Ofek (1992)].

ii) Informal Actions

The distressed company can choose not to take any action but continue with its operations as usual.

The creditors debts will go unserviced and therefore such creditors will take court actions either for specific damages or where it was not explicitly provided for in the contractual terms and conditions, for appropriate damages.

If the Company is not able to pay the damages as adjudged by the court, then the creditors will move in and file for "Involuntary winding up".

In this case, the company is assumed to have taken an informal action by not taking any concrete step to contain financial distress.

2.5 Firm Characteristics and their relation to response actions

Whereas different companies that have taken different actions in order to revive themselves may have been in the same industry, they may have had different characteristics. Such characteristics have differentiated them and hence probably this could be the justification for different actions they have taken.

Some of the characteristics that differentiate the companies are:

(i) Level of leverage

(ii) Some firms performing poorly in relation to the industry.

(iii) Size of the Company.

(iv) Structure of the Ownership.

2.6 Actions Based on Leverage

According to Harris and Raviv (1990) and Ofek (1991), default will cause a positive relation between leverage and many other operational actions which lead to a firms increase in value.

(a) High Leveraged Firms.

According to Jensen (1989), highly-levered firms will respond faster to a decline in firm's value than the less-leveraged firms, because a small decline in value can easily result to a default in the repayment of the debt and hence get into bankruptcy status.

(b) Low Leverage firms

If a firm is low-leveraged, it is less likely to respond to short-term operational distress. Of course, default of servicing the hard contracts will occur if losses continue moving the firm's value below the pre-distress level. This will be another issue that this study will seek to establish.

The argument implies that a highly levered firm is more likely to restructure its operations and its financial claims quickly, in order to preserve its going-concern value. This is one of the issues that this study will attempt to ascertain.

It is also indicated that a positive relation exists between leverage and actions that generate short-term cash flow [Jensen (1989) and Stulz (1990)]. This means that the debt service obligations will cause the poorly performing firms to sell assets and divest operations.

Firms that experience poor performance respond either operationally through carrying out changes in top management [Gilson (1989)] or by changing the organizational strategy and structure [Wruck (1990)]. Others act on their debt, by restructuring it or by filing bankruptcy proceedings for themselves [Gilson et al (1990)].

Typical responses to short period or poor performance include asset restructuring, employee layoffs and management replacement [John et al (1992)].

There are several ways of taking leverage based actions as detailed below.

2.7 Management of Financial Distress Using Assets side

The hard assets could, either wholly or partially, be liquidated to generate additional liquid assets in order to enable the firm meet the current obligations. Nevertheless, premature liquidations of hard assets lead to the destruction of the firms going concern value. If this option is used to contain financial distress, the value lost due to the premature liquidation of assets represents the cost of managing financial distress.

2.8 Restructuring the Financial Contracts

Through this method, restructuring of Financial contracts is done by renegotiating with the creditors and restructuring the terms of the "hard" contracts so that the current obligation is either reduced to the cash currently generated by assets or deferred to a later date. Another method is to replace the "hard" contract with soft securities, with residual rather than fixed payoffs.

2.9 Raising Additional Current Assets

This is done by raising additional current liquidity by issuing new financial claims against future cash flows generated by assets. This enables avoidance or reduction of premature liquidation of assets.

Although the original "hard" contract is left unaltered, the structure of financing claims is altered by the new financing undertaken. In this way, if the new claims issued have a softer contract or longer maturity, the new package of financing claims are less onerous on the firm than before and hence resolves financial distress.

2.10 Asset Restructuring

As indicated, one way of dealing with financial distress is to restructure the asset side of the balance sheet to raise enough money to meet the requirement of the "hard" contracts. This is done either in piecemeal or in their entirely. The selling could also be done privately or through court-process either during bankruptcy reorganization or under liquidation process. Each of the alternatives has different costs attached to them and whether asset restructuring is actually used as a solution to financial distress depends on its costs relative to those of financial restructuring [John and John (1992)].

According to Shliefer and Vishny (1992), the price received in a distress sale may have large liquidity discounts if the entire industry is in a downturn. In an illiquid secondary market the cost of assets restructuring are likely to be high and financial restructuring therefore offers a better way of dealing with financial distress.

2.11 Integrated Model Of Assets And Debt Restructuring

John and Vasuderan (1992) examines how the cost of asset sales, the current liquidity position of the firm and the option value of its equity determine the choice between a private workout (with or without some asset sales) and filing for bankruptcy proceedings. They found that, when the combined costs of assets liquidations are high, the firm will prefer to seek bankruptcy and hence seek new financing under debtor-in-possession financing, which has a priority over existing debt. They also found out that:

i) Successful completion of debt workouts should result to increased stock prices and increased firm value.

ii) Asset sales by distressed firms to make debt payments have a favourable effect on stock price.

2.12 Firms that are able to use Asset restructuring as a solution

A lot of evidence has been presented on the firms that can be able to use asset restructuring as a way of managing financial distress as detailed by Brown et al (1991). The researchers present that asset sale are frequently used by financially distressed firms. Firms, which sell assets, are distinguished by multiple division or multiple subsidiary operations. Conversely most firms, which do not sell assets, operate only a single division.

It has also been found that the announcement of asset sales elicits insignificant abnormal stock returns; but the announcement of avoidance of bankruptcy by firms lead to positive results to such firms. According to Lang et al (1994) and Stulz (1994) the abnormal return is higher for sellers who use the proceeds from assets sales to retire the firms debts.

2.13 Private Debt Restructuring

A debt restructuring can be defined as a transaction in which an existing debt contract is renegotiated and replaced by a new contract with;

(i) A lower interest or principal repayments

(ii) Period of maturity extended

(iii) Placement of equity securities with creditors?

Private debt restructuring occurs when informal re-organization of Corporate Financial Structure is done via debt restructuring and private workouts used to "soften" the hard contracts which caused the firms to experience financial distress.

The firm may reduce or defer payment on its debt contracts or replace debt with soft securities, which have residual rather than fixed payoffs.

According to Haugen and Senbet (1978) Capital Markets mechanisms can be used to deal with hard contracts and replace them with a "softer" mix. They indicate that it is cheaper to use these "private" mechanisms.

2.14 Impediments to Private Debt Restructuring

(i) Holder problems

(ii) Informational asymmetries

(iii) Conflict among different groups of creditors.

(i) Holder problems

This is encountered when a firm's debt is held by a large number of different creditors. Therefore, achieving an agreement among creditors outside the formal bankruptcy process is difficult, especially if some of the debt is held by private and public persons.

A unanimous consent is required of every bondholder to change the maturity, principal or coupon rate for interest in the bond indenture.

Where the debt is held by public entities, most often, an exchange offer is pursued, where bondholders take the option to exchange their old bonds for a package of new securities with an objective of swapping existing "hard" contract for a "softer' mix.

Since participation is optional, individual bondholders choose to "hold out" in the expectation that their bonds would be more valuable in the post exchange less distressed firms, than the new package of securities.

Therefore, since all bondholders have similar incentives, assuming that they not collude, the exchange offer is then likely to fail.

The items of the new packages of securities are usually set to coerce participation, since the corporation aims at implementing a successful exchange offer, which is accompanied by modification of the covenants of the original bonds. The change or elimination of existing debt covenant is done through voting by tendering bondholders. Once majority votes are obtained in favour of the change, then the modification is approved.

The consent of solicitation is designed in such a way that those who opt for the exchange securities gain more than those who choose to stick to the old bonds. It has been noted that when bondholders act each on their own, that is the best time to use coercive solicitations, but otherwise, bond prices may increase if bondholders collude and act coherently in the face of coercive consent solicitations Kahan and Tuckman (1993).

ii) Information Asymmetry

Corporate insiders and management know more about the firm than outside investors. Therefore, creditors are not in a position to evaluate new package being proposed in a work-out. They believe that the debtor management may misrepresent the value of the firm and therefore, they may reject mutually beneficial private restructuring for a court-imposed proposal; regardless of the attendant deadweight costs. According to Brown et al (1993), on the other hand shows that where there is a symmetric information setting, equilibrium always results to a successful private workout.

iii) Coalitions and Conflicts

If a firm has a complex capital structure, where there are several groups of claimants of different classes, the issue of conflict of interest arises. This may lead to distortions in investments (such as under investment, over investment and excessive continuation or liquidations) [Bulow and Shoven (1989)].

2.15 Managerial Holdings

Managerial holdings refer to shares of the firm's equity held by the management.

According to Jensen (1989), where as leverage is highly related to a firm's response to trouble, managerial holdings also appear to play a role. He argues that the larger the share of the firms equity held by management, the lower the probability of such a firm taking operational actions which do not generate cash inflow, such as replacing management, laying off employees, and discontinuing operations.

Jensen and Meckling (1976) found that the market for corporate control, which disciplines and replaces inferior managers, had less effect on firms with large managerial holdings. It is difficult to sack poorly performing managers in such firms and to discipline them as they grant themselves exorbitant salaries and other benefits which reduce the value of the firm.

Jensen and Meckling (1976) explains that "free" cash flow may lead managers to pursue projects with negative Net Present Value (NPV) projects. Stulz (1990) assumes that managers value investments because their perquisites increase with investments, whether they have positive or negative Net Present Values (NPV). The argument implies that entrenched managers are likely to avoid actions that reduce the firms investment such as changes that reduce assets, employees or market share under management control.

Dividend Cuts.

Leverage is positively and significantly related to the probability of dividend cuts. Firms with more debt are most likely to cut dividends as their financial performance deteriorates. The cut in dividends may be capped by financial covenants that restrict dividend payments, or by cash flow shortage and financial distress that debt service obligations create [Smith & Warner (1979)].

2.16 Corporate Default And Debt Restructuring

In order to avoid default of servicing its debt, a firm must restructure the terms of its debt contracts.

The firm may either file for bankruptcy or attempt to renegotiate with its creditors privately.

The result could be a relief to the firm if the creditors consent to exchange their impaired claims to new shares in the firm or when the debt contracts are modified [John and Vasuderan (1992)]. According to this the survey, if the firm finds that there are legal and institutional constraints of bankruptcy process, then they would prefer an out of court settlement.

2.17 Rules and Procedures of Bankruptcy

In Kenya, companies bankruptcy proceedings are governed by chapter 486 of the Laws of Kenya. According to this Law, a distressed company may compromise with creditors and members. In the same statute procedures are set out on how to wind-up the company.

2.18 Creditors Filing for Bankruptcy

Filing for bankruptcy is not always the exclusive right of stockholder. Creditors may file an "Involuntary" Petition, as long as they can explicitly show a case of the firm having been delinquent in making payments on its debt.

2.19 Reorganization under Chapter 486.

According to Cap 486, Section 209 and 210, there is a provision for facilitating reconstruction and amalgamation of companies and also reorganization plan on exchange of securities is formally agreed on in which the plan clusters claim holders in various homogeneous classes with a unique proposal for each class.

The value of new securities distributed to any class is in principle determined by use of the priority rule on the claims against the firm. Nevertheless, according to Weiss (1990) significant deviations from absolute priority occur in practice.

Usually, the filing firm or debtor would propose the firms plan.

Acceptance of the plan requires a majority acceptance by vote by the claim holders in each affected class.

2.20 Court Intervention

Occasionally deadlocks arise and the court is called upon to intervene. However, according to [John & Vasuderan (1992)] the deadlocks are rare, because it is in the joint interest of all classes to avoid it, as applications of fair and equitable standard requires the court to determine the firms liquidation value and going concern value in a special hearing. The hearings are considered extremely time consuming.

2.21 Determinants of Choice of Bankruptcy & Private renegotiations

(a) Stockholders & Creditors collectively benefit from settling out of Court because private renegotiations generates lower costs than bankruptcy.

Under this lower cost alternative, the resulting value of the firm is higher and each claimant would end in a better position.

However, this lower cost alternative would be adopted only if claimants can agree on how to share the cost savings, therefore, such, private settings fail occasionally.

(b) When individual creditors have stronger incentive to obtain more favourable treatment under the debt-restructuring plan.

John and Vasudaven (1992)] found out that financially distressed firms successfully restructured their debt outside of the U.S. Chapter 11.

Financial distress was found to be more likely to be resolved through private renegotiations when more of the firms assets were intangible, and if relatively more debt was owed to banks.

Out of the study it was also found that cumulative stock returns were significantly higher when debt was restructured privately and therefore on average, stockholders would prefer it to bankruptcy.

2.22 Liquidation

According to Section 234 of Cap 486 of Laws of Kenya, the Court is granted powers to appoint a liquidator or liquidators to liquidate a company after a winding up petition has been determined.

Once the petition is before the Court, the Court may also appoint a receiver before the base is determined so that a liquidator is appointed as indicated above. The same law stipulates how the liquidation is supposed to be done.

Liquidation is the last resort after all other remedial actions have failed to revert a Company into a good performance after financial distress sets in. Indeed liquidation bring to an end the life of a Company.

2.23 Summary

Although studies had been carried out on companies' response to financial distress in other countries, no such a study had been carried out in Kenya to the time I was carrying out this study. Nevertheless, the actions taken by companies in other countries when financially distressed as detailed in the literature review, in my view are good corrective measures. I envisaged similar actions to have been taken by companies in Kenya which experienced Financial distress.

Altogether, with globalization, some of the companies may not have been able to turn themselves round even when they took the corrective actions, because of the immense competition which set in the country in the late nineties.

I am optimistic that the findings of this research will be useful in shading some light on the actions the Kenyan companies have been taking when financially distressed and to what extend they have succeeded in turning themselves round.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY.

3.1. Research Design

This research was been done on Companies quoted in the Nairobi Stock Exchange (NSE).

3.2. The Population

All the companies listed in the Nairobi Stock Exchange (NSE) during the period of study, constituted the population from which the companies for the study were picked. It is should be noted that the number of the listed companies fluctuated between 54 to 48 ov er the years due to delistings. Data was collected on those that were listed through the period in review.

3.3. The Census

A census of all the companies was undertaken. The financial performance statements for years 1995 - 1999, for all companies listed in the Exchange (NSE) were analysed. The Companies that were found to have experienced average or superior performance in the (base year) immediately preceding a year of extreme poor performance (distress year) were picked for the study.

Based on Return on Assets (ROA) all companies listed in the Stock Exchange were ranked according to their performance. 1995 was the first year to be considered, which was regarded as the base year (T). Then, companies were again ranked according to their performance in year 1996 (T +1). Companies that were found to have performed well in the year 1995 but declined in performance in 1996, in terms of ROA ranking, were picked as candidates for the study. The response actions they took in 1997 (T + 2
1) and in 1998 (T + 3) were analysed with regard to their characteristics. The above process was repeated for the years 1996, 1997, 1998 and 1999 each being held as the base year at a time.

This resulted to four base and distress years as below:

Base Year (T)	Year of Financial Distress (T + 1)	Years of Study (T + 2	(T + 3)
1995	1996	1997	1998
1996	1997	1998	1999
1997	1998	1999	2000
1998	1999	2000	2001
1999	2000	2001	2002

Table 1: Period of Study

The period under review was extended from 1995 to 1999 in order to be able to capture adequate companies for the study.

Only companies that experienced poor performance and rapid decline in value were selected for the sample.

The decline is defined as a drop in Return on Assets (ROA) from the top 40 percentile in the base year to the bottom 40 percentile in the distress year.

In order to avoid including companies in the study that did not react to the distress, the study was restricted to reactions within the two years after the financial distress set in, [i.e. (T + 2) and (T + 3)]. This made it possible to select companies with one year of poor performance to ensure identification of responses to short-term distress, making it possible to evaluate the speed at which the companies reacted to a decline in value.

In addition, using a shorter period of poor performance avoided bringing in to the sample companies that became highly leveraged and financially distressed due to the continuing poor performance, to which such companies did not do something about.

3.4. Data Collection

The study was based on secondary data collected from the Nairobi Stock Exchange (NSE) handbooks on Companies performance, for the years 1995 to 1999.

The respective companies' Annual statements and Reports were thoroughly scrutinized for evidence of financial distress actions taken by each, such as:

- Employee lay offs.
- Change of top Management
- Asset restructuring
- Dividend cut
- Debt restructuring.

3.5. Data Presentation and Analysis

The Financial Statements were scrutinized for evidence that any of the actions were taken. In the presence of evidence, the action was scored positively. The data collected has been presented in a distribution table indicating the number of occurrences on the following operational actions that may have been taken after the distress set in:-

Operational Actions

- Employee layoffs.
- Management replacement.
- Asset restructuring
- Dividend cut
- Debt restructuring.

The data was been edited to ensure that accuracy, uniformity, consistency and completeness were secured.

Before the final analysis, the data was presented in frequency tables and cross tabulations under the following classifications:

(i) Size of the Companies

Under this classification the data was summarized on the basis of large, medium and small companies. The size of the companies was determined on the basis of market capitalization computed as an average of the two years of response actions [i.e. (T + 2) and (T + 3)].

(ii) Leverage of the Company.

Companies' actions were recorded on the basis of level of leverage at the end of each base year. Companies were divided into three classifications of either highly (65%), moderately (45 - 65%) and lowly leveraged (45% and below).

(iii) Data by Sector

Data was collected and recorded on the basis of the sector the distressed companies operated in.

(iv) Companies that turned themselves round

Data was also collected on the companies that turned themselves round to establish whether they took similar response actions.

3.6 The Statistical Test.

A non parametric Test was used since the measurement scale was nominal or classificatory and in this case the chi-square (x^2) Test was applied.

Deviations of the actual frequencies in each categorization were compared with the hypothesized frequencies. The greater the difference between them, the less the probability that the differences were attributed to chance.

The value of x^2 is the measure that expressed the extend of these differences.

The formula by which x^2 was computed is:

$$x^2 = \sum_{i=1}^{K} \frac{(Oi - E\,i)^2}{E\,i}$$

Where:

Oi = Observed number of actions taken in each classification.

E i = Expected number of actions in each classification.

K = The number of classifications.

The degree of freedom (d.f) for x^2 was computed as:

d.f = K - 1 and with chi-square or K sample variety, we have both rows and columns in the cross-classification table.

In this, d.f is defined as rows (r) minus 1 i.e. (r - 1) multiplied by the columns minus 1 i.e. (c - 1);

Hence d.f = (r - 1) (c - 1)

Therefore, based on the computed d.f, the x^2 was checked in the table of Critical values to secure the appropriate value.

Then a decision was been made based on whether the appropriate value was greater than the crucial value, hence leading to acceptance or rejection of the null hypothesis, whichever was the case.

CHAPTER FOUR: RESULTS AND FINDINGS

4.1 General

All the companies listed in the Nairobi Stock Exchange were ranked on the basis of performance by Return on Assets (ROA) for the years 1995 to 1999.

Sixteen companies were found to have been financially distressed in one year or another in the period of study.

One of the companies, Dunlop K. Limited, was dropped from the list of companies for the study as it was delisted in the year 1998, hence reducing the number of companies studied to be fifteen.

The main response actions taken by the companies in response to the poor performance were found to be:-

(I) Employee lay off
(ii) Change of Top management
(iii) Assets restructuring
(iv) Dividend cut
(v) Debt Restructuring

The above findings are consistent with the findings on studies carried out by Gilson (1989), Wruck(1990), Gilson et al (1990) Warner (1990) and John et al (1992)

Table 2: Frequency of response actions taken by the Financially Distressed companies

Response Action	Frequency	No. of companies	% of Action
Employee lay off	9	15	60%
Change of Top management	12	15	80%
Assets restructuring	15	15	100%
Dividend cut	4	15	26.67%
Debt Restructuring	13	15	86.67%

This table shows the frequency of actions taken by the fifteen companies under each of the response action.

The most popular response action was Asset Restructuring, which was taken by 100% of the Companies followed by Debt Restructuring response action, taken by 86.67.% and Change of Top Management taken by 80% of the companies .

Employee Lay Off was taken by 60% of the companies and the least popular response action was Dividend Cut taken by 26.67% of the companies.

4.2 Findings based on the size of the Company

Table 3: Summary of response actions based on Market Capitalization

Company size by market capitalization (Shs)	Name of the company	Response action taken				
		Employee Lay off	Change of top mgt	Asset Restructuring	Dividend Cut	Debt Restructuring
Below 0.5 billion (Small companies)	Eaargard	0	0	1	1	1
	A. Bauma Ltd.	1	1	1	0	1
	E. A. Packaging	1	0	1	0	1
	Std. News	0	1	1	0	1
	Crown Berger	0	0	1	0	1
0.5 to 1.2 billion (medium companies)	E.A portland	0	1	1	0	1
	Kenya National Mills	1	1	1	1	1
	George Williamson	0	1	1	0	1
	Sasini	1	1	1	1	1
Over 1.2 billion (Large companies)	Unga group	1	1	1	1	1
	Lonrho motors	1	1	1	0	1
	Bamburi cement	1	1	1	0	1
	E.A Breweries	1	1	1	0	0
	Kenya Power & Lighting	1	1	1	0	0
	Kakuzi	0	1	1	0	1

This table shows the actions taken by the fifteen companies in their respective capitalization levels.

Table 3 (i) Response actions taken by companies with market capitalization below Sh. 0.5 billion each (Small Companies)

Response action	Frequency	No. of companies	Percent (No. of companies divided by 25)	Frequency expected (Percent x 15)
Employee lay off	2	5	20	3.0
Change of top management	2	5	20	3.0
Asset restructuring	5	5	20	3.0
Dividend cut	1	5	20	3.0
Debt restructuring	5	5	20	3.0
Total	**15**	**25**	**100**	**15**

$X^2 = 4.2$

Testing at 95% significance level, 4.2 < 9.49

Table 3 (ii) Response actions taken by companies with market capitalization between Sh. 0.5 to 1.2 billion each. (Medium Size Companies)

Response action	Frequency	No. of companies	Percent (No. of companies divided by 20	Expected frequency (Percentage x 16)
Employee lay off	2	4	20	3.2
Change of top management	4	4	20	3.2
Asset restructuring	4	4	20	3.2
Dividend cut	2	4	20	3.2
Debt restructuring	4	4	20	3.2
Total	**16**	**20**	**100**	**16**

$X^2 = 1.5$

Testing at 95% significance level, 1.5 < 9.49

Table 3 (iii) Response actions taken by companies with market capitalization of Sh. 1.2 billion and above. (Large Companies)

Response action	Frequency	No. of companies	Percent (No. of companies divided by 30)	Expected frequency (Percentage x 22)
Employee lay off	5	6	20	4.4
Change of top management	6	6	20	4.4
Asset restructuring	6	6	20	4.4
Dividend cut	1	6	20	4.4
Debt restructuring	4	6	20	4.4
Total	**22**	**30**	**100**	**22**

X^2 = **3.909**

Testing at 95% significance level, 3.909 < 9.49

(i) Based on size of the company, 40% of the small companies laid off staff while 50% of the medium sized companies reacted similarly. 83.33% of the large companies laid off staff. Therefore, the large companies used this response action more than the smaller companies. This is in conformity with the findings by Wruck (1990) that companies lay off staff when they find themselves facing a financial distress.

(ii) 40% of the small sized companies changed their top management while 100% of the medium and large sized companies took the same action. This action conforms with the results of a research carried out by Gilson (1989), where it was found that companies change top management in order to inject new managerial skills.

(iii) 20% of the small companies reduced their dividends paid to their shareholders, while 50% of the medium sized companies reduced theirs. Only 16.67% of the large companies reduced their dividends. The findings conform to those by Warner (1990) where it was established that during hard financial times, firms with financial contracts react financially by restructuring their debts

(iv) 100% of the small and medium sized companies restructured theirs debts, as 66.67% of the large companies did the same.

4.3 Findings Based on Leverage

Table 4: Summary of response actions based on leverage.

Percentage of Leverage	Name of the Company	Response action taken				
		Employee Lay off	Change 0f top mgt	Asset Restructuring	Dividend Cut	Debt Restructuring
Below 45% (Low Geared)	Unga Group Ltd.	1	1	1	1	1
	Eaagards Ltd.	0	0	1	1	1
	A.Bauman Ltd.	1	1	1	0	1
	Bamburi Cement Ltd.	1	1	1	0	1
	Kakuzi Ltd	0	1	1	0	1
	George Williamson	0	1	1	0	1
	Sasini Ltd.	1	1	1	1	1
45 – 65% (Medium Geared)	Kenya national mills	1	1	1	1	1
	E.A Packaging	1	0	1	0	1
	Crown Berger	0	0	1	0	1
	E.A Breweries	1	1	1	0	0
Over 65% (Highly Geared)	Lonroh Motors Ltd.	1	1	1	0	1
	K.PL.C Ltd.	1	1	1	0	0
	E.A Portland Ltd.	0	1	1	0	1
	E.A Standard Ltd.	0	1	1	0	1

Table 4 (i) Response actions taken by companies with a leverage of less than 45% (Low Geared)

Response action	Frequency	No. of companies	Percent (No. of companies divided by 35)	Expected frequency (Percentage x 24)
Employee lay off	4	7	20	4.8
Change of management	6	7	20	4.8
Dividend cut	3	7	20	4.8
Asset restructuring	4	7	20	4.8
Debt restructuring	7	7	20	4.8
Total	**24**	**35**	**100**	**24**

X^2 = **2.25**

Testing at 95% significance level, of 2.25< 9.49

Table 4 (ii) Response actions taken by companies with a leverage of 45% - 65% (Medium Geared)

Response action	Frequency	No. companies	Percentage (No. of companies divided by 20)	Expected frequency Percentage x 13)
Employee lay off	3	4	20	2.6
Change of management	2	4	20	2.6
Asset Restructuring	4	4	20	2.6
Dividend cut	1	4	20	2.6
Debt Restructuring	3	4	20	2.6
Total	**13**	**20**	**100**	**13**

$X^2 = \mathbf{2.00}$

Testing at 95% significance level, 2.00 < 9.49

Table 4 (iii) Response actions taken by companies with a leverage of over 65% (Highly Geared)

Response action	Frequency	No. of companies	Percentage (No. of companies divided by 20	Expected frequency (Percentage x 13)
Employee lay off	2	4	20	2.6
Change of management	4	4	20	2.6
Asset Restructuring	4	4	20	2.6
Dividend cut	0	4	20	2.6
Debt restructuring	3	4	20	2.6
Total	**13**	**20**	**100**	**13**

$X^2 = \mathbf{4.36}$

Testing at 95% significance, 4.36 < 9.49

(i) Based on leverage, 57% of the low-geared companies laid off their staff, while 75% of the companies with medium gearing took the same action. Only 50% of the highly geared companies laid off their staff.

These findings are not fully consistent with the findings by Harris & Raviv (1990) and Ofek (1991), which shows that companies with highest leverage reacted faster in order to save themselves from impending bankruptcies.

(ii) It was found that, 85% of the low-geared companies changed their top management, while 50% of the medium leveraged companies took the same action, as 100% of the highly geared companies did the same.

This is in line with Harris and Ravid (1990) and Ofek (1991) that highly geared companies react faster.

(iii) For companies with low gearing; 42.86% reduced dividends paid while 25% of the companies with medium gearing reduced theirs. None of the highly geared companies reduced dividends paid to their shareholders.

This contradicts the findings by Smith and Warner (1979) that leverage is positively and significantly related to the probability of Dividend cuts.

(iv) 100% of the low leveraged companies restructured their debts, while only 75% of the medium and highly leveraged companies restructured theirs. This contradicts the findings by Jensen (1989) that highly leveraged firms respond faster than the low leveraged ones.

4.4 Findings Based on the Sector

Table 5: Summary of response actions based on sector.

Sector	Company Name	Response action taken				
		Employee Lay off	Change top of mgt	Asset Restructuring	Dividend Cut	Debt Restructuring
Agricultural sector	Eaagards Ltd	0	0	1	1	1
	Kakuzi	0	1	1	0	1
	George Williamson	0	1	1	0	1
	Sasini	1	1	1	1	1
Commercial sector	A Bauman & Co Ltd.	1	1	1	0	1
	Lonroh Motors Ltd.	1	1	1	0	1
	Standard Newspaper	0	1	1	0	1
Industrial sector	Unga Group Ltd.	1	1	1	1	1
	Kenya National Mills	1	1	1	1	1
	E.A. Packaging Ltd.	1	0	1	0	1
	Bamburi Cement Ltd	1	1	1	0	1
	Crown Berger Ltd.	0	0	1	0	1
	E.A. Breweries Ltd.	1	1	1	0	0
	K.P.L.C. Ltd	1	1	1	0	0
	E.A. Portland Cement	0	1	1	0	1

Table 5 (i) Response actions taken by companies in the Agricultural Sector

Response action	Frequency	No. of companies	Percentage (No. of companies divided by 20)	Expected (Percentage x 14)
Employee lay off	1	4	20	2.8
Change of top management	3	4	20	2.8
Asset Restructuring	4	4	20	2.8
Dividend cut	2	4	20	2.8
Debt restructuring	4	4	20	2.8
Total	14	20	100	14

X^2 = **2.428**

Testing at 95% significance level, 2.42 < 9.49

Table 5 (ii) Response actions taken by companies in the Commercial sector

Response actions	Frequency	No. of companies	Percentage (No. of companies divided by 15)	Expected frequency (percentage x 11)
Employee lay off	2	3	20	2.2
Change of management	3	3	20	2.2
Asset Restructuring	3	3	20	2.2
Dividend cut	0	3	20	2.2
Debt restructuring	3	3	20	2.2
Total	11	15	100	11

X^2 = **3.091**

Testing significance level at 95%, 3.09 < 9.49

Table 5 (iii) Response actions taken by companies in the Industrial sector

Response actions	Frequency	No. of companies	Percentage (No. of companies divided by 40)	Expected frequency (percentage x 28)
Employee lay off	6	8	20	5.6
Change of management	6	8	20	5.6
Asset Restructuring	8	8	20	5.6
Dividend cut	2	8	20	5.6
Debt restructuring	6	8	20	5.6
Total	28	40	100	28

X^2 = **3.43**

Testing at 95% significance level, 3.43 < 9.49

(i) 100% of the companies in the Agricultural and Commercial sectors restructured their debts while only 50% of those in the Industrial sector took this action.

The actions taken by the companies are in line with the findings by Gilson et al (1990), that companies take financial actions so that they obtain softer Debt covenants in their favour to avoid getting into bankruptcy.

(ii) In the Agricultural sector, only 25% of the companies laid off staff, while 67.67% of companies in the Commercial sector and 75% in the Industrial sector responded similarly. The actions taken are inline with the findings by John et al (1992) that financially distressed companies will lay off staff, but if the situation improves they may re-hire more in order to get adequate capacity to meet its manpower demands. This action is conforming to the findings by Gilson et al (1989).

(iii) 75% of companies in the Agricultural sector changed their top management while 100% of those in the Commercial sector and 75% in the Industrial sector took this action.

(iv) 50% of the companies in the Agricultural Sector reduced Dividends, while none of the companies in the Commercial Sector acted similarly, as 75% in the Industrial sector did the same. This partly conforms with the results from the study by Warner (1990), but reactions by the companies in the commercial sector contradicts these findings by Warner (1990).

4.5 Asset Restructuring

All the companies irrespective of size, leverage, or sector, restructured their assets by either buying new assets, disposing existing ones or both.

4.6 Summary of Response Rates based on Characteristics

The response rates by companies based on their characteristics is as summarized in the table below:

Table 6: Summary of the response actions taken by companies based on characteristics

Company characteristics.	Category	Percentage of companies that took actions.
Size	Small Medium Large	60% 80% 73.33%
Leverage	Low Medium High	77.13% 65% 65%
Sector	Agricultural Commercial Industrial	70% 73.33% 70%

From the above table, it shows that on average 70% of the companies that got financially distressed, responded to the situation within two years by taking one action or the other.

4.7 Hypothesis

The null hypothesis was formulated as:

"The actions taken by companies quoted in the Nairobi Stock Exchange in response to financial distress are not determined by the companies' characteristics such as size of the company, leverage of the company or the sector the company is operating".

4.8 Chi-square Results

Based on the computation of the chi-square and testing at 95% significance level the findings were as summarized in the table below:

Table 7: Summary of the outcomes on the X^2 computations under the various Company characteristics

Company Characteristics	Test at 95% Significance level	Null Hypothesis
Size of the Company		
Below Ksh. 0.5 billion	4.20 < 9.49	Accepted
Between Kshs. 0.5 – Kshs.1.2 billion	1.5 < 9.49	Accepted
Over Kshs.1.2 billion	3.909 < 9.49	Accepted
Leverage of the company		
Less than 45%	2.25 < 9.49	Accepted
45% - 65%	2.00 < 9.49	Accepted
Over 65%	4.36 < 9.49	Accepted
By Sector		
Agricultural sector	2.43 < 9.49	Accepted
Commercial sector	3.09 < 9.49	Accepted
Industrial sector	3.43 < 9.49	Accepted

From the above summary of computation outcomes the null hypothesis that 'The actions taken by companies quoted in the Nairobi Stock Exchange in response to financial distress are not determined by the companies' characteristics such as size of the company, leverage of the company or the sector the company is operating" is accepted.

Table 8: Companies' performance based on ROA (%) for the financially distressed companies (1996-2002) and Computation of improvement (for Year 2002 against 1996)

Name of company	1996	1997	1998	1999	2002	Improvement 1996-2002
Unga group Ltd	2.49	7.63	-11.99	-6.36	-1.08	-100.4
Kenya National. Mills	1.94	8.44	-15.02	-8.88	-6.12	-415.5
Eaagards	-6.80	19.10	30.81	4.54	19.05	380.1
A. Bauman Co. Ltd	-2.30	-1.81	0. 89	2.50	1.90	182 .0
Lonron Motors	27.08	-4.12	-34.68	-22.64	-10.12	-137.4
E.A. Packaging	8.28	1.43	-4.95	-3.46	-5.40	-165.2
Std Newspapers	-6.85	15.20	0.28	-21.01	3.41	149.8
Bamburi Cement	13.26	12.75	4.93	6.47	14.56	9.80
Crown Berger	0.95	6.73	4.05	9.43	8.89	835.7
E.A. Breweries	7.46	8.62	3.31	10.09	13.54	81.5
Kakuzi	7.41	9.60	4.82	0.51	-3.85	-151.9
K.P.L.C	8.50	10.61	9.56	0.79	-8.86	-204.2
E.A. Portland Cement	1.83	2.00	8.63	-21.46	1.86	1.64
George Williamson	2.32	6.22	24.62	2.94	29.00	1150
Sasini	4.32	6.89	8.20	2.03	5.42	25.46

Table 8 (i) Three companies that recorded most significant improvement year 1996-2002

Company	ROA Improvement by %
George Williamson	1150
Crown Berger	835
Eaagards	380.1

From the above two tables the three companies that recorded the most superior financial performance improvement were George Williamson which recorded the highest improvement on Return on Assets of 1,150% from the year 1996 –2002, followed by the Crown Berger with 835% and Eaagards with 380.1% improvement.

Table 9: Summary of the response actions taken by the three Companies with most significant improvement year 1996-2002.

Company	Employee lay off	Change of top management	Assets restructuring	Dividend cut	Debt restructuring
George Williamson	Yes (T+1) Recruited (T + 2)	Yes	Yes	Yes (T+2) Increased in (T+2)	Yes
Crown Berger	No	No	Yes	No	No
Eaagards	No	No	Yes	Increase in (T+1) Decreased in (T+2)	Yes

The Eaagards company did not also take the conventional action of laying off staff and changing top management, just like Crown Berger which took no other action except asset restructuring.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

All the companies that experienced financial distress took one action or another to respond to the situation.

The financially distressed companies responded by either one or a combination of actions of laying off staff, replacing top management, restructuring their assets, reducing dividends and restructuring their debts.

The analysis of the primary data shows that 100% of the companies studied restructured their assets, 86.67% carried out debt restructuring while 80% changed their top management. 60% of the companies laid off employees while only 26.67% reduced dividends paid.

Restructuring of assets was the most popular response action taken. This was done through either disposing all or part of the existing fixed assets and or acquiring new ones. This action could be seen to have been aiming at reducing operational costs, increasing efficiency, acquiring new technology and new methods of production so that the companies' performance could be improved.

The next most popular response actions were debt restructuring and change of top management.

Employee lay off was fairly popular and was taken by 60% of the companies

The least frequent response action taken by the companies was the Dividend cut. Companies reacted differently on this particular aspect. Some of them increased dividends, which is viewed as unconventional under circumstances of financial distress.

The companies with the highest market capitalization, highest leverage and those in the Industrial sector show a X^2 of around 4.00 which is generally higher than the X^2 computed under the other characteristic situations. This is an indication that these three characteristics could be tending to determine the response actions that the companies took compared to the rest of the other characteristics. But it is not consistent, especially when the small and the large companies exhibit this outcome whereas the medium companies do not.

Whereas there is no clear consistency on the actions taken by the companies that were able to record the best improvements in their Return On Assets (ROA), one of the companies, George Williamson, which is among the companies that improved well, was noted to have taken some unique actions such as recruiting more staff at a time when it ought to have taken a conventional action of laying off staff. It is also noted that this company increased dividends at this critical time.

The Eaagards company did not also take the conventional action of laying off staff and changing top management, just like Crown Berger which took no other action except asset restructuring.

5.2 Recommendations for further Research

(i) Whereas financially distressed companies should take conventional response actions in order to improve their performance it is important that such companies should take into consideration their individual characteristics.

There is need to carry out further study separating labour intensive from the capital labour intensive companies in order to establish whether the action of laying of staff is uniformly taken or whether some companies will prefer to restructure their assets instead of laying of staff.

(ii) Another study could be done on the change of top management with an objective of establishing whether major shareholders who have substantial voting powers, who therefore, can not be removed from the Board by minority shareholders, accepted on their own volition to quit their Boards when the company got into financial distress.

5.3 Limitations of the study

(i) Some of the companies' performances varied due to change in accounting methods in respect of depreciation of assets and valuation of stocks and this is not factored in the study.

(ii) Some of the companies were labour intensive while others were capital intensive, which may account for the variability on actions taken, especially on employee layoffs.

(iii) Some of the companies' directors could have been major shareholders and hence could not have easily been voted out by the shareholders, regardless of the perceived poor performance of the company associated with those directors' personal attributes.

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	Appendix (i) - List of companies quoted in the NSE - 1995
1	Firestone East Africa Ltd Ord 5.00
2	City Trust Ltd Ord 5.00
3	Limuru Tea Co. Ltd Ord 20.00
4	E. A. Cables Ltd Ord 5.00
5	Uchumi Supermarket Ltd Ord 5.00
6	Lonrho Motors EA Ltd Ord 5.00
7	Dunlop Kenya Ord 5.00
8	I.C.D.C. Investments Co Ltd Ord 5.00
9	Kenya Airways Ltd Ord 5.00
10	Kenya Oil Co Ltd Ord 5.00
11	Carbacid Investments Ltd Ord 5.00
12	B.O.C. Kenya Ltd Ord 5.00
13	British American Tobacco Kenya Ltd Ord 10.00
14	Nation Media Group Ord 5.00
15	Rea Vipingo Plantations Ltd Ord 5.00
16	Bamburi Cement Ltd Ord 5.00
17	Tourism Promotion Services Ltd Ord 5.00
18	CMC Holdings Ltd Ord 5.00
19	Kenya Power & LIghting Ltd Ord 20.00
20	E.A Packaging Ltd Ord 5.00
21	National Industrial Credit Ltd Ord 5.00
22	East African Breweries Ltd Ord 10.00
23	Kakuzi Ord 5.00
24	Total Kenya Ltd Ord 5.00
25	Barclays Bank Ltd Ord 10.00
26	Kenya Commercial Bank Ltd Ord 10.00
27	Marshalls (E.A) Ltd Ord 5.00
28	Standard Chartered Bank Ltd Ord 5.00
29	C.F.C. Bank Ltd Ord 5.00
30	Express Ltd Ord 5.00
31	Housing Finance Co. Ltd Ord 5.00
32	Jubilee Insurance Co. Ltd Ord 5.00
33	Kenya Orchards Ltd Ord 5.00
34	Sasini Tea & Coffee Ltd Ord 5.00
35	National Bank of Kenya Ltd Ord 5.00
36	Pan Africa Insurance Ltd Ord 5.00
37	Athi River Mining Ord 5.00
38	Brooke Bond Ltd Ord 10.00
39	Kapchorua Tea Co. Ltd Ord Ord 5.00
40	Unga Group
41	George Williamson Kenya Ltd Ord 5.00
42	Kenya National Mills Ltd Ord 5.00
43	E.A. Portland cement Ltd Ord 5.00
44	Pearl Drycleaners Ltd Ord 5.00
45	Crown Berger Ltd Ord 5.00
46	Hutchings Biemer Ltd Ord 5.00
47	Diamond Trust Bank Kenya Ltd Ord 4.00
48	A.Baumann & Co. Ltd Ord 5.00
49	Eaagads Ltd Ord 1.25
50	Standard Newspapers Group Ord 5.00
51	Car & General (K) Ltd Ord 5.00
52	Theta Group Ltd Ord 1.00
53	Africa Lakes

Appendix (iia) - Dividends paid by companies quoted in the NSE. 1995 - 1999

	Name of Company	Sector	TOTAL DIVIDENDS PAID (Kshs '000) 1995	1996	1997	1998	1999
1	Limuru Tea Co. Ltd Ord 20.00	A	4,210	6,000	13,000	17,000	6,000
2	Firestone East Africa Ltd Ord 5.00	I	510,290	463,900	463,904	417,514	278,340
3	E. A. Cables Ltd Ord 5.00	I	40,500	50,600	40,500	40,500	91,125
4	Uchumi Supermarket Ltd Ord 5.00	C	200,000	200,000	201,000	225,000	180,000
5	Nation Media Group Ord 5.00	C	26,700	32,700	49,000	58,800	58,900
6	Carbacid Investments Ltd Ord 5.00	I	9,860	16,046	18,879	21,766	47,195
7	Kenya Oil Co Ltd Ord 5.00	I	28,800	28,800	28,000	43,199	54,000
8	Eaagads Ltd Ord 1.25	A	4,502	4,502	-12,863	30,549	8,039
9	B.O.C. Kenya Ltd Ord 5.00	I	54,623	65,410	66,867	66,899	69,300
10	City Trust Ltd Ord 5.00	F	3,749	5,208	6,249	8,332	8,332
11	I.C.D.C. Investments Co Ltd Ord 5.00	F	61,220	84,767	94,186	84,775	94,125
12	British American Tobacco Kenya Ltd Ord 10.00	I	375,000	450,000	450,000	562,500	787,500
13	Standard Newspapers Group Ord 5.00	C	0	8,561	8,561	1,283	0
14	Bamburi Cement Ltd Ord 5.00	I	212,000	393,000	408,000	451,000	362,000
15	Kenya Power & Lighting Ltd Ord 20.00	I	35,168	140,672	422,016	422,016	633,024
16	Kenya Airways Ltd Ord 5.00	C	0	0	346,204	461,000	0
17	Kakuzi Ord 5.00	A	39,200	43,120	53,900	53,900	39,200
18	Tourism Promotion Services Ltd Ord 5.00	C	n/a	104,900	38,679	38,679	38,679
19	Rea Vipingo Plantations Ltd Ord 5.00	A	n/a	43,675	22,400	0	0
20	East AfricaN Breweries Ltd Ord 10.00	I	255,940	327,600	393,000	561,613	655,215
21	Kenya National Mills Ltd Ord 5.00	I	64,546	64,546	86,062	21,507	0
22	Dunlop Kenya Ord 5.00	I	8,390	7,180	4,000	4,000	n/a
23	Unga Group Ltd Ord 5.00	I	52,065	52,065	78,098	9,372	0
24	National Industrial Credit Ltd Ord 5.00	F	98,437	98,877	131,864	115,381	148,340
25	CMC Holdings Ltd Ord 5.00	C	24,280	30,349	30,349	12,140	18,210
26	C.F.C. Bank Ltd Ord 5.00	F	50,000	50,000	67,000	67,000	67,000

27	Kapchorua Tea Co. Ltd Ord Ord 5.00	A	3,912	3,912	5,868	29,340	9,780
28	Sasini Tea & Coffee Ltd Ord 5.00	A	76,019	63,349	76,019	114,028	19,005
29	Crown Berger Ltd Ord 5.00	I	21,570	21,570	29,120	21,570	43,500
30	Barclays Bank Ltd Ord 10.00	F	1,071,000	1,286,000	1,543,000	1,697,000	1,543,000
31	George Williamson Kenya Ltd Ord 5.00	A	8,756	8,756	13,135	65,672	21,891
32	Kenya Commercial Bank Ltd Ord 10.00	F	504,900	785,400	897,600	673,200	0
33	Total Kenya Ltd Ord 5.00	I	70,000	140,000	145,600	168,000	190,400
34	Standard Chartered Bank Ltd Ord 5.00	F	618,109	824,145	609,407	898,793	1,219,735
35	Housing Finance Co. Ltd Ord 5.00	F	69,000	115,000	138,000	172,500	57,500
36	Marshalls (E.A) Ltd Ord 5.00	C	38,382	38,417	38,417	14,428	0
37	Jubilee Insurance Co. Ltd Ord 5.00	F	43,750	60,000	52,500	63,000	63,000
38	Pan Africa Insurance Ltd Ord 5.00	F	17,500	17,500	22,750	22,750	n/a
39	Athi River Mining Ord 5.00	I	n/a	15,600	22,500	0	0
40	National Bank of Kenya Ltd Ord 5.00	F	300,000	300,000	188,545	20,326	0
41	Express Ltd Ord 5.00	C	38,400	19,880	10,560	8,160	0
42	E.A. Portland cement Ltd Ord 5.00	I	6,000	30,000	60,000	90,000	0
43	E.A Packaging Ltd Ord 5.00	I	26,880	26,800	0	0	0
44	Hutchings Biemer Ltd Ord 5.00	C	786	786	66	n/a	n/a
45	A.Baumann & Co. Ltd Ord 5.00	C	3,840	1,920	1,920	2,880	4,800
46	Brooke Bond Ltd Ord 10.00	A	48,875	97,750	0	195,500	195,500
47	Lonrho Motors EA Ltd Ord 5.00	C	246,960	170,440	0	0	0
48	Diamond Trust Bank Kenya Ltd Ord 4.00	F	114,480	63,600	47,700	63,600	n/a
49	Kenya Orchards Ltd Ord 5.00	I	0	0	0	0	n/a
50	Pearl Drycleaners Ltd Ord 5.00	C	1,220	0	1,710	0	n/a
51	Theta Group Ltd Ord 1.00	A	0	0	0	0	0
52	Car & General (K) Ltd Ord 5.00	C	2,025	0	0	0	0
53	Africa Lakes	C	n/a	n/a	n/a	n/a	n/a
	TOTALS		5,491,844	6,863,383	7,408,872	8,116,472	7,012,635

Appendix (iib) - Return on Assets for Companies quoted in the NSE - 1995-1999

	Name of Company		Return on Assets (%)				
		Sector	1995	1996	1997	1998	1999
1	Limuru Tea Co. Ltd Ord 20.00	A	27.86%	37.36%	51.92%	59.20%	31.47%
2	Firestone East Africa Ltd Ord 5.00	I	47.23%	47.51%	37.35%	33.91%	20.25%
3	E. A. Cables Ltd Ord 5.00	I	30.54%	34.58%	24.95%	22.60%	8.20%
4	Uchumi Supermarket Ltd Ord 5.00	C	28.36%	29.66%	22.34%	26.10%	20.68%
5	Nation Media Group Ord 5.00	C	23.54%	14.45%	20.78%	22.60%	13.17%
6	Carbacid Investments Ltd Ord 5.00	I	12.99%	18.75%	20.26%	22.66%	25.09%
7	Kenya Oil Co Ltd Ord 5.00	I	15.31%	19.41%	20.21%	17.76%	17.49%
8	Eaagads Ltd Ord 1.25	A	7.30%	-6.80%	19.10%	30.81%	4.54%
9	B.O.C. Kenya Ltd Ord 5.00	I	14.68%	16.28%	18.60%	22.30%	14.42%
10	City Trust Ltd Ord 5.00	F	25.75%	44.95%	18.19%	18.79%	5.51%
11	I.C.D.C. Investments Co Ltd Ord 5.00	F	21.75%	20.46%	17.17%	7.73%	6.96%
12	British American Tobacco Kenya Ltd Ord 10.00	I	14.66%	15.88%	15.31%	27.09%	24.82%
13	Standard Newspapers Group Ord 5.00	C	-4.53%	-6.85%	15.20%	0.28%	-21.01%
14	Bamburi Cement Ltd Ord 5.00	I	12.07%	13.26%	12.75%	4.93%	6.47%
15	Kenya Power & Lighting Ltd Ord 20.00	I	9.81%	8.50%	10.61%	9.56%	0.79%
16	Kenya Airways Ltd Ord 5.00	C	11.05%	19.77%	9.74%	10.72%	8.05%
17	Kakuzi Ord 5.00	A	4.63%	7.41%	9.60%	4.82%	-0.51%
18	Tourism Promotion Services Ltd Ord 5.00	C	n/a	9.89%	9.52%	9.33%	6.63%
19	Rea Vipingo Plantations Ltd Ord 5.00	A	n/a	13.84%	8.89%	5.78%	-0.77%
20	East AfricaN Breweries Ltd Ord 10.00	I	4.23%	7.46%	8.62%	3.31%	10.29%
21	Kenya National Mills Ltd Ord 5.00	I	12.89%	1.94%	8.44%	-15.02%	-8.88%
22	Dunlop Kenya Ord 5.00	I	35.67%	25.81%	8.39%	7.20%	n/a
23	Unga Group Ltd Ord 5.00	I	11.09%	2.49%	7.63%	-11.99%	-6.36%
24	National Industrial Credit Ltd Ord 5.00	F	8.96%	8.06%	7.38%	5.93%	6.40%
25	CMC Holdings Ltd Ord 5.00	C	7.79%	8.61%	7.28%	5.99%	4.94%
26	C.F.C. Bank Ltd Ord 5.00	F	0.62%	5.44%	7.19%	6.16%	3.92%

27	Kapchorua Tea Co. Ltd Ord Ord 5.00	A	1.37%	2.60%	7.09%	20.30%	4.42%
28	Sasini Tea & Coffee Ltd Ord 5.00	A	4.46%	4.32%	6.89%	8.20%	2.03%
29	Crown Berger Ltd Ord 5.00	I	4.89%	0.95%	6.73%	4.05%	9.43%
30	Barclays Bank Ltd Ord 10.00	F	6.90%	6.88%	6.56%	6.38%	5.18%
31	George Williamson Kenya Ltd Ord 5.00	A	0.70%	2.32%	6.22%	24.62%	2.94%
32	Kenya Commercial Bank Ltd Ord 10.00	F	6.54%	5.93%	5.63%	1.78%	-2.98%
33	Total Kenya Ltd Ord 5.00	I	13.96%	7.21%	5.61%	12.74%	15.235
34	Standard Chartered Bank Ltd Ord 5.00	F	6.48%	5.73%	5.38%	6.04%	6.00%
35	Housing Finance Co. Ltd Ord 5.00	F	4.01%	4.65%	4.81%	3.34%	0.88%
36	Marshalls (E.A) Ltd Ord 5.00	C	9.15%	5.79%	4.61%	2.34%	-10.71%
37	Jubilee Insurance Co. Ltd Ord 5.00	F	4.02%	4.62%	4.37%	4.11%	2.86%
38	Pan Africa Insurance Ltd Ord 5.00	F	1.62%	3.64%	4.22%	4.79%	n/a
39	Athi River Mining Ord 5.00	I	n/a	3.11%	3.34%	1.09%	1.62%
40	National Bank of Kenya Ltd Ord 5.00	F	3.47%	3.70%	2.24%	-11.16%	-13.82%
41	Express Ltd Ord 5.00	C	8.01%	5.06%	2.17%	1.93%	4.29%
42	E.A. Portland cement Ltd Ord 5.00	I	2.03%	1.83%	2.00%	8.63%	-21.46%
43	E.A Packaging Ltd Ord 5.00	I	13.14%	8.28%	1.43%	-4.95%	-3.46%
44	Hutchings Biemer Ltd Ord 5.00	C	4.93%	-1.39%	0.43%	n/a	n/a
45	A.Baumann & Co. Ltd Ord 5.00	C	5.53%	-2.30%	-1.61%	0.89%	2.50%
46	Brooke Bond Ltd Ord 10.00	A	0.72%	3.07%	-1.64%	7.60%	5.62%
47	Lonrho Motors EA Ltd Ord 5.00	C	12.72%	27.08%	-4.12%	-34.68%	-22.64%
48	Diamond Trust Bank Kenya Ltd Ord 4.00	F	4.99%	-1.43%	-4.44%	3.23%	n/a
49	Kenya Orchards Ltd Ord 5.00	I	-11.31%	4.57%	-8.10%	-7.80%	n/a
50	Pearl Drycleaners Ltd Ord 5.00	C	6.10%	1.68%	-13.09%	-17.00%	n/a
51	Theta Group Ltd Ord 1.00	A	-3.19%	-19.13%	-16.97%	n/a	n/a
52	Car & General (K) Ltd Ord 5.00	C	1.46%	-12.00%	-17.70%	-5.21%	n/a
53	Africa Lakes	C	n/a	n/a	n/a	n/a	n/a

Appendix (iic)- Market Capitalization of Companies quoted in the NSE - 1995-1999

	Name of Companies	Market Capitalization (Ksh '000)					
		Sector	1995	1996	1997	1998	1999
1	Limuru Tea Co. Ltd Ord 20.00	A	260,000	260,000	150,000	150,000	130,000
2	Firestone East Africa Ltd Ord 5.00	I	4,592,660	4,824,612	4,360,707	4,481,313	4,453,478
3	E. A. Cables Ltd Ord 5.00	I	729,000	627,750	587,250	405,000	263,250
4	Uchumi Supermarket Ltd Ord 5.00	C	1,600,000	1,780,000	2,340,000	2,640,000	2,400,000
5	Nation Media Group Ord 5.00	C	1,152,748	1,283,472	2,335,206	4,884,410	3,565,263
6	Carbacid Investments Ltd Ord 5.00	I	398,223	483,718	622,974	589,935	632,411
7	Kenya Oil Co Ltd Ord 5.00	I	435,600	496,800	347,400	395,989	482,387
8	Eaagads Ltd Ord 1.25	A	192,930	175,245	266,887	276,550	167,216
9	B.O.C. Kenya Ltd Ord 5.00	I	1,132,450	1,298,413	1,288,650	1,396,069	1,259,391
10	City Trust Ltd Ord 5.00	F	116,648	114,565	141,644	109,359	91,653
11	I.C.D.C. Investments Co Ltd Ord 5.00	F	621,621	593,366	649,877	1,186,836	1,883,895
12	British American Tobacco Kenya Ltd Ord 10.00	I	6,675,000	4,650,000	3,750,000	5,737,500	5,812,500
13	Standard Newspapers Group Ord 5.00	C	111,033	68,755	452,673	275,455	126,197
14	Bamburi Cement Ltd Ord 5.00	I	5,766,261	6,834,918	13,156,285	13,065,552	9,527,194
15	Kenya Power & Lighting Ltd Ord 20.00	I	1,538,600	2,178,192	9,495,360	6,594,000	7,556,724
16	Kenya Airways Ltd Ord 5.00	C	n/a	4,108,374	3,462,113	3,762,166	3,623,682
17	Kakuzi Ord 5.00	A	1,842,400	1,911,000	1,881,600	2,763,600	1,705,200
18	Tourism Promotion Services Ltd Ord 5.00	C	n/a	n/a	541,506	560,846	620,798
19	Rea Vipingo Plantations Ltd Ord 5.00	A	n/a	588,000	490,000	360,000	288,000
20	East AfricaN Breweries Ltd Ord 10.00	I	2,943,310	3,374,383	3,177,817	6,271,351	6,552,158
21	Kenya National Mills Ltd Ord 5.00	I	1,028,721	907,695	995,078	1,143,006	638,739
22	Dunlop Kenya Ord 5.00	I	101,200	104,000	200,000	200,000	100,000
23	Unga Group Ltd Ord 5.00	I	739,394	833,120	937,200	2,202,362	1,218,328
24	National Industrial Credit Ltd Ord 5.00	F	1,722,644	1,823,718	3,296,600	2,472,450	2,225,193
25	CMC Holdings Ltd Ord 5.00	C	655,560	789,100	971,200	874,064	728,387
26	C.F.C. Bank Ltd Ord 5.00	F	2,875,000	1,875,000	1,760,000	1,510,000	1,425,000

27	Kapchorua Tea Co. Ltd Ord Ord 5.00	A	453,792	266,016	273,840	371,640	586,800
28	Sasini Tea & Coffee Ltd Ord 5.00	A	1,634,430	1,469,720	2,381,960	2,660,648	1,710,416
29	Crown Berger Ltd Ord 5.00	I	452,970	215,700	213,543	173,639	215,700
30	Barclays Bank Ltd Ord 10.00	F	16,609,180	12,408,742	14,787,620	20,059,650	15,893,415
31	George Williamson Kenya Ltd Ord 5.00	A	753,016	630,432	753,016	1,234,641	814,338
32	Kenya Commercial Bank Ltd Ord 10.00	F	4,602,750	7,012,500	8,639,400	6,900,300	3,534,300
33	Total Kenya Ltd Ord 5.00	I	4,788,000	3,500,000	2,940,000	2,744,000	2,702,000
34	Standard Chartered Bank Ltd Ord 5.00	F	8,735,937	7,623,341	7,582,134	8,323,858	9,312,831
35	Housing Finance Co. Ltd Ord 5.00	F	1,845,750	1,380,000	1,752,600	1,845,750	1,213,250
36	Marshalls (E.A) Ltd Ord 5.00	C	355,015	450,965	393,395	359,828	338,238
37	Jubilee Insurance Co. Ltd Ord 5.00	F	1,181,250	997,500	1,102,500	1,080,000	927,000
38	Pan Africa Insurance Ltd Ord 5.00	F	434,000	399,000	417,500	325,000	432,000
39	Athi River Mining Ord 5.00	I	n/a	n/a	678,750	495,000	431,250
40	National Bank of Kenya Ltd Ord 5.00	F	4,650,000	2,600,000	2,500,000	1,720,000	1,000,000
41	Express Ltd Ord 5.00	C	422,400	451,200	283,200	138,000	91,200
42	E.A. Portland cement Ltd Ord 5.00	I	315,000	2,137,500	1,800,000	1,579,500	1,012,500
43	E.A Packaging Ltd Ord 5.00	I	579,840	529,920	376,320	119,424	79,104
44	Hutchings Biemer Ltd Ord 5.00	C	4,320	9,000	12,690	7,290	7,290
45	A.Baumann & Co. Ltd Ord 5.00	C	119,680	84,480	59,712	64,513	56,449
46	Brooke Bond Ltd Ord 10.00	A	9,286,250	8,699,750	5,376,250	6,891,375	5,083,000
47	Lonrho Motors EA Ltd Ord 5.00	C	2,337,940	2,550,480	2,486,679	1,402,744	848,022
48	Diamond Trust Bank Kenya Ltd Ord 4.00	F	4,134,000	2,544,000	1,729,125	1,749,000	2,067,000
49	Kenya Orchards Ltd Ord 5.00	I	2,000	7,800	7,760	2,000	2,000
50	Pearl Drycleaners Ltd Ord 5.00	C	18,457	15,900	16,779	15,977	4,793
51	Theta Group Ltd Ord 1.00	A	19,280	18,316	9,640	9,832	9,832
52	Car & General (K) Ltd Ord 5.00	C	456,732	445,592	358,702	267,355	222,796
53	Africa Lakes	C	n/a	n/a	n/a	n/a	n/a
	Sector Ratio		22,345,899	17,493,938	12,516,857	12,247,010	9,483,986
	TOTALS		101,422,991	98,432,048	114,591,140	124,848,776	106,072,567

Appendix (iii) - Ranking of companies quoted in the NSE based on Return on Assets - 1995 - 1999

	Name of Company	Sector	RANKING 1995	RANKING 1996	RANKING 1997	RANKING 1998	RANKING 1999
1	Firestone East Africa Ltd Ord 5.00	I	1	1	2	2	5
2	Dunlop Kenya Ord 5.00	I	2	7	22	22	n/a
3	E. A. Cables Ltd Ord 5.00	I	3	4	3	8	12
4	Uchumi Supermarket Ltd Ord 5.00	C	4	5	4	5	4
5	Limuru Tea Co. Ltd Ord 20.00	A	5	3	1	1	1
6	City Trust Ltd Ord 5.00	F	6	2	10	12	20
7	Nation Media Group Ord 5.00	C	7	14	5	9	9
8	I.C.D.C. Investments Co Ltd Ord 5.00	F	8	8	11	21	14
9	Kenya Oil Co Ltd Ord 5.00	I	9	10	7	13	6
10	B.O.C. Kenya Ltd Ord 5.00	I	10	12	9	10	8
11	B.A.T. (K) Ltd Ord. 10.00	I	11	13	12	4	3
12	Total Kenya Ltd Ord 5.00	I	12	24	33	14	7
13	E.A Packaging Ltd Ord 5.00	I	13	20	43	43	37
14	Carbacid Investments Ltd Ord 5.00	I	14	11	8	7	2
15	Kenya National Mills Ltd Ord 5.00	I	15	42	21	48	39
16	Lonrho Motors EA Ltd Ord 5.00	C	16	6	47	50	44
17	Bamburi Cement Ltd Ord 5.00	I	17	16	14	29	16
18	Unga Groups Ltd Ord 5.00	I	18	40	23	47	38
19	Kenya Airways Ltd Ord 5.00	C	19	9	16	15	13
20	Kenya Power & LIghting Ltd Ord 20.00	I	20	19	15	16	33
21	Marshalls (E.A) Ltd Ord 5.00	C	21	27	36	37	40
22	National Industrial Credit Ltd Ord 5.00	F	22	21	24	27	17
23	Express Ltd Ord 5.00	C	23	30	41	38	25
24	CMC Holdings Ltd Ord 5.00	C	24	18	25	26	22
25	Eaagads Ltd Ord 1.25	A	25	49	8	3	23

26	Barclays Bank Ltd Ord 10.00	F	26	52	30	23	21
27	Jubilee Insurance Co. Ltd Ord 5.00	F	27	32	37	32	28
28	Kenya Commercial Bank Ltd Ord 10.00	F	28	26	32	39	36
29	Standard Chartered Bank Ltd Ord 5.00	F	29	44	50	49	n/a
30	Pearl Drycleaners Ltd Ord 5.00	C	30	48	45	41	29
31	A.Baumann & Co. Ltd Ord 5.00	C	31	47	48	36	n/a
32	Diamond Trust Bank Kenya Ltd Ord 4.00	F	32	46	44	n/a	n/a
33	Hutchings Biemer Ltd Ord 5.00	C	33	45	29	33	11
34	Crown Berger Ltd Ord 5.00	I	34	23	17	30	34
35	Kakuzi Ord 5.00	A	35	34	28	19	30
36	Sasini Tea & Coffee Ltd Ord 5.00	A	36	22	20	35	10
37	East AfricaN Breweries Ltd Ord 10.00	I	37	22	20	35	10
38	Housing Finance Co. Ltd Ord 5.00	F	38	31	35	34	32
39	National Bank of Kenya Ltd Ord 5.00	F	39	35	40	46	41
40	E.A. Portland cement Ltd Ord 5.00	I	40	43	42	18	43
41	Pan Africa Insurance Ltd Ord 5.00	F	41	36	38	31	n/a
42	Car & General (K) Ltd Ord 5.00	C	42	51	52	44	n/a
43	Brooke Bond Ltd Ord 10.00	A	43	38	46	20	19
44	George Williamson Kenya Ltd Ord 5.00	A	44	41	31	6	27
45	C.F.C. Bank Ltd Ord 5.00	F	45	29	26	24	26
46	Kapchorua Tea Co. Ltd Ord Ord 5.00	A	46	39	27	11	24
47	Theta Group Ltd Ord 1.00	A	47	52	51	n/a	n/a
48	Standard Newspapers Group Ord 5.00	C	48	50	13	42	42
49	Kenya Orchards Ltd Ord 5.00	I	49	33	49	45	n/a
50	Rea Vipingo Plantations Ltd Ord 5.00	A	n/a	15	19	28	35
51	Africa Lakes	C	n/a	n/a	n/a	n/a	n/a
52	Tourism Promotion Services Ltd Ord 5.00	C	n/a	17	18	17	15
53	Athi River Mining Ord 5.00	I	n/a	n/a	n/a	n/a	n/a

Appendix (iv) Table showing Actions taken by Companies quoted in the NSE in response to Financial Distress 1997-2000, and Average Leverage % (T+1,T+2)

	COMPANY	YEAR	EMPLOYEE LAY OFF	CHANGE OF MAGT.	ASSETS RESTRUCTURING	DIV. CUT	DEBT RESTRUCTURING	% of Leverage.
1	Unga Group	1997	1	1	1	-1	0	33.16
	Limited	1998	0	1	1	1	1	49.46
2	Kenya National	1997	1	1	1	-1	1	44.12
	Mills Ltd.	1998	1	1	1	1	1	58.83
3	Eaagards Ltd.	1997	0	0	1	1	1	14.71
		1998	0	0	1	-1	1	20.76
4	A. Bauman & Co.	1997	-1	0	1	0	1	27.65
	Limited	1998	1		1	-1	1	20.89
5	Dunlop (K) Ltd.	1997	0	1	1	N/A		20.6
		1998	N/A	N/A	N/A	N/A	N/A	N/A
6	Lonroh Motors	1997	1	1	1	0	1	345.66
	E. A. Ltd.	1998	1	1	1	0	1	108.42
7	East Africa	1998	1	0	1	0	1	55.33
	Packaging Ltd.	1999	1	0	1	0	0	57.45
8	Standard Newspapers	1999	0	0	1	1	1	105.11
	Group	2000	0	1	1	0	1	97.75
9	Bamburi Cement	1999	0	1	1	1	1	35.18
	Limited	2000	1	0	1	1	0	38.35
10	Crown Berger	1999	0	0	1	-1	0	37.9
	Limited	2000	0	0	1	0	1	67.94
11	East African	1999	1	1	1	-1	0	45.74
	Breweries Ltd.	2000	1	1	0	0	0	45.56
12	Kakuzi	1999	0	0	1	1	1	33.29
	E. A. Ltd.	2000	0	1	1	0	1	44.50
13	Kenya Power &	2000	1	0	1	0	0	221.83
	Lighting Co. Ltd.	2001	1	1	1	0	0	435.94
14	East Africa Portland	2000	0	1	1	0	1	88.7
	cement Ltd	2001	0	0	1	0	0	120.16
15	George Williamson	2000	0	0	1	1	1	38.58
		2001	-1	1	1	1	1	32.78
16	Sasini	2000	1	1	1	1	1	12.1
		2001	1	1	1	0	0	11.12