

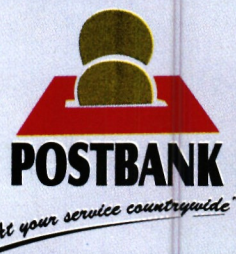
KENYA POST OFFICE SAVINGS BANK

ANNUAL REPORT AND ACCOUNTS 2007

PARLIAMENT
OF KENYA
LIBRARY

KENYA NATIONAL ASSEMBLY

10 SEP 2007
LIBRARY
MAIN BUILDING



KENYA POST OFFICE SAVINGS BANK

ANNUAL REPORT

AND

ACCOUNTS

31ST DECEMBER 2007

KENYA POST OFFICE SAVINGS BANK

Our Vision

“To Be the Bank of Choice”

Our Mission

“To Provide Accessible and Sustainable Banking and Other Related Financial Services, through Innovative Delivery Systems for Wealth Creation to the Benefit of Customers and Other Stakeholders ”.

Our Mandate

The Bank was established primarily to encourage thrift and mobilise savings, and has carried out this mandate quite successfully, through expansion of its outreach and development of products and services that meet the expectations of its customer .

Our Values

CORE VALUES

Postbank subscribes to the following key values:

Provision of quality service to our customers:

- **Professionally**
- **Diligently, and**
- **Promptly to exceed their expectations.**

Uphold:

- **Teamwork,**
- **Integrity and**
- **Respect to customers and all stakeholders.**
- **Are socially and environmentally responsible.**

KENYA POST OFFICE SAVINGS BANK

DIRECTORS REPORT AND ACCOUNTS 31 DECEMBER 2007

Contents	Page
Chairman's Statement	1 - 3
Corporate Governance	4 - 5
Report of the Directors	6
Statement of Director's Responsibilities	7
Report of the Independent Auditors	8 - 10
Balance Sheet	11
Statement of Changes in reserves	12
Profit and Loss Account	13
Cash flow Statement	14
Notes to the Account	15 - 27
Network of Branches and Sub branches	28 - 29

KENYA POST OFFICE SAVINGS BANK

CHAIRMAN'S REPORT

I am pleased to present the Annual Report and Financial Statements of Kenya Post Office Savings Bank for the year ended 31st December 2007.

ECONOMIC OVERVIEW

Kenya's economy grew by 7.1% in 2007 up from 5.87% in 2006. This was an increase from an earlier projection of 6.7% growth rate. Tourism, Horticulture, Tea, Transport and Manufacturing sectors of the economy continued to be the main thrust of the positive economic growth enjoyed since year 2003. This trend is, however, expected to slow down due to the effects of the political and social crisis in the first quarter of 2008.

The overall inflation ranged from 9.7% in January 2007 to 12% in December 2007. This rise in inflation was driven by the international fuel prices and increased spending in the run up to elections. In January 2008, the inflation rate rose dramatically to 18.1% following the post-election violence.

Despite the negative effects of the post-election events, the economy could still register positive economic growth in 2008. It is however, expected to fall short of the earlier projected rate of 7.0% p.a. It is noteworthy to mention that despite heightened political activity towards the end of the year, market participants largely ignored the swings in public emotions. This helped stabilize the interest rate regime and enhanced the performance of the Kenya Shilling against foreign currencies. Indeed, the Kenyan shilling was strongest in recent years towards the end of 2007.

Interest rates regime also remained relatively stable. No significant rise or decrease was observed in 91-day Treasury Bills rate. The rate remained below 7.00% for better part of the year. The 3rd quarter recorded rates above 7.00% basically due to increased spending in the run-up to the general elections.

The Kenyan currency strengthened to a five year high rate of Kshs.61.00 supported mainly by dollar inflows from Tourism, Tea sub-sectors, Horticulture, Kenyans in the Diaspora and key foreign direct investment. The government of Kenya ceded 51% stake from Telkom Kenya to France Telecom and received USD 390 million from the transaction.

THE BANKING SECTOR

The banking sector remained very competitive. It comprised of 46 commercial banks and one mortgage finance company. The sector also saw the entry of two fully Sharia compliant banks, First Community Bank and the Gulf Africa Bank.

The sector also witnessed the largest merger in the history of the banking industry in Kenya. CFC Group and Stanbic Bank Kenya Ltd shareholders approved a multimillion dollar merger towards the end of the year. Equity Bank Ltd also sold 11% of its shareholding to Hellois making it one of the largest banks in Kenya and acquired 21% stake in Housing Finance in an effort to set foot in the mortgage industry.

KENYA POST OFFICE SAVING BANK CHALLENGES

Kenya Post Office Savings Bank (POSTBANK) continued to face a number of challenges in its endeavour to improve service to its customers. These are: -

1. The growing need to improve Information and Communication Technology (ICT) throughout the branch network. All over the world, technology is increasingly changing the way people live and do business.
2. The dynamic nature of the business environment in which the Bank is operating.

KENYA POST OFFICE SAVINGS BANK

3. The Kenya Post Office Savings Bank Act which continues to curtail offering of credit and other related financial services.
4. Limited capital base that hinders Postbank from exploiting its potential.

YEAR 2007 RESULTS

The Bank's gross income increased from Kshs.2.3 billion in 2006 to Kshs.2.4 billion in 2007, a 5.0% increase, while the net income increased from Kshs.172.2 million in 2006 to Kshs.190.8 million in 2007. Customer deposits recorded a 6.0% growth to reach over Kshs11.0 billion. This places the Bank in the medium size category, after moving beyond the Kshs10 billion threshold. The accelerated growth was largely driven by strengthened staff capacity and focused marketing. The Bank is putting in place more strategic measures to further enhance its performance. The main focus is on closely managing the cost base, automating customer service delivery channels and enhancing revenue generation.

To this end, we shall continue to enhance operational efficiencies through the implementation of appropriate cost control measures. Further, we shall seek to improve productivity and efficiency of our human resource as well as increase customer satisfaction by enhancing appropriate technology-based service delivery channels. This is now possible with the installation of a new host server which has given the bank a higher processing capacity.

HUMAN RESOURCE

Human resource, continue to be our most valuable resource. During the year Postbank conducted many courses and workshops and sponsored staff to professional courses with a view to enhancing capacity, achieve improved communication, customer service efficiency, cost control and greater recognition and acceptance of all employees' ideas and contributions. Also the Bank launched the HIV AIDS awareness policy during the year.

BRANCH NETWORK

During the year, several service outlets were upgraded with 3 sub-branches upgraded and relocated from Postal Corporation of Kenya premises to rented premises, 6 new branches were opened and 3 others works in progress. This made a great difference in how and where we serve customers and continued with the re-branding process of the branch network.

RISK MANAGEMENT

In view of the current Central Bank of Kenya (CBK) prudential guidelines, the Bank makes concerted efforts to approach its business from a risk perspective. To this end a Board Risk Committee was established to guide the bank in risk aspects of its operations.

CORPORATE GOVERNANCE

The Bank continues to embrace good and sound standards of corporate governance. In this respect, the Board and management lays great emphasis on the virtues of professional integrity in work performance. Staff also work under performance contracts which defines his/her responsibilities and expectations. The Board has also been structured into sub-committees to facilitate the discharge of various responsibilities aimed at developing service delivery systems that are compliant with the norms of good corporate governance.

The Bank also has 3 Board committees:-

- Audit Committee

KENYA POST OFFICE SAVINGS BANK

- Staff Board Committee
- Risk Committee

The Board also evaluates its performance on periodic basis.

CORPORATE SOCIAL RESPONSIBILITY

Each year the Bank continues to advance the cause of the less fortunate in the society. It has done this through making substantial commitment in time, energy and resources. As a Bank we believe that every human being has reason to hope because great advances are being made by corporates such as Postbank to provide them with basic needs, therefore making a difference in their lives, as well as come out as a corporate that cares.

Postbank continues to work to help make a difference in the lives of people. In 2007, the bank provided financial and material support to a number of activities and charities. Key among them are, its involvement in the sponsorship of the Students in Free Enterprise (SIFE), a student organization involved in inculcation of entrepreneurship among the youth in thirteen national and public universities. The bank also joined other Kenyans in support of the Kenya Red Cross famine relief efforts. These were just the highlights of the many projects, donations and sponsorships the bank took part in.

PERFORMANCE CONTRACTS

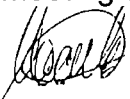
Currently all State Corporations are on performance contracts. The Performance Contracts articulate agreed targets between the Government and the State Corporations and form a basis against which work performance is evaluated. The 2007 Performance Contract between the Government and the Bank was signed on 28th December 2006 and provided the performance benchmarks for 2007.

THE FUTURE

With ever changing customer needs, Postbank's resolve is to be more customer-centred and more focused to offering market-led solutions to these needs. The Bank is confident that it will benefit from its existing and planned strategic measures including product diversification and optimal use of its enhanced information technology. It is hoped that the remaining 30% of the branches will be connected online/real-time to enable customers access services throughout the branch network. This will be in line with the Bank's Strategic Plan for the period 2007-2009, which was formulated after a workshop officiated by the Economic Secretary from 25th to 28th August 2006.

APPRECIATION

Special thanks go to our Government, esteemed customers and business partners for their continued support, to the management and staff for their dedication which has enabled us achieve these great results in a difficult economic environment, and last and by no means the least, to my fellow Directors for their continued support and guidance. We look forward to working together towards meeting and surpassing our customers' and shareholder's expectations in the coming year.



CHAIRMAN

Date: 12th November, 2008

KENYA POST OFFICE SAVINGS BANK

CORPORATE GOVERNANCE

Introduction

Corporate governance is the process by which organizations are directed, controlled and held accountable.

Kenya Post Office Savings Bank Board of Directors is responsible for the governance of the Bank and is accountable to the shareholders for ensuring that the Bank complies with the law and the highest standards of corporate governance and business ethics.

The Directors attach great importance to the need to conduct the business and operations of the Bank with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

Board of Directors

The Board meetings are held quarterly to review the Bank's performance and formulate strategies. Directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance requirements. The Board has delegated authority on day-to-day running of the Bank to the Managing Director except for guidance on general policy. The Board retains responsibility for establishing and maintaining the Bank's overall control of financial, operational and compliance requirements.

Five out of six members of the Board are non-executive including the Chairman of the Board and all, except for the representative of the Permanent Secretary, Ministry of Finance, are on contractual appointment in accordance with the Kenya Post Office Savings Bank Act Cap 493B. During the year the Board members were Mr Wilson Kinyua appointed on 4th January 2007 replacing Dr Jennifer Riria, Prof Peter O K'obonyo, Dr Isabella Musyoka - Kamere who were also appointed on 4th January 2007, Mr. Thomas Mutugu, Mr. Chiboli Shakaba (representing the PS/Treasury) and the Managing Director. A representative from the Office of the President/Inspector of State Corporations Department and Company Secretary also attend the Board meetings. The Director/Finance and Administration, Director/Operations, Director/ Human Resources attend Board meetings as invitees. There is no quorum for a Board meeting if there is no representative from the Ministry of Finance. Other managers attend meetings when required.

Committees of the Board

The Board has three standing committees, which meet regularly to supplement the functions of the Board.

Board Audit Committee

The Board has constituted an Audit Committee which meets four times a year or as necessary. The Committee comprises of Dr Isabella Musyoka - Kamere (Chairman), Prof. Peter K'obonyo, and Mr. Chiboli Shakaba. The Committee meets quarterly or as required and submits its findings to the main Board. The committee's responsibilities include review of financial statements, ensuring compliance with accounting standards, review of internal audit reports and maintaining oversight on internal

KENYA POST OFFICE SAVINGS BANK

control systems. The Senior Manager in charge of Internal Audit is a member and Director/Finance & Administration attends as an invitee.

Board Risk Committee

The membership of this Committee comprise of Mr. Thomas Mutugu (Chairman), Dr Isabella K. Kamere, Mr. Chiboli I. Shakaba (representing PS/Treasury) and the Managing Director. The Director/Finance and Administration, Director/Operations, and Company Secretary are also members of the committee. The committee is responsible for ensuring that risk management is embraced in the Bank.

Staff Board Committee

The membership of this Committee comprise of Prof. Peter K'obonya (Chairman), Mr. Thomas Mutugu, Mr. Chiboli Shakaba and the Managing Director. The Committee meets quarterly or when need arises. The Committee is responsible for recruiting senior managers of the Bank, formulating, appraising and reviewing human resource policies. The Director/Finance and Administration, Director/Operations and Director/Human Resources are also members of the Committee.

Code of Ethics

The Bank is committed to the Public Code of Ethics which has been formulated for all employees.

Directors Emoluments and Loans

The aggregate emoluments paid to Directors for services rendered during the financial year 2007 are disclosed in note 21 to the financial statements. There were no loans to sitting Directors at any time during the year.


Chairman:.....


Managing Director:.....

Date: 12th November, 2008

KENYA POST OFFICE SAVINGS BANK

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2007

The Directors have pleasure in presenting their report and final draft of accounts for the year ended 31st December 2007.

Principal Activity

The Bank is primarily engaged in the mobilisation of savings for national development and operates under the Kenya Post Office Savings Bank Act Cap 493B. In addition, the Bank offers local and international credit cards, funds remittance and also payment services.

Results

The results for the year are as set out on page 11

Directors

The directors who served during the year to the date of this report were:-

Wilson Kinyua	Chairman	Appointed 04-01-2007
Prof. Peter O K'obonyo	Director	Appointed 04-01-2007
Dr Isabela M. Musyoka – Kamere	Director	Appointed 04-01-2007
Thomas Mutugu	Director	Re-appointed 21/12/2007
Joseph K. Kinyua	PS, Ministry of Finance	Appointed May 2004
Chiboli I. Shakaba	Alt. Representing PS. Ministry of Finance	Appointed 03-12-2005
A. Nyambura Koigi	Managing Director	Appointed 01-07-2005
Dr. Jeniffer N. Riria	Chairman	Retired 04-01-2007
Mathew P. N. Sisenda	Director	Retired 04-01-2007
Stephen Kituku	Director	Retired 04-01-2007

Auditors

The auditors are the Kenya National Audit Office.

By order of the Board.


M.N. KAGIRI - MBIJIWE (MRS)
COMPANY SECRETARY

KENYA POST OFFICE SAVINGS BANK

STATEMENT OF DIRECTORS RESPONSIBILITIES

The State Corporations' Act requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results for that year. It also requires the Directors to ensure the Bank keeps proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the State Corporations' Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate internal control systems.

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

Chairman:


Managing Director:


Date: 12th November, 2008

KENYA POST OFFICE SAVINGS BANK

REPUBLIC OF KENYA



Telephone: +254-20-342330

Fax: +254-20-311482

Email: cag@kenyaweb.com

P.O Box 30084-00100

NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA POST OFFICE SAVINGS BANK FOR THE YEAR ENDED 31 DECEMBER 2007

I have audited the financial statements of Kenya Post Office Savings bank set out on pages 11 to 27 which comprises the balance sheet as at 31st Dec 2007, and the income statement, statement of changes in reserves and cash flows statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and believe were necessary for the purpose of the audit.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements which give a true and fair view of the banks state of affairs and its operating results in accordance with the international financial reporting and standards and this responsibility includes:- designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.

Responsibility of the controller and auditor general

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the international standards on auditing, Those standards require compliance with the ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the evidence amounts and disclosures in the financial statements. The procedures selected depended on the auditors judgement, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error in making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the banks internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

KENYA POST OFFICE SAVINGS BANK

estimates made by the directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides reasonable basis for my opinion.

1) Submission of financial for audit

Although the financial statements for the year ended 31 December 2007 were submitted for audit within the three (3) months period after the end of the financial year as required for by law, the bank delayed commencement of the audit until 25 April 2008 when revised auditable financial statements were submitted. The finalization of the audit was further delayed by numerous requests for extension of time to make adjustments and subsequently revised five (5) times, with the final version being submitted on 13 November 2008. The submission of incomplete financial statements for audit has negatively impacted on the audit programme resulting in my inability to report on the audit by 30 June 2008 as required by law

2) Bank and cash balances

The bank and cash balances figure of Kshs 1,056,973,813 as at 31 December 2007 includes long outstanding reconciling debit and credit items amounting to Kshs 722,987,314 and Kshs 717,959,081 respectively brought forward from previous periods. In addition, the cash at hand ledger figure of Kshs 294,828,175 differed from the cash count schedule figure of Kshs 291,014,972 by Kshs 3,813,203. Further, cheques in transit figure of Kshs 195,081,311 is net of negatives balances amounting to Kshs 22,641,396 while cash in transit include Kshs 9,605,527 brought forward from the previous period. The bank's clearing and encashed cheques accounts included in the balance sheet figure are closed accounts but had outstanding amounts of a Kshs 41,459,468 and a negative of Kshs 2,681,501 respectively. Consequently, it was not possible to ascertain whether the bank and cash balances figure of Kshs 1,056,973,813 as at 31 December 2007 is correctly stated in the financial statements

3) Debtors, prepayments and other assets

The debtor's prepayments and other assets balance of Kshs 3,551,314,597 as at 31 December 2007 include inter-product lending balance of Kshs 165,153,861 and bankers cheques deposits amounting to Kshs 103,146,627 shown under other debtors and prepayments. These two accounts should not have outstanding balances because they represent indebtedness between the bank's products and clearing accounts for bankers' cheques respectively. In addition, the figure includes debts amounting to Kshs 1,617,275 brought forward from the previous period. Under the circumstances, it has not been possible to confirm the correctness and completeness of the debtors, prepayments and other assets figure of Kshs. 3,551,314,597 as at 31 December 2007.

KENYA POST OFFICE SAVINGS BANK

4. Customer Savings and Deposit Account.

The customer savings and deposit account balance of Kshs 11,088,925,963 as at 31 December 2007 is net of unexplained debit balance amounting to Kshs 258,207,951 under Bidii Savings Scheme. Consequently, it was not possible to confirm the correctness of the customer savings and deposit accounts figure as at the same date.

5. Creditors

The creditor's figure of Kshs 3,383,357,532 as at December, 2007 includes balances totaling Kshs 17,836,805 shown under the other creditors account which were brought forward from the previous period and were still unpaid at the close of the year. It is not clear and management has not given satisfactory explanation on why these creditors have remained unpaid. It was therefore, not possible to confirm the correctness and completeness of the creditors figure of Kshs 3,383,357,532 as at 31 December, 2007.

Opinion

Except for any adjustment that might be necessary arising from the foregoing reservations, in my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the financial position of the Kenya Post Office Savings Bank as at 31 December 2007 and of its profit and cash flows for the year then ended in accordance with the International Financial Reporting Standard and comply with the Kenya Post Office Savings Act, chapter 493B of the laws of Kenya

P.N. Komara

**P.N. KOMARA, CBS.
CONTROLLER AND AUDITOR GENERAL**

Nairobi

23 December 2008

"At your service countrywide"

KENYA POST OFFICE SAVINGS BANK

KENYA POST OFFICE SAVINGS BANK

BALANCE SHEET AS AT 31st DECEMBER 2007

ASSETS	NOTE	2007 Kshs	2006 Kshs
Bank and cash balances		1,056,973,813	760,341,283
Investments in Treasury Bills and Bonds	2	10,780,300,001	10,416,200,001
Funds on call and short notice	3	59,100,000	587,321,000
Other investments	4	29,811,849	29,873,349
Debtors, prepayments and other assets	5	3,551,314,597	1,993,972,364
Deferred asset	6	153,998	153,998
Capital work-in-progress	7	16,693,342	6,275,182
Fixed assets	8	1,150,281,829	1,127,132,655
		<u>16,644,629,429</u>	<u>14,921,269,932</u>
LIABILITIES			
Creditors	9	3,383,357,532	2,076,570,428
Premium Bonds		7,889,300	7,889,300
Customers savings and deposit accounts	10	11,088,925,963	10,783,215,650
Bearer Bonds	11	220,002,615	220,002,615
EADB Loan		0	80,000,000
		<u>14,700,175,410</u>	<u>13,167,677,993</u>
NET ASSETS		<u>1,944,454,019</u>	<u>1,753,591,839</u>
REPRESENTED BY:			
Capital Reserves	12	471,403,491	471,403,491
Revenue Reserves	12	1,473,050,528	1,282,188,348
		<u>1,944,454,019</u>	<u>1,753,591,839</u>

The accounts were approved by the Directors on 28th March, 2008 and signed on its behalf by:

[Signature]
.....)

[Signature]
.....)

) Directors

KENYA POST OFFICE SAVINGS BANK

STATEMENT OF CHANGES IN RESERVES

	Capital Reserves	Revenue Reserves	TOTALS
	Kshs.	Kshs.	Kshs
At 1st January 2006	471,403,491	1,110,459,683	1,581,863,174
Prior year Expense Adjustment		-502,437	-502,437
Profit/(Loss) for the year		172,231,102	172,231,102
At 31st December 2006	471,403,491	1,282,188,348	1,753,591,839
At 1st January 2007	471,403,491	1,282,188,348	1,753,591,839
Profit/(Loss) for the year		190,862,180	190,862,180
At 31st December 2007	471,403,491	1,473,050,528	1,944,454,019

Capital reserve arose out of revaluation of land and buildings done in 2002 (see note 8a).

Prior year adjustment for the year 2006 is made up of premature charges of Kshs 2,250.00 and forfeited interest of Kshs 27.90 receipted in year 2005 rolled over to year 2006 as opening balances and payment of death benefit (gratuity) to a staff who died in 1999 amounting Kshs 500,160.00.

KENYA POST OFFICE SAVINGS BANK

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2007

INCOME	NOTE	2007 Kshs.	2006 Kshs.
Interest on placement with banks		15,366,985	23,429,040
Interest on Government securities		1,142,449,582	1,062,007,720
Fees and commissions	13	1,122,416,858	1,051,117,188
Interest on PCK balances		13,674,852	46,350,401
Interest on staff loans		13,417,481	11,850,110
Interest on Personal Development Loan - staff loans		11,562,888	6,302,786
Rental income		12,687,840	10,890,099
Interest on Visa balances (Local & International)		15,986,755	14,546,667
Forex Gain on Money Transfer		60,483,596	60,568,444
Other Income	14	29,946,022	38,196,315
Total Income		<u>2,437,992,859</u>	<u>2,325,258,770</u>
DIRECT EXPENSES			
Interest expenses	15	136,475,805	189,930,753
Operating Stationery		30,278,146	41,488,581
Bonus, Prizes		427,478	418,034
Visa charges		3,339,099	3,975,155
Shared cost		4,394,433	4,809,448
Premium paid (commissions)		20,064,781	23,379,270
ATM process charges		10,302,297	-
ATM cards cost		3,955,299	-
Total Direct Expenses		<u>209,227,319</u>	<u>264,001,241</u>
GROSS PROFIT		<u>2,228,768,540</u>	<u>2,061,257,529</u>
OTHER EXPENSES			
Administration	16	1,357,959,810	1,271,504,372
Establishment	17	352,835,067	406,294,061
Selling	18	38,294,310	46,331,667
Depreciation		134,447,788	117,014,125
Research & Development		222,744	46,209
Financial Expenses	19	36,072,255	37,067,373
Bad and doubtful debts	20	88,071,385	10,768,620
Total Other Expenses		<u>2,037,903,360</u>	<u>1,889,026,427</u>
NET PROFIT	21	<u>190,862,180</u>	<u>172,231,102</u>

KENYA POST OFFICE SAVINGS BANK

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2007

	2007 Kshs.	2006 Kshs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	190,862,180	172,231,102
Adjustments for:-		
Depreciation	134,477,788	117,014,125
Rental Income	-12,687,840	-10,890,099
Dividend income	-1,047,808	-57,500
Gain/ (Loss) on Disposal of Fixed Assets	-	-1,112,447
Appreciation/Diminution in value of quoted investments	<u>61,500</u>	<u>16,500</u>
Operating profit before working capital changes	311,665,820	277,201,681
Debtors	-1,408,104,256	-310,134,195
Creditors	1,331,994,269	545,452,733
Redemption of Premium Bonds	0	-20,000
Deferred assets	0	202,000,000
Customer deposits and Premium Bonds	<u>131,256,170</u>	<u>-830,209,531</u>
Net cash from operations	366,821,003	733,974,459
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-157,462,613	-281,155,762
Capital work in progress	-10,418,160	116,972,063
Gain/ (Loss) on Disposal of Fixed Assets	0	1,112,447
Proceeds from Disposal of Fixed Assets	0	1,299,967
Rental income	12,687,840	10,890,099
Dividend Income	<u>1,047,808</u>	<u>57,500</u>
Net cash from investing activities	-154,145,125	-150,823,686
CASH FLOWS FROM FINANCING ACTIVITIES		
EADB Loan	-80,000,000	-80,000,000
Net cash from financing activities	-80,000,000	-80,000,000
Net increase in cash and cash equivalents	132,675,878	503,150,773
Cash and cash equivalents at the beginning of the year	11,601,479,966	11,098,329,193
Cash and cash equivalents at the end of the year (note 22)	11,734,155,844	11,601,479,966

KENYA POST OFFICE SAVINGS BANK

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2007

1. **SIGNIFICANT ACCOUNTING POLICIES**

(a) **Basis of Accounting**

The accounts are prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

(b) **Revenue Recognition**

Income from investments and rent is recognised on accrual basis.

(c) **Investments**

Investments are stated at the lower of cost and net realisable value.

(d) **Fixed Assets and Depreciation**

Leasehold properties for which the lease has 99 years or more to run are stated at cost or valuation and are not depreciated.

Postbank House, other buildings and other fixed assets are stated at a professional valuation done in year 2002 by professional valuers. The basis of valuation was open market value.

Depreciation is calculated on the ~~straight line basis~~, at rates estimated to write off the assets over their expected useful ~~lives~~.

The following depreciation rates are used:

Postbank buildings	2.5 % p.a.
Show stands	20.0 % p.a.
Motor vehicles	25.0 % p.a.
Furniture and fittings	12.5 % p.a.
Electronic office equipment	20.0 % p.a.
Non-electronic office equipment	12.5 % p.a.
Computer hardware	20.0 % p.a.
Computer software	20.0 % p.a.

(e) **Stocks**

Stocks comprise of stationery and drugs which are valued at cost.

(f) **Foreign Currency Transactions**

Foreign currency transactions during the year were converted into Kenya shilling equivalent at rates ruling at the transaction date. Assets and liabilities of the Balance Sheet date which are expressed in foreign currency are translated into Kenya shillings at the rates ruling at the transaction date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

(g) **Retirement Benefit Costs**

The contributions made by the Bank to the defined scheme and to the provident fund are charged to the profit and loss account in the year of contribution.

(h) **Provision for Doubtful Debts**

Provision is made on debtors that are considered to be doubtful. Bad debts are written off when all reasonable steps to recover them have been taken without success

(i) **Change of Depreciation Policy**

Fixed Assets are depreciated from the date of purchase.

KENYA POST OFFICE SAVINGS BANK

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31st DECEMBER 2007

2. INVESTMENT IN TREASURY BILLS & BONDS

	2007 Kshs.	2006 Kshs.
East African Development Bank Bonds	77,000,000	110,000,000
Government Bonds and Treasury Bills	10,703,300,001	10,306,200,001
	10,780,300,001	10,416,200,001

3. FUNDS ON CALL AND SHORT NOTICE

	2007 Kshs.	2006 Kshs.
Funds on call and short notice	59,100,000	587,321,000

Funds on call and short notice represent short term deposits with commercial banks and financial institutions while interest on deposits held in non performing banks and financial institutions has been suspended as follows:-

3(a)

	2007 Kshs.	2006 Kshs.
Consolidated Bank of Kenya Limited	0	23,375,670.00
City Finance Bank Limited	0	1,472,877.00
	0	24,848,547.00
Others in liquidation:-		
Prudential Bank Limited	0	9,154,932.00
Middle Africa Finance Company Limited	0	2,798,466.00
International Finance Company Limited	0	9,150,246.00
Inter-African Credit Finance Limited	0	4,568,931.00
United Trustee Finance Co. Limited	0	3,794,556.00
	0	54,315,678.00

4. OTHER INVESTMENTS

	2007 Kshs.	2006 Kshs.
Quoted investments	2,055,637	2,055,637
Unquoted investment	13,540,000	13,540,000
Investment in property	27,390,225	27,390,225
	42,985,862	42,985,862
Less: Provision for diminution in market value of quoted /unquoted investments	13,174,013	13,112,513
	29,811,849	29,873,349

- (i) The quoted investments were valued at Kshs.1,067,625.00 (2006 Kshs.1,129,125.00) using the stock market price for the same category. Thus a diminution in market value of Kshs 61,500.
- (ii) The unquoted investment represents 80% of deposits in City Finance Bank converted into

KENYA POST OFFICE SAVINGS BANK

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31st DECEMBER 2007

shares following the restructuring of the Bank in year 2000. However, 90% of the unquoted investment i.e Kshs 12,186,000 was provided for in year 2003 to reflect the market value of these shares.

- (iii) The investment in property represents a piece of land with a building taken over by the Bank from Thabiti Finance Ltd which was holding deposits for the Bank but failed to pay the same on maturity. Title to the property is in dispute. The current occupant of the premises is claiming allotees interest absolutely. The case is in court and the Bank expects a favourable outcome since it has a vesting right in the property and is holding it with an intention of selling.

5. DEBTORS, PREPAYMENTS AND OTHER ASSETS

	2007 Kshs.	2006 Kshs.
PCK	1,066,145,187	827,845,323
KP&TC	405,231,359	405,231,359
Accrued interest	418,315,248	406,994,920
Directors loans	17,341,942	18,466,833
Staff loans	362,178,311	319,046,560
Trade debtors – Personal Development Loan	126,215,728	88,228,990
Staff Imprest	3,075,831	5,709,045
Visa Card debtors	122,662,283	129,755,071
MTS Trade Debtors	30,421,712	44,378,753
Stocks of stationery & drugs	24,433,946	22,888,566
Fixed deposits in ailing financial institutions	540,409,141	594,724,819
GoK Pension Reserve Fund	222,479,227	174,445,142
Commission Receivable	63,706,800	61,297,200
Prepaid GoK Pension – Payroll	990,911,629	-
Citibank GoK Pension Cheques Receivable	6,684,738	6,684,738
Premium on Treasury Bonds (Prepaid)	103,365,240	102,341,109
Other Debtors and Prepayments	362,944,540	80,182,685
	4,866,522,862	3,166,438,460
Provision for bad and doubtful debts:		
Trade	-646,955,445	-449,897,598
Amounts due from subsidiary and deposits in ailing financial institutions	-668,252,820	-668,252,820
Suspended interest (note 3(a) above)	0	-54,315,678
	3,551,314,597	1,993,972,364

The ailing financial institutions refer to those institutions placed under statutory management of CBK (receivership and in liquidation).

Accrual of interest on KP&TC excess deposits was suspended with effect from July 2005.

KENYA POST OFFICE SAVINGS BANK

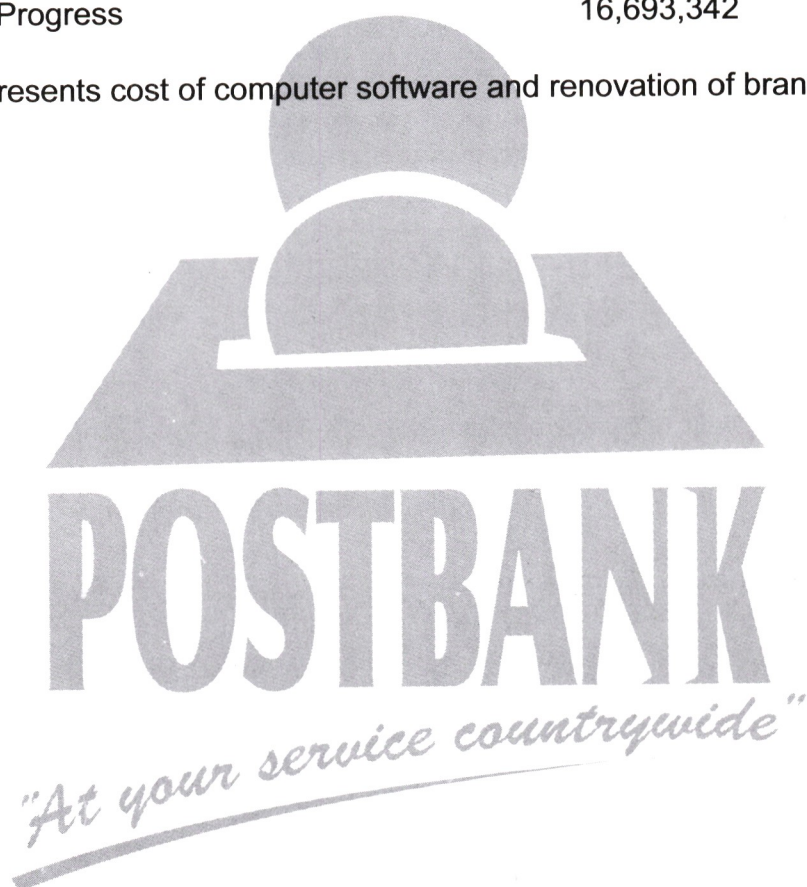
NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31st DECEMBER 2007

6. <u>DEFERRED ASSET</u>	2007 Kshs.	2006 Kshs.
Balance brought forward	153,998	202,153,998
Receipts from Treasury	-	-202,000,000
Balance carried forward	153,998	153,998

This amount represent accumulated losses which by virtue of section 13 (1) of the Kenya Post Office Savings Bank Act Cap 493B are recoverable from the Central Government Consolidated Fund.

7. <u>CAPITAL WORK IN PROGRESS</u>	2007 Kshs.	2006 Kshs.
Capital Work in Progress	16,693,342	6,275,182

The amount represents cost of computer software and renovation of branches.



KENYA POST OFFICE SAVINGS BANK

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31st DECEMBER 2007
8. (a) FIXED ASSETS**

Cost or valuation	LAND	BUILDING	LEASEHOLD	MOTOR VEHICLES	FURNITURE & FITTINGS	ELECTRONIC OFFICE EQPMT	NON ELECTRONIC OFFICE EQPMT	COMPUTER HARDWARE	COMPUTER SOFTWARE	TOTAL
At 1 Jan. 2007	143,000,000.20	667,600,000.00	3,100,000.00	44,763,936.00	130,001,192.54	85,092,732.37	49,547,682.37	244,696,836.88	314,573,747.37	1,682,376,127.73
ADDITIONS	-	12,134,193.15	-	-	33,320,452.45	30,020,755.08	6,677,614.00	73,303,553.51	2,006,045.00	157,462,613.19
DISPOSALS										
COST										
31.12.2007	143,000,000.20	679,734,193.15	3,100,000.00	44,763,936.00	163,321,644.99	115,113,487.45	56,225,296.37	318,000,390.39	316,579,792.37	1,839,838,740.92
DEPRECIATION										
DEPRE. 1.01.07	-	83,450,000.50	3,100,000.04	37,375,788.00	42,534,941.04	26,990,212.36	26,837,105.48	124,938,368.99	209,882,704.05	555,109,120.46
CHARGED 2007	-	16,765,838.71	-	3,744,074.00	18,633,031.74	15,938,304.84	6,682,155.91	46,410,223.93	26,274,158.64	134,447,787.77
DISPOSALS										
DEPRE.31.12.07	-	100,215,839.21	3,100,000.04	41,119,862.00	61,167,972.78	42,928,517.20	33,519,261.39	171,348,592.92	236,156,862.69	689,556,908.23
NBV 31.12.2007	143,000,000.20	579,518,353.94	-0.04	3,644,074.00	102,153,672.21	72,184,970.25	22,706,034.98	146,651,797.47	80,422,929.68	1,150,281,832.69
NBV 31.12.2006	143,000,000.20	584,149,999.50	-0.04	7,388,148.00	87,466,251.50	58,087,520.01	22,642,176.89	119,707,517.89	104,691,043.32	1,127,132,657.27

Disclosure Note:

The Bank had a fleet of twenty four (24) motor vehicles whose book value was nil as at 31/12/2007. They have not been re valued since most of them have outlived their useful economic value and are in the process of being replaced. Valuation will be carried out for purposes of disposal.

KENYA POST OFFICE SAVINGS BANK

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31st DECEMBER 2007

8. (b) LAND AND BUILDING (continued)

COST OR VALUATION	Land Kshs.	Buildings Kshs.	Show Stand Kshs.	2007	2006
				Total Kshs.	Total Kshs.
Long-term leasehold	122,000,000	634,700,000		756,700,000	756,700,000
Short-term leasehold	21,000,000	32,900,000	3,100,000	57,000,000	57,000,000
	143,000,000	667,600,000	3,100,000	810,600,000	810,600,000

Included in short-term leasehold land and building is a property purchased in Mombasa. It is valued at Kshs.45 million subject to extension of lease period by another 45 years from the current 10 years. Procedures towards extension of the lease are in progress.

The figures used in the fixed assets schedule relate to 2002 valuation report carried out by professional valuers. In the valuation report, freehold and long-term leasehold is combined as the Bank does not possess freehold land and buildings.

9 CREDITORS

	2007 Kshs.	2006 Kshs.
Trade creditors	74,522,674	68,118,971
PCK Services rendered- OSS	364,626,194	436,274,755
PCK Services rendered- GoK Pension	0	724,400,917
PCK Encashed Warrants Payable	462,078,751	-
Transitorial Accounts - Postbank	700,483,642	480,018,782
Transitorial Accounts - Pension Warrants (PCK)	170,953,266	-
Transitorial Accounts - GoK Payroll (PCK)	1,079,948,373	-
Other creditors and accrued charges	530,744,631	367,757,003
	3,383,357,532	2,076,570,428

PCK Services rendered- GoK Pension refers to amount claimable by Postal Corporation of Kenya on disbursement of pension to pensioners. This has now been transferred to PCK Encashed Warrants Payable. Transitorial account is a holding account for money held by the Bank and PCK on behalf of third party pending disbursement.

10 CUSTOMER SAVINGS AND DEPOSIT ACCOUNTS

	2007 Kshs.	2006 Kshs.
Ordinary Savings Scheme	7,796,809,361	8,522,318,005
Bidii Savings Account	1,976,384,870	1,566,385,025
STEP Account	18,178,745	7,247
Pension accounts (BST)	153,661,440	-
Premium Savings Scheme	666,654,164	479,940,984
Fixed Deposit Scheme	229,469,379	186,230,508
Save-As-You-Earn	247,823,856	213,333,881
Postbank Junior Account	1,060	0
Salary Account	-56,911	0
	11,088,925,963	10,783,215,650

KENYA POST OFFICE SAVINGS BANK

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31st DECEMBER 2007

	2007 Kshs.	2006 Kshs.
11. <u>BEARER BONDS</u>	220,002,615	220,002,615

These were collections from the public for sales of Bearer Bonds on behalf of Central Bank of Kenya (CBK). The funds were banked in Postbank Credit Limited (PCL) for onward transmission to the CBK.

PCL was closed and put under liquidation by the CBK before the money was paid over to the latter. The amount will be paid over to the CBK once these are received from the Liquidator.

12. <u>RESERVES</u>	Capital Reserves Kshs.	Revenue Reserves Kshs.	TOTALS 2007 Kshs.	TOTALS 2006 Kshs.
Balance brought forward	471,403,491	1,282,188,348	1,753,591,839	1,581,863,174
Prior year Expense Adjustment		-		502,437
Profit/(Loss) for the year		190,862,180	190,862,180	172,231,102
Balance carried forward	471,403,491	1,476,249,299	1,944,454,019	1,753,591,839

Capital reserve arose out of revaluation of land and buildings done in 2002 (see note 8a). Prior year adjustment for the year 2006 is made up of premature charges of Kshs2,250.00 and forfeited interest of Kshs27.90 receipted in year 2005 rolled over to year 2006 as opening balances and payment of death benefit (gratuity) to a staff who died in 1999 amounting Kshs500,160.00.

13. <u>FEES & COMMISSIONS</u>	2007 Kshs.	2006 Kshs.
Account maintenance fees/Ledger fees	457,996,337	496,759,725
Salary crediting fees	49,670,416	49,255,116
Continuation fees	11,196,163	19,405,269
Premature withdrawal fees	20,252,041	22,647,796
Maintenance fees	177,998,611	74,769,924
Withdrawal fees	40,923,411	36,164,952
Visa fees	13,954,689	19,566,894
Card fees	33,936,620	22,883,531
MTS- Inbound & Intra-bound commission	133,931,668	149,914,790
Statement Charge	669,018	914,408
Closure Fee	5,172,816	3,207,646
Upcountry Cheque Deposit Charge	12,330,114	7,828,615
Postage Fee	4,681,558	6,675,970
Commission from Higher Education Loans Board	4,471,920	5,068,045
Citibank commission	1,204,005	1,937,275
Pension commission	106,372,950	103,365,000
Miscellaneous fees & commission (others)	47,654,518	30,752,232
	1,122,416,857	1,051,117,188

KENYA POST OFFICE SAVINGS BANK

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31st DECEMBER 2007

	2007	2006
	Kshs.	Kshs.
14. <u>OTHER LOSSES/ INCOME</u>		
Rental income- notional	20,563,770	20,565,770
Dividend income	1,047,808	57,500
Write back on Provision	4,330,910	5,514,466
Interest on bank accounts	561,386	449,034
Bonus from Western Union	12,290,252	-
Realised gain/loss on sale of Forex	-7,828,009	-1,282,643
Consultancy fees	580,626	823,630
Agency based commission	1,152,472	615,742
Tender fees	1,959,620	2,001,000
Appreciation/Diminution in value of quoted investments	-61,500	-16,500
Write back on Dormant Account	889,035	-55,408
Gain/(Loss) on sale of Assets	-	1,112,447
Loss/Gain on call deposit	-7,876,128	1,561,774
Others	2,335,781	8,413,277
	29,946,022	38,196,315
15. <u>DIRECT EXPENSES</u>		
Interest on:-	2007	2006
	Kshs.	Kshs.
Ordinary Savings Accounts	82,702,791	137,904,991
Bidii Savings Account	29,040,832	30,819,232
Premium Savings Account	15,953,126	12,180,580
Fixed Deposit Savings Account	6,292,856	4,693,367
Save As You Earn Account	2,486,200	4,332,583
	136,475,805	189,930,753
16. <u>ADMINISTRATION EXPENSES</u>		
	2007	2006
	Kshs.	Kshs.
Directors fees	2,871,231	2,985,538
Staff costs	1,242,434,768	1,140,471,226
Printing and stationery	11,402,300	14,082,440
Debt collections	196,065	43,748
Postage, telephone and telegram	48,418,869	61,637,749
Computer charges	7,406,327	7,550,647
Motor Vehicle Expenses	10,131,056	10,780,071
Audit fees	3,500,000	2,000,000
Donations and subscriptions	3,173,363	1,883,224
Legal and professional fees	3,782,247	9,145,415
Electricity and water	11,425,262	8,268,702
Cleaning and Sanitation	7,735,265	8,973,303
Special Projects Launching	2,989,502	1,682,041
Newspapers and Periodicals	664,761	565,207
Procurement Costs	1,828,793	1,283,531
Transportation Costs	-	54,500
Symbols Implementation	-	97,030
	1,357,959,810	1,271,504,372

KENYA POST OFFICE SAVINGS BANK

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31st DECEMBER 2007

17.	<u>ESTABLISHMENT EXPENSES</u>	2007	2006
		Kshs.	Kshs.
	Security and Escort	57,844,619	45,046,722
	Insurances	30,394,252	33,985,535
	Office rent	69,530,717	63,626,729
	Land rent and rates	1,200,000	939,448
	Repairs and maintenance	49,922,340	45,255,488
	Service charge	12,284,426	10,391,631
	Agency fees - PCK/Others	123,859,649	168,812,814
	Licences	37,785,693	29,014,975
	Flower maintenance	13,370	13,771
	Fraud Expenses	0	9,206,948
		382,835,067	406,294,061
18.	<u>SELLING EXPENSES</u>	2007	2006
		Kshs.	Kshs.
	Publicity and advertising	37,144,939	45,443,311
	ASK show expenses	1,149,371	888,356
		38,294,310	46,331,667
19.	<u>FINANCIAL EXPENSES</u>	2007	2006
		Kshs.	Kshs.
	Bank charges	29,255,667	21,171,758
	Interest on overdraft	870,439	288,849
	Interest on borrowed funds (EADB)	5,946,150	15,606,766
		36,072,255	37,067,373
20.	<u>BAD AND DOUBTFUL DEBTS - PROVISIONS</u>	2007	2006
		Kshs.	Kshs.
	Visa card debtors	3,187,979	8,697,656
	Cash Loss – EPZ	0	1,304,410
	Cash Loss – Moi Avenue	0	766,554
	PCK debt	31,750,000	0
	General	53,133,406	0
		88,071,385	10,768,620

KENYA POST OFFICE SAVINGS BANK

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31st DECEMBER 2007

21. <u>PROFIT/(LOSS) FOR THE YEAR</u>	2007	2006
	Kshs.	Kshs.
The profit for the year is stated after charging		
Directors fees	2,871,231	2,985,538
Audit fees	3,500,000	2,000,000
Depreciation	134,447,788	117,014,125
Provident fund contribution	3,518,524	2,991,382
Pension scheme contribution	111,397,356	68,187,390
Diminution in value of quoted investments	61,500	16,500
and after crediting: -		
Dividends	1,047,807	57,500
22. CASH AND CASH EQUIVALENTS	2007	2006
	Kshs.	Kshs.
Bank and cash balances (net)	1,056,973,813	760,341,283
Deposits in banks and Financial Institutions	59,100,000	587,321,000
East African Development Bank bonds	77,000,000	110,000,000
Treasury Bills and Bonds	10,541,082,081	10,143,817,683
	11,734,155,844	11,601,479,966

For the purposes of the cash flow statement, cash and cash equivalents refer to: -

1. Bank and cash balances net of bank overdraft.
2. Deposits in banks and financial institutions less amounts not likely to be received within 12 months of the balance sheet date, and
3. Treasury Bills and bonds including EADB bonds as at the balance sheet date.

"At your service countrywide"

KENYA POST OFFICE SAVINGS BANK

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31st DECEMBER 2007

23. CONTINGENT LIABILITIES

(i) Kenya Post Office Savings Bank Employees Pension Trust Fund.

An actuarial valuation of the Bank's funded Pension Trust Fund as at 31st December 2003 was carried out by Alexander Forbes Financial Services (EA) Limited. The report by the actuaries revealed a past service deficit of Kshs.188 million as at 31st December 2003. The actuaries recommended an increase of the contributions from 11% to 16% to cover, into the future, the working lives of the existing in-service membership.

The fund was made a contributory one with effect from 1st May 1999. The employees are contributing 7% of their pensionable emoluments and the Bank's contribution is 11% of the employee's pensionable emoluments.

(ii) KP &TC Charges for Services Rendered

The KP&TC was claiming Kshs.35,240,661.18 owing as at 30th June 1999 (at the time it split into Telkom (K) Ltd, Communication Commission of Kenya and Postal Corporation of Kenya. The provision in the accounts then was Kshs.14,868,291.35. No provision has been made in these accounts for the difference (Kshs.20,372,370.45) as discussions are in progress to resolve the dispute, and the directors are of the opinion that the Bank will obtain a favourable result.

24. CAPITAL COMMITMENTS

	2007 Kshs	2006 Kshs
Authorised and contracted for	24,669,525	48,534,168
Authorised but not contracted for	-	31,683,496
	24,669,525	80,217,664

Capital Commitments relate to computer hardware, software, ATM sites and new branches.

KENYA POST OFFICE SAVINGS BANK

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31st DECEMBER 2007

25. LIQUIDITY RISK

The table below analyses assets and liabilities into relevant maturity groupings based in the remaining period as at 31 December 2007 to the contractual maturity date.

A. Assets	Matured	Matured in less than a month	1 months less than 3 months	3 months less than 6 months	6 months less than 1 year	1 year less than 3 years	3 years less than 5 years	over 5 years	Total
Bank and Cash Balances	1,056,973,813	-	-	-	-	-	-	-	1,056,973,813
Investment in T/bills + Bonds	-	-	3,381,525,001	110,000,000	905,000,000	75,725,000	3,104,200,000	2,903,850,000	10,780,300,001
Funds on call and short notice	-	59,100,000	-	-	-	-	-	-	59,100,000
Other Investment	-	-	-	-	-	-	-	29,811,849	29,811,849
Debtors, Prepayments and other Assets	373,076,199	203,336,844	57,961,269	132,718,911	64,616,113	146,341,619	343,766,585	2,229,497,057	3,551,314,597
Deferred Assets	-	-	-	-	-	-	-	153,998	153,998
Capital W.I.P	-	-	-	-	16,693,342	-	-	-	16,693,342
Fixed Assets	-	-	-	-	-	-	-	1,150,281,829	1,150,281,829
Total Assets	1,430,050,012	262,436,844	3,439,486,270	242,718,911	986,309,455	522,066,619	3,447,966,585	6,313,594,733	16,644,629,429
B. Liabilities and Reserves									
Creditors	1,904,144,656	896,332,035	346,124,205	236,756,636	-	-	-	-	3,383,357,532
Premium Bonds	7,889,300	-	-	-	-	-	-	-	7,889,300
Customer Savings and Deposit accounts	8,986,867,222	805,698,506	401,609,112	371,205,923	233,491,343	290,053,857	-	-	11,088,925,963
EADB Loan	-	-	-	-	-	-	-	-	-
Bearer Bonds	-	-	-	-	220,002,615	-	-	-	220,002,615
Reserves	-	-	-	-	-	-	-	471,403,491	471,403,491
Retained profits	-	-	-	-	-	-	-	1,473,050,528	1,473,050,528
Total Liabilities and Reserves	10,898,901,178	1,702,030,541	747,733,317	607,962,559	453,493,958	290,053,857	-	1,944,454,019	16,644,629,429
A - B Liquidity GAP	(9,468,851,166)	(1,439,593,697)	2,691,752,953	(365,243,648)	532,815,497	232,012,762	3,447,966,585	4,369,140,714	-

Customers Savings and deposits accounts relate to Savings and fixed account balances. Although classified under this band, previous experience has shown these to be stable and of long term in nature.

KENYA POST OFFICE SAVINGS BANK

NOTES TO THE ACCOUNTS (Continued) FOR THE YEAR ENDED 31st DECEMBER 2007

26. CONSOLIDATION

Consolidated Accounts are not prepared as the bank's wholly owned subsidiary, Postbank Credit Limited, is under liquidation.

27. TAXATION

Kenya Post Office Savings Bank is exempt from Corporation Tax under Income Tax Act Cap 470 of the laws of Kenya.

28. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to reporting under International Accounting Standards.

29. EMPLOYEES

The average number of employees during the year was 1,210 (2006 -1,253).

30. INCORPORATION

The bank is incorporated under the Kenya Post Office Savings Bank Act (Cap 493 B) of the laws of Kenya.

31. CURRENCY

The accounts are presented in Kenya Shillings (Kshs.)

POSTBANK
"At your service countrywide"

KENYA POST OFFICE SAVINGS BANK

NETWORK OF BRANCHES AND SUB-BRANCHES

HEAD OFFICE

Post Bank House
Banda Street
P.O. Box 30311 - 00100
Tel: (020) 2229551-6 Ext. 155
Fax 341557
NAIROBI

Market Street Branch:
P.O. Box 30311 - 00100
Tel: (020) 2229551-6 Ext. 237
Fax 341562
NAIROBI

Customer Service Centre:
P.O. Box 30311 - 00100
Tel: (020) 2229551-6 Ext. 359
Fax 210593
NAIROBI

NAIROBI NORTH REGION

Eastleigh Branch:
P.O. Box 30313 - 00100
Tel: (020) 6763843 Fax 6761892
NAIROBI

Garissa Branch:
P.O. Box 745
Tel: (046) 2169 Fax 3194
GARISSA

Githurai Branch:
P.O. Box 30311- 00100
Tel: (020) 811032 Fax 811032
NAIROBI

Kiambu Branch:
P.O. Box 145
Tel: (066) 22913 Fax 22914
KIAMBU

Kikuyu Branch:
P.O. Box 30311 - 00100
Tel: (060) 33712 Fax 33712
KIKUYU

Limuru Branch:
P.O. Box 170
Tel: (066) 71293 Fax 72278
LIMURU

Mwingi Branch:
P.O. Box 510
Tel: (044) 822308 Fax 822458
MWINGI

Ngara Branch:
P.O. Box 30313 - 00100
Tel: (020) 3744837 Fax 3744837
NAIROBI

Ruiru Branch:
P.O. Box 190
Tel: (067) 54320 Fax 55441
RUIRU

Uthiru Branch:
P.O. Box 30313 - 00100
Tel: (020) 631194 Fax 631194
NAIROBI

Westland Branch:
P.O. Box 30313- 00100
Tel: (020) 4440581, 4450965
NAIROBI

Thika Branch:
P.O. Box 1819
Tel: (067) 31193 Fax 30076
THIKA

Karuri Branch
P.O. Box 30311 - 00100
Tel: (066) 51683 Fax 51685
NAIROBI

Matuu Branch
P. O. Box 30311 - 00100
Tel: (067) 4355282 Fax 4355283
NAIROBI

NAIROBI SOUTH REGION

Afya Centre Branch:
Tom Mboya Street
P.O. Box 30311 - 00100
Tel: (020) 229551-6 Ext. 322, 340-2, 330-1
NAIROBI

Cannon House Branch:
Parliament Road
P.O. Box 30311 - 00100
Tel: (020) 229551-6 Ext. 239, 319
NAIROBI

Enterprise Road Sub Branch:
P.O. Box 30311 - 00100
Tel: (020) 229551-6 Ext. 270
NAIROBI

EPZ - Athi River Branch:
P.O. Box 30311 - 00100
Tel: (045) 22526 Fax 22518
NAIROBI

Jogoo Road Branch:
P.O. Box 30313 - 00100
Tel: (020) 229551-6, 552027 Fax 552027
NAIROBI

Karen Branch:
P.O. Box 30313 - 00100
Tel: (020) 884547 Fax 884548
NAIROBI

Kenyatta Market Branch:
P.O. Box 30313 - 00100
Tel: (020) 229551-6 Ext. 281,
NAIROBI

Kitui Branch:
P.O. Box 668
Tel: (044) 22993 Fax 23046
KITUI

Machakos Branch
P.O. Box 944
Tel: (044) 20261
349**NAIROBI**
Fax 24112
MACHAKOS

Nacico Branch:
P.O. Box 30311 - 00100
Tel: (020) 229551-6 Ext. 155
NAIROBI

Ngong Hills Sub Branch:
P.O. Box 41047
Tel: (051) 212876
NGONG

Ronald Ngara Branch:
P.O. Box 30313 - 00100
Tel: (020) 229551-6 Ext. 269,
NAIROBI

Tom Mboya Branch:
P.O. Box 30313 - 00100
Tel: (020) 229551-6 Ext. 293 Fax 230428
NAIROBI

Viwandani Sub Branch:
P.O. Box 30311 - 00100
Tel: (020) 229551-6 Fax 553356
NAIROBI

Wabera Street Branch:
P.O. Box 30311
Tel: (020) 229551-6 Ext. 320
NAIROBI

Kangundo Branch:
P.O. Box 30311
Tel: (044) 621150,
Fax 621148
KANGUNDO

Wote - Makueni Branch:
P.O. Box 944
Tel: (044) 33371, Fax 33388
MAKUENI

Ngong Branch
P.O. Box 30311 - 00100
Tel: (045) 41047 Fax 41048
NAIROBI

Ongata Rongai Branch
P.O. Box 30311 - 00100
Tel: (045) 24178 Fax 24179
NAIROBI

Kibwezi Branch
P.O. Box 30311 - 00100
Tel: (044) 3500422
Fax 3500432

MT. KENYA REGION

Chuka Branch:
P.O. Box 616
Tel: (064) 630443 Fax 630063
CHUKA

Embu Branch:
P.O. Box 1245
Tel: (068) 30740 Fax 30727
EMBU

Karatina Branch:
P.O. Box 246
Tel: (061) 72537 Fax 72977
NYERI

Kerugoya Branch:
P.O. Box 1020
Tel: (060) 21893 Fax 21833
KERUGOYA

Meru Branch:
P.O. Box 3270
Tel: (064) 30381 Fax 32573
MERU

Murang'a Sub- Branch:
P.O. Box 122
Tel: (060) 31083 Fax 31038
MURANG'A

Nanyuki Branch:
P.O. Box 416
Tel: (062) 32210 Fax 32820
NANYUKI

Nyeri Branch:
Gakere Road
P.O. Box 246
Tel: (061) 203438
Fax 2032189
NYERI

KENYA POST OFFICE SAVINGS BANK

NETWORK OF BRANCHES AND SUB-BRANCHES (cont'd)

Wang'uru Branch
P.O. Box 1245
Tel. (060) 48236 Fax 48081
EMBU

COAST REGION

Chani Branch:
P.O. Box 90563
Tel: (041) 3433465 Fax 434077
MOMBASA

Moi Avenue, Mombasa, Branch:
P.O. Box 90563
Tel. (041) 2230969, Fax 2230945

MOMBASA
Vol Branch:
P.O. Box 452
Tel. (043) 30253 Fax 30253
VOI

Likoni Branch:
P.O. Box 90563
Tel: (041) 2451070 Fax 2451017
MOMBASA

Mtwapa Branch:
P.O. Box 90563
Tel: (041) 5488939 Fax 5486470

MOMBASA
Savani House, Mombasa, Branch:
Digo Road
P.O. Box 90563
Tel: (041) 2314424 Fax 2223771
MOMBASA

Kilifi Branch:
P.O. Box 90563
Tel. (041) 522399 Fax 522399
MOMBASA

Kisauni Branch:
P.O. Box 90563
Tel: (041) 474000 Fax 474333

MOMBASA
Ukunda Branch:
P.O. Box 90563
Tel: (040) 3203248 Fax 3203248
MOMBASA

Malindi Branch:
P.O. Box 5196
Tel: (042) 30599 Fax 20512
MALINDI

Mariakani Branch:
P.O. Box 90563
Tel: (041) 33425, Fax 33430

MOMBASA
Taita Taveta
Tel: (043) 5352228
Fax: (043) 5352124
MOMBASA

RIFT VALLEY REGION

Bomet Branch:
P.O. Box 778
Tel: (051) 22439 Fax 22440
LITEIN

Kapsabet Branch:
P.O. Box 800
Tel: (053) 2535 Fax 62497
721097
KAPSABET

Naivasha Branch
P.O. Box 675
Tel: (050) 2021335 Fax 2020200
NAIVASHA

Nyahururu Branch
P.O. Box 342
Tel: (065) 32251 Fax 32857
NYAHURURU

Bondeni Sub Branch:
P.O. Box 4199
Tel: (051) 2213168
NAKURU

Kericho Sub Branch:
P.O. Box 1031
Tel: (052) 30378 Fax 32115
KERICHO

Nakuru Branch:
P.O. Box 4199
Tel: (051) 2213168 Fax 2211400
NAKURU

Gilgil Branch
P.O. Box 30313
Tel: (050) 402143, Fax 402144
GILGIL

Eldoret Branch:
P.O. Box 2270
Tel: (053) 2062295 Fax 2063025
ELDORET

Kitale Branch:
P.O. Box 821
Tel: (054) 30394 Fax 31297
KITALE

Nandi Hills Branch:
P.O. Box 321
Tel: (053) 643225 Fax 643146
NANDI HILLS

Kabarnet Branch:
P.O. Box 442
Tel: (053) 22354 Fax 21130
KABARNET

Molo Branch:
P.O. Box 4199
Tel. (051) 721561 Fax
MOLO

Narok Branch:
P.O. Box 634
Tel: (050) 222030
Fax 222425
NAROK

WESTERN REGION

Bungoma Branch:
P.O. Box 944
Tel: (055) 30419 Fax 30318
BUNGOMA

Kisii Branch:
P.O. Box 740
Tel: (058) 30800 Fax 30341
321213
KISII

Suna - Migori Branch:
P.O. Box 1059
Tel: (059) 20857 Fax 20034
MIGORI

Keroka
P.O. Box 138
Tel: (058) 520037 Fax 520037
KEROKA

Busia Branch:
P.O. Box 183
Tel: (055) 22187 Fax 30419
BUSIA

Kisumu Branch:
Kenyatta Highway
P.O. Box 183
Tel: (057) 2023955 Fax 2021358
KISUMU

Luanda Branch:
P.O. Box 859
Tel: (057) 351230 Fax 351231
LUANDA

Homa Bay Branch:
P.O. Box 203
Tel: (059) 21406 Fax 22388
HOMA BAY

Mumias Branch:
P.O. Box 523
Tel: (056) 641410 Fax 641233
MUMIAS

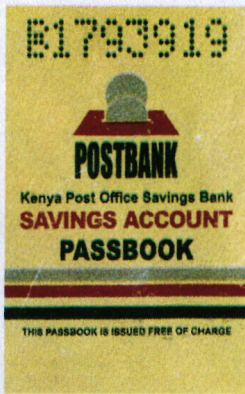
Webuye Branch:
P.O. Box 1014
Tel: (055) 41027 Fax 41025
WEBUYE

Kakamega Branch:
P.O. Box 2444
Tel: (056) 30630 Fax 31069
KAKAMEGA

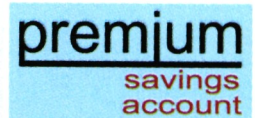
Siaya Branch:
P.O. Box 203
Tel: (057) 321211 Fax
SIAYA

Sare Awendo
Tel: (059) 43417 Fax 43419
AWENDO

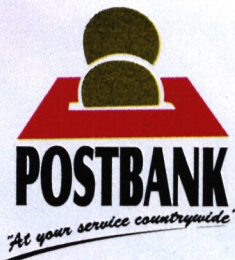
In addition, 350 Post Office outlets and 46 Appointed Agents also carry out our services.
NB. Branch refer to independent outlet while sub branch refer to branch within Postal Corporation of Kenya premises.



SAYE
Save As You Earn
Helping you achieve your aspirations



Tax-free savings account



POSTBANK HEAD OFFICE:
Postbank House, Banda Street
P.O.Box 30311-00100 GPO Nairobi, Kenya
Tel: +254 020 229551-6, 020 2803000 Fax: +254 020 243935
Website: www.postbank.co.ke