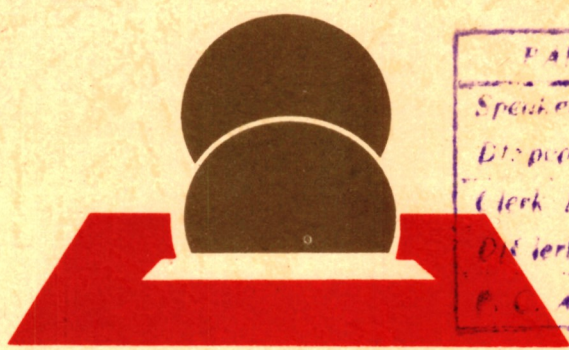


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# POSTBANK

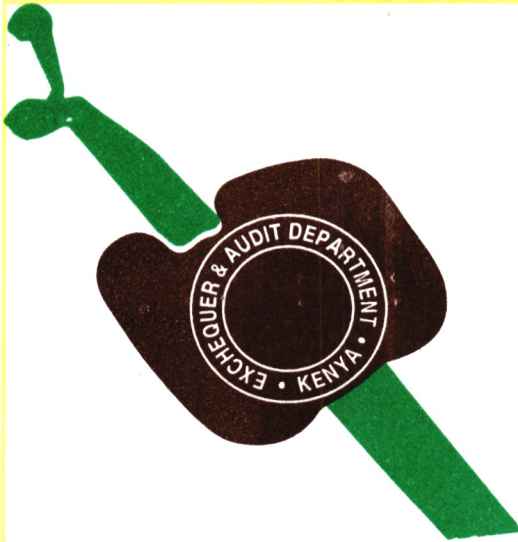
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**KENYA POST OFFICE SAVINGS BANK**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED**  
**31ST DECEMBER 2003**









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**REPORT OF THE CONTROLLER AND AUDITOR-  
GENERAL ON THE FINANCIAL STATEMENTS  
OF THE KENYA POST OFFICE SAVINGS BANK  
FOR THE YEAR ENDED 31 DECEMBER, 2003**

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KENYA NATIONAL ASSEMBLY  
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Head Office:  
Postbank House  
Banda Street  
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NAIROBI  
Tel: (020) 229551-6

**KENYA POST OFFICE SAVINGS BANK**

**DIRECTORS' REPORT AND ACCOUNTS**

**31 DECEMBER 2003**

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# **KENYA POST OFFICE SAVINGS BANK**

## **CHAIRMAN'S STATEMENT 31 DECEMBER 2003**

Once again, I am delighted to present the Annual Report and Financial Statement for the year ended 31<sup>st</sup> December 2003.

### **Economic Environment**

Kenya's Gross Domestic Product (GDP) grew by 1.8% in real terms in the year 2003 compared with a growth of 1.2% in year 2002. This is a good sign of a turn around that we hope will eventually permeate to all sectors of the economy and be felt by the country's citizenry. This will certainly improve the performance of individual businesses including the bank.

The slow recovery of the economy was due to poor performance of the key sectors including agriculture, manufacturing and tourism. Only the agricultural, financial and services sectors registered significant growth. The communications sector was mostly propelled by the continuing high demand for mobile telephony.

While the underlying inflation rate remained within the policy target of 3.5%, the overall inflation increased to 8.4% for the year to December 2003 from 4.1% in the year 2002. This may be attributed mainly to rise in prices of petroleum products.

On the social front, the Government has made considerable progress in its efforts to eliminate corruption. The enactment of Public Officers and Ethics Act, Economic Crimes and Prevention of Corruption Act and the efforts to rid the judiciary of the officers deemed to be corrupt, will go a long way in restoring confidence and attracting Foreign Direct Investment (FDI).

### **Micro finance Sector**

The micro finance sector has witnessed significant progress culminating in the drafting of the Micro finance Bill, which is now awaiting submission to Parliament for debate and subsequent enactment. This will create an enabling regulatory environment for the micro finance sector where the bank is a major player.

### **Mandate and Vision**

The primary mandate of the Bank continues to be mobilization of savings for national development in line with its vision "*To be the leading Savings and Micro finance bank in Kenya*".

As a people in business, we distinguish ourselves through: -

- Commitment to provision of high quality service to our customers in the most professional manner and maintenance of high level of integrity, discipline and confidentiality
- Ability to discharge our duties with diligence, honesty and promptness to meet the needs and expectation of our customers.
- Cherishing trust, teamwork, support and respect for each other and our customers
- Seeking to be held in high esteem and to be socially responsible
- Our believe that the low income people are bankable.

# **KENYA POST OFFICE SAVINGS BANK**

## **CHAIRMAN'S STATEMENT (continued) 31 DECEMBER 2003**

### **Bank's Performance**

The Bank's gross income increased from Kshs.1, 905.0 million in 2002 to Kshs.2,037.0 million in 2003. This was mainly attributed to increased customers' deposits, improved commission based agency business and more focussed management. In line with our on-going growth strategy, the Bank has appointed several sub agents for our Western Union Money Transfer service during the year.

The results for the year increased by Kshs.42.6 million (26%) from a profit of Kshs 166.9 million in 2002 to Kshs 209.5 million in 2003.

### **Customer Service**

Quality customer service continues to be our major focus. We have embarked on a major computerisation program aimed at modernising our operations. So far our Head Office, Wabera, Canon House, Afya Centre, Nakuru, Eldoret, Savani House, Kisumu, Moi Avenue and Nyeri Branches are computerised and linked to the Central Processing Unit at the Head Office.

Other branches of the Bank are being computerised in order to enhance speed of service and processing of customer information. This is expected to improve efficiency in customer service, attract more business as well as enhance competitiveness.

We have also embarked on branch rationalisation programme. In the year, Voi Sub-branch was upgraded to a full branch. This will go a long way in further improving customer service. In 2004, we intend to open 6 new branches across the country and relocate 11 branches from Postal Corporation of Kenya. This will further enhance outreach and customer satisfaction.

### **Human Resource Development**

The Bank has continued to support staff development programmes, and acknowledges that capacity building is a critical component that inculcates multi-skilling and knowledge enhancement thus positively contributing towards achievement of our set targets.

### **Corporate Governance**

The Board of Directors is committed to ensuring that the Bank's business is run to the highest standards of corporate governance. The Board provides direction and strategy and monitors the progress towards achievement of business objectives. The Audit Committee continues to play a key role in reinforcing these principles.

### **Corporate Social Responsibility**

The Bank is committed to ensuring that it operates on the highest standards of professionalism pursuing our strategy while aware of environmental and stakeholder issues reflecting our desire to be a good neighbour and to be an environmentally and a socially responsible corporate entity.

### **Internal Controls**

The Bank has a well defined organisational structure with appropriate segregation of responsibilities. This is complemented with detailed policy and procedure manuals, which provide a guiding framework to the management team. Monthly meetings are held to review these critical aspects of our operations.

## **KENYA POST OFFICE SAVINGS BANK**

### **CHAIRMAN'S STATEMENT (continued) 31 DECEMBER 2003**

#### **Challenges**

The Bank faced some challenges in the year 2003, and as much as some of the challenges may not be fully addressed, the Bank will strive to find the most suitable way to reduce their effects on our business

The major challenges that faced the Bank include: -

- The restrictive Kenya Post Office Savings Bank Act, which severely constrains the services that it offers as well as its investment avenues.
- Manual operations impacting on customer service and hence high operational costs.
- A limited capital structure.

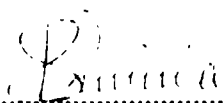
#### **The Future**

In the coming year, 2004, we shall strive to:

- Enhance strategies towards increasing savings mobilisation.
- Expand business to include a wider range of micro finance services.
- Increase the geographical outreach and enhance service delivery systems.
- Enhance employee productivity.
- Reduce operational costs through implementation of the Bank's Corporate Development Plans
- Implement further the branch rationalisation strategy.

Finally, I would like to take this opportunity to thank my colleagues on the Board, the management and staff of the Bank for their dedicated commitment and enthusiastic hard work throughout the year 2003

**Dr. JENIFFER N. RIRIA**  
**CHAIRPERSON**



.....

**Dated 15<sup>th</sup> Aug. 2005**

**KENYA POST OFFICE SAVINGS BANK  
REPORT OF THE DIRECTORS FOR  
YEAR ENDED 31 DECEMBER 2003**

The Directors have pleasure in presenting their report and audited accounts for the year ended 31 December 2003.

**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, through its financial services division, the bank offers local and international money transfer services and Visa credit services.

**RESULTS**

The results for the year are set out on page 7.

**DIRECTORS**

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

Dr. Jennifer N. Riria	- Chairperson	- Appointed 23-09-2002
Esther Koimett	- Managing Director	- Appointed 18-12-2003
E. C. A. Saina	- Managing Director	- Retired 18-12-2003
Mathew P. N. Sisenda	- Appointed 18-12-2003	
Stephen Kituku	- Appointed 18-12-2003	
John Felix Kamau	- Appointed 18-12-2003	
L. Radoli	- Appointed 25-04-2000	-Retired 18-12-2003
D. Kipkorir	- Appointed 25-04-2000	-Retired 18-12-2003
D. A. Chabeda	- Re-appointed 25-04-2000	-Retired 18-12-2003
Joseph Magari	- Permanent Secretary, Ministry of Finance	-Appointed 29-03-2002
J. M. Oyula	- Alt. Representing PS. Ministry of Finance	-Appointed 29-03-2002

**AUDITORS**

The auditors, Controller and Auditor General, have expressed their willingness to continue in office.

By order of the Board.

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




# KENYA POST OFFICE SAVINGS BANK

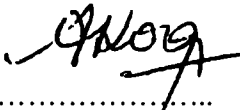
## STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The State Corporation's 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 keep 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 Corporation's 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 systems of internal financial control.

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: ~~24<sup>th</sup> Aug. 2005~~

## **REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE KENYA POST OFFICE SAVINGS BANK FOR THE YEAR ENDED 31 DECEMBER 2003**

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I have audited the financial statements of Kenya Post Office Savings Bank for the year ended 31 December, 2003 in accordance with the provisions of Section 29 of the Exchequer and Audit Act, Cap 412. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

### **Respective Responsibilities of the Directors and the Controller and Auditor General.**

---

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

### **Basis of Opinion**

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

### **Comments**

#### **1. Late Submission of Financial Statements**

Although Kenya Posts Office Savings Bank is required by law to submit its financial statements for audit within three months after the end of the financial year to which the statements relate, the financial statements for the year ended 31 December 2003 were not submitted until 23 September 2004, more than five months after the due date. The Bank was therefore in breach of the law.

## **2. Debtors**

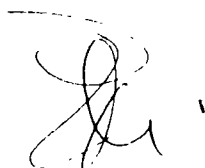
The Balance Sheet debtors prepayments and other assets balance of Kshs. 1,550,424,715 as at 31 December 2003 includes a total of Kshs. 636,801,335 due from Postal Corporation of Kenya which has not been reconciled with the Postal Corporation for accuracy and existence. The debtors balance also includes Kshs.4,073,670 due from former Managing Director being the balance due on a loan and Kshs. 12,120,015 due from former employees. In addition, visa card debtors figure of Kshs. 122,109,333 remained outstanding. In all these cases, no evidence was availed to show the action being taken to recover the debts. I am therefore unable to confirm whether and if so, when the bank will be able to recover these amounts. For the same reasons, it has not been possible to confirm the accuracy of the debtor's figure of Kshs. 1,550,424,715 as at 31 December 2003.

## **3. Deferred Assets**

The total assets figure of Kshs. 12,220,337,792 as at 31 December 2003 include deferred assets of Kshs. 202,153,998 which represents balance of accumulated losses incurred by the Banks over the years. Section 13 (1) of the Kenya Post Office Savings Bank Act (Cap 493B) provides that if in any year the revenue of the bank is insufficient to defray the interest due to depositors and all expenses under the Act, such deficiency shall be charged upon and paid out of the Treasury's Consolidated Fund. The amount received from Treasury during the year as disclosed in note 6 to the accounts was Kshs. 297,549,273. It is however noted that the bank has accumulated revenue reserves of Kshs. 758,233,114 as indicated in the Balance Sheet and it is therefore not clear why the losses made by the Bank continue to be recovered from Treasury.

## **Opinion**

Except for the matters referred to in the preceding paragraphs, in my opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Bank as a 31 December, 2003 and of the loss and cash flows for the year then ended and comply with Kenya Post Office Savings Bank Act (Cab 439B).



**E.N. MWAI**  
**CONTROLLER AND AUDITOR GENERAL**

NAIROBI

21 October 2005

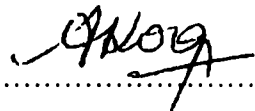



**KENYA POST OFFICE SAVINGS BANK**

**BALANCE SHEET AS AT 31 DECEMBER 2003**

<b>ASSETS</b>	<b>NOTE</b>	<b>2003 Kshs</b>	<b>2002 Kshs</b>
Bank and cash balances		809,098,213.00	569,527,430.00
Investments in Treasury Bills and Bonds	2	8,509,339,226.00	6,827,657,883.00
Funds on call and short notice	3	36,085,810.00	178,080,114.00
Other investments	4	22,024,515.00	33,908,965.00
Debtors, prepayments and other assets	5	1,550,424,715.00	1,467,698,086.00
Deferred asset	6	202,153,998.00	500,529,921.00
Investment in subsidiary	7	20.00	20.00
Capital work-in-progress	8	117,538,342.00	63,788,914.00
Fixed assets	9	<u>973,672,953.00</u>	<u>1,035,103,220.00</u>
		<b><u>12,220,337,792.00</u></b>	<b><u>10,676,294,553.00</u></b>
 <b>LIABILITIES</b>			
Creditors	10	859,643,173.00	407,171,608.00
Premium Bonds		65,924,106.00	70,794,920.00
Customers' savings and deposit accounts	11	9,524,339,613.00	8,589,815,128.00
Bearer Bonds	12	220,002,615.00	220,002,615.00
EADB Loan		<u>320,000,000.00</u>	<u>400,000,000.00</u>
		<b><u>10,989,909,507.00</u></b>	<b><u>9,687,784,271.00</u></b>
 <b>NET ASSETS</b>		 <b><u>1,230,428,285.00</u></b>	 <b><u>988,510,282.00</u></b>
 <b>REPRESENTED BY:</b>			
Capital Reserves	13	472,195,171.00	468,422,082.00
Revenue Reserves	13	<u>758,233,114.00</u>	<u>520,088,200.00</u>
		<b><u>1,230,428,285.00</u></b>	<b><u>988,510,282.00</u></b>

The accounts were approved by the Directors on 15<sup>th</sup> Aug. 2005 and signed on its behalf by:

.....  


..... ) Directors  


# KENYA POST OFFICE SAVINGS BANK

## STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 DECEMBER 2003

	<b>Capital Reserves</b>	<b>Revenue Reserves</b>	<b>TOTALS 2003</b>	<b>TOTALS 2002</b>
	Kshs.	Kshs.	Kshs.	Kshs.
At 1 <sup>st</sup> January 2003				
Balance brought forward	468,422,082.00	520,088,200.00	988,510,282.00	654,886,516.00
Prior year Expense Adjustment		27,012,176.00	27,012,176.00	78,080.00
Write back on Provisions		1,642,904.00	1,642,904.00	10,443,812.00
Profit/(Loss) for the year		209,489,834.00	209,489,834.00	166,882,165.00
USAID Grants	3,422,089.00		3,422,089.00	591,000.00
Transfer of Old Premium Bonds			0.00	9,695,057.00
Revaluation Loss – Asset			0.00	(29,500,000.00)
Revaluation Surplus - Assets	351,000.00		351,000.00	175,433,652.00
Balance carried forward	<b>472,195,171.00</b>	<b>758,233,114.00</b>	<b>1,230,428,285.00</b>	<b>988,510,282.00</b>
At 31 <sup>st</sup> December 2003				

Capital reserve arose out of revaluation of land and buildings done in 2002 (see note 9a). Write back on provisions relate to City Finance & Consolidated Bank. Prior year adjustment for year 2003 is for Fire Extinguishers Ksh.887,354.00 previously expensed in 2002 and depreciation charge Ksh.2,923 and Kshs.26,121,899.00 on Forex loss on MTS transactions for year 2002 overstated.

**KENYA POST OFFICE SAVINGS BANK  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

<b>INCOME</b>	<b>NOTE</b>	<b>2003 Kshs.</b>	<b>2002 Kshs.</b>
Interest on placement with banks		10,847,483.00	14,551,220.00
Interest on Government securities		763,651,602.00	677,433,379.00
Fees and commissions	14	1,041,817,357.00	1,063,732,623.00
Interest on KP&TC balances		48,524,565.00	47,555,285.00
Interest on PCK Deposits		13,801,702.00	19,331,567.00
Interest on staff loans		9,199,594.00	8,683,184.00
Rental income		12,733,363.00	14,763,665.00
Interest on Visa balances (Local & International)		20,523,459.00	24,554,954.00
Forex Gain on Money Transfer		63,743,399.00	58,589,632.00
Other Losses - income	15	<u>52,244,301.00</u>	<u>(24,144,429.00)</u>
		<b><u>2,037,086,824.00</u></b>	<b><u>1,905,051,080.00</u></b>
<b>DIRECT EXPENSES</b>			
Interest expenses	16	154,362,151.00	151,199,572.00
Operating Stationery		39,813,294.00	32,032,467.00
Bonus, Prizes		4,840,686.00	9,225,024.00
Visa charges		3,267,720.00	3,570,871.00
Shared cost, commissions		572,675.00	118,937,593.00
Shared cost, commissions		<u>52,626,387.00</u>	<u>0.00</u>
Total Direct Expenses		<b><u>255,482,913.00</u></b>	<b><u>314,965,527.00</u></b>
<b>GROSS PROFIT</b>		<b><u>1,781,603,911.00</u></b>	<b><u>1,590,085,553.00</u></b>
<b>OTHER EXPENSES</b>			
Administration	17	912,676,787.00	810,389,462.00
Establishment	18	325,826,185.00	290,464,386.00
Selling	19	41,125,492.00	37,921,746.00
Depreciation		89,363,115.00	84,335,062.00
Research & Development		16,200.00	947,800.00
Financial Expenses	20	65,319,606.00	43,478,734.00
Bad and doubtful debts	21	<u>137,786,692.00</u>	<u>155,666,198.00</u>
<b>Total Other Expenses</b>		<b><u>1,572,114,077.00</u></b>	<b><u>1,423,203,388.00</u></b>
<b>NET PROFIT</b>	22	<b><u>209,489,834.00</u></b>	<b><u>166,882,165.00</u></b>



# KENYA POST OFFICE SAVINGS BANK

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 Kshs.	2002 Kshs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	209,489,834.00	166,882,165 00
Adjustments for -		
Depreciation	89,363,115.00	84,335,062 00
Rental Income	-12,733,364.00	-14,034,881 00
Dividend income	-40,733.00	-982,187 00
Dividend from Postbank Credit Limited	-826,650.00	-3,600,000.00
Gain/(Loss) on sale of Shares	0.00	7,391,499.00
Gain/(Loss) on disposal of fixed assets	0 00	-407,375.00
Appreciation in value of quoted investments	<u>-301,550.00</u>	<u>0 00</u>
<b>Operating profit before working capital changes</b>	<b>284,950,652.00</b>	<b>239,584,283.00</b>
Deferred asset	297,549,273.00	210,453,800 00
Debtors	-82,726,629.00	-345,468,595.00
Creditors	452,471,565.00	-43,218,697 00
Customer deposits and premium bonds	<u>929,653,671.00</u>	<u>810,252,413 00</u>
<b>Net cash from operations</b>	<b>1,881,898,532.00</b>	<b>871,603,204.00</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-28,353,309.00	-48,724,757 00
Capital work in progress	-53,749,428.00	-26,811,942.00
Gain/(Loss) on disposal of fixed assets	0.00	-319,000 00
Gain/(Loss) on sale of Shares	0.00	-7,391,499 00
Proceeds from disposal of shares	0.00	8,808,268 00
Proceeds from disposal of fixed assets	0.00	806,018 00
Proceeds from Financial Institutions - Non Performing	84,081,020.00	0 00
Proceeds from Shelter Afrique – MTN	10,000,000.00	0 00
Proceeds from government stock	15,000,000.00	0 00
Proceeds from EADB Bonds	44,750,000.00	89,500,000.00
Rental income	12,733,364.00	14,763,665 00
Dividend Income	40,733.00	982,187 00
Dividend from Postbank Credit Limited	<u>826,650.00</u>	<u>3,600,000 00</u>
<b>Net cash from investing activities</b>	<b>85,329,030.00</b>	<b>35,212,940.00</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
EADB Loan	- 80,000,000.00	400,000,000 00
<b>Net cash from financing activities</b>	<b>-80,000,000.00</b>	<b>400,000,000.00</b>
Net increase in cash and cash equivalents	<b>1,887,227,562.00</b>	<b>1,306,816,144.00</b>
Cash and cash equivalents at the beginning of the year	7,385,327,797.00	6,078,511,653 00
Cash and cash equivalents at the end of the year (note 23)	<b>9,272,555,359.00</b>	<b>7,385,327,797.00</b>

**KENYA POST OFFICE SAVINGS BANK**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003**

**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 as it accrues.

**(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 assets are stated at a professional valuation carried out in year 2002. The basis of valuation was open market.

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 houses	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

Excess depreciation on the revaluation surplus is transferred from the capital reserve to revenue reserve.

**(e) Stocks**

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

**(f) Foreign currency transactions**

Foreign currency transactions during the year are converted into Kenya shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies 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**

Specific 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.

# KENYA POST OFFICE SAVINGS BANK

## NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2003

<b>2. INVESTMENT IN TREASURY BILLS &amp; BONDS</b>	<b>2003</b>	<b>2002</b>
	<b>Kshs.</b>	<b>Kshs.</b>
East African Development Bank Bonds	00.00	44,750,000.00
Government Bonds and Treasury Bills	8,499,339,226.00	6,748,245,383.00
Shelter Afrique	10,000,000.00	20,000,000.00
Government stocks	0.00	14,662,500.00
	<b><u>8,509,339,226.00</u></b>	<b><u>6,827,657,883.00</u></b>

<b>3. FUNDS ON CALL AND SHORT NOTICE</b>	<b>2003</b>	<b>2002</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Funds on call and short notice	37,642,906.00	250,614,325.00
Less: Provision for bad and doubtful debts	<u>1,557,096.00</u>	<u>72,534,211.00</u>
	<b><u>36,085,810.00</u></b>	<b><u>178,080,114.00</u></b>

Funds on call and short notice represent short term deposits with commercial banks and financial institutions.

Included in this amount is the following:-

- (a) Kshs.22,000,000.20 with Consolidated Bank of Kenya Limited being balance of the principal amount of Ksh.104,438,116 held in that institution since 1989. The repayment schedule of the principal amount was agreed upon by the two institutions and a total of Kshs.82,438,115.00 has been received so far up to the end of the year 2003. The balance outstanding is repayable at the rate of Kshs.1.8 million per month.
- (b) Kshs.1.6 million due from City Finance Bank Limited being balance of deposits held in that institution which reopened its door in the year 2000 after being under Central Bank of Kenya management. A provision of Kshs.3.2 million was made in 1998 against the principal amount of which Ksh.1,642,904 was repaid during the year and now written back leaving a balance of Ksh.1,557,096. The restructuring arrangement called for conversion of 80% of the deposit into shares and the balance is payable.
- (c) Principal amount of Kshs.58,890,400 with Euro Bank was fully provided for in year 2002 accounts and now transferred to amount held in Fixed deposits with Ailing Institutions.
- (d) Interest on deposits held in non performing banks and financial institutions has been suspended as follows:-

	<b>2003</b>	<b>2002</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Consolidated Bank of Kenya Limited	23,375,670.00	23,375,670.00
City Finance Bank Limited	1,472,877.00	1,472,877.00
	<b><u>24,848,547.00</u></b>	<b><u>24,848,547.00</u></b>
Others in liquidation:-		
Prudential Bank Limited	9,154,932.00	9,154,932.00
Middle Africa Finance Company Limited	2,798,466.00	2,798,466.00
International Finance Company Limited	9,150,246.00	9,150,246.00
Inter-African Credit Finance Limited	4,568,931.00	4,568,931.00
United Trustee Finance Co. Limited	3,794,556.00	3,794,556.00
	<b><u>54,315,678.00</u></b>	<b><u>54,315,678.00</u></b>



**KENYA POST OFFICE SAVINGS BANK**  
**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

<b>4. <u>OTHER INVESTMENTS</u></b>	<b>2003</b>	<b>2002</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Quoted investments	2,055,638.00	2,055,638.00
Unquoted investment	13,540,000.00	13,540,000.00
Investment in property	<u>27,390,225.00</u>	<u>27,390,225.00</u>
	<b>42,985,863.00</b>	<b>42,985,863.00</b>
Less: Provision for diminution in market value of quoted investments	<u>20,961,348.00</u>	<u>9,076,898.00</u>
	<b>22,024,515.00</b>	<b>33,908,965.00</b>

- (i) The quoted investments were valued at Kshs.751,300.00 (2002 -Kshs.449,750.00) using the stock market price for the same category. Thus an appreciation in market value of Ksh.301,550.00.
- (ii) The unquoted investment represents 80% of deposits in City Finance Bank converted into shares following the restructuring of the Bank in year 2000. However, 90% of the unquoted investment i.e Ksh.12,186,000 is provided for in these accounts 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 but failed to pay the same on maturity. Title to the property is in dispute. The current occupant of the premises is claiming allottee's 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**

	<b>2003</b>	<b>2002</b>
	<b>Kshs.</b>	<b>Kshs.</b>
PCK	636,801,335.00	405,547,807.00
KP&TC	301,720,704.00	252,891,281.00
Debtors and Prepayments	151,932,170.00	411,772,710.00
Accrued interest	127,804,186.00	143,901,251.00
Directors' loans	13,805,271.00	17,283,782.00
Staff loans	263,883,836.00	266,456,332.00
Staff Imprest	5,404,085.00	2,698,092.00
Visa Card debtors	122,109,333.00	109,826,976.00
MTS Trade Debtors	74,236,381.00	41,896,035.00
Stocks of stationery & drugs	24,413,625.00	33,367,867.00
Amount due from Govt	-157,122.00	-157,122.00
Amount due from subsidiary (PCL)	155,619,436.00	156,446,086.00
Fixed deposits in ailing financial institutions	441,662,583.00	382,772,184.00
Commission Receivable	5,899,650.00	43,575,900.00
Pension Receivable From GoK	0.00	20,432,124.00
Citibank GoK Pension Cheques Receivable	6,684,738.00	17,723,717.00
Premium on Treasury Bonds (Prepaid)	246,830,080.00	-
	<b>2,578,650,290.00</b>	<b>2,306,435,022.00</b>
Provision for bad and doubtful debts:		
Trade	-355,657,057.00	-225,058,818.00
Amounts due from subsidiary and deposits in ailing financial institutions	-618,252,840.00	-559,362,440.00
Suspended interest (note 3(d) above)	-54,315,678.00	-54,315,678.00
	<b>1,550,424,715.00</b>	<b>1,467,698,086.00</b>

## KENYA POST OFFICE SAVINGS BANK

### NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2003

The ailing financial institutions refer to those institutions under receivership and in liquidation.

Included in the figure of debtors, prepayments and other assets is an amount of Kshs.35 million due from KPOSB Staff Pension Fund arising from the sale of property held as security for deposits in Allied Credit Limited. Also included is an amount of Kshs.8.75 million advanced to the KPOSB Pension Fund in the normal course of business. The total amount will certainly be paid by the fund since the bank is the sponsor.

6.	<u>DEFERRED ASSET</u>	2003 Kshs.	2002 Kshs.
	Balance brought forward	500,529,921.00	723,183,721.00
	Receipts from Treasury	-297,549,273.00	-210,453,800.00
	Recovery made (Postbank Credit Limited)	-826,650.00	-12,200,000.00
	Balance carried forward	<b>202,153,998.00</b>	<b>500,529,921.00</b>

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. The account balance as at 31 December 1992 was transferred from the profit and loss account to a deferred asset account.

The amount has not been reduced by profits of subsequent years except for recoveries of debts previously provided for.

7.	<u>INVESTMENT IN SUBSIDIARY</u>	2003 Kshs.	2002 Kshs.
	Shares in Postbank Credit Limited	50,000,000.00	50,000,000.00
	Less:- Provision	-49,999,980.00	-49,999,980.00
		<b><u>20.00</u></b>	<b><u>20.00</u></b>

Postbank Credit Limited, a wholly owned subsidiary of the bank, is under liquidation.

8.	<u>CAPITAL WORK IN PROGRESS</u>	2003 Kshs.	2002 Kshs.
	Capital Work in Progress	117,538,342.00	63,788,914.00

The amount represents cost of computer hardware, software and its implementation costs which shall eventually be capitalized for the SYMBOLS computer system which is currently under testing. A total of Ksh.163,486,181.00 being cost of Phase I was capitalised during the year 2001.

KENYA POST OFFICE SAVINGS BANK  
 NOTES TO THE ACCOUNTS (Continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2003

9. FIXED ASSETS

2. Cost or valuation	LAND	BUILDING	LEASEHOLD	MOTOR VEHICLES	FURNITURE & FITTINGS	ELECTRONIC OFFICE EQUIPMENT	NON-ELECTRONIC OFFICE EQUIPMENT	COMPUTER HARDWARE	COMPUTER SOFTWARE	TOTAL
At 1 Jan 2003	143,000,000.00	67,600,000.00	3,100,000.00	32,722,640.00	34,857,055.37	17,423,446.32	38,533,844.65	52,994,041.25	183,403,565.78	1,173,634,593.37
ADDITIONS				-	3,435,272.34	4,738,427.08	2,570,867.72	14,329,965.03	3,278,776.76	28,353,308.93
DISPOSALS				-						
COST 31 12 2003	143,000,000.00	67,600,000.00	3,100,000.00	32,722,640.00	38,292,327.71	22,161,873.40	41,104,712.37	67,324,006.28	186,682,342.54	1,201,987,902.30
DEPRECIATION										
DEPRE 31 01 03		16,690,000.00	620,000.00	8,280,660.00	4,357,131.92	3,484,689.26	4,816,730.58	10,598,808.25	90,103,813.72	138,951,833.73
CHEQUED 2003		16,690,000.00	620,000.00	8,080,660.00	4,786,540.96	4,432,374.68	5,138,099.33	13,477,766.26	36,137,674.46	89,363,115.69
DISPOSALS										
DEPRE 31 12 03		33,380,000.00	1,240,000.00	16,361,320.00	9,143,672.88	7,917,063.94	9,954,829.91	24,076,574.51	126,241,488.18	228,314,949.42
NBV 31 12 2003	143,000,000.00	634,220,000.00	1,860,000.00	16,361,320.00	29,148,654.83	14,244,809.46	31,149,882.46	43,247,431.77	60,440,854.36	973,672,952.88
NBV 31 12 2002	143,000,000.00	650,910,000.00	2,480,000.00	24,841,980.00	30,499,923.45	13,938,757.06	33,737,574.19	42,395,223.00	93,299,752.06	1,035,103,219.76

**KENYA POST OFFICE SAVINGS BANK**

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**9(b) LAND AND BUILDING (continued)**

COST OR VALUATION			2003	2002
	Land Kshs.	Buildings Kshs.	Total Kshs.	Total Kshs.
Long-term leasehold	122,000,000	634,700,000	736,910,000.00	528,000,000.00
Short-term leasehold	21,000,000	36,000,000	57,000,000.00	57,000,000.00
	<b>143,000,000</b>	<b>670,700,000</b>	<b>793,910,000.00</b>	<b>813,700,000.00</b>

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. 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 a professional firm. In the valuation report, freehold and long-term leasehold is combined as the Bank does not possess freehold land and buildings.

10	<b><u>CREDITORS</u></b>	2003 Kshs.	2002 Kshs.
	Trade creditors	43,540,934.00	43,294,414.00
	Progency Ventures Incorporated	0.00	19,050,933.00
	PCK Services rendered- OSS	157,453,863.00	131,002,331.00
	PCK Services rendered- GoK Pension	386,075,280.00	123,277,014.00
	Transitorial Accounts	68,719,658.00	-
	Excess Cash – GoK Pension	58,099,710.00	-
	Other creditors and accrued charges	145,753,728.00	90,546,916.00
		<b>859,643,173.00</b>	<b>407,171,608.00</b>

PCK Services rendered- GoK Pension refers to amount claimable by Postal Corporation of Kenya on disbursement of Pension to Pensioners.

Transitorial account is a holding account for money held by the Bank on behalf of third party pending disbursement.

**11 CUSTOMER SAVINGS AND DEPOSIT ACCOUNTS**

	2003 Kshs.	2002 Kshs.
Premium Savings Account	351,342,297.00	330,786,144.00
Ordinary Savings Account	8,623,020,380.00	7,942,266,082.00
Bidii Savings Account	231,635,707.00	48,037,145.00
Fixed Deposit Account	127,133,786.00	89,942,938.00
Save-As-You-Earn	191,062,413.00	177,243,879.00
MTS-IntraBound	145,030.00	1,538,941.00
	<b>9,524,339,613.00</b>	<b>8,589,815,128.00</b>

**KENYA POST OFFICE SAVINGS BANK****NOTES TO THE ACCOUNTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2003**

	<b>2003</b>	<b>2002</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>12. <u>BEARER BONDS</u></b>	<b>220,002,615.00</b>	<b>220,002,615.00</b>
<p>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 while settling PCL liabilities.</p>		

<b>13. <u>RESERVES</u></b>	<b>Capital Reserves</b>	<b>Revenue Reserves</b>	<b>TOTALS 2003</b>	<b>TOTALS 2002</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Balance brought forward	468,422,082.00	520,088,200.00	988,510,282.00	654,886,516.00
Prior year Expense Adjustment		27,012,176.00	27,012,176.00	78,080.00
Write back on Provisions		1,642,904.00	1,642,904.00	10,443,812.00
Profit/(Loss) for the year		209,489,834.00	209,489,834.00	166,882,165.00
USAID Grants	3,422,089.00	-	3,422,089.00	591,000.00
Transfer of Old Premium Bonds	0.00	-	0.00	9,695,057.00
Revaluation Loss - Assets	0.00	-	0.00	(29,500,000.00)
Revaluation Surplus - Assets	351,000.00	-	351,000.00	175,433,652.00
Balance carried forward	<b>472,195,171.00</b>	<b>758,233,114.00</b>	<b>1,230,428,285.00</b>	<b>988,510,282.00</b>

Capital reserve arose out of revaluation of land and buildings done in 2002 (see note 9a). Write back on provisions relate to City Finance & Consolidated Bank. Prior year adjustment is for Fire Extinguishers Ksh.887,354 previously expensed in 2002 and depreciation charge Ksh.2,923 and Kshs. 26,121,899.00 on Forex loss on MTS transactions for year 2002 overstated.

<b>14. <u>FEES &amp; COMMISSIONS</u></b>	<b>2003</b>	<b>2002</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Maintenance fees	623,945,005.00	600,216,307.00
Salary crediting fees	37,528,078.00	35,336,710.00
Continuation fees	19,427,179.00	15,792,354.00
Premature withdrawal fees	30,765,850.00	28,526,509.00
Visa fees	23,609,472.00	22,972,897.00
MTS - In & Intra bound commission	176,229,533.00	254,315,283.00
Commission from Higher Education Loans Board	5,280,915.00	7,351,975.00
Citibank commission	6,811,712.00	5,539,780.00
Pension commission	87,103,050.00	63,830,400.00
Miscellaneous fees (others)	31,116,563.00	29,850,408.00
	<b>1,041,817,357.00</b>	<b>1,063,732,623.00</b>

<b>15. <u>OTHER LOSSES/ INCOME</u></b>		
Rental income- notional	20,563,770.00	20,563,770.00
Gain on disposal of fixed assets	0.00	407,375.00
Dividend income	40,733.00	982,186.00
Bonus from Western Union	43,460,912.00	33,187,121.00
Writeback on Provision	4,604,664.00	2,164,456.00
Interest on bank accounts	2,506,384.00	4,088,819.00
Gain/(loss) on revaluation of assets	2,171,292.00	(68,802,478.00)
Gain/(loss) on sale of shares	0.00	(7,391,499.00)
Realised gain/loss on sale of Forex	(24,449,169.00)	(11,022,259.00)
Consultancy fees	591,903.00	277,177.00
Tender fees	1,413,000.00	420,000.00
Appreciation in value of quoted investments	301,550.00	-
Others	1,039,262.00	980,903.00
	<b>52,244,301.00</b>	<b>(24,144,429.00)</b>



**KENYA POST OFFICE SAVINGS BANK**

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2003**

16.	<b><u>DIRECT EXPENSES</u></b>	<b>2003</b>	<b>2002</b>
	Interest on:-	<b>Kshs.</b>	<b>Kshs</b>
	Ordinary Savings Accounts	132,077,561.00	124,527,994.00
	Premium Savings Account	10,841,561.00	16,106,084.00
	Fixed Deposit Savings Account	3,019,667.00	3,870,336.00
	Save As You Earn Account	5,457,537.00	5,713,328.00
	Bidii Savings Account	2,965,825.00	981,830.00
		<b>154,362,151.00</b>	<b>151,199,572.00</b>
17.	<b><u>ADMINISTRATION EXPENSES</u></b>		
	Directors fees	1,632,614.00	2,713,063.00
	Staff costs	800,338,925.00	701,352,822.00
	Printing and stationery	26,532,679.00	14,253,884.00
	Debt collections	157,223.00	-
	Postage, telephone and telegram	44,473,025.00	42,605,049.00
	Computer charges	6,955,474.00	4,584,338.00
	Fuel and oils	7,059,542.00	6,899,779.00
	Audit fees	2,000,000.00	2,000,000.00
	Donations and subscriptions	2,972,469.00	2,595,412.00
	Legal and professional fees	6,675,706.00	21,044,748.00
	Electricity and water	4,272,325.00	5,670,833.00
	Cleaning and Sanitation	7,500,600.00	5,272,574.00
	Special Projects Launching	34,136.00	814,200.00
	Newspapers and Periodicals	579,883.00	513,642.00
	Procurement Costs	0.00	69,118.00
	Symbols Implementation	1,492,186.00	-
		<b>912,676,787.00</b>	<b>810,389,462.00</b>
18	<b><u>ESTABLISHMENT EXPENSES</u></b>		
	Security and Escort	27,682,281.00	28,288,978.00
	Insurances	22,637,847.00	24,964,441.00
	Office rent	57,676,141.00	44,174,215.00
	Land rent and rates	162,697.00	191,634.00
	Repairs and maintenance	32,325,959.00	18,544,140.00
	Service charge	9,551,505.00	9,513,091.00
	Agency fees - PCK/Others	165,592,133.00	160,418,132.00
	Licences	10,144,223.00	2,290,730.00
	Flower maintenance	53,400.00	79,623.00
	Fraud Expense Account	0.00	1,999,402.00
		<b>325,826,185.00</b>	<b>290,464,386.00</b>

## KENYA POST OFFICE SAVINGS BANK

### NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2003

<b>19. <u>SELLING EXPENSES</u></b>	<b>2003</b>	<b>2002</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Publicity and advertising	40,150,379.00	35,502,318.00
ASK show expenses	975,113.00	2,419,428.00
	<b>41,125,492.00</b>	<b>37,921,746.00</b>
<b>20. <u>FINANCIAL EXPENSES</u></b>	<b>2003</b>	<b>2002</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Bank charges	30,017,107.00	28,079,978.00
Interest on overdraft	4,023,562.00	3,750,312.00
Interest on borrowed funds(EADB)	31,278,937.00	11,648,444.00
	<b>65,319,606.00</b>	<b>43,478,734.00</b>
<b>21. <u>PROVISION FOR BAD AND DOUBTFUL DEBTS</u></b>	<b>2003</b>	<b>2002</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Visa card debtors	31,146,366.00	19,421,966.00
Overdrawn customers accounts (OSS)	29,658,729.00	39,818,024.00
Call and term deposits	0.00	62,149,747.00
Others	0.00	12,000,000.00
KP&TC Interest Receivable	48,524,565.00	12,276,461.00
General Business Risk	10,000,000.00	10,000,000.00
City Finance	12,186,000.00	-
Suspense Accounts	4,750,633.00	-
Cash Shortage (NBK Bundles)	14,950.00	-
Deferred Loans	1,505,449.00	-
	<b>137,786,692.00</b>	<b>155,666,198.00</b>

Suspense accounts are the ones whose details are under investigations due to incomplete customer accounts particulars.

**KENYA POST OFFICE SAVINGS BANK**

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2003**

22	<b><u>PROFIT/(LOSS) FOR THE YEAR</u></b>	<b><u>2003</u></b> Kshs.	<b><u>2002</u></b> Kshs.
	The profit for the year is stated after charging		
	Directors' fee	1,632,614.00	2,713,063.00
	Audit fees	2,000,000.00	2,000,000.00
	Depreciation	89,363,115.00	84,335,062.00
	Provision for overdrawn customers accounts (OSS)	29,658,729.00	39,818,024.00
	Provident fund contribution	2,508,708.00	1,939,767.00
	Pension scheme contribution	47,863,943.00	39,264,868.00
	and after crediting: -		
	Dividends	40,733.00	982,187.00
	Gain on sale of fixed assets	0.00	407,375.00
	Appreciation in value of quoted investments	301,550.00	-

23.	<b>CASH AND CASH EQUIVALENTS</b>	<b><u>2003</u></b> Kshs.	<b><u>2002</u></b> Kshs.
	Bank and cash balances (net)	809,098,213.00	569,527,430.00
	Deposits in banks and Financial Institutions	36,085,810.00	2,804,984.00
	Shelter Afrique	10,000,000.00	20,000,000.00
	Treasury bills and bonds	8,417,371,336.00	6,748,245,383.00
	East African Development Bank bonds	0.00	44,750,000.00
		<b><u>9,272,555,359.00</u></b>	<b><u>7,385,327,797.00</u></b>

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 and placements with Shelter Afrique as at the balance sheet date.

# KENYA POST OFFICE SAVINGS BANK

## NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2003

### 24. 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 31 December 2001 was carried out by Alexander Forbes Financial Services (EA) Limited. The report by the actuaries revealed a past service deficit of Kshs.369.9 million as at 31 December 2001. 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. No provision has been made in these accounts for the deficit as the bank is looking into ways of financing the deficit.

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

#### (ii) **KP & TC Charges for Services Rendered**

The KP&TC was claiming Kshs.35,240,661.18 owing as at 30<sup>th</sup> 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.

### 25. CAPITAL COMMITMENTS

	<b>2003</b> <u>Kshs</u>	<b>2002</b> <u>Kshs</u>
Authorised and contracted for	19,602,622.00	26,000,000.00
Authorised but not contracted for	<u>3,404,728.00</u>	<u>3,800,000.00</u>
	<u>23,007,350.00</u>	<u>29,800,000.00</u>

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

**KENYA POST OFFICE SAVINGS BANK**  
Notes to the Accounts (Continued) For the year 2003

**26. LIQUIDITY RISK**

The table below analyses assets and liabilities into relevant maturity groupings based in the remaining period at 31 December 2002 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 2 years	1 year less than 3 years	3 years less than 5 years	over 5 years	Total
Bank and Cash Balances	809,098,213	-	-	-	-	-	-	-	809,098,213
Investment in T/bills + Bonds	-	116,837,228	-	591,803,274	1,372,536,170	1,440,848,632	4,987,313,922	-	8,509,339,226
Funds on call and short notice	5,666,355	30,419,455	-	-	-	-	-	-	36,085,810
Other Investment	11,033,498	-	-	-	-	-	-	10,991,017	22,024,515
Debtors, Prepayments and other Assets	220,782,686	64,757,494	36,650,332	68,025,134	72,450,316	68,253,546	66,627,614	952,877,592	1,550,424,715
Deferred Assets	-	-	-	-	-	-	-	202,153,998	202,153,998
Investment in subsidiary	-	-	-	-	-	-	-	20	20
Capital W.I.P	-	-	-	-	117,538,342	-	-	-	117,538,342
Fixed Assets	-	-	-	-	-	-	-	973,673,953	973,673,953
<b>Total Assets</b>	<b>1,046,580,752</b>	<b>212,014,177</b>	<b>36,650,332</b>	<b>659,828,408</b>	<b>1,562,524,828</b>	<b>1,509,102,178</b>	<b>5,053,941,536</b>	<b>2,139,685,580</b>	<b>12,220,337,792</b>
<b>B. Liabilities and Reserves</b>									
Creditors	859,643,173	-	-	-	-	-	-	-	859,643,173
Premium Bonds	19,056,882.00	3,883,011	11,669,693	16,860,814	10,631,469	3,822,237	-	-	65,924,106.00
Customer Savings and Deposit accounts	7,538,818,962	259,198,566	316,671,810	431,616,325	489,088,911	488,945,039	-	-	9,524,339,613
EADB Loan	-	-	-	-	-	-	-	320,000,000	320,000,000
Bearer Bonds	-	-	-	-	220,002,615	-	-	-	220,002,615
Reserves	-	-	-	-	-	-	-	472,195,171	472,195,171
Retained profits	-	-	-	-	-	-	-	758,233,114	758,233,114
<b>Total Liabilities and Reserves</b>	<b>8,417,519,017</b>	<b>263,081,577</b>	<b>328,341,503</b>	<b>448,477,139</b>	<b>719,722,995</b>	<b>492,767,276</b>	<b>-</b>	<b>1,550,428,285</b>	<b>12,220,337,792</b>
<b>A - B Liquidity GAP</b>	<b>(7,370,938,265)</b>	<b>(51,067,400)</b>	<b>(291,691,171)</b>	<b>211,351,269</b>	<b>842,801,833</b>	<b>1,016,334,902</b>	<b>5,053,941,536</b>	<b>589,267,296</b>	<b>-</b>

Customers Savings and deposits accounts relate to Savings and fixed account balances. Although classified under this bank, 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 31 DECEMBER 2003**

#### **27. CONSOLIDATION**

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

#### **28. TAXATION**

Kenya Post Office Savings Bank is exempt from corporation tax under the laws of Kenya.

#### **29. COMPARATIVES**

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

#### **30. EMPLOYEES**

The average number of employees during the year was 1,253 (2002 -1,289).

#### **31. INCORPORATION**

The bank is incorporated in Kenyan under the Kenya Post Office Savings Bank Act (Cap 493 B)

#### **32. CURRENCY**

The accounts are presented in Kenya Shillings (KShs.)

**KENYA POST OFFICE SAVINGS BANK  
NETWORK OF BRANCHES AND SUB-BRANCHES**

**HEAD OFFICE**

Post Bank Street  
Banda Street  
P.O. Box 30311  
Nairobi  
Tel: (02) 229661-6

**Cannon House Branch:**

Parliament Road  
P.O. Box 30311  
Nairobi  
Tel: (02) 229551 -6 Ext. 239.319

**Savani House, Mombasa,**

Digo Road  
P.O. Box 90563  
Mombasa  
Tel: (011) 316944, 314424  
Fax 226550

**Moi Avenue, Mombasa,**

P.O. Box 90563  
Mombasa  
Tel: (011) 316944, 314424  
Fax 226550

**Kisumu Branch:**

Kenyatta Highway  
P.O. Box 183  
Kisumu  
Tel: (035) 22122  
Fax: 43751

**Nyeri Branch:**

Gakere Road:  
P.O. Box 246  
Nyeri  
Tel: (0171) 4348  
Fax 4473

**Eldoret Branch:**

P.O. Box 2270  
Eldoret  
Tel: (0321) 62295

**Nakuru Branch:**

P.O. Box 4199  
Nakuru  
Tel: (037) 213168, 211442  
Fax: 211400

**Kitui Branch:**

P.O. Box 668  
Kitui  
Tel: (0141) 22993

**Juja Road Sub-Branch:**

P.O. Box 30313  
Nairobi  
Tel: (02) 229551-6 Ext. 214

**Karen Sub-Branch**

P.O. Box 30313  
Nairobi  
Tel: (02) 631927

**Uthiru Sub-Branch:**

P.O. Box 30313  
Nairobi  
Tel: (02) 631927

**Jogoo Road Branch:**

P.O. Box 30313  
Nairobi  
Tel: (02) 229551-6, 552027

**Nyahururu Sub-Branch:**

P.O. Box 342  
Nyahururu  
Tel: (0365) 32006

**Ruiru Sub-Branch:**

P.O. Box 190  
Ruiru  
Tel: (0151) 54320

**Thika Sub-Branch:**

P.O. Box 1819  
Thika  
Tel: (0151) 31193

**EPZ - Athi River Branch**

P.O. Box 30311  
Nairobi  
Tel: (0151) 22026

**Limuru Sub-Branch:**

P.O. Box 170  
Limuru  
Tel: (0154) 71293

**Madaraka Sub-Branch:**

P.O. Box 4560  
Madaraka  
Tel: (0151) 31194

**Murang'a Sub-Branch:**

P.O. Box 12280  
Murang'a  
Tel: (0156) 31083

**Kiambu Sub-Branch:**

P.O. Box 145  
Kiambu  
Tel: (0154) 22913

**Ukunda Sub-Branch**

P.O. Box 90563  
Mombasa  
Tel: (0127) 3248

**Garissa Sub-Branch:**

P.O. Box 748  
Garissa  
Tel: (0131) 2169

**Bondeni Sub-Branch:**

P.O. Box 4199  
Nakuru  
Tel: (037) 212876

**Kabarnet Sub-Branch:**

P.O. Box 442  
Kabarnet  
Tel: (0328) 35354

**Kapsabet Sub-Branch:**

P.O. Box 800  
Kapsabet  
Tel: (0326) 2535

**Kericho Sub-Branch:**

P.O. Box 1031  
Kericho  
Tel: (0361) 32115

**Kitale Branch:**

P.O. Box 821  
Kitale  
Tel: (0325) 30394

**Naivasha Sub-Branch:**

P.O. Box 675  
Naivasha  
Tel: (0311) 21335

**Ngong Hills Sub-Branch:**

P.O. Box 30313  
Nairobi  
Tel: (0303) 41047

**Narok Sub-Branch:**

P.O. Box 634  
Narok  
Tel: (0305) 2030

**Kisii Branch:**

P.O. Box 270  
Kisii  
Tel: (0381) 30800

**Homa Bay Sub-Branch:**

P.O. Box 203  
Homa Bay  
Tel: (0385) 22388

# KENYA POST OFFICE SAVINGS BANK

## NETWORK OF BRANCHES AND SUB-BRANCHES

### **Afya Centre Branch**

Tom Mboya Street  
P.O. Box 30311  
Nairobi  
Tel: (02) 229551-6 Ext.322, 340-2, 330-1

### **Githurai Branch:**

P.O. Box 30311  
Nairobi  
Tel: (02) 811032

### **Tom Mboya Sub-Branch:**

P.O. Box 30313  
Nairobi  
Tel: (02) 229551 - 6 Ext.293

### **Ronald Ngala Sub-Branch:**

P.O. Box 30313  
Nairobi  
Tel: (02) 229551-6 Ext. 269, 349

### **Ngara Sub-Branch:**

P.O. Box 30313  
Nairobi  
Tel: (02) 2329551-6 Ext. 281, 366, 363

### **Westlands Sub-Branch:**

P.O. Box 30313  
Nairobi  
Tel: (02) 229551-6, Ext.272

### **Kenyatta Market Branch:**

P.O. Box 30313  
Nairobi  
Tel: (02) 229551-6 Ext. 281, 366, 363

### **Enterprise Road Sub-Branch**

P.O. Box 30313  
Nairobi  
Tel: (02) 229551-6 Ext. 270

### **Busia Branch:**

P.O. Box 372  
Busia  
Tel: (055) 22278

### **Chaani Branch:**

P.O. Box 90563  
Mombasa  
Tel: (011) 434077

### **Likoni Sub-Branch:**

P.O. Box 90563  
Mombasa  
Tel: (011) 451070

### **Docks Sub-Branch:**

P.O. Box 90563  
Mombasa  
Tel: (011) 227883

### **Mtopanga Sub-Branch:**

P.O. Box 90563  
Mombasa  
Tel: (011) 473955

### **Nyali Sub-Branch:**

P.O. Box 90563  
Nairobi  
Tel: (011) 474333

### **Mtwapa Branch:**

P.O. Box 90563  
Mombasa  
Tel: (072) 527869

### **Voi Sub-Branch**

P.O. Box 452  
Voi  
Tel: (0147) 30253

### **Malindi Branch:**

P.O. Box 5196  
Malindi  
Tel: (0123) 30599

### **Mumias Branch**

P.O. Box 523  
Mumias  
Tel: (056) 41233

### **Bungoma Sub-Branch:**

P.O. Box 2200  
Bungoma  
Tel: (0337) 30318

### **Kakamega sub-Branch:**

P.O. Box 2444  
Kakamega  
Tel: (0331) 30630

### **Embu Branch:**

P.O. Box 1245  
Embu  
Tel: (0161) 30740

### **Machakos Sub-Branch:**

P.O. Box 53  
Machakos  
Tel: (0145) 20261

### **Meru Sub-Branch**

P.O. Box 3270  
Meru  
Tel: (0164) 30381

### **Kerugoya Sub-Branch:**

P.O. Box 1020  
Kerugoya  
Tel: (0163) 21893

### **Mwingi Branch:**

P.O. Box 510  
Mwingi  
Tel: (0142) 22308

### **Molo Branch**

P.O. Box 920  
Molo  
Tel: (051) 721561

### **Eastleigh Branch**

P.O. Box 30313  
Nairobi  
Tel: (02) 763843

**In addition, All Post Office outlets and Appointed Agents also carry out our services.**



