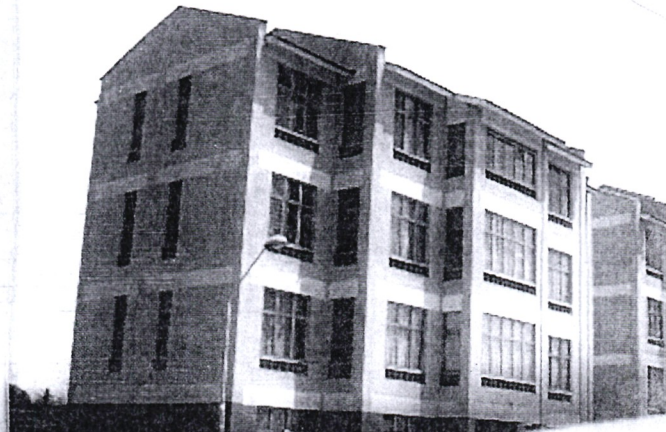
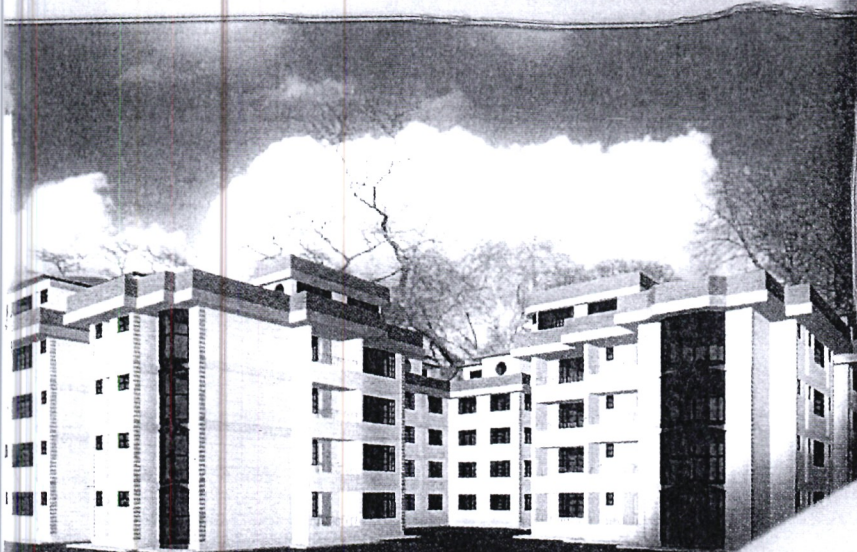
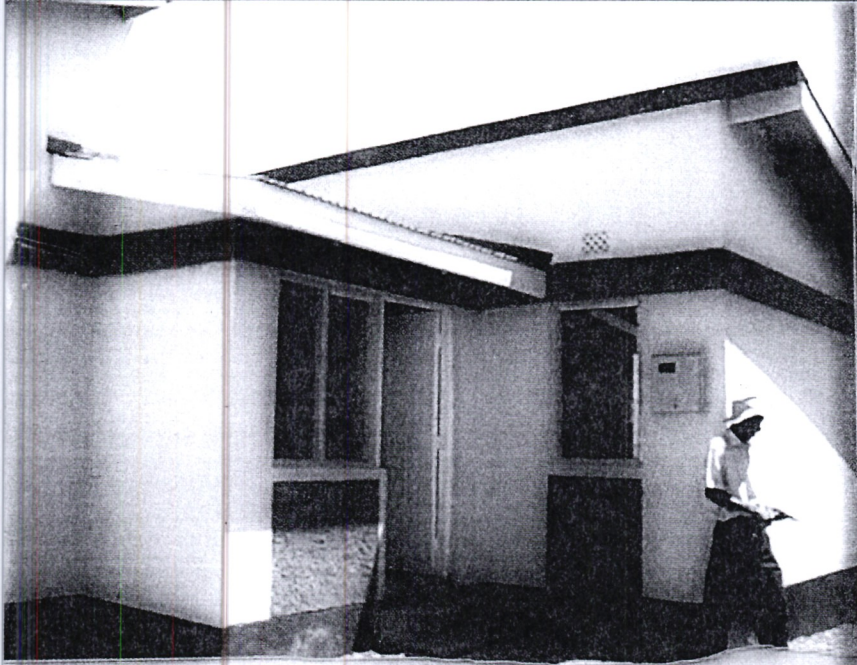




National Housing Corporation



PARLIAMENT
OF KENYA
LIBRARY

**Group Annual Accounts
for the Year Ended
30th June 2008**

OUR VISION

A Decently Housed Nation

OUR MISSION

To Play a Leading Role in the Efficient Provision of Adequate and Affordable Housing and Related Services

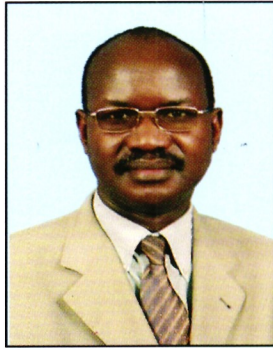
OUR CORPORATE VALUES

- » *Integrity*
- » *Communication*
- » *Teamwork*
- » *Innovation and Creativity*
- » *Customer Focus*
- » *Professionalism*
- » *Staff Development*

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BOARD OF DIRECTORS



Bosire Ogero
Chairman



James W. Ruitha
Managing Director



Wilson Maina
Director



Elias Murithi
Director



Reginald Okumu
Director



Grace Wanyonyi
Director



Joseph Kinyua
*Permanent Secretary
Ministry of Finance*



Sammy Kirui
*Permanent Secretary
Ministry of Local Government*



Dorothy Angote
*Permanent Secretary
Ministry of Lands*



Tirop Koskei
*Permanent Secretary
Ministry of Housing*



Alice Mwololo
*Alternate Director
Ministry of Finance*



Victor Ogutu
*Alternate Director
Ministry of Local Government*



Karoli Ooko
*Alternate Director
Ministry of Lands*



Muse Wanasakaami
*Alternate Director
Ministry of Housing*

CORPORATE GOVERNANCE STATEMENT

The National Housing Corporation Board and the Management recognise that the Government, employees, regulatory bodies, clients, other stakeholders and the Kenyan community at large expect a high standard of accountability, transparency, professionalism, exemplary performance and ethical behaviour. The Board acknowledges its responsibilities for and commitment to best practice in Corporate Governance, to ensure that the Corporation delivers to the expectation of all stakeholders.

Board of Directors

The Board is responsible for the overall management of the Corporation in terms of policy, corporate strategy and evaluating management performance. The Board consists of ten Directors including a non-Executive Chairman and the Managing Director. The Board members have a wide range of skills and experience and each Member brings an independent judgment and considerable knowledge to the Board discussions. Dates of Board meetings are scheduled annually whereas special Board meetings are called when necessary.

Board Committees

Five Board Committees have been set up to support the Full Board in performing its functions. The Committees have clear defined roles and terms of reference that have been approved by the Board.

Membership of the Committees is as shown below:

- Technical Committee - Mrs. G. Wanyonyi
Eng. Wilson K. Maina
Mr. R.M. Wanasakaami
Mr. Karooli Ooko and
Arch. V.O. Ogutu
- Human Resource Committee- Mr. E. K. Murithi
Mr. R. Okumu
Mr. R.M. Wanasakaami and
Mr. Karoli Ooko
- Finance Committee - Mr. E. K. Murithi
Mr. R. Okumu
Mrs. Grace Wanyonyi
Mrs. A. Mwololo
Mr. R. M. Wanasakaami
- Business Development and
General Purpose Committee - Mr. R. Okumu
Eng. Wilson K. Maina,
Arch. V.O. Ogutu
Mr. R.M. Wanasakaami

- Audit Committee - Eng. Wilson K. Maina
Mrs. G. Wanyonyi
Mr. E.K. Murithi
Mrs. A. Mwololo

The Chairman of the Board is Mr. Bosire Ogero.

The Committees examine various issues in detail before reporting to the Full Board.

Directors Remuneration

Directors are paid sitting as well as travel and accommodation allowances while on Corporation duty in accordance with the guidelines issued by State Corporations Advisory Committee (SCAC). The Chairman is paid a monthly honorarium as well as sitting, travel and accommodation allowances while on Corporation duty.

Business Ethics

Our core values of integrity, professionalism, teamwork, partnership, customer orientation, transparency and accountability govern the behaviour and decision making in the Corporation. We apply these standards in all dealings with customers, suppliers, employees and other stakeholders. The Corporation also ascribes to the ethical standards prescribed by the Public Officer Ethics Act.

Internal Controls

The Board has a collective responsibility for the establishment and maintenance of a system of Internal Controls that provides reasonable assurance of effective and efficient operations. However, it recognizes that any system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board approves all the major operations of the Corporation through the Annual Budget. Major Commitments like construction projects, procurement plan and human resource matters are normally discussed at Committee stage and then forwarded to the Full Board for approval. The Board also plays its oversight role of monitoring implementation of the various functions. In this regard the management provides progress reports to the Board Members regularly.

The Board has delegated authority for conduct of day-to-day operations to the Managing Director. It has also established a management structure that clearly defines roles, responsibilities and reporting lines of Senior Managers. Management has in turn prepared various operational manuals and policies which have been approved by the Board for purposes of guidance and uniformity in decision-making.

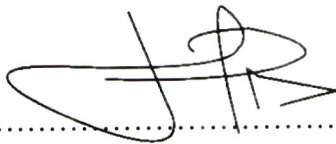
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The State Corporations Act, Cap 446, requires the Directors to prepare financial statements for each financial year, which include a balance sheet showing in detail the assets and liabilities of the Corporation, a statement of income and expenditure, and such other statements that the Directors may deem necessary. It also requires the Directors to ensure the Corporation keeps proper books of account and other books and records in relation to the Corporation and to all the undertakings, funds, investments activities and property of the Corporation. They are also responsible for safeguarding the assets of the Corporation.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with generally accepted accounting practice and in the manner required by the State Corporations Act, Cap 446. 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 Corporation 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 the financial statements, as well as adequate systems of internal financial control.

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

Chairman:



Managing Director:



Date

10/2/2009

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NATIONAL HOUSING CORPORATION FOR THE YEAR ENDED 30 JUNE 2008

I have audited the financial statements of National Housing Corporation (NHC) for the year ended 30 June 2008 set out on pages 2 to 18 which comprise the consolidated balance sheet as at 30 June 2008, the consolidated income statement, statement of changes in equity and cash flow 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 belief, 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 Corporation's state of affairs and its operating results in accordance with the International Financial reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimate that are reasonable in 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 of Auditing. Those standards require compliance with 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 Corporation'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 Corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

1. Land and Building

Including in the property, plant and equipment balance of Kshs. 512,467,813 as at 30 June 2008 is an undeveloped parcel of land at Webuye town measuring 22 hectares and valued at Kshs. 4,787,260 which has not been registered in the name of the Corporation and whose title documents were not produced for audit verification. In the absence of title documents it was not possible to confirm the ownership status of the parcel of land.

2. Housing Schemes in Progress

The housing Schemes in progress balance of Kshs. 1,087,777,476 as at 30 June 2008 includes tenant purchases schemes, mortgage scheme and other projects all totaling Kshs. 207,717,495 which have remained dormant for over five years. Although the Corporation has explained that it is reviewing the viability of the dormant schemes and projects with a view of making appropriate recommendations to the Board, the review exercise had not been completed as at the date of this report. In the circumstances, it is not possible to confirm the viability of these schemes or how and when these dormant schemes will be revived.

3. Investments in RDU

As disclosed in Note 12 to the financial statements, NHC investments in research Development Unit Company Ltd (a wholly owned subsidiary) amounted to Kshs. 40,000,000 as at 30 June 2008. However, no share certificates in support of these investments were produced for audit review. Consequently, it was not possible to confirm the ownership status by the corporation of investments in the subsidiary company.

4. Debtors and Prepayments

The debtors and prepayments balance of Kshs. 193,729,572 as at 30 June 2008 includes an amount of Kshs. 8,177,062 in respect of staff debtors/outstanding imprest, out of which Kshs. 6,446,622 has been owing from a former member of staff for over eight (8) years. This matter is reported to be pending in court of law. Consequently, it was not possible to confirm the recoverability of the outstanding amount of Kshs. 6,446,622.

Opinion

Except for the foregoing reservations, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the financial position of the Corporation as at 30 June 2008 and of its profit and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Housing Act Cap 117 of the Laws of Kenya.



A.S.M. Gatumbu
CONTROLLER AND AUDITOR GENERAL

Nairobi
25 February 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2007/2008 Kshs.	2006/2007 Kshs.
INCOME			
TURNOVER	1	806,976,824	746,428,393
		806,976,824	746,428,393
OUTGO			
INTEREST EXPENSE	2	1,397,172	1,397,172
STAFF COSTS	3	316,283,410	309,620,863
OTHER OPERATING EXPENSES	4	272,683,856	245,329,969
		590,364,438	556,348,004
PROFIT BEFORE TAX		216,612,386	190,080,389
TAX	19	5,259,596	3,740,427
NET PROFIT		211,352,790	186,339,962
DIVIDENDS			
PROPOSED DIVIDENDS	5	31,678,938	27,950,994
RETAINED PROFITS		179,673,852	158,388,968

The Notes on Pages 9 to 18 form part of these Accounts.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2008

CAPITAL EMPLOYED		2007/2008	2006/2007
	Notes	Kshs	Kshs
EQUITY	6	5,536,000,000	5,320,000,000
RDU COMPANY LTD	7	38,071,308	38,071,308
UNREALISED PROFIT ON HSE SALE	8	161,771,047	170,955,789
RETAINED PROFITS	9	238,295,408	77,779,618
		5,974,137,763	5,606,806,715
REPRESENTED BY			
NON CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	10	512,467,813	379,952,952
LONG TERM LOANS ADVANCED	11	1,827,642,997	1,928,665,576
INVESTMENT	12	45,200,000	45,200,000
GOVERNMENT SECURITIES	13	315,975,796	327,280,966
		2,701,286,606	2,681,099,494
CURRENT ASSETS			
HOUSING SCHEMES IN PROGRESS	14	1,087,777,476	550,317,557
LOAN AMOUNTS RECEIVABLE	15	2,475,034,491	2,493,162,986
CONSUMABLE STOCK	16	16,859,130	4,102,801
DEBTORS & PREPAYMENTS	17	193,729,572	173,901,046
CASH & CASH EQUIVALENTS	18	817,411,554	591,316,642
		4,590,812,223	3,812,801,032
TOTAL ASSETS		7,292,098,829	6,493,900,526
LIABILITIES			
TRADE & OTHER PAYABLES	19	1,270,664,213	847,651,690
PROPOSED DIVIDENDS	5	31,678,938	27,950,995
TAXATION	20	15,617,915	11,491,126
TOTAL LIABILITIES		1,317,961,066	887,093,811
NET ASSETS		5,974,137,763	5,606,806,715

CHAIRMAN.....

DATE 10/2/2009

MANAGING DIRECTOR.....

DATE 10/2/2009

The notes on pages 9 to 18 form part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

	EQUITY	TRDU PROJECT	UNREALISED PROFIT	RETAINED PROFIT	TOTAL
	KShs.	KShs.	KShs.	KShs.	KShs.
1ST JULY 2006	4,819,318,523	24,002,736		371,375,187	5,214,696,446
Prior Year Adjustments				22,765,513	22,765,513
Transfer of reserves	500,681,477			(500,681,477)	-
Unrealised Profit			170,955,789		170,955,789
RDU Investment		14,068,572		25,931,428	40,000,000
Profit for the year				158,388,967	158,388,967
30TH JUNE 2007	5,320,000,000	38,071,308	170,955,789	77,779,618	5,606,806,715
1ST JULY 2007	5,320,000,000	38,071,308	170,955,789	77,779,618	5,606,806,715
Additional capital	216,000,000				216,000,000
Prior Year Adjustments			(19,158,062)		(19,158,062)
Realised Profit			(9,184,742)		(9,184,742)
Profit for the year			179,673,852		179,673,852
30TH JUNE 2008	5,536,000,000	38,071,308	161,771,047	238,295,408	5,974,137,763

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2007/2008 KSh	2006/2007 KSh
OPERATING ACTIVITIES			
Cash generated from operations	22	86,886,030	1,022,732,027
Net cash from operating activities			86,886,030
			1,022,732,027
INVESTING ACTIVITIES			
Purchase of fixed assets	10	(158,621,041)	(22,927,918)
Loans advanced		(149,675,790)	(72,202,841)
Tenant purchase		-	(912,000,000)
Sale of fixed assets		827,600	2,608,323
Retirement of Treasury Bonds		11,305,170	68,222,262
Investment in RDU		-	(1,754,664)
Redemption of Long term loans		113,959,820	112,788,384
Repayment by Tenant Purchasers		133,364,118	233,004,236
Net cash from/ investing activities		(48,840,123)	(592,262,218)
FINANCING ACTIVITIES			
Increase in Equity		216,000,000	
Dividends paid		(27,950,995)	(33,397,287)
Net cash used in financing activities		188,049,005	(33,397,287)
Decrease in cash and cash equivalents		226,094,912	397,072,522
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of the year		591,316,642	194,244,120
Effects of exchange rate changes on cash and cash equivalents			
At end of year	18	817,411,554	591,316,642

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2008

The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous year except as stated below:

Adoption of New and Revised International Financial Reporting Standards

In 2005 several new and revised standards became effective for the first time and have been adopted by the Corporation where relevant to its operations. The adoption of these new and revised standards had no effect on the amounts reported for the current or prior year. This only resulted in changes in presentation and disclosure:

- IAS 16 has required the disclosure of comparative figures for movements in property and equipment
- IAS 24 has required the disclosure of the compensation of key management personnel.

a. BASIS OF PREPARATION

The financial statements are presented in Kenya Shillings (KShs.) and prepared under the historical cost convention, as modified by the carrying of certain investments at fair value.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

b. PLANT, EQUIPMENT AND MOTOR VEHICLES

All items of plant, equipment and motor vehicles are recorded at cost less depreciation.

Depreciation is calculated on the reducing balance basis, at the following annual rates:

- Computer System	- 30%
- Furniture, Fittings & Equipment	- 20%
- Motor Vehicles	- 25%

Buildings are amortized and treated as loan charges in property and estates expense.

Gains and losses on disposal of motor vehicles are determined by reference to their carrying amounts and are taken into account in determining the operating profit.

c. OTHER INVESTMENTS

The Corporation has investments in securities issued by the Kenya Government. Any premium or discount is amortized through Profit & Loss Account, based on the life of the investment.

FOR THE YEAR ENDED 30 JUNE 2008

d. INVESTMENT INCOME

Investment income is stated net of investment expenses. Interest is recognized as income in the period in which it is earned.

e. TRANSLATION OF FOREIGN CURRENCIES

The transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates.

The differences arising from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

f. RETIREMENT BENEFIT OBLIGATIONS

The Corporation operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Corporation and the employees.

The Corporation also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Corporation's obligation under the scheme is limited to specific monthly contributions legislated from time to time and were fixed at Sh.200 per employee.

The Corporation's contribution to the defined contribution retirement benefit scheme and to the NSSF in respect of current service are charged to the profit and loss account in the year.

g. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and short term, highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

h. STOCKS

Consumable stocks are valued at the lower of cost and net realizable value, on the basis of first in first out.

i. REVENUE RECOGNITION

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. A provision for doubtful debts is made when collection of the full amount is no longer probable.

ACCOUNTING POLICIES (Continued)

FOR THE YEAR ENDED 30 JUNE 2008

j. HOUSING SCHEMES IN PROGRESS

These refer to capital works in progress relating to housing projects under construction. Costs include construction costs to date and all direct and indirect expenses incurred in respect of a particular project.

The amounts are transferred to the appropriate property category either as tenant purchase or as rental schemes once the project is completed and closed.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

1. TURNOVER

The sources of income are as stipulated below:

ITEM	2007/2008 Ksh.	2006/2007 Ksh.
Interest	453,871,813	413,738,936
Rents	139,645,964	131,074,925
Professional Fees	131,699,933	162,788,005
Gain on Sale of Houses	9,184,742	2,181,809
RDU Sales	63,858,150	27,418,267
Other Income	8,716,222	9,226,451
TOTAL	806,976,824	746,428,393

2. INTEREST EXPENSE

The sources of income are as stipulated below:

	2007/2008 Ksh.	2006/2007 Ksh.
Bond Premiums Amortised	1,397,172	1,397,172
TOTAL	1,397,172	1,397,172

3. STAFF COSTS

Staff costs comprise the following:

	2007/2008 Ksh.	2006/2007 Ksh.
Retirement Benefit Costs	48,266,045	45,079,741
Salaries & Emoluments	268,017,365	264,541,122
TOTAL	316,283,410	309,620,863

The number of persons employed by the Corporation as at 30.06.2008 was 353 (as at 30.06.2007: 367).

FOR THE YEAR ENDED 30 JUNE 2008

4. PROFIT BEFORE TAX

Profit before tax is stated after charging:

ITEM	2007/2008 Ksh	2006/2007 Ksh
Depreciation	14,206,211	11,904,822
Directors Expenses	11,533,883	11,264,876
Auditors Remuneration	860,000	760,000
TOTAL	26,600,094	23,929,698
Other Operating Expenses		
Post contract payments	-	26,005
Property & Estates	78,393,909	68,380,452
Motor Vehicle Expenses	5,128,242	4,189,414
Repairs of Equipment	3,512,646	6,403,621
Travelling	7,755,094	6,301,426
Printing & Stationery	9,077,750	7,751,453
Office rents	24,211,619	24,154,669
Postage & Telephones	4,997,516	4,133,210
Advertising	3,296,789	1,163,462
Insurance	3,151,559	3,218,232
Bank Charges	766,657	1,029,822
Library Expenses	611,869	759,342
Staff Uniforms	1,158,230	348,275
Exhibition	1,983,807	844,047
Training	8,745,721	3,475,105
Bad Debts Provision- General	20,427,292	24,768,314
Debt Collection Expenses	1,800,162	2,316,108
Legal Charges	3,622,189	35,174,289
Staff Sports Club	887,252	319,368
Consultancy General	4,039,571	3,240,545
Direct Costs - RDU	51,511,206	18,259,029
Medical in Patient	4,405,926	-
Donations	471,694	222,120
Entertainment	6,127,062	4,921,963
TOTAL	246,083,762	221,400,271
TOTAL	272,683,856	245,329,969

5. PROPOSED DIVIDEND

In 2007/2008, a dividend of 15% equivalent to KSh. 33,233,947 has been proposed on NHC profit only. The shares have no par value.

FOR THE YEAR ENDED 30 JUNE 2008

6. EQUITY

The Corporation is formed under the Housing Act, Cap 117 and is fully owned by the Government of Kenya. The difference in GOK Equity in 2005/2006 is a result of accumulated losses set off against equity at the time of conversion of GOK loans to equity. This set off has been reversed in the year 2006/2007 and transferred from Retained earnings.

	2007/2008	2006/2007
	Ksh.	Ksh.
GOK Block Equity	5,536,000,000	5,320,000,000
TOTAL	5,536,000,000	5,320,000,000

7. RDU COMPANY LTD

The RDU project was handed over to the Corporation from GOK in March 2002 when the British Government had given the following grants, which formed part of RDU Co. Ltd equity.

	2007/2008	2006/2007
	Ksh.	Ksh.
DFID Grant	8,091,308	8,091,308
DFID Project Grant	29,980,000	29,980,000
TOTAL	38,071,308	38,071,308

8. UNREALISED GAIN ON SALE OF HOUSES

This is the gain on sale of Tenant Purchase schemes, which will be realized over the life of the Tenant Purchase loans. The Corporation in the year 2006/2007 sold Langata I and Pumwani II.

9. RETAINED PROFITS

The make up of this is as follows:

	2007/2008	2006/2007
	Ksh.	Ksh.
Bal b/d	77,779,618	371,375,187
Prior Year Adjustments	(19,158,062)	22,765,513
Proposed Dividends	(31,678,938)	(27,950,995)
Profit / (Loss)	211,352,790	186,339,962
Transfer to Equity		(500,681,477)
RDU Equity		40,000,000
DFID grants adjustments		(14,068,572)
TOTAL	238,295,408	77,779,618

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2008

10. PROPERTY, PLANT & EQUIPMENT MOVEMENT SCHEDULE

	LAND & BUILDING	MOTOR VEHICLE	PLANT EQUIPMENT	FURNITURE & FITTING	COMPUTER SYSTEM	TOTAL AMOUNT
COST						
AT 1ST JULY 2006	376,157,497	47,325,684	27,817,532	28,775,612	48,266,829	528,343,154
Additions	250,000	11,142,747	6,334,113	1,090,964	4,110,094	22,927,918
Disposals/ Adjustments	(747,000)	(5,014,902)	(24,100)	-	-	(5,786,002)
AT 30th JUNE 2007	375,660,497	53,453,529	34,127,545	29,866,576	52,376,923	545,485,070
AT 1ST JULY 2007	375,660,497	53,453,529	34,127,545	29,866,576	52,376,923	545,485,070
Additions	139,566,291	1,968,828	4,360,091	1,316,674	11,409,157	158,621,041
Disposals/ Adjustments -	-	(5,399,498)	(178,836)	-	-	(5,578,334)
AT 30th JUNE 2008	515,226,788	50,022,859	38,308,800	31,183,250	63,786,080	698,527,777
DEPRECIATION						
At 1st July 2006	44,456,782	31,789,034	18,657,347	22,055,541	35,584,158	152,542,862
Charge for the Year	-	4,307,692	2,079,545	1,401,647	4,115,939	11,904,823
Amortisation - Buildings	5,149,258	-	-	-	-	5,149,258
On Disposal	-	(4,048,892)	(15,933)	-	-	(4,064,825)
AT 30th JUNE 2007	49,606,040	32,047,834	20,720,959	23,457,188	39,700,097	165,532,118
At 1st July 2007	49,606,040	32,047,834	20,720,959	23,457,188	39,700,097	165,532,118
Adjustment Prior Year	-	(2,566)	-	-	-	(2,566)
Charge for the Year	-	5,168,056	2,629,750	1,289,828	5,118,577	14,206,211
Amortisation - Buildings	11,504,098	-	-	-	-	11,504,098
On Disposal -	(5,117,258)	(62,639)	-	-	-	(5,179,897)
AT 30th JUNE 2008	61,110,138	32,096,066	23,288,070	24,747,016	44,818,674	186,059,964
NET BOOK VALUE						
At 30th June 2007	326,054,457	21,405,695	13,406,586	6,409,388	12,676,826	379,952,952
At 30th June 2008	454,116,650	17,926,793	15,020,730	6,436,234	18,967,406	512,467,813

Amortization on Buildings is treated as loan charges under Property and Estates in the Profit and Loss. An amount of Shs.11,504,098 has been charged to Profit & Loss.

Depreciation on other fixed asset items at Sh.14,206,211 has also been charged in the Profit and Loss Account.

FOR THE YEAR ENDED 30 JUNE 2008

11. LONG TERM LOANS

These include loans to Councils, Rural Housing Loans, Car Loans and Tenant Purchase Loans.

	2007/2008 Ksh.	2006/2007 Ksh.
Local Authorities	480,994,868	573,014,885
Rural Housing Loans	82,467,880	5,607,161
Staff Loans	124,751,926	77,251,091
TOTAL	688,214,674	655,873,137
TENANT PURCHASE		
Schemes at Cost	2,349,061,597	2,349,061,597
Repayments	(1,209,633,274)	(1,076,269,158)
NET	1,139,428,323	1,272,792,439
TOTAL LOANS	1,827,642,997	1,928,665,576

Tenant Purchase Houses can be repossessed for reallocation in cases where purchasers default on the provisions of the Tenant Purchase agreement.

12. INVESTMENTS

These are investments held with;

	2007/2008 Ksh.	2006/2007 Ksh.
CONSOLIDATED BANK OF KENYA		
4% Non-Cum Pref. Shares of Sh.20.00 each.	4,100,000	4,100,000
Ordinary Shares of Sh.20 each	1,100,000	1,100,000
RDU CO. LTD		
Ordinary Shares of Sh.20 each	40,000,000	40,000,000
TOTAL	45,200,000	45,200,000

The shares in Consolidated Bank of Kenya are valued at cost. They arose following take-over of some troubled financial institutions by the Government. These institutions were Jimba Credit, Union Bank and Business Finance Ltd.

FOR THE YEAR ENDED 30 JUNE 2008

13. GOVERNMENT SECURITIES

These are investments in Treasury Bonds with the following maturity profile at year end:

	2007/2008	2006/2007
	Ksh.	Ksh.
In 1 to 5 Years	-	9,786,904
In 5 to 10 Years	322,469,295	322,469,295
Discount on Maturities	(213,095)	(437,266)
Amortised Discount	471,971	817,234
Amortised premium	(6,752,373)	(5,355,201)
TOTAL	315,975,798	327,280,966

The discount and premiums on purchase of the securities has been written down to the Profit And Loss Account, based on the lifespan of a particular security.

14. HOUSING SCHEMES IN PROGRESS

These are valued at cost, and comprise:

	2007/2008	2006/2007
	Ksh.	Ksh.
Tenant Purchase	384,760,487	329,653,329
Mortgage	648,047,635	122,550,020
Other Projects	54,969,354	98,114,208
TOTAL	1,087,777,476	550,317,557

FOR THE YEAR ENDED 30 JUNE 2008

15. LOAN AMOUNTS RECEIVABLE

	2007/2008 Ksh.	2006/2007 Ksh.
Rural Housing Loans		
Amounts Due	353,215,840	319,647,468
Repayments	(119,368,896)	(99,276,599)
Provision for Bad Debts	(46,539,111)	(43,164,681)
	187,307,833	177,206,188
Local Authorities	2,285,654,993	2,316,250,563
Staff Car Loans	2,071,665	(293,765)
Provision for Bad Debts car loans		
TOTAL	2,475,034,491	2,493,162,986

A general Provision for Bad debts is provided for Rural Housing Loans. Local Authority loans are secured on the properties.

16. CONSUMABLE STOCK

Stock has been valued at cost, and is made up of

	2007/2008 Ksh.	2006/2007 Ksh.
Consumable Stores	4,427,394	2,635,130
Stock of Timber and other RDU Stores	11,694,234	1,158,892
W.I.P at RDU Co. Ltd	737,502	308,779
TOTAL	16,859,130	4,102,801 6

A general Provision for Bad debts is provided for Rural Housing Loans. Local Authority loans are secured on the properties.

17. DEBTORS AND PREPAYMENTS

These are made up of:

	2007/2008 Ksh.	2006/2007 Ksh.
Rent Arrears	121,467,662	103,591,872
Provision for bad debts on Rents	(34,983,539)	(28,297,398)
Sundry Debtors	107,245,449	98,606,572
TOTAL	193,729,572	173,901,046

FOR THE YEAR ENDED 30 JUNE 2008

18. CASH AND CASH EQUIVALENTS

For purposes of the cash flow statement, cash and cash equivalents represent cash and bank balances and investments in 91-day Treasury Bills. These were:

	2007/2008	2006/2007
	Ksh.	Ksh.
Bank	665,784,714	194,304,893
Treasury Bills	151,626,840	397,011,749
TOTAL	817,411,554	591,316,642

The average effective interest rate on Treasury Bills was 6.75% - 7.75% during the year.

19. TRADE AND OTHER PAYABLES

These comprise:

	2007/2008	2006/2007
	Ksh.	Ksh.
House Deposits	1,002,764,356	530,287,545
TP Service Charge	(26,737,488)	(23,841,721)
Contractors	72,185,937	153,865,706
10% Provision on Repairs	105,057,017	86,207,016
Sundry Creditors	117,394,391	101,133,144
TOTAL	1,270,664,213	847,651,690

House deposits are amounts received from prospective house purchasers in respect of the various housing schemes. The amounts are treated as creditors until allocation of the houses is done.

Tenant Purchase service charge are amounts accrued and payable by house tenant purchasers to cater for maintenance of common areas and insurance of properties against fire and perils.

The amounts due to contractors relate to amounts accrued in respect of the ongoing and completed housing projects.

An amount equivalent to 10% of collections from local authorities and rental schemes is kept aside for repairs and maintenance.

FOR THE YEAR ENDED 30 JUNE 2008

20. TAXATION

Principal tax has been paid for the years 1992-1998 and final assessment is awaited from KRA. The Corporation took advantage of the Amnesty and paid the 1999-2004 tax liability and final confirmation is awaited from KRA.

A provision of Ksh 5,259,596 has been made for the year 2007/2008.

21. RELATED PARTY TRANSACTIONS

(a) Staff Loans

The amounts outstanding (balances not due) on loans to officers of the Corporation are:

	2007/2008	2006/2007
	Ksh.	Ksh.
Tenant Purchase Loans	15,414,455	146,760,465
Car Loans	31,583,972	26,531,141
Bicycle Loans	125,181	104,458
Computer Loans	647,369	717,298
House loans	232,105,092	49,898,198
TOTAL	279,876,069	224,011,560

These loans have been advanced per the terms prescribed in the terms of employment and the Corporation Regulations.

(b) Directors Expenses

The directors' Fees were Sh.11,533,883. (2006/2007: Sh.11,264,876.).

(c) Remuneration of Key Management

Included in the Staff Cost in Note 3 are the salaries and benefits of top management as follows:

	2007/2008	2006/2007
	Ksh.	Ksh.
Salaries & Benefits	17,305,275	15,474,349
TOTAL	17,305,275	15,474,349

FOR THE YEAR ENDED 30 JUNE 2008

22. CASH GENERATED FROM OPERATING ACTIVITIES

	2007/2008 Shs.	2006/2007 Shs.
CASHFLOW GENERATED FROM OPERATIONS		
Net Profit (Loss) before Tax		216,612,386
		190,080,389
Adjustments:		
For items not involving movement of cash		
Depreciation	14,206,211	11,904,822
Realised gain on sale of houses	(9,184,742)	170,955,789
Amortisation of Fixed Assets	11,504,098	5,149,258
Bad Debts Provisions	20,427,292	24,768,314
Provision for Corporation Tax	(5,259,596)	(3,740,427)
(Gain)or loss on disposal of fixed assets	(429,163)	(887,146)
Adjustments of Fixed Assets	(2,566)	747,000
Prior year adjustments	(19,158,062)	22,765,513
Operating profit before working capital		228,715,858
		421,743,512
Working capital adjustments:		
(Increase) in debtors & prepayments	(32,961,289)	(8,032,087)
Decrease (Increase) in stock	(16,676,428)	1,589,053
(Decrease) Increase in creditors	423,012,524	357,615,881
Increase in tax	4,126,789	3,740,427
Housing schemes in progress		(537,459,919)
		199,610,130
Arrears on loan charges	18,128,495	51,911,403
Proposed Dividend	-	(5,446,292)
Tax paid		
Working capital changes	(141,829,828)	600,988,515
TOTAL CASH GENERATED	86,886,030	1,022,732,027

23. REDEMPTION OF LONG TERM LOAN

Long term loans include loans to Local Authorities, Rural Housing Loans and staff loans. *See Note*

	2007/2008 Ksh.	2006/2007 Ksh.
LONG TERM LOANS		
At Start	655,873,137	696,304,996
Advances	149,675,790	72,202,841
Repayments	(117,334,251)	(112,634,700)
TOTAL	688,214,676	655,873,137
TENANT PURCHASE		
At Start	1,272,792,439	593,796,675
Advances	-	912,000,000
Repayments	(133,364,118)	(233,004,236)
TOTAL	1,139,428,321	1,272,792,439
GRAND TOTAL	1,827,642,997	1,928,665,576

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