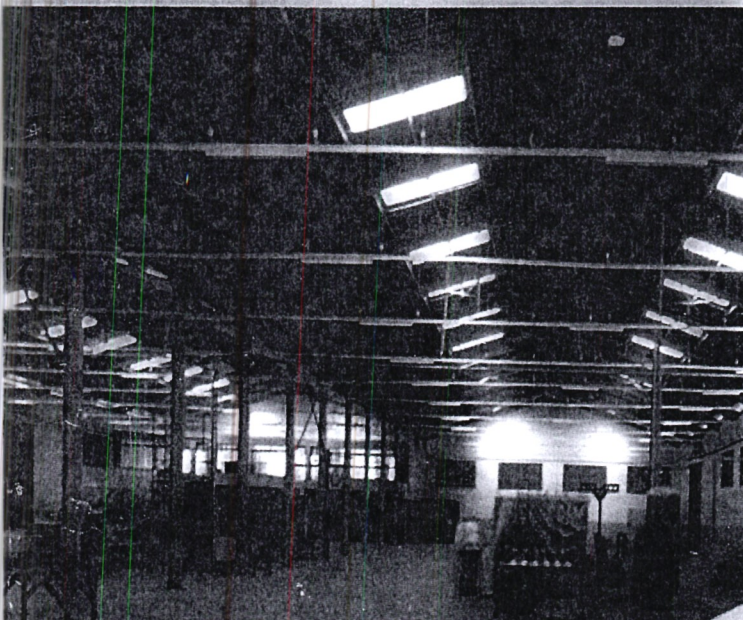




PARLIAMENT
OF KENYA
LIBRARY

National Housing Corporation



**Group Financial Statements
for the year Ended
30th June 2012**

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*

PRINCIPAL ACTIVITIES

National Housing Corporation (NHC) is established under the Housing Act, Cap. 117 of the Laws of Kenya

The principal roles of NHC are:

- *Development of decent and affordable housing.*
- *Facilitation of Rural Housing development.*
- *Mobilization of Local and International capital for Housing development.*
- *Forging partnerships with Local Authorities, Cooperative Societies, Private Sector and other stakeholders in housing development.*

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BOARD OF DIRECTORS



Bosire Ogero
Chairman



James W. Ruitha
Managing Director



Wilson Maina
Director



Elias Murithi
Director



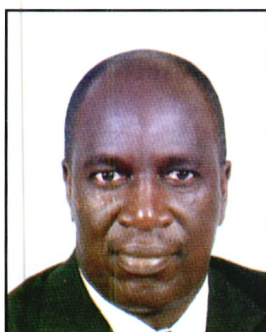
Reginald Okumu
Director



Grace Wanyonyi
Director



Alice Mwololo
Alternate Director
Ministry of Finance



Victor Ogutu
Alternate Director
Ministry of Local Government



E. W. Barasa
Alternate Director
Ministry of Lands



Muse Wanasakaami
Alternate Director
Ministry of Housing

CORPORATE GOVERNANCE STATEMENT

The National Housing Corporation Board and the Management recognize 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 judgement and considerable knowledge to the Board discussions. Dates of Board meetings are scheduled annually whereas special Board meetings are called when necessary.

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
Karega Mutahi	Permanent Secretary Min. 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 Min. of Local Government
E.W.Baraza	Alternate Director Ministry of Lands
Muse Wanasakaami	Alternate Director Ministry of Housing

BOARD COMMITTEES

•Technical Committee

Eng. Wilson K Maina	- Chairman
Mrs. G Wanyonyi	
Mr. R M Wanasakaami	
Mr. E.W.Baraza	
Mr. Victor Ogutu	

•Human Resources Committee

Mrs. G Wanyonyi	- Chairperson
Mr. E K Murithi	
Mr. R M Wanasakaami	
Mr. E.W.Baraza	

**•Finance and Business
Development Committee**

Mr. E K Murithi - Chairman
Mr. R Okumu
Mrs. A Mwololo
Mr. R M Wanasakaami
Mr. Victor Ogutu

•Audit Committee

Mr. Reginald Okumu - Chairman
Mr. R M Wanasakaami
Eng. Wilson K Maina
Mrs. A Mwololo

MANAGEMENT

James W Ruitha	Managing Director
Elizabeth W Mbugua	Corporation Secretary
Jacob B Ogolla	Technical Manager
Manasseh M Wandabwa	Finance Manager

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

Directors Remuneration

Directors are paid sitting as well as travel and accomodation 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, transpancy and accountability govern 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 various functions. In this regard management provides progress reports to the Board 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 line 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.

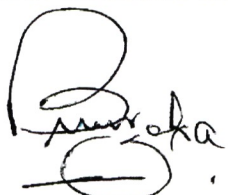
STATEMENT OF DIRECTORS' RESPONSIBILITIES

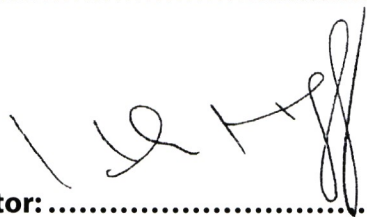
The State Corporations Act, Cap 446, requires the Directors to prepare financial statements for each financial year, which include a statement of financial position showing in detail the assets and liabilities of the Corporation, a statement of comprehensive income, and such other statements that the 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 International Financial Reporting Standards (IFRS) 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.

Approved by the Board of Directors on ^{27th}.....September 2012 and signed on its behalf by:


Chairman:


Managing Director:

REPORT OF THE AUDITOR-GENERAL ON NATIONAL HOUSING CORPORATION FOR THE YEAR ENDED 30TH JUNE 2012

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Housing Corporation set out on pages 5 to 24 which comprise the consolidated statement of financial position as at 30th June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of article 229 of the constitution of Kenya and 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, where necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor- General in accordance with the provisions of section 13 of the Public Audit Act, 2003.

Auditor General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya.

The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether 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 judgement, 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 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 corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements .

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Investment in Research and Development Unit Company Limited.

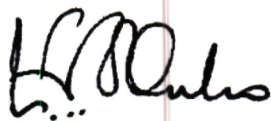
(i) As reported in 2010/2011, the investment of the Corporation in the Research and Development Unit Company Ltd (a wholly owned subsidiary) as at 30th June 2012 totalled Kshs 99,457,797 However no share certificates in support of the investment were availed for audit review with the result that it has not been possible to confirm the ownership of the company.

(ii) The statement of comprehensive income for the year ended 30th June 2012 for Research and Development Unit Company Ltd reflects that the unit registered a loss of Kshs 15,755,578, a slight improvement from the loss of Kshs 18,522,431 in the previous year. The Corporation is therefore not likely to benefit from the investment in the subsidiary until the trend of losses is reversed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Corporation as at 30th June 2012, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial

reporting standards, and comply with the National Housing Corporation act, Cap 117 of the laws of Kenya.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

24 May 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2011/2012 Kshs.	2010/2011 Kshs.
INCOME			
TURNOVER	2	1,048,018,812	1,194,755,068
		1,048,018,812	1,194,755,068
EXPENSES			
INTEREST EXPENSE	3	1,391,511	1,397,172
STAFF COSTS	4	322,331,208	301,572,255
OTHER OPERATING EXPENSES	5	261,435,325	284,470,581
		585,158,044	587,440,008
PROFIT BEFORE TAX		462,860,768	607,315,060
TAX	22	148,519,876	187,807,701
NET PROFIT AFTER TAX		314,340,892	419,507,359
PROPOSED DIVIDENDS	6	33,009,647	
RETAINED PROFITS		281,331,245	419,507,359

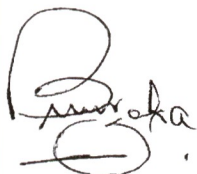
The Notes on Pages 9 to 24 form part of these Accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Notes	2011/2012 Kshs	2010/2011 Kshs
CAPITAL EMPLOYED			
LONG TERM BORROWING	7	1,777,976,178	-
EQUITY	8	6,936,000,000	6,936,000,000
RDU COMPANY LTD	9	137,529,105	137,529,105
UNREALISED GAIN ON HSE SALE	10	404,999,870	433,291,541
RETAINED PROFITS	11	1,366,137,365	1,028,315,570
		10,622,642,518	8,535,136,216
REPRESENTED BY			
NON CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	12	2,313,606,754	2,025,835,513
LONG TERM LOANS ADVANCED	13	3,546,981,999	3,500,218,284
INVESTMENT	14	104,657,797	104,657,797
GOVERNMENT SECURITIES	15	201,621,200	311,967,016
		6,166,867,750	5,942,678,610
CURRENT ASSETS			
HOUSING SCHEMES IN PROGRESS	16	4,113,292,860	2,502,143,000
LOAN AMOUNTS RECEIVABLE	17	1,348,562,637	1,455,085,752
INVENTORIES	18	10,082,197	13,076,259
DEBTORS & PREPAYMENTS	19	514,383,262	1,029,014,243
CASH & CASH EQUIVALENT	20	1,061,687,210	512,825,018
		7,048,008,166	5,512,144,272
TOTAL ASSETS		13,214,875,916	11,454,822,882
LIABILITIES			
TRADE & OTHER PAYABLES	21	2,474,374,159	2,744,834,708
PROPOSED DIVIDENDS	6	33,009,647	21,580,958
TAXATION	22	84,849,592	151,934,009
OVERDRAFT		-	1,336,991
TOTAL LIABILITIES		2,592,233,398	2,919,686,666
NET ASSETS		10,622,642,518	8,535,136,216

CHAIRMAN.....



DATE .. 9th May 2013 ..

MANAGING DIRECTOR.....



DATE .. 9th May 2013 ..

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	EQUITY	RDU PROJECT	UNREALISED GAIN ON SALE OF HOUSES	RETAINED PROFIT	TOTAL
	Ksh	Ksh	Ksh	Ksh	Ksh
1ST JULY 2010	6,036,000,000	104,071,308	408,016,018	491,667,989	7,039,755,315
Additional Capital	900,000,000				900,000,000
Prior Year Adjustments				15,454,621	15,454,621
House Equalisation Reserve				101,685,601	101,685,601
Unrealised Profit			25,275,523		25,275,523
Investment in RDU		33,457,797			33,457,797
Profit for the year				419,507,359	419,507,359
30TH JUNE 2011	6,936,000,000	137,529,105	433,291,541	1,028,315,570	8,535,136,216
1ST JULY 2011	6,936,000,000	137,529,105	433,291,541	1,028,315,570	8,535,136,216
Prior Year Adjustments				(7,650,255)	(7,650,255)
Unrealised Gain			2,205,866		2,205,866
Realised Gain			(30,497,537)		(30,497,537)
House Equalisation Reserve				64,140,805	64,140,805
Profit for the year				281,331,245	281,331,245
30TH JUNE 2012	6,936,000,000	137,529,105	404,999,870	1,366,137,365	8,844,666,340

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2011/2012 KSh	2010/2011 KSh
OPERATING ACTIVITIES			
Cash generated from operations	24	(680,794,556)	247,672,386
Tax paid		(210,781,694)	(36,991,284)
Net cash from operating activities		(891,576,250)	210,681,102
INVESTING ACTIVITIES			
Purchase of fixed assets	12	(369,306,176)	(948,527,150)
Loans advanced		(316,996,253)	(553,164,219)
Tenant purchase		(167,692,869)	(430,339,986)
Cash proceeds from disposal of assets		116,700	351,000
Retirement of Treasury Bonds		109,000,000	
Redemption of Long term loans		179,910,068	181,951,380
Repayment by Tenant Purchasers		250,348,743	107,267,172
Net cash from investing activities		(314,619,787)	(1,642,461,803)
FINANCING ACTIVITIES			
Long term loan borrowed		1,777,976,178	-
Increase in Equity		-	900,000,000
Dividends paid		(21,580,958)	-
Net cash used in financing activities		1,756,395,220	900,000,000
Increase/(Decrease) in cash and cash equivalents		550,199,183	(531,780,701)
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of the year		511,488,027	1,043,268,728
At end of year	20	1,061,687,210	511,488,027

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING POLICIES

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 and IFRS 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	- 6%

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.

FOR THE YEAR ENDED 30 JUNE 2012

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.

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 statement of comprehensive income 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 KSh.200 per employee.

The Corporation's contribution to the defined contribution retirement benefit scheme and to the NSSF in respect of current service is charged to the statement of comprehensive income in the year.

g. CASH AND CASH EQUIVALENT

For the purpose of the statement of cash flows, cash and cash equivalent comprise cash in hand and short term deposits, highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

h. INVENTORIES

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

FOR THE YEAR ENDED 30 JUNE 2012

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.

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 TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2012

2. TURNOVER

The sources of income are as stipulated below:

ITEM	2011/2012 Ksh.	2010/2011 Ksh.
Interest	584,182,464	501,156,119
Rents	193,958,081	185,571,631
Professional Fees	61,512,227	259,003,039
Gain on Sale of Houses	188,817,794	193,045,839
RDU Sales	2,887,613	36,516,957
Other Income	16,660,633	19,461,483
	1,048,018,812	1,194,755,068

3. INTEREST EXPENSE

The interest expense is made up of:

	2011/2012 Ksh.	2011/2012 Ksh.
Bond Premiums Amortised	1,391,511	1,397,172
	1,391,511	1,397,172

4. STAFF COSTS

Staff costs comprise the following:

	2011/2012 Ksh.	2010/2011 Ksh.
Retirement Benefit Costs	36,899,948	47,438,833
Salaries & Emoluments	285,431,260	254,133,422
	322,331,208	301,572,255

The number of persons employed by the Corporation as at 30.06.2012 was 256 (as at 30.06.2011: 256).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2012

5. PROFIT BEFORE TAX

Profit before tax is stated after charging:

ITEM	2011/2012 Ksh	2010/2011 Ksh
Depreciation	44,398,597	42,734,509
Directors Expenses	15,265,038	13,492,018
Auditors Remuneration	1,056,000	996,000
	60,719,635	57,222,527
Other Operating Expenses		
Property & Estates	40,361,791	43,414,542
Motor Vehicle Expenses	9,853,993	5,825,701
Repairs of Equipment	6,514,398	4,977,915
Travelling General	10,400,601	11,572,257
Printing & Stationery	12,073,489	7,692,315
Office rent	18,951,689	19,253,816
Postage & Telephone	4,537,560	4,932,544
Advertising	7,597,639	7,725,960
Insurance	4,185,552	5,656,412
Bank Charges	2,469,351	2,823,251
Library Expenses	1,045,175	587,609
Staff Uniforms	525,727	668,524
Exhibition	232,942	4,002,001
Training	12,715,055	10,715,787
Bad Debts Provision- General	15,832,595	19,379,576
Post Contract Payments	982,109	878,845
Debt Collection Expenses	4,010,503	3,375,882
Legal Charges	12,129,628	9,936,721
Staff Sports Club	925,561	1,192,257
Consultancy General	8,999,603	16,849,715
Direct Costs - RDU	9,109,135	28,269,173
Medical in Patient	7,504,897	9,173,078
Donations	671,237	543,506
Entertainment	9,085,460	7,800,668
	200,715,690	227,248,054
	261,435,325	284,470,581

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2012

6. PROPOSED DIVIDEND

In 2011/2012, a provision of Ksh.33, 009,647 has been made.

7. LONG TERM BORROWING

The corporation borrowed a total of ksh.1, 777,976,178 from commercial banks and contractors through Contractor financing arrangement for construction of Nairobi west, madaraka sector C & E, Langata IV & V and Madaraka B & D respectively.

	2011/2012	2010/2011
	Ksh.	Ksh.
Cooperative Bank of Kenya	649,155,744	
National Bank of Kenya	502,536,431	
EPCO Builders Ltd	419,511,113	
LEMNA International Inc	206,772,890	
	1,777,976,178	

8. EQUITY

The Corporation is formed under the Housing Act, Cap 117 and is fully owned by the Government of Kenya. There was no capital injection in the year under review as part of the approved capital injection of Kshs 4.8 billion in the capital restructuring process.

	2011/2012	2010/2011
	Ksh.	Ksh.
GOK Block Equity	6,936,000,000	6,936,000,000
	6,936,000,000	6,936,000,000

9. 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.

	2011/2012	2010/2011
	Ksh	Ksh
DFID Grant	8,091,308	8,091,308
DFID Project Grant	29,980,000	29,980,000
NHC Investment	99,457,797	99,457,797
	137,529,105	137,529,105

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2012

10. 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.

11. RETAINED PROFITS

The make up of this is as follows:

	2011/2012 Ksh.	2010/2011 Ksh.
Opening balance	1,028,315,570.	491,667,989
Prior Year Adjustments	(7,650,255)	15,454,621
Proposed Dividends	(33,009,647)	-
Profit for the year	314,340,892	419,507,359
House Equalization Reserve	64,140,805	101,685,601
Closing balance	1,366,137,365	1,028,315,570

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2012

12. PROPERTY, PLANT & EQUIPMENT MOVEMENT SCHEDULE

	LAND & BUILDINGS Kshs.	MOTOR VEHICLES Kshs.	PLANT & EQUIPMENT Kshs.	FURNITURE & FITTINGS Kshs.	COMPUTER SYSTEM Kshs.	TOTAL Kshs.
COST						
AT 1ST JULY 2010	1,125,951,899	53,505,038	61,418,466	34,130,644	76,157,617	1,351,163,664
Additions	934,891,692	7,005,300	1,927,500	1,207,905	3,494,753	948,527,150
Disposals/ Adjustments	(6,966,824)	(590,000)	-	-	(83,649)	(7,640,473)
AT 30th JUNE 2011	2,053,876,767	59,920,338	63,345,966	35,338,549	79,568,721	2,292,050,341
AT 1ST JULY 2011	2,053,876,767	59,920,338	63,345,966	35,338,549	79,568,721	2,292,050,341
Additions	331,844,989	1,692,000	349,715	18,462,675	16,956,797	369,306,176
Disposals/ Adjustments	(37,136,338)	-	-	-	-	(37,136,338)
AT 30th JUNE 2012	2,348,585,418	61,612,338	63,695,681	53,801,224	96,525,518	2,624,220,179
DEPRECIATION						
At 1st July 2010	96,395,659	20,902,851	30,433,700	27,512,549	52,553,852	227,798,611
Charge for the Year	20,508,013	8,393,216	5,741,503	1,319,976	6,771,801	42,734,509
On Disposal	(3,821,371)	(426,450)	-	-	(70,471)	(4,318,292)
AT 30th JUNE 2011	113,082,301	28,869,617	36,175,203	28,832,525	59,255,182	266,214,828
At 1st July 2011	113,082,301	28,869,617	36,175,203	28,832,525	59,255,182	266,214,828
Charge for the Year	22,488,685	7,416,223	4,895,533	2,370,361	7,227,795	44,398,597
AT 30th JUNE 2012	135,570,986	36,285,840	41,070,736	31,202,886	66,482,977	310,613,425
NET BOOK VALUE						
At 30th June 2011	1,940,794,466	31,050,721	27,170,763	6,506,024	20,313,539	2,025,835,513
At 30th June 2012	2,213,014,432	25,326,498	22,624,945	22,598,338	30,042,541	2,313,606,754

Depreciation of fixed assets of Sh.44, 398,597 has also been charged in the statement of comprehensive income. The increase in the carrying value of Land and buildings was due to the estates obtained through debt swap from Local Authorities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2012

13. LONG TERM LOANS ADVANCED

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

	2011/2012 Ksh.	2010/2011 Ksh.
Local Authorities	81,939,310	119,978,758
Rural Housing Loans	602,090,451	453,079,508
Staff Loans	553,241,986	534,789,637
	1,237,271,747	1,107,847,903
TENANT PURCHASE		
Schemes at Cost	2,309,710,252	4,485,021,417
Repayments	-	(2,092,651,036)
NET	2,309,710,252	2,392,370,381
	3,546,981,999	3,500,218,284

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

14. INVESTMENTS

These are investments held with;

	2011/2012 Ksh.	2010/2011 Ksh.
CONSOLIDATED BANK OF KENYA		
4% Non-Cum Pref. Shares of Sh.20 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	99,457,797	99,457,797
	104,657,797	104,657,797

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2012

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.

15. GOVERNMENT SECURITIES

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

	2011/2012	2010/2011
	Ksh.	Ksh.
In 5 to 10 Years	213,896,000	322,469,295
Discount on Maturities	(487,305)	
Amortised Discount	487,305	441,611
Amortised premium	(12,274,800)	(10,943,890)
	201,621,200	311,967,016

The discount and premiums on purchase of the securities has been written down to the statement of comprehensive income, based on the lifespan of a particular security.

16. HOUSING SCHEMES IN PROGRESS

These are valued at cost, and comprise:

	2011/2012	2010/2011
	Ksh.	Ksh.
Tenant Purchase	762,502,159	383,229,893
Mortgage	2,575,073,624	1,487,244,033
EPS Factory	706,608,646	577,641,942
Other Projects	69,108,431	54,027,132
	4,113,292,860	2,502,143,000

FOR THE YEAR ENDED 30 JUNE 2012

17. LOAN AMOUNTS RECEIVABLE

	2011/2012 Ksh.	2010/2011 Ksh.
Rural Housing Loans		
Amounts Due	355,470,791	617,754,797
Repayments	-	(304,682,540)
Provision for Bad Debts	(58,869,349)	(51,207,004)
	296,601,442	261,865,253
Local Authorities	822,972,289	1,185,565,187
Staff Loans	21,780,489	39,852,944
Tenant Purchase	207,208,417	(32,197,632)
	1,348,562,637	1,455,085,752

A general Provision for Bad debts is provided for Rural Housing Loans and rent debtors. No provision for bad debts is provided on local Authority loans since they are secured on the properties.

18. INVENTORIES

Inventories have been valued at cost, and are made up of:

	2011/2012 Ksh	2010/2011 Ksh
Stock of Unsold Houses	3,447,758	3,447,758
Consumable Stores	2,644,416	7,350,720
Stock of Timber and other RDU Stores	1,207,192	447,728
W.I.P at RDU Co. Ltd	2,782,831	1,830,053
	10,082,197	13,076,259

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2012

19. DEBTORS AND PREPAYMENTS

These are made up of:

	2011/2012	2010/2011
	Ksh.	Ksh.
Rent Arrears	104,675,759	108,962,500
Provision for bad debts on Rents	(37,401,291)	(34,150,502)
Due from House purchasers	389,728,351	866,803,097
Sundry Debtors	69,123,646	99,244,311
Provision for bad debts on RDU debtors	(11,743,203)	(11,743,203)
Intercompany debts	-	(101,960)
	514,383,262	1,029,014,243

A general provision on bad debts has been provided at 10% of the rent debtors

20. CASH AND CASH EQUIVALENT

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

	2011/2012	2010/2011
	Ksh	Ksh
NHC Bank accounts	958,856,050	512,825,018
Treasury Bills	100,586,230	-
	1,059,442,280	512,825,018
RDU Ltd Bank Account	2,244,930	(1,336,991)
	1,061,687,210	511,488,027

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2012

21. TRADE AND OTHER PAYABLES

These comprise:

	2011/2012	2010/2011
	Ksh	Ksh
House Deposits	2,147,947,719	1,894,861,252
TP Service Charge	2,191,178	-
Contractors	217,941,466	682,946,458
Sundry Creditors	106,293,796	167,128,958
Intercompany debts	-	(101,960)
	2,474,374,159	2,744,834,708

House deposits are amounts received from prospective house purchasers in respect of the various housing schemes. The amounts are treated as creditors until the houses are completed and handed over to purchasers. Tenant Purchase service charge is amounts accrued and payable by house tenant purchasers to cater for maintenance of common areas and insurance of properties against fire and peril.

The amounts due to contractors relate to amounts accrued in respect of the ongoing and completed housing projects, the sundry creditors comprise amounts owed to suppliers of goods and services, un-apportioned credits in Local Authorities, Agent and VAT Holding Accounts among others.

22. TAXATION

A provision of Kshs 148,519,876 has been made for the year 2011/2012. The instalment paid in the year is Kshs 148,519,876.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2012

23. RELATED PARTY TRANSACTIONS

(a) Staff Loans

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

	2011/2012 Ksh.	2010/2011 Ksh.
Tenant Purchase Loans	184,595,902	7,122,251
Car Loans	44,687,085	54,631,888
Computer Loans	434,654	74,817
House loans	529,585,102	475,632,910
	759,302,743	537,461,866

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.15, 265,038. (2010/2011: Ksh. 13,492,018)

(c) Remuneration of Key Management

Included in the Staff Cost in Note 4 are the salaries and benefits of top management as follows:

	2011/2012 Ksh	2010/2011 Ksh
Salaries & Benefits	15,273,202	19,767,638
	15,273,202	19,767,638

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2012

24. CASH GENERATED FROM OPERATING ACTIVITIES

	2011/2012 Ksh.	2010/2011 Ksh.
CASHFLOW GENERATED FROM OPERATIONS		
Net Profit (Loss) before Tax	462,860,768	607,315,060
Adjustments:		
For items not involving movement of cash		
Depreciation	44,398,597	42,734,509
Unrealised gain on sale of houses	2,205,866	25,275,523
Realised gain on sale of houses	30,497,537	-
Bad Debts Provisions	15,832,595	19,379,576
Adjustment on Treasury Bonds premium	1,518,120	1,336,260
House Equalization Account	64,140,805	101,685,601
(Gain)or loss on disposal of fixed assets	-	(187,450)
Adjustments of Fixed Assets	(37,136,338)	(3,816,083)
Prior year adjustments	(7,650,255)	15,454,620
Operating profit before working capital	576,667,695	809,177,616
Working capital adjustments:		
(Increase) in debtors & prepayments	514,630,981	(791,244,795)
Decrease in inventories	2,994,062	13,253,435
(Decrease) Increase in creditors	(270,460,549)	1,264,450,319
Housing schemes in progress	(1,611,149,860)	(1,335,537,281)
Arrears on loan charges	106,523,115	287,573,092
Working capital changes	(1,257,462,251)	(561,505,230)
CASH GENERATED	(680,794,556)	247,672,386

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2012

25. REDEMPTION OF LONG TERM LOANS

Long term loans include loans to Local Authorities, Rural Housing Loans and staff loans. See Note 13,

	2011/2012 Ksh.	2010/2011 Ksh.
LONG TERM LOANS		
TENANT PURCHASE		
At Start	2,392,370,377	2,069,297,563
Advances	167,692,869	430,339,986
Repayments	(250,352,994)	(107,267,172)
At 30th June	2,309,710,252	2,392,370,377
OTHER LOANS		
At Start	1,107,847,907	744,083,787
Advances	316,996,253	553,164,219
Repayments	(187,572,413)	(189,400,099)
At 30th June	1,237,271,747	1,107,847,907
GRAND TOTAL	3,546,981,999	3,500,218,284

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