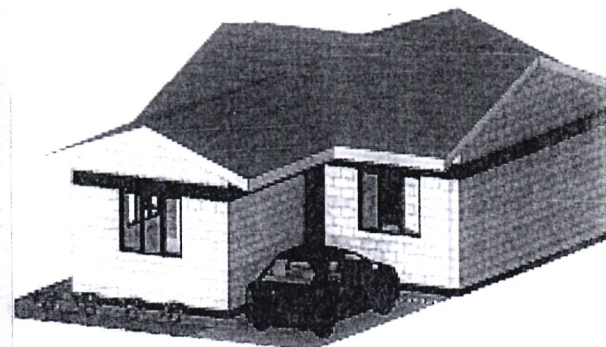


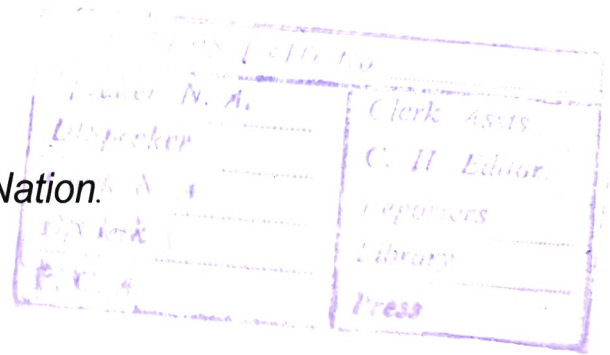
National Housing Corporation



**Group Annual Accounts
for the Year Ended
30th June 2009**

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



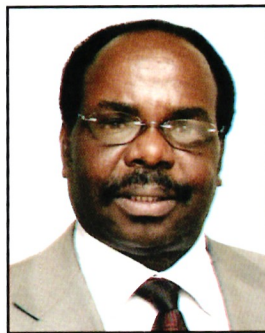
Bosire Ogero
Chairman



James W. Ruitha
Managing Director



Wilson Maina
Director



Elias Murithi
Director



Reginald Okumu
Director



Grace Wanyonyi
Director



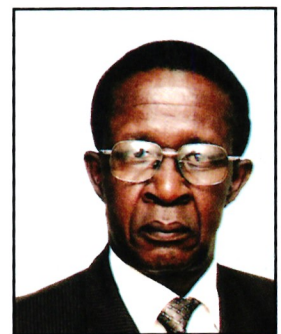
Alice Mwololo
Alternate Director
Ministry of Finance



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 behavior. 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.

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 Min. of Local Government
E.W Barasa	Alternate Director Ministry of Lands
Muse Wanasakaami	Alternate Director Ministry of Housing

Board Committees

Four 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:

BOARD COMMITTEES

Technical Committee	Eng. Wilson K. Maina Mrs. G. Wanyonyi Mr. R. M. Wanasakaami Arch. V. O. Ogutu Mr. E.W. Barasa	Chairman
Human Resources Committee	Mrs. G. Wanyonyi Mr. E.K. Murithi Mr. R.M. Wanasakaami and Mr. E.W Barasa	Chairlady

Finance Committee

Mr. E.K. Murithi
Mr. R. Okumu
Mrs. A. Mwololo
Mr. R.M. Wanasakaami
Arch.V. O. Ogutu

Chairman

Audit Committee

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

Chairman

MANAGEMENT

James W. Ruiitha
Elizabeth W. Mbugua
Jacob B. Ogolla
Manasseh M. Wandabwa

Managing Director
Corporation Secretary
Technical Manager
Finance Manager

The Committees examine 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 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 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 line of Senior Managers. Management has in turn prepared various operational manuals and polices which have been approved by the Board for purposes of guidance and uniformity in decision-making.

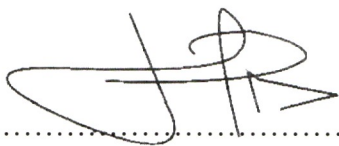
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

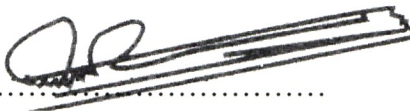
The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with generally accepted accounting practice and in the manner required by the State Corporations 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

28/12/2009

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE NATIONAL HOUSING CORPORATION FOR THE YEAR ENDED 30 JUNE 2009.

I have audited the accompanying financial statements of National Housing Corporation (NHC) set out at pages 2 to 18 which comprise the Consolidated Balance Sheet as at 30 June 2009, the Consolidated Profit and Loss Account, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information 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.

Management's Responsibility for the Financial Statements

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

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 International Standards on Auditing. Those Standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal controls. 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 the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

1. Land and Buildings

As previously reported, the Property, Plant and Equipment balance of Kshs.1,131,755,629 as at 30 June 2009 includes an undeveloped parcel of land situated at Webuye town, measuring 22 hectares and valued at Kshs.4,787,260 which has not been registered in the name of the Corporation. Although the Corporation has explained that it was issued with a letter of allotment for the land on 21 January 1994, it has not however been clarified why it has taken more than 15 years to obtain a title deed. Under the circumstances, it has not been possible to confirm the ownership status of the land and that the Property, Plant and Equipment balance of Kshs.1,131,755,629 as at 30 June 2009 is fairly stated.

2. Housing Schemes in Progress

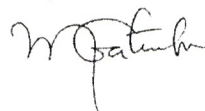
As reported in 2007/2008, the Housing Schemes in Progress balance of Kshs.1,545,249,768 as at 30 June 2009 includes tenant purchase schemes, mortgage schemes and other projects all totalling Kshs.209,811,743.80, which have remained dormant for over six years. Although Management has indicated that it is reviewing the viability of the dormant schemes and projects with a view to making appropriate recommendations to the Board, no evidence of such recommendations has been seen. Consequently, it has not been possible to confirm the viability of the schemes or establish how and when such schemes will be revived.

3. Investments in RDU

The investments of the Corporation in the Research Development Unit Company Ltd (a wholly owned subsidiary) during the year amounted to Kshs.66,000,000. However, no share certificates in support of these investments were produced for audit review with the result that it has not been possible to confirm the ownership of the Company.

Opinion

Except for the foregoing reservations, in my opinion, the financial statements give a true and fair view of the financial position of the Corporation as at 30th June 2009, of its financial performance 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

12 February 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2008/2009 Kshs.	2007/2008 Kshs.
INCOME			
TURNOVER	1	860,471,877	806,976,824
		860,471,877	806,976,824
OUTGO			
INTEREST EXPENSE	2	1,397,172	1,397,172
STAFF COSTS	3	337,983,473	316,283,410
OTHER OPERATING EXPENSES	4	285,634,436	272,683,856
		625,015,081	590,364,438
PROFIT BEFORE TAX		235,456,796	216,612,386
TAX	19	45,646,825	5,259,596
NET PROFIT		189,809,971	211,352,790
DIVIDENDS			
PROPOSED DIVIDENDS	5	28,876,095	31,678,938
RETAINED PROFITS		160,933,876	179,673,852

The Notes on Pages 16 to 25 form part of these Accounts.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2009

CAPITAL EMPLOYED

EQUITY

RDU COMPANY LTD	7
UNREALISED PROFIT ON HSE SALE	8
RETAINED PROFITS	9

REPRESENTED BY

NON CURRENT ASSETS	
PROPERTY, PLANT AND EQUIPMENT	10
LONG TERM LOANS ADVANCED	11
INVESTMENT	12
GOVERNMENT SECURITIES	13

CURRENT ASSETS

HOUSING SCHEMES IN PROGRESS	14
LOAN AMOUNTS RECEIVABLE	15
CONSUMABLE STOCK	16
DEBTORS & PREPAYMENTS	17
CASH & CASH EQUIVALENTS	18

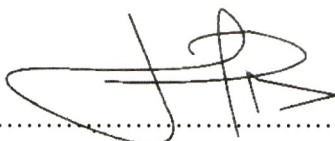
TOTAL ASSETS

LIABILITIES

TRADE & OTHER PAYABLES	19
PROPOSED DIVIDENDS	5
TAXATION	20
OVERDRAFT	
TOTAL LIABILITIES	
NET ASSETS	

	2008/2009 Kshs	2007/2008 Kshs
	5,786,000,000	5,536,000,000
	104,071,308	38,071,308
	160,750,854	161,771,047
	377,854,947	238,295,408
	6,428,677,109	5,974,137,763
	1,131,755,629	512,467,813
	1,896,101,171	1,827,642,997
	71,200,000	45,200,000
	314,639,536	315,975,796
	3,413,696,336	2,701,286,606
	1,545,249,768	1,087,777,476
	1,802,271,483	2,475,034,491
	25,116,971	16,859,130
	237,519,943	193,729,572
	759,223,795	817,411,554
	4,369,381,960	4,590,812,223
	7,783,078,296	7,292,098,829
	1,308,767,309	1,270,664,213
	28,876,095	31,678,938
	16,032,816	15,617,915
	724,967	
	1,354,401,187	1,317,961,066
	6,428,677,109	5,974,137,763

CHAIRMAN.....



DATE 28/12/2009

MANAGING DIRECTOR.....



DATE 28/12/2009

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

	EQUITY Ksh	TRDU PROJECT Ksh	UNREALISED PROFIT Ksh	RETAINED PROFIT Ksh	TOTAL Ksh
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
1ST JULY 2008	5,536,000,000	38,071,308	161,771,047	238,295,408	5,974,137,763
Additional capital	250,000,000				250,000,000
Prior Year Adjustments				18,625,663	18,625,663
Realised Profit			(1,020,194)		(1,020,194)
Investment in RDU		66,000,000		(40,000,000)	26,000,000
Profit for the year				160,933,876	160,933,876
30TH JUNE 2009	5,786,000,000	104,071,308	160,750,853	377,854,947	6,428,677,108

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2008/2009 KSh	2007/2008 KSh
OPERATING ACTIVITIES			
Cash generated from operations	22	451,304,615	86,886,030
Net cash from operating activities		451,304,615	86,886,030
INVESTING ACTIVITIES			
Purchase of fixed assets	10	(656,252,007)	(158,621,041)
Loans advanced		(262,522,551)	(149,675,790)
Tenant purchase		(196,741,400)	-
Sale of fixed assets			827,600
Retirement of Treasury Bonds			11,305,170
Investment in RDU		-	-
Redemption of Long term loans		241,188,022	113,959,820
Repayment by Tenant Purchasers		146,514,501	133,364,118
Net cash from/ investing activities		(727,813,435)	(48,840,123)
FINANCING ACTIVITIES			
Increase in Equity		250,000,000	216,000,000
Dividends paid		(31,678,938)	(27,950,995)
Net cash used in financing activities		218,321,062	188,049,005
Decrease in cash and cash equivalents		(58,187,758)	226,094,912
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of the year		817,411,554	591,316,642
Effects of exchange rate changes on cash and cash equivalents			
At end of year	18	759,223,796	817,411,554

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2009

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.

FOR THE YEAR ENDED 30 JUNE 2009

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 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.

ACCOUNTING POLICIES (Continued)

FOR THE YEAR ENDED 30 JUNE 2009

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 FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

1. TURNOVER

The sources of income are as stipulated below:

ITEM	2008/2009	2007/2008
	Ksh.	Ksh.
Interest	503,514,982	453,871,813
Rents	149,511,362	139,645,964
Professional Fees	133,717,865	131,699,933
Gain on Sale of Houses	28,768,389	9,184,742
RDU Sales	34,076,947	63,858,150
Other Income	10,882,332	8,716,222
TOTAL	860,471,877	806,976,824

2. INTEREST EXPENSE

The interest expense is made up of:

	2008/2009	2006/2007
	Ksh.	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:

	2008/2009	2007/2008
	Ksh.	Ksh.
Retirement Benefit Costs	51,158,810	48,266,045
Salaries & Emoluments	286,824,663	268,017,365
TOTAL	337,983,473	316,283,410

The number of persons employed by the Corporation as at 30.06.2009 was 357 (as at 30.06.2008: 353).

FOR THE YEAR ENDED 30 JUNE 2009

4. PROFIT BEFORE TAX

Profit before tax is stated after charging:

ITEM	2008/2009 Ksh	2007/2008 Ksh
Depreciation	16,739,701	14,206,211
Directors Expenses	13,993,440	11,533,883
Auditors Remuneration	860,000	860,000
TOTAL	31,593,141	26,600,094
Other Operating Expenses		
Property & Estates	97,193,832	78,393,909
Motor Vehicle Expenses	4,197,783	5,128,242
Repairs of Equipment	3,761,185	3,512,646
Travelling	10,270,904	7,755,094
Printing & Stationery	10,152,507	9,077,750
Office rents	18,703,715	24,211,619
Postage & Telephones	4,826,604	4,997,516
Advertising	4,138,307	3,296,789
Insurance	4,341,022	3,151,559
Bank Charges	1,691,698	766,657
Library Expenses	641,431	611,869
Staff Uniforms	715,849	1,158,230
Exhibition	1,207,761	1,983,807
Training	5,907,877	8,745,721
Bad Debts Provision- General	19,697,065	20,427,292
Post Contract Payments	340,000	
Debt Collection Expenses	3,839,813	1,800,162
Legal Charges	10,729,942	3,622,189
Staff Sports Club	1,239,619	887,252
Consultancy General	9,811,462	4,039,571
Direct Costs - RDU	20,940,701	51,511,206
Medical in Patient	11,481,945	4,405,926
Donations	649,684	471,694
Entertainment	7,560,589	6,127,062
TOTAL	254,041,295	246,083,762
TOTAL	285,634,436	272,683,856

5. PROPOSED DIVIDEND

In 2008/2009, a dividend of KSh.28,876,095 equivalent to 15% of after tax profit has been proposed. The shares have no par value.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2009

6. EQUITY

The Corporation is formed under the Housing Act, Cap 117 and is fully owned by the Government of Kenya. The GOK brought in an additional capital of Ksh 250 million in the year 2008/2009 which is part of the agreed capital injection of ksh 4.8 billion in the capital restructuring process.

	2008/2009	2007/2008
	Ksh.	Ksh.
GOK Block Equity	5,786,000,000	5,536,000,000
TOTAL	5,786,000,000	5,536,000,000

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.

	2008/2009	2007/2008
	Ksh	Ksh
DFID Grant	8,091,308	8,091,308
DFID Project Grant	29,980,000	29,980,000
NHC Investment	66,000,000	
TOTAL	104,071,308	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:

	2008/2009	2007/2008
	Ksh.	Ksh.
Bal b/d	238,295,408	77,779,618
Prior Year Adjustments	18,625,663	(19,158,062)
Proposed Dividends	(28,876,095)	(31,678,938)
Profit / (Loss)	189,809,971	211,352,790
RDU Equity	(40,000,000)	
DFID grants adjustments		
TOTAL	377,854,947	238,295,408

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2009

10. PROPERTY, PLANT & EQUIPMENT MOVEMENT SCHEDULE

	LAND & BUILDING	MOTOR VEHICLE	PLANT EQUIPMENT	FURNITURE & FITTING	COMPUTER SYSTEM	TOTAL AMOUNT
COST						
AT 1ST JULY 2007	375,660,497	53,453,529	34,224,545	29,866,576	52,376,923	545,582,070
Additions	139,566,291	1,968,828	4,263,091	1,316,674	11,409,157	158,524,041
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
AT 1ST JULY 2008	515,226,788	50,022,859	38,308,800	31,183,250	63,786,080	698,527,777
Additions	602,400,010	20,527,977	1,557,684	1,802,712	6,235,412	632,523,795
Disposals/ Adjustments	24,235,080			(11,368)	(495,500)	23,728,212
AT 30th JUNE 2009	1,141,861,878	70,550,836	39,866,484	32,974,594	69,525,992	1,354,779,784
DEPRECIATION						
At 1st July 2007	49,606,040	32,047,834	20,720,959	23,457,188	39,700,097	165,532,118
Charge for the Year		5,168,057	2,629,750	1,289,828	5,118,577	14,206,212
Amortisation - Buildings	1,504,098	(2,567)				11,501,531
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
At 1st July 2008	61,110,138	32,096,066	23,288,070	24,747,016	44,818,674	186,059,964
Adjustment Prior Year				(155)	(195,892)	(196,047)
Charge for the Year		6,517,752	2,692,363	1,362,430	5,784,320	16,356,865
Amortisation - Buildings	20,803,374					20,803,374
On Disposal	-					-
AT 30th JUNE 2009	81,913,512	38,613,818	25,980,433	26,109,291	50,407,102	223,024,156
NET BOOK VALUE						
At 30th June 2008	454,116,650	17,926,793	15,020,730	6,436,234	18,967,406	512,467,813
At 30th June 2009	1,059,948,366	31,937,018	13,886,051	6,865,303	19,118,890	1,131,755,628

Amortization on Buildings is treated as loan charges under Property and Estates in the Profit and Loss. An amount of Shs.20,803,374 has been charged to Profit & Loss.

Depreciation on other fixed asset items at Sh.16,356,865 has also been charged in the Profit and Loss Account.

FOR THE YEAR ENDED 30 JUNE 2009

11. LONG TERM LOANS

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

	2008/2009 Ksh.	2007/2008 Ksh.
Rural Housing Loans	296,911,941	480,994,868
Staff Loans	194,499,034	82,467,880
TOTAL	706,445,948	688,214,674
TENANT PURCHASE		
Schemes at Cost	2,545,802,997	2,349,061,597
Repayments	(1,356,147,774)	(1,209,633,274)
NET	1,189,655,223	1,139,428,323
TOTAL LOANS	1,896,101,171	1,827,642,997

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;

	2008/2009 Ksh.	2007/2008 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	66,000,000	40,000,000
TOTAL	71,200,000	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 2009

13. GOVERNMENT SECURITIES

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

	2008/2009	2007/2008
	Ksh.	Ksh.
In 5 to 10 Years	322,469,295	322,469,295
Discount on Maturities		(213,095)
Amortised Discount	319,787	471,971
Amortised premium	(8,149,546)	(6,752,373)
TOTAL	314,639,536	315,975,798

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:

	2008/2009	2007/2008
	Ksh.	Ksh.
Tenant Purchase	1,351,318,036	384,760,487
Mortgage	156,676,546	648,047,635
Other Projects	37,255,186	54,969,354
TOTAL	1,545,249,768	1,087,777,476

FOR THE YEAR ENDED 30 JUNE 2009

15. LOAN AMOUNTS RECEIVABLE

	2008/2009 Ksh.	2007/2008 Ksh.
Rural Housing Loans		
Amounts Due	403,231,152	353,215,840
Repayments	(151,252,222)	(119,368,896)
Provision for Bad Debts	(38,987,526)	(46,539,111)
	212,991,404	187,307,833
Local Authorities	1,599,897,146	2,285,654,993
Staff Car Loans	(10,617,067)	2,071,665
TOTAL	1,802,271,483	2,475,034,491

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

	2008/2009 Ksh	2007/2008 Ksh
Stock of Unsold Houses	13,791,031	
Consumable Stores	7,237,713	4,427,394
Stock of Timber and other RDU Stores	3,779,448	11,694,234
W.I.P at RDU Co. Ltd	308,779	737,502
TOTAL	25,116,971	16,859,130

17. DEBTORS AND PREPAYMENTS

These are made up of:

	2008/2009 Ksh.	2007/2008 Ksh.
Rent Arrears	100,914,428	121,467,662
Provision for bad debts on Rents	(32,886,004)	(34,983,539)
Sundry Debtors	182,502,161	107,245,449
Intercompany debts	(13,010,642)	
TOTAL	237,519,943	193,729,572

A general provision on bad debts has been provided at 10% of the sitting tenants

FOR THE YEAR ENDED 30 JUNE 2009

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:

	2008/2009	2007/2008
	Ksh	Ksh
Bank	658,234,699	665,784,714
Treasury Bills	100,264,129	151,626,840
TOTAL	758,498,828	817,411,554

The average effective interest rate on Treasury Bills was 7.37% - 8.25% during the year.

19. TRADE AND OTHER PAYABLES

These comprise:

	2008/2009	2007/2008
	Ksh	Ksh
House Deposits	1,154,639,097	1,002,764,356
TP Service Charge	(49,078,495)	(26,737,488)
Contractors	49,640,839	72,185,937
10% Provision on Repairs	9,633,360	105,057,017
Sundry Creditors	156,943,150	117,394,391
Intercompany debts	(13,010,642)	
TOTAL	1,308,767,309	2,270,664,213

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 is 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 2009

20. TAXATION

Principal tax has been paid up to the year 2008 and final assessment is awaited from KRA for the years 1992-2008. The Corporation has engaged Price-Waterhouse to follow the assessment with KRA.

A provision of Ksh 45,812,177 has been made for the year 2008/2009. An amount of Ksh 43,097,079 has been paid as instalment in the year.

21. RELATED PARTY TRANSACTIONS

(a) Staff Loans

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

	2008/2009	2007/2008
	Ksh.	Ksh.
Tenant Purchase Loans	10,192,791	15,414,455
Car Loans	35,873,601	31,583,972
Bicycle Loans	96,569	125,181
Computer Loans	434,648	647,369
House loans	318,337,510	232,105,092
TOTAL	364,935,119	279,876,069

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.13,993,440. (2007/2008: Sh.11,533,883.).

(c) Remuneration of Key Management

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

	2008/2009	2007/2008
	Ksh	Ksh
Salaries & Benefits	18,215,904	17,305,275
TOTAL	18,215,904	17,305,275

FOR THE YEAR ENDED 30 JUNE 2009

22. CASH GENERATED FROM OPERATING ACTIVITIES

	2008/2009 Shs.	2007/2008 Shs.
CASHFLOW GENERATED FROM OPERATIONS		
Net Profit (Loss) before Tax	235,456,796	216,612,386
Adjustments:		
For items not involving movement of cash		
Depreciation	16,356,865	14,206,211
Realised gain on sale of houses	(1,020,194)	(9,184,742)
Amortisation of Fixed Assets	20,803,374	11,504,098
Bad Debts Provisions	3,103,255	20,427,292
Provision for Corporation Tax		(5,259,596)
Adjustment on T Bonds premium	1,336,260	
(Gain)or loss on disposal of fixed assets		(429,163)
Adjustments of Fixed Assets	(196,047)	(2,566)
Prior year adjustments	18,625,663	(19,158,062)
Operating profit before working capital	294,465,972	228,715,858
Working capital adjustments:		
(Increase) in debtors & prepayments	(43,790,371)	(32,961,289)
Decrease (Increase) in stock	(8,257,841)	(16,676,428)
(Decrease) Increase in creditors	38,103,096	423,012,524
Tax paid	(45,231,924)	4,126,789
Increase in Overdraft	724,967	
Housing schemes in progress	(457,472,292)	(537,459,919)
Arrears on loan charges	672,763,008	18,128,495
Working capital changes	156,838,643	(141,829,828)
TOTAL CASH GENERATED	451,304,615	86,886,030

23. REDEMPTION OF LONG TERM LOAN

Long term loans include loans to Local Authorities, Rural Housing Loans and staff loans.
See Note 11,

	2008/2009 Ksh.	2007/2008 Ksh.
LONG TERM LOANS		
At Start	688,214,676	655,873,137
Advances	262,522,551	149,675,790
Repayments	(244,291,277)	(117,334,251)
TOTAL	706,445,950	688,214,676
TENANT PURCHASE		
At Start	1,139,428,321	1,272,792,439
Advances	196,741,400	-
Repayments	(146,514,500)	(133,364,118)
TOTAL	1,189,655,221	1,139,428,321
GRAND TOTAL	1,896,101,171	1,827,642,997

NOTES



