TRUSTEES

Front: Laurence Yego (Chairman)
Back Raw: Petros Kalii, Henry Kyanda, Joseph Njoroge, Ben Chumo, Ernest Nadome, Bernice Wachira, Kosgey Kolil, James Ngomeli *Inset:* Laurencia Njagi

Registered Office

Retirement Benefits Scheme Trustees
Stima Plaza Kolobot Road, Parklands,
P. O. Box 30099 - 00100 Nairobi.

Investment Managers

Co-op Trust Investment Services Ltd.
P. O. Box 48231 - 00100 Nairobi.

Stanbic Investment Management Services Ltd.
P.O Box 72866-00100 Nairobi.

Actuary

Alexander Forbes Financial Services (E.A) Ltd
P. O. Box 52439 - 00100 Nairobi.

Auditors

Deloitte & Touche
Certified Public Accountants (Kenya)
P. O. Box 40092 - 00100 Nairobi.

Custodians

Kenya Commercial Bank
P. O. Box 30664 - 00100 Nairobi.

Principal Legal Advisors

Kaplan & Stratton Advocates
P. O. Box 40111 - 00100 Nairobi.

Bankers

Co-operative Bank of Kenya Ltd
P. O. Box 48231 - 00100 Nairobi.

Scheme Secretariat

Report & Financial Statements for the period ended 31 December 2009

Standing L-R: Jeremiah Gichiri, Martha Simiyu, Joan Mutende, Henry Kyanda, Joyce Njuguna, Steve Mathuka
Inset: (Left to Right) - Christopher Ngulu, Douglas Indeje

I am pleased to present the 4th Annual Report together with the financial statements of the Defined Contribution Scheme for the year ended 31st December 2009 during this occasion of the Annual General Meeting.

Scheme's Investments

As at the end of the year 2009, the market value of the scheme assets had grown to Kshs. 1.85 billion from a market value of Kshs. 1.2 billion as at the end of 2008. The positive growth of Kshs. 648 million was achieved mainly as a result of the contributions received from members. The growth was also supported by increased investment income of Kshs. 150.8 million compared to Kshs. 4.6 million realized in 2008.

"Trustees had developed a 5-year Strategic Plan which would enable Trustees execute their mandate as well as deal with emerging challenges in the business environment"

The economic performance for the year 2009 improved marginally compared to the situation that was prevailing during the years 2007 and 2008 following the global financial crisis. In the face of improved economic performance the scheme made a return of 9.4% compared to a return of -0.3% achieved in 2008.
Membership

The number of active members increased from 5,212 to 5,380 while the number of members with deferred rights rose from 128 to 167.

Operations

During the last AGM, We informed you that the Trustees had developed a 5-year Strategic Plan which would enable Trustees execute their mandate as well as deal with emerging challenges in the business environment. In 2009, the Trustees have focused on tracking the progress towards the achievement of the set objectives by reviewing the annual key performance indicators developed as part of the Strategic Plan. A monitoring and evaluation framework has also been developed to ensure successful implementation of the strategic plan.

Future Prospects

The improvement in the economic performance in recent months is well known. On the backdrop of an extremely challenging environment experienced between the years 2007 and 2009, the Board of Trustees believes that the economy and performance of the Scheme will continue to experience sustainable growth well into the future.

The Scheme will also seek to enhance the investment objectives by investing in a diversified portfolio of short, medium and long term investment instruments which will offer both capital and income appreciation over the medium to long term. Towards this end the Trustees have finalized the acquisition of real property as I had informed you during the last AGM. The recent development of the property market in our country makes our property acquisition an important component of our investment portfolio given its potential to provide superior returns as well as provide a hedge against inflation.

In spite of our positive outlook regarding the performance of the economy and the prospects of continued and sustainable growth, Trustees nonetheless know that the economic environment by nature remains uncertain, and hence Trustees will remain focused on long-term performance and sustainability. The Board will continue to seek and use competent professional and advisory resources, to enable the Scheme remain sustainable.

Acknowledgement

Finally, I would like to thank my fellow Trustees, our advisors and the secretariat for the exceptional work that they have put in during the year.

I further wish to extend my sincere appreciation to all our members for their continued support of the Scheme.

LAWRENCE YEGO
CHAIRMAN

The Trustees have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2009.

BACKGROUND

The Kenya Power & Lighting Company Limited - Staff Retirement Benefits Scheme 2006 was established by a Trust Deed and started operations on 1 July 2006. The Scheme was formed for the employees of the Kenya Power & Lighting Company Limited (KPLC) as a result of the closure of the Defined Benefit Scheme as per the recommendations of the actuarial report of 31st December 2005. The main purpose of the scheme is the provision of cash benefits to the members upon attainment of the retirement age of sixty years, and where applicable, benefits for the dependants of deceased members.

The affairs of the Scheme are the responsibility of the Trustees, who are appointed by the Board of Directors of the KPLC and members of the Scheme. The trustees meet regularly to discuss and decide on the affairs of the Scheme.

MEMBERSHIP

Employees who were members of the Defined Benefits Scheme as at the commencement date became members on 1st July 2006 and any person employed by the Sponsor on or after the commencement date becomes a member of the scheme and such membership is effected by completion and submission to the Trustees of a form prescribed by the Trustees and becomes effective from the entry date coincident with or next following the date upon which he becomes an Eligible Employee.

PENSION BENEFITS

The Scheme is a defined contributions fund, whereby a member who retires on his normal retirement date or before receives a pension for life of such an amount as shall be then purchased by his Fund Credit according to immediate annuity rates applicable at hi/her available at the time of purchase from an insurance company (which is also a registered Insurer) selected by the member or where the pension is secured under the scheme with the consent of the Sponsor, then as determined by the Trustees on the advice of the Actuary. A member who is entitled to a pension under the Scheme rules may however be paid, in lieu of the pension, a lump sum in not exceeding one third of such pension.

CONTRIBUTIONS

The contributions rates are expressed as a percentage of the employees' salary as defined by the Trust Deed and rules. Rates in use for the period were:

Employees	5%
Employer	10%

FINANCIAL REVIEW

The statement of changes in net assets on page 7 shows an increase in the net assets of the scheme for the year of Sh 648,964,308 (2008 – 508,408,728) and net assets of the scheme as at 31 December 2009 amounted to Sh 1,854,922,314 (2008 – 1,205,958,006).

INVESTMENT

The Scheme's investments are managed by Co-op Trust Investment Services Limited and effective January 2009 CFC Financial Services were appointed as second investment manager.

TRUSTEES

The current members of the board of trustees are as shown on page 2

MEMBERSHIP

	2009 No.	2008 No.
At 1 January	5,212	5,064
Additions	355	301
Deaths in service	(26)	(47)
Withdrawals – other secessionists	(69)	(32)
Retirements	(92)	(74)
At 31 December	5,380	5,212

AUDITORS

The auditors, Deloitte & Touche have expressed their willingness to continue in office.

SIGNED ON BEHALF OF THE TRUSTEES

Trust Secretary

3 May, 2010

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Kenyan Retirement Benefits Act requires the trustees to prepare financial statements for each financial year which show a true and fair view of the financial transactions of the Scheme for the year and of disposition at year end of its assets and liabilities. It also requires the trustees to ensure that the Scheme keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Scheme. They are also responsible for safeguarding the assets of the Scheme.

The trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Kenyan Retirement Benefits Act. 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 estimates that are reasonable in the circumstances.

The trustees 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 and the Scheme's rules. The trustees are of the opinion that the financial statements give a true and fair view of the financial affairs of the Scheme and of its operating results. The trustees further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The trustees certify that to their best knowledge and belief the information furnished to the auditors for the purpose of the audit was correct and complete in every respect.

Nothing has come to the attention of the trustees to indicate that the Scheme will not be able to meet its obligations for at least the next twelve months from the date of this statement.

Trustee	Trust Secretary	Trustee

3 May, 2010

Deloitte.

Deloitte & Touche
Certified Public Acountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
P.O. Box 40092 - GPO 00100
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE KENYA POWER & LIGHTING COMPANY LIMITED STAFF RETIREMENT BENEFITS SCHEME 2006 (DEFINED CONTRIBUTION)

We have audited the accompanying financial statements of Kenya Power and Lighting Company Staff Retirement Benefits Scheme 2006 (Defined Contribution), set out on pages 7 to 20 which comprise the statement of net assets as at 31 December 2009, the statement of changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Trustees' Responsibility for the Financial Statements

The trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Retirement Benefits Act. 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 estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the Scheme's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the Scheme's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2009 and of the disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits falling due after the end of the year in accordance with International Financial Reporting Standards and the requirements of the Kenyan Retirement Benefits Act.

Deloitte & Touche

Certified Public Accountants (Kenya)
20 May 2010
Nairobi

STATEMENT OF CHANGES IN NET ASSETS

	Note	2009 Sh	2008 Sh
CONTRIBUTIONS AND BENEFITS			
Contributions receivable	4	549,198,171	538,601,269
Benefits payable	5	(33,380,019)	(26,246,931)
Net surplus from dealing with members		515,818,152	512,354,338
RETURNS ON INVESTMENTS			
Investment income	6	155,628,458	7,042,502
Investment management expenses	7	(4,780,958)	(2,440,834)
Net returns on investments		150,847,500	4,601,668
ADMINISTRATIVE EXPENSES	8	(13,111,166)	(7,840,595)
INCREASE IN NET ASSETS FOR THE YEAR BEFORE TAXATION		653,554,486	509,115,411
TAXATION CHARGE	9	(4,590,178)	(706,683)
INCREASE IN NET ASSETS FOR THE YEAR		648,964,308	508,408,728

Kenya Power & Lighting Company Limited.

STATEMENT OF NET ASSETS

Report & Financial Statements for the period ended 31 December 2009

	Note	2009 Sh	2008 Sh
ASSETS			
Investments			
Government securities	10	1,100,439,613	603,895,049
Short term deposits	11	30,208,494	111,670,784
Corporate bonds	12	114,633,252	33,173,670
Equity investments	13	541,155,695	427,989,418
		1,786,437,054	1,176,728,921
Current assets			
Due from Defined Benefits Scheme	18	102,805	-
Bank and cash balances		86,049,624	48,831,275
		86,152,429	48,831,275
Total assets		1,872,589,483	1,225,560,196
Current liabilities			
Tax payable	9(b)	2,321,190	706,683
Benefits payable	14	8,867,649	15,356,694
Other payables and accruals	15	6,070,713	3,538,813
Due to Defined Benefits Scheme	18	407,617	-
		17,667,169	19,602,190
NET ASSETS AVAILABLE FOR BENEFITS	17	1,854,922,314	1,205,958,006

The financial statements on pages 7 to 20 were approved by the board of trustees on 2010 and were signed on its behalf by:

Trustee	Trust Secretary	Trustee

STATEMENT OF CASH FLOWS

	Note	2009 Sh	2008 Sh
Cash flows from operating activities			
Contributions received		549,198,171	578,640,790
Benefits paid		(39,869,064)	(21,804,110)
Administrative and management expenses		(14,952,606)	(9,250,372)
Net cash generated from operating activities		494,376,501	547,586,308
Cash flows from investing activities			
Investment income received		179,140,990	75,096,522
Purchase of government securities		(620,480,664)	(271,305,741)
Sale of government securities		123,936,100	59,847,400
Purchase of equity investments		(144,726,843)	(398,446,910)
Sale of equity investments		5,072,362	-
Purchase of commercial paper		-	(15,091,310)
Sale of commercial paper		-	20,000,000
Purchase of corporate bonds		(101,790,042)	(28,257,599)
Sale of corporate bonds		20,330,460	10,045,463
Amount advanced to Defined Benefits Fund		(102,805)	-
Net cash used in investing activities		(538,620,442)	(548,112,175)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(44,243,941)	(525,867)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		160,502,059	161,027,926
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	116,258,118	160,502,059

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards.

Adoption of new and revised International Financial Reporting Standards

In 2009, the following new and revised standards and interpretations became effective for the first time and have been adopted by the scheme, where relevant to its operations.

(i) Standards and interpretations effective in the current period

IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009.

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

Other new standards and interpretations effective in the period under review have no effect on the schemes financial statements.

(ii) New and revised standards and interpretations in issue but not yet effective

At the date of authorization of these financial statements, various revised standards and interpretations were in issue but not yet effective. The adoption of these standards and interpretations, when effective, is not expected to have material impact on the financial statements of the scheme.

Basis of preparation

The Scheme prepares its financial statements on the historical cost basis of accounting modified to include the revaluation of certain assets.

Impairment

At the end of each reporting period, the Scheme reviews the carrying amounts of its financial assets, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

Revenue recognition

Contributions are accounted for in the period in which they fall due.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Benefits payable

Benefits payable are accounted for in the period in which they fall due.

1 ACCOUNTING POLICIES (Continued)

Taxation

Income generated from segregated funds (contributions above the statutory defined limits) is taxed at applicable tax rates. Income generated from non segregated funds (contributions below statutory defined limits) is exempt from tax.

Financial instruments

Financial assets

Financial assets are recognised initially at cost using settlements date accounting. Held to maturity investments are subsequently measured at amortised cost while financial assets held for trading and available for sale are measured at fair value.

Government securities

Government securities comprise treasury bills and treasury bonds, which are debt securities issued by the Government of Kenya. Treasury bills are stated at face value less unearned interest. Treasury bonds are held for trading and are disclosed at cost plus earned interest.

Quoted investments

Investments in quoted stocks and shares are stated at market value and any surplus arising therefrom is transferred to the investment revaluation reserve in accordance with rule 18(b) of the Trust Deed. Investments in foreign currencies are translated at the rates of exchange ruling at the end of each reporting period and any surpluses/deficits arising from the transactions are credited/debited to investment revaluation reserve.

Unquoted investments

Unquoted investments are measured at cost less any impairment.

Government securities

Government securities comprise treasury bills and treasury bonds, which are debt securities issued by the Government of Kenya. Treasury bills are stated at face value less unearned interest. Treasury bonds are held to maturity and are stated at amortised cost.

Corporate bonds

Corporate bonds are held to maturity and are stated at amortised cost.

Commercial paper

Commercial paper are held to maturity and are stated at amortised cost.

Financial liabilities

Financial liabilities are recognised initially at cost, and subsequently measured at amortised cost.

Foreign currency translation

Assets and liabilities expressed in foreign currencies are translated to Kenya shillings at the rates of exchange ruling at the end of each reporting period while transactions during the year in foreign currencies are translated at the rates of exchange ruling on the dates of the transactions. Exchange gains or losses arising from foreign currency transactions are dealt with in the statement of changes in net assets.

1 ACCOUNTING POLICIES (Continued)

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2 FINANCIAL RISK MANAGEMENT

The scheme generates revenues for the members by investing in various income generating activities which involve trading in the stock exchange, trading in government and other securities and offshore investments. These activities expose the fund to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the Trustees together with the investment managers under policies approved by the Trustees. The investment managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against market risks

The Trustees provide written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

The scheme also follows guidelines issued by the Retirements Benefits authority in respect of maximum investment in different types of investments.

A Market risk

(i) Foreign exchange risk

The scheme has no foreign currency investments or balances denominated in foreign currency. Hence this risk does not apply to the scheme.

(ii) Price risk

The scheme is exposed to equity securities price risk because of investments in quoted shares classified as held for trading. The scheme is also exposed to the risk that the value of debt securities will fluctuate due to changes in market value. To manage its price risk arising from investments in equity and debt securities, the scheme diversifies its portfolio. For equities, the scheme has invested incompanies in different sectors of the economy, while for debt securities, the scheme has invested in bonds of varying maturities. Diversification of the portfolio is done in accordance with investment policies approved by the trustees. All quoted shares held by the scheme are traded on the Nairobi Stock Exchange (NSE).

If the price of securities were to appreciate/depreciate by 5% it would have the following effect (approximately):

		2009 Sh	2008 Sh
Effect on returns from Investment	5% Appreciation	27,057,785	21,399,471
	5% Depreciation	(27,057,785)	(21,399,471)
Effect on Scheme balance	5% Appreciation	27,057,785	21,399,471
	5% Depreciation	(27,057,785)	(21,399,471)

2 FINANCIAL RISK MANAGEMENT (Continued)

A Market risk (Continued)

(iii) Interest rate risk

The Scheme's interest bearing assets are investments in treasury bonds, corporate bonds, commercial paper and fixed deposits. All of these instruments are at fixed interest rates.

The nature of financial instruments held, that is, fixed interest instruments mitigates risk exposure of the scheme. Fluctuations in interest rates will not have a significant effect on the scheme.

B Credit risk

Credit risk arises from cash and cash equivalents, fixed deposits, interest bearing investments, deposits with banks, and receivables. As part of the credit risk management system, the Investment Manager and the Trustees monitor and review information on significant investment. The Trustees have approved a larger portfolio investment with the Government of Kenya debt securities which have a low credit risk and no default record.

The amount that best represents the scheme's maximum exposure to credit risk at 31 December 2009 and 31December 2008 is made up as follows:

	2009 Sh	2008 Sh
Government securities	1,100,439,613	603,895,049
Short term deposits	30,208,494	111,670,784
Corporate bonds	114,633,252	33,173,670
Cash and bank balances	86,049,624	48,831,275
Due from Defined Benefits Scheme	102,805	-
	1,331,433,788	797,570,778

None of the above financial assets are past due or impaired.

C Liquidity risk

The scheme is required to make periodic payment in respect of pension payments when members retire from the scheme, and is therefore exposed to the risk of difficulty in raising funds to make such payments. It therefore invests a portion of its assets in investments that are readily convertible to cash. The investment managers monitor the scheme's liquidity on a regular basis and the Trustees review it on a quarterly basis.

The table below analyses the organization's financial liabilities that will be settled on a net basis as at the end of the reporting period. The amounts disclosed in the table below are the undiscounted cash flows. Balances due equal their carrying balances, as the impact of discounting is not significant.

Liabilities	2009 Sh	2008 Sh
Benefits payable	8,867,649	15,356,694
Other payables	6,070,713	3,538,813
	14,938,362	18,895,507

The scheme's liabilities are all payable within a year.

2 FINANCIAL RISK MANAGEMENT (Continued)

D Fair value of financial assets and liabilities

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
	Sh		Sh	Sh'000
31 December 2009				
Investment in quoted shares-at fair value through profit or loss	541,155,695	-	-	541,155,695
Treasury bonds -available for sale	1,100,439,613	-	-	1,100,439,613
	1,641,595,308	-	-	1,641,595,308
31 December 2008				
Investment in quoted shares-at fair value through profit or loss	427,989,418	-	-	427,989,418
Treasury bonds -available for sale	603,895,049	-	-	603,895,049
	1,031,884,467	-	-	1,031,884,467

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE SCHEME'S ACCOUNTING POLICIES

In the process of applying the scheme's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

Held -to-maturity investments

The scheme follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the bank evaluates its intention and ability to hold such investments to maturity.

3 **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE SCHEME'S ACCOUNTING POLICIES (Continued)**

If the scheme fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

Impairment losses on financial assets

At the end of each reporting period, the scheme reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

	2009 Sh	2008 Sh
4 CONTRIBUTIONS RECEIVABLE		
Employer	366,132,114	359,067,513
Employees	183,066,057	179,533,756
	549,198,171	538,601,269
5 BENEFITS EXPENSE		
Withdrawals	33,380,019	26,246,931
6 INVESTMENT INCOME		
Interest on short term deposits	7,210,233	9,261,831
Interest on treasury bonds – held for trading	140,666,476	64,126,243
Commercial paper discount – held for trading	-	449,666
Interest on corporate bonds – held for trading	17,388,078	1,695,568
Commission on treasury bonds	407,233	-
Loss on fair value of quoted shares (note13)	(27,563,066)	(73,934,799)
Gain on sale of quoted shares	1,074,862	-
Dividends	16,444,642	5,443,993
	155,628,458	7,042,502
7 INVESTMENT MANAGEMENT EXPENSES		
Investment managers fees	3,031,652	1,602,411
Custodial fees	1,749306	838,423
	4,780,958	2,440,834

		2009	2008
		Sh	Sh
8	**ADMINISTRATIVE EXPENSES**		
	Administrative Charges	4,289,600	4,250,348
	Trustees' sitting allowances	1,365,735	661,460
	Audit fees - current year	233,508	203,000
	Actuarial valuation fees	1,353,400	-
	Stationery	301,600	137,460
	Bank charges	114,168	109,250
	AGM expenses*	939,610	416,352
	Members education	510,460	122,250
	Training expenses	1,056,085	740,475
	RBA Levy	2,950,000	1,200,000
		13,111,166	7,840,595

*AGM expenses for 2009 includes an amount of Sh. 351,965 being an under provision in 2008.

		2009	2008
		Sh	Sh
9(a)	**TAXATION CHARGE**		
	Net investment income on unregistered portion of the fund	5,381,691	2,355,610
	Tax at 30%	1,614,507	706,683
	Add: withholding tax paid on investments	2,975,671	-
		4,590,178	706,683

Contributions received by the Scheme up to a limit of Sh 20,000 per employee per month are invested in a registered fund, which is exempt fromtaxation. The remainder of the contributions is invested in an unregistered fund whose investment income is taxed at the corporate tax rate of 30%. In 2008, investments income was recorded net of withholding tax.

		2009	2008
		Sh	Sh
9(b)	**MOVEMENT IN TAXATION**		
	Opening balance	706,683	-
	Charge for the year (Note 9(a))	4,590,178	706,683
	Withholding tax paid	(2,975,671)	-
		2,321,190	706,683
10	**GOVERNMENT SECURITIES**		
	Treasury Bonds-Available for sale	1,090,865,228	603,895,049
	Treasury Bills –Held to maturity	9,574,385	-
		1,100,439,613	603,895,049

The weighted average interest rate realised on the investment in treasury bonds during the year was 11.40% (2008 – 10.72 %) whereas the weighted average interest rate realised on the investment in treasury bills during the year was 8.21 % (2008-nil).

11 SHORT TERM DEPOSITS

	Maturity date	Interest rate	2009 Sh	2008 Sh
Housing Finance Company of Kenya Ltd	1 April 2010	10.30%	9,000,000	-
Housing Finance Company of Kenya Ltd	On call	9.25%	15,114,575	-
NIC Bank Ltd	On call	7.00%	6,000,000	-
Co-operative Bank of Kenya Ltd	On Call	8.25%	-	38,200,000
NIC Bank	13 Jan 2009	10.00%	-	42,800,000
NIC Bank	13 Jan 2009	10.50%	-	29,000,000
Add: accrued interest			93,919	1,670,784
			30,208,494	111,670,784

12 CORPORATE BONDS

HELD FOR TRADING:

At fair value:

	Maturity date	Interest rate	2009 Sh	2008 Sh
Barclays Bank of Kenya Ltd	13-Jul-15	11.50%	4,007,784	8,001,375
Barclays Bank of Kenya Ltd	19-Nov-14	8.55%	-	5,049,169
Sasini Tea and Coffee Ltd	3-Dec-12	11.75%	10,163,034	4,841,835
PTA Bank	31-Oct-14	8.91%	-	5,074,487
Mabati Rolling Mills Ltd	27-Oct-16	13.00%	-	5,116,071
Mabati Rolling Mills Ltd	27-Oct-16	10.19%	-	5,090,733
Barclays Bank of Kenya Ltd	19-Nov-14	7.89%	2,523,781	-
Barclays Bank of Kenya Ltd	14-Jul-15	11.50%	3,895,781	-
Barclays Bank of Kenya Ltd	19-Nov-14	8.55%	2,524,584	-
Kenya Elelctricity Generating Company Ltd	31-Oct-19	12.50%	60,614,675	-
Mabati Rolling Mills Ltd	27-Oct-16	10.19%	2,546,065	-
Mabati Rolling Mills Ltd	27-Oct-16	13.00%	5,116,802	-
Mabati Rolling Mills Ltd	27-Oct-16	10.22%	2,545,478	-
PTA Bank	31-Oct-14	8.81%	2,537,391	-
PTA Bank	31-Oct-14	9.47%	2,539,545	-
Standard Chartered Bank Ltd	27-Oct-14	12.25%	4,079,206	-
Shelter Afrique Ltd	31-Aug-12	11.00%	11,539,126	-
			114,633,252	33,173,670

13 EQUITY INVESTMENTS- at fair value.

Balance at 01.01.2009	Additions	Disposals 31.12.2009	Balance at	Company	As at 01.01.2009	Additions	Disposals	Gain/ (loss) on disposal	Net gain/(loss) on revaluation	As at 31.12.2009
-	275,100	-	275,100	Access Kenya Group Limited	-	5,665,656	-	-	(94,881)	5,570,775
100,000	51,900	-	151,900	Bamburi Cement Limited	16,500,000	7,282,041	-	-	(85,641)	23,696,400
695,000	200,000	-	895,000	Barclays Bank of Kenya Ltd	35,097,500	11,306,723	-	-	(6,129,223)	40,275,000
-	90,700	-	90,700	British American Tobacco Ltd	-	14,249,649	-	-	1,894,951	16,144,600
450,000	160,000	-	610,000	Centum Investments Limited	8,437,500	2,024,808	-	-	(3,583,808)	6,878,500
10,700,000	1,354,200	-	12,054,200	The Co-operative Bank of Kenya Ltd	113,420,000	13,257,109	-	-	(18,792,019)	107,885,090
60,000	30,000	-	90,000	Diamond Trust Bank Ltd	4,110,000	1,824,126	-	-	365,874	6,300,000
585,900	180,000	-	765,900	East African Breweries Ltd	84,369,600	25,844,345	-	-	841,555	111,055,500
60,000	-	-	60,000	East African cables Limited	1,575,000	-	-	-	(360,000)	1,215,000
10,000	-	5,000	5,000	East African Portland Cement Co. Ltd	795,000	-	(395,040)	(2,460)	2,500	400,000
39,000	600,000	-	999,000	Equity Bank Limited*	7,022,400	7,522,134	-	-	(208,884)	14,335,650
100,000	-	-	100,000	Kenya Airways Ltd	2,850,000	-	-	-	725,000	3,575,000
2,239,444	800,000	-	3,039,444	Kenya Commercial Bank Ltd	52,626,934	15,499,848	-	-	(5,818,180)	62,308,602
506,500	-	-	506,500	Kenya Electricity Generating Company Ltd	8,028,025	-	-	-	(1,494,175)	6,533,850
135,800	79,000	-	214,800	Kenya Oil Company Ltd	8,962,800	4,519,162	-	-	(2,741,962)	10,740,000
83,700	81,100	-	164,800	Kenya Power & Lighting Company Ltd	11,383,200	9,888,855	-	-	1,799,945	23,072,000
114,846	-	-	114,846	Kenya Reinsurance Corporation Ltd	1,464,299	-	-	-	(120,601)	1,343,698
157,500	75,000	-	240,000	NIC Bank Ltd	6,525,000	2,242,149	-	-	(1,267,149)	7,500,000
50,000	126,100	-	176,100	Nation Media Group Ltd	7,200,000	16,471,438	-	-	(2,891,638)	20,779,800
10,850,600	-	-1,000,000	9,850,600	Safaricom Ltd	39,062,160	-	(4,677,322)	1,077,322	9,358,070	44,820,230
116,000	50,000	-	166,000	Standard Chartered Bank Limited	18,560,000	7,128,800	-	-	1,037,200	26,726,000
27,055,190	4,153,100	(1,005,000)	30,569,890		427,989,418	144,726,843	(5,072,362)	1,074,862	(27,563,066)	541,155,695

* Increase in number of shares without a corresponding cost is as a result of a share split.

		2009	2008
		Sh	Sh
14	**BENEFITS PAYABLE**		
	Withdrawals payable	2,439,747	15,356,694
	Death claims payable	6,427,902	-
		8,867,649	15,356,694
15	**OTHER PAYABLES AND ACCRUALS**		
	Audit fees	233,508	203,000
	Administrative Charges	1,334,790	1,605,347
	Custodial fees	171,311	530,466
	RBA levy	2,950,000	1,200,000
	Management fees	1,381,104	-
		6,070,713	3,538,813
16	**CASH AND CASH EQUIVALENTS**		
	Bank balances	86,049,624	48,831,275
	Short term deposits	30,208,494	111,670,784
		116,258,118	160,502,059

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired; less advances from banks repayable within three months from the date of the advance.

		2009	2008
		Sh	Sh
17	**SCHEME BALANCE**		
	At 1 January	1,205,958,006	697,549,278
	Increase in net assets for the year	648,964,308	508,408,728
	Scheme balance at 31 December	1,854,922,314	1,205,958,006

18 RELATED PARTIES

The Scheme transacts with its sponsor, KPLC. Amounts due from KPLC as at the end of the reporting period represent contributions not remitted at year end and are disclosed on the face of the statement of net assets. Amounts due to KPLC represent expenses paid on behalf of the scheme by KPLC and recoverable from the scheme.

	2009 Sh	2008 Sh
Due from Defined Benefits Scheme	102,805	-
Due to Defined Benefits Fund	407,617	-

19 TAX STATUS

The scheme has been approved for registration by Kenya Revenue Authority on condition of registration by Retirement Benefits Authority (RBA). Registered pension schemes are tax exempt. However, income generated from contributions in excess of the Sh 20,000 per month per member statutory limit is subject to tax.

20 CONTINGENT LIABILITY

There were no contingent liabilities as at the end of the reporting period.

21 REGISTRATION

The Scheme has applied for registration from Retirement Benefits Authority and the same is under consideration.

22 CURRENCY

The financial statements are presented in Kenya Shillings (Sh).