CAPITAL
MARKETS AUTHORITY

Annual Report and Statement of Accounts

For the Year ended

June 30, 2009

VISION

To be a world-class regulator of a vibrant capital market.

MISION

To promote market confidence, investor protection and access to financial services within capital markets in Kenya and the region through effective regulation and innovation.

MOTTO

Promoting Capital Markets Integrity

"Kuimarisha uadilifu wa soko la mitaji"

CORE VALUES

- Integrity
- Transparency
- Responsiveness
- Collaboration and Teamwork
- Fairness
- Commitment
- Innovation and Continuous learning

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LETTER OF TRANSMITAL

The Honourable Deputy Prime Minister and Minister for Finance

Ministry of Finance,

The Treasury,

NAIROBI.

Dear Sir,

I have the honour to submit the Annual Report of Capital Markets Authority for the fiscal year ended June 30, 2009. The report has been prepared in accordance with the provisions and requirements of Section 36(3) of the Capital Markets Act, Cap 485A.

Yours faithfully,

Micah Cheserem,

CHAIRMAN.

CORPORATE INFORMATION

The Board members of the Authority are:

Micah Cheserem	-	Chairman
Joseph Kinyua	-	Permanent Secretary to the Treasury
Dr. Geoffrey Mwau	-	Alternate to the Permanent Secretary to the Treasury
Prof. Njuguna Ndung'u	-	Governor, Central Bank of Kenya
Rose Detho	-	Alternate to the Governor, Central Bank of Kenya
Hon. Amos Wako	-	Attorney General
James Waweru	-	Alternate to the Attorney General
Nafisa Abass		
Dr. Gituro Wainaina		
Priscilla Komora		
Meshack Onyango		
Hon. Jimmy Kitonga		
Mohammed Nyaoga		
Stella Kilonzo	-	Chief Executive

REGISTERED OFFICE
5 Floor, Reinsurance Plaza
Taifa Road
P.O. Box 74800 - 00200
Nairobi.
Tel: 2221910/2221869
E-mail Corporate@cma.or.ke
Website: www.cma.or.ke

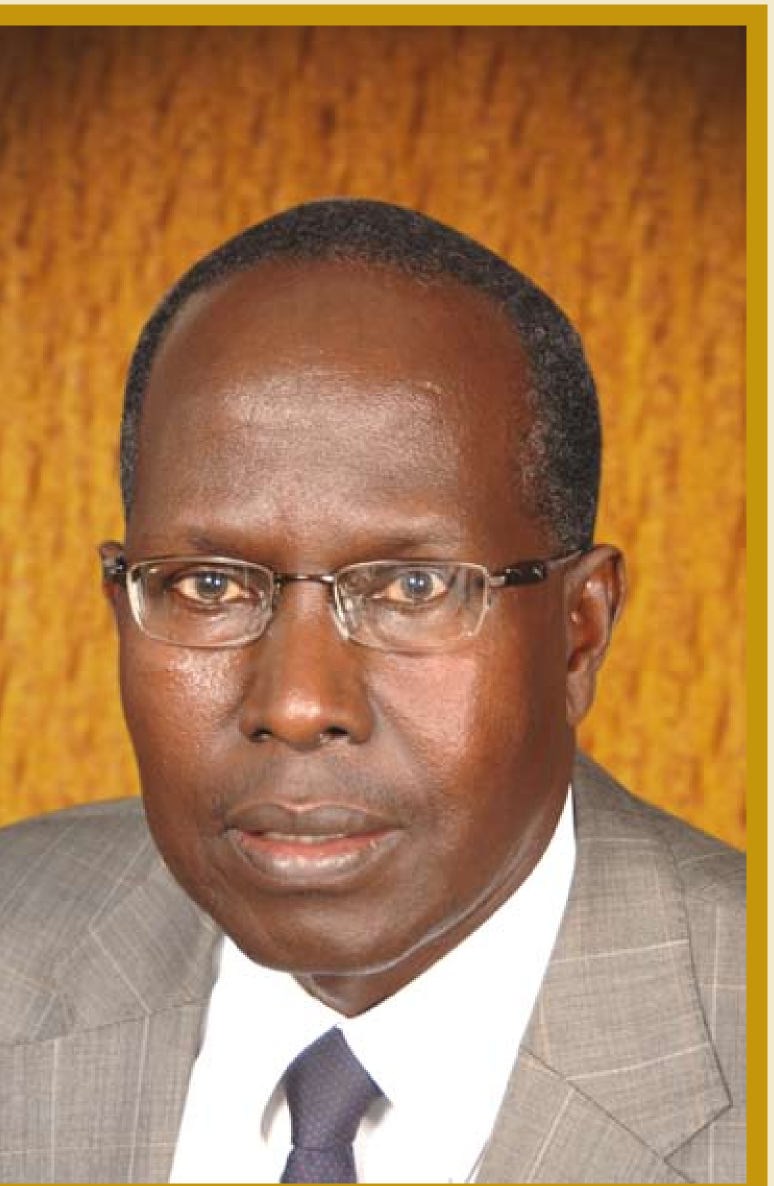
BANKERS
Commercial Bank of Africa Limited
Mama Ngina Street
P O Box 30437 – 00100
Nairobi

Savings and Loan Kenya Limited
Mama Ngina Street
P O Box 45129 - 00100
Nairobi

AUDITORS
Controller & Auditor General
P.O. Box 30084-00100
Nairobi.

ADVOCATES
Archer & Wilcock Advocates
Marakwet Close, Kilimani
P.O Box 10201-00400
Nairobi

Chairman's Statement



Micah Cheserem
CHAIRMAN

It is my great pleasure to present the Authority's Annual Report for the year ended 30 June 2009. This is my first report as Chairman since my appointment in February 2009.

THE MARKET REFORM AGENDA

The Board of Capital Markets Authority was reconstituted in the first quarter of 2009. The new Board is committed to guiding the strategic direction of the Authority with a view to positioning it to play a greater role in support of the Kenya Vision 2030 agenda. The Board guided the Authority in developing a new Strategic Plan 2009 – 2012 to address the market reforms and align it to the national development strategy as outlined in Kenya Vision 2030 and the Medium Term Plan 2008 -2012. The main role of the Authority towards achieving the vision includes: mobilizing savings for productive enterprise, facilitating the development of infrastructure and promoting access to financial services. In this regard, the Authority is expected to oversee the increase of:

- Stock market capitalization from 50% to 90% of GDP by 2012; and
- Bonds as a share of GDP from 16% to 30% by 2012.

To achieve its strategic objectives in line with the national development agenda, the Authority pursued the following market reforms:

i. Demutualization of the NSE

As part of the initiative to make the Nairobi Stock Exchange more effective, a steering committee was constituted in March 2009 to oversee demutualization of the Nairobi Stock Exchange. With the support of the Financial and Legal Sector Technical Assistance Project (FLSTAP) under the Ministry of Finance, the Steering committee engaged the services of a Consultant to guide in developing a road map for demutualization. Considerable progress has been made and the draft demutualization bill is ready for submission to parliament.

ii. Bond market reforms

To support development and deepening of the bond market, a Bond Market Steering Committee was established in April 2009, to oversee implementation of bond market reforms that would enhance liquidity and vibrancy of the bond market. This followed market studies conducted through technical assistance from International Finance Corporation under the Efficient Securities Market Institutional Development.

iii. Legal and regulatory framework

The Board took cognisance of the urgent need to enhance the regulatory framework to support capital market development. During the year under review, the following draft regulations were submitted to the Minister for Finance for consideration:

a. Corporate Governance regulations;
b. Conduct of Business for Market Intermediaries regulations; and
c. Real Estate Investment Trusts (REITS) regulations.

iv. Compensation of investors

To restore market confidence, the Authority for the first time utilized the Investor Compensation Fund to compensate investors who had lost their funds through the collapsed Nyaga Stock Brokers under statutory management. As at end of 2009, investors who had filed claims of Kshs 50,000 and below were fully compensated. The Authority will be seeking other ways to enhance the ICF kitty with a view to ensuring that all investors are compensated.

v. Strengthening Investigation and enforcement mechanisms

The Authority established a Capital Markets Fraud Investigation Unit (CMFIU). The CMFIU is charged with investigating all cases related to fraud including identity theft, conversion of funds and employees' pilferage, with a view to prosecuting the same. The Unit is expected to proactively manage risk of fraud through prevention, detection and response. The Unit has so far taken over a number of fraud cases some of which have been taken to court, while others have been resolved satisfactorily.

vi. Financial Sector Regulators MOU

The Authority signed a joint MOU with the Central Bank of Kenya, Retirement Benefits Authority and the Insurance Regulatory Authority. The MOU is expected to enhance cooperation amongst the financial sector regulators in Kenya particularly on information sharing and regulatory issues. We at the Authority hold the view that the capital markets can only benefit from the synergy that precipitates from wide consultation and collaboration on matters of mutual interest among stakeholders.

BUILDING STRATEGIC ALLIANCES

At the regional front, the Authority continues to play a crucial role to facilitate faster integration of the capital markets within the framework of the East African Community through the East African Members States Securities Regulatory Authorities (EASRA) and Capital Markets, Insurance and Pensions Committees. A lot of progress has been made towards harmonizing the policy and legal framework to enable investors operate freely within the East African capital markets.

At the international scene, I am happy to report that the Authority was admitted as the 52nd full signatory of the International Organization of Securities Commissions (IOSCO) Multilateral Memorandum of Understanding (MMOU). This was in recognition of our commitment to compliance with cooperation and enforcement requirements amongst international securities regulators. The Authority is now a full signatory of the IOSCO concerning Consultation, Cooperation and the Exchange of Information. For a regulatory body to qualify to sign the IOSCO MMOU, it must have demonstrated capacity, legally and practically, to meet specific MMOU provisions for mutual assistance and the exchange of information in order to successfully enforce securities laws.

In view of the emerging trends towards globalization coupled with corporate governance and regulatory challenges, it is imperative that the Authority continues to cooperate with other regulatory authorities in the development and implementation of new regulatory standards to meet the growing challenges. We will continue to play an active role both in the regional and international arena. With Kenya assuming an increasingly prominent role as a regional financial hub, we must be more engaged in capital market development as the engine for economic growth and ensure that robust mutual arrangements and cooperation are promoted to assist in our efforts in advancing market development.

WAY FORWARD

A market economy like ours needs capital markets to foster growth by facilitating private enterprises and government to issue securities and raise funds for investment. It should provide secondary market liquidity necessary for capital turnover, and price discovery mechanisms to ensure that capital is priced realistically and efficiently. We must therefore position ourselves to take advantage of the opportunities that the market presents. I believe that the years ahead call for much more work and cooperative effort. At the Authority, we will strive to strengthen the regulatory and market supervision functions to ensure investors' funds are protected.

I wish on behalf of the board to acknowledge our appreciation for the continued support by the government in the development of the capital markets in Kenya. In addition, all the work we have done over the last year depends both on clear direction from the Board and wholehearted effort by the management team. I am grateful to both. I am confident that with everyone's continued support and teamwork the capital markets in Kenya stand at the threshold of an exciting and more prosperous time in the years ahead.

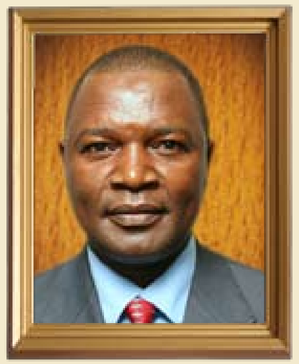
Micah Cheserem
Chairman

BOARD MEMBERS OF THE AUTHORITY

Mr. Micah Cheserem
Chairman

Ms. Stella Kilonzo
Chief Executive

Mr. Joseph Kinyua
P.S. Treasury



Prof. Njuguna Ndungu
Governor, Central Bank

Hon. Amos Wako
Attorney General

Dr. Wainaina Gituro
Member

Dr. Geoffrey Mwau
Alt. to P.S. Treasury

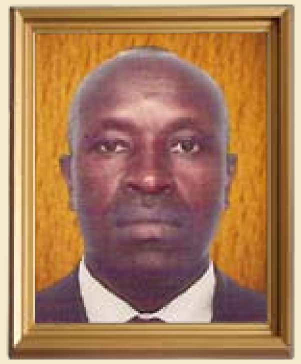
Ms. Rose Detho
Alt. to Governor

Mr. James Waweru
Alt. to Attorney General

Ms. Priscilla Komora
Member

Ms. Nafisa Abbas
Member

Mr. Meshack Onyango
Member



Mr. Mohammed Nyaoga
Member

Hon. Jimmy Kitonga
Member

Chief Executive's Statement

Stella Kilonzo
CHIEF EXECUTIVE

STOCK MARKET PERFORMANCE

There was significant activity in the debt market with the issue of the First Infrastructure Bond in February 2009, which was oversubscribed by 45%, raising Kshs 18.5 billion. A total of 11 Treasury bonds were issued, 73% being of 5 year tenor and above. During the year, four 10-year and one 20-year bond were successfully introduced to the market.

On the flip side, there was a distinct slow down in the primary equities markets for the period ending June 2009, with only one Initial Public Offering (IPO) and a delisting.

The Cooperative Bank IPO performed reasonably well against the background of the Global Financial crisis which resulted in a massive net foreign equity outflow of nearly Kshs 6 billion from the NSE. With prices in our stock market at a six year low, fund managers still invested, ensuring that the bank was able to raise Kshs 5.4 billion from the capital markets. This was by no means an easy feat and I congratulate the bank for this brave measure. This achievement will definitely have a demonstration effect, and I want to challenge other firms to learn from it.

Similarly, private companies raised over Kshs 11 billion through five rights issues and in the process introduced over 400 million shares into the secondary market, further demonstrating the NSE's immense absorptive capacity. A total of 5.9 billion shares were cross listed by Kenyan companies in Uganda and Rwanda.

The global poor performance in stock market activity was evident in the domestic market as there was a general decline in most of the basic performance measurement indicators at the Nairobi Stock Exchange (NSE). Market capitalization and the NSE 20-Shares Index recorded corresponding declines of 33% and 36% respectively. Despite the external shocks, the local market demonstrated resilience as the market improved and had shown signs of stability as at the end of the financial year.

OPERATIONAL EFFICIENCY

A number of initiatives were undertaken to overhaul the Authority's business processes and improve operational efficiency. The Authority implemented several activities aimed at ISO certification. In this regard, the authority trained all its staff members on the requirements of ISO certification, including a number of ISO certified Internal Quality Auditors to aid in the achievement of this goal. Subsequently, the Authority attained ISO Certification and will strive to maintain the high standards.

A study on electronic document management technologies and business processes automation models was undertaken. The core objective of the study was to develop a conceptual framework for electronic document management system at CMA and to recommend implementation guidelines and standards. Business and technical requirements for electronic document management were developed based on site visits to all the Authority's departments. The Authority's business processes are expected to be fully automated during the coming year.

CAPACITY BUILDING

The Authority continued to place great emphasis in developing the core competencies and technical skills of its employees. The Authority recognizes that dedicated and motivated staff is key to successful attainment of its mandate and therefore continued enhancing staff programmes and schemes. During the year members of staff attended different local courses on Corporate Governance, Policy and Legislative Drafting, Financial Reporting for Banks and Financial Institutions, Training for Mutual Evaluation Assessors to Conduct Anti-money Laundering and Combating the Financing of Terrorism among others. All staff members undertook courses on Values, Performance management system, and ISO awareness. 5 officers further attended the following foreign courses:

- Emerging Markets Programme – Kuala Lumpur, Malaysia
- IOSCO Training Programme – Madrid, Spain
- Securities Program Training – Toronto, Canada

The Authority was also privileged to have one of its officers secure an opportunity to work with IOSCO on a one year secondment program.

Detailed below is a summary of courses attended during the year:

Name of the Course	Time	Venue
Corporate Governance Workshop, by Centre for Corporate Governance	July 20-25, 08	Nairobi Kenya
Emerging Markets Programme, Malaysia	October 18-24, 2008	Kuala Lumpur, Malaysia
Policy and Legislative Drafting Seminar	October 27 – 31,2008	Nairobi Kenya
Values Workshop by KHI International	November 1, 2009	Nairobi, Kenya
ASEA Conference	November 9-11, 2008	Nairobi, Kenya
IOSCO Seminar Training Programme by IOSCO	November 18 – 21, 2008	Madrid, Spain
Toronto Banking Programme by Toronto Training Centre	Nov 24-28, 209	Pretoria, South Africa
Financial Reporting for Banks and Financial Institution	February 12-13, 2009	Nairobi, Kenya
ISO 9001:2008 Internal Auditors Training, by Millennium Management Consultants	April 29-30, 2009	Nairobi, Kenya
World Bank ESAAMLG Training for Mutual Evaluation Assessors to Conduct Anti-money Laundering and Combating the Financing of Terrorism	April 20 -25, 2009	Mombasa, Kenya
ISO Awareness training	June 6, 2009	Nairobi, Kenya
Securities Industry Training Program organized by the Nairobi Stock Exchange	June 8-12, 2009	Nairobi, Kenya
Securities Program Training	June 21 – 26,2009	Toronto, Canada
African Regional Conference of the International Association of the Depositors Insurers	July 8-10, 2009	Mombasa

HUMAN CAPITAL

The Authority had 45 vacant positions at the beginning of the year following revision of the organizational structure that increased the staff establishment form 46 to 89 members. 26 of the vacant positions were filled during the year. Consequently, the total number of staff rose from 41 in June 2008 to 60 in June 2009. The Authority had 3 secondments from Central Bank of Kenya and 10 secondments from the Police Department.

LOOKING AHEAD

The market has given strong indications that it is on its way to recovery. The market growth momentum achieved over the last five years is still expected to continue against the background of enhanced policy and fiscal incentives and modernized trading infrastructure. The Authority has been undertaking key reforms in the sector and it is expected that the reforms will increase investor confidence in the market.
The signs of economic recovery will go a long way in encouraging the private sector to seek long term capital to meet the increasing demand for their goods and services.

Stella Kilonzo

Stella Kilonzo
CHIEF EXECUTIVE

SENIOR MANAGEMENT

Ms. Stella Kilonzo
Chief Executive

Mr. Sammy Mulang'a
Manager, Research
Policy Analysis & Planning,

Mr. Wycliffe Shamiah
Manager, Market Supervision

Ms. Rose Lumumba
Manager, Legal Affairs

Mr. Samuel Njoroge
Manager, Corporate Communications and Market Development

Mr. Richard Chirchir
Manager, ICT

Mr. Michael Mechumo
Manager, Human Resources & Administration

Mr. James Katule
Manager Finance

CORPORATE GOVERNANCE REPORT

The Board of the Authority (the Board) is responsible and accountable to the Government of Kenya, through the Ministry of Finance, for ensuring that the Authority complies with the law and the highest standards of corporate governance.

- There are eleven members of the Board all of whom, save for the Chief Executive, are non-executive directors.
- The directors possess a broad range of skills and competencies, including legal, finance, banking, economics and management.
- During the period under review, the Board met eleven times.

COMPOSITION OF THE BOARD

During the period of review, the Board was composed as follows:

1. Micah Cheserem (Chairman)

Mr. Micah Cheserem is an accountant by profession, having qualified as a Fellow of the Association of Certified Accountants of London in 1974. He is a former governor of the Central Bank of Kenya. Mr. Cheserem has held a number of posts in various private sector companies including British American Tobacco, Lonrho and Unilever. He is also Chairman of Equator Flowers Kenya Ltd, a company of which he is a shareholder.

2. Joseph Kinyua (PS, Treasury)

Mr. Kinyua holds Bachelors & Masters Degrees in Economics, and has wide experience in financial and public sector management, having worked with the University of Nairobi, the International Monetary Fund and the Central Bank of Kenya.

3. Alternate: Dr.Geoffrey Mwau (Economic Secretary at Treasury)

Dr. Mwau graduated from McGill University in Canada with a PhD in economics in 1994. Over the last five years, he worked as a Senior Advisor to the Executive Director representing Kenya and 21 other African countries at the Executive Board of World Bank. Prior to joining the World Bank, he was a Senior Regional Advisor on Economic Policy Analysis with the United Nations Economic Commission for Africa. Previously, Dr. Mwau also worked for the International Monetary Fund (IMF) as an economist for Rwanda, Malawi, Botswana, and Uganda.

4. Hon.Amos Wako (Attorney General)

Hon. Wako holds a Master of Law degree from the University of London, with specialization in Comparative Constitutional Law, International Economic Law and the Law of Treaties. He is a Fellow of the Chartered Institute of Arbitrators (London) and the International Academy of Trial Lawyers (U.S.A). He has worked with the United Nations, and other Regional and International Non-Governmental Organisations. The Attorney General is the principal legal advisor to the Government of Kenya.

5. Alternate: James Waweru

Mr. Waweru is a Principal State Counsel and Personal Assistant to the Attorney General .He has a Master of Laws (LL.M) in International Economic Law from the University of Warwick. He is an Advocate of the High Court of Kenya, a member of the Institute of Certified Public Secretaries of Kenya and of the Warwick Graduates Association.

6. Prof. Njuguna S. Ndung'u (Governor of Central Bank of Kenya)

An Economist by profession, Prof. Ndung'u holds a PhD in Economics from the University of Gothenburg, Sweden, and Masters and Bachelors degrees in Economics from the University of Nairobi. He is an Associate Professor of Economics at the University of Nairobi, and has worked in various capacities with the International Development Research Centre (IDRC) Canada, and the Kenya Institute of Public Policy Research and Analysis (KIPPRA), among other institutions.

7. Alternate: Rose Detho

Ms. Rose Detho holds an MBA and B Comm. from the University of Nairobi. Currently, Ms. Detho is the Director of the Deposit Protection Fund Board, having joined Central Bank of Kenya in 1988. Prior to her appointment, she was Director, Bank Supervision Department. Since joining the Bank, Ms. Detho has worked as a Bank Examiner and Financial Analyst in Bank Supervision Department. She has served on several occasions as Statutory Manager, appointed by the Bank, to manage financially distressed institutions. She was also seconded to Deposit Protection Fund Board in her capacity as Liquidation Agent of a number of failed institutions.

8. Hon. Jimmy Muthusi Kitonga

Hon. Kitonga is an advocate of the High Court of Kenya and Senior Partner in the law firm of Muthusi Kitonga & Company, Advocates.

9. Meshack Onyango

Mr. Onyango is a financial sector operations and banking expert with thirty years experience working with the Central Bank of Kenya. He holds a Masters of Science in International Banking and Finance and a Bachelor of Commerce in Accounting.

10. Nafisa Abass

Ms. Abass holds a Bachelor of Business Administration degree from the American University in Cairo, and an MBA from USIU Nairobi. She has diverse experience in the business sector where she holds directorship roles, and has some non-executive responsibilities in non-profit organizations.

11. Dr. Gituro Wainaina

Dr. Wainaina is a consulting economist and educator, he holds a PhD in Agricultural Economics, an MBA and Bachelor of Education degrees. He has extensive working experience with the World Bank, CARE International and the Education Ministries in Kenya, Malawi and Rwanda.

12. Priscilla Komora

Ms. Komora was the Controller and Auditor General at the Kenya National Audit Office from July 2006 to January 2009. Prior to her appointment, Mrs Komora who holds a Bachelor of Arts degree had served as Deputy Auditor-General since 1996.

13. Mohammed Nyaoga

Mr. Nyaoga holds an LLB and LLM degrees from the University of Nairobi and Diploma in Law from the Kenya School of Law. He is a Certified Public Secretary (CPS); a Certified Company Director and a member of the London Institute of Directors. Mr. Nyaoga was called to the Bar in 1985 and specializes in corporate finance, civil and commercial litigation. He is also a recognized authority on bank securities.

14. Stella Kilonzo (Chief Executive)

Ms. Kilonzo holds an MBA (Corporate Finance) from Loyola University of Chicago, a CPA, and a First Class Honors B.Com graduate from the Catholic University of Eastern Africa. She has broad experience in corporate finance and in securities market regulation from Financial Industry Regulatory Authority (FINRA), USA.

As the Chief Executive, Ms. Kilonzo represents the Authority at the National Economic and Social Council of Kenya (NESC), the Boards of Insurance Regulatory Authority (IRA) and Retirement Benefits Authority (RBA) and Kenya Vision 2030 Board. She is currently the Chairperson of the East Africa Securities Regulatory Authorities (EASRA), a forum for East African capital markets regulators.

STATEMENT OF THE BOARD MEMBERS' RESPONSIBILITIES

The principal responsibility of the Board is that of oversight and policy guidance. In performing these roles, the Board establishes the long-term goals of the Authority and ensures that effective plans are developed and implemented. This entails:

- Reviewing the values, vision and mission and developing strategy;
- Putting in place management structures [organization, systems and people] to achieve those objectives;
- Setting targets and monitoring performance;
- Guiding the implementation of strategic decisions and actions and advising management as appropriate;
- The review and adoption of annual budgets for the financial performance of the Authority and monitoring the Authority's performance and results;
- Management of risk, overseeing the implementation of adequate control systems and relevant compliance with the law, governance, accounting and auditing standards; and
- Ensuring disclosure of information to stakeholders.

Board Committees

Subject to fundamental, strategic and policy matters reserved for its decision, pursuant to Section 14 of the Capital Markets Act, the Board delegates authority to a number of committees which operate within defined terms of reference. Other committees are formed on an ad-hoc basis. During the period under review, the Board had constituted the following committees:

The Finance and Planning Committee

This committee consists of five members, all of whom are non-executive members of the Board. The committee was chaired by Mr. Meshack Onyango. It effectively performed the oversight role on all financial issues including procurement. The committee met five times during the period.

The Audit, Corporate Governance and Risk Management Committee

This committee consists of six members, all of whom are non-executive members of the Board. The committee was chaired by Ms. Priscilla Komora.

The Committee oversees financial reporting; all audit matters; consideration of the appointment of external auditors and the maintenance of professional relationship with them; and for reviewing the accounting principles, policies and practices adopted in the preparation of public financial information, and review of the Authority's risk management and internal control procedures. The Committee ensured that the Authority's governance structures and practices are as per international best practice. The committee met three times during the period.

The Human Resource and Communications Committee

This committee consists of five members, all of whom are non-executive members of the Board. During the year under review, the committee was chaired by Ms. Nafisa Abass. It is responsible for the human resource matters including recruitment. The committee provided advice on the appropriate communication strategies both internally and externally. The committee met ten times during the year.

Technical and Policy Committee

The committee consists of six members all of whom are non-executive members of the Authority. The committee was chaired by Dr. Gituro Wainaina. It is responsible for considering technical and policy matters of the Authority's operations, including licensing and approval applications. The Committee met eighteen times during the year.

Supply of Information

Board members have unlimited access to management pursuant to the Authority's Board Charter provisions. They are provided with all the information needed to carry out their duties and responsibilities fully and effectively. In addition, directors are entitled where necessary to seek independent professional advice concerning the affairs of the Authority.

Accountability and Audit

Board members presented a balanced and understandable assessment of the Authority's financial position and prospects. The Authority continued to release its various reports and statements as required by various stakeholders.

Risk Management and Internal Controls

The Board continued to monitor the operational and financial aspects of the Authority's activities through the Audit Committee, the advice of external auditors and with recommendation from other technical advisors, considered appropriate actions relevant to any operational and financial risk that the Authority may face.

In addition, the Board approved various internal control procedures and continues to investigate ways of further enhancing existing risk management strategies and procedures.

Compliance with the Law

The Board jointly and as individual members are satisfied that the Authority has to the best of their knowledge complied with all applicable laws.

To the knowledge of the Board, no Board members or employee has acted or committed any offence or indulged in any unethical behaviour in the conduct of the lawfully authorized business of the Authority.

OPERATING ENVIRONMENT

World Economic Situation

The global economy remained deeply affected by the most severe financial and economic crisis since the Second World War at the beginning of the Financial Year. With its increasing impact, both in scope and depth worldwide, the crisis posed a significant threat to the world economic and social development, including the fulfilment of the Millennium Development Goals and other internationally agreed development objectives.

The global financial crisis and the accompanying world recession disrupted the nearly three-decade-long growth of global capital markets. The size of world financial assets (including equities, private and public debt, and bank deposits) nearly quadrupled between 1980 and 2007. The assets however fell by $16 trillion to $178 trillion between 2007 and 2008.

The effects of the global financial crisis had not played out as at the end of the financial year. What was clear however was that the global financial scenery changed in several aspects, the most notable being:

i) Falling value of equities and real estate's accounted for practically all the decline in the global financial assets. The world's equities declined by US$ 28.8 trillion.

ii) Financial globalization reversed, with cross-border capital flows falling by over 80%.

iii) Mature financial markets in America and Europe experienced slower growth. Private debt and equity grew more slowly as households and businesses reduced their debt burdens and as corporate earnings fell back to long-term trends.

iv) In contrast, analysts argued that the global financial crisis was no more than a temporary interruption in financial market development in emerging markets, because the underlying sources of growth remained strong.

Financial indicators towards the end of the year pointed towards a stronger than expected recovery for most of the world's major economies.

Domestic Environment

On the domestic front, economic growth in 2008 slowed down to 1.7% compared with 7% in 2007, largely as a result of soaring fuel and commodity prices for most part of the year, as well the effects of the global financial crisis experienced during the final quarter of 2008.

Besides the credit crunch, the oil price shocks of 2008 put an upward pressure on inflation. Diaspora Remittances fell rapidly as many of those workers lost jobs or sought to shore up their own livelihoods. Sales by the floriculture sector also fell sharply as European buyers cut down on luxury spending.

DEVELOPMENTS IN THE CAPITAL MARKET POLICY AND OPERATING FRAMEWORK

Review of Policy Framework

The Authority presented policy proposals to the Government that were focused at strengthening the policy framework for the capital markets products and services. The proposals presented during the year were in the following broad categories:

i. Encouraging issuance and listing of securities;
ii. Increasing investor participation;
iii. Facilitating introduction of new products and services; and

iv. Removing impediments to capital markets development.

The following proposals were adopted:

A. Restoration of Market Confidence

1. The penal code was amended to outlaw the operations of pyramid schemes including non-genuine multi-level marketing operations. In view of the low level of financial literacy in the country, adverse effects due to malpractice in any section of the financial sector has a negative effect on to the rest of the financial sector.

2. The Capital Markets Regulations were amended to increase the share capital for stockbrokers and investment Banks from Kshs.5 million and Kshs.30 million to Kshs.50 million and Kshs. 250 million. The proposal is likely to increase investor confidence and general market stability. It is noteworthy that high level capitalization is associated with high technical capacity and efficiency, leading to improved quality of services.

3. The Capital Markets Regulations were amended to require entities under the Capital Markets that collect money from the public to secure professional indemnity insurance to cover losses that may arise from their default or negligence to ensure investors are adequately protected. This intervention will ensure investor protection against negligence or malpractice amongst market intermediaries.

4. Stock brokers and investment banks were required to publish half yearly financial statements. The proposal will enhance transparency among the intermediaries and hence improve the capital market confidence.

5. Capital markets agents have been restricted to one stock broker. This is an initiative that will enhance governance structures among the agents. It will be easier for the Authority to trace agents who may be implicated in any sort of malpractice.

6. The Minister further enhanced the powers of the Capital Markets Authority by proposing the following measures:

i. The intermediaries to change auditors after every 4 years upon vetting and approval by the Authority. The Auditors are required to report to the Authority any lack of controls and suspected fraudulent activities;

ii. The Authority to approve opening of new branches;

iii. Licensees to prepare and file monthly returns to the Authority of their trading activities, and where they have enlisted the use of agents, annual returns of all such agents and their performance; and

iv. Vet the change of shareholders and management staff of its licensees.

B. Attracting Investment into the Capital Markets

In an attempt to create a level playing ground, the Government proposed to list and exempt financial services from Value Added Tax (VAT), irrespective of the institution offering them. The policy is expected to benefit the capital market intermediaries. It is envisaged that the benefits from exemption will be passed to capital markets investors by way of reduced cost of services.

C. Supporting Infrastructural Development

The Government proposed to reduce withholding tax from 15% on interest arising from long term bonds of 10 years maturity and above to 10%, and to grant capital deduction to any person entering into a concessioning arrangement with the Government. The policy proposal has the potential of deepening the debt market in the country. The incentive is likely to attract investors into financing infrastructure development.

D. Measures to Encourage new Listing

The Government reduced the listing fee by 50%, that is, from 0.3% to 0.15% for new public offers of equity. The policy decision is expected to lower the cost of equity financing thus attracting more listings, hence increasing market vibrancy.

3.0 MARKET PERFORMANCE

Equity

Activity in the primary equity market slowed down in the first half of the 2008/2009 Financial Year with one Initial Public Offer (IPO) approved and one delisting. There were no new issues during the second half of the year.

The Cooperative Bank of Kenya offer received more than 67,000 applications for a total of 701 million shares, raising close to Kshs 5.4 billion in additional capital for the bank. The IPO which opened on October 23 and ended on November 14 achieved an 81% subscription rate, which was 1.3 billion shillings less than the targeted amount of 6.7 billion shillings.

Other Developments

a. Delisting of Unilever Tea Kenya Ltd

The delisting of Unilever Tea Kenya Limited (UTKL) occurred after its shareholders passed a special resolution to de-list the company from the Nairobi Stock Exchange. This delisting followed the success of the offer by Unilever Plc through its subsidiary Brooke Bond Group Ltd, to acquire 11.8% shares held by minority shareholders in the tea company. Minority shareholders holding 4,602,329 shares representing 80% of the 5.75 million shares accepted the offer resulting to Brooke Bond holding 97.7% or 47,727,329 shares in Unilever Tea.

b. Cross Listings

Equity Bank Limited cross-listed 3.7 billion shares at the Uganda Securities Exchange (USE) in June 2009. The bank started operating in Uganda following the acquisition of Uganda Micro Finance Limited (UML) in June 2008 through a share swap, effectively transforming UML from a microfinance institution fully fledged commercial bank.

Kenya Commercial Bank (KCB) on the other hand cross-listed 2.2 billion ordinary shares, with a par value of Kshs 1.00 on the Rwanda Over the Counter (OTC) market in June 2009. This resulted in KCB being the first Kenyan company to list in Rwanda as well as all the four countries in the East African region.

Debt instruments

a. Treasury bonds

During this period a 20-year Treasury bond was issued, raising Kshs 13 billion, while the first ever Infrastructure Bond was issued in February 2009, raising a further Kshs 18.5 billion for infrastructure financing. In total, 11 bonds were issued, raising Kshs 79.8 billion compared to 14 bonds issued the previous year which raised Kshs 76 billion. Average bond yields varied from 8.3% to 14.3% on the 20 year fixed rate bond.

The average subscription rate for Government bonds this year was 119% compared to 99% for the corresponding period in 2008. The higher subscription rate was mainly attributed to the bear run prevailing in the equity market resulting in increased investor preference for fixed income securities.

The Government sustained the implementation of its policy of issuing longer dated paper and introduced a bond re-opening programme to stabilize the bond issuance process. All the reopened bonds, which are also bench-mark bonds, were oversubscribed.

Treasury bond Issues by tenure: 2005 - 2009

	2005		2006		2007		2008		2009	
Tenure	No of Issues	Value (Kshs bn)	No of Issues	Value (Kshs bn)	No of Issues	Value (Kshs bn)	No of Issues	Value (Kshs bn)	No of Issues	Value (Kshs bn)
I year	8	26.97	_	_	2	8.08	1	3	2	10
11/2 years	_		_	_						
2 years	3	12.33	4	18.96	3	11.68	3	16	1	6
3 years	3	10.81	2	12.80	2	6.87				
4 years	1	3.63	3	9.55	1	3.38				
5 years	1	6.09	2	7.91	2	5.39	4	24.09	2	15
6 years	1	4.74	2	14.00	2	11.70				
7 years	1	3.88	1	3.18	1	2.26	1	8		
8 years	_		1	3.20	1	2.62				
9 years	_		1	2.95						
10 year	_		1	5.09			2	14.27	4	36
11 year					1	3.91				
12 year					2	8.82			1	18.5
15 year					2	11.07	2	14.4		
20 year							1	7.5	1	13
Total	18	68.45	17	77.64	19	75.78	14	87.26	11	98.5

Source: CBK

b. Corporate Bonds

The year 2009 witnessed improved activity in the corporate bond market. Three corporate bonds were approved amounting to Kshs 9 billion.

Approved Corporate Bonds as at June 30, 2009

Issuer	Approved Amount (Kshs mn)	Issued Amount (Ksh mn)	Date of approval	Maturity	OutOutstanding (KSHS mn)	Yield (%)
East African Development Bank	1,500	1,500	Jun-2004	July-2011	480	7.5%
Faulu (K) Limited	500	500	Feb-2005	Apr-2010	250	0.5 % above the most recent T-B yield.
PTA Bank (2005)	1,600	1,600	July-2005	July-2012	480	1% above the average weighted 91-day T–bill yield.
Athi River Mining	800	800	Oct-2005	Oct 2010	640	1.75% per annum above the average weighted 91-day T–bill yield.
PTA Bank (2007)	1,000	1,000	Sep -2007	April-2014	1,000	1% above the most recent average 182-day T-bill rate.
Sasini Tea	600	600	Nov-2007	Mar-2012	600	11.75%
Barclays Bank K Ltd (1st Tranche)	1,000	1,000	Nov-2007	Nov-2014	1,000	0.6% above the most recent average 182 day T-bill rate.
Barclays Bank (2nd Tranche)	2,000	2,000	July-2008	July-2015	2,000	1% above the most recent T-B rate
Mabati Rolling Mills	2,000	2,000	Sep-2008	Sep-2016	1,000	182 Day T-Bill rate + 175 bps re-priced semi-annually
CFC Stanbic	5,000	2,500	June 2009	June 2016	2,500	FXD: 12.5% FR: +1.75% above prevailing 182-day T-Bill rates
Total	16,500	14,000			9,950	

Source: CMA

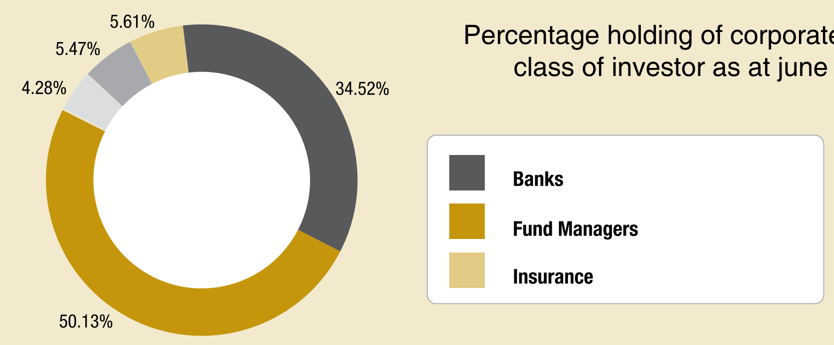
Holding of corporate bonds by class of investors as at June 2009

Issuer	Banks	Insurance companies	Fund Managers	Individuals	Investment Companies
Sasini Tea	49.98	0.00	550.02	0.00	0.00
Barclays Bank					
(1st Tranche)	45.00	25.00	873.00	7.00	50.00
East African Development Bank	174.00	84.62	0.00	0.00	221.42
Faulu (Kenya)	80.00	51.20	58.40	28.00	32.40
PTA Bank (2005)	216.62	11.42	249.02	0.00	3.02
PTA Bank (2007)	168.00	40.00	792.00	0.00	0.00
Athi River Mining	124.80	70.40	444.80	0.00	0.00
BBK (2nd Tranche)	957.60	114.60	579.7	268.10	80.00
Mabati Rolling Mills	625.70	15.00	347.00	1.30	11.00
Total (Mn)	2,441.7	412.24	3893.94	304.4	397.89

Source: CMA

Fund managers and commercial banks continued to dominate investments in corporate debt accounting for 85 % of the total portfolio, albeit despite a 3 % decline from the previous quarter, the bulk of which was taken up by retail investors and investment companies.

Percentage holding of corporate bond by class of investor as at june 2009



Source: CMA

c. Commercial paper programme

The short term debt market continued to perform well with three new Commercial Paper (CP) issues and four renewals raising Kshs 3 billion, compared to 2 new issues and five renewals that raised Kshs 3 billion during the previous financial year. In addition, three CP programes were retired during the period under review. The outstanding value of commercial papers at the end of financial year 2009 was Kshs 2 billion in comparison with Kshs 2.5 billion the previous year.

CPs remain a popular alternative of raising funds to finance company's working capital needs and more activity is expected in the coming year, subject to interest rates remaining fairly low and stable.

Commercial Paper Approvals FY 2008/2009

	Issuer	Amount (Kshs mn)	Date of approval	Expiry date	Status of programme	Outstanding (Kshs mn)	Average Yield (%)
1	Kenya Oil Company Ltd	1,500	01-05-07	30-04-10	5th Renewal	903.00	8.82
2	Kenya Hotel Properties	550	13-03-07	13-03-10	1st Renewal	550.00	8.41
3	Ecta (Kenya)	70	14-02-07	14-02-10	3rd Renewal	59.01	8.43
4	Cooper Kenya Limited	140	26-03-09	27-03-10	1st Issue	140.00	8.22
5	CMC Holdings	250	08-03-09	08-03-10	1st Issue	212.074	8.19
6	Synergy Industrial	100	07-08-07	04-08-10	3rd Renewal	5.00	7.91
7	Crown Berger	300	13-08-08	11-08-09	First Issue	262.90	
	TOTAL	2,910				2,131.98	

Source: CMA

1. SECONDARY MARKET

1.1. Secondary Equity Market

YEAR	MONTH	EQUITY TURNOVER (KSHS BN)	SHARE VOLUME (MN)	NSE 20 SHARE INDEX	MARKET CAPITALIZATION (KSHS BN)	BOND TURNOVER (KSHS BN)
2008	July	14.28	983.75	4868.0	1122.2	2.40
	August	7.49	490.81	4649.0	1102.0	18.49
	September	6.79	485.28	4180.4	972.3	22.61
	October	3.64	393.53	3386.7	765.0	4.34
	November	3.72	290.95	3341.5	791.4	6.32
	December	4.62	170.90	3521.2	853.7	7.47
2009	January	2.62	177.55	3198.9	777.5	12.46
	February	1.65	159.64	2474.8	611.5	12.55
	March	2.41	207.39	2805.0	688.7	18.52
	April	2.55	215.56	2800.1	683.0	1.37
	May	3.09	308	2852.6	693.4	22.31
	June	4.13	377.56	3294.6	821.8	21.60
TOTAL		56.99	4260.92	3294.6	821.8	150.44
TOTAL 2007/2008		103.50	4257.50	5185.0	1230.7	92.85
% Change		44.94)	0.08	(36.13)	(33.23)	62

Source: NSE

The year 2009 registered mixed performance in secondary market performance, as equities turnover declined by 45% to Kshs 57 billion, from Kshs 103.5 bn recorded during the previous period. Share volume however increased marginally to 4.26 billion from the previous year's 4.26 billion, a 0.08% rise.

The first half of year witnessed a rise in performance as equities turnover rose by 57.6% from Kshs 2.6 billion in January 2009 to Kshs 4.1 billion in June 2009. However turnover for this half was still 74 % lower compared with the previous period. Increase in month-on-month turnover for the period averaged 14 % compared to 20% during the previous period.

Overall, the performance of the equity market during the year was bearish with the NSE 20 Index dropping by 36%. However during the second half of the year the market remained relatively bullish with the index closing at 3295 points compared to 3199 in January 2009, largely as a result of renewed interest from foreign and institutional investors. Turnover ratio during the period decreased to 6.9% from 8.7% registered the previous year meaning that investors were able to turn over their portfolio less frequently than in the previous year. Institutional investors, especially pension funds and commercial banks were once again instrumental in sustaining demand for equities.

Corporate Actions

Equity Bank Limited effected a share split during the year, while a total of six other companies issued bonuses. This increased the number of shares listed by 3.45 billion, valued at Kshs 46.1 billion compared to 1.4 billion, valued at Kshs 63 billion for a similar period last year. In addition, there were a total of 45 interim and final dividend announcements by various companies listed at the NSE declaring a total of Kshs 29.7 billion (3.6% of Market Capitalization) to be paid out to shareholders in the form of dividends, compared to 40 announcements amounting to Kshs 14.39 billion (1.17% of Market Capitalization) declared in the previous year.

Gross Market Statistics 2004 to 2009

	2004	2005	2006	2007	2008	2009
Share Volume (m)	525.9	579.9	1,227.8	1,519.2	4,257.5	4260.9
Shares Turnover (Kshs bn)	20.4	22.03	60.3	100.9	103.5	56.99
Market Capitalization (Kshs bn)	274.4	420.7	623.2	743.9	1230.7	821.8
Index (at year's close)	2640	3972	4260	5146	5185	3294
Bond Turnover (Kshs bn)	48.4	14.3	43.0	61.5	78.0	150.4

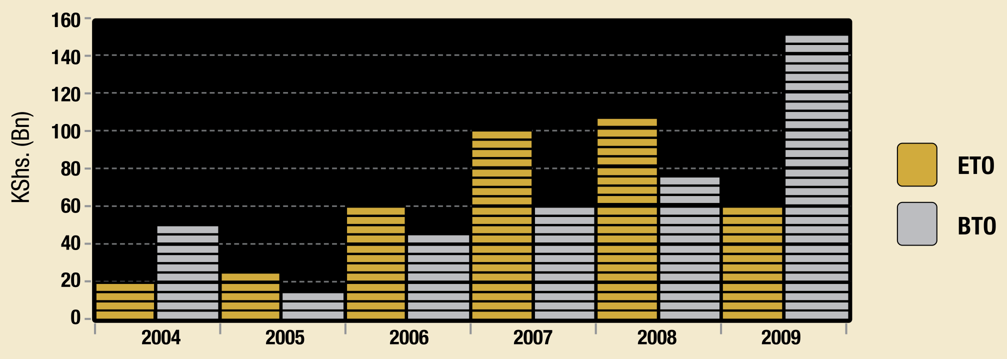
Source: NSE

*Periods indicated reflect the period July to June for each year

Secondary Treasury bond Market

Bond turnover for the year 2009 increased by 93 % registering Kshs 150 billion compared to Kshs 78 billion for a similar period in the year 2008. This was mainly occasioned by the depressed status prevailing in the equity market resulting in the re-positioning of funds by investors into fixed income securities for stable and guaranteed returns.

Equity Vs. Bond Turnover 2004-2009



Source: NSE

COMPLIANCE AND MARKET SUPERVISION DEVELOPMENTS

As part of its mandate, the Authority ensured fairness, efficiency, orderliness, and integrity of the market. The Authority's regulatory structure during the year under review entailed building an effective system of market oversight that included:

- A mechanism for monitoring compliance with regulatory requirements in the market;
- A strong enforcement programme that aimed at safeguarding the integrity of the market;
- Periodic reviews of all licensed persons in order to ensure they continued to comply with the oversight regulations;
- Periodic reviews of all listed companies to ensure that they met listing requirements on a continuous basis;
- Follow-up on good corporate governance practices by both licensed persons and listed companies.

The following activities took place during the period under review:

Risk Based Supervision

The existence of a strong and effective supervisory framework is essential to the creation of a credible capital market which is attractive to both investors seeking to find a legitimate place to invest their funds and issuers seeking to raise capital to support their businesses. One of the core mandates of the CMA is to ensure that market intermediaries comply with regulatory requirements. During the year, the Authority carried out this function through both on-site and off-site inspections.

International best practice and the need for the Authority to focus its resources on institutions that pose higher risks to the stability of the market have necessitated the adoption of Risk Based Supervision (RBS) whose foundation is the proactive management of diverse risks within the capital markets sector and promptly taking corrective actions.

Milestones

The following are the main milestones under the RBS:

- Preliminary training of core supervisory staff.
- Introduction of Relationship Management within Market Supervision to allow for effective and continuous monitoring and assessments of market intermediaries
- Development of a risk-oriented manual for the supervision of intermediaries.
- Preliminary risk profiling and categorization of licensees.
- Conduct of risk management survey in order to determine the current status of risk management systems practiced in the capital markets sector in Kenya.

Undoubtedly the risk based supervision approach, on full adoption, will enable the Authority to perform its market supervision mandate more effectively and provide a higher degree of confidence to market participants. It will also benefit the intermediaries as the regulatory effort is more focused on high-risk areas and provides for more efficient supervision and enable voluntary compliance.

On-site Inspections

The Authority conducted inspections on a periodic basis to verify the compliance levels of intermediaries to the requirements of the Capital Markets Act and the Regulations. The assessments were mainly geared towards examining the following areas: compliance with capital adequacy requirements, continuous reporting obligations, internal controls and record-keeping requirements. In the period under review 149 inspections were conducted involving 17 investment banks, 10 stockbrokers, 16 fund managers, 25 investment advisers, 5 Collective Investment Schemes and 2 authorized depositories. Specific and limited scope inspections were carried out on the basis of complaints, references, surveillance reports and specific concerns.

Off-site Inspections - Reviews of financial reporting

Listed companies and licensees submitted interim and annual accounts within stipulated time frames. The objective of the financial reports review was to examine compliance to eligibility and licensing requirements, enhance the quality of financial reporting and dissemination of information to investors.

To enhance the integrity and transparency of the operations and activities of the market players, the Authority in the year required the licensees and collective Investment Schemes to publish their annual and half year accounts in the newspapers.

The table below shows the classification of the 440 financial reports submitted to the Authority in the year.

Submitting entities	Number of submissions July 2008 – June 2009				
	Audited annual accounts	Half year Account	Quarterly Accounts	Approvals related reports	Total
Listed Companies	51	50	-	-	101
Licensees	48	118	60	-	226
Unit trusts funds	8	16	8	-	36
Applications for licenses.	-	-	-	13	13
Equity issues	-	-	-	1	1
Corporate Bonds	-	-	-	3	3
TOTAL	**107**	**134**	**68**	**17**	**380**

Source: CMA Compliance database

	Corporate Governance guideline	Listed Companies Meeting Guideline	Number of Listed Companies	% Compliance
1	Establishment of board committees	49	60	82
2	Sufficient board composition	54	60	90
3	Disclosure of a statement on corporate social responsibility in the annual report	48	60	80
4	Ownership details of the top ten shareholders in annual report	53	60	88
5	Timely release and submission of 2007 audited accounts	56	60	93
6	Timely submission of interim reports 2007/2008	55	60	92
7	Chief Finance Officers being in good standing with ICPA (K)	31	60	52
8	Company Secretary being in good standing with ICPS (K)	56	60	93
	Average compliance level			**84**

Source: CMA Compliance database

Market Surveillance

Effective surveillance mechanism is one of the prime requirements for well functioning of securities market. Market surveillance was carried out with the aim of promoting market confidence and integrity and ensuring that electronic trading is conducted in a fair, orderly, transparent manner and accurate and sufficient information is released to the investing public in a consistent and timely manner.

The Authority scrutinises any unusual and suspicious price movements in the market, analysis of data relating to underlying trends in supply and demand for securities. Surveillance also ensures that trading and matching of securities orders takes place within the prescribed price limits in close liaison with the Stock Exchange.

This was achieved through the following:

Online surveillance

Where trading activities were monitored on a real time basis to detect any market malpractices.

Offline surveillance

Involved examining post trade transactions to determine if there was any artificial influence on the prices of securities. Rumour verification with the listed companies to confirm the truthfulness of information in the media is occasionally done.

This was made possible by availability of information obtained from the Central Depository System (CDS) registry through the CDS Surveillance system and the Automatic Trading System surveillance window.

Effective surveillance is also achieved through collaboration with Nairobi Stock Exchange's surveillance team to monitor trading activities consistently through the electronic surveillance system facilitating sharing of information in detecting market abuses and taking appropriate and timely actions.

Information verification

Unconfirmed media reports or rumours circulating in the market may adversely affect price discovery. The surveillance process undertakes to confirm the reports with respective issuers with the aim of ensuring that accurate facts are disseminated.

Investigations

The Authority has an investigations division that works in close liaison with the recently established Capital Markets Fraud Investigations Unit. Investigations were undertaken to examine alleged or suspected violations, to gather evidence, and to identify persons/ entities behind capital markets irregularities and violations.

Summarized below are the complaints received in the year in comparison with those of the previous period:

Complaints received for financial year 2008 and 2009

	Nature of the Complaint	To June 30 2009		To June 30 2008	
		No. Received	No. Received	No. Received	No. Received
1	Financial impropriety	-	-	-	-
2	Investor complaints	415	308	495	210
3	Complaints regarding mismanagement of listed companies	-	-	2	2
4	Market operators without a license	-	-	2	2
5	Violation of Regulations	-	-	-	-
6	Fraudulent activities	36	-	-	-
7	Others	-	-	-	-
	Total	**451**	**308**	**499**	**214**

Source: CMA

Prevention of Money laundering

The Authority remained committed to the global and national initiatives and efforts made to counter the threat of money laundering in the financial markets which is caused by the rapid and integration of the financial markets coupled with the improvement in technology and communication channels posing a serious threat. In this regard, the Authority was an active member of the National Task Force on Anti-money laundering.

Promotion of Excellence in Financial Reporting

The Authority jointly with ICPAK and NSE co- sponsored the annual Financial Reporting Excellence (FiRe) Award that was aimed at recognizing and encouraging listed and other public companies to prepare financial statements in full compliance with International Financial Reporting Standards, the Companies Act and disclose the corporate governance and corporate social responsibility practices.

LEGAL FRAMEWORK AND ENFORCEMENT ACTIONS

Review of the Legal Framework

The Authority continued reviewing the capital markets regulatory framework with a view to ensuring that it is robust and facilitative enough to support a vibrant and deep capital markets. The following activities were accomplished during the year:

- A study to identify gaps and weaknesses in the existing legal and regulatory framework was conducted.
- Draft Corporate Governance Regulations for Market Intermediaries were finalised and submitted to Minister for Finance.
- Capital Markets (Real Estate Investment Trusts) Regulations 2009 were also finalised and submitted to Minister for Finance.

Enforcement Actions

The following categories of breaches were noted during the period under review and enforcement actions were taken as follows:

i. **Failure to meet Capital Requirements**
Enforcement action was taken against five stock brokers; one was placed under statutory management while one was bought by a larger entity. One has complied and two remained under close monitored.

ii. **Overdrawing Clients Accounts**
Three stock brokers and three investment banks were penalized for overdrawing client's accounts during this period.

iii. **Continuous Reporting Requirements**
This had the highest incidences of breach with enforcement action being taken against eleven investment advisors, three stock brokers and one Investment Bank for submitting financial statements late and failing to maintain and avail the required documentations during inspections. This trend has since declined and more licensees are compliant.

iv. **Corporate Governance - One stock broker**
Was instructed to change management while three investment advisors were asked to restructure their management structures

IOSCO Self Assessment

In the period under review the East African Securities Regulatory Authorities (EASRA) resubmitted an application for technical assistance from the Financial Sector Reform and Strengthening (FIRST) Initiative for the implementation of the International Organization of Securities Commissions (IOSCO) 30 principles of international best practices in securities markets regulation and supervision. The EASRA members continued with their self assessment as they awaited the support from FIRST initiative.

Licensing, Approvals & Regulatory Actions

1. Licences

During the year the Authority issued new licences to the following:

- Authorized Depository – Prime Bank Limited
- Investment Adviser – Lifestyle Management Limited, Alliance Capital Partners Limited, Citidell Company Limited
- Investment Bank – FCB Capital Limited
- Fund Managers - CIC Asset Management Limited

The Authority renewed sixty-five (65) licences for seventeen (17) Investment Banks; five (5) Stockbrokers; fifteen (15) Fund Managers; sixteen (16) Investment Advisers and twelve (12) Authorized Depositories.

1.1 Extended licensees

The Authority had initially extended six (6) licenses: one (1) Investment Bank, two (2) Stockbrokers and three (3) Investment Advisers.

1.2 Suspended licensees

Shah Munge & Partners Limited and Francis Thuo & Partners Limited (stockbrokers) remained suspended. Franklin Management Consultants Limited and Inter-Alliance International (K) Limited, both investment advisers were suspended for the June 2008 – June 2009 period. Nyaga Stockbrokers Limited remained under statutory management and Discount Securities Limited was also placed are under statutory management due to solvency problems.

1.3 Revoked licences

The Fund Managers licence of Old Mutual Asset Managers (EA) Limited was revoked.

1.4 Statutory Management

During the year, the Authority placed Discount Securities Limited under statutory management in October 2008. As at end of June 2009, estimated 26,000 clients' accounts had been verified and approved for transfer. Out of which, six thousand had been collected by clients. The Authority further engaged a Central Depositories Agent with a country wide network to assist clients transfer shares wherever they were thus saving them the trouble of travelling to Nairobi for that purpose. The new CDA continued to receive claim forms from clients all over the country and submitting them to the statutory manager for verification and registration.

1.5 Collective Investment Schemes

Collective Investment Schemes (CIS) are gaining importance in mobilizing pools of funds to be invested in financial markets. They provide an opportunity to the general public for professionally managed investment at relatively low cost and the opportunity to maximize on economies of scale and diversification. The following collective investment schemes remained registered: the Old Mutual Stanbic Unit Trust Funds, Old Mutual CBA Unit Trust Funds and British-American Unit Trust Funds, Old Mutual Unit Trust Funds, African Alliance Unit Trust Funds, Zimele Unit Trust Scheme, Suntra Unit Trust Scheme, Standard Investment Trust funds and ICEA Unit Trust Scheme, Dyer & Blair Unit Trust Scheme and CFC Unit Trust Fund.

Investor Education and Public Awareness

Financial literacy continued to be an important priority of the Authority. During the year under review, the Authority has pursued a number of initiatives aimed at raising the literacy levels of both the existing as well as the potential investors. Other than mounting seminars, workshops and exhibitions the Authority also undertook the following activities as part of our investor education initiatives:

Certification Programme

During the year under review the Authority has continued to participate actively in regional initiatives with the view to ensuring a speedy realization of the integration of the East African Member States in the spirit of the East African Community. One such initiative was the introduction of the certification programme which is being undertaken jointly in conjunction with other regulators under the East African Securities Regulatory Authorities (EASRA) through an IFC funded programme. The objective of the programme is to strengthen the knowledge, skills and capabilities of issuers, investors and intermediaries.

The following was accomplished during the year:

1. Curriculum was developed, institutional framework done and project piloted in all the four East African countries. Training was done in Uganda and Kenya.
2. The names of the nominees to sit on the quality committee were and submitted by the respective jurisdictions under the umbrella of the EASRA and EASEA.

The Capital Markets Authority University Challenge

During the period under review, the Authority launched the Capital Markets Authority University Challenge. This was out of the Authority's conviction that the future of the capital markets and indeed that of our country lies in the youth. This was an inter-university competition sponsored by the Authority, which brought together a total of twelve universities both private and public. The main objective of the competition was to test the students' knowledge and understanding of capital markets issues and lay the framework for the introduction of a capital markets curriculum both in the secondary and tertiary institutions in the near future. The top three students were given prizes.

Media Campaign

During the period under review the Authority's investor education strategy focused on the rural areas outside the main urban centers with particular emphasis on the use of vernacular radio stations to disseminate information on capital markets where appearances have been made in the main vernacular radio stations.

OTHER MARKET DEVELOPMENT INITIATIVES

Demutualization of the Nairobi Stock Exchange

Demutualization is the process through which the Exchange changes its legal status from a mutual association with one vote per member (and possibly consensus-based decision-making) into a company limited by shares, with one vote per share (with majority-based decision-making). Demutualization of the NSE is informed by the following key objectives:

i. Improving the governance system of Nairobi Stock Exchange by separating the ownership structure and the trading participation rights of the Exchange.

ii. Transforming the company from one whose ownership is limited by guarantee into a company limited by shares.

iii. Transforming the Exchange from a mutual company into a for-profit public company.

iv. Identification of the challenges faced by the NSE in its current constitution.

v. The development of an Action Plan to be continuously implemented by the DSC to guide its work on the demutualization process.

vi. Development of a policy framework to guide and inform the legal drafting and the demutualization process.

Key milestones achieved during the year under review include:

i. The review of two studies on demutualization of the NSE conducted by Ernst & Young and PMG on behalf of NSE and CMA respectively in 2007.The disparities within the two reports were harmonized.

ii. The Engagement of a consultant through FLSTAP under Ministry of Finance to advise on best practices in demutualization throughout the process undertaken by DSC.

iii. Solution-oriented engagement with Demutualization of NSE Committee duly appointed to represent KASIB members

Bond Market Development project

A team of consultants commissioned under the International Finance Corporation (IFC) - Efficient Securities Market Institutional Development Initiative (ESMID), presented its final findings and recommendations in November 2008 on strengthening the market place for trading bonds in Kenya, Uganda, Tanzania and Rwanda. Consequently, a Bond Market Steering Committee, comprising of various capital market stakeholders, was constituted in March 2009 and is working towards the successful development of an Over the Counter (OTC) market for bonds. OTC market is a trading model where securities are traded outside the official exchange between the various traders. The objective of introducing OTC was based on the need to enhance liquidity of the bond markets.

Already a critical path, policy framework and action plan for implementation has been drawn up. The committee is implementing a detailed action plan which will oversee the realization of a hybrid bond market structure in Kenya during 2010/2011 Financial Year.

EAC Regionalization-Strategy and Plan

The Final report on the EAC Capital Markets Strategy and Plan on regionalization was presented at a workshop in Nairobi in November 2008, at the Safari Park Hotel, as one of the ESMID projects. The objective of the report was to set out a strategy and plan for EAC regionalization, based on the 'models and findings' report, previously submitted to ESMID. Participants included Financial Markets officials from all EAC member states. A consultant was engaged to guide implementation of the regionalization strategy.

Financial Highlights

The Authority's financial position is presented in detail in the audited financial statements for the financial year ended 30 June 2009.

The Authority experienced a lower revenue collection compared to the year ended 30 June 2008. This was mainly attributable the market condition and the Global Financial Crisis. A net surplus of income over expenditure of Kshs 56.5 million was realized for the year.

The total income earned in the year is Kshs 368 million, a decrease of 47% from the previous year. The total expenditure incurred is Kshs 312 million which is Kshs 121 million higher than previous year due to increased spending under statutory management expenses for Nyaga Stockbrokers and expansion of the staff compliment to enable the Authority to effectively implement its mandate.

INCOME EXPENDITURE SUMMARY:	30.06.2009	30.06.2008
	Sh' 000	Sh' 000
INCOME		
Government Bonds and Capitalization fees	106,518	381,693
NSE Transaction fees	137,652	248,904
Others	89,929	68,261
TOTAL OPERATING INCOME	334,099	698,858
Donor Funding	34,282	1,564
Total Income	**368,381**	**700,423**
EXPENDITURE		
Salaries and Staff costs	118,915	89,321
Rent and Maintenance	13,180	11,916
Trainings and Conferences	11,801	6,353
Investor Education	22,667	7,527
Authority Members' Allowances	11,334	12,012
Professional and Market Development	61,095	11,765
Depreciation on Property, Plant and Equipment	5,043	4,428
Others	67,805	47,445
TOTAL EXPENDITURE	**311,840**	**190,766**

AUTHORITY'S BOARD MEMBER REPORT FOR THE YEAR ENDED 30 JUNE 2009

The members of the Authority submit their report and the audited financial statements for the year ended 30 June 2009, which show the state of the Authority's affairs.

1. INCORPORATION

Capital Markets Authority is a body corporate established under the Capital Markets Authority Act, Cap 485A, 1989. The Act was amended in 2000 and renamed the Capital Markets Act.

2. PRINCIPAL ACTIVITY

The Authority promotes and facilitates the development of an orderly, fair and efficient capital markets in Kenya.

3. RESULTS

The results for the year are summarised below:-

	2009 Kshs '000	2008 Kshs '000
Total income for the year	368,381	700,423
Total operating expenditure for the year	(311,840)	(190,766)
Surplus for the year transferred to the general fund	56,541	509,657

4. FINANCIAL STATEMENTS

At the date of this report, the members of the Authority were not aware of any circumstances which would have rendered the values attributed to the assets in the financial statements misleading.

5. MEMBERS OF THE AUTHORITY

The present members of the Authority are shown on page 5:

6. MEMBERS' BENEFITS

Since the last board meeting of the Authority to the date of this report, no member has received or become entitled to receive any benefit other than members' allowances and amounts received under employment contracts for the Chief Executive.

AUDITOR'S

The Controller & Auditor General is responsible for the statutory audit of the Authority's books of account in accordance with Sections 14 and 39 (1) of the Public Audit Act 2003.

BY ORDER OF THE BOARD

Chief Executive
Nairobi

SEPTEMBER 24 2009

The financial statements on pages 37 to 54 were approved for issue by the Members of the Authority on

SEPTEMBER 24 2009 and signed on their behalf by:

________________ CHAIRMAN

________________ CHIEF EXECUTIVE

CAPITAL MARKETS AUTHORITY
STATEMENT OF AUTHORITY MEMBERS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The Capital Markets Act requires the Authority members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Authority, as at the end of the financial year and of its operating results for the year. It also requires the members to ensure that the Authority keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority.

The members accept responsibility for the annual financial statements, which have been prepared using appropriate accounting polices supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Capital Markets Act. The members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and of its operating results. The members further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

The statement was approved by the members of the Authority on SEPTEMBER 24 2009 and signed on its behalf by:-

Chairman

Stella Kilonzo

Chief Executive

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: cag@kenyaweb.com

REPULIC OF KENYA

P.O Box 30084-00100
NAIROBI

HARAMBEE

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF CAPITAL MARKETS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2009

I have audited the financial statements of Capital Markets Authority set out at pages 37 and 54 which comprise the Balance Sheet as at 30 June 2009, the Income Statement, the Statement of Changes in Fund Balances and the Cash Flow Statement for the year then ended together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

The Authority's Responsibility for the Financial Statements

The Authority is responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Authority and of its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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 Authority'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 Authority's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Authority Directors, as well as evaluating the overall presentation of the financial statements.

I believe the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of financial affairs of the Authority as at 30 June 2009 and of its surplus and cash flows for the year ended in accordance with the International Financial Reporting Standards and comply with the Capital Markets Act, Cap 485A of the Laws of Kenya.

A.S.M. Gatumbu
CONTROLLER AND AUDITOR GENERAL

Nairobi

23 December 2009

FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Kshs '000	2008 Kshs'000
FEE INCOME	4	265,147	651,615
OTHER INCOME	5	103,234	48,808
TOTAL INCOME		368,381	700,423
EXPENDITURE	6	(311,840)	(190,766)
GROSS SURPLUS FOR THE YEAR		56,541	509,657
SURPLUS TO EXCHEQUER	7	-	-
NET SURPLUS FOR THE YEAR	8	56,541	509,657

BALANCE SHEET AS AT 30 JUNE 2009

	Note	2009 Kshs '000	2008 Kshs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	9	14,481	13,259
Intangible assets	10	3,780	1,770
Staff loans and advances	11	5,726	5,960
Investors' compensation fund's investment in CDSC	13	7,000	7,000
Investors' compensation fund's investment in T/ bonds	13	144,695	138,684
Investment in government securities	14	465,233	354,311
		640,915	520,984
CURRENT ASSETS			
Staff loans and advances	11	943	2,250
Inventories	12	1,061	-
Investors' compensation fund	13	272,178	81,888
Investment in government securities	14	336,720	254,342
Trade and other receivables	15	49,913	317,867
Staff benevolent fund	16	4,687	4,243
Cash and cash equivalents	17	88,260	127,883
		753,762	788,473
TOTAL ASSETS		1,394,677	1,309,457
FUNDS AND LIABILITIES			
FUNDS			
Capital fund	18	27,886	27,886
General fund	19	879,961	997,116
		907,847	1,025,002
CURRENT LIABILITIES			
Investors' compensation fund	13	424,890	227,571
Staff benevolent fund	16	4,687	4,243
Trade and other payables	20	42,347	37,733
Provisions	21	14,500	14,500
Millennium staff savings scheme	22	407	407
		486,830	284,455
TOTAL FUNDS AND LIABILITIES		1,394,677	1,309,457

The financial statements on pages 37 to 54 were approved for issue by the Members of the Authority on

September 24 2009 and signed on their behalf by:

_______________ CHAIRMAN

Stella Kilonzo CHIEF EXECUTIVE

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED 30 JUNE 2009

	Note	Capital fund Kshs'000	General fund Kshs'000	Total Kshs'000
At 1 July 2007		27,886	487,459	515,345
Surplus for the year		-	509,657	509,657
At 30 June 2008		27,886	997,116	1,025,002
At 1 July 2008		27,886	997,116	1,025,002
Payment of 2008 Surplus to Treasury			(140,000)	(140,000)
Adjustment CFC Fees			(33,696)	(33,696)
Surplus for the year		-	56,541	56,541
At 30 June 2009		27,886	879,961	907,847

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Kshs'000	2008 Kshs'000
Operating activities:			
Cash generated from operations	23	330,060	260,281
Interest received		65,538	46,211
Net cash generated from operating activities		395,598	306,492
Cash flows from investing activities:			
Purchase of property, plant and equipment		(6,265)	(3,209)
Purchase of intangible assets		(3,797)	(973)
Proceeds from disposal of property, plant and equipment		-	-
Purchase of treasury bonds from the Investors' Compensation Fund		(5,976)	(9,237)
Purchase of treasury bonds from the Investors' Compensation Fund		(42,236)	(62,005)
Purchase of treasury bonds		-	(171,076)
Purchase of treasury bills		(381,084)	(58,446)
Benevolent fund		—	(860)
Net cash used in investing activities		(439,358)	(305,806)
Net increase in cash and cash equivalents		(43,758)	686
Movement in cash and cash equivalents:-			
At the start of the year		134,232	133,546
Increase		(43,758)	686
At the end of the year	17	90,474	134,232

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied over the years presented unless otherwise stated:

a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRSs) . The financial statements are prepared under the historical cost basis of accounting as modified by the revaluation of certain investments to fair value and are presented in the functional currency, Kenya shillings (Kshs) rounded to the nearest one thousand shillings.

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement and complexity, or where assumptions and estimates are significant to the financial statements are disclosed in note 3.

b) Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income and expenditure account in the financial period in which they are incurred.

Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the property, plant and equipment over their expected useful live.
The rates in use are:

Motor vehicles	25.00%
Computer equipment	25.00%
Office equipment	20.00%
Furniture and fittings	12.50%

The carrying values of property, plant and equipment are reviewed for impairment when events indicate that the carrying values may not be recoverable and are adjusted for impairment where it is considered necessary.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating surplus/ (deficit). On disposal of revalued assets, amounts in the revaluation surplus relating to the asset are transferred to retained earnings.

c) Financial instruments

Financial instruments carried on the balance sheet include cash on hand and bank, investments, trade and other receivables and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

d) Investments

All investments are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Long term investments that are to be held to maturity, such as bonds, are subsequently measured at amortized cost using the effective interest rate method.

e) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured.

Fees, interest and other income.

Fees, interest and other income are recognised on the accrual basis.

f) Intangible assets

The costs incurred to acquire and bring to use specific computer software licences are capitalized. The costs are amortized on a straight line basis over the expected useful lives, not exceeding three years. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

g) Foreign currency transactions

Transactions during the year are converted into Kenya shillings at rates ruling at the transactions dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the income and expenditure account in the period in which they arise.

h) Employment benefits

i) Pension obligations

The Authority operates an in-house defined benefits pension scheme for its employees. The assets of the scheme are held in a separate trustee administered fund that is funded by both the Authority and employees.

The Authority also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to Kshs 200 per employee per month, with the Authority contributing a similar amount.
The Authority's contributions to the above schemes are charged to the income and expenditure account in the year to which they relate.

ii) Gratuity obligations

The Authority pays service gratuity to staff on contract under their terms of employment. Employee entitlements to gratuity are recognized when they accrue to employees. A provision for gratuity payable is made in the balance sheet. The gratuity is not subject to actuarial valuation.

i) Other employee entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. The monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

j) Leases

Leases where the lessor does not retain substantially all the risks and benefits of ownership of assets are classified as operating leases. Operating lease payments are recognized as an expense in the income and expenditure account on a straight line basis over the lease term.

k) Trade and other receivables

Trade and other receivables are recognized at anticipated realizable value less an allowance for any uncollectible amounts. An estimate/specific provision is made for doubtful receivables based on the review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps to recover them have been taken without success.

l) Trade and other payables

Trade and other payables are stated at their nominal value.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, the cash and cash equivalents comprise of cash and cash equivalents as defined above and include; the Investors' Compensation and Staff Benevolent funds.

n) Provisions

A provision is recognized in the balance sheet when the Authority has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and it can be reliably estimated.

o) Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured.

p) Related parties

In the normal course of business the Authority enters into transactions with related parties. The related party transactions are at arms length.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Authority's activities expose it to a variety of financial risks, including credit risks and the effects of changes in interest rates. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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:

i) Critical accounting estimates and assumptions.

Property, plant and equipment

Critical estimates are made by the Authority members in determining depreciation rates for the property, plant and equipment. The rates are set out in note 1 (b) above.

ii) Critical judgments in applying the entity's accounting policies

In the process of applying the Authority's accounting policies, management has made judgements in determining:

- Whether assets are impaired
- The classification of financial assets and leases
- Provisions and contingent liabilities

4. FEE INCOME

	2009 Kshs'000	2008 Kshs'000
Capitalisation, rights and new issue fees	106,518	381,694
NSE - transaction fees	137,652	248,904
Application and licensing fees	12,546	12, 908
Market development fees	8,431	8,109
	265,147	651,615

5. OTHER INCOME

	2009 Kshs '000	2008 Kshs '000
Interest income on investments	65,538	46,211
Donor funding	34,282	1,564
Gain on disposal of property, plant and equipment	-	-
Miscellaneous income	3,414	1,032
	103,234	48,808

6. EXPENDITURE

Personnel costs (note 27)	111,526	83,284
Rent and maintenance	13,180	11,916
Equipment maintenance and stationery	6,727	5,852
Telephone, postage and utilities	6,597	5,537
Entertainment and public relations	8,638	8,222
Medical scheme and insurance expenses	7,389	6,037
Training and conferences	11,801	6,353
Motor vehicle running expenses	2,378	1,882
Subscriptions and IOSCO membership	5,146	2,320
Authority members' emoluments-other allowances	11,334	12,011
Professional and market development services	61,095	11,765
Statutory Management Expenses	33,050	16,233
Staff uniforms & miscellaneous expenses	358	262
Depreciation of property, plant and equipment	5,043	4,428
Amortisation of intangible assets	1,786	1,202
Auditor's remuneration	450	533
Investors' education and awareness programme	22,667	7,527
Tribunal expenses	2,675	5,401
	311,840	190,766

Tribunal expenses represent sitting and other expenses incurred by the Capital Markets Tribunal in relation to hearings on matters involving the Authority and other parties aggrieved by its pronouncements.

7. SURPLUS TO EXCHEQUER

During the year, the Authority paid to the Exchequer an amount of Kshs 140 million from reserves.

8. NET SURPLUS FOR THE YEAR

	2009 Kshs'000	2008 Kshs'000
The surplus for the year is stated after charging:-		
Depreciation of property, plant and equipment	5,043	4,427
Amortization of intangibles	1,786	1,202
Authority members' emoluments and other allowances	11,334	12,012
Auditor's remuneration	450	533
Employees' benefits expense (Note 25)	9,819	5,853
And after crediting:		
Interest income on investments:	65,537	46,211
Gain on disposal of property, plant and equipment	-	-
Donor funding	34,282	1,564

9. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles Kshs'000	Computer equipment Kshs'000	Office equipment Kshs'000	Furniture and fittings Kshs'000	Total Kshs'000
COST					
At 1 July 2007	14,250	12,648	6,234	23,525	56,657
Addition	-	2,184	299	726	3,209
Disposal	-	-	-	-	-
At 30 June 2008	14,250	14,832	6,533	24,251	59,866

DEPRECIATION

At 1 July 2007	10,041	8,658	5,285	18,195	42,179
Charge for the year	937	1,718	398	1,375	4,428
On disposal	-	-	-	-	-
At 30 June 2008	10,978	10,376	5,683	19,570	46,607

COST

At 1 July 2008	14,250	14,832	6,534	24,251	59,867
Additions	-	2,514	1,810	1,941	6,265
At 30 June 2009	14,250	17,346	8,344	26,192	66,132

DEPRECIATION

At 1 July 2008	10,977	10,376	5,684	19,570	46,607
Charge for the year	1,074	2,069	491	1,409	5,043
At 30 June 2009	12,051	12,445	6,175	20,979	51,650

NET BOOK VALUE

At 30 June 2009	2,198	4,901	2,169	5,213	14,482
At 30 June 2008	3,272	4,456	850	4,681	13,260

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated property, plant and equipment with a cost of Kshs 43,476,555 (2008 Kshs 35,121,520) which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to Kshs 8,422,298 (2008 Kshs 6,751,866).

10. INTANGIBLE ASSETS

COST	2009 Kshs'000
At 1 July 2007	3,248
Additions	973
At 30 June 2008	4,221
AMORTIZATION	
At July 1 2007	1,249
Charge for the year	1,202
At 30 June 2008	2,451
NET BOOK AMOUNT	
As at 30 June 2008	1,770
COST	
At 1 July 2008	4,221
Additions	3,797
At 30 June 2009	8,018
AMORTIZATION	
At July 1 2008	2,452
Charge for the year	1,786
At 30 June 2009	4,238
NET BOOK AMOUNT	
At 30 June 2009	3,780
At 30 June 2008	1,770

11. STAFF LOANS AND ADVANCES

	Short Term Kshs'000	Long Term Kshs'000	Total 2009 Kshs'000	Total 2008 Kshs'000
Car loans	-	3,585	3,585	4, 991
House loans	-	1,920	1,920	1,920
Other loans and advances	943	2,142	3,085	3,221
Provision for bad and doubtful debts	-	(1,922)	(1,922)	(1,922)
	943	5,726	6,668	8,210

12. INVENTORIES

Inventories consist of stationery and computer consumables required for day to day use by the Authority.

13. INVESTORS' COMPENSATION FUND

In accordance with Section 18 of Capital Markets Act, Cap 485A, the Authority is required to maintain a fund to be known as the Investors' Compensation Fund for the purpose of granting compensation to investors who may suffer pecuniary loss resulting from the failure of a licensed broker or dealer to meet its contractual obligations. This requirement was implemented in July 1995.

The fund derives its income from the following sources:

(i) Interest accruing on funds received from subscribers to public issues, between the day of closing the issue and making the refunds.

(ii) 0.01% of the consideration from sale and purchase of shares through the Nairobi Stock Exchange.

(iii) Interest earned from investment of the funds held in this account.

(iv) Financial penalties imposed on operators for non-compliance with Capital Markets Authority Rules and Regulations.

The movement in the fund balance during the year is as shown below:

	2009 Kshs'000	2008 Kshs'000
At beginning of the year	227,572	165,180
Nairobi Stock Exchange transactions fees	11,469	20,742
Interest on investments	20,990	15,011
Financial penalties	8,585	909
Management fees	(500)	(500)
Public issue fees	156,774	26,230
At end of the year	424,890	227,572

The Investors' Compensation Fund balance is represented by the following assets:

Non-current	2009 Kshs'000	2008 Kshs'000
Equity investment in the Central Depository and Settlement Corporation (at cost)	7,000	7,000
Treasury bonds maturing after one year (effective interest rate – 11.25% per annum)	116,161	116,080
Treasury bonds maturing after three years (effective interest rate – 11.75% per annum)	22,350	9,000
Treasury bonds maturing after four years (effective interest rate – 11.25% per annum)	6,184	13,604
Treasury bonds maturing after five years (effective interest rate – 11.75% per annum)	-	-
	144,695	138,684

Current	2009 Kshs'000	2008 Kshs'000
Treasury bills – maturing within 1 year (effective interest rate – 8.13% per annum)	100,193	71,485
Transaction fees receivable	-	1,493
Bank balance	10,072	6,026
Public issue fees receivable	161,913	2,884
	272,178	81,888

14. INVESTMENT IN GOVERNMENT SECURITIES

Non Current		2009 Kshs'000	2008 Kshs'000
a)	Treasury bonds		
	Maturing after three years	176,987	-
	Accrued interest	4,285	-
		181,272	
	Maturing after three years	35,000	133,909
	Accrued interest	48	1,418
		35,048	135,327
	Maturing after two years	29,487	133,909
	Accrued interest	73	1,418
		29,560	135,327
	Maturing after 1 year	215,197	215,197
	Accrued interest	4,157	3,788
		219,353	218,984
		465,233	354,311
Current			
b)	Treasury bonds		
	Maturing within 1 year	-	116, 605
	Accrued interest	-	5,225
		-	121,830
c)	Treasury bills	333,068	128,493
	Accrued interest	3,652	4,020
		336,720	132,512
		336,720	254,342
		801,953	608,653

The average interest rate earned on Treasury bonds during the year was 9.5% (2008:9.6%).

15. TRADE AND OTHER RECEIVABLES

	2009 Kshs'000	2008 Kshs'000
Trade receivables	35,988	315,459
Prepayments	3,838	2,096
Sundry receivables	248	312
Treasury bonds receivable	9,839	-
	49,913	317,867

16. STAFF BENEVOLENT FUND

	2009 Kshs'000	2008 Kshs'000
Investment in treasury bonds	4,313	3,868
Interest on investment	52	52
Cash and cash equivalents	322	322
	4,687	4,243

17. CASH AND CASH EQUIVALENTS

	2009 Kshs'000	2008 Kshs'000
Cash in hand	22	43
Staff mortgage/ Bank Guarantee	8,180	-
Cash at bank	18,763	11,763
Call deposit	61,295	116,077
	88,260	127,883

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following at 30 June 2009.

	2009 Kshs'000	2008 Kshs'000
Cash in hand	22	43
Cash at bank	18,763	11,763
Call deposit	61,295	116,078
Staff benevolent fund bank balance	322	322
Investors' compensation fund bank balance	10,072	6,026
	90,474	134,232

18. CAPITAL FUND

At 1 July 2008 and at 30 June 2009	27,886	27,886

Capital fund represents the initial contribution by the government of Kenya towards the establishment of the Capital Markets Authority.

19. GENERAL FUND

	2009 Kshs'000	2008 Kshs'000
At 1 July	997,116	487,459
Surplus for the year	56,541	509,657
Payment of 2008 Surplus to Treasury	(140,000)	-
Adjustment of CFC Fees	(33,696)	-
At 30 June	879,961	997,116

General fund represents accumulated surpluses over the years.

20. TRADE AND OTHER PAYABLES

	2009 Kshs'000	2008 Kshs'000
Trade payables	8,583	17,434
Accruals	33,314	19,899
Audit fees accrual	450	400
	42,347	37,733

21. PROVISIONS

	2009 Kshs'000	2008 Kshs'000
Provisions for pending lawsuits (note 28)	14,500	14,500
Service gratuity	-	-
	14,500	14,500

22. MILLENNIUM STAFF SAVINGS SCHEME

	2009 Kshs'000	2008 Kshs'000
At 1 July and 30 June	407	407

This relates to amounts payable to former staff which is a subject of court cases. The amounts are being held until a ruling is made.

23. CASH GENERATED FROM OPERATIONS

	2009 Kshs'000	2008 Kshs'000
Reconciliation of surplus for the year to cash generated from operations:-		
Surplus for the year	56,541	509,657
Depreciation of property, plant and equipment	5,043	4,427
Amortisation of intangible assets	1,786	1,202
Interest on investments	(65,538)	(46,211)
Surplus to the Ministry of Finance	(140,000)	-
Gain on disposal of property, plant and equipment	-	-
Operating surplus before working capital changes	(142,168)	469,075
Trade and other receivables	266,792	(282,898)
Staff loans and advances	1,542	2,539
Trade and other payables	6,131	14,518
Provisions	-	(5,677)
Investors' compensation fund	197,319	62,392
Staff benevolent fund	444	332
Cash generated from operations	330,060	260,281

24. OPERATING LEASE COMMITMENTS

Operating lease commitments represent rentals payable by the Authority for its office property. Property rental expenses during the year amounted to Kshs 13,180,011 (2007: Kshs 12,328,805). At the balance sheet date, the Authority had outstanding commitments under operating leases, which fall due as follows

	2009 Kshs'000	2008 Kshs'000
Within one year	13,180	12,329
Between 2-5 years	52,441	49,843
	65,621	62,172

25. EMPLOYEE BENEFITS EXPENSE

The Authority operates an in-house defined benefits pension scheme for its employees. The investment of the scheme's assets is managed by an independent fund manager, Genesis Kenya Investment Management Limited, on behalf of the Trustees.

The scheme is subjected to triennial valuations by independent actuaries to fulfil the statutory requirements under the Income Tax (Retirement Benefits) Rules 1994 and the Retirement Benefits Rules 2000. The latest actuarial valuation was carried out as at 1 July 2007. The actuarial valuation method adopted, 'Attained Age Method', entailed the comparison of the scheme's assets at the valuation date with its liabilities and an assessment of the ability of the scheme to meet its obligations to members.

The principal actuarial assumptions applied in the valuation are:

• Investment returns	9% per annum
• Rates of salary escalation	7% per annum
• Rate of pension increases	3% per annum

Based on the actuarial report, the Actuaries estimate that the present value of past service actuarial liabilities amounted to Kshs 49,919,000 at 1 July 2007, and that the value of scheme's assets exceeded the liabilities by Kshs 4,683,000 at that date.

The following items are included within employee benefits expense:

	2009 Kshs'000	2008 Kshs'000
Retirement benefits costs;		
- Defined benefit scheme	9,696	5,758
- National Social Security Fund	123	86
	9,819	5,844

26. RELATED PARTY TRANSACTIONS

	2009 Kshs'000	2008 Kshs'000
i) Key management compensation:		
Salaries and other short term benefits	23,829	20,949
Post employment benefits	-	1,475
	23,829	22,424

ii) Members' emoluments

A listing of the members of the Authority is shown on page 2 of the annual report. In 2009 the total remuneration of the members excluding the Chief Executive amounted to Kshs 11,333,669 (2008: Kshs 12,011,050).

27. PERSONNEL COSTS

	2009 Kshs'000	2008 Kshs'000
Consolidated pay, leave pay and passages	101,522	77,316
Staff retirement benefits and gratuity	9,696	5,758
Benevolent fund contributions	185	124
National Social Security Fund (NSSF)	123	86
	111,526	83,284
Average number of employees during the year	52	37

28. CONTINGENT LIABILITY

	2009 Kshs'000	2008 Kshs'000
Pending law suits	61,723	61,723

Former employees of the Authority have filed suits against the Authority for wrongful dismissal and are seeking damages to the extent of Kshs. 61,722,700. Based on the advice of legal counsel, the Authority members have estimated that a liability of Kshs. 14,500,000 (2008: Kshs.14,500,000) will arise from these suits. The estimated liability has been recognised in these financial statements (note 21).

29. CAPITAL COMMITMENTS

Commitments at year-end for which no provision has been made in these financial statements:

	2009 Kshs'000	2008 Kshs'000
Authorised but not contracted for	15,000	26,300

30. CURRENCY RISK

The Authority operates wholly within Kenya and its assets and liabilities are reported in the local currency. It therefore held no significant foreign currency exposure at 30 June 2009.

31. COMPARATIVES

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

APPENDICES
ENABLING LEGISLATION:

a) Main Acts

i) The Capital Markets Act Cap 485A

This Act establishes the Capital Markets Authority for the purpose of promoting, regulating and facilitating the development of an orderly, fair and efficient Capital Markets in Kenya and for connected purposes.

ii) The Central Depositories Act 2000

It was operationalized in June 2003. This Act is to facilitate the establishment, operation and regulation of central depositories, to provide for the immobilization and eventual dematerialization of, and dealings in securities deposited therewith in Kenya.

b) Regulations

i The Capital Markets (Collective Investment Schemes) Regulations, 2001

The Collective Investment Schemes Regulations are aimed at facilitating specialized mutual funds, unit trusts or special form of collective investment schemes and offer a unique opportunity to investors in terms of professional management, economies of scale and diversification of portfolio and risk.

ii The Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002

These regulations primarily govern public offers, disclosure requirements and listings of securities. Broadly, the regulations prescribe the approval process for the public offers of securities, requirements of information memoranda, eligibility requirements for public offers -and listing of securities in each of the market segments of the securities exchange. The regulations also prescribe detailed disclosure requirements for each of the market segments as well as continuing reporting obligations for listed companies.

iii The Capital Markets (Licensing Requirements) (General) Regulations, 2002

These regulations, requirements for licensing, approval as well as financial requirements prescribe code of conduct and reporting obligations of capital markets institutions.

iv Capital Markets (Takeovers & Mergers) Regulations, 2002

These Regulations govern the procedure and timing of the takeovers and mergers and set out the obligations of parties to the transactions.

v The Capital Markets (Foreign Investors) Regulations, 2002

These regulations govern foreign investor participation in the Kenyan Capital Markets.

vi The Capital Markets Tribunal Rules, 2002

These are rules that deal with the procedures of Appeals made to the Tribunal by persons aggrieved by a decision made by the Authority.

vii **The Central Depositories (Regulation of Central Depositories) Rules, 2004**

These rules deal with the regulation of the Central depositories.

viii **The Capital Markets (Asset Backed Securities) Regulations, 2007**

These Regulations apply to all offers of asset backed securities to the public or a section thereof in Kenya including issues by state corporations and other public bodies.

ix **The Capital Markets (Registered Venture Capital Companies) Regulations, 2007**

These Regulations prescribe the requirements for a venture capital company to become registered for the purposes of the Income Tax (Venture Capital Company) rules 1997, through which venture capital investors may seek a tax waiver on the income arising from their designated venture capital investments.

c) Guidelines

i) **The Capital Markets Guidelines on corporate governance practices by public listed companies in Kenya**

These regulations set out requirements for corporate governance for public listed companies and issuers of securities in the capital markets and are both prescriptive (the principles) and non prescriptive (best practices).

ii) **The Capital Markets Guidelines on the Approval and Registration of Credit Rating Agencies**

These guidelines prescribe requirements for registration, accreditation and approval of rating agencies for the purpose of rating issuers of debt securities through the capital markets.

Credit rating is an objective and independent opinion on the general creditworthiness of an issuer of a debt instrument and its ability to meet its obligations in a timely manner over the life of the financial instrument based on relevant risk factors including the ability of the issuer to generate cash in the future. Ratings rank the issue within a consistent framework to compare risk among the different debt instruments in the market and assign a risk grade.

LICENSEES AS AT 30 JUNE 2009 APPROVED INSTITUTIONS

SECURITIES EXCHANGE

Nairobi Stock Exchange Ltd.
Kimathi Street, Nation Centre,
1st Floor
P.O. Box 43633-00100, Nairobi
Tel: 254 20 2831000
Fax: 254 20 224200
Email: info@nse.co.ke
Website: www.nse.co.ke

DEPOSITORY AND SETTLEMENT SYSTEM

Central Depository and Settlement
Corporation Ltd
Nation Centre, Kimathi Street, 10th Floor
P. O. Box 3464-00100, Nairobi
Tel: 254 20 253078/230692
ext 248
Fax: 254 20 253077
Email:helpdesk@cdsckenya.com

CREDIT RATING AGENCIES

Global Credit Rating Company
P.O. Box 76667
Wendywood, 2144
South Africa
Tel: 254 20 2711 784-1771
Fax: 254 20 2711 784-1770
E-mail: king@globalratings.net

REGISTERED VENTURE CAPITAL FUND

Acacia Fund
Norfolk Towers, Kijabe Street
1st Floor
P.O. Box 43233
Nairobi
Tel: 254 20 228870
Fax: 254 20 330120
E-mail: general_manager@kcpafrica.com
Website: www.kcpafrica.com

INVESTMENT BANKS

African Alliance Kenya Investment Bank Ltd.
4th Floor, Kenya Re Towers,
Upper Hill
Upper Hill, Off Ragati Road
P.O. Box 27639 - 00506 Nairobi
Tel : 254 20 2710978/2718720
Fax : 254 20 2710247
Email : enquiries@africanalliance.co.ke

Apex Africa Investment Bank Limited
Rehani House (HFCK), 4th Floor
Corner of Kenyatta Avenue and Koinange Street
P.O. Box 43676-00100, Nairobi
Tel : 254 20 422170
Fax : 254 20 215554
Email : hak@insightkenya.com

Dyer & Blair Investment Bank Ltd
Loita House, 10th Floor
Loita Street
P.O Box 45396 – 00100, Nairobi
Tel: 254 20 227803/3240000
Fax: 254 20 218633
E-mail: admin@dyer.africaonline.com
Website: www.dyerandblair.com

Standard Investment Bank
ICEA Building, 16th floor & Mezzanine Floor
P. O Box 13714 – 00800, Nairobi
Tel: 254 20 220225/227004
Fax: 254 20 240297
Email: info@standardstocks.com
Website: www.standardstocks.com

CFC Stanbic Financial Services Limited
CFC Center, Chiromo Road
P.O. Box 44074 – 00100, Nairobi
Tel. 254 20 3752900/1
Fax. 254 20 3752905/7
Email: enquiries@cfcbank.co.ke

CBA Capital Limited
Mara Ragati Road
Upper Hill
PO Box 30437 – 00100, Nairobi
Fax: 254 20 335827
Email: cbacapital@cba.co.ke
Website: www.cba.co.ke

Kestrel Capital (EA) Limited
ICEA Building, 5th Floor
Kenyatta Avenue
P.O Box 40005 – 00100, Nairobi
Tel: 254 20 251758/251893
Fax: 254 20 243264
Email: info@kestrelcapital.com

Barclays Financial Services Limited
Barclays Plaza M6, Loita Street
P.O. Box 30120-00100
Nairobi
Tel: 254 20 332230
Fax : 254 20 213915
Email : barclays.kenya@barclays.com
Website : www.barclays.com

Drummond Investment Bank Limited
Hughes Building, 2nd Floor
P.O. Box 45465 – 00100, Nairobi
Tel: 254 20 318686/318689
Fax: 254 20 223061
E-mail: info@francisdrummond.com
Website: www.francisdrummond.com

Suntra Investment Bank Ltd
10th Floor Nation Centre,
Kimathi Street
P.O.Box 74016-00200, Nairobi
Tel: 254 20 247530/223329/223330
Fax: 254 20 224327
E-mail: info@suntra.co.ke
Website: www.suntra.co.ke

NIC Capital Securities Limited
NIC House, Masaba Road
P. O. Box 63046-00200, Nairobi
Tel: 254 20 2888000
Fax: 254 20 2888505
Email: service@nic-capital.com

Renaissance Capital (K) Limited
Pushottam Place, 7th Floor
Chiromo Road, Westlands
P. O. Box 40560-00100, Nairobi
Tel: 254 20 3673737
Fax: 254 20 3601100
Email: pmweheire@rencap.com

Equatorial Investment Bank
Nyerere Road
P. O. Box 52467-00200, Nairobi
Tel: 254 20 2714774
Fax: 254 20 2713899
Email: mombuoro@eib.co.ke

Faida Investment Bank Limited
Windsor House, 1st Floor
P. O. Box 45236-00100
Tel: 254 20 243811
Fax: 254 20 243814
Email: bob@faidastocks.com

Afrika Investment Bank Limited
Finance House, Loita Street
P. O. Box 41684-00100, Nairobi
Tel: 254 20 2210178/2212989
Fax: 254 20 2210500
Email: info@afrikainvestmentbank.com

Sterling Investment Bank Limited
Finance House, Loita Street
P. O. Box 45080-00100, Nairobi
Tel: 254 20 2220225/227004/2213914
Fax: 254 20 240297
Email: info@sib.co.ke

FCB Capital Limited
Prudential Assurance Building, 1st Floor
Wabera Street
P. O. Box 56793 – 00300,Nairobi
Tel: 254 20 3580866
Fax: 254 20 213582
Email:info@fcbtakafulagency.co.ke

Ngenye Kariuki & Co. Ltd.
Corner House, 15th floor
P O Box 12185 – 00400 Nairobi
Tel: 254 20 220052/220141/224333
Fax: 254 20 241825
E-mail: ngenyekari@wananchi.com

Dry Associates Limited
Dry Associates House
Brookside Grove/Matundu Lane
P.O Box 684 Sarit Centre 00606 Nairobi
Tel: 254 20 4450520/1/2/3/4, 4440546
Fax: 254 20 4441330
E-mail: dryassoc@wananchi.com
Website: www.dryassociates.com

STOCK BROKERS

Reliable Securities Limited
IPS Building, 6th Floor
Kimathi Street
P O Box 50338 - 00200 Nairobi
Tel: 254 20 241350/54/79
Fax: 254 20 241392
E-mail: reliable@gt.co.ke

Genghis Capital Limited
Prudential Assurance Building
Wabera Street
P. O. Box 28987-00200, Nairobi
Tel: 254 20 2774195/199
Fax: 254 20 2246334
Email: info@genghiscapital.co.ke

ABC Capital Limited
IPS Building, 5th Floor
Kimathi Street
P.O. Box 34137-00100, Nairobi
Tel: 254 20 2241046
Fax: 254 20 316144
Email: headoffice@abccapital.co.ke

FUND MANAGERS

AIG Global Investment Co. (EA) Ltd
Africa Re - Centre 5th Floor
Hospital Road, Upperhill
P.O Box 67262 – 00200, Nairobi
Tel: 2733400/8
Fax: 2733410
E-mail: aigeainfo@aig.com

Old Mutual Asset Managers (K) Ltd
Old Mutual building, Mara Road, Upper Hill
P.O Box 11589 - 0040, Nairobi
Tel: 2711309/2730466
Fax: 2711066
E-mail: omam@omamkenya.com
Website: www.oldmutualkenya.com

African Alliance (K) Management Ltd
Kenya Re Towers, 4th Floor
Off Ragati Road, Upper Hill
P.O. Box 27639 – 00506, Nairobi
Tel: 254 20 2710978
Fax: 254 20 2710247
Email: enquiries@africanalliance.co.ke

Stanbic Investment Management Services Ltd
Stanbic Building, Kenyatta Avenue
P.O. Box 30550 - 00100, Nairobi
Tel: 254 20 3268000
Fax: 254 20 247285
E-mail : sims@africaonline.co.ke

Aureos Kenya Managers
Norfolk Towers, 1st Floor, Kijabe Street,
P.O. Box 43233 – 00100, Nairobi
Tel: 254 20 228870-/337828
Fax: 254 20 330120/219744
E-mail: mails@aureos.co.ke
Website: www.aureous.com

ICEA Investment Services Ltd.
ICEA Bldg 14th Floor ,
Kenyatta Avenue
P.O. Box 46143 – 00100, Nairobi
Tel: 254 20 340365/6
Fax: 254 20 338089
E-mail: iisl@icea.co.ke

Co-op Trust Investment Services Ltd.
Co-operative House Mezzanine
Haile selassie Avenue
P.O. Box 48231 - 00100, Nairobi
Tel: 254 20 3276100

Genesis (K) Management Ltd
Lonrho House, 12th Floor
P.O Box 79217, Nairobi
Tel: 254 20 251012
Fax: 254 20 250716
E-mail: genesis@swiftkenya.com

Amana Capital Limited
Barclays Plaza, Mezanine,
Loita Sreet
P.O.Box 9480 – 00100, Nairobi
Tel: 254 20 313356/312144
E-mail: hardy@amanacapital.co.ke
Website: amanacapital.co.ke

British-American Asset Managers Limited
Britak Centre Upperhill
P.0 Box 30375-00100, Nairobi
Tel: 254 20 2710927
Fax: 254 20 2717626
E-mail: Britak@Britak.co.ke
Website: www.britak.com

Zimele Asset Management Co. Ltd.
Fedha Towers, 7th Floor
City Hall Way
P.O. Box 76528 – 00508, Nairobi
Tel: 254 20 2729078/2722953
Fax: 254 20 2722953
E-mail: zimele@africaonline.co.ke

Sanlam Investment Management Limited
The Citidell, 9th Floor
Muthithi Road
P. O. Box 7848-00100, Nairobi
Tel : 254 20 2729078/2722953
Fax : 254 20 2722953
Email : info@sim.sanlam.com

InvesteQ Capital Limited
Milimani Road, Ambassador Court
P. O. Box 46143-00100, Nairobi
Tel : 254 20 2730980
Fax : 254 20 2727783
Email : info@investeqcapital.com

Standard Chartered Investment Services Limited
Stanbank House, Haile Selassie Avenue
P. O. Box 30003-00100, Nairobi
Tel : 254 20 3276100
Fax : 254 20 223380

CIC Asset Management Company Ltd
CIC Plaza, Mara Road
P. O. Box 59485-00100, Nairobi
Tel : 254 20 2823000
Email : cic@cic.co.ke

INVESTMENT ADVISORS

Bridges Capital Ltd.
No. 209/362 Lenana Road
P.O. Box 62341 – 00200, Nairobi
Tel: 254 20 2714372/3
Fax: 254 20 2714657
E-mail: bcap@africaonline.co.ke
Website: www.bridgescapital.com

Equilibrium Capital Limited
International House,
Mama Ngina Street
P.O. Box 9000-00100, Nairobi
Tel. 254 20 248261
Email:
enquiries@equilibriumcapital.co.ke
Website:
www.equilibriumcapital.co.ke

Inter-Alliance International (K) Ltd
6 Longonot Place
PO Box 44249-00100, Nairobi
Tel: 254 20 252989/243421/246377
Fax: 254 20 211275
Email:
inter-alliance@wananchi.com
Website: www.inter-alliance

Executive and Corporate Advisory Services (K) Ltd
Mvuli Road, Westlands
P.O. Box 72216-00200, Nairobi
Tel: 254 20 4444913/6
Fax: 254 20 4444897
E-mail: huma@execorp.co.ke

Cititrust (K) Limited
Citibank House,
P.O. Box 30711 – 00100, Nairobi
Tel: 254 20 2711221/222248
Fax: 254 20 2714811
Website: www.citinri.com
Email: nri.africa@citigroup.com

V F S International (K) Limited
Village Market
P.O.Box 400621, Nairobi
Tel: 254 20 7120361
Email : info@vfsint.com
Website www.vfsint.com

Cooperative Consultancy Services Ltd
Cooperative House,
Haile Selassie Avenue
P.O. Box 48231, Nairobi
Tel: 254 20 228711/2/3
Fax: 254 20 219821
Email: cmb@africaonline.co.ke

Loita Asset Management Limited
Victoria Towers, 8th Floor,
Upper Hill
P. O. Box 39466-00623, Nairobi
Tel : 254 20 2219015
Fax : 254 20 2218992
Email : akosanya@loita.co.ke

First Africa (E.A.) Ltd.
5th Floor, I & M Bank House
2nd Ngong Avenue
P.O. Box 56179 – 00200, Nairobi
Tel: 254 20 2710821/2
Fax: 254 20 2 711331
E-mail: firstaf@firstafrica.co.ke
Website: www.first-africa.com

Iroko Securities Kenya Ltd
2nd Floor, Fedha Towers
Muindi Mbingu Street
P.O. Box 66249-00800, Nairobi
Tel: 3740497-8
Fax: 3740497
Email: ms@mawjisennik.com

Jani Consultancy Services Limited
Shimmer's Plaza, 4th Floor
Westlands Road
P.O.Box 40583, Nairobi
Tel: 254 20 3740640/1004
Fax: 254 20 3748838
E-mail:
mbo@janiassociates.com

Winton Investment Services Ltd.
Village Market, Limuru Road
P.O. Box 607-00621, Nairobi
Tel: 254 20 7121771
Fax: 254 20 7121742
Cell: 0722 509 269/ 0733 339047
E-mail:
info@winton-investments.com

Franklin Management Consultants Ltd
Viking House, Old Wing,
1st Floor
P.O. Box 61843-00200, Nairobi
Tel: 254 20 4441123/2285
Fax: 254 20 4441832
E-mail: franklin@wananchi.com

Regnum Consultants Limited
Fort Granit Apartments, F2,
Bishops Road, Upper Hill
P. O. Box 11431-00400, Nairobi
Tel: 254 20 3862336
Fax: 254 20 3862335
Email:
agichanga@regnumivest.com

J. W. Seagon
Mobil Plaza, 4th Floor,
Westlands Road
P.O. Box 16658 – 00620, Nairobi
Tel: 254 20 513600/6
Email: info@jwseagon.com
Website: www.jwseagon.com

Emerging Africa Capital Limited
Utumishi Coop House
Mamlaka Road
P. O. Box 32200-00600, Nairobi
Tel: 254 20 2344274
Email:
info@emergingafricacapital.com

The Profin Group (K) Limited
39 Longonot Place,
P. O. Box 9980 – 00100, Nairobi
Tel: 254 20 2043476/68
Fax: 254 20 2043461
Email: douglaswekhomba@
theprifingroup.com

Tsavo Securities Limited
Kimathi House, 6th Floor,
Kimathi Street
P. O. Box 11987-00100, Nairobi
Tel: 254 20 245042
Fax: 254 20 2243958
Email: info@tsavo.co.ke

WSD Capital (K) Limited
P. O. Box 99139, Mombasa
Tel: 254 41 2226099/1866
Fax: 254 41 2227534
Email: msa@questkenya.com

Citidell Company Limited
LR No. 209/7333
Kivemia Road, Milimani
Nairobi
Email:
Gregory.atoko@citidell.com

Alliance Capital Partners Limited
Shelter Afrique Centre
Longonot Road, Upper Hill
Nairobi

Lifestyle Management Limited
Havea Park, Unit D
Lower Kabete Road, Westlands
Nairobi
Tel: 0735 821 336

AUTHORIZED DEPOSITORIES

Barclays Bank of Kenya Ltd
Barclays Plaza, Loita Street
P.O. Box 30120, Nairobi
Tel: 254 20 332230/313405/313364
Fax: 254 20 312392
Website: www.barclays.com

CFC Stanbic Bank Ltd.
Chiromo Road, Westlands
P.O. Box 72833-00200, Nairobi
Tel: 254 20 363800
Fax: 254 20 3752906/5/7
E-mail: cfcstanbic@stanbic.com
Website: www.stanbicbank.co.ke

Kenya Commercial Bank Ltd.
Kencom House
P.O. Box 48400, Nairobi
Tel: 254 2 339441
Fax: 254 2 339415
Email: custody@kcb.co.ke
Website: www.kcb.co.ke

National Bank of Kenya Ltd
National Bank Building
P.O. Box 72866, Nairobi
Tel: 254 2 339690
Fax: 254 2 330784
E-mail: vicki@nationalbank.co.ke
Website:
www.nationalbank.co.ke

NIC Bank Ltd
NIC Hse, 2nd Floor
Masaba Road/Uhuru Highway
P.O.Box 72866-00200, Nairobi
Tel: 254 20 718200/229251
Email: info@nic.bank.com
Website: www.nic-bank.com

Cooperative Bank of Kenya
Co-operative House
Haile Selassie Avenue
P.O. Box 48231-00100, Nairobi.
Tel: 254 20 32076000/32076100
Website : www.co-opbank.co.ke

African Banking Corporation Limited
ABC Bank, Mezzanine Floor,
Koinange Street
P.O. Box 45452-00100, Nairobi
Tel : 254 20 2223922
Fax : 254 20 2222437
Email :
headoffice@abcthebank,com
Website : www.abcthebank.com

Dubai Bank
ICEA Building, Kenyatta Avenue
P.O.Box 11129-00400, Nairobi
Tel : 254 20 311109
Fax : 254 20 2245242
Email : info@dubaibank.co.ke
Website : www.dubaibank.co.ke

Equity Bank Limited
NHIF Building, 14th Floor
P. O. Box 75104-00200, Nairobi
Tel : 254 20 2736620
Fax : 254 20 2737276
Website : www.equitybank.co.ke

I & M Bank Limited
I & M House, Kenyatta Avenue
P. O. Box 72833-00200, Nairobi
Tel : 254 20 3221200/246552
Fax : 254 20 2211160/2212947/
2216732
Email : invest@imbank.co.ke
Website : www.imbank.com

NIC Bank
NIC House, Masaba Road
P.O. Box 44599-00100, Nairobi
Tel : 254 20 2888000
Fax : 254 20 2888505
Email : info@nic-bank.com
Website : www.nic-bank.com

Prime Bank Limited
Riverside Drive
P. O. Box 43825-00100,
Nairobi

LISTED COMPANIES AND MARKET CAPITALIZATION AS AT JUNE 30 2009

MAIN INVESTMENT MARKET SECTOR	ISSUED SHARES	CLOSING PRICE (VWAP)	MARKET CAP
AGRICULTURAL		(Kshs)	(Kshs Bn)
Kakuzi Ord.5.00	19,599,999	30	0.58
Rea Vipingo Plantations Ltd Ord 5.00	60,000,000	13	0.78
Sasini Ltd Ord 1.00	228,055,500	6.10	1.39
COMMERCIAL AND SERVICES			
AccessKenya Group Ltd Ord. 1.00	203,581,223	25.25	5.14
Car & General (K) Ltd Ord 5.00	22,279,616	42	0.94
CMC Holdings Ltd Ord 0.50	582,709,440	12.90	7.52
Hutchings Biemer Ltd Ord 5.00	360,000	20.25	0.01
Kenya Airways Ltd Ord 5.00	461,615,484	24	11.08
Marshalls (E.A.) Ltd Ord 5.00	14,393,106	24	0.35
Nation Media Group Ord. 5.00	142,610,520	144	20.54
Safaricom limited Ord 0.05	40,000,000,000	3.25	130.00
Scangroup Ltd Ord 1.00	220,689,655	26	5.74
Standard Group Ltd Ord 5.00	73,275,029	45	4.32
TPS Eastern Africa (Serena) Ltd Ord 1.00	105,864,742	45	4.76
Uchumi Supermarket Ltd Ord 5.00	180,000,000	14.5	2.61
FINANCE AND INVESTMENT			
Barclays Bank Ltd Ord 2.00	1,357,884,000	55	74.68
Centum Investment Company Ltd Ord 0.50	549,951,880	16.05	8.83
C.F.C Stanbic Holdings Ltd ord.5.00	273,684,211	66.50	18.20
Diamond Trust Bank Kenya Ltd Ord 4.00	163,037,108	74	12.06
Equity Bank Ltd Ord 5.00	3,702,777,020	16.20	59.98
Housing Finance Co Ltd Ord 5.00	230,000,000	16.90	3.89
Jubilee Holdings Ltd Ord 5.00	45,000,000	130	5.85
Kenya Commercial Bank Ltd Ord 1.00	2,217,777,777	22.50	49.90
Kenya Re-Insurance Corporation Ltd Ord 2.50	600,000,000	13	7.80
National Bank of Kenya Ltd Ord 5.00	200,000,000	39.75	7.95
NIC Bank Ltd 0rd 5.00	326,361,621	39.50	12.89
Olympia Holdings Ltd. Ord 5.00	40,000,000	8.30	0.33
Pan Africa Insurance Holdings Ltd 0rd 5.00	48,000,000	48.5	2.33
Standard Chartered Bank Ltd Ord 5.00	271,967,810	144	39.16
The Cooperative Bank of Kenya Ltd. Ord 1.00	3,499,212,000	10.45	36.57
INDUSTRIAL AND ALLIED			
Athi River Mining Ord 5.00	99,055,000	96	9.51
B.O.C Kenya Ltd Ord 5.00	19,525,446	160	3.12
Bamburi Cement Ltd Ord 5.00	362,959,275	145	52.63
British American Tobacco Kenya Ltd Ord 10.00	100,000,000	172	17.20
Carbacid Investments Ltd Ord 5.00	11,326,755	137	1.55
Crown Berger Ltd 0rd 5.00	23,727,000	25	0.59
E.A.Cables Ltd Ord 0.50	202,500,000	24.25	4.90
E.A.Portland Cement Ltd Ord 5.00	90,000,000	70	16.30
East African Breweries Ltd Ord 2.00	790,774,356	150	118.62
Eveready East Africa Ltd Ord.1.00	210,000,000	2.6	0.55
Kenya Oil Co Ltd Ord 0.50	147,176,120	60	8.83
Kenya Power & Lighting Ltd Ord 20.00	79,128,000	146	11.55
KenGen Ltd. Ord. 2.50	2,198,361,456	14.55	31.99
Mumias Sugar Co. Ltd Ord 2.00	1,530,000,000	6	9.18
Sameer Africa Ltd Ord 5.00	278,342,393	5.2	1.45
Total Kenya Ltd Ord 5.00	173,013,000	31	5.36
Unga Group Ltd Ord 5.00	75,708,873	10	0.76
ALTERNATIVE INVESTMENT MARKET SEGMENT			
A.Baumann & Co.Ltd Ord 5.00	3,840,066	11.1	0.04
City Trust Ltd Ord 5.00	5,728,314	148	0.85
Eaagads Ltd Ord 1.25	16,078,500	22.50	0.36
Express Ltd Ord 5.00	35,403,790	9.05	0.32
Williamson Tea Kenya Ltd Ord 5.00	8,756,320	52	0.46
Kapchorua Tea Co. Ltd Ord Ord 5.00	3,912,000	66	0.26
Kenya Orchards Ltd Ord 5.00	12,868,124	3	0.04
Limuru Tea Co. Ltd Ord 20.00	600,000	305	0.18