

THE RELATIONSHIP BETWEEN CAPITAL STRUCTURE AND CORPORATE TAXES FOR COMPANIES LISTED IN THE NAIROBI SECURITIES EXCHANGE

BY

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DECLARATION

Student's Declaration

This is my original work and has not been presented in any other university or college for examination purpose.

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Supervisor's Declaration

This research proposal has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

I dedicate this project to my Mum Lucy Wangeci and My Sister Ann Nyokabi for their love, prayers and support.

ACKNOWLEDGEMENT

Many thanks to the almighty God who has made me complete this research project in time despite the many challenges.

Special thanks to my Mum Lucy Wangechi who has offered tremendous support through prayers and encouragement all through and whose efforts in instilling the importance of education and also her tireless effort during my childhood has made me go to this heights in academia.

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ABSTRACT

This study aims at finding out the relationship between capital structure and corporate taxes for companies listed in Nairobi Security Exchange. Capital structure refers to the combination of debt and equity capital that a firm uses to finance its long-term operations. The value of a firm depends upon its expected earnings stream and the rate used to discount this stream. The rate used to discount earnings stream is the firm's required rate of return or the cost of capital. Capital structure decision can thus affect the value of the firm either by changing the expected earnings or the cost of capital or both.

The study focused on companies listed in Nairobi Security Exchange between the year 2001 and 2012. Purposive sampling technique will be used to select the sample firms. The sample size for this study is made up of forty (46) listed companies excluding the financial companies, Investment and Insurance companies due to their peculiar nature of capital structure.

The findings of the study shows that the relationship between debt equity ratio and taxes profit ratio was negative and significant ($b_1 = -.032$, p value 0.000). The findings imply that debt equity ratio has a significant effect on taxes profit ratio.

Policy makers should establish the relationship between capital structure and corporate taxes for companies quoted in NSE in Kenya, so as to assist business Consultants to advise firms on the best form of capital structure to use depending on the profitability and tax rate. Also the financial institutions should make their lending policies easier to understand. In addition, they should differentiate their lending products so that they encourage the use of debt capital by listed firms.

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LIST OF ABBREVIATION

EAC – East Africa Community

MM – Modigliani and Miller

NSE – Nairobi Securities Exchange

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Capital structure refers to the combination of debt and equity capital that a firm uses to finance its long-term operations. The value of a firm depends upon its expected earnings stream and the rate used to discount this stream. The rate used to discount earnings stream is the firm's required rate of return or the cost of capital. Capital structure decision can thus affect the value of the firm either by changing the expected earnings or the cost of capital or both. An optimal capital structure would be obtained at the combination of debt and equity that maximizes the total value of the firm (Value of share plus value of debt) or minimizes the weighted cost of capital (Pandey, 2002).

Since the landmark seminal paper by Modigliani and Miller (1958), the issue of capital structure has continued to generate great interests in finance literature. Copeland and Weston (1993) define capital structure as the permanent financing represented by long-term debt, preferred stock, and shareholder equity. Academic researchers and practitioners have come to recognize capital structure decision as a significant managerial decision since it influences the shareholder return and risk (Pandey, 2002). The study of capital structure mainly attempts to explain the mix of securities and financing sources used by corporations to finance real investment (Myers, 2001). In more general terms a firm can choose among many alternative capital structures to have varied mix of debt and equity.

The various capital structure theories address the theoretical relationship that existed between the value of the firm and the capital structure. The traditional view which refers to finance theorists before 1958 (Kamere 1987), argued that the values of a firm can be maximized by minimizing the cost of capital through the careful use of debt. The basis of that argument was that at low levels of debt, increased leverage did not increase the cost of debt hence an incentive to borrow existed.

That is the case until a certain level when the cost of debt begins to rise. Under these circumstances, the weighted average cost of capital curve is expected to decline to a minimal and then start rising implying that an optimal capital structure exists and it is at this point that the value of the firm is maximized (Omondi 1996).

There are various attributes that different theories of capital structure suggest may affect the firms' capital structure decision. These attributes according to Titman and Wessels (1988) are denoted as profitability, non-debt tax shields, asset structure, growth, business risk, size and earnings volatility. Regarding the cost of equity, traditional theorists argue that borrowing at first increases the expected return on equity at a slow rate which then shoots up with excessive borrowing (Omondi 1996). The traditional theory has been complemented with encouraging more analysis in the contemporary ways of looking at capital structure for example signaling theory (Ross 1977) and the Agency theory (Jensen 1976).

Modigliani and Miller (1958) show that in their seminal work that the capital structure is Irrelevant to the value of the firm in a perfect, frictionless world without taxes. In the real economy the interest deductibility of debt at the corporate level encourages firms to use debt financing. On the other hand, personal income taxation provides a tax advantage of equity at the investor level because equity income (dividends and capital gains) is taxed at a lower rate than interest income. Thus, the overall effect remains unclear and depends on the country specific tax policies. Miller (1977) states that, at the margin, the tax disadvantage of debt at the investor level completely offsets the tax advantage at the corporate level; thus there is no tax advantage of debt at all.

Since then numerous empirical studies have explored the impact of taxation on corporate financing decisions in the major industrial countries. Some are concerned directly with tax policy, for example: MacKie-Mason (1990), Shum (1996) and Graham (1999). MacKie-Mason (1990) studied the tax effect on corporate financing decisions and provided evidence of substantial tax effect on the choice between debt and equity. He concluded that changes in the marginal tax rate for any firm should affect financing decisions. When already exhausted (with loss carry forwards) or with a high probability of facing a zero tax rate, a firm with high tax shield is less likely to fi-

nance with debt. The reason is that tax shields lower the effective marginal tax rate on interest deduction. Graham (1999) concluded that in general, taxes do affect corporate financial decisions, but the magnitude of the effect is mostly “not large”.

On the other hand, DeAngelo and Masulis (1980) show that there are other alternative tax shields such as depreciation, research and development expenses, investment deductions etc, that could substitute the fiscal role of debt. Empirically, this substitution effect is difficult to measure, a finding an accurate proxy for tax reduction that excludes the effect of economic depreciation and expenses is tedious (Titman and Wessel, 1998). Damon and Senbet (1988) argue that there is also an income effect when investment decisions are made simultaneously with financing decisions. They suggest that increases in allowable investment-related tax shields due to changes in the corporate tax code are not necessarily associated with reduction in leverage at the individual firm level when investment is allowed to adjust optimally. They explain that the effect of such an increase depends critically on the trade-off between the “substitution effect” advanced by DE Angelo and Masulis (1980) and the “income effect” associated with an increase in optimal investment.

1.1.1 Capital Structure and Corporate Taxes

We examined how taxes and leverage affect a firm’s cost of equity. Modigliani and Miller (1958) demonstrated that in the absence of taxes and transactions costs, firm value and the weighted average cost of capital are independent of capital structure. Holding the average cost of capital constant, they showed that the cost of equity contains a financial risk premium that is positively related to the firm’s debt-to-equity ratio. With corporate taxes, Modigliani and Miller (1963) established that the value of the tax shield provided by the interest expense deduction increases firm value and show that this tax shield reduces the leverage-related premium in the cost of equity capital. Miller (1977) introduces the effect of personal level taxes into the analysis. He argued that individual investors would demand a higher pretax return on debt to compensate for the higher personal tax on interest income. In equilibrium, the investor level tax disadvantage of debt may completely offset the corporate tax benefit, making capital structure irrelevant. Howev-

er, Miller (1977) assumed that the firm will realize the full value of the debt tax shield. DeAngelo and Masulis (1980) show that in the presence of non-debt tax shields, the firm may not realize the full benefit of the interest expense deduction. In equilibrium, each firm was to equate the expected tax benefit of an additional dollar of debt with the expected tax cost to investors. This implies an optimal capital structure for the firm.

Numerous studies, including MacKie-Mason (1990), Dhaliwal et al. (1992), and Graham (1999), examine the effect of corporate and personal level taxes on firms' financial leverage and incremental financing decision. In general, their findings suggested that firms' capital structure choices correlate with corporate and investor level taxes in predicted manner. These studies presumed that economic considerations drive managers' capital structure decisions, but do not provide evidence that the tax implications of debt. Modigliani and Miller in 1958 developed a new financial theory in which they concluded that the capital structure of a firm was irrelevant to its value in a world without corporate taxes given the assumptions that there exists a homogenous risk class, homogenous expectations, capital markets, risk less, debt and zero growth. These findings were reaffirmed with the aid of the arbitrage process, which refers to the buying, and selling of identical assets at different prices. In the arbitrage process, if two companies differed only in the way they were financed and in their total market values, then investors would sell their securities of the overvalued firm and buy those of the undervalued firm. This process would continue until the two firms' stock prices had the same market value.

Capital structure is arguably the core of modern corporate finance (Drobetz and Wanzenried, 2006). While Modigliani and Miller (1958) derived conditions under which capital structure is irrelevant for firm valuation, the subsequent theoretical literature has shown that a firm can influence its value and improve its future prospects by varying its optimal ratio between debt and equity. Fama and French (2002) argue that the two competing models of financing decisions are the trade off theory and the pecking order theory. The trade off theory model is whereby firms identify their optimal leverage by weighing the costs and benefits of an additional dollar of debt. The alternative model is the pecking order model of financing decisions which was developed by Myers (1984).

Brealey and Myers (2003) define capital structure as the firm's mix of different securities used in financing its investments. They observe that a firm can issue dozens of distinct securities in countless combinations, but it tries to find the particular combination that maximizes its overall market value. When a firm is financed entirely by common securities then all the cash flow from investments belong to the securities holders. However when it issues both debt and equity securities, it undertakes to split up the cash flows into streams such that relatively safe stream goes to the debt-holders whereas a more risky one goes to the securities holders. An adjustment towards target capital structure stems from the trade off theories of capital structure.

According to Musili (2005) large firms contribute a lot to the economy of any country. They are the backbone of any country. The decision of whether to finance an enterprise with long term debt or equity sources of finance is what the capital structure is all about. Capital structure design is one of the most important decisions confronting large firms and this is crucial because of the need to maximize returns and minimize risks. Also capital structure helps the firm's on its ability to deal with its competitive environment. The capital structure choice has long been an issue of great interest. This is because the mix of funds that is the leverage ratio affects the cost and availability of capital and hence the firm's investments decision. The shape of the same changes from what it was at the inception to what it is at the time of expanding the business. Any change in the capital structure pattern affects the debt-equity mix, which in turn influences the cost of capital.

A securities market is an institution that deals in exchange of securities issued by publicly quoted companies and the government. The securities market is part of the broader market referred to as financial market (Reilly, 1997; Fabbozi 1995). The Nairobi Securities Exchange was constituted as a voluntary association of securities brokers registered under the societies Act in 1954 and in 1991 the Nairobi Securities Exchange was incorporated under the companies Act of Kenya as a company limited by guarantee and without a share capital. Subsequent development of the market has seen an increase in the number of securities brokers, introduction of investment banks, establishment of custodial institutions and credit rating agencies and the number of listed com-

panies have increased over time. Securities traded include, equities, bonds and preference shares (www.nse.co.ke).

1.2 Statement of the Problem

In recent years a number of theories have been proposed to explain the effect of corporate taxes on the firm's capital structures. Theories suggest that firms select capital structures depending on attributes that determine various costs and benefits associated with debt and equity financing. Debt maybe better than equity in some cases while worse in others. The difficulty of the task lies in the fact that shareholders expect management to issue a financing combination that attempts to maximize a firms overall market value. Corporate tax rate affects the capital structure of firms because firms weigh the marginal tax benefits induced by the deductibility of interest payments on debt against the marginal financial costs of debt when determining their 'target' leverage ratio.

The tax-induced benefits of debt are increasing with the statutory corporate tax rate. The costs of debt are typically assumed to increase with the debt level but are independent of other firm characteristics. Despite strong theoretical reasons why taxes should matter (e.g., Modigliani and Miller, 1963, Miller, 1977, and DeAngelo and Masulis, 1980), discouraging results in earlier empirical studies lead Myers (1984) to state in his well-known *Presidential Address* to the American Finance Association that “[w]e don't know” how “firms choose their capital structures” as there is “no study clearly demonstrating that a firm's tax status has predictable, material effects on its debt policy”

Other studies however established a more solid *statistical* connection between taxes and capital structure choices. These studies include Graham (1996a, 1996b, 1999) and MacKie-Mason (1990), who carefully measure corporate marginal tax rates, and Desai, Foley and Hines (2004) who exploits the rich cross-sectional variation in corporate tax rates across countries. However not all firms take the benefit of tax because young firms might result to debt due to lack of capital while firms that have been in existence may tend to use the retained earnings. Studies in Kenya have focused on capital structure decisions for example, determinants of capital structure in

tea sector kago (2012), priority structure of debt muriuki(2003))relationship between ownership structure and the value of firms (Onyango 2004). Studies that been carried out on tax and capital structure has come up with different result, Nyang'oro (2001) found out that tax rate is significant in determining the leverage of firms but shows unexpected (negative) sign. While Mutsotso (2003) shows there is a positive relationship between the corporate tax rate and the capital structure of quoted companies. The main purpose of this research proposal is to find out the relationship between capital structure and corporate taxes in companies listed in Nairobi Securities Exchange. This study was focus fully on the corporate taxes and its relationship on capital structure of listed companies.

1.3 Objective of the Study

The objective of this study was to ascertain the relationship between capital structure and corporate taxes in listed companies in the Nairobi Securities Exchange.

1.4 Significance of the Study

The choice of the financial policy is one of the most important decisions that the company would ever take. It consists on determining the optimal capital structure of the companies. The study will be of benefit to various groups of people including; Corporate Managers, Investors, Business consultants and Academicians.

1.4.1 Corporate Managers

Management of Companies quoted in NSE in Kenya have been given the responsibility to maximize shareholders wealth and this is through maximizing the market value of company's shares. This study will be useful to the managers in guiding them towards making financing decisions that are in line with Shareholders wealth maximization and was help manager's to know if their firms have been reducing their interest –bearing liabilities. The study will help firms towards establishment their creditworthiness.

1.4.2 Investors

The study will assist investors to increase their investment opportunities and also help them beat the market undervalued securities and selling them later when market has correctly priced them or selling over valued shares and buying them later when the price is down hence making abnormal profits. The study will also help investors move fast to act on signals sent by corporations and not received by other market participants. This research proposal will help in knowing if firms listed in NSE abide capital structure is determined by the corporate taxes.

1.4.3 Business Consultants

By establishing the relationship between capital structure and corporate taxes for companies quoted in NSE, business Consultants will be able to advise firms on the best form of capital structure to use depending on the profitability and tax rate.

1.4.4 Academicians and Researcher

The study will contribute to development of academic literature and theory by providing empirical evidence in this field of study. This group of scholars will use the research to add on their wealth of knowledge and constitute a firm foundation for further research in the area of study. The study will guide other researchers who may wish to do a similar study in the other East Africa community member (EAC) Countries securities markets due to shared similarities.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction.

This research focused on the relationship between capital structure and corporate taxes for companies listed in the Nairobi securities exchange. The chapter consists of a review of finance theories related to the study, literature as derived from research work by other researchers, any other relevant literature that may aid in further understanding of this study and a summary of the empirical review.

2.2 Review of Theories

2.2.1 Modigliani and Miller (1958) without Corporate Taxes

The Modigliani-Miller without Corporate Taxes also known as Proposition I Theory (MM I) states that under a certain market price process, in the absence of taxes, no transaction costs, no asymmetric information and in an perfect market, the cost of capital and the value of the firm are not affected by the changed in capital structure. The firm's value is determined by its real assets, not by the securities it issues. In other words, capital structure decisions are irrelevant as long as the firm's investment decisions are taken as given. The Modigliani and Miller (1958) explained the theorem was originally proven under the assumption of no taxes. It is made up of two propositions that is the overall cost of capital and the value of the firm are independent of the capital structure. The total market value of the firm is given by capitalizing the expected net operating income by the rate appropriate for that risk class, and that the financial risk increase with more debt content in the capital structure. As a result, cost of equity increases in a manner to offset exactly the low cost advantage of debt. Hence, overall cost of capital remains the same.

2.2.2 Modigliani-Miller with Corporate Taxes (1963)

The Modigliani-Miller with corporate taxes which is also referred to proposition II Theory (MM II) defines cost of equity is a linear function of the firm's debt/equity-ratio. According to them,

for any firm in a given risk class, the cost of equity is equal to the constant average cost of capital plus a premium for the financial risk, which is equal to debt/equity ratio times the spread between average cost and cost of debt. Also Modigliani and Miller (1963) recognized the importance of the existence of corporate taxes. Accordingly, they agreed that the value of the firm will increase or the cost of capital will decrease with the use of debt due to tax deductibility of interest charges. Thus, the value of corporation can be achieved by maximizing debt component in the capital structure. This theory of capital structure for the study provided an important and analytical framework. According to this approach, value of a firm is $V_L = V_U = \frac{EBIT(1-T)}{\text{equity} + TD}$ where TD is tax savings. Modigliani-Miller Proposition II is assuming that the tax shield effect of each is the same, and continued in sight. Leverage firms are increased in interest expense due to reduced tax liability, has also increased the allocation to the shareholders and creditors of the cash flow. The above formula can be deduced from the company debt the more the greater the tax saving benefits, the greater the value of the company.

The revised capital structure of the Modigliani-Miller Proposition II, pointed out that the existence of tax shield in a perfect capital market conditions cannot be reached, in an imperfect financial market, the capital structure changes will affect the company's value. Therefore, the value and cost of capital of corporation with the capital structure changes in different leverage, the value of the levered firm will exceed the value of the unlevered firm. MM Proposition theory suggests that the higher the debt ratio is more favorable to corporate, but though borrowing adds an interest tax shield it may lead to costs of financial distress. Financial distress occurs when promises to creditors are broken or honored with difficulty. Financial distress may lead to bankruptcy. The trade-off theory of capital structure theory in MM based on the added risk of bankruptcy and further improves the capital structure theory, to make it more practical significance.

2.2.3 Trade-off Theory of Capital Structure

According to Myers (1984), a firm that follows the trade-off theory sets a target debt to value ratio and then gradually moves towards the target. The target is determined by balancing the tax benefits of using debt against costs of financial distress that rise at an increasing rate with the use

of leverage. It so predicts moderate amount of debt as optimal. But there is evidence that the most profitable firm in an industry tend to borrow the least, while their probability of entering in financial distress seems to be very low. This fact contradicts the theory because if the distress risk is low, an increase of debt has a favorable tax effect. Under the trade-off theory, high profits should mean more debt-servicing capacity and more taxable income to shield and therefore should result in a higher debt ratio.

This idea has been developed in many papers, including Brennan & Schwartz (1978), DeAngelo and Masulis (1980) and Bradley, Jarrell and Kim (1984). However, it has been questioned by many others, including Miller (1977) and Graham (1990), who argue that the Static Trade-off model implies that many firms should be more highly levered than they really are, as the tax savings of debt seem large while the costs of financial distress seem minor. A few such studies have since appeared, although some relate in part to financing tactics, and none gives conclusive support for the trade-off theory. For example, Mackie-Mason (1990) estimated a profit model for companies issuing debt or equity securities. He predicted that companies with low marginal tax rates-for example companies with tax loss carry-forwards-would be more likely to issue equity, compared to more profitable companies facing the full statutory tax rate. This was clearly true in his sample.

Mackie-Mason's (1990) result is consistent with the trade-off theory, because it shows that tax-paying firms favor debt. But it is also consistent with a Miller (1977) equilibrium in which the value of corporate interest tax shields is entirely offset by the low effective tax rate on capital gains. In this case, a firm facing a low enough tax rate would also use equity, because investors pay more taxes on debt interest than on equity income. Thus, we cannot conclude from Mackie-Mason's results that interest tax shields make a significant contribution to the market value of the firm or that debt ratios are determined by the tradeoff theory.

2.2.4 Pecking Order Theory

In their pioneering work, Myers and Majluf (1984) showed that, if investors are less well-informed than current firm insiders about the value of the firm's assets, then equity may be mis-

priced by the market. If firms are required to finance new projects by issuing equity, under pricing may be so severe that new investors capture more than the NPV of the new project, resulting in a net loss to existing shareholders. In this case the project will be rejected even if its NPV is positive. This underinvestment can be avoided if the firm can finance the new project using a security that is not so severely undervalued by the market. For example, internal funds and/or riskless debt involve no undervaluation, and, therefore, will be preferred to equity by firms in this situation. Even (not too) risky debt will be preferred to equity. Myers (1984) refers to this as a pecking order theory of financing, i.e., that capital structure will be driven by firms' desire to finance new investments, first internally, then with low-risk debt, and finally with equity only as a last resort. Myers' (1984) study and find that debt is preferable even though it is risky.

The study presents a pecking order theory of financing choice. The defining prediction of the model is that firms will not have an optimal capital structure, but will instead follow a pecking order of incremental financing choice that places internally generated funds at the top of the order, followed by debt, and finally, when the firm reaches its "debt capacity," external equity. This theory is based upon costs derived from asymmetric information between managers and the market and the assumption that trade-off theory costs and benefits of debt financing are of second-order importance when compared to the costs of issuing new securities in the presence of asymmetric information. The development of a pecking order based upon costs of adverse selection requires an ad hoc specification of the manager's incentive contract (Dybvig and Zender (1991)) and some limitation on the types of financing strategies that maybe pursued (e.g. Brennan and Kraus (1987)).

2.2.5 Business risk and Capital structure

Business risk is the first of two determinants of the costs of financial distress, according to Myers (1984 a and b). If one multiplies the costs of bankruptcy (which differ from industry to industry) by the probability of financial distress (not just bankruptcy, because indirect costs can be incurred even if a firm recovers), one obtains the expected cost of financial distress. Financial distress has been defined as the disruption of normal operating and financial conditions caused by

impending insolvency (Emery, 1998). Companies should then balance this cost against the tax benefits of debt in this static approach to obtaining the optimum leverage ratio.

2.2.6 Signaling Theory and Capital structure

Ross (1978) introduced signalling theory to finance in which he suggested that managers can use capital structure as well as dividends to give some signals about the firm's future prospects. More specifically, outsiders may interpret increasing the amount of debt in the firm's capital structure as a sign of confidence in a firm's future. Kamere (1987) notes that signalling is closely related to agency problem in that the use of a firm's capital structure to convey information to the market about a firm's profitability is made possible by failure on the part of principals to control actions of management fully. Harris and Raviv (1990) contend that in general, managers do not always behave in the best interest of investors. Debt according to them serves this purpose by offering creditors the option to force the firm into liquidation and it also generates information about these aspects.

2.3 Review of Empirical Studies

The term capital structure refers to the percentage of capital (money) at work in a business by type. It is a mix of a company's long-term debt, specific short-term debt, common equity and equity and it simply describes how a firm finances its overall operations and growth by using different sources of funds. Broadly speaking, there are two forms of capital: equity capital and debt capital. Each has its own benefits and drawbacks and a substantial part of wise corporate management is attempting to find the optimal capital structure in terms of risk/reward payoff for shareholders. There are several strands of literature that are relevant to the proposed research.

Booth et al. (2001) covering many countries also provide evidence consistent with the pecking order hypothesis. They find that the more profitable the firm the lower is the debt ratio. This finding contradicts optimal theory in that why these firms do not move their leverage to the industry average. Is it that high profitable firms engage in non-optimal behaviour? Additionally, an examination of Hungarian firms by Colombo (2001) provides further support for the pecking or-

der hypothesis. Colombo (2001) reports that there is evidence of the existence of the pecking order in firms' financing choices suggesting the Presence of forms of financial market imperfections that constrain them in the achievement of their optimal capital structure.

Although the pecking order theory has been widely accepted, Ryen, Vasconcellos and Kish (1997) argue that it is inconsistent with many empirical observations. Frank and Goyal (2003) using U.S. data report that debt financing does not dominate equity financing in magnitude. In fact, equity financing is closely related to financing deficit while debt financing is not. Myers and Majluf (1984) argue that a drop in share price should be greatest for an equity issue, less for convertible debt, and the least for straight debt. However, there are several findings that contradict this view; for example, Mikkelson and Partch (1986), Noe (1988) and Constantinides and Grundy (1989).

However, transparency also affects the firm's relationships with its competitors and other non-investor stakeholders (e.g., employees, suppliers, and customers) and transparency can have a negative effect reducing firm value (Leuz and Verrecchia, 2000). High levels of transparency may make it easier for these non-financial stakeholders to press for and increase their claims on the firm's assets and earnings. High levels of transparency also may discourage managers from seeking outside financing and, thus, use non-optimal and more conservative capital structures and forego investments in some positive NPV projects requiring outside financing (Almazan et al., 2003). Thus, not all transparency is value enhancing and the optimal level and type of transparency may depend both on firm characteristics and on the regulatory and transparency regime in place. Further, while increased transparency has been shown to reduce the overall cost of capital for firm, different types of transparency may have differential impact on debt versus equity. This resulting impact of transparency on capital structure has not been explored adequately in the literature.

Mateus and Balla, (2002) did a study to analyse capital structure choices of firms in Hungary and Portugal. They chose three debt ratio as dependent and six independent variables and could see that debt ratios seem to be directed in the same way by the same type of variables that are significant. The dependent debt ratios were ratio, long term book-debt ratio and long term market debt

ratio. The independent variables were average tax rate, asset tangibility business risk, size, return on assets and market-to book ratio. Using a cross sectional regression analysis they concluded that the relevant variables explaining capital structure in developed countries are also relevant in developing countries: despite the difference in their institutional structure. However, they also revealed that these ratios are affected by macros factors, such as inflation rate and GDP growth rate but their impact is low. These findings were consistent with a similar study done by Booth et,al (2001). The main goal in this study is to examine the financial structure of firms in a sample of developing countries using a new-level database. Using the cross –sectional regression he came up with a similar conclusion.

Chen et al (1998) conducted a study on the determinants of capital structure of the Dutch firms. Their objective was to investigate whether and to what extent the main capital structure theories can explain the capital structure choice of Dutch firms. Using a panel data model, they analysed the theoretical variables which they referred to as the determinants of capital structure, this included asset tangibility, growth, size earning variability, profitability, market to book ratio as a proxy for Tobin q ratio. They concluded that pecking order hypothesis is more relevant in explaining the financial choice of Dutch firms and hence the importance of asymmetric information models in explaining capital structure choice of Dutch firms.

Bunerjee et al, (2000), did a study on the dynamics of capital structure. They used a dynamic adjustment model and panel data methodology on a sample of UK and US firms to specifically establish the determinants of a time-varying optimal capital structure. They concluded that firms typically have capital structure that are not at the target and that they adjust very slowly towards the target market. Lemmon et al (2001) also did a study on debt capacity and tests of capital structure theories. Using empirical models estimated by Shyam – Sunder/myers and Frank /Goya to analyse capital structure determinants in USA, they concluded that the pecking order appears to be good description of the financial policies of majority of the firms.

Baner (2004) examined the capital structure of listed companies in Visegrad countries (Czech Republic, Hungary, Poland and Slovak Republic) during the period from 2000 to 2001. The results are based on the database, which assembles financial reports of listed firms. In his study, six

potential determinants of capital structure are analyzed size, profitability, tangibility, growth opportunities, non-debt tax shields and volatility. According to his findings, leverage of listed firms in Visegrad countries is positively correlated with size. Leverage is negatively correlated with profitability. This finding is consistent with the pecking-order hypothesis rather than with static trade-off models. Also, leverage is negatively correlated with tangibility and non-debt tax shields. There is a negative relationship between leverage measured in market value and growth opportunities.

Zahir, Saheucy& Mir (2010) in a study of textile industries in Pakistan to determine the capital structure .The outcome of the study is that the larger the firm, higher the long term debt and vice versa. Large firms indicate low level of risk and a steady return to the creditors due to which large firms can borrow more. The credibility of the firm is higher due to its low chances of default. The reason for this is that as the firm's resources increase, it can cover its losses to a greater extent thus enabling itself to borrow more. Borrowing would also significantly reduce the taxes but a certain feasible region is necessary to extract maximum performance from the firm's business. Even if sufficient resources back up a firm, an increase in the long-term debt beyond the capabilities of the firm can lead to severe consequences. Thus the firms should analyze their respective position in the market and alter their capital structure accordingly.

In the U.S.Pinegar and Wilbricht (1989), Baskin (1989), Claggett Jr. (1991), and Kamath (1997) show that relying on a hierarchy of financing sources is more popular than adhering to target leverage. Shyam-Sunder and Myers (1999) also argue that the rationale behind the pecking order provides a better empirical explanation than do the trade-off models. Arsiraphongphisit et al (2000) find that 75 per cent of respondents prefer to follow a financing hierarchy to maintain a target capital structure. Indeed, their version of the preferred financing hierarchy is consistent with the pecking order where retained earnings are ranked first, followed by bank loans and common securities: however this is a survey response by managers.Resources and steady growth would help in optimal performance only if the firm can understand how to design their financing structure. Abor (2008) also reported that According to Balla and Mateus (2003), in a country like Portugal that has suffered a strong development in the last fifteen years; the results are very simi-

lar to those obtained in Hungary. Total debt ratio is influenced by variables like asset tangibility, business risk, size and return on assets. Their findings are that the more profitable the firm, the lower the debt ratio is consistent with the pecking-order hypothesis. Assets tangibility also affects financing decisions.

Salawu&Agboola (2008), their studies revealed that for non-financial firms such as the manufacturing firms, there is a significant positive relationship between asset structure (tangibility) and long-term debt ratios. Therefore, collateral value is found to be a major determinant of the level of debt finance. The size of the company was also found to have statistically significant positive relationship with both total debt and short term debt ratios for the sample. Profitability was also seen to have positive impact on leverage of large firms in Nigeria, confirming that the tax advantage of debt financing has relevance in these firms. Their results further revealed that dividend payment does not represent a better financial approach for large firms in Nigeria. In addition, non-debt tax shields are positively and significantly correlated with capital structure. This suggests that large Nigerian firms that have large non-debt tax shields are less leveraged. The evidence of the behaviour of large firms in Nigeria is consistent with the trade-off theory.

Salawu (2006) examined the considerable factors in deciding on the appropriate amount of equity and debt in the Nigerian banking industry and the factors influencing banks' capital structure. His study revealed that ownership structure and management control, growth and opportunity, profitability, issuing cost and tax economics associated with debt are the major factors influencing bank's capital structure. Ahmed (2010) The Result of the study reveals that Growth opportunities, Firm size and Level of risk influence capital structure of listed firms positively but insignificant in both Ghana and Nairobi Securities market. Asset tangibility and Profitability were found to have significant negative effect on capital structure decision of listed firms in both markets; while tax was found to have a negative influence on capital structure, but insignificant in the case of NSE listed Firms.

A number of capital structure related studies have been done in Kenya. Kamere (1987) performed an opinion survey to find out from the auditors and financial managers what factors they consider to be important in their capital structure decisions. Most notable in his findings as sig-

nificant factors that influence capital structure decisions include the stability of cash flows, the level of interest rates, the firm's asset structure, tax shield and the maturity. A more recent study carried out by Ngugi (2008) investigated capital financing behavior of firms listed on the Nairobi Securities Exchange. The results show that a pecking order model with an adjustment process cannot be rejected. Specifically, the study finds that the main determinants of capital financing behavior consist of information asymmetries, non-debt tax shields and local capital market infrastructure. This study extended the empirical research on the subject of target capital structure by focusing on the dynamics of capital structure decisions and the nature of adjustment process. Omondi (1996), extended on the work of Kamere, though restricted his analysis on to public listed companies. Nyang'oro (2008) on a study on the tax and capital structure for listed companies in Kenya found out that the tax rate is significant in determining the leverage of the firms but shows unexpected (negative) sign.

Using correlation coefficient and data for the period 1987-1994, he analyzed the relationship between leverage and the variables. His results revealed a significant positive relationship between leverage and profitability. He studied the major determinants of capital structure variations of listed companies. He regressed asset tangibility, profitability, growth opportunities, business risk, non-debt tax shield and firm's size against leverage. Only profitability and non-debt tax shield tested significant, profitability being negatively related to leverage and non-debt tax shield being positively related with leverage. His findings on profitability contradicted Omondi's findings. Unlike Odinga (2003), Omondi (1996) found a significant negative relationship. The limitation in Odinga's study is that it only explains the existing capital structures without giving an insight of the capital structure issues from a practical point of view. This study borrows heavily from the previous studies in terms of study design and methodology, except for the industrial orientation. The corporate tax rate has not been investigated as a factor that influences the capital structure though it is central to the various theories of capital structure. There is need to establish the association that exists between tax rate and leverage. This study will focus on the relationship between capital structure and corporate taxes on firms listed in NSE. Using data from NSE the capital structure will be analyzed with respect to the changing corporate tax paid over the years.

2.4 Corporate Taxes

Numerous empirical studies have explored the impact of taxation on corporate financing decisions in the major industrial countries. Some are concerned directly with tax policy, for example: MacKie-Mason (1990), Shum (1996) and Graham (1999). MacKie-Mason (1990) studied the tax effect on corporate financing decisions and provided evidence of substantial tax effect on the choice between debt and equity. He concluded that changes in the marginal tax rate for any firm should affect financing decisions. When already exhausted (with loss carry forwards) or with a high probability of facing a zero tax rate, a firm with high tax shield is less likely to finance with debt. The reason is that tax shields lower the effective marginal tax rate on interest deduction. Graham (1999) concluded that in general, taxes do affect corporate financial decisions, but the magnitude of the effect is mostly not large

2.4.1 The General Corporate Taxes in Kenya

The general corporate income tax rate in Kenya is **30%**, with a branch of a foreign company taxed at 37.5%. Newly listed companies enjoy a reduced rate for 3-5 years following the year of listing, the rate (20%-27%) and period depending on the percentage of capital listed (must be more than 20%).

2.4.2 Residence and Nonresident

Residence – A company or similar corporate entity is tax resident if incorporated under Kenyan law, management and control of its affairs are exercised in Kenya or if the Minister of Finance declares the entity to be tax resident in a notice published in the Kenya Gazette. Resident and nonresident corporate entities are subject to tax on all income accruing in or derived from Kenya.

2.4.3 Taxable Income

Income tax is imposed on a company's gross income minus allowable deductions. In general, expenses must be incurred "wholly and exclusively" in the production of income and not be capital in nature to be deductible for tax purposes.

2.4.4 Disallowed Taxes

Attributable expenses are disallowed as deductions. Dividends from a foreign company are not taxable in Kenya. Capital gains are not taxable in Kenya (while there is capital gains legislation, it has been suspended since 1985). Losses from Business income, investment income (other than for financial institutions, for which investment is considered business income), rental income and income from agriculture are assessed separately and losses only may be utilized against taxable income from the same source. As from income12 June 2009, tax losses may be deducted in the year in which they arise and the 4 following years of income (previously, an indefinite carry forward was allowed). Losses may not be carried back and capital losses are not deductible.

2.4.5 Tax Incentives

Kenya provides for a 100% investment deduction on hotel buildings and on buildings and machinery used in manufacturing. Manufacturing investment in buildings and machinery situated within satellite towns adjoining Nairobi, Mombasa or Kisumu attract an investment allowance of 150%. Enterprises in export Processing Zones enjoy a 10-year tax holiday.

2.5 Conclusions

Most of the studies carried out on relationship between corporate tax and the capital structure are on developed countries and most of the studies were carried out to verify the traditional theories of Modigliani and Miller I & II, trade off theory, pecking order and signaling capital structure theories. All the theories in capital structure do not agree on any single determinant of capital structures, Modigliani and Miller. Pecking order, trade off theory all are different in determining the optimal capital structure. The review of empirical studies also shows that all the studies that have been carried out both international and local all have come up with different relationships between tax and capital structure. This might be because of the different interest rates, changing tax rates and also the uniqueness. However all the studies agree that corporate taxes overall affect the capital structure.

This paper therefore established the relationship between capital structure and corporate taxes in

companies listed in Nairobi Securities Exchange. Mutsotso, (2007) used data collected from the Nairobi Securities Exchange from 1989 to 2003 and the tax rates were fluctuating. Hence this study took into account and appreciated the highly dynamic world. Things have changed very fast in all aspects and Kenya's companies quoted in NSE were also and also the corporate tax rate has been static since the year 2000. This study hence carried out the determinants of capital structure in companies listed in NSE.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that was used as the basis of the study, the research design, population of the study, sampling procedure, data collection methods as well as data analysis and data presentation methods employed in the study.

3.2 Research Design

This study adopted a simple-regression model for analysis with corporate tax set structure & taxation being used as the independent variables and debt to equity ratio as the proxy for capital structure. This is because regression analysis helps in understanding the direction and magnitude of the determinants of the capital structure. This was better than correlation analysis which only implies that there is cause and effect relationship between two variables either the variables are related by move in the same or opposite direction.

3.3 Population

The population of the study consisted of companies listed on the NSE. The study was between years 2001 to 2011 .The period was chosen in order to capture the most current data since the earlier related studies (Mutsotso, 2007) captured data from year 1989 to 2003 and the capital financing behavior have changed over the years.

3.4 Sample

Purposive sampling technique was used to select the sample firms. The sample size for this study was made up of forty (46) listed companies excluding the financial companies, Investment and Insurance companies due to their peculiar nature of capital structure. The study relied on Secondary data sourced from annual audited financial statement of the firms listed on Nairobi Securities Exchange.

3.5 Data Collection

This study entailed the use of secondary data from annual reports of the quoted companies. The data that was collected was Debt/leverage ratio and effective tax expenses.

3.6 Data Analysis

The data was analyzed through coding in a spreadsheet where the researcher used descriptive statistics to present the performance of independent variables in tables and charts based on their percentages. A regression was run to determine the coefficients of the independent variables in relation to the dependent variable. This was done with the aid of the Statistical Package for Social Sciences (SPSS). This helped the researcher to establish the impact of the independent variable to the dependent variable. The results of the findings was presented in the form of tables and charts for easy interpretation and understanding

A simple regression model was used

$$Y_i = \beta_0 + \beta_1 X_i + \epsilon_i$$

Where

Y_i – Represents the means for the debt leverage ratio (Debt/ Debt + Equity)

β_0 – the Y intercept

β_1 – Represents the slope of the population

X_i – Represents the independent variable (Tax Expenses/ Profit before Taxes 2001 to 2011)

ϵ_i – Random error in Y observations

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter gives the results of the analysis where the researcher has used data from the firms listed in the Nairobi securities exchange to get the results of the study. The descriptive statistics have been presented first followed by the model results where both computer Statistical Program for Social Scientist (SPSS) and an Analysis of Variance (ANOVA) were used in the analysis.

4.2 Descriptive Results

This section presents the descriptive results of the overall descriptive statistics that is presented in table 4.1. It also indicated that the mean debt was 3413507.83, the mean equity was 7311447.04, the mean corporate taxes were 524764.61, mean profit before taxes was 1919339.48, the mean debt equity ratio was 0.5725 and mean Taxes profit ratio was 0.2083.

Table 4.1: Descriptive statistics for Returns and years

	N	Mean	Std. Deviation
Debt	405	3413507.83	9431130.740
Equity	413	7311447.04	1.377E7
corporate taxes	420	524764.61	1285864.081
profit before taxes	413	1919339.48	4357743.344
Debt equity ratio	410	.5725	1.83580
Taxes profit ratio	412	.2083	.39277
Valid N (listwise)	397		

Table 4.2 indicates that the average debt per company for the year 2001 was kshs 1,665,331.38. The average debt per company for the year 2002 was kshs 1,905,801.34. The average debt for the year 2003 was 2,143,641.34. For the year 2004 its average debt was kshs 2,877,389.52. The average debt for the year 2005 was kshs 3,363,145.65. For the year 2006 the average debt was kshs 3,648,909.84. For the year 2007 the average debt was kshs 5,586,638.77. The average debt for the year 2008 was kshs 6,533,668.29. For the year 2009 the average debt was Kshs 3,839,699.16. The average debt per company for the year 2010 was 3,929,997.02 and finally for the year 2011 the average debt per company was 2,471,529.23. Overall the trend of average debt per year went on increasing due to economic growth.

Table 4.2: Average debt per year

Years	Mean	N	Std. Deviation
2001	1665331.38	37	3909109.313
2002	1905801.34	37	4301303.397
2003	2143641.34	37	4861352.249
2004	2877389.52	37	7687591.964
2005	3363145.65	37	8571166.725
2006	3648909.84	38	8953147.563
2007	5586638.77	36	1.4390000
2008	6533668.29	34	1.6390000
2009	3839699.16	35	8968462.727
2010	3929997.02	37	1.2400000
2011	2471529.23	36	4969227.474
Total	3424047.74	401	9469169.887

Figure 4.1: Graphical relationship between years and the mean return of debt

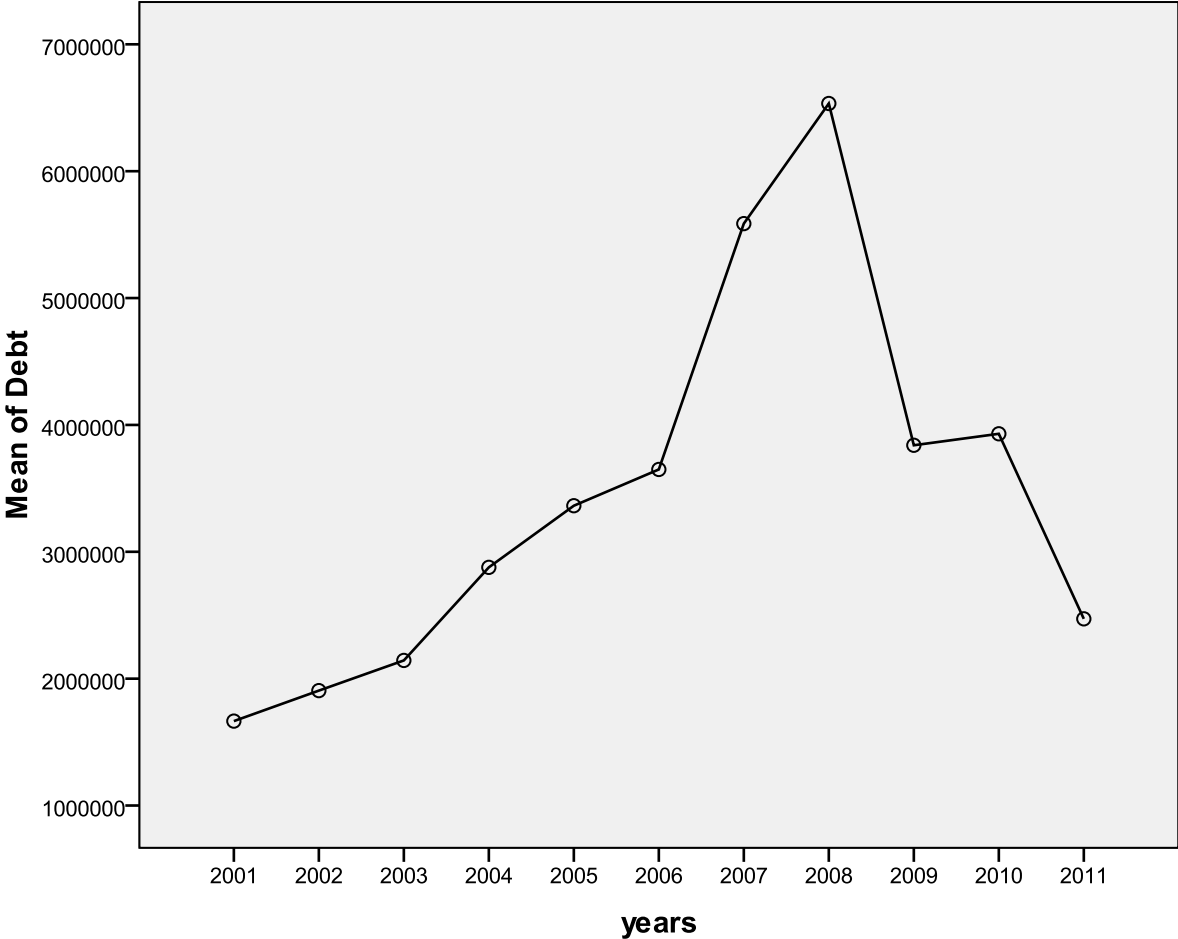


Figure 4.1 presents the graphical relationship between years and the mean return of debt. The figure indicates that there is a positive relationship between years and the mean return. Year 2008 has the highest return (6,533,668.29) while year 2001 has the lowest returns (1,665,331.38).

Table 4.3 indicates that the average taxes profit ratio per company for the year 2001 was 0.2399. The average taxes profit ratio per company for the year 2002 was 0.2782, the average taxes profit ratio for the year 2003 was 0.2893. For the year 2004 its average taxes profit ratio was 0.2696. The average taxes profit ratio for the year 2005 was 0.2320. For the year 2006 the average taxes profit ratio was 0.2690. For the year 2007 the average taxes profit ratio was 0.1848. The average taxes profit ratio for the year 2008 was 0.1235. For the year 2009 the average taxes profit ratio was 0.1024. The average taxes profit ratio per company for the year 2010 was 0.1377 and finally for the year 2011 the average taxes profit ratio per company was 0.1492. Overall the trend of average taxes profit ratio per year went on increasing due to economic growth

Table 4.3: average taxes profit ratio per year

	N	Mean	Std. Deviation	Std. Error
2001	37	.2399	.20479	.03367
2002	37	.2782	.19275	.03169
2003	37	.2893	.15175	.02495
2004	37	.2696	.28011	.04605
2005	38	.2320	.21940	.03559
2006	38	.2690	.12302	.01996
2007	38	.1848	.23616	.03831
2008	37	.1235	1.05549	.17352
2009	36	.1024	.30851	.05142
2010	37	.1377	.30683	.05044
2011	36	.1492	.32832	.05472
Total	408	.2074	.39426	.01952

Figure 4.2: Graphical relationship between years and the mean return of taxes profit ratio

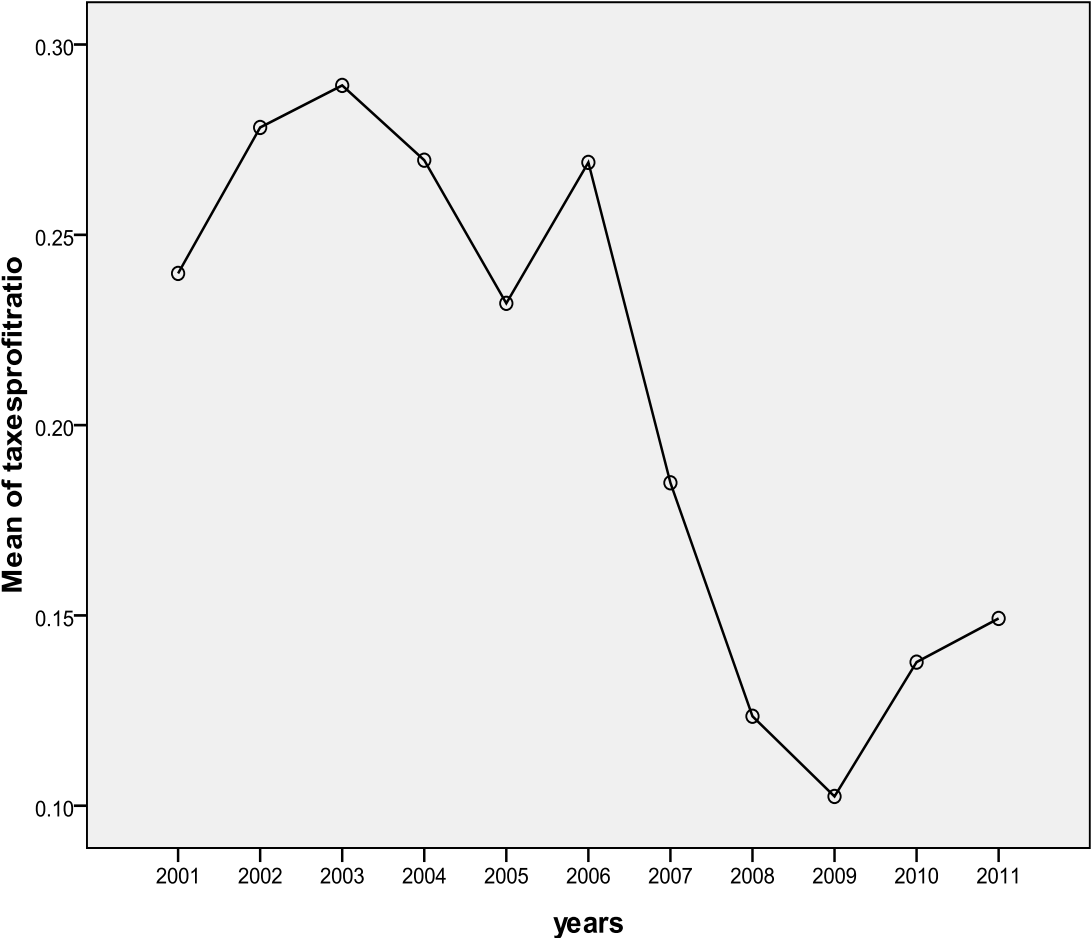


Figure 4.2 presents the graphical relationship between years and the mean return of taxes profit ratio. The figure indicates overall the trend of average taxes profit ratio per year went on increasing due to economic growth. Year 2003 has the highest mean (0.2893) while year 2009 has the lowest (0.1024).

Table 4.4 indicates that the average Equity for the year 2001 was kshs 4,748,472.60. The average Equity per company for the year 2002 was kshs 5,167,873.48 the average Equity for the year 2003 was kshs 5,764,855.31. For the year 2004 its average Equity was kshs 6,886,984.91. The average Equity for the year 2005 was kshs 7,651,224.03. For the year 2006 the average Equity was kshs 8,393,211.26. For the year 2007 the average Equity was kshs 9,507,708.53. The average Equity for the year 2008 was kshs 9,450,934.40. For the year 2009 the average Equity was kshs 8,798,038.83. The average Equity per company for the year 2010 was kshs 8,824,935.84 and finally for the year 2011 the average Equity per company was kshs 6,098,617.45. The total average Equity for year 2001 to 2011 was kshs 7,356,026.17. Overall the trend of average Equity per year went on increasing due to economic growth

Table 4.4: average Equity per year

	N	Mean	Std. Deviation	Std. Error
2001	38	4748472.60	8854910.717	1436456.201
2002	38	5167873.48	9351836.989	1517068.287
2003	38	5764855.31	9942633.679	1612908.165
2004	38	6886984.91	1.314E7	2131808.817
2005	38	7651224.03	1.407E7	2281775.221
2006	38	8393211.26	1.448E7	2348599.010
2007	36	9507708.53	1.650E7	2749665.122
2008	34	9450934.40	1.504E7	2578576.447
2009	36	8798038.83	1.654E7	2756948.033
2010	38	8824935.84	1.849E7	2999786.444
2011	37	6098617.45	1.334E7	2193400.209
Total	409	7356026.17	1.383E7	683704.226

Figure 4.3: Graphical relationship between years and the mean return of Equity

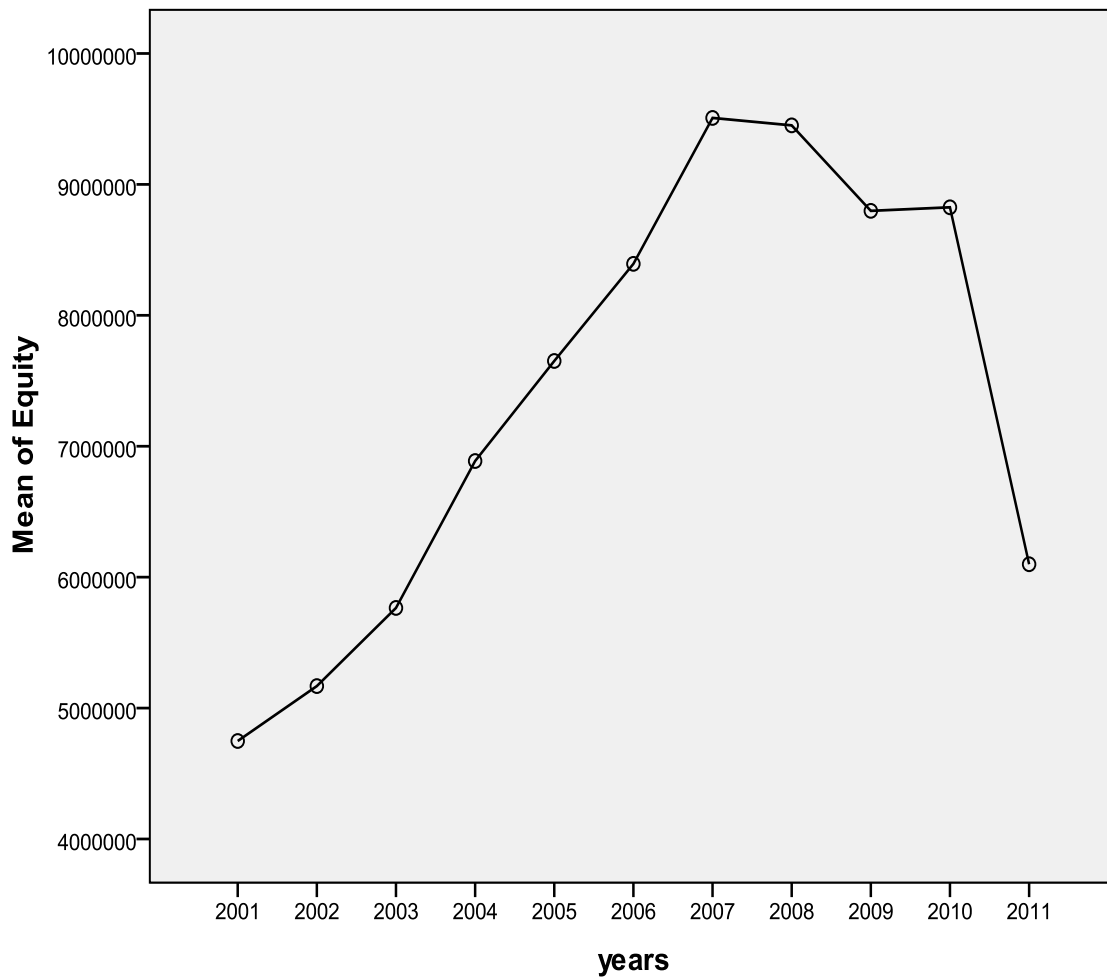


Figure 4.3 presents the graphical relationship between years and the mean return of Equity. The figure indicates that there is a positive relationship between years and the mean return. Year 2007 has the highest return (9507708.53) while year 2001 has the lowest returns (4748472.60).

Table 4.5 indicates that the average corporate taxes for the year 2001 was kshs 374,960.49. The average corporate taxes per company for the year 2002 was kshs 443,691.40, the average corporate taxes for the year 2003 was kshs 500,766.85. For the year 2004 its average corporate taxes was kshs 609,906.34. The average corporate taxes for the year 2005 was kshs 672,878.29. For the year 2006 the average corporate taxes was kshs 626,437.07. For the year 2007 the average corporate taxes was kshs 688,874.39. The average corporate taxes for the year 2008 was kshs 597,889.53. For the year 2009 the average corporate taxes was kshs 386,990.28. The average corporate taxes per company for the year 2010 was kshs 369,796.37 and finally for the year 2011 the average corporate taxes per company was kshs 536,278.12. The total average corporate taxes for year 2001 to 2011 was kshs 528,361.92. Overall the trend of average corporate taxes per year went on increasing due to economic growth

Table 4.5: average corporate taxes per year

	N	Mean	Std. Deviation	Std. Error
2001	38	374960.49	1034687.684	167848.506
2002	38	443691.40	1092629.253	177247.870
2003	38	500766.85	1173080.251	190298.745
2004	38	609906.34	1291784.272	209555.080
2005	38	672878.29	1378546.552	223629.781
2006	38	626437.07	1238919.110	200979.219
2007	38	688874.39	1387068.810	225012.274
2008	38	597889.53	1151360.532	186775.342
2009	37	386990.28	1488352.330	244683.616
2010	38	369796.37	1676378.532	271944.508
2011	37	536278.12	1282324.045	210812.774
Total	416	528361.92	1291467.318	63319.395

Figure 4.4: Graphical relationship between years and the mean return of corporate taxes

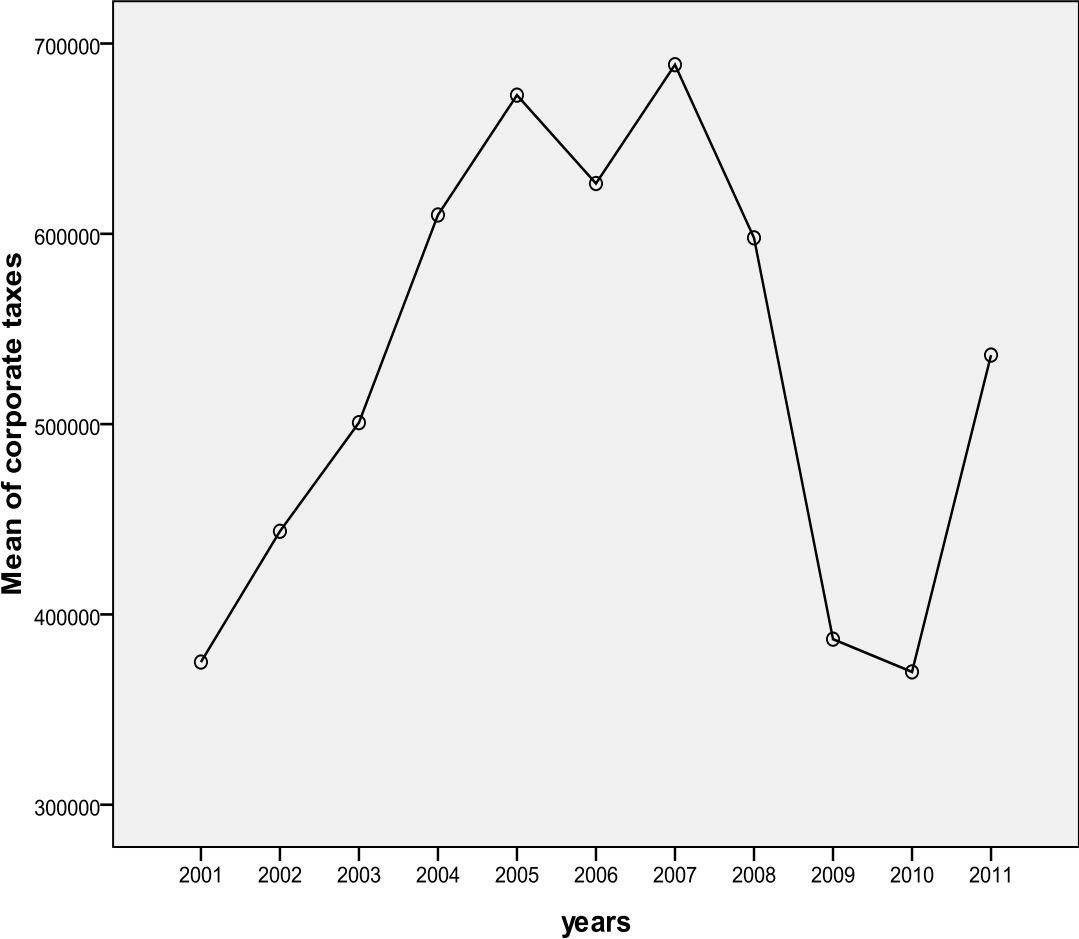


Figure 4.4 presents the graphical relationship between years and the mean return of corporate taxes. The figure indicates that there is a positive relationship between years and the mean return. Year 2007 has the highest return (688874.39) while year 2010 has the lowest returns (369796.37).

Table 4.6 indicates that the average of debt equity ratio for the year 2001 was 0.3109. the average of debt equity ratio per company for the year 2002 was 0.3669, the average of debt equity ratio for the year 2003 was 0.3530. For the year 2004 its average of debt equity ratio was 0.3415. the average of debt equity ratio for the year 2005 was 0.3547. For the year 2006 the average of debt equity ratio was 0.3319. for the year 2007 the average of debt equity ratio was 0.4771. The average of debt equity ratio for the year 2008 was 0.4870. For the year 2009 the average corporate taxes was 1.1540. The average of debt equity ratio per company for the year 2010 was 1.0504 and finally for the year 2011 the average of debt equity ratio per company was 1.1143. the total average of debt equity ratio for year 2001 to 2011 was 0.5745. Overall the trend of average debt equity ratio per year went on increasing due to economic growth

Table 4.6: average debt equity ratio per year

	N	Mean	Std. Deviation	Std. Error
2001	37	.3109	.45823	.07533
2002	37	.3669	.44990	.07396
2003	37	.3530	.38098	.06263
2004	37	.3415	.39042	.06419
2005	37	.3547	.36733	.06039
2006	38	.3319	.31532	.05115
2007	38	.4771	.51331	.08327
2008	35	.4870	.58917	.09959
2009	36	1.1540	3.48069	.58011
2010	38	1.0504	3.40042	.55162
2011	36	1.1143	3.48735	.58123
Total	406	.5745	1.84390	.09151

Figure 4.5 Graphical relationships between years and the mean return of debt equity ratio

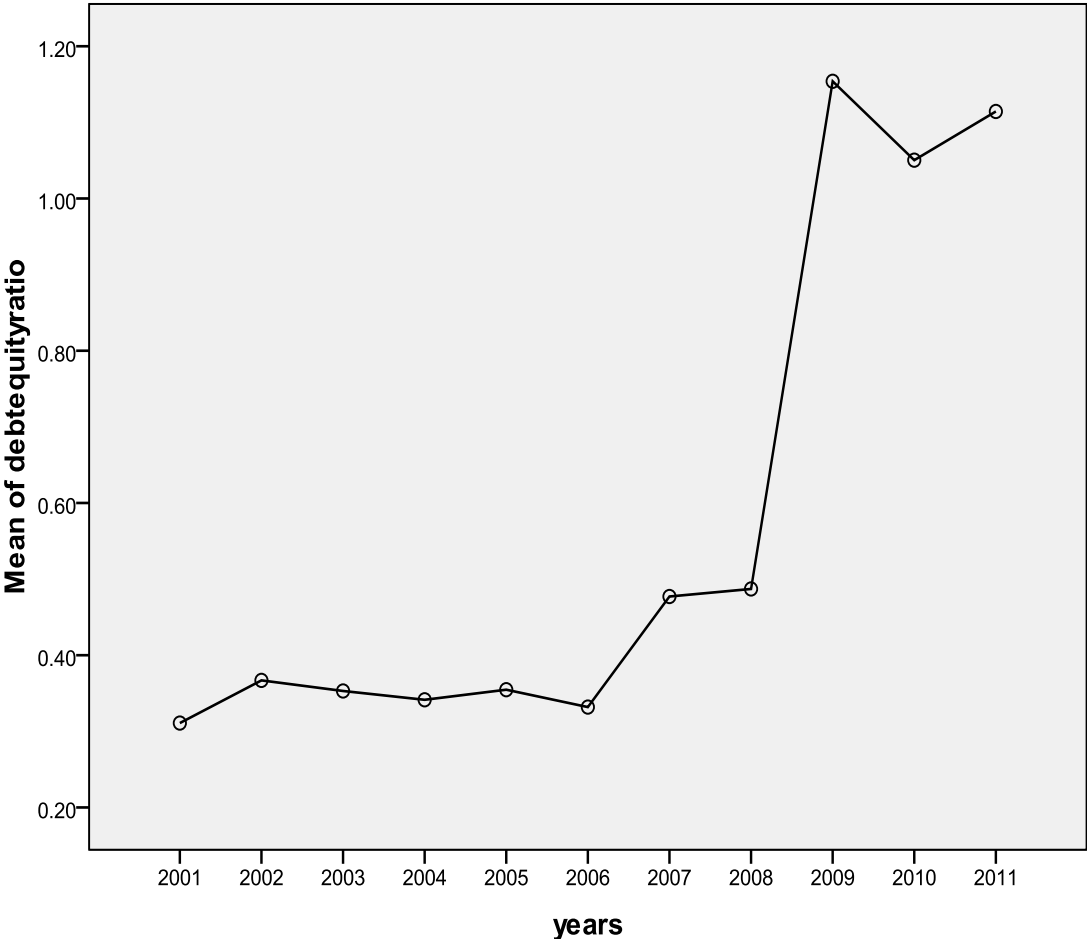


Figure 4.5 presents the graphical relationship between years and the mean return of debt equity ratio. The figure indicates that there is a negative relationship between years and the mean return. Year 2009 has the highest return (1.1540) while year 2001 has the lowest returns (0.3109).

4.2 Regression model

A model was applied in determining the relationship between the debt equity ratio and taxes profit ratio. Result in table 4.7 indicated that the r squared was 0.022. this imply that the overall goodness of fit was poor. An r squared of 0.022 implied that 2.2% of the variation in corporate taxes is explained by the capital structure.

Table 4.7: Model summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.148 ^a	.022	.019	.39430

a. Predictors: (Constant), debt equity ratio

Anova statistics in table 4.8 indicate that the overall model was significant. This was supported by an F statistic of 8.821 and p value of 0.003. The reported probability was less than the conventional probability of 0.05 (5%) significance level.

Table 4.8: Anova

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	1.371	1	1.371	8.821	.003 ^a
Residual	61.410	395	.155		
Total	62.782	396			

b. Predictors: (Constant), debt equity ratio

Regression coefficients results in table 4.9 indicate that the relationship between debt equity ratio and taxes profit ratio is negative and significant ($b_1 = -.032$, p value 0.000). The findings imply that debt equity ratio has a significant effect on taxes profit ratio.

Table4.9: coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.228	.021		11.021	.000
	Debt equity ratio	-.032	.011	-.148	-2.970	.003

a. Dependent Variable: taxes profit ratio

4.3 Summary and Interpretation of Findings

Results of the overall descriptive statistics indicated that the mean debt was 3413507.83, the mean equity was 7311447.04, the mean corporate taxes was 524764.61, mean profit before taxes was 1919339.48, the mean debt equity ratio was 0.5725 and mean Taxes profit ratio was 0.2083.

An analysis of the average debt per year indicates that there is a positive relationship between years and the debt that is as the year progresses the debt also goes up this can be explained by accessibility of debt and also the tax savings for the interest paid for the debt prompting firms to increase their debt levels. The average taxes to profit ratio indicates that there is a negative relationship between years and the mean return. As the year progresses from 2003 to 2011 the average taxes to profit ratio reduces. Results indicate that on the average Equity there is a positive relationship between years and the mean return. As the year progresses the mean return also increases.

Regression coefficients results indicates that the relationship between debt equity ratio and taxes profit ratio is negative and significant ($b_1 = -.032$, p value 0.000). The findings imply that debt equity ratio has a significant effect on taxes profit ratio.

An Analysis of Variance (ANOVA) statistic indicates that the overall model was significant. This was supported by an F statistic of 8.821 and p value of 0.003. The reported probability was less than the conventional probability of 0.05 (5%) significance level.

4.4 Findings of this study with reference to similar studies

Results concur with those of Kochhar (1997) in literature review which pointed out that the existence of tax shield in a perfect capital market conditions cannot be reached, in an imperfect financial market; the capital structure changes will affect the company's value. Therefore, the value and cost of capital of corporation with the capital structure changes in different leverage, the value of the levered firm will exceed the value of the unlevered firm.

The findings compare well with Myers (1984) that firm which follows the trade-off theory sets a target debt to value ratio and then gradually moves towards the target. The target was determined by balancing the tax benefits of using debt against costs of financial distress that rise at an increasing rate with the use of leverage. It so predicts moderate amount of debt as optimal. But there is evidence that the most profitable firm in an industry tend to borrow the least, while their probability of entering in financial distress seems to be very low.

Accordingly, the findings agreed with those of Graham (1999) that the value of the firm will increase or the cost of capital will decrease with the use of debt due to tax deductibility of interest charges. Thus, the value of corporation can be achieved by maximizing debt component in the capital structure.

Findings also agreed with those of Nyang'oro (2008) that a firm facing a low enough tax rates would also use equity, because investors pay more taxes on debt interest than on equity income. Thus, we cannot conclude from Mackie-Mason's results that interest tax shields make a significant contribution to the market value of the firm or that debt ratios are determined by the tradeoff theory.

The findings agreed with those of Booth et al. (2001) who find that the more profitable the firm the lower is the debt ratio. This finding contradicts optimal theory in that why these firms do not move their leverage to the industry average. Is it that high profitable firms engage in non-optimal behaviour? Additionally, an examination of Hungarian firms by Colombo (2001) provides further support for the pecking order hypothesis.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The study aimed at establishing the relationship between capital structure and corporate taxes for companies listed in the Nairobi securities exchange

Results indicated that there is a negative relationship between debt equity ratio and taxes profit ratio .An Analysis of Variance (ANOVA) results indicated that the overall model was significant. This was supported by an f statistic of 8.821 (p value = 0.000).

Regression results indicated that the relationship between debt equity ratio and taxes profit ratio is negative and significant ($b_1 = -.032$, p value 0.000). The findings imply that debt equity ratio has a significant effect on taxes profit ratio.

Regression analysis was conducted to determining the relationship between the debt equity ratio and taxes profit ratio. The findings indicated that the r squared was 0.022.this imply that the overall goodness of fit was poor. An r squared of 0.022 implied that 2.2% of the variation in corporate taxes is explained by the capital structure.

5.2 Conclusions

Corporate taxes affect the capital structure of firms this has been concluded by this study where the results indicated that the relationship between debt equity ratio and taxes profit ratio was negative and significant The findings imply that debt equity ratio has a significant effect on taxes profit ratio.

It was concluded that the r squared was 0.022.this imply that the overall goodness of fit was poor. An r squared of 0.022 implied that 2.2% of the variation in corporate taxes is explained by the capital structure.

It was concluded that individual investors will demand a higher pretax return on debt to compensate for the higher personal tax on interest income. In equilibrium, the investor level tax disadvantage of debt may completely offset the corporate tax benefit, making capital structure irrelevant.

It was also concluded that changes in the marginal tax rate for any firm should affect financing decisions. When already exhausted (with loss carry forwards) or with a high probability of facing a zero tax rate, a firm with high tax shield is less likely to finance with debt. The reason is that tax shields lower the effective marginal tax rate on interest deduction. In general, taxes do affect corporate financial decisions, but the magnitude of the effect is mostly “not large”.

5.3 Policy Recommendations

It was recommended that commercial banks should issue corporate bonds as this would form a cheap source of finance. In addition the use of corporate bonds entails the enjoyment of the interest tax shield. In other words the use of debt improves the share holder’s wealth. It is recommended that commercial banks should engage strategic investors. Such investors should provide loans to the commercial banks for example such strategic investor can advance long term loans to the banks.

It is recommended that the equity share holder should be substituted for debt share holding in future. This is because an increase in debt share holding arising out of substitution would be beneficial to the commercial bank because it will result into interest tax saving.

It is recommended to have more local investors list on the Commercial Bank, more awareness creation programs should be undertaken to ensure that investor’s are abreast of the opportunities to raise funds from the Commercial Bank, the roles of other players, the procedures at the Commercial Bank and the functions thereof. The Commercial Bank regulations should be reviewed with a view to make them stronger. The incentives provided at the Commercial Bank should be reviewed to make them more attractive to local investors

It is recommended that firms need to establish the relationship between capital structure and corporate taxes for companies quoted in NSE in Kenya, so as to assist business Consultants to advise firms on the best form of capital structure to use depending on the profitability and tax rate.

It is recommended that financial institutions should make their lending policies easier to understand. In addition, they should differentiate their lending products so that they encourage the use of debt capital by listed firms.

5.4 Limitations of the study

One of the limitations of the study was that data was unavailable in some instances. For instance, data for the years before a commercial bank was listed was hard to collect and could only be collected from online sources and IPO prospectors

The study did not consider the role of corporate governance and other internal factors and how they affected the return of debt equity ratio. Perhaps, governance, cash flows, competition, operating efficiency could have influenced the returns of the debt equity ratio.

This study did not cover non listed banks. Therefore this study limit only companies listed in the Nairobi Securities Exchange. Therefore, the applicability of these findings is only to listed firms.

The study is limited because it did not factor the sector of the firm. Therefore, the study does not reveal whether relationship between capital structure and corporate taxes differs between agricultural and manufacturing sectors, trade and non trading sectors, and manufacturing versus service sectors

5.5 Suggestions for Further Research

It is suggested that a corporative study of listed bank in East Africa Community (EAC) should be done. This will help to identify the relationship between capital structure and corporate taxes for companies listed in East Africa countries securities.

It is also suggested that other factors should be considered when conducting a study on companies listed in the Nairobi Securities Exchange. This includes governance, cash flows, competition, operating efficiency and how they could have influenced the returns of debt equity ratio.

Further studies need to be conducted on the factors that affect the achievement of the goals, objectives and strategies. This may shed light on the reasons why the commercial banks have not achieved their objectives of financial performance.

Further research is recommended covering other investors who may not necessarily be registered by the Nairobi Security Exchange and the foreign Investors. Another study could be investor participation in cross border listed shares.

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Appendixes

Appendix1: List of Listed companies included in the study

1. Eaagads Ltd
2. Kapchorua Tea Co. Ltd
3. Kakuzi
4. Limuru Tea Co. Ltd
5. Rea Vipingo Plantations Ltd
6. Sasini Ltd
7. Williamson Tea Kenya Ltd
8. Express Ltd Ord
9. Kenya Airways Ltd
10. Nation Media Group
11. Standard Group Ltd
12. TPS Eastern Africa (Serena) Ltd
13. Scangroup Ltd
14. Longhorn Kenya Ltd
15. AccessKenya Group Ltd
16. Safaricom Ltd
17. CMC Holdings Ltd
18. Sameer Africa Ltd
19. Marshalls (E.A.) Ltd
20. B.O.C Kenya Ltd
21. British American Tobacco Kenya Ltd
22. Carbacid Investments Ltd
23. East African Breweries Ltd
24. Mumias Sugar Co. Ltd
25. Unga Group Ltd
26. Eveready East Africa Ltd
27. Kenya Orchards Ltd
28. A.Baumann CO Ltd
29. Athi River Mining
30. Bamburi Cement Ltd
31. Crown Berger Ltd
32. E.A.Cables Ltd
33. E.A KenolKobil Ltd

34. Total Kenya Ltd
35. KenGen Lt
36. Home Afrika Ltd
37. Portland Cement Ltd

Appendix 2: Data on Debt, Equity, Corporate Taxes & Profit before taxes

	years	companies	Debt	Equity	corporate taxes	profit before taxes
			000	000	000	000
1	2001	EABL	807,391.36	7,095,229.44	(1,073,048.32)	2,330,101.76
	2002	EABL	1,009,239.20	8,869,036.80	(1,341,310.40)	2,912,627.20
	2003	EABL	1,261,549.00	11,086,296.00	(1,676,638.00)	3,640,784.00
	2004	EABL	1,606,002.00	13,544,510.00	(2,293,984.00)	7,041,897.00
	2005	EABL	1,690,612.00	15,346,633.00	2,822,823.00	8,599,051.00
	2006	EABL	1,905,700.00	16,891,530.00	(2,167,007.00)	8,577,049.00
	2007	EABL	2,051,597.00	18,802,668.00	(3,106,880.00)	10,635,771.00
	2008	EABL	2,269,487.00	19,980,780.00	(3,131,947.00)	12,316,332.00
	2009	EABL	2,746,441.00	20,621,803.00	(3,380,073.00)	11,989,258.00
	2010	EABL	2,783,675.00	20,811,961.00	(3,730,527.00)	12,568,087.00
	2011	EABL	7,314,817.00	21,300,971.00	(3,235,329.00)	12,249,504.00
2	2001	standard group	52,151.68	63,744.64	17,585.28	48,110.72
	2002	standard group	65,189.60	79,680.80	21,981.60	60,138.40
	2003	standard group	81,487.00	99,601.00	27,477.00	75,173.00
	2004	standard group	133,221.00	177,391.00	29,131.00	121,908.00

	2005	standard group	86,335.00	243,799.00	45,063.00	118,051.00
	2006	standard group	173,964.00	397,182.00	99,250.00	304,507.00
	2007	standard group	709,278.00	552,749.00	(123,300.00)	413,120.00
	2008	standard group	842,960.00	733,890.00	(142,582.00)	428,774.00
	2009	standard group	891,572.00	971,800.00	(113,109.00)	376,493.00
	2010	standard group	734,550.00	1,215,605.00	(173,866.00)	453,650.00
	2011	standard group	663,672.00	1,405,846.00	(84,752.00)	232,097.00
3	2001	scan group limited	4,525,225.68	29,778,913.09	(4,254,182.82)	13,928,449.10
	2002	scan group limited	4,763,395.45	31,346,224.31	(4,478,087.18)	14,661,525.37
	2003	scan group limited	5,014,100.48	32,996,025.59	(4,713,775.97)	15,433,184.60
	2004	scan group limited	5,278,000.50	34,732,658.51	(4,961,869.45)	16,245,457.48
	2005	scan group limited	5,555,790.00	36,560,693.17	(5,223,020.47)	17,100,481.56
	2006	scan group limited	5,848,200.00	38,484,940.18	(5,497,916.29)	18,000,506.90
	2007	scan group limited	6,156,000.00	40,510,463.35	(5,787,280.30)	18,947,902.00
	2008	scan group limited	6,480,000.00	42,642,593.00	(6,091,874.00)	19,945,160.00
	2009	scan group limited	4,774,580.00	51,253,350.00	(4,767,267.00)	15,304,027.00
	2010	scan group limited	8,005,762.00	62,541,160.00	(5,818,632.00)	20,966,670.00
	2011	scan group limited	12,282,945.00	67,852,747.00	(5,202,390.00)	18,361,363.00
4	2001	Bamburi cement company ltd	1,514,240.00	7,047,680.00	(376,960.00)	1,114,880.00
	2002	Bamburi cement company ltd	1,892,800.00	8,809,600.00	(471,200.00)	1,393,600.00

	2003	Bamburi cement company ltd	2,366,000.00	11,012,000.00	(589,000.00)	1,742,000.00
	2004	Bamburi cement company ltd	2,348,000.00	9,863,000.00	(885,000.00)	2,786,000.00
	2005	Bamburi cement company ltd	2,230,000.00	10,679,000.00	(992,000.00)	3,147,000.00
	2006	Bamburi cement company ltd	2,319,000.00	13,017,000.00	(1,039,000.00)	3,838,000.00
	2007	Bamburi cement company ltd	2,422,000.00	14,229,000.00	(1,633,000.00)	5,443,000.00
	2008	Bamburi cement company ltd	6,170,000.00	15,496,000.00	(1,477,000.00)	4,889,000.00
	2009	Bamburi cement company ltd	6,227,000.00	19,497,000.00	(2,626,000.00)	9,596,000.00
	2010	Bamburi cement company ltd	4,216,000.00	20,165,000.00	(2,265,000.00)	7,564,000.00
	2011	Bamburi cement company ltd	4,231,000.00	22,028,000.00	(2,607,000.00)	8,466,000.00
5	2001	BRITISH AMERICAN TOBACCO KENYA LIMITED	388,025.60	2,688,531.84	(344,047.36)	1,073,660.80
	2002	BRITISH AMERICAN TOBACCO KENYA LIMITED	485,032.00	3,360,664.80	(430,059.20)	1,342,076.00
	2003	BRITISH AMERICAN TOBACCO KENYA LIMITED	606,290.00	4,200,831.00	(537,574.00)	1,677,595.00
	2004	BRITISH AMERICAN TOBACCO KENYA LIMITED	607,488.00	3,761,025.00	(540,408.00)	1,750,602.00
	2005	BRITISH AMERICAN TOBACCO KENYA LIMITED	661,449.00	3,893,063.00	(626,933.00)	2,008,971.00
	2006	BRITISH AMERICAN TOBACCO KENYA LIMITED	760,959.00	4,194,485.00	(545,104.00)	1,746,526.00
	2007	BRITISH AMERICAN TOBACCO KENYA LIMITED	1,032,190.00	4,693,250.00	(663,949.00)	2,049,596.00
	2008	BRITISH AMERICAN TOBACCO KENYA LIMITED	1,013,524.00	4,893,645.00	(716,518.00)	2,416,913.00
	2009	BRITISH AMERICAN TOBACCO KENYA LIMITED	1,248,055.00	4,672,076.00	(630,533.00)	2,108,964.00
	2010	BRITISH AMERICAN TOBACCO KENYA LIMITED	1,900,596.00	5,114,312.00	(955,336.00)	2,722,572.00
	2011	BRITISH AMERICAN TOBACCO KENYA LIMITED	1,997,849.00	6,412,067.00	(1,386,361.00)	4,484,116.00

6	2001	NATION MEDIA GROUP LIMITED	21,376.00	1,766,976.00	(180,864.00)	558,464.00
	2002	NATION MEDIA GROUP LIMITED	26,720.00	2,208,720.00	(226,080.00)	698,080.00
	2003	NATION MEDIA GROUP LIMITED	33,400.00	2,760,900.00	(282,600.00)	872,600.00
	2004	NATION MEDIA GROUP LIMITED	10,600.00	2,900,200.00	(303,100.00)	894,700.00
	2005	NATION MEDIA GROUP LIMITED	37,100.00	3,289,800.00	(329,400.00)	1,018,400.00
	2006	NATION MEDIA GROUP LIMITED	358,900.00	3,587,900.00	(403,600.00)	1,150,800.00
	2007	NATION MEDIA GROUP LIMITED	267,200.00	3,823,800.00	(525,200.00)	1,601,600.00
	2008	NATION MEDIA GROUP LIMITED	131,200.00	4,327,700.00	(614,400.00)	1,910,300.00
	2009	NATION MEDIA GROUP LIMITED	89,300.00	4,646,500.00	(498,200.00)	1,617,400.00
	2010	NATION MEDIA GROUP LIMITED	-	5,360,200.00	(608,200.00)	2,146,600.00
	2011	NATION MEDIA GROUP LIMITED	163,000.00	6,052,500.00	(803,500.00)	2,006,800.00
7	2001	KENYA AIRWAYS LIMITED	8,804,790.00	6,632,472.50	(305,947.50)	682,290.00
	2002	KENYA AIRWAYS LIMITED	9,268,200.00	6,981,550.00	(322,050.00)	718,200.00
	2003	KENYA AIRWAYS LIMITED	9,756,000.00	7,349,000.00	(339,000.00)	756,000.00
	2004	KENYA AIRWAYS LIMITED	13,502,000.00	8,420,000.00	(773,000.00)	2,075,000.00
	2005	KENYA AIRWAYS LIMITED	18,490,000.00	12,329,000.00	(1,632,000.00)	4,652,000.00
	2006	KENYA AIRWAYS LIMITED	36,218,000.00	17,257,000.00	(2,131,000.00)	6,960,000.00
	2007	KENYA AIRWAYS LIMITED	41,084,000.00	21,640,000.00	(1,877,000.00)	5,975,000.00
	2008	KENYA AIRWAYS LIMITED	36,794,000.00	25,873,000.00	(1,644,000.00)	5,513,000.00
	2009	KENYA AIRWAYS LIMITED	37,081,000.00	17,176,000.00	1,581,000.00	(5,664,000.00)
	2010	KENYA AIRWAYS LIMITED				

		32,710,000.00	19,923,000.00	(636,000.00)	2,671,000.00	
	2011	KENYA AIRWAYS LIMITED	33,386,000.00	23,090,000.00	(1,464,000.00)	5,002,000.00
8	2001	EVEREADY EAST AFRICA LIMITED	64,146.44	342,535.02	(39,031.17)	131,952.67
	2002	EVEREADY EAST AFRICA LIMITED	67,522.57	360,563.18	(41,085.45)	138,897.55
	2003	EVEREADY EAST AFRICA LIMITED	71,076.39	379,540.19	(43,247.84)	146,207.94
	2004	EVEREADY EAST AFRICA LIMITED	74,817.25	399,515.99	(45,524.04)	153,903.10
	2005	EVEREADY EAST AFRICA LIMITED	78,755.00	420,543.15	(47,920.04)	162,003.26
	2006	EVEREADY EAST AFRICA LIMITED	82,900.00	442,677.00	(50,442.15)	170,529.75
	2007	EVEREADY EAST AFRICA LIMITED	101,757.00	443,085.00	(53,097.00)	179,505.00
	2008	EVEREADY EAST AFRICA LIMITED	86,765.00	366,425.00	(10,015.00)	27,855.00
	2009	EVEREADY EAST AFRICA LIMITED	469,496.00	394,696.00	(13,297.00)	41,568.00
	2010	EVEREADY EAST AFRICA LIMITED	123,592.00	403,399.00	(6,043.00)	14,746.00
	2011	EVEREADY EAST AFRICA LIMITED	79,076.00	279,405.00	49,214.00	(173,208.00)
9	2001	ACCESSKENYA GROUP	715.24	604,645.42	(27,668.12)	125,810.24
	2002	ACCESSKENYA GROUP	752.89	636,468.87	(29,124.34)	132,431.83
	2003	ACCESSKENYA GROUP	792.51	669,967.23	(30,657.20)	139,401.93
	2004	ACCESSKENYA GROUP	834.23	705,228.66	(32,270.74)	146,738.87
	2005	ACCESSKENYA GROUP	878.13	742,345.96	(33,969.20)	154,461.97
	2006	ACCESSKENYA GROUP	924.35	781,416.80	(35,757.05)	162,591.55
	2007	ACCESSKENYA GROUP	973.00	822,544.00	(37,639.00)	171,149.00

	2008	ACCESSKENYA GROUP	26,039.00	1,026,112.00	(59,729.00)	263,385.00
	2009	ACCESSKENYA GROUP	617,171.00	1,154,136.00	(34,404.00)	182,313.00
	2010	ACCESSKENYA GROUP	586,808.00	1,028,343.00	(2,592.00)	(5,359.00)
	2011	ACCESSKENYA GROUP	660,967.00	1,096,002.00	(21,795.00)	130,879.00
10	2001	CMC Holdings Limited	242,181.76	1,473,479.04	(65,623.04)	176,819.84
	2002	CMC Holdings Limited	302,727.20	1,841,848.80	(82,028.80)	221,024.80
	2003	CMC Holdings Limited	378,409.00	2,302,311.00	(102,536.00)	276,281.00
	2004	CMC Holdings Limited	448,299.00	2,735,401.00	(118,913.00)	381,875.00
	2005	CMC Holdings Limited	369,789.00	3,035,218.00	(121,693.00)	461,680.00
	2006	CMC Holdings Limited	409,723.00	3,542,025.00	(176,680.00)	559,036.00
	2007	CMC Holdings Limited	256,508.00	4,061,844.00	(260,917.00)	8,976,421.00
	2008	CMC Holdings Limited	240,868.00	4,834,894.00	(401,687.00)	1,328,849.00
	2009	CMC Holdings Limited	338,558.00	1,514,906.00	(267,674.00)	807,283.00
	2010	CMC Holdings Limited	424,298.00	5,454,979.00	(178,216.00)	584,887.00
	2011	CMC Holdings Limited				(27.55)
11	2001	CAR AND GENERAL (KENYA) LIMITED	15,343.36	227,082.24	736.00	39,351.68
	2002	CAR AND GENERAL (KENYA) LIMITED	19,179.20	283,852.80	920.00	49,189.60
	2003	CAR AND GENERAL (KENYA) LIMITED	23,974.00	354,816.00	1,150.00	61,487.00
	2004	CAR AND GENERAL (KENYA) LIMITED	29,436.00	398,442.00	(6,591.00)	44,006.00
	2005	CAR AND GENERAL (KENYA) LIMITED	119,619.00	603,385.00	(88,737.00)	283,010.00

	2006	CAR AND GENERAL (KENYA) LIMITED	160,461.00	730,729.00	(39,228.00)	176,815.00
	2007	CAR AND GENERAL (KENYA) LIMITED	189,960.00	881,941.00	(82,652.00)	257,446.00
	2008	CAR AND GENERAL (KENYA) LIMITED	208,038.00	1,120,991.00	(106,725.00)	321,565.00
	2009	CAR AND GENERAL (KENYA) LIMITED	221,552.00	1,288,858.00	(81,406.00)	279,390.00
	2010	CAR AND GENERAL (KENYA) LIMITED	276,041.00	1,536,764.00	(90,941.00)	329,175.00
	2011	CAR AND GENERAL (KENYA) LIMITED	536,670.00	1,862,329.00	(139,220.00)	427,926.00
12	2001	EAST AFRICAN CABLES LIMITED	14,607.36	159,365.76	(2,980.48)	8,974.08
	2002	EAST AFRICAN CABLES LIMITED	18,259.20	199,207.20	(3,725.60)	11,217.60
	2003	EAST AFRICAN CABLES LIMITED	22,824.00	249,009.00	(4,657.00)	14,022.00
	2004	EAST AFRICAN CABLES LIMITED	20,612.00	317,042.00	(55,154.00)	178,815.00
	2005	EAST AFRICAN CABLES LIMITED	44,592.00	457,642.00	(81,096.00)	294,035.00
	2006	EAST AFRICAN CABLES LIMITED	333,311.00	694,227.00	(138,177.00)	422,812.00
	2007	EAST AFRICAN CABLES LIMITED	671,922.00	934,451.00	(180,361.00)	597,486.00
	2008	EAST AFRICAN CABLES LIMITED	488,078.00	1,148,420.00	(207,167.00)	669,927.00
	2009	EAST AFRICAN CABLES LIMITED	635,519.00	1,490,411.00	(230,411.00)	526,444.00
	2010	EAST AFRICAN CABLES LIMITED	872,774.00	748,554.00	(74,795.00)	258,645.00
	2011	EAST AFRICAN CABLES LIMITED	644,888.00	773,186.00	(150,026.00)	464,756.00
13	2001	KAKUZI LIMITED	429,223.68	644,668.80	5,040.00	12,588.80
	2002	KAKUZI LIMITED	536,529.60	805,836.00	6,300.00	15,736.00
	2003	KAKUZI LIMITED	670,662.00	1,007,295.00	7,875.00	19,670.00

	2004	KAKUZI LIMITED	683,200.00	1,090,350.00	(9,263.00)	92,996.00
	2005	KAKUZI LIMITED	540,036.00	910,218.00	38,315.00	112,082.00
	2006	KAKUZI LIMITED	660,449.00	1,043,269.00	(56,701.00)	189,752.00
	2007	KAKUZI LIMITED	677,843.00	1,232,912.00	(78,733.00)	270,330.00
	2008	KAKUZI LIMITED	685,997.00	1,487,290.00	(107,271.00)	390,189.00
	2009	KAKUZI LIMITED	571,806.00	1,731,272.00	(107,271.00)	558,890.00
	2010	KAKUZI LIMITED	624,408.00	1,994,143.00	(168,963.00)	558,629.00
	2011	KAKUZI LIMITED	709,398.00	2,499,070.00	(275,696.00)	920,093.00
14	2001	KENYA OIL COMPANY LIMITED	149,886.08	1,535,318.40	(104,015.36)	402,977.92
	2002	KENYA OIL COMPANY LIMITED	187,357.60	1,919,148.00	(130,019.20)	503,722.40
	2003	KENYA OIL COMPANY LIMITED	234,197.00	2,398,935.00	(162,524.00)	629,653.00
	2004	KENYA OIL COMPANY LIMITED	288,785.00	3,392,935.00	(362,053.00)	1,200,537.00
	2005	KENYA OIL COMPANY LIMITED	271,314.00	4,015,844.00	(457,883.00)	1,373,761.00
	2006	KENYA OIL COMPANY LIMITED	399,572.00	4,984,434.00	(383,327.00)	1,226,274.00
	2007	KENYA OIL COMPANY LIMITED	584,305.00	4,984,434.00	(282,956.00)	876,390.00
	2008	KENYA OIL COMPANY LIMITED	490,983.00	10,915,860.00	(724,492.00)	1,879,811.00
	2009	KENYA OIL COMPANY LIMITED	323,738.00	9,818,411.00	(638,951.00)	1,933,456.00
	2010	KENYA OIL COMPANY LIMITED	284,298.00	11,209,204.00	(921,183.00)	2,836,228.00
	2011	KENYA OIL COMPANY LIMITED	1,529,666.00	11,650,461.00	(1,659,952.00)	4,933,783.00
15	2001	REA VIPINGO PLANTATIONS LTD	123,474.56	297,427.84	(4,885.76)	6,949.76

2002	REA VIPINGO PLANTATIONS LTD	154,343.20	371,784.80	(6,107.20)	8,687.20	
2003	REA VIPINGO PLANTATIONS LTD	192,929.00	464,731.00	(7,634.00)	10,859.00	
2004	REA VIPINGO PLANTATIONS LTD	202,180.00	575,807.00	(49,275.00)	177,941.00	
2005	REA VIPINGO PLANTATIONS LTD	182,983.00	619,239.00	(60,677.00)	185,139.00	
2006	REA VIPINGO PLANTATIONS LTD	168,381.00	652,375.00	(44,782.00)	157,358.00	
2007	REA VIPINGO PLANTATIONS LTD	160,026.00	709,165.00	(52,483.00)	167,785.00	
2008	REA VIPINGO PLANTATIONS LTD	202,358.00	875,166.00	(59,066.00)	227,219.00	
2009	REA VIPINGO PLANTATIONS LTD	214,222.00	975,450.00	(65,117.00)	214,066.00	
2010	REA VIPINGO PLANTATIONS LTD	281,068.00	989,099.00	(36,555.00)	103,910.00	
2011	REA VIPINGO PLANTATIONS LTD	394,644.00	1,468,860.00	(211,650.00)	678,846.00	
16	2001	SASINI TEA AND COFFEE LIMITED	199,511.04	1,536,837.12	14,652.16	(60,049.92)
	2002	SASINI TEA AND COFFEE LIMITED	249,388.80	1,921,046.40	18,315.20	(75,062.40)
	2003	SASINI TEA AND COFFEE LIMITED	311,736.00	2,401,308.00	22,894.00	(93,828.00)
	2004	SASINI TEA AND COFFEE LIMITED	590,503.00	3,138,077.00	7,473.00	1,104,137.00
	2005	SASINI TEA AND COFFEE LIMITED	424,910.00	2,697,425.00	158,998.00	(524,894.00)
	2006	SASINI TEA AND COFFEE LIMITED	504,175.00	2,868,149.00	(109,168.00)	349,493.00
	2007	SASINI TEA AND COFFEE LIMITED	610,433.00	2,868,149.00	29,971.00	(70,723.00)
	2008	SASINI TEA AND COFFEE LIMITED	1,717,778.00	4,595,434.00	(381,202.00)	1,266,406.00
	2009	SASINI TEA AND COFFEE LIMITED	1,929,050.00	5,530,299.00	(226,690.00)	759,722.00
	2010	SASINI TEA AND COFFEE LIMITED	2,051,037.00	6,353,240.00	(388,646.00)	1,382,375.00
	2011	SASINI TEA AND COFFEE LIMITED			

		2,116,420.00		(563,792.00)	1,014,139.00	
17	2001	EAST AFRICAN PORTLAND CEMENT COMPANY	2,802,006.40	1,377,059.84	(99,853.44)	244,584.96
	2002	EAST AFRICAN PORTLAND CEMENT COMPANY	3,502,508.00	1,721,324.80	(124,816.80)	305,731.20
	2003	EAST AFRICAN PORTLAND CEMENT COMPANY	4,378,135.00	2,151,656.00	(156,021.00)	382,164.00
	2004	EAST AFRICAN PORTLAND CEMENT COMPANY	4,589,480.00	1,802,463.00	122,417.00	391,594.00
	2005	EAST AFRICAN PORTLAND CEMENT COMPANY	4,570,362.00	2,252,835.00	(478,408.00)	1,086,280.00
	2006	EAST AFRICAN PORTLAND CEMENT COMPANY	4,577,333.00	3,076,933.00	(512,571.00)	924,364.00
	2007	EAST AFRICAN PORTLAND CEMENT COMPANY	3,896,220.00	3,607,097.00	(348,461.00)	1,112,625.00
	2008	EAST AFRICAN PORTLAND CEMENT COMPANY	3,870,221.00	4,026,749.00	(179,237.00)	715,889.00
	2009	EAST AFRICAN PORTLAND CEMENT COMPANY	4,426,723.00	6,114,862.00	(47,624.00)	1,881,678.00
	2010	EAST AFRICAN PORTLAND CEMENT COMPANY	4,499,714.00	5,701,201.00	46,169.00	(338,571.00)
	2011	EAST AFRICAN PORTLAND CEMENT COMPANY	5,168,236.00	6,262,456.00	680,314.00	(119,059.00)
18	2001	BOC Kenya Limited	31,926.40	687,715.84	37,184.64	134,860.80
	2002	BOC Kenya Limited	39,908.00	859,644.80	46,480.80	168,576.00
	2003	BOC Kenya Limited	49,885.00	1,074,556.00	58,101.00	210,720.00
	2004	BOC Kenya Limited	46,116.00	1,153,363.00	(60,863.00)	220,980.00
	2005	BOC Kenya Limited	57,480.00	1,266,661.00	(83,811.00)	291,257.00
	2006	BOC Kenya Limited	69,191.00	1,271,846.00	(107,765.00)	333,705.00
	2007	BOC Kenya Limited	62,531.00	1,400,132.00	(132,213.00)	399,769.00
	2008	BOC Kenya Limited	603,119.00	1,454,108.00	(94,770.00)	295,179.00

	2009	BOC Kenya Limited	87,083.00	1,533,794.00	(77,775.00)	231,682.00
	2010	BOC Kenya Limited	96,411.00	1,406,570.00	(35,348.00)	114,685.00
	2011	BOC Kenya Limited	29,462.00	1,328,551.00	(64,344.00)	214,948.00
19	2001	TPS E. A LTD (SERENA HOTELS)	247,611.52	640,422.40	(11,450.24)	27,499.52
	2002	TPS E. A LTD (SERENA HOTELS)	309,514.40	800,528.00	(14,312.80)	34,374.40
	2003	TPS E. A LTD (SERENA HOTELS)	386,893.00	1,000,660.00	(17,891.00)	42,968.00
	2004	TPS E. A LTD (SERENA HOTELS)	328,514.00	1,091,639.00	(67,014.00)	197,540.00
	2005	TPS E. A LTD (SERENA HOTELS)	1,899,889.00	2,098,523.00	(117,355.00)	140,300.00
	2006	TPS E. A LTD (SERENA HOTELS)	2,077,532.00	3,361,485.00	(165,945.00)	498,605.00
	2007	TPS E. A LTD (SERENA HOTELS)	1,774,649.00	3,678,411.00	(200,905.00)	617,380.00
	2008	TPS E. A LTD (SERENA HOTELS)	1,738,714.00	3,750,925.00	(107,297.00)	330,014.00
	2009	TPS E. A LTD (SERENA HOTELS)	1,943,771.00	4,064,390.00	(139,327.00)	520,002.00
	2010	TPS E. A LTD (SERENA HOTELS)	2,768,787.00	7,399,172.00	(176,549.00)	692,933.00
	2011	TPS E. A LTD (SERENA HOTELS)	3,469,720.00	7,949,969.00	(237,242.00)	853,133.00
20	2001	THE KENYA POWER & LIGHTING CO. LTD	11,730,310.40	638,384.00	678,931.20	(2,631,803.52)
	2002	THE KENYA POWER & LIGHTING CO. LTD	14,662,888.00	797,980.00	848,664.00	(3,289,754.40)
	2003	THE KENYA POWER & LIGHTING CO. LTD	18,328,610.00	997,475.00	1,060,830.00	(4,112,193.00)
	2004	THE KENYA POWER & LIGHTING CO. LTD	6,259,702.00	17,491,219.00	(415,877.00)	873,684.00
	2005	THE KENYA POWER & LIGHTING CO. LTD	6,355,677.00	18,898,179.00	(709,003.00)	1,979,276.00
	2006	THE KENYA POWER & LIGHTING CO. LTD	6,043,551.00	20,560,405.00	(853,752.00)	2,497,983.00

	2007	THE KENYA POWER & LIGHTING CO. LTD	7,226,460.00	22,249,400.00	(930,214.00)	2,648,691.00
	2008	THE KENYA POWER & LIGHTING CO. LTD	17,412,457.00	23,881,922.00	(973,439.00)	2,738,309.00
	2009	THE KENYA POWER & LIGHTING CO. LTD	20,461,017.00	26,848,063.00	(1,557,339.00)	4,782,433.00
	2010	THE KENYA POWER & LIGHTING CO. LTD	37,437,783.00	28,740,877.00	(1,916,587.00)	5,632,957.00
	2011	THE KENYA POWER & LIGHTING CO. LTD	49,765,323.00	17,701,059.00	(2,299,904.40)	6,759,548.40
21	2001	KENGEN	17,964,872.03	28,241,969.67	37,447.13	2,878,881.38
	2002	KENGEN	18,910,391.61	29,728,389.13	39,418.03	3,030,401.45
	2003	KENGEN	19,905,675.38	31,293,041.19	41,492.66	3,189,896.27
	2004	KENGEN	20,953,342.50	32,940,043.36	43,676.49	3,357,785.55
	2005	KENGEN	22,056,150.00	34,673,729.85	45,975.25	3,534,511.10
	2006	KENGEN	23,217,000.00	36,498,663.00	48,395.00	3,720,538.00
	2007	KENGEN	31,094,483.00	63,638,189.00	(2,273,613.00)	4,719,279.00
	2008	KENGEN	30,943,433.00	68,125,174.00	2,818,114.00	3,078,765.00
	2009	KENGEN	39,422,908.00	63,313,228.00	(2,485,368.00)	4,556,281.00
	2010	KENGEN	73,066,203.00	70,530,868.00	801,534.00	2,484,953.00
	2011	KENGEN	80,318,110.00	69,418,587.00	(1,571,186.00)	3,651,307.00
22	2001	TOTAL KENYA LTD				
	2002	TOTAL KENYA LTD				
	2003	TOTAL KENYA LTD		4,122,404.00	(241,682.00)	756,645.00
	2004	TOTAL KENYA LTD		4,522,751.00	(354,631.00)	931,638.00

	2005	TOTAL KENYA LTD		4,616,649.00	(266,629.00)	798,190.00
	2006	TOTAL KENYA LTD		4,665,064.00	(191,116.00)	677,194.00
	2007	TOTAL KENYA LTD		4,751,591.00	(257,745.00)	781,935.00
	2008	TOTAL KENYA LTD		5,017,822.00	(327,474.00)	1,031,368.00
	2009	TOTAL KENYA LTD	3,978,000.00	8,962,191.00	(251,114.00)	733,699.00
	2010	TOTAL KENYA LTD	3,704,925.00	9,579,853.00	(472,220.00)	1,388,425.00
	2011	TOTAL KENYA LTD	3,020,584.00	9,194,818.00	(129,286.00)	57,850.00
23	2001	MUMIAS SUGAR COMPANY LTD	524,003.84	3,114,018.56	18,720.00	(156,709.12)
	2002	MUMIAS SUGAR COMPANY LTD	655,004.80	3,892,523.20	23,400.00	(195,886.40)
	2003	MUMIAS SUGAR COMPANY LTD	818,756.00	4,865,654.00	29,250.00	(244,858.00)
	2004	MUMIAS SUGAR COMPANY LTD	1,921,217.00	5,402,105.00	(347,099.00)	1,138,550.00
	2005	MUMIAS SUGAR COMPANY LTD	1,808,854.00	6,080,854.00	(553,451.00)	1,843,381.00
	2006	MUMIAS SUGAR COMPANY LTD	2,155,414.00	7,709,049.00	(693,274.00)	2,219,889.00
	2007	MUMIAS SUGAR COMPANY LTD	1,965,833.00	8,337,660.00	(516,283.00)	1,909,894.00
	2008	MUMIAS SUGAR COMPANY LTD	1,712,983.00	9,041,497.00	(375,367.00)	1,589,204.00
	2009	MUMIAS SUGAR COMPANY LTD	3,675,907.00	10,039,469.00	416,811.00	1,193,161.00
	2010	MUMIAS SUGAR COMPANY LTD	4,084,237.00	10,999,852.00	(607,491.00)	2,179,874.00
	2011	MUMIAS SUGAR COMPANY LTD	5,738,818.00	14,476,007.00	(713,350.00)	2,646,575.00
24	2001	SAMEER AFRICA LIMITED	72,944.00	1,222,131.84	(63,049.60)	163,653.76
	2002	SAMEER AFRICA LIMITED	91,180.00	1,527,664.80	(78,812.00)	204,567.20

	2003	SAMEER AFRICA LIMITED	113,975.00	1,909,581.00	(98,515.00)	255,709.00
	2004	SAMEER AFRICA LIMITED	113,583.00	2,012,290.00	(125,302.00)	400,473.00
	2005	SAMEER AFRICA LIMITED	146,024.00	2,028,470.00	(89,575.00)	294,253.00
	2006	SAMEER AFRICA LIMITED	201,829.00	1,850,986.00	(7,423.00)	14,865.00
	2007	SAMEER AFRICA LIMITED	151,947.00	1,961,922.00	(47,905.00)	166,520.00
	2008	SAMEER AFRICA LIMITED	128,528.00	2,135,566.00	(14,674.00)	165,522.00
	2009	SAMEER AFRICA LIMITED	117,044.00	2,282,567.00	(63,459.00)	221,464.00
	2010	SAMEER AFRICA LIMITED	122,618.00	2,168,142.00	(4,803.00)	62,199.00
	2011	SAMEER AFRICA LIMITED	121,145.00	2,249,788.00	(51,498.00)	148,446.00
25	2001	UNGA GROUP LIMITED	122,885.12	918,881.92	(8,931.84)	(10,526.72)
	2002	UNGA GROUP LIMITED	153,606.40	1,148,602.40	(11,164.80)	(13,158.40)
	2003	UNGA GROUP LIMITED	192,008.00	1,435,753.00	(13,956.00)	(16,448.00)
	2004	UNGA GROUP LIMITED	137,921.00	1,332,814.00	(30,910.00)	(95,505.00)
	2005	UNGA GROUP LIMITED	91,987.00	1,448,198.00	(30,525.00)	155,017.00
	2006	UNGA GROUP LIMITED	89,098.00	1,529,749.00	(77,826.00)	142,427.00
	2007	UNGA GROUP LIMITED	50,571.00	1,529,749.00	(23,055.00)	156,665.00
	2008	UNGA GROUP LIMITED	259,438.00	2,045,061.00	(190,355.00)	564,016.00
	2009	UNGA GROUP LIMITED	334,142.00	2,166,974.00	(75,247.00)	260,439.00
	2010	UNGA GROUP LIMITED	355,354.00	2,299,769.00	(98,928.00)	335,101.00
	2011	UNGA GROUP LIMITED	345,150.00	2,530,635.00	(190,027.00)	631,070.00

26	2001	EAAGADS LIMITED	14,444.16	78,639.36	1,471.36	(4,206.08)
	2002	EAAGADS LIMITED	18,055.20	98,299.20	1,839.20	(5,257.60)
	2003	EAAGADS LIMITED	22,569.00	122,874.00	2,299.00	(6,572.00)
	2004	EAAGADS LIMITED	32,078.00	153,946.00	1,326.00	(2,760.00)
	2005	EAAGADS LIMITED	36,456.00	146,410.00	(6,066.00)	12,868.00
	2006	EAAGADS LIMITED	47,085.00	176,195.00	(4,032.00)	9,107.00
	2007	EAAGADS LIMITED	44,280.00	162,986.00	1,384.00	(2,892.00)
	2008	EAAGADS LIMITED	58,511.00	192,672.00	(13,274.00)	42,960.00
	2009	EAAGADS LIMITED	59,350.00	194,461.00	(4,992.00)	16,830.00
	2010	EAAGADS LIMITED				
	2011	EAAGADS LIMITED	74,073.00	266,245.00	(29,696.00)	101,480.00
27	2001	EXPRESS KENYA LIMITED	81,821.44	7,339.52	26,032.64	(69,649.28)
	2002	EXPRESS KENYA LIMITED	102,276.80	9,174.40	32,540.80	(87,061.60)
	2003	EXPRESS KENYA LIMITED	127,846.00	11,468.00	40,676.00	(108,827.00)
	2004	EXPRESS KENYA LIMITED	19,030.00	199,079.00	(5,627.00)	10,237.00
	2005	EXPRESS KENYA LIMITED	41,680.00	253,009.00	(22,650.00)	76,580.00
	2006	EXPRESS KENYA LIMITED	133,703.00	377,643.00	(36,179.00)	102,508.00
	2007	EXPRESS KENYA LIMITED	123,617.00	444,294.00	(38,763.00)	112,380.00
	2008	EXPRESS KENYA LIMITED	378,979.00	432,106.00	9,628.00	(52,864.00)
	2009	EXPRESS KENYA LIMITED	389,913.00	412,453.00	(10,846.00)	25,916.00
	2010	EXPRESS KENYA LIMITED	397,396.00	384,362.00	(13,222.00)	(14,869.00)

	2011	EXPRESS KENYA LIMITED	169,456.00	189,583.00	(6,733.00)	(222,355.00)
28	2001	KAPCHORUA TEA COMPANY LIMITED	114,766.40	308,912.00	3,370.40	(14,434.40)
	2002	KAPCHORUA TEA COMPANY LIMITED	143,458.00	386,140.00	4,213.00	(18,043.00)
	2003	KAPCHORUA TEA COMPANY LIMITED	251,491.00	648,672.00	(15,415.00)	50,226.00
	2004	KAPCHORUA TEA COMPANY LIMITED	250,325.00	672,645.00	(17,649.00)	56,292.00
	2005	KAPCHORUA TEA COMPANY LIMITED	246,913.00	684,064.00	(11,188.00)	37,277.00
	2006	KAPCHORUA TEA COMPANY LIMITED	239,372.00	654,711.00	3,579.00	(13,372.00)
	2007	KAPCHORUA TEA COMPANY LIMITED	270,523.00	710,646.00	(2,982.00)	2,054.00
	2008	KAPCHORUA TEA COMPANY LIMITED	243,165.00	621,308.00	33,303.00	(103,081.00)
	2009	KAPCHORUA TEA COMPANY LIMITED	271,966.00	689,260.00	(29,827.00)	99,735.00
	2010	KAPCHORUA TEA COMPANY LIMITED	266,582.00	818,732.00	(60,286.00)	199,538.00
	2011	KAPCHORUA TEA COMPANY LIMITED	319,713.00	976,397.00	(81,388.00)	268,393.00
29	2001	WILLIAMSON TEA KENYA LIMITED	390,869.60	1,259,169.60	6,955.20	-
	2002	WILLIAMSON TEA KENYA LIMITED	488,587.00	1,573,962.00	8,694.00	-
	2003	WILLIAMSON TEA KENYA LIMITED	698,398.00	2,232,067.00	(29,632.00)	-
	2004	WILLIAMSON TEA KENYA LIMITED	698,590.00	2,279,652.00	(41,105.00)	-
	2005	WILLIAMSON TEA KENYA LIMITED	685,796.00	2,335,047.00	(43,182.00)	-
	2006	WILLIAMSON TEA KENYA LIMITED	626,814.00	2,236,217.00	28,391.00	-
	2007	WILLIAMSON TEA KENYA LIMITED	762,730.00	2,575,376.00	(71,233.00)	214,067.00
	2008	WILLIAMSON TEA KENYA LIMITED	780,201.00	2,444,857.00	46,467.00	(143,984.00)

	2009	WILLIAMSON TEA KENYA LIMITED	349,183.00	1,514,242.00	(35,471.00)	145,341.00
	2010	WILLIAMSON TEA KENYA LIMITED	909,731.00	3,360,252.00	(347,226.00)	1,223,281.00
	2011	WILLIAMSON TEA KENYA LIMITED	1,074,119	4,136,980.00	(409,305.00)	1,293,690
30	2001	LIMURU TEA COMPANY LIMITED	9,682.56	28,977.92	(2,316.16)	7,466.24
	2002	LIMURU TEA COMPANY LIMITED	12,103.20	36,222.40	(2,895.20)	9,332.80
	2003	LIMURU TEA COMPANY LIMITED	15,129.00	45,278.00	(3,619.00)	11,666.00
	2004	LIMURU TEA COMPANY LIMITED	16,302.00	45,937.00	(4,239.00)	13,898.00
	2005	LIMURU TEA COMPANY LIMITED	15,650.00	36,778.00	(1,331.00)	(4,490.00)
	2006	LIMURU TEA COMPANY LIMITED	13,858.00	42,099.00	(2,126.00)	6,955.00
	2007	LIMURU TEA COMPANY LIMITED	14,426.00	37,501.00	(1,043.00)	2,445.00
	2008	LIMURU TEA COMPANY LIMITED	11,399.00	36,117.00	(6,768.00)	15,234.00
	2009	LIMURU TEA COMPANY LIMITED	11,693.00	55,963.00	(11,762.00)	38,731.00
	2010	LIMURU TEA COMPANY LIMITED	27,782.00	119,327.00	(29,488.00)	104,328.00
	2011	LIMURU TEA COMPANY LIMITED	36,045.00	149,710.00	(19,365.00)	59,849.00
31	2001	ATHI-RIVER MINING LIMITED	198,217.60	584,581.12	(21,818.24)	83,966.08
	2002	ATHI-RIVER MINING LIMITED	247,772.00	730,726.40	(27,272.80)	104,957.60
	2003	ATHI-RIVER MINING LIMITED	309,715.00	913,408.00	(34,091.00)	131,197.00
	2004	ATHI-RIVER MINING LIMITED	332,147.00	986,188.00	(55,650.00)	172,368.00
	2005	ATHI-RIVER MINING LIMITED	1,508,230.00	1,162,219.00	(96,416.00)	295,920.00
	2006	ATHI-RIVER MINING LIMITED	1,798,138.00	1,324,776.00	(123,311.00)	387,868.00

	2007	ATHI-RIVER MINING LIMITED	1,666,345.00	1,734,766.00	(198,981.00)	620,640.00
	2008	ATHI-RIVER MINING LIMITED	2,382,004.00	2,127,531.00	(201,996.00)	705,450.00
	2009	ATHI-RIVER MINING LIMITED	4,658,399.00	4,128,930.00	(302,940.00)	948,714.00
	2010	ATHI-RIVER MINING LIMITED	8,431,581.00	4,945,425.00	(37,694.00)	1,112,962.00
	2011	ATHI-RIVER MINING LIMITED	9,993,361.00	5,998,657.00	(212,414.00)	1,362,912.00
32	2001	CARBACID INVESTMENT COMPANY	61,198.74	427,237.69	(31,352.10)	100,895.56
	2002	CARBACID INVESTMENT COMPANY	64,419.73	449,723.89	(33,002.22)	106,205.85
	2003	CARBACID INVESTMENT COMPANY	80,524.66	562,154.86	(41,252.77)	132,757.32
	2004	CARBACID INVESTMENT COMPANY	100,655.83	702,693.58	(51,565.96)	165,946.65
	2005	CARBACID INVESTMENT COMPANY	125,819.78	878,366.97	(64,457.45)	207,433.31
	2006	CARBACID INVESTMENT COMPANY	132,441.88	924,596.81	(67,849.95)	218,350.85
	2007	CARBACID INVESTMENT COMPANY	139,412.50	973,259.80	(71,421.00)	229,843.00
	2008	CARBACID INVESTMENT COMPANY	146,750.00	1,024,484.00	(75,180.00)	241,940.00
	2009	CARBACID INVESTMENT COMPANY	142,237.00	1,167,594.00	(110,650.00)	367,027.00
	2010	CARBACID INVESTMENT COMPANY	151,851.00	1,293,757.00	(130,649.00)	438,041.00
	2011	CARBACID INVESTMENT COMPANY	226,922.00	1,467,365.00	72,015.00	374,210.00
33	2001	Unilever Tea Kenya Limited	692,224.00	1,985,759.36	(11,176.32)	53,426.56
	2002	Unilever Tea Kenya Limited	865,280.00	2,482,199.20	(13,970.40)	66,783.20
	2003	Unilever Tea Kenya Limited	1,081,600.00	3,102,749.00	(17,463.00)	83,479.00
	2004	Unilever Tea Kenya Limited	1,109,835.00	3,118,786.00	(189,474.00)	555,056.00

	2005	Unilever Tea Kenya Limited	1,179,717.00	2,897,867.00	(37,520.00)	105,123.00
	2006	Unilever Tea Kenya Limited	1,256,939.00	3,120,736.00	(26,665.00)	81,078.00
	2007	Unilever Tea Kenya Limited	1,110,989.00	2,654,067.00	29,454.00	133,800.00
35	2001	Marshalls (East Africa) Limited	320.00	129,522.56	-	14,108.80
	2002	Marshalls (East Africa) Limited	400.00	161,903.20	-	17,636.00
	2003	Marshalls (East Africa) Limited	500.00	202,379.00	-	22,045.00
	2004	Marshalls (East Africa) Limited	500.00	224,635.00	-	22,256.00
	2005	Marshalls (East Africa) Limited	179,263.00	288,461.00	(19,352.00)	61,850.00
	2006	Marshalls (East Africa) Limited	142,705.00	333,161.00	(8,785.00)	53,485.00
	2007	Marshalls (East Africa) Limited	192,168.00	462,982.00	-	42,321.00
	2008	Marshalls (East Africa) Limited	182,559.60	439,832.90	-	40,204.95
	2009	Marshalls (East Africa) Limited	173,431.62	417,841.26	-	38,194.70
	2010	Marshalls (East Africa) Limited	164,760.04	396,949.19	-	36,284.97
	2011	Marshalls (East Africa) Limited	156,522.04	377,101.73	-	34,470.72
36	2001	Crown-Berger Kenya Limited	37,881.60	379,971.84	37,881.60	379,971.84
	2002	Crown-Berger Kenya Limited	47,352.00	474,964.80	47,352.00	474,964.80
	2003	Crown-Berger Kenya Limited	59,190.00	593,706.00	59,190.00	593,706.00
	2004	Crown-Berger Kenya Limited	53,472.00	612,251.00	53,472.00	612,251.00
	2005	Crown-Berger Kenya Limited	71,939.00	646,669.00	71,939.00	646,669.00
	2006	Crown-Berger Kenya Limited	116,478.00	770,953.00	116,478.00	770,953.00

	2007	Crown-Berger Kenya Limited	102,678.00	813,869.00	102,678.00	813,869.00
	2008	Crown-Berger Kenya Limited	82,142.40	651,095.20	82,142.40	651,095.20
	2009	Crown-Berger Kenya Limited	78,035.28	618,540.44	78,035.28	618,540.44
	2010	Crown-Berger Kenya Limited	74,133.52	587,613.42	74,133.52	587,613.42
	2011	Crown-Berger Kenya Limited	70,426.84	558,232.75	70,426.84	558,232.75
37	2001	Baumann & Company Limited		366,890.95	3,231.90	(48,919.30)
	2002	Baumann & Company Limited		386,201.00	3,402.00	(51,494.00)
	2003	Baumann & Company Limited	38,604.00	271,142.00	5,772.00	(8,178.00)
	2004	Baumann & Company Limited	35,214.00	264,923.00	685.00	11,228.00
	2005	Baumann & Company Limited	16,188.00	145,255.00	(6,816.00)	121,774.00
	2006	Baumann & Company Limited	16,667.00	103,514.00	-	42,318.00
38	2001	City Trust Limited	5,901.40	193,198.65	(1,835.40)	6,918.85
	2002	City Trust Limited	6,212.00	203,367.00	(1,932.00)	7,283.00
	2003	City Trust Limited	6,640.00	201,943.00	(547.00)	7,455.00
	2004	City Trust Limited	6,488.00	203,587.00	(893.00)	11,911.00
	2005	City Trust Limited	6,324.00	190,249.00	(951.00)	13,651.00
	2006	City Trust Limited	5,583.00	195,536.00	(1,231.00)	17,822.00
39	2001	SAFARICOM LIMITED	4,525,225.68	29,778,913.09	(4,254,182.82)	13,928,449.10
	2002	SAFARICOM LIMITED	4,763,395.45	31,346,224.31	(4,478,087.18)	14,661,525.37

2003	SAFARICOM LIMITED	5,014,100.48	32,996,025.59	(4,713,775.97)	15,433,184.60
2004	SAFARICOM LIMITED	5,278,000.50	34,732,658.51	(4,961,869.45)	16,245,457.48
2005	SAFARICOM LIMITED	5,555,790.00	36,560,693.17	(5,223,020.47)	17,100,481.56
2006	SAFARICOM LIMITED	5,848,200.00	38,484,940.18	(5,497,916.29)	18,000,506.90
2007	SAFARICOM LIMITED	6,156,000.00	40,510,463.35	(5,787,280.30)	18,947,902.00
2008	SAFARICOM LIMITED	6,480,000.00	42,642,593.00	(6,091,874.00)	19,945,160.00
2009	SAFARICOM LIMITED	4,480,000.00	51,253,350.00	(4,767,267.00)	15,304,027.00
2010	SAFARICOM LIMITED	8,005,762.00	62,541,160.00	(5,818,632.00)	20,966,670.00
2011	SAFARICOM LIMITED	9,606,914.40	75,049,392.00	(6,982,358.40)	25,160,004.00