

11 A SURVEY OF WORKING CAPITAL FINANCING POLICIES
AMONG MICROFINANCE INSTITUTIONS IN NAIROBI //

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REQUIREMENT OF THE DEGREE OF MASTER OF BUSINESS
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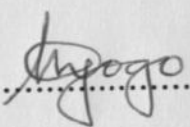
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DECLARATION

I declare that this is my original work and has not been presented for a degree in any other University.

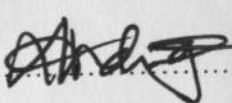
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SIGNED..........DATE.....14/11/2008.....

I confirm that I am the supervisor of this student and that I have read this final draft and I believe it to be the student's own original work.

MR. HERICK ONDIGO

SIGNED..........DATE.....15/11/2008.....

DEDICATION

This project is dedicated to my wife ,Gladwell and children Rachael ,Lucas and Jesse for their support and encouragement.

Thanks to all my friends, classmates and classmates for their support in one way or another towards the successful completion of the entire MBA course.

Thanks to supervisors of various levels for providing me with the required reports.

Special thanks to my almighty God for giving me abundant life, good health and strength during the period of study.

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ABSTRACT

Companies in different sectors in Kenya follow different working capital financing policies. The objective of this research study is to establish the dominant working capital financing policies among the microfinance institutions (MFIs) in Nairobi and the relationship between MFI's working capital financing policies and profitability.

The population of interest for the study is all the Microfinance institutions registered in Kenya by the central bank of Kenya. The secondary data is extracted from the audited financial statements of the MFI's sampled. For each firm sampled annual data on the assets (split between current and non-current liabilities) and the profit after tax was collected for the period 2001 to 2006.

The data collected is analyzed to determine the individual company's annual working capital management financing policy as measured by the long-term financing of current assets (net assets) and also the profitability of the company. The annual working capital management financing policies and profitability were averaged using simple arithmetic mean to get the five year average for each of the company in the sample. The companies were then grouped into three categories depending on their working capital management financing policy. Simple regression analysis was done to establish the relationship between working capital financing policy and the profit after tax.

The results of the analysis showed that the commonly practiced working capital management financing policy among the MFI's in Kenya is the aggressive policy. Further, the research findings show that there are no significant differences in profit after tax among companies that practice different working capital management policies. The regression analysis also showed that the working capital management financing policy explained only fifty three per cent of the variation in profit after tax.

CHAPTER ONE: INTRODUCTION

1.1 Background

Weinraub (1998) defines working capital as the funds available to a firm for carrying on the activities of a business after an allowance is made for bills that have to be settled in short-term. Working capital is therefore calculated by deducting current liabilities from the current assets of a firm, it is an indicator of a firm's liquidity i.e. the firm's ability to meet its short term obligations to creditors and suppliers. Working capital is indeed the excess of current assets over current liabilities (Lamberson 1991). In light of the turbulent business environment of the 21st century, it is imperative that financial managers in partnership with other strategies for the business realize that formulating proper working capital policies is not only a managerial ritual but an undertaking that besides ensuring a firm's success and competitiveness, needs a thorough audit of both internal and external aspect of the firm that have both direct and implied relationships with a firm's working capital needs.

1.1.1 Working Capital Concepts

There are two major concepts of working capital-net working capital and gross working capital. When accountants use the term working capital, they are generally referring to net working capital, which is shilling differences between current assets and current liabilities. Financial analysts on the other hand, mean current assets when they speak of working capital. Therefore their focus is on gross working capital (Van Vorne 1995).

Working capital is the investment, which a business needs to make in its day-to-day operations. It is the level of investment necessary to;

- i. Carry adequate stocks;
- ii. Allow trade credit to debtors;
- iii. Pay credit (without difficult).

Working capital management is the process of planning and controlling the level and mix of the current assets of the company as well as financing these assets. Specifically, working capital management requires financial managers to decide what quantities of cash, other liquid assets, accounts receivable and inventories the company will hold at any point in time. In addition financial managers must decide how these current assets are to be financed.

1.2 Significance of Working Capital

The management of working capital is important for several reasons. For one thing, the current assets of a typical manufacturing firm account for over half of its total assets. For a distribution firm they account for even more. If a company is to operate efficiently, receivables and inventories must be tightly monitored and controlled. This is particularly important for a fast growing firm because the investment in such assets can quickly mushroom out of control. Excessive levels of current assets can easily result in realizing a low return on investment. However, firms with too few current assets may incur shortages and difficulties in maintaining smooth operations. For small companies, current liabilities are the principal source of external financing. These firms do not have access to the long-term capital markets, other than to acquire a mortgage on a building. The fast-growing but larger company also makes use of current liability financing.

More fundamental, however, is the effect that working capital decisions have on the company's risk, return, and share price. Having an adequate level of working capital is therefore vitally important for the survival of any business. Like the oil required to keep a motorcar engine continually working smoothly and efficiently, working capital is required to keep the business engine constantly lubricated (Mcmenamin, 1999)

The key task for the financial manager is to determine the level of working capital which balances risk and return and maximizes shareholder wealth. Over-investing in working capital, may reduce the firm's illiquidity risk, profits and shareholder wealth. Conversely under-investing in working capital, may increase risk of not being able to pay creditors and increase profits through reduction of the cost of funds tied up in current assets. Thus too much working capital reduces risk and return, too little working capital increases risk and return (Ross and Jaffe 1990).

1.3 Microfinance Institutions in Kenya

The World Bank defines Micro Finance Institutions (MFIs) as institutions that engage in relatively small financial transactions using various methodologies to serve low income households, micro enterprises, small scale farmers, and others who lack access to traditional banking services. Financial intermediation is of great importance in any economy. Infact, in the Kenya's Poverty Reduction Strategy Paper (PRSP), the financial sector is expected to play a catalytic role in facilitating economic growth through SMEs (Dondo and Ongila 2006).

In recent years, a growing number of developing countries including Kenya have embarked on reforming and deregulating their financial systems, transforming their institutions into effective intermediaries and extending viable financial services on a sustainable basis to all segments of the population (Seibel, 1996). By gradually increasing the outreach of their financial institutions, some developing countries have substantially alleviated poverty lending, institutional strategies and financial systems approaches. In the process, a new world of finance has emerged which is demand-led and savings driven and conforms to sound criteria of effective financial intermediation. There is now incipient experience with the successful integration of microfinance strategies into micro policies, which makes banking the micro economy and the poor both viable and sustainable.

Microfinance has emerged as that sub sector of the financial system, which provides financial services to the micro economy, comprising alignments of the rural and urban population, including small-scale farmers, micro entrepreneurs, women and the poor. The micro financial sector comprises local financial institutions, which may be formal, semiformal or informal.

Furthermore, individuals, groups or organization in the micro-economy may own such institutions, fully or in part. Microfinance services include savings, loans, insurance, money transfers, remittances, etc.

The development of microfinance has benefited significantly from technical and financial assistance from bilateral and multilateral donor agencies in the last decade. Rukwaro (2001) in the study of credit rationing by Microfinance Institutions (MFIs) noted that the microfinance sub sector has emerged as an alternative source of credit to a large number of small micro enterprises (SMEs) in Kenya. The study found that 20% of MFIs obtained their lending capital from donor agencies, 50% from internal operations, 25% from borrowing and 5% from member's deposits. It is further noted that internal operations involved operating revolving funds that were initially financed by donor agencies. Many of the MFIs rely on donor agencies for funding, as they are not financially stable enough to access commercial funding (Ledgerwood, 1993).

1.4 Statement of the Problem

In relation to shareholder value, the firm's investment in working capital should produce cash returns that add to the market value of the firm and thus to the wealth of its shareholders. However, excessive investment in working capital will depress returns by increasing the opportunity costs of having funds unnecessarily tied up in current assets (Mehmenamin 1999).

Alternatively, insufficient investment in working capital increases the firm's risk of financial distress and insolvency if sufficient funds are not available to pay creditors when the bills become due. It is worth noting that while working capital management accentuates short-term financial decisions and policies, these will however, be framed in the context of the firm's overall corporate strategy, with the aim of realizing its strategic objectives and the primary goal of maximizing shareholder value. A firm can identify extremely valuable essential investment opportunities, find the precise optimal debt ratio, follow the perfect dividend policy and yet fail because no one bothers to raise the cash to pay this year's bills. Hence the need for short term planning. (Arnold 1998).

The study undertaken by (Peel *et al.*, 2000) revealed that small firms tend to have a relatively high proportion of current assets, less liquidity, exhibit volatile cash flows, and a high reliance on short-term debt. The recent work of Howorth and Westhead (2003), suggest that small companies tend to focus on some areas of working capital management where they can expect to improve marginal returns. For small and growing businesses, an efficient working capital management is a vital component of success and survival; i.e both profitability and liquidity (Peel and Wilson, 1996). They further assert that smaller firms should adopt formal working capital management routines in order to reduce the probability of business closure, as well as to enhance business performance. The study of Grablowsky (1976) and others have showed a significant relationship between various success measures and the employment of formal working capital policies and procedures. Managing cash flow and cash conversion cycle is a critical component of overall financial management for all firms, especially those who are capital constrained and more reliant on short-term sources of finance (Walker and Petty, 1978; Deakins et al, 2001). Given these peculiarities, Peel and Wilson (1996) have stressed the efficient management of working capital, and more recently good credit management practice as being pivotal to the health and performance of the small firm sector. Along the same line, Berry et al (2002) finds that SMEs have not developed their financial management practices to any great extent and they conclude that owner-managers should be made aware of the importance and benefits that can accrue from improved financial management practices.

The study conducted by De Chazal Du Mee (1998) revealed that 60% enterprises suffer from cash flow problems. Narasimhan and Murty (2001) stress on the need for many industries to improve their return on capital employed (ROCE) by focusing on some critical areas such as cost containment, reducing investment in working capital and improving working capital efficiency. The pioneer work of Shin and Soenen (1998) and the more recent study of Deloof (2003) have found a strong significant relationship between the measures of WCM and corporate profitability. Their findings suggest that managers can increase profitability by reducing the number of day's accounts receivable and inventories. This is particularly important for small growing firms who need to finance increasing amounts of debtors.

Working capital is a basic requirement for all firms as it is what keeps the business running smoothly. Having sufficient funds invested in working capital reduces the chances of the firm running into liquidity problems besides ensuring uninterrupted operation of the business. However, the funds invested in working capital generate lower returns than those invested in long-term assets. Microfinance managers are thus faced with the problem of determining the optimal working capital policy as well as the critical issue of how to finance the working capital. . Working capital can be financed by a mix of long term and short term funds. There is no specific rule as to how current assets should be financed.

There are three broad working capital policies of financing current assets:

- 1) **A conservative working capital financing policy** in which most current assets are financed by long term funds.
- 2) **An aggressive working capital financing policy** in which few current assets are financed by long term funds. There is less reliance on long term funds to finance current assets.
- 3) **A moderate working capital financing policy** in which the level of investment of long term funds on current assets is moderate . This policy falls midway between the aggressive and the conservative policies.

The problem is to investigate on the dominant working capital financing policies being adopted by microfinance institutions in Nairobi.

1.5 Objective of the study

- i. To establish the dominant working capital financing policies among the microfinance institutions in Nairobi
- ii. To establish the relationship between MFI's working capital financing policies and profitability

1.6 Importance of the Study

To MFIs

The study findings will benefit Management and Staff of Micro Finance Institutions under study, by gaining insight into how their Institutions can effectively manage their working capital

To academics

The research will provide valuable information regarding the micro financial sector. Being upcoming entrepreneurs the academicians will be furnished with relevant information regarding credit availability. It will contribute to the general body of knowledge and form a basis for further research

To regulatory bodies

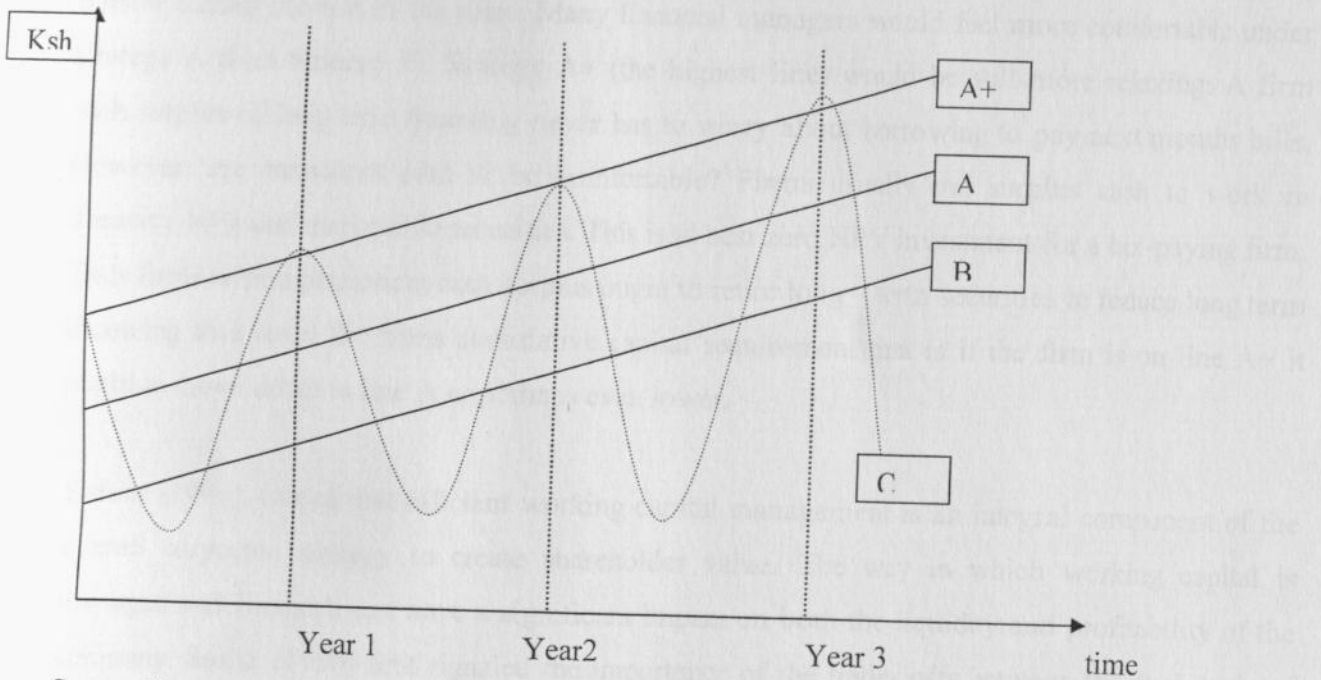
Regulatory bodies like central Bank, commissioner of insurance and capital markets authority can use the study to improve on the framework for regulation.

CHAPTER TWO: LITERATURE REVIEW

2.1 An Overview of Working Capital

According to Weinraub (1998), Businesses require investments in plant, machinery, inventories, accounts receivable and all the other assets it requires to run efficiently. Typically, these assets are not purchased all at once but obtained gradually over time. Let us call the total of these assets the firm's cumulative capital requirement. Most firms cumulative capital requirements grow irregularly like the broken line in figure in figure 1 below:-

Figure 1: Working capital Policies



Source Mcmenamin 1999

This line shows a clear upward trend, as the firm's business growth. However, there is also seasonal variation around the trend. In the figure, the capital requirement line breaks late in each year.

Seibel (1996), Stated that the cumulative capital requirement can be met from either long term or short-term financing. When long-term financing does not cover the cumulative capital requirements, the firm must raise short-term capital to make up the difference. When long term financing more then cover the cumulative capital requirement the firm has surplus cash available for short-term investment. Thus the amount of long term financing raised, given the cumulative capital requirement determines whether the firm is short-term borrower or lender (Mcmenamin 1999)

According to Mcmenamin (1999) Lines A, B and C in figure 1.1 illustrate this. Each depicts a difference long term financing strategy. Strategy A+ always implies a short-term cash surplus. Strategy C, implies a permanent need for short-term borrowing. Under strategy B, which is probably the most common strategy the firm is short-term lender during part of the year and borrow during the rest of the year. Many financial managers would feel more comfortable under strategy A than Strategy C. Strategy A+ (the highest line) would be still more relaxing. A firm with surplus of long term financing never has to worry about borrowing to pay next months bills. However, are managers paid to be comfortable? Firms usually put surplus cash to work in Treasury bills and marketable securities. This is at best zero NPV investment for a tax-paying firm. Thus firms with a permanent cash surplus ought to retire long – term securities to reduce long term financing to a level the firms cumulative capital requirement that is if the firm is on line A+ it ought to move down to line A or perhaps even lower.

Rafuse (1996), Stated that efficient working capital management is an integral component of the overall corporate strategy to create shareholder value. The way in which working capital is managed and financed can have a significant impact on both the liquidity and profitability of the company. Smith (1980) first signaled the importance of the trade- offs between the dual goals of working capital management, i.e. liquidity and profitability. In other words, decisions that tend to maximize profitability tend to maximize the chances of adequate liquidity. Conversely, focusing almost entirely on liquidity will tend to reduce the potential profitability of the company. The main components of a firms working capital are accounts receivable, inventory, cash and marketable securities. These elements are discussed below.

2.1.1. Accounts Receivable

According to Gupta (1983), One important current asset is accounts receivable. When one company sells goods or services to another company, it does not usually expect to be paid immediately. These unpaid bills or trade credit make up the bulk of accounts receivable. Companies also sell some goods on credit to the final consumer. This consumer credit makes up the remainder of accounts receivable. Debtors are people or other firms who owe money to the firm. This will usually happen where the firm has sold goods with a period of credit. The firm sells the goods or service but allow the purchaser a period of credit to pay usually a month. During this month, the purchaser owes the firm the money and is therefore a debtor. Debts are considered assets, because when the debtors pay the firm will have converted the debt into cash in the bank. Because most debts are relatively short-term, they are considered current assets.

The amount of accounts receivable a firm has depends on the line of business they are in. If most of the business is with trade customers where they have to offer credit then the level of accounts receivable may be high. For many retail businesses however, the level of accounts receivable will tend to be relatively low as most of their sales are on cash bases (Gupta, 1983).

2.1.2 Inventory

Another important current asset is inventory. Inventories may consist of raw materials, work in progress or finished goods. The cost of holding inventories includes not only storage costs and risk of spoilage or obsolescence but also the opportunity cost of capital- that is the rate of return offered by other, equivalent risk investment opportunities (Srivastva 2001). The benefits of holding inventory are often indirect. For example, a large inventory of finished goods (large relative to expected sales) reduces the chances of a "stock out" if demand is unexpectedly high. A producer holding a small finished goods inventory is more likely to be caught short, unable to fill orders promptly. Similarly, large raw material inventories reduce the chance that unexpected shortage would force the firm to shut down production or use a costly substitute material (Arnold 1998).

Bulk orders for raw materials although they lead to large average inventories may be worthwhile if the firm can obtain lower prices from suppliers. (That is, bulk orders may yield a quantity discount).

Lamberson (1991) ,asserted that the task of inventory management is to assess these benefits and costs and to strike a sensible balance. In manufacturing companies, the production manager is best placed to make this judgment. Obviously, average stock-holding periods will be influenced by the nature of the business. For example, a fresh vegetable shop might turn over its entire stock every few days while a motor dealer would be much slower as it may carry a wide range of rarely-used spare parts incase somebody needs them. Nowadays, many large manufacturers operate on a just-in- time (JIT) basis whereby all the components to be assembled on a particular day, arrived at the factory early that morning, no earlier – no later. This helps to minimize manufacturing costs as JIT stocks take up little space, minimize stock –holding and virtually eliminate the risks of obsolete or damaged stock. Because JIT manufacturers hold stock for a very short time, they are able to conserve substantial cash. JIT is a good model to strive for as it embraces all the principles of prudent stock management.

Lamberson (1991) The key issue for a business is to identify the fast and slow stock movers with the objectives of establishing optimum stock levels for each category and, thereby, minimize the cash tied up in stocks. Factors to be considered when determining optimum stock levels include:

- i. What are the projected sales of each product?
- ii. How widely available are raw material, components etc?
- iii. How long does it take for delivery by suppliers?
- iv. Can you remove slow movers from your product range without compromising best sellers?

2.1.3 Cash and Marketable Securities

Howorth and Westhead (2003), stated that the remaining current assets are cash and marketable securities. The cash consists of currency, demand deposits and time deposits. The principal marketable security is commercial paper (short-term, unsecured notes sold by other firms). The other security is the government of Kenya Treasury bills and Bonds.

Cash flows in a cycle into, around and out of a business. It is the business's lifeblood, every manager's primary task is to help keep it flowing, and to use the cash flow to generate profits. If a business is operating profitably, then it should, in theory, generate cash surpluses. If it does not generate surpluses, the more cash it will need for working capital and investment. The cheapest and best sources of cash exist as working capital right within business. Good management of working capital will generate cash, will help improve profits and reduce risks. Bear in mind that the cost of providing credit to customers and holding stocks can represent a substantial proportion of a firms total profit Howorth and Westhead, (2003)

(Brealey and Myers 1991) stated that there are two elements in the business cycle that absorb cash – inventory and Receivables. The main sources of cash are payables, Equity and loans. In choosing between cash and marketable securities, the financial manager faces a task like that of the production manger. There are always advantages of holding large inventories of cash. They reduce the risks of running out of cash and having to raise money on short notice. On the other hand, there is a cost to holding idle cash balances rather than putting the money to work in marketable securities.

2.2 Some Theoretical Observations

What is the best level of long-term financing, relative to the cumulative capital requirement, there is no convincing theoretical analysis of this question. We can give several practical observations however;

Matching Maturities

Gitman (1997), said that most financial managers attempt to match maturities of assets and liabilities that is; they finance long-lived assets such as plant and machinery on long-term borrowing and equity and used short-term funding to finance current assets.

Permanent working capital requirements

Gitman (1997) asserted that most firms make permanent investment in working capital (current assets less current liabilities). They finance this investment from long-term sources.

2.3 Options for Short Term Financing

According to Deloof (2003), firms often have various short-term sources of funds. To finance investment in current assets, a company may rely on a variety of short-term loans. These sources include commercial paper and bank loans. Many short-term loans are unsecured, but a company may offer its inventory or receivable as security. Some of the common sources are explained below.

Unsecured bank borrowing

In this case, a firm arranges with its bank allowing it to borrow up to a certain amount of money at a specified interest rate. The firm can borrow and repay wherever it wants so long as it does not exceed the credit limits. The firm does not need to pledge any of specific assets as security for the loan. This kind of arrangement is called a line of credit. When a company borrows on an unsecured line of credit, it is generally obliged to maintain a compensating balance on deposit with the bank Deloof (2003)

Stretching payables

In this case, the firm gets funds by making use of accounts payable. This is often a cheap source of funds as the only cost is the minimal additional cost that a firm that is buying on account has to pay. This source is often used instantaneously as the volume of business grows Deloof (2003)

2.4 Some Aspects of Short- Term Financial Policy

According to Chittenden, Poutziouris and Michaelas (1998) the policy that a firm adopts for short-term finance will be composed of at least two elements. These components are discussed below.

The size of the firms investment in current assets

This is usually measured relative to the firm's level of total operating revenues. A flexible or accommodative short- term financial policy would maintain a high ratio of current assets to sales (Chittenden, Poutziouris and Michaelas, 1998).

The financing of current assets

According to Chittenden, Poutziouris and Michaelas (1998) this is measured as the proportion of short-term debt to a long-term debit. A restrictive short-term financial policy means a high proportion of short-term debt relative to long-term financing and flexible policy means less short-term and more long- term debt.

2.5 Flexible Short-Term Financial Policy

- i. Bhattacharya (2001) stated that flexible short-term financial policies include: Keeping large balance of cash and marketable securities
- ii. Making large investment inventory
- iii. Granting liberal credit terms, which result in a high level of accounts receivable?

Flexible short-term financial policies are costly in that they require higher cash flows to finance cash and marketable securities, inventories and accounts receivable. However, future cash flows are highest with a flexible policy. Sales are stimulated by the use of credit policy that provides liberal financing to customers (Van Vorne 1995). A large amount of inventory provides a quick delivery service to customers and increases sales. In addition, the firm can probably charge higher for the quick delivery service and the liberal credit terms of flexible policies. A flexible policy also may result in fewer production stoppages because of inventory shortages (Bhattacharya, 2001).

2.6 Restrictive Short Term Financing Policy

Restrictive short term financing policy is characterized by:

- i. Keeping low cash balances and no investment in marketable securities.
- ii. Making small investments in inventory.

2.7 Working Capital Costs

(Arnold 1998), stated that managing current assets can be thought of as involving a trade off between costs that rise with the level of investment and costs that fall with the level of investment. Costs that rise with the level of investments in current assets are called carrying costs. Costs that fall with increase in level of investment in current assets are called shortage costs.

Carrying Costs

Carrying costs are generally of two types

First, because the rate of return on current assets is low compared with that of other assets, there is an opportunity cost. Second, there is the cost of maintaining the economic value of the items e.g. the cost of warehousing the inventory.

Shortage costs

Bhattacharya (2001) contributed that shortage costs are incurred when the investment in current assets is low. If a firm runs out of cash, it will be forced to sell marketable securities. If a firm runs out of cash and cannot readily sell marketable securities, it may need to borrow or default on an obligation (this situation is called a cash-out). If a firm has no inventory (a stock-out) or if it cannot extend credits to its customers, it will lose customers. The total cost of investing in current assets is determined by adding the carrying costs and the shortage costs. The minimum point on the total cost curve reflects the optimal balance of current assets. For firms whose cash flow patterns are predictable, typified by the public utilities sector, a long degree of liquidity can be maintained. Immediate access to capital markets such as that enjoyed by large prestigious firms, also allows a greater risk taking capability. The peculiarities of a firm's industry will have a major impact on the options open to management (Block and Hilt 1992).

2.8 Short Term Investment Opportunities

According to Anand (2001) if a company is in a position of generating cash surpluses after allowing for an appropriate 'safety margin', excess cash can be invested on a short-term basis.

Short-term investment opportunities would typically include-

- i. Short-term interest earning deposits- these are available with most financial institutions.
- ii. Marketable securities. These are short-term easily liquidated, interested earning government and money market instruments (e.g. Treasury bills)
- iii. Payments in advance. Payments can be made in advance to credit worth suppliers enabling significant discounts to be negotiated. The benefits of paying in advance would clearly have to be weighed against the cost of any interest lost from investing the funds.

2.9 Working Capital Policies

Anand (2001) ,asserted that an individual company's investment in working capital will be related to the type of industry it operates in and the essential working capital policy each individual company adopts. Working capital investments decisions concern how much of the firms limited resources should be invested in working capital. Financing decisions relate to how investment in working capital is to be financed.

What may be considered an acceptable level of working capital for one industry or line of business may be unacceptable (e.g. too much or too low) in another, because of different operating or business characteristics across industries. Working capital requirements are also likely to change over time in response to changes in the nature of a company's operation (Block and Hilt 1992). Broadly, there are three distinct types of working capital policy, which a company can adopt: - An aggressive policy, s moderate policy and a conservative policy.

Bhattacharya (2001). The type of policy relates to the firm's general approach to the investing and financing of its working capital needs. Aggressive and conservative policies tend to represent the opposite ends of spectrum of working capital policy options. The policies differ in their attitudes to both the investment in and the financing of current assets. The more conservative in altitude the policy, the greater the level of investment in current assets and the greater the firm's reliance on long-term capital (in the form of debt or equity) to finance the investment in current assets. Conversely, the more aggressive the working capital policy the lower the level of investment in current assets and the less is the firm's reliance on long term capital to finance current assets.

Financing of current assets from current liabilities particularly in the form of interest free credit from suppliers is a less expensive source of financing than equity or long-term debt capital (Van Vorne 1995). The type of working capital policy operated will be dictated by such factors as the growth rate of the company, its size, nature of its industry whether it is manufacturing or non-manufacturing and by the risk altitude of the firm's management.

2.9.1 A conservative working capital policy

Investment

As far as investment is concerned, a conservative working policy is the 'play it safe' philosophy. At its most conservative, the policy will attempt to provide sufficient long-term financing to cover and all anticipated eventualities. A conservative policy implies relatively high investment in current assets in relation to sales, the current assets to sales ratio will be comparatively high and assets turnover ratio will be low. In a conservative approach stock and cash, levels will generally be kept high to avoid stock out and illiquidity costs. There is also likely to be a sizeable investment in short-term bank deposits and other short-term liquid investments (Copeland and Weston 1988).

Financing

DeLoof (2003), stated that at one extreme a company finances all its current asset requirements with long-term funds, including its peak temporary requirements. In operating a conservative policy short term funding may only be called upon as a fall back or emergency source of funding. The investment in current assets is divided into permanent current assets and temporary current assets. The investment in permanent current assets represents the core, or minimum level of investment in

current assets required on a continuous basis. In addition to permanent current assets, the business may need to invest in temporary current assets, to accommodate fluctuations in its business cycle.

At its most extreme the conservative working capital, policy assumes, somewhat unrealistically, the absence of any spontaneous funding from current liabilities such as trade creditors. Spontaneous funding is the type of funding which occurs virtually automatically when a company acquires goods and services from its suppliers on credit (Copeland and Weston 1988).

Risk and return

Deloof (2003) , stated that since the conservative policy relies on long term, financing it also makes it a more expensive policy to follow than one, which allows for an element of short-term financing. However, it is also the low risk working capital policy as the company is not dependent upon access to short-term funds and is not therefore exposed to the volatility of short-term interest rates or to unexpected changes in general economic conditions. In contrast, long-term financing although generally expensive is more certain and stable with regard to the term of the finance, its costs and its conditions. The firm pays a price for certainty and stability. Long-term source of finance such as equity and long term loans are more certain and stable and consequently they tend to be more expensive.

More short-term finance is frequently repayable on demand by the lender, and renewal or “roll over” of short-term financing is by no means guaranteed. In fact, on occasions, it may only be possible at the expense of accepting higher interest rates and tougher borrowing conditions. All factors increases the variability associated with short-term finance and increases the firm’s risks of experiencing liquidity difficulties (Gitman 1997).

2.9.2 An Aggressive Working Capital Policy

Gitman (1997) contributed that an aggressive policy relies on minimum investment in current assets and is highly dependent on access to short-term financing.

Investment

Gitman (1997) stated that with an aggressive policy, total investment in current assets will be kept to a minimum. The current assets to sales ratio will be much lower and the current assets turnover rates much higher in comparison to a conservative policy.

Financing

Gitman (1997) contributed that an aggressive working capital policy will use long-term finance to fund its investment in permanent fixed assets and also a substantial part of its permanent current assets; short-term financing will be used to fund temporary current assets needs and part of the permanent current assets requirements.

Risk and return

Gitman (1997) made an observation that if conservative and moderate policies were to be compared, an aggressive policy will achieve higher returns but will also carry high risk due to its higher dependency on short-term finance.

2.9.3 A Moderate Working Capital Policy

Gitman (1997) stated that a moderate or balanced capital falls midway between the aggressive and conservative policies. With a moderate policy, the level of investment in current assets is neither lean nor excessive. Following a moderate policy, long-term funds are used to finance the investment in fixed assets and the permanent components of current assets investment. Temporary or seasonal current assets are financed by short-term sources of finance. The moderate policy is less risky than the aggressive but more risky than the conservative policy. The company only resorts to short-term financing when seasonal and other temporary demands require it (Gitman 1997). Returns under a moderate policy are corresponding higher than under a conservative policy but lower than under an aggressive policy.

2.10 Summary of the Chapter

According to Kesseven (2006), the different analyses have identified critical management practices and are expected to assist managers in identifying areas where they might improve the financial performance of their operation. The results have provided owner-managers with information regarding the basic financial management practices used by their peers and their peers attitudes toward these practices. The working capital needs of an organization change over time as does its internal cash generation rate. As such, the small firms should ensure a good synchronization of its assets and liabilities.

The study showed that the paper and printing industry have been able to achieve high scores on the various components of working capital and this has positively impact on its profitability. On this premise this industry may be referred as the 'hidden champions' and could thus be used as best practice among the SMEs. Further, the research concluded that there is a pressing need for further empirical studies to be undertaken on small business financial management, in particular their working capital practices by extending the sample size so that an industry-wise analysis can help to uncover the factors that explain the better performance for some industries and how these best practices could be extended to the other industries.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter outlines the overall methodology to be used in the study. This includes the research design, population of the study, sample size, sample frame, data collection methods, research procedures and data analysis and presentation.

3.2 Research Design

The research used a descriptive survey method to assist the researcher to achieve the objective of the study. Mugenda and Mugenda, (1999) stated that the descriptive survey is a method that will collect data from the population and help the researcher to get the descriptive existing phenomena. It involves making decisions on what type of data is required, where the data will be found, techniques of data collection, analysis and interpretation

3.3 Population

The population of the study comprised of all the Micro finance institutions registered in Kenya. The population of interest was thus the list on the appendix 1. It was obtained from the central bank of Kenya annual Report on microfinance Institution in Kenya and the Association of Microfinance Institutions (AMFI).

3.4 Sampling Method and Sample size

The convenient sampling technique was used. The main features of this method are the fact that subjects are easily and conveniently available, have been operating for the last five years and are located in Nairobi. The sample size for the study was **thirty** MFIs in Nairobi.

3.4 Data Collection

The study used secondary data which was extracted from financial statements. These included-

- i. Profits after tax
- ii. Current assets
- iii. Current liabilities
- iv. Fixed assets
- v. Long term debt and equity of the institutions surveyed

3.5 Data Analysis

The data was analyzed with the aim of determining the dominant working capital financing policy among the MFIs in Nairobi. The working capital financing policy for each of the companies in the sample was determined by computing the proportion of current assets that is financed using long-term funds. This was determined as follows:

Proportion of current assets financed by long-term funds

$$= \frac{(\text{Total current assets} - \text{Total current liabilities})}{\text{Total current assets}} * 100$$

Total current assets

$$= (\text{Net current assets} / \text{Total current assets}) * 100.$$

A simple arithmetic mean was used to come up with each firm's working capital financing policy for the last five years.

The MFIs in the sample were then grouped into three categories depending on their working capital financing policy as follows:

1. Conservative working capital financing policy

All the MFIs whose average long term financing of current assets is at least sixty percent (**60% or more**)

2. Moderate working capital financing policy

All the MFIs whose average long term financing of current assets is more than thirty percent but less than sixty percent (**between 30% and 60%**)

3. Aggressive working capital financing policy

All the MFIs whose average long term financing of current assets is at most thirty per cent (**30% or less**)

The profitability of each of the MFIs was computed using profit after tax. A simple linear regression model was then used to find if there is a relationship between the working capital financing policy and the profitability of the MFIs.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

The objective of this research study was to establish the dominant working capital financing policies among the microfinance institutions in Nairobi and to establish the relationship between MFI's working capital financing policies and profitability.

4.2 Computation of Individual Company Working Capital Policy and Profitability

The data collected was first analyzed to determine the amount of current assets financed using long-term funds. The long term financing of current assets (net current assets) was then divided by the total current assets to determine the proportion of current assets financed using long term-term funds in the form of equity and long-term debt. Each of the individual company's annual proportion for the five-year period was averaged to come up with the company's average working capital management financing policy. Table 4.1 in the appendix gives a summary of the individual company working capital financing policy.

The annual profit after tax was then averaged to get the average profit after tax for each of the MFIs in the sample.

The resultant individual company profitability is shown in table 4.2 in the appendix.

The MFI's in the sample have been grouped into three depending on their financing of current assets using long-term funds. A five year's average percentage of long-term financing of current assets for each of the MFI's has been used.

The categorization is based on the following:

i. **Conservative working capital management financing policy**

All MFI's whose average long-term financing of current assets is at least sixty percent.

ii. **moderate working capital management financing policy**

All MFI's whose average long-term financing of current assets is more than thirty per cent but less than sixty per cent.

iii. **aggressive working capital management financing policy**

All MFI's whose average long-term financing of current assets is thirty percent or less.

Based on the results of the research *the dominant working capital management financing policy is the aggressive policy*, which is represented by fourteen out of the sampled **thirty** MFI's. Thus, about **forty-seven percent** of the sampled firms practice the aggressive policy. The second prominent policy was the moderate policy, which had **eleven** MFI,'s thus representing about **thirty-seven per cent** of the sample. The least practiced policy was conservative which had only five MFI's thus representing about **sixteen percent** of the firms sampled.

The prominence of the aggressive policy among Microfinance institutions in Kenya would be as a result of the high cost of funds in Kenya and thus management of most firms prefer not to finance

current assets using long term funds. Current sources of funds like accounts payable which often bear minimal cost are thus used instead of long-term debt and equity which are often expensive.

4.4 Regression Analysis of profit after tax on Working Capital Management financing Policy

A simple regression model was used to find out if there is a relationship between the long-term financing of current assets and the profit after tax in the sample. The strength of the relationship was also computed. The is shown in the table below:

Regression Analysis Results

| Regression Statistics | | | | | | | | |
|-----------------------|---------------------|-----------------------|---------------|----------------|-----------------------|------------------|--------------------|--------------------|
| Multiple R | 0.197237 | | | | | | | |
| R Square | 0.038902 | | | | | | | |
| Adjusted R Square | 0.004577 | | | | | | | |
| Standard Error | 161517 | | | | | | | |
| Observations | 30 | | | | | | | |
| ANOVA | | | | | | | | |
| | <i>df</i> | <i>SS</i> | <i>MS</i> | <i>F</i> | <i>Significance F</i> | | | |
| Regression | 1 | 2.96E+10 | 2.96E+10 | 1.133353 | 0.296156 | | | |
| Residual | 28 | 7.3E+11 | 2.61E+10 | | | | | |
| Total | 29 | 7.6E+11 | | | | | | |
| Coefficients | | | | | | | | |
| | <i>Coefficients</i> | <i>Standard Error</i> | <i>t Stat</i> | <i>P-value</i> | <i>Lower 95%</i> | <i>Upper 95%</i> | <i>Lower 95.0%</i> | <i>Upper 95.0%</i> |
| Intercept | 147529.6 | 43573.44 | 3.38577 | 0.002119 | 58273.49 | 236785.8 | 58273.49 | 236785.8 |
| X Variable 1 | -93257.3 | 87599.28 | -1.06459 | 0.296156 | -272696 | 86181.64 | -272696 | 86181.64 |

Source: Research Findings

The dependent variable (y) is the profit after tax while the independent variable (x) is the working capital management financing policy as measured by the long-term financing of current assets. The resultant regression equation is as given below ;

$$Y = 147529.6 - 93257.3x$$

The strength of the relationship has also been tested using r^2 which shows the proportion of the variation in the dependent variable (in this case profit after tax) which is explained by the independent variable (in this case the long-term financing of current assets).

The resultant value of r^2 is 0.038902

The regression analysis shows that the long-term financing of current assets is a weak predictor of the profit after tax. The value of r^2 , which measures the strength of the relationship in a regression equation, was only 3.9 percent. Thus, other variables account for about 96.1 percent of the variation in profit after tax.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 CONCLUSIONS

The research findings show that the aggressive working capital management financing policy is the most dominant among the Microfinance institutions in Kenya. This would be partly due to the high cost of long-term funds in Kenya, which for most part of the research period were above twenty percent. Management of most MFIs would thus tend to use the short-term funds like trade creditors, which often carry very minimal direct costs. The cost consideration thus dominates the need to match the duration of the source of funds with the life of the asset to be financed. Under the maturity-matching concept one would have expected that the MFI's that require heavy investment in current assets could use more long term financing but this was not the case. The other source of long-term funds namely the owners' equity might also not have been attractive to the MFI's because of the costs, for instance floatation costs associated with raising such funds besides the annual dividend expectations from the shareholders.

The findings on the research show slight differences between the working capital management financing policies across the various categories. The absence of significant differences in working capital management financing policies across the other categories would be because the MFI's are exposed to the same macro-economic conditions. For example, the MFIs are exposed to the same political/legal framework as well as the same inflation rates and tax system. The MFI's will therefore tend to make decisions, to invest long term funds in current assets, that are somewhat similar due to this exposure to the same macro-economic conditions. The similarity of the working

capital management financing policies across the categories would also result from the working capital adequacy requirements by the regulatory bodies.

Further the research findings show that there is some differences on the profit after tax for MFIs. This can be explained by the fact that MFIs vary in their sizes, they range from big companies to small non governmental organizations. Thus their size would determine their turnover and ultimately the profit. Another factor that determines profit is the nature of the company. Some of MFIs are non profit organizations and therefore their main objective is not maximizing profits. Some of these organizations exist to help marginalized groups and thus the profit they make may just be a surplus from their budgets.

The regression analysis thus showed that working capital management policy explained only four percent of the variation on profit after tax leaving ninety six percent to be explained by other factors.

5.2 Recommendations

Based on this research there does not appear to be any working capital management financing policy that is superior to the others in terms of its effect on profits. Management of various Microfinance institutions should therefore feel free to pursue any particular working capital management financing policy, which they deem convenient to them. Management should devote their time to the activities that enhance the efficiency of the firms and those strategic actions that increase their competitiveness in the market place and thus improving the return to the shareholders.

5.3 Limitations of the Study

The study faced a number of limitations as discussed below. Other factors that are not financially quantifiable but affect profits were not considered in the study as it was based on published financial statements. Apart from the working capital management other factors like different management style, staff motivation, quality of the production equipment, and the goodwill of the company have a strong influence on a company's profitability but were not considered in the study.

The time factor hindered the researcher from extending the research for a longer period and considering the influence of other factors such as change in management policies that would have changed over the study period. The financial resources allocated for the research were hardly enough for collection of data of other microfinance institutions and as such a more detailed study would not be carried out.

5.4 Suggestions for Further Study

The study provides a starting point for helping stakeholders in Microfinance institutions in Kenya to look for ways of improving profitability through efficient utilization of financial resources at their disposal. There is room for research on the effect of changes in working capital management financing policy on profitability of a single company over time.

The effect of changes in the components of working capital on profitability is also an area that can be researched on. The individual elements of working capital are associated with different cost levels and therefore changes in their mix are likely to affect profitability of a company.

There is also room to research on the other factors that affect the profitability of the MFI's like the staff morale, adequacy and quality of tools used and the management style. These are factors that are normally not shown in the financial statements but nevertheless have a bearing on the level of profits.

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APPENDIX 1: LIST OF MICROFINANCE INSTITUTIONS

List of Microfinance Institutions as of (CBK 2006) and (AMFI)

1. AAR Credit Service
2. Action Aid
3. ADRA Kenya
4. AgaKhan Foundation micro credit Programme
5. Archdioceses of Nairobi
6. AREP
7. BIMAS
8. Care International
9. Christian Health Association of Kenya
10. Co-operative Bank of Kenya
11. Crossbridge Credit Ltd
12. Daraja Trust
13. Ecumenical Church Loan Fund (ECLOF)
14. Elite Microfinance
15. Equity Building Society
16. Family Finance
17. Faulu Kenya
18. Ghetto Child Programme
19. Hope Africa
20. Jamii Bora
21. Jaru Micro credit Africa Ltd
22. Jitegemee Credit scheme
23. Jitegemee Trust
24. KADET
25. Kenya Commercial Bank-Special Loan Unit
26. Kenya Gatsby Trust

27. Kenya Post Office Savings Bank
28. Kenya Small Traders and Enterprise Society
29. Kenya Women Finance Trust

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|--|---------|---------|---------|---------|---------|
| 30. K-Rep Bank Ltd | | | | | |
| 31. K-Rep Development Agency | 0.106 | 0.485 | 0.217 | 0.080 | 0.373 |
| 32. Micro Kenya ltd | 0.392 | 0.121 | 0.193 | 0.118 | 0.111 |
| 33. Millenia Multipurpose Credit society | 0.172 | 0.181 | 0.243 | 0.306 | 0.143 |
| 34. OIKO credit | 0.480 | 0.387 | 0.310 | 0.341 | 0.511 |
| 35. Pride Africa | 0.07389 | 0.07885 | 0.09607 | 0.01738 | 0.00000 |
| 36. Private Sector Development Unit | 0.113 | 0.386 | 0.729 | 0.759 | 0.917 |
| 37. SISDO | 0.065 | 0.028 | 0.316 | 0.343 | 0.793 |
| 38. Skills Across Kenya | 0.018 | 0.016 | 0.040 | 0.025 | 0.078 |
| 39. Small and Micro-Enterprise Programme (SMEP) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 40. Small Enterprise Credit Association | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 41. Smallholder Irrigation Scheme Development Organisation | | | | | |
| 42. St. John's Community Centre | 0.431 | 0.438 | 0.704 | 0.920 | 0.388 |
| 43. Sunlink Micro finance Partners | 0.045 | 0.089 | 0.052 | 0.046 | 0.007 |
| 44. Undugu Society of Kenya | 0.002 | 0.132 | 0.234 | 0.177 | 0.026 |
| 45. United Disabled Persons of Kenya (UDPK) | | 0.162 | 0.001 | 0.000 | 0.113 |
| 46. Vintage Management Consultants | | | | | |
| 47. WEDCO | 0.057 | 0.066 | 0.204 | 0.218 | 0.183 |
| 48. Widows and Orphans Welfare | 0.043 | 0.007 | 0.027 | 0.092 | 0.042 |
| 49. Window Development fund | 0.134 | 0.117 | 0.051 | 0.036 | 0.121 |
| 50. World Vision | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 51. Yehu Enterprise support services | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | 0.353 | 0.419 | 0.708 | 0.268 | 0.505 |
| | 0.454 | 0.382 | 0.382 | 0.641 | 0.316 |
| | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

Appendix 2 List of tables:

Table 4.1 Summary of individual company working capital financing policy

| Company | 2006 | 2005 | 2004 | 2003 | 2002 | Average |
|--|----------|----------|----------|---------|----------|-----------------|
| Action Aid | 0.556 | 0.494 | 0.455 | 0.271 | 0.090 | 0.373 |
| AREP | -0.003 | -0.302 | -0.127 | 0.096 | -0.218 | -0.111 |
| Care International | 0.362 | 0.171 | 0.113 | -0.343 | -0.086 | 0.043 |
| Christian Health Association of Kenya | 0.466 | 0.582 | 0.570 | 0.641 | 0.511 | 0.554 |
| Co-operative Bank of Kenya | 0.137588 | 0.178899 | 0.109357 | 0.03738 | 0.208082 | 0.134261 |
| Crossbridge Credit Ltd | 0.835 | 0.912 | 0.880 | 0.729 | 0.729 | 0.817 |
| Ecumenical Church Loan Fund | 0.885 | 0.909 | 0.929 | 0.576 | 0.549 | 0.770 |
| Equity Building Society | 0.606 | 0.614 | 0.610 | 0.640 | 0.409 | 0.576 |
| Family Finance | 0.794 | 0.686 | 0.740 | 0.608 | 0.407 | 0.647 |
| Faulu Kenya | 0.794 | 0.686 | 0.740 | 0.608 | 0.407 | 0.647 |
| Hope Africa | 0.390 | 0.366 | 0.302 | 0.262 | 0.265 | 0.317 |
| Jamii Bora | 0.188 | 0.375 | 0.374 | 0.348 | 0.233 | 0.304 |
| Jitegemee Credit scheme | 0.418 | 0.426 | 0.409 | 0.204 | 0.489 | 0.389 |
| Private Sector Development Unit | 0.078 | 0.045 | -0.099 | 0.052 | -0.040 | 0.007 |
| Micro Kenya Ltd | -0.381 | -0.022 | 0.132 | 0.224 | 0.170 | 0.024 |
| Kenya Commercial Bank-Special loan Unit | 0.120 | 0.161 | 0.152 | 0.131 | 0.000 | 0.113 |
| Kenya Post Office Savings Bank | 0.161 | 0.167 | 0.166 | 0.204 | 0.218 | 0.183 |
| Kenya Small Traders And Enterprise Society | 0.043 | 0.013 | 0.047 | 0.027 | 0.082 | 0.042 |
| Kenya Women Finance Trust | 0.097 | 0.134 | 0.117 | 0.123 | 0.136 | 0.121 |
| K-Rep Bank Ltd | 0.066 | 0.073 | 0.000 | 0.074 | 0.068 | 0.056 |
| K-Rep Development Agency | 0.236 | 0.275 | 0.191 | -0.325 | -0.362 | 0.003 |
| Small and Micro-Enterprise Programme (SMEP) | 0.353 | 0.419 | 0.396 | 0.268 | 0.609 | 0.409 |
| Small Enterprise Credit Association | 0.454 | 0.392 | 0.383 | 0.648 | 0.388 | 0.453 |
| Smallholder Irrigation Scheme Development Organisation | 0.946 | 0.939 | 0.847 | 0.825 | 0.887 | 0.889 |

| | | | | | | |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sunlink Micro finance Partners | 0.674 | 0.461 | 0.432 | 0.608 | 0.456 | 0.526 |
| Undugu Society of Kenya | 0.729 | 0.647 | 0.642 | 0.496 | 0.484 | 0.600 |
| Vintage Management consultants | 0.583 | 0.628 | 0.534 | 0.278 | 0.390 | 0.483 |
| WEDCO | 0.250 | 0.375 | 0.402 | 0.045 | 0.279 | 0.270 |
| Widows and orphans welfare | 0.131 | 0.372 | 0.158 | 0.127 | 0.404 | 0.238 |
| World Vision | 0.601 | 0.546 | 0.483 | 0.353 | 0.237 | 0.601 |

Source: Research Findings

Table 4.2 Summary of Individual Company Profitability Profit after tax

| Company | 2006 Sh '000' | 2005 Sh '000' | 2004 Sh'000' | 2003 Sh'000' | 2002 Sh'000' | Average Sh'000' |
|---|------------------|------------------|-----------------|-----------------|-----------------|--------------------|
| Action Aid | 34,661.50 | 55,460.50 | 113,666.00 | 54,936.00 | 59,918.00 | 63,728.40 |
| AREP | 2,020.75 | -13,541.75 | -10,907.75 | 9,473.00 | 26.94 | -2,585.76 |
| Care International | 6,202.25 | 999.00 | -8,502.50 | -1,650.75 | 11,021.00 | 1,613.80 |
| Christian Health Association of Kenya | -4,196.50 | 3,080.50 | 26,566.25 | 1,443.00 | 31,079.25 | 11,594.50 |
| Co-operative Bank of Kenya | 673,070.86 | 446,393.50 | 499,025.24 | 479,182.34 | 430,252.48 | 505,584.88 |
| Cross bridge Credit Ltd | 1,337.75 | 2,320.25 | 2,795.25 | 3,577.75 | 12,303.75 | 4,466.95 |
| Ecumenical Church Loan Fund | 965.25 | 236.75 | -2,133.50 | 1,832.25 | 12,187.25 | 2,617.60 |
| Equity Bank | 1,135,197.00 | 344,598.00 | 136,135.00 | 388,765.00 | 138,509.00 | 428,640.80 |
| Family Finance | 62,310.00 | 89,490.00 | 354,720.00 | 279,030.00 | 622,860.00 | 281,682.00 |
| Faulu Kenya | -9,381.50 | 35,146.00 | 20,428.75 | 15,329.00 | 72,325.25 | 26,769.50 |
| Hope Africa | 37,972.50 | 21,676.50 | 30,614.50 | 40,133.75 | 38,724.00 | 33,824.25 |
| Jamii Bora | 21,725.00 | 33,925.00 | 69,600.00 | 30,175.00 | 23,700.00 | 35,825.00 |
| Jitegemee Credit scheme | 9,482.50 | 6,580.00 | 5,002.50 | 6,245.00 | 9,062.50 | 7,274.50 |
| Private sectore development unit | 26,472.25 | 24,176.50 | 20,763.00 | 19,834.00 | 14,340.50 | 21,117.25 |
| Micro Kenya ltd | 231,892.25 | 234,476.25 | 234,511.00 | 199,499.00 | 184,471.50 | 216,970.00 |
| Kenya Commercial Bank-Special Loan Unit | 445,750.00 | 738,750.00 | 517,000.00 | 563,500.00 | 750,000.00 | 603,000.00 |
| Kenya Post Office | 56,181.25 | 47,956.00 | 58,727.50 | 51,565.25 | 69,837.50 | 56,853.50 |

| | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Savings Bank | | | | | | |
| Kenya Small Traders And Enterprise Society | 13,962.75 | -46,635.75 | 13,055.75 | 17,671.25 | 71,433.75 | 13,897.55 |
| Kenya Women Finance Trust | 181,908.68 | 136,564.145 | 116,117.25 | 388,666.25 | 281,561.25 | 242,063.36 |
| K-Rep Bank Ltd | 551,531.75 | 560,770.50 | 543,784.50 | 434,279.75 | 357,328.25 | 489,538.95 |
| K-Rep Development Agency | 14,347.50 | 8,451.25 | 7,472.50 | 5,051.25 | 1,828.50 | 7,430.20 |
| SmallandMicro- Enterprise Programme (SMEP) | 332,500.00 | 196,750.00 | 92,500.00 | 179,000.00 | 99,575.00 | 180,065.00 |
| SmallEnterprise Credit Association | 205,780.03 | 15,102.73 | 14,567.75 | 309,349.53 | 28,081.85 | 114,576.38 |
| WEDCO | 24,138.90 | 37,694.40 | 77,333.30 | 33,527.80 | 36,500.00 | 41,838.88 |
| SmallholderIrrigation Scheme Development Organisation | 13,954.00 | 11,248.75 | 23,053.25 | 27,136.50 | 20,213.50 | 19,121.20 |
| Sunlink Micro finance Partners | 575,198.50 | 388,081.00 | 293,699.25 | 281,982.50 | 70,555.50 | 321,903.35 |
| Undugu Society of Kenya | 57,851.75 | 83,400.00 | 73,121.00 | 97,572.25 | 153,088.00 | 93,006.60 |
| Vintage Management Consultants | 48,092.00 | 742.00 | 4,302.00 | 12,678.00 | 3,393.00 | 13,841.40 |
| World Vision | 30,794.75 | 184,121.25 | 164,563.00 | 427,675.00 | 93,926.75 | -56,679.05 |
| Widows and orphans | 16,897.23 | 26,386.08 | 54,133.31 | 23,469.46 | 25,550.00 | 29,287.22 |

Source: Research Findings

4.3 Classification of MFIs based On Working capital financing policy.

| | Working capital | Average Profit after taxsh'000' |
|--|-----------------|------------------------------------|
| Conservative Policy | | |
| World Vision | 0.900 | -56,679.05 |
| Smallholder Irrigation Scheme Development Organization | 0.889 | 19,121.2 |
| Crossbridge Credit Ltd | 0.817 | 4,466.95 |
| Ecumenical Church Loan Fund | 0.770 | 2,617.6 |

| | | |
|---|---------------|--------------------|
| Undugu Society of Kenya | 0.600 | 93,006.6 |
| Mean | 0.795 | 12,506.66 |
| Standard Deviation | 0.121 | 53,556.24 |
| Moderate | | |
| Equity Building Society | 0.576 | 428,640.8 |
| Christian Health Association of Kenya | 0.554 | 11,594.5 |
| Sunlink Micro finance Partners | 0.526 | 321,903.35 |
| Vintage Management Consultants | 0.483 | 13,841 |
| Small Enterprise Credit Association | 0.453 | 114,576.38 |
| Small and Micro-Enterprise Programme (SMEP) | 0.409 | 180,065 |
| Jitegemee Credit scheme | 0.389 | 7,274.5 |
| Faulu Kenya | 0.380 | 26,769.5 |
| Action Aid | 0.373 | 63,728.4 |
| Hope Africa | 0.317 | 33,824.25 |
| Jamii Bora | 0.304 | 35,825 |
| Mean | 0.375 | 112,549.33 |
| Standard Deviation | 0.0514 | 141,827.12 |
| Aggressive | | |
| WEDCO | 0.270 | 41838.88 |
| Widows and Orphans Welfare | 0.238 | 29,287.22 |
| Family Finance | 0.234 | 281,682 |
| Kenya Post Office Savings Bank | 0.183 | 56,853.5 |
| Co-operative Bank of Kenya | 0.134 | 505,584.88 |
| Kenya Women Finance Trust | 0.121 | 242,063 |
| Kenya Commercial Bank-Special Loan Unit | 0.113 | 603,000 |
| K-Rep Bank Ltd | 0.056 | 489,538.95 |
| Care International | 0.043 | 1,613.8 |
| Kenya Small Traders and Enterprise Society | 0.042 | 13,897.55 |
| Micro Kenya ltd | 0.024 | 216,970 |
| Private Sector Development Unit | 0.007 | 21,117.25 |
| K-Rep Development Agency | 0.003 | 7,430.2 |
| AREP | -0.111 | 2,796.35 |
| Mean | 0.097 | 179,548.113 |
| Standard Deviation | 0.108 | 214,674.816 |

Source: Research Findings

Appendix 3: Raw data of companies sampled:

| Action Aid | | | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 1,201,988.50 | 1,254,869.75 | 1,276,247.50 | 1,264,438.00 | 1,318,704.00 |
| Current assets | 354,802.25 | 287,348.50 | 371,885.50 | 262,032.50 | 204,045.50 |
| Current liabilities | 157,383.25 | 145,307.75 | 202,625.00 | 191,020.75 | 185,610.75 |
| Net Current Assets | 197,419.00 | 142,040.75 | 169,260.50 | 71,011.75 | 18,434.75 |
| Total Net assets | 1,399,407.50 | 1,396,910.50 | 1,445,508.00 | 1,335,449.75 | 1,337,138.75 |
| Share capital | 122,187.50 | 122,187.50 | 122,187.50 | 122,187.50 | 122,187.50 |
| Retained earnings | 358,338.75 | 342,171.25 | 252,757.75 | 201,246.25 | 0.00 |
| Proposed dividends | 30,547.00 | 24,437.50 | 73,312.50 | 0.00 | 0.00 |
| Share holders fund | 511,073.25 | 488,796.25 | 448,257.75 | 323,433.75 | 122,187.50 |
| Profit before taxation | 54,400.75 | 82,007.75 | 166,166.00 | 85,786.50 | 118,346.50 |
| Taxation | -19,739.25 | -26,547.25 | -52,500.00 | -30,850.50 | -58.43 |
| Profit (Loss) after taxation | 34,661.50 | 55,460.50 | 113,666.00 | 54,936.00 | 59,918.00 |

| AREP | 2006 | 2005 | 2004 | 2003 | 2002 |
|-------------------------------------|------------------|-------------------|-------------------|------------------|------------------|
| Non-current assets | 558,729.75 | 611,671.00 | 680,358.75 | 680,638.50 | 645,937.75 |
| Current assets | 147,225.75 | 130,094.00 | 147,987.00 | 138,849.25 | 112,747.75 |
| Current liabilities | 147,667.25 | 169,318.75 | 166,767.50 | 125,564.50 | 137,316.00 |
| Net-Current assets | -441.50 | -39,224.75 | -18,780.50 | 13,284.75 | -24,568.25 |
| Total Net assets | 558,288.25 | 572,446.25 | 661,578.25 | 693,923.25 | 621,369.50 |
| Share capital | 24,500.00 | 24,500.00 | 24,500.00 | 24,500.00 | 24,500.00 |
| Retained earnings | 182,370.25 | 168,212.75 | 0.00 | 0.00 | 0.00 |
| Proposed dividends | 206,870.25 | 192,712.75 | 24,500.00 | 29,400.00 | 24,500.00 |
| Share holders fund | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Profit before taxation | 2,117.75 | -23,983.50 | -21,441.50 | -4,153.75 | 36,571.50 |
| Taxation | 97.00 | 10,441.75 | 10,533.75 | 13,626.75 | -9,634.00 |
| Profit (Loss) after taxation | 2,020.75 | -13,541.75 | -10,907.75 | 9,473.00 | 26.94 |

| Care International | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------------------------|------------|------------|------------|------------|------------|
| Non-current assets | 139,496.50 | 140,646.50 | 143,127.50 | 158,444.50 | 134,858.00 |
| Current assets | 66,266.75 | 72,587.25 | 69,259.00 | 92,650.75 | 75,977.50 |
| Current liabilities | 42,269.00 | 60,177.50 | 61,449.75 | 124,410.25 | 82,529.00 |
| Net Current assets | 23,997.75 | 12,409.75 | 7,809.25 | -31,759.50 | -6,551.50 |
| Net Current Assets | 163,494.25 | 153,056.25 | 150,936.75 | 126,685.00 | 128,306.50 |
| Share capital | 139,496.50 | 140,646.50 | 143,127.50 | 158,444.50 | 134,858.00 |
| Retained earnings | 18,440.50 | 15,988.25 | 15,254.25 | 26,527.75 | 30,516.75 |
| Proposed dividends | 3,750.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Share holders fund | 97,190.50 | 90,988.25 | 90,254.25 | 101,527.75 | 105,516.75 |
| Profit before taxation | 11,777.00 | 2,238.75 | -11,573.00 | -1,930.75 | 12,193.25 |
| Taxation | -5,574.75 | -1,239.75 | 3,070.50 | 280.00 | -1,172.25 |
| Profit (Loss) after taxation | 6,202.25 | 999.00 | -8,502.50 | -1,650.75 | 11,021.00 |

| Christian Health Association of Kenya | | | | | |
|---------------------------------------|------------|------------|------------|------------|------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 433,863.75 | 429,709.00 | 521,070.50 | 528,664.50 | 540,742.50 |
| Current assets | 120,717.50 | 91,095.00 | 116,658.25 | 87,561.00 | 96,920.00 |
| Current liabilities | 64,503.75 | 38,085.50 | 50,112.50 | 31,399.75 | 47,420.00 |
| Net Current Assets | 56,213.75 | 53,009.50 | 66,545.75 | 56,161.25 | 49,500.00 |
| Total Net assets | 490,077.50 | 482,718.50 | 587,616.25 | 584,825.75 | 590,242.50 |
| Share capital | 47,511.50 | 47,511.50 | 47,511.50 | 47,511.50 | 47,511.50 |
| Proposed dividends | 0.00 | 2,375.50 | 0.00 | 0.00 | 0.00 |
| Share holders fund | 47,511.50 | 49,887.00 | 47,511.50 | 47,511.50 | 47,511.50 |
| Profit before taxation | -6,648.25 | 9,109.00 | 39,804.75 | 12,500.50 | 52,295.50 |
| Taxation | 2,451.75 | -6,028.50 | -13,238.50 | -11,057.50 | -21,216.25 |
| Profit (Loss) after taxation | -4,196.50 | 3,080.50 | 26,566.25 | 1,443.00 | 31,079.25 |

| Cooperative Bank | | | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 4,901,027.75 | 3,367,093.25 | 3,006,743.75 | 2,285,166.50 | 1,908,332.50 |
| Current assets | 2,937,246.00 | 6,835,996.75 | 4,468,610.00 | 3,487,380.00 | 4,337,794.50 |
| Current liabilities | 2,533,116.50 | 5,613,044.50 | 3,979,935.25 | 3,357,022.00 | 3,435,177.50 |
| Net Current Assets | 404,129.50 | 1,222,952.25 | 488,674.75 | 130,358.00 | 902,617.00 |
| Total Net assets | 5,305,157.25 | 4,590,045.50 | 3,495,418.50 | 2,415,524.50 | 2,810,949.50 |
| Share capital | 395,640.00 | 395,640.00 | 406,390.00 | 406,390.00 | 274,510.00 |
| Retained earnings | 483,402.00 | 124,193.50 | 594,984.25 | 1,037,026.25 | 1,248,121.25 |
| Profit before taxation | 961,529.80 | 637,705.00 | 712,893.20 | 684,546.20 | 614,646.40 |
| Taxation | 288,458.94 | 191,311.50 | 213,867.96 | 205,363.86 | 184,393.92 |
| Profit (Loss) after taxation | 673,070.86 | 446,393.50 | 499,025.24 | 479,182.34 | 430,252.48 |

| Crossbridge Credit Ltd | | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 42,974.50 | 42,998.00 | 42,974.50 | 43,425.50 | 43,425.50 |
| Current assets | 9,420.25 | 9,420.25 | 9,973.25 | 11,735.50 | 11,746.50 |
| Current liabilities | 1,553.00 | 1,367.75 | 1,198.50 | 3,176.25 | 3,187.75 |
| Net Current Assets | 7,867.25 | 8,589.00 | 8,774.75 | 8,559.25 | 8,558.75 |
| Total Net assets | 50,841.75 | 51,587.00 | 51,749.25 | 51,984.75 | 51,984.25 |
| Share capital | 5,207.50 | 5,207.50 | 5,207.50 | 5,207.50 | 5,207.50 |
| Retained earnings | 43,512.50 | 44,257.75 | 46,137.25 | 43,804.00 | 43,803.50 |
| Proposed dividends | 2,083.00 | 2,083.00 | 0.00 | 0.00 | 0.00 |
| Share holders fund | 50,803.00 | 51,548.25 | 51,344.75 | 49,011.50 | 49,011.00 |
| Profit before taxation | 1,820.75 | 2,467.25 | 2,564.25 | 2,830.50 | 10,364.50 |
| Taxation | -483.00 | -147.00 | 231.00 | 747.25 | 1,939.25 |
| Profit (Loss) after taxation | 1,337.75 | 2,320.25 | 2,795.25 | 3,577.75 | 12,303.75 |

| Ecumenical Church Loan Fund | | | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 2,098,539.25 | 2,047,195.50 | 2,206,022.25 | 2,292,707.00 | 2,458,418.75 |
| Current assets | 2,414,136.25 | 1,738,938.50 | 1,317,930.00 | 1,366,768.00 | 1,272,249.50 |
| Current liabilities | 1,414,178.75 | 943,836.25 | 952,132.25 | 1,393,771.00 | 1,120,478.50 |
| Net Current Assets | 999,957.50 | 795,102.25 | 365,797.75 | -27,003.00 | 151,771.00 |
| Total Net assets | 3,098,496.75 | 2,842,297.75 | 2,571,820.00 | 2,265,704.00 | 2,610,189.75 |
| Share capital | 2,512.25 | 2,512.25 | 2,009.75 | 2,009.75 | 2,009.75 |
| Retained earnings | 0.00 | 1,005.00 | 16,750.50 | 18,883.75 | 19,061.50 |
| Proposed dividends | 1,005.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Profit before taxation | 1,597.75 | 664.00 | 778.75 | 2,440.50 | 17,893.25 |
| Taxation | -632.50 | -427.25 | -2,912.25 | -608.25 | -5,706.00 |
| Profit (Loss) after taxation | 965.25 | 236.75 | -2,133.50 | 1,832.25 | 12,187.25 |

| Equity building society | | | | | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 42,194,610.00 | 39,963,510.00 | 40,639,500.00 | 38,689,110.00 | 25,766,280.00 |
| Current assets | 14,236,830.00 | 17,420,310.00 | 13,987,890.00 | 13,368,420.00 | 22,917,600.00 |
| Current liabilities | 5,613,750.00 | 6,716,520.00 | 5,448,870.00 | 4,815,450.00 | 13,535,460.00 |
| Net Current Assets | 8,623,080.00 | 10,703,790.00 | 8,539,020.00 | 8,552,970.00 | 9,382,140.00 |
| Total Net assets | 50,817,690.00 | 50,667,300.00 | 49,178,520.00 | 47,242,080.00 | 35,148,420.00 |
| Share capital | 1,760,400.00 | 1,760,400.00 | 1,760,400.00 | 1,760,400.00 | 1,760,400.00 |
| Proposed dividends | 176,040.00 | 880,200.00 | 0.00 | 0.00 | 0.00 |
| Share holders fund | 1,936,440.00 | 2,640,600.00 | 1,760,400.00 | 1,760,400.00 | 1,760,400.00 |
| Profit before taxation | 1,621,710.00 | 500,532.00 | 218,252.00 | 299,050.00 | 197,870.00 |
| Taxation | -486,813.00 | -155,934.00 | -82,117.00 | -89,715.00 | -59,361.00 |
| Profit (Loss) after taxation | 1,135,197.00 | 344,598.00 | 136,135.00 | 388,765.00 | 138,509.00 |

| Family Finance | | | | | |
|---------------------|------------|------------|------------|------------|------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 434,610.00 | 448,560.00 | 525,540.00 | 574,260.00 | 555,240.00 |
| Current assets | 959,880.00 | 914,430.00 | 946,380.00 | 783,360.00 | 973,620.00 |
| Current liabilities | 198,060.00 | 286,920.00 | 246,240.00 | 306,750.00 | 577,020.00 |
| Net Current Assets | 761,820.00 | 627,510.00 | 700,140.00 | 476,610.00 | 396,600.00 |

| | | | | | |
|-------------------------------------|------------------|------------------|-------------------|-------------------|-------------------|
| Total Net assets | 1,196,430.00 | 1,076,070.00 | 1,225,680.00 | 1,050,870.00 | 951,840.00 |
| Share capital | 360,000.00 | 360,000.00 | 120,000.00 | 120,000.00 | 120,000.00 |
| Retained earnings | 54,000.00 | 0.00 | 180,000.00 | 0.00 | 0.00 |
| Proposed dividends | 452,490.00 | 442,110.00 | 769,440.00 | 742,560.00 | 0.00 |
| Share holders fund | 866,490.00 | 802,110.00 | 1,069,440.00 | 862,560.00 | 120,000.00 |
| Profit before taxation | 122,460.00 | 119,730.00 | 509,940.00 | 427,260.00 | 905,070.00 |
| Taxation | -60,150.00 | -30,240.00 | -155,220.00 | -148,230.00 | -282,210.00 |
| Profit (Loss) after taxation | 62,310.00 | 89,490.00 | 354,720.00 | 279,030.00 | 622,860.00 |

| Faulu Kenya | 2006 | 2005 | 2004 | 2003 | 2002 |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets employed | | | | | |
| Non-current | 477,693.50 | 466,360.50 | 468,801.50 | 473,266.75 | 289,554.00 |
| Current assets | 118,011.00 | 148,103.50 | 108,238.75 | 96,917.50 | 141,400.75 |
| Current liabilities | 48,732.00 | 68,928.50 | 71,641.00 | 74,945.75 | 111,517.00 |
| Net Current Assets | 69,279.00 | 79,175.00 | 36,597.75 | 21,971.75 | 29,883.75 |
| Total Net assets | 546,972.50 | 545,535.50 | 505,399.25 | 495,238.50 | 319,437.75 |
| Share capital | 10,945.50 | 10,870.50 | 10,945.50 | 10,870.50 | 10,945.50 |
| Retained earnings | 398,649.50 | 399,110.50 | 357,367.75 | 467,230.00 | 298,269.75 |
| Proposed dividends | 1,094.50 | 10,945.50 | 0.00 | 0.00 | 0.00 |
| Share holders fund | 410,689.50 | 420,926.50 | 368,313.25 | 478,100.50 | 309,215.25 |
| Profit before taxation | -9,575.00 | 53,884.75 | 28,115.25 | 19,251.25 | 106,107.25 |
| Taxation | 193.50 | -18,738.75 | -7,686.50 | -3,922.25 | -33,782.00 |
| Profit (Loss) after taxation | -9,381.50 | 35,146.00 | 20,428.75 | 15,329.00 | 72,325.25 |

| Hope Africa | 2006 | 2005 | 2004 | 2003 | 2002 |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets employed | | | | | |
| Non-current | 298,132.75 | 341,729.25 | 382,245.50 | 313,019.75 | 125,377.00 |
| Current assets | 816,157.75 | 684,794.75 | 767,714.25 | 955,214.50 | 904,598.00 |
| Current liabilities | 498,072.25 | 433,937.75 | 536,017.00 | 704,896.50 | 665,230.75 |
| Net Current Assets | 318,085.50 | 250,857.00 | 231,697.25 | 250,318.00 | 239,367.25 |
| Total Net assets | 616,218.25 | 592,586.25 | 613,942.75 | 563,337.75 | 364,744.25 |
| Share capital | 30,347.25 | 30,349.50 | 30,349.50 | 30,349.50 | 30,349.50 |
| Retained earnings | 376,324.75 | 328,810.25 | 309,274.25 | 0.00 | 0.00 |
| Proposed dividends | 6,070.00 | 4,552.50 | 4,552.50 | 0.00 | 0.00 |
| Share holders fund | 412,742.00 | 363,712.25 | 344,176.25 | 30,349.50 | 30,349.50 |
| Profit before | 60,287.50 | 34,951.50 | 45,976.00 | 62,651.75 | 61,748.25 |

| | | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| taxation | | | | | |
| Taxation | -22,315.00 | -13,275.00 | -15,361.50 | -22,518.00 | -23,024.25 |
| Profit (Loss) after taxation | 37,972.50 | 21,676.50 | 30,614.50 | 40,133.75 | 38,724.00 |

| Jamii Bora | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 343,350.00 | 314,400.00 | 267,050.00 | 290,375.00 | 212,200.00 |
| Current assets | 210,900.00 | 267,275.00 | 306,450.00 | 152,400.00 | 122,600.00 |
| Current liabilities | 171,200.00 | 166,950.00 | 191,825.00 | 99,350.00 | 94,075.00 |
| Net Current Assets | 39,700.00 | 100,325.00 | 114,625.00 | 53,050.00 | 28,525.00 |
| Total Net assets | 383,050.00 | 414,725.00 | 381,675.00 | 343,425.00 | 240,725.00 |
| Share capital | 57,700.00 | 57,700.00 | 57,700.00 | 57,700.00 | 57,700.00 |
| Retained earnings | 126,950.00 | 131,775.00 | 123,900.00 | 0.00 | 0.00 |
| Proposed dividends | 6,925.00 | 8,650.00 | 0.00 | 0.00 | 0.00 |
| Profit before taxation | 26,475.00 | 51,100.00 | 71,325.00 | 35,625.00 | 35,900.00 |
| Taxation | 4,750.00 | 17,175.00 | 1,725.00 | 5,450.00 | 11,525.00 |
| Profit (Loss) after taxation | 21,725.00 | 33,925.00 | 69,600.00 | 30,175.00 | 23,700.00 |

| Jitegemee Credit Scheme | | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 37,907.50 | 40,797.50 | 43,885.00 | 40,917.50 | 34,737.50 |
| Current assets | 52,427.50 | 30,437.50 | 29,090.00 | 24,042.50 | 20,325.00 |
| Current liabilities | 30,537.50 | 17,462.50 | 17,187.50 | 19,140.00 | 10,390.00 |
| Net Current Assets | 21,890.00 | 12,975.00 | 11,902.50 | 4,902.50 | 9,935.00 |
| Total Net assets | 59,797.50 | 53,772.50 | 55,787.50 | 45,820.00 | 44,672.50 |
| Share capital | 6,687.50 | 4,457.50 | 4,457.50 | 4,457.50 | 4,457.50 |
| Retained earnings | 47,475.00 | 42,952.50 | 37,027.50 | 32,207.50 | 28,185.00 |
| Proposed dividends | 2,340.00 | 1,425.00 | 1,070.00 | 0.00 | 0.00 |
| Profit before taxation | 15,880.00 | 9,755.00 | 7,402.50 | 8,555.00 | 12,442.50 |
| Taxation | -6,397.50 | -3,175.00 | -2,400.00 | -2,310.00 | -4,280.00 |
| Profit (Loss) after taxation | 9,482.50 | 6,580.00 | 5,002.50 | 6,245.00 | 9,062.50 |

| Private Sector Development Unit | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 337,896.00 | 339,314.00 | 335,714.00 | 295,832.75 | 163,341.25 |
| Current assets | 192,802.00 | 162,108.50 | 137,273.75 | 95,743.75 | 75,683.75 |
| Current liabilities | 177,748.50 | 154,752.25 | 150,864.25 | 90,752.00 | 78,746.50 |
| Net Current Assets | 15,053.50 | 7,356.25 | -13,590.50 | 4,991.75 | -3,062.75 |
| Total Net assets | 352,949.50 | 346,670.25 | 322,123.50 | 300,824.50 | 160,278.50 |
| Share capital | 48,348.75 | 48,348.75 | 48,348.75 | 48,348.75 | 48,348.75 |
| Retained earnings | 92,244.50 | 76,218.50 | 60,897.75 | 48,463.75 | 35,991.75 |
| Proposed dividends | 10,636.75 | 10,636.75 | 10,636.75 | 9,669.75 | 0.00 |
| Profit before taxation | 42,246.75 | 34,674.75 | 29,278.25 | 25,953.25 | 22,304.00 |
| Taxation | -15,774.50 | -10,498.25 | -8,515.25 | -6,119.25 | -7,963.50 |
| Profit (Loss) after taxation | 26,472.25 | 24,176.50 | 20,763.00 | 19,834.00 | 14,340.50 |

| Micro Kenya ltd | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 343,992.75 | 239,994.75 | 184,312.00 | 125,220.50 | 126,983.50 |
| Current assets | 290,998.50 | 247,126.50 | 381,541.00 | 332,312.00 | 337,944.50 |
| Current liabilities | 401,871.50 | 252,645.00 | 331,342.00 | 258,033.50 | 280,456.50 |
| Net Current Assets | -110,873.00 | -5,518.50 | 50,199.00 | 74,278.50 | 57,488.00 |
| Total Net assets | 233,119.75 | 234,476.25 | 234,511.00 | 199,499.00 | 184,471.50 |
| Share capital | 75,000.00 | 75,000.00 | 75,000.00 | 75,000.00 | 75,000.00 |
| Retained earnings | 32,363.00 | 32,363.00 | 32,363.00 | 32,363.00 | 109,471.50 |
| Proposed dividends | 26,391.50 | 27,113.00 | 8,127.00 | 8,543.50 | 0.00 |
| Profit before taxation | 90,637.75 | 85,000.25 | 119,021.00 | 83,592.50 | 0.00 |
| Taxation | 7,500.00 | 15,000.00 | 0.00 | 0.00 | 0.00 |
| Profit (Loss) after taxation | 231,892.25 | 234,476.25 | 234,511.00 | 199,499.00 | 184,471.50 |

| Kenya Commercial Bank-Special loan Unit | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|-------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 601,250.00 | 674,500.00 | 609,250.00 | 633,000.00 | 729,250.00 |
| Current assets | 20,877,250.00 | 17,737,250.00 | 16,985,000.00 | 16,690,000.00 | 168,612,500.30 |
| Current liabilities | 18,981,250.00 | 15,561,750.00 | 15,008,500.00 | 15,138,500.00 | 15,548,250.00 |
| Net Current Assets | 2,497,250.00 | 2,850,000.00 | 2,585,750.00 | 2,184,500.00 | 2,042.25 |
| Total Net assets | 3,098,500.00 | 3,524,500.00 | 3,195,000.00 | 2,817,500.00 | 731,292.25 |
| Share capital | 463,000.00 | 463,000.00 | 463,000.00 | 385,750.00 | 385,750.00 |
| Share premium | 0.00 | 0.00 | 0.00 | 1,798,750.00 | 1,656,500.00 |
| Retained earnings | 1,756,250.00 | 1,866,000.00 | 1,775,500.00 | 0.00 | 0.00 |
| Proposed dividends | 278,000.00 | 521,000.00 | 347,250.00 | 0.00 | 0.00 |
| Profit before taxation | 637,500.00 | 1,058,750.00 | 758,750.00 | 840,250.00 | 1,060,500.00 |
| Taxation | -191,750.00 | -320,000.00 | -241,750.00 | -276,750.00 | -310,500.00 |
| Profit (Loss) after taxation | 445,750.00 | 738,750.00 | 517,000.00 | 563,500.00 | 750,000.00 |

| Kenya Post Office Savings Bank | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 140,491.75 | 147,446.25 | 148,793.00 | 138,694.25 | 91,156.00 |
| Current assets | 2,821,039.50 | 2,455,645.50 | 2,329,723.00 | 1,762,909.75 | 1,636,003.50 |
| Current liabilities | 2,367,206.75 | 2,045,049.75 | 1,942,606.75 | 1,403,273.75 | 1,278,560.50 |
| Net Current Assets | 453,832.75 | 410,595.75 | 387,116.25 | 359,636.00 | 357,443.00 |
| Total Net assets | 594,324.50 | 558,042.00 | 535,909.25 | 498,330.25 | 448,599.00 |
| Share capital | 150,000.00 | 150,000.00 | 150,000.00 | 125,000.00 | 125,000.00 |
| Retained earnings | 331,749.00 | 306,011.00 | 296,380.75 | 294,682.00 | 258,829.00 |
| Proposed dividends | 20,100.00 | 20,100.00 | 20,100.00 | 16,750.00 | 16,750.00 |
| Share holders fund | 501,849.00 | 476,111.00 | 466,480.75 | 436,432.00 | 400,579.00 |
| Profit before taxation | 80,773.25 | 65,116.75 | 90,155.50 | 74,548.50 | 106,420.25 |
| Taxation | -24,592.00 | -17,160.75 | -31,428.00 | -22,983.25 | -36,582.75 |
| Profit (Loss) after taxation | 56,181.25 | 47,956.00 | 58,727.50 | 51,565.25 | 69,837.50 |

| Kenya Small Traders And Enterprise Society | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 151,261.00 | 211,418.00 | 223,932.00 | 308,766.25 | 133,167.75 |
| Current assets | 2,460,043.25 | 2,717,200.00 | 3,059,621.75 | 2,956,520.50 | 3,074,641.25 |
| Current liabilities | 2,355,132.50 | 2,682,263.00 | 2,916,171.25 | 2,875,616.50 | 2,821,759.25 |
| Net Current Assets | 104,910.75 | 34,937.00 | 143,450.50 | 80,904.00 | 252,882.00 |
| Total Net assets | 256,171.75 | 246,355.00 | 367,382.50 | 389,670.25 | 386,049.75 |
| Share capital | 14,250.00 | 143,750.00 | 143,750.00 | 143,750.00 | 143,750.00 |
| Retained earnings | 95,588.25 | 81,625.50 | 189,798.75 | 216,649.00 | 210,955.50 |
| Proposed dividends | 0.00 | 0.00 | 10,781.25 | 0.00 | 0.00 |
| Share holders fund | 109,838.25 | 225,375.50 | 344,330.00 | 360,399.00 | 354,705.50 |
| Profit before taxation | 23,829.50 | -63,941.25 | 19,654.50 | 28,579.00 | 107,061.75 |
| Taxation | -9,866.75 | 17,305.50 | -6,598.75 | -10,907.75 | -35,628.00 |
| Profit (Loss) after taxation | 13,962.75 | -46,635.75 | 13,055.75 | 17,671.25 | 71,433.75 |

| Kenya Women Finance Trust | | | | | |
|-------------------------------------|-----------------------|-----------------------|---------------------|---------------------|---------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 178,515,736 | 156,690,170 | 1,069,564.50 | 814,764.50 | 756,418.50 |
| Current assets | 13,601,927.50 | 15,173,834.25 | 17,262,558.75 | 18,000,326.75 | 19,001,890.25 |
| Current liabilities | 13,621,853.50 | 14,206,601.00 | 16,320,018.75 | 16,604,783.50 | 17,169,333.75 |
| Net Current Assets | -19,926.00 | 967,233.25 | 942,540.00 | 1,395,543.25 | 1,832,556.50 |
| Total Net assets | 178,495,810.00 | 157,657,403.30 | 2,012,105.00 | 2,210,308.00 | 2,588,975.00 |
| Share capital | 374,000.00 | 374,000.00 | 280,500.00 | 280,500.00 | 280,500.00 |
| Retained earnings | 1,316,863.75 | 2,039,418.75 | 2,012,104.50 | 2,210,307.75 | 2,588,975.00 |
| Profit before taxation | 182,203,164.00 | 136,595,860.00 | 191,408.00 | 561,214.00 | 352,650.00 |
| Taxation | 294,479.50 | 31,715.00 | 75,290.50 | 172,547.25 | 71,088.25 |
| Profit (Loss) after taxation | 181,908,684.00 | 136,564,145 | 116,117.25 | 388,666.25 | 281,561.25 |

| K-Rep Bank Ltd | | | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 442,397.25 | 441,368.50 | 458,518.75 | 365,176.25 | 382,453.00 |
| Current assets | 14,970,134.80 | 13,127,806.25 | 11,885,336.75 | 10,327,866.00 | 9,100,618.75 |
| Current liabilities | 13,989,545.80 | 12,164,345.50 | 10,743,331.25 | 9,562,520.50 | 8,484,674.75 |
| Net Current Assets | 980,589.00 | 963,460.75 | 1,142.01 | 765,345.50 | 615,944.00 |
| Total Net assets | 1,422,986.25 | 1,404,829.25 | 1,600,524.25 | 1,130,521.75 | 998,397.00 |
| Share capital | 309,054.25 | 309,054.25 | 309,054.25 | 206,036.25 | 206,036.25 |
| Reserves | 32,369.50 | 32,041.75 | 107,730.00 | 924,485.50 | 792,360.75 |
| Retained earnings | 843,590.75 | 801,037.00 | 737,158.75 | 0.00 | 0.00 |
| Proposed dividends | 237,971.75 | 262,696.25 | 407,951.75 | 0.00 | 0.00 |
| Profit before taxation | 803,002.00 | 807,923.50 | 786,751.00 | 641,567.00 | 572,646.00 |
| Taxation | -251.47 | -247,153.00 | -249,314.75 | -203,158.00 | -174,469.25 |
| Profit (Loss) after taxation | 551,531.75 | 560,770.50 | 543,784.50 | 434,279.75 | 357,328.25 |

| K-Rep Development Agency | | | | | |
|-------------------------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 230,816.50 | 219,000.25 | 226.69 | 227,125.75 | 224,868.75 |
| Current assets | 122,972.00 | 96,198.00 | 90,967.25 | 81,276.00 | 69,713.25 |
| Current liabilities | 93,896.75 | 69,738.00 | 73,580.50 | 107,663.25 | 94,953.00 |
| Net Current Assets | 29,075.25 | 26,460.00 | 17,386.75 | -26,387.25 | -25,239.75 |
| Total Net assets | 259,891.75 | 245,460.25 | 17,613.44 | 200,738.50 | 199,629.00 |
| Share capital | 116,250.00 | 116,250.00 | 93,750.00 | 93,750.00 | 93,750.00 |
| Share premium | 60,369.25 | 60,369.25 | 38,736.75 | 38,736.75 | 38,736.75 |
| Retained earnings | 36,756.25 | 31,708.75 | 29,690.75 | 23,077.75 | 17,499.75 |
| Proposed dividends | 2,325.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Profit before taxation | 20,534.00 | 12,756.75 | 11,400.25 | 4,981.25 | 3,216.50 |
| Taxation | -6,186.50 | -4,305.50 | -3,927.75 | 70.00 | -1,388.00 |
| Profit (Loss) after taxation | 14,347.50 | 8,451.25 | 7,472.50 | 5,051.25 | 1,828.50 |

| Small and Micro-Enterprise Programme (SMEP) | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 2,904,000.00 | 3,080,500.00 | 2,752,750.00 | 2,716,500.00 | 2,237,250.00 |
| Current assets | 872,250.00 | 693,500.00 | 781,500.00 | 724,750.00 | 649,750.00 |
| Current liabilities | 564,750.00 | 402,750.00 | 472,000.00 | 530,750.00 | 253,750.00 |
| Net Current Assets | 307,500.00 | 290,750.00 | 309,500.00 | 194,000.00 | 396,000.00 |
| Total Net assets | 3,211,500.00 | 3,371,250.00 | 3,062,250.00 | 2,910,500.00 | 2,633,250.00 |
| Share capital | 453,750.00 | 453,750.00 | 453,750.00 | 453,750.00 | 453,750.00 |
| Retained earnings | 1,102,750.00 | 1,070,250.00 | 941,000.00 | 872,500.00 | 868,750.00 |
| Proposed dividends | 45,250.00 | 68,000.00 | 45,250.00 | 0.00 | 0.00 |
| Profit before taxation | 520,750.00 | 335,000.00 | 121,750.00 | 222,500.00 | 142,250.00 |
| Taxation | -188,250.00 | -138,250.00 | -29,250.00 | -43,500.00 | -42,675.00 |
| Profit (Loss) after taxation | 332,500.00 | 196,750.00 | 92,500.00 | 179,000.00 | 99,575.00 |

| Small Enterprise Credit Association | | | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 855,441.25 | 850,265.00 | 870,760.75 | 825,969.75 | 767,090.25 |
| Current assets | 723,007.75 | 811,111.00 | 918,384.50 | 958,702.75 | 849,340.75 |
| Current liabilities | 394,805.25 | 493,178.25 | 566,648.75 | 337,797.50 | 519,971.75 |
| Net Current Assets | 328,202.50 | 317,932.75 | 351,735.75 | 620,905.25 | 329,369.00 |
| Total Net assets | 1,183,643.75 | 1,168,197.75 | 1,222,496.50 | 1,446,875.00 | 1,096,459.25 |
| Share capital | 20,737.23 | 20,441.25 | 23,827.58 | 24,541.90 | 49,124.38 |
| Retained earnings | 50,782.45 | 52,175.75 | 55,136.93 | 65,854.85 | 41,771.55 |
| Proposed dividends | 15,594.13 | 13,952.20 | 14,159.58 | 20,540.18 | 0.00 |
| Profit before taxation | 32,760.58 | 21,283.58 | 17,074.25 | 46,861.65 | 43,794.75 |
| Taxation | -12,182.58 | -6,180.85 | -2,506.50 | -15,926.70 | -15,712.90 |
| Profit (Loss) after taxation | 205,780.03 | 15,102.73 | 14,567.75 | 309,349.53 | 28,081.85 |

| Smallholder Irrigation Scheme Development Organisation | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 95185.75 | 87981.00 | 86917.00 | 67604.50 | 72037.75 |
| Current assets | 96482.00 | 97767.00 | 91870.00 | 101558.25 | 72108.00 |
| Current liabilities | 5202.25 | 5959.75 | 14058.50 | 17802.00 | 8122.75 |
| Net Current Assets | 91279.75 | 91807.25 | 77811.50 | 83756.25 | 63985.25 |
| Total Net assets | 186465.50 | 179788.25 | 164728.50 | 151360.75 | 136023.00 |
| Share capital | 14158.50 | 14158.50 | 11798.75 | 11798.75 | 11798.75 |
| Proposed dividends | 62297.25 | 4672.25 | 0.00 | 0.00 | 0.00 |
| Share holders fund | 76455.75 | 18830.75 | 11798.75 | 11798.75 | 11798.75 |
| Profit before taxation | 19714.75 | 17703.25 | 33377.75 | 42450.25 | 32669.50 |
| Taxation | -5760.75 | -6454.50 | -10324.50 | -15313.75 | 9800.85 |
| Profit (Loss) after taxation | 13954.00 | 11248.75 | 23053.25 | 27136.50 | 20213.50 |

| Sunlink Micro finance Partners | | | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 2,098,539.25 | 2,047,195.50 | 2,206,022.25 | 2,292,707.00 | 2,458,418.75 |
| Current assets | 2,414,136.25 | 1,738,938.50 | 1,317,930.00 | 1,366,768.00 | 1,272,249.50 |
| Current liabilities | 1,414,178.75 | 943,836.25 | 952,132.25 | 1,393,771.00 | 1,120,478.50 |
| Net Current Assets | 999,957.50 | 795,102.25 | 365,797.75 | -27,003.00 | 151,771.00 |
| Total Net assets | 3,098,496.75 | 2,842,297.75 | 2,571,820.00 | 2,265,704.00 | 2,610,189.75 |
| Share capital | 272,576.25 | 272,576.25 | 243,505.50 | 234,005.50 | 234,005.50 |
| Retained earnings | 1,108,672.25 | 862,733.25 | 749,410.50 | 0.00 | 0.00 |
| Proposed dividends | 245,318.75 | 183,989.00 | 133,928.00 | 0.00 | 0.00 |
| Share holders fund | 3,098,496.75 | 2,842,297.75 | 2,571,820.00 | 2,265,704.00 | 2,610,189.75 |
| Profit before taxation | 850,102.75 | 624,779.25 | 449,526.25 | 376,740.50 | 123,464.50 |
| Taxation | -274,904.25 | 850,102.75 | -155,827.00 | -94,758.00 | -52,909.00 |
| Profit (Loss) after taxation | 575,198.50 | 388,081.00 | 293,699.25 | 281,982.50 | 70,555.50 |

| Undugu Society of Kenya | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 270,959.00 | 262,238.50 | 272,643.50 | 300.94 | 287,393.75 |
| Current assets | 366,211.50 | 443,849.50 | 412,433.50 | 411.30 | 377,088.00 |
| Current liabilities | 99,209.50 | 156,762.00 | 147,466.75 | 207,267.25 | 194,554.00 |
| Net Current Assets | 267,002.00 | 287,087.50 | 264,966.75 | 204,027.75 | 182,534.00 |
| Total Net assets | 537,961.00 | 549,326.00 | 537,610.25 | 504,963.25 | 469,927.75 |
| Share capital | 347,928.00 | 347,928.00 | 347,928.00 | 347,928.00 | 347,928.00 |
| Retained earnings | 125,169.00 | 136,902.75 | 123,088.25 | 103,664.75 | 121,999.75 |
| Reserves | -10,532.00 | -6.00 | -511.75 | 111.75 | 0.00 |
| Proposed dividends | 34,792.75 | 34,792.75 | 34,792.75 | 0.00 | 0.00 |
| Share holders fund | 497,357.75 | 513,627.50 | 505,297.25 | 451,704.50 | 469,927.75 |
| Profit before taxation | 77.71 | 112,219.75 | 99,103.00 | 144,236.25 | 225,310.25 |
| Taxation | -19,856.75 | -28,819.75 | -25,982.00 | -46,664.00 | -72,222.25 |
| Profit (Loss) after taxation | 57,851.75 | 83,400.00 | 73,121.00 | 97,572.25 | 153,088.00 |

| Vintage Management consultants | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 301,972.00 | 358,594.00 | 370,164.00 | 361,551.00 | 390,940.00 |
| Current assets | 146,248.00 | 129,118.00 | 157,656.00 | 285,643.00 | 181,916.00 |
| Current liabilities | 61,019.00 | 48,021.00 | 73,387.00 | 206,330.00 | 110,916.00 |
| Net Current Assets | 85,229.00 | 81,097.00 | 84,178.00 | 79,313.00 | 71,000.00 |
| Total Net assets | 362,991.00 | 406,615.00 | 443,551.00 | 567,881.00 | 501,856.00 |
| Share capital | 19,200.00 | 19,200.00 | 19,200.00 | 19,200.00 | 19,200.00 |
| Retained earnings | 367,001.00 | 415,651.00 | 430,302.00 | 418,583.00 | 433,003.00 |
| Proposed dividends | 0.00 | 3,840.00 | 3,840.00 | 0.00 | 0.00 |
| Share holders fund | 386,201.00 | 438,691.00 | 453,342.00 | 437,783.00 | 452,203.00 |
| Profit before taxation | 51,494.00 | 1,060.00 | 5,463.00 | 16,149.00 | 5,097.00 |
| Taxation | 3,402.00 | 318.00 | 1,161.00 | 3,471.00 | 1,704.00 |
| Profit (Loss) after taxation | 48,092.00 | 742.00 | 4,302.00 | 12,678.00 | 3,393.00 |

| World Vision | | | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 1,360,031.50 | 1,585,183.25 | 1,633,155.75 | 1,232,993.25 | 1,269,093.25 |
| Current assets | 493,631.75 | 446,789.75 | 387,701.25 | 275,176.00 | 178,562.00 |
| Current liabilities | 196,643.50 | 202,946.75 | 200,618.00 | 177,941.25 | 136,183.75 |
| Net Current Assets | 296,988.25 | 243,843.00 | 187,083.25 | 97,234.75 | 42,378.25 |
| Total Net assets | 1,657,019.75 | 1,829,026.25 | 1,820,239.00 | 1,330,228.00 | 1,311,471.50 |
| Share capital | 112,500.00 | 112,500.00 | 112,500.00 | 112,500.00 | 112,500.00 |
| Retained earnings | 162,000.00 | 162,000.00 | 162,000.00 | 162,000.00 | 162,000.00 |
| Reserves | 188,527.75 | 342,211.75 | 131,894.00 | -69,095.00 | 150,551.50 |
| Proposed dividends | 11,250.00 | 22,500.00 | 0.00 | 0.00 | 0.00 |
| Profit before taxation | 53,233.50 | 243,596.00 | -134,715.00 | -323,660.75 | 124,863.00 |
| Taxation | 22,438.75 | 59,474.75 | 29,848.00 | 104,014.25 | 30,936.25 |
| Profit (Loss) after taxation | 30,794.75 | 184,121.25 | -164,563.00 | -427,675.00 | 93,926.75 |

| | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Widows and orphans Welfare | | | | | |
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 267,050.00 | 244,533.31 | 207,705.54 | 225,847.23 | 165,044.46 |
| Current assets | 177,555.00 | 207,900.00 | 249,480.00 | 80,920.00 | 101,500.00 |
| Current liabilities | 154,350.00 | 130,600.00 | 210,160.00 | 70,620.00 | 60,520.00 |
| Net Current Assets | 23,205.00 | 77,300.00 | 39,320.00 | 10,300.00 | 40,980.00 |
| Total Net assets | 290,255.00 | 321,833.31 | 247,025.54 | 236,147.23 | 206,024.46 |
| Share capital | 44,877.77 | 44,877.77 | 44,877.77 | 44,877.77 | 44,877.77 |
| Retained earnings | 98,738.92 | 102,491.69 | 96,366.69 | 0.00 | 0.00 |
| Proposed dividends | 5,386.08 | 6,727.77 | 0.00 | 0.00 | 0.00 |
| Profit before taxation | 20,591.69 | 39,744.46 | 55,475.00 | 27,708.31 | 27,922.23 |
| Taxation | 3,694.46 | 13,358.31 | 1,341.69 | 4,238.92 | 2,372.23 |
| Profit (Loss) after taxation | 16,897.23 | 26,386.08 | 54,133.31 | 23,469.46 | 25,550.00 |

| | | | | | |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| WEDCO | | | | | |
| Assets employed | 2006 | 2005 | 2004 | 2003 | 2002 |
| Non-current | 381,500.00 | 349,333.30 | 296,722.20 | 322,638.90 | 235,777.80 |
| Current assets | 253,650.00 | 297,000.00 | 356,400.00 | 115,600.00 | 145,000.00 |
| Current liabilities | 190,222.20 | 185,500.00 | 213,138.90 | 110,388.90 | 104,527.80 |
| Net Current Assets | 63,427.80 | 111,500.00 | 143,261.10 | 5,211.10 | 40,472.20 |
| Total Net assets | 425,611.10 | 460,805.60 | 424,083.30 | 381,583.30 | 267,472.20 |

| | | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Share capital | 64,111.10 | 64,111.10 | 64,111.10 | 64,111.10 | 64,111.10 |
| Retained earnings | 141,055.60 | 146,416.70 | 137,666.70 | 0.00 | 0.00 |
| Proposed dividends | 7,694.40 | 9,611.10 | 0.00 | 0.00 | 0.00 |
| Profit before taxation | 29,416.70 | 56,777.80 | 79,250.00 | 39,583.30 | 39,888.90 |
| Taxation | 5,277.80 | 19,083.30 | 1,916.70 | 6,055.60 | 3,388.90 |
| Profit (Loss) after taxation | 24,138.90 | 37,694.40 | 77,333.30 | 33,527.80 | 36,500.00 |