

DIAMOND
TRUST

DIAMOND TRUST BANK KENYA LIMITED

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1997

ANNUAL REPORT
AND ACCOUNTS

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1. Diamond Trust Bank -- Periodicals
2. Banks and banking -- Kenya -- Periodicals

Company Information

Directors: Zaher K. Ahamed (Chairman)
Mahmood P. Manji (Managing Director)
Francis O. Okello (Executive Director)
Nurdin G. Ajania
James B. Galbraith*
Nizar N. Juma
Christopher H. Malavu (Resigned on 13th March, 1998)
Iqbal G. Mamdani**
Abdul A. Samji
Roy A. Karaoglan*** (Appointed on 30th March, 1998)

*British **American ***Lebanese

Company Secretary: Julius N. Kuria

Registered Office: Nation Centre,
Kimathi Street,
P.O. Box 61711,
Nairobi.

Auditors: Coopers & Lybrand,
Certified Public Accountants,
P.O. Box 30158,
Nairobi.

Branches: Nation Centre,
Kimathi Street,
P.O. Box 61711,
Nairobi.

2007/0342.

Diamond Trust House,
Moi Avenue,
P.O. Box 90564,
Mombasa.

Diamond Trust House,
Oginga Odinga Road,
P.O. Box 1081,
Kisumu.

Agricultural Finance Corporation House,
Geoffrey Kamau Way,
P.O. Box 3399,
Nakuru.

Notice of Annual General Meeting

Notice is hereby given that the Thirty Second Annual General Meeting of the shareholders of Diamond Trust Bank Kenya Limited will be held at the Tsavo Room, Hilton Hotel, Mama Ngina Street, Nairobi, on Friday, 26th June, 1998, at 11.00 a.m. to transact the following business:

1. To confirm the Minutes of the Thirty First Annual General Meeting held on 27th June, 1997.
2. To receive, consider and adopt the Accounts for the year ended 31st December, 1997, together with the Directors' and Auditors' Reports thereon.
3. To approve payment of dividend of 15%, for the year ended 31st December, 1997, on the Issued and Paid-up Share Capital of Shs. 318 million to shareholders registered in our books as at 26th June, 1998, on or about 17th July, 1998 as recommended by the Board.
4. To elect Directors in accordance with the Company's Articles of Association.
5. To approve the Directors' fees.
6. To note that the Company's Auditors, Messrs Coopers & Lybrand, being eligible, continue in office in accordance with Section 159(2) of the Companies Act (Cap. 486) and Section 24(1) of the Banking Act (Cap. 488).
7. To note the Auditors' remuneration for the year 1997 and to authorise the Directors to fix the Auditors' remuneration for the year 1998.
8. To transact any other Ordinary Business of an Annual General Meeting.

By Order of the Board

Julius N. Kuria

Company Secretary

30th March, 1998

Nairobi

Note:

A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote on its/his/her behalf. Such proxy need not be a member of the Company. A proxy form, which must be lodged with the Company Secretary, P. O. Box 61711, Nairobi, not later than 48 hours before the time for holding the Meeting, is enclosed.

Chairman's Statement

During the year 1997, the restructured management of your Company has progressed the task of addressing the operational and manpower issues which came to light in 1996. A new organisation structure has been put in place and senior executives have been recruited. Installation of a new computer system was completed and the Microbanker system is now running live at the Head Office and throughout our branch operations in Kenya. The Bank now offers a full range of commercial services in Nairobi. Both Mombasa and Kisumu branches will be offering international banking services and products in the course of the next few weeks. These developments will improve the efficiencies of the Bank's overall operations. The Bank is committed to offering competitive and effective services at all its branches. The management intends to build on this in a phased manner, consistent with delivery of quality service to its customers.

During 1997, the national economy is reported to have achieved growth in Gross Domestic Product of only 2.9%, as compared to 4.6% in 1996. There was a marginal reduction in the average rate of inflation from 9% in 1996 to an estimated rate of 8.5% during 1997, while the average interest rate on loans during 1997 was estimated at 28.7% as compared to 29% in 1996. The operating profit of Shs. 210 million as compared to Shs. 268 million in 1996 was achieved against the following background:

- Intense competition in a business environment that witnessed a significant reduction in loan volumes occasioned mainly by the usual uncertainties associated with a General Election year coupled with the dampening effect on the demand for

loan funds caused by high interest rates in the latter half of the year.

- Additional operating expenses incurred for information technology systems, technical expertise, trained and experienced manpower required for enhancing core competencies in commercial banking.
- The need to continue to focus attention towards consolidating the re-organisation gains achieved during 1996.

The Board, in keeping with its reinforced commitment to credit quality, has found it prudent to make additional provisions of Shs. 532 million, as a thorough review of the loan book identified potentially unsound credits including those resulting from weak lending decisions at our Mombasa branch. The current loan book has now been adequately provided for and emphasis placed on the structure and quality of credit. As part of the restructuring of the Bank's balance sheet, a number of non-banking assets were disposed off at acceptable commercial terms giving a net capital gain of Shs. 493 million.

As shareholders are aware, in my last year's statement I had said that complete recuperation of the growth and development objective of the Diamond Trust Banks in East Africa might take some time to achieve. In view of this, no interim dividend for 1997 was declared. However, based on the year-end results achieved, your Board is now recommending a first and final dividend of 15% for 1997 on the Paid-up Share Capital of Shs. 318 million to be paid on or about 17th July, 1998.

At regional level, the re-launched East African Co-operation (EAC) continues to set the desired

Chairman's Statement

(continued)

trend towards harmonisation of immigration, fiscal, tariff and monetary policies. The long and active presence of the Diamond Trust Banks Group in the three East African countries will ensure that we benefit from the attendant business opportunities through the provision of a comprehensive, efficient and specialised range of regional banking products and services.

The general business prospects for 1998 are not favourable. The disruptive weather conditions (the El-Nino phenomenon) will have a negative effect on agricultural production. In addition, tourism, manufacturing and other key sectors of the economy are expected to decline further. Your Board, therefore, believes that the following key factors, among others, will have a significant impact on the business environment during 1998:

- Achievement and maintenance of macro-economic stability
- Resumption and successful completion of the stalled negotiations between IMF and the Government on reactivation of the Enhanced Structural Adjustment Facility
- National ability to address the foreseeable adverse effects of the El-Nino weather phenomenon
- Rehabilitation of the dilapidated infrastructure
- Addressing unemployment and other related social issues
- Adjusting to the knock-on effects of the financial crisis in East Asia

The Bank has put in place improved manpower, operating systems and administration of credit and is thus better positioned to serve the needs of our customers in a challenging environment.

As part of the process of broadening the range of experience on the Board, Mr. Roy A. Karaoglan, a banking specialist with IFC, has been co-opted as a director.

Much solid work has been accomplished by the management of your Bank in 1997, and in addition to commending them for their devoted services throughout a difficult year, I also want to express my confidence in their ability to address the issues that lie ahead. Their vision is clear and their commitment firm and resolute. Nonetheless, I must underline the general economic uncertainties that face Kenya and the region in 1998. Your Board will therefore continue the pursuit of a prudent and pragmatic approach to the development of the Bank's activities, both here in Kenya, and with our associated banks in Tanzania and Uganda, so that we are well placed when the national and regional economic trends justify greater confidence.

Once again, it is my pleasure to record the Board's gratitude to all of our valued customers for their continued loyalty and support.

Zaher K. Ahamed

Chairman

30th March, 1998

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Report of the Directors

for the year ended 31st December, 1997

The Directors submit their report together with the audited financial statements for the year ended 31st December, 1997.

PRINCIPAL ACTIVITIES

The Company is licensed under the Banking Act (Cap. 488) to provide banking and other related services to the general public.

RESULTS

The results for the year ended 31st December, 1997 are shown on page 8.

DIVIDENDS

It is proposed that a final dividend of 15% on the Issued and Paid-up Share Capital of Shs. 318 million be paid on or about 17th July, 1998.

DIRECTORS

The present membership of the Board is listed on page 2.

From the present members of the Board of Directors as listed, Messrs Nurdin G. Ajania, Nizar N. Juma and Abdul A. Samji retire by rotation under Articles No. 93 and No. 94 of the Company's Articles of Association. Messrs Nizar N. Juma and Abdul A. Samji, being eligible, offer themselves for re-election while Mr. Nurdin G. Ajania does not offer himself for re-election.

Mr. Roy A. Karaoglan retires under Article No. 98 of the Company's Articles of Association as this is the first Annual General Meeting since his appointment and, being eligible, offers himself for re-election.

AUDITORS

The Company's Auditors, Messrs. Coopers & Lybrand, being eligible, continue in office in accordance with Section 159(2) of the Companies Act (Cap. 486) and Section 24(1) of the Banking Act (Cap. 488).

By Order of the Board

Julius N. Kuria

Company Secretary

30th March, 1998

Nairobi

Report of the Auditors

to the members of Diamond Trust Bank Kenya Limited

1. We have audited the accounts set out on pages 8 to 20. The accounts of the Company set out on page 10 are in agreement with the books of account. We obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

2. Respective Responsibilities of Directors and Auditors

Under the provisions of the Companies Act, the directors are responsible for the preparation of accounts which give a true and fair view of the Company's and Group's state of affairs and the Group's profits or losses. Our responsibility is to express an independent opinion on the accounts based on our audit and to report our opinion to you.

3. Basis of Opinion

We conducted our audit in accordance with Kenyan Auditing Standards. These Standards require that we plan and perform our audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the accounts. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the accounts.

4. Opinion

In our opinion proper books of account have been kept and the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 1997 and of the profit and cash flows of the Group for the year then ended and comply with the Companies Act (Cap. 486).

Coopers & Lybrand

*Certified Public Accountants of Kenya
Nairobi*

30th March, 1998

Group Profit and Loss Account

for the year ended 31st December, 1997

	Notes	1997 Shs. 000	1996 Shs. 000
Income	2	1,811,109	1,870,651
Expenditure	3	(1,638,890)	(1,641,810)
Operating Profit		172,219	228,841
Share of associated companies profit		37,438	39,206
		209,657	268,047
Bad and doubtful debts		(531,760)	(396,447)
Loss before taxation and extraordinary items	4	(322,103)	(128,400)
Taxation	5	(12,543)	(18,886)
Loss after taxation before extraordinary items		(334,646)	(147,286)
Extraordinary items	6	492,968	55,800
Profit (Loss) attributable to shareholders		158,322	(91,486)
Dividends - Interim paid		-	(63,600)
- Final proposed		(47,700)	-
Retained Profit (Loss) for the year	18	110,622	(155,086)
Loss per share	7	(4.21)	(1.85)

Report of the Auditors - Page 7

The notes on pages 12 to 20 form part of these accounts.

Group Balance Sheet

31st December, 1997

	Notes	1997 Shs. 000	1996 Shs. 000
ASSETS			
Cash and balances with the Central Bank	8	933,485	1,291,697
Government securities	9	358,295	121,000
Deposits and balances with banking institutions	10	579,470	1,076,967
Advances to customers	11	4,321,146	5,191,098
Other debtors and prepayments		622,456	104,635
Taxation recoverable		26,105	83,274
Investment in associated companies	12	120,636	672,207
Other investments	13	58,151	81,715
Fixed assets	14	228,013	360,898
		7,247,757	8,983,491
LIABILITIES			
Customer deposits	15	5,508,803	6,874,108
Certificates of deposit		479,480	452,700
Other creditors		407,905	452,352
Proposed dividend		47,700	
		6,443,888	7,779,160
SHAREHOLDERS' FUNDS			
Share capital	16	318,000	318,000
Share premium account		16,320	16,320
Capital reserve	17	132,610	637,210
Revenue reserve	18	336,939	232,801
		803,869	1,204,331
		7,247,757	8,983,491

The accounts on pages 8 to 20 were approved by the Board of Directors on 30th March, 1998, and were signed on its behalf by:

Directors: Z. K. Ahamed, M. P. Manji and F. O. Okello. **Secretary:** J. N. Kuria.

Report of the Auditors - Page 7

The notes on pages 12 to 20 form part of these accounts.

Company Balance Sheet

31st December, 1997

	Notes	1997 Shs. 000	1996 Shs. 000
ASSETS			
Cash and balances with the Central Bank	8	844,724	1,136,651
Government securities	9	106,920	1,000
Deposits and balances with banking institutions	10	563,192	995,115
Advances to customers	11	3,985,884	4,694,332
Other debtors and prepayments		617,218	100,371
Taxation recoverable		18,474	75,310
Investment in subsidiary and associated companies	12	108,957	223,719
Other investments	13	54,080	77,731
Fixed assets	14	213,049	344,257
		6,512,498	7,648,486
LIABILITIES			
Customer deposits	15	4,960,697	6,176,729
Certificates of deposit		479,480	452,700
Other creditors		375,258	415,909
Proposed dividend		47,700	-
		5,863,135	7,045,338
SHAREHOLDERS' FUNDS			
Share capital	16	318,000	318,000
Share premium account		16,320	16,320
Capital reserve	17	84,126	214,068
Revenue reserve	18	230,917	54,760
		649,363	603,148
		6,512,498	7,648,486

The accounts on pages 8 to 20 were approved by the Board of Directors on 30th March, 1998, and were signed on its behalf by:

Directors: Z. K. Ahamed, M. P. Manji and F. O. Okello. **Secretary:** J. N. Kuria.

Report of the Auditors - Page 7

The notes on pages 12 to 20 form part of these accounts.

Group Cash Flow Statement

for the year ended 31st December, 1997

	Notes	1997 Shs. 000	1996 Shs. 000
Net cash (outflow) inflow from operating activities	19	(1,394,001)	423,873
Income tax		57,169	(95,023)
		(1,336,832)	328,850
RETURN ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends received		28,036	12,762
Dividends paid		-	(127,200)
Net cash from (applied to) investments and servicing of finance		28,036	(114,438)
INVESTING ACTIVITIES			
Purchase of fixed assets		(23,276)	(11,536)
Purchase of shares in associated companies		(2,594)	(23,719)
Purchase of unquoted shares		-	(10,194)
Proceeds on sale of fixed assets		212,936	71,385
Proceeds on sale of shares in associated companies		500,875	-
Proceeds on sale of shares in unquoted companies		1,176	-
Net cash from investing activities		689,117	25,936
Net (decrease) increase in cash and cash equivalents		(619,679)	240,348
Cash and cash equivalents at beginning of year		2,489,664	2,249,316
Exchange rate changes		1,265	-
Cash and cash equivalents at end of year	20	1,871,250	2,489,664

Report of the Auditors - Page 7

The notes on pages 12 to 20 form part of these accounts.

Notes to the Accounts

for the year ended 31st December, 1997

1. SIGNIFICANT ACCOUNTING POLICIES

(a) ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention as modified by the revaluation of certain assets.

No depreciation is provided on leasehold land and buildings in view of regular maintenance and confirmation of values by professional valuers.

(b) CONSOLIDATION

(i) Subsidiary

The Group Accounts comprise a consolidation of the accounts of the Company and its Subsidiary, both of which are made up to 31st December, 1997.

(e) TREASURY BILLS

Treasury bills are stated at cost.

(ii) Associated companies

The Group's share of the results of the associated companies is included in the consolidated profit and loss account and the Group's share of post-acquisition retained profits and reserves is added to the cost of the investment in the balance sheet.

(f) INVESTMENTS

(i) The Group's quoted investments are shown in the balance sheet at their market value.

(ii) The Company's unquoted investments are stated at cost, net of any provision for permanent diminution in value.

(c) INCOME RECOGNITION

(i) Advances

Interest on advances is accounted on an accruals basis. When an account becomes non-performing, interest is not accrued until it is realised.

(g) BAD AND DOUBTFUL ADVANCES

Specific provision is made in relation to identified risk advances and general provision is maintained against risks which although not identified may arise in any portfolio of bank advances.

(ii) Finance and leasing earnings

Credit is taken in each accounting year for finance charges received and receivable after eliminating from the balance at the conclusion of each such year, the unearned finance charges calculated on a basis such as to allocate charges earned to the appropriate accounting period.

(h) DEFERRED TAXATION

Provision for deferred taxation is made only when the directors consider that a tax benefit or charge is likely to crystallise in the foreseeable future.

(d) FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost or valuation less depreciation.

Depreciation is provided on a straight line basis by reference to the expected useful lives of the assets concerned. The rates used are as follows:

	Rates %
Motor vehicles	25
Furniture, fittings & equipment	10 & 25

(i) TRANSLATION OF FOREIGN CURRENCIES

Transactions during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise. Exchange differences resulting from translation of net assets of foreign associated companies are dealt with in reserves.

Notes to the Accounts

for the year ended 31st December, 1997 (continued)

2. INCOME

	1997 Shs. 000	1996 Shs. 000
Interest on advances	1,525,519	1,534,089
Interest on placements and bank balances	173,351	229,814
Interest on Government securities	35,087	25,422
Fees and commissions	33,249	38,644
Dividends	18,368	12,762
Other	25,535	29,920
	1,811,109	1,870,651

3. EXPENDITURE

	1997 Shs. 000	1996 Shs. 000
Interest on deposits	1,325,934	1,386,679
Deposit protection fund	11,389	9,641
Depreciation	14,580	13,018
Other operating expenses	286,987	232,472
	1,638,890	1,641,810

4. GROUP LOSS BEFORE TAXATION AND EXTRAORDINARY ITEMS

	1997 Shs. 000	1996 Shs. 000
Loss before taxation and extraordinary items is stated after charging:		
Depreciation	14,580	13,018
Directors' emoluments:		
Fees	120	108
Other remuneration	20,188	16,359
Auditors' remuneration:		
Current year (parent company Shs. 1,725,000; 1996 Shs. 1,452,000)	2,070	1,701
Underprovision in previous year	493	-

5. TAXATION

	1997 Shs. 000	1996 Shs. 000
Taxation is provided on the group profit (loss) for the year as adjusted in accordance with the tax legislation and comprises:		
Income tax at 35%	-	7,902
Share of associated companies' tax	12,543	10,984
	12,543	18,886

Notes to the Accounts

for the year ended 31st December, 1997 (continued)

6. EXTRAORDINARY ITEMS

	1997 Shs. 000	1996 Shs. 000
Gain on sale of shares in associated companies	280,074	-
Gain on sale of shares in unquoted companies	1,163	-
Gain on sale of properties	211,731	55,800
	492,968	55,800

The above extraordinary items are not subject to taxation.

7. LOSS PER SHARE

The calculation of loss per share is based on the loss for the year before extraordinary items and on the number of shares in issue at the balance sheet date.

8. CASH AND BALANCES WITH THE CENTRAL BANK

	THE GROUP		THE COMPANY	
	1997 Shs. 000	1996 Shs. 000	1997 Shs. 000	1996 Shs. 000
Cash in hand	17,608	8,223	15,445	6,824
Balances with the Central Bank	915,877	1,283,474	829,279	1,129,827
	933,485	1,291,697	844,724	1,136,651

9. GOVERNMENT SECURITIES

	THE GROUP		THE COMPANY	
	1997 Shs. 000	1996 Shs. 000	1997 Shs. 000	1996 Shs. 000
a) Treasury bills				
Maturing within 90 days of year end	321,645	120,000	70,270	-
b) Other Government securities				
Maturing within one year	35,650	-	35,650	-
Maturing after one year	1,000	1,000	1,000	1,000
	358,295	121,000	106,920	1,000

Notes to the Accounts

for the year ended 31st December, 1997 (continued)

10. DEPOSITS AND BALANCES WITH BANKING INSTITUTIONS

	THE GROUP		THE COMPANY	
	1997 Shs. 000	1996 Shs. 000	1997 Shs. 000	1996 Shs. 000
Due within 90 days of year end	579,470	1,076,967	563,192	995,115

11. ADVANCES TO CUSTOMERS (net of provisions)

	THE GROUP		THE COMPANY	
	1997 Shs. 000	1996 Shs. 000	1997 Shs. 000	1996 Shs. 000
a) Maturing				
Within one year	2,119,720	1,499,288	2,017,951	1,331,120
Over one year to three years	1,585,466	2,585,042	1,409,890	2,305,740
Over three years	615,960	1,106,768	558,043	1,057,472
	4,321,146	5,191,098	3,985,884	4,694,332
b) Provision on advances				
Specific provision:				
At 1st January, 1997	556,233	207,966	490,911	155,021
Provision during the year net of recoveries	532,909	348,267	505,255	335,890
Write-offs	(26,161)	-	(8,820)	-
At 31st December, 1997	1,062,981	556,233	987,346	490,911
General provision:				
At 1st January, 1997	54,278	6,098	49,110	-
(Write-back) provision during the year	(1,149)	48,180	-	49,110
At 31st December, 1997	53,129	54,278	49,110	49,110

Advances include an amount of Shs. 373,259,000 (1996-Shs. 107,337,000) which, although secured, has been classified as non-performing on which interest is being suspended.

Notes to the Accounts

for the year ended 31st December, 1997 (continued)

12. INVESTMENT IN SUBSIDIARY AND ASSOCIATED COMPANIES

	Beneficial Ownership	THE GROUP		THE COMPANY	
		1997 Shs. 000	1996 Shs. 000	1997 Shs. 000	1996 Shs. 000
a) Subsidiary company					
Premier Savings and Finance Limited	100%	-	-	29,137	29,137
b) Associated companies					
Agricraft Kenya Limited	-	-	560	-	840
Comtech Systems Limited	29%	3,648	3,298	3,500	3,500
Diamond Trust Bank Uganda Limited	27%	36,588	34,010	25,000	25,000
Diamond Trust Bank Tanzania Limited	33%	52,712	59,001	25,000	25,000
Drumcon (1973) Limited	-	-	80	-	80
Industrial Promotion Building Limited	-	-	575,005	-	139,909
Kenya Litho Limited	22.25%	21,621	-	20,253	-
Services and Systems Limited	40%	1	1	1	1
		114,570	671,955	73,754	194,330
Current account balances		6,066	252	6,066	252
		120,636	672,207	79,820	194,582
Total investment in subsidiary and associated companies		120,636	672,207	108,957	223,719

c) The results of the associated companies are for the year ended 31st December, 1997.

	1997 Shs. 000	1996 Shs. 000
d) Advances to associated companies	9,307	2,011

Advances to associated companies are undertaken at arms' length and in the normal course of business.

13. OTHER INVESTMENTS

	THE GROUP		THE COMPANY	
	1997 Shs. 000	1996 Shs. 000	1997 Shs. 000	1996 Shs. 000
Quoted shares	35,104	32,101	31,033	28,117
Unquoted shares	23,047	49,614	23,047	49,614
	58,151	81,715	54,080	77,731

Notes to the Accounts

for the year ended 31st December, 1997 (continued)

14. FIXED ASSETS

	Long and Short term Leasehold Land and Buildings Shs. 000	Motor Vehicles Shs. 000	Furniture, Fittings and Equipment Shs. 000	Total Shs. 000
THE GROUP				
Cost or valuation				
At 1st January, 1997	291,487	12,543	112,960	416,990
Additions	-	-	23,276	23,276
Disposals / write-offs	(133,627)	-	(11,100)	(144,727)
At 31st December, 1997	157,860	12,543	125,136	295,539
Depreciation				
At 1st January, 1997	-	9,284	46,808	56,092
Charge for the year	-	1,354	13,226	14,580
Disposals / write-offs	-	-	(3,146)	(3,146)
At 31st December, 1997	-	10,638	56,888	67,526
Net book value				
At 31st December, 1997	157,860	1,905	68,248	228,013
At 31st December, 1996	291,487	3,259	66,152	360,898
THE COMPANY				
Cost or valuation				
At 1st January, 1997	282,554	12,003	100,093	394,650
Additions	-	-	22,732	22,732
Disposals / write-offs	(133,627)	-	(11,100)	(144,727)
At 31st December, 1997	148,927	12,003	111,725	272,655
Depreciation				
At 1st January, 1997	-	8,745	41,648	50,393
Charge for the year	-	1,354	11,005	12,359
Disposals / write-offs	-	-	(3,146)	(3,146)
At 31st December, 1997	-	10,099	49,507	59,606
Net book value				
At 31st December, 1997	148,927	1,904	62,218	213,049
At 31st December, 1996	282,554	3,258	58,445	344,257

Land and buildings are based on professional valuation carried out on 31st December, 1995. The basis of valuation was current market value. Subsequent additions are at cost.

Notes to the Accounts

for the year ended 31st December, 1997 (continued)

15. CUSTOMER DEPOSITS

	THE GROUP		THE COMPANY	
	1997 Shs. 000	1996 Shs. 000	1997 Shs. 000	1996 Shs. 000
(a) Deposits and balances from banking institutions				
Payable within one year	-	20,000	13,500	170,000
(b) Amounts owed to depositors				
Payable within one year	5,383,161	6,854,108	4,821,555	6,006,729
Payable in over one year	125,642	-	125,642	-
	5,508,803	6,854,108	4,947,197	6,006,729
	5,508,803	6,874,108	4,960,697	6,176,729

16. SHARE CAPITAL

	THE GROUP		THE COMPANY	
	1997 Shs. 000	1996 Shs. 000	1997 Shs. 000	1996 Shs. 000
Authorised:				
125,000,000 ordinary shares of Shs. 4 each	500,000	500,000	500,000	500,000
Issued and fully paid:				
79,500,000 ordinary shares of Shs. 4 each	318,000	318,000	318,000	318,000

17. CAPITAL RESERVE

	THE GROUP		THE COMPANY	
	1997 Shs. 000	1996 Shs. 000	1997 Shs. 000	1996 Shs. 000
At 1st January, 1997	465,253	449,624	214,068	218,458
Reclassification of share premium account of associated company	127,164	95,161	-	-
Prior year adjustment (note 18 (i))	44,793	44,793	-	-
As restated	637,210	589,578	214,068	218,458
Exchange difference (note 18 (ii))	320	-	-	-
Adjustment in market value of quoted shares	3,003	(4,983)	2,916	(4,390)
Share of associated companies capital reserves	62,309	52,615	-	-
Realised on sale of assets	(570,232)	-	(132,858)	-
At 31st December, 1997	132,610	637,210	84,126	214,068

Notes to the Accounts

for the year ended 31st December, 1997 (continued)

18. REVENUE RESERVE

	THE GROUP		THE COMPANY	
	1997	1996	1997	1996
	Shs. 000	Shs. 000	Shs. 000	Shs. 000
At 1st January 1997	347,158	523,103	124,324	339,216
Prior year adjustments (i)	(114,357)	(139,932)	(69,564)	(95,139)
As restated	232,801	383,171	54,760	244,077
Exchange difference (ii)	(6,484)	4,716	-	-
Retained profit (loss) for the year	110,622	(155,086)	176,157	(189,317)
At 31st December, 1997	336,939	232,801	230,917	54,760

(i) The prior year adjustments relate to correction of accounting errors relating to 1995 and earlier years.

(ii) Exchange differences arise on conversion of opening reserves in associated companies at year end exchange rates.

19. NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	1997	1996
	Shs. 000	Shs. 000
Loss before taxation and extraordinary items	(322,103)	(128,400)
Adjustments for:		
Depreciation	14,580	13,018
Loss (profit) on write-off/ disposal of fixed assets	7,248	(564)
Gain on foreign exchange	(1,265)	-
Dividend income	(18,368)	(12,762)
Share of associated companies profit	(37,438)	(39,206)
Provision for bad and doubtful debts	531,760	396,447
<i>Net cash generated from operations</i>	174,414	228,533
Net decrease (increase) in advances to customers	338,192	(407,029)
Increase in certificates of deposit	26,780	452,700
(Decrease) increase in customer deposits	(1,365,305)	136,176
Decrease (increase) in other debtors and prepayments	(517,821)	(64,071)
(Increase) in associated companies current account balances	(5,814)	-
(Decrease) increase in other creditors	(44,447)	77,564
	(1,568,415)	195,340
<i>Net cash (outflow) inflow from operating activities</i>	(1,394,001)	423,873

Notes to the Accounts

for the year ended 31st December, 1997 (continued)

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the group cash flow statement comprise the following balance sheet amounts:

	1997 Shs. 000	1996 Shs. 000
Cash and balances with the Central Bank	933,485	1,291,697
Government securities	358,295	121,000
Deposits and balances with banking institutions	579,470	1,076,967
	1,871,250	2,489,664

21. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	1997 Shs. 000	1996 Shs. 000	1997 Shs. 000	1996 Shs. 000
Letters of Credit	4,086	-	4,086	-
Guarantees	106,078	117,449	106,078	117,449
	110,164	117,449	110,164	117,449

The contingent liabilities represent transactions entered into in the normal course of business which are represented by counter indemnities from the customers. No loss is anticipated.

22. INCORPORATION

The Company is incorporated in Kenya under the Companies Act.

23. CURRENCY

These accounts are presented in the nearest thousand Kenya Shillings (Shs 000).



Proxy Form

I/We

of

being a member/members of Diamond Trust Bank Kenya Limited, hereby appoint

.....

of

and failing him,

of

and failing him, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 26th June, 1998 at 11.00 a.m and at any adjournment thereof.

As witness my/our hand this day of 1998.

Signature

CMA-LIBRARY

Important Notes:

1. If you are unable to attend this meeting personally, this Proxy Form should be completed and returned to The Company Secretary, P.O. Box 61711, Nairobi, so as to reach him not later than 48 hours before the time appointed for holding the meeting.
2. A person appointed to act as a proxy need not be a member of the Company.
3. If the appointer is a Corporation, this Proxy Form must be under seal or under the hand of an Officer or Attorney duly authorised in writing.

Fold Here

*Affix
Stamp*

*The Company Secretary,
Diamond Trust Bank Kenya Limited,
P.O. Box 61711,
Nairobi,
Kenya.*

Fold Here