

| Contents

Directors and Management	2
Board of Directors	3
Notice of Annual General Meeting	4 - 5
Chairman's statement	6 - 11
Report of the Directors	12 - 13
Auditors' Report	14
Consolidated Profit and Loss Account	15
Consolidated Balance Sheet	16
Company Balance Sheet	17
Consolidated Cash Flow Statement	18
Accounting Policies	19
Notes to The Accounts	20 - 27
6 Years Highlights	28
Group Financial Summary	29
Directory of Services	30 - 31
Network of Branches	32

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Directors and Management

Board of Directors

Mr. M. Geake -(British)

Mr. W.B.M. Mukuria -Managing (Kenyan)

Ms M.K. Chemengich -(Kenyan)(Alternate Mr. Njeru Kirira)

Mr. K. Gatabaki -(Kenyan)

Mrs. A.A.W. Amissabuor - (Kenyan)

Mr. Titus Naikuni -(Kenyan)

Eng. S.T. Akute -(Kenyan)

Secretary

Mr. S.W. Waiganjo B Comm (Hons), FCPA (K), ACIS, CPS (K)

Share Registrar

A.W. Matu (Miss) CPS (K)

Auditors

KPMG Peat Marwick

Certified Public Accountants

P. O. Box 40612, Nairobi

Registered Office &

Head Office

Rehani House, Kenyatta Avenue/Koinange Street

P. O. Box 30088, Nairobi. Phone 333910, 221101, Fax.334670

Bankers

Barclays Bank of Kenya Ltd.

Subsidiary Companies

Kenya Building Society Ltd.,

Rehani House, Kenyatta Avenue/ Koinange Street

P. O. Box 40151, Nairobi Phone 333910, 782966/7, Fax 334670

First Permanent (East Africa) Ltd.,

Rehani House, Kenyatta Avenue /Koinange Street,

P. O. Box 30088, Nairobi Phone 333910, 221101, Fax.334670

2007 / 0389

Board of Directors



From left - Right Mr. W.B.M. Mukuria (Managing Director), Ms. M.K. Chemengich, Mr.M.Geake, Eng.S.T. Akute,
Mr. K. Gatabaki.



Mr. N. Kirira (Alternate Director), Mrs. A.A.W. Amissabuor, Mr. Titus Naikuni, Mr. Z.M Bukania (Alternate Director),
Mr. S. W. Waiganjo (Secretary to the board),

Notice of Annual General Meeting

Notice is hereby given that the 32nd Annual General Meeting of the Housing Finance Company of Kenya Limited will be held at the Safari Park Hotel, Nairobi on Friday, 22nd May, 1998 at 12.00 noon for the following purposes:-

ORDINARY BUSINESS

1. To confirm the Minutes of the 31st Annual General Meeting held on Friday, 16th May, 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 declare a dividend.
4. To elect Directors:-
 - (a) Mr. Martin Geake retires by rotation in accordance with Article 78 of the Company's Articles of Association and being eligible offers himself for re-election.
 - (b) Ms. Margaret Kwengwa Chemengich having been appointed to the Board pursuant to Article 84 of the Company's Articles of Association retires at this Annual General Meeting and being eligible offers herself for re-election.
 - (c) Eng. Samson Teere Akute having been appointed to the Board pursuant to Article 84 of the Company's Articles of Association retires at this Annual General Meeting and being eligible offers himself for re-election.
 - (d) Mr. Titus Naikuni having been appointed to the Board pursuant to Article 84 of the Company's Articles of Association retires at this Annual General Meeting and being eligible offers himself for re-election.
5. To fix the remuneration of Directors.
6. To note that Messrs KPMG Peat Marwick will continue in office as Auditors by virtue of Section 159(2) of the Companies Act (Cap. 486) and authorise Directors to fix their remuneration.
7. To transact any other ordinary business of an Annual General Meeting.

SPECIAL BUSINESS

To consider, and if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:-

1. Increase in authorised share capital

"That pursuant to Article 45 of the Articles of Association the capital of the Company be increased to Kenya Shillings Five hundred and Seventy Five million (Kshs.575,000,000) by the creation of twenty-three million ordinary shares of Kenya Shillings five (Kshs.5/) each to rank pari passu in all respects with the existing shares in the capital of the Company".

2. Bonus shares

"That it is desirable in pursuance of Article 126 of the Articles of Association to capitalise the sum of Kenya Shillings one hundred and fifteen million (Kshs.115,000,000) only being part of the amount standing to the credit of the Reserves Account and accordingly that such sum be capitalised and that the Directors be and are hereby authorised and directed to appropriate such sum to the holders of ordinary shares registered at the close of business on a day to be fixed by the Company, not being more than thirty days after receipt by the Company of the necessary approval to increase the share capital from the Capital Markets Authority from whom permission has been sought, in proportion to the number of ordinary shares held by them respectively on such a date and to apply such sum on behalf of such holders in paying in full at par twenty three million of the unissued shares in the capital of the company, such shares to be allotted, distributed and credited as fully paid up to and amongst such holders in the proportion of one new share for every four ordinary shares then held, and that such new shares shall rank for all purposes pari passu with the existing issued ordinary shares of the Company and that the Directors be and are hereby also authorised generally to do and effect all acts and things required to give effect to this resolution and to deal with fractions in such manner as they think fit subject always to the Articles of Association of the Company".

3. Increase in the number of Directors

That pursuant to Article 83 of the Company's Articles of Association the number of Directors be increased from seven to eight.

By order of the Board

S.W. Waiganjo

COMPANY SECRETARY

NAIROBI: 12th March, 1998

Notes:

(i) Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. The proxy form should be completed and returned to the Secretary, Rehani House, Nairobi, so as to reach him not later than 24 hours before the time appointed for holding the meeting.

(ii) A person appointed to act as Proxy need not be a member of the Company.

(iii) If the appointer is Government or any Corporation the Proxy must be under seal or under the hand of an Officer duly authorised in that behalf.

Arifa ya Mkutano Mkuu wa Kila Mwaka

Arifa inatolewa kwamba Mkutano Mkuu wa Kila Mwaka wa 32 wa Housing Finance Company of Kenya Limited utafanyika Safari Park Hotel, Nairobi, Ijumaa, 22 Mei 1998, saa sita kwa madhumini yafuatayo:

SHUGHULI ZA KAWAIDA

1. Kuthibitisha mapitisho ya Mkutano Mkuu wa Kila Mwaka wa 31 uliofanyika Ijumaa, 16 Mei, 1997
2. Kupokea, kufikiria na kuidhinisha hesabu za peza za mwaka uliomalizikia tarehe 31 Desemba, 1997 pamoja na taarifa ya Wakurugenzi na Wakaguzi wa Hesabu za Pesa kuhusiana na hesabu hizo za pesa.
3. Kutangaza mgawo wa pesa
4. Kuchagua wakurugenzi:
 - (a) Bw. Martin Geake anastaafu kufuatana na ustaafu kwa zamu kwa mujibu wa Kanuni 78 ya Kanuni za Kampuni na kwa kuwa ana haki ya kuchaguliwa tena anagombea kuchaguliwa upya.
 - (b) Bi. Margaret Kwengwa Chemengich baada ya kuchaguliwa kujiunga na Halmashauri kwa mujibu wa Kanuni 84 ya Kanuni za Kampuni anastaafu kwenye Mkutano huu Mkuu wa Kila Mwaka na kwa kuwa ana haki ya kuchaguliwa tena anagombea kuchaguliwa upya
 - (c) Mha. Samson Teere Akute baada ya kuchaguliwa kujiunga na Halmashauri kwa mujibu wa Kanuni 84 ya Kanuni za Kampuni anastaafu kwenye Mkutano huu Mkuu wa Kila Mwaka na kwa kuwa ana haki ya kuchaguliwa tena anagombea kuchaguliwa upya.
 - (d) Bw. Titus Naikuni baada ya kuchaguliwa kujiunga na Halmashauri kwa mujibu wa Kanuni 84 ya Kanuni za Kampuni anastaafu kwenye Mkutano huu Mkuu wa Kila Mwaka na kwa kuwa ana haki ya kuchaguliwa tena anagombea kuchaguliwa upya.
5. Kuamua malipo kwa Wakurugenzi.
6. Kufahamu kwamba Messrs KPMG Peat Marwick wataendelea kuwa Wakaguzi wa Hesabu za pesa kwa mujibu wa Kifungu 15(2) cha Sheria ya Makampuni (Ibara 486) wa kuwapa Wakurugenzi idhini ya kuamua malipo kwao.
7. Kushughulikia jambo jingine la kawaida la Mkutano Mkuu wa Kila Mwaka.

SHUGHULI MAALUM

Kufikiria, ikionekana inafaa, kupitisha maazimio ambayo yatapendekezwa kama maazimio ya kawaida:

1. Kuongeza pesa za hisa

"Kwamba kwa kuzingatia Kanuni 45 ya Kanuni za Kampuni pesa za Kampuni ziongezwe hadi shilingi za Kenya milioni mia tano na sabini na tano (Ksh. 575,000,000) kwa kuunda hisa za kawaida ishirini na tatu za shilingi za Kenya tano (Ksh. 5) kwa kila hisa na kwamba hisa hizo zitalingana kwa kila namna na hisa zilizopo hivi sasa za Kampuni."

2. Hisa za Nyongeza

Kwamba inahitajika kwa kuzingatia Kanuni 126 ya Kanuni za Kampuni kuongeza pesa za kampuni kwa shilingi za Kenya milioni mia moja na kumi na tano (115,000,000) pekee zikiwa sehemu iliyomo kwenye Akaunti ya Akiba na kwa hivyo idadi hiyo iongezwe kwenye pesa za Kampuni na kwamba Wakurugenzi wapewe idhini na kwamba wanapewa idhini na kuelekezwa kuwapatia kiasi hicho wenye hisa za kawaida watakaokuwa wameandikishwa mwishoni mwa kazi siku itakayowekwa na Kampuni, na kwamba siku hiyo isiwe ni zaidi ya siku thelathini baada ya Kampuni kupata idhini inayohitajika ya kuongeza pesa za hisa kutoka kwa Halmashauri ya Masoko ya Hisa ambayo tayari imeombwa itoe idhini, kwa kiwango kinacholingana na hisa za kawaida zilizo mikononi mwao wakati wa tarehe hiyo na kuziweka hisa hizo kwa niaba ya wenye hisa katika kulipia kamili kwa kiwango sawa hisa ambazo hazijatumika milioni ishirini na tatu kwenye pesa za Kampuni, hisa hizo zitatolewa, kugawanywa na kutiwa kwenye hesabu za wenye hisa kama hisa ambazo zimelipiwa kikamilifu miongoni mwa wenye hisa hizo kwa kiwango cha hisa moja mpya kwa kila hisa nne za kawaida zinazomilikiwa na kwamba hisa kama hizo mpya zitalingana kwa kila namna na hisa za kawaida zilizopo za kampuni na kwamba Wakurugenzi wapewe idhini na kwamba wanapewa idhini kwa jumla kutenda mambo yote yanayohitajika kutekeleza azimio hili na kushughulikia vijisehemu vya hisa kwa namna ambayo kwa maoni yao, inafaa, kila wakati wazingatie Kanuni za Kampuni"

3. Kuongezwa kwa Wakurugenzi

Kwamba kwa mujibu wa Kanuni 83 ya Kanuni za Kampuni idadi ya Wakurugenzi iongezwe kutoka watu saba hadi wanane.

Kwa amri ya Halmashauri

S.W. Waiganjo

KATIBU WA KAMPUNI

NAIROBI: 12 Machi, 1998

Maelezo

(i) Mwanachama yeyote wa Kampuni aliye na haki ya kuhudhuria na kupiga kura katika mkutano unaotangazwa ana haki ya kuteua mtu mwingine wa kumpigia kura. Karatasi ya kuwasilisha ujumbe kwamba mtu mwingine ameteuliwa kupiga kura kwa niaba ya mwanachama wa kampuni inapaswa kujazwa na kurejeshwa kwa Katibu, Rehani House, Nairobi, hivi kwamba imfikie wakati usiopungua masaa 24 hadi wakati uliowekwa wa kufanyika mkutano.

(ii) Mtu anayeteuliwa kupiga kura kwa niaba ya mwanachama wa Kampuni sio lazima awe mwanachama wa Kampuni

(iii) Ikiwa anayeteua mtu mwingine apige kura kwa niaba yake ni serikali au shirika lo lote karatasi ya kutoa habari hizo lazima iwe na alama ya serikali au shirika au iwe imetiwa sahihi na Ofisa ambaye ameidhinishwa kutekeleza wadhifa huo.

Chairman's Statement

Ladies and Gentlemen,

I have great pleasure in welcoming you to the 32nd Annual General Meeting of HFCK. As you recall your company became a public company in December 1992 and this is the fifth year of operations as a public company. During that period your shares have been freely traded in the Nairobi Stock Exchange. In this report you will find five year performance statistics which show tremendous growth in profitability, mortgage asset, customer deposits, share capital, reserves and assets. Below are highlights on the main aspects of these statistics.

Operating Results

Despite difficult economic, political and climatic conditions that prevailed in 1997 your group recorded a successful year. After contributing Kshs.186 million to the Government revenue by way of taxation, a 20% increase over previous year's, we realized a post taxation profit of Kshs.297 million in 1997 and this was 17.5% increase over previous year's profits.

The money market remained very competitive during the year. We had to spend Kshs.1.289 billion on interest to sustain an inflow of customer deposits, an increase of 38.5% over the previous year. This reflected the rising cost of mobilizing funds to meet our lending targets which I will be mentioning later in this statement.

We were able to maintain a reasonable level of operating expenses during the year. In the wake of mounting inflationary pressure our operating expenses increased by 7.9% to Kshs.442 million. The Company made provisions of Kshs. 60 million for all those cases which your Board considered doubtful. Such provisions comply with the requirements of the Central Bank of Kenya and are in conformity with prudent accounting principles and demonstrates sound

management practices.

Mortgage advances to customers

The principal business of the Company is mortgage lending. In this connection disbursements during the year increased by 27% from Kshs.1.731 billion in 1996 to Kshs.2.202 billion. Total mortgage advances to customers moved from Kshs.5.825 billion in 1996 to Kshs.7.581 billion in 1997. Total undisbursed mortgage commitments increased by 13.45% from Kshs.1.851 billion in 1996 to Kshs.2.101 billion as at 31.12.1997 and this gives an indication of the level of mortgage business in the pipeline notwithstanding the existing difficult economic conditions.

Your Board has maintained lending on mortgages during the year at an interest rate of 26% p.a for residential properties and 29% p.a on commercial properties at a time when banks and other financial and mortgage institutions are lending at rates of interest in excess of 29% p.a. The high interest rate available on the Treasury Bills obliged your company to offer high deposit rates to our customers reducing operating margins. If the rising cost of deposits is not checked by monetary authorities in the country your company will be obliged to adjust the interest rate chargeable to borrowers upwards in the near future.

Deposit Mobilisation

Customers deposits increased from Kshs.6.645 billion in 1996 to Kshs.7.772 billion in 1997. This is another good evidence of high level of confidence your company enjoys in the financial market. We intend to reciprocate this confidence the public has in the company by enhancing the quality of our services through the upgrades on the on-line computer system which is capable of supporting an expanding branch network.

We opened a new branch in the Buru Buru residential

area Nairobi in the course of the year and as stated last year your company expects to continue with a prudent expansion of its branch network in order to enhance its deposit taking capacity. The company continues to operate branches in Mombasa, Nyeri, Nakuru, Kisumu, Eldoret, Meru, Thika and five branches in Nairobi. All of these branches are connected on-line with the mainframe computer at the Head Office. As stated last year, customers can deposit or withdraw funds from any of the branches. Mortgage customers can also deposit their mortgage repayments at any of the branches and can apply for mortgage loans at any branch of their choice. All these developments fulfill promises we have made to you in the past.

SUBSIDIARY COMPANIES

Kenya Building Society Ltd

Our main subsidiary, Kenya Building Society Ltd, continued to develop and sell houses at Koma Rock Estate Phase IIIB Nairobi. Construction of Koma Rock Phase IV was commenced in the course of the year and the first batch of completed houses are expected in the market in September this year. Although construction of Fahari Estate in Mombasa was completed last year it has not been possible to sell all the houses in the estate owing to unforeseen difficulties in marketing such houses in Mombasa. However we have made adequate arrangements to sell the remaining houses in this estate this year.



Mr. Eratus Mbaya receives a gift on his retirement having attained 60 years. He joined the group on November 11 1961.

The company intends to approach the government and Local Authorities for direct allocation of land for housing development in urban areas in order to increase the stock of decent and reasonably priced houses that are likely to be affordable by a greater number of urban dwellers. The company will also buy suitable plots of land to develop high class residential properties. Toward this goal, arrangements are at advanced stages to purchase a large parcel of land in Langata neighbourhood for high class residential houses. It is our intention to make KBS the leading residential property development company in Kenya.

KBS contribution to group profit before taxation this year is Kshs.69 million compared to Kshs.31 million last year. The greater profit this year is due to improved sale of houses in Koma Rock Estate Phase IIIB Nairobi which proved more popular than houses in earlier phases and similar houses are being constructed in Koma Rock Phase IV.

First Permanent (EA) Ltd

The Company owns three properties which are currently let. Your Board is giving further consideration to the revival and restructuring of this company in the course of the year in order for it to play a more active role in business and thus contribute much more significantly to Group profit than at present. In spite of its current modest operations this subsidiary increased its contribution to Group Profit before tax from Kshs.835,580 in 1996 to Kshs.1,307,474 this year.

Dividends

You will recall that your company paid you an interim dividend of 10% in September 1997. The amount paid out was Kshs.46 million. The Board has pleasure to recommend the payment of a final dividend of 20% on issued share capital of 460 million.

This will raise total dividend for 1997 to 30% which equates to Kshs.138 million compared to Kshs.115 million in 1996.

Bonus Share and Increased Share Capital

Your Board has proposed a bonus share issue of one share for every four shares held as at 8.4.1998 . Approval for the issue has been sought from the Capital Markets Authority and we are confident this will be granted. The new shares will not qualify for the dividends for the year ending 31.12.1997.

As a result of the bonus share issue, the authorised and paid up share capital will increase by Kshs.115 million from Kshs.460 million to Kshs.575 million.

Human Resources Development

There were 377 members of staff as at 31.12.1997 compared to 392 as at 31.12.1996. The entire staff of the company have continued to render their services with undivided loyalty and commitment. Towards the end of last year a total of thirty eight members of staff were awarded various long service awards for having served the company for 10, 15, 20 and 25 years respectively. Staff of all levels continue to be trained in order to equip them with on the job skills, knowledge and attitudes that will enable them to face the current and future job assignments with confidence.

Directors

During the year your Board established a Board Audit Committee to oversee the financial aspects of our operations. A Board Staff Committee was already operational. These committees are responsible to the Board and are intended to enhance the efficiency of operations and improve on corporate governance.

Three members of the Board namely Mr. S.S. Lesrima, Eng.A.M.H. Sharawe and Mr. C.D.K Arap-Kirui left the Board in the course of the year. I take this opportunity to thank them for their valuable contributions to the affairs of your Company. My special thanks go to Mr. C.D.K Arap-Kirui for the services he rendered to the Group during his tenure as Chairman and I wish him success in his new appointment as Assistant Minister for Finance and in his other future endeavours. I wellcome Ms. Margaret Kwengwa Chemengich,

Eng. Samson Teere Akute and Mr. Titus Naikuni who have joined the Board and look forward to working with them in the Board as a team in enhancing shareholders' return on their investment and in the discharge of our other social responsibilities.

Appreciation

I would wish to extend my thanks to fellow Directors for their support and contribution to the growth of the Group and equally thank Management and Staff of the company and the subsidiaries for their dedication, commitment and hard work without which the excellent results we have posted would not have been achieved.

Finally I would like to thank our depositors, borrowers, shareholders and all those other institutions and organizations whose continued relationship with your Company remains highly valued.

Thank you.

CHAIRMAN

March 12th, 1998

Taarifa Ya Mwenyekititi

Mabibi na Mabwana,

Nina furaha kubwa kuwakaribisha kwenye Mkutano Mkuu wa Kila Mwaka wa 32 wa HFCK. Kama mnavyokumbuka kampuni lenu liligeuka kampuni la umma Desemba 1992 na huu ni mwaka wa tano wa shughuli zake kama kampuni la umma. Wakati wa kipindi hicho hisa zenu zimeshirikishwa kwenye biashara katika Soko la Hisa la Nairobi. Katika taarifa hii mtapata takrimu za utendaji wa miaka mitano zinazoonyesha ukuaji wa kiwango kikubwa cha faida, rasilimali ya rehani, pesa zinazowekwa na wateja, pesa za hisa, akiba na rasilimali. Zifuatazo ni sehemu muhimu za vipengele vya takwimu hizo.

Matokeo ya utendaji

Ingawa kulikuwa na hali ngumu kuhusiana na siasa, uchumi na hali ya anga mwaka wa 1997 Kundi lenu lilikuwa na mwaka wa mafanikio. Baada ya kuchangia shilingi za Kenya milioni 186 kwenye mapato ya serikali kama kodi, ongezeko la 20% likilinganishwa na mwaka uliotangulia, tulipata faida ya baada ya kulipa kodi ya shilingi za Kenya milioni 297 mwaka wa 1997 na faida hii ilikuwa ni ongezeko la 17.5% ikilinganishwa na faida ya mwaka uliyotangulia.

Soko la pesa lilikuwa na ushindani mkubwa mwaka jana. Ilibidi tutumie shilingi za Kenya bilioni 1.289 kwenye riba ili kudumisha kuingia kwa pesa za wateja, matumizi haya yakiwa ni ongezeko la 38.5% yakilinganishwa na yale ya mwaka uliotangulia. Jambo hili linaonyesha gharama zinazopanda za kujipatia pesa za kutimiza kiwango chetu cha kukopesha, jambo ambalo nitataja baadaye katika taarifa hii.

Tuliweza kudumisha kiwango kizuri cha pesa za matumizi mwaka jana. Kutokana na hali ya mfumuko wa uchumi pesa za matumizi ziliongezeka kwa 7.9% hadi shilingi za Kenya milioni 442. Kampuni lilitenga shilingi za Kenya milioni 60 kwa miradi ambayo Halmashauri yenu ilishuku. Jambo hili linakubaliana na maagizo ya

Banki Kuu ya Kenya na linafikiana na kanuni nzuri za uhasibu na linaonyesha usimamizi mzuri.

Mikopo ya Rehani kwa Wateja

Biashara kuu ya Kampuni ni kutoa mikopo ya rehani. Kuhusiana na jambo hili mikopo mwaka jana iliongezeka kwa 27% kutoka shilingi za Kenya bilioni 1,731, mwaka wa 1996 hadi shilingi za Kenya bilioni 2.202. Jumla ya malipo ya rehani kwa wateja iliongezeka kutoka shilingi za Kenya bilioni 5.825 mwaka wa 1996 hadi shilingi za Kenya bilioni 7.581 mwaka 1997. Pesa ambazo zimeingizwa kwenye mpango wa mikopo ya rehani lakini ambazo bado hazijatolewa ziliongezeka kwa 13.45% kutoka shilingi za Kenya bilioni 1.851 mwaka wa 1996 hadi shilingi za Kenya bilioni 2.101 tarehe 31.12.1997. Jambo hili linaonyesha kiwango cha biashara ya rehani inayoendelea ingawa hali ya kiuchumi ni ngumu.

Mwaka uliopita Halmashauri yenu ilidumisha utoaji mikopo ya rehani kwenye kiwango cha riba cha 26% kwa mwaka kwa nyumba za kuishi na 29% kwa mwaka kwa nyumba za kibiashara wakati ambapo mabanki na taasisi nyingine za kutoa mikopo ya rehani zinatoa mikopo kwa kiwango cha riba kinachozidi 29% kwa mwaka. Kiwango cha juu cha hawala za serikali kililazimisha kampuni lenu kulipa kiwango cha juu kwa pesa zinazowekwa na wateja na Jambo hili lilipunguza uwezo wautendaji. Ikiwa gharama zinazopanda za riba kwa pesa zinazowekwa na wateja hazitapunguzwa na wakuu wa serikali wanaohusika na maswala ya pesa kampuni lenu hivi karibuni litalazimika kuongeza kiwango cha riba kinacholipishwa wanaopata mikopo.

Kuongeza Pesa Zinazowekwa na Wateja

Pesa zinazowekwa na wateja ziliongezeka kutoka shilingi za Kenya bilioni 6.645 mwaka wa 1996 hadi shilingi za Kenya bilioni 7.772 mwaka wa 1997. Huu ni ushahidi mwingine mzuri unaonyesha kiwango cha juu cha kuaminiwa kwa kampuni lenu katika soko la pesa.

Tunanuia kutoa shukrani kwa imani hii ya umma kwa kampuni kwa kuboresha huduma kupitia uimarishaji wa kutumia mitambo ya kompiuta, jambo ambalo linaweza kusaidia upanukaji wa matawi ya kampuni.

Tulifungua tawi jipya katika Mtaa wa Buru Buru katika Nairobi mwaka uliopita na kama ilivyotangazwa mwaka jana kampuni lenu linatarajia kuendelea na upanujaji wa busara wa matawi ili kuimarisha uwezo wake wa kupokea pesa zinazowekwa na wateja. Kampuni linaendelea kuwa na matawi katika Mombasa, Nyeri, Nakuru, Kisumu, Eldoret, Meru, Thika na matawi matano katika Nairobi. Matawi haya yote yameunganishwa moja kwa moja na kompiuta kuu katika Ofisi Kuu ya Kampuni.

Kama ilivyotangazwa mwaka jana, wateja wanaweza kuweka au kutoa pesa katika tawi lo lote. Wateja wa mikopo ya rehani pia wanaweza kulipa kwenye tawi lo lote na wanaweza kutoa maombi ya mikopo ya rehani katika tawi lo lote wanalotaka. Miradi hii inatimiza ahadi ambazo tulifanya siku za nyuma.

MAKAMPUNI YA HFCK

Kenya Building Society Ltd

Kenya Building Society Ltd, kampuni kubwa kuliko mengine miongoni mwa makampuni ya HFCK, liliendelea kustawi na kuuza nyumba katika Mtaa wa Koma Rock Phase IIIB Nairobi. Ujenzi wa Koma Rock Phase IV ulianza mwaka uliotangulia na nyumba za kwanza kukamilika zinatarajiwa kuanza kuuzwa Septemba mwaka huu. Ingawa ujenzi wa nyumba katika Fahari Mombasa ulimalizika mwaka jana, haijawezekana kuuza nyumba zote katika mtaa huo kutokana na matatizo ambayo hayakutarajiwa katika kuuza nyumba kama hizo Mombasa. Hata hivyo tumefanya mipango ya kutosha ya kuuza nyumba ambazo zimebakia mwaka huu.

Kampuni litanuia kuzungumza na Serikali kuu na Serikali za Mitaa ili lipewe moja kwa moja ardhi ya kujenga nyumba katika maeneo ya mijini ili kuongeza idadi ya nyumba nzuri na za gharama isiyokubwa ambazo idadi kubwa ya wakazi wa mijini wanaweza

kununua. Kampuni litanunua ploti zinazofaa ili kujenga nyumba za kuishi za hali ya juu. Kuhusiana na lengo hili kumechukuliwa hatua za kununua ardhi kubwa karibu na Langata ili kujenga nyumba za hali ya juu za kuishi. Tunanuia kulifanya KBS kiongozi wa makampuni ya kujenga nyumba za kuishi katika Kenya.

Mchango wa KBS kwa faida ya Kundi mwaka jana kabla ya kulipa kodi ni shilingi za Kenya milioni 69 zikilinganishwa na shilingi za Kenya milioni 31 mwaka uliotangulia. Kiwango kikubwa cha faida mwaka jana kilitokana na kuimarika uuzaji nyumba katika Mtaa wa Koma Rock Phase IIIB Nairobi. Nyumba hizo zilivutia watu kuliko nyumba katika awamu za mwanzo na nyumba nyingine kama hizo zinajengwa Koma Rock Phase IV.

First Permanent (E.A) Ltd

Kampuni hili linamiliki mali tatu ambazo zinakodishwa. Halmashauri yenu inafikiria kufufua na kubadilisha muundo wa hili kampuni mwaka huu ili liweze kushughulikia zaidi biashara na kwa hivyo kuchangia kwa kiwango kikubwa zaidi kwenye faida ya kundi kuliko hali ilivyo hivi sasa. Ingawaje shughuli za kampuni hili la HFCK ni chache, kampuni hili liliongeza mchango wake kwenye faida ya Kundi kabla ya kulipa kodi kutoka shilingi za Kenya 835,000 mwaka wa 1996 hadi shilingi za Kenya 1,307,474 mwaka huu.

Mgawo wa Pesa

Mnakumbuka kwamba kampuni lenu liliwalipa mgawo wa kwanza wa 10% Septemba 1997. Kiasi kilicholipwa ni shilingi za Kenya milioni 46. Halmashauri ina furaha kupendekeza malipo ya mgawo wa mwisho wa 20% kwenye pesa zilizopo za hisa milioni 460.

Jambo hili litaongeza jumla ya mgawo wa 1997 hadi 30%. Mgawo huu ni shilingi za Kenya milioni 138 zikilinganishwa na shilingi za Kenya milioni 115 mwaka wa 1996.

Hisa za Ziada na Pesa Zaidi za Hisa

Halmashauri yenu pia imependekeza kutolewe hisa za ziada kwa hisa moja kwa kila hisa nne zinazoshikiliwa

tarehe 8.4.98. Halmashauri ya Masoko ya Pesa imeombwa iidhinisha kutolewa kwa hisa hizi na tuna hakika idhini itatolewa. Hisa mpya hazitapewa mgawo wa pesa wa mwaka unaomalizikia 31.12.1997. Kutokana na kutolewa kwa hisa za ziada pesa za hisa ambazo zimeidhinishwa na kutolewa zitaongezeka kwa shilingi za Kenya milioni 115 kutoka shilingi za Kenya milioni 460 hadi shilingi za Kenya milioni 575.

Uboreshaji wa Uwezo wa Wafanyakazi

Kulikuwa na wafanyakazi 377 tarehe 31.12.1997 wakilinganishwa na wafanyakazi 392 tarehe 31.12.1996. Wafanyakazi wote wa kampuni wameendelea kutoa huduma zao kikamilifu. Mwishoni mwa mwaka, jumla ya wafanyakazi 38 walipewa tuzo za huduma ya muda mrefu kwa sababu ya kuhudumia kampuni kwa miaka 10, 15, 20 au 25. Wafanyakazi wa viwango vyote wanaendelea kupewa mafunzo ili kuwapatia ujuzi unaohitajika kazini, maarifa na mielekeo ambayo itawawezesha kukabiliana kwa kujiamini na shughuli za kikazi za hivi sasa na za siku za baadaye.

Wakurugenzi

Mwaka jana Halmashauri yenu iliunda Kamiti ya Halmashauri ya Ukaguzi wa Hesabu za Pesa ili kusimamia masuala ya kifedha ya shughuli za kampuni. Kamati ya Halmashauri ya Masuala ya Wafanyakazi ilikuwa tayari ikiendesha shughuli zake. Kamati hizi zitakuwa zinatoa ripoti kwa Halmashauri, na zinanuiwa kuimarisha utendaji kazi na kuboresha usimamizi wa kampuni.

Wanachama watatu wa Halmashauri yaani S.S Lesrima, Mha. A.M.H. Sharawe na Bw. C.D.K. Arap-Kirui waliondoka kutoka Halmashauri mwaka jana. Ninachukua fursa hii kuwashukuru kwa mchango wao mzuri kwenye shughuli za kampuni. Shukrani zangu maalum ziende kwa Bw. C.D.K. Arap-Kirui kwa huduma zake kwa Kampuni wakati wa kipindi alichokuwa mwenyekiti. Ninamtakia ufanisi kwenye kazi yake mpya kama Waziri Mdogo wa Fedha na pia katika shughuli zake nyingine za siku za baadaye. Ninamkaribisha Bi.

Margaret Kwengwa Chemengich, Mha. Samson Teere Akute na Bw. Titus Naikuni ambao wamejiunga na Halmashauri na nina hamu ya kufanya nao kazi katika Halmashauri kama timu katika kuimarisha faida ya wenye hisa katika mtaji wao na ili kutekeleza jukumu zetu zingine za kijamii.

Shukrani

Ningependa kuwashukuru wakurugenzi wenzangu kwa usaidizi na mchango wao katika ukuaji wa Kundi. Pia ninawashukuru wasimamizi na wafanyakazi wa Kampuni na makampuni yake kwa kujitolea kwao na juhudi zao. Bila kujitolea na juhudi hizo hatungepata matokeo mazuri sana ambayo tulipata.

Mwisho, ningependa kuwashukuru wawekaji pesa, waombaji mikopo, wenye hisa na taasisi na mashirika mengine yote ambayo yamekuwa na uhusiano na Kampuni. Kampuni linatilia maanani sana uhusiano huo.

Asante,

MWENYEKITI,

MARCH 12, 1998

Report of The Directors

The Directors have pleasure in presenting their Report and the Audited Accounts of the Company for the year ending 31st December, 1997.

1. Principal Activities

The Company is a Mortgage Institution licensed under the Banking Act (Cap. 488) and seeks to encourage and promote the flow of savings both private and public into financing home-ownership through provision of savings and deposit banking facilities. Additionally the Company also lends for the purchase and construction of commercial properties and also on the purchase of plots in urban areas.

2. Results	Kshs.'000
Pre-tax profit of the Group for the year	483,237
Taxation thereon	186,110
Profit after taxation	<u>297,127</u>

3. Dividend

An interim dividend of 10% equal to Kshs.46,000,000 was declared in August 1997 and paid in September 1997.

The Directors recommend a final dividend of 20% on the paid-up share capital of Kshs.460,000,000. This will be paid on or about 22nd May, 1998 to shareholders registered as at the close of business on 8th April, 1998. Total dividend for the year amounts to Kshs.138 million compared to last year's dividend of Kshs.115 million.

4. Increase in Authorised Share Capital

It is proposed to the members of the company at their Annual General Meeting on 22nd May, 1998 that they consider increasing the capital of the company to Kenya Shillings Five hundred and seventy five million (Kshs.575,000,000) by the creation of twenty three million ordinary shares of Kenya Shillings Five (Kshs.5/=) each to rank pari passu in all respects with the existing ordinary shares of the company.

5. Bonus Shares

It is proposed to request members of the company to approve that the increased share capital be satisfied by capitalisation of the sum of Kenya Shillings one hundred and fifteen million (Kshs.115,000,000) being part of the amount standing to the credit of the Reserves Account and to issue bonus shares in the proportion of one ordinary share for every four held and that such new shares shall rank pari passu with the existing issued ordinary shares of the company save that they will not qualify for the 1997 dividend.

6. Directors

The Directors who have held office since 1st January, 1997 are as follows:-

Mr. Charles Davy Kipngetich Arap-Kirui

- (Resigned on 26.2.1998)

Mrs. Anne Atieno Weda Amissabuor

Mr. Kungu Gatabaki

Mr. Martin Geake

Mr. Benjamin Kipketch Kipkulei - (Resigned on 1.8.1997)

Mr. Walter Bernard Mukundi Mukuria. - (Managing)

Eng. Abdullahi Mohamed Hussein Sharawe
-(Resigned on 12.3.1998)

Mr. Simeon Saimanga Lesrima -With effect from 1.8.1997
-(Resigned on 7.2.1998)

Ms. Margaret Kwengwa Chemengich -With effect from
12.3.1998 (Alternate Mr. Njeru Kirira)

Eng. Samson Teere Akute - With effect from 12.3.1998

Mr. Titus Naikuni -With effect from 12.3.1998

Mr. Martin Geake retires by rotation and being eligible, offers himself for re-election.

In accordance with the Articles of Association Ms. Margaret Kwengwa Chemengich, Eng. Samson Teere Akute and Mr. Titus Naikuni having been appointed to the Board under Article 84 of the Company's Articles of Association retire at this Annual General Meeting and being eligible offer themselves for re-election.

7. Auditors

The Auditors, Messrs KPMG Peat Marwick will be re-appointed under Section 159(2) of the Companies Act (Cap. 486) at a fee to be determined by the Directors.

By Order of the Board

S.W. Waiganjo

COMPANY SECRETARY

Nairobi: 12th March, 1998

Taarifa ya Wakurugenzi

Wakurugenzi wana furaha kutoa taarifa yao na Akaunti za kampuni ambazo zimekaguliwa za mwaka uliomalizika tarehe 31 Desemba, 1997.

1. Shughuli kuu

Kampuni ni Taasisi ya kutoa Rehani ambayo imepewa leseni chini ya sheria ya Mabenki (lb.488) na hujaribu kutia moyo na kustawisha uingizaji akiba za kibinafsi na za umma katika kugharamia umiliki wa nyumba kwa kutoa nafasi za kuweka akiba na amana pamoja na huduma nyingine kama vile kupokea na kusimamia pesa za kutumiwa siku za baadaye. Vile vile kampuni hutoa mikopo kwa minajili ya kununua na kujenga nyumba za kibiashara na pia kununua ploti mijini.

2. Matokeo

Kshs.'000

Faida ya kundi kabla ya kulipa kodi 483,237

Kodi kwa faida hiyo 186,110

Faida baada ya kulipa kodi 297,127

3. Mgawo wa Pesa

Mgawo wa kwanza wa 10% kwenye pesa za hisa ambazo zimelipwa wa kshs.460,000,000 ulitangazwa Agosti 1997 na kutolewa Septemba 1997.

Wakurugenzi wanapendekeza mgawo wa pesa wa mwisho wa 20% kwenye hisa ambazo zimelipwa za Ksh. 460,000,000. Malipo haya yatatolewa tarehe 22 Mei 1998 au kabla ya hapo kwa wanahisa ambao wameandikishwa mwishoni mwa kazi tarehe 8 Aprili, 1998. Jumla ya mgawo kwa mwaka unafikia shilingi za Kenya milioni 138 ukilinganishwa na ule wa mwaka jana wa shilingi za Kenya milioni 115.

4. Ongezeko lilokubaliwa la kiasi cha mtaji wa hisa

Inapendekezwa kwa wanachama wa Kampuni kwenye Mkutano wao Mkuu wa Kila Mwaka wa tarehe 22 Mei, 1998, kwamba wafikirie kuongeza pesa za kampuni hadi shilingi za Kenya milioni 575 kwa kuundwa hisa mpya za kawaida milioni Ishirini na tatu za shilingi tano za Kenya kila hisa na ambazo zitalingana kwa kila namna na hisa nyingine za kawaida zilizopo za Kampuni.

5. Hisa za nyongeza

Inapendekezwa wanachama wa kampuni waombwe kuidhinisha ongezeko la pesa za hisa kwa kugeuza kuwa mtaji shilingi za Kenya milioni 115 zikiwa ni sehemu ya Akaunti ya Akiba na kutoa hisa za ziada kwa hisa moja ya kawaida kwa kila hisa nne zinazomilikiwa na kwamba hizo hisa mpya zitalingana kwa kila namna na hisa za kawaida zilizopo za kampuni isipokuwa hisa hizo mpya hazitatolewa mgawo wa pesa wa 1997.

6. Wakurugenzi

Wakurugenzi ambao wamekuwa mamlakani tangu 1 Januari 1997 ni hawa wafuatao:

Bw. Charles Davy Kipngetchi Arap-Kirui - (alijiuzulu tarehe 26.2.1998)

Bi. Anne Atieno Weda Amissabuor

Bw. Kungu Gatabaki

Bw. Martin Geake

Bw. Benjamin Kipketch Kipkulei-(alijiuzulu tarehe 1.8.1997)

Bw. Walter Bernard Mukundi Mukuria-(Mkurugenzi Mkuu)

Mha. Abdullahi Mohamed Hussein Sharawe - (Alijiuzulu tarehe 12.3.1998)

Bw. Simeon Saimanga Lesrima - kuanzia 1.8.1997
(Alijiuzulu tarehe 7.2.1998)

Bi. Margaret Kwengwa Chemengich - Kuanzia 12.3.1998
(Atabadilishana nafasi na Bw. Njeru Kirira)

Mha. Samson Teere Akute - Kuanzia 12.3.1998

Bw. Titus Naikuni kuanzia 12.3.1998

Bw. Martin Geake anastaafu kulingana na ustaafu kwa zamu na kwa vile ana haki ya kuchaguliwa tena, anagombea kuchaguliwa upya.

Kwa mujibu wa Kanuni za Kampuni, Bi Margaret Kwengwa Chemengich, Mha. Samson T. Akute na Bw. Titus Naikuni, baada ya kuchaguliwa kujiunga na Halmashauri chini ya Kanuni 84 ya Kanuni za Kampuni wanastaafu katika Mkutano huu Mkuu wa Kila Mwaka na kwa vile wana haki ya kuchaguliwa tena wanagombea kuchaguliwa upya.

7. Wakaguzi wa hesabu za pesa

Wakaguzi wa Hesabu za pesa Messrs KPMG Peat Marwick watateuliwa upya chini ya kifungu 159(2) cha Sheria ya Makampuni (Ibara 486) kwa malipo yatakayoamuliwa na wakurugenzi.

Kwa Amri ya Halmashauri.

S.W. Waiganjo

KATIBU WA KAMPUNI

Nairobi: 12 Machi, 1998

Auditor's Report

We have audited the financial statements set out on pages 15 to 27 which have been prepared on the basis of the accounting policies set out in Note 1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and to provide a reasonable basis for our opinion. The balance sheet of the company is in agreement with the books of accounts.

Under the provisions of the Companies Act, the directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the company and the group and of the operating results of the group. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

We conducted our audit in accordance with Kenyan Auditing Standards. Those 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 financial statements. 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 financial statements.

In our opinion, proper books of accounts have been kept and the financial statements give a true and fair view of the state of the financial affairs of the company and of the group at 31 December 1997 and of the operating results and cash flows of the group for the year then ended in accordance with the Kenya Accounting Standards and comply with the companies Act.

KPMG Peat Marwick
CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 40612,
NAIROBI.
Date: 12th March 1998

Taarifa ya Wakaguzi wa Hesabu

Tumekagua taarifa za hesabu zilizoko kwenye kurasa 15 hadi 27 ambazo zimetayarishwa kwa kuzingatia maongozi ya hesabu ambayo yametolewa kwenye maelezo 1. Tumepata habari na maelezo yote ambayo kwa kadri tujuavyo na tunavyoamini yalikuwa muhimu kwa malengo ya ukaguzi wetu wa hesabu za pesa na kutuwezesha kufikia uamuzi wetu. Urari wa mapato na matumizi ya kampuni unakubaliana na vitabu vya hesabu za pesa.

Kwa mjibu wa Kanuni za Sheria ya Makampuni, wakurugenzi wana jukumu la kutengeneza taarifa za pesa ambazo zinatoa picha sahihi na ya kweli ya hali ya pesa za kampuni na Kundi la makumpuni yake na matokeo ya utendaji wa Kundi. Jukumu letu ni kutoa maoni huru juu ya taarifa za pesa kwa kuzingatia ukaguzi wetu wa hesabu za pesa na kutoa maoni yetu kwenu.

Tulikagua hesabu za pesa kulingana na kanuni za uhasibu za Kenya. Kanuni hizo zinaamrisha kwamba tupange na tufanye ukaguzi wa hesabu za pesa ili kupata hakikisho zuri kwamba hesabu za pesa hazina makosa. Ukaguzi wa hesabu za pesa huwa ni pamoja na kuchunguza njia ya kufanya majaribio, ushahidi wa kuunga mkono idadi na habari katika taarifa za pesa. Pia huwa ni pamoja na uchunguzi wa miongozo ya uhasibu iliyotumika na makadirio muhimu yaliyofanywa na wakurugenzi na pia uchunguzi wa kijumla wa uwasilishaji taarifa za pesa.

Kwa maoni yetu, hesabu za pesa zimewekwa vizuri na taarifa za pesa zinatoa picha sahihi na ya kweli ya hali ya pesa za Kampuni na Kundi kufikia tarehe 31 Desemba, 1997 na ya matokeo ya utendaji na matumizi ya pesa hizo kulingana na kanuni za uhasibu za Kenya na zinazingatia Sheria ya Makampuni.

KPMG Peat Marwick
CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 40612,
NAIROBI.
Tarehe: 12 March 1998

Consolidated Profit and Loss Account for the year ended 31 December 1997

	Note	1997 KShs	1996 KShs
INCOME	2	2,671,382,248	2,350,621,273
EXPENDITURE	3	(2,188,145,214)	(1,942,727,854)
PROFIT BEFORE TAXATION	4	483,237,034	407,893,419
TAXATION	5	(186,109,722)	(155,016,723)
PROFIT AFTER TAXATION		297,127,312	252,876,696
DIVIDENDS	6	(138,000,000)	(115,000,000)
RETAINED PROFIT FOR THE YEAR		<u>159,127,312</u>	<u>137,876,696</u>
RETAINED PROFIT FOR THE YEAR			
The parent company		128,524,323	127,597,585
Subsidiary companies		30,602,989	10,279,111
		<u>159,127,312</u>	<u>137,876,696</u>
EARNINGS PER SHARE	7	KShs 3.23	KShs 2.75

The notes on pages 19 to 27 form part of these accounts.



Komarock Estate Phase 3B financed by HFCK

Consolidated Balance Sheet as at 31 December 1997

	Note	1997 KShs	1996 KShs
ASSETS			
Cash and bank balances		143,454,131	185,493,088
Deposits and balances due from banking institutions	8	350,986,302	1,070,216,996
Investment in Government Securities	9	823,389,521	265,634,061
Investment properties	10	33,900,000	33,900,000
Interest receivable		28,717,426	42,659,623
Mortgage advances to customers	12	7,581,717,370	5,825,791,424
Other assets		96,191,468	302,027,577
Housing Development Projects	13	453,721,985	496,169,969
Fixed assets	15	543,581,887	548,830,152
		<u>10,055,660,090</u>	<u>8,770,722,890</u>
LIABILITIES			
Deposits and balances due to			
Banking institutions	16	-	57,031,457
Customer deposits	17	7,772,692,345	6,641,339,246
Certificates of deposits		179,470,642	108,555,678
Interest payable		272,103,635	201,825,827
Other liabilities		217,275,246	258,593,435
Taxation		31,084,475	49,417,538
Dividends - Payable		35,000,000	77,000,000
- Proposed		92,000,000	69,000,000
		<u>8,599,626,343</u>	<u>7,462,763,181</u>
NET ASSETS		<u>1,456,033,747</u>	<u>1,307,959,709</u>
CAPITAL AND RESERVES			
Share capital	18	460,000,000	460,000,000
Reserves	19	844,828,236	676,672,599
SHAREHOLDERS' INCOME NOTES AND LOANS	20	151,205,511	171,287,110
		<u>1,456,033,747</u>	<u>1,307,959,709</u>

The accounts set out on pages 15 to 27 were approved by the Board of Directors on 12th March 1998 and were signed on its behalf by:-

Mr. M Geake	}	Directors
Mr. W.B.M. Mukuria		
Mrs. A.A.W. Amissabuor		
Mr. S.W. Waiganjo		
		Company Secretary

The notes on pages 19 to 27 form part of these accounts.

Company Balance Sheet as at 31 December 1997

	Note	1997 KShs	1996 KShs
ASSETS			
Cash and bank balances		141,839,327	185,478,088
Deposits and balances due from banking institutions	8	350,986,302	1,070,216,996
Investment in Government Securities	9	823,389,521	265,634,061
Interest receivable		28,717,426	42,659,623
Investments in subsidiaries	11	55,020,000	55,020,000
Mortgage advances to customers	12	7,581,717,370	5,825,791,424
Dividends receivable		15,502,000	20,502,000
Amounts due from subsidiaries	14	188,954,179	231,479,545
Other assets		92,568,267	277,837,527
Fixed assets	15	541,718,321	546,101,291
		<u>9,820,412,713</u>	<u>8,520,720,555</u>
LIABILITIES			
Customer deposits	17	7,772,692,345	6,645,347,998
Certificates of deposits		179,470,642	108,555,678
Interest payable		272,103,635	201,825,827
Other liabilities		113,218,784	146,135,334
Taxation		17,508,148	51,907,608
Dividends - Payable		35,000,000	77,000,000
- Proposed		92,000,000	69,000,000
		<u>8,481,993,554</u>	<u>7,299,772,445</u>
NET ASSETS		<u>1,338,419,159</u>	<u>1,220,948,110</u>
CAPITAL AND RESERVES			
Share capital	18	460,000,000	460,000,000
Reserves	19	727,213,648	589,661,000
SHAREHOLDERS' INCOME NOTES AND LOANS	20	151,205,511	171,287,110
		<u>1,338,419,159</u>	<u>1,220,948,110</u>

The accounts set out on pages 15 to 27 were approved by the Board of Directors on 12th March 1998 and were signed on its behalf by:-

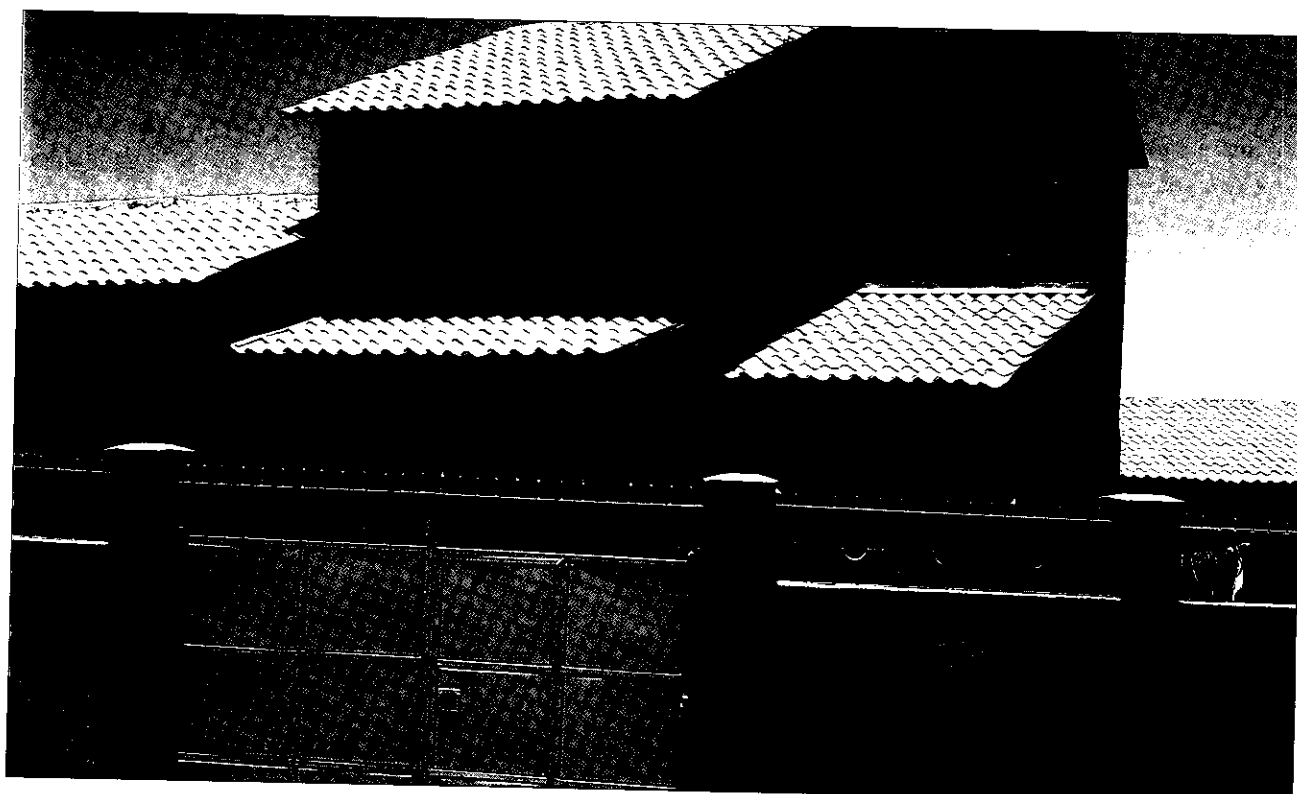
Mr. M Geake	}	Directors
Mr. W.B.M. Mukuria		
Mrs. A.A.W. Amissabuor		
Mr. S.W. Waiganjo		
		Company Secretary

The notes on pages 19 to 27 form part of these accounts.

Consolidated Cash Flow Statement for the Year Ended 31 December 1997

	Note	1997 KShs	1996 KShs
Net cash inflow from operating activities	21(a)	280,088,651	699,055,604
Taxation paid		(204,442,785)	(109,278,521)
Return on investments and servicing of finance			
Ordinary dividends paid		(157,000,000)	(56,000,000)
Loan interest		(9,542,597)	(12,282,708)
Net cash outflow from investments and servicing of finance		(166,542,597)	(68,282,708)
Investing activities			
Purchase of fixed assets		(32,716,283)	(39,875,506)
Proceeds from sale of fixed assets		1,101,305	1,640,000
Net cash outflow from investing activities		(31,614,978)	(38,235,506)
Financing			
Shareholders' loan repayments		(23,971,025)	(31,248,171)
Other loan repayments		-	(1,130,583)
Net cash outflow from financing		(23,971,025)	(32,378,754)
Net (decrease)/increase in cash and cash equivalents	21(b)	(146,482,734)	450,880,115

The notes on pages 19 to 27 form part of these accounts.



House in Komarock Phase 3B Financed by HFCK

| Accounting Policies

1. The following paragraphs describe the main accounting policies used by the group:-

a) Accounting convention

The accounts are prepared on a historical cost convention modified to include the revaluation of certain fixed assets and investment properties.

b) Consolidation of Group Companies

The consolidated accounts comprise the accounts of the parent company and its subsidiaries listed under Note 11, all of which are made up to the 31 December 1997.

c) Interest

Interest receivable and payable is calculated and included on the accruals basis.

d) Depreciation and amortisation

Depreciation on fixed assets is calculated on the straight line basis to write off their cost or valuation over their expected useful lives. The principal annual rates used are:-

Land - Freehold	- Nil
- Long leasehold	- Nil
Buildings	- 2% or over period of lease
Furniture, fixtures, equipment, and motor vehicles	- 5% - 25%

No depreciation is charged on investment properties

Excess depreciation provided on the surplus over cost of assets at valuation is met by an annual transfer from capital reserve to revenue reserve.

e) Taxation

Current taxation is provided on the profits for the year as shown in the accounts adjusted in accordance with the tax legislation.

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

f) Translation of Foreign Currencies

Transactions in foreign currencies during the period are converted into Kenya Shillings at rates ruling at the transactions dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting realised and unrealised differences from conversion and translation are taken to the profit and loss account and the Exchange Equalisation Reserve respectively.

g) Treasury Bills and Bonds

These are stated at cost. Interest is credited to income over the period of issue.

h) Mortgage Loss Provisions

Specific provisions are made in respect of mortgage advances when in the opinion of the management recovery is doubtful.

A general provision is made in accordance with Central Bank of Kenya guidelines.

Notes to the Accounts

2. INCOME

	1997 KShs	1996 KShs
Interest on advances	1,649,947,964	1,309,456,919
Interest on deposits and Government Securities	358,403,992	280,050,067
Fees and commissions	159,643,112	134,436,260
Rental income	13,922,180	12,728,027
House sales	489,465,000	613,950,000
	2,671,382,248	2,350,621,273

3. EXPENDITURE

	1997 KShs	1996 KShs
Interest on deposits	1,289,235,651	930,787,187
Interest on borrowed funds	25,008,551	27,335,989
Cost of houses sold	419,759,862	582,847,104
Other expenses	454,141,150	401,757,574
	2,188,145,214	1,942,727,854

4. GROUP PROFIT BEFORE TAXATION IS ARRIVED AT AFTER (CREDITING)/CHARGING THE FOLLOWING ITEMS

	1997 KShs	1996 KShs
Crediting:-		
Write back of provision on short term deposits	(3,069,000)	(9,213,878)
Profit on sale of fixed assets	(1,049,529)	-
Charging:-		
Loss on sale of fixed assets	-	822,161
Directors' remuneration		
- Fees, expenses and mortgage interest benefits	2,538,462	2,924,889
- Executive emoluments	6,960,552	6,286,057
Auditors' remuneration		
- Current year	2,734,070	2,498,544
- Prior year adjustment	20,724	(49,841)
Exchange loss on Sterling loan repayments	12,917,751	11,903,001
Depreciation	36,474,131	31,727,532
	36,474,131	31,727,532

5. TAXATION

	1997 KShs	1996 KShs
a) At 35% on the profit for the year as adjusted for tax purposes	186,109,722	155,025,265
(Overprovision) in prior year	-	(8,542)
	186,109,722	155,016,723

Notes to the Accounts (continued)

- b) No credit has been taken in these accounts for tax relief that will accrue in future years from the excess of tax written down values at 31 December 1997 over the corresponding book values of the assets concerned. At existing rates of tax, such future relief amounts to KShs.4,007,231 (1996 - KShs.3,628,112).

6. DIVIDEND

	1997 KShs	1996 KShs
Interim paid	46,000,000	46,000,000
Final proposed	92,000,000	69,000,000
	138,000,000	115,000,000

7. EARNINGS PER SHARE

Earnings per share is calculated on the profit after taxation of KShs.297,127,312 (1996 - KShs. 252,876,696) and on the number of shares in issue at the balance sheet date.

8. DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS

Group and Company:-

	1997 KShs	1996 KShs
Due within 90 days	350,986,302	1,070,216,996

9. INVESTMENT IN GOVERNMENT SECURITIES

Group and Company:-

	1997 KShs	1996 KShs
Kenya Government stocks - 2000	9,775,000	9,775,000
Treasury bills due within 90 days	723,614,521	255,859,061
Treasury bonds due within 180 days	90,000,000	-
	823,389,521	265,634,061

The Kenya Government stocks consists of 50,000 units of KShs.200 each at a cost of KShs.195.50. The rate of interest is 10.75% p.a. receivable half yearly on 30 June and 31 December every year upto maturity.

10. INVESTMENT PROPERTIES

The group's investment properties are stated at professional valuation carried out on 31 December 1995.

11. INVESTMENT IN SUBSIDIARIES (Unquoted) - Company

Shares at cost:-

	% of shares held	1997 KShs	1996 KShs
First Permanent (East Africa) Limited	100	5,020,000	5,020,000
Kenya Building Society Limited	100	50,000,000	50,000,000
		55,020,000	55,020,000

Notes to the Accounts (continued)

12. MORTGAGE ADVANCES TO CUSTOMERS

Group and Company:-

	1997 KShs	1996 KShs
Mortgages	7,313,319,584	5,592,238,158
Staff mortgages	431,281,204	336,437,948
	<u>7,744,600,788</u>	<u>5,928,676,106</u>
Less:		
Provision for bad and doubtful advances		
- Specific	(147,598,868)	(102,884,682)
- General	(15,284,550)	-
	<u>7,581,717,370</u>	<u>5,825,791,424</u>
Maturing:		
Within five years	720,045,788	500,909,106
Over five years to ten years	1,350,251,000	1,598,992,000
Over ten years to fifteen years	2,217,008,000	1,932,518,000
Over fifteen years	3,457,296,000	1,896,257,000
	<u>7,744,600,788</u>	<u>5,928,676,106</u>

12.1 PROVISION FOR BAD AND DOUBTFUL ADVANCES

Group and Company:-

	1997 KShs	1996 KShs
At 1 January - Specific	102,884,682	63,144,330
Provision during the year		
- Specific	44,714,186	39,740,352
- General	15,284,550	-
At 31 December	<u>162,883,418</u>	<u>102,884,682</u>

13. HOUSING DEVELOPMENT PROJECTS

Group:-

	1997 KShs	1996 KShs
Costs to date:-		
Komarock Housing Projects	305,731,489	340,340,248
Mombasa Housing Projects	122,369,886	154,209,111
Kisumu Housing Projects	1,620,610	1,620,610
Langata Housing Project	24,000,000	-
	<u>453,721,985</u>	<u>496,169,969</u>

Commitments in respect of these projects, authorised and contracted for but not provided as at 31 December 1997 amounted to KShs.603,459,206 (1996 - KShs.184,039,244)

Notes to the Accounts (continued)

14. AMOUNTS DUE FROM SUBSIDIARIES

Company:-	1997 KShs	1996 KShs
Kenya Building Society Limited	186,120,343	227,628,881
First Permanent (E.A.) Limited	2,833,836	3,850,664
	<u>188,954,179</u>	<u>231,479,545</u>

15. FIXED ASSETS - As per pages 26 and 27

16. DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS

Group:-	1997 KShs	1996 KShs
Payable within one year	-	57,031,457

	1997		1996	
17. CUSTOMER DEPOSITS	Group KShs	Company KShs	Group KShs	Company KShs
a) From Government and parastatals:				
Payable within 90 days	544,704,000	544,704,000	487,664,000	487,664,000
Payable after 90 days and within one year	427,591,000	427,591,000	315,484,000	315,484,000
Payable after one year	1,633,321,000	1,633,321,000	1,284,790,000	1,284,790,000
b) From private sector and individuals:				
Payable within 90 days	4,351,840,000	4,351,840,000	3,607,559,000	3,611,567,752
Payable after 90 days and within one year	517,618,000	517,618,000	664,636,000	664,636,000
Payable after one year	297,618,345	297,618,345	281,206,246	281,206,246
	<u>7,772,692,345</u>	<u>7,772,692,345</u>	<u>6,641,339,246</u>	<u>6,645,347,998</u>

18. SHARE CAPITAL

	1997 KShs	1996 KShs
Authorised		
92,000,000 Ordinary Shares of KShs.5.00 each	460,000,000	460,000,000
Issued and fully paid		
92,000,000 (1996 - 69,000,000) Ordinary shares of KShs.5.00 each	460,000,000	345,000,000
Bonus share issue		
23,000,000 Ordinary Shares of KShs.5.00 each during the year	-	115,000,000
	<u>460,000,000</u>	<u>460,000,000</u>

Notes to the Accounts (continued)

19. RESERVES

GROUP:-

	Capital KShs	Share premium KShs	Exchange equalisation KShs	Retained profits KShs	Total KShs
Balance at 1 January 1997	353,918,598	25,705,048	(9,787,470)	306,836,423	676,672,599
Retained profit for the year	-	-	-	159,127,312	159,127,312
Exchange gain on revaluation of Sterling loan	-	-	12,417,852	-	12,417,852
Tax effect on unrealised exchange difference	-	-	(3,389,527)	-	(3,389,527)
Excess depreciation transfer	(2,128,639)	-	-	2,128,639	-
Balance at 31 December 1997	351,789,959	25,705,048	(759,145)	468,092,374	844,828,236

COMPANY:

Balance 1 January 1997	329,835,829	25,705,048	(9,787,470)	243,907,593	589,661,000
Retained profit for the year	-	-	-	128,524,323	128,524,323
Exchange gain on revaluation of Sterling loan	-	-	12,417,852	-	12,417,852
Tax effect on unrealised exchange difference	-	-	(3,389,527)	-	(3,389,527)
Excess depreciation transfer	(2,128,639)	-	-	2,128,639	-
Balance at 31 December 1997	327,707,190	25,705,048	(759,145)	374,560,555	727,213,648

20. SHAREHOLDERS' INCOME NOTES AND LOANS

	1997 KShs	1996 KShs
Government of Kenya - Income Notes	50,750,000	50,750,000
Commonwealth Development Corporation 1975 to 2003	312,187,476	318,020,953
	<u>362,937,476</u>	<u>368,770,953</u>
Less: Unrealised exchange differences recoverable from the Government of Kenya under a Risk Assumption Agreement	(211,431,912)	(193,794,263)
Tax relief on unrealised exchange losses	(300,053)	(3,689,580)
	<u>151,205,511</u>	<u>171,287,110</u>

The loan advances are repayable over the following period:-

a) Commonwealth Development Corporation - 1975 to 2003

i) During 1998 principal loan repayments to Commonwealth Development Corporation will amount to

Notes to the Accounts (continued)

KShs.1,263,162 at the rate of exchange ruling at 31 December 1997.
 ii) In respect of Komarock loan of Stg.£2,750,000, the company has committed to pay to the Government of Kenya a risk assumption fee at the rate of 2.5% per annum on the outstanding loan balance to cover itself fully against future exchange losses on repayments of principal amounts and interest on due dates. During 1998 principal loan repayments will amount to KShs.51,822,450 at the rate of exchange at 31 December 1997 of which only KShs.16,583,778 will be payable by the company under the above agreement.

b) Government of Kenya - Income Notes carry no redemption date.

21. NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of operating profit to net cash inflow from operating activities:-

	1997 KShs	1996 KShs
Group profit before taxation	483,237,034	407,893,419
Decrease/(Increase) in interest receivable	13,942,197	(4,398,411)
Increase in interest payable	70,277,808	53,586,905
Mortgage loss provision	59,998,736	39,740,352
Depreciation	36,474,131	31,727,532
Assets written off	1,438,641	-
Exchange variations on loan repayments	12,917,751	11,903,001
(Profit)/Loss on sale of fixed assets	(1,049,529)	822,161
Loan interest	9,542,597	12,282,708
Increase in public deposits	1,202,268,063	1,384,705,170
Mortgage disbursements	(2,202,870,245)	(1,731,490,182)
Mortgage recoveries	386,945,563	448,417,433
Increase/(Decrease) in other assets	205,836,109	(66,438,490)
(Decrease)/Increase in other liabilities	(41,318,189)	92,782,047
Housing projects	42,447,984	17,521,959
Net cash inflow from operating activities	280,088,651	699,055,604

b) Movement in cash and cash equivalents:-

	1997 KShs	1996 KShs
Represented by increase/(decrease) in:		
Cash at bank and in hand	(42,038,957)	14,680,961
Treasury bills and bonds	557,755,460	(249,350,710)
Funds at call and short notice	(719,230,694)	565,216,996
Bank Overdraft	57,031,457	120,332,868
	(146,482,734)	450,880,115

22. MORTGAGE COMMITMENTS

Group and Company:-

Mortgage commitments amounting to KShs.2,101,065,000 (1996 - KShs. 1,851,837,000) are analysed below:-

	1997 KShs	1996 KShs
Commitment in principle but not authorised for payment	487,024,000	759,252,000
Authorised but not paid	1,614,041,000	1,092,585,000
	2,101,065,000	1,851,837,000

Notes to the Accounts (continued)

23. CAPITAL COMMITMENTS

Group and company:-

	1997 KShs	1996 KShs
Authorised but not contracted	99,497,803	104,537,277

24. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

25. CURRENCY

These accounts are presented in Kenya Shillings (KShs.).

26. FIXED ASSETS

a) Group:-

	Freehold KShs	Land Long term KShs	Leasehold Short term KShs	Building KShs	Furniture fixtures equipment & motor vehicles KShs	Capital work in progress KShs	Total KShs
Cost or valuation:							
At 1 January 1997	16,000,000	203,900,000	1,000,000	231,459,759	226,076,193	1,438,641	679,874,593
Additions	-	-	-	-	32,716,283	-	32,716,283
Written off	-	-	-	-	-	(1,438,641)	(1,438,641)
Disposals	-	-	-	-	(1,875,028)	-	(1,875,028)
At 31 December 1997	16,000,000	203,900,000	1,000,000	231,459,759	256,917,448	-	709,277,207
At cost	-	700,000	-	6,959,759	256,917,448	-	264,577,207
At valuation	16,000,000	203,200,000	1,000,000	224,500,000	-	-	444,700,000
Depreciation:							
At 1 January 1997	-	-	-	5,873,985	125,170,456	-	131,044,441
Charge for the year	-	-	-	3,063,902	33,410,229	-	36,474,131
Disposals	-	-	-	-	(1,823,252)	-	(1,823,252)
At 31 December 1997	-	-	-	8,937,887	156,757,433	-	165,695,320
At cost	-	-	-	3,385,345	156,757,433	-	160,142,778
At valuation	-	-	-	5,552,542	-	-	5,552,542
Net book value:							
At 31 December 1997	16,000,000	203,900,000	1,000,000	222,521,872	100,160,015	-	543,581,887
At 31 December 1996	16,000,000	203,900,000	1,000,000	225,585,774	100,905,737	1,438,641	548,830,152

Revaluation of assets

The group's land and buildings were revalued on an open market basis by Tysons Limited, a firm of professional valuers on 31 December 1995.

Notes to the Accounts (continued)

26. FIXED ASSETS

b) Company:-

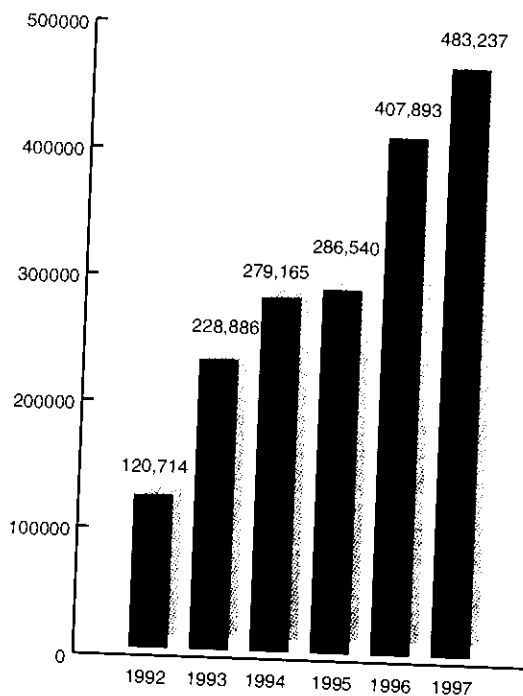
	Land			Building KShs	Furniture fixtures equipment & motor vehicles KShs	Capital work in progress KShs	Total KShs
	Freehold KShs	Leasehold Long term KShs	Short term KShs				
Cost or valuation:							
At 1 January 1997	16,000,000	203,900,000	1,000,000	229,575,318	220,351,687	1,438,641	672,265,646
Additions	-	-	-	-	32,686,086	-	32,686,086
Written off	-	-	-	-	-	(1,438,641)	(1,438,641)
Disposals	-	-	-	-	(1,875,028)	-	(1,875,028)
At 31 December 1997	16,000,000	203,900,000	1,000,000	229,575,318	251,162,745	-	701,638,063
At cost	-	700,000	-	5,075,318	251,162,745	-	256,938,063
At valuation	16,000,000	203,200,000	1,000,000	224,500,000	-	-	444,700,000
Depreciation:							
At 1 January 1997	-	-	-	4,596,532	121,567,822	-	126,164,354
Charge for the year	-	-	-	2,813,349	32,765,291	-	35,578,640
Disposals	-	-	-	-	(1,823,252)	-	(1,823,252)
At 31 December 1997	-	-	-	7,409,881	152,509,861	-	159,919,742
On cost	-	-	-	1,857,339	152,509,861	-	154,367,200
On valuation	-	-	-	5,552,542	-	-	5,552,542
Net book value:							
At 31 December 1997	16,000,000	203,900,000	1,000,000	222,165,437	98,652,884	-	541,718,321
At 31 December 1996	16,000,000	203,900,000	1,000,000	224,978,786	98,783,865	1,438,641	546,101,291

Revaluation of assets

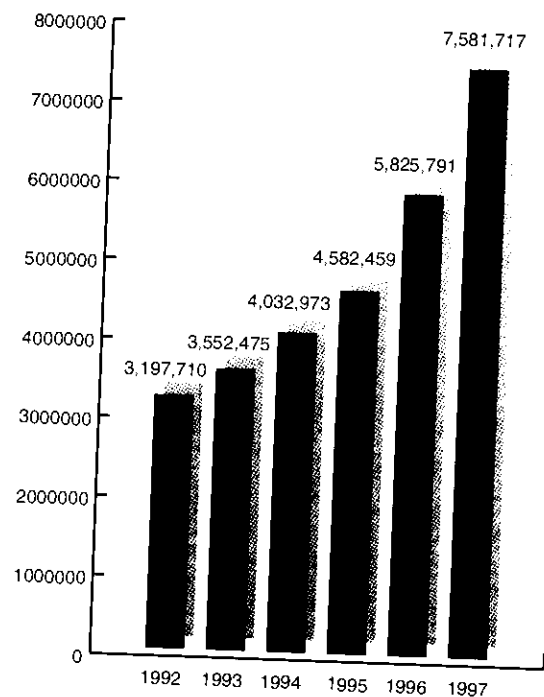
The company's land and buildings were revalued on an open market basis by Tysons Limited, a firm of professional valuers on 31 December 1995.

6 Years Highlights

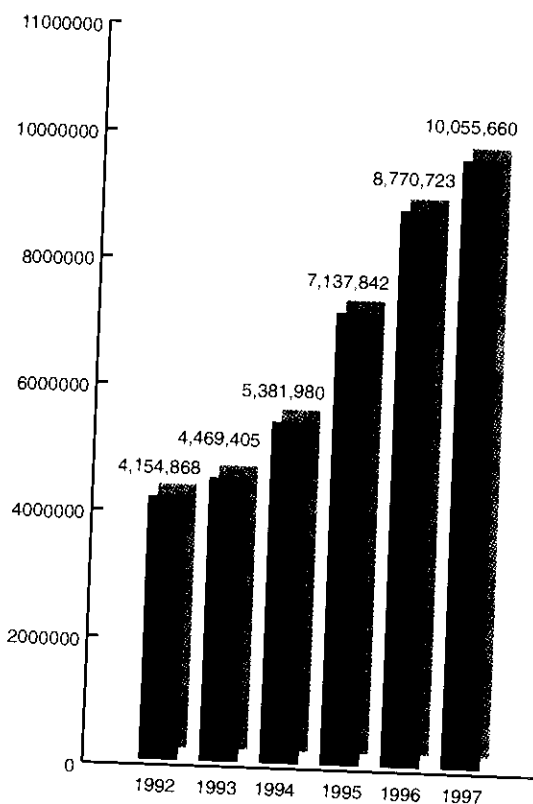
Group profit before tax in Kshs '000



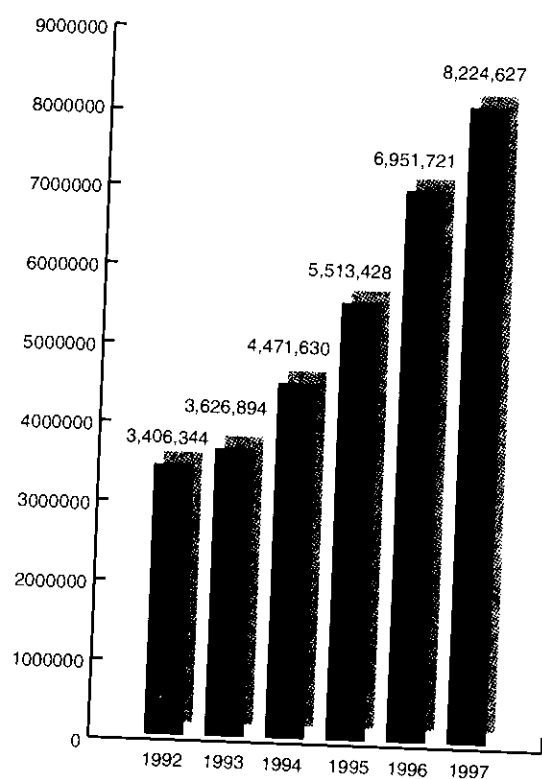
Mortgage Assets in Kshs '000



Total Assets in Kshs '000



Public Deposits in Kshs '000



Group Financial Summary 1992 - 1997

A. Consolidated Profit & Loss Account

	1992 Kshs'000	1993 Kshs'000	1994 Kshs'000	1995 Kshs'000	1996 Kshs'000	1997 Kshs'000
Profit before taxation	120,714	228,886	279,165	286,540	407,894	483,237
Taxation	49,172	84,546	113,182	105,574	155,017	186,110
Profit after taxation	71,542	144,340	165,983	180,966	252,877	297,127
Dividends	37,000	46,000	69,000	69,000	115,000	138,000
Retained profit for the year	34,542	98,340	96,983	111,966	137,877	159,127

B. Main Balance Sheet Items

Public Deposits (including

accrued interest)	3,406,344	3,626,895	4,471,631	5,513,429	6,951,721	8,224,267
Mortgage Asset	3,197,710	3,552,476	4,032,973	4,582,459	5,825,791	7,581,717
Share Capital	230,000	230,000	345,000	345,000	460,000	460,000
Reserves	260,685	342,254	343,278	646,158	676,673	844,828
Total Assets	4,154,868	4,469,405	5,381,981	7,137,842	8,770,723	10,055,660

Directory of Services

HFCK has one primary objective: to help you own your own home.



Banking services at the Head Office, Rehani House

This is primarily achieved through promotion of savings. Between 1965 and 1997, HFCK has advanced more than Kshs.11.5 billion towards the development of housing and home ownership in Kenya and helped thousands of families own their own dream homes. HFCK is firmly committed to enabling many more Kenyans realise this dream in the future. Additionally the company also lends for the purchase and construction of commercial properties and also on the purchase of plots in urban areas.

HFCK is thus a key player in Kenya's financial sector and the company is now the pace-setter in the housing and mortgage industry.

But HFCK provides much more than just money. It provides a host of related services, and customers can



Imara Daima estate – financed by HFCK

depend on the following comprehensive package of services to cater for their varying needs - all under the HFCK roof.

Banking Services

HFCK offers you various savings accounts with rates of interest that are competitive. These are Savings Accounts, Deposit Accounts, Children's Accounts, Provident or Pension Funds, Fixed Term Deposit Accounts, Flexi Accounts, Special Accounts - for individuals or companies with funds for specific projects wishing to earn interest on them pending utilisation; and Housing Development Bonds.

HFCK offers ten different types of Housing Development Bonds with special tax advantages, designed to channel funds into housing while giving



HFCK financed High class residential property

very attractive returns to investors.

HFCK also offers Bearer Certificates of Deposits in various denominations with total confidentiality as to the depositor.

Valuation Services

The company carries out valuations of undeveloped plots, extensions and repairs, as well as valuation on behalf of companies which purchase or rent houses for their employees or which give housing allowance to their staff. HFCK also offers inspection services for houses being constructed by individuals.

Estate Development

Estate developers can obtain a professional opinion on the efficiency of their investments as well as the suitability of the location, design and pricing of the

Directory of Services



Forest View school financed by HFCK

houses they intend to build. After inspecting developer's plans, HFCK can issue a commitment to finance those willing to buy the houses.

Insurance Cover

All houses that HFCK mortgages must be insured for fire. The Company makes all the necessary arrangements on behalf of the client and also arranges life insurance for the borrower so that family members are protected and guaranteed ownership even if a tragedy occurs.

Company Mortgage Scheme

When a company wants to pass on reduced interest rates to its employees as a benefit, it can use this facility, which enables employees to enjoy often substantially reduced mortgage interest rates.

Loans

Customers can obtain loans for five kinds of building projects; existing houses; new houses; individual



Modern computer operations at the Head office

construction; extensions and commercial buildings.

Bridging Finance

A developer may at times be short of cash to finish a project. At the developer's request, HFCK can issue an undertaking to the developer's bank for them to release construction finance required for the completion of the project. HFCK would then release long term funds on satisfactory completion of the project.

Computerisation

The company has installed at the Head Office a modern computer with the latest technology and all branches countrywide communicate interactive on-line through Kenpac with the main-frame computer at the Head Office.



Rural residential property financed by HFCK

Customers can withdraw and/or deposit funds from any of the branches countrywide provided they have passbooks. Similarly those customers with mortgage loans can make repayments to their mortgage loans accounts at any of the branches.

Looking into the future

In future HFCK intends to become more active not only in the core area of development and finance of residential houses, but also other ancillary areas of business related to HFCK's skills, structure, resources and competitive strength.

The expanded portfolio will include insurance, estate management, technical consultancy and any other construction and/or finance related business for which the company is equipped, and which will have a positive impact on the company's revenue and asset base.

Network of Branches

Nairobi

Rehani House, Kenyatta Avenue/Koinange Street
P O Box 30088, Phone 333910, 221101,
Fax: 334670

Gill House, Moi Avenue
P O Box 73340, Phone 333761/221606,
Fax:228436

Maserah House, Kenyatta Market
P O Box 19679, Phone 727864/65,
Fax:727873

View Park Towers
P O Box 20691, Phone 250856/250857
Fax:250858

Epren Centre (BuruBuru)
P O Box 60333, Phone 786990/1,
Fax:786989

Mombasa

Permanent House, Moi Avenue
P O Box 84839, Phone 28776,
Fax:227609

Nakuru

AFC Building, Geoffrey Kamau Way
P O Box 7259, Phone 43399/422816,
Fax:213723

Nyeri

Kimathi Way
P O Box 693, Phone 2290,
Fax:2290

Eldoret

KVDA Plaza, Oloo Street/Utalii Street
P O Box 9015, Phone 32571, Fax:61774

Kisumu

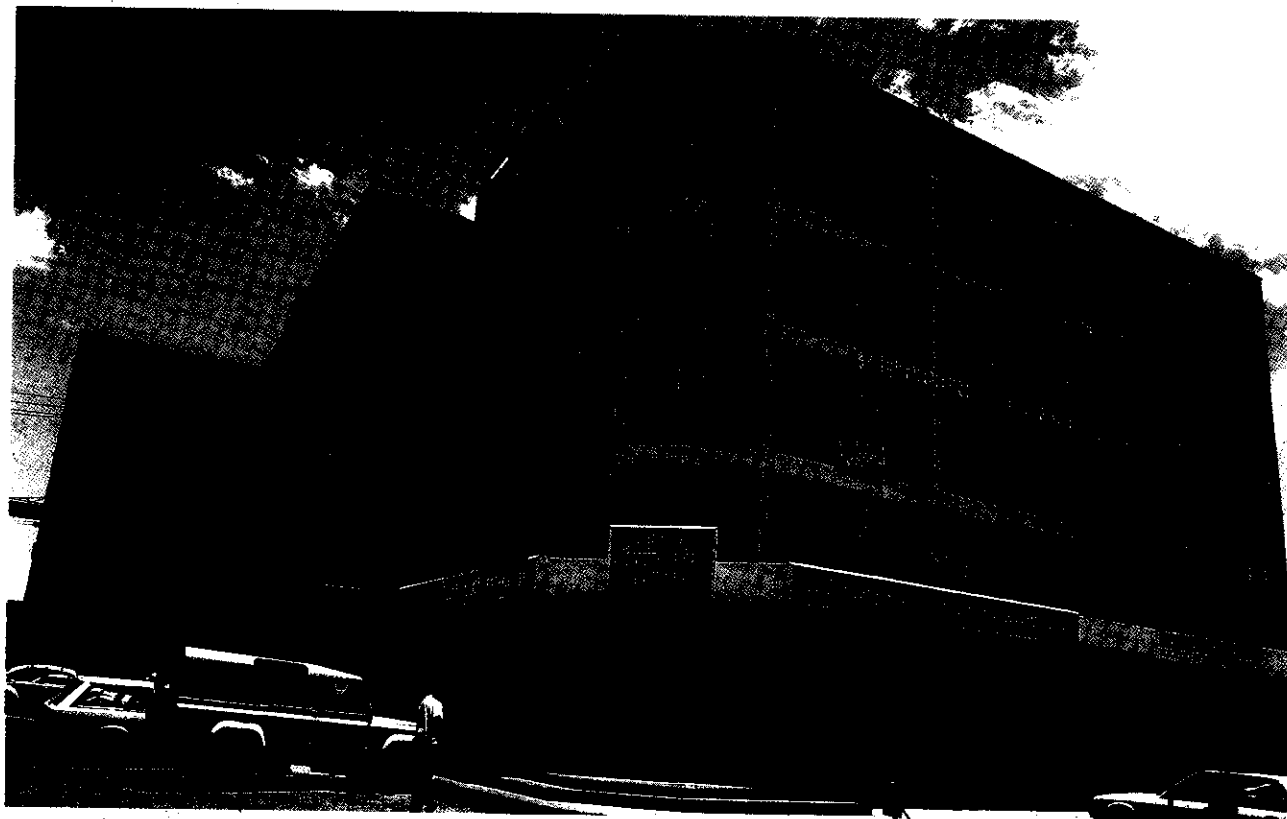
Tivoli Centre, Court Road
P O Box 1557, Phone 40910/1, Fax:21422

Meru

Tom Mboya Street
P O Box 1911, Phone 30586,
Fax:30569

Thika

Thika House
P O Box 43491, Phone 21410/27,
Fax:21589



Recently opened Buru Buru branch, Nairobi.