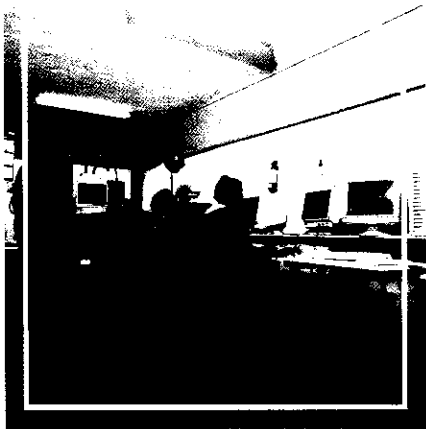


# CONTENTS

	Page
Directors and Management	2
Board of Directors	3
Notice of Annual General Meeting	4
Chairman's Statement	6
Report of the Directors	12
Auditors' Report	16
Consolidated Profit and Loss Account	17
Consolidated Balance Sheet	18
Company Balance Sheet	19
Consolidated Cash Flow Statement	20
Notes to the Accounts	21
7 Years Highlights	32
Group Financial Summary	33
Directory of Services	34
Network of Branches	36



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# **DIRECTORS AND MANAGEMENT**

## **BOARD OF DIRECTORS**

Mr. Titus Tukero Naikuni - Chairman (Kenyan)  
Mr. W.B.M. Mukuria - Managing (Kenyan)  
Mr. Robert Ahomka - Lindsay (British)  
Ms M.K. Chemengich - (Kenyan) Alternate (Mr. Njeru Kirira)  
Mr. K Gatabaki - (Kenyan)  
Mrs. A.A.W. Amissabuor - (Kenyan)  
Eng. S.T. Akute - (Kenyan) (Alternate Z.M. Bukania)

## **SECRETARY**

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

## **SHARES REGISTRAR**

Miss. A.W. Matu CPS (K)

## **AUDITORS**

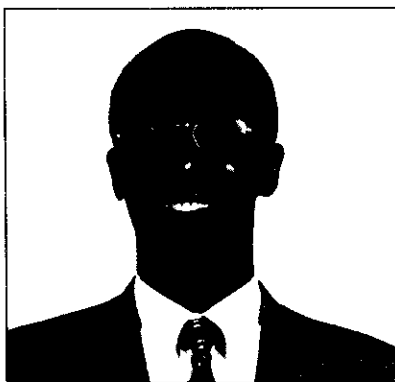
KPMG Peat Marwick  
Certified Public Accountants  
P.O. Box 40612, Nairobi

## **REGISTERED OFFICE & HEAD OFFICE**

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

2007/0388

## DIRECTORS



*Mr. Titus T. Naikuni  
(Chairman)*



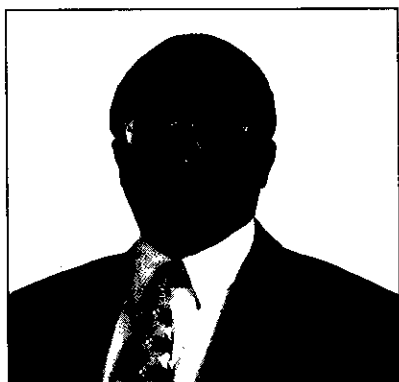
*Mr. Robert Ahomka-Lindsay*



*Mr. W. B. M. Mukuria  
(Managing Director)*



*Ms. M.K. Chemengich*



*Mr. K. Gatabaki*



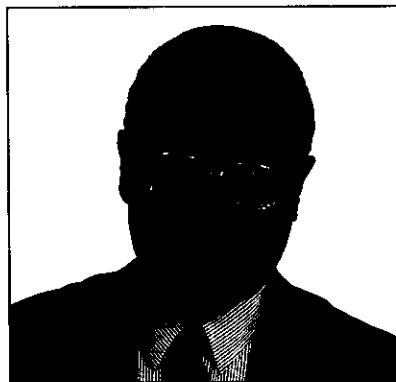
*Eng. S.T. Akute*



*Mrs. A.A.W. Ammissabuor*



*Mr. Njeru Kirira  
(Alternate Director)*



*Mr. Z.M. Bukania  
(Alternate Director)*



*Mr. S. W. Waiganjo  
(Secretary to the Board)*

## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby give that the 33rd Annual General Meeting of the Housing Finance Company of Kenya Limited will be held at the Amphitheatre, Kenyatta International Conference Centre, Nairobi on Friday 30th April 1999 at 2.30 p.m. for the following purposes:-

1. To confirm the Minutes of the 32nd Annual General Meeting held on Friday, 22nd May, 1998.
2. To receive, consider and adopt the accounts for the year ended 31st December, 1998 together with the Directors' and Auditors' Reports thereon.
3. To declare a dividend
4. To elect Directors:-
  - a) Mr. Kungu Gatabaki retires by rotation in accordance with Article 78 of the Company's Articles of Association and being

eligible offers himself for re-election.

- b) Mr. Robert Ahomka-Lindsay 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 to authorise Directors to fix their remuneration.
7. To transact any other ordinary business of an Annual General Meeting.

By order of the Board

**S W Waiganjo**  
Company Secretary  
Nairobi: 12th February, 1999.

### NOTE:

- 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 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 dully authorised in that behalf.

# ARIFA YA MKUTANO MKUU WA KILA MWAKA

Arifa inatolewa kwamba  
Mkutano Mkuu wa Kila Mwaka  
wa 33 wa Housing Finance  
Company of Kenya Limited  
utafanyika katika Amphitheatre,  
Kenyatta International  
Conference Centre, Nairobi,  
Ijumaa, 30 Aprili 1999, saa nane  
na nusu kwa madhumuni  
yafuatayo:

1. Kuthibisha mapitisho ya  
Mkutano Mkuu wa Kila  
Mwaka wa 32 uliofanyika  
Ijumaa, 22 Mei, 1998.
2. Kupokea, kufikiria na  
kuidhinisha hesabu za pesa  
za mwaka uliomalizikia  
tarehe 31 Desemba 1998  
pamoja na taarifa ya  
Wakurugenzi na Wakaguzi  
wa Hesabu za Pesa  
kuhusiana na hizo hesabu za  
pesa.
3. Kutangaza mgawa wa pesa.
4. Kuchagua wakurugenzi:
  - a) Bw. Kungu Gatabaki  
anastaafu kulingana 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) Bw. Robert Ahomka-  
Lindsay, 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 Schemu 159(2) ya  
Sheria ya Makampuni (Ibara  
486) na kuwapa Wakurugenzi  
idhini ya kuamua malipo  
kwao.
7. Kushughulikia jambo jingine  
lo lote la kawaida la Mkutano  
Mkuu wa Kila Mwaka.

Kwa amri ya Halmashauri.

**S. W. Waiganjo**  
Katibu wa Kampuni  
Nairobi: 12 Februari, 1999

## MAELEZO

- (i) Mwanachama yeyote wa  
Kampuni aliye na haki ya  
kudhudhuria na kupiga kura  
katika mkutano  
unaotangazwa ana haki ya  
kuteua mtu mwingine wa  
kupiga kura kwa niaba yake.  
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 muda  
usiapungua masaa 24 kabla  
ya wakati uliowekwa wa  
kufanyika mkutano.
- (ii) Mtu aliyeteuliwa kupiga kura  
kwa niaba ya mwanachama  
wa kampuni sio lazima awe  
mwanachama wa kampuni.
- (iii) Ikiwa anayeteua mtu  
mwingine kupiga 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 huu.

## CHAIRMAN'S STATEMENT



*Mr. Titus T. Naikuni*

### **Ladies and Gentlemen,**

Welcome to the 33rd Annual General Meeting of Housing Finance Company of Kenya Ltd. As you are aware your company became a public company in December 1992. This year the Kenya Government has sold a substantial number of its shares to the public and institutions through the issue of a prospectus dated 26.2.1999. The sale has been successfully concluded and brought in new shareholders who are in our midst today. The shareholding in the company is held as follows: majority by individuals and institutions, a small proportion by Government and 30.4% by the Commonwealth Development Corporation. With most shares in the hands of individuals and institutions, it is expected that more of HFCK shares will be available at the Nairobi Stock Exchange for those who may wish to increase their shareholding from those who may wish to trade in them at the Exchange.

### **7 YEAR GROWTH**

In this report you will find graphical representation of the growth your company has achieved over the last 7 years in terms of, group profit, mortgage asset, total assets and public deposits. Barring any unforeseen economic circumstances, your Board looks to the future with confidence of even better performance.

### **OPERATING RESULTS**

The Group income rose by 5.95% from Kshs. 2.67 billion in 1997 to Kshs. 2.83 billion while expenditure rose by 6.06% from 2.13 billion to Kshs. 2.26 billion. Operating profit increased by 5.4% from 543.24 million to Kshs. 572.62 million. Owing to difficult economic circumstances the company experienced in 1998, your Board has considered it prudent to increase the level of specific provisions for mortgage losses from Kshs. 60 million to Kshs. 144.37 million, an increase of 140.6% over the previous year. All endeavours will continue to be made to ensure collection of the debts is effected. In addition to the above specific provision, a general provision of 1% for mortgage advances equal to Kshs. 91.22 million, has been made in the accounts in accordance with the Central Bank of Kenya requirements for the Banking Industry. The effect of an increase in specific provision is to reduce profit before taxation which as you will note in the accounts, has moved from Kshs. 483.24 million in 1997 to Kshs. 428.25 million in 1998, a decrease of 11.38%. Taxation decreased by 23.45% in 1998, from Kshs. 186.11 million to Kshs. 142.51 million, leaving profit after taxation of Kshs. 285.73 million which is a decrease of 3.83% from the 1997 profit of Kshs. 297.13 million.

In making the specific provision for bad and doubtful advances as reported in the accounts your Board considered the losses already identified and the potential losses which exist in the portfolio. The Company's Auditors carried out an assessment of our assertion and were satisfied that the level of the specific provision made was prudent. Further, in order to comply with the Central Bank of Kenya guideline, a general provision was made over and above the specific provision. This has

been shown in the accounts as an appropriation rather than an expense in accordance with the International Accounting Standard 30, since this provision was made only to comply with the Central Bank of Kenya guideline.

### **MORTGAGE ADVANCES TO CUSTOMERS**

The principal business of the Company is mortgage lending which decreased by 16% from Kshs. 2,202 billion in 1997 to Kshs. 1,851 billion in 1998 due to the prevailing difficult economic conditions during the year. Total mortgage advances to customers moved from Kshs. 7,581 billion in 1997 to Kshs. 9,122 billion in 1998 while total undisbursed mortgage commitments increased by 18.0% from Kshs. 2,101 billion in 1997 to Kshs. 2,479 billion as at 31.12.1998. The increase in mortgage commitments gives an indication of the level of mortgage business in the pipeline and the confidence your company has with investors in the building industry. We expect to reciprocate the confidence of our customers by constantly reviewing the mortgage rate of interest when economic circumstances change.

### **DEPOSIT MOBILIZATION**

Customers deposits increased by 20% from Kshs. 7.77 billion in 1997 to Kshs. 10.21 billion in 1998 indicating once again the enormous confidence your company enjoys with the saving public. As at 31st December 1998 the number of savings and deposit accounts was in excess of 80,000 spread throughout the network of our branches in, Nairobi, Mombasa, Nyeri, Nakuru, Kisumu, Eldoret, Meru and Thika. The company continues to explore and target areas of high growth in order to increase its branch network in those areas where it is possible to enhance deposit mobilization. The company has several attractive products which give our customers choice of accounts in which to

## CHAIRMAN'S STATEMENT

invest. They include, savings and deposit accounts, children's accounts, fixed term deposits, housing development bonds, and special investment arrangements for companies and superannuation schemes for employers wishing to provide housing for employees at attractive rates of interest.

### COMPUTERISATION

The company has updated its information technology to serve you and all its customers better. The recently installed new software, BANKplus, a South African computer package, especially developed for financial institutions, addresses the requirements of the company in areas such as general ledger, client information, retail banking, money market, instalment finance, and teller support among many others.



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Operational and system problems that arose after installation of Bankplus are being addressed by Management in conjunction with Bankplus personnel. All branches countrywide are on-line, through an interactive wide area network with the mainframe computer at the Head Office. Customers can withdraw and/or deposit funds at any of the branches countrywide provided they have passbooks. Similarly, those customers with mortgage accounts can make repayments to their mortgage loan accounts at any branch.

### INTERNET AND YEAR 2000 COMPLIANCE

The company has created a website on the Internet to advertise products at the following address:

<http://www.hfck.co.ke>. It has addressed Year 2000 compliance and is confident that all computer hardware and software is Year 2000 compliant.

### SUBSIDIARY COMPANIES

#### Kenya Building Society Ltd. (KBS)

Our main subsidiary, Kenya Building Society Ltd, continued to develop and sell houses at Koma Rock Estate Phase III and IV Nairobi. The sale of houses at Fahari Estate Mombasa was hampered by lack of effective demand. Consequently, the sale of all the houses was not completed in 1998 as envisaged. All the houses in this estate have now been allocated and sales are expected to be completed this year. Construction of Koma Rock Phase IV is continuing as planned and sales of houses in this phase are expected to be completed by 31st December 1999. In order to increase the stock of new houses, the company plans to explore possibility of joint venture housing development programmes with individuals, local authorities and other viable institutions. This will cover all the major towns and we expect to provide reasonably priced quality homes for purchase by Kenyans while at the same time making some contribution to the Group profit.

In 1998, KBS made a loss of Kshs. 11,788,488 compared to a profit of Kshs. 69,705,132 in 1997. The loss is largely due to inability to sell Fahari Estate houses in Mombasa which, as I have stated above, was due to economic difficulties during the year. The houses are expected to be

sold within the year. The Board is working at strengthening the management of this company. A new General Manager has been appointed to run the KBS business and it is expected that the company will perform better in 1999.

#### FIRST PERMANENT (EA) LTD. (FPL)

This company owns three properties which are currently let. Owing to economic difficulties, one property remained unoccupied for a considerable time during the year, for lack of a suitable tenant. In the course of the year another property had major repairs which were necessary in order to make it more attractive. For these reasons, FPL contribution to Group profits before tax, was Kshs. 566,346 compared to Kshs. 1,498,299 the year before. The FPL's Board is reviewing the revival of this company with a view to restructuring it to make it play a more active role in the business of the Group.

### DIVIDENDS

As you will recall, your company paid an interim dividend of 10% equal to Kshs. 57,500,000, in September 1998. The Board is pleased to recommend the payment of a final dividend of 20% on issued share capital of 575 million. This will raise the total dividend rate for 1998 to 30% equivalent to Kshs. 172,500,000 compared to Kshs. 138,000,000 in 1997, an increase of 25% over the previous year. Dividends are higher this year compared to 1997 because members were issued with bonus shares at the rate of one share for every four shares then held and these additional shares continue to earn dividends.

# CHAIRMAN'S STATEMENT

## 3 YEAR CORPORATE PLAN 1998 - 2001

Towards the end of 1998, the management and Board finalised and agreed on the Corporate Plan for the period 1998 - 2001. Strategic goals have been set and performance targets have been agreed on some of the more important aspects of our business. They include growth and productivity, improvement of credit quality, and in customer service. The primary objectives of the company are to provide an appropriate return on shareholders' capital, while meeting the social objectives of providing mortgage finance at competitive rates of interest, development of affordable homes, promotion of personal and institutional savings, and the provision of efficient and friendly customer services. The business strategies for the future include increasing the core business of the company to meet the increasing demand for housing, diversification of the company's sources of income, by developing complementary lending and investment activities related to the company's core business. With regard to subsidiary companies, it is intended to expand and develop Kenya Building Society's Ltd primary role of undertaking residential property development projects which provide a flow of mortgage business for HFCK. As for the First Permanent (E.A) Ltd., it will be revived and restructured to enable it play a more active role in the Group's business. On deposits, the company will seek to enhance and further broaden its deposit base in order to continually support the expanding lending activities.

## AUDIT COMMITTEE

An Audit Committee was established by your Board on 17th April, 1996. The Committee currently comprises Mr. Robert Ahomka-Lindsay as Chairman,

Mr. Titus T. Naikuni and Mrs. Anne Atieno Weda Amissabuor, all of whom are non-executive Directors. KPMG Peat Marwick, the Company's Auditors, attend the meetings of the Audit Committee. The principal function of the Audit Committee is to review the Group's internal control environment, accounting procedures, and other pertinent issues, internal and external audit recommendations, and other matters, and advise the management as appropriate. The Capital Markets Authority requires a quoted company to have an Audit Committee but your company had established this Committee before the Capital Markets Authority made it a requirement for public quoted companies to establish audit committees.

## HUMAN RESOURCES DEVELOPMENT

As at 31st December, 1998, the company had 350 members of staff compared to 377 as at 31st December 1997. The company endeavours to have a competent team that renders services with undivided loyalty and commitment. The Board recognizes the crucial role this team plays.

Accordingly, in December 1998 a total of forty nine-members of staff were awarded various long service awards for having served the company for 10, 15, 20 and 25 years respectively. To improve and upgrade skills of this team, the company has a training programme for all categories of staff. This is necessary in order to equip them with on the job skills, knowledge and attributes that will enable them face the current and future job assignments with confidence.

## BOARD

During the year under review, Mr. Martin Geake left the Board

and was replaced by Mr. Robert Ahomka-Lindsay. I take this opportunity to thank Mr. Geake for his contributions to the affairs of your Company and to welcome Mr. Robert Ahomka-Lindsay to the Board. Mr. Robert Ahomka-Lindsay brings a wealth of experience to the Board. He has been appointed Chairman of the Audit Committee, a position he has taken very seriously. I wish him success in his new responsibilities.

## APPRECIATION

I take this opportunity to extend thanks to fellow Directors, the Management and Staff of the company for their support and contribution to the growth of the Group and the subsidiaries, and 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, and of course shareholders and all those who have supported us in any way, during the difficult year 1998. Without this support, we would not have realized the results we have achieved. The outlook for 1999 remains difficult, particularly due to the unsettled movement in the Treasury Bills Rates of interest which affects our income on short term deposit placements. However, should the movements in interest rates stabilise we expect to review the rate of mortgage interest downwards and hope that this will spur growth in mortgage lending particularly on residential properties. We remain optimistic that with the support of our business partners, depositors, borrowers and our shareholders, we shall succeed. Thank you.

**Titus Tukero Naikuni**  
Chairman

February 12, 1999



# TAARIFA YA MWENYEKITI

## Mabibi na Mabwana:

Karibuni kwa Mkutano Mkuu wa Kila Mwaka wa 33 wa Housing Finance Company of Kenya Limited. Kama mnavyojua, kampuni leni liligeuka na kuwa kampuni la umma Desemba 1992. Mwaka huu serikali imeuza kiasi kikubwa cha Hisa zake kwa umma pamoja na taasisi mbali mbali kupitia katika soko la hisa kupitia kijitabu cha habari kilichotolewa tarehe 26/2/99. Uuzaji huu umekamilika kwa namna ya kufaulu na umeleta wenye hisa wengi wapya ambao wamo miongoni mwetu leo. Kiasi kikubwa cha Hisa za kampuni zinamilikiwa kama ifuatavyo: nyingi zikinalikiwa na wananchi na taasisi mbali mbali, kiasi kidogo kinamilikiwa na Serikali na 30.4% zikimilikiwa na Commonwealth Development Corporation. Huku hisa nyingi zikiwa mikononi mwa watu binafsi na taasisi mbali mbali, inatarajiwa kwamba hisa zaidi za HFCK zitapatikana kwenye Soko la Hisa la Nairobi kwa wale ambao huenda wakawa na hamu ya kuongeza kiwango chao cha hisa kutoka kwa wale ambao wangependa kuuza hisa hizo katika soko la hisa.

## UKUAJI WA MIAKA SABA

Katika ripoti hii utapata maelezo kamili ya ukuaji wa kampuni leni kwa muda wa miaka 7 iliyopita kuhusiana na faida ya kundi, mali za rehani, jumla ya mali na akiba iliyowekwa na umma. Halmashauri yenu inakabili siku za baadaye ikiwa na imani ya ukuaji bora zaidi isipokuwa kutokee hali ya kiuchumi isiyotarajiwa.

## MATOKEO YA UTENDAJI

Mapato ya kundi yaliongezeka kwa 5.95% kutoka kwa bilioni 2.67 hadi Ksh. bilioni 2.83 wakati ambapo matumizi yaliongezeka kwa 6.06% kutoka Ksh. bilioni 2.13 hadi Ksh. bilioni 2.26. Faida ya utendaji iliongezeka kwa 5.4% kutoka Ksh. milioni 543.24 hadi Ksh. milioni 572.62. Kutokana na hali ngumu ya kiuchumi iliyokumba Kampuni mwaka wa 1998, Halmashauri yenu imconelea

kwamba ni jambo la busara kuongeza kiwango cha pesa maalum za hasara za rehani kutoka Ksh. milioni 60 hadi Ksh. milioni 144.37, ongezeko la 140.6% likilinganishwa na kiwango cha mwaka uliotangulia. Zaidi ya hayo, kiwango cha 1% cha pesa zilizotolewa kwa rehani kilitengwa kikilingana na Ksh. milioni 91.22 kufuatana na Kanuni za Benki Kuu ya Kenya kwa taasisi zinazotoa huduma ya mabenki. Athari ya ongezeko maalum la pesa ni kupunguza faida kabla ya kodi ambayo kama mtakavyoona katika akaunti, imetereemka kutoka Ksh. milioni 483.24 mwaka wa 1997 hadi Ksh. milioni 428.25 mwaka wa 1998, kiwango ambacho kimeshuka kwa 11.38%. Kodi ilipungua kwa 23.45% mwaka wa 1998, kutoka Ksh. milioni 186.11 hadi Ksh. milioni 142.51, na kuacha faida ya baada ya kodi ya Ksh. milioni 285.73; kiwango ambacho kimepungua kwa 3.83% kutoka faida ya mwaka wa 1997 ya Ksh. milioni 297.13.

Katika kuweka kando pesa za kugharamia mikopo ambayo haijalipwa na ile ambayo huenda isilipwe kama ilivyoenezewa katika hesabu za pesa, Halmashauri yenu ilifikiria juu ya hasara ambayo imetambulika tayari na hasara iliyopo katika mikopo. Wakaguzi wa Hesabu za pesa za kampuni walitaathimini kauli yetu wakaridhika kwamba kiwango cha pesa zilizowekwa kando kilikuwa kizuri. Isitoshe, ili kuafikiana na mwongozo wa Banki Kuu ya Kenya, kiasi cha jumla cha pesa kiliwekwa kando kikiwa cha juu kuliko kiasi maalum cha pesa kilichowekwa kando. Jambo hili limeonyeshwa katika hesabu za pesa kama pesa ambazo zimetengwa baadala ya kuonyeshwa kama matumizi kulingana na kanuni 30 ya Uhasibu wa Kimataifa kwa vile pesa hizi ziliwekwa kando kwa kusudi tu la kuafikiana na mwongozo wa Banki Kuu ya Kenya.

## MIKOPO YA REHANI KWA WATEJA

Biashara kuu ya Kampuni ni kutoa mikopo ya rehani ambayo mwaka wa 1998 ilishuka kwa 16% kutoka Ksh. bilioni 2.202 mwaka wa 1997 hadi Ksh. bilioni 1.851 mwaka wa

1998. Jumla ya mikopo ya rehani kwa wateja iliongezeka kutoka Ksh. bilioni 7.581 mwaka wa 1997 hadi Ksh. bilioni 9.122 mwaka wa 1998. Jumla ya pesa za rehani ambazo hazikutolewa ziliongezeka kwa 18.0% kutoka Ksh. bilioni 2.101 mwaka wa 1997 hadi Ksh. bilioni 2.479 kufikia tarehe 31.12.1998.

Kuongezeka kwa ahadi ya utoaji wa pesa za rehani siku za usoni kunaonyesha kiwango cha biashara inayoendelea kupatikana na imani kwa kampuni leni waliyo nayo watega uchumi katika shughuli za ujenzi. Tunatarajia kuwashukuru kwa vitendo wateja wetu kuhusiana na imani ambayo wanayo kwetu kwa kuchunguza mara kwa mara kiwango cha riba ya rehani kila mara hali uchumi unapobadilika.

## KUONGEZA PESA ZINAZOWEKWA NA WATEJA

Pesa zinazowekwa na wateja ziliongezeka kwa 20% kutoka Ksh. bilioni 7.77 mwaka wa 1997 hadi Ksh. bilioni 10.21 mwaka wa 1998;



*Financial Backing*

jambo linaloonyesha kwamba umma unaoweka akiba una imani kubwa kwa Kampuni leni. Kufikia tarehe 31.12.1998, idadi ya akaunti za akiba na akaunti za amana zilizidi 80,000 zikiwa zimesambaa katika matawi yetu katika Nairobi, Mombasa, Nyeri, Nakuru, Kisumu, Eldoret, Meru na Thika. Kampuni linaendelea kuchunguza na kulenga shabaha maeneo yanayokua kwa haraka ili kuongeza matawi katika maeneo ambako inawezekana kuongeza pesa zinazowekwa na wateja. Kampuni lina bidhaa kadha za kuvutia ambazo

zinawapa wateja wetu chaguo la akaunti za kuweka pesa. Hizi ni pamoja na akaunti za akiba na akaunti za amana, akaunti maalum za watoto, akaunti za muda maalum, bondi za kujenga nyumba na mpango maalum ya kutega pesa kwa makampuni na miradi ya waajiri wanaotaka kuwapatia wafanyakazi nyumba kwa kiwango cha riba kinachovutia.

## UTUMIAJI KOMPIUTA

Kampuni limeboresha teknolojia yake ya habari ili kukuhudumia vyema na wateja wengine wake wote. Vifaa vipya vilivyowekwa hivi majuzi BANKplus, ujuzi wa kompiuta kutoka Africa Kusini, uliotengenezwa hasa kwa minajili ya taasisi za kifedha. Ujuzi huu unatimiza mahitaji ya Kampuni katika maeneo kama vile daftari ya kiujumla, hahari kwa wateja, shughuli za rejareja za benki, soko la pesa, pesa za kulipa kwa mafungu na usaidizi kwa wafanyakazi wanaolipa pesa kwa wateja. Haya ni baadhi tu ya shughuli zinazotumia ujuzi huo. Matatizo ya utumiaji na mfumo wa kompiuta yaliyozuka baada ya BANKplus kuweka katika kompiuta yanashughulikiwa na Usimamizi wa HFCK ukishirikiana na wafanyakazi wa BANKplus. Matawi yote nchini yameunganishwa pamoja na kompiuta kuu katika Ofisi Kuu ya Kampuni kupitia mfumo unaowezesha mawasiliano ya pande mbili. Wateja wanaweza kutoa na/au kuweka pesa katika tawi lo lote nchini bora tu wawe na kitabu cha kuweka na kutolea pesa. Vivyo hivyo, wateja walio na akaunti za rehani wanaweza kulipa pesa kwa akaunti zao za mikopo ya rehani katika tawi lo lote.

## HUDUMA YA KOMPIUTA YA KUWASILIANA KOTE DUNIANI NA KUAFIKIANA KWA KOMPIUTA NA MWAKA WA 2000.

Kampuni limejenga kituo cha habari kwenye huduma ya kompiuta ya kuwasiliana kote duniani (Internet) ili kutangaza bidhaa zake kwenye anuani ifuatayo:  
<http://www.hfck.co.ke> na limeshugulika suala la kompiuta kuafikiana na Mwaka wa 2000 na

lina imani kwamba kompiuta zake na vifaa vyake vya kompiuta vinaafikiana na Mwaka wa 2000.

## MAKAMPUNI YA HFCK

### Kenya Building Society Ltd (KBS)

Kampuni letu la muhimu zaidi, Kenya Building Society Ltd, liliendelea kukua na kuuza nyumba katika Koma Rock Estate Phase III na IV, Nairobi. Uuzaji nyumba katika Fahari Estate Mombasa ulitazitiwa na kutokuwepo na kiwango cha kutosha cha hamu ya kununua nyumba hizo. Kwa hivyo, kampuni halikuuza nyumba zote mwaka wa 1998 kama ilivyopangwa. Nyumba zote katika mtaa huo sasa zimegawiwa wateja na uuzaji unatarajiwa kukamilika katikati mwaka huu. Ujenzi wa Koma Rock Phase IV unaendelea kama ilivyopangwa na uuzaji nyumba katika awamu hii unatarajiwa kukamilika kufikia tarehe 31.12.1999. Ili kuongeza idadi ya nyumba mpya, kampuni linapanga kuchunguza uwczekano wa miradi ya pamoja ya ujenzi wa nyumba likishirikiana na watu hinas, serikali za mitaa na taasisi nyingine zinazoweza kushirikishwa katika miradi hiyo. Mpango huu utahusisha miji yote mikubwa ili kutoa nyumba nzuri za gharama nafuu kusudi zinunuliwe na Wakenya. Wakati huo huo jambo hili litachangia kwa kiwango kizuri faida ya Kundi.

Mwaka wa 1998, KBS lilipata hasara ya Ksh.11,788,488 kukilinganishwa na faida ya Ksh.69,705,132 mwaka wa 1997. Kwa kiwango kikubwa hasara hii imetokana na kutoweza kuuza nyumba za Fahari Estate, Mombasa ambazo kama nilivyoelweza hapo awali, ni jambo lililotokana na matatizo ya kiuchumi mwaka jana. Nyumba hizo zinatarajiwa kuuza kufikia mwishoni wa mwaka huu. Halmashauri inaimarisha usimamizi wa kampuni hili. Meneja Mkuu mpya amejiriwa kusimamia KBS, na inatarajiwa kwamba kampuni litafanikiwa zaidi mwaka wa 1999.

### FIRST PERMANENT (EA) LTD (FPL)

Kampuni hili linamiliki mali tatu ambazo kwa hivi sasa zimekodishwa. Kutokana na hali ngumu ya

kiuchumi, nyumba moja ilibakia bila kukodishwa kwa muda mrefu kwa sababu ya kutopatikana mteja aliyefaa. Mwaka huo huo nyumba ya pili ilifanyiwa marekebisho makubwa ambayo yalihatijika ili kuifanya ivutie zaidi. Kutokana na sababu hizi, mchango wa FPL kwa faida ya Kundi kabla ya kodi ulikuwa Ksh. 566,346 ukilinganishwa na Ksh.1,498,299 mwaka uliotangulia. Halmashauri ya FPL inachunguza kufufuliwa kwa Kampuni hili kwa lengo la kuliunda Kampuni upya ili kuifanya lishikilie nafasi imara zaidi katika biashara za kundi.

## MGAWO WA PESA

Kama mtakavyokumbuka, mwezi wa Septemba 1998 Kampuni lenu lilitoa mgawo wa kwanza wa 10% uliolingana na Ksh.57,500,000. Halmashauri ina furaha kupendekeza mgawo wa mwisho wa 20% kwa pesa za hisa zilizopo za kiasi cha Ksh. milioni 575. Jambo hili litaongeza jumla ya mgawo wa 1998 kuwa 30%, unaolingana na Ksh.172,500,000 ukilinganishwa na Ksh.138,000,000 mwaka wa 1997, ongezeko la 25%. Ingawa kiwango cha kulipa mgawo hakijabadilika, mgawo wa pesa mwaka huu ni wa juu ukilinganishwa na ule wa 1997 kwa sababu wanahisa walipewa hisa za ziada kwa kiwango cha hisa moja kwa kila hisa nne zilizokuwa zimemilikiwa wakati huo na hisa hizi za ziada zinaendelea kupata mgawo wa pesa.

## MPANGO WA KAMPUNI WA 1998-2001

Kuelekea mwishoni mwa 1998, Usimamizi na Halmashauri walimaliza kutengeneza na kukubaliana juu ya Mpango wa Kampuni wa Kipindi cha 1998-2001. Malengo muhimu sana yamewekwa na makubaliano kufikiwa juu ya shabaha za utendaji kuhusiana na baadhi ya masuala muhimu ya biashara yetu.

Masuala haya ni pamoja na ukuaji na uzalishaji mali, kuimarisha ubora wa mikopo, na huduma kwa wateja. Dhamira kuu ya Kampuni ni kuwapatia wanahisa mapato yanayofaa kwa pesa walizoweka huku

## TAARIFA YA MWENYEKITI

kukitimizwa dhamira za kijamii za kutoa pesa za rehani kwa kiwango cha riba kinachovutia, kujenga nyumba zisizo na gharama iliyo juu ya uwezo wa wanunuzi, kustawisha akiba za watu binafsi na taasisi na kutoa huduma nzuri na ya kirafiki kwa wateja. Mbinu za kihishara za siku zijazo ni pamoja na kuongeza biashara muhimu ya Kampuni ili kufikia kiwango kinachoongezeka cha kuhitajika kwa nyumba, kupanua shughuli zinazotea Kampuni mapato kwa kuanzisha biashara nyingine za kutoa mikopo na kutega pesa zinazuhusiana na biashara muhimu ya Kampuni. Kuhusiana na Makampuni madogo ya HFCK, inanuiwa kupanua na kustawisha Kenya Building Society Ltd. Kazi kuu ya KBS itaendelea kuwa kushughulikia miradi ya ujenzi wa nyumba za kuishi inayoleta mtiririko wa biashara ya rehani kwa Kampuni. Kuhusiana na First Permanent (EA) Ltd (FPL) Kampuni litafufuliwa na kupewa muundo mpya ili kuliwezesha kuwa na nafasi imara zaidi katika biashara za HFCK. Kuhusiana na pesa zinazowekwa na wateja, Kampuni litajaribu kuimarisha na kupanua zaidi kiwango cha pesa ambazo zimewekwa ili kuendelea kuunga mkono biashara inayopanuka ya kutoa mikopo.

### KAMATI YA UKAGUZI WA HESABU ZA PESA

Kamati hii ina Bw. Robert Ahomka - Lindsay kama mwenyekiti, Bw. Titus T. Naikuni na Bi. Anne Atieno Weda Amissabuor, wote wakiwa wakurugenzi wasio na mamlaka ya usimamizi. KPMG Peat Marwick, wakaguzi wa hesabu za Kampuni hudhuria mikutano ya kamati hii. Shughuli kuu ya kamati ya ukaguzi wa hesabu za pesa ni kuchunguza hali ya ndani ya Kundi ya udhibiti wa pesa, utaratibu wa ukaguaji wa hesabu za pesa, masuala mengine yanayohusika, mapendekezo kuhusiana na ukaguaji wa ndani na wa nje wa hesabu za pesa, na kushauri wasimamizi wa Kampuni kama inavyofaa. Mamlaka ya Masoko ya Pesa inahitaji kampuni linalouza hisa zake katika Soko la Hisa liwe na kamati ya Ukaguzi wa hesabu za

pesa lakini kampuni lenu lilikuwa limeunda kamati hii kabla ya Mamlaka ya Masoko ya Pesa kuhitaji makampuni ya umma yanayouza hisa kupitia Soko la Hisa kuunda kamati za ukaguzi wa hesabu za pesa.

### USTAWISHAJI WA UJUZI WA WAFANYAKAZI

Tarehe 31.12.1988 Kampuni lilikuwa na wafanyakazi 350 wakilinganishwa na wafanyakazi 377 tarehe 31.12.1997. Kampuni linajibidiisha kuwa na kundi la wafanyakazi wanaotoa huduma kwa moyo wote na kwa kujitolea. Halmashauri inatambua kazi muhimu inayotekelezwa na kundi hili la wafanyakazi.

Kwa hivyo, mwezi wa Desemba 1998



*Lilian Muiruri from Personnel Department receives an award for 10 years of service from the Chairman*

jumla ya wafanyakazi arobaini na tisa walipewa tuzo kwa kufanya kazi kwa muda mrefu baada ya kuhudumia kampuni kwa miaka 10, 15, 20 na 25. Ili kuboresha na kuinua ujuzi wa kundi hili, Kampuni lina mradi wa kutoa mafunzo kwa viwango vyote vya wafanyakazi. Jambo hili linahitajika ili kuwapatia wafanyakazi ujuzi unaofungamana moja kwa moja na kazi, maarifa na mwelekeo ambao utawawezesha kukabili kwa kujiamini jukumu la sasa na la siku zijazo.

### HALMASHAURI

Kwenye kipindi cha mwaka unaohusika, Bw. Martin Geake aliondoka kwenye Halmashauri na mahali pake pakachukuliwa na

Bw. Robert Ahomka - Lindsay. Nachukua fursa hii kumshukuru Bw. Geake kwa mchango wake kwenye mambo ya kampuni lenu na kumkaribisha Bw. Robert Ahomka-Lindsay kujiunga na Halmashauri. Bw. Ahomka-Lindsay analeta tajriba ya kiwango kikubwa kwenye Halmashauri. Ameteuliwa kuwa Mwenyekiti wa Kamati ya Ukaguaji wa Hesabu za Pesa, wadhifa ambayo ametilia maanani sana. Namtakia ufanisi katika majukumu yake mapya.

### SHUKRANI

Nachukua fursa hii kuwashukuru wakurugenzi wenzangu, wasimamizi na wafanyakazi wa kampuni kwa kuunga mkono na kuchangia kwenye ukuaji wa Kundi na makampuni yake na kwa kujitolea kwao na kufanya kazi kwa bidii nyingi. Bila mambo hayo matokeo ya kufaulu sana ambayo tumepata hayangepatikana.

Mwisho ningependa kuwashukuru wateja wetu wanaoweka pesa na wale wanaochukua mikopo na bila shaka wanahisa na wote ambao wametuuunga mkono kwa njia ya yote ile kwenye kipindi cha mwaka mgumu wa 1998. Bila huku kuungwa mkono, hatungepata matokeo ambayo tumepata. Mwaka wa 1999 bado unaonekana utakuwa mgumu, hasa kutokana na kubadilikabadilika kwa kiwango cha Riba ya Hati za Pesa jambo ambalo linaathiri mapato yetu kutokana na pesa zinazowekwa na wateja kwa muda mfupi. Hata hivyo hali ya kiwango cha riba ya Hati za Pesa ikitulia tunatarajia kuchunguza uwezekano wa kupunguza riba ya rehani na tunatumai kwamba jambo hili litaongeza ukopesaji wa rehani hasa kuhusiana na nyumba za kuishi. Asanteni.

**Titus Tukero Naikuni**  
Mwenyekiti

Februari 12, 1999.

# 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, 1998.

## 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.

## 2. PROFIT AND APPROPRIATIONS

	1998 KShs	1997 KShs
<b>Operating Profit</b>	572,622,759	543,235,770
Specific Provision for Mortgage losses	(144,375,800)	(59,998,736)
Profit Before Taxation	428,246,959	483,237,034
Taxation	(142,512,498)	(186,109,722)
Profit after Taxation	285,734,461	297,127,312
Dividends	(172,500,000)	(138,000,000)
Retained Profit for the Year	113,234,461	159,127,312
Retained Profit brought forward	468,092,374	306,836,423
	581,326,835	465,963,735
Bonus Issue of shares during the year	(115,000,000)	-
Excess Depreciation transfer from Capital Reserve	2,128,639	2,128,639
General Provision for mortgage advances	(91,220,415)	-
Retained Profit Carried Forward	<b>377,235,059</b>	<b>468,092,374</b>

## 3. DIVIDEND

An interim dividend of 10% equal to KShs. 57,500,000 was declared in July 1998 and paid in September, 1998.

The Directors recommend to the shareholders the payment of a final dividend of 20% on the issued share capital of Kshs. 575,000,000 as at 31st December, 1998. Total dividend for the year amounts Kshs.172,500,000 compared to last year's dividend of Kshs.138,000,000.

## REPORT OF THE DIRECTORS

### 4. SALE OF 30 MILLION GOVERNMENT SHARES TO THE PUBLIC

The Company issued a prospectus dated 26.2.1999 in which the Government of Kenya offered for sale 30 million shares of its shareholding in the Company to the public.

### 5. DIRECTORS

The Directors who have held office since 1st January, 1998 are as follows:-

Mr. Titus Tukero Naikuni - with effect from 12.3.1998

Mrs. Anne Atieno Weda Amissabuor

Mr. Kungu Gatabaki

Mr. Martin Geake - resigned on 31.7.1998

Mr. Walter Bernard Mukundi Mukuria - (Managing)

Eng. Abdullahi Mohamed Hussein Sharawe - resigned on 12.3.1998

Mr. Simeon Saimanga Lesrima - resigned on 7.2.1998

Ms. Margaret Kwenga Chemengich - with effect from 12.3.1998  
(Alternate Mr. Njeru Kirira)

Eng. Samson T. Akute - with effect from 12.3.1998  
(Alternate Mr. Z.M. Bukania)

Mr. Robert Ahomka-Lindsay - with effect from 31.7.1998

Mr. Kungu Gatabaki retires by rotation and being eligible, offers himself for re-election.

In accordance with the Articles of Association, Mr. Robert Ahomka-Lindsay having been appointed to the Board under Article 84 of the Company's Articles of Association, retires at this Annual General Meeting and being eligible offers himself for re-election.

### 6. AUDITORS

The Auditors, Messrs KPMG Peat Marwick, will continue in office in accordance with 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 February, 1999

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# TAARIFA YA WAKURUGENZI

Wakurugenzi wana furaha kutoa taarifa yao na akaunti za kampuni ambazo zimekaguliwa za mwaka uliomalizika tarehe 31 Desemba, 1998.

## 1. SHUGHULI KUU

Kampuni leni ni Taasisi ya Rehani ambayo imepewa leseni chini ya Sheria ya Mabenki (Ib.488) na hujaribu kutia moyo na kustawisha utumiaji wa akiba za kibinafsi na za umma katika kugharamia umiliki wa nyumba za kuishi.

## 2. FAIDA NA MATUMIZI

	1998 KShs	1997 KShs
Faida ya utendaji	572,622,759	543,235,770
Kiasi maalum cha hasara ya rehani	144,375,800	59,998,736
Faida kabla ya kodi	428,246,959	483,237,034
Kodi	142,512,498	(186,109,722)
Faida baada ya kodi	285,734,461	297,127,312
Mgawo wa pesa	(172,500,000)	(138,000,000)
Faida iliyosalia kwenye kipindi cha mwaka huo	113,234,461	159,127,312
Faida iliyoletwa kutoka mwaka uliotangulia	468,092,374	306,836,423
	581,326,835	465,963,735
Mgawo wa pesa za hisa mwaka huo	(115,000,000)	-
Kupungua kwa thamani ya pesa kulikoletwa kutoka Akiba ya pesa	2,128,639	2,128,639
Pesa za kijumla zilizotengwa kulipia rehani	(91,220,415)	-
Faida iliyosalia na kuletwa mbele	<b>377,235,059</b>	<b>468,092,374</b>

## 3. MGAWO WA PESA

Mgawo wa kwanza wa 10% unaolingana na Ksh.57,500,000 ulitangazwa Julai 1998 na kulipwa Septemba, 1998.

Wakurugenzi wanapendekeza kwa wanahisa malipo ya mgawo wa mwisho wa 20% kwenye pesa za hisa ambazo zimelipwa za Ksh.575,000,000 kama ilivyokuwa tarehe 31 Desemba 1998. Jumla ya mgawo kwa mwaka unafikia Ksh.172,500,000 ukilinganishwa na mgawo wa mwaka jana wa Ksh.138,000,000.

## TAARIFA YA WAKURUGENZI

### 4. MAUZO YA HISA MILIONI 30 ZA SERIKALI KWA UMMA

Kampuni lilitoa makala ya matangazo iliyoandikwa tarehe 26.2.1999 ambamo Serikali ilikuwa inauza kwa umma hisa za milioni 30 Kutoka hisa zake katika Kampuni.

### 5. WAKURUGENZI

Wakurugenzi ambao wamekuwa mamlakani tangu 1 Januari 1998 ni hawa wafuatayo:

Bw. Titus Tukero Naikuni - kuanzia 12.3.1998

Bi. Anne Atieno Weda Amissabuor

Bw. Kungu Gatabaki

Bw. Martin Geake - alijiuzulu tarehe 31.7.1998

Bw. Walter Bernard Mukundi Mukuria - Mkurugenzi Msimamizi

Mha. Abdullahi Mohamed Hussein Sawe - alijiuzulu tarehe 12.3.1998

Bw. Simeon Saimanga Lesrima - alijiuzulu tarehe 7.2.1998

Bi. Margaret Kwenga Chemengich - kuanzia 12.3.1998 (Anabadilishana nafasi na Bw. Njeru Kirira)

Mha. Samson T. Akute - kuanzia 12.3.1998 (Anabadilishana nafasi na Bw. Z.M. Bukania)

Bw. Robert Ahomka - Lindsay - kuanzia 31.7.1998

Bw. Kungu Gatabaki anastaafu kulingana na ustaafu kwa zamu na kwa kuwa ana haki ya kuchaguliwa tena, anagombea kuchaguliwa upya.

Kwa mujibu wa kanuni za kampuni, Bw. Robert Ahomka-Lindsay baada ya kuchaguliwa Kujiunga na Halmashauri chini ya kanuni 84 ya kanuni za kampuni atastaafu katika mkutano huu mkuu wa kila mwaka na kwa vile ana haki ya kuchaguliwa tena atagombea Kuchaguliwa upya.

### 6. WAKAGUZI WA HESABU ZA PESA

Wakaguzi wa Hesabu za Pesa Messrs. KPMG Peat Marwick wataendelea kuliifadhi office kulingana na Sehemu 159(2) ya Sheria ya Makampuni (Ih.486) kwa malipo yatakayoamuliwa na Wakurugenzi.

Kwa Amri ya Halmashauri

**S.W. Waiganjo**  
Katibu wa Kampuni

Nairobi: 12 Februari, 1999

## AUDITOR'S REPORT

We have audited the financial statements set out on pages 17 to 31 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 company's and group's state of affairs and the group's operating

results. 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 company's and group's financial affairs at 31 December 1998 and of the group's profit and cash flows for the year then ended in accordance with International Accounting Standards and comply with the Companies Act.

**KPMG Peat Marwick  
Certified Public Accountants**

P.O. Box 40612,  
NAIROBI.  
12 Februari, 1999.

## TAARIFA YA WAKAGUZI WA HESABU

Tumekagua taarifa za pesa zilizoko kwenye kurasa 17 hadi 31 ambazo zimetengenezwa kwa kuzingatia maongozi ya kutengeneza hesabu za pesa ambayo yametolewa katika 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 pesa za kampuni unakubaliana na vitabu vya hesabu za pesa.

Kwa mujibu wa Kanuni za Sheria ya Makampuni, wakurugenzi wana jukumu la kutayarisha taarifa za pesa ambazo zinatoa picha sahihi na ya kweli ya hali

ya Kampuni na Kundi 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 zinahitaji kwamba tupange na kutekeleza ukaguzi wetu wa hesabu za pesa ili kupata hakikisho zuri kwamba hesabu za pesa hazina makosa. Ukaguzi wa hesabu za pesa huwa ni pamoja na kuchunguza, kwa njia ya majaribio, ushabidi wa kuunga mkono idadi na habari katika taarifa za pesa. Pia ni pamoja na uchunguzi wa miongozo ya uhasibu iliyotumika

na makadirio muhimu yaliyofanywa na wakurugenzi na pia uchunguzi wa uwasilishaji wa kijumla wa 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 1998 na hali ya matokeo ya utendaji na matumizi ya pesa hizo kulingana na kanuni za uhasibu za kimataifa na zinazingatia Sheria ya Makampuni.

**KPMG Peat Marwick  
Certified Public Accountants**

P.O. Box 40612,  
NAIROBI.  
12 Februari, 1999.



# CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	Note	1998 KShs	1997 KShs
INCOME	2	2,830,264,253	2,671,382,248
EXPENDITURE	3	(2,257,641,494)	(2,128,146,478)
OPERATING PROFIT		572,622,759	543,235,770
SPECIFIC PROVISION FOR MORTGAGE LOSSES		(144,375,800)	(59,998,736)
PROFIT BEFORE TAXATION	4	428,246,959	483,237,034
TAXATION	5	(142,512,498)	(186,109,722)
PROFIT AFTER TAXATION		285,734,461	297,127,312
DIVIDENDS	6	(172,500,000)	(138,000,000)
RETAINED PROFIT FOR THE YEAR		113,234,461	159,127,312
RETAINED PROFIT BROUGHT FORWARD		468,092,374	306,836,423
BONUS ISSUE OF SHARES DURING THE YEAR		581,326,835 (115,000,000)	465,963,735 -
EXCESS DEPRECIATION TRANSFER FROM CAPITAL RESERVE		2,128,639	2,128,639
GENERAL PROVISION FOR MORTGAGE ADVANCES		(91,220,415)	-
RETAINED PROFIT CARRIED FORWARD		377,235,059	468,092,374
Earnings per share	7	KShs 2.48	KShs 2.58

The notes on pages 21 to 31 form part of these accounts.

# CONSOLIDATED BALANCE SHEET

as at 31 December 1998

	Note	1998 KShs	1997 KShs
<b>ASSETS</b>			
Cash and bank balances		51,356,482	143,454,131
Deposits and balances due from banking institutions	8	1,791,073,973	350,986,302
Investment in Government Securities	9	376,205,611	823,389,521
Investment properties	10	33,900,000	33,900,000
Interest receivable		43,665,812	28,717,426
Mortgage advances to customers	12	9,122,041,500	7,581,717,370
Other assets		155,711,333	96,191,468
Taxation		55,882,334	-
Housing Development Projects	13	668,727,469	453,721,985
Fixed assets	14(a)	532,671,240	543,581,887
		<b>12,831,235,754</b>	<b>10,055,660,090</b>
<b>LIABILITIES</b>			
Deposits and balances due to banking institutions	15	223,450,689	-
Customer deposits	16	10,208,336,830	7,772,692,345
Certificates of deposits	16	91,790,457	179,470,642
Interest payable		281,060,601	272,103,635
Other liabilities		286,898,244	217,275,246
Taxation		-	31,084,475
Dividends		195,500,000	127,000,000
		<b>11,287,036,821</b>	<b>8,599,626,343</b>
<b>NET ASSETS</b>		<b>1,544,198,933</b>	<b>1,456,033,747</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	18	575,000,000	460,000,000
Reserves	19	843,821,842	844,828,236
<b>SHAREHOLDERS' INCOME NOTES AND LOANS</b>	20	125,377,091	151,205,511
		<b>1,544,198,933</b>	<b>1,456,033,747</b>

The accounts set out on pages 17 to 31 were approved by the Board of Directors on 12th February, 1999 and were signed on its behalf by:-

Mr. Kungu Gatabaki

Mr. W. B. M. Mukuria

Mrs. A. A. W. Amissabuor

Directors

Mr. S. W. Waiganjo

Company Secretary

# COMPANY BALANCE SHEET

as at 31 December 1998

	Note	1998 KShs	1997 KShs
<b>ASSETS</b>			
Cash and bank balances		49,264,909	141,839,327
Deposits and balances due from banking institutions	8	1,791,073,973	350,986,302
Investment in Government Securities	9	376,205,611	823,389,521
Interest receivable		43,665,812	28,717,426
Investments in subsidiaries	11	55,020,000	55,020,000
Mortgage advances to customers	12	9,122,041,500	7,581,717,370
Dividends receivable		15,000,000	15,502,000
Amounts due from group companies	17	161,985,593	188,954,179
Other assets		153,594,677	92,568,267
Taxation		35,201,156	-
Fixed assets	14(b)	531,232,604	541,718,321
		<b>12,334,285,835</b>	<b>9,820,412,713</b>
<b>LIABILITIES</b>			
Customer deposits	16	10,208,336,830	7,772,692,345
Certificates of deposits	16	91,790,457	179,470,642
Interest payable		281,060,601	272,103,635
Other liabilities		119,597,525	113,218,784
Taxation		-	17,508,148
Dividends		195,500,000	127,000,000
		<b>10,896,285,413</b>	<b>8,481,993,554</b>
<b>NET ASSETS</b>		<b>1,438,000,422</b>	<b>1,338,419,159</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	18	575,000,000	460,000,000
Reserves	19	737,623,331	727,213,648
<b>SHAREHOLDERS' INCOME NOTES AND LOANS</b>	20	125,377,091	151,205,511
		<b>1,438,000,422</b>	<b>1,338,419,159</b>

The accounts set out on pages 17 to 31 were approved by the Board of Directors on 12th February, 1999 and were signed on its behalf by:-

Mr. Kungu Gatabaki

Mr. W. B. M. Mukuria

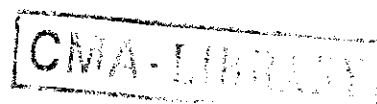
Mrs. A.A. W. Amissabuor

Directors

Mr. S.W. Waiganjo

Company Secretary

The notes on pages 21 to 31 form part of these accounts.



# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 1998

	Note	1998 KShs	1997 KShs
<b>Net cash inflow from operating activities</b>	21(a)	1,065,463,445	280,088,651
<b>Taxation paid</b>		(229,479,307)	(204,442,785)
<b>Return on investments and servicing of finance</b>			
Ordinary dividends paid		(104,000,000)	(157,000,000)
Loan interest		(7,425,795)	(9,542,597)
<b>Net cash outflow from investments and servicing of finance</b>		(111,425,795)	(166,542,597)
<b>Investing activities</b>			
Purchase of fixed assets		(26,065,948)	(32,716,283)
Proceeds from sale of fixed assets		4,991,500	1,101,305
<b>Net cash outflow from investing activities</b>		(21,074,448)	(31,614,978)
<b>Financing</b>			
Shareholders' loan repayments		(26,128,472)	(23,971,025)
<b>Net increase /(decrease) in cash and cash equivalents</b>	21(b)	<b>677,355,423</b>	<b>(146,482,734)</b>

The notes on pages 21 to 31 form part of these accounts.

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

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 1998.

### 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

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

# NOTES TO THE ACCOUNTS (CONTINUED)

## 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 and taken to reserves.

## 2. INCOME

	1998 KShs	1997 KShs
Interest on advances	2,085,529,166	1,649,947,964
Interest on deposits and placements	380,914,315	358,403,992
Fees and commissions	141,094,964	159,643,112
Rental income	17,150,808	13,922,180
House sales	205,575,000	489,465,000
	<b>2,830,264,253</b>	<b>2,671,382,248</b>

## 3. EXPENDITURE

	1998 KShs	1997 KShs
Interest on deposits	1,566,082,315	1,289,235,651
Interest on borrowed funds	23,428,780	25,008,551
Cost of houses sold	217,363,488	419,759,862
Other expenses	450,766,911	394,142,414
	<b>2,257,641,494</b>	<b>2,128,146,478</b>

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

	1998 KShs	1997 KShs
<b>Crediting:-</b>		
Write back of provision on short term deposits	(100,000)	(3,069,000)
Profit on sale of fixed assets	(3,633,886)	(1,049,529)
<b>Charging:-</b>		
Directors' remuneration		
- Fees, expenses and mortgage interest benefits	1,635,933	2,538,462
- Executive emoluments	9,745,210	6,960,552
Auditors' remuneration		
- Current year	3,005,920	2,734,070
- Prior year adjustment	57,068	20,724
Exchange loss on Sterling loan repayments	1,059,198	12,917,751
Depreciation	35,618,981	36,474,131

# NOTES TO THE ACCOUNTS (CONTINUED)

## 5. TAXATION

	1998 KShs	1997 KShs
a) At 32.5% (1997 - 35%) on the profit for the year as adjusted for tax purposes	142,512,498	186,109,722

No tax has been provided in a subsidiary company in view of current year's tax losses amounting to KShs.11,449,049 which are available for offset against future trading profits.

- 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 1998 over the corresponding book values of the assets concerned. At existing rates of tax, such future relief amounts to KShs. 12,223,721 (1997 - KShs. 4,007,231).

## 6. DIVIDEND

	1998 KShs	1997 KShs
Interim paid	57,500,000	46,000,000
Final proposed	115,000,000	92,000,000
	172,500,000	138,000,000

## 7. EARNINGS PER SHARE

Earnings per share is calculated on the profit after taxation of KShs.285,734,461 (1997 - KShs. 297,127,312) and on the number of shares in issue at the balance sheet date. The 1997 comparative has been adjusted to reflect the increase in share capital in 1998 due to the bonus share issue.

## 8. DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS

### Group and Company

	1998 KShs	1997 KShs
Due within 90 days	1,791,073,973	350,986,302

## 9. INVESTMENT IN GOVERNMENT SECURITIES

### Group and Company

	1998 KShs	1997 KShs
Kenya Government stocks - 2000	9,775,000	9,775,000
Treasury bills due within 90 days	266,430,611	723,614,521
Treasury bonds due within 180 days	100,000,000	90,000,000
	376,205,611	823,389,521

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.

# NOTES TO THE ACCOUNTS (CONTINUED)

## 11. INVESTMENT IN SUBSIDIARIES (Unquoted) - Company

### Shares at cost

	% of shares held	1998 KShs	1997 KShs
First Permanent (East Africa) Limited	100	5,020,000	5,020,000
Kenya Building Society Limited	100	50,000,000	50,000,000
		<b>55,020,000</b>	<b>55,020,000</b>

## 12. MORTGAGE ADVANCES TO CUSTOMERS Group and Company:-

	1998 KShs	1997 KShs
Mortgages	8,989,978,839	7,313,319,584
Staff mortgages	439,321,879	431,281,204
	<b>9,429,300,718</b>	<b>7,744,600,788</b>
Less:		
Provision for specific bad and doubtful mortgage advances	(307,259,218)	(162,883,418)
	<b>9,122,041,500</b>	<b>7,581,717,370</b>
Maturing:		
Within five years	956,459,240	720,045,788
Over five years to ten years	3,233,218,940	1,350,251,000
Over ten years to fifteen years	3,541,702,583	2,217,008,000
Over fifteen years	1,697,919,955	3,457,296,000
	<b>9,429,300,718</b>	<b>7,744,600,788</b>

## 12.1 PROVISION FOR SPECIFIC BAD AND DOUBTFUL MORTGAGE ADVANCES Group and Company:-

	1998 KShs	1997 KShs
At 1 January	162,883,418	102,884,682
Provision during the year	144,375,800	59,998,736
At 31 December	<b>307,259,218</b>	<b>162,883,418</b>

## 13. HOUSING DEVELOPMENT PROJECTS Group

### Costs to date:-

	1998 KShs	1997 KShs
Komarock Housing Projects	461,208,273	305,731,489
Mombasa Housing Projects	101,898,586	122,369,886
Kisumu Housing Projects	1,620,610	1,620,610
Langata Housing Project	104,000,000	24,000,000
	<b>668,727,469</b>	<b>453,721,985</b>

Commitments in respect of these projects, authorised but not paid as at 31 December 1998 amounted to Kshs. 196,991,951 (1997 - KShs. KShs.603,459,206).



# NOTES TO THE ACCOUNTS (CONTINUED)

## 14. FIXED ASSETS

### a) Group:-

	Freehold	Land Long term	Leasehold Short term	Building	Furniture fixtures equipment & motor vehicles	Capital work in progress	Total
	KShs	KShs	KShs	KShs	KShs	KShs	KShs
<b>Cost or valuation:</b>							
At 1 January 1998	16,000,000	203,900,000	1,000,000	231,459,759	256,917,448	-	709,277,207
Additions	-	-	-	563,934	25,502,014	-	26,065,948
Written off	-	-	-	-	-	-	-
Disposals	-	-	(1,000,000)	-	(5,268,005)	-	(6,268,005)
At 31 December 1998	16,000,000	203,900,000	-	232,023,693	277,151,457	-	729,075,150
<b>At cost</b>	-	700,000	-	7,523,693	277,151,457	-	285,375,150
<b>At valuation</b>	16,000,000	203,200,000	-	224,500,000	-	-	443,700,000
<b>Depreciation:</b>							
At 1 January 1998	-	-	-	8,937,887	156,757,433	-	165,695,320
Charge for the year	-	-	-	3,069,777	32,549,204	-	35,618,981
Disposals	-	-	-	-	(4,910,391)	-	(4,910,391)
At 31 December 1998	-	-	-	12,007,664	184,396,246	-	196,403,910
<b>On cost</b>	-	-	-	3,553,877	184,396,246	-	187,950,123
<b>On valuation</b>	-	-	-	8,453,787	-	-	8,453,787
<b>Net book value:</b>							
At 31 December 1998	16,000,000	203,900,000	-	220,016,029	92,755,211	-	532,671,240
At 31 December 1997	16,000,000	203,900,000	1,000,000	222,521,872	100,160,015	-	543,581,887

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)

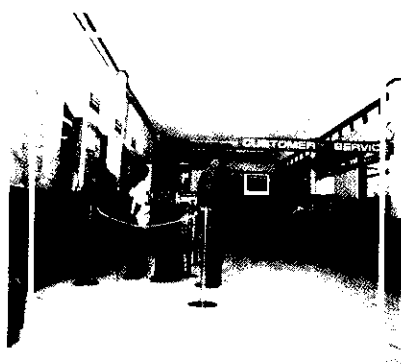
### 14. FIXED ASSETS

#### b) Company:-

	Freehold	Land Long term	Leasehold Short term	Building	Furniture fixtures equipment & motor vehicles	Capital work in progress	Total
	KShs	KShs	KShs	KShs	KShs	KShs	KShs
<b>Cost or valuation:</b>							
At 1 January 1998	16,000,000	203,900,000	1,000,000	229,575,318	251,162,745	-	701,638,063
Additions	-	-	-	563,934	24,913,814	-	25,477,748
Written off	-	-	-	-	-	-	-
Disposals	-	-	(1,000,000)	-	(5,268,005)	-	(6,268,005)
At 31 December 1998	16,000,000	203,900,000		230,139,252	270,808,554	-	720,847,806
<b>At cost</b>	-	700,000	-	5,639,252	270,808,554	-	277,147,806
<b>At valuation</b>	16,000,000	203,200,000	-	224,500,000	-	-	443,700,000
<b>Depreciation:</b>							
At 1 January 1998	-	-	-	7,409,881	152,509,861	-	159,919,742
Charge for the year	-	-	-	2,819,224	31,786,627	-	34,605,851
Disposals	-	-	-	-	(4,910,391)	-	(4,910,391)
At 31 December 1998	-	-	-	10,229,105	179,386,097	-	189,615,202
<b>On cost</b>	-	-	-	1,775,318	179,386,097	-	181,161,415
<b>On valuation</b>	-	-	-	8,453,787	-	-	8,453,787
<b>Net book value:</b>							
At 31 December 1998	16,000,000	203,900,000	-	219,910,147	91,422,457	-	531,232,604
At 31 December 1997	16,000,000	203,900,000	1,000,000	222,165,437	98,652,884	-	541,718,321

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.



*Rehani House Banking Hall*

## NOTES TO THE ACCOUNTS (CONTINUED)

### 15. DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS

Group:-

Payable within one year

1998 KShs	1997 KShs
223,450,689	-

### 16. CUSTOMER DEPOSITS AND CERTIFICATES Group and company

a) From Government and parastatals:

Payable within 90 days

Payable after 90 days

and within one year

Payable after one year

1998 KShs	1997 KShs
721,996,454	544,704,000
567,282,928	427,591,000
2,165,989,363	1,633,321,000
5,772,178,096	4,351,840,000
680,739,514	697,088,642
391,940,932	297,618,345
10,300,127,287	7,952,162,987

b) From private sector and individuals:

Payable within 90 days

Payable after 90 days

and within one year

Payable after one year

### 17. GROUP COMPANY BALANCES Company

Kenya Building Society Limited

First Permanent (E.A.) Limited

1998 KShs	1997 KShs
158,056,181	186,120,343
3,929,412	2,833,836
161,985,593	188,954,179

### 18. SHARE CAPITAL

#### Authorised

115,000,000 Ordinary Shares of KShs.5.00 each

1998 KShs	1997 KShs
575,000,000	460,000,000

#### Issued and fully paid

92,000,000 Ordinary shares of KShs.5.00 each  
at 1 January

Bonus share issue of shares during the year-  
23,000,000 Ordinary Shares  
of KShs.5.00 each.

115,000,000 (1997 - 92,000,000) Ordinary

shares of KShs.5.00 each at 31 December

460,000,000	460,000,000
115,000,000	
575,000,000	460,000,000

# NOTES TO THE ACCOUNTS (CONTINUED)

## 19. RESERVES

	Capital KShs	Share premium KShs	Exchange equalisation KShs	General provision for mortgage advances KShs	Retained profits KShs	Total KShs
<b>GROUP:</b>						
Balance 1 January 1998	351,789,959	25,705,048	(759,145)	-	468,092,374	844,828,236
Bonus issue of shares	-	-	-	-	(115,000,000)	(115,000,000)
Retained profit for the year	-	-	-	-	113,234,461	113,234,461
Excess depreciation transfer	(2,128,639)	-	-	-	2,128,639	-
General provision for mortgage advances	-	-	-	91,220,415	(91,220,415)	-
Exchange gain on revaluation of sterling loan	-	-	1,059,198	-	-	1,059,198
Tax effect on unrealised exchange difference	-	-	(300,053)	-	-	(300,053)
<b>Balance at 31 December 1998</b>	<b>349,661,320</b>	<b>25,705,048</b>	<b>-</b>	<b>91,220,415</b>	<b>377,235,059</b>	<b>843,821,842</b>
<b>COMPANY:</b>						
Balance 1 January 1998	327,707,190	25,705,048	(759,145)	-	374,560,555	727,213,648
Bonus issue of shares	-	-	-	-	(115,000,000)	(115,000,000)
Retained profit for the year	-	-	-	-	124,650,538	124,650,538
Excess depreciation transfer	(2,128,639)	-	-	-	2,128,639	-
General provision for mortgage advances	-	-	-	91,220,415	(91,220,415)	-
Exchange gain on revaluation of sterling loan	-	-	1,059,198	-	-	1,059,198
Tax effect on unrealised exchange difference	-	-	(300,053)	-	-	(300,053)
<b>Balance at 31 December 1998</b>	<b>325,578,551</b>	<b>25,705,048</b>	<b>-</b>	<b>91,220,415</b>	<b>295,119,317</b>	<b>737,623,331</b>

## NOTES TO THE ACCOUNTS (CONTINUED)

### 20. SHAREHOLDERS' INCOME NOTES AND LOANS

	1998 KShs	1997 KShs
Government of Kenya - Income Notes	50,750,000	50,750,000
Commonwealth Development Corporation 1975 to 2003	233,709,700	312,187,476
	284,459,700	362,937,476
Less: Unrealised exchange differences recoverable from the Government of Kenya under a Risk Assumption Agreement	(159,082,609)	(211,431,912)
Tax relief on unrealised exchange losses	-	(300,053)
	<b>125,377,091</b>	<b>151,205,511</b>

The above amounts are repayable over the following period:-

- a) Government of Kenya - Income Notes carry no redemption date.
- b) Commonwealth Development Corporation - 1975 to 2003
  - i) During the year the amount outstanding of \$12,417.40 in respect of 1975-1979 CDC loan was repaid.
  - ii) In respect of CDC- Komarock loan of Stg.£2,250,000, 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 1999 principal loan repayments will amount to KShs.52,425,000 at the rate of exchange at 31 December 1998 of which only KShs.16,583,798 will be payable by the company under the above agreement.

# NOTES TO THE ACCOUNTS (CONTINUED)

## 21. NOTES TO THE CASH FLOW STATEMENT

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

	1998 KShs	1997 KShs
Group profit before taxation	428,246,959	483,237,034
(Increase)/Decrease in interest receivable	(14,948,386)	13,942,197
Increase in interest payable	8,956,966	70,277,808
Mortgage loss provision	144,375,800	59,998,736
Depreciation	35,618,981	36,474,131
Assets written off	-	1,438,641
Exchange variations on loan		
Repayments	1,059,198	12,917,751
Profit on sale of fixed assets	(3,633,886)	(1,049,529)
Loan interest	7,425,795	9,542,597
Increase in public deposits	2,347,964,300	1,202,268,063
Mortgage disbursements	(1,851,262,000)	(2,202,870,245)
Mortgage recoveries	166,562,070	386,945,563
(Increase)/decrease in other assets	(59,519,865)	205,836,109
Increase/(Decrease) in other liabilities	69,622,997	(41,318,189)
(Increase)/decrease housing projects costs	(215,005,484)	42,447,984
<b>Net cash inflow from operating Activities</b>	<b>1,065,463,445</b>	<b>280,088,651</b>

### b) Movement in cash and cash equivalents:-

Represented by increase/(decrease) in:

Cash at bank and in hand	(92,097,649)	(42,038,957)
Treasury bills and bonds	(447,183,910)	557,755,460
Funds at call and short notice	1,440,087,671	(719,230,694)
Bank overdraft	(223,450,689)	57,031,457
	<b>677,355,423</b>	<b>(146,482,734)</b>

## 22. MORTGAGE COMMITMENTS

### Group and Company

Mortgage commitments amounting to KShs. 2,479,285,000 (1997 - KShs. 2,101,065,000) are analysed below:-

	1998 KShs	1997 KShs
Commitment in principle but not authorised for payment	1,133,818,000	487,024,000
Authorised but not paid	1,345,467,000	1,614,041,000
	<b>2,479,285,000</b>	<b>2,101,065,000</b>

## NOTES TO THE ACCOUNTS (CONTINUED)

### 23. CAPITAL COMMITMENTS

Group and company:

Authorised but not contracted

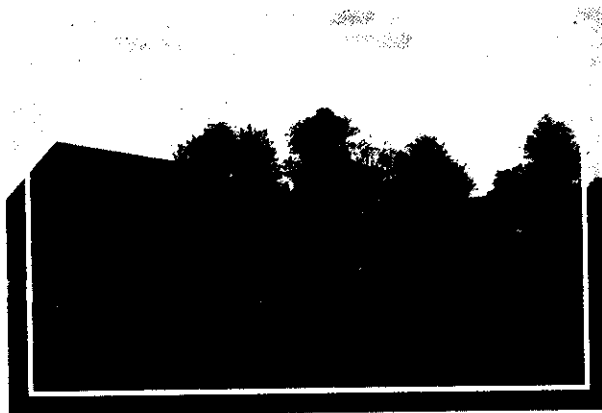
1998 KShs	1997 KShs
60,260,260	99,497,803

### 24. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

### 25. CURRENCY

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

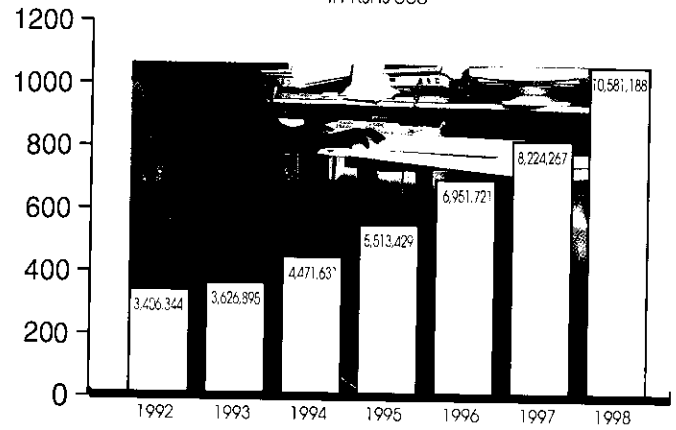


*A middle class residential estate financed by HFCK*

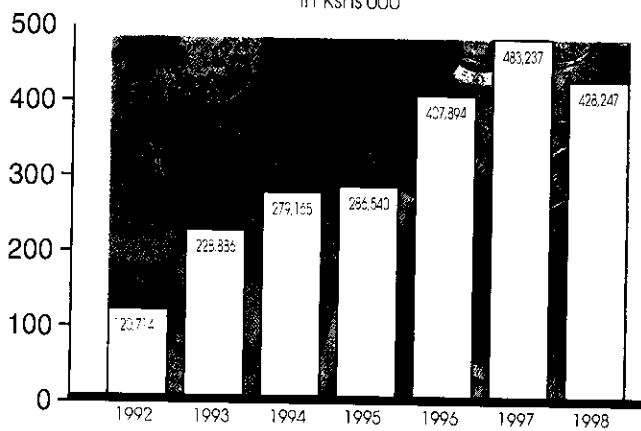
# 7 YEAR HIGHLIGHTS

## A 7 YEAR COMPARISON

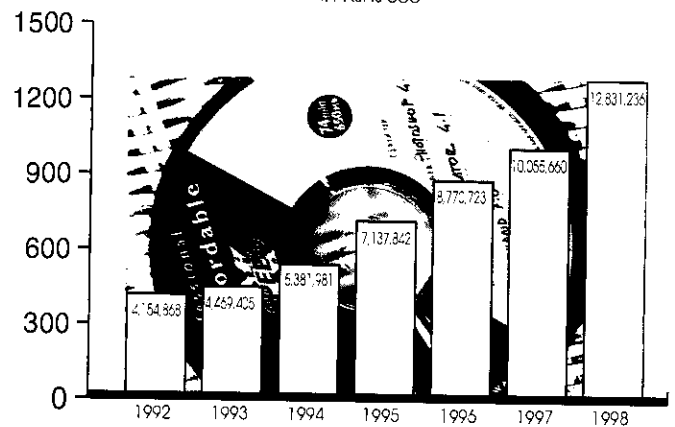
**PUBLIC DESPOSITS**  
In Kshs'000



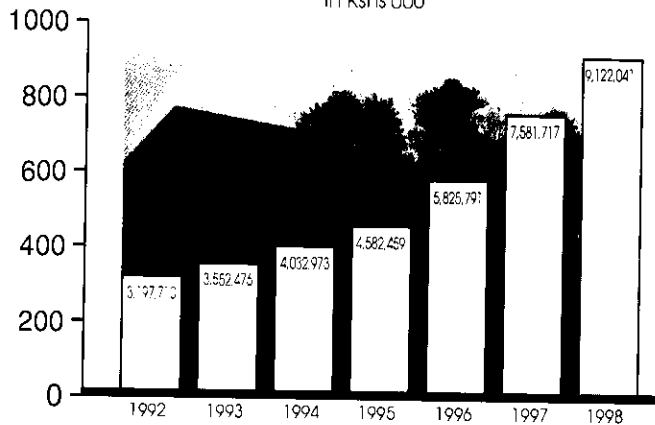
**GROUP PROFIT BEFORE TAX**  
In Kshs'000



**TOTAL ASSETS**  
In Kshs'000



**MORTGAGE ASSETS**  
In Kshs'000





## GROUP FINANCIAL SUMMARY 1992 - 1998

### a. Consolidated Profit & Loss Account

	1992 Kshs'000	1993 Kshs'000	1994 Kshs'000	1995 Kshs'000	1996 Kshs'000	1997 Kshs'000	1998 Kshs'000
Profit before taxation	120,714	228,886	279,165	286,540	407,894	483,237	428,247
Taxation	49,172	84,546	113,182	105,574	155,017	186,110	142,513
Profit after taxation	71,542	144,340	165,983	180,966	252,877	297,127	285,735
Dividends	37,000	46,000	69,000	69,000	115,000	138,000	172,500
Retained profit for the year	34,542	98,340	96,983	111,966	137,877	159,127	113,234

### 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	10,581,188
Mortgage Asset	3,197,710	3,552,476	4,032,973	4,582,459	5,825,791	7,581,717	9,122,041
Share Capital	230,000	230,000	345,000	345,000	460,000	460,000	575,000
Reserves	260,685	342,254	343,278	646,158	676,673	844,828	843,822
Total Assets	4,154,868	4,469,405	5,381,981	7,137,842	8,770,723	10,055,660	12,831,236

# DIRECTORY OF SERVICES

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

This is primarily achieved through promotion of savings. Between 1965 and 1998, HFCK has advanced more than Kshs.



*A modern house financed by HFCK*

13.3 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 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 very attractive returns to investors.

## 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 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

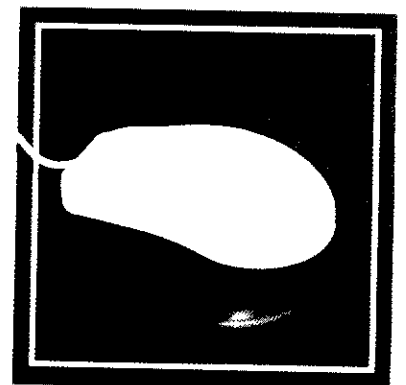
All houses that HFCK mortgages must be insured for fire. The Company makes all the necessary arrangements on behalf of the client and also arranges life insurance for the borrower so that family members are protected and guaranteed ownership even if a tragedy occurs.

## 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 construction; extensions and commercial buildings.



*Modern Technology*

## DIRECTORY OF SERVICES

### 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

HFCK has installed a new modern software, BANKplus, specially developed for financial mortgage Institutions. This software addresses the requirements of HFCK in areas such as General Ledger, Client Information, Retail Banking, Money Market, Instalment finance, teller support among many other areas. The Branches away from Nairobi are all connected on-line via wide area network and thus up-to-date information is readily available to customers. Local area network is also in place and HFCK now has access to E-mail for inter-company communication and recently the company entered the Internet Global village by having its own website - <http://www.HFCK.CO.KE>

The company has addressed year 2000 compliance and is confident that all its computer hardware and software is year 2000 compliant.

### LOOKING INTO THE FUTURE

In the future HFCK intends to become more active not only in the core area of development and finance of residential houses, but also

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 an asset base.



*A Commercial school financed by HFCK*

other ancillary areas of business related to HFCK's skills, structure, resources and competitive strength.

The expanded portfolio will include insurance, estate



*Chief Manager Finance, Mr. Henry M. Mwaniki, discussing the progress of construction of Komarock Phase IV with Mr. Pobat Patel, a Director of Lalji Meghji Patel & Co. Ltd. who are the main contractors. Over 5,000 Housing Units have been built in the estate.*

## 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 7259, Phone 43399/422816  
Fax: 213723

### 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

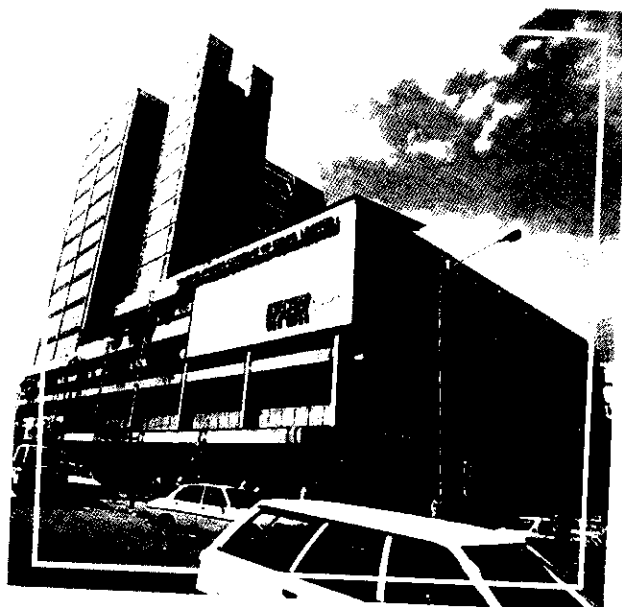
Tivoli Centre, Court Road  
P O Box 1557, Phone 40910/1, Fax: 21422

### MERU

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

### THIKA

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



HFCK Headquarters