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# HOUSING FINANCE COMPANY OF KENYA LIMITED

## DIRECTORS, OFFICERS AND ADMINISTRATION

### DIRECTORS

Richard Kemoli	(Chairman) With effect from 20/4/2000
Walter B.M. Mukuria	(Managing)
Titus T. Naikuni	
Anne A. W. Amissabuor	
Kun'gu Gatabaki	
Michael A. Turner*	With effect from 23/8/99
Martin L. Oduor-Otieno	With effect from 15/10/99
	(Alternate Mr. Njeru Kirira)

\*British

### SECRETARY

Samuel W. Waiganjo BComm(Hons) FCPA(K) ACIS CPS(K)

### SHARES REGISTRAR

Miss A. W. Matu CPS(K)

### AUDITORS

KPMG Peat Marwick  
Certified Public Accountants  
Jubilee Insurance Exchange Building  
P.O. Box 40612  
Nairobi.

### REGISTERED OFFICE

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

### BANKERS

Barclays Bank of Kenya Limited  
Citibank NA

2007/0386

# HOUSING FINANCE COMPANY OF KENYA LIMITED



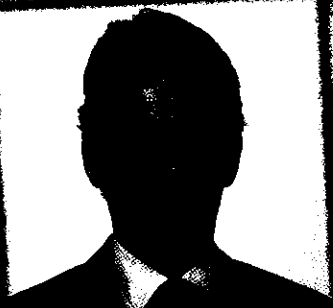
## BOARD OF DIRECTORS



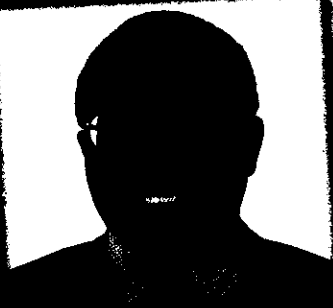
Mr. Richard Kemoli  
*Chairman*



Mr. Walter B. M. Mukuria  
*Managing Director*



Mr. Michael A. Turner  
*Director*



Mr. Kun'gu Gatabaki  
*Director*



Mr. Martin I. Oduor-Otieno  
*Director*



Mr. Titus T. Naikuni  
*Director*



Mrs. A. A. W. Amma Abuur  
*Director*



Mr. Samuel W. Waiganjo  
*Secretary to the Board*

# HOUSING FINANCE COMPANY OF KENYA LIMITED



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 34TH ANNUAL GENERAL MEETING OF THE HOUSING FINANCE COMPANY OF KENYA LIMITED WILL BE HELD AT THE AMPHITHEATRE, KENYATTA INTERNATIONAL CONFERENCE CENTRE, NAIROBI ON FRIDAY 16TH JUNE, 2000 AT 12.00 NOON FOR THE FOLLOWING PURPOSES:-

- (1) To confirm the Minutes of the 33rd Annual General Meeting held on Friday, 30th April, 1999.
- (2) To receive, consider and adopt the accounts for the year ended 31st December, 1999 together with Directors and Auditors Reports thereon.
- (3) To declare a dividend.
- (4) To elect Directors:-
  - (a) Mrs. Anne Atieno Weda Amissabuor retires by rotation in accordance with Article 78 of the Company's Articles of Association and being eligible offers herself for re-election.
  - (b) In accordance with Article 84 of the Company's Articles of Association the following Directors are due for retirement, this being the first Annual General Meeting to be held since they were appointed, and being eligible they individually offer themselves for re-election:
    - (i) Mr. Michael Alan Turner appointed by the Board on 23.8.1999.
    - (ii) Mr. Martin Luke Oduor-Otieno appointed by the Board on 15.10.1999
    - (iii) Mr. Titus Tukero Naikuni appointed by the Board on 19.4.2000.
    - (iv) Mr. Richard Kemoli appointed by the Board on 19.4.2000.
- (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: 20th April, 2000**

### 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 duly authorised in that behalf.

## ILANI YA MKUTANO MKUU WA KILA MWAKA

ILANI INATOLEWA HAPA KUWA MKUTANO WA THELATHINI NA NNE WA KILA MWAKA UTAFAZIKA KATIKA AMPHITHEATRE, KENYATTA INTERNATIONAL CONFERENCE CENTRE, NAIROBI, IJUMAA, TAREHE 16 JUNI, 2000 SAA SITA MCHANA KWA MADHUMUNI YAFUATAYO:-

- (1) Kuidhinishwa yaliyosemwa kwenye mkutano mkuu wa 33 wa kila mwaka uliofanyika Ijumaa, tarehe 30 Aprili, 1999.
- (2) Kupokea, kuchunguza na ikifikiriwa sawa kuidhinisha taarifa za fedha za mwaka uliomalizikia tarehe 31 Desemba, 1999 pamoja na taarifa za wakurugenzi na wakaguzi wa hesabu.
- (3) Kuidhinisha mgawo wa faida.
- (4) Kuchagua Wakurugenzi:
- (5) Kuamua malipo ya Wakurugenzi.
- (6) Kujulisha kwamba Messrs. KPMG Peat Marwick wataendelea, kushikilia afisi kama wakaguzi wa hesabu kwa mujibu wa sehemu 159(2) ya sheria za kampuni (Ibara 486) na kuidhinisha wakurugenzi kuamua malipo ya wakaguzi wa vitabu vya fedha.

- (7) Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika mkutano mkuu wa kila mwaka.

### Kwa amri ya Halmashauri

- (a) Bi. Anne Atieno Weda Amissabuor anastaafu kwa zamu kulingana na Kanuni 78 ya masharti na kanuni za kampuni na kwa kuwa anastahili anajitolea kuchaguliwa tena.

- (b) Kwa mujibu wa kanuni 84 ya kanuni za kampuni wakurugenzi wanaofuata wanastahili kustaafu, huu ukiwa mkutano mkuu wa kwanza kufanyika kutokea wachaguliwe, na kwa kuwa wanastahili wanajitolea binafsi kuchaguliwa tena:

- (i) Bw. Michael Alan Turner aliyechaguliwa na halmashauri tarehe 23.8.1999.

- (ii) Bw. Martin Luke Oduor-Otieno aliyechaguliwa na halmashauri tarehe 15.10.1999.

- (iii) Bw. Titus Tukero Naikuni aliyechaguliwa na halmashauri tarehe 19.4.2000.

- (iv) Bw. Richard Kemoli aliyechaguliwa na halmashauri tarehe 19.4.2000

### S. W WAIGANJO

#### Katibu wa Kampuni

Nairobi: Tarehe 20 Aprili 2000.

### MAELEZO

- (i) Mwanachama wa kampuni mwenye haki ya kuhudhuria na kupiga kura katika mkutano huu ana haki ya kuchagua mwakilishi kuhudhuria na kupiga kura badili yake. Fomu ya wakala inafaa ikamilishwe na kurudishwa kwa katibu, Rehani House Nairobi ili imfikie kwa muda usiopungua masaa ishirini na nne kabla wakati uliochaguliwa wa kufanyika mkutano.
- (ii) Mtu aliyechaguliwa kama mwakilishi si lazima kuwa mwanachama.
- (ii) Kama mchaguaji ni serikali au shirika lolote fomu akilishi lazima iwe na muhuri wa kampuni au sahihi ya afisa wa kampuni aliyeidhinishwa katika mamlaka hayo.

## CHAIRMAN'S STATEMENT

**Ladies and Gentlemen,**

Welcome to the 34th Annual General Meeting of Housing Finance Company of Kenya Limited.

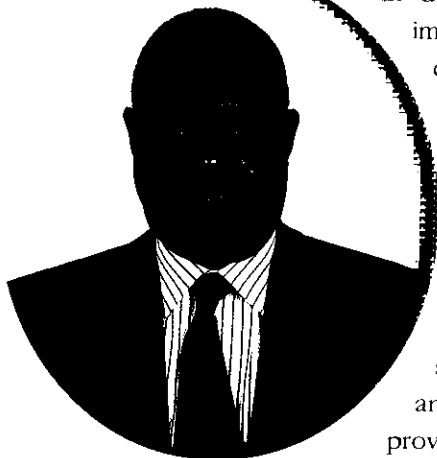
### THE ECONOMY AND THE BUSINESS ENVIRONMENT

The economy has seen some of the worst conditions on record: a general vacuum of investor confidence (even on relatively short-term and low-priced goods), high interest rates, capital flight and falling currency values, near stagnation of the property market, business wage freezes and mass redundancies.

HFCK achieved a net interest income of Kshs.917,627,727 in 1999 compared to Kshs.876,832,386 in 1998, an increase of 4.7% over the previous year.

HFCK has had its share of problems in unpaid mortgage advances. As you can see from the printed accounts the company increased its provision for bad and doubtful debts and interest suspended by Kshs.1,053,249,939 analysed as to Kshs.636,888,380 for suspended interest and Kshs.416,361,559 for specific bad debts. The provision for specific bad debts has been charged to the profit and loss account. This has greatly reduced profit available for distribution to the shareholders to Kshs.70,684,810 compared to Kshs.285,734,461 in 1998.

The Managing Director's report gives in detail the factors that have impacted negatively on the company's performance and how HFCK has reacted to them. You will see from this analysis that HFCK has not only resolved immediate difficulties with sound reflexes, but has also prudently strengthened its systems and made adequate provisions for the future.



### SUBSIDIARY COMPANIES

#### Kenya Building Society Ltd.

Our main subsidiary Kenya Building Society Ltd. continued to sell houses at Fahari Estate Mombasa and in Koma Rock Estate Phase III and IV in Nairobi. Sales of houses have been slow and had not been completed as envisaged due to the prevailing difficult economic conditions. KBS contribution to Group profit in 1999 was Kshs.5,312,973 compared to a loss of Kshs.11,788,488 in 1998.

#### First Permanent (E.A) Ltd.

The company owns three properties which are currently let. The company's contribution to Group profit in 1999 was Kshs.433,346 compared to Kshs.566,346 in 1998. Some houses remained vacant during the period; hence the drop in the company's contribution to the Group profit.

### DIVIDEND

An interim dividend of 5% equal to Kshs.28,750,000 was declared in August and paid in October 1999. The Directors are recommending a final dividend of a further 5%, bringing the total to Kshs.57,500,000 which is 10% of the issued share capital. (1998 - 30% equivalent to Kshs.172,500,000).

### AUDIT COMMITTEE

The Audit Committee provides assistance to the corporate directors in fulfilling their responsibilities to the shareholders, potential shareholders and the investment community relating to corporate accounting, reporting practices of the company, and the quality and integrity of the financial reports of the company. Non Executive Directors who have served on the Committee in the course of the year include Mr. Robert Ahomka-Lindsay, Mr. Michael A. Turner, Mr. Titus T. Naikuni and Mrs. A.A.W. Amissabuor. Mr. R. Ahomka-Lindsay served as the Committee Chairman until 23.8.1999 when he

## CHAIRMAN'S STATEMENT (Continued)

resigned and was replaced by Mr. Michael Alan Turner as Chairman. The Committee has discharged its functions with diligence and I wish to thank them on your behalf.

### BOARD

During the year under review Messrs. Robert Ahomka-Lindsay, Eng. Samson Akute and Titus T. Naikuni and Ms. Margaret Kwengwa Chemengich, left the Board and were replaced by Messrs. Michael Alan Turner, Martin Luke Oduor-Otieno and Richard Kemoli. Mr. Titus T. Naikuni was reappointed to the Board on 19th April, 2000. The new team bring a wealth of experience to the Board. Mr. Titus T. Naikuni who is my predecessor as chairman is with me here and I wish to thank him for the job he performed in his two years as chairman of the company and as a member of the Audit Committee. I welcome Mr. Michael A. Turner as Chairman of the Audit Committee and assure him and other members of the Audit Committee of the Board's support in the discharge of their duties.

### APPRECIATION

I congratulate and thank the management team and all the staff of the company for their skill and hard work through these difficult times, and share with them the determination to maintain HFCK's pre-eminent position in the mortgage finance sector.

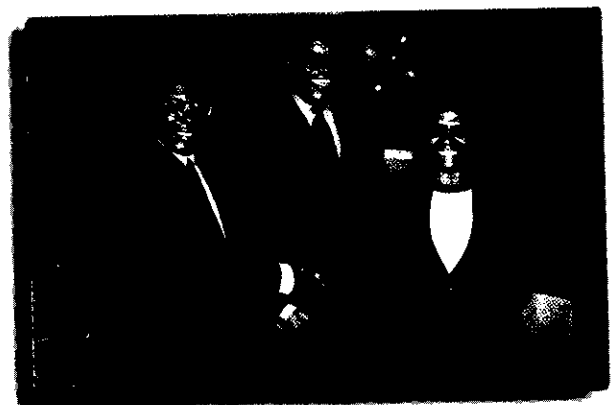
Finally I would like to thank our depositors, borrowers and of course shareholders and all those who have supported us during the difficult year 1999. Without this support we would not have realised the results we have achieved. The outlook for Year 2000 remains difficult particularly because of a depressed economy which affects the level of inflow of deposits and our borrowers abilities to service mortgages. We shall deal with

loan defaulters firmly but with fairness. We remain optimistic that with an upturn in the economy and the support of business partners, depositors, borrowers and our shareholders, we can look to the future with confidence.

**R. Kemoli**

**Chairman**

20th April, 2000



*Mr Kun'gu Gatabaki, Director presents a long service award to Grace Njeri who had served 30 years with the company.*

## TAARIFA YA MWENYEKITI

### **Mabibi na Mabwana,**

Karibuni kwenye mkutano wa 34 wa kila mwaka wa Housing Finance Company of Kenya Limited.

### **UCHUMI NA MAZINGIRA YA BIASHARA**

Uchumi umepitia baadhi ya hali mbaya kabisa zinazojulikana; ombwe tupu la jumla la uthabiti wa wategaji uchumi (hata kwa bidhaa za muda mfupi na za bei ndogo), viwango vya juu vya riba, uhamishaji wa fedha na kuanguka kwa thamani ya pesa, karibu kukwama kwa soko la rasilimali, kusimamishwa kwa mishahara ya biashara na kufukuzwa kazi kwa wingi.

HFCK ilipata faida halisi ya pato ya Kshs.917,627,727 katika mwaka 1999 ikilinganishwa na Kshs.876,832,386 katika mwaka 1998, ongezeko la asilimia 4.7 zaidi ya mwaka uliotangulia.

HFCK imekuwa na hisa yake ya shida za ukosefu wa kulipa pesa za rehani. Kama munavyoona kutokana na hesabu zilizochapishwa kampuni iliongeza akiba ya hasara ya rehani ya madeni mabaya na ya wasiwasi na riba iliyosimamishwa kwa Kshs.1,053,249,939 iliyochambuliwa kama Kshs.636,888,380 kwa riba iliyosimamishwa na Kshs.416,361,559 kwa madeni mabaya maalum. Akiba ya hasara ya rehani kwa madeni mabaya maalum inetolewa kwenye hesabu ya faida na hasara. Hii imepunguza sana faida inayopatikana kugawia wanahisa kuwa Kshs.70,684,810 ikilinganishwa na Kshs.285,734,461 katika mwaka 1998.

Ripoti ya Mkurugenzi Msimamizi inaeleza kwa urefu sababu ambazo ziathiri kivibaya matokeo ya kampuni na vipi HFCK imezikabili. Mutaona kutokana na uchambuzi huu kuwa HFCK haikutatua tu matatizo haya kwa njia nzuri lakini pia imeimarisha mifumo yake na kueka kinga kwa siku za usoni.

### **KAMPUNI SAIDIZI ZA HFCK**

#### **Kenya Building Society Ltd.**

Kampuni yetu kuu saidizi Kenya Building Society Ltd iliendelea kuuza nyumba katika mtaa wa Fahari Mombasa na mtaa wa Koma Rock awamu ya III na ya IV Nairobi. Mauzo ya nyumba yamekuwa ya taratibu na hayakuwa yamekamilishwa kama ilivyotarajiwa kutokana na hali ngumu za kiuchumi zilizopo. Changio la KBS kwa faida ya kundi katika mwaka 1999 lilikuwa Kshs.5,312,973 ikilinganishwa na hasara ya Kshs.11,788,488 katika mwaka 1998.

#### **First Permanent (E.A) Ltd.**

Kampuni ina majengo matatu ambayo yanakodishwa hivi sasa. Changio la kampuni kwa faida ya kundi katika mwaka 1999 lilikuwa Kshs.433,346 ikilinganishwa na Kshs.566,346 katika mwaka 1998. Nyumba nyingine zilibakia hazikukodishwa katika kipindi; hivyo kupungua katika changio la kampuni kwa faida ya kundi.

### **GAWIO LA FAIDA**

Gawio la muda la asilimia 5 likiwa sawa na Kshs.28,750,000 lilitangazwa Agosti na kulipwa Oktoba mwaka 1999. Wakurugenzi wanapendekeza gawio la mwisho la asilimia 5 zaidi likileta jumla kuwa Kshs. milioni Kshs.57,500,000 ambayo ni asilimia 10 ya rasilimali za hisa zilizotolewa. (Mwaka 1998 - asilimia 30 sawa na Kshs.172,500,000).

### **KAMATI YA UKAGUZI**

Kamati ya ukaguzi inatoa usaidizi kwa wakurugenzi wa shirika katika kutekeleza majukumu yao kwa wanahisa, wanaoweza kuwa wanahisa na jamii ya wategaji uchumi kuhusiana na hesabu za shirika na kuripoti utekelezi wa kampuni. Wakurugenzi wasio watekelezi waliokuwa katika kamati mwaka



## TAARIFA YA MWENYEKITI

ni pamoja na Bw. Robert Ahamka-Lindsay, Bw. Michael A Turner, Bw. Titus T Naikuni na Bi. A. A. W. Amissabuor. Bw. R Ahomka-Lindsay alikuwa mwenyekiti wa kamati mpaka tarehe 23.8.1999 alipojiuzulu na nafasi yake kuchukuliwa na Bw. Michael Alan Turner kama mwenyekiti. Kamati imefanya kazi kwa bidii na ningependa kuwashukuru kwa niaba yenu.

### HALMASHAURI

Katika mwaka unaopitiwa Mabwana Robert Ahomka-Lindsay, mhandisi Samson Akute na Titus T. Naikuni na Bi Margaret Kwengwa Chemengich, waliacha halmashauri na nafasi zao zilichukuliwa na Mabwana Michael Allan Turner, Martin Luke Oduor-Otieno na Richard Kemoli. Bw. Titus T. Naikuni alichaguliwa tena kwenye halmashauri tarehe 19 Aprili 2000. Timu mpya inaleta utajiri wa tajriba katika halmashauri. Bw. Titus T. Naikuni ambaye ni mtangulizi wangu kama mwenyekiti yuko na mimi hapa na ningependa kumshukuru kwa kazi aliyoifanya katika miaka yake miwili kama mwenyekiti wa kampuni na pia kama mwanachama wa kamati ya ukaguzi. Namkaribisha Bw. Michael A. Turner kama mwenyekiti wa kamati ya ukaguzi na namhakikishia yeye na wanachama wengine wa kamati ya ukaguzi usaidizi wa halmashauri katika utekelezaji wa wajibu wao.

### SHUKRANI

Napongeza na kushukuru timu ya usimamizi na wafanyikazi wote wa kampuni kwa ustadi wao na juhudi katika nyakati hizi ngumu, na kushirikiana nao kidhamiri kuhakikisha nafasi maarufu ya HFCK, katika sekta ya rehani.

Mwisho ningependa kuwashukuru wawekaji akiwa wetu, wakopaji na bila shaka wana-hisa na wale wote waliotusaidia kwa njia yoyote katika mwaka mgumu wa 1999. Bila ya msaada huu hatungepata matokeo

tuliyoyatimiza. Mtazamo wa mwaka 2000 unabakia mgumu hasa kwa sababu ya uchumi uliozoroteka unaoathiri kiwango cha uwekaji akiba na uwezo wa wakopaji wetu kulipia rehani. Tutapambana na wanaokosa kulipa mikopo kwa uhakika lakini kwa haki. Tunabaki na tegemeo kuwa kukiwa na unafuu wa uchumi na kwa usaidizi wa washiriki wenzetu wa biashara, wawekaji akiba, wakopaji na wanahisa wetu tutaweza kuangalia siku za usoni na imani.

**Richard Kemoli**

**Mwenyekiti**

**20 Aprili, 2000.**



*Mrs. Alice Mau, employee of the year*

## MANAGING DIRECTOR'S REPORT

Our Company's results for the year 1999 have been dominated by the difficult economic and trading conditions, thereby causing a sharp rise in the number of non-performing loans. The current recession has resulted in a great number of our customers unable or unwilling to service their mortgage borrowings. Stricter accounting requirements in making provision for bad debts have been put into place resulting in a negative impact on our bottom line. However, we are set for improvement in the year 2000 and our objective is to be a leading Mortgage Finance Company in the region.

### Our Business

Through the unfavourable trading environment over the year, HFCK has remained focussed on its core business which is mortgage finance. Our source of funds is derived from individual savings and corporate deposits, for which we compete against other financial institutions.

Our product is home ownership, and to ensure that there is always adequate supply, we develop housing stock through our subsidiary, the Kenya Building Society Limited. Our target is to continually improve our efficiency, service standards and our product range in a way which gives optimum value to both depositors and borrowers and at the same time give the best possible return to our shareholders.

1999 has indeed been a difficult year across the entire economy, ranging from the suspensions of donor support to industrial closures, retrenchments, devaluation, high interest rates, market stagnation and poor infrastructure. In a nutshell, investor confidence slumped as money became less available and less affordable. The consequent decline in property prices helped buoy demand for loans, but the same conditions also left us more exposed to losses. The double jeopardy of borrowers being more

likely to default and property delivering less security value when they do. However, despite these difficulties, the quality and discipline of HFCK's systems continued to attract deposits based on competitive rates of return, secure reputation and good service. Tight cost controls managed to hold lending rates down at viable levels for the existing and the new borrowers.

### Performance

The challenges with our industry were especially severe but not extraordinary. The difficult balance between both the cost and volume of deposits and loans was the tight nature of the mortgage finance business. HFCK responded early and quickly to these patterns and conducted thorough reviews of all its portfolios putting in extra safeguards in the most prone areas and also made appropriate adjustments in its lending policies as well as making substantial provisions for bad debts. In particular, the company established a Risk Management Unit to deal firmly but fairly with accounts in arrears.

### Mortgage Asset and Provisions

In estimating and accounting for provisions, the Company has ensured full and prudent cover for losses in order to give a true and fair view of income earned in 1999 and losses that are expected to arise in future. Suspended in 1999 has been interest on loans that are more than 3 months in arrears and have had at least 75% of the interest accruing. Specific provisions for mortgage losses was based on individual review of all accounts that were more than 6 months in arrears, anticipated losses after taking account of interest suspended and the realizable value of security upon the likelihood of crystallization and the general provision to cover possible losses on loans that are currently performing.

The overall mortgage portfolio, net of interest suspended and provisions is Kshs.9.5 billion.

## MANAGING DIRECTOR'S REPORT (Continued)

There are 8,125 accounts with an average balance of Kshs.1.1 million each and the largest single advance is Kshs.90million. The portfolio is diversified and all loans are secured by property as collateral.

### Deposit Mobilisation

The Company enjoys enormous public support and confidence and has continued to attract public deposits based on competitive rates of return, secure reputation and good service. We have installed a computer system with on-line facilities at all our branches and are pleased to say our customers can deposit and withdraw at any of our branches.

### Arrears

The Risk Management Unit has been carrying out commendable work in this area. However, a disturbing trend has been noticed with an increase in the number of speculative house buyers as opposed to owner-occupiers. The significance of this is in the difference in attitude of the borrower who has made a lifetime commitment to buying his own home as opposed to the borrower who is an entrepreneur purchasing a house for rental purposes.

HFCK must therefore match this difference with an equally clear distinction between defaulters who are willing but are unable to pay, and those who are able but are unwilling to pay. Our position on non-performing loans will be firm, fair and business-like in every instance; but insofar as these parameters allow any discretion, it will be exercised in favour of those customers willing to pay but are unable and, in particular owner-occupiers.

### Lending

Future lending will be guided by a new lending policy which will require applicants to prove both ability and willingness to repay before the security they offer will be

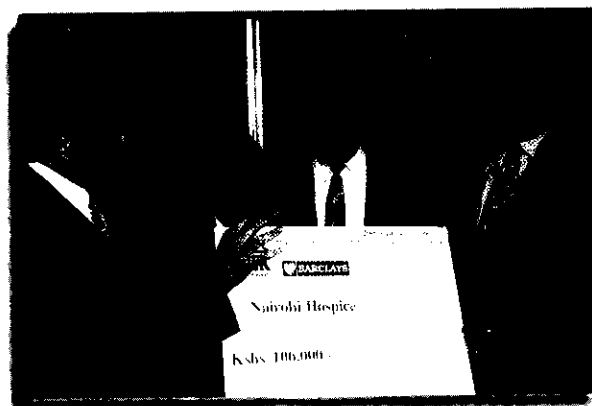
considered. Priority will be given to individuals who wish to buy homes for their own occupation. We believe this distinction is both fair business practice and good business sense.

### The Future

HFCK has a strong brand name, a healthy balance sheet and committed and able staff. The Company will build on its strengths and continue to be an increasingly profitable and valuable company excelling in its chosen line of business. To this end, customer focus will be a priority and we will seek to understand their needs and meet their expectations by providing world-class levels of service. Fuller utilisation of the BANKPlus computer system and intensive training to improve service quality will also be given priority.

HFCK is undergoing a period of rapid and exciting change and there is a determination to be recognised as one of Kenya's most profitable private sector companies through the provision of world-class customer service. We will ensure that at every level of the organisation, we recruit and select people with the highest potential to advance our business and improve efficiency in every area.

**WALTER B. M. MUKURIA**  
**Managing Director**



*HFCK Managing Director, presenting a cheque for Kshs.100,000 to the Chairman of Nairobi Hospice - Mr. Nizar Verjee*

## RIPOTI YA MKURUGENZI MSIMAMIZI

Matokeo ya kampuni yetu ya mwaka 1999 yametawaliwa na hali ngumu za kiuchumi na kibiashara, hivyo kusababisha ongezeko kubwa katika idadi ya mikopo isiyolipa. Uzorotaji wa uchumi wa sasa umesababisha idadi kubwa ya wateja wetu kutoweza au kukataa kulipia mikopo yao ya rehani. Sharuti kali za hesabu katika kuweka kiasi kufidia madeni mabaya zimewekwa na kusababisha athari hasi katika msingi wetu. Ijapokuwa, tuko tayari kwa maendeleo katika mwaka 2000 na lengo letu ni kuwa kampuni inayoongoza ya Rehani katika eneo.

### Biashara Yetu

Kupitia mazingira ya kutofaa na biashara katika mwaka, HFCK imebakia imelenga katika biashara yake ya maana ambayo ni Rehani. Chanzo chetu cha pesa kinatokana na uwekaji akiba za kibinafsi na uwekaji akiba wa mashirika, ambazo kwamba tunashindania na taasisi nyingine za kifedha.

Bidhaa yetu ni umilikaji wa nyumba, na kuhakikisha kuwa kuna nyumba za kutosha, tunaendeleza akiba ya nyumba kupitia kampuni yetu saidizi, Kenya Building Society Limited. Shabaha yetu ni kuendelea kuimarisha utendaji wetu bora, viwango vya huduma na bidhaa zetu anuwai kwa njia ambayo inatoa thamani bora kwa wote wawekaji akiba na wakopaji, na kwa wakati huo huo kutoa faida bora zaidi iwezekanayo kwa wanahisa wetu.

Mwaka 1999 umekuwa hasa mwaka mgumu kwa uchumi mzima, kutoka kwa usimamishwaji wa misaada mpaka kufungwa kwa viwanda, kupunguzwa wafanyikazi, kuanguka kwa thamani ya pesa, viwango vya juu vya riba, kuzoroteka kwa soko na kuanguka kwa misingi ya maendeleo. Kwa kifupi imani ya mtegemei uchumi iliporomoka, vile pesa zilipokuwa hazipatikani kwa urahisi na kutomudika. Kupungua kulikofuata kwa bei za majengo kulisaidia kuongeza mahitaji ya mikopo lakini hali hizo pia zilituacha sisi zaidi mashakani kwa hasara. Hatari mara mbili ya wakopeshaji zaidi kutoweza kulipa

madeni na nyumba kuleta thamani pungufu wanapokosa kulipa. Ijapokuwa, licha ya shida hizi, ubora na nidhamu ya mifumo ya HFCK iliendelea kuvutia uwekaji akiba, kutokana na viwango vya kuvutia vya faida, sifa ya uthabiti na huduma nzuri. Udhhibiti uliokazwa wa gharama uliweza kuzuia viwango vya ukopaji chini katika viwango vinavyowezekeka kwa wakopeshaji waliopo na wapya.

### Utendaji

Chochezi za kazi yetu zilikuwa ngumu hasa lakini si za kiajabu. Usawazishaji mgumu baina ya zote gharama na wingi wa uwekaji akiba na mikopo ulikuwa ni hali iliyokazwa ya biashara yetu ya rehani. HFCK iliitikia mapema na kwa haraka kuhusiana na hali hizi na ilifanya mapitio kamili ya orodha zake za fedha, ikiweka kinga za ziada katika maeneo yalioelekea zaidi na pia kufanya mageuzi ya kufaa katika sera zake za ukopaji na pia kuweka kiasi cha kutosha kwa madeni mabaya. Hasa, kampuni ilianzisha kitengo cha usimamizi wa mashaka kujishughulisha kwa uthabiti lakini kwa haki na madeni ambayo yako nyuma katika malipo.

### Rasilimali ya Rehani na Kiasi cha Hasara ya Rehani

Katika kukadiria na kuhesabu kiasi kilichotolewa kwa hasara ya rehani, kampuni imehakikisha fidia kamili na ya busara ya hasara ili kutoa mtazamo wa kweli na wa haki wa pato lililopatikana katika mwaka 1999 na hasara inayotarajiwa kutokea katika siku za mbeleni. Kilichosimamishwa mwaka 1999 kimekuwa ni riba kwenye mikopo ambayo haijalipwa zaidi ya miezi 3 na imeweza kutolewa angalau asilimia 75 ya riba iliyotundizika. Kiasi maalum kilichotengwa kwa hasara ya riba kiliegemezwa kwenye mapitio binafsi ya hesabu zote ambazo zilikuwa hazijalipwa miezi 6 au zaidi, hasara zinazotarajiwa baada ya kuangalia riba iliyosimamishwa na thamani ya dhamana inayopatikana kwenye

## RIPOTI YA MKURUGENZI MSIMAMIZI (Continued)

uwezekano wa kudhihirika na kiasi cha jumla kilichoekwa kufidia hasara inayoweza kupatikana kwenye mikopo ambayo kwa sasa inalipwa.

Orodha yote ya fedha za rehani, riba halisi iliyosimamishwa na kiasi kilichoekwa kwa hasara ni Kshs. bilioni 9.5. Kuna akaunti 8,125 zenye baki la wastani la Kshs. milioni 1.1 kila moja na deni moja kubwa zaidi ni Kshs. milioni 90. Orodha ya fedha ni ya aina tofauti na mikopo yote imedhaminiwa na rasilimali kama dhamana.

### Maandalio ya Amana

Kampuni inafaidika na kuungwa mkono sana na imani ya watu na imeendelea kuvutia amana za kibinafsi kutokana na viwango vya kuvutia vya faida, sifa ya uthabiti na huduma nzuri. Tumeweka mfumo wa kompyuta wenye nyenzo za utendaji wa papo kwa hapo katika matawi yetu yote na tunafuraha kusema wateja wetu wanaweza kuweka na kutoa pesa katika tawi letu lolote.

### Pesa Zilizopaswa Kulipwa lakini hazijalipwa.

Kitengo cha usimamizi wa mashaka kimekuwa kikifanya kazi nzuri katika eneo hili ijapokuwa mwenendo wa kusumbua umetambulikana kukiwa na ongezeko katika idadi ya watu wanaonunua nyumba kuuza licha ya wanaonunua kuishi. Umuhimu wa hili ni tofauti katika mtazamo wa mkopaji ambaye amefanya msimamo wa maisha kununua nyumba yake mwenyewe kinyume na mkopaji ambaye ni mjasiriamali anayenunua nyumba kwa biashara ya kukodisha.

Kwa hivyo lazima HFCK isawazishe tofauti hii na tofauti sawa na ya wazi baina wakosa kulipa ambao wanataka kulipa lakini hawawezi na wale wanaoweza lakini hawataki kulipa. Msimamo wetu kwenye mikopo isiyolipa utakuwa thabiti, wa haki na wa kibiashara katika kila mfano; lakini kwa kiasi kwamba vigezo hivi vinaruhusu busara yoyote, itafanywa kwa upendeleo wa wale wateja

wanaotaka kulipa lakini hawawezi na, hasa walionunua nyumba za kuishi.

### Ukopaji

Ukopaji siku za usoni utaongozwa na sera mpya ya ukopaji, ambayo itawahitaji waombaji kuthibitisha yote uwezo na hiari ya kulipa kabla ya dhamana wanayotoa kutazamwa. Kipaumbele utapewa watu wanaotaka kununua nyumba kwa makazi yao wenyewe. Tunaamini tofauti hii ni tendo la haki la kibiashara na pia hisi nzuri ya biashara.

### Siku za Usoni

HFCK ina chapa ya jina imara, hesabu zilizo katika hali nzuri na wafanyikazi waliojitolea na wenye uwezo. Kampuni itajenga kwenye nguvu zake na kuendelea kuwa kampuni inayoongezeka kuwa ya faida na ya thamani inayoongoza katika aina yake ya biashara iliochagua. Kutekeleza hili mteja atakuwa kipaumbele na tutajaribu kuelewa mahitaji yao na kutimiza matarajio yao kwa kutoa huduma za viwango vya kidunia. Utumiaji zaidi wa mfumo wa kompyuta wa BankPlus na mafunzo ya ziada kuimarisha ubora wa huduma yatapewa kipaumbele pia.

HFCK inapitia kipindi cha badiliko la haraka na kuisimua na kuna azimio la kutambuliwa kama mojawapo ya kampuni za sekta ya kibinafsi yenye faida zaidi Kenya kupitia utoaji wa huduma za kiwango cha kidunia kwa wateja. Tutahakikisha kuwa katika kila kiwango cha mpangilio, tuandike na kuchagua watu wenye uwezo wa juu kabisa kuiendeleza mbele biashara yetu na kuimarisha utendaji bora katika kila eneo.

**WALTER B. M. MUKURIA**  
Mkurugenzi Msimamizi

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**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, 1999.

**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**

	1999 Kshs.	1998 Kshs.
<b>Operating Profit</b>	<b>530,677,398</b>	<b>572,622,759</b>
Specific Provision for Mortgage losses	(116,361,559)	(144,375,800)
Profit Before Taxation	114,315,839	428,246,959
Taxation	(43,631,029)	(142,512,498)
Profit after Taxation	70,684,810	285,734,461
Dividends	(57,500,000)	(172,500,000)
Retained Profit for the Year	13,184,810	113,234,461
Retained Profit brought forward	386,824,217	468,092,374
	400,009,027	581,326,835
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 - (charge) write-back	43,002,532	(91,220,415)
Prior period Adjustment - deferred tax	-	9,589,158
Retained Profit Carried Forward	<b>445,140,198</b>	<b>386,824,217</b>

**REPORT OF THE DIRECTORS (Continued)****3. DIVIDEND**

An interim dividend of 5% equal to Kshs.28,750,000 was declared in August and paid in October 1999.

The Directors recommend to the shareholders the payment of a final dividend of 5% on the issued share capital of Kshs.575,000,000 as at 31st December 1999. Total dividend for the year amounts to Kshs.57,500,000 which is 10% of the issued share capital.

**4. DIRECTORS**

The Directors who have held office since 1st January, 1999 are as follows:-

Mr. Titus Tukero Naikuni	Resigned on 31.12.1999 and re-appointed on 19.4.2000 (Managing)
Mr. Walter Bernard Mukundi Mukuria	
Mrs. Anne Atieno Weda Amissabuor	
Mr. Kun'gu Gatabaki	
Mr. Michael Alan Turner	With effect from 23.8.1999
Ms. Margaret Kwengwa Chemengich	Resigned with effect from 23.8.1999
Eng. Samson Teela Akute	Ceased to be a Director with effect from 5.11.1999
Mr. Robert Ahomka-Lindsay	Resigned on 23.8.1999
Mr. Martin Luke Oduor-Otieno	With effect from 15.10.1999
Mr. Richard Kemoli	With effect from 19.4.2000

Mrs. A.A.W. Amissabuor retires by rotation in accordance with Article 78 and being eligible offers herself for re-election.

In accordance with the Articles of Association, Messrs. M.A. Turner, Martin L. Oduor-Otieno, Titus T. Naikuni and Richard Kemoli 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.

**5. 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: 20th April, 2000**

## RIPOTI YA WAKURUGENZI

Wakurugenzi wana furaha kuwasilisha ripoti yao na ya hesabu zilizokaguliwa za kampuni kwa mwaka unaoishia 31 Desemba, 1999.

### 1. SHUGHULI KUU

Kampuni ni taasisi ya rehani iliyoidhinishwa chini ya sheria za benki (Ibara.488) na hujaribu kuhimiza na kuendeleza utumiaji wa akiba zote za kibinafsi na za umma katika kugharamia umilikaji wa nyumba za kuishi.

### 2. FAIDA NA MATUMIZI

	1999 Kshs.	1998 Kshs.
<b>Faida ya Utendaji</b>	<b>530,677,398</b>	<b>572,622,759</b>
Kiasi maalum kilichotolewa kwa hasara ya rehani	(416,361,559)	(144,375,800)
Faida kabla ya ushuru	114,315,839	428,246,959
Ushuru	(43,631,029)	(142,512,498)
Faida baada ya ushuru	70,684,810	285,734,461
Mgawo wa faida	(57,500,000)	(172,500,000)
Faida iliyobakishwa katika mwaka	13,184,810	113,234,461
Faida iliyobakishwa na kuletwa mbele	386,824,217	468,092,374
Utoaji wa hisa za ziada katika mwaka	-	(115,000,000)
Uhamishaji wa thamani iliyopungua zaidi kutoka kwa akiba ya rasilimali.	2,128,639	2,128,639
Kiasi cha kijumla kilichotengwa kwa mkopo wa rehani - (malipo) yaliyopatikana	(3,002,532)	(91,220,415)
Urekebishaji wa kabla ya kipindi - ushuru ulioahirishwa		9,589,158
Faida iliyobakia na kupelekwa mbele	<b>445,140,198</b>	<b>386,824,217</b>



**3. MGAWO WA FAIDA**

Mgawo wa faida ya muda wa asilimia 5 unaolingana na Kshs.28,750,000 ulitangazwa Agosti na kulipwa Oktoba 1999.

Wakurugenzi wanapendekeza kwa wenye hisa malipo ya mgawo wa mwisho wa faida wa asilimia kwenye rasilimali ya hisa zilizotolewa ya Kshs.575,000,000 kama kufikia 31 Desemba 1999. Jumla ya mgawo wa faida kwa mwaka inakuwa Kshs.57,500,000 ambayo ni asilimia 10 ya rasilimali ya hisa zilizotolewa.

**4. WAKURUGENZI**

Wakurugenzi ambao wameshikilia afisi kutokea tarehe 1 Januari, 1999 ni kama ifuatavyo:-

Bw. Titus Tukero Naikuni alijiuzulu tarehe 31.12.1999 na kuchaguliwa tena tarehe 19.4.2000

Bw. Walter Bernard Mukundi Mukuria (Msimamizi)

Bi-Anne Atieno Weda Amissabour

Bw. Kungu Gatabaki

Bw. Michael Alan Turner

Bi. Margaret Kwengwa Chemerngich

Mhandisi Samson Teela Akute

Bw. Robert Ahomka-Lindsay

Bw. Martin Luke Oduor-Otieno

Bw. Richard Kemoli

kutokea tarehe 23.8.1999.

alijiuzulu kutokea tarehe 23.8.1999.

aliacha kuwa mkurugenzi kutokea tarehe 5.11.1999.

alijiuzulu tarehe 23.8.1999.

kutokea tarehe 15.10.1999.

kutokea tarehe 19.4.2000.

Bi A. A. W. Ambissabour astaaifu kwa zamu kulingana na sharti 78 na kwa kuwa anastahili anajitolea kuchaguliwa tena.

Kulingana na masharti na kanuni za kampuni, Mabwana M.A Turner, Martin L. Oduor-Otieno, Titus T. Naikuni na Richard Kemoli wakiwa wamechaguliwa kujiunga na halmashauri chini ya sharti 84 la masharti na kanuni za kampuni wanastaaifu katika mkutano huu mkuu na kwa kuwa wanastahili wanajitolea kuchaguliwa tena.

**5. WAKAGUZI WA HESABU.**

Wakaguzi wa hesabu, KPMG Peat Marwick, wataendelea kushikilia afisi kufuatana na sehemu 159 (2) ya sheria za kampuni (Ibara 486) kwa malipo yatakayoamuliwa na wakurugenzi.

**Kwa Amri ya Halmashauri**

**S. W. WAIGANJO**

**Katibu wa kampuni**

**Nairobi tarehe 20 Aprili 2000.**

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# HOUSING FINANCE COMPANY OF KENYA LIMITED



## REPORT OF THE AUDITORS

## RIPOTI YA WAKAGUZI WA HESABU

### TO THE MEMBERS OF HOUSING FINANCE COMPANY OF KENYA LIMITED

We have audited the financial statements set out on pages 19 to 40 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 account.

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 International Standards on Auditing. 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the company and the group as at 31 December 1999 and of the operating results and cash flows of the group for the year then ended in accordance with International Accounting Standards and comply with the requirements of the Companies Act.

**KPMG PEAT MARWICK**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**P.O. Box 40612,**  
**NAIROBI.**

Date: 10 February 2000

### KWA WANACHAMA WA HOUSING FINANCE COMPANY OF KENYA LIMITED

Tumekagua taarifa za kifedha zilizoonyeshwa katika kurasa 19 hadi 40 ambazo zimetayarishwa kwa misingi ya sera za uhasibu inayoonyeshwa katika maelezo 1. Tumepata habari na maelezo yote ambayo kwa kadiri tunavyojua na kuamini yalihitajika kutekeleza ukaguzi wetu na kutoa msingi unaofaa kwa maoni yetu. Taarifa za fedha za kampuni zinakubaliana na vitabu vya hesabu.

Wakurugenzi wana jukumu la kutayarisha taarifa za fedha zinazotoa picha ya kweli na isiyo ya kupendelea ya hali ya shughuli za kampuni na za kundi na za matokeo ya utendaji ya kundi. Jukumu letu ni kutoa maoni yasio ya mapendeleo kuhusu taarifa za fedha kufuatia ukaguzi wetu na kuwajulisha maoni yetu.

Tulifanya ukaguzi wetu kwa kufuatana na viwango vya ukaguzi wa hesabu vya kimataifa. Viwango hivyo vinahitaji kuwa tupange na kutekeleza ukaguzi wetu ili kupata uhakika ufao kuwa hesabu hizo hazina makosa. Ukaguzi unahusu upimaji ili kupata ushahidi unaohitibisha kiasi kinachoonyeshwa katika taarifa za fedha. Pia ni pamoja na upimaji mbinu zilizotumika na makisio muhimu yaliyofanywa na wakurugenzi na pia utathmini wa wasilisho la taarifa za fedha kwa jumla. Tunaamini kuwa ukaguzi wetu unatoa misingi kwa maoni yetu.

Kwa maoni yetu, vitabu vya hesabu vimewekwa kwa njia sahihi na taarifa za fedha zinaeleza kwa ukweli na bila ya mapendeleo hali ya shughuli za kifedha za kampuni na za kundi kufikia 31 Desemba 1999 na za matokeo ya utendaji na matumizi ya fedha za kundi kwa mwaka ulioisha kulingana na viwango vya ukaguzi wa hesabu vya kimataifa na kukubaliana na mahitajio ya sheria za kampuni.

**KPMG PEAT MARWICK**  
**KAMPUNI YA WAHASIBU**  
**S.L.P. 40612**  
**NAIROBI**  
**TAREHE 10 FEBRUARI 2000**

# HOUSING FINANCE COMPANY OF KENYA LIMITED



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	1999 KShs	1998 KShs
INTEREST INCOME	3	2,062,742,798	2,466,343,481
INTEREST EXPENSE	4	(1,145,115,071)	(1,589,511,095)
NET INTEREST INCOME		917,627,727	876,832,386
PROVISION FOR MORTGAGE LOSSES	13(b)	(416,361,559)	(144,375,800)
<b>NET INTEREST INCOME AFTER PROVISION FOR LOSSES ON LOANS AND ADVANCES</b>		501,266,168	732,456,586
NON INTEREST INCOME	5	379,579,769	371,918,589
NON INTEREST EXPENSES	6	(766,530,098)	(676,128,216)
<b>PROFIT BEFORE TAXATION</b>	7	114,315,839	428,246,959
TAXATION	8	(43,631,029)	(142,512,498)
<b>NET PROFIT AFTER TAX</b>		<b>70,684,810</b>	<b>285,734,461</b>
<b>EARNINGS PER SHARE</b>	9	<b>0.61</b>	<b>2.48</b>

The statement of Profit and Loss Account is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 19 to 40.

# HOUSING FINANCE COMPANY OF KENYA LIMITED



## CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 1999

	Note	1999 KShs	1998 KShs
<b>ASSETS</b>			
Cash and bank balances		214,114,200	51,356,482
Deposits and balances due from banking institutions	10	936,000,000	1,791,073,973
Investment in Government Securities	11	710,922,700	376,205,611
Investment properties	12	34,330,000	33,900,000
Mortgage advances to customers	13(a)	9,554,015,062	9,122,041,500
Interest receivable		34,070,763	43,665,812
Other assets		270,127,629	155,711,333
Housing Development Projects	17	695,413,303	668,727,469
Property and equipment	18(a)	539,652,118	532,671,240
Deferred tax	15(a)	7,497,180	9,589,158
Taxation		64,704,030	55,882,334
<b>TOTAL ASSETS</b>		<b>13,061,146,985</b>	<b>12,840,824,912</b>
<b>LIABILITIES</b>			
Balances due to banking institutions	19	150,430,298	223,450,689
Customer deposits	20	10,708,655,332	10,208,336,830
Certificates of deposit	21	-	91,790,457
Interest payable		179,196,683	281,060,601
Other liabilities		344,404,698	286,898,244
Dividends - Payable		91,028,563	80,500,000
- Proposed		28,750,000	115,000,000
		<b>11,502,465,574</b>	<b>11,287,036,821</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	22	575,000,000	575,000,000
Reserves	23	866,595,810	853,411,000
Shareholders' income notes and loans	24	117,085,601	125,377,091
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>13,061,146,985</b>	<b>12,840,824,912</b>

The accounts set out on pages 19 to 40 were approved by the Board of Directors on 10th February 2000 and were signed on its behalf by:

Mr. Kun'gu Gatabaki	)
Mr. Walter B.M. Mukuria	) Directors
Mrs. Anne A. W. Amissabuor	)
Mr. Samuel W. Waiganjo	) Company Secretary

The Balance Sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 19 to 40.

# HOUSING FINANCE COMPANY OF KENYA LIMITED



## COMPANY BALANCE SHEET

AT 31 DECEMBER 1999

	Note	1999 KShs	1998 KShs
<b>ASSETS</b>			
Cash and bank balances		212,177,200	49,264,909
Deposits and balances due from banking institutions	10	936,000,000	1,791,073,973
Investments in Government Securities	11	710,922,700	376,205,611
Mortgage advances to customers	13(a)	9,554,015,062	9,122,041,500
Interest receivable		34,070,763	43,665,812
Investments in subsidiaries	14	55,020,000	55,020,000
Dividend receivable		15,000,000	15,000,000
Amounts due from group companies	16	254,562,138	161,985,593
Other assets		262,699,744	153,594,677
Property and equipment	18(b)	538,846,798	531,232,604
Deferred tax	15(b)	5,657,242	5,900,737
Taxation		44,075,740	35,201,156
<b>TOTAL ASSETS</b>		<b>12,623,047,387</b>	<b>12,340,186,572</b>
<b>LIABILITIES</b>			
Customer deposits	20	10,708,655,332	10,208,336,830
Certificates of deposit	21	-	91,790,457
Interest payable		179,196,683	281,060,601
Other liabilities		170,379,598	119,597,525
Dividends - payable		91,028,563	80,500,000
- proposed		28,750,000	115,000,000
		11,178,010,176	10,896,285,413
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	22	575,000,000	575,000,000
Reserves	23	752,951,610	743,524,068
Shareholders' income notes and loans	24	117,085,601	125,377,091
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>12,623,047,387</b>	<b>12,340,186,572</b>

The accounts set out on pages 19 to 40 were approved by the Board of Directors on 10th February 2000 and were signed on its behalf by:

Mr. Kun'gu Gatabaki	)
Mr. Walter B.M. Mukuria	) Directors
Mrs. Anne A. W. Amissabuor	)
Mr. Samuel W. Waiganjo	) Company Secretary

The Balance Sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 19 to 40.

# HOUSING FINANCE COMPANY OF KENYA LIMITED



## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	1999 KShs	1998 KShs
<b>Net cash (outflow)/inflow from operating activities</b>	<b>25(a)</b>	<b>(93,080,526)</b>	<b>835,984,138</b>
<b>Return on investments and servicing of finance</b>			
Ordinary dividends paid		(133,221,438)	(104,000,000)
Loan interest		(5,990,758)	(7,425,795)
<b>Net cash outflow from investments and servicing of finance</b>		<b>(139,212,196)</b>	<b>(111,425,795)</b>
<b>Investing activities</b>			
Purchase of fixed assets		(41,309,564)	(26,065,948)
Proceeds from sale of fixed assets		1,045,000	4,991,500
Additions to investment properties		(130,000)	-
<b>Net cash outflow from investing activities</b>		<b>(43,691,564)</b>	<b>(21,074,448)</b>
<b>Financing:</b>			
Shareholders' loan repayments		(8,291,490)	(26,128,472)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>25(b)</b>	<b>(284,278,776)</b>	<b>677,355,423</b>

The Balance Sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 19 to 40.

# HOUSING FINANCE COMPANY OF KENYA LIMITED



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 1999

	Share Capital KShs	Revaluation Reserve KShs	Share Premium KShs	General Reserve for Mortgage Advances KShs	Retained Profits KShs	Total KShs
Balance 1 January 1999	575,000,000	349,661,320	25,705,048	91,220,415	377,235,059	1,418,821,842
Changes in accounting policy (with respect to deferred tax)	-	-	-	-	9,589,158	9,589,158
Restated balances	575,000,000	349,661,320	25,705,048	91,220,415	386,824,217	1,428,411,000
Net profit for the year	-	-	-	-	70,684,810	70,684,810
Dividends	-	-	-	-	(57,500,000)	(57,500,000)
Excess depreciation transfer	-	(2,128,639)	-	-	2,128,639	-
General reserve for Mortgage advances	-	-	-	(43,002,532)	43,002,532	-
<b>Balance at 31 December 1999</b>	<b>575,000,000</b>	<b>347,532,681</b>	<b>25,705,048</b>	<b>48,217,883</b>	<b>445,140,198</b>	<b>1,441,595,810</b>

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 19 to 40.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

### 1. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

#### (a) Basis of preparation

The financial statements are prepared in accordance with, and comply with, International Accounting Standards which have been adopted with effect from 1 January 1999. The financial statements are prepared under the historical cost convention and modified to include the revaluation of certain properties, plant and equipment.

With the exception of IAS 12 (Income Taxes), there are no other changes in accounting policy that affect operating profit resulting from the adoption of International Accounting Standards.

#### (b) Consolidation Principles

The consolidated accounts comprise the accounts of the parent company and its subsidiaries listed under note 14 all of which are made up to 31 December 1999.

#### (c) Revenue recognition

Income is recognised in the period in which it is earned. When an account becomes non-performing, interest is suspended until it is realised on a cash basis.

#### (d) Provision for Mortgage losses

Specific provisions for doubtful debts are held in respect of Mortgage advances. The provisions are based on periodic appraisal of the advances portfolio, and take account of past loss experience, economic conditions and estimated realisable value of the underlying collateral and are charged to the profit and loss account. In addition, a statutory provision is maintained against the Mortgage advances portfolio in compliance with Central Bank of Kenya guidelines and movements are accounted for as appropriations of retained earnings.

#### (e) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at the rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya shillings at rates ruling at the balance sheet date. The resulting realised and unrealised differences from conversion and translations are recognised in the profit and loss account.



### (f) Property and equipment

Items of freehold and leasehold land, buildings, motor vehicles and furniture and fittings are stated at cost or valuation less accumulated depreciation and impairment losses.

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The rates of depreciation used are based on the following estimated useful lives:

• Land: Freehold	Nil
• Long leasehold	Nil
• Buildings	2% or over the period of the lease
• Office equipment, fixtures, fittings & Motor vehicles	5% - 25%
• Investment properties	Nil

Excess depreciation provided on the surplus over cost of assets at valuation is met by annual transfer from revaluation reserve to retained earnings.

### (g) Treasury Bills

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

### (h) Mortgage Advances

Mortgages are generally shown at the principal amount adjusted for any provision for losses. The provision for losses is increased by charges to income and decreased by charge-offs (net of recoveries).

### (i) Post-employment benefits

The majority of the company's employees are eligible for retirement benefits under defined benefit plans. The scheme is managed by the Insurance Company of East Africa Limited – Life and Pension division. An actuarial valuation carried out as at 31 December 1998, reflected a past service deficit of Kshs.55,703,000.

The actuary recommended that in order to meet the deficit the total contribution rate should be increased to 14.3% per annum.

Strict application of the IAS 19 "Employee Benefits" is difficult particularly in determining the discount rate and expected return on plan assets. In the absence of a well developed and a liquid capital market in Kenya, it is difficult to apply the same finesse as is required under IAS 19 to the derivation of the financial assumptions as is possible in more developed and sophisticated economies. The Directors have therefore concluded that compliance with the requirement of the Standard would be misleading and therefore departure from the requirement is necessary to achieve a fair presentation.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### (j) Taxation

Tax on the operating results for the year comprises the current charge and deferred tax. Current tax is provided on the results in the year as shown in the accounts adjusted in accordance with tax legislation.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated on the basis of the tax rates currently enacted.

### (k) Cash and Cash equivalents

For the purpose of presentation of cash flows in the consolidated financial statements, the cash and cash equivalents include balances with Central Bank of Kenya, net balances from banking institutions and investment in government securities.

### (l) Segmental Reporting

Segmental information is based on two segment formats. The primary format represents two business segments – Nairobi and other regions. The secondary format represents the group's two major classes of business – commercial and residential mortgage advances.

Segmental results include revenue and expenses directly attributable to a segment and the relevant portion of the group's revenue and expenses that can be allocated on a reasonable basis to a segment.

Segmental assets comprise those that are directly attributable to the segment or can be allocated on a reasonable basis.

### (m) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of International Accounting Standards which the group has adopted in the year ended 31 December 1999.

# HOUSING FINANCE COMPANY OF KENYA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SEGMENT REPORTING

#### a) By Geographical area of operation

In addition to the information on business segments based on the structure of the group, the figures below present information for geographical segments.

	1999			1998		
	Nairobi KShs	Other regions KShs	Total KShs	Nairobi KShs	Other regions KShs	Total KShs
Interest receivable	1,670,821,666	391,921,132	2,062,742,798	1,997,738,220	468,605,261	2,466,343,481
Interest charges payable	931,262,255	213,852,816	1,145,115,071	1,287,503,987	302,007,108	1,589,511,095
Net interest income receivable	739,559,411	178,068,316	917,627,727	710,234,233	166,598,153	876,832,386
Fees and commission receivable	94,324,453	22,784,484	117,108,937	114,286,921	26,808,043	141,094,964
Other operating income	213,135,160	49,335,672	262,470,832	186,967,136	43,856,489	230,823,625
Net Revenue	1,047,019,024	250,188,472	1,297,207,496	1,011,488,290	237,262,685	1,248,750,975
Operating expenses	620,889,379	145,640,719	766,530,098	547,663,855	128,464,361	676,128,216
Provision for losses	337,252,863	79,108,696	416,361,559	116,944,398	27,431,402	144,375,800
<b>Profit before tax</b>	<b>88,876,782</b>	<b>25,439,057</b>	<b>114,315,839</b>	<b>346,880,037</b>	<b>81,366,922</b>	<b>428,246,959</b>
Loans and advances to customers	7,738,752,200	1,815,262,862	9,554,015,062	7,388,853,615	1,733,187,885	9,122,041,500
Interest Margin	44.26%	45.43%	44.49%	35.55%	35.55%	35.55%

#### b) By class of Business - 1999

	Residential KShs	Commercial KShs	Total KShs
Interest Revenue	2,135,369,866	270,002,913	2,405,372,779
Mortgage Assets	9,689,369,699	1,225,154,520	10,914,524,219

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# HOUSING FINANCE COMPANY OF KENYA LIMITED



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3 INTEREST INCOME

	1999 KShs	1998 KShs
Advances to customers	2,405,372,779	2,085,529,166
Interest suspended	(636,888,380)	-
	<u>1,768,484,399</u>	<u>2,085,529,166</u>
Treasury bills	42,970,963	144,631,470
Treasury bonds	16,584,408	23,922,172
Government stock	1,070,582	1,075,000
Placements with other banks	233,032,146	211,185,673
	<u>2,062,742,798</u>	<u>2,466,343,481</u>

### 4 INTEREST EXPENSE

	1999 KShs	1998 KShs
Customer deposits	1,119,785,523	1,519,414,610
Certificate of deposit	5,755,877	46,667,705
Interest on borrowed funds	19,573,671	23,428,780
	<u>1,145,115,071</u>	<u>1,589,511,095</u>

### 5 NON INTEREST INCOME

	1999 KShs	1998 KShs
House sales	238,707,006	205,575,000
Fees and commission income	117,108,937	141,094,964
Rental income	16,023,072	17,150,808
Other operating income	7,300,235	4,463,931
Profit on sale of fixed assets	439,925	3,633,886
	<u>379,579,769</u>	<u>371,918,589</u>

### 6 NON INTEREST EXPENSES

	1999 KShs	1998 KShs
Cost of houses sold	218,371,117	170,715,555
Finance and administration costs attributed to completed projects	19,213,745	51,011,864
Salaries and employee benefits	294,881,215	271,643,297
Rental expenses	2,079,650	1,977,825
Deposit Protection Fund	15,957,620	14,267,217
General administration expenses	167,979,843	127,144,779
Other expenses	57,613,871	39,367,679
	<u>766,530,098</u>	<u>676,128,216</u>

# HOUSING FINANCE COMPANY OF KENYA LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

The average number of employees in employment during the year were:

	1999	1998
Management	107	114
Unionisable	229	238
Contractual	25	23

Included in other expenses are contributions to the defined benefit plan for employees. During the year, the company expensed KShs.19,590,300 in contributions payable (1998 – KShs.18,443,347)

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

	1999 KShs	1998 KShs
<b>Crediting:-</b>		
Write back of provision on short term deposits	(300,000)	(100,000)
Profit on sale of fixed assets	(439,925)	(3,633,886)
<b>Charging:-</b>		
Directors' remuneration		
- Fees, expenses and mortgage interest benefits	1,874,307	1,635,933
- Executive emoluments	10,157,374	9,745,210
Auditors' remuneration		
- Current year	3,381,000	3,005,920
- Prior year underprovision	-	57,068
Exchange loss on Sterling loan repayments	-	1,059,198
Depreciation	-	35,618,981

### 8 TAXATION

	1999 KShs	1998 KShs
At 32.5% (1998 – 32.5%) on the profit for the year as adjusted for tax purposes	41,539,051	142,512,498
Deferred tax	2,091,978	-
	<u>43,631,029</u>	<u>142,512,498</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

The tax on the group's profit differs from the theoretical amount using the basic tax rate as follows:

	1999 KShs	1998 KShs
Accounting profit before tax	114,315,839	428,246,959
Computed tax using the applicable corporation tax rate	37,152,647	139,180,262
Non-deductible costs and depreciation on ineligible assets	6,652,713	3,332,236
Deferred tax arising from future reduction in tax rate	(174,331)	-
<b>Tax expense</b>	<b>43,631,029</b>	<b>142,512,498</b>

### 9 EARNINGS PER SHARE

The calculation of earnings per share is based on:

	1999 KShs	1998 KShs
Net profit for the year attributable to shareholders	70,684,810	285,734,461
Number of ordinary shares in issue	115,000,000	115,000,000
Earnings per share	0.61	2.48

### 10 DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS

#### Group and Company

	1999 KShs	1998 KShs
Due within 90 days	936,000,000	1,791,073,973

### 11 INVESTMENT IN GOVERNMENT SECURITIES

#### Group and Company

	1999 KShs	1998 KShs
Kenya Government stocks - 2000	9,775,000	9,775,000
Treasury bills due within 90 days	601,117,700	266,430,611
Treasury bonds due within 180 days	100,000,000	100,000,000
	<b>710,922,700</b>	<b>376,205,611</b>

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 12 INVESTMENT PROPERTIES

#### At cost or valuation

	1999 KShs	1998 KShs
As at 1 January	33,900,000	33,900,000
Additions in the year	430,000	-
At at 31 December	<u>34,330,000</u>	<u>33,900,000</u>

Investment properties comprise of 3 residential buildings owned by a subsidiary company – First Permanent (East Africa) Limited.

The investment properties were professionally valued on 31 December 1995 on an open market basis by Tysons Limited. The resulting surplus was credited to revaluation reserve.

### 13 MORTGAGE ADVANCES TO CUSTOMERS

#### Group and Company

	1999 KShs	1998 KShs
a) <b>Mortgages</b>	10,914,524,219	9,429,300,718
Less:		
Provision for specific bad and doubtful mortgage advances and interest suspended	<u>1,360,509,157</u>	<u>307,259,218</u>
	<u>9,554,015,062</u>	<u>9,122,041,500</u>
Maturing:		
Within five years	1,710,098,102	956,459,240
Over five years to ten years	3,650,395,200	3,233,218,940
Over ten years to fifteen years	4,481,555,395	3,541,702,583
Over fifteen years	<u>1,072,475,522</u>	<u>1,697,919,955</u>
	<u>10,914,524,219</u>	<u>9,429,300,718</u>

#### b) Provision for bad and doubtful debts and interest in suspense:-

	Interest in suspense KShs	Specific bad debts provision KShs	Total KShs
At 1 January 1999	-	307,259,218	307,259,218
Made during the year	636,888,380	416,361,559	1,053,249,939
At 31 December 1999	<u>636,888,380</u>	<u>723,620,777</u>	<u>1,360,509,157</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 13 MORTGAGE ADVANCES TO CUSTOMERS

#### c) Non performing loans and advances

Loans and advances include an amount of KShs.4,732,000,000 net of provisions and suspended interest, (1998 – KShs.3,740,000,000) on which interest is not being accrued as they have been classified as non-performing. The estimated realisable value of securities held against this net balance is KShs.4,695,613,382 (1998 – KShs.3,817,000,000).

### 14 INVESTMENT IN SUBSIDIARIES

	1999 KShs	1998 KShs
Kenya Building Society Limited	50,000,000	50,000,000
First Permanent (East Africa) Limited	5,020,000	5,020,000
	<b>55,020,000</b>	<b>55,020,000</b>

### 15 DEFERRED TAX ASSETS

#### a) Group

Deferred tax assets and deferred tax liabilities at 31 December 1999 and 1998 are attributable to the items detailed in the table below:

	1999			1998		
	Carrying value Kshs	Tax base Kshs	Temporary difference Kshs	Carrying value Kshs	Tax base Kshs	Temporary difference Kshs
Plant and equipment	64,442,786	83,568,006	(19,125,220)	60,309,492	80,824,305	(20,514,813)
Tax value of loss carry forwards		5,865,380	(5,865,380)	-	11,449,049	(11,449,049)
	<b>64,442,786</b>	<b>89,433,386</b>	<b>(24,990,600)</b>	<b>60,309,492</b>	<b>92,273,354</b>	<b>(31,963,862)</b>

Movements in temporary differences between values of certain items for accounting and for taxation purposes can be specified as follows:

	Balance at 1.1.1999 Kshs	Movement during the year Kshs	Balance at 31.12.1999 Kshs
Plant and equipment	(20,514,813)	1,389,593	(19,125,220)
Tax value of loss carry-forwards	(11,449,049)	5,583,669	(5,865,380)
Total temporary differences	(31,963,862)	6,973,262	(24,990,600)
Deferred tax @ 30%	<b>9,589,158</b>	<b>2,091,978</b>	<b>7,497,180</b>



# HOUSING FINANCE COMPANY OF KENYA LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 15 DEFERRED TAX ASSETS

#### b) Company

Deferred tax assets and deferred tax liabilities at 31 December 1999 and 1998 are attributable to the items detailed in the table below:

	1999			1998		
	Carrying value Kshs	Tax base Kshs	Temporary difference Kshs	Carrying value Kshs	Tax base Kshs	Temporary difference Kshs
Plant and equipment	63,073,619	81,931,094	(18,857,475)	59,097,638	78,766,762	(19,669,124)

Movements in temporary differences between values of certain items for accounting and for taxation purposes can be specified as follows:

	Balance at 1.1.1999 Kshs	Movement during the year Kshs	Balance at 31.12.1999 Kshs
Plant and equipment	19,669,124	811,649	(18,857,475)
Deferred tax @ 30%	5,900,737	243,495	5,657,242

### 16. GROUP COMPANY BALANCES

#### Company

	1999 KShs	1998 KShs
Due from:		
Kenya Building Society Limited	251,121,090	158,056,181
First Permanent (East Africa) Limited	3,441,048	3,929,412
	<b>254,562,138</b>	<b>161,985,593</b>

### 17 HOUSING DEVELOPMENT PROJECTS

#### Group

	1999 KShs	1998 KShs
Komarock Housing Projects	518,101,307	461,208,273
Mombasa Housing Projects	71,691,386	101,898,586
Kisumu Housing Projects	1,620,610	1,620,610
Langata Housing Project	104,000,000	104,000,000
	<b>695,413,303</b>	<b>668,727,469</b>

Commitments in respect of these projects, authorised but not paid as at 31 December 1999 amounted to KShs.189,016,784 (1998 - KShs.196,991,951)

Company: Nil

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 18. PROPERTY, PLANT AND EQUIPMENT

#### a) Group

	Land				
	Freehold KShs	Long leasehold term KShs	Buildings KShs	Furniture Fixtures, equipment, & motor vehicles KShs	Total KShs
<b>Cost or valuation</b>					
At 1 January 1999	16,000,000	203,900,000	232,023,693	277,151,457	729,075,150
Additions	-	-	15,707,079	28,602,485	44,309,564
Written off	-	-	-	-	-
Disposals	-	-	-	(2,202,419)	(2,202,419)
At 31 December 1999	16,000,000	203,900,000	247,730,772	303,551,523	771,182,295
<b>At cost</b>	-	700,000	23,230,772	303,551,523	327,482,295
<b>At valuation</b>	16,000,000	203,200,000	224,500,000	-	443,700,000
<b>Depreciation</b>					
At 1 January 1999	-	-	12,007,664	184,396,246	196,403,910
Charge for the year	-	-	3,317,133	33,406,478	36,723,611
Disposals	-	-	-	(1,597,344)	(1,597,344)
At 31 December 1999	-	-	15,324,797	216,205,380	231,530,177
<b>On cost</b>	-	-	4,018,492	216,205,380	220,223,872
<b>On valuation</b>	-	-	11,306,305	-	11,306,305
<b>Net book value</b>					
At 31 December 1999	16,000,000	203,900,000	232,405,975	87,346,143	539,652,118
At 31 December 1998	16,000,000	203,900,000	220,016,029	92,755,211	532,671,240
<b>Revaluation of assets</b>					

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. The resulting surplus was credited to revaluation reserve.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 18 PROPERTY, PLANT AND EQUIPMENT

#### b) Company:

	Land			Furniture Fixtures, equipment, & motor vehicles	Total
	Freehold KShs	Long leasehold term KShs	Buildings KShs	KShs	KShs
<b>Cost or valuation</b>					
At 1 January 1999	16,000,000	203,900,000	230,139,252	270,808,554	720,847,806
Additions	-	-	15,707,079	28,602,485	44,309,564
Written off	-	-	-	-	-
Disposals	-	-	-	(1,573,227)	(1,573,227)
At 31 December 1999	16,000,000	203,900,000	245,846,331	297,837,812	763,584,143
<b>At cost</b>	-	700,000	21,346,331	297,837,812	319,884,143
<b>At valuation</b>	16,000,000	203,200,000	224,500,000	-	443,700,000
<b>Depreciation</b>					
At 1 January 1999	-	-	10,229,105	179,386,097	189,615,202
Charge for the year	-	-	3,151,309	32,938,986	36,090,295
Disposals	-	-	-	(968,152)	(968,152)
At 31 December 1999	-	-	13,380,414	211,356,931	224,737,345
<b>On cost</b>	-	-	2,202,245	211,356,931	213,559,176
<b>On valuation</b>	-	-	11,178,169	-	11,178,169
<b>Net book value</b>					
At 31 December 1999	16,000,000	203,900,000	232,465,917	86,480,881	538,846,798
At 31 December 1998	16,000,000	203,900,000	219,910,147	91,422,457	531,232,604
<b>Revaluation of assets</b>					

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. The resulting surplus was credited to revaluation reserves.

# HOUSING FINANCE COMPANY OF KENYA LIMITED



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 19. BALANCES DUE TO BANKING INSTITUTIONS

Group	1999 KShs	1998 KShs
Due within 90 days	150,430,298	223,450,689

Company: Nil

### 20 CUSTOMERS' DEPOSITS

Group and company

	1999 KShs	1998 KShs
a) From Government and parastatals:		
Payable within 90 days	750,632,585	630,205,997
Payable after 90 days and within one year	589,782,746	567,282,928
Payable after one year	2,251,897,758	2,165,989,363
b) From private sector and individuals:		
Payable within 90 days	6,001,116,688	5,772,178,096
Payable after 90 days and within one year	707,739,295	680,739,514
Payable after one year	407,180,260	391,940,932
	<b>10,708,655,332</b>	<b>10,208,336,830</b>

Included in customers' deposits is KShs.2,222,000 (1998 - KShs.2,076,573) due to related companies. Interest paid on these deposits amounted to KShs.67,155(1998 - KShs.66,093).

### 21 CERTIFICATES OF DEPOSIT

	1999 KShs	1998 KShs
Due within 90 days		91,790,457

### 22 SHARE CAPITAL

	1999 KShs	1998 KShs
Authorised, issued and fully paid		
115,000,000 Ordinary Shares of KShs.5.00 each	575,000,000	575,000,000

# HOUSING FINANCE COMPANY OF KENYA LIMITED



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 23 RESERVES

	Revaluation Reserve KShs	Share premium KShs	General Reserves for mortgage advances KShs	Retained profits KShs	Total KShs
<b>GROUP</b>					
Balance 1 January 1999	349,661,320	25,705,048	91,220,415	377,235,059	843,821,842
Changes in accounting policy (with respect to deferred tax)	-	-	-	9,589,158	9,589,158
As restated	349,661,320	25,705,048	91,220,415	386,824,217	853,411,000
Net profit for the year	-	-	-	70,684,810	70,684,810
Dividends	-	-	-	(57,500,000)	(57,500,000)
Excess depreciation transfer	(2,128,639)	-	-	2,128,639	-
General reserves for mortgage advances	-	-	(43,002,532)	43,002,532	-
<b>Balance at 31 December 1999</b>	<b>347,532,681</b>	<b>25,705,048</b>	<b>48,217,883</b>	<b>445,140,198</b>	<b>866,595,810</b>
<b>COMPANY</b>					
Balance 1 January 1999	325,578,551	25,705,048	91,220,415	295,119,317	737,623,331
Changes in accounting policy (with respect to deferred tax)	-	-	-	5,900,737	5,900,737
As restated	325,578,551	25,705,048	91,220,415	301,020,054	743,524,068
Net profit for the year	-	-	-	66,927,542	66,927,542
Dividends	-	-	-	(57,500,000)	(57,500,000)
Excess depreciation transfer	(2,128,639)	-	-	2,128,639	-
General reserves for mortgage advances	-	-	(43,002,532)	43,002,532	-
<b>Balance at 31 December 1999</b>	<b>323,449,912</b>	<b>25,705,048</b>	<b>48,217,883</b>	<b>355,578,767</b>	<b>752,951,610</b>

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 24 SHAREHOLDERS' INCOME NOTES AND LOANS

#### Group and company

	1999 KShs	1998 KShs
Government of Kenya - Income Notes	50,750,000	50,750,000
Commonwealth Development Corporation (1975 to 2003)	204,597,200	233,709,700
	255,347,200	284,459,700
Less: Unrealised exchange differences recoverable from the Government of Kenya under a Risk Assumption Agreement	(138,261,500)	(159,082,609)
	117,085,000	125,377,091

The above amounts are repayable over the following period:

- Government of Kenya Income Notes carry no redemption date.
- Commonwealth Development Corporation 1975 to 2003

In respect of CDC- Komarock loan of Stg.£2,000,000, 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 the due dates. During 2000 principal loan repayments will amount to KShs.58,225,000 at the rate of exchange at 31 December 1999 of which only KShs.16,583,798 will be payable by the company under the above agreement.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 25. NOTES TO THE CASH FLOW STATEMENT

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

	1999 KShs	1998 KShs
Group profit before taxation	114,315,839	428,246,959
Decrease/(Increase) in interest receivable	9,595,049	(14,948,386)
(Decrease)/Increase in interest payable	(101,863,918)	8,956,966
Mortgage loss provision	416,361,559	144,375,800
Interest suspended	636,888,380	-
Depreciation	36,723,611	35,618,981
Exchange variations on loan	-	1,059,198
Repayments	(439,925)	(3,633,886)
Profit on sale of fixed assets	5,990,758	7,425,795
Loan interest	408,528,045	2,347,964,300
Increase in public deposits	(1,653,799,000)	(1,851,262,000)
Mortgage disbursements	168,575,499	166,562,070
Mortgage recoveries	(114,416,297)	(59,519,865)
Increase in other assets	57,506,455	69,622,997
Increase in other liabilities	(26,685,834)	(215,005,484)
Housing projects	(50,360,747)	(229,479,307)
Taxation paid	-	-
<b>Net cash (outflow)/ inflow from operating activities</b>	<b>(93,080,526)</b>	<b>835,984,138</b>

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

Represented by increase/(decrease) in:

Cash at bank and in hand	163,057,717	(92,097,649)
Treasury bills and bonds	334,717,089	(447,183,910)
Funds at call and short notice	(855,073,973)	1,440,087,671
Bank overdraft	73,020,391	(223,450,689)
	<b>(284,278,776)</b>	<b>677,355,423</b>

### 26. MORTGAGE COMMITMENTS

#### Group and Company

Mortgage commitments amounting to KSh.1,701,380,000 (1998 KShs.2,479,285,000) are analysed below:-

	1999 KShs	1998 KShs
Commitment in principle but not authorised for payment	991,961,000	1,133,818,000
Authorised but not paid	709,419,000	1,345,467,000
	<b>1,701,380,000</b>	<b>2,479,285,000</b>

# HOUSING FINANCE COMPANY OF KENYA LIMITED



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 27. CAPITAL COMMITMENTS Group and company

	1999 KShs	1998 KShs
Authorised but not contracted	50,032,000	60,260,260

### 28. ASSETS PLEDGED AS SECURITY

As at 31 December 1999 there were no assets pledged by the Group to secure liabilities and there were no secured Group liabilities.

### 29. RELATED PARTY TRANSACTIONS

The group has entered into transactions with its employees:

	1999 KShs	1998 KShs
Balance at 1 January		
Loans advanced during the year	476,061,060	480,246,674
	486,000	38,109,060
Loans repayments received	(43,818,472)	(42,294,674)
Balance at 31 December	432,728,587	476,061,060

The related interest income in 1999 was KShs.24,991,715 (1998 – KShs.26,298,463)

### 30. INCORPORATION

The company is incorporated as a limited company in Kenya under the Companies Act.

### 31. CURRENCY

These accounts are expressed in Kenya Shillings.



# HOUSING FINANCE COMPANY OF KENYA LIMITED

## 7 YEAR HIGHLIGHTS

### GROUP FINANCIAL SUMMARY 1993 -1999

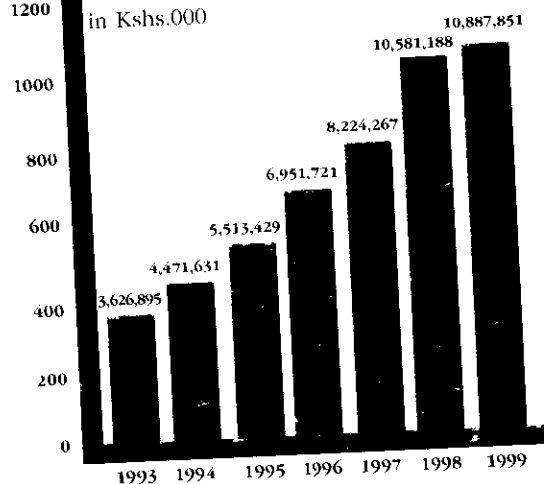
#### a) Consolidated Profit & Loss Account

	1993	1994	1995	1996	1997	1998	1999
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Profit before taxation	228,886	279,165	286,540	407,894	483,237	428,247	114,316
Taxation	84,546	113,182	105,574	155,017	186,110	142,513	43,631
Profit after taxation	144,340	165,983	180,966	252,877	297,127	285,735	70,685
Dividends	46,000	69,000	69,000	115,000	138,000	172,500	57,500
Retain profit for the year	98,340	96,983	111,966	137,877	159,127	113,234	13,185

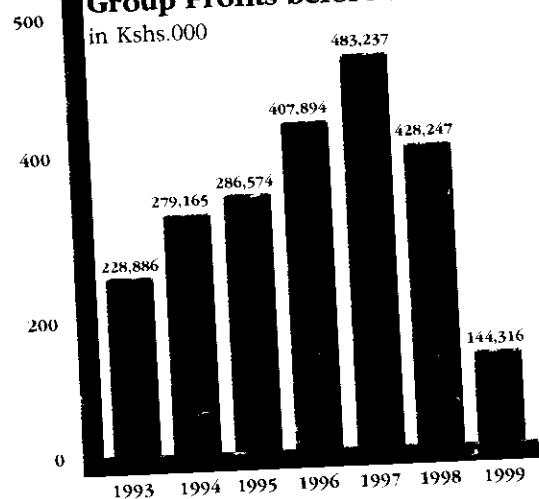
#### b) Main Balance Sheet Items

	1993	1994	1995	1996	1997	1998	1999
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Public Deposits	3,626,895	4,471,631	5,513,429	6,951,721	8,224,267	10,581,188	10,887,851
Mortgage Advances	3,552,476	4,032,973	4,582,459	5,825,791	7,581,717	9,122,041	9,554,015
Share Capital	230,000	345,000	345,000	460,000	460,000	575,000	575,000
Reserves	342,254	343,278	646,158	676,673	844,828	853,411	866,596
Total Assets	4,469,405	5,381,981	7,137,842	8,770,723	10,055,660	12,840,825	13,061,147

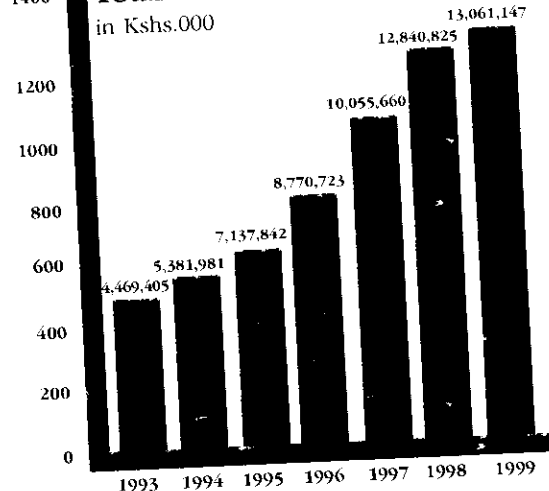
**Public Deposits**  
in Kshs.000



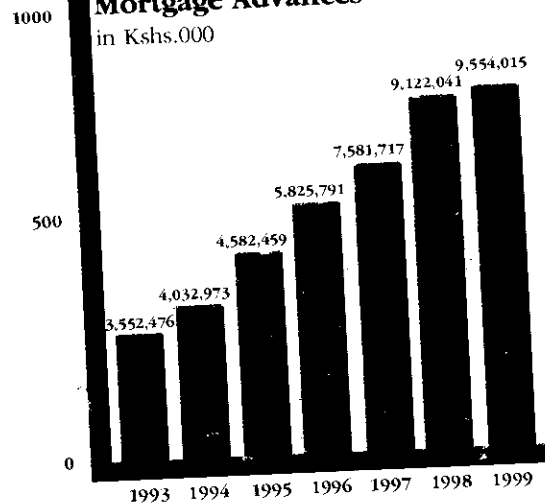
**Group Profits before Taxation**  
in Kshs.000



**Total Assets**  
in Kshs.000



**Mortgage Advances**  
in Kshs.000



# HOUSING FINANCE COMPANY OF KENYA LIMITED



## Directory of Services



*Tanzanian delegation visiting Komarok Estate*

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

This is primarily achieved through promotion of savings. Between 1965 and 1999, HFCK has advanced more than Kshs.15 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.



*The Newly refurbished Mombasa Branch*

### 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 - committed to customer care.*

### VALUATION SERVICES

HFCK carries out valuations of properties to be financed by the company which include: undeveloped plots, extensions and repairs, individual housing units, estates and commercial properties. 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.

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.

# HOUSING FINANCE COMPANY OF KENYA LIMITED

## Directory of Services

### 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, commercial buildings and purchase of urban plots.

### COMPUTERISATION



*Our Branches are fully Networked to servers at the Head Office.*

HFCK has installed a new modern software, BANKplus, specially developed for Financial Institutions. This software addresses the requirements of HFCK in areas such as the 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 a 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 former Minister for Public Works and Housing, Hon. Noah Katana Ngala being taken round the HFCK stand at the HFCK Housing Expo '99.*

### LOOKING INTO THE FUTURE

It is HFCK's intention to remain the leading mortgage company in Kenya by providing efficient and friendly services to all its customers through continuous staff training and keeping with the latest advancements in technology.

We aim to become more customer focused by creating high quality mortgages and providing competitive investment facilities in order to build a stronger and profitable company.



*Mr W. Mukuria, The Managing Director addressing members of staff during the 1999 end of the year party*

