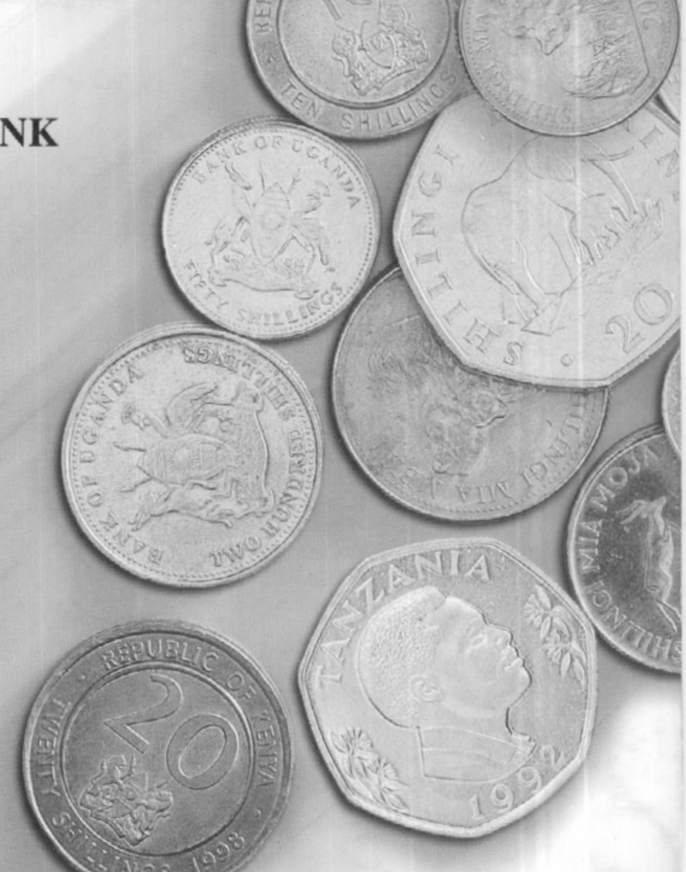
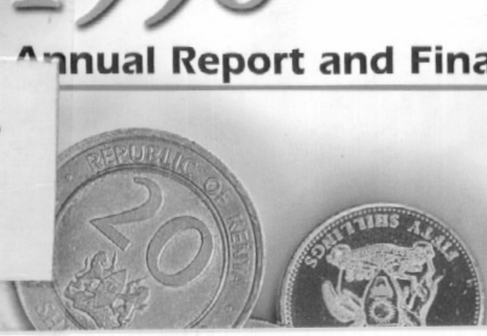
DIAMOND TRUST

DIAMOND TRUST BANK KENYA LIMITED



1998

Annual Report and Financial Statements



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Company Information

Board of Directors:	James B. Galbraith*	(Chairman)
	Mahmood P. Manji	(Managing Director)
	Francis O. Okello	(Executive Director)
	Nizar N. Juma	
	Iqbal G. Mamdani**	
	Abdul A. Samji	
	Roy A. Karaoglan**	
	Brian V. Wilson***	(Appointed on 27th April, 1998)
	Amin E. Merali	(Appointed on 27th April, 1998)
	George O. Oraro	(Appointed on 27th April, 1998)
	Jack J. Kisa	(Appointed on 27th April, 1998)
	Zaher K. Ahamed	(Resigned on 27th April, 1998)
	Nurdin G. Ajania	(Retired on 26th June, 1998)

*British **American ***Irish

Company Secretary: Julius N. Kuria

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

Auditors:
PricewaterhouseCoopers
Certified Public Accountants,
P.O. Box 43963,
Nairobi.

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

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

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

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

Notice of Annual General Meeting

Notice is hereby given that the Thirty Third Annual General Meeting of the shareholders of Diamond Trust Bank Kenya Limited will be held at the Nairobi Serena Hotel, Nyerere Road, Nairobi, on Friday, 25th June, 1999, at 11.00 a.m. to transact the following business:

1. To confirm the Minutes of the Thirty Second Annual General Meeting held on 26th June, 1998.

2. To receive, consider and adopt the Annual Report and Financial Statements for the year ended 31st December, 1998.

3. To confirm payment of the interim dividend of 10% made on 30th September, 1998, and approve payment of a final dividend of 10% on the Issued and Paid-up Share Capital of Shs. 318 million to the shareholders registered in our books as at 25th June, 1999, on or about 16th July, 1999, as recommended by the Board.

4. To elect Directors in accordance with the Company's Articles of Association.

5. To approve the Directors' fees.

6. To appoint the Company's Auditors, Messrs. PricewaterhouseCoopers, in accordance with Section 159(2) of the Companies Act (Cap. 486) and Section 24(1) of the Banking Act (Cap. 488).

7. To note the Auditors' remuneration for the year 1998, and to authorise the Directors to fix the Auditors' remuneration for the year 1999.

8. To transact any other Ordinary Business of an Annual General Meeting.

By Order of the Board
Julius N. Kuria
Company Secretary
12th March, 1999
Nairobi

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

Chairman's Statement

In a year when market and economic conditions have posed difficulties for all sectors of business, I am pleased to report that your Bank has performed well.

Profits after tax amounted to Shs. 207 million in 1998 against Shs. 158 million in 1997, an increase of 31%.

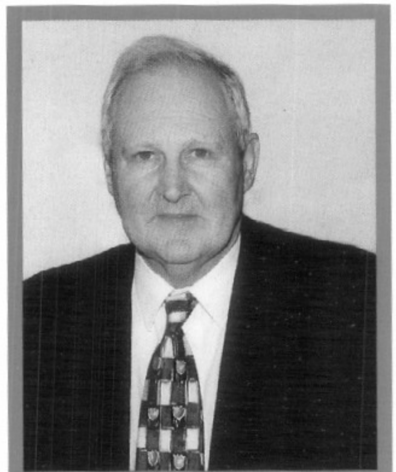
In view of these favourable results, the Board will recommend to the shareholders the payment of a final dividend of 10% bringing the total for the year to 20%, compared to 15% in the previous year.

Operating conditions in 1998 presented a major challenge to the Bank. The key factors were:

- poor economic conditions
- falling interest rates
- weaknesses in the banking sector
- intensive competition
- increasing defaults by borrowers

Gross Domestic Product was originally forecast to grow by 2.7% in 1998 (the same as the year before) but in fact growth was limited to 1.6%.

The 91 day Treasury Bill rate was 26.4% at the beginning of the year and this fell to 12.5% at



James B. Galbraith

the end of the year. The average interest rate on loans dropped to 26.6% during 1998 from 30.4% in 1997.

The year was marked by instability in the financial sector with the Central Bank of Kenya appointing statutory managers at five banks. As a result, some banks experienced difficulties in attracting deposits but the reputation and standing of Diamond Trust led to a large inflow of funds. The Bank continued to operate with very prudent liquidity margins and increased its investment in Government securities by Shs. 946 million to Shs. 1,304 million.

The rigorous approach to the monitoring and control of lending has paid off. No increase in the current level of provisions for bad and doubtful debts was required.

Chairman's Statement
(continued)

The establishment of the Debt Recovery Unit has laid the base for a more disciplined and aggressive approach to collecting bad debts. Adherence to a firm and consistent procedure has led to a substantial number of loans being regularised. Where necessary, lawsuits have been initiated to effect recovery.

In order to achieve economies of scale and a more effective use of capital, the Board has decided to merge the activities of its 100% owned subsidiary, Premier Savings & Finance Limited, with the Bank. Costs will be reduced as a result and the merged operations will be managed within existing resources.

The Bank has devoted considerable time and resources to ensuring that its systems and equipment are Year 2000 compliant. Our main computer systems, both hardware and software, have been certified as compliant by our suppliers. Where necessary, we have replaced non- compliant equipment and we are now ready to meet the challenges of the millennium bug.

Commercial and international banking business is progressing well and commission revenues have risen accordingly. Our associated companies in Tanzania and Uganda have produced very good profits during 1998.

During 1999 we will be looking to exploit the synergies that exist between the banks in the Diamond Trust group, and to developing services for customers on a regional basis.

It is with regret that I have to announce the resignation of the Managing Director, Mr. Mahmood P. Manji, who is leaving the Bank in August. Mr. Manji joined Diamond Trust in early 1996 to oversee conversion to a commercial bank and to enhance financial performance. On behalf of the Board, I would like to thank Mr. Manji for achieving these objectives, and for the loyal and dedicated service he has given to the Bank. I am pleased to advise that he will continue to serve as a member of the Board of the Bank and a number of subsidiary and affiliated companies.

On behalf of the shareholders, the Board wishes to express its gratitude to our valued customers for their continued loyalty and support. We will strive to reciprocate this confidence by continuing to improve the quality and range of services we offer.

James B. Galbraith
Chairman
12th March, 1999

Taarifa ya Mwenyekiti

Katika mwaka ambapo hali ya kibiashara na uchumi ulileta matatizo kwa nyanja zote za biashara, nina furaha kuripoti kwamba Banki yako ilifanya vyema.

Faida baada ya kodi ilikuwa Shs. 207 milioni mnamo 1998 dhidi ya Shs. 158 millioni mwaka 1997, ongezeko la asilimia 31%.

Kutokana na matokeo hayo mazuri, Halmashauri itapendekezea wenyehisa malipo ya mwisho ya mgawo wa asilimia 10% ikijumuisha jumla ya asilimia 20% mwaka huo, kulinganishwa na asilimia 15% mwaka uliotangulia.

Shughuli za kibiashara mnamo 1998 zilifanya Banki yako kujitahidi hata zaidi. Hayo yalitokana na yafuatayo:

- hali mbaya ya kiuchumi
- viwango vya riba kushuka
- ulegevu katika sekta ya banki
- ushindani mkubwa
- kuongezeka kwa wakopaji kushindwa kulipa mikopo

Ustawi wa Mapato Nchini (GDP) ulitazamiwa awali upande kwa asilimia 2.7% mwaka wa 1998 (sawa na mwaka uliotangulia) lakini ukweli ni kwamba ongezeko hilo lilikuwa tu la asilimia 1.6%. Kiwango cha siku 91 ya Fedha Zisizo Taslimu (Treasury Bill) kilikuwa ni asilimia 26.4% mwanzoni mwa mwaka na kiasi hiki kilishuka hadi asilimia 12.5% mwishoni mwa mwaka huo. Kiwango cha riba cha kadiri kwa mikopo kilishuka hadi asilimia 26.6% mnamo 1998 kutoka asilimia 30.4% mwaka 1997.

Mwaka jana kulikuwepo na kutokuwepo na uthabiti katika sekta ya kifedha ambapo Banki kuu ya Kenya iliteua mameneja washikilizi katika banki tano.

Kutokana na jambo hilo, banki zingine zilitatizika kuvutia wateja lakini kutokana na jina zuri na msimamo wa Diamond Trust kuliwezesha kumiminika kwa fedha.

Banki hii iliendelea na shuguli zake kwa njia ya uangalifu mno na kuongeża rasilmali zake kwenye akiba za serikali kutoka Shs. 946 milioni hadi Shs. 1,304 milioni.

Shughuli za kuchunguza kwa uangalifu utoaji mikopo zimefanikiwa. Hapokuwepo na ongezeko la mahitaji kwenye mikopo yenye tashwishi.

Kuanzishwa kwa Idara ya kukusanya madeni kumewezesha kuwekwa kwa msingi bora wa kukusanya ipasavyo kwa madeni mabaya. Kwa kuzingatia utaratibu thabiti uliowekwa, kumewezesha mikopo mingi kulipwa. Palipokuwa na haja, sheria mahakamani zimetumika kulipwa kwa madeni kama hayo.

Taarifa ya Mwenyekiti
(inaendelea)

Ili kuwezesha kufika kiwango kinachofaa cha matumizi ya rasilmali, Halmashauri imekata kauli kuunganisha shuguli za kampuni yake iliyo na hisa asilimia 100%, Premier Savings & Finance, na Banki. Gharama zitapunguzwa kutokana na hatua hiyo ambapo muunganio huo shughuli za kikazi zitaweza kusimamiwa vyema na wale walioko wakati huu.

Banki hii imetenga wakati wa kutosha na fedha kuhakikisha kuwa mitambo yake itakabiliana na mahitaji ya Mwaka 2000. Mtambo wetu mkuu wa kompyuta, ukiwa na 'hardware' na 'software' umeidhinishwa kama utaweza kukabiliana na hali hiyo kutoka kwa wagawaji wetu.

Kunapohitajika, tumebadilisha vifaa visivyoweza kuhimili na sasa tuko tayari kukabiliana na yale yote yanayoweza kuletwa na 'mdudu wa karne' kwa kimombo, 'millennium bug'.

Uwekaji pesa za kibiashara na wa kimataifa unaendelea vyema ambapo ushuru wa komisheni umeongezeka ipasavyo. Kampuni zingine tunazo ungana nazo nchini Tanzania na Uganda zimetoa faida nzuri mno mwaka 1998.

Mwaka huu wa 1999 tutachunguza jinsi shughuli zinavyoendelea kati ya mabanki yaliyo kwenye kundi la Diamond Trust, na kuimarisha huduma kwa wateja sehemu za mikoani.

Inahuzunisha kwa mimi kutangaza kujiuzulu kwa Mkurugenzi Mkuu, Bw. Mahmood P. Manji, ambaye anaacha Banki mnamo Agosti. Bw. Manji alijiunga na Diamond Trust mapema 1996 ili kuangalia vile ingekuwa banki ya kibiashara na kuimarisha mapato yake. Kwa niaba ya Halmashauri, ningependa kumpongeza Bw. Manji kwa kuweza kufikia malengo haya, utiifu na kujitolea kwake kwa Banki hii. Nafurahi kusema kwamba ataendelea kutumika kama mwanachama wa Halmashauri ya Banki na makampuni mengine yanayoungana nayo.

Kwa niaba ya wenyehisa, Halmashauri ingependa kutoa shukrani kwa wateja wetu tunaowathamini kutokana na kuendelea kwao kuwa watiifu na kutuunga mkono. Tutajitahidi nasi kurudisha hongera kwa kuendelea kuimarisha huduma zote tunazotoa.

James B. Galbraith

Mwenyekiti

March 12, 1999

Report of the Directors

for the year ended 31st December, 1998

The Directors submit their report together with the audited financial statements for the year ended 31st December, 1998.

PRINCIPAL ACTIVITIES

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

RESULTS

The results for the year ended 31st December, 1998 are shown on page 10.

DIVIDENDS

An interim dividend of 10% (i.e. Shs. 0.40 per share) was paid on 30th September 1998. The Directors propose that a final dividend of 10% (i.e. Shs. 0.40 per share) on the Issued and Paid-up Share Capital of Shs. 318 million be paid on or about 16th July, 1999.

DIRECTORS

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

From the present members of the Board of Directors as listed, Messrs James B. Galbraith, Iqbal G. Mamdani and Roy A. Karaoglan retire by rotation under Articles No. 93 and No. 94 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

AUDITORS

PricewaterhouseCoopers were appointed auditors of the Company following the merger of the former auditors Coopers & Lybrand with Price Waterhouse and the consequent formation of a new partnership PricewaterhouseCoopers. They continue in office in accordance with the provisions of Section 159(2) of the Companies Act and Section 24(1) of the Banking Act.

By Order of the Board

Julius N. Kuria

Company Secretary

12th March, 1999

Nairobi

Report of the Auditors

to the members of Diamond Trust Bank Kenya Limited

1. We have audited the financial statements set out on pages 10 to 22. The balance sheet of the Company set out on page 12 is in agreement with the books of account. We obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

2. Respective Responsibilities of Directors and Auditors

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

3. Basis of Opinion

   We conducted our audit in accordance with Kenyan Auditing Standards. Those Standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements 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.

4. 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 affairs of the Company and the Group as at 31st December, 1998 and of the profit and cash flows of the Group for the year then ended and comply with Kenyan Accounting Standards and the Companies Act.

PricewaterhouseCoopers
Certified Public Accountants of Kenya
Nairobi

12th March, 1999

Group Profit and Loss Account

for the year ended 31st December, 1998

	Notes	1998 Shs. 000	1997 Shs. 000
Income	2	**1,593,278**	1,811,109
Expenditure	3	**(1,409,745)**	(1,638,890)
Operating profit		**183,533**	172,219
Share of associated companies profit		**23,997**	37,438
		207,530	209,657
Write - back of (Provision for) bad and doubtful debts		**69**	(531,760)
Profit (Loss) before taxation and extraordinary items	4	**207,599**	(322,103)
Taxation	5	**(1,035)**	(12,543)
Profit (Loss) after taxation before extraordinary items		**206,564**	(334,646)
Extraordinary items	6	-	492,968
Profit attributable to shareholders		**206,564**	158,322
Dividends - Interim paid		**(31,800)**	-
- Final proposed		**(31,800)**	(47,700)
Retained profit for the year	18	**142,964**	110,622
Earnings (Loss) per share	7	**2.60**	(4.21)

Group Balance Sheet

31st December, 1998

	Notes	1998 Shs. 000	1997 Shs. 000
ASSETS			
Cash and balances with the Central Bank	8	**857,979**	933,485
Government securities	9	**1,303,945**	358,295
Deposits and balances with banking institutions	10	**783,797**	579,470
Advances to customers	11	**2,898,160**	4,321,146
Other debtors and prepayments		**151,297**	622,456
Taxation recoverable		**25,140**	26,105
Investment in associated companies	12	**131,421**	120,636
Other investments	13	**64,869**	58,151
Fixed assets	14	**219,647**	228,013
		6,436,255	7,247,757
LIABILITIES			
Customer deposits	15	**4,803,423**	5,508,803
Certificates of deposit		**333,550**	479,480
Other creditors		**318,691**	407,905
Proposed dividend		**31,800**	47,700
		5,487,464	6,443,888
SHAREHOLDERS' FUNDS			
Share capital	16	**318,000**	318,000
Share premium account		**16,320**	16,320
Capital reserve	17	**139,457**	132,610
Revenue reserve	18	**475,014**	336,939
		948,791	803,869
		6,436,255	7,247,757

The financial statements on pages 10 to 22 were approved by the Board of Directors on 12th March, 1999, and were signed on its behalf by:

Directors: J. B. Galbraith, M. P. Manji and F. O. Okello. **Secretary:** J. N. Kuria.

Company Balance Sheet

31st December, 1998

	Notes	1998 Shs. 000	1997 Shs. 000
ASSETS			
Cash and balances with the Central Bank	8	**789,203**	844,724
Government securities	9	**899,048**	106,920
Deposits and balances with banking institutions	10	**738,857**	563,192
Advances to customers	11	**2,736,166**	3,985,884
Other debtors and prepayments		**150,936**	617,218
Taxation recoverable		**18,474**	18,474
Investment in subsidiary and associated companies	12	**102,891**	108,957
Other investments	13	**60,130**	54,080
Fixed assets	14	**207,048**	213,049
		5,702,753	6,512,498
LIABILITIES			
Customer deposits	15	**4,259,410**	4,960,697
Certificates of deposit		**333,550**	479,480
Other creditors		**304,018**	375,258
Proposed dividend		**31,800**	47,700
		4,928,778	5,863,135
SHAREHOLDERS' FUNDS			
Share capital	16	**318,000**	318,000
Share premium account		**16,320**	16,320
Capital reserve	17	**90,176**	84,126
Revenue reserve	18	**349,479**	230,917
		773,975	649,363
		5,702,753	6,512,498

The financial statements on pages 10 to 22 were approved by the Board of Directors on 12th March, 1999, and were signed on its behalf by:

Directors: J. B. Galbraith, M. P. Manji and F. O. Okello. **Secretary:** J. N. Kuria.

Group Cash Flow Statement

for the year ended 31st December, 1998

	Notes	1998 Shs. 000	1997 Shs. 000
Net cash inflow (outflow) from operating activities	19	**1,150,265**	(1,392,736)
Income tax		**31**	57,169
		1,150,296	(1,335,567)
RETURN ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends received		**5,721**	28,036
Dividends paid		**(79,500)**	-
Net cash (applied to) from investments and servicing of finance		**(73,779)**	28,036
INVESTING ACTIVITIES			
Purchase of fixed assets		**(29,246)**	(23,276)
Purchase of shares in associated companies		-	(2,594)
Proceeds on sale of fixed assets		**27,200**	212,936
Proceeds on sale of shares in associated companies		-	500,875
Proceeds on sale of shares in unquoted companies		-	1,176
Net cash from investing activities		**(2,046)**	689,117
Net increase (decrease) in cash and cash equivalents		**1,074,471**	(618,414)
Cash and cash equivalents at beginning of year		**1,871,250**	2,489,664
Cash and cash equivalents at end of year	20	**2,945,721**	1,871,250

Notes to the Financial Statements

for the year ended 31st December, 1998 (continued)

6. EXTRAORDINARY ITEMS

	1998 Shs. 000	1997 Shs. 000
Gain on sale of shares in associated companies	-	280,074
Gain on sale of shares in unquoted companies	-	1,163
Gain on sale of properties	-	211,731
	-	492,968

The above extraordinary items are not subject to taxation.

7. EARNINGS (LOSS) PER SHARE

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

8. CASH AND BALANCES WITH THE CENTRAL BANK

	THE GROUP		THE COMPANY	
	1998 Shs. 000	1997 Shs. 000	1998 Shs. 000	1997 Shs. 000
Cash in hand	30,687	17,608	29,161	15,445
Balances with the Central Bank	827,292	915,877	760,042	829,279
	857,979	933,485	789,203	844,724

9. GOVERNMENT SECURITIES

	THE GROUP		THE COMPANY	
	1998 Shs. 000	1997 Shs. 000	1998 Shs. 000	1997 Shs. 000
a) Treasury bills				
Maturing within 90 days of year end	746,945	321,645	342,048	70,270
b) Other Government securities				
Maturing within one year	156,000	35,650	156,000	35,650
Maturing after one year	401,000	1,000	401,000	1,000
	1,303,945	358,295	899,048	106,920

Notes to the Financial Statements

for the year ended 31st December, 1998 (continued)

10. DEPOSITS AND BALANCES WITH BANKING INSTITUTIONS

	THE GROUP		THE COMPANY	
	1998	1997	**1998**	1997
	Shs. 000	Shs. 000	**Shs. 000**	Shs. 000
Due within 90 days of year end	**783,797**	579,470	**738,857**	563,192

11. ADVANCES TO CUSTOMERS

	THE GROUP		THE COMPANY	
	1998	1997	**1998**	1997
	Shs. 000	Shs. 000	**Shs. 000**	Shs. 000
a) **Gross loans (net of interest suspended)**				
Balance as at 31st December	**3,616,939**	5,437,256	**3,420,896**	5,022,340
b) **Provision on advances**				
Specific provision:				
At 1st January	**1,062,981**	556,233	**987,346**	490,911
Provision during the year net of recoveries	**(20)**	532,909	**(24,208)**	505,255
Write-offs	**(397,132)**	(26,161)	**(327,518)**	(8,820)
At 31st December	**665,829**	1,062,981	**635,620**	987,346
General provision:				
At 1st January	**53,129**	54,278	**49,110**	49,110
(Write-back) provision during the year	**(179)**	(1,149)	**-**	-
At 31st December	**52,950**	53,129	**49,110**	49,110
c) **Maturing (net of provisions)**				
Within one year	**1,456,217**	2,119,720	**1,356,734**	2,017,951
Over one year to three years	**1,102,126**	1,585,466	**1,049,897**	1,409,890
Over three years	**339,817**	615,960	**329,535**	558,043
	2,898,160	4,321,146	**2,736,166**	3,985,884

d) Included in the amount of gross advances for the Group are non-performing advances of Shs. 1,171,885,000 (1997 - Shs. 1,373,969,000) and on which interest is suspended. These advances included in the balance sheet, net of provisions and suspended interest, at Shs. 506,056,000 are secured (1997 - Shs. 310,988,000).

e) Group advances to customers at 31st December, 1998 include loans to directors, employees and associates of Shs. 36,602,000 (1997 - Shs. 50,026,000).

Notes to the Financial Statements

for the year ended 31st December, 1998 (continued)

12. INVESTMENT IN SUBSIDIARY AND ASSOCIATED COMPANIES

	Beneficial Ownership	THE GROUP 1998 Shs. 000	THE GROUP 1997 Shs. 000	THE COMPANY 1998 Shs. 000	THE COMPANY 1997 Shs. 000
a) Subsidiary company					
Premier Savings and Finance Limited	100%	-	-	**29,137**	29,137
b) Associated companies					
Comtech Systems Limited	29%	**3,755**	3,648	**3,500**	3,500
Diamond Trust Bank Uganda Limited	27%	**41,790**	36,588	**25,000**	25,000
Diamond Trust Bank Tanzania Limited	33%	**65,602**	52,712	**25,000**	25,000
Kenya Litho Limited	22.25%	**20,273**	21,621	**20,253**	20,253
Services and Systems Limited	40%	**1**	1	**1**	1
		131,421	114,570	**73,754**	73,754
Current account balances		-	6,066	-	6,066
		131,421	120,636	**73,754**	79,820
Total investment in subsidiary and associated companies		**131,421**	120,636	**102,891**	108,957

c) The results of the associated companies are for the year ended 31st December, 1998.

	1998 Shs. 000	1997 Shs. 000
d) Advances to associated companies	**6,524**	9,307

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

13. OTHER INVESTMENTS

	THE GROUP 1998 Shs. 000	THE GROUP 1997 Shs. 000	THE COMPANY 1998 Shs. 000	THE COMPANY 1997 Shs. 000
Quoted shares	**41,822**	35,104	**37,083**	31,033
Unquoted shares	**23,047**	23,047	**23,047**	23,047
	64,869	58,151	**60,130**	54,080

Notes to the Financial Statements

for the year ended 31st December, 1998 (continued)

14. FIXED ASSETS

THE GROUP	Long and Short term Leasehold Land and Buildings Shs. 000	Motor Vehicles Shs. 000	Furniture, Fittings and Equipment Shs. 000	Total Shs. 000
Cost or valuation				
At 1st January, 1998	157,860	12,543	125,136	295,539
Additions	78	16,965	12,203	29,246
Disposals / write-offs	(19,650)	(3,976)	(6,220)	(29,846)
At 31st December, 1998	**138,288**	**25,532**	**131,119**	**294,939**
Depreciation				
At 1st January, 1998	-	10,638	56,888	67,526
Charge for the year	-	1,476	15,313	16,789
Disposals / write-offs	-	(3,501)	(5,522)	(9,023)
At 31st December, 1998	-	**8,613**	**66,679**	**75,292**
Net book value				
At 31st December, 1998	**138,288**	**16,919**	**64,440**	**219,647**
At 31st December, 1997	157,860	1,905	68,248	228,013

THE COMPANY	Long and Short term Leasehold Land and Buildings Shs. 000	Motor Vehicles Shs. 000	Furniture, Fittings and Equipment Shs. 000	Total Shs. 000
Cost or valuation				
At 1st January, 1998	148,927	12,003	111,725	272,655
Additions	78	16,965	12,184	29,227
Disposals / write-offs	(19,650)	(3,436)	(5,812)	(28,898)
At 31st December, 1998	**129,355**	**25,532**	**118,097**	**272,984**
Depreciation				
At 1st January, 1998	-	10,099	49,507	59,606
Charge for the year	-	1,476	13,090	14,566
Disposals / write-offs	-	(2,961)	(5,275)	(8,236)
At 31st December, 1998	-	**8,614**	**57,322**	**65,936**
Net book value				
At 31st December, 1998	**129,355**	**16,918**	**60,775**	**207,048**
At 31st December, 1997	148,927	1,904	62,218	213,049

Land and buildings of the Group are based on professional valuation carried out on 31st December, 1995. The basis was open market value. Subsequent additions of Shs. 450,180 (1997 - Shs. 372,680) are stated at cost.

Notes to the Financial Statements

for the year ended 31st December, 1998 (continued)

15. CUSTOMER DEPOSITS

	THE GROUP		THE COMPANY	
	1998	1997	**1998**	1997
	Shs. 000	Shs. 000	**Shs. 000**	Shs. 000
(a) **Deposits and balances from banking institutions**				
Payable within one year	**4,849**	-	**4,849**	13,500
(b) **Amounts owed to depositors**				
Payable within one year	**4,796,619**	5,383,161	**4,252,606**	4,821,555
Payable in over one year	**1,955**	125,642	**1,955**	125,642
	4,798,574	5,508,803	**4,254,561**	4,947,197
	4,803,423	5,508,803	**4,259,410**	4,960,697

16. SHARE CAPITAL

	THE GROUP		THE COMPANY	
	1998	1997	**1998**	1997
	Shs. 000	Shs. 000	**Shs. 000**	Shs. 000
Authorised:				
125,000,000 ordinary shares of Shs. 4 each	**500,000**	500,000	**500,000**	500,000
Issued and fully paid:				
79,500,000 ordinary shares of Shs. 4 each	**318,000**	318,000	**318,000**	318,000

17. CAPITAL RESERVE

	THE GROUP		THE COMPANY	
	1998	1997	**1998**	1997
	Shs. 000	Shs. 000	**Shs. 000**	Shs. 000
At 1st January	**132,610**	637,210	**84,126**	214,068
Exchange difference (i)	**129**	320	-	-
Adjustment in market value of quoted shares	**6,718**	3,003	**6,050**	2,916
Share of associated companies capital reserves	-	62,309	-	-
Realised on sale of assets	-	(570,232)	-	(132,858)
At 31st December	**139,457**	132,610	**90,176**	84,126

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

18. REVENUE RESERVE

	THE GROUP		THE COMPANY	
	1998	1997	**1998**	1997
	Shs. 000	Shs. 000	**Shs. 000**	Shs. 000
At 1st January	**336,939**	232,801	**230,917**	54,760
Exchange difference (i)	**(4,889)**	(6,484)	**-**	-
Retained profit for the year	**142,964**	110,622	**118,562**	176,157
At 31st December	**475,014**	336,939	**349,479**	230,917

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

19. NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	1998	1997
	Shs. 000	Shs. 000
Profit (loss) before taxation and extraordinary items	**207,599**	(322,103)
Adjustments for:		
Depreciation	**16,789**	14,580
(Profit) Loss on disposal of fixed assets	**(6,377)**	7,248
Dividend income	**(3,387)**	(18,368)
Share of associated companies profit	**(23,997)**	(37,438)
Provision for bad and doubtful debts	**(69)**	531,760
Net cash generated from operations	**190,558**	175,679
Net decrease in advances to customers	**1,423,006**	338,192
(Decrease) increase in certificates of deposit	**(145,930)**	26,780
(Decrease) in customer deposits	**(705,380)**	(1,365,305)
Decrease (increase) in other debtors and prepayments	**471,159**	(517,821)
Decrease (increase) in associated companies current account balances	**6,066**	(5,814)
(Decrease) in other creditors	**(89,214)**	(44,447)
	959,707	(1,568,415)
Net cash inflow (outflow) from operating activities	**1,150,265**	(1,392,736)

Notes to the Financial Statements

for the year ended 31st December, 1998 (continued)

20. CASH AND CASH EQUIVALENTS

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

	1998 Shs. 000	1997 Shs. 000
Cash and balances with the Central Bank	**857,979**	933,485
Government securities	**1,303,945**	358,295
Deposits and balances with banking institutions	**783,797**	579,470
	2,945,721	1,871,250

21. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	1998 Shs. 000	1997 Shs. 000	1998 Shs. 000	1997 Shs. 000
Letters of Credit	**117,369**	4,086	**117,369**	4,086
Guarantees	**22,250**	106,078	**22,250**	106,078
	139,619	110,164	**139,619**	110,164

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

22. INCORPORATION

The Company is incorporated in Kenya under the Companies Act.

23. CURRENCY

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

Proxy Form

I/We ....

of ....

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

....

of ....

and failing him, ...

of ....

and failing him, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 25th June, 1999 at 11.00 a.m and at any adjournment thereof.

As witness my/our hand this .... day of ....1999.

Signature ....

Important Notes:

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

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Affix Stamp

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

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