

**SPECIAL ISSUE**



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GAZETTE NOTICE NO. 5293

CENTRAL BANK OF KENYA  
BANKI KUU YA KENYA  
BALANCE SHEET AS AT 30 JUNE 1997  
(AMOUNTS IN KSH. MILLION)

ASSETS	Note	1997	1996
Gold and Foreign Exchange .. .. .	1 (d), (e) & 2	56,245	45,397
Investment in Government Securities .. .. .	1 (e)	38,602	3,154
Direct Advances to Kenya Government .. .. .		—	200
Advances and Discounts to Banks .. .. .	3	9,214	9,316
Uncleared Effects .. .. .		1,119	452
Fixed Assets .. .. .		2,837	2,126
Other Assets .. .. .		1,193	1,374
Revaluation Account .. .. .	1 (c) (ii)	24,360	24,692
Government of Kenya Overdraft .. .. .		—	24,016
<b>TOTAL ASSETS</b> .. .. .		<b>133,570</b>	<b>110,727</b>
<b>LIABILITIES</b>			
Currency in Circulation .. .. .		33,632	32,265
Deposits: .. .. .		84,239	65,048
Government of Kenya .. .. .		19,443	—
Banks—Kenya .. .. .		37,303	29,842
—External .. .. .		163	22
Non-Bank Financial Institutions .. .. .		3,285	6,701
I.M.F. .. .. .		17,426	22,783
Other Public Entities and Project Accounts .. .. .		6,619	5,700
Other Liabilities and Provisions .. .. .		8,099	7,930
Dividends Payable to the Government of Kenya .. .. .		5,336	3,812
<b>CAPITAL AND RESERVES</b>			
Capital .. .. .	4	1,500	500
General Reserve Fund .. .. .	6	764	1,172
<b>TOTAL LIABILITIES, CAPITAL AND RESERVES</b> .. .. .		<b>133,570</b>	<b>110,727</b>

These accounts were approved by the Board of Directors on 12th September, 1997.

MICAII CHESEREM,  
Governor.

CENTRAL BANK OF KENYA  
BANK KUU YA KENYA  
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1997  
(Amount in KSh. million)

NET PROFIT	Note	1997	1996
(After charging current expenditure, writing down fixed assets and providing for contingencies and movements in reserves) .. .. .	5	5,928	8,125
Appropriated as follows:			
Transferred to General Reserve Fund .. .. .	6	592	813
Government of Kenya			
Interim dividend paid .. .. .		—	3,500
Final dividend payable .. .. .		5,336	3,812
		<b>5,928</b>	<b>8,125</b>

The annexed notes form part of these accounts.

REPORT OF THE AUDITORS PURSUANT TO SECTION 54 OF THE CENTRAL BANK OF KENYA ACT

We have audited the above accounts which have been prepared under the historical cost convention and on the basis of the accounting policies set out below. We obtained all the information and explanations which we considered necessary for our audit.

The directors are responsible for the preparation of the accounts. Our responsibility is to express an opinion on the accounts based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. We planned and performed our audit so as to obtain a reasonable assurance that the accounts are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of significant estimates and judgements made by the directors in the preparation of the accounts, and whether the accounting policies are appropriate in the Bank's circumstances, consistently applied and adequately disclosed.

In our opinion, proper books of account have been kept and the accounts, which are in agreement therewith, give a true and fair view of the state of affairs of the Bank at 30th June, 1997 and of the results of its operations for the year to that date and comply with the requirements of the Central Bank of Kenya Act.

## CERTIFIED PUBLIC ACCOUNTANTS

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*Joint Auditors*

NAIROBI,

12th September, 1997.

## NOTES TO THE ACCOUNTS 30 JUNE 1997

## 1. Accounting Policies

## (a) Accounting Convention

The accounts have been prepared under the historical cost convention.

## (b) Exchange Rates

Foreign exchange balances have been converted at the rates ruling at 30 June 1997.

## (c) Foreign Currency

*Transactions*

Transactions in foreign currencies during the year are converted at the rates of exchange ruling at the transaction date.

*Translation of Foreign Exchange Balances*

Exchange differences arising on translation of foreign denominated assets and liabilities have been dealt with as follows:

## (i) Profit and Loss Account

Differences arising from dealings in foreign exchange have been transferred to Profit and Loss Account.

## (ii) Revaluation Account

Effective April, 1997, differences arising from revaluation of gold in accordance with Note 1 (d) below and from translation of foreign denominated assets and liabilities at rates ruling at the Balance Sheet date are transferred to the Profit and Loss Account in accordance with section 51 of the Central Bank of Kenya (Amendment) Act, 1996 which became effective in the same month. Previously such differences were dealt with in the Balance Sheet. This change in policy had the effect of reducing the year's surplus by KSh. 156 million. The assets were understated by the same amount since the revaluation losses would have been debited to the Revaluation Account in the Balance Sheet.

## (d) Valuation of Gold

Gold reserves have been revalued at 100 per cent of market price at 30 June, 1997. The net revaluation loss arising amounting to KSh. 79 million has been charged to the Profit and Loss Account. Previously Gold Reserves were being valued at 50 per cent of the market price. As a result of this change in policy, the amount of revaluation loss charged to Profit and Loss Account increased by KSh. 39 million to KSh. 79 million.

## (e) Revaluation of Investments

Foreign and local securities are valued at the lower of cost or market value. To determine the lower of cost or market value, investments are grouped into their respective currencies and only if the group total market value is lower than cost is a provision made against that group.

## 2. Gold and Foreign Exchange

Gold and foreign exchange comprises:

	1997	1996
	KSh. m	KSh. m
Gold (Market Value)		
(1996 KSh. 1,747m)	1,451	873
Balance with Banks and Cash	54,367	44,299
Treasury Bills	33	21
Accrued Interest on Foreign Investments	372	136
Holdings of SDR	22	68
	<u>56,245</u>	<u>45,397</u>

Included under Balances with Banks and Cash are amounts totalling KSh. 5,335 million (1996 KSh. 5,409 million) which represent external funds held by the Central Bank of Kenya on behalf of the Government and Other Public Entities. The corresponding liabilities are held under Other Deposits.

## 3. Advances and Discounts to Banks

	1997	1996
	KSh. m	KSh. m
Overnight advances	424	172
OTHER ADVANCES		
Exchange Bank Limited	4,854	5,160
Post Bank Credit Limited	1,469	1,517
Continental Bank Limited	52	52
Trade Bank Limited	2,415	2,415
	<u>9,214</u>	<u>9,316</u>

Other advances represent overdrawn accounts of four commercial banks which are currently in liquidation. All these balances have been fully provided for apart from KSh. 1,309 million due from Exchange Bank Limited which is secured by the Grand Regency Hotel.

## 4. Capital

In accordance with section 8 of the Central Bank of Kenya (Amendment) Act, 1996, the Board in consultation with the Minister fixed the Bank's authorized capital at KSh. 5,000 million. Paid up capital was enhanced by KSh. 1,000 million through a transfer from the General Reserve Fund.

## 5. Net Profit

	1997	1996
	KSh. m	KSh. m
Net profit is arrived as follows:		
Net profit from normal operations .. .. .	6,084	8,125
Losses on revaluations .. .. .	(156)	—
	<u>5,928</u>	<u>8,125</u>

## 6. General Reserve Fund

	1997	1996
	KSh. m	KSh. m
Balance brought forward .. .. .	1,172	359
Transfer to Capital Account .. .. .	(1,000)	—
Transfer from Profit and Loss Account .. .. .	592	813
Balance carried forward .. .. .	<u>764</u>	<u>1,172</u>

## 7. Capital Commitments

As at 30 June 1997 the Bank had entered into the following capital commitments for construction work which was in progress:

	1997	1996
	KSh. m	KSh. m
C.B.K. Towers .. .. .	913	1,230
Kisumu Branch Manager's House .. .. .	—	5
Mombasa Branch Air Conditioning .. .. .	34	—
	<u>947</u>	<u>1,235</u>