A STUDY TO ESTABLISH FACTORS MANAGERS CONSIDER BEFORE DECLARING BONUS ISSUES AND THE ESTIMATION OF BENEFITS TO SHAREHOLDERS: AT THE NAIROBI STOCK EXCHANGE.

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A RESEARCH PROJECT SUBMITTED TO THE FACULTY OF COMMERCE, IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, UNIVERSITY OF NAIROBI.
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This research paper is my original work and has not been submitted for examination in any other university.

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29/10/99

Date

This research has been submitted for examination with my approval as a University Supervisor.

Mr. Luther Otieno.

27-10-2000

Date

DEDICATION:

Dedicated to the memory of my daughter, Jaqueline, whose loss made me find consolation in books.

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ABSTRACT

The objectives of this research were firstly, to find out factors managers consider when making decisions to declare stock dividends and secondly, to establish if shareholders gain from such declarations, in terms of increased dividends. In order to achieve these objectives both primary and secondary data were used. The information for the first objective was obtained by the use of a questionnaire, which was completed by 22 companies. For the second objective, the sample comprised 62 bonus issues made during the period 1994 to 1998, derived from annual reports of the companies in this study.

The study identified six important factors that managers of companies listed at Nairobi Stock Exchange consider before issuing bonus shares. These are: cash conservation, giving recognition that some retained earnings have been permanently committed in the firm, creating greater interest in the firm's share, broadening of shareholders base, correcting of a situation where retained earnings have grown disproportionately large in relation to capital contributed by shareholders and signaling better future prospects.

On the second objective, the study established that shareholders gain from stock dividends in terms of increased cash dividends. The average increase of 10.23% experienced during the period covered by the study was found to be statistically significant.

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1.0 CHAPTER ONE: INTRODUCTION

1.1 Background

One of the major decisions that the management of a company has to make is its dividend policy. Dividend refers to the portion of earnings that is paid out to the shareholders. The amount paid out as dividend reduces the retained earnings in the company and this, it is argued, might have negative effect on the amount of internal financing. The basic dividend model (Gordon 1962), says that, if company pays out more cash dividend, the price of its shares will increase. However with more cash dividend being paid out, the less the retained earnings for reinvestment. This may hamper the future growth of the company, especially if the company cannot raise additional capital. Share prices in turn will end up being depressed. It seems apparent that dividend decisions have, therefore, two opposing sides to it. The management of the company has the responsibility of coming up with dividend policy that would strike the balance between current dividends and future growth, thus maximising the value of the firm. Companies have adopted different forms of paying dividends; the most common of which are cash dividends and bonus issue.

Cash dividend is the most common form of distributing earnings to owners of the company. It is normal that cash dividend is paid out of the current year's net profit. The balance of the year's profit is taken to reserves. A company can pay dividends from past years' retained profits as long as it is not from capital reserves. For a cash dividend to be paid the company should have adequate cash in its bank account, otherwise arrangements must be made to borrow the needed funds.

Bonus issue is another popular form of dividend payment. It occurs when the board of directors authorises a distribution of common shares to existing shareholders of the company. Bonus issue has the effect of increasing the number of outstanding shares of the company. The distribution is done proportionately and, therefore, shareholders end up with the same proportionate ownership they had before the Bonus issue. There is no possible loss of control as far as shareholders are concerned.

Investors pay great attention to dividends, firstly because dividends represent the return to the shareholders that put money at risk in the company in the form of equity. Secondly, corporations pay dividends to reward existing shareholders and to encourage others to subscribe to new issues of common stock at fair prices. The third reason that makes investors pay attention to dividend could be because it is only through dividends or the prospects of dividends that they receive a return on their investment or the chance to sell their shares at a higher price in the future (Hess 1987)

Though substantial empirical research has been done in the area of dividends, there is a long-standing controversy on the effect of cash dividend on the value of a company. Researchers tend to disagree that a firm's dividend policy can affect the prices of its shares. There exists a clear distinction between those who believe that dividend policy is irrelevant in the determination of the firm's value and those who believe it is relevant.

Spearheading the irrelevance theory are Franco Modigliani and Merton Miller (1961) who argue that the value of any firm depends on its earnings, which result from its investment policy. They add that the division of earnings between dividend and what is retained is not important in determining the value of the firm. The higher the dividend, the less the investor receives in capital appreciation, no matter how the firm's business decisions turn out. Further more Modiglian and Miller argue that there is always cash for investments.

Researchers, advancing strong arguments to support the relevance of dividend in the determination of the value of the firm includes Myron Gordon (1963) and John Litner (1962) with their "Bird-in-the-hand theory. They assert that investors are surer of receiving dividend payments than the income from capital gain, that results from retaining earnings. Their thesis is that, investor value expected dividend more highly than the expected capital gains.

Litzenburger and Ramaswamy (1979) support a third theory, which is based on the tax effects of dividend. This theory asserts that because capital gains are taxed at lower rates investors are better off when dividend payoff rate is set at lower than at higher levels.

Irrelevance theory implies that shareholders are indifferent between receiving returns as dividend or as capital gains. If a lower dividend is paid, the capital gains will increase while a higher dividend will lower the capital gains. Overly the returns will be equal in either case. This theory was based on assumptions that have proved unrealistic, among them, the assumption that there are no taxes. When later M and M relaxed this particular assumption, they argued that shareholders are better off with capital gains as these are taxed at a lower rate than cash dividends. In some cases capital gains are not taxed at all.

While the debate on cash dividend is still raging, with no sign of resolution in the new future, there seems to be a general consensus among scholars on the effect of bonus issues on the value of a firm. All the studies carried out in this area have more or less come to the same conclusion that in the long run bonus issues do not have any effect on the value of the firm. The first study was carried out by C.A Baker in 1958. This study has been replicated several times in the recent years and they have all come to the conclusion that bonus issues do not have a long-term effect on share prices. Another study, which used an entirely different methodology, carried out by Eugene Fama, Lawrence Fisher, Michael C. Jensen, and Richard Roll (1969) also arrived at similar conclusion.

Theoretically, therefore, a bonus issue does not add any value to an investor. It is seen as nothing more than a recapitalisation of the firm which involves passing accounting entries to transfer figures from reserves to share capital account. The proportionate ownership of the shareholder remains the same before and after the bonus issue. The market price of the stock should decline proportionately, so that the total value of their holdings stays the same. The only time the share prices can go up is when bonus issue is accompanied by an increase in earnings and cash dividends. If this is not the case, the dilution of earnings causes the price of the share to drop by the same percentage as the bonus issue. Weston and Brigham (1993), assert that the fundamental determinants of stock price are the underlying earnings and cash dividends per share, and that bonus issue merely cuts the pie into thinner slices.

Theory not withstanding, there are several aspects of bonus issue that make the boards of directors adopt it as a form of payment to the investors. Several factors have been identified as responsible for the management decision to issue them. Pandey (1999), observes that the following factors might impact on stock dividend decision:

1) Conservation of cash since through bonus issue, a company is able to pay dividend without using cash. Unused cash can then be invested in projects with Positive Net Present Value. Instead of going for external financing a company can retain its funds that would otherwise be distributed to shareholders.

2) Raising of dividends, assuming that increased cash dividends accompany bonus issues.

3) Bonus issue may be used to signal higher future profits. They should only be declared when a firm has better future prospects, otherwise it would experience dilution of earnings. This can have a very negative effect on the value of the firm, which will translate to losses to the shareholder.

4) Placing share prices in a more popular trading range. A bonus issue reduces the unit price per share therefore making them affordable to investors who previously perceived the price as too high.

Van Horn (1997), Bhalla (1987), and Solomon (1966), give further reasons as to why firms issue bonus shares. These include; Having positive psychological value as it is associated with the prosperity of the company; Retaining proportional ownership of shareholders i.e. shareholding will increase without bringing in new shareholders; and Loan agreement restrictions that prohibit or limit the declaration of cash dividends.

In Kenya bonus is a very popular form of making dividend payments to shareholders. In the last five years about 20% of companies quoted on the Nairobi stock Exchange have declared bonus issue in each year. At the same time bonus issue has become very controversial in Kenya. It is possible that some companies might have knowingly or unknowingly abused it. The cases that can be cited include Kenya Finance Bank, which in 1994 and 1995 declared bonus issue and was put under receivership a few months after the

1995 dividend declaration, and Unga Group, which in 1998 issued stock dividend at the rate of 5 shares for each share held and yet the company incurred huge losses in that year.

One would expect bonus shares to be issued by only profitable companies. Directors or their agents (managers) are better placed to assess the profitability of their company. Studies carried out in Kenya have been on cash dividends, among them a research by Iminza (1997) on the effect of dividends on share prices of companies quoted on the Nairobi Stock Exchange. However no substantial work has been done on stock dividends. The aim of this study is to fill this gap

1.2 Statement Of The Problem

Bonus issue is a very popular way of rewarding shareholders in kenya. No substantial research has been carried out to establish the benefits that accrue to companies and their shareholders as a result of such issues. The research therefore seeks to examine reasons (factors) behind declaration of bonus issues. The research further seeks to establish if there are benefits that accrue to shareholders as a result of bonus issues.

1.3 The Objective Of The Study

The objectives of this study are twofold:

i) To identify factors that managers consider in the process of declaring bonus issues.

ii) To establish whether or not shareholders benefit from such bonus issues. An increase in the immediate subsequent cash dividend after the bonus issue is taken as a surrogate for benefit to the shareholders.

1.4 Importance Of The Study

The research will be beneficial to several stakeholders. A major assumption in this study is that the aim of management is to come up with a dividend policy that would maximise the value of the firm. An effective dividend policy ensures success in raising funds for worthwhile projects. The findings of this research can be used by management in formulating policy on bonus issues. Investors would use the knowledge to make informed investment decisions. The knowledge gained from the research would enable the financial advisors to advise their client appropriately. This study may trigger the interest of researchers to carry out further research on other areas of bonus issues, for example using share prices to determine their effect on the value of the firm in Kenya. There may be a study relating bonus shares to the underlying characteristics of firms as contained in their annual reports.

Having given the background information on bonus issues and identified the need for research in this area, it is important to look at what the other authors have written on this subject. Chapter two covers the literature review on the subject.

2.0 CHAPTER TWO: LITERATURE REVIEW

This chapter is divided into three sections. The first section is introduction, the second covers the effect of bonus issue on share prices, the third section looks at the reasons why it is desirable and finally the third section is conclusion.

2.1 Introduction

Bonus issue is a corporate practice, dating back to 1682 when East India Company, declared one hundred percent bonus issue. From that time payment of bonus shares has been a common way of "rewarding" shareholders. Researchers have for a long time wondered why companies declare bonus issue. From an accountant's perspective this is an accounting entry transferring amounts from retained earnings to share capital account. It increases the number of equity shares outstanding without changing the shareholders proportional ownership of the company. Acknowledged academics assert that there are no benefits accruing to shareholders from issuing of bonus shares. Such distributions just cut the same loaf of bread into thinner slices (Baker 1958). Bonus shares, therefore, do not have any effect on the firm and by extension the wealth of its investors. If that holds, the question is, Why do companies adopt it as a form of reward to shareholders?" The related question is why do managers and investors alike behave as if bonus shares increase wealth and add value? Answers to these questions require empirical studies, specifically studies to ascertain the effect of bonus issues on the value of a firm and to find reasons why they become necessary.

Researchers in other countries, especially in the U S, have attempted to address this issue. In Kenya, however, no substantial research has been done on the subject of bonus shares and this helps explain lack of Kenyan literature on this subject in our local libraries. This forces a researcher in this area to rely on literature of foreign-based studies, particularly in the United States of America.

2.2 Effect of Bonus Issue on Share Price

Substantial researches that attempt to ascertain the effect of bonus issues on share prices have been done. One of the earliest was a research carried out by C. Austin Barker in 1958. Mr. Baker sought an answer to the questions: "Do bonus issues have long-run effects on market price of shares?" Mr. Barker (1958) studied all the dividend issues of five percent or more paid in common shares on New York Stock Exchange during the years 1951 through 1954. To enable him model the relationship between declaration of bonus shares and movement in share prices he classified stock bonus issues as follows : those which are accompanied by cash dividend increases; those with no increases or with actual decline in cash dividends; and those omitting cash dividends altogether.

The reason for this classification was to enable him measure separately the effect of bonus issues which are accompanied by increases in cash dividend and those that are accompanied by reductions or no change in cash dividend.

Having taken six months prior to the ex-dividend date as the base, he compared this with prices at ex-dividend date and six months after the ex-dividend date. The movements of all the share prices in relation to the base rate were determined at the ex-dividend rate and again six months later. A comparison was made between these and actual market prices to determine the real gain or loss as compared to the general state of the market. The findings of the investigation were:

1) The 190 companies which accompanied bonus issues with cash dividends increases had a real price gain averaging 9% over the six months preceding the ex-dividend date and 8% gain six months after the ex-dividend date.

2) Where there was no cash dividend increases accompanying bonus issue, the prices of the stocks held even with the general market through the ex-dividend date and then dropped 12% below the general market in the following six months.

3) For companies that paid bonus shares both with and without cash dividend increases, it came out that they achieved a real

price gain in the years their bonus issues were accompanied by cash dividend increases and that without exception same companies share prices declined relative to the market when they were not accompanied by cash dividend increases.

The conclusion drawn from Barker's investigation was that bonus issues per share have no measurable market value i.e issuing of bonus shares does not have long term effect on the value of a firm.

Researchers have replicated Baker's study on the effect of bonus issue on stock prices and all of them have come out with the same results. Eugene Fama, Lawrence Fisher, Jansen and Richard Roll (1969) a carried out a similar study using an entirely different methodology. They too reached similar conclusions as those of previous studies, that issuing of bonus shares does not in the long run affect the value of a firm. That research using different methods reach identical conclusions add to the consistency of the conclusion.

In the short run, however, studies have shown that bonus issue announcements affect share prices. Mark S Grinblatt, Ronald W Masulis and Sheridan Titman (1984) investigated the effect of bonus shares and share split announcements on share prices. Their conclusion was that share prices react positively to bonus issue announcements. The inconsistency of this conclusion with those of the studies above can be explained by the information content of bonus issues. In the short run share prices will respond positively to bonus issue announcements. However if the investors' expectations are not realised, prices will fall back to their correct levels.

Grinblatt, Masulis and Titman analysed the returns on three days around the announcement date. These returns were compared with the average daily return of subsequent benchmark period of forty trading days. To get the returns they used the Daily Returns File of the American or New York Stock Exchange. The investigation revealed that for the total sample of 1792 firms the mean two-day returns around the announcement date was 3.41 percent. For the benchmark period of forty trading days subsequent to the announcement the mean was 0.10 percent. The three researchers took into consideration the concern that the increase in returns around the announcement period could have been caused by other announcements, other than bonus issue. The prices could have reacted to news of, say, mergers. cash dividends or reported earnings. To rule out the effect of this a sample of 84 pure bonus issue announcements and 244 pure share split announcements, where no contaminating announcements occurred, were analysed. The mean two-day return around the announcement was 5.87 per cent for bonus issues and 3.29% for share splits, while that for forty days subsequent to the announcement was 0.14 for bonus issues and 0.16 for the splits. Using the t- statistic, day 0 and day 1 returns were found to be significantly higher than for the benchmark period. The positive returns could not be attributed to simultaneous or subsequent dividend increases as analysis of the sample with no cash dividend announcement indicate that the announcement effect is not as a direct result of cash dividend increases as has been suggested by other researchers. The results of this study influenced Grinblatt, Masulis and Titman (1984) to hypothesise those firms signal information about their future earnings equity values through bonus issues and share split.

Due to constrain placed on this researcher, this study is not going to look at the impact of bonus issues on share prices. These constraints include availability of time, availability of reliable share prices, and the difficulties that would be experienced in trying to separate the effects of other factors unrelated to bonus issues announcement, as a model for doing this has not been developed for the Kenyan Market. However, the literature that has been written and the researches carried out elsewhere on the effect of bonus issues on share price have been included here to help the reader appreciate the other reasons that make managers declare bonus issues.

2.3 Reasons for Issuing Bonus Shares

Several reasons are cited in finance literature as to why firms issue bonus shares. Pandey (1999) summarises the following as the positive aspects of stock dividend: Conservation of cash, raising of dividends, indication of higher future profits, and placing stock prices in a more popular trading range. Scholars, Van Horne (1997), Bhalla (1987), and Solomon (1966) give additional reasons: tax benefits, growth of ownership, positive psychological value, and loan agreement restrictions that prohibit or limit the declaration of cash dividends.

Signalling effect of bonus issues

In an inefficient market managers have information about current and future earnings unavailable to investors. Investors operating in such a market may sell their investments at prices outside their true values. It is suggested that, managers can use dividend payment to convey information about the future earnings to investors. This debate is inconclusive. Miller and Modigliani (1961) in a follow-up to their 1958 study suggest that the relationship between dividend announcement and security price movements might be attributed to the information content of cash dividends. This notion is supported by empirical studies of Ahorony and Swary (1980), Kwan (1981), and Woolridge (1982). It is possible that, bonus dividends are seen by investors to indicate management's belief about the favourable prospects of the company. Bonus dividends appear to be a relatively inexpensive and a clear way of signalling. There are no signalling costs in the form of financing expenses and higher tax expenses involved with bonus issue.

Similar studies have been carried out on bonus dividend signalling effect. Foster and Vickrey (1978) research is one of the few which concluded that bonus issue announcements are interpreted by investors as signals from managers. They sought to find out if investors change their expectations about the future earnings and re-value the firm's shares as a result of bonus issue. Their samples comprised 82 bonus dividend announcements made during 1972 to 1974. They analysed daily market model residuals around the declaration date working on the hypothesis that mean of the declaration day residual was greater than zero Forster and Vickreys results showed that the mean day residual of 0.02 was significantly greater than zero at 0.025 level of confidence i.e. have information content. This study concluded that bonus dividends have information content. Their sample, however, included firms, which paid cash dividends. They did not attempt to separate the effect of bonus issue from cash dividend announcements and other intervening factors. Woolridge (1983) made several refinements in the Foster and Vickery (1978) study. Their sample excluded firms which had concurrently paid cash dividend or which paid within the past three years. They also excluded firms that had made what they consider significant announcements. Woolridge (1983) then employed the Comparison Period Return Approach to determine if the mean daily returns of the 60 days before and after the bonus issue announcements were statistically different.

The empirical results indicated that there was a significant difference between the mean observation period (0.558 per cent) and the mean comparison period (0.068 percent) at the .01 level. These findings support the notion that bonus issues are interpreted by investors as management signalling device.

Lakonishok and Lev (1987) used a different approach from the two studies above to test the signalling effect of bonus shares. The test sample for their study consisted of 1015 share split and 1257 bonus dividend events covering the period 1963 to 1982. They further constructed a control sample by matching every company in the test sample with a company, which had more or less same asset size. They analysed the performance of companies, which had issued bonus shares in terms of growth in earnings and in dividends. The examination was carried out for five years prior to and five years after the month in which bonus issue was announced. After measuring growth in earnings and dividends for the entire sample, a summary was made using simple average and median. The findings of this investigation did not provide support for the signalling motive of bonus issues. There was a very modest above-average earnings performance of bonus issuing firms in the pre-announcement period. There were hardly any differences in dividend growth between the test and the control sample.

Cash Conservation:

An important reason given for distribution of bonus shares is to conserve cash resources, which can be invested in worthwhile projects. Cash is conserved whenever a company reduces cash dividend or eliminates it altogether. Barker (1958) investigated the effect of bonus issues on cash conservation. Out of the 224 bonus issues he studied only 34 met cash conservation criterion. This translates to 15% of the total number studied, which is not large enough to draw a conclusion that conservation of cash is a major objective of bonus issue. Another investigation by Eiseman and Moses (1978) also concluded that in majority of firms sampled bonus issue did not translate into cash conservation.

Tax Benefit:

On the question of whether or not bonus issues offer tax benefits to investors, Barker's investigation concludes that this is a fallacy. The investor would pay capital gains tax on selling bonus shares just as he would on his original holdings. Similarly he would pay personal tax on cash dividend received from his bonus shares just as he would on cash dividend from his original holdings. Baker's position on tax benefit is also shared by Eiseman and Moses (1978).

Growth of Ownership:

Widespread stock ownership is viewed favourably because it improves the marketability or shares. To find out if bonus issues result in increase in shareholding, Barker took the 224 bonus issues and compared their shareholder growth with those companies, which had not issued bonus shares. The growth rate was 20% during 1951-53, which was 15 percentage points above the gain shown by companies which had not issued bonus shares. This indicates that shareholders base is broadened when there are an issue of bonus shares.

Maintaining Popular Price Range

Bonus issues, like share splits, reduce the share prices. This, it is claimed, keeps the prices of shares within some optimal rage. The assumption is that shares with a low unit price appeal to a wider investing community unlike shares with relatively high unit price. When shares are highly priced some investors will not be able to buy. On the other hand wealthy investors might find it cheaper when securities are priced high as they save in brokerage costs. These costs are based on the number of shares sold. There is an optimal price range that equilibrates the preferences of these classes of investors. There are industry norms for share prices and management use share splits and bonus share distribution to adjust share prices to these norms. Lakonishok and Lev (1978) carried an investigation to ascertain the effect of bonus issue on volume of trade. They analyzed the monthly number of shares traded relative to shares outstanding at the same date for a given stock. Their study covered five years. The findings of the investigation indicate that there was a statistically significant increase in trading volume in the announcement month.

Closely related to this research is an investigation carried out by Eiseman and Moses (1978) to explore reasons why corporate managers issue bonus shares. They sent out a questionnaire to a group of NYSE companies, which had issued bonus shares, and also to a group which had not. The questionnaire was divided into two parts. The first part, which was made up of 17 closed-end questions, was designed to get management's attitude towards bonus issues. Both groups were given the same questions. Part two; was designed to ascertain the respondents' knowledge of the published literature on bonus shares and their attitude towards them. Here the two groups were asked different questions. The dividend payers alone were asked why their companies issued bonus shares while non-dividend payers alone were asked why their companies did not issue bonus shares. Their findings are summarised below.

- A large majority of respondents from both groups felt that bonus shares ultimately increase the number of shareholders in the firm. On the claims that increase in the number of shareholders is beneficial to the firm, as it would make stock more attractive, the paying firms agreed while the non-paying firms rejected the claim.

- Respondents from the two groups agreed that issuing bonus shares conserve cash. However, Eisemann and Moses (1978) felt that this notion results from confusion of bonus issue with cash dividend policies. Bonus issues conserve cash only if they replace cash dividends. Of the 80 stock dividend paying firms in their sample only four actually reduced cash dividends during 1974, thus few of the bonus issues actually resulted in conservation of cash.

- On the question of whether or not bonus shares increase investors' after-tax returns through either an increase in after-tax shareholders receipt or an increase in the total value of his stockholdings, approximately 82% of the dividend paying officers agreed while the non-paying officers were divided. The argument of those agreeing was that shareholders could sell the bonus shares and pay taxes on the capital gain at the capital gain tax rate, which is lower than ordinary income rate. Eisemann and Moses (1978) believe that this argument does not hold as investor who is selling stock dividend is doing nothing more or less than selling a part of his original ownership, an option available to him with or without a bonus dividend.

- Regarding the value of the stockholding both groups felt that stock prices would not fully adjust to occasional bonus issues. Although there is no direct statistical evidence on small bonus issues, the evidence on share splits and large bonus issues suggests that full price adjustment does occur.

- The dividend-paying group strongly agrees that issue of bonus shares may have information content while majority of non-paying group disagreed. Eismann and Moses (1978) interpretation is that "any improvement in share price observed by corporate managers could, of course, be the result of coincident changes in cash dividend policy or improved earnings."

- The non-payers felt that cost was a major determinant of whether firms issue bonus shares while officers from the paying firms felt it was not.

- The payers, in response to the open-ended question asking them to list, in order of importance, the reasons why their companies issued bonus shares in 1974, gave the following results:

  Historical company practice was given as the number one reason. This was following by "cash conservation" and "increasing yield to shareholders", which tied in number two position. The other reasons, which were given for issuing bonus shares included: Expanding equity representation; Expression of confidence in the firm; popular with shareholders; and, Means of increasing cash dividends.

  Non payers gave the following as the reasons why they had not issued bonus shares: High administrative costs was viewed as one of the most important reason together with the fact that the net position of the shareholders does not change as a result of bonus issue.

The other reasons which got high rating were: the effect of dilution on earnings, that would result from bonus issues, the fact that shareholders prefer cash dividend; and price reduction that would follow such bonus issues. The other reasons that were listed are: bad earnings performance by the company, not appreciated by stockholders, institutional investors do not like them, desire to restrict number of shareholders, no need to conserve cash, continually paid cash dividends, and preference for share splits. From these responses the reasons that make companies not pay bonus shares are many.

In conclusion, Eimann and Moses (1978) believe that some managers continue to support bonus issues despite the limited benefits of such distributions to the shareholders. However, such managers believe shareholders gain from bonus issues. Furthermore the maximisation of shareholders wealth may not be the only goal guiding these managers. Many managers consider the goals of the other group, for example those of management. And finally some managers may know the limited value of bonus issue, but still fear stockholders reaction to a change in the company's historical practice of bonus issue. Agency theory tells us that there may be conflict between the interest of managers and shareholders.

Studies done in Kenya on this area have examined the area of cash dividend, among these by Karanja (1987) and Iminza (1997). Karanja, emphasising on cash dividends, looked at the major determinants of dividend policy in Kenya. Iminza investigated the information content of cash dividends in companies quoted in the Nairobi Stock Exchange. There is, therefore, a need for research in the area of bonus issues.

Conclusion.

In the short run share prices react positively to bonus issue announcements as they are perceived by the investors to convey information from management that the future is bright.

If the expectations of the investors are not realised, prices fall back to their right levels. In the long run, however bonus issues do not have any effect on the value of a firm. Despite its limited value, managers use bonus issues for various reasons. Among these are: to broaden shareholders base; to conserve cash (this has not been proved by empirical studies); to recognise permanently committed retained earnings and to create greater interest in the share.

The studies in bonus issues have been done in other countries. No substantial study has been carried out in Kenya on this subject. This research has been designed to address this problem.

3.0 CHAPTER THREE: RESEARCH DESIGN

3.1 The Population: -

This consisted of all companies that were quoted on the Nairobi Stock Exchange in the five years from 1994 to 1998. The study was restricted to quoted companies because of the difficulties that would be experienced in getting data from private companies.

3.2 The Sample and sampling design:

The sample frame comprised of companies that declared bonus issues in the five years from 1994 to 1998. These were 39 in number with a total of 62 bonus issues in that period, some companies having made more than one issue (see appendix 1). One of the companies, Kenya Finance Company has been placed under receivership. Since the number of companies in the sample frame was not large all were included in the sample drawn to examine factors that influence managers decision to make bonus issues. Likewise all the 62 issues were included in the sample drawn to establish whether or not shareholders benefit from such issues.

3.3 Data Description and Collection Methods:

3.3.1 Primary Data

To address the first research objective, namely finding out the relative importance of factors that influence bonus issue in Kenya, primary data was used. The data was collected through a questionnaire (see appendix 2) which was dropped and picked by the researcher. Through questionnaire the researcher sought the opinion of Chief Financial Officers of companies listed at the Nairobi Stock Exchange on fourteen specific factors listed in the finance literature as important in making a decision as to whether to pay dividends or not. The questions were both structured and unstructured. The Chief Finance Officers were approached because of their close involvement in stock divided decisions.

A total of 39 companies paid bonus issues during the period covered by this study. One company, Kenya Finance Bank, has since been put under receivership, bringing the number of companies studied to 38. Because of this it was not possible sending a questionnaire to the company.

Out of the 38 questionnaires that were sent out 22 were returned and were used in this study. The response rate was fifty-eight percent. This is above average response rate. In the questionnaire 14 common factors were listed. The Chief Financial Officers of the companies were asked to rate these factors on a four point Likert scale. The variables of rating were: Very important, Important, Slightly important and Not important. They were given rating of 4,3,2 and 1 respectively. The factors were:

1) To conserve cash
2) To give recognition that some retained earnings have been permanently committed to the firm.
3) To broaden shareholders base
4) To keep the market price of the firm's shares within a desired range

5) To have positive psychological value

6) To indicate higher future profits

7) To gain tax advantage for shareholders

8) To correct a situation where retained earnings have grown disproportionately large in relation to the capital contributed by the shareholders.

9) To pay dividend in cases where loan agreements prohibit or limits the declaration of cash dividend.

10) To prepare for a major fund raising exercise

11) To create greater market interest in the share

12) To signal better future prospects

13) As compensation for paying lower cash dividends than shareholders expect.

14) Due to inability to pay cash dividend where shareholders are used to one.

3.3.2 Secondary Data

For the second objective, to establish benefits that accrued to shareholders from receiving bonus issue, secondary data was used. The researcher obtained data from published accounts of the sampled companies from the secretariat of the Nairobi Stock Exchange.

During the period covered by the study a total of 62 bonus issues were made. The following data, needed to establish if there was improvement in dividend per share, was extracted from these accounts for the entire sample.

1) Rate of the bonus issue.

   For example Firestone E.A Ltd. issued 1 share for every two held. This ratio of 1:2 translates to a rate of 50%.

2) Rate and amount of cash dividends prior to the bonus issues.

   The rate of dividend is the immediate cash dividend before the bonus announcement expressed as a percentage of the nominal value of the share. This is adjusted for the bonus issue to facilitate meaningful comparison with the after capitalisation immediate rate.

3) Rate and amount of cash dividend for period after the bonus issue.

   The rate of dividend is obtained by expressing the immediate dividend after capitalisation as a percentage of the nominal value.

4) Equity capital before and after the bonus issue.

   For example the equity capital of a firm with 1,000,000 shares of Kshs 5 each before the bonus issue will be Kshs 5,000,000. If the firm declares a bonus issue of 1 share for every 2 held the equity capital after the bonus issue will stand at Kshs 7,500,000.

   Having obtained the data needed for this study the next step was to analyse and obtain findings.

4.0 DATA ANALYSIS AND FINDINGS

4.1 Factors considered important in Making Bonus Issue Decisions

As mentioned earlier Chief Financial Officers were asked to rate the fourteen factors listed in the questionnaire by giving scores of 1 to 4 to each factor in order of importance. The ones, which were considered very important, got the highest score of 4 and the score of 1 was given to factors considered not important in bonus issue decisions.

Scores earned by every factor from the 22 companies, which responded, were tabulated. Total score for each factor was calculated (see appendix 3).

The next step was to find a representative score for each factor. This requires that from the respondents scores averages be calculated and the level of concurrence amongst respondents on a particular factors estimated using standard deviation (see appendices 4–7). For example, standard deviation of zero on a particular factor would imply total agreement.

The average score rating was as follows:

From	To	
1	1.49	Not important
1.5	2.49	Slightly important
2.5	3.49	Important
3.5	4.00	Very important

Table 1 shows a summary of how managers responded.

able1 : Shows a summary of how managers responded

FACTOR	Very Important		Important		Slightly Importa		Not Important		TOTALS	
	No of respondents	%	No of respondents	%	No of respondents	%	No of respondents	%	No of respondents	%
o conserve cash	9	41	10	45	2	9	1	5	22	100
o give recognition that some retained arnings have been permanently ommitted to the firm	4	18	11	50	5	23	2	9	22	100
o broaden shareholders base	4	18	10	45	6	27	2	9	22	100
o keep the market price of the firm's hares within a desired range	3	14	6	27	7	32	6	27	22	100
o have positive psychological value	1	5	12	55	6	27	3	14	22	100
o indicate higher future profits	0	0	8	36	7	32	7	32	22	100
o gain tax advantage to shareholders	1	5	5	23	7	32	9	41	22	100
o correct a situation where retained arnings have grown disproportionately rge in relation to the capital contributed y the shareholders	7	32	6	27	3	14	6	27	22	100
o pay dividend in cases where loan greements prohibit or limit the eclaration of cash dividend	1	5	0	0	4	18	17	77	22	100
o prepare for a major fund raising	2	9	3	14	2	9	15	68	22	100
o create greater market interest the share	3	14	10	45	8	36	1	5	22	100
o signal better future prospects	5	23	8	36	5	23	4	18	22	100
s compensation for paying lower ash dividends than shareholders pect	1	5	8	36	4	18	9	41	22	100
ability to pay cash dividend where hareholders are used to one	1	5	5	23	4	18	12	55	22	100

In terms of ranking, cash conservation came out as the number one factor. This was followed by, "consideration of giving recognition that some retained earnings have been permanently committed", as the number two factors. Creating market share took the third position. Three factors tied on position four and these were: broadening of shareholders base; correcting a situation where retained earnings have grown disproportionately large in relation to the capital contributed by the shareholders; and signalling better future profits.

Cash Conservation

An overwhelming majority of respondents considered cash conservation as either very important or important factor in their decision to issue bonus issues. Only one respondent felt that cash conservation was slightly important and two that it was not important in the decision to declare bonus issues. This factor's average scored was 3.23, with a standard deviation of 0.81, indicating that most managers agree that it is an important factor in determining whether or not a company pays bonus issue.

Although most managers felt that cash conservation was an important factor, an investigation into the 62 issues covered under this study did not lend support to this. As has been mentioned earlier cash conservation occurs only when bonus issue is used to supplement a partial reduction in cash dividends or when it replaces cash dividend altogether. Out of the 62 issues studied only

10 reduced or eliminated cash dividends altogether. This translates to 16%, which is not large enough.

These findings are consistent with the results of Baker's (1958) study discussed in the literature review.

Recognising Permanently Committed Retained Earnings

Having achieved an average score of 2.77 and a standard deviation of 0.87 this factor was rated as important, but below cash conservation. Retained earnings invested in permanent assets is capitalised, thus it may not be possible to use the same in paying dividends. Four respondents considered this factor as very important while eleven gave it a rating of "Important". Six and two considered it slightly important and not important respectively.

Creation of greater Market interest in the share

This factor ranked third in rating. Payment of bonus issue is usually received positively by the market. Investment in the share is encouraged and this helps in raising or keeping its price high.

With an average score of 2.68 and a standard deviation of 0.78, this factor was considered important by majority of the respondents. Three respondents considered it very important while ten gave it a rating of important. Eight thought it was slightly important in their company's decision to issue bonus issue. Only one manager responded that it was not important. This factor took position three.

The managers response to this factor is consistent with Lakonishok and Lev (1958) study discussed in the literature review section.

To signal better future prospects in earnings

This factor achieved position four overall. The average score for the factor was 2.64, with a standard deviation of 1.05, meaning that it is considered important, though the views of the respondents are diverse.

Bonus issues are usually declared only in cases where there is expectation of rise in earnings to cater for the additional shares. If this were not the case the company would suffer dilution of earnings, which is not desirable for the performance of their share in the market.

Five respondents felt that this factor was very important and eight that it was important. Only five and four responded that it was slightly important and not important in their decision to declare bonus issue respectively.

Broadening of Shareholders Base

This factor achieved an average score of 2.64 and a standard deviation of 0.95, indicating that majority of the respondents considered it important. A total of fourteen managers considered it as either important or very important with only two indicating that it was not an important factor in their decision to issue bonus issues.

Bonus issues usually increase the number of shareholders in a company, as those shareholders that are in need of cash sell their shares in the market. With more people participating, the availability of the company's shares in the market will increase and this is considered desirable. Broadening of shareholders base as a reason for paying stock dividend is consistent with the findings of Baker's (1958) study covered in the literature review.

An investigation into the change in the number of shareholders after the bonus issues showed that there was an increase of 6%. For the companies which responded on this question, the total shareholders increased by ----from 304236 before to 323366 after the bonus issue.

Listed as slightly important, were the following factors shown in Table 2.

Table 4.2: Factors listed as slightly important.

Factor	**Score**	**Standard Deviation**
To keep market price with desired range	2.27	1.03
To indicate higher profits	2.05	0.84
To compensate for lower cash dividends	2.05	1.00
To gain tax advantage for shareholders	1.91	0.92
Inability to pay cash dividend	1.77	0.97
To prepare for major fund raising exercise	1.64	1.05

The factor that was considered not important by respondents was "to pay in cases where loan agreements prohibit or limit declaration of cash dividend". Seventeen respondents stated that it did not affect their decision to issue bonus shares. This implies that in Kenya the majority of loan covenants do not put restrictions on payment of dividends. On the questionnaire, space was provided for any other factor that was not listed. Two companies, Jubilee Insurance Ltd. and Housing Finance Company of Kenya, responded on this space. Both indicated compliance with legal requirement as a very important factor in their decision to issue bonus issues.

4.2 To Establish whether or not Shareholders Benefit from Bonus Issues

4.2.1 The market as a whole

To achieve the second objective of the study annual cash dividend paid to shareholders immediately before was compared to annual cash dividends declared immediately after capitalisation for all the bonus issue payments made during the period 1994 - 1998. In order to make a meaningful comparison the cash dividend and rate paid before capitalisation was adjusted to the equivalent dilution value taking into account the increase in number of shares outstanding after the stock dividend. For example George Williamson Group paid a cash dividend of Kshs.5 per share (100% of the nominal value) before declaring a bonus issue, the adjusted cash dividend came to Kshs.2.50 per share (50%).

The difference between adjusted dividend and the actual dividend paid after capitalisation was calculated for the entire sample. The mean, median and standard deviation were worked out for adjusted dividend and for the actual dividend paid after capitalisation. The test was to see whether the means of dividend before and after the capitalisation differ. The two means were compared and the difference determined. The difference between the two means should be zero for hypothesis that bonus share do not add value to be accepted.

To test for the statistical significance of the difference, i.e. in the two means the following hypothesis was set:

$$H_O: \mu = 0$$

$$H_A: \mu \neq 0$$

Where μ = the difference between the two means.

This tests whether the difference between two means is zero. If the difference is zero then there is no difference. For the purpose of our study a difference of zero is interpreted as no increase in subsequent divided after a bonus issue.

Setting the level of significance at 0.05 the null hypothesis is rejected when the difference is ≤ -1.96 or $Z \geq 1.96$

The average adjusted dividend per share before capitalisation was Kshs 2.185 (36.94%) with a standard deviation of 23.5%. After capitalisation this figure moved to Kshs.2.91 (47.17%) and a standard deviation of 34.6%. The difference between the two means was 10.23%, cash dividends having gone up.

Testing for the significance of the difference experienced in the market as a whole and using the above formula, the following findings was obtained:

$$Z = \frac{\bar{x} - \mu_0}{\delta / \sqrt{n}}$$

$$Z = \frac{0.1023 - 0}{0.2715 / \sqrt{62}}$$

$$= 2.965$$

Using 0.05 level of significance the null hypothesis is rejected as Z is greater than 1.96. The difference is statistically significant. This means that after capitalisation the cash dividend paid to shareholders on average increase for the market as a whole.

Of the 62 bonus issues in the study 48 were followed by increases and 10 by decreases in cash dividend to shareholders. In 4 issues the companies paid the same amount of dividend as before. (See appendix 8).

The highest rate of increase was recorded by Kenya Power and Company Ltd. (120%) followed by E A Packaging (70%). Unga group, with a rate of 66.7% took the third position. All the three companies are in Industrial and Allied Sector.

The highest reductions were experienced by Lonrho Motors (53%), BAT Kenya Ltd. (32.5%), George Williamson and Kapchorua at 30%.

The average rate of bonus issue came to an average of one new share for every 1.22 shares held or 81.9%.

Table 3 shows the distributed rate of bonus dividends.

Table 4.3: Distributed Rate of Bonus Dividends.

FROM **%**	**TO** **%**	**NO OF COMPANIES**
0	20	12
21	40	15
41	60	15
61	80	1
81	100	12
OVER	100	7
TOTAL		**62**

The highest rate was recorded by C.F.C Bank Ltd. (733%) followed by Unga Group (500%) Dunlop Kenya Ltd. ranked third with a rate of 400%.

4.2.2 Sector Analysis

Companies quoted on the Nairobi Stock Exchange are classified into four major groups: Agricultural sector, Commercial & Services sector, Financial & Investment sector and Industrial & Allied sector.

Agricultural

Agricultural sector had a total of six bonus issue payments during the period of the study. The average bonus issue ratio came to 1 for every 1.18 shares held (85%). On the average the sector suffered a reduction in the post-bonus dividend of 3.78% with a standard deviation of 22.61%. Three companies paid less to their shareholders in the cash dividend declaration following the bonus issue. These were George Williamson, Kapachorua and Rea Vipingo Plantation whose dividends went down by 30%, 30% and 9% respectively. The other two companies, on the other hand, increased their subsequent cash dividends. Kakuzi went up by 13% and Sasini Tea and Plantation Ltd. by 13% for their 1994 issue and 20% for the 1998 issue.

Commercial and Services

This sector, like the agricultural sector, suffered a reduction in cash dividend following bonus issue. The average decrease for the sector came to 3.5% with a standard deviation of 31.86%. Of the 13 bonus issues declared in this sector during 1994 to 1998, eight were followed by improved cash dividends to shareholder, although some gains were very marginal. For four issues the shareholder received less cash dividend while one maintained the same cash dividend to shareholders after capitalisation.

The companies which increase cash dividend include Marshalls Ltd., Nation Media Group and Uchumi Supermarkets. Shareholders of A. Baumann and Co. Ltd had no change in cash dividend they received before and after capitalisation. Standard Newspapers shareholders lost out on dividend as this went down. CMC Holdings issue of 1995 was followed by an increase in dividend of 13.6% while the 1998 by a decrease of 15%. Similarly, Car and General Ltd issue of 1994 was followed by an increase of 5% while the 1996 one by a reduction of 18.2%

The bonus dividend rate for this sector averaged 74% or 1 share for every 1.35 held.

Financial and Investment

The financial sector had the highest number of bonus issue payments with twenty-three companies making bonus issues during the period covered by the study. A total of 12 companies issued bonus shares with many companies declaring it more than once. Apart from two issues where shareholder dividend remained constant, all the other issues were followed by increase in dividend. On the average the shareholders had a dividend gain of 12.5% and a standard deviation of 10.76%. Pan African Insurance maintained the same dividend after the 1995 issue but increased it by 31.08% after the 1997 issue. National Industrial Credit Bank increased dividend marginally (4%) after their 1997 bonus issue. In the previous issue of 1994 and 1996 the shareholders received the same dividend. The companies which increase dividend include Barclays Bank of Kenya Ltd, C.F.C Bank Ltd, City Trust, Diamond Trust Bank, Housing Finance Company of Kenya, ICDC Investment, Jubilee Insurance, Kenya Commercial Bank, and Standard Bank.

The average rate of bonus issue was 66% or 1 share for every 1.52 held.

Industrial and allied

The shareholders in this sector had the highest gain in dividend with an average increase of 20.8% with a standard deviation of 33.70%. Of the 20 bonus issues declared in this sector during the period covered by the study, only three saw the shareholders loose in subsequent cash dividends. One company, East Africa Cables, maintained the same dividend to its shareholders. Otherwise the remaining 16 issues had shareholders improve their cash dividend as a result of capitalisation.

The highest increases were registered in this sector with BOC Kenya Ltd, recording a gain of 32.1%, Kenya Power and Lighting 1996 issue 120%, Unga Ltd 1997 issue 66.6%, Bamburi Cement 1995 issue 18.1%, Carbacid Investment Ltd 25.2%, Kenya National Mills 25.6%, Total Kenya Ltd 25%. Those recording moderate gains include Bamburi Cement 1996 issue 11.9%, BOC Kenya Ltd 1995 11.5%, Bamburi Cement 1997 issue 9.4%, E.A Packaging 7%, Firestone 7%, E.A Breweries 10%, Kenya National and Mills 1997 issue 16%.

The reduction in dividend was suffered by shareholders after the following issues: BAT Ltd (32.5%), Dunlop Kenya Ltd (24.6%) and Unga Group 1998 issue (9.3%). This sector had the highest rate of dividend at 104.5%, thus 1 share for every 0.96 shares held.

The significance of the difference within the four sectors was tested using the same level of confidence, and the following findings were obtained: The Z scores for various sectors were: Agricultural Sector 0.041; Commercial and Services Sector 0.04; Financial and Investment Sector –5.7 and Industrial and Allied Sector –2.77.

The decrease in Agricultural and Commercial & Services Sectors were found to be statistically insignificant. On the other hand the increases experienced in Financial & Investments and Industrial & Allied Sectors were found to be significant.

5.0 CHAPTER FIVE: - CONCLUSION, LIMITATIONS, AND RECOMMENDATIONS FOR FURTHER RESEARCH

5.1 Conclusion

The results of the survey, show that managers believe that bonus issues bring benefits to the firm. They believe that bonus issues help conserving cash. This is debatable given that companies that issued bonus shares offered higher subsequent cash dividends.

Bonus issues are used to signal that the paying firm has invested in new projects thus the need to capitalise retained earning. The need to recognise that retained earnings have been invested in permanent assets was therefore, considered as an important factor. Creating greater interest in the firm's shares is another important reason why managers issue stock dividends. It is true that shares with lower denominations appeal to wider investing community.

Broadening of shareholders base is another factor that got high ranking. Marketability of the firms' shares is increased when this is done. When retained earnings have grown disproportionately large compared to shares capital, many managers felt it is prudent to distribute it to shareholders in the form of bonus shares. And finally most managers use bonus issue to signal better future prospects.

With respect to second objective the researcher's model showed that shareholders tend to receive higher cash dividend after bonus issue. The increased in cash dividend of 10.23% after the issue of bonus issues was found to be statistically significant.

This is in line with a study carried out by Bhalla (1987) on 50 Indian Companies where the average rate of dividend increased by 6% on capitalisation. A possible interpretation is that whenever firms make a bonus issue, the retained earnings are invested in projects that increase the future earnings of the firm. This might help explain why share prices do not adjustment fully on issue on bonus shares.

Industrial and Allied Sector had the highest increase in cash dividend (20.8%) Shareholders of companies in the financial sector also gained by receiving an average increase in dividend of (12.5%). However the agricultural and commercial and services sector experienced a decline in divided by 3.8% and 3.5% respectively. The statistical tests performed the significance of these movements found that the increases experienced in Financial & Services and Industrial and Allied sectors were significant while we decreases in Agricultural and Commercial & Services Sectors were not significant.

The findings are that a bonus issue is followed by an increase in dividends. The increase is more pronounced in Industrial and Allied

Sector, significant for Financial Sectors but not much different from zero in case of Agricultural and Commercial Sectors.

5.2 Limitations of the Study

Some Managers approached refused to give information, arguing that bonus issues was a very sensitive issue and if their views leaked into the market the performance of their shares would be affected. This suggests that some managers might be using bonus issues to manipulate share prices to their advantage.

Due to the limited time available for this research, it was not possible to carry out investigations into some of the factors, which the respondents consider important in their decision to issue bonus issues. For example, an investigation to establish if bonus issues creates greater market interest in the share, to establish if managers use bonus issues to convey information about the future prospects of their firms or to determine the effect of bonus issues on the share prices in Kenya would require that questionnaires be administered to investors.

Due to unavailability of data this study was restricted to companies quoted on the Nairobi Stock Exchange. Better knowledge would have been gained about what happens in the Kenyan Market if the sample had been drawn from both quoted and unquoted companies.

5.3 Recommendation for Further Research

Extensive research is needed on the subject of bonus issues in Kenya. This research has only looked at the important factors that influence the decisions to issue bonus shares and the gain that come with it, in terms of increased cash dividend. The areas that can be studied on this subject are various.

Further research is recommended to establish the effect of bonus issues on share prices. There is also a need to establish whether or not the views held by managers are justified and similar to those held by investors. In this regard investigations should be carried out to find out if:

a) Volumes of shares traded increase as a direct result of bonus issues.

b) The companies declaring bonus issues have had their retained earnings grow disproportionately big in relation to the capital contributed by the shareholders.

c) Future profits grow as a result of bonus issues.

Finally a recommendation is made for inclusion of unquoted companies in a similar study.

	Company	Year
1	A. Baumann & Co	1997
2	B.A.T. Kenya	1994
3	Bamburi Cement	1995
4	Bamburi Cement	1996
5	Bamburi Cement	1997
6	Barclays Bank	1994
7	Barclays Bank	1996
8	Barclays Bank	1998
9	BOC Kenya	1994
10	BOC Kenya	1995
11	C.F.C. Bank	1995
12	C.M.C.Holdings	1998
13	Car & General	1994
14	Car & General	1996
15	Carbacid Investments	1994
16	Carbacid Investments	1996
17	City Trust	1994
18	CMC Holdings	1995
19	Diamond Trust Bank	1994
20	Diamond Trust Bank	1995
21	Dunlop Kenya	1997
22	E.A. Packaging	1995
23	E.A.Cables	1995
24	Firestone E.A.	1998
25	George Williamson	1995
26	H.F.C.K.	1994
27	H.F.C.K.	1996
28	H.F.C.K.	1998
29	ICDC Investments	1995
30	ICDC Investments	1998
31	Jubilee Insurance	1994
32	Jubilee Insurance	1996
33	Jubilee Insurance	1998
34	K.F.C	1994
35	Kakuzi	1994
36	Kapchorua	1995
37	Kenya Breweries	1996
38	Kenya Commercial Bank	1996
39	Kenya National Mills	1997
40	Kenya National Mills	1998
41	Kenya Power & Lighting	1996
42	Kenya Power & Lighting	1997
43	Lonrho Motors	1997
44	Marshalls	1994
45	Marshalls	1997
46	N.I.C. Bank	1994
47	N.I.C. Bank	1996
48	N.I.C. Bank	1997
49	Nation Media Group	1995
50	Nation Media Group	1997
51	Nation Media Group	1998
52	Pan African Insurance	1995
53	Pan African Insurance	1997
54	Rea Vipingo Plantations	1998
55	Sasini Tea & Coffee	1994
56	Sasini Tea & Coffee	1998
57	Standard Chatered Bank	1994
58	Standard Newspapers	1998
59	Total Kenya	1996
60	Uchumi Supermarkets	1997
61	Unga Group	1997
62	Unga Group	1998

APPENDIX 2
QUESTIONNAIRE

COMPANIES THAT ISSUED STOCK DIVIDENDS – 1994 TO 1998

SECTION ONE - COMPANY DATA

1) NAME OF THE COMPANY ....

2) YEAR OF INCORPORATION ....

3) OWNERSHIP OF THE COMPANY ....

- ☐ Local
- ☐ Foreign
- ☐ Joint

4) SECTOR

- ☐ Agricultural
- ☐ Commercial and Services
- ☐ Financial and Investment
- ☐ Industrial and Allied

5) Year stock dividend declared ....

6) Number of shareholders

1994 ....
1995 ....
1996 ....
1997 ....
1998 ....

SECTION TWO - FACTORS CONSIDERED WHEN MAKING STOCK DIVIDEND DECISIONS.

7) The following list contains the common factors that managers consider when making decision to issue stock dividend. Please rate each of these factors in terms of their importance to you or your firm.

		Very Important	Important	Slightly Important	Not Important
a)	To conserve cash	☐	☐	☐	☐
b)	To give recognition that some retained earnings have been permanently	☐	☐	☐	☐

committed to the firm

		Very Important	Important	Slightly Important	Not Important
c)	To broaden shareholders base	☐	☐	☐	☐
d)	To keep the market price of the firm's shares within a desired range	☐	☐	☐	☐
e)	To have positive psychological value	☐	☐	☐	☐
f)	To indicate higher future profits	☐	☐	☐	☐
g)	To gain tax advantage for shareholders.	☐	☐	☐	☐
h)	To correct a situation where retained earnings have grown disproportionately large in relation to the capital contributed by the shareholders.	☐	☐	☐	☐
i)	To pay dividend in cases where loan agreements prohibit or limits the declaration of cash dividend.	☐	☐	☐	☐
j)	To prepare for a major fund raising exercise.	☐	☐	☐	☐
k)	To create greater market interest in the share.	☐	☐	☐	☐
l)	To signal better future prospects.	☐	☐	☐	☐
m)	As compensation for paying lower cash dividends than Shareholders expect.	☐	☐	☐	☐
n)	Due to inability to pay cash dividend where shareholders are used to one.	☐	☐	☐	☐
o)	Any Other	☐	☐	☐	☐

Please specify

APPENDIX 3 . SCORES GIVEN BY THE COMPANIES FOR EACH FACTOR

		To conserve cash	To recognize permanently committe retained earnings	To broaden shareholders base	To keep market price within desired range	To have positiv psychological value	To indicate higher future profits	To gain tax advantage for shareholders	To correct proporti of retained earning to share capital	Situation wher loan agreement prohibit cash di	To prepare for major fund raisin excersise	To create great market interest in the share	To signal better future profits	To compensate for lower cash dividends	Due to inability to pay cash dividends	To comply with legal requiremen
1	Kakuzi															
2	Kapchorua															
3	Car & General	4	3	4	4	3	3	3	4	2	2	4	4	4	4	
4	Marshalls	4	3	2	3	2	3	2	1	1	1	2	3	3	3	
5	Nation Media Group	3	3	3	1	2	2	3	1	1	1	3	4	2	1	
6	City Trust															
7	Diamond Trust Bank	1	2	4	1	3	3	1	1	1	2	2	3	1	1	
8	ICDC Investments	3	4	3	3	3	3	4	4	1	3	3	3	3	2	
9	Standard Chatered Bank															
10	B.A.T. Kenya	3	3	3	2	2	2	3	3	2	3	2	2	3	3	
11	E.A. Packaging															
12	H.F.C.K.	2	3	3	2	2	3	3	3	1	1	3	3	2	1	4
13	C.F.C. Bank															
14	Pan African Insurance															
15	Bamburi Cement															
16	Carbacid Investments	2	3	1	3	1	1	1	3	1	1	3	3	2	1	
17	E.A.Cables	4	1	2	2	1	1	1	1	1	3	1	1	3	2	
18	Kenya Breweries	4	1	1	1	3	1	1	3	1	1	2	1	1	1	
19	Kenya Power & Lighting															
20	Uchumi Supermarkets															
21	Barclays Bank Kenya	4	3	2	1	3	2	1	1	1	1	2	2	1	1	
22	Jubilee Insurance	3	4	1	1	3	1	1	1	1	1	3	4	1	1	4
23	Kenya Commercial Bank	3	2	3	4	3	3	2	4	2	1	3	4	3	1	
24	N.I.C. Bank	3	4	3	2	4	1	1	2	1	1	2	2	1	2	
25	E.A.Portland Cement	3	2	3	3	2	2	2	4	4	4	3	3	3	3	
26	Kenya National Mills															
27	Total Kenya	4	3	2	2	1	2	2	4	1	1	2	2	3	2	
28	Unga Group	4	3	3	4	3	1	2	3	1	4	4	1	2	3	
29	A. Baumann & Co															
30	Lonrho Motors	4	4	4	3	3	3	1	4	1	1	4	4	1	1	
31	Dunlop Kenya															
32	Rea Vipingo Plantations	4	3	2	2	2	1	1	2	1	1	3	1	1	1	
33	Sasini Tea & Coffee	3	3	4	2	3	3	3	4	1	1	3	3	1	1	
34	C.M.C.Holdings	3	2	3	1	3	2	2	3	1	1	2	2	1	1	
35	Standard Newspapers															
36	Firestone E.A.	3	2	2	3	3	2	2	2	2	1	3	3	3	3	
	TOTAL SCORE	71	61	58	50	55	45	42	58	29	36	59	58	45	39	8
	AVERAGE SCORE	3.23	2.77	2.64	2.27	2.50	2.05	1.91	2.64	1.32	1.64	2.68	2.64	2.05	1.77	0.36
	STANDARD DEVIATION	0.79	0.85	0.93	1.01	0.78	0.82	0.90	1.19	0.70	1.02	0.76	1.02	0.98	0.95	0.00

SCORE RATING

From	To	
1.0	1.49	Not Important
1.5	2.49	Slightly Important
2.5	3.49	Important
3.5	4.00	Very Important

APPENDIX 4 : SUMMARY OF QUESTIONNAIRE RESPONSES

FACTOR	MEAN		MEAN RANKING	STANDARD DEVIATION	MINIMUM	MAXIMUM
To conserve cash	3.23	(I)	1	0.79	1	4
To give recognition that some retained earnings have been permanently committed to the firm	2.77	(I)	2	0.85	1	4
To broaden shareholders base	2.64	(I)	4	0.93	1	4
To keep the market price of the firm's shares within a desired range	2.27	(S I)	8	1.01	1	4
To have positive psychological value	2.50	(I)	7	0.79	1	4
To indicate higher future profits	2.05	(S I)	9	0.82	1	3
To gain tax advantage to shareholders	1.91	(S I)	11	0.90	1	4
To correct a situation where retained earnings have grown disproportionately large in relation to the capital contributed by the shareholders	2.64	(I)	4	1.19	1	4
To pay dividend in cases where loan agreements prohibit or limit the declaration of cash dividend	1.32	(N I)	14	0.70	1	4
To prepare for a major fund raising	1.64	(S I)	13	1.02	1	4
To create greater market interest in the share	2.68	(I)	3	0.76	1	4
To signal better future prospects	2.64	(I)	4	1.02	1	4
As compensation for paying lower cash dividends than shareholders expect	2.05	(S I)	9	0.98	1	4
Inability to pay cash dividend where shareholders are used to one	1.77	(S I)	12	0.95	1	4

KEY

I = Important
SI = Slightly Important
NI = Not Important

APPENIX 5 : CHANGES IN DIVIDEND AFTER BONUS ISSUE

	COMPANY	YEAR	Adjusted cash dividend before capitalization Kshs	cash dividend after capitalization Kshs	Increase Kshs	Decrease Kshs	No change Kshs
1	A. Baumann & Co	1997	0.50	0.50			0.00
2	B.A.T. Kenya	1994	7.25	4.00		3.25	
3	Bamburi Cement	1995	0.41	1.31	-0.91		
4	Bamburi Cement	1996	0.66	1.25	-0.60		
5	Bamburi Cement	1997	0.83	1.12	-0.29		
6	Barclays Bank	1994	6.40	9.00	-2.60		
7	Barclays Bank	1996	6.94	10.00	-3.06		
8	Barclays Bank	1998	10.00	11.00	-1.00		
9	BOC Kenya	1994	1.07	2.67	-1.60		
10	BOC Kenya	1995	2.23	2.80	-0.58		
11	C.F.C. Bank	1995	0.27	0.50	-0.23		
12	C.M.C.Holdings	1998	1.25	0.50		0.75	
13	Car & General	1994	0.50	0.75	-0.25		
14	Car & General	1996	0.91	0.00		0.91	
15	Carbacid Investments	1994	1.33	1.80	-0.47		
16	Carbacid Investments	1996	1.46	2.72	-1.26		
17	City Trust	1994	0.50	0.75	-0.25		
18	CMC Holdings	1995	1.82	2.50	-0.68		
19	Diamond Trust Bank	1994	0.93	1.40	-0.47		
20	Diamond Trust Bank	1995	1.12	1.60	-0.48		
21	Dunlop Kenya	1997	3.59	2.36		1.23	
22	E.A. Packaging	1995	0.00	3.50	-3.50		
23	E.A.Cables	1995	2.00	2.00			0.00
24	Firestone E.A.	1998	1.11	1.50	-0.39		
25	George Williamson	1995	2.50	1.00		1.50	
26	H.F.C.K.	1994	0.67	1.00	-0.33		
27	H.F.C.K.	1996	0.75	1.60	-0.85		
28	H.F.C.K.	1998	1.20	1.50	-0.30		
29	ICDC Investments	1995	2.29	3.25	-0.96		
30	ICDC Investments	1998	2.67	3.00	-0.33		
31	Jubilee Insurance	1994	1.40	1.75	-0.35		
32	Jubilee Insurance	1996	1.46	2.00	-0.54		
33	Jubilee Insurance	1998	1.46	1.75	-0.29		
34	K.F.C	1994	1.60	2.20	-0.60		
35	Kakuzi	1994	1.33	2.00	-0.67		
36	Kapchorua	1995	2.50	1.00		1.50	
37	Kenya Breweries	1996	4.00	5.00	-1.00		
38	Kenya Commercial Bank	1996	4.50	7.00	-2.50		
39	Kenya National Mills	1997	2.40	3.20	-0.80		
40	Kenya National Mills	1998	1.92	3.20	-1.28		
41	Kenya Power & Lighting	1996	2.00	8.00	-6.00		
42	Kenya Power & Lighting	1997	2.67	8.00	-5.33		
43	Lonrho Motors	1997	2.67	0.00		2.67	
44	Marshalls	1994	1.33	3.00	-1.67		
45	Marshalls	1997	2.67	4.00	-1.33		
46	N.I.C. Bank	1994	1.75	1.75			0.00
47	N.I.C. Bank	1996	2.24	2.25	-0.01		
48	N.I.C. Bank	1997	1.80	2.00	-0.20		
49	Nation Media Group	1995	1.80	2.25	-0.45		
50	Nation Media Group	1997	1.83	2.75	-0.92		
51	Nation Media Group	1998	1.38	1.65	-0.28		
52	Pan African Insurance	1995	1.75	1.75			0.00
53	Pan African Insurance	1997	1.35	2.90	-1.55		
54	Rea Vipingo Plantations	1998	0.37	0.00		0.37	
55	Sasini Tea & Coffee	1994	3.33	4.00	-0.67		
56	Sasini Tea & Coffee	1998	2.00	3.00	-1.00		
57	Standard Chatered Bank	1994	1.88	3.75	-1.88		
58	Standard Newspapers	1998	4.00	0.00		4.00	
59	Total Kenya	1996	1.25	2.50	-1.25		
60	Uchumi Supermarkets	1997	3.33	3.75	-0.42		
61	Unga Group	1997	6.67	10.00	-3.33		
62	Unga Group	1998	1.67	1.20		0.47	

Summary

Increase	48	Issues
Decrease	10	Issues
No change	4	Issues
	62	

Negative sign shows that cash dividend after the bonus issue is higher than before the bonus issue.

APPENDIX 6 : NUMBER OF SHAREHOLDERS BEFORE AND AFTER CAPITALIZATION

		BEFORE	AFTER	MOVEMENT
A. Baumann & Co	1997			
B.A.T. Kenya	1994	4606	5012	-406
Bamburi Cement	1995			0
Bamburi Cement	1996			0
Bamburi Cement	1997			0
Barclays Bank	1994			0
Barclays Bank	1996	35031	35373	-342
Barclays Bank	1998	34724	35094	-370
BOC Kenya	1994			0
BOC Kenya	1995			0
C.F.C. Bank	1995			0
C.M.C.Holdings	1998			0
Car & General	1994			0
Car & General	1996			0
Carbacid Investments	1994	599	635	-36
Carbacid Investments	1996	635	682	-47
City Trust	1994			0
CMC Holdings	1995	1960	1957	3
Diamond Trust Bank	1994	7723	8298	-575
Diamond Trust Bank	1995	8298	8568	-270
Dunlop Kenya	1997			0
E.A. Packaging	1995			0
E.A.Cables	1995	750	750	0
Firestone E.A.	1998			0
George Williamson	1995			0
H.F.C.K.	1994			0
H.F.C.K.	1996	16154	15491	663
H.F.C.K.	1998			0
ICDC Investments	1995	13600	13600	0
ICDC Investments	1998	13600	13600	0
Jubilee Insurance	1994	5712	5768	-56
Jubilee Insurance	1996	5768	5747	21
Jubilee Insurance	1998	5725	5766	-41
K.F.C	1994			0
Kakuzi	1994			0
Kapchorua	1995			0
Kenya Breweries	1996	25552	25968	-416
Kenya Commercial Bank	1996	89710	108000	-18290
Kenya National Mills	1997			0
Kenya National Mills	1998			0
Kenya Power & Lighting	1996			0
Kenya Power & Lighting	1997			0
Lonrho Motors	1997	412	382	30
Marshalls	1994	288	288	0
Marshalls	1997	288	320	-32
N.I.C. Bank	1994			0
N.I.C. Bank	1996			0
N.I.C. Bank	1997			0
Nation Media Group	1995	8887	8368	519
Nation Media Group	1997	7669	7364	305
Nation Media Group	1998	7364	7411	-47
Pan African Insurance	1995			0
Pan African Insurance	1997			0
Rea Vipingo Plantations	1998	5200	5200	0
Sasini Tea & Coffee	1994	1300	1200	100
Sasini Tea & Coffee	1998	1100	950	150
Standard Chatered Bank	1994			0
Standard Newspapers	1998			0
Total Kenya	1996	1581	1574	7
Uchumi Supermarkets	1997			0
Unga Group	1997			0
Unga Group	1998			
TOTAL		304236	323366	-19130

APPENDIX 7 : THE EFFECT OF CAPITALIZATION ON CASH DIVIDENDS

	COMPANY	C.CODE	CLASS	YEAR	PARV	OUTSH	BORA	ASHI	TOSHA	CDBB	RDBB	ACDBB	ARDBB	CDAB	RDAB	BR	DIDR	DID
1	A Baumann & Co	1	2	1997	5	2560044	2:1	5120088	7680132	0.75	0.15	0.50	0.10	0.50	0.10	200.0%	0.00	0.00
2	B A.T. Kenya	2	4	1994	10	37500000	1.1	37500000	75000000	14.5	1.45	7.25	0.73	4.00	0.40	100.0%	3.25	0.33
3	Bamburi Cement	3	4	1995	5	80645000	1.1	80645000	161290000	0.81	0.16	0.41	0.08	1.31	0.26	100.0%	-0.91	-0.18
4	Bamburi Cement	3	4	1996	5	161291200	1:2	80645600	241936800	1.31	0.26	0.66	0.13	1.25	0.25	50.0%	-0.60	-0.12
5	Bamburi Cement	3	4	1997	5	241935000	1:2	120967500	362902500	1.25	0.25	0.83	0.17	1.12	0.22	50.0%	-0.29	-0.06
6	Barclays Bank	4	3	1994	10	85800000	1:4	21450000	107250000	8	0.80	6.40	0.64	9.00	0.90	25.0%	-2.60	-0.26
7	Barclays Bank	4	3	1996	10	107156250	1/5	21431250	128587500	8.33	0.83	6.94	0.69	10.00	1.00	20.0%	-3.06	-0.31
8	Barclays Bank	4	3	1998	10	128587500	1:5	25717500	154305000	12	1.20	10.00	1.00	11.00	1.10	20.0%	-1.00	-0.10
9	BOC Kenya	5	4	1994	5	10720220	1:2	5440735	16160955	1.6	0.32	1.07	0.21	2.67	0.53	50.0%	-1.60	-0.32
10	BOC Kenya	5	4	1995	5	16160955	1:5	3304191	19465146	2.67	0.53	2.23	0.45	2.80	0.56	20.0%	-0.58	-0.12
11	C.F.C. Bank	6	3	1995	5	12000000	22:3	88000000	100000000	2.5	0.50	0.27	0.05	0.50	0.10	733.3%	-0.23	-0.05
12	C.M.C.Holdings	7	2	1998	5	12139780	1:1	12139780	24279560	2.5	0.50	1.25	0.25	0.50	0.10	100.0%	0.75	0.15
13	Car & General	8	2	1994	5	16878236	1.5	3375647.2	20253883.2	0.6	0.12	0.50	0.10	0.75	0.15	20.0%	-0.25	-0.05
14	Car & General	8	2	1996	5	20253883	1:10	2025388.3	22279271.3	1	0.20	0.91	0.18	0.00	0.00	10.0%	0.91	0.18
15	Carbacid Investments	9	4	1994	5	4213823	2:5	1685529.2	5899352.2	1.86	0.37	1.33	0.27	1.80	0.36	40.0%	-0.47	-0.09
16	Carbacid Investments	9	4	1996	5	5899352	3:5	3539611.2	9438963.2	2.34	0.47	1.46	0.29	2.72	0.54	60.0%	-1.26	-0.25
17	City Trust	10	3	1994	5	3471705	1:5	694341	4166046	0.6	0.12	0.50	0.10	0.75	0.15	20.0%	-0.25	-0.05
18	CMC Holdings	11	2	1995	5	11018906	1:10	1101890.6	12120796.6	2	0.40	1.82	0.36	2.50	0.50	10.0%	-0.68	-0.14
19	Diamond Trust Bank	12	3	1994	4	42400000	1:2	21200000	63600000	1.4	0.35	0.93	0.23	1.40	0.35	50.0%	-0.47	-0.12
20	Diamond Trust Bank	12	3	1995	4	63600000	1:4	15900000	79500000	1.4	0.35	1.12	0.28	1.60	0.40	25.0%	-0.48	-0.12
21	Dunlop Kenya	13	4	1997	5	400000	4:1	1600000	2000000	17.95	3.59	3.59	0.72	2.36	0.47	400.0%	1.23	0.25
22	E.A. Packaging	14	4	1995	5	6400000	1:5	1280000	7680000	0	0.00	0.00	0.00	3.50	0.70	20.0%	-3.50	-0.70
23	E.A.Cables	15	4	1995	5	16200000	1:4	4050000	20250000	2.5	0.50	2.00	0.40	2.00	0.40	25.0%	0.00	0.00
24	Firestone E.A.	16	4	1998	5	185561600	1:2	92780800	278342400	1.67	0.33	1.11	0.22	1.50	0.30	50.0%	-0.39	-0.08
25	George Williamson	17	1	1995	5	21891	1:1	21891	43782	5	1.00	2.50	0.50	1.00	0.20	100.0%	1.50	0.30
26	H.F.C.K.	18	3	1994	5	46000000	1:2	23000000	69000000	1	0.20	0.67	0.13	1.00	0.20	50.0%	-0.33	-0.07
27	H.F.C.K.	18	3	1996	5	69000000	1/3	23000000	92000000	1	0.20	0.75	0.15	1.60	0.32	33.3%	-0.85	-0.17
28	H.F.C.K.	18	3	1998	5	92000000	1:4	23000000	115000000	1.5	0.30	1.20	0.24	1.50	0.30	25.0%	-0.30	-0.06
29	ICDC Investments	19	3	1995	5	15750000	1:5	3150000	18900000	2.75	0.55	2.29	0.46	3.25	0.65	20.0%	-0.96	-0.19
30	ICDC Investments	19	3	1998	5	22621136	1:2	11310568	33931704	4	0.80	2.67	0.53	3.00	0.60	50.0%	-0.33	-0.07
31	Jubilee Insurance	20	3	1994	5	200000000	1:4	50000000	250000000	1.75	0.35	1.40	0.28	1.75	0.35	25.0%	-0.35	-0.07

K E Y

PARV = Parvalue
OUTSH=Outstanding shares
BORA=Bonus Rate
ASHI=Additional share Issue
TOSHA=Total Shares
CDBB=Cash Dividend Before Bonus in shs

RDBB=raye of Dividend Before Bonus
ACDBB=Adjusted Cash Dividend Before Bonus Issue in shs
ARDBB=Adjusted Rate of Dividend Before bonus
CDAB=Cash Dividend After Bonus Issue
RDAB=Rate of Dividend After Bonus Issue
BR=Bonus rate

C.CODE=Company Code
CLASS=Industry
DIDRS=Difference in Dividend Rate in shs
DID%=Differences in Dividend Rate Percentag

CLASS 1 = Agricultural Sector
CLASS 2 = Commercial and Services Sector
CLASS 3 = Finance and Investment Sector
CLASS 4 = Industrial and Allied Sector

APPENDIX 8 : THE EFFECT OF CAPITALIZATION ON CASH DIVIDENDS

	COMPANY	C.CODE	CLASS	YEAR	PARV	OUTSH
32	Jubilee Insurance	20	3	1996	5	
33	Jubilee Insurance	20	3	1998	5	
34	K.F.C	21	3	1994	5	
35	Kakuzi	22	1	1994	5	
36	Kapchorua	23	1	1995	5	
37	Kenya Breweries	24	4	1996	10	
38	Kenya Commercial Bank	25	3	1996	10	
39	Kenya National Mills	26	4	1997	5	
40	Kenya National Mills	26	4	1998	5	
41	Kenya Power & Lighting	27	4	1996	5	
42	Kenya Power & Lighting	27	4	1997	20	
43	Lonrho Motors	28	2	1997	5	
44	Marshalls	29	2	1994	5	
45	Marshalls	29	2	1997	5	
46	N.I.C Bank	30	3	1994	5	
47	N.I.C. Bank	30	3	1996	5	
48	N.I.C Bank	30	3	1997	5	
49	Nation Media Group	31	2	1995	5	
50	Nation Media Group	31	2	1997	5	
51	Nation Media Group	31	2	1998	5	
52	Pan African Insurance	32	3	1995	5	
53	Pan African Insurance	32	3	1997	5	
54	Rea Vipingo Plantations	33	1	1998	4	
55	Sasini Tea & Coffee	34	1	1994	5	
56	Sasini Tea & Coffee	34	1	1998	5	
57	Standard Chatered Bank	35	3	1994	5	
58	Standard Newspapers	36	2	1998	5	
59	Total Kenya	37	4	1996	5	
60	Uchumi Supermarkets	38	2	1997	5	
61	Unga Group	39	4	1997	5	
62	Unga Group	39	4	1998	5	

K E Y

PARV = Parvalue
OUTSH=Outstanding shares
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TOSHA=Total Shares
CDBB=Cash Dividend Before Bonus in shs

RDBB=raye of Dividend Before Bonus
ACDBB=Adjusted Cash Dividend Before Bonus Issue in shs
ARDBB=Adjusted Rate of Dividend Before bonus
CDAB=Cash Dividend After Bonus Issue
RDAB=Rate of Dividend After Bonus Issue
BR=Bonus rate

	BORA	ASHI	TOSHA	CDBB	RDBB	ACDBB	ARDBB	CDAB	RDAB	BR	DIDR	DID
25000000	1/5	5000000	30000000	1.75	0.35	1.46	0.29	2.00	0.40	20.0%	-0.54	-0.11
30000000	1:5	6000000	36000000	1.75	0.35	1.46	0.29	1.75	0.35	20.0%	-0.29	-0.06
9000002	1:4	2250000.5	11250002.5	2	0.40	1.60	0.32	2.20	0.44	25.0%	-0.60	-0.12
13066666	1:2	6533333	19599999	2	0.40	1.33	0.27	2.00	0.40	50.0%	-0.67	-0.13
1956000	1:1	1956000	3912000	5	1.00	2.50	0.50	1.00	0.20	100.0%	1.50	0.30
51188448	1:4	12797112	63985560	5	0.50	4.00	0.40	5.00	0.50	25.0%	-1.00	-0.10
84150000	1/3	28050000	112200000	6	0.60	4.50	0.45	7.00	0.70	33.3%	-2.50	-0.25
20170700	1:3	6723566.67	26894266.67	3.2	0.64	2.40	0.48	3.20	0.64	33.3%	-0.80	-0.16
26894260	1:1.5	40341390	67235650	3.2	0.64	1.92	0.38	3.20	0.64	66.7%	-1.28	-0.26
8792000	1:1	8792000	17584000	4	0.80	2.00	0.40	8.00	1.60	100.0%	-6.00	-1.20
17584000	2:1	35168000	52752000	8	0.40	2.67	0.13	8.00	0.40	200.0%	-5.33	-0.27
21253692	2:1	42507384	63761076	8	1.60	2.67	0.53	0.00	0.00	200.0%	2.67	0.53
4569236	1:2	2284618	6853854	2	0.40	1.33	0.27	3.00	0.60	50.0%	-1.67	-0.33
9595404	1:2	4797702	14393106	4	0.80	2.67	0.53	4.00	0.80	50.0%	-1.33	-0.27
17578125	1:1	17578125	35156250	3.5	0.70	1.75	0.35	1.75	0.35	100.0%	0.00	0.00
35156250	1:4	8789062.5	43945312.5	2.8	0.56	2.24	0.45	2.25	0.45	25.0%	-0.01	0.00
43945313	1:4	10986328.3	54931641.25	2.25	0.45	1.80	0.36	2.00	0.40	25.0%	-0.20	-0.04
9507368	1:4	2376842	11884210	2.25	0.45	1.80	0.36	2.25	0.45	25.0%	-0.45	-0.09
11884210	1:2	5942105	17826315	2.75	0.55	1.83	0.37	2.75	0.55	50.0%	-0.92	-0.18
17826315	1:1	17826315	35652630	2.75	0.55	1.38	0.28	1.65	0.33	100.0%	-0.28	-0.06
7000000	3:7	3000000	10000000	2.5	0.50	1.75	0.35	1.75	0.35	42.9%	0.00	0.00
1000000	3:10	300000	1300000	1.75	0.35	1.35	0.27	2.90	0.58	30.0%	-1.55	-0.31
55772688	1:14	3983763.43	59756451.43	0.4	0.10	0.37	0.09		0.00	7.1%	0.37	0.09
8446500	2:1	16893000	25339500	10	2.00	3.33	0.67	4.00	0.80	200.0%	-0.67	-0.13
22339500	1:2	11169750	33509250	3	0.60	2.00	0.40	3.00	0.60	50.0%	-1.00	-0.20
82144550	1:1	82144550	164289100	3.75	0.75	1.88	0.38	3.75	0.75	100.0%	-1.88	-0.38
8541240	1:2	4270620	12811860	6	1.20	4.00	0.80		0.00	50.0%	4.00	0.80
28000000	1:1	28000000	56000000	2.5	0.50	1.25	0.25	2.50	0.50	100.0%	-1.25	-0.25
40000000	1:1	20000000	60000000	5	1.00	3.33	0.67	3.75	0.75	100.0%	-0.42	-0.08
5206529	1:1	2603264.5	7809793.5	10	2.00	6.67	1.33	10.00	2.00	100.0%	-3.33	-0.67
7809794	5:1	39048970	46858764	10	2.00	1.67	0.33	1.20	0.24	500.0%	0.47	0.09

C.CODE=Company Code
CLASS=Industry
DIDRS=Difference in Dividend Rate in shs
DID%=Differences in Dividend Rate Percentag

CLASS 1 = Agricultural Sector
CLASS 2 = Commercial and Services Sector
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CLASS 4 = Industrial and Allied Sector

APPENDIX 9 : AGRICULTURAL SECTORS

	COMPANY	YEAR	PARV	OUTSH	BORA	ASHI	TOSHA	CDBB	RDBB	ACDBB	ARDBB	CDAB	RDAB	BR	DIDR	DID
1	George Williamson	1995	5	21891	1:1	21891	43782	5	1.00	2.50	0.50	1.00	0.20	1.00	1.50	0.30
2	Kakuzi	1994	5	13066666	1:2	6533333	19599999	2	0.40	1.33	0.27	2.00	0.40	0.50	-0.67	-0.13
3	Kapchorua	1995	5	1956000	1:1	1956000	3912000	5	1.00	2.50	0.50	1.00	0.20	1.00	1.50	0.30
4	Rea Vipingo Plantations	1998	4	55772688	1:14	3983763.429	59756451.43	0.4	0.10	0.37	0.09	0.00	0.00	0.07	0.37	0.09
5	Sasini Tea & Coffee	1994	5	8446500	2:1	16893000	25339500	10	2.00	3.33	0.67	4.00	0.80	2.00	-0.67	-0.13
6	Sasini Tea & Coffee	1998	5	22339500	1:2	11169750	33509250	3	0.60	2.00	0.40	3.00	0.60	0.50	-1.00	-0.20
	Average							4.23	0.85	2.01	0.40	1.83	0.37	0.85	0.17	0.04

K E Y

PARV = Parvalue
OUTSH=Outstanding shares
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C.CODE=Company Code
CLASS=Industry
DIDRS=Difference in Dividend Rate in shs
DID%=Differences in Dividend Rate Percentage

APPENDIX 10 : COMMERCIAL & SERVICES SECTOR

	COMPANY	YEAR	PARV	OUTSH	BORA	ASHI	TOSHA	CDBB	RDBB	ACDBB	ARDBB	CDAB	RDAB	BR	DIDR	DID
1	A. Baumann & Co	1997	5	2560044	2:1	5120088	7680132	0.75	0.15	0.50	0.10	0.50	0.10	2	0	0
2	C.M.C.Holdings	1998	5	12139780	1:1	12139780	24279560	2.5	0.50	1.25	0.25	0.50	0.10	1	0.75	0.15
3	Car & General	1994	5	16878236	1:5	3375647.2	20253883.2	0.6	0.12	0.50	0.10	0.75	0.15	0.2	-0.25	-0.05
4	Car & General	1996	5	20253883	1:10	2025388.3	22279271.3	1	0.20	0.91	0.18	0.00	0.00	0.1	0.909091	0.181818182
5	CMC Holdings	1995	5	11018906	1:10	1101890.6	12120796.6	2	0.40	1.82	0.36	2.50	0.50	0.1	-0.68182	-0.136363636
6	Lonrho Motors	1997	5	21253692	2:1	42507384	63761076	8	1.60	2.67	0.53	0.00	0.00	2	2.666667	0.533333333
7	Marshalls	1994	5	4569236	1:2	2284618	6853854	2	0.40	1.33	0.27	3.00	0.60	0.5	-1.66667	-0.333333333
8	Marshalls	1997	5	9595404	1:2	4797702	14393106	4	0.80	2.67	0.53	4.00	0.80	0.5	-1.33333	-0.266666667
9	Nation Media Group	1995	5	9507368	1:4	2376842	11884210	2.25	0.45	1.80	0.36	2.25	0.45	0.25	-0.45	-0.09
10	Nation Media Group	1997	5	11884210	1:2	5942105	17826315	2.75	0.55	1.83	0.37	2.75	0.55	0.5	-0.91667	-0.183333333
11	Nation Media Group	1998	5	17826315	1:1	17826315	35652630	2.75	0.55	1.38	0.28	1.65	0.33	1	-0.275	-0.055
12	Standard Newspapers	1998	5	8541240	1:2	4270620	12811860	6	1.20	4.00	0.80	0.00	0.00	0.5	4	0.8
13	Uchumi Supermarkets	1997	5	40000000	1:1	20000000	60000000	5	1.00	3.33	0.67	3.75	0.75	1	-0.41667	-0.083333333
	AVERAGE							3.05	0.61	1.85	0.37	1.67	0.33	0.74	0.18	0.04

K E Y

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APPENDIX 10 : COMMERCIAL & SERVICES SECTOR

	COMPANY	YEAR	PARV	OUTSH	BORA	ASHI	TOSHA	CDBB	RDBB	ACDBB	ARDBB	CDAB	RDAB	BR	DIDR	DID
1	A. Baumann & Co	1997	5	2560044	2:1	5120088	7680132	0.75	0.15	0.50	0.10	0.50	0.10	2	0	0
2	C.M.C Holdings	1998	5	12139780	1:1	12139780	24279560	2.5	0.50	1.25	0.25	0.50	0.10	1	0.75	0.15
3	Car & General	1994	5	16878236	1:5	3375647.2	20253883.2	0.6	0.12	0.50	0.10	0.75	0.15	0.2	-0.25	-0.05
4	Car & General	1996	5	20253883	1:10	2025388.3	22279271.3	1	0.20	0.91	0.18	0.00	0.00	0.1	0.909091	0.181818182
5	CMC Holdings	1995	5	11018906	1:10	1101890.6	12120796.6	2	0.40	1.82	0.36	2.50	0.50	0.1	-0.68182	-0.136363636
6	Lonrho Motors	1997	5	21253692	2:1	42507384	63761076	8	1.60	2.67	0.53	0.00	0.00	2	2.666667	0.533333333
7	Marshalls	1994	5	4569236	1:2	2284618	6853854	2	0.40	1.33	0.27	3.00	0.60	0.5	-1.66667	-0.333333333
8	Marshalls	1997	5	9595404	1:2	4797702	14393106	4	0.80	2.67	0.53	4.00	0.80	0.5	-1.33333	-0.266666667
9	Nation Media Group	1995	5	9507368	1:4	2376842	11884210	2.25	0.45	1.80	0.36	2.25	0.45	0.25	-0.45	-0.09
10	Nation Media Group	1997	5	11884210	1:2	5942105	17826315	2.75	0.55	1.83	0.37	2.75	0.55	0.5	-0.91667	-0.183333333
11	Nation Media Group	1998	5	17826315	1:1	17826315	35652630	2.75	0.55	1.38	0.28	1.65	0.33	1	-0.275	-0.055
12	Standard Newspapers	1998	5	8541240	1:2	4270620	12811860	6	1.20	4.00	0.80	0.00	0.00	0.5	4	0.8
13	Uchumi Supermarkets	1997	5	40000000	1:1	20000000	60000000	5	1.00	3.33	0.67	3.75	0.75	1	-0.41667	-0.083333333
	AVERAGE							3.05	0.61	1.85	0.37	1.67	0.33	0.74	0.18	0.04

KEY

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APPENDIX 11 : FINANCIAL &INVESTMENT SECTOR

	COMPANY	YEAR	PARV	OUTSH	BORA	ASHI	TOSHA	CDBB	RDBB	ACDBB	ARDBB	CDAB	RDAB	BR	DIDR	DID
1	Barclays Bank	1994	10	85800000	1:4	21450000	107250000	8	0.80	6.40	0.64	9.00	0.90	0.25	-2.6	-0.26
2	Barclays Bank	1996	10	107156250	1/5	21431250	128587500	8.33	0.83	6.94	0.69	10.00	1.00	0.2	-3.05833	-0.305833333
3	Barclays Bank	1998	10	128587500	1:5	25717500	154305000	12	1.20	10.00	1.00	11.00	1.10	0.2	-1	-0.1
4	C.F.C. Bank	1995	5	12000000	22:3	88000000	100000000	2.5	0.50	0.27	0.05	0.50	0.10	7.333333	-0.23214	-0.046428571
5	City Trust	1994	5	3471705	1:5	694341	4166046	0.6	0.12	0.50	0.10	0.75	0.15	0.2	-0.25	-0.05
6	Diamond Trust Bank	1994	4	42400000	1:2	21200000	63600000	1.4	0.35	0.93	0.23	1.40	0.35	0.5	-0.46667	-0.116666667
7	Diamond Trust Bank	1995	4	63600000	1:4	15900000	79500000	1.4	0.35	1.12	0.28	1.60	0.40	0.25	-0.48	-0.12
8	H.F.C.K.	1994	5	46000000	1:2	23000000	69000000	1	0.20	0.67	0.13	1.00	0.20	0.5	-0.33333	-0.066666667
9	H.F.C.K.	1996	5	69000000	1/3	23000000	92000000	1	0.20	0.75	0.15	1.60	0.32	0.333333	-0.85	-0.17
10	H.F.C.K.	1998	5	92000000	1:4	23000000	115000000	1.5	0.30	1.20	0.24	1.50	0.30	0.25	-0.3	-0.06
11	ICDC Investments	1995	5	15750000	1:5	3150000	18900000	2.75	0.55	2.29	0.46	3.25	0.65	0.2	-0.95833	-0.191666667
12	ICDC Investments	1998	5	22621136	1:2	11310568	33931704	4	0.80	2.67	0.53	3.00	0.60	0.5	-0.33333	-0.066666667
13	Jubilee Insurance	1994	5	200000000	1:4	50000000	250000000	1.75	0.35	1.40	0.28	1.75	0.35	0.25	-0.35	-0.07
14	Jubilee Insurance	1996	5	25000000	1/5	5000000	30000000	1.75	0.35	1.46	0.29	2.00	0.40	0.2	-0.54167	-0.108333333
15	Jubilee Insurance	1998	5	30000000	1:5	6000000	36000000	1.75	0.35	1.46	0.29	1.75	0.35	0.2	-0.29167	-0.058333333
16	K.F.C	1994	5	9000002	1:4	2250000.5	11250002.5	2	0.40	1.60	0.32	2.20	0.44	0.25	-0.6	-0.12
17	Kenya Commercial Bank	1996	10	84150000	1/3	28050000	112200000	6	0.60	4.50	0.45	7.00	0.70	0.333333	-2.5	-0.25
18	N.I.C. Bank	1994	5	17578125	1:1	17578125	35156250	3.5	0.70	1.75	0.35	1.75	0.35	1	0	0
19	N.I.C. Bank	1996	5	35156250	1/4	8789062.5	43945312.5	2.8	0.56	2.24	0.45	2.25	0.45	0.25	-0.01	-0.002
20	N.I.C. Bank	1997	5	43945313	1:4	10986328.25	54931641.25	2.25	0.45	1.80	0.36	2.00	0.40	0.25	-0.2	-0.04
21	Pan African Insurance	1995	5	7000000	3:7	3000000	10000000	2.5	0.50	1.75	0.35	1.75	0.35	0.428571	0	0
22	Pan African Insurance	1997	5	1000000	3:10	300000	1300000	1.75	0.35	1.35	0.27	2.90	0.58	0.3	-1.55385	-0.310769231
23	Standard Chatered Bank	1994	5	82144550	1:1	82144550	164289100	3.75	0.75	1.88	0.38	3.75	0.75	1	-1.875	-0.375
	AVERAGE							3.23	0.50	2.39	0.36	3.20	0.49	0.66	-0.82	-0.13

K E Y

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APPENDIX 12 : INDUSTRIAL & ALLIED SECTOR

	COMPANY	YEAR	PARV	OUTSH	BORA	ASHI	TOSHA	CDBB	RDBB	ACDBB	ARDBB	CDAB	RDAB	BR	DIDR	DID
1	B A T Kenya	1994	10	37500000	1:1	37500000	75000000	14.5	1.45	7.25	0.73	4.00	0.40	1	3.25	0.325
2	Bamburi Cement	1995	5	80645000	1:1	80645000	161290000	0.81	0.16	0.41	0.08	1.31	0.26	1	-0.905	-0.181
3	Bamburi Cement	1996	5	161291200	1:2	80645600	241936800	1.31	0.26	0.66	0.13	1.25	0.25	0.5	-0.595	-0.119
4	Bamburi Cement	1997	5	241935000	1:2	120967500	362902500	1.25	0.25	0.83	0.17	1.12	0.22	0.5	-0.28667	-0.05733333
5	BOC Kenya	1994	5	10720220	1:2	5440735	16160955	1.6	0.32	1.07	0.21	2.67	0.53	0.5	-1.60333	-0.32066667
6	BOC Kenya	1995	5	16160955	1:5	3304191	19465146	2.67	0.53	2.23	0.45	2.80	0.56	0.2	-0.575	-0.115
7	Carbacid Investments	1994	5	4213823	2:5	1685529.2	5899352.2	1.86	0.37	1.33	0.27	1.80	0.36	0.4	-0.47143	-0.09428571
8	Carbacid Investments	1996	5	5899352	3:5	3539611.2	9438963.2	2.34	0.47	1.46	0.29	2.72	0.54	0.6	-1.2575	-0.2515
9	Dunlop Kenya	1997	5	400000	4:1	1600000	2000000	17.95	3.59	3.59	0.72	2.36	0.47	4	1.23	0.246
10	E.A. Packaging	1995	5	6400000	1:5	1280000	7680000	0	0.00	0.00	0.00	3.50	0.70	0.2	-3.5	-0.7
11	E.A.Cables	1995	5	16200000	1:4	4050000	20250000	2.5	0.50	2.00	0.40	2.00	0.40	0.25	0	0
12	Firestone E.A	1998	5	185561600	1.2	92780800	278342400	1.67	0.33	1.11	0.22	1.50	0.30	0.5	-0.38667	-0.07733333
13	Kenya Breweries	1996	10	51188448	1:4	12797112	63985560	5	0.50	4.00	0.40	5.00	0.50	0.25	-1	-0.1
14	Kenya National Mills	1997	5	20170700	1:3	6723566.667	26894266.67	3.2	0.64	2.40	0.48	3.20	0.64	0.33333	-0.8	-0.16
15	Kenya National Mills	1998	5	26894260	1:1.5	40341390	67235650	3.2	0.64	1.92	0.38	3.20	0.64	0.66667	-1.28	-0.256
16	Kenya Power & Lighting	1996	5	8792000	1:1	8792000	17584000	4	0.80	2.00	0.40	8.00	1.60	1	-6	-1.2
17	Kenya Power & Lighting	1997	20	17584000	2:1	35168000	52752000	8	0.40	2.67	0.13	8.00	0.40	2	-5.33333	-0.26666667
18	Total Kenya	1996	5	28000000	1:1	28000000	56000000	2.5	0.50	1.25	0.25	2.50	0.50	1	-1.25	-0.25
19	Unga Group	1997	5	5206529	1:1	2603264.5	7809793.5	10	2.00	6.67	1.33	10.00	2.00	1	-3.33333	-0.66666667
20	Unga Group	1998	5	7809794	5:1	39048970	46858764	10	2.00	1.67	0.33	1.20	0.24	5	0.46667	0.093333333
	AVERAGE							4.72	0.79	2.22	0.37	3.41	0.58	1.05	-1.18	-0.21

K E Y

PARV - Parvalue
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C.CODE=Company Code
CLASS=Industry
DIDRS=Difference in Dividend Rate in shs
DID%=Differences in Dividend Rate Percentage

COMPANIES WHICH MADE BONUS ISSUES DURING 1994-1998

	Nominal	Total Dividends	
	Value(Shs)	1998	1997
Kakuzi	5.00	53900	53900
Kapchorua	5.00		5868
Car and General	5.00		
Marshalls	5.00	0	38417
Nation Media Group	5.00	58800	49000
City Trust	5.00		6249096
ICDC	5.00	84775287	94186004
Diamond Trust	4.00	63600	47700
KFC			
Standard Chartered Ban k	5.00	824145	618109
BAT	10.00	562500	450000
East African Packaging	5.00	0	0
HFCK	5.00	172500000	138000000
CFC	5.00		67000
Pan African Insurance	5.00	22750000	22750000
Bamburi Cement	5.00	0	408000
Carbacid Investments	5.00	20766	18879
East African Cables	5.00	40500	40500
Kenya Breweries	5.00	561613	393129
Kenya Power and Lightin(	20.00	422036	422016
Uchumi Super Markets	5.00		201000
Barclays Bank Of Kenya	10.00	1697	1543
Jubilee Insurance	5.00	63000	52500
Kenya Commercial Bank	10.00	673200	897600
NIC	5.00	115381	131864
East African Portland	5.00	90000	60000
Kenya National Mills	5.00	21507	86062
Total Kenya	5.00	168000	145600
Unga Group	5.00	0	78098
A.Baumann	5.00	2880	1920.04
Lonhro Motors	5.00	0	0
Dunlop	5.00	0	4000
Rea Vipingo	5.00		
Firestone	5.00		
Sasini	5.00	0	76019
CMC	5.00	0	30349

APPENDIX 13

1996	1995	1994	1993
43120	39200	39200	26133
3912	3912	9780	3912
	2025	15191	10127
38417	28821		
32681	26740	21391	
5207558	3749441	3124535	2083023
84767404.5	61220903.25	43177604.3	31401894
63600	114480	89040	59360
618109	824145	618109	309054
450000	375000	300000	543750
26880	26880	0	32000
115000000	69000000	69000000	46000000
50000	50000	30000	15000
17500000	17500000	17500000	12250000
393000	10584	6552	4032
16046	9860	7585	5598
50625	40500	40500	32400
327608	255942	255942	179159
140672	35168	31651	28134
200000	200000	200000	160000
1286	1071	964	686
60000	43750	43750	35000
785400	504900	324900	270750
98877	98437	61523	61523
30000	6000	6000	3000
64546	64546	39333	11094
140000	70000	47600	364000
52065	52065	14578	4165
1920.04	3840.06	3840.06	3840.06
170020	246540	162800	63760
7180	8390	5600	4200
63349	76019	101358	84465
30349	24279.6	19281.54	13767.06

COMPANIES WHICH MADE BONUS ISSUES DURING 1994-1998

Earnings After Tax

	1998	**1997**
Kakuzi	142633	218871
Kapchorua		18872
Car and General		-121136
Marshalls	37518	72484
Nation Media Group	326500	284300
City Trust		24299755
ICDC	149744195	108694960
Diamond Trust	206564	-827614
KFC		
Stanard Chartered Bank	1429213	1064790
BAT	1156914	634049
East African Packaging	-37557	6461
HFCK	285734461	297127312
CFC	0	258012
Pan African Insurance	68908098	64460820
Bamburi Cement	0	780000
Carbacid Investments	80854	59102
East African Cables	63685	63930
Kenya Breweries	185810	870878
Kenya Power and Lighting	1464275	1552098
Uchumi Super Markets		224948
Barclays Bank Of Kenya	3000	2687
Jubilee Insurance	139811	134277
Kenya Commercial Bank	914800	2566412
NIC	310709	398561
East African Portland	375707	90499
Kenya National Mills	-884921	173209
Total Kenya	321063	129796
Unga Group	0	160643
A.Baumann	3393	-5835.04
Lonhro Motors	0	-70305
Dunlop	0	8711
Rea Vipingo		
Firestone		
Sasini	0	99512
CMC		188144

APPENDIX 14

1996	1995	1994	1993
146123	79716	225557	156114
5377	2073	64710	31969
-106542	963	29676	19577
79758	73371	257835	3668520
206870	195103	156953	61150
72163439	8781463	9272380	9343970
114276230.5	106709764.15	76884279.2	44096684.8
-91486	284056	251516	193558
1149207	1129389	700074	435044
631181	494977	486624	897076
49103.62	66249	87053.04	76973.96
252876696	180966153	165983356	144339961
188141	317655.716	181747.06	71607.034
39852871	24472044	57152296	23648308
767000	34099	10280	17999
55900	36792	33141	24211
73779	58925	66222	67103
417866	178266	524045	368596
1114360	1154948	610206	-323108
259589	210808	270210	190132
2477	2120	2233	1222
94161	81244	65105	83762
2500933	2372810	1679846	1283285
352012	326787	172109	185301
67210.94	55878.26	80877.46	30496.1
31147	222638	124980	-74335
173080	301857	117742	540556
49914	193701	116425	-93509
4069.64	14576.04	49484.04	30801.12
281255	405715	242575	84635
15273	18525	14740	14619
63444	76374	128051.26	273853.34
201794	146172.3	98628.38	41889.3

COMPANIES WHICH MADE BONUS ISSUES DURING 1994-1998

	Shares in Issue	
	1998	**1997**
Kakuzi	19600	19600
Kapchorua		3912
Car and General		22280
Marshalls		
Nation Media Group	35660	17820
City Trust		4166046
ICDC	28258429	18837201
Diamond Trust	79500	79500
KFC		
Stanard Chartered Bank	164829	164829
BAT	75000	75000
East African Packaging	7680	7680
HFCK	115000000	92000000
CFC		100000
Pan African Insurance	13000000	13000000
Bamburi Cement		363000
Carbacid Investments	9439	9439
East African Cables	20250	20250
Kenya Breweries	93602.2	65521.6
Kenya Power and Lighting	391400	211008
Uchumi Super Markets	0	60000
Barclays Bank Of Kenya	154.3	128.6
Jubilee Insurance	36000	30000
Kenya Commercial Bank	112200	112200
NIC	65931.6	65931.6
East African Portland	90000	90000
Kenya National Mills	67235.6	26894.2
Total Kenya	56000000	56000000
Unga Group		7809.8
A.Baumann	3840	3840.068
Lonhro Motors	0	3188
Dunlop	0	2000
Rea Vipingo		
Firestone	0	0
Sasini	0	25339.4
CMC	0	12139.8

APPENDIX 15

1996	1995	1994	1993
19600	19600	19600	13066.6
3912	3912	1956	1956
22280	20254	20254	16878
11884.2	11884.2	9507.4	9507.4
4166046	4166046	4166046	3471705
18837201	18837201	15700947	15700947
79500	79500	63600	42400
164829	164829	164829	82414.6
75000	75000	75000	37500
7680	7680	6400	6400
92000000	69000000	69000000	46000000
100000	100000	12000	12000
10000000	10000000	7000000	7000000
242000	161292	80644	80644
5899.4	4213.8	4213.8	3009.8
20250	20250	16200	16200
65521.6	51188.4	51188.4	51188.4
70336	35168	35168	35168
40000	40000	40000	40000
128.6	107.2	107.2	85.8
30000	25000	25000	20000
112200	84150	84150	84150
43945.2	35156.2	35156.2	17578.2
90000	6000	6000	6000
20170.6	20170.6	20170.6	20170.6
56000000	28000000	28000000	28000000
5206.6	5206.6	5206.6	5206.6
2560.044	2560.044	2560.044	2560.044
1062.6	1062.6	1062.6	1062.6
400	400	400	400
185561.6	185561.6	185561.6	66272
25339.4	25339.4	25339.5	8446.5
12139.8	12139.78	11018.904	11013.64

COMPANIES WHICH MADE BONUS ISSUES DURING 1994-1998
Earnings Per Share(EPS)

	1998	**1997**
Kakuzi	7.28	11.17
Kapchorua	ERR	4.82
Car and General	ERR	-5.44
Marshalls	ERR	ERR
Nation Media Group	9.16	15.95
City Trust	ERR	5.83
ICDC	5.30	5.77
Diamond Trust	2.60	-10.41
KFC	ERR	ERR
Stanard Chartered Bank	8.67	6.46
BAT	15.43	8.45
East African Packaging	-4.89	0.84
HFCK	2.48	3.23
CFC	ERR	2.58
Pan African Insurance	5.30	4.96
Bamburi Cement	ERR	2.15
Carbacid Investments	8.57	6.26
East African Cables	3.14	3.16
Kenya Breweries	1.99	13.29
Kenya Power and Lighting	3.74	7.36
Uchumi Super Markets	ERR	3.75
Barclays Bank Of Kenya	19.44	20.89
Jubilee Insurance	3.88	4.48
Kenya Commercial Bank	8.15	22.87
NIC	4.71	6.05
East African Portland	4.17	1.01
Kenya National Mills	-13.16	6.44
Total Kenya	0.01	0.00
Unga Group	ERR	20.57
A.Baumann	0.88	-1.52
Lonhro Motors	ERR	-22.05
Dunlop	ERR	4.36
Rea Vipingo	ERR	ERR
Firestone	ERR	ERR
Sasini	ERR	3.93
CMC	ERR	15.50

APPENDIX 16

1996	1995	1994	1993
7.46	4.07	11.51	11.95
1.37	0.53	33.08	16.34
-4.78	0.05	1.47	1.16
ERR	ERR	ERR	ERR
17.41	16.42	16.51	6.43
17.32	2.11	2.23	2.69
6.07	5.66	4.90	2.81
-1.15	3.57	3.95	4.57
ERR	ERR	ERR	ERR
6.97	6.85	4.25	5.28
8.42	6.60	6.49	23.92
6.39	8.63	13.60	12.03
2.75	2.62	2.41	3.14
1.88	3.18	15.15	5.97
3.99	2.45	8.16	3.38
3.17	0.21	0.13	0.22
9.48	8.73	7.86	8.04
3.64	2.91	4.09	4.14
6.38	3.48	10.24	7.20
15.84	32.84	17.35	-9.19
6.49	5.27	6.76	4.75
19.26	19.78	20.83	14.24
3.14	3.25	2.60	4.19
22.29	28.20	19.96	15.25
8.01	9.30	4.90	10.54
0.75	9.31	13.48	5.08
1.54	11.04	6.20	-3.69
0.00	0.01	0.00	0.02
9.59	37.20	22.36	-17.96
1.59	5.69	19.33	12.03
264.69	381.81	228.28	79.65
38.18	46.31	36.85	36.55
ERR	ERR	ERR	ERR
0.00	0.00	0.00	0.00
2.50	3.01	5.05	32.42
16.62	12.04	8.95	3.80

Dividend Per Share	**1998**	**1997**
	1998	1997
Kakuzi	2.75	2.75
Kapchorua	ERR	1.50
Car and General	ERR	0.00
Marshalls	ERR	ERR
Nation Media Group	1.65	2.75
City Trust	ERR	1.50
ICDC	3.00	5.00
Diamond Trust	0.80	0.60
KFC	ERR	ERR
Stanard Chartered Bank	5.00	3.75
BAT	7.50	6.00
East African Packaging	0.00	0.00
HFCK	1.50	1.50
CFC	ERR	0.67
Pan African Insurance	1.75	1.75
Bamburi Cement	ERR	1.12
Carbacid Investments	2.20	2.00
East African Cables	2.00	2.00
Kenya Breweries	6.00	6.00
Kenya Power and Lighting	1.08	2.00
Uchumi Super Markets	ERR	3.35
Barclays Bank Of Kenya	11.00	12.00
Jubilee Insurance	1.75	1.75
Kenya Commercial Bank	6.00	8.00
NIC	1.75	2.00
East African Portland	1.00	0.67
Kenya National Mills	0.32	3.20
Total Kenya	0.00	0.00
Unga Group	ERR	10.00
A.Baumann	0.75	0.50
Lonhro Motors	ERR	0.00
Dunlop	ERR	2.00
Rea Vipingo	ERR	ERR
Firestone	ERR	ERR
Sasini	ERR	3.00
CMC	ERR	2.50

APPENDIX 17

1996	1995	1994	1993
1996	1995	1994	1993
2.20	2.00	2.00	2.00
1.00	1.00	5.00	2.00
0.00	0.10	0.75	0.60
ERR	ERR	ERR	ERR
2.75	2.25	2.25	0.00
1.25	0.90	0.75	0.60
4.50	3.25	2.75	2.00
0.80	1.44	1.40	1.40
ERR	ERR	ERR	ERR
3.75	5.00	3.75	3.75
6.00	5.00	4.00	14.50
3.50	3.50	0.00	5.00
1.25	1.00	1.00	1.00
0.50	0.50	2.50	1.25
1.75	1.75	2.50	1.75
1.62	0.07	0.08	0.05
2.72	2.34	1.80	1.86
2.50	2.00	2.50	2.00
5.00	5.00	5.00	3.50
2.00	1.00	0.90	0.80
5.00	5.00	5.00	4.00
10.00	9.99	8.99	8.00
2.00	1.75	1.75	1.75
7.00	6.00	3.86	3.22
2.25	2.80	1.75	3.50
0.33	1.00	1.00	0.50
3.20	3.20	1.95	0.55
0.00	0.00	0.00	0.01
10.00	10.00	2.80	0.80
0.75	1.50	1.50	1.50
160.00	232.02	153.21	60.00
17.95	20.98	14.00	10.50
ERR	ERR	ERR	ERR
0.00	0.00	0.00	0.00
2.50	3.00	4.00	10.00
2.50	2.00	1.75	1.25

Dividend Payout Ratio	**1998**	**1997**
Kakuzi	38%	25%
Kapchorua	ERR	31%
Car and General	ERR	0%
Marshalls	0%	53%
Nation Media Group	18%	17%
City Trust	ERR	26%
ICDC	57%	87%
Diamond Trust	31%	-6%
KFC	ERR	ERR
Stanard Chartered Bank	58%	58%
BAT	49%	71%
East African Packaging	0%	0%
HFCK	60%	46%
CFC	ERR	26%
Pan African Insurance	33%	35%
Bamburi Cement	ERR	52%
Carbacid Investments	26%	32%
East African Cables	64%	63%
Kenya Breweries	302%	45%
Kenya Power and Lighting	29%	27%
Uchumi Super Markets	ERR	89%
Barclays Bank Of Kenya	57%	57%
Jubilee Insurance	45%	39%
Kenya Commercial Bank	74%	35%
NIC	37%	33%
East African Portland	24%	66%
Kenya National Mills	-2%	50%
Total Kenya	52%	112%
Unga Group	ERR	49%
A.Baumann	85%	-33%
Lonhro Motors	ERR	0%
Dunlop	ERR	46%
Rea Vipingo	ERR	ERR
Firestone	ERR	ERR
Sasini	ERR	76%
CMC	ERR	16%

APPENDIX 18

1996	1995	1994	1993
30%	49%	17%	17%
73%	189%	15%	12%
0%	210%	51%	52%
48%	39%	0%	0%
16%	14%	14%	0%
7%	43%	34%	22%
74%	57%	56%	71%
-70%	40%	35%	31%
ERR	ERR	ERR	ERR
54%	73%	88%	71%
71%	76%	62%	61%
55%	41%	0%	42%
45%	38%	42%	32%
27%	16%	17%	21%
44%	72%	31%	52%
51%	31%	64%	22%
29%	27%	23%	23%
69%	69%	61%	48%
78%	144%	49%	49%
13%	3%	5%	-9%
77%	95%	74%	84%
52%	51%	43%	56%
64%	54%	67%	42%
31%	21%	19%	21%
28%	30%	36%	33%
45%	11%	7%	10%
207%	29%	31%	-15%
81%	23%	40%	67%
104%	27%	13%	-4%
47%	26%	8%	12%
60%	61%	67%	75%
47%	45%	38%	29%
ERR	ERR	ERR	ERR
ERR	ERR	ERR	ERR
100%	100%	79%	31%
15%	17%	20%	33%

COMPANIES WHICH MADE BONUS ISSUES DURING 1994-1998

		1998	**1997**
Dividend Rate(DPS/Nominal Value)		1998	1997
Kakuzi	5.00	55%	55%
Kapchorua	5.00	ERR	30%
Car and General	5.00	ERR	0%
Marshalls	5.00	ERR	ERR
Nation Media Group	5.00	33%	55%
City Trust	5.00	ERR	30%
ICDC	5.00	60%	100%
Diamond Trust	4.00	20%	15%
KFC	5.00	ERR	ERR
Stanard Chartered Bank	5.00	100%	75%
BAT	10.00	75%	60%
East African Packaging	5.00	0%	0%
HFCK	5.00	38%	38%
CFC	5.00	ERR	17%
Pan African Insurance	5.00	44%	44%
Bamburi Cement	5.00	ERR	28%
Carbacid Investments	5.00	55%	50%
East African Cables	5.00	50%	50%
Kenya Breweries	5.00	150%	150%
Kenya Power and Lightinc	20.00	5%	10%
Uchumi Super Markets	5.00	ERR	84%
Barclays Bank Of Kenya	10.00	110%	120%
Jubilee Insurance	5.00	44%	44%
Kenya Commercial Bank	10.00	60%	80%
NIC	5.00	44%	50%
East African Portland	5.00	25%	17%
Kenya National Mills	5.00	8%	80%
Total Kenya	5.00	0%	0%
Unga Group	5.00	ERR	250%
A.Baumann	5.00	19%	13%
Lonhro Motors	5.00	ERR	0%
Dunlop	5.00	ERR	50%
Rea Vipingo	5.00	ERR	ERR
Firestone	5.00	ERR	ERR
Sasini	5.00	ERR	75%
CMC	5.00	ERR	62%

APPENDIX 19

1996	1995	1994	1993
1996	1995	1994	1993
44%	40%	40%	40%
20%	20%	100%	40%
0%	2%	15%	12%
ERR	ERR	ERR	ERR
55%	45%	45%	0%
25%	18%	15%	12%
90%	65%	55%	40%
20%	36%	35%	35%
ERR	ERR	ERR	ERR
75%	100%	75%	75%
60%	50%	40%	145%
88%	88%	0%	125%
31%	25%	25%	25%
13%	13%	63%	31%
44%	44%	63%	44%
41%	2%	2%	1%
68%	58%	45%	46%
63%	50%	63%	50%
125%	125%	125%	87%
10%	5%	4%	4%
125%	125%	125%	100%
100%	100%	90%	80%
50%	44%	44%	44%
70%	60%	39%	32%
56%	70%	44%	87%
8%	25%	25%	13%
80%	80%	49%	14%
0%	0%	0%	0%
250%	250%	70%	20%
19%	37%	37%	37%
4000%	5800%	3830%	1500%
449%	524%	350%	263%
ERR	ERR	ERR	ERR
0%	0%	0%	0%
63%	75%	100%	250%
62%	50%	44%	31%

COMPANIES WHICH MADE BONUS ISSUES DURING 1994-1998

Bonus Shares in Issue

		1998	1997
Change in Number of Shares		1998	1997
Kakuzi	5.00	0	0
Kapchorua	5.00	-3912	0
Car and General	5.00	-22280	0
Marshalls	5.00	0	0
Nation Media Group	5.00	17840	5936
City Trust	5.00	-4166046	0
ICDC	5.00	9421228	0
Diamond Trust	4.00	0	0
KFC	5.00	0	0
Stanard Chartered Bank	5.00	0	0
BAT	10.00	0	0
East African Packaging	5.00	0	0
HFCK	5.00	23000000	0
CFC	5.00	-100000	0
Pan African Insurance	5.00	0	3000000
Bamburi Cement	5.00	-363000	121000
Carbacid Investments	5.00	0	3540
East African Cables	5.00	0	0
Kenya Breweries	5.00	28081	0
Kenya Power and Lightinç	20.00	180392	140672
Uchumi Super Markets	5.00	-60000	20000
Barclays Bank Of Kenya	10.00	26	0
Jubilee Insurance	5.00	6000	0
Kenya Commercial Bank	10.00	0	0
NIC	5.00	0	21986
East African Portland	5.00	0	0
Kenya National Mills	5.00	40341	6724
Total Kenya	5.00	0	0
Unga Group	5.00	-7810	2603
A.Baumann	5.00	-0	1280
Lonhro Motors	5.00	-3188	2125
Dunlop	5.00	-2000	1600
Rea Vipingo	5.00	0	0
Firestone	5.00	0	-185562
Sasini	5.00	-25339	0
CMC	5.00	-12140	0

APPENDIX 20

1996	**1995**	**1994**	**1993**
1996	1995	1994	1993
0	0	6533	13067
0	1956	0	1956
2025	0	3376	16878
0	0	0	0
0	2377	0	9507
0	0	694341	3471705
0	3136254	0	15700947
0	15900	21200	42400
0	0	0	0
0	0	82414	82415
0	0	37500	37500
0	1280	0	6400
23000000	0	23000000	46000000
0	88000	0	12000
0	3000000	0	7000000
80708	80648	0	80644
1686	0	1204	3010
0	4050	0	16200
14333	0	0	51188
35168	0	0	35168
0	0	0	40000
21	0	21	86
5000	0	5000	20000
28050	0	0	84150
8789	0	17578	17578
84000	0	0	6000
0	0	0	20171
28000000	0	0	28000000
0	0	0	5207
0	0	0	2560
0	0	0	1063
0	0	0	400
0	0	0	0
0	0	119290	66272
0	-0	16893	8447
0	1121	5	11014

APPENDIX 21: CALCULATION OF MEAN, MEDIAN AND STANDARD DEVIATION

MTB > # Opening worksheet fr om file: A:\ONYA 4.XLS
MTB > # File was last modifi ed on 10 /20/99
MTB > Describe 'CDBB'-'DID'.

Descriptive Statistics
MARKET ANALYSIS

Variable	N	N*	Mean	Median	TrMean	StDev	SEMean
CDBB	62	0	3.768	2.5	3.361	3.551	0.451
RDBB	62	0	0.6501	0.5	0.5803	0.587	0.0746
ACDBB	62	0	2.185	1.75	1.975	1.873	0.238
ARDBB	62	0	0.3694	0.3417	0.3506	0.2353	0.0299
CDAB	60	2	2.908	2.225	2.648	2.508	0.324
RDAB	62	0	0.4717	0.4	0.4383	0.3455	0.0439
BR	62	0	0.819	0.5	0.611	1.194	0.152
DIDR	62	0	-0.63	-0.476	-0.609	1.602	0.203
DID	62	0	-0.1023	-0.1	-0.0971	0.2715	0.0345

Variable	Min	Max	Q1	Q3
CDBB	0.000	17.950	1.652	5
RDBB	0.0000	3.5900	0.35	0.8
ACDBB	0.000	10.000	1.118	2.542
ARDBB	0.0000	1.3333	0.2307	0.4638
CDAB	0.000	11.000	1.425	3.237
RDAB	0.0000	2.0000	0.259	0.6
BR	0.071	7.333	0.25	1
DIDR	-6.000	4.000	-1.063	-0.153
DID	-1.2000	0.8000	-0.2125	-0.0305

MTB > Describe 'DIDR' 'DID'.

Descriptive Statistics

Variable	N	Mean	Median	TrMean	StDev	SEMean
DIDR	62	-0.630	-0.476	-0.609	1.602	0.203
DID	62	-0.1023	-0.1	-0.0971	0.2715	0.0345

Variable	Min	Max	Q1	Q3
DIDR	-6.000	4.000	-1.063	-0.153
DID	-1.2000	0.8000	-0.2125	-0.0305

MTB > Describe 'DIDR' 'DID';

APPENDIX 22: CALCULATION OF MEAN, MEDIAN AND STANDARD DEVIATION

MTB > # Opening worksheet fr om file: A:\ONYA 4.XLS
MTB > # File was last modifi ed on 10 /20/99
MTB > Describe 'CDBB'-'DID'.

Descriptive Statistics

SECTOR ANALYSIS

Variable	CLASS	N	Mean	Media	n	TrMean	StDev	SEMean
DIDR	1	6	0.173	-0.14	7	0.173	1.127	0.46
2	13		0.18	-0.27	5	0.000	1.593	0.442
3	23		-0.817	-0.46	7	-0.749	0.889	0.185
4	20		-1.182	-0.85	2	-1.160	2.092	0.468
DID	1	6	0.0378	-0.02	0	0.0378	0.2261	0.0923
2	13		0.0359	-0.055	0	0.0000	0.3186	0.0884
3	23		-0.1256	-0.1	0	-0.1197	0.1076	0.0224
4	20		-0.2076	-0.139	5	-0.1820	0.3377	0.0755

Variable	CLASS	Min	Max	Q	1	Q3
DIDR	1	-1.000	1.5	-0.75	0	1.500
2	-1.667		4	-0.79	9	0.830
3	-3.058		0	-1	0	-0.250
4	-6.000		3.25	-1.52	3	-0.312
DID	1	-0.2000	0.3	-0.15	0	0.3000
2	-0.3333		0.8	-0.159	8	0.1659
3	-0.3750		0	-0.191	7	-0.0500
4	-1.2000		0.325	-0.264	0	-0.0623

MTB > Describe 'DIDR' 'DID';
SUBC> By 'C.CODE'.

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