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THE LIMURU TEA COMPANY LIMITED

1995

REPORT AND ACCOUNTS

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THE LIMURU TEA COMPANY LIMITED

**Report and accounts  
for the year ended 31st December 1995**

**Contents**

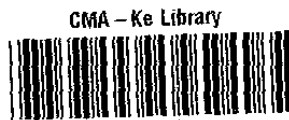
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**THE LIMURU TEA COMPANY LIMITED**

**Corporate Information**

Board of Directors	J.A. Wood - Chairman M.W. Harley C.B. Key J.P. Mbogua
Company Secretary	C.A. Ouda, F.C.I.S, C.P.S. (K)
Registered Office	Norfolk Towers Kijabe Street P.O. Box 42011 Nairobi
Auditors	Coopers & Lybrand Queensway House Kaunda Street P.O. Box 30158 Nairobi
Advocates	Hamilton Harrison & Mathews ICEA Building Kenyatta Avenue P.O. Box 30333 Nairobi
Bankers	Standard Chartered Bank Kenya Limited Moi Avenue P.O. Box 72585 Nairobi  Barclays Bank of Kenya Limited Limuru Branch P.O. Box 252 Limuru



**THE LIMURU TEA COMPANY LIMITED**

**Report of the Directors**

The Directors have pleasure in presenting their report and audited accounts for the year ended 31st December, 1995.

**ACTIVITY**

There has been no change in the company's activity during the year. It continues to grow tea and delivers green leaf to Mabroukie factory for manufacture.

**RESULTS, DIVIDENDS AND TRANSFERS TO RESERVES**

	1995	1994
	KShs.	KShs.
Profit after taxation	5,058,499	14,307,974
Less: Interim dividend paid	(360,000)	(1,300,000)
Final dividend proposed	(3,850,000)	(9,000,000)
Retained profit transferred to reserves	<u>848,499</u>	<u>4,007,974</u>
Issued shares of KShs. 20 each	200,000	200,000
Earnings per share - KShs.	25.29	71.54
Total dividend per share - KShs.	21.05	51.50

**BOARD OF DIRECTORS**

The present board of directors is set out on page 1.

Messrs. T.F. Robley and M.K.A. Sang resigned from the board of directors with effect from 1st December 1995.

Mr. C.R. Key retires in accordance with Article 100 of the Company's Articles of Association and being eligible offers himself for re-election.

**AUDITORS**

Coopers and Lybrand continue in office in accordance with section 159 (2) of the Companies Act (Cap 486)

**BY ORDER OF THE BOARD**

C.A. Ouda  
Secretary  
14th February, 1996

2007/1206

**THE LIMURU TEA COMPANY LIMITED**

**Report of the Auditors to the Members of  
The Limuru Tea Company Limited**

1. We have audited the accounts set out on pages 4 to 9. The accounts are in agreement with the books of account. We obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

**2. Respective Responsibilities of Directors and Auditors**

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

**3. Basis of Opinion**

We conducted our audit in accordance with Kenyan Auditing Standards. The standards require that we plan and perform our audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes examination, on a test basis, of evidence supporting the amounts and disclosures in the accounts. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the accounts.

**4. Opinion**

In our opinion proper books of account have been kept and the accounts give a true and fair view of the state of affairs of the company as at 31st December, 1995 and of its profit and cash flows for the year then ended and comply with the Companies Act (Cap. 486).

Coopers & Lybrand  
Certified Public Accountants of Kenya

Nairobi  
20th February, 1996

**THE LIMURU TEA COMPANY LIMITED**

**Profit and Loss Account**

**for the year ended 31st December 1995**

	Notes	1995	1994
		KShs.	KShs.
Turnover		<u>35,310,403</u>	<u>43,925,659</u>
Profit before taxation	2	7,788,499	22,986,276
Taxation	3	<u>(2,730,000)</u>	<u>(8,678,302)</u>
Profit attributable to the shareholders		5,058,499	14,307,974
Dividends	4	<u>(4,210,000)</u>	<u>(10,300,000)</u>
Retained profit for the year	10	<u>848,499</u>	<u>4,007,974</u>
Earnings per share	5	<u>25.29</u>	<u>71.54</u>
<b>Statement of revenue reserves</b>			
At 1st January		10,444,804	6,438,830
Retained profit for the year		848,499	4,007,974
Transfer to capital reserves		<u>—</u>	<u>(2,000)</u>
At 31st December		<u>11,293,303</u>	<u>10,444,804</u>

Report of the Auditors - Page 3.

The notes on pages 7 to 9 form part of these accounts.

THE LIMURU TEA COMPANY LIMITED

Balance Sheet as at 31st December 1995

	Notes	1995	1994
		KShs.	KShs.
<b>CAPITAL EMPLOYED</b>			
<b>Fixed Assets</b>	6	<u>15,922,682</u>	<u>15,742,489</u>
<b>Current assets</b>			
Stocks	7	35,066	206,420
Debtors		28,717	56,870
Tax recoverable		569,369	899,369
Group company	8	10,954,031	15,796,596
Bank and cash balances		<u>444,410</u>	<u>297,911</u>
		<u>12,031,593</u>	<u>17,257,166</u>
<b>Current liabilities</b>			
Creditors		1,962,338	2,706,217
Dividends		<u>3,850,000</u>	<u>9,000,000</u>
		<u>5,812,338</u>	<u>11,706,217</u>
<b>Net current assets</b>		<u>6,219,255</u>	<u>5,550,949</u>
		<u>22,141,937</u>	<u>21,293,438</u>
<b>FINANCED BY:</b>			
Ordinary share capital	9	4,000,000	4,000,000
Reserves	10	<u>18,141,937</u>	<u>17,293,438</u>
		<u>22,141,937</u>	<u>21,293,438</u>

J.A. Wood ..... }  
M.W. Harley..... } Directors

The accounts were approved by the Board of Directors on 14th February, 1996

Report of the Auditors - Page 3.

The notes on pages 7 to 9 form part of these accounts.

**THE LIMURU TEA COMPANY LIMITED**

**Cash Flow Statement  
for the year ended 31st December 1995**

	1995	1994
	KShs.	KShs.
<b>Cash flow from operating activities</b>		
Net profit before taxation	7,788,499	22,986,276
Adjustments for:		
Loss on disposal of fixed assets	24,978	—
Depreciation	650,705	483,859
Interest received	(1,730,512)	(7,121,676)
Operating profit before working capital changes	6,733,670	16,348,459
Decrease in debtors	6,964,114	46,188,641
Decrease/(increase) in stock	171,354	(37,914)
Decrease in creditors	(743,879)	(520,089)
Cash generated from operations	13,125,259	61,979,097
Income taxes paid	(2,400,000)	(26,127,399)
<b>Net cash from operating activities</b>	<b>10,725,259</b>	<b>35,851,698</b>
<b>Returns on investments and servicing of finance</b>		
Dividends paid	(11,453,396)	(43,161,231)
Interest Received	1,730,512	7,121,676
Net cash from returns on investments and receiving of finance	(9,722,884)	(36,039,555)
<b>Cash flows from investing activities</b>		
Capital expenditure	(855,876)	(79,000)
<b>Net cash from investing activities</b>	<b>(855,876)</b>	<b>(79,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>146,499</b>	<b>(266,857)</b>
Cash and cash equivalents at the beginning of the year	297,911	564,768
Cash and cash equivalents at the end of the year	444,410	297,911

Cash and cash equivalents are represented by bank and cash balances

Report of the Auditors - Page 3

The notes on pages 7 to 9 form part of these accounts.



**THE LIMURU TEA COMPANY LIMITED**

**Notes to the Accounts 31st December 1995**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accounts are prepared under the historical cost convention as modified by the revaluation of certain fixed assets. The accounts are prepared in accordance with applicable accounting standards in Kenya. The significant accounting policies adopted are:

**Turnover**

Turnover represents the value of tea delivered net of charges paid to the manufacturers and selling agents, and County Council Cess paid to Limuru County Council.

**Fixed Assets**

Fixed assets are stated at cost or as revalued on an existing use basis. Provision is made for depreciation on the straight line method designed to write off the original cost or valuation of fixed assets other than freehold land, over their anticipated useful lives. Development costs include direct costs and attributable overheads incurred in bringing tea into production which occurs in the fourth year after planting. The annual depreciation rates in use are:

Leasehold land	- in equal instalments over the useful life of the lease.
Tea development	- from year 4 onwards a graduated scale is adopted that increases the annual depreciation charge from 0.6% in year 4 to 2% in year 10. The depreciation rate remains at 2% thereafter for the remaining part of the asset's useful life.
Buildings	- in equal instalments over the useful life of the asset which will not exceed 40 years.
Plant, fixtures and fittings	- 7%
Vehicles	- 25%

**Stocks**

Stocks represent consumable estate stores valued at the lower of cost and net realisable value.

**Taxation**

Taxation is provided in the profit and loss account on the basis of the profit included therein, adjusted according to the fiscal laws of Kenya. Provision is made at the rate ruling at the year end for deferred taxation except in respect of taxation which can reasonably be expected to continue to be deferred for the foreseeable future.

**THE LIMURU TEA COMPANY LIMITED**

**Notes to the Accounts - 31st December 1995**

	<b>1995 KShs.</b>	<b>1994 KShs.</b>
<b>2. PROFIT BEFORE TAXATION</b>		
Profit before taxation is arrived at after charging:		
Depreciation	<b>650,705</b>	483,859
Auditor's remuneration	<b>227,000</b>	230,000
Director's fees	<b>50,507</b>	46,044
and after crediting:		
Interest	<b><u>1,730,512</u></b>	<b><u>7,121,676</u></b>
<b>3. TAXATION</b>		
On the adjusted profit for the year at 35%(1994 - 37.5% including drought levy)	<b>2,730,000</b>	8,774,302
Over provision in prior years		(96,000)
	<b><u>2,730,000</u></b>	<b><u>8,678,302</u></b>
<b>4. DIVIDENDS</b>		
Dividends are shown gross on 200,000 shares and comprise:		
Interim at KShs. 1.80(1994 at KShs. 6.50) - paid	<b>360,000</b>	1,300,000
Final at KShs. 19.25 (1994 at KShs. 45) - payable	<b><u>3,850,000</u></b>	<b><u>9,000,000</u></b>
	<b><u>4,210,000</u></b>	<b><u>10,300,000</u></b>
<b>5. EARNINGS PER SHARE</b>		
Earnings per share of KShs. 25.29 (1994 KShs. 71.54) is calculated on the profit attributable to share holders of KShs. 5,058,499 (1994 Shs. 14,307,974) and 200,000 shares in issue throughout the year.		

THE LIMURU TEA COMPANY LIMITED

Notes to the Accounts - 31st December 1995

6. FIXED ASSETS	Land Development & Buildings	Plant, Vehicles, Fixtures and Fittings	Total
	KShs.	KShs.	KShs.
<b>Cost or valuation:</b>			
1st January 1995	19,454,013	1,396,324	20,850,337
Additions	589,959	518,866	1,108,825
Disposals	—	(48,690)	(48,690)
31st December 1995	<u>20,043,972</u>	<u>1,866,500</u>	<u>21,910,472</u>
<b>Comprising:</b>			
Valuation - 1977	12,408,652	479,676	12,888,328
Cost	<u>7,635,320</u>	<u>1,386,824</u>	<u>9,022,144</u>
	<u>20,043,972</u>	<u>1,866,500</u>	<u>21,910,472</u>
<b>Accumulated Depreciation:</b>			
1st January 1995	4,335,984	771,864	5,107,848
Charge for the year	393,184	257,521	650,705
Transfers in	—	252,949	252,949
Disposals/Transfers out	—	(23,712)	(23,712)
31st December 1995	<u>4,729,168</u>	<u>1,258,622</u>	<u>5,987,790</u>
<b>Net book value</b>			
31st December 1995	<u>15,314,804</u>	<u>607,878</u>	<u>15,922,682</u>
31st December 1994	<u>15,118,029</u>	<u>624,460</u>	<u>15,742,489</u>
<b>7. STOCKS</b>		1995 KShs.	1994 KShs.
Stores and packing materials		<u>35,066</u>	<u>206,420</u>
<b>8. GROUP COMPANY</b>		<u>10,954,031</u>	<u>15,796,596</u>
The balance arises from the sale of green leaf to Brooke Bond Kenya Ltd.			
<b>9. ORDINARY SHARE CAPITAL</b>			
Authorised, issued and fully paid: 200,000 of KShs. 20 each		<u>4,000,000</u>	<u>4,000,000</u>
<b>10. RESERVES</b>	Revenue KShs.	Capital KShs.	Total KShs.
1st January 1995	10,444,804	6,848,634	17,293,438
Retained profit for the year	<u>848,499</u>	—	<u>848,499</u>
31st December 1995	<u>11,293,303</u>	<u>6,848,634</u>	<u>18,141,937</u>
<b>11. CAPITAL COMMITMENTS</b>			
There were no capital commitments at 31st December 1995 (1994 Nil).			
Report of the Auditors - Page 3			

**THE LIMURU TEA COMPANY LIMITED**

**Five Year Record**

	1995	1994	1993	1992	1991
TEA PRODUCTION (TONNES)	738	696	942	684	691
TURNOVER (KShs. '000)	<u>35,310</u>	<u>43,926</u>	<u>79,703</u>	<u>30,935</u>	<u>21,157</u>
(KShs. '000)					
PROFIT BEFORE TAXATION	7,788	22,986	68,219	20,025	11,235
TAXATION	<u>(2,730)</u>	<u>(8,678)</u>	<u>(24,100)</u>	<u>(7,600)</u>	<u>(4,430)</u>
PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS	5,058	14,308	44,119	12,425	6,805
DIVIDENDS	<u>(4,210)</u>	<u>(10,300)</u>	<u>(44,000)</u>	<u>(12,400)</u>	<u>(6,600)</u>
PROFIT RETAINED FOR THE YEAR	<u>848</u>	<u>4,008</u>	<u>119</u>	<u>25</u>	<u>205</u>
EARNINGS PER SHARE (KShs.)	<u>25.29</u>	<u>71.54</u>	<u>220.60</u>	<u>62.13</u>	<u>34.03</u>
DIVIDENDS PER SHARE (KShs.)	<u>21.05</u>	<u>51.50</u>	<u>220.00</u>	<u>62.00</u>	<u>33.00</u>

# THE LIMURU TEA COMPANY LIMITED

## FORM OF PROXY

I/We .....

(Please use block letters)

being member/members of The Limuru Tea Company Limited hereby appoint

(Please use block letters)

failing whom the Chairman of the meeting as my/our proxy to attend and vote for me/us on my/our behalf at the seventy-first annual general meeting of the Company to be held on 2nd May, 1996 and at any adjournment thereof. I/We desire to vote on the resolutions set out in the notice of the meeting as shown below (please tick the appropriate space)

### RESOLUTIONS

1. Adopt the report and accounts
2. Declare a dividend
3. Approve directors' remuneration
4. Re-elect Mr. C. R. Key as a director
5. Authorise the directors to fix the auditors' remuneration

Resolution	For	Against
1		
2		
3		
4		
5		

As witness my/our hand this ..... day ..... 1996

Signature(s) .....

### NOTES

1. This proxy must be filled and returned to the Company Secretary, The Limuru Tea Company Limited, Norfolk Towers, Kijabe Street, P.O. Box 42011, Nairobi not later than 11 a.m on Tuesday 30 April 1996
2. All alterations to the proxy must be initialled.
3. Should the form of proxy be returned signed, but without specific directions as to how the proxy should vote, the Chairman or proxy chosen may vote or abstain at his/her discretion.
4. A corporation should execute under its common seal or by the hand of any officer or attorney duly authorised in writing.

To be posted to: Company Secretary

The Limuru Tea Company Limited

P.O. Box 42011

Nairobi

The Limuru Tea Company Limited

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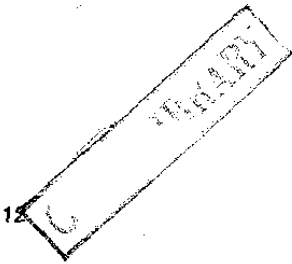
AFFIX POSTAGE STAMP

*The Company Secretary*  
*The Limuru Tea Company Limited*  
*P.O. Box 42011,*  
*Nairobi Kenya*

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**THE LIMURU TEA COMPANY LIMITED**

**Notice of Meeting**

**NOTICE IS HEREBY GIVEN** that the seventy-first annual general meeting of **THE LIMURU TEA COMPANY LIMITED** will be held in the boardroom of Brooke Bond Kenya Limited, Norfolk Towers, Kijabe Street, Nairobi on 2nd May, 1996 at 11.00 a.m. for the following purposes:-

1. To receive and consider the balance sheet and accounts of the company for the year ended 31st December 1995 and the report of the directors and auditors thereon.
2. To approve the payment of a final dividend.
3. To approve the directors' remuneration of Shs. 50,507 for the year ended 31st December 1995.
4. To re-elect a director.
5. To authorise the directors to fix the auditors remuneration.

**BY ORDER OF THE BOARD**

C.A. Ouda  
Secretary

9th April, 1996

A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the company.

A form of proxy is on page 11 and must be filled and returned so as to reach the Company Secretary, The Limuru Tea Company Limited, Norfolk Towers, Kijabe Street, P.O. Box 42011, Nairobi not later than 11.00 a.m., Tuesday 30th April, 1996.

The Limuru Tea Company Limited

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