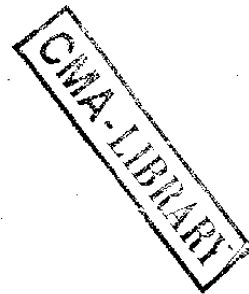




# **THE LIMURU TEA COMPANY LIMITED**



**1997**

## **REPORT AND ACCOUNTS**

HD  
9/98  
-K46  
L578  
1997  
c.3

**THE LIMURU TEA COMPANY LIMITED**

**Report and Accounts  
for the year ended 31st December 1997**

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## THE LIMURU TEA COMPANY LIMITED

### Directors and Officials

Board of Directors	P. J. Stanning - Chairman J. F. Beakbane C. R. Key M. W. Harley 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

15/10/05



HD  
9198  
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1. Tea trade -- Kenya -- periodicals  
2. Tea trade -- Limuru -- Kenya

## THE LIMURU TEA COMPANY LIMITED

### Chairman's Statement for 1997

The Limuru Tea Company Limited owns 265 Ha of tea land situated 2 miles west of Limuru. The Company is an outgrower to Brooke Bond Kenya Limited the largest private sector tea company in Kenya. Brooke Bond acts as The Limuru Tea Company's agent in manufacturing, selling and financing its operations. The tea estate's leaf is delivered to the nearby Mabroukie factory from where it is sold overseas via Mombasa.

1997 has proved a challenging year for the tea grower in Kenya. The weather was particularly extreme and resulted in a shortfall of 15% in national volume due to drought early in the year. However, world prices were significantly better than 1996 and this helped offset the impact of continuing high interest rates and the relative strength of the Kenya Shilling, as compared with currencies of other major tea exporters.

Estate operations continue to be managed in line with the best practice throughout Brooke Bond Kenya Limited and in 1997 produced 2,693,260 kgs of green leaf which in turn produced 620,233 kgs black tea. The shortfall of 21% in green leaf produced as compared with 1996 crop of 3,404,890 kgs was a direct reflection of the weather.

Capital investment in the year centred on maintaining the new planting of 5.2 ha of clonal material.

In 1998 we expect the broad outlook for US dollar prices to remain favourable. However we are extremely concerned that the Central Bank's fight against inflation and lack of import demand will continue to hold the Kenyan Shilling at an overvalued rate. We will see a further increase in wage costs from 1 January 1997 and this will constrain improved profitability if there is no equivalent devaluation in the currency. The weather remains uncertain but we are optimistic as to an improved tea crop at this moment in time.

CHAIRMAN,

18th February, 1998.

2007/1211

## **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 1997.

#### **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 AND DIVIDENDS**

	<b>1997</b>	<b>1996</b>
	<b>Shs.</b>	<b>Shs.</b>
Profit after taxation	<b>16,667,556</b>	8,156,676
Less: Interim dividend paid	<b>(500,000)</b>	(1,000,000)
Final dividend proposed	<b>(12,500,000)</b>	(5,000,000)
	<hr/>	<hr/>
Retained profit transferred to reserves	<b>3,667,556</b>	2,156,676
	<hr/>	<hr/>
Issued shares of KShs. 20 each	<b>200,000</b>	200,000
Earnings per share - KShs.	<b>83.34</b>	40.78
Dividends per share - KShs.	<b>65.00</b>	30.00

#### **BOARD OF DIRECTORS**

The present Board of Directors is set out on page 1.

Mr. J. P. Mbogua retires by rotation in accordance with Article 100 of the Company's Articles of Association and being eligible offers himself for re-election.

#### **AUDITORS**

Coopers & 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.

18th February, 1998.

The Limuru Tea Company Limited

**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 5 - 11. 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 purposes of our audit.

2. **Respective Responsibility 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 accounts.

4. **Opinion**

In our opinion proper books of accounts have been kept and the accounts give a true and fair view of the state of affairs of the company as at 31st December, 1997 and of its profit and cash flow for the year then ended and comply with the Companies Act (Cap. 486).

Coopers & Lybrand  
Certified Public Accountants of Kenya

Nairobi,  
18th February, 1998.

**THE LIMURU TEA COMPANY LIMITED**

**Profit and Loss Account  
for the year ended 31st December 1997**

	NOTES	1997 KShs.	1996 KShs.
Turnover		<b>53,825,421</b>	43,922,544
Profit before taxation	2	<b>25,937,556</b>	11,056,676
Taxation	3	<b>(9,270,000)</b>	(2,900,000)
<b>Profit attributable to shareholders</b>		<b>16,667,556</b>	8,156,676
Dividends	4	<b>(13,000,000)</b>	(6,000,000)
Retained profit for the year	10	<b>3,667,556</b>	2,156,676
Earnings per share	5	<b>83.34</b>	40.78

**Statement of revenue reserves**

At 1st January	<b>13,449,979</b>	11,293,303
Retained profit for the year	<b>3,667,556</b>	2,156,676
At 31st December	<b>17,117,535</b>	13,449,979

Report of the Auditors - Page 4.

The notes on pages 8 to 11 form part of these accounts.

**THE LIMURU TEA COMPANY LIMITED**

**Balance Sheet as at 31st December 1997**

	NOTES	1997 KShs.	1996 KShs.
<b>CAPITAL EMPLOYED</b>			
<b>Fixed Assets</b>	6	<u>17,232,918</u>	<u>17,478,334</u>
<b>Current Assets</b>			
Stocks	7	294,760	184,391
Debtors		526,066	268,317
Tax recoverable		-	1,194,847
Group Company	8	31,771,922	10,095,430
Bank and cash balances		132,962	372,264
		<u>32,725,710</u>	<u>12,115,249</u>
<b>Current Liabilities</b>			
Creditors		3,552,434	2,905,903
Dividends		12,862,572	2,389,067
Tax payable		5,577,454	
		<u>21,992,460</u>	<u>5,294,970</u>
<b>Net current assets</b>		<u>10,733,250</u>	<u>6,820,279</u>
		<u>27,966,168</u>	<u>24,298,613</u>
<b>FINANCED BY:</b>			
Ordinary share capital	9	4,000,000	4,000,000
Reserves	10	23,966,168	20,298,613
		<u>27,966,168</u>	<u>24,298,613</u>

J. Stanning .....  
C. R. Key .....  
} Directors

The accounts were approved by the Board of Directors on 18th February, 1998.

Report of the Auditors - Page 4.

The notes on pages 8 to 11 form part of these accounts.

**THE LIMURU TEA COMPANY LIMITED**

**Cash Flow Statement  
for the year ended 31st December 1997**

	1997 KShs.	1996 KShs.
<b>Cash flows from operating activities</b>		
Net profit before taxation	25,937,556	11,056,676
Adjustments for:		
(Profit) on disposal of fixed assets	(50,000)	(333,000)
Depreciation	913,215	616,819
Interest received	(3,041,164)	(2,241,418)
Operating cashflows before working capital charges	23,759,607	9,099,077
Increase in stocks	(110,369)	(149,325)
(Increase) / decrease in debtors	(21,934,241)	619,004
Increase in creditors	646,531	943,565
Cash generated from operations	2,361,528	10,512,321
Income taxes paid	(2,497,699)	(3,525,481)
<b>Net cash flow from operating activities</b>	<b>(136,171)</b>	<b>6,986,840</b>
Return on investment and servicing of finance		
Interest received	3,041,164	2,241,418
Dividends paid	(2,526,493)	(7,460,933)
<b>Net cash flow from investments &amp; servicing activities</b>	<b>514,671</b>	<b>(5,219,515)</b>
<b>Cash flows from investing activities</b>		
Capital expenditure	(667,802)	(2,172,471)
Proceeds from disposal of fixed assets	50,000	333,000
<b>Net cash flow from investing activities</b>	<b>(617,802)</b>	<b>(1,839,471)</b>
Net increase in cash and cash equivalents	(239,302)	(72,146)
Cash and cash equivalents at the beginning of the year	372,264	444,410
Cash and cash equivalents at the end of the year	132,962	372,264

Cash and cash equivalents are represented by bank and cash balances.

Report of the Auditors on page 4.

The notes on pages 8 to 11 form part of these accounts.

## THE LIMURU TEA COMPANY LIMITED

### Notes to the Accounts - 31st December 1997

#### 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 the 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, 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 period 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 the cost and net realisable value.

##### Taxation

Taxation is provided in profit and loss account on the basis of the profit included therein, adjusted for 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 1997**

	<b>1997 KShs.</b>	<b>1996 KShs.</b>
<b>2. PROFIT BEFORE TAXATION</b>		
Profit before taxation is arrived at after charging:		
Depreciation	<b>913,218</b>	616,817
Auditors' remuneration	<b>276,000</b>	245,000
Directors' fees	<b>253,392</b>	255,508
and after crediting:		
Profit on sale of fixed assets	<b>50,000</b>	333,000
Interest receivable	<b>3,041,164</b>	2,241,418
<b>3. TAXATION</b>		
On the adjusted profit for the year at 35%	<b>9,270,000</b>	2,900,000
<b>4. DIVIDENDS</b>		
Dividends are shown gross on 200,000 shares and comprise:		
Interim at KShs. 2.50 (1996 at Shs. 5.00)	<b>500,000</b>	1,000,000
Final at Shs. 62.50 (1996 at Shs. 25.00)	<b>12,500,000</b>	5,000,000
	<b>13,000,000</b>	6,000,000
<b>5. EARNINGS PER SHARE</b>		

Earnings per share of Shs. 83.34 (1996: Shs. 40.78) is calculated on the profit attributable to shareholders of Shs. 16,667, 556 (1996: Shs. 8,156,676) and 200,000 shares in issue throughout the year.

# THE LIMURU TEA COMPANY LIMITED

## Five Year Record

	1997	1996	1995	1994	1993	1992
TEA PRODUCTION (TONNES)	620	798	738	696	942	684
TURNOVER (KShs. '000)	<u>53,825</u>	<u>43,923</u>	<u>35,310</u>	<u>43,926</u>	<u>79,703</u>	<u>30,935</u>
(KShs. '000)						
PROFIT BEFORE TAXATION	25,938	11,057	7,788	22,986	68,219	20,025
TAXATION	<u>(9,270)</u>	<u>(2,900)</u>	<u>(2,730)</u>	<u>(8,678)</u>	<u>(24,100)</u>	<u>(7,600)</u>
PROFIT ATTRIBUTABLE TO						
SHAREHOLDERS	16,668	8,157	5,058	14,308	44,119	12,425
DIVIDENDS	<u>(13,000)</u>	<u>(6,000)</u>	<u>(4,210)</u>	<u>(10,300)</u>	<u>(44,000)</u>	<u>(12,400)</u>
PROFIT RETAINED FOR						
THE YEAR	<u>3,668</u>	<u>2,157</u>	<u>848</u>	<u>4,008</u>	<u>119</u>	<u>25</u>
EARNINGS PER SHARE (Shs.)	83.34	40.78	25.29	71.54	220.60	62.13
DIVIDENDS PER SHARE (Shs.)	65.00	30.00	21.05	51.50	220.00	62.00

## THE LIMURU TEA COMPANY LIMITED

### FORM OF PROXY

I/We .....

(Please use block letters)

being the 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 and on my/our behalf at the seventy third annual general meeting of the company to be held on 14 May 1998 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-election of Mr. J. P. Mbogua
5. Authorisation of the directors to fix the auditors' remuneration

Resolutions	For	Against
1		
2		
3		
4		
5		

As witness my/our hand this ..... day ..... 1998.

Signature(s) .....

#### NOTES

1. This proxy form 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, 12 May 1998.
2. All alterations to the proxy form 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

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