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DIRECTORS AND OFFICIALS

BOARD OF DIRECTORS
PJ Stanning - Chairman
JF Beakbane
JP Mbogua
SK Sinha

COMPANY SECRETARY
CA Ouda, F.C.I.S., C.P.S (K)

REGISTERED OFFICE
Norfolk Towers
Kijabe Street
PO Box 42011
Nairobi

AUDITORS
PricewaterhouseCoopers
Queensway House
Kaunda Street
PO Box 30158
Nairobi

ADVOCATES
Hamilton Harrison & Mathews
ICEA Building
Kenyatta Avenue
PO Box 30333
Nairobi

BANKERS
Standard Chartered Bank Kenya Limited
Moi Avenue
PO Box 72585
Nairobi

Barclays Bank of Kenya Limited
Limuru Branch
PO Box 252
Limuru

CHAIRMAN'S STATEMENT

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

1998 started as an excellent year for the tea grower in Kenya. The weather was very favourable and prices strong during the first quarter. However, a combination of lower crop volumes towards the year-end, declining tea prices and high wage cost inflation resulted in a loss in profitability during the second half of the year.

Estate operations continue to be managed in line with the best practice throughout Brooke Bond Kenya Limited and in 1998 produced 4,126,300 kgs of green leaf which in turn produced 913,631 kgs of black tea. The very high volumes during the first quarter supported a record crop for the Company for the full year, and an increase of 53% as compared with 1997.

Capital investment in the year centred on the installation of new toilet facilities in employee camps and there was also expenditure on up-grading principal roads, including the placing of tarmac on vulnerable sections.

In 1999 we expect the broad outlook for US dollar prices to remain favourable but we anticipate significantly lower crop volumes during the first quarter following the failure of the short rains during the last quarter of 1998. We will see a further increase in wage costs from 1st January 1999 and this will constrain our profitability if there is no equivalent devaluation in the currency reflected in higher Kenya Shilling prices for our leaf.

CHAIRMAN
26th February 1999

ANNUAL REPORT OF THE DIRECTORS

for the year ended 31st December 1998

To be presented to the shareholders at the seventy-fourth annual general meeting scheduled for Thursday 20th May 1999.

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

	1998 Kshs.	1997 Kshs.
Profit attributable to shareholders	20,762,181	16,667,556
Less: Interim dividend paid	(5,000,000)	(500,000)
Final dividend proposed	(12,000,000)	(12,500,000)
Retained profit transferred to revenue reserves	3,762,181	3,667,556

BOARD OF DIRECTORS

Members of the board of directors are listed on page 2.

Messrs M W Harley and C R Key resigned from the board of directors on 18th February and 1st May 1998 respectively. Mr S K Sinha was appointed a director of the company with effect from 1st April 1998.

Mr P J Stanning remains on the board in accordance with article 100 of the company's Articles of Association.

Mr S K Sinha retires in accordance with article 101 of the company's articles of association and being eligible offers himself for re-election.

AUDITORS

Following the merger of Coopers & Lybrand and Price Waterhouse during the year, the directors retained the services of the new firm PricewaterhouseCoopers to fill the vacancy in accordance with section 159(6) of the Companies Act. An appropriate resolution will be placed before the shareholders at the next Annual General Meeting to ratify the appointment of the auditors.

By Order of the Board

C A OUDA
COMPANY SECRETARY
26th February 1999

REPORT OF THE AUDITORS

to the members of the Limuru Tea Company Limited

1. We have audited the accounts set out on pages 6 to 12. 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 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 its profit or loss. Our responsibility is to express an independent opinion on the accounts based on our audit and to report our opinion to you.

3. **Basis of opinion**
   We conducted our audit in accordance with Kenyan Auditing Standards. 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 overall presentation of 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, 1998 and of its profit and cash flow for the year then ended and comply with the Companies Act (Cap. 486).

PricewaterhouseCoopers
Certified Public Accountants of Kenya
26th February 1999
Nairobi

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1998

	Note	1998 KShs	1997 Kshs
TURNOVER		65,883,067	53,825,421
PROFIT BEFORE TAXATION	2	30,168,916	25,937,556
TAXATION	3	(9,406,735)	(9,270,000)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		20,762,181	16,667,556
DIVIDENDS	4	(17,000,000)	(13,000,000)
RETAINED PROFIT FOR THE YEAR	10	3,762,181	3,667,556
EARNINGS PER SHARE	5	103.81	83.34
STATEMENT OF REVENUE RESERVES			
AT 1ST JANUARY 1998		17,117,535	13,449,979
RETAINED PROFIT FOR THE YEAR		3,762,181	3,667,556
AT 31ST DECEMBER 1998	10	20,879,716	17,117,535

BALANCE SHEET

as at 31st December 1998

	Note	1998 Kshs	1997 Kshs
CAPITAL EMPLOYED			
FIXED ASSETS	6	18,507,985	17,232,918
CURRENT ASSETS			
Stocks	7	130,212	294,760
Debtors		3,407,704	526,066
Tax recoverable		2,079,685	-
Group company balance	8	25,267,866	31,771,922
Bank and cash balances		1,568,924	132,962
		32,454,391	32,725,710
CURRENT LIABILITIES			
Creditors		6,959,511	3,552,434
Dividends		12,274,516	12,862,572
Tax payable		-	5,577,454
		19,234,027	21,992,460
NET CURRENT ASSETS		13,220,364	10,733,250
		31,728,349	27,966,168
FINANCED BY:			
Ordinary share capital	9	4,000,000	4,000,000
Reserves	10	27,728,349	23,966,168
		31,728,349	27,966,168

The accounts on pages 6 to 12 were approved by the board of Directors on 26th February 1999 and were signed on its behalf by:-

P.J. Stanning DIRECTOR

S.K. Sinha DIRECTOR

CASH FLOW STATEMENT

for the year ended 31st December 1998

	1998 Kshs	1997 Kshs
Cash flows from operating activities		
Net profit before taxation	30,168,916	25,937,556
Adjustments for:		
(Profit) on disposal of fixed assets	(23,000)	(50,000)
Depreciation	701,645	913,215
Interest received	(12,885,905)	(3,041,164)
Operating cashflows before working capital changes	17,961,656	23,759,607
Decrease / (Increase) in stocks	164,548	(110,369)
Decrease / (Increase) in debtors and group company balance	3,623,202	(21,934,241)
Increase in creditors	3,407,075	646,531
Cash generated from operations	25,156,481	2,361,528
Income taxes paid	(17,063,873)	(2,497,699)
Net cash flow from operating activities	**8,092,608**	**(136,171)**
Return on investments and servicing of finance		
Interest received	12,885,905	3,041,164
Dividends paid	(17,588,053)	(2,526,493)
Net cash flow from returns on investment & servicing of finance	**(4,702,148)**	**514,671**
Cash flows from investing activities		
Capital expenditure	(1,977,498)	(667,802)
Proceeds from disposal of fixed assets	23,000	50,000
Net cash flow from investing activities	**(1,954,498)**	**(617,802)**
Net increase/(decrease) in cash and cash equivalents	1,435,962	(239,302)
Cash and cash equivalents at the beginning of the year	132,962	372,264
Cash and cash equivalents at the end of the year	**1,568,924**	**132,962**

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

31st December 1998

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 installments over the useful life of the lease.*
Tea development	*- from year 4 onwards a graduated scale is adopted that increase 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 installments over the useful life of the asset which will not exceed 40 years.*
Plant, Fixtures & 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 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 year end for deferred taxation except in respect of taxation which can reasonably be expected to continue to be deferred for the foreseeable future.

31st December 1998

2 PROFIT BEFORE TAXATION

	1998 Kshs	1997 Kshs
Profit before taxation is arrived at after charging		
Depreciation	701,645	913,215
Auditors' remuneration	299,250	276,000
Directors' fees	253,392	253,392
and after crediting:		
Profit on sale of fixed assets	23,000	50,000
Interest receivable	12,885,905	3,041,164

3 TAXATION

On the adjusted profit for the year at 32.5%	9,406,735	9,270,000

4 DIVIDENDS

Dividends are shown gross on 200,000 shares and comprise:		
Interim at Kshs . 25.00 (1997 Kshs 2.50)	5,000,000	500,000
Final at Kshs 60.00 (1997 at Kshs 62.50)	12,000,000	12,500,000
	17,000,000	13,000,000

5 EARNINGS PER SHARE

Earnings per share of Kshs 103.81 (1997: Kshs. 83.34) is calculated on the profit attributable to shareholders of Kshs 20,762,181 (1996: Kshs 16,667,556) and 200,000 shares in issue throughout the year.

31st December 1998

6 FIXED ASSETS	Land, development and buildings Kshs	Plant vehicles, fixtures and fittings Kshs	Total Kshs
Cost or valuation:			
1st January 1998	21,690,143	2,868,575	24,558,718
Additions	1,976,712	-	1,976,712
Disposals	-	(26,280)	(26,280)
31st December 1998	23,666,855	2,842,295	26,509,150
Comprising:			
Valuation - 1977	12,408,652	744,423	13,153,075
Cost	11,258,203	2,097,872	13,356,075
	23,666,855	2,842,295	26,509,150
Accumulated depreciation:			
1st January 1998	5,510,192	1,815,608	7,325,800
Charge for the year	392,891	308,754	701,645
Disposals	-	(26,280)	(26,280)
31st December 1998	5,903,083	2,098,082	8,001,165
Net book value			
31st December 1998	17,763,772	744,213	18,507,985
31st December 1997	16,179,951	1,052,967	17,232,918

31st December 1998

7 STOCKS	1998 Kshs	1997 Kshs
Stocks comprise:-		
Stores and packing materials	130,212	294,760

8 GROUP COMPANY BALANCE		
Due from Brooke Bond Kenya Ltd	25,267,866	31,771,922

9 ORDINARY SHARE CAPITAL		
Authorised, issued and fully paid:		
200,000 of Kshs . 20 each	4,000,000	4,000,000

10 RESERVES	Revenue Kshs	Capital Kshs	Total Kshs
1st January 1998	17,117,535	6,848,634	23,966,168
Retained profit for the year	3,762,181	-	3,762,181
31st December 1998	20,879,716	6,848,634	27,728,349

11 RELATED PARTY TRANSACTIONS

(a) The company's turnover is derived from arm's length sales to the parent company, Brooke Bond Kenya Limited, net of charges paid to Brooke Bond Kenya Limited amounting to Kshs 3,572,297 (1997: Kshs 2,611,181) in accordance with similar outgrowers contracts.

(b) Brooke Bond Kenya Limited is also reimbursed for certain central costs which amounted to Kshs 1,230,865 (1997: Kshs 1,087,056).

(c) The amount due form Brooke Bond Kenya Limited as at 31st December 1998 is shown as "Group company balance" on the balance sheet. Interest is charged on the current account balance at commercial rates and amounted to Kshs 12,885,905 (1997: Kshs 3,041,164).

FIVE YEAR RECORD

	1998	1997	1996	1995	1994
TEA PRODUCTION (tonnes)	914	620	798	738	696
TURNOVER (Kshs '000)	65,883	53,825	43,923	35,310	43,926
PROFIT BEFORE TAXATION	30,169	25,938	11,057	7,788	22,986
TAXATION	(9,407)	(9,270)	(2,900)	(2,730)	(8,678)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	20,762	16,668	8,157	5,058	14,308
DIVIDENDS	(17,000)	(13,000)	(6,000)	(4,210)	(10,300)
PROFIT RETAINED FOR THE YEAR	3,762	3,668	2,157	848	4,008
EARNINGS PER SHARE (Kshs)	103.81	83.34	40.78	25.29	71.54
DIVIDENDS PER SHARE (Kshs)	85.00	65.00	30.00	21.05	51.50

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the seventy-fourth 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 20th May 1999 at 11.00 a.m. for the following purposes:-

1. To consider and confirm acceptance of the balance sheet and accounts for the year ended 31st December 1998 and the report of the directors and auditors thereon.

2. To declare a dividend.

3. To approve the directors' remuneration for the year ended 31st December 1998.

4. To re-elect a director.

5. To ratify the appointment of PricewaterhouseCoopers as Auditors in place of Coopers & Lybrand.

6. To authorise the directors to fix the auditors' remuneration.

By Order of the Board

C A OUDA
COMPANY SECRETARY
26th April 1999

NOTE:

A member entitled to attend and vote at the above meeting, may appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the company.

A form of proxy is on page 15. Shareholders who will not be able to attend the meeting are requested to complete and return it, so a to reach the registered office of the Company Secretary, The Limuru Tea Company Limited, Norfolk Towers, Kijabe Street, PO Box 42011, Nairobi, not later than 11.00 a.m on Tuesday, 18 May, 1999.

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 note for me/us and on my/our behalf at the seventy fourth annual general meeting of the company to be held on 20th May 1999 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	Resolutions	For	Against
1. To adopt the Report and Accounts	1		
2. To declare a dividend	2		
3. To approve directors' remuneration	3		
4. To re-elect Mr S K Sinha	4		
5. To ratify the appointment of Messrs. PricewaterhouseCoopers	5		
6. To authorise the directors to fix the auditors' remuneration	6		

As witness my/our hand this _____ day _____ 1999

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, PO Box 42011, Nairobi not later than 11 a.m. on Tuesday, 18th May 1999.

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
PO Box 42011
Nairobi

SECOND FOLD

AFFIX STAMP HERE

THE LIMURU TEA COMPANY LIMITED

THIRD FOLD

Tuck inside facing flap

FIRST FOLD