

THE LIMURU TEA COMPANY LIMITED

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ANNUAL REPORT
AND ACCOUNTS 1999

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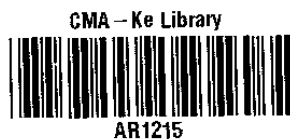
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1. Tea trade -- Kenya -- periodicals
2. Tea trade -- Limuru -- Kenya

CORPORATE INFORMATION

BOARD OF DIRECTORS

P.J. Stanning - Chairman
J.F. Beakbane
J.P. Mbogua
S.K. Sinha

COMPANY SECRETARY

C.A. Ouda, F.C.I.S., C.P.S (K)

REGISTERED OFFICE

Norfolk Towers
Kijabe Street
PO Box 42011
Nairobi

AUDITORS

PricewaterhouseCoopers
Rahimtulla Tower
Upper Hill Road
PO Box 43963
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

INSURANCE BROKERS

Jardine Alexander Forbes
Chester House
Koinange Street
PO Box 30076
Nairobi

AON Miner Insurance Brokers Limited
Miner ICDC House, Mamlaka Road, off Nyerere Road
PO Box 55289, Nairobi.

2007/1215

NOTICE OF MEETING

NOTICE IS HEREBY given that the seventy fifth ANNUAL GENERAL MEETING OF THE LIMURU TEA COMPANY LIMITED will be held at the Brooke Bond Kenya Limited's Boardroom at the Norfolk Towers, Kijabe Street, Nairobi on Wednesday, 3 May 2000 at 11.00 a.m. for the following purposes:-

1. To consider and confirm acceptance of the balance sheet and the financial statements for the year ended 31 December 1999 and the reports of the directors and auditors thereon.
2. To declare a dividend.
3. To authorise the directors to fix the auditors' remuneration.

BY ORDER OF THE BOARD

C.A. Ouda - Company Secretary
10 April 2000

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 enclosed. Shareholders who will not be able to attend the meeting are requested to complete and return it, so as to reach the registered office of the company at Norfolk Towers, Kijabe Street, P.O. Box 42011, Nairobi, not later than 11.00 a.m. on Friday 28 April 2000.

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FIVE YEAR RECORD

| | 1999 | 1998 | 1997 | 1996 | 1995 |
|--|---------|----------|----------|---------|---------|
| <u>Industry Statistics</u> | | | | | |
| Kenya tea production ('000 Tonnes) | 248.8 | 294.2 | 220.7 | 257.2 | 244.5 |
| Mombasa auction average price (US cents per kg) | 186 | 197 | 203 | 145 | 134 |
| <u>Limuru Tea Company</u> | | | | | |
| Tea Production (Tonnes) | 627 | 914 | 620 | 798 | 738 |
| Turnover (KShs' 000) | 51,212 | 65,883 | 53,825 | 43,923 | 35,310 |
| Profit (KShs' 000) | | | | | |
| Profit before taxation | 14,242 | 30,169 | 25,938 | 11,057 | 7,788 |
| Taxation | (4,941) | (9,407) | (9,270) | (2,900) | (2,730) |
| Profit after taxation | 9,301 | 20,762 | 16,668 | 8,157 | 5,058 |
| Dividends | (6,000) | (17,000) | (13,000) | (6,000) | (4,210) |
| Profit retained | 3,301 | 3,762 | 3,668 | 2,157 | 848 |
| Capital employed (KShs' 000) | | | | | |
| Fixed assets | 19,142 | 18,508 | 17,233 | 17,478 | 15,923 |
| Other net assets | 15,887 | 13,220 | 10,733 | 6,821 | 6,219 |
| | 35,029 | 31,728 | 27,966 | 24,299 | 22,142 |
| Financed by (KShs' 000) | | | | | |
| Share capital | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| Reserves | 28,018 | 24,717 | 23,966 | 20,299 | 18,142 |
| Shareholders' funds | 32,018 | 28,717 | 27,966 | 24,299 | 22,142 |
| Deferred tax liabilities | 3,011 | 3,011 | - | - | - |
| | 35,029 | 31,728 | 27,966 | 24,299 | 22,142 |
| Earnings per share (KShs) | 46.50 | 103.81 | 83.34 | 40.78 | 25.29 |

The comparative figures for 1995 to 1997 have not been restated for the effect of the adoption of International Accounting Standards.

CHAIRMAN'S STATEMENT

The Limuru Tea Company Limited owns 275 hectares of tea land situated four kilometres to the 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 Limited 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.

1999 has been very difficult for tea growers in the Limuru area. Dry weather during the last weeks of 1998 persisted into 1999 and crop volumes for January were at their lowest level since 1985. At the same time surplus stock in the tea market held prices back and the wage cost inflation brought additional pressures. Volumes remained low until the last quarter and overall production for the year was at a similar level to the 'El Nino' drought year of 1997. Prices did strengthen during the third quarter but failed to compensate for the crop shortfall.

Our estate operations continue to be managed in line with the best practice throughout Brooke Bond Kenya Limited and in 1999 produced 2,661,400 kilogrammes of green leaf which in turn produced 627,767 kilogrammes of black tea. This was a reduction of 31% as compared with 1998.

Capital investment in the year centred on further extension planting of 3.2 hectares of tea, while further upgrading of principal roads was deferred due to the low level of profitability.

In 2000 we expect the broad outlook for US dollar prices to remain favourable following a reduction in world stocks during 1999, but crop volumes remain uncertain given the apparent increase in frequency of prolonged dry weather in many parts of the country. We may also see further increases in wage costs constraining our profitability if there is no equivalent devaluation in the currency reflected in higher Kenya Shilling prices for our leaf.

CHAIRMAN
17th February 2000

REPORT OF THE DIRECTORS

To be presented to the shareholders at the seventy-fifth Annual General Meeting scheduled for Wednesday, 3 May 2000.

The directors submit their report together with the audited financial statements for the year ended 31 December 1999 which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The principal activity of the company is the production of tea.

RESULTS AND DIVIDENDS

The results for the year and attributable dividends are set out below:

| | 1999 KShs. | 1998 KShs. |
|--|---------------|---------------|
| Profit attributable to shareholders of The Limuru Tea Company Limited | 9,300,567 | 20,762,181 |
| Dividends - Interim paid | - | (5,000,000) |
| - Final proposed | (6,000,000) | (12,000,000) |
| Profit retained and transferred to revenue reserves | 3,300,567 | 3,762,181 |

BOARD OF DIRECTORS

Members of the board of directors are listed on page 3.

J F Beakbane retires by rotation in accordance with Article 100 of the company's Articles of Association and, although being eligible, does not offer himself for re-election.

AUDITORS

The auditors, PricewaterhouseCoopers, continue in office in accordance with Section 159(2) of the Companies Act.

By Order of the Board

C.A. Ouda
SECRETARY
17th February 2000

REPORT OF THE AUDITORS

to the members of the Limuru Tea Company Limited

1. We have audited the financial statements set out on pages 8 to 18. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. The financial statements are in agreement with the books of account.

2. Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements 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 financial statements based on our audit and to report our opinion to you.

3. Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. 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 the financial statements.

4. Opinion

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the company's financial affairs at 31 December 1999 and of its profit and cash flows for the year then ended and comply with International Accounting Standards and the Kenyan Companies Act.

PricewaterhouseCoopers
Certified Public Accountants of Kenya
17th February, 2000
Nairobi

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1999

| | Note | 1999 KShs | 1998 KShs |
|---------------------------|------|-------------------|-------------------|
| Sales | 1 | 51,212,269 | 65,883,067 |
| Cost of Sales | | (25,291,827) | (31,081,725) |
| Gross Profit | | 25,920,442 | 34,801,342 |
| Other operating income | 2 | 6,075,080 | 353,000 |
| Administrative expenses | | (18,450,998) | (17,871,331) |
| Operating profit | 3 | 13,544,524 | 17,283,011 |
| Finance income | 5 | 697,215 | 12,885,905 |
| Profit before tax | | 14,241,739 | 30,168,916 |
| Tax | 6 | (4,941,172) | (9,406,735) |
| Net profit | | 9,300,567 | 20,762,181 |
| Earnings per share | 8 | 46.50 | 103.81 |

BALANCE SHEET

as at 31st December 1999

| | Note | 1999 KShs | 1998 KShs |
|--------------------------------|------|-------------------|-------------------|
| CAPITAL EMPLOYED | | | |
| Share capital | 9 | 4,000,000 | 4,000,000 |
| Revaluation reserves | 10 | 3,265,679 | 3,369,337 |
| Retained earnings | | 24,751,823 | 21,347,598 |
| Shareholders' funds | | 32,017,502 | 28,716,935 |
| Non-Current Liabilities | | | |
| Deferred tax liabilities | 11 | 3,011,414 | 3,011,414 |
| | | 35,028,916 | 31,728,349 |
| REPRESENTED BY | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 19,142,082 | 18,507,985 |
| Current assets | | | |
| Inventories | 13 | 1,335,369 | 130,212 |
| Current Tax Liabilities | | 2,770,147 | 2,079,685 |
| Trade and other receivables | 14 | 21,288,821 | 28,675,570 |
| Cash and cash equivalents | 15 | 717,785 | 1,568,924 |
| | | 26,112,122 | 32,454,391 |
| Current liabilities | | | |
| Trade and other payables | 16 | 4,225,288 | 6,959,511 |
| Dividend payable | 7 | 6,000,000 | 12,274,516 |
| | | 10,225,288 | 19,234,027 |
| Net current assets | | 15,886,834 | 13,220,364 |
| | | 35,028,916 | 31,728,349 |

The financial statements on pages 8 to 18 were approved by the board of directors and signed on its behalf by:-

P.J. Stanning
DIRECTOR

S.K. Sinha
DIRECTOR

STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 1999

| | Notes | Share capital KShs | Capital reserves KShs | Retained earnings KShs | Total KShs |
|--|-------|--------------------------|-----------------------------|------------------------------|-------------------|
| Balance at 1 January 1998 | | | | | |
| As previously stated | | 4,000,000 | 6,848,634 | 17,117,534 | 27,966,168 |
| Prior year adjustment | | | | | |
| - Adoption of IAS 12 on deferred taxes | 11 | - | (784,191) | (2,227,223) | (3,011,414) |
| - Adoption of IAS 16 on transfer of excess depreciation | 10 | - | (2,591,448) | 2,591,448 | - |
| As restated | | 4,000,000 | 3,472,995 | 17,481,759 | 24,954,754 |
| Transfer of excess depreciation to retained earnings | 10 | - | (103,658) | 103,658 | - |
| Net profit - restated for the effect of adopting IAS 12 on deferred taxes | | - | - | 20,762,181 | 20,762,181 |
| Dividend for 1998 | 7 | - | - | (17,000,000) | (17,000,000) |
| Balance at 31 December 1998 | | 4,000,000 | 3,369,337 | 21,347,598 | 28,716,935 |
| Balance at 1 January 1999 | | | | | |
| As previously stated | | 4,000,000 | 6,848,634 | 20,879,715 | 31,728,349 |
| Prior year adjustment | | | | | |
| - Adoption of IAS 12 on deferred taxes | 11 | - | (784,191) | (2,227,223) | (3,011,414) |
| - Adoption of IAS 16 on transfer of excess depreciation | 10 | - | (2,695,106) | 2,695,106 | - |
| As restated | | 4,000,000 | 3,369,337 | 21,347,598 | 28,716,935 |
| Transfer of excess depreciation to retained earnings | 10 | - | (103,658) | 103,658 | - |
| Net profit | | - | - | 9,300,567 | 9,300,567 |
| Dividend for 1999 | 7 | - | - | (6,000,000) | (6,000,000) |
| Balance at 31 December 1999 | | 4,000,000 | 3,265,679 | 24,751,823 | 32,017,502 |

CASH FLOW STATEMENT

for the year ended 31st December 1999

| | Notes | 1999 KShs | 1998 KShs |
|---|-------|---------------------|---------------------|
| Operating activities | | | |
| Cash generated from operations | 17 | 18,620,818 | 25,156,481 |
| Interest received | 5 | 697,215 | 12,885,905 |
| Tax paid | | (5,631,574) | (17,063,873) |
| Net cash from operating activities | | 13,686,459 | 20,978,513 |
| Investing activities | | | |
| Purchase of plant and equipment (Note 12) | | (2,263,022) | (1,977,498) |
| Proceeds from disposal of plant and equipment | | - | 23,000 |
| Net cash used in investing activities | | (2,263,022) | (1,954,498) |
| Financing activities | | | |
| Dividends paid | | (12,274,576) | (17,588,053) |
| Net cash used in financing activities | | (12,274,576) | (17,588,053) |
| (Decrease) / increase in cash and cash equivalents | | (851,139) | 1,435,962 |
| Movement in cash and cash equivalents | | | |
| At 1 January | 15 | 1,568,924 | 132,962 |
| (Decrease) / increase in cash and cash equivalents | | (851,139) | 1,435,962 |
| At 31 December | 15 | 717,785 | 1,568,924 |

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ACCOUNTING POLICIES

for the year ended 31st December 1999

The principal accounting policies adopted in the preparation of these financial statements are set out below:-

1. BASIS OF PREPARATION

The financial statements are prepared in accordance with and comply with International Accounting Standards, which have been adopted with effect from 1 January 1999. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

2. REVENUE RECOGNITION

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.

3. PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are stated at cost or as revalued less accumulated depreciation. Provision is made for depreciation on straight-line method designed to write off the original cost or valuation of fixed assets, other than freehold land and fuel development, over their anticipated useful lives. Development costs include direct costs and attributable overheads incurred in bringing crops into production which occur in the fourth year after planting. Fuel development is retained in the financial statements at valuation and subsequent replanting and maintenance expenditure is charged to the profit and loss account.

The annual depreciation rates in use are:

| | |
|-------------------------------------|--|
| <i>Leasehold land</i> | <i>- in equal instalments over the useful life of the lease.</i> |
| <i>Tea development</i> | <i>- 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.</i> |
| <i>Buildings & farmworks</i> | <i>- in equal instalments over the useful life of the assets which will not exceed 40 years.</i> |
| <i>Vehicles & Computers</i> | <i>- 25%</i> |
| <i>Plant, fixtures and fittings</i> | <i>- 7%</i> |

4. INVENTORIES

Inventories are valued at the lower of cost and net realisable value.

5. TRADE RECEIVABLES

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off in the year in which they are identified.

6. PENSION OBLIGATIONS

The expected cost of providing retirement pensions under Brooke Bond Kenya Limited's defined pension scheme, in which qualifying employees are members, are charged to the profit and loss account over the periods benefiting from the employees services.

ACCOUNTING POLICIES

for the year ended 31st December 1999

7. DEFERRED INCOME TAXES

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

8. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

9. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of International Accounting Standards, which the company has implemented in the year ended 31 December 1999.

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended 31st December 1999

1 SALES OF MADE TEA

All sales are in respect of made tea to the parent company

2 OTHER OPERATING INCOME

Other operating income comprise:

Sale of firewood to Mabroukie Factory

Other miscellaneous income

3 OPERATING PROFIT

The following items have been charged in arriving at operating profit:

Depreciation on property, plant and equipment (Note 12)

Staff costs (Note 4)

Auditors' remuneration

Directors' remuneration

4 STAFF

(a) Numbers

The number of persons employed by the company at the year end was:

Full time

Part time

(b) Costs

The following items are included within staff costs:

Terminal benefits

Pension costs - defined benefit scheme

5 FINANCE INCOME

Interest income

6 TAX

Current tax

The tax on company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:

| | 1999 KShs | 1998 KShs |
|--|--------------|--------------|
| | 51,212,269 | 65,883,067 |
| | | |
| | 4,985,361 | - |
| | 1,089,719 | 353,000 |
| | 6,075,080 | 353,000 |
| | | |
| | 1,628,925 | 701,645 |
| | 28,666,901 | 32,597,441 |
| | 300,000 | 299,250 |
| | 253,392 | 253,392 |
| | | |
| | 419 | 432 |
| | 116 | 56 |
| | 535 | 488 |
| | | |
| | 1999 KShs | 1998 KShs |
| | 38,420 | 635,678 |
| | 565,603 | 414,118 |
| | 604,023 | 1,049,796 |
| | | |
| | 697,215 | 12,885,905 |
| | | |
| | 4,941,172 | 9,406,735 |

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended 31st December 1999

6 TAX (Continued)

| | 1999 KShs | 1998 KShs |
|---|--------------|--------------|
| Profit before tax | 14,241,739 | 30,168,916 |
| Tax calculated at a tax rate of 32.5% (1998: 32.5%) | 4,628,565 | 9,804,898 |
| Tax effect of: | | |
| Expenses not deductible for tax purposes | 572,828 | 261,055 |
| Other | (260,221) | (659,218) |
| | 4,941,172 | 9,406,735 |

7 DIVIDENDS

At the annual general meeting on 3 May 2000, a dividend in respect of 1999 of Shs 30.00 per share amounting to a total of Shs 6,000,000 is to be proposed. The proposed amount has been provided for in accordance with the Companies Act. The total dividend for the year is therefore Shs 30.00 per share (1998: Shs 85.00) amounting to a total of Shs 6,000,000 (1998: Shs 17,000,000).

Payments of dividends is subject to withholding tax at the rate of 5% and 10% for local and overseas shareholders respectively, where applicable.

8 EARNINGS PER SHARE

Earnings per ordinary share of KShs 46.50 each (1998: KShs 103.81) are calculated on the profit attributable to the shareholders of KShs 9,300,567 based on 200,000 ordinary shares in issue.

9 SHARE CAPITAL

| | 1999 KShs | 1998 KShs |
|--|--------------|--------------|
| Authorised, Issued and fully paid 200,000 ordinary shares of KShs 20 each | 4,000,000 | 4,000,000 |

10 REVALUATION RESERVES

| | | |
|--|-----------|-----------|
| Revaluation surplus on property, plant and equipment | 3,265,679 | 3,369,337 |
|--|-----------|-----------|

The movement in the revaluation reserve during the year was as follows:

| | | |
|--|-------------|-------------|
| At the beginning of year | | |
| As previously stated | 6,848,634 | 6,848,634 |
| Prior year adjustment | | |
| Effect of adoption of IAS 12 on deferred taxes | (784,191) | (784,191) |
| Effect of adoption of IAS 16 on transfer of excess depreciation | (2,695,106) | (2,591,448) |
| As restated | 3,369,337 | 3,472,995 |
| Transfer of depreciation to retained earnings | (103,658) | (103,658) |
| At the end of year | 3,265,679 | 3,369,337 |

The revaluation reserves are non-distributable.

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended 31st December 1999

11 DEFERRED TAX

At 31 December 1999 the amount of deferred tax liability was KShs 3,011,414, all of which arise in the period prior to 1998 and, accordingly, have been reflected as a prior period adjustment.

12 PROPERTY, PLANT AND EQUIPMENT

| | Land & Buildings KShs | Tea Development KShs | Plant & Machinery KShs | Motor Vehicles KShs | Fixtures & Fittings KShs | Total KShs |
|-----------------------------|-----------------------------|----------------------------|------------------------------|---------------------------|--------------------------------|-------------------|
| a) Cost or valuation | | | | | | |
| At 1 January 1999 | 12,090,768 | 11,604,841 | 223,350 | 2,563,651 | 26,539 | 26,509,149 |
| Additions | - | - | 227,500 | 3,386,485 | - | 3,613,985* |
| At 31 December 1999 | 12,090,768 | 11,604,841 | 450,850 | 5,950,136 | 26,539 | 30,123,134 |
| Depreciation | | | | | | |
| At 1 January 1999 | 4,421,466 | 1,481,618 | 208,857 | 1,869,314 | 19,909 | 8,001,164 |
| Charge for the year | 241,835 | 232,099 | 8,935 | 1,145,146 | 910 | 1,628,925 |
| On additions | - | - | - | 1,350,963 | - | 1,350,963* |
| At 31 December 1999 | 4,663,301 | 1,713,717 | 217,792 | 4,365,423 | 20,819 | 10,981,052 |
| Net book amount | | | | | | |
| At 31 December 1999 | 7,427,467 | 9,891,124 | 233,058 | 1,584,713 | 5,720 | 19,142,082 |
| At 31 December 1998 | 7,669,302 | 10,123,223 | 14,493 | 694,337 | 6,630 | 18,507,985 |

*The net additions during the year amounted to KShs 2,263,022 as reflected on the cashflow statement (page 11).

b) The fixed assets were last revalued in 1977 by Tysons Habenga (Africa) Chartered Surveyors. The surplus arising from the revaluation of Shs 6,848,634 was credited to the revaluation reserve (Note 10).

c) If land and buildings were to be stated at historical cost, the values would be as follows:

| | 1999 KShs | 1998 KShs |
|--------------------------|------------------|------------------|
| Cost | 17,675,938 | 14,061,953 |
| Accumulated Depreciation | (8,182,288) | (5,306,057) |
| Net book amount | 9,493,650 | 8,755,896 |

13 INVENTORIES

| | | |
|-------------------------|-----------|---------|
| Stores and other stocks | 1,335,369 | 130,212 |
|-------------------------|-----------|---------|

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended 31st December 1999

| 14 TRADE AND OTHER RECEIVABLES | 1999 KShs | 1998 KShs |
|---|----------------------|----------------------|
| Receivables from parent company (Note 18) | 20,784,292 | 25,267,866 |
| Other receivables | 504,529 | 3,407,704 |
| | 21,288,821 | 28,675,570 |
| 15 CASH AND CASH EQUIVALENTS | | |
| Cash at bank and in hand | 717,785 | 1,568,924 |
| 16 TRADE AND OTHER PAYABLES | | |
| Creditors and other payables | 4,225,288 | 6,959,511 |
| 17 CASH GENERATED FROM OPERATIONS | | |
| Reconciliation of profits before tax to cash generated from operations: | | |
| Profit before tax | 14,241,739 | 30,168,916 |
| Adjustments for: | | |
| Depreciation (Note 12) | 1,628,925 | 701,645 |
| (Profit) on sale of property, plant and equipment | - | (23,000) |
| Interest income (Note 5) | (697,215) | (12,885,905) |
| | 15,173,449 | 17,961,656 |
| Changes in working capital | | |
| - trade and other receivables | 7,386,749 | 3,623,202 |
| - inventories | (1,205,157) | 164,548 |
| - trade and other payables | (2,734,223) | 3,407,075 |
| Cash generated from operations | 18,620,818 | 25,156,481 |
| 18 RELATED PARTY TRANSACTIONS | | |
| The company is controlled by Brooke Bond Kenya Ltd incorporated in Kenya. | | |
| The following transactions were carried out with related parties: | | |
| i) Sale of goods | 1999 KShs | 1998 KShs |
| Parent company | 51,212,269 | 65,883,067 |

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended 31st December 1999

18 RELATED PARTY TRANSACTIONS (Continued)

ii) Charges payable

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 2,655,454 (1998 KShs 3,572,297) in accordance with similar outgrowers contracts.

iii) Outstanding balances arising from the sale and purchase of goods / services

| | 1999 KShs | 1998 KShs |
|---------------------------------|--------------|--------------|
| Receivables from parent company | 20,784,292 | 25,267,866 |

19 PENSION OBLIGATIONS

The qualifying employees are members of the parent company's defined pension Scheme, Brooke Bond Kenya Limited's Staff Pension Scheme. The company's contribution to the scheme during the year amounted to KShs 565,603 (Note 4).

Details of the pension scheme, including the results of the latest actuarial valuation of the scheme are disclosed in the parent company's financial statements.

20 COUNTRY OF INCORPORATION AND REGISTERED OFFICE

The Company is incorporated in Kenya under the Companies Act and domiciled in Kenya. Its registered office is:
Norfolk Towers
Kijabe Street
P.O. Box 42011
Nairobi

21 ULTIMATE COMPANY

The ultimate holding company is Unilever PLC Limited, a company incorporated in the United Kingdom.

22 CURRENCY

These financial statements are presented in Kenya Shillings.

PRINCIPAL SHAREHOLDERS AND SHARE DISTRIBUTION SCHEDULE

A PRINCIPAL SHAREHOLDERS

The twenty largest shareholders of the company and their respective holdings as at 15th March 2000 were as follows:

| NAME | NUMBER OF SHARES |
|---|------------------|
| 1 Brooke Bond Kenya Ltd | 104,000 |
| 2 Mulchand Narshi Shah | 22,048 |
| 3 Kenya Commercial Bank Ltd. Staff Pension Fund Trust | 19,314 |
| 4 ICEA Ltd "Life Fund A/c" | 10,209 |
| 5 Jubilee Insurance Co Ltd | 8,737 |
| 6 Old Mutual Insurance Co Ltd | 8,169 |
| 7 Stanbic Nominees K Ltd | 4,952 |
| 8 Standard Chartered Kenya Nominee Ltd. A/c "KPF" | 3,783 |
| 9 Vithaldas N Morjaria | 1,525 |
| 10 Millicent Ivy Morson | 1,378 |
| 11 Minesh Mulchand Shah | 1,133 |
| 12 Dr. & Mrs Ambubhai N Amin | 1,000 |
| 13 Bijal Jiten Shah | 1,000 |
| 14 Shah Inira Mulchand | 1,000 |
| 15 Shantaben Devshi Shah | 863 |
| 16 Jatashankar B Dave | 800 |
| 17 Pan Africa insurance Co Ltd | 666 |
| 18 Mr & Mrs C Patel | 630 |
| 19 Chandulal & S Shah | 600 |
| 20 Shabbir A K Mamujee | 500 |
| 20 Gerald E Nevil | 500 |
| 20 Rajanikant Patel | 500 |

B DISTRIBUTION SCHEDULE

| Category | No. of Shareholders | No. of Shares |
|------------------------|---------------------|----------------|
| 1-1,000 shares | 56 | 11,752 |
| 1,001-5,000 shares | 5 | 15,771 |
| 5,001-10,000 shares | 2 | 16,906 |
| 10,001-100,000 shares | 3 | 51,571 |
| 100,001-500,000 shares | 1 | 104,000 |
| Total | 67 | 200,000 |

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 and on my/our behalf at the seventy fifth annual general meeting of the company to be held on 3 May, 2000 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 Financial Statements | 1 | | |
| 2. To declare a dividend | 2 | | |
| 6. To authorise the directors to fix the auditors' remuneration | 3 | | |

As witness my/our hand this _____ day _____ 2000

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 Friday 28 April, 2000.
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

AFFIX STAMP HERE

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