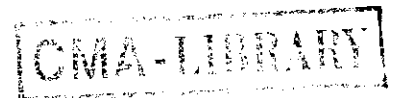


DUNLOP KENYA LIMITED

REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1994

CONTENTS	PAGES
Directors and officials	2
Notice of the annual general meeting	3
Chairman's statement	4
Directors' report	5
Report of the auditors	6
Profit and loss account	7
Balance sheet	8
Cash flow statement	9
Notes to the financial statements	10 - 14



DUNLOP KENYA LIMITED

DIRECTORS AND OFFICIALS

BOARD OF DIRECTORS

J D M Silvester - Chairman
D M Hale - Managing
C J Kirubi
P H Okondo
P H M Buysse - (Resigned 8 September 1994)
A J Gulliver - (Deceased 31 August 1994)
L G Phillips - (appointed 2 January 1995)

REGISTRARS

Specialist Corporate Consultants
Comcraft House
P O Box 30633
Nairobi

ADVOCATES

Hamilton Harrison & Mathews
ICEA Building, Kenyatta Avenue
P O Box 30333
Nairobi

AUDITORS

Deloitte & Touche
"Kirungii", Ring Road, Westlands
P O Box 40092
Nairobi

BANKERS

Standard Chartered Bank Kenya Limited
Harambee Avenue
P O Box 20063
Nairobi

REGISTERED OFFICE

Nanyuki Road
Industrial Area
P O Box 78265
Nairobi

DUNLOP KENYA LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the TWENTY FIFTH ANNUAL GENERAL MEETING OF Dunlop Kenya Limited will be held at the Inter-Continental Hotel, Nairobi on Thursday 24 August 1995 at 12.00 noon.

The agenda is as follows:

- 1 To read the notice convening the meeting.
- 2 To approve the minutes of the twenty-fourth Annual General Meeting held on 26 July 1994.
- 3 To receive and consider the accounts for the year ended 31 December 1994 and the directors' and auditors' reports thereon.
- 4 To consider the recommendation of the board to declare a dividend of Sh 14.00 per share on the issued and fully paid capital, on or about 5 September 1994 to shareholders appearing on the register on 23 August 1995.
- 5 To re-elect Mr P H Okondo, a director retiring by rotation and, being eligible, offers himself for re-election.
- 6 To approve the directors' remuneration as provided in the accounts.
- 7 To authorise the directors to fix the auditors' remuneration.
- 8 To note that the auditors, Deloitte & Touche, will continue in office in accordance with the provisions of section 159(2) of the Companies Act (cap 486).
- 9 To transact any other business of the company which may be transacted at an annual general meeting.

BY ORDER OF THE BOARD

J L G MAONGA
Secretary

P O Box 30029
Nairobi

27 June 1995

Note:

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to vote in his stead. Such proxy need not be a member of the company. To be valid, proxy forms must be deposited at the registered office of the company not later than 12.00 noon on 22 August 1995. A proxy form is provided at the end of the report and financial statements.

DUNLOP KENYA LIMITED

CHAIRMAN'S STATEMENT

The cumulative effect of three devaluations in 1993 followed by stagnation, rapid inflation and the very high cost of borrowing brought the construction industry upon which the company largely depends almost to a standstill in 1994. However, we benefitted from the liberalisation of the economy in that import licensing was withdrawn which meant we could substantially reduce our stockholding of imported raw materials but conversely had to face competition from cheap imports which was unprecedented. The strong shilling was a mixed blessing in that our input costs fell but this was offset by local inflation and exports on dollar terms were no longer viable. Bearing in mind the recessionary market environment that started in 1993 and persisted throughout last year the trading result was most satisfactory.

RESULTS

1994 turnover at Sh 87,514,000 was 5% higher than the previous year with profits proportionately up at Sh 24,161,000 (1993 - Sh 23,071,000). Profit after tax increased slightly to Sh 14,740,000 (1993 - Sh 14,619,000).

DIVIDEND

We have continued our policy of the previous year in that good results justify an increase in dividend and consequently your directors recommend a payment of Sh 14 per share which is one third more than last year. It is no longer necessary to obtain exchange control consent of the Central Bank for payment to the overseas shareholder.

SHAREHOLDING AND DIRECTORSHIP

BTR PLC retain ultimate ownership of 60% of the equity and will continue to support the development of Dunlop Kenya Limited.

OUTLOOK

The economy is coming out of a prolonged recession albeit hesitantly. The recent ample 'long' rains across the country bode well for food supplies this year. Investor confidence and business generally is inhibited by the poor state of the infrastructure due to the inability of parastatals to provide reasonable essential services such as telephones, electricity, water and road maintenance. The company is facing strong competition from cheap imports of floor tiles. It is expanding on industrial adhesives and if the shilling continues to weaken exports will be viable again. It is a mixed scene but indications to date are that 1995 will be a year of profitable progress similar to 1994.

J D M SILVESTER
CHAIRMAN

Nairobi

3 July 1995

DUNLOP KENYA LIMITED

DIRECTORS' REPORT

The directors submit their report together with the financial statements for the year ended 31 December 1994.

PRINCIPAL ACTIVITIES

The principal activities of the company are the manufacture and sale of vinyl tiles and adhesives and marketing of various Dunlop sports and consumer goods.

RESULTS

	Sh'000
Profit before taxation	24,161
Taxation	9,421
	<hr/>
Profit after taxation	14,740
Proposed dividend (gross)	5,600
	<hr/>
Retained profit for the year transferred to revenue reserve	9,140
	=====

DIVIDEND

The directors recommend a dividend of Sh 14.00 per share (1993 Sh 10.50 per share).

DIRECTORS

Mr P H Okondo retires by rotation in accordance with article 17(1) of the Articles of Association and, being eligible, offers himself for re-election.

AUDITORS

The auditors, Deloitte & Touche, will continue in office in accordance with the provisions of section 159 (2) of the Companies Act (Cap. 486).

BY ORDER OF THE BOARD

J L G MAONGA
Secretary

Nairobi

27 June 1995



REPORT OF THE AUDITORS
TO THE MEMBERS OF DUNLOP KENYA LIMITED

We have audited the financial statements on pages 7 to 14 and have obtained all the information and explanations considered necessary for our audit.

The financial statements are the responsibility of the directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation.

In our opinion, proper books of account have been kept by the company and the financial statements, which are in agreement therewith, comply with the Companies Act and give a true and fair view of the company's state of affairs at 31 December 1994 and of its profit and cash flow for the year ended on that date.

10 July 1995

DUNLOP KENYA LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	1994 Sh'000	1993 Sh'000
TURNOVER		87,514 =====	83,210 =====
PROFIT BEFORE TAXATION	2	24,161	23,071
TAXATION	3	9,421	8,452
PROFIT AFTER TAXATION		<u>14,740</u>	<u>14,619</u>
PROPOSED DIVIDEND (gross)		<u>5,600</u>	<u>4,200</u>
RETAINED PROFIT	8	9,140 =====	10,419 =====
EARNINGS PER SHARE (Sh)	4	36.85 =====	36.55 =====

DUNLOP KENYA LIMITED

BALANCE SHEET
31 DECEMBER 1994

	Notes	1994 Sh'000	1993 Sh'000
FIXED ASSETS	5	13,746	12,572
CURRENT ASSETS		<u> </u>	<u> </u>
Stocks	6	15,481	14,661
Debtors		17,542	16,982
Bank balances and cash		14,322	8,335
		<u> </u>	<u> </u>
		47,345	39,978
CURRENT LIABILITIES		<u> </u>	<u> </u>
Creditors		8,715	8,507
Amounts due to group company		18	16
Taxation		1,089	3,483
Dividend proposed (gross)		5,600	4,200
Dividend payable		185	-
		<u> </u>	<u> </u>
		15,607	16,206
NET CURRENT ASSETS		<u> </u>	<u> </u>
		31,738	23,772
		<u> </u>	<u> </u>
		45,484	36,344
		=====	=====
Financed by:			
SHARE CAPITAL	7	2,000	2,000
RESERVES	8	43,442	34,302
		<u> </u>	<u> </u>
SHAREHOLDERS' FUNDS		45,442	36,302
LOAN FROM GROUP COMPANY	9	42	42
		<u> </u>	<u> </u>
		45,484	36,344
		=====	=====

The financial statements on pages 7 to 14 were approved by the board of directors on 27 June 1995 and were signed on its behalf by:

J D M SILVESTER)
) Directors
D M HALE)

DUNLOP KENYA LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1994

		1994 Sh' 000	1993 Sh' 000
NET CASH INFLOW FROM OPERATING ACTIVITIES	10	24,826	13,546
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Dividends paid		(4,010)	(3,759)
Interest paid		(55)	(81)
		<hr/>	<hr/>
NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		20,761	9,706
TAXATION			
Corporation tax paid		(11,815)	(10,079)
INVESTING ACTIVITIES			
Purchase of fixed assets		(3,044)	(2,594)
Receipts from disposal of fixed assets		85	270
		<hr/>	<hr/>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		2,959	2,324
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		<hr/> 5,987 <hr/>	<hr/> (2,697) <hr/>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	11	<hr/> 5,987 <hr/> =====	<hr/> (2,697) <hr/> =====

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared using the historical cost convention adjusted for the revaluation of certain fixed assets.

TURNOVER

Turnover represents the invoiced value of goods supplied excluding value added tax and commission.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into Kenya Shillings at rates of exchange ruling at the year end. Transactions during the year in foreign currencies are translated at the rates ruling at the transaction dates. Gains and losses on exchange are included in the profit and loss account except for unrealised differences arising from certain group company balances which are taken to reserves.

DEPRECIATION OF FIXED ASSETS

Fixed assets are depreciated over their estimated useful lives at the following rates applied to original cost or subsequent valuation:

Leasehold land	Over unexpired period of lease
Leasehold buildings - factory	Over 35 years
- offices	Over 40 years
Plant and equipment	7.5% - 20% p.a.
Motor vehicles	15% - 25% p.a.

STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost comprises the actual cost of raw materials and an appropriate proportion of labour and overheads in the case of work in progress and finished goods. Provision is made for obsolete and slow moving items.

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

TAXATION

Current taxation is provided on the basis of the results for the year as shown in the accounts, adjusted in accordance with tax legislation. Deferred tax is accounted for to the extent that it is probable that timing differences will reverse in the foreseeable future.

	1994 Sh'000	1993 Sh'000
2 PROFIT BEFORE TAXATION		
The profit before taxation is arrived at after charging:		
Auditors' remuneration	540	540
Depreciation	1,870	1,782
Directors' emoluments:		
Fees	124	124
Other emoluments	2,565	1,618
Interest payable on bank loan and overdraft	-	81
and after crediting:		
Export compensation	-	250
Profit on disposal of fixed assets	85	270
Rental income	644	223
Interest income	3,024	1,599
	=====	=====
3 TAXATION		
Based on the taxable profit for the year at 35% (1993 - 35%)		
Drought levy 2.5%	8,783	8,452
	627	-
	-----	-----
	9,410	8,452
	=====	=====

The adjusted taxable profit is higher than the profit before taxation shown in the accounts mainly due to an excess of depreciation over capital allowances and expenses disallowable for taxation purposes.

4 EARNINGS PER SHARE

Earnings per share has been calculated on profit after taxation of Sh 14,740,000 (1993 - Sh 14,619,000) and 400,000 (1993 - 400,000) ordinary shares.

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FIXED ASSETS

	Long leasehold land and buildings Sh'000	Plant, equipment and motor vehicles Sh'000	Total Sh'000
COST OR VALUATION			
At 1 January 1994	7,364	16,753	24,117
Additions	-	3,044	3,044
Disposals	-	(322)	(322)
	<hr/>	<hr/>	<hr/>
At 31 December 1994	7,364	19,475	26,839
Comprising:			
At cost	5,764	19,475	25,239
At valuation - 1980	1,600	-	1,600
	<hr/>	<hr/>	<hr/>
	7,364	19,475	26,839
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At 1 January 1994	1,994	9,551	11,545
Charge for the year	188	1,682	1,870
Eliminated on disposals	-	(322)	(322)
	<hr/>	<hr/>	<hr/>
At 31 December 1994	2,182	10,911	13,093
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE			
At 31 December 1994	5,182	8,564	13,746
	=====	=====	=====
At 31 December 1993	5,369	7,202	12,572
	=====	=====	=====

Fixed assets with a cost of Sh 5,983,350 were fully depreciated at 31 December 1994. The appropriate depreciation charge in respect of these assets for the year would have been Sh 572,339.

	1994 Sh'000	1993 Sh'000
6 STOCKS		
Finished goods	3,831	3,379
Raw materials	11,625	11,257
Consumables	25	25
	<hr/>	<hr/>
	15,481	14,661
	=====	=====

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		1994	1993
		Sh' 000	Sh' 000
7	SHARE CAPITAL		
	Authorised, issued and fully paid 400,000 ordinary shares of Sh 5 each	2,000 =====	2,000 =====
8	RESERVES		
		Share premium account Sh' 000	Fixed assets revaluation surplus Sh' 000
		Currency revaluation reserve Sh' 000	Profit and loss account Sh' 000
			Total Sh' 000
	At 1 January 1994	1,916	652
	Retained profit	-	-
		-----	-----
	At 31 December 1994	1,916 =====	652 =====
		3,801 =====	27,933 -----
			9,140 -----
			37,073 =====
			43,442 =====
9	LOAN FROM GROUP COMPANY		
	The loan is due to Dunlop East Africa Limited, a company incorporated in Uganda. The loan is interest free and there is no fixed date for repayment.		
10	RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
		1994	1993
		Sh' 000	Sh' 000
	Profit before taxation	24,161	23,071
	Depreciation charge for the year	1,870	1,782
	Profit on disposal of fixed assets	(85)	(270)
	Increase in stocks	(820)	(7,168)
	Increase in debtors	(560)	(3,991)
	Increase in creditors	208	191
	Interest paid	55	81
	Decrease in amounts due to group company	2	(150)
	Write off of amounts in dividend account	(5)	-
		-----	-----
	NET CASH INFLOW FROM OPERATING ACTIVITIES	24,826 =====	13,546 =====
11	ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR		
	Balance at 1 January	8,335	11,032
	Net cash inflow/(outflow)	5,987	(2,697)
		-----	-----
	Balance at 31 December	14,322 =====	8,335 =====

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 CONTINGENT LIABILITIES

	1994 Sh'000	1993 Sh'000
Discounted bills of exchange	-	397
Guarantees in respect of immigration bonds	32	45
Customs bond	652	-
	<hr/>	<hr/>
	684	442
	=====	=====

13 CAPITAL COMMITMENTS

Authorised but not contracted	1,750	5,500
	=====	=====

P R O X Y

I/We.....(Block letters)
of.....
Being a member(s) of Dunlop Kenya Limited.....
hereby appoint.....
of.....
or failing him the Chairman of the meeting as my/our proxy to vote for me/us
and on my/our behalf at the annual general meeting of the company to be held
on.....1995 and at any adjournment thereof.

As witness my/our hand this.....day of.....1995

(Signature of shareholders)

- NOTE:**
- 1 A proxy need not be a member
 - 2 If executed by a corporation the proxy should be sealed.
 - 3 This proxy must be deposited at the registered office of the company at P O Box 78265, Nairobi, not less than forty eight hours before the time for holding the meeting.

