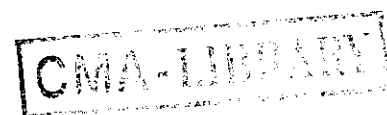


DUNLOP KENYA LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1995**

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DUNLOP KENYA LIMITED

DIRECTORS AND OFFICIALS

BOARD OF DIRECTORS

J D M Silvester - Chairman
D M Hale - Managing
C J Kirubi
P H Okondo - (Deceased 16 August 1996)
L G Phillips

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 SIXTH ANNUAL GENERAL MEETING of Dunlop Kenya Limited will be held at the "Ball Room A", Inter-Continental Hotel, Nairobi on Wednesday 6 November 1996 at 12.00 noon for the following purposes:-

- 1 To read the notice convening the meeting.
- 2 To approve the minutes of the twenty fifth Annual General Meeting held on 24 August 1995.
- 3 To receive and consider the financial statements for the year ended 31 December 1995 and the directors' and auditors' reports thereon.
- 4 To declare a dividend of Sh 20.975 per share on the issued and fully paid capital, payable on or about 25 November 1996 to shareholders appearing on the register on 5 November 1996.
- 5 To re-elect Mr C J Kirubi, a director retiring by rotation and, being eligible, offers himself for re-election.
- 6 To approve the directors' remuneration as provided in the financial statements.
- 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

10 September 1996

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 4 November 1996. A proxy form is provided at the end of the report and financial statements.

DUNLOP KENYA LIMITED

CHAIRMAN'S STATEMENT

In 1995 we felt the full impact of the liberalisation of the economy which had been gathering pace since mid 1993. We had to face competition from cheap imports and also from long established manufacturers in Europe, who were re-entering the market after many years of absence due to import licence restrictions. We countered this by improvements in quality, availability, service and advertised this through national newspapers. This stemmed the tide and we held market share in a wider and much more competitive market. With import licensing withdrawn we benefited from a reduction in stockholding of imported raw material. Considering the recessionary market environment that had prevailed for three years prior to 1995 and was then stimulated by liberalisation, when growth restarted in an unprecedented competitive manner, the trading result was very satisfactory.

RESULTS

1995 turnover at Sh 101,877,000 was higher than the previous year (Sh 87,514,000) with profits well up to Sh 29,137,000 (1994 Sh 24,161,000). Profit after tax increased to Sh 18,522,000 (1994 Sh 14,740,000).

DIVIDEND

In line with the previous year your directors feel that good results justify an increase in dividend and consequently recommend a payment of Sh 20.975 per share (1994 - Sh 14).

OUTLOOK

The prolonged recession from the Gulf War to 1995 is now over. The economy that has emerged following liberalisation in the last two years is more vibrant, diversified and tougher. We continue to face strong competition from imports of cheap tiles but believe that the tightening up on duty evasion and other malpractices will help those who have not already gone under in the manufacturing sector to weather the storm. Business confidence generally is still harmed by the deteriorating state of the infrastructure and poor security. Indications to date are that 1996 will be as competitive as 1995, but your directors believe that there is a fair chance of another year of profitable progress for your company.

J D M Silvester

CHAIRMAN

28 August 1996

DUNLOP KENYA LIMITED

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 1995.

PRINCIPAL ACTIVITIES

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

RESULTS

	Sh'000
Profit before taxation	29,137
Taxation	10,615

Profit after taxation	18,522
Proposed dividend (gross)	8,390

Retained profit for the year transferred to revenue reserves	10,132
	=====

DIVIDEND

The directors recommend payment of a dividend of Sh 20.975 per share (1994 Sh 14.00) per share.

DIRECTORS

The directors who served during the financial year are shown on page 2.

Mr C J Kirubi 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

28 August 1996

**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 1995 and of its profit and cash flows for the year ended on that date.

DELOITTE & TOUCHE

4 September 1996

DUNLOP KENYA LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1995

	Note	1995 Sh'000	1994 Sh'000
TURNOVER		101,877 =====	87,514 =====
OPERATING PROFIT	2	25,668	21,192
INTEREST PAID		-	(55)
INTEREST RECEIVED		3,469	3,024
PROFIT BEFORE TAXATION		29,137	24,161
TAXATION	3	10,615	9,421
PROFIT AFTER TAXATION		18,522	14,740
PROPOSED DIVIDEND (gross)		8,390	5,600
RETAINED PROFIT	8	10,132 =====	9,140 =====
EARNINGS PER SHARE	4	Sh 46.30 =====	Sh 36.85 =====

DUNLOP KENYA LIMITED

BALANCE SHEET 31 DECEMBER 1995

	Note	1995 Sh'000	1994 Sh'000
FIXED ASSETS	5	12,170	13,746
CURRENT ASSETS			
Stocks	6	17,147	15,481
Debtors		22,793	17,542
Bank balances and cash		29,585	14,322
		69,525	47,345
CURRENT LIABILITIES			
Creditors		10,520	8,715
Amounts due to group company		22	18
Taxation		2,574	1,089
Dividend payable		208	185
Dividends proposed (gross)		8,390	5,600
Bank overdrafts		4,365	-
		26,079	15,607
NET CURRENT ASSETS		43,446	31,738
		55,616	45,484
Financed by:			
SHARE CAPITAL	7	2,000	2,000
RESERVES	8	53,574	43,442
SHAREHOLDERS' FUNDS		55,574	45,442
LOAN FROM GROUP COMPANY	9	42	42
		55,616	45,484

The financial statements on pages 7 to 14 were approved by the board of directors on 28 August 1996 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 1995

	Note	1995 Sh'000	1994 Sh'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	10(a)	22,536	21,802
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		—	—
Div idends paid		(5,597)	(4,010)
Interest paid		-	(55)
Interest received		3,469	3,024
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		(2,128)	(1,041)
TAXATION PAID		(9,130)	(11,815)
INVESTING ACTIVITIES		—	—
Purchase of fixed assets		(440)	(3,044)
Proceeds from disposal of fixed assets		60	85
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(380)	(2,959)
INCREASE IN CASH AND CASH EQUIVALENTS	10(b)	10,898	5,987

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1995

I ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared on the historical cost basis of accounting modified to include 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 expressed in foreign currencies are translated into Kenya Shillings at rates of exchange ruling at the balance sheet date. Transactions during the year in foreign currencies are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with 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 to write off the cost or valuation in equal annual instalments at the following rates:

Leasehold land and buildings	Over the unexpired period of lease
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.

TAXATION

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred taxation is accounted for to the extent that it is probable that timing differences will reverse in the foreseeable future.

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	1995 Sh'000	1994 Sh'000
2 OPERATING PROFIT		
The operating profit is arrived at after charging:		
Auditors' remuneration		
Current	616	540
Prior year	20	-
Depreciation	2,016	1,870
Directors' emoluments		
Fees	124	124
Other emoluments	3,706	2,565
and after crediting:		
Profit on disposal of fixed assets	60	85
Rent income	684	644
	=====	=====
3 TAXATION		
Based on the taxable profit for the year:		
Income tax at 35%	10,615	8,783
Drought levy at 2.5%	-	627
	-----	-----
	10,615	9,410
	=====	=====

The adjusted taxable profit is higher than the profit before taxation as shown in the financial statements 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 the profit after taxation of Sh 18,522,000 (1994 - Sh 14,740,000) and 400,000 (1994 - 400,000) ordinary shares.

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FIXED ASSETS

	Long leasehold properties Sh'000	Short leasehold properties Sh'000	Plant equipment and motor vehicles Sh'000	Total Sh'000
COST OR VALUATION				
At 1 January 1995	800	6,564	19,475	26,839
Additions	-	-	440	440
Disposals	-	-	(29)	(29)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	800	6,564	19,886	27,250
COMPRISING				
Cost	-	5,764	19,886	25,650
Valuation - 1980	800	800	-	1,600
	<hr/>	<hr/>	<hr/>	<hr/>
	800	6,564	19,886	27,250
DEPRECIATION				
At 1 January 1995	94	2,088	10,911	13,093
Charge for the year	13	173	1,830	2,016
Eliminated on disposals	-	-	(29)	(29)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	107	2,261	12,712	15,080
NET BOOK VALUE				
At 31 December 1995	<u>693</u>	<u>4,303</u>	<u>7,174</u>	<u>12,170</u>
At 31 December 1994	<u>707</u>	<u>4,475</u>	<u>8,564</u>	<u>13,746</u>

Fixed assets with a cost of Sh 6,035,690 were fully depreciated at 31 December 1995. The normal annual depreciation charge in respect of these assets would have been Sh 623,536.

	1995 Sh'000	1994 Sh'000
6 STOCKS		
Finished goods	3,822	3,831
Raw materials	12,853	11,625
Consumables	472	25
	<hr/>	<hr/>
	<u>17,147</u>	<u>15,481</u>

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		1995 Sh'000	1994 Sh'000			
7	SHARE CAPITAL					
	Authorised, issued and fully paid 400,000 ordinary shares of Sh 5 each	2,000 <u>=====</u>	2,000 <u>=====</u>			
8	RESERVES					
		Share premium account Sh'000	Fixed assets revaluation surplus Sh'000	Currency revaluation reserve Sh'000	Revenue reserves Sh'000	Total Sh'000
	At 1 January 1995	1,916	652	3,801	37,073	43,442
	Retained profit	-	-	-	10,132	10,132
		<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
	At 31 December 1995	1,916 <u>=====</u>	652 <u>=====</u>	3,801 <u>=====</u>	47,205 <u>=====</u>	53,574 <u>=====</u>
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.					
		1995 Sh'000	1994 Sh'000			
10	NOTES TO CASH FLOW STATEMENT					
	(a) Reconciliation of profit before taxation net cash inflow from operating activities					
	Operating profit	25,668	21,192			
	Depreciation	2,016	1,870			
	Profit on disposal of fixed assets	(60)	(85)			
	Increase in stocks	(1,666)	(820)			
	Increase in debtors	(5,251)	(560)			
	Increase in creditors	1,805	208			
	Increase in amounts due to group company	4	2			
	Write back/(off) of amounts in dividend account	20	(5)			
		<u>-----</u>	<u>-----</u>			
	NET CASH INFLOW FROM OPERATING ACTIVITIES	22,536 <u>=====</u>	21,802 <u>=====</u>			

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	1995 Sh'000	1994 Sh'000	Change in the year Sh'000
10	NOTES TO CASH FLOW STATEMENT (Continued)		
(b)	Analysis of changes in cash and cash equivalents		
	Bank balances and cash	14,322	15,263
	Bank overdrafts	-	(4,365)
			<u>10898</u>
			=====
11	CONTINGENT LIABILITIES		
		1995 Sh'000	1994 Sh'000
	Guarantees in respect of immigration bonds	32	32
	Customs bond	652	652
		<u>684</u>	<u>684</u>
		=====	=====
12	CAPITAL COMMITMENTS		
	Authorised but not contracted	6,910	1,750
		<u>6,910</u>	<u>1,750</u>
		=====	=====

PROXY

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 6 November 1996 and at any adjournment thereof.

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

(Signature of shareholder)

- 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 of holding the meeting.

