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## Kenya Stock Exchange Limited Officers

**BOARD OF DIRECTORS**

Dr C W Obura - Chairman  
*(Appointed as Chairman 13th November, 1997)*  
*(Appointed as Director 5th August, 1997)*

J D M Silvester  
*(Resigned as Chairman 13th November, 1997)*  
*(Resigned as Director 31st December, 1997)*

M M W Matu - Managing Director  
*(Appointed as Managing Director 1st January, 1998)*

D M Hale - Managing Director  
*(Resigned as Managing Director 31st December, 1997)*

C J Kirubi  
K D McCourt  
P N Ndetei *(Appointed as Director 14th April, 1998)*

**REGISTRARS**

Barclays Advisory & Registrar Services Limited  
Barclays Plaza, Loita Street  
P O Box 30120  
Nairobi

**REGISTERED OFFICE**

Nanyuki Road  
Industrial Area  
Nairobi

**SECRETARY**

J L G Maonga  
P O Box 30029  
Nairobi

**ADVOCATES**

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

Daly & Figgis  
Lonrho House  
P O Box 40034  
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



## Board of Directors



**Dr C W Obura - Chairman**

*Dr Obura, a dentist by training, now retired, is also the Chairman of Lion of Kenya Insurance, Howse and McGeorge Limited, Mitchell Cotts, Rhone Poulenc and Avon Rubber Company (K) Limited. He is also a Director of Kenya Airways.*



**M M Matu - Managing Director**

*Mr Matu holds a BA in Management and Economics, a Graduate Diploma in Applied Management and a Masters of Business Administration. He was previously the Managing Director of Avon Rubber Company (K) Limited and serves as a non executive Director of Astra Insurance Brokers Limited.*



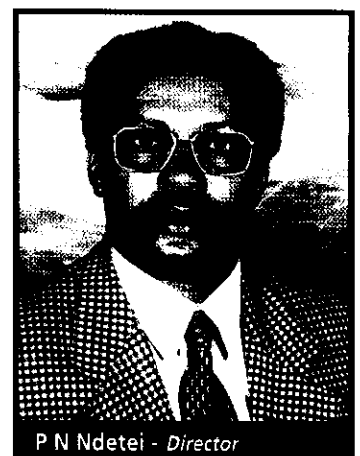
**C J Kirubi - Director**

*Mr Kirubi is the Vice Chairman of Kenya Association of Manufactures and Chairman of International House Limited, Haco Industries and DHL. He is also a Director of UAP Provincial Insurance and ICDC Investments Limited.*



**K D McCourt - Director**

*Mr McCourt, a lawyer by profession, he is a partner in Kairu and McCourt Advocates in Nairobi.*



**P N Ndetei - Director**

*Mr Ndetei holds a BCom and is a Certified Public Accountant by training. He is currently the Finance Director of Cooper Kenya Limited.*



# Notice of the Annual General Meeting

Notice is hereby given that the twenty-eighth Annual General Meeting of the Company will be held at the Inter-Continental Hotel, City Hall Way, Nairobi on Tuesday 28th July, 1998 at 12 noon for the following purposes:-

## AGENDA

1. To receive and consider the financial statements for the year ended 31 December, 1997 and the Directors' and Auditors' reports thereon.
2. To consider and approve the payment of a final dividend of 40% or Sh 2.00 for each share of Kenya Shillings five (Sh 5.00) on the Ordinary Share Capital in respect of the year ended 31 December, 1997, payable to those shareholders registered in the books of the company on 16th July, 1998.
3. To re-elect retiring Directors:
  - (i) Mr K D McCourt retires by rotation in accordance with Article 99 and being eligible, offers himself for re-election.
  - (ii) Dr C W Obura retires by rotation in accordance with Article 106 and being eligible, offers himself for re-election.
  - (iii) Mr P N Ndeti retires by rotation in accordance with Article 106 and being eligible, offers himself for re-election.
4. To note that Deloitte & Touche, Certified Public Accountants, will continue in office as Auditors in accordance with Section 159 (2) of the Companies Act (Cap 486) and to authorise the Directors to fix their remuneration.

## SPECIAL BUSINESS

5. To consider the following resolution which will be proposed as an ordinary resolution:

"That the Directors' fees shall be sh 669,000 for the year ended 31 December, 1997."
6. Increase in Share Capital  
To consider and, if thought fit, to pass the following ordinary resolution:

"THAT the share capital be increased from Kenya

Shillings ten million (Sh 10,000,000) to Kenya Shillings two hundred million (Sh 200,000,000) divided into forty million (40,000,000) ordinary shares of Kenya Shillings five (Sh 5.00) each by the creation of thirty eight million (38,000,000) ordinary shares of Kenya Shillings five (Sh 5.00) each, ranking pari passu in every respect with the existing ordinary shares of the Company."

7. Bonus Issue of Shares  
Subject to the passing of the above resolution and upon receipt of the necessary approvals from the relevant authorities, to consider and, if thought fit, to pass the following ordinary resolution:

"THAT the sum of shillings forty million (Sh 40,000,000) being part of the Revenue Reserves of the Company as at 31 December, 1997 be capitalised and allotted as eight million (8,000,000) fully paid up ordinary shares of Kenya Shillings five (Sh 5.00) each to existing shareholders registered in the books of the Company on 16th July, 1998, in the ratio of four (4) ordinary shares for every one (1) ordinary share held then, on condition that the same should not be treated as income, but as an increase in the share capital of the Company for all purposes."

The bonus shares will not qualify for dividends to be approved at the Annual General Meeting scheduled for 28th July, 1998.
8. Amendments to the Memorandum of Association.  
To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

"THAT the objects clauses in the Memorandum of Association of the company be rearranged to reflect the changes associated with the ordinary resolutions passed, such rearrangement to be presented to the meeting by the Chairman."

*By order of the Board*

**J L G Maonga**  
Company Secretary  
**Dunlop Kenya Limited**

19th May, 1998

## NOTE:

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company.

To be valid, a form of proxy which is provided with this notice, must be duly completed by the member and must be lodged at the registered office of the Company or posted in time to reach the secretary not later than 48 hours to the date of the meeting.

Details of the intended changes to the Memorandum of Association are available for inspection on request at the Company's offices, P.O. Box 30102, Nairobi.



## Chairman's Statement

It gives me great pleasure to present this statement to you for the first time as your Chairman.

The past year was a difficult year for all in Kenya and especially to those in the building industry due to the apprehension relating to the General Elections that were held in December 1997, and the high rate of interest resulting in reduced building activity.

### RESULTS:

We experienced a decline in our turnover by approximately Sh 4 million to a figure of Sh 86.3 million. Not evident from the accounts is that there was actually a substantial decline in the sale of our principal product PVC floor tiles, which was partially compensated for by an increase in our glue sales, which have lower margins. The product mix therefore had a further negative effect on the gross margins.

Despite an increase in general and specific costs, we were unable to pass these increases onto our customers by way of product price increases due to the competitive environment we operate in. Specific costs relate to the costs associated with several staff changes and costs relating to the bonus issue of last year.

Our property on Nanyuki Road was revalued and this resulted in an increase of Sh 33.6 million in the value, thus further strengthening your balance sheet.

Our net profit after tax declined by approximately Sh 6.5 million over the previous years results of Sh 15.2 million. We are therefore recommending a reduced dividend of Sh 4 million or Sh 2 per share while last year's dividend was Sh 3.59 per share.

Your board is further requesting, subject to the necessary approvals, for us to increase the issued share capital by way of bonus issue of 4 shares for every 1 share held.

### BUSINESS LINES:

Performance of our PVC tile line has not been very encouraging over the past year. Efforts are being made to target major construction sites as a way of increasing the sales of this line that has traditionally been our main line of Business.

We are pleased with the sales of our glue line, where we see good prospects for future growth. We are confident that this product line will continue to develop into an important part of the business.

We have reduced our involvement on the imported sporting goods lines as we do not feel that sufficient volumes can be achieved from these items. It is our opinion to totally discontinue this line after exhaustion of the current stocks.

In October 1997 we purchased the rights to represent two tyre shop manufacturing firms in Kenya namely

Corghi and Pulteco of Italy. It is our belief that this line will not distract management from our core business but add the required volumes to ensure that our costs as a ratio of sales continually reduces. This unit due to having been purchased in the fourth quarter of last year was not able to contribute sufficiently to our turnover and profitability in 1997 but we believe that 1998 will be a good year in this area.

### BOARD AND MANAGEMENT:

There were several changes to the Board last year. Mr J D M Silvester retired as both Chairman and a Director. I was appointed a Director and your Chairman in August and November respectively. I would like to take this opportunity to thank Mr. Silvester for the time he served on our board and wish him a happy retirement.

Mr Hale, our Managing Director, left us at the end of the year and he has been replaced by Mr Michael Matu who has been a Non Executive Director of the company since 1996. I would like to welcome Mr Matu as your new Managing Director and the first Kenyan Managing Director of the company.

In line with recent requirements of publicly quoted companies, your board appointed Mr Paul N Ndeti as a Director and Chairman of the Audit committee.

We are confident that we now have a strong board that will guide your company over the next few years from strength to strength.

### FUTURE PROSPECTS:

The future viability of your company is dependent on its ability to change with the changing times. Whilst we will continue in our efforts in our traditional lines of business, we are now compelled to look into other areas of business.

It will not be possible for us to venture into new areas of business viably if we financed the expansion by debt. We therefore wish to finance the expansion by broadening the share holders base, whilst keeping in mind the earnings and dividend for each individual share.

We are confident that the future of your company is bright if we are able to adopt to the changes around us. To this end we have a competent Board and Management Team which will safeguard and make sure your investment grows.

Lastly, I would like to thank the Management, Staff and Board of Directors for their support during the year.

**Dr C W Obura**  
Chairman



## *Directors' Report*

The directors submit their report together with the audited financial statements for the year ended 31 December, 1997.

### **PRINCIPAL ACTIVITIES**

The principal activities of the company are the manufacture and sale of vinylex tiles and adhesives and sale of tyre shop equipment.

### **RESULTS**

	Sh '000
Profit before taxation	10,562
Taxation	1,851
Profit after taxation	<u>8,711</u>
Profit after dividend (gross)	<u>4,000</u>
Retained profit for the year transferred to revenue reserve	<u>4,711</u>

### **DIVIDEND**

The directors recommend payment of a dividend of Sh 2.00 (1996 Sh 3.59) per share.

### **DIRECTORS**

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

### **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**  
*Company Secretary*  
**Dunlop Kenya Limited**

19th May, 1998



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*Report of the Auditors  
to the members of Dunlop Kenya Limited*

We have audited the financial statements on pages 8 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 misstatement. 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, 1997 and of its profit and cash flows for the year ended on that date.

**Deloitte & Touche**  
*Certified Public Accountants (Kenya)*  
Nairobi

19th May, 1998



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

	Note	1997 Sh'000	1996 Sh'000
TURNOVER		<b>86,387</b>	90,302
<hr/>			
PROFIT BEFORE TAXATION	2	<b>10,562</b>	23,945
TAXATION	3	<b>1,851</b>	8,672
<hr/>			
PROFIT AFTER TAXATION		<b>8,711</b>	15,273
PROPOSED DIVIDEND (gross)		<b>4,000</b>	7,180
<hr/>			
RETAINED PROFIT	10	<b>4,711</b>	8,093
<hr/>			
EARNING PER SHARE	4	<b>Sh 4.35</b>	Sh 7.64
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# Balance Sheet

31 December 1997

	Note	1997 Sh'000	1996 Sh'000
FIXED ASSETS	5	46,120	11,529
Goodwill	6	2,500	-
CURRENT ASSETS			
Stocks	7	19,077	18,728
Debtors		15,844	21,755
Bank balances and cash		15,439	36,332
Short term deposit	8	22,269	2,448
Taxation recoverable		4,647	1,999
		<b>77,276</b>	81,262
CURRENT LIABILITIES			
Creditors		18,093	16,218
Amounts due to group company		-	22
Dividend payable		4	5,662
Dividend proposed (gross)		4,000	7,180
		<b>22,097</b>	29,082
NET CURRENT ASSETS		<b>55,179</b>	52,180
		<b>103,799</b>	63,709
Financed by:			
SHARE CAPITAL	9	10,000	2,000
RESERVES	10	93,757	61,667
SHAREHOLDERS' FUNDS		<b>103,757</b>	63,667
LOAN FROM GROUP COMPANY	11	42	42
		<b>103,799</b>	63,709

The financial statements on pages 8 to 14 were approved by the Board of Directors on 19th May, 1998 and signed on its behalf by: **Dr C W Obura** Director **M M W Matu** Director



*for the year ended 31 December 1997*

	Note	1997 Sh'000	1996 Sh'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	12 (a)	<b>10,410</b>	24,433
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid		<b>(12,838)</b>	(2,936)
Interest received		<b>6,201</b>	6,401
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<b>(6,637)</b>	3,465
TAXATION PAID		<b>(4,499)</b>	(13,245)
INVESTING ACTIVITIES			
Purchase of fixed assets		<b>(1,116)</b>	(1,554)
Proceeds from disposal of fixed assets		<b>770</b>	461
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<b>(346)</b>	(1,093)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	12 (b)	<b>(1,072)</b>	13,560



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# *Notes to the Financial Statements*

*for the year ended 31 December 1997*

## **1. ACCOUNTING POLICIES**

### **BASIS OF ACCOUNTING**

The financial statements are prepared on the historic 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 the 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.

### **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.

### **GOODWILL**

Purchased goodwill is amortised over five years with effect from 1998.

### **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.



**Income Statement**  
for the year ended 31 December 1997 (continued)

	1997 Sh'000	1996 Sh'000
<b>2. PROFIT BEFORE TAXATION</b>		
The profit before taxation is arrived at after charging:		
Depreciation	1,904	1,996
Directors' emoluments		
Fees	669	124
Other emoluments	3,675	3,961
Auditors' remuneration	696	600
Pensions & retirement benefits and after crediting:	2,517	829
Interest income	6,302	6,401
Profit on disposal of fixed assets	770	263
Rent income	672	394
<hr/>		
<b>3. TAXATION</b>		
Based on the taxable profit for the year:		
Income tax at 35%	4,080	8,768
Overprovision in previous year	(2,229)	(96)
	<b>1,851</b>	<b>8,672</b>

No provision has been made for deferred taxation as the timing difference are not expected to reverse in the foreseeable future.

**4. EARNINGS PER SHARE**

Earnings per share has been calculated on the profit after taxation of Sh 8,711,000 (1996 - Sh 15,273,000) and 2,000,000 (1996 - 400,000) ordinary shares. Due to the bonus issue during the year, the comparative figure has been amended in line with generally accepted accounting practice.

**5. FIXED ASSETS**

	Long leasehold properties Sh '000	Short leasehold properties Sh '000	Plant equipment and motor vehicles Sh '000	Total Sh '000
<b>COST OR VALUATION</b>				
At 1 January 1997	800	6,564	20,797	28,161
Additions	-	-	1,116	1,116
Disposals	-	-	(1,174)	(1,174)
Revaluation surplus	6,200	26,436	-	32,636
<hr/>				
At 31 December 1997	7,000	33,000	20,739	60,739
<hr/>				
<b>COMPRISING</b>				
Cost	-	-	20,739	20,739
Valuation - 1997	7,000	33,000	-	40,000
<hr/>				
	7,000	33,000	20,739	60,739



# Notes to the Financial Statements

for the year ended 31 December 1997 (continued)

## 5. FIXED ASSETS (continued)

### DEPRECIATION

At 1 January 1997	120	2,436	14,076	16,632
Charge for the year	13	174	1,717	1,904
Eliminated on disposals	-	-	(1,174)	(1,174)
Written back on revaluation	(133)	(2,610)	-	(2,743)
At 31 December 1997	-	-	14,619	14,619
<b>NET BOOK VALUE</b>				
At 31 December 1997	7,000	33,000	6,120	46,120
At 31 December 1996	680	4,128	6,721	11,529

The leasehold properties were revalued on 21 January 1998 on an open market basis by Ngotho Wathome Company Limited, registered valuers and estate agents. The valuation has been incorporated into the financial statements as at 31 December 1997.

Fixed assets with a cost of Sh 10,046,164 were fully depreciated at 31 December 1997 (1996 - Sh 6,726,894). The normal annual depreciation charge in respect of these assets would have been Sh 1,339,031 (1996 - Sh 761,776).

	1997 Sh'000	1996 Sh'000
<b>6. GOODWILL</b>		
Goodwill on acquisition of type shop equipment franchise	2,500	-

The goodwill relates to the acquisition of franchise for sale of tyre shop equipment form Avon Rubber Company Limited.

## 7. STOCKS

Finished goods	6,785	5,746
Raw materials	11,466	9,317
Consumables	826	3,665
	<b>19,077</b>	<b>18,728</b>

## 8. SHORT TERM DEPOSIT

The short term deposit is held with Avon Financial Services Limited.

## 9. SHARE CAPITAL

Authorised, issued and fully paid 2,000,000 (1996: 400,000) ordinary shares of Sh 5 each	10,000	2,000
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At an Extraordinary General meeting held on 5 November 1997, the members approved that the authorised share capital of the company be increased by the creation of 1,600,000 ordinary shares of Sh 5 each.

At the same meeting, the shareholders also approved the capitalisation of Sh 8,000,000 to be applied to a bonus issue of four ordinary shares for every one ordinary share held.

**CMA-LIBRARY**



## Notes to the Financial Statements

for the year ended 31 December 1997 (continued)

10. RESERVES	Share premium	Fixed assets revaluation	Currency revaluation	Revenue	Total
	Sh '000	Sh '000	Sh '000	Sh '000	Sh '000
At 1 January 1997	1,916	652	3,801	55,298	61,667
Capitalisation of reserves	(1,916)	-	-	(6,084)	(8,000)
Retained profit	-	-	-	4,711	4,711
Surplus on revaluation	-	32,636	-	-	32,636
Depreciation written back on revaluation	-	2,743	-	-	2,743
At 31 December 1997	-	36,031	3,801	53,925	93,757

### 11. 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.

	1997 Sh'000	1996 Sh'000
12. NOTES TO CASH FLOW STATEMENT		
(a) Reconciliation of profit before taxation to net cash inflow from operating activities		
Operating profit (Note (c) below)	4,260	17,544
Depreciation	1,904	1,996
Profit on disposal of fixed assets	(770)	(263)
Increase in stocks	(349)	(1,581)
Decrease in debtors	6,012	1,039
Increase in creditors	1,875	5,698
Decrease in amounts due to group company	(22)	-
Goodwill purchased	(2,500)	-

NET CASH INFLOW FROM OPERATING ACTIVITIES **10,410** 24,433

	1997 Sh'000	1996 Sh'000	Change in the year Sh'000
(b) Analysis of changes in cash and cash equivalents			
Bank balances and cash	15,439	36,332	(20,893)
Short term deposit	22,269	2,448	19,821
Decrease in cash and cash equivalents			(1,072)
(c) The operating profit is arrived at as follows:			
Profit before taxation		10,562	23,945
Interest income		(6,302)	(6,401)
		4,260	17,544

	1997 Sh'000	1996 Sh'000
13. CONTINGENT LIABILITIES		
Guarantees in respect of immigration bond	32	32
Customs bond	652	652
	684	684

### 14. CAPITAL COMMITMENTS

Authorised but not contracted - 5,356



PROXY

I/We (names in block letters) \_\_\_\_\_

of (address) \_\_\_\_\_

being a member/s of Dunlop Kenya Limited, hereby appoint

(names in block letters) \_\_\_\_\_

of (address) \_\_\_\_\_

or failing him, the Chairman of the meeting to be my/our proxy, to vote on my/our behalf at the Annual General Meeting of the company to be held on Tuesday 28th July, 1998, at the Inter-continental Hotel or any adjournment thereof.

As witness my/our hand/hands this \_\_\_\_\_ day of \_\_\_\_\_ 1998

Signature of shareholders \_\_\_\_\_

**Notes:**

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 30102, Nairobi, not less than forty eight hours before the time for holding the meeting.

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Affix  
Stamp

The Company Secretary,  
**Dunlop Kenya Limited**  
P O Box 30102  
Nairobi

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