

DUNLOP KENYA LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

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DUNLOP KENYA LIMITED

CORPORATE INFORMATION

DIRECTORS

Dr. C W Obura Chairman
M M W Matu
K D McCourt
P N Ndetei
M Kunyiha
S A Lakhani

REGISTRARS

Barclays Advisory & Registrar Services Ltd.
P. O. Box 30120
Nairobi

SECRETARY

J L G Maonga
P. O. Box 30029
Nairobi

REGISTERED OFFICE

Nanyuki Road
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 & Touché
"Kirungii", Ring Road, Westlands
P. O. Box 40092
Nairobi

BANKERS

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

Commercial Bank of Africa Limited
Kijabe Street
P. O. Box 30437
Nairobi

Barclays Bank of Kenya Limited
Avon Centre, Enterprise Road
P. O. Box 18060
Nairobi

TO ALL SHAREHOLDERS

Notice is hereby given that the Thirty-Second Annual General Meeting of the Company will be held at the Nairobi Club on Monday, 14th March 2003 at 12.00 Noon for the following purposes:

ORDINARY BUSINESS

1. To approve the minutes of the Annual General Meeting held on 21st December 2001.
2. To receive, consider and adopt the Financial Statements for the financial year ended 31 December 2001 and the Directors' and the Auditors' reports thereon.
3. To note that the Directors do not recommend payment of a dividend for the financial year ended 31 December 2001.
4. To re-elect retiring Directors:-
 - (i) In accordance with Article 99 of the Company's Articles of Association;
 - (a) Mr P N Ndetei retires by rotation and, being eligible, offers himself for re-election.
 - (b) Mr S A Lakhani retires by rotation and, being eligible, offers himself for re-election.
5. To note that Deloitte & Touche, Certified Public Accountants, will continue in office as Auditors under section 159(2) of the Companies Act (Cap 486) and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

6. To consider the following resolution, which will be proposed as an ordinary resolution.
"That the Directors' fees shall be Kshs 600,000/- for the financial year ended 31 December 2001"
7. To consider and if, thought fit, to adopt the following as special resolution:-
That the Articles of Association of the Company be and are hereby altered by inserting after Article 12 the following two articles as Article 12 (A) and 12 (B).
 - 12 (A) "Notwithstanding any article herein the provision of the Central Depository Act 2000 (CD Act) as amended or modified from time to time shall apply to the Company to the extent that any securities of the Company are part or in whole immobilised or dematerialised or are required by the regulations or rules issued under the CD Act to be immobilised or dematerialised in part or in whole, as the case may be. Any provisions of these articles that are inconsistent with the CD Act or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purpose of these Articles of Association, immobilisation and dematerialisation shall be constructed in the same way, as they are constructed in the CD Act."
 - 12 (B) "Where any Securities of the Company are forfeited pursuant to these Articles of Association after being immobilised or dematerialised, the Company shall be entitled to transfer such securities to a securities account designated by the Directors for this purpose."
8. To transact any other business of the Company which due notice has been received.

BY ORDER OF THE BOARD

J L G MAONGA
COMPANY SECRETARY
DUNLOP KENYA LIMITED

Date:- 15th January 2003

- Note: 1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a Member of the Company.
2. In the case of a member being a corporation this form must be completed under its common seal or under the hand of an office or attorney duly authorised in writing.
 3. Proxies must be in the hands of the Secretary not later than 48 hours before the meeting.

DUNLOP KENYA LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the group audited financial statement for the year ended 31st December 2001.

ACTIVITIES

The principal activities of the group are the manufacture and sale of floor tiles and adhesives.

GROUP RESULTS

Loss before taxation	Sh'000
Taxation credit	(21,812)
	5,714

Net loss for the year transferred to revenue reserve	(16,098)

DIVIDEND

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2001.

DIRECTORS

The directors who held office during the year are shown on page 2.

On 27th November 2002, Mr. D K McCourt resigned from the board.

In accordance with the provisions of the company's Articles of Association, Mr. P N Ndeti and Mr. S A Lakhani retire by rotation and, being eligible, offer themselves for re-election.

AUDITORS

Deloitte & Touché, having expressed their willingness, continue in office in accordance with the provisions of section 159(2) of the Companies Act (Cap. 486)

BY ORDER OF THE BOARD

Secretary

Nairobi

2003

DUNLOP KENYA LIMITED

CHAIRMAN'S REPORT

The year ended 31 December 2001, saw a further decline in the performance of the company. Turnover levels remained at the same levels as the previous year, however due to higher input costs, establishment costs and some right offs, the company was put into a loss position.

In view of the results, we do not recommend the payment of a dividend for the year in question. The board has embarked on a serious expansion plan, which will result in several acquisitions over the next four to five years. These acquisitions will be principally funded by internally generated funds, and therefore we do not anticipate payment of dividends in the short term.

In September 2001, we entered into an agreement to acquire majority shareholding in Kalahari Floor Tiles (pty) Limited, in Gaborone, Botswana. This company is a pvc floor tile manufacturing company, that sells its products in Botswana and South Africa. As at 31st December 2001, we had not received our share certificates and thus we did not consolidate results, we confirm that these results will be incorporated in the results for the year ended December 2002. A three year US dollar denominated vendor financed debt was entered into for part of this acquisition, with principal and interest payments being made every six months.

Several efforts have been made to realise certain of the company assets into cash to finance our expansion requirements. Despite our belief that the investment in Mountain Lodge Limited was a sound long term investment, we liquidated it at a loss to raise cash for our expansion requirements. The loss reflected the cost associated with the acquisition that had been capitalised in the investment amount. We subdivided and disposed of the excess real estate at our factory premises, this was done by way of partially financing the purchaser to acquire the property. Over the years, we have been recognising interest on the debt owed by Avon Group of Companies, paying tax on the profit, but not receiving interest in cash. The board decided to suspend the interest payment, pending the liquidation of some of the underlying assets that secured the debt, it is our intention to recover all the interest that would have been charged in cash and/or by way of property acquisition. A special purpose vehicle known as Dunlop Properties Limited (Maniple Limited) was set-up to achieve this objective.

The board is considering various expansion options in Southern Africa, and we anticipate an acquisition in the manufacturing sector in South Africa in the first half of 2003. We do not anticipate any expansion within the local market within the next two years, however, if we come across interesting prospects in the manufacturing sector in Kenya we would consider them.

In the course of 2003, we will be looking into refurbishment of our local plant, to ensure that the efficiencies we achieve in Botswana are locally achievable. We will also start importing several of the products we will be manufacturing in Southern Africa into the local market.

We confirm that at the time of writing this report, Kevin McCourt our director, who has traditionally represented the investment of Dunlop International, has resigned from the board. We thank Mr. McCourt for the excellent service he has awarded the company and confirm his departure corresponds with a desire for the Dunlop International shareholding to be strategically liquidated. This will result in our shareholding being totally local.

We are confident in the future of the company and apologise to our shareholders for the delay in holding the Annual General Meeting.

Dr. Chris W. Obura
Chairman

4th January 2003

DUNLOP KENYA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit and loss of the group for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make adjustments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of each company in the group and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Dr. C. W. Obura
Director

Mr. M. Matu
Director

4th January 2003

REPORT OF THE AUDITORS TO THE MEMBERS OF
DUNLOP KENYA LIMITED

1. We have audited the financial statements on pages 8 to 23 and, have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

2. As described on page 6, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

Basis of opinion

3. We conducted our audit in accordance with International Standards on Auditing. Those 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. We believe that our audit provides a reasonable basis for our opinion.

Opinion

4. In our opinion:
 - (a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;
 - (b) the financial statements give a true and fair view of the state of affairs of the company and the at 31 December 2001 and of the loss and cash flows of the group for the year then ended in accordance with International Accounting Standard and comply with the Companies Act.

Deloitte & Touché
Certified Public Accountants
"Kirungii", Ring Road, Westlands
P. O. Box 40092
Nairobi

23rd January 2003

DUNLOP KENYA LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001 Sh '000	2000 Restated Sh '000
SALES		67,919	67,852
COST OF SALES		(54,504)	(41,170)
GROSS PROFIT		13,415	26,682
OTHER OPERATING INCOME		1,645	1,431
DISTRIBUTION COSTS		(1,642)	(1,504)
ADMINISTRATIVE EXPENSES		(22,643)	(14,895)
OTHER OPERATING EXPENSES		(10,420)	(10,330)
OPERATING (LOSS)/PROFIT	2	(19,645)	1,384
FINANCE (COST)/INCOME	3	(2,167)	8,778
(LOSS)/PROFIT BEFORE TAXATION		(21,812)	10,162
TAXATION CREDIT (CHARGE)	5	5,714	(8,362)
NET (LOSS)/PROFIT FOR THE YEAR	6	(16,098)	1,800
EARNINGS PER SHARE	7	(Sh. 1.61)	Sh. 0.18

DUNLOP KENYA LIMITED

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2001

		2001	2000
	Note	Sh '000	Restated Sh '000
ASSETS			
Non current assets			
Property, plant and equipment	8(a)	36,907	39,392
Prepaid operating lease	9	736	752
Other investment	10(b)	-	8,100
		<u>37,643</u>	<u>48,244</u>
Current assets			
Inventories	11	9,643	16,187
Trade and other receivables	12	32,874	22,792
Short term advances	13	59,817	58,790
Cash and bank balances		254	884
		<u>102,588</u>	<u>98,653</u>
Total assets		<u>140,231</u>	<u>146,897</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	50,000	50,000
Currency revaluation reserve		3,801	3,801
Capital reserve		23,481	23,019
Revenue reserve		191	16,751
Proposed dividend		-	4,000
		<u>77,473</u>	<u>97,571</u>
Non current liabilities			
Deferred taxation	15	1,279	6,993
Loans	17	2,350	-
		<u>3,629</u>	<u>6,993</u>
Current liabilities			
Trade and other payables	16	38,379	28,393
Taxation payable		4,707	4,707
Dividends payable		5,851	1,851
Loans repayable within one year	17	6,200	1,498
Bank overdrafts (secured)	18	3,992	5,884
		<u>59,129</u>	<u>42,333</u>
Total equity and liabilities		<u>140,231</u>	<u>146,897</u>

The financial statements on pages 8 to 23 were approved by the board of directors on 4th January 2003 and were signed on its behalf by:

Dr. C. W. Obura
Director

Mr. M. Matu
Director

DUNLOP KENYA LIMITED
 COMPANY BALANCE SHEET
 FOR THE YEAR ENDED 31 DECEMBER 2001

		2001	2000
	Note	Sh '000	Restated Sh '000
ASSETS			
Non current assets			
Property, plant and equipment	8(b)	31,269	33,021
Prepaid operating lease	9	736	752
Investment in subsidiary	10(a)	500	500
Other investment	10(b)	-	8,100
		<hr/>	<hr/>
		32,505	42,373
Current assets			
Trade and other receivables	12	20,799	1,725
Short term advances	13	59,523	58,790
Due from subsidiary		3,345	28,485
Cash and bank balances		192	482
		<hr/>	<hr/>
		83,859	89,482
		<hr/>	<hr/>
Total assets		116,364	131,855
		=====	=====
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	50,000	50,000
Currency revaluation reserve		3,801	3,801
Capital reserve		23,481	23,019
Revenue reserve		14,048	23,587
Proposal dividend		-	4,000
		<hr/>	<hr/>
		91,330	104,407
Non current liabilities			
Deferred taxation	15	3,906	6,679
Current liabilities			
Trade and other payables	16	9,345	10,055
Taxation payable		1,481	1,481
Dividends payable		5,851	1,851
Loans	17	4,400	1,498
Bank overdrafts (secured)	18	51	5,884
		<hr/>	<hr/>
		21,128	20,769
		<hr/>	<hr/>
Total equity and liabilities		116,364	131,855
		=====	=====

The financial statements on pages 8 to 23 were approved by the board of directors on 4th January 2003 and were signed on its behalf by:

Dr. C. W. Obura
 Director

Mr. M. Matu
 Director

DUNLOP KENYA LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2001

	Share Capital Sh '000	Currency revaluation reserve Sh '000	Capital reserve Sh '000	Revenue reserve Sh '000	Proposed dividend Sh '000	Total Sh '000
At 1 January 2000 as previously stated	50,000	3,801	26,539	19,511	4,000	103,851
Excess depreciation	-	-	800	(800)	-	-
Deferred tax on excess depreciation	-	-	(240)	240	-	-
Net profit for the year	-	-	-	1,800	-	1,800
Dividend declared	-	-	-	-	(4,000)	(4,000)
Proposed dividend	-	-	-	(4,000)	4,000	-
Reversal of deferred tax on leasehold land	-	-	1,748	-	-	1,748
Reversal of revaluation Surplus on leasehold land	-	-	(5,828)	-	-	(5,828)
At 31 December 2000 - restated	<u>50,000</u>	<u>3,801</u>	<u>23,019</u>	<u>16,751</u>	<u>4,000</u>	<u>97,571</u>
At 1 January 2001	50,000	3,801	26,539	18,662	4,000	103,002
Prior year adjustments						
- Excess depreciation	-	-	1,800	(800)	-	-
- Deferred tax on excess depreciation	-	-	(240)	240	-	-
- Reversal of deferred tax on leasehold land	-	-	1,748	-	-	1,748
- Reversal of revaluation surplus on leasehold land	-	-	(5,828)	-	-	(5,828)
- prior year under-provision of deferred tax	-	-	-	(1,351)	-	(1,351)
At 1 January 2000-restated	<u>50,000</u>	<u>3,801</u>	<u>23,019</u>	<u>16,751</u>	<u>4,000</u>	<u>97,571</u>
Excess depreciation	-	-	660	(660)	-	-
Deferred tax on excess depreciation	-	-	(198)	198	-	-
Net loss for the year	-	-	-	(16,098)	-	(16,098)
Dividend declared	-	-	-	-	(4,000)	(4,000)
At 31 December 2001	<u>50,000</u>	<u>3,801</u>	<u>23,481</u>	<u>191</u>	<u>-</u>	<u>77,473</u>

DUNLOP KENYA LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2001

	Share Capital Sh '000	Currency revaluation Sh '000	Capital reserve Sh '000	Revenue reserve Sh '000	Proposed dividend Sh '000	Total Sh '000
At 1 January 2000	50,000	3,801	26,539	19,511	4,000	103,851
Dividend declared	-	-	-	-	(4,000)	(4,000)
Proposed dividend	-	-	-	(4,000)	4,000	-
Net profit for the year	-	-	-	7,191	-	7,191
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	50,000	3,801	26,539	22,702	4,000	107,042
	=====	=====	=====	=====	=====	=====
At 1 January 2000						
- as previously reported	50,000	3,801	26,539	22,702	4,000	107,042
- reversal of deferred tax on leasehold land	-	-	1,748	-	-	1,748
- Excess depreciation	-	-	800	(800)	-	-
- Deferred tax on excess depreciation	-	-	(240)	240	-	-
- prior year over provision on deferred tax	-	-	-	1,445	-	1,445
- reversal of revaluation surplus on leasehold land	-	-	(5,828)	-	-	(5,828)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2001-restated	50,000	3,801	23,019	23,587	4,000	104,407
Excess depreciation	-	-	660	(660)	-	-
Deferred tax on excess Depreciation	-	-	(198)	198	-	-
Net loss for the year	-	-	-	(9,077)	-	(9,077)
Dividend declared	-	-	-	-	(4,000)	(4,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	50,000	3,801	23,481	14,048	-	91,330
	=====	=====	=====	=====	=====	=====

DUNLOP KENYA LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001 Sh '000	2000 Sh '000
Operating activities			
Cash (used in)/generated from operations	19(a)	(7,504)	2,651
Interest received		-	8,778
Interest paid		(2,418)	-
Exchange gain		251	-
		<hr/>	<hr/>
Net cash (use in)/generated from operating activities		(9,671)	11,429
		<hr/>	<hr/>
Investing activities			
Purchase of plant and equipment		(1,737)	(2,504)
Proceeds from disposal of investments		6,645	945
		<hr/>	<hr/>
Net cash generated from (used in) investing activities		4,908	(1,559)
		<hr/>	<hr/>
Financing activities			
Dividends paid		-	(4,241)
Loan received		9,500	1,498
Loans repaid		(2,448)	-
		<hr/>	<hr/>
Net cash generated from/(used in) financing activities		7,052	(2,743)
		<hr/>	<hr/>
Increase in cash and cash equivalents		2,289	7,127
At 1 January		53,790	46,663
		<hr/>	<hr/>
At 31 December	19(b)	56,079	53,790
		<hr/> <hr/>	<hr/> <hr/>

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Accounting Standards. The principal accounting policies adopted are set out below.

Basis of accounting

The financial statements are prepared under the historical cost basis of accounting modified to include the revaluation of certain property, plant and equipment.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary Dunlop Industries Limited.

Revenue recognition

Sales represent amounts invoiced to customers during the year net of Value Added Tax.

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

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation.

Depreciation

Depreciation is calculated to write off the cost or valuation of the property, plant and equipment in equal annual instalments over their estimated useful lives. The annual rates in use are:

Plant and equipment	7.5% - 20%
Motor vehicles	15% - 25%
Furniture, fittings and equipment	20%

Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all risks and rewards of ownership to the lessee.

All other leases are classified as operating leases. With effect from the current financial year, leasehold properties are being treated as operating lease rentals in accordance with the provisions of International Accounting Standard No. 17 on leases. This represents a change in accounting policy as, previously, leasehold land was treated as property, plant and equipment and was carried on the balance sheet at cost on valuation less depreciation.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

Inventories

Finished goods inventories 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.

Raw material and other inventories are stated at purchase cost. Provision is made for obsolete and slow moving stock.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (CONTINUED)

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 are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the income statement.

Retirement benefits

The company contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time and was limited to Sh 80 per month per employee upto November 2001 and Sh 200 per month per employee with effect from December 2001. The company's contributions are charged to the income statement in the year to which they relate.

The company also operates a defined contribution pension scheme for its employees. The scheme is funded by payments from both the employer and employee.

Investments

Investments are stated at lower of cost and net realisable value.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular comparative figures have been adjusted for the changes in presentation of deferred taxation credit on excess depreciation in line with International Accounting Standard No 12.

	2001 Sh '000	2000 Sh'000
2 OPERATING (LOSS)/PROFIT		
The operating (loss)/profit is arrived at after charging:		
Depreciation and amortisation	3,118	2,921
Director's emoluments:		
Fees	600	440
Other emoluments	1,780	1,740
Management fees	-	2,820
Staff costs (Note 4)	6,963	5,171
Bad debts	3,160	3,922
Auditors' remuneration	750	600
Loss on disposal of equipment	560	-
Loss on disposal of investment	1,455	-
and after crediting		
Profit on disposal of plant and equipment	-	3
Rent income	1,505	1,428
	=====	=====
3 FINANCE (COST)/INCOME		
Interest receivable on short term advances	-	10,225
Loan interest	(619)	-
Overdraft interest	(1,799)	(1,447)
Exchange gain	251	-
	-----	-----
	(2,167)	8,778
	=====	=====

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		GROUP	
		2001	2000
		Sh '000	Sh '000
4	STAFF COSTS		
	Wages and salaries	5,559	4,698
	Social security cost (NSSF)	41	29
	Pension and retirement benefits	441	444
	Final dues	922	-
		<u>6,963</u>	<u>5,171</u>
		=====	=====
	The average number of persons employed by the Company during the year was:	No.	No.
	Full time	41	40
	Part time	9	14
		<u>50</u>	<u>54</u>
		=====	=====
		2001	2000
		Sh '000	Restated Sh '000
5	TAXATION		
	(a) Tax expense		
	Current taxation based on adjusted Profit at 30%		
	- Current year	-	3,769
	- Prior year	-	3,347
		<u>-</u>	<u>7,116</u>
	Deferred tax – credit - note 15	(5,714)	(1,434)
		<u>(5,714)</u>	<u>5,682</u>
		=====	=====
	(b) Reconciliation of tax based on Accounting (loss)/profit to tax (credit)/charge		
	Accounting (loss)/profit before taxation	(21,812)	10,162
		<u>(21,812)</u>	<u>10,162</u>
		=====	=====
	Tax at the applicable rate of 30%	(6,544)	3,049
	Tax effect of expenses not deductible for tax purposes	830	2,633
		<u>(5,714)</u>	<u>5,682</u>
		=====	=====
6	CONSOLIDATED (LOSS)/PROFIT AFTER TAXATION		
	Loss after taxation dealt with in the financial statements of the company is Sh 9,077,000 (2000 – profit Sh 1,365,000)		
7	EARNINGS PER SHARE		
	Earnings per share has been calculated on the loss after taxation of Sh 16,098,000 (2000 profit – Sh 4,480,000) divided by the number of shares in issue during the year. The number of shares issued is 10,000,000 (2000 – 10,000,000). Diluted earnings per share is the same as the basic earnings per share.		

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 (A) PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED

	Long Leasehold Land Sh '000	Short leasehold properties Sh '000	Plant and machinery Sh '000	Office furniture Fittings & equipment Sh '000	Motor vehicles Sh '000	Total Sh '000
COST OR VALUATION						
At 1 January 2001						
- as previously reported	7,000	33,367	13,117	4,840	6,224	64,548
- reclassified to prepaid operating lease	(800)	-	-	-	-	(800)
- reversal of revaluation surplus	(6,200)	-	-	-	-	(6,200)
At 31 December 2001 – restated	-	33,367	13,117	4,840	6,224	57,548
Additions	-	-	1,142	295	300	1,737
Disposals	-	-	-	-	(700)	(700)
Adjustments	-	-	-	-	(700)	(700)
At 31 st December 2001	-	33,367	14,259	5,135	5,124	57,885
COMPRISING						
At cost	-	367	14,259	5,135	5,124	24,885
At valuation	-	33,000	-	-	-	33,000
At 31 December 2001	-	33,367	14,259	5,135	5,124	57,885
DEPRECIATION						
At 1 January 2001						
- as previously reported	420	2,001	9,692	3,530	2,933	18,576
- reclassified to prepaid operating lease	(48)	-	-	-	-	(48)
- reversal of depreciation on revaluation surplus	(372)	-	-	-	-	(372)
At 1 January 2001 – restated	-	2,001	9,692	3,530	2,933	18,156
Charge for the year	-	681	919	502	1,000	3,102
Eliminated on disposals	-	-	-	-	(140)	(140)
Adjusted on disposals	-	-	-	-	(140)	(140)
At 31 December 2001	-	2,682	10,611	4,032	3,653	20,978
NET BOOK VALUE						
At 31 December 2001	-	30,685	3,648	1,103	1,471	36,907
At 31 December 2000 – restated	-	31,366	3,425	1,310	3,291	39,392

Fixed assets with a cost of Sh 4,948,600 were fully depreciated at 31 December 2001 (2000 – Sh 4,974,600). The normal annual depreciation charge in respect of these assets would have been Sh 984,758 (2000 – 984,941). Prior year property, plant and equipment have been restated to the current year by Sh 796,000.

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 (B) PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Long Leasehold Land Sh '000	Short leasehold properties Sh '000	Motor vehicles Sh '000	Total Sh '000
COST OR VALUATION				
At 1 January 2001				
- as previously reported	7,000	33,367	2,250	42,617
- as reclassified to prepaid operating lease	(800)	-	-	(800)
- reversal of revaluation surplus	(6,200)	-	-	(6,200)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2001 – restated	-	33,367	2,250	33,617
Disposal	-	-	(700)	(700)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	-	33,367	1,550	34,917
	<hr/>	<hr/>	<hr/>	<hr/>
COMPRISING				
At cost	-	367	-	367
At valuation – 1997	-	33,000	1,550	34,550
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	-	33,367	1,550	34,917
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
At 1 January 2001				
- as previously reported	420	2,001	595	3,016
- as reclassified to prepaid lease	(48)	-	-	(48)
- reversal of depreciation on on revaluation surplus	(372)	-	-	(372)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2001 – restated	-	2,001	595	2,596
Charge for the year	-	681	511	1,192
Eliminated on disposal	-	-	(140)	(140)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	-	2,682	966	3,648
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At 31 December 2001	-	30,685	584	31,269
	=====	=====	=====	=====
At 31 December 2000 – restated	-	31,366	1,655	33,021
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 PREPAID OPERATING LEASE – GROUP & COMPANY

The company has, in the current financial year, reclassified the carrying value of its leasehold land from property, plant and equipment to prepaid operating lease in order to comply with the provisions of International Accounting Standard No. 17 on leases.

The revaluation surplus attribute to leasehold land has therefore been reversed. The effect of this change is as follows:

	Sh '000
Carrying amount of leasehold land at 31 December 2000	6,580
Reversal of revaluation surplus	(5,828)
	<hr/>
Balance reclassified to prepaid operating leases on 31 December 2000	752
Amortisation for the year	(16)
	<hr/>
At 31 December 2001	736
	=====
At 31 December 2000	752
	=====

A prior year adjustment has been processed to restate the balance sheet at 31 December 2000. However, no prior year adjustment has been made to the income statement as the amount relating to prior year amortisation of the lease rental is not material.

	Beneficial Ownership	GROUP		COMPANY	
		2001 Sh '000	2000 Sh '000	2001 Sh '000	2000 Sh '000
10(a) INVESTMENT IN SUBSIDIARY					
Dunlop Industries Limited	100%	-	-	500	500
		=====	=====	=====	=====

The company has registered another subsidiary company Dunvon Tanzania Limited. However, operations have not yet commenced. The financial statements have not incorporated results of the subsidiary company. Amounts due from Dunvon Tanzania Limited are included under short term advances in note 13.

The investment in subsidiary is stated at cost.

	Beneficial Ownership	GROUP		COMPANY	
		2001 Sh '000	2000 Sh '000	2001 Sh '000	2000 Sh '000
10(b) OTHER INVESTMENT					
Mountain Lodge Limited	12.5%	-	8,100	-	8,100
		=====	=====	=====	=====

During the year, the investments in Mountain Lodge limited which had been stated at cost was sold for Sh 6,644,957. The loss arising on disposal has been accounted for in the income statement.

DUNLOP KENYA LIMITED

NOTE TO THE FINANCIAL STATEMENTS (Continued)

		GROUP			
		2001		2000	
		Sh '000		Sh '000	
11	INVENTORIES				
	Raw materials		4,142		8,096
	Finished goods		2,174		4,852
	Consumables – spares		825		825
	Goods in transit		2,502		2,414
			<u>9,643</u>		<u>16,187</u>
			=====		=====
12	TRADE AND OTHER RECEIVABLES				
		GROUP		COMPANY	
		2001	2000	2001	2000
		Sh '000	Sh '000	Sh '000	Sh '000
	Trade receivables	12,390	21,049	1,526	-
	Staff receivables	-	198	-	198
	Other receivables	7,753	1,135	6,878	1,117
	Due from a Director	1,051	410	715	410
	Deposits and prepayments	11,680	-	11,680	-
		<u>32,874</u>	<u>22,792</u>	<u>20,799</u>	<u>1,725</u>
		=====	=====	=====	=====

The amount due from a director relates to amounts to the Managing Director in respect of a car loan.

		GROUP		COMPANY	
		2001	2000	2001	2000
		Sh '000	Sh '000	Sh '000	Sh '000
13	SHORT TERM ADVANCES				
	Maniple Limited	52,997	51,970	53,725	52,992
	Mount Kenya Investments Ltd.	5,798	5,798	5,798	5,798
	Dunvon Tanzania Limited	1,022	1,022	-	-
		<u>59,817</u>	<u>58,790</u>	<u>59,523</u>	<u>58,790</u>
		=====	=====	=====	=====

Interest is charged at a rate of 15% per annum (2000 – 21%).

In 2001, Maniple Limited took over the amounts owned by Avon group companies to Dunlop Kenya Limited.

		GROUP		COMPANY	
		2001	2000	2001	2000
		Sh '000	Sh '000	Sh '000	Sh '000
14	SHARE CAPITAL				
	Authorised Share Capital				
	40,000,000 Ordinary Shares of Sh 5 each	200,000	200,000	200,000	200,000
		=====	=====	=====	=====
	Issued and fully paid				
	10,000,000 Ordinary Shares of Sh 5 each	50,000	50,000	50,000	50,000
		=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 DEFERRED INCOME TAXES

	GROUP		COMPANY	
	2001 Sh '000	2000 Sh '000	2001 Sh '000	2000 Sh '000
The net deferred taxation liability is Attributable to the following items:				
Tax losses not utilised	(4,908)	-	(2,418)	-
Accelerated capital allowances	702	1,384	792	1,070
Deferred tax on revaluation surplus	5,532	5,609	5,532	5,609
Leave pay provision	(120)	-	-	-
Unrealised exchange gain	73	-	-	-
	<u>1,279</u>	<u>6,993</u>	<u>3,906</u>	<u>6,679</u>
	=====	=====	=====	=====

The movement on the deferred tax account is as follows:

At 1 January	6,993	8,427	6,679	8,427
Income statement credit	(5,714)	(1,434)	(2,773)	(1,748)
	<u>1,279</u>	<u>6,993</u>	<u>3,906</u>	<u>6,679</u>
	=====	=====	=====	=====

16 TRADE AND OTHER PAYABLES

Trade payables	24,628	15,599	665	-
Other payables	12,197	10,929	7,126	8,190
Croxley Properties Limited	1,223	1,823	1,223	1,823
Due to Dunlop EA Limited	42	42	42	42
Accrued interest	289	-	289	-
	<u>38,379</u>	<u>28,393</u>	<u>9,345</u>	<u>10,055</u>
	=====	=====	=====	=====

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 LOANS

	GROUP		COMPANY	
	2001 Sh '000	2000 Sh '000	2001 Sh '000	2000 Sh '000
Prime Capital & Credit Ltd.	4,400	-	4,400	-
Standard Chartered Bank Kenya Ltd.	4,150	-	-	-
Triple Advantage Cards Limited	-	1,030	-	1,030
Arifu Holdings Ltd.	-	468	-	468
	<hr/>	<hr/>	<hr/>	<hr/>
	8,550	1,498	4,400	1,498
Less: Repayable within one year	(6,200)	(1,498)	(4,400)	(1,498)
Repayable after one year	(2,350)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
	=====	=====	=====	=====

The loan from Prime Capital & Credit Limited is repayable in six monthly instalments of Ksh 200,000 and the balance in one lumpsum on the seventh month. As at 31 December 2001, 3 repayments had been made. It is secured by a first legal charge over LR no. 209/7913 up to a maximum of Sh 5,000,000, personal guarantee of Mr. Michael Matu and corporate guarantees from Dunlop Industries Limited. The rate of interest payable is 22% p.a.

The loan from Standard Chartered Bank Kenya Limited is repayable in 30 instalments of Sh 150,000 per month and attracts interest at the bank's base rates +1.5% p.a. calculated on daily overdrawn balance and payable monthly in arrears. It is secured by a debenture of Sh 15.7 million supported by a legal charge over LR No. 209/5532.

18	BANK OVERDRAFTS	GROUP		COMPANY	
		2001 Sh '000	2000 Sh '000	2001 Sh '000	2000 Sh '000
	Standard Chartered Bank Kenya Limited	3,992	5,836	51	5,836
	Barclays Bank of Kenya Limited	-	48	-	48
		<hr/>	<hr/>	<hr/>	<hr/>
		3,992	5,884	51	5,884
		=====	=====	=====	=====

The overdraft facility with Standard Chartered Bank Kenya Limited is secured by a debenture for Sh 15.7 million supported by a legal charge over LR No. 209/5532. The overdraft with Barclays Bank of Kenya is unsecured.

19 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	2001 Sh '000	2000 Sh '000
(a) Reconciliation of operating (loss)/profit to Cash (used in)/generated from operations:		
Operating (loss)/profit	(19,645)	1,384
Depreciation	3,118	2,921
Loss/(gain) on disposal of equipment	560	(3)
Loss on disposal of investment	1,455	-
	<hr/>	<hr/>
Operating (loss)/profit before working capital changes	(14,512)	4,302
Decrease in inventories	6,544	1,301
Increase in trade and other receivables	(9,522)	(9,964)
Increase in trade and other payables	9,986	7,012
	<hr/>	<hr/>
Cash (used in)/generated from operations	(7,504)	2,651
	=====	=====

DUNLOP KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2001	2000
19	NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)	Sh '000	Sh '000
	(b) Analysis of balances of cash and cash equivalents		
	Short term advances	59,817	58,790
	Cash and bank balances	254	884
	Bank overdrafts	(3,992)	(5,884)
		<u> </u>	<u> </u>
	At 31 December	56,079	53,790
		<u> </u>	<u> </u>

		GROUP		COMPANY	
		2001	2000	2001	2000
		Sh '000	Sh '000	Sh '000	Sh '000
20	CONTINGENT LIABILITIES				
	Guarantees	1,499	4,243	48	2,935
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Letters of guarantees are issued by the company on behalf of its employees who have taken up car loans with Standard Chartered Bank Kenya Limited. The company will only be required to meet the obligation in the event of default by the employees.

21 RELATED PARTY TRANSACTIONS

The companies are related to Dunlop Kenya Limited by virtue of common shareholding. Transactions during the year were mainly payments made on behalf of the related companies. Amounts not settled at the balance sheet date in respect of these transactions are disclosed as short term advances in the company balance sheet in note 13.

22 INCORPORATION

The holding company is incorporated in Kenya under the Companies Act.

23. CURRENCY

The financial statements are presented in Kenya shillings (Sh '000).

DUNLOP KENYA LIMITED

PROXY

I/WE _____

OF _____

Being a member of the above Company, hereby appoint:

OF _____

Whom failing

OF _____

Or failing him, the Chairman of the Meeting as our/my proxy, to vote for us/me and on our/my behalf at the Annual General Meeting of the Company to be held on Monday 14 March 2003 and at any adjournment thereof.

As witness our/my hand this _____ day of _____ 2003

Signed _____

Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.
2. In the case of a member being a limited Company this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
3. Proxies must be in the hands of the Secretary not later than 48 hours before the time of holding the meeting.



PROXY

I/WE _____

OF _____

Being a member of the above Company, hereby appoint:

OF _____

Whom failing _____

OF _____

Of failing him, the Chairman of the Meeting, as our/my proxy, to vote for us/me and on our/my behalf at the Annual General Meeting of the Company to be held on Tuesday, 30th September 2003 and at any adjournment thereof.

As witness our/my hand this _____ day of _____ 2003

Signed _____

Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a Member of the Company.
2. In the case of a member being a corporation this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
3. Proxies must be in the hands of the Secretary not later than 48 hours before the meeting.



