LIMURU TEA COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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BOARD OF DIRECTORS
Richard A Fairburn (Resigned 1 January 2010)
Eric D Foresta (Chairman)
Richard Korir
John K Cheruiyot (Appointed 1 January 2010)

COMPANY SECRETARY
Antoinette A Absaloms, LLB, CPS(K)

REGISTGERED OFFICE
Nakuru – Kericho Highway
P. O. Box 20
20200 - Kericho

AUDITORS
PricewaterhouseCoopers
The Rahimtulla Tower, Upper Hill Road
P. O. Box 43963
00100 – Nairobi

REGISTRARS
Co-operative Bank of Kenya Limited
Co-operative House, Haile Selassie Avenue
P. O. Box 48231
00100 – Nairobi

ADVOCATES
Hamilton Harrison & Mathews
ICEA Building, Kenyatta Avenue
P. O. Box 30333
00100 – Nairobi

BANKERS
Barclays Bank of Kenya Limited
Limuru Branch
P. O. Box 252
Limuru

Standard Chartered Bank Kenya Limited
Stanbank House, Moi Avenue
P. O. Box 72585
00100 - Nairobi

INSURANCE BROKERS
Alexander Forbes Insurance Brokers Kenya Limited
Chester House, Koinange Street
P. O. Box 30076
00100 – Nairobi

AON Minet Insurance Brokers Limited
AON Minet House, Off Nyerere Road
P. O. Box 55289
00100 – Nairobi

NOTICE IS HEREBY GIVEN that the **EIGHTY FIFTH ANNUAL GENERAL MEETING OF THE LIMURU TEA COMPANY LIMITED** will be held at the Norfolk Hotel, Harry Thuku Road, Nairobi on Friday 14 May 2010 at 11.00 a.m. for the following purposes:

1. To receive, consider and adopt the balance sheet and the financial statements for the year ended 31st December 2009 and the Reports of the Directors and Auditors thereon.
2. To declare a final dividend
3. To re- elect a Director
4. To authorize the Directors to fix the remuneration of the auditors, PricewaterhouseCoopers.

BY ORDER OF THE BOARD

Antoinette Absaloms
Company Secretary
30 March 2010

A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the company. A form of proxy is enclosed. Shareholders who will not be able to attend the meeting are requested to complete and return it, so as to reach the Company Secretary, Limuru Tea Company Limited, PO Box 42011, 00100 Nairobi not later than 11.00 a.m. on Wednesday 12 May 2010.

The Limuru Tea Company Limited owns 275 hectares of tea land situated four kilometres to the east of Limuru Town. The company is an outgrower to Unilever Tea Kenya Limited (UTKL), the largest private sector tea company in Kenya. UTKL acts as the Limuru Tea Company's managing agent in the growing, manufacturing, sales and marketing of its teas. The tea estate green leaf is manufactured in the nearby UTKL Mabroukie factory from where it is sold mainly for export.

Tea Production

Crop Production

In Kenya, over the last 13 years, 7 years have had a dry spell, mostly in the 1st quarter. In 2009 the 1st quarter dry spell extended to April.

The country crop came down from 346 millions kilograms in 2008 to 314 millions kilograms in 2009, or a reduction of 9%.

In Limuru, the January to April 2009 rainfall was one of the lowest recorded in history with only 250 mm but also the July to September 2009 rainfall was very low at only 74 mm.

The good rainfall and excellent rain distribution of the last quarter mitigated the lower than normal rainfall in other months.

For the reasons described above, Limuru Tea Company production in 2009 decreased by 7%.

The Tea Market

The reduction of Kenyan teas in the market together with more buoyant demand from most buyers, led to an increase in average auction prices from 2.30 US$ per kilo in 2008 to 2.46 US$ per kilo or +7% in 2009.

It is also important to note that the highest prices were experienced in quarter four, period during which Limuru Tea Company produced 44% of the full year crop.

The devaluation by 8% of the Kenya Shilling in 2009 also assisted the Kenyan tea growers, resulting in an increase of 14% in average prices in local currency.

Company Performance

The estate operations are managed in line with UTKL best practice and in 2009 the company produced 3,081,820 kilograms of green leaf, which in turn was manufactured into 710,867 kilograms of black tea.

Despite the lower crop volumes, the combination of higher US$ tea prices and a weaker Kenya Shilling increased total revenues from Ksh. 69.7 million in 2008 to Ksh. 91.1 million in 2009, a rise of 31%. Costs per unit of production increased by 14% due to lower production, increased wages, and higher energy and fertiliser costs. Other operating income increased by 44% over 2008 and overhead costs were well controlled, finishing the year 14% down compared to 2008.

Limuru Tea Company posted a pre tax profit of Ksh. 38.7 million in 2009 compared to Ksh. 15.2 million in 2008. This is the best financial result for the company in many years and the directors recommend a final dividend of Ksh. 7.5 per share for 2009.

Share Capital Increase and Bonus Share Issue.

In order to ensure compliance with the Capital Markets Regulations 2002 there was a need to increase the Paid Up Share Capital of Limuru Tea Company Ltd. It was proposed that this was going to be achieved through the increase of the authorised share capital of the company by the creation of an additional 600,000 shares of Ksh. 20 each, and the issuance of these shares as a bonus of one share for each share held, to existing shareholders. This was implemented in 2009 following shareholder approval at the Annual General Meeting on 26th May 2009.

Prospects

Crop volumes in the first quarter of 2010 have been much higher than 2009 due to late finish of the short rains in December and very good rainfall distribution in the first quarter of 2010. US$ tea prices are higher than at the same time last year and the Ksh/US$ exchange rate continues to be favourable. However, a much higher tea production in Kenya as well as India and Sri Lanka is likely to negatively affect tea prices in the next few months; also high wage, fertiliser and energy costs continue to cause concern.

Tribute to staff

Finally, I would like to pay tribute to all our employees for their support and contribution to the Limuru Tea Company business during 2009.

Eric de Foresta
Chairman
30 March 2010

The directors submit their report together with the audited financial statements for the year ended 31 December 2009, which disclose the state of affairs of the Company.

PRINCIPAL ACTIVITIES

The principal activity of the Company is growing of green leaf tea.

RESULTS AND DIVIDEND

The net profit for the year of Shs 26,969,000 (2008: Shs 8,466,000) has been added to retained earnings. During the year no interim dividend was paid (2008: Nil). The directors recommend the approval of a final dividend of Shs 9,000,000 (2008: Shs 6,000,000).

DIRECTORS

The directors who held office during the year and to the date of this report are noted on page 1.

Mr. John K Cheruiyot retires by rotation and being eligible, offers himself for re-election in accordance with Article 100 of the Company's Articles of Association.

Mr. E De Foresta remains in office pursuant to Article 100 of the company's Articles of Association.

AUDITOR

The Company's auditor, PricewaterhouseCoopers, continues in office in accordance with Section 159(2) of the Companies Act.

By order of the Board

Antoinette Absaloms
Company Secretary
30 March 2010

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Director **Director**

30 March 2010

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF LIMURU TEA COMPANY LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Limuru Tea Company Limited ("the company") set out on pages 9 to 33 These financial statements comprise the balance sheet at 31 December 2009 and the profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the company's financial affairs at 31 December 2009 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF LIMURU TEA COMPANY LIMITED (CONTINUED)

Report on other legal requirements

The Kenyan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

iii) the company's balance sheet, profit and loss account and statement of comprehensive income are in agreement with the books of account.

Certified Public Accountants
Nairobi

30 March 2010

Profit and loss account

	Notes	Year ended 31 December 2009 Shs'000	2008 Shs'000
Revenue	5 (a)	91,130	69,528
Gains/(losses) arising from changes in fair value less estimated point-of-sale costs of biological assets	15	1,933	(235)
		93,063	69,293
Cost of sales		(53,260)	(52,512)
Gross profit		39,803	16,781
Other income	6	2,757	3,243
Administrative expenses		(3,742)	(4,372)
Other operating expenses		(87)	(418)
Profit before income tax	7	38,731	15,234
Income tax expense	9	(11,762)	(6,768)
Profit for the year		26,969	8,466
Earnings per share for profit attributable to the equity holders of the company - basic and diluted (Shs per share)	10	22.5	7.1

The notes on pages 15 to 33 are an integral part of these financial statements.

Statement of comprehensive income

	Notes	Year ended 31 December 2009 Shs'000	2008 Shs'000
Profit for the year		26,969	8,466
Other comprehensive income, net of tax:			
Actuarial loss on post-employment obligation	14	(1,605)	(824)
Deferred income tax thereon	13	482	247
Total comprehensive income for the year		**25,846**	**7,889**

The notes on pages 15 to 33 are an integral part of these financial statements.

Balance sheet

	Notes	31 December 2009 Shs'000	31 December 2008 Shs'000
EQUITY			
Share capital	12	24,000	12,000
Retained earnings		22,963	18,117
Proposed dividend	11	9,000	6,000
Total equity		55,963	36,117
Non-current liabilities			
Deferred income tax liability	13	1,608	1,074
Retirement benefit obligations	14	10,085	10,325
		11,693	11,399
		67,656	47,516
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	16	2,687	2,820
Biological assets	15	16,356	14,423
		19,043	17,243
Current assets			
Receivables and prepayments	17	56,226	33,868
Cash and cash equivalents	18	9,525	6,664
		65,751	40,532
Current liabilities			
Payables and accrued expenses	19	11,286	7,681
Current income tax liability		5,852	2,578
		17,138	10,259
Net current assets		48,613	30,273
		67,656	47,516

The financial statements on pages 9 to 33 were approved for issue by the board of directors on 30 March 2010 and signed on its behalf by:

Director **Director**

The notes on pages 15 to 33 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital	Retained earnings	Proposed dividends	Total equity
		Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2008					
At start of year		12,000	16,228	3,000	31,228
Comprehensive income					
Profit for the year		-	8,466	-	8,466
Other comprehensive income:					
-Actuarial loss on post employment obligation net of tax		-	(577)	-	(577)
Total other comprehensive income		-	(577)	-	(577)
Total comprehensive income for the year		-	7,889	-	7,889
Transactions with owners					
Dividends:					
- Final for 2007 paid		-	-	(3,000)	(3,000)
- Proposed final for 2008	11	-	(6,000)	6,000	-
Total transactions with owners		-	(6,000)	3,000	(3,000)
At end of year		12,000	18,117	6,000	36,117

The notes on pages 15 to 33 are an integral part of these financial statements.

Statement of changes in equity (continued)

	Notes	Share capital Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total equity Shs'000
Year ended 31 December 2009					
At start of year		12,000	18,117	6,000	36,117
Comprehensive income					
Profit for the year		-	26,969	-	26,969
Other comprehensive income:					
- Actuarial loss on post employment obligation net of tax		-	(1,123)	-	(1,123)
Total other comprehensive income		-	(1,123)	-	(1,123)
Total comprehensive income for the year		-	25,846	-	25,846
Transactions with owners					
Dividends:					
- Final for 2008 paid		-	-	(6,000)	(6,000)
- Proposed final for 2009	11	-	(9,000)	9,000	-
Bonus issue	12	12,000	(12,000)	-	-
Total transactions with owners		12,000	(21,000)	3,000	(6,000)
At end of year		24,000	22,963	9,000	55,963

The notes on pages 15 to 33 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2009 Shs'000	2008 Shs'000
Operating activities			
Cash generated from operations	20	14,532	4,836
Interest received		1,801	1,323
Income tax paid		(7,472)	(1,767)
Net cash generated from operating activities		8,861	4,392
Financing activities			
Dividends paid		(6,000)	(3,000)
Net cash used in financing activities		(6,000)	(3,000)
Increase in cash and cash equivalents		2,861	1,392
Movement in cash and cash equivalents			
At start of year		6,664	5,272
Increase		2,861	1,392
At end of year	18	9,525	6,664

The notes on pages 15 to 33 are an integral part of these financial statements.

Notes

1 General information

Limuru Tea Company Limited is incorporated in Kenya under the Companies Act as a public limited liability company, and is domiciled in Kenya. The address of its registered office is:

c/o Unilever Tea Kenya Limited Head office
Nakuru – Kericho Highway
P.O. Box 20 – 20200
Telephone: 052 20147
Kericho.

The company's shares are listed on the Nairobi Stock Exchange.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

IFRS 8, 'Operating segments' - IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The new standard did not have an impact on the group's classification of operating segments.

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Notes (continued)

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(i) Amendments and interpretations effective in 2009 but not relevant

In 2009, the following amendments became effective for the first time but have not had an impact on the company's financial statements:

IFRS 7 'Financial Instruments – Disclosures' (amendment).
The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment has had no significant impact on the Company.

IFRS 2 (amendment), 'Share-based payment'.
It clarifies that vesting conditions are service conditions and performance conditions only. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IAS 23 (amendment), 'Borrowing costs'.
The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Two revised standards (IFRS 3 – Business combinations and IAS 27 – Consolidated and separate financial statements) and numerous amendments to existing standards and new interpretations have been published and will be effective for the Company's accounting periods beginning on or after 1 January 2010, but the Company has not early adopted any of them.

The Directors have assessed the relevance of the new standards, interpretations, and amendments to existing standards with respect to the Company's operations and concluded that they will not have a significant impact on the Company's financial statements.

(b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax (VAT), returns, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the company. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Notes (continued)

2 Summary of significant accounting policies (continued)

(b) Revenue recognition (continued)

Revenue is recognised as follows:

(i) Sales of goods are recognised in the period in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) Interest income is recognised on a time proportion basis using the effective interest method.

(c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Kenya Shillings (Shs) which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into Kenya Shillings using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or cost'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other income'.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team that makes strategic decisions.

(e) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Notes (continued)

(e) Property, plant and equipment (continued)

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Buildings	25 - 40 years
Plant and machinery	10 - 15 years
Computers, fixtures and fittings	3 - 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amount and are included in the profit and loss account.

(f) Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated point-of-sale costs. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less estimated point-of-sale costs are recognised in the profit and loss account in the year in which they arise.

The fair value of tea bushes and fuel plantations is determined based on the net present values of expected future cash flows, discounted at current market-determined pre-tax rates.

All costs of planting, upkeep and maintenance of biological assets are recognised in the profit and loss account under cost of production in the period in which they are incurred.

(g) Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(h) Inventories

Agricultural produce at the point of harvest is measured at fair value less estimated point-of-sale costs. Any changes arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs are recognised in the profit and loss account in the year in which they arise.

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. Net realisable value is the estimate of the selling price in the ordinary course of business, less applicable variable selling expenses.

Notes (continued)

(h) Inventories (continued)

The fair value less estimated point-of-sale costs of harvested tea and fuel trees is determined based on the market prices of the final product, taking into account conversion costs.

(i) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

(j) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(l) Share capital

Ordinary shares are classified as 'share capital' in equity.

(m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(n) Employee benefits

(i) Post-employment benefits

For unionised employees, the Company has an unfunded obligation to pay terminal gratuities under its Collective Bargaining Agreement with the union. Employees who resign after completing at least ten years of service are entitled to twenty one days pay for each completed year of service. The liability recognised in the balance sheet is the present value of the estimated future cash outflows, calculated annually by independent actuaries using the projected unit credit method.

Actuarial gains and losses arising from changes in actuarial assumptions are recognised immediately in retained earnings through the statement of comprehensive income.

The company and all its employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme.

Notes (continued)

(n) Employee benefits (continued)

(ii) Other entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled or the related deferred income tax asset is realised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(p) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(q) Comparative

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Notes (continued)

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Biological assets

Critical assumptions are made by the directors in determining the fair values of biological assets. The key assumptions are set out in Note 15.

Post-employment benefits

The present value of the company's gratuity obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for gratuity include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligation. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 14.

Income taxes

Significant judgment is required in determining the company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

4 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks including credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the Company does not hedge any risks.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

Notes (continued)

4 Financial risk management objectives and policies (continued)

(a) Market risk

(i) Foreign exchange risk

The Company operates locally and its transactions are in local currency. There is no exposure to foreign exchange risk.

(ii) Price risk

The Company does not hold any financial instruments subject to price risk.

(iii) Cash flow and fair value interest rate risk

The Company earns interest on its bank balances and balances receivable from the parent but the amount is not significant.

(b) Credit risk

Credit risk arises from cash equivalents, and deposits with banks, as well as amounts due from the parent. The Company only sells its products to its parent and does not have any other significant concentration of credit risk.

The amount that best represents the Company's maximum exposure to credit risk at 31 December is made up as follows:

	2009 Shs'000	2008 Shs'000
Cash at bank and short term bank deposits	9,525	6,664
Other receivables	78	110
Receivables from Unilever Tea Kenya Limited	56,148	33,758
	65,751	40,532

No collateral is held for any of the above assets. All receivables are neither past due nor impaired and are within their approved credit limits, and no receivables have had their terms renegotiated.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow.

Notes (continued)

4 Financial risk management objectives and policies (continued)

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year
	Shs'000
At 31 December 2009:	
- trade payables	313
- accrued expenses	7,560
- other payables	3,413
- tax payable	5,283
Total	**16,569**
At 31 December 2008:	
- trade creditors	244
- accrued expenses	2,397
- other payables	5,040
- tax payable	2,578
Total	**10,259**

(d) Capital risk management

Capital consists of accumulated revenue reserves and share capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders.

During 2009 the company's strategy which was unchanged from 2008, was to use funds generated from internal sources. No funds were borrowed from the market.

5 (a) Revenue

	2009	**2008**
	Shs'000	**Shs'000**
Sale of green leaf to Unilever Tea Kenya Limited	91,130	69,528

5 (b) Segment reporting

The Company has only one business segment (growing of green leaf tea) and it sells all its produce to Unilever Tea Kenya Limited which is domiciled in Kenya. Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. All its assets are based in Kenya.

Notes (continued)

6 Other income

	2009 Shs'000	2008 Shs'000
Interest income	1,801	1,323
Sundry income	956	1,920
	2,757	3,243

7 Expenses by nature

	2009 Shs'000	2008 Shs'000
Aggregate (gain)/loss arising on initial recognition of biological assets and agricultural produce at the point of harvest and from the change in fair value less estimated point-of-sale costs of biological assets (Note 15)	(1,933)	235
Employee benefits expense (Note 8)	42,511	45,033
Depreciation on property, plant and equipment (Note 16)	133	243
Repairs and maintenance expenditure on property, plant and equipment	498	81
Auditor's remuneration	359	375

8 Employee benefits expense

The following items are included within employee benefits expense:

	2009 Shs'000	2008 Shs'000
Salaries and wages		
Post-employment benefits costs:	39,696	41,813
- Defined contribution scheme	155	141
- Unfunded gratuity provision (Note 14)	1,745	2,278
- National Social Security Fund	915	801
	42,511	45,033

9 Income tax expense

	2009 Shs'000	2008 Shs'000
Current income tax	10,746	6,605
Deferred income tax charge for the year	1,207	163
Over provision of deferred income tax in prior years	(191)	-
Income tax expense	11,762	6,768

Notes (continued)

9 Income tax expense (continued)

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

	2009 Shs'000	2008 Shs'000
Profit before income tax	38,731	15,234
Tax calculated at the statutory income tax rate of 30% (2008 – 30%)	11,619	4,570
Tax effects of:		
Expenses not deductible for tax purposes	334	42
Under provision of current income tax in prior years	-	2,156
Over provision of deferred income tax in prior years	(191)	-
Income tax expense	11,762	6,768

10 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	2009 Shs'000	2008 (Restated) Shs'000
Profit attributable to equity holders of the Company (Shs thousands)	26,969	8,466
Weighted average number of ordinary shares in issue (millions)	1.2	1.2
Basic earnings per share (Shs)	22.5	7.1

There were no potentially dilutive shares outstanding at 31 December 2009 or 2008. Diluted earnings per share are therefore the same as basic earnings per share.

11 Dividends per share

At the annual general meeting to be held on 14 May 2010, a final dividend in respect of the year ended 31 December 2009 of Shs 7.5 (2008: Shs 10) per share amounting to a total of Shs 9,000,0000 (2008: Shs 6,000,000) is to be proposed.

Payment of dividends is subject to withholding tax at a rate of either 5% or 10% depending on the residence of the respective shareholders.

Notes (continued)

12 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Balance at 1 January 2008 and 1 January 2009	600	12,000
Bonus issue	600	12,000
Balance at 31 December 2009	1,200	24,000

The total authorised number of ordinary shares is 1,200,000 with a par value of Shs 20 per share. All issued shares are fully paid.

On 28 May 2009 a bonus issue of one share for every one held was made, by capitalising Shs 12,000,000 from retained earnings. A total of 600,000 shares were issued.

13 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2008: 30%). The movement on the deferred income tax account is as follows:

	2009 Shs'000	2008 Shs'000
At start of year	1,074	1,158
Charge to profit and loss account (Note 9)	1,016	163
Tax effect of post employment benefit obligations	(482)	(247)
At end of year	1,608	1,074

Notes (continued)

13 Deferred income tax (continued)

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in the profit and loss account and deferred income tax credit in equity are attributable to the following items:

Year ended 31 December 2009	1.1.2009 Shs'000	Charged/ (credited) to P/L Shs'000	Credited to equity Shs'000	31.12.2009 Shs'000
Deferred income tax liabilities				
Property, plant and equipment:	192	(192)	-	-
Biological assets	4,327	580	-	4,907
	4,519	388	-	4,907
Deferred income tax assets				
Post employment benefit obligations	(3,098)	555	(482)	(3,025)
Provisions	(347)	73	-	(274)
	(3,445)	628	(482)	(3,299)
Net deferred income tax liability	1,074	1,016	(482)	1,608

Year ended 31 December 2008	1.1.2008 Shs'000	Charged/ (credited) to P/L Shs'000	Credited to equity Shs'000	31.12.2008 Shs'000
Deferred income tax liabilities				
Property, plant and equipment:	223	(31)	-	192
Biological assets	4,397	(70)	-	4,327
	4,620	(101)	-	4,519
Deferred income tax assets				
Post employment benefit obligations	(3,173)	322	(247)	(3,098)
Provisions	(289)	(58)	-	(347)
	(3,462)	264	(247)	(3,445)
Net deferred income tax liability	1,158	163	(247)	1,074

Notes (continued)

14 Post-employment benefit obligations

Post-employment benefit unfunded obligation comprises of the following:-

	2009 Shs'000	2008 Shs'000
Service gratuities	10,085	10,325

The movement in the present value of the unfunded obligation for service gratuities is as follows:

	2009 Shs'000	2008 Shs'000
At start of year	10,325	10,578
Charged to profit and loss account	1,745	2,278
Actuarial loss recognised in the statement of comprehensive income	1,605	824
Payments during the year (Note 20)	(3,590)	(3,355)
At end of year	10,085	10,325

The amounts recognised in the profit and loss account for the year are as follows:

	2009 Shs'0000	2008 Shs'000
Current service cost	791	800
Interest cost	954	1,018
Past service costs	-	460
Total, included in employee benefits expense (Note 8)	1,745	2,278

The principal actuarial assumptions used were as follows:

	2009	2008
- discount rate	11%	11%
- future salary increases	4%	4%

Notes (continued)

14 Post-employment benefit obligations (continued)

Five year summary:

	2009 Shs'000	2008 Shs'000	2007 Shs'000	2006 Shs'000	2005 Shs'000
Present value of defined benefit obligation	10,085	10,325	10,578	8,677	13,480
Charge to profit and loss account	1,745	2,278	1,927	1,825	1,657

15 Biological assets

Changes in carrying amounts of biological assets comprise:

Year ended 31 December 2009	Tea bushes Shs'000	Fuel trees Shs'000	Total Shs'000
At start of year	12,672	1,751	14,423
Gains/(losses) arising from changes in fair value less estimated point-of-sale costs	2,004	(71)	1,933
At end of year	14,676	1,680	16,356

Year ended 31 December 2008	Tea bushes Shs'000	Fuel trees Shs'000	Total Shs'000
At start of year	12,743	1,915	14,658
Losses) arising from changes in fair value less estimated point-of-sale costs	(71)	(164)	(235)
At end of year	12,672	1,751	14,423

Notes (continued)

15 Biological assets (continued)

Tea bushes and trees are carried at fair value less estimated point-of-sale costs. The fair values of tea bushes and trees were determined based on the discounted net present values of expected net cash flows from those assets, discounted at a current market-determined pre-tax rate. In determining the fair values of tea bushes and fuel trees, the directors have made certain assumptions about the yields and market prices of tea and trees in future years, and the costs of running the estates.

The key assumptions made concerning the future (projected over 25 years in respect of tea bushes and 8 years in respect of fuel trees) are as follows:

- Climatic conditions will remain the same
- The market price of tea and tree plantations, in shilling terms, will remain constant.

The discount rate applied to the expected net cash flows was 17.5% (2008: 17.5%).

The company has 275 hectares (2008: 275 hectares) of mature tea bushes located in Limuru. The company also has 10 hectares (2008:10 hectares) of fuel plantations at 31 December 2009.

The company's tea estates harvested 3,081,820 Kgs (2008: 3,469,719 Kgs) of green tea leaf with a fair value of Shs 91 million (2008: Shs 69 million) for the year ended 31 December 2009.

16 Property, plant and equipment

	Buildings & freehold land	Plant & machinery	Motor vehicles	Computers, fixtures &fittings	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January 2008					
Cost	5,241	73	3,683	26	9,023
Accumulated depreciation	(2,178)	(73)	(3,683)	(26)	(5,960)
Net book amount	3,063	-	-	-	3,063
Year ended 31 December 2008					
Opening net book amount	3,063	-	-	-	3,063
Depreciation charge	(243)	-	-	-	(243)
Closing net book amount	2,820	-	-	-	2,820
At 31 December 2008					
Cost	5,691	73	3,683	26	9,473
Accumulated depreciation	(2,871)	(73)	(3,683)	(26)	(6,653)
Net book amount	2,820	-	-	-	2,820

Notes (continued)

16 Property, plant and equipment (continued)

	Buildings & freehold land Shs'000	Plant & machinery Shs'000	Motor vehicles Shs'000	Computers, fixtures &fittings Shs'000	Total Shs'000
Year ended 31 December 2009					
Opening net book amount	2,820	-	-	-	2,820
Depreciation charge	(133)	-	-	-	(133)
Closing net book amount	2,687	-	-	-	2,687
At 31 December 2009					
Cost	5,691	73	3,683	26	9,473
Accumulated depreciation	(3,004)	(73)	(3,683)	(26)	(6,786)
Net book amount	2,687	-	-	-	2,687

17 Receivables and prepayments

	2009 Shs'000	2008 Shs'000
Receivable from parent (Note 22)	56,148	33,758
Other receivables	78	110
	56,226	33,868

The carrying amounts of the receivables and prepayments approximate their fair values.

18 Cash and cash equivalents

	2009 Shs'000	2008 Shs'000
Cash at bank and in hand	9,525	6,664

19 Payables and accrued expenses

	2009 Shs'000	2008 Shs'000
Trade payables	313	244
Amounts due to parent (Note 22)	359	325
Accrued expenses	7,560	2,397
Other payables	3,054	4,715
	11,286	7,681

The carrying amounts of the above trade and other payables approximate to their fair values.

Notes (continued)

20 Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	2009 Shs'000	2008 Shs'000
Profit before income tax	38,731	15,234
Adjustments for:		
Interest income (Note 6)	(1,801)	(1,323)
Depreciation (Note 16)	133	243
(Gains)/losses arising from changes in fair value less estimated point-of-sale costs of biological assets (Note15)	(1,933)	235
Post employment benefit obligation		
- charge to the income statement (Note 14)	1,745	2,278
- payments during the year (Note 14)	(3,590)	(3,355)
Changes in working capital		
- receivables and prepayments	(22,358)	(10,663)
- payables and accrued expenses	3,605	2,187
Cash generated from operations	14,532	4,836

21 Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	2009 Shs'000	2008 Shs'000
Property, plant and equipment	331	-

22 Related party transactions

The Company is controlled by Unilever Tea Kenya Limited incorporated in Kenya. The ultimate parent and ultimate controlling party of the Company is Unilever Plc, incorporated in the United Kingdom. There are other companies that are related to Limuru Tea Company Limited through common shareholdings.

The following transactions were carried out with related parties:

i) **Sale of goods and services**	2009 Shs'000	2008 Shs'000
Unilever Tea Kenya Limited	91,130	69,528

Notes (continued)

22 Related party transactions (continued)

ii) Purchase of services

	2009 Shs'000	2008 Shs'000
Services from Unilever Tea Kenya Limited	2,114	1,678

iii) Key management compensation

The company is managed by its parent company Unilever Tea Kenya Limited and is charged management fees. It does not pay any remuneration to its directors and key management personnel.

iv) Outstanding balances arising from sale of goods and services

	2009 Shs'000	2008 Shs'000
Receivables from Unilever Tea Kenya Limited	56,148	33,758
Payable to Unilever Tea Kenya Limited	359	325

The amount due from Unilever Tea Kenya Limited is interest earning. The interest rate is pegged on the rate of Kenya Government securities.

Ten Largest Shareholders as at 31 December 2009

	Name of shareholder	Number of shares held	% shareholding
1	Unilever Tea Kenya Ltd	623,988	52
2	Baloobhai Chhotabhai Patel	297,444	24.79
3	Jubilee Insurance Company	52,422	4.37
4	Alimohamed Adam	30,000	2.5
5	Stanbic Nominees Ltd A/C R80001	22,698	1.89
6	Stanley Osango Ekaya	15,980	1.33
7	Mulchand Narshi Shah	14,888	1.24
8	Millicent Ivy Morson	8,268	0.69
9	Ashokkumar Raichand Shah	7,660	0.64
10	Minesh Mulchand Shah	6,598	0.55

Distribution of Shareholders as at 31 December 2009

No. of Shares	Number of Shareholders	Number of shares	% shareholding
Less than 1,000	76	49,340	4.11
1,001-5000	17	93,240	7.77
5,001-10,000	2	30,868	2.57
10,001-100,000	3	105,120	8.76
100,001-500,000	2	921,432	76.79
Total	**100**	**1,200,000**	**100.00**

Category	Number of Shareholders	Number of Shares	% Shareholding
Foreign Investor	5	10,446	0.9
Local Individuals	88	481,082	40.1
Local Institutions	7	708,472	59

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1	Unilever Tea Kenya Ltd	623,988	52
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10,001-100,000	3	105,120	8.76
100,001-500,000	2	921,432	76.79
Total	**100**	**1,200,000**	**100.00**

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Foreign Investor	5	10,446	0.9
Local Individuals	88	481,082	40.1
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Limuru Tea Company Limited
Proxy Form

I/We____
(please use block letters)

being a member/members of Limuru Tea Company Limited hereby appoint

____
(please use block letters)

failing whom the Chairman of the meeting as my/our proxy to attend and vote for me/us and on my/our behalf at the eighty fifth annual general meeting of the company to be held on Friday 14 May 2010 and at any adjournment thereof.

I/We desire to vote on the resolutions set out in the notice of the meeting as shown below *(please tick the appropriate space)*.

		Resolution	For	Against
	ORDINARY BUSINESS			
1	Adoption of the annual report and financial statements and auditors' report therein	1		
2.	Declaration of a final dividend	2		
3	Re-election of a Director	3		
4.	Authorization of the directors to fix the auditors' remuneration	4		

As witness my/our hand this_____________day________________2010

Signature(s)____

NOTES

1. This proxy form must be filled and returned to the Company Secretary, Limuru Tea Company Limited, PO Box 42011, 00100 Nairobi GPO not later than 11 a.m. on Wednesday 12 May 2010.
2. All alterations to the proxy form must be initialled.
3. Should the form of proxy be returned signed, but without specific directions as to how the proxy should vote, the Chairman or proxy chosen may vote or abstain at his/her discretion.
4. A Corporation should execute under its common seal or by the hand of any officer or attorney duly authorised in writing.

To be posted to:

The Company Secretary
Limuru Tea Company Limited
PO Box 42011
00100 Nairobi