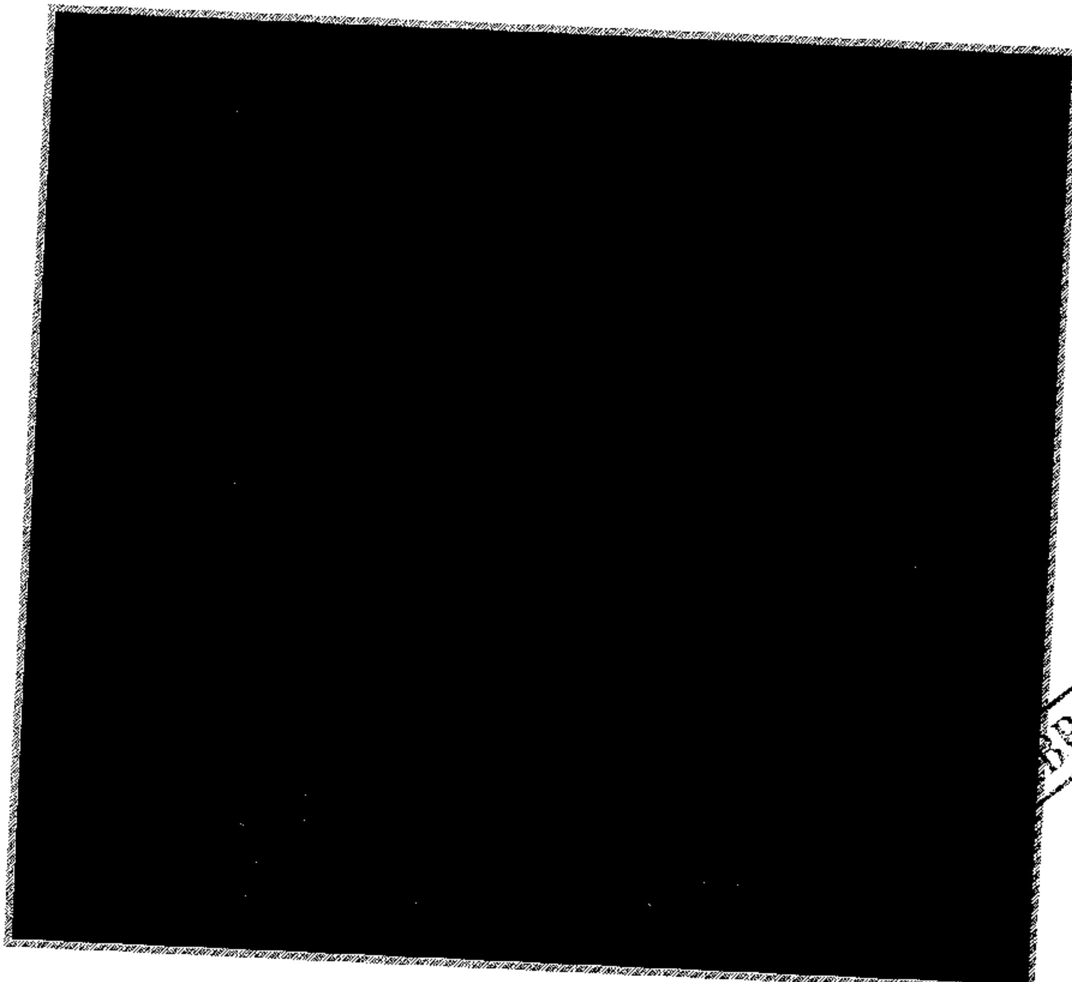

1. Tea trade -- Kenya -- periodicals
2. Tea trade -- Limuru -- Kenya

Table of Contents

BOARD OF DIRECTORS

R A Fairburn	
M Chopra	-Resigned 19th February 2004
J P Mbogua	
D G Stickler	-Resigned 20th February 2004
G J Kimetto	-Appointed 1st March 2004

COMPANY SECRETARY

A A Absaloms, LLB, CPS (K)

AUDITORS

PricewaterhouseCoopers
The Rahimtulla Tower, Upper Hill Road
PO Box 43963-00100, Nairobi

ADVOCATES

Hamilton Harrison & Mathews
ICEA Building, Kenyatta Avenue
PO Box 30333-00100, Nairobi

REGISTRARS

Co-operative Bank of Kenya Limited
Co-operative House, Haile Selassie Avenue
PO Box 48231-00100, Nairobi

BANKERS

Standard Chartered Bank Kenya Limited
Stanbank House, Moi Avenue
PO Box 72585-00100, Nairobi

Barclays Bank of Kenya Limited
Limuru Branch
PO Box 252, Limuru

INSURANCE BROKERS

Alexander Forbes Insurance Brokers Kenya Limited
Chester House, Koinange Street
PO Box 30076-00100, Nairobi

Aon Minet Insurance Brokers Limited
Aon Minet House, off Nyerere Road
PO Box 55289-00100, Nairobi

The Limuru Tea Company Limited
Five Year Record
For the year ended 31 December 2004

	2004	2003	2002	2001	2000
Industry Statistics					
Kenya tea production (Tonnes '000)	324.1	293.7	287.0	294.6	236.6
Mombasa auction average price (US cents per kg)	155	154	149	153	182
Limuru Tea Company Limited					
Tea production (Tonnes)	811	826	791	723	605
Sales (Shs '000)	56,277	57,491	47,654	45,429	56,292
Profit/(loss) before income tax	13,898	11,666	2,640	(3,991)	16,998
Income tax (expense)/credit	(4,239)	(3,619)	(1,572)	1,008	(5,174)
Profit/(loss) after income tax	9,659	8,047	1,068	(2,983)	11,824
Dividends (Shs '000)	(9,000)	(6,000)	(1,800)	-	(11,000)
Capital employed (Shs '000)					
Property, plant & equipment and biological assets	28,419	26,940	16,233	14,952	17,518
Other net assets	33,820	33,467	25,394	13,658	23,338
	62,239	60,407	41,627	28,610	40,856
Financed by (Shs'000)					
Share capital	12,000	12,000	12,000	12,000	4,000
Reserves	33,937	33,278	19,477	8,919	32,622
Shareholders' funds	45,937	45,278	31,477	20,919	36,622
Deferred income tax	3,501	3,426	787	432	2,014
Long term liabilities	12,801	11,703	9,363	7,259	2,220
	62,239	60,407	41,627	28,610	40,856
Earnings/(loss) per share (Shs)	16.10	13.41	1.78	(4.97)	19.71

Notes:
i. The comparative figures for 2000 and 2001 have not been restated for the effect of the adoption of IAS 41.
ii. The comparative figures for 2000 have not been restated for the effect of the adoption of IAS 17.

2007/1230

NOTICE IS HEREBY GIVEN that the EIGHTIETH ANNUAL GENERAL MEETING OF THE LIMURU TEA COMPANY LIMITED will be held at the Norfolk Hotel, Harry Thuku Road, Nairobi on Thursday 12th May 2005 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 2004 and the Reports of the Directors and Auditors thereon.

2. To declare a final dividend.

3. To re-elect a Director.

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

4. To authorise the directors to fix the remuneration of the auditors, PricewaterhouseCoopers.

BY ORDER OF THE BOARD

A A Absaloms
COMPANY SECRETARY

1st March 2005

NOTE:

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 not later than 11.00 a.m. on Tuesday 10th May 2005.

The Limuru Tea Company Limited owns more than 274 hectares of tea land situated four kilometres to the east of Limuru Town. The company is an outgrower to Unilever Tea Kenya Limited, the largest private sector tea company in Kenya. Unilever Tea Kenya Limited acts as the Limuru Tea Company Limited's managing agent in the growing, manufacturing, sales and marketing of its teas. The tea estate's green leaf is manufactured in the nearby Unilever Tea Kenya Limited's Mabroukie factory from where it is sold to customers in Kenya and overseas.

Tea production

Although total average rainfall in 2004 was lower than 2003, better distribution in most tea growing areas resulted in excellent growing conditions. As a result, total Kenyan tea production finished over 10% above 2003 at an all time record 324,000 tonnes.

The Limuru Tea Company Limited did not fare as well as the majority of Kenyan tea producers. Our tea crop in 2004 was some 2% below that achieved in 2003 due to 16% lower rainfall, poor distribution and an extended dry period between May and October.

The tea market

The average Mombasa Auction tea prices in US$ were maintained at or above 2003 levels for the first half of 2004. However, following a peak in September, the final quarter witnessed a serious decline with December prices ending some 10% lower than the start of the year. Average auction prices for Kenyan teas in 2004 were static at US$ 1.60 per kilo.

The global tea market continues to become ever more competitive, with overall production once again ahead of demand in 2004. Important customer countries for Kenyan teas, such as Egypt and Pakistan, now offer more favourable tariff arrangements for other tea producing countries such as India and Sri Lanka. With Kenyan costs of production now amongst the highest in the world, Kenyan tea producers must strive for additional productivity improvements in order to retain our competitive position.

Company performance

Our estate operations are managed in line with Unilever Tea Kenya Limited's best practice and in 2004 we produced 3,503,992 kilogrammes of green leaf, which in turn was manufactured into 810,742 kilogrammes of black tea.

Reduced crop yields and lower tea prices combined with a less favourable Kenya Shilling/US Dollar exchange rate constrained total revenue to 2004 levels. Costs of production rose by 4%, a commendable performance given lower tea production, an 8% increase in wages and higher utility charges.

The Limuru Tea Company Limited's pre tax profits improved to Shs 13.9 million from Shs 11.7 million in 2003. This increase was largely due to a gain in fair value of the company's biological assets. The strong cash position of The Limuru Tea Company Limited has enabled the company to pay an interim dividend of Shs 5.00 per share and to recommend a final dividend of Shs 10.00 per share for 2004.

Prospects

Crop volumes in the first eight weeks of 2005 have been much lower than the same period in 2004 due to lack of rainfall in late December, January and February. US$ tea prices have started the new year some 10% lower than in 2004 due to the high volumes of tea available in global markets. The appreciation of the Kenya Shilling after November 2004 and the increase in input costs will put additional pressure on profitability.

Prospects (continued)

Against this background of uncertain weather and low tea prices combined with a stronger Kenya Shilling, the concern for our business will continue to be the containment of operating costs, wage inflation and the ongoing cost of providing welfare benefits.

Tribute to staff

Finally, I would like to pay tribute to all our employees for their support and contribution to The Limuru Tea Company Limited during 2004, a year of ongoing challenge for our business.

R A Fairburn
CHAIRMAN

1st March 2005

ıbmit their report together with the audited financial statements for the year ember 2004, which disclose the state of affairs of the company.

ATION

pany is incorporated in Kenya under the Companies Act and is domiciled in Kenya.

IPAL ACTIVITIES

principal activity of the company is the growing of green leaf tea.

RESULTS AND DIVIDENDS

The net profit for the year of Shs 9,859,000 has been added to retained earnings. The directors recommend the approval of a final dividend of Shs 6,000,000 (2003: 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.

AUDITORS

The company's auditors, PricewaterhouseCoopers, continue in office in accordance with Section 159(2) of the Companies Act.

By order of the board

A A Absaloms
COMPANY SECRETARY

1st March 2005

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 and prudent judgements and 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. 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 adequate systems of internal financial control.

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

R A Fairburn
Director

J P Mbogua
Director

1st March 2005

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

We have audited the financial statements of The Limuru Tea Company Limited for the year ended 31 December 2004, set out on pages 9 to 26.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements as described on page 7. Our responsibility is to express an independent opinion on the financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purpose of our audit and we believe our audit provides a reasonable basis for our opinion.

Opinion

In our opinion proper books of account have been kept and the financial statements, which are in agreement with the company's books of account, give a true and fair view of the state of the company's financial affairs at 31 December 2004 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

PricewaterhouseCoopers 1st March 2005

Certified Public Accountants

Nairobi

Profit and loss account

	Notes	2004 Shs'000	2003 Shs'000
Revenue	3	56,277	57,491
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	15	2,744	157
		59,021	57,648
Cost of production		(44,852)	(43,785)
Gross profit		14,169	13,863
Other operating income		3,487	1,705
Administrative expenses		(3,442)	(3,435)
Other operating expenses		(717)	(725)
Operating profit	4	13,497	11,408
Finance income	6	401	258
Profit before income tax		13,898	11,666
Income tax expense	7	(4,239)	(3,619)
Profit for the year		9,659	8,047
Earnings per share		**Shs**	**Shs**
- basic and diluted	8	16.10	13.41
		Shs'000	**Shs'000**
Dividends:			
Interim dividends – paid in the year	9	3,000	-
Proposed final dividend for the year	9	6,000	6,000

Balance sheet

	Notes	2004 Shs'000	2003 Shs'000
CAPITAL EMPLOYED			
Share capital	10	12,000	12,000
Revaluation surplus	12	8,206	8,849
Retained earnings		19,731	18,429
Proposed dividends	9	6,000	6,000
Shareholders' funds		45,937	45,278
Non-current liabilities			
Deferred income tax	13	3,501	3,426
Post employment benefit obligations	18	12,801	11,703
		16,302	15,129
		62,239	60,407
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	14	15,104	15,482
Biological assets	15	13,315	11,458
		28,419	26,940
Current assets			
Inventories	16	-	1,138
Receivables from parent company	22	35,285	32,419
Current income tax		880	3,657
Cash and cash equivalents		4,106	4,455
		40,271	41,669
Current liabilities			
Payables and accrued expenses	17	6,451	8,202
Net current assets		33,820	33,467
		62,239	60,407

The financial statements on pages 9 to 26 were approved for issue by the board of directors on 1st March 2005 and signed on its behalf by:

R A Fairburn
Director

J P Mbogua
Director

Statement of changes in equity

	Notes	Share capital Shs'000	Revaluation surplus Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2003						
At start of year						
- as previously reported		12,000	1,372	15,083	1,800	30,255
- effect of adopting IAS 41	11	-	-	1,222	-	1,222
- as restated		12,000	1,372	16,305	1,800	31,477
Transfer of excess depreciation		-	(109)	109	-	-
Deferred income tax on transfer		-	32	(32)	-	-
Revaluation of land and buildings		-	10,791	-	-	10,791
Deferred income tax on revaluation		-	(3,237)	-	-	(3,237)
Net gains recognised directly in equity		-	7,477	77	-	7,554
Profit for the year		-	-	8,047	-	8,047
Total recognised income for 2003		-	7,477	8,124	-	15,601
Dividends:						
- Final for 2002 paid		-	-	-	(1,800)	(1,800)
- Proposed final for 2003	9	-	-	(6,000)	6,000	-
At end of year		12,000	8,849	18,429	6,000	45,278

	Notes	Share capital Shs'000	Revaluation surplus Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2004						
At start of year		12,000	8,849	18,429	6,000	45,278
Transfer of excess depreciation		-	(918)	918	-	-
Deferred income tax on transfer		-	275	(275)	-	-
Net (losses)/gains recognised directly in equity		-	(643)	643	-	-
Profit for the year		-	-	9,659	-	9,659
Total recognised income for 2004		-	(643)	10,302	-	9,659
Dividends:						
- Final for 2003 paid		-	-	-	(6,000)	(6,000)
- Interim for 2004	9	-	-	(3,000)	-	(3,000)
- Proposed final for 2004	9	-	-	(6,000)	6,000	-
At end of year		12,000	8,206	19,731	6,000	45,937

Cash flow statement

	Notes	2004 Shs'000	2003 Shs'000
Operating activities			
Cash generated from operations	21	9,904	6,971
Interest received	6	401	258
Income tax paid		(1,387)	(4,001)
Net cash from operating activities		8,918	3,228
Investing activities			
Purchase of property, plant and equipment	14	(673)	-
Proceeds from disposal of property, plant and equipment		406	172
Net cash (used in)/from investing activities		(267)	172
Financing activities			
Final dividends for 2003 paid	9	(6,000)	(1,800)
Interim dividends for 2004 paid	9	(3,000)	-
Net cash used in financing activities		(9,000)	(1,800)
(Decrease)/increase in cash and cash equivalents		(349)	1,600
Movement in cash and cash equivalents			
At start of year		4,455	2,855
(Decrease)/increase		(349)	1,600
At end of year		4,106	4,455

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 are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand, and prepared under the historical cost convention as modified by the revaluation of certain property and equipment and the carrying of biological assets and agricultural produce at the point of harvest at fair values, less estimated point-of-sale costs.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

(b) Revenue recognition

Sales of green leaf tea are recognised upon delivery of products to customers and are stated net of VAT and discounts.

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

(c) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date that are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

(d) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Buildings and freehold land are subsequently shown at market value, based on triennial valuations by independent valuers, less subsequent depreciation for buildings. All other property, plant and equipment is stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to revaluation surplus. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

Accounting policies (continued)

(d) Property, plant and equipment (continued)

Other than freehold land, depreciation is calculated on the straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Buildings – in equal instalments over the useful life of the assets not exceeding 40 years
Vehicles – over 4 years
Computers – over 3 years
Plant and machinery, fixtures and fittings – over 14 years
Freehold land is not depreciated.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) 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 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.

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.

(f) Accounting for leases

Leases where 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.

(g) 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 weighted average method. The cost of finished goods and work in progress comprises the fair value less estimated point-of-sale costs of agricultural produce at the point of harvest, the cost of raw materials and direct labour, and other direct costs and related production overheads, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

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

Accounting policies (continued)

(h) Trade receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. 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 expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

(i) 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. Any increase or decrease in the provision is taken to the profit and loss account.

The company's non-unionised employees are members of the Unilever Tea Kenya Limited defined post-employment benefit scheme. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the company and the employees. For this scheme, the pension costs are assessed using the projected unit credit method. Under this method the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of actuaries who carry out a full valuation of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows. Actuarial gains and losses are recognised over the average remaining service lives of employees.

The company and all its non-unionisable employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme. The company's contributions to this scheme are charged to the profit and loss account in the year in which they fall due. The company has no further obligation once the contributions have been paid.

(ii) Other entitlements

Employee entitlements to long service awards are recognised when paid. The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(j) Income tax

Current income tax is the amount of income tax payable on the profit for the year determined in accordance with the Kenyan Income Tax Act.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Accounting policies (continued)

(j) Income tax (continued)

However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. 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 asset is realised or the deferred income tax liability is settled.

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.

(k) 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.

(l) Restructuring provisions

Restructuring provisions mainly comprise employee termination payments and are recognised in the period in which the company becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and numbers of employees affected, or after individual employees have been advised of the specific terms. Costs related to the ongoing activities of the company are not provided in advance.

(m) Comparatives

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

Notes

1 General information

The Limuru Tea Company Limited is incorporated in Kenya under the Companies Act as a public limited liability company and is domiciled in Kenya. The company's shares are listed on the Nairobi Stock Exchange. The address of its registered office is:

Unilever Tea Kenya Limited Head Office,
Nakuru – Kericho Highway,
PO Box 20-20200
Kericho

2 Financial risk management objectives and policies

The company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in climatic conditions, prices for its agricultural produce, foreign currency exchange rates and interest rates. 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.

Financial risk management is carried out by the treasury department under policies approved by the Unilever group and Board of Directors. Treasury identifies, evaluates and hedges financial risks. The group treasury management policies provide principles for overall risk management, as well as policies covering specific areas such as commodity price risk, foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

The company has policies in place to ensure that sales are made to customers with an appropriate credit history.

3 Analysis of revenue by category

	2004 Shs'000	2003 Shs'000
Sales of green leaf to Unilever Tea Kenya Limited	56,277	57,491

There is only one business segment (production of green leaf tea) and one geographical segment (Kenya), therefore no segment information is presented.

4 Operating profit

The following items have been charged/(credited) in arriving at operating profit:

	2004 Shs'000	2003 Shs'000
Depreciation on property, plant and equipment (Note 14)	1,051	241
Repairs and maintenance expenditure on property, plant and equipment	495	569
Profit on disposal of plant and equipment	(406)	(172)
Aggregate gain arising on initial recognition of biological assets and agricultural produce at the point of harvest and from the changes in fair value less estimated point-of-sale costs of biological assets (Note 15)	2,744	157
Staff costs (Note 5)	32,345	35,349
Auditors' remuneration	386	310

Notes (continued)

5 Staff costs

	2004 Shs'000	2003 Shs'000
The following items are included within staff costs:		
Retirement benefit costs:		
- Gratuity (Note 18)	1,583	3,287
- Group defined benefit scheme	168	145
- National Social Security Fund	983	817

The number of persons employed by the company at the year-end was:

	2004 Number	2003 Number
Full time	312	319
Casual	261	208
	573	527

6 Finance income

	2004 Shs'000	2003 Shs'000
Interest income		
- Current account with Unilever Tea Kenya Limited	401	258

7 Income tax

Current income tax	4,164	4,217
Deferred income tax (Note 13)	75	(598)
	4,239	3,619

Notes (continued)

7 Income tax (continued)

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

	2004 Shs'000	2003 Shs'000
Profit before income tax	13,898	11,666
Income tax calculated at the statutory income tax rate of 30% (2003: 30%)	4,169	3,500
Tax effect of:		
Expenses not deductible for tax purposes	97	119
Over provision of deferred tax in prior years	(27)	-
Income tax expense	4,239	3,619

8 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of The Limuru Tea Company Limited of Shs 9,659,000 (2003: Shs 8,047,266) by the 600,000 ordinary shares in issue.

There were no potentially dilutive shares outstanding at 31 December 2004 or 2003, therefore, diluted earnings per share is the same as basic earnings per share.

9 Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. During the year, an interim dividend of Shs 5 per share was paid out amounting to Shs 3,000,000 (2003: Nil). At the annual general meeting to be held on 12 May 2005, a final dividend in respect of the year ended 31 December 2004 of Shs 10 (2003: Shs 10) per share amounting to a total of Shs 6,000,000 (2003: 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.

10 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Balance at 1 January and 31 December 2004	600	12,000

The total authorised number of ordinary shares is 600,000 with a par value of Shs 20 per share. All issued shares are fully paid.

Notes (continued)

11 Prior year adjustment

	2004 Shs'000	2003 Shs'000
Adjustment to carrying value of biological assets	-	1,746
Deferred income tax thereon	-	524
Prior year adjustment to retained earnings	-	1,222

12 Revaluation surplus

The revaluation surplus represents solely the surplus on the revaluation of buildings and freehold land net of deferred tax and is non-distributable. The movements in the revaluation surplus are set out in the company's statement of changes in equity on pages 11 and 12.

13 Deferred income tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30%. The movement on the deferred income tax account is as follows:

	2004 Shs'000	2003 Shs'000
At start of year		
- as previously reported	3,426	263
- prior year adjustments on adoption of IAS 41	-	524
- as restated	3,426	787
Charge/(credit) to profit and loss account (Note 7)	75	(598)
Deferred income tax effect of revaluation	-	3,237
At end of year	3,501	3,426

Notes (continued)

13 Deferred income tax (continued)

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

	1.1.2004 Shs'000	Charged/ (credited) to P&L Shs'000	31.12.2004 Shs'000
Deferred income tax liabilities			
Property, plant and equipment:			
- on historical cost basis	(81)	93	12
- on revaluation surpluses	3,792	(275)	3,517
Biological assets	3,438	557	3,995
	7,149	375	7,524
Deferred income tax assets			
Provisions	(3,723)	(300)	(4,023)
Net deferred income tax liability	3,426	75	3,501

Deferred income tax of Shs 275,000 (2003: Shs 32,000) was transferred within shareholders' equity from revaluation surplus to retained earnings. This represents deferred income tax on the difference between the actual depreciation on the property and the equivalent depreciation based on the historical cost of the property.

Notes (continued)

14 Property, plant and equipment

	Land and buildings Shs'000	Plant & machinery Shs'000	Motor vehicles Shs'000	Computers, fixtures & fittings Shs'000	Total Shs'000
Cost or valuation					
At start of year	15,480	93	4,238	26	19,837
- additions	673	-	-	-	673
- disposals	-	-	(555)	-	(555)
At end of year	16,153	93	3,683	26	19,955
Depreciation					
At start of year	-	93	4,238	24	4,355
- charge for the year	1,050	-	-	1	1,051
- on disposal	-	-	(555)	-	(555)
At end of year	1,050	93	3,683	25	4,851
Net book amount					
At 31 December 2004	15,103	-	-	1	15,104
At 31 December 2003	15,480	-	-	2	15,482

Property plant and equipment stated at cost of Shs 3,871,897 (2003: Shs 4,473,000) have been fully depreciated. The normal annual depreciation charge in respect of these assets would have been Shs 929,857 (2003: Shs 463,723).

In the opinion of the directors, there is no impairment of property, plant and equipment.

Buildings and freehold land were last revalued during 2003, by Knight Frank Valuers Limited, independent valuers. Valuations were made on the basis of the open market value. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred income tax was credited to the revaluation surplus in shareholders' equity.

If the buildings and land were stated on the historical cost basis, the amounts would be as follows:

	2004 Shs'000	2003 Shs'000
Cost	5,948	5,275
Accumulated depreciation	(2,581)	(2,432)
Net book amount	3,366	2,843

Notes (continued)

15 Biological assets

Changes in carrying amounts of biological assets comprise:

	Tea bushes Shs'000	Tree plantations Shs'000	Totals Shs'000
At start of the year	9,764	1,694	11,458
Gain arising from changes in fair value less estimated point-of-sale costs	1,526	1,218	2,744
Decreases due to harvest	-	(887)	(887)
At end of the year	11,290	2,025	13,315

Tea bushes and tree plantations are carried at fair value less estimated point-of-sale costs. The fair values of tea bushes and tree plantations 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 tree plantations, the directors have made certain assumptions about the yields and market prices of tea and tree plantations 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 10 years in respect of tree plantations) are as follows:

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

The discount rate applied to expected net cash flows was 17.5% (2003: 17.5%)

The Limuru Tea Company Limited has more than 274 hectares of mature tea bushes located in the major tea growing areas of the country. The company also has more than 10 hectares of tree plantations.

In addition the company's tea estates harvested 3,503,992 kgs of green tea leaf with a fair value less estimated point-of-sale costs of Shs 56 million. The company also harvested 11 hectares of tree plantations with a fair value less estimated point-of-sale costs of Shs 0.88 million.

16 Inventories

	2004 Shs'000	2003 Shs'000
Stores and fertilisers	-	1,138

17 Payables and accrued expenses

	2004	2003
Trade payables	2	2
Accrued expenses	3,155	4,360
Other payables	3,294	3,840
	6,451	8,202

Notes (continued)

18 Post employment benefit obligations

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

Service gratuities

	2004 Shs'000	2003 Shs'000
At start of year	11,703	9,363
Net charge included in staff costs	1,583	3,287
Less: gratuities paid	(485)	(947)
At end of year	12,801	11,703

Group defined benefit scheme

The company's non-unionised employees are members of the Unilever Tea Kenya Limited's defined post-employment benefit scheme, which is funded by contributions from both the company and the employees.

Unilever Tea Kenya Limited is solely liable to the actuarial and investment risks of the scheme. The assets of the scheme are held independently of the group's assets, in separate trustee administered funds. The details of the group retirement benefit scheme are disclosed in the financial statements of Unilever Tea Kenya Limited.

19 Contingent liabilities

The company had no contingent liabilities as at 31 December 2004 and 2003.

20 Commitments

Capital commitments

The company had no capital commitments as at 31 December 2004 and 2003.

Operating lease commitments

The company had no operating lease commitments as at 31 December 2004 and 2003.

Notes (continued)

21 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2004 Shs'000	2003 Shs'000
Profit before tax	13,898	11,666
Adjustments for:		
Interest income (Note 6)	(401)	(258)
Depreciation (Note 14)	1,051	241
Profit on sale of plant and equipment (Note 4)	(406)	(172)
Gains arising from changes in fair value of biological assets less estimated point-of-sale costs and due to harvests (Note 15)	(1,857)	(157)
Changes in working capital		
– receivables	(2,866)	(7,169)
– inventories	1,138	(1,120)
– payables and accrued expenses	(1,751)	1,600
– post employment benefit obligations	1,098	2,340
Cash generated from operations	9,904	6,971

22 Related party transactions

The company is controlled by Unilever Tea Kenya Limited, incorporated in Kenya. The ultimate parent of the Group is Unilever Plc, incorporated in the United Kingdom.

The following transactions were carried out with related parties:

i) Sale of green leaf tea

	2004 Shs'000	2003 Shs'000
Unilever Tea Kenya Limited	56,277	57,491

Sales of green leaf tea to the parent company were at terms and conditions similar to those offered by the parent company to other out-growers.

ii) Outstanding balances from sale of goods and purchase of services

	2004 Shs'000	2003 Shs'000
Receivables from parent company	35,285	32,418

iii) Directors' remuneration

- fees for services as a director	30	30

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The ten largest shareholders of the company and their respective holdings as at 31st December 2004 were as follows:

	Name	Number of Shares	% holding
1	Unilever Tea Kenya Limited	311,994	51.999
2	Mulchand Narshi Shah	57,444	9.574
3	Baloobhai Chotabhai Patel	52,390	8.731
4	CDSC Nominees Limited	44,960	7.493
5	Insurance Co. of East Africa Ltd	30,627	5.104
6	Alimohamed Adam	15,000	2.500
7	Stanbic Nominees Kenya Limited A/C SCKPF	11,349	1.891
8	Stanley Osango Ekaya	7,990	1.331
9	Mansukhlal Jamnadas Morjaria	5,000	0.833
10	Haridas Jamnadas Morjaria	5,000	0.833

SUMMARY OF SHAREHOLDERS

Shareholders	No. of shareholders	Shares	% holding
Foreign	4	4,323	0.72
Local Individual	70	241,698	40.28
Local Institutional	5	353,979	59.00

DISTRIBUTION SCHEDULE

Category	No. of shareholders	Number of Shares	% holding
1 - 1000	52	22,564	3.76
1001 - 5000	19	52,280	8.71
5001 - 10000	1	7,990	1.33
10001 - 100000	6	205,172	34.20
100001 - 500000	1	311,994	52.00
Total	**79**	**600,000**	**100**

PROXY FORM

I/We ____
(please use block letters)

being member/members of The 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 on my/our behalf at the eightieth annual general meeting of the company to be held on 12th May 2005 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)

	Resolutions	Resolutions	For	Against
1.	To adopt the Annual Report of the Directors and financial statements	1		
2.	To declare a final dividend	2		
3.	To re-elect Mr J P Mbogua as a director	3		
4.	To authorise the directors to fix the auditors' remuneration	4		

As witness my/our hand this ______________ day ____________________ 2005

Signature(s)____

NOTES

1. This proxy form must be filled and returned to the Company Secretary, The Limuru Tea Company Limited, PO Box 42011, Nairobi not later than 11.00 a.m. on Tuesday 10th May 2005.
2. All alterations to the proxy form must be initialled.
3. Should the form of proxy be returned signed, but without specific directors 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:

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