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LIMURU TEA COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2007

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Limuru Tea Company Limited
Annual Report and Financial Statements
For the year ended 31 December 2007

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BOARD OF DIRECTORS
R A Fairburn (Chairman)
E D Foresta

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

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

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

REGISTRAR
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

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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 THIRD ANNUAL GENERAL MEETING OF THE LIMURU TEA COMPANY LIMITED** will be held at the Intercontinental Hotel on Thursday 10th July 2008 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 2007 and the Reports of the Directors and Auditor thereon.

2. To declare a first and final dividend

3. To re- elect a Director

   Mr. E D Foresta 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 authorize the Directors to fix the remuneration of the auditor, PricewaterhouseCoopers.

BY ORDER OF THE BOARD

2008/1544

Antoinette A Absaloms
Company Secretary
25 April 2008

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, The Limuru Tea Company Limited, PO Box 42011, 00100 Nairobi not later than 11.00 a.m. on Tuesday 8 July 2008.

CHAIRMAN'S REPORT

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, the largest private sector tea company in Kenya. Unilever Tea Kenya 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 Unilever Tea Kenya Mabroukie factory from where it is sold mainly for export.

Tea Production

Crop Production

Despite relatively dry conditions in November and December 2007, national tea production, at 369,000 tonnes, was an all time record and confirmed Kenya as the world's leading exporter of tea.

Production from Limuru Tea Company increased by 28% over 2006 which was significantly higher than the national crop increase of 19%. The Limuru Tea Company 2007 Crop was the highest for 5 years, reflecting better weather conditions and further improvements to agronomic practices.

The Tea Market

With global supply once again outstripping demand, average Mombasa Auction tea prices decreased from US$ 1.93 in 2006 to US$ 1.76 in 2007, a reduction of close to 10%. The situation was made worse for Kenyan producers by the impact of an appreciating currency which led to a local currency price decrease of 15%.

The combination of significantly lower Kenya shilling tea prices and the fact that Kenyan costs of production are now the highest in Africa will challenge our industry to deliver a step change in productivity in order to remain competitive.

Company Performance

Our estate operations are managed in line with Unilever Tea Kenya best practice and in 2007 we produced 3,805,362 kilograms of green leaf, which in turn was manufactured into 846,780 kilograms of black tea.

The combination of lower US$ tea prices and a stronger Kenya shilling reduced sales prices per kilo of Made Tea by Shs. 23 per kilo or 17% in 2007. Despite these lower prices, total revenues increased from Shs. 51.0m in 2006 to Shs. 54.3m in 2007 a rise of 6.5%. Costs per unit of production decreased by 10% due it increased efficiency on higher production volumes.

Limuru Tea Company posted a pre tax profit of Shs. 2.4m in 2007 compared to Shs. 6.9m in 2006. The directors recommend a final dividend of Shs. 5.00 per share for 2007.

Prospects

Crop volumes in the first quarter of 2008 have been significantly lower than 2007 due to the poor short rains in October, November and December. US$ tea prices are higher than the same period last year but the ongoing strength of the Kenya shilling and higher wage 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 2007.

R A Fairburn, Chairman
25 April 2008

The directors submit their report together with the audited financial statements for the year ended 31 December 2007, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The net profit for the year of Shs 1,402,000 has been added to retained earnings. During the year no interim dividend was paid. The directors recommend the approval of a final dividend of Shs 3,000,000 (2006: Shs 6,000,000).

DIRECTORS

The directors who held office during the year and to the date of this report were:

R A Fairburn
E De Foresta

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

Mr. R A Fairburn remains in office pursuant to Article 100 of the company's articles of association.

AUDITOR

The company's auditor, PricewaterhouseCoopers, has expressed willingness to continue in office in accordance with Section 159(2) of the Companies Act.

By order of the Board

Antoinette A Absaloms
Company Secretary
25 April 2008

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.

R A Fairburn
Director
25 April 2008

E De Foresta
Director

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 set out on pages 8 to 28. These financial statements comprise the balance sheet at 31 December 2007, and the profit and loss account, statement of recognised income and expense and cash flow statement 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 2007 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

As required by the Kenyan Companies Act 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

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

Certified Public Accountants
25 April 2008
Nairobi

Profit and loss account

	Notes	Year ended 31 December 2007 Shs '000	2006 Shs '000
Revenue	5	54,362	51,036
(Losses)/gains arising from changes in fair value less estimated point-of-sale costs of biological assets	18	(23)	2,611
		54,339	53,647
Cost of sales		(47,272)	(43,253)
Gross profit		7,067	10,394
Other operating income		636	520
Administrative expenses		(3,947)	(3,093)
Other operating expenses		(1,311)	(866)
Profit before income tax	6	2,445	6,955
Income tax expense	8	(1,043)	(2,126)
Profit for the year		1,402	4,829
Earnings per share for profit attributable to the equity holders of the company - basic and diluted (Shs per share)	10	2.34	8.05
Dividends: Proposed final dividend for the year	9	3,000	6,000

Statement of recognised income and expense

	Notes	Year ended 31 December 2007 Shs'000	2006 Shs'000
Actuarial gains on post employment benefit obligations	17	-	184
Deferred income tax thereon	16	-	(54)
Net income recognised directly in equity		-	130
Net profit for the year		1,402	4,829
Total recognised income	15	1,402	4,959

Balance sheet

	Notes	31 December 2007 Shs'000	31 December 2006 Shs'000
CAPITAL EMPLOYED			
Share capital	11	12,000	12,000
Revaluation surplus	12	6,273	6,916
Retained earnings	15	16,228	17,183
Proposed dividend	9	3,000	6,000
Shareholders' funds		37,501	42,099
Non-current liabilities			
Deferred income tax	16	3,848	4,561
Post-employment benefit obligations	17	10,578	9,297
		14,426	13,858
		51,927	55,957
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	19	12,026	13,096
Biological assets	18	14,658	14,681
		26,684	27,777
Current assets			
Receivable from parent company	23	23,205	29,100
Cash and cash equivalents	13	5,272	1,891
Current income tax recoverable		2,260	2,427
		30,737	33,418
Current liabilities			
Payables and accrued expenses	14	5,494	5,238
Net current assets		25,243	28,180
		51,927	55,957

The financial statements on pages 8 to 28 were approved for issue by the board of directors on25 April 2008 and signed on its behalf by:

R A Fairburn
Director

E De Foresta
Director

Cash flow statement

	Notes	Year ended 31 December 2007 Shs '000	2006 Shs '000
Operating activities			
Cash generated from operations	20	9,776	2,876
Interest received		1,194	1,434
Income tax paid		(1,589)	-
Net cash generated from operating activities		9,381	4,310
Investing activities			
Proceeds from disposal of property plant and equipment	19	-	19
Net cash used in investing activities		-	19
Financing activities			
Final dividends paid		(6,000)	(3,000)
Net cash used in financing activities		(6,000)	(3,000)
Increase in cash and cash equivalents		3,381	1,329
Movement in cash and cash equivalents			
At start of year		1,891	562
Increase		3,381	1,329
At end of year	13	5,272	1,891

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 address of its registered office is:

c/o Unilever Tea Kenya Limited Head Office
Nakuru – Kericho Highway
P.O Box 20 – 20200
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 the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in compliance 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 estimates and assumptions. It also requires management 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 4.

In 2007 the following new and revised standards and interpretations became effective for the first time and have been adopted by the company where relevant to its operations. The comparative figures have been restated as required, in accordance with the relevant requirements.

- *IAS 1 Amendment, Capital Disclosures.* The amendment to IAS 1 introduces disclosures about the level of the Company's capital and how it manages capital.

- *IFRS 7, Financial Instruments: Disclosures.* IFRS 7 introduces new disclosures to improve the information about financial instruments. It does not have any impact on the classification or measurement of the Group's financial instruments.

Standards, interpretations and amendments to published standards that are not yet effective.

The following amendment to an existing standard, new standard and interpretations will be mandatory for the company's accounting periods beginning on or after 1 January 2008, but which the company has not early adopted:

- *IFRIC 11 – Group and Treasury Share Transactions* – from 1 January 2008
- *IFRIC 12 – Service Concession Arrangements* – from 1 January 2008
- *IFRS 8 – Operating segments* – from 1 January 2009
- *IAS 23 – Borrowing costs (revised)* – from 1 January 2009.

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Notes (continued)

(a) Basis of preparation (continued)

The Directors have assessed the relevance of these amendments and interpretations with respect to the company's operations and concluded that they are not relevant to the company.

(b) Revenue recognition

Revenue comprises the fair value of the consideration received and receivable for the sale of products and services in the ordinary course of the company's activities. Revenue is shown net of value-added tax (VAT), rebates and discounts. Revenue is recognised as follows:

Sales are recognised in the period in which the company delivers products to customers the customer has accepted the products and collectability of the related receivables is reasonably assured.

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

(c) Functional currency and translation of foreign currencies

Transactions are recorded on initial recognition in Kenya Shillings, being the currency of the primary economic environment in which the company operates (the functional currency). Transactions in foreign currencies are converted 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.

(d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(e) 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, valuations carried out at least every five years by external independent valuers, less subsequent depreciation for buildings. All other property, plant and equipment is stated at historical cost less depreciation. 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)

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus reserve in equity. 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.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost or re-valued amounts to their residual values over their estimated useful life as follows:

Buildings	25 - 40 years
Plant and machinery	10 - 15 years
Equipment and motor vehicles	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 reference to their carrying amounts and are taken into account in determining operating profit. On disposal of re-valued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

(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.

Notes (continued)

(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. 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 applicable variable selling expenses.

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. 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.

(j) 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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) 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 recognised income and expense.

Notes (continued)

(k) Employee benefits (continued)

The company's non - unionised employees are members of the Unilever Tea Kenya Limited defined benefit scheme.

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of the defined contribution scheme are held in a separate trustee administered fund, which is funded by contributions from both the company and the employees. The company and all its employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme.

(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.

(l) Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred 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. 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.

(m) 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.

Notes (continued)

(n) Share capital

Ordinary shares are classified as equity.

(o) Payables

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

3 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 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, but the company does not hedge any risks.

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

<u>(a) Market risk</u>

(i) Foreign exchange risk

The company operates locally hence there is no exposure to foreign exchange risk.

(ii) Price risk

The company is not exposed to equity securities price risk.

(iii) Cash flow and fair value interest rate risk

The company does not have borrowings hence there was no exposure to cash flow and fair value interest rate risk as at 31 December 2007 and 2006.

<u>(b) Credit risk</u>

Credit risk arises from cash and cash equivalents, and deposits with banks, as well as amounts due from the parent company. The company does not have any significant concentrations of credit risk.

The amount that best represents the company's maximum exposure to credit risk at 31 December 2007 is made up as follows:

	2007 Shs'000	2006 Shs'000
Cash and cash equivalents	5,272	1,891
Receivables from related companies	23,205	29,100
	28,477	30,991

Notes (continued)

3 **Financial risk management objectives and policies (continued)**

(c) Credit risk (continued)

No collateral is held for any of the above assets. The company does not grade the credit quality of receivables. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are past due or impaired.

(d) 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.

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 30 days Shs'000	Between 30 and 60 days Shs'000	Between 60 and 90 days Shs'000	Between 90 and 150 days Shs'000	Over 150 days Shs'000	Total Shs'000
At 31 December 2006						
- Trade creditors	-	-	-	-	2	**2**
- Accrued expenses	2,775	-	-	-	-	**2,775**
- Other payables	1,007	-	605	-	849	**2,461**
Total	**3,782**	**-**	**605**	**-**	**851**	**5,238**
At 31 December 2007						
- Trade creditors	-	-	-	-	2	**2**
- Accrued expenses	1,784	-	-	-	-	**1,784**
- Other payables	1,808	-	540	-	1,360	**3,708**
Total	**3,592**	**-**	**540**	**-**	**1,362**	**5,494**

Notes (continued)

3 Financial risk management objectives and policies (continued)

(e) Capital risk management

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 2007 the Company's strategy which was unchanged from 2006, was to use funds generated from internal sources. No funds were borrowed from the market.

4 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

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 18.

Property, plant and equipment
Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2(e) above.

Post-employment benefit obligations
Critical assumptions are made by the actuary in determining the present value of retirement benefit obligations. These assumptions are set out in Note 17.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the company's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases
- whether assets are impaired
- provisions and contingent liabilities.

5 (a) Revenue	**2007**	**2006**
	Shs'000	**Shs'000**
Sales of green leaf to Unilever Tea Kenya limited	54,362	51,036

5 (b) Segment reporting

There is only one business segment (growing of green leaf tea) and one geographical segment (Kenya) hence no segment information is presented.

Notes (continued)

6 Operating profit

The following items have been charged in arriving at operating profit

	2007 Shs'000	2006 Shs'000
Depreciation on property, plant and equipment (Note 19)	1,070	1,069
Profit on disposal of property, plant and equipment	-	(19)
Repairs and maintenance expenditure on property, plant and equipment	172	407
Aggregate loss/ (gain) 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 18)	23	(2,611)
Employee benefits expense (Note 7)	40,736	29,687
Auditor's remuneration	375	310

7 Employee benefits expense

The following items are included within employee benefits expense:

	2007 Shs'000	2006 Shs'000
Post-employment benefits costs:		
- Unfunded gratuity provision (Note 17)	1,927	1,825
- Defined contribution scheme	179	175
- National Social Security Fund	677	611

8 Income tax expense

	2007 Shs'000	2006 Shs'000
Current income tax	1,756	1,230
Deferred income tax (Note 16)	(713)	896
Income tax expense	1,043	2,126

Notes (continued)

8 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:

	2007 Shs'000	2006 Shs'000
Profit before income tax	2,445	6,955
Tax calculated at the statutory income tax rate of 30% (2006 – 30%)	733	2,086
Tax effect of:		
Income not subject to tax	(39-)	-
Expenses not deductible for tax purposes	349	40
Income tax expense	1,043	2,126

9 Dividends per share

At the annual general meeting to be held on 10 July 2008, a final dividend in respect of the year ended 31 December 2007 of Shs 5 (2006: Shs 10) per share is to be proposed. The total dividend for the year is therefore Shs 3,000,000 (2006: Shs 6,000,000)

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 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.

	2007	2006
Profit attributable to equity holders of the Company (Shs thousands)	1,402	4,829
Weighted average number of ordinary shares in issue (thousands)	600	600
Basic earnings per share (Shs)	2.34	8.05

11 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Balance at 1 January 2006 , 1 January 2007 and 31 December 2007	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)

12 Revaluation surplus

The revaluation surplus represents solely the surplus on the revaluation of buildings and freehold land net of deferred income tax, and is non-distributable. The movements in the revaluation surplus are set out in the company's equity on Note 15.

13 Cash and cash equivalents

	2007 Shs'000	2006 Shs'000
Cash at bank and in hand	5,272	1,891

14 Payables and accrued expenses

	2007 Shs'000	2006 Shs'000
Trade payables	2	2
Accrued expenses	1,784	2,775
Other payables	3,708	2,461
	5,494	5,238

The carrying amounts of the above payables and accrued expenses approximate to their fair values.

15 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 2006						
At start of year		12,000	7,559	17,581	3,000	40,140
Transfer of excess depreciation		-	(918)	918	-	-
Deferred income tax on transfer		-	275	(275)	-	-
Net (loses)/gains recognised directly in equity		-	(643)	643	-	-
Total recognised income for 2006		-	-	4,959	-	4,959
Total recognised (loss)/income for 2006		-	(643)	5,602	-	4,959
Dividends:						
- Final for 2005		-	-	-	(3,000)	(3,000)
- Proposed final for 2006		-	-	(6,000)	6,000	-
At end of year		12,000	6,916	17,183	6,000	42,099

Notes (continued)

15 Equity (continued)

	Notes	Share capital Shs'000	Revaluation surplus Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2007						
At start of year		12,000	6,916	17,183	6,000	42,099
Transfer of excess depreciation		-	(918)	918	-	-
Deferred income tax on transfer		-	275	(275)	-	-
Net (loses)/gains recognised directly in equity		-	(643)	643	-	-
Total recognised income for 2007		-	-	1,402	-	1,402
Total recognised (loss)/income for 2007		-	(643)	2,045	-	1,402
Dividends:						
- Final for 2006		-	-	-	(6,000)	(6,000)
- Proposed final for 2007	9	-	-	(3,000)	3,000	-
At end of year		12,000	6,273	16,228	3,000	37,501

Notes (continued)

16 Deferred income tax

Deferred income tax is calculated using the enacted tax rate of 30% (2006: 30%). The movement on the deferred income tax account is as follows:

	2007 Shs'000	2006 Shs'000
At start of year	4,561	3,611
(Credit)/charge to profit and loss account (Note 8)	(713)	896
Tax effect of post employment benefit obligations	-	54
At end of year	3,848	4,561

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

	1.1.2007 Shs'000	Charged/ (credited) to P/L Shs'000	31.12.2007 Shs'000
Deferred income tax liabilities			
Property, plant and equipment:			
- on historical cost basis	153	72	225
- on revaluation surpluses	2,965	(277)	2,688
Biological assets	4,404	(7)	4,397
	7,522	(212)	7,310
Deferred income tax assets			
Provisions	(172)	(117)	(289)
Post employment benefit obligations	(2,789)	(384)	(3,173)
	(2,961)	(501)	(3,462)
Net deferred income tax liability	4,561	(713)	3,848

Notes (continued)

16 Deferred income tax (continued)

Deferred income tax of Shs 275,000 (2006: Shs 275,000) was transferred within shareholders' equity from revaluation reserves 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.

17 Post-employment benefit obligations

Post employment benefit unfunded obligation comprise of the following:

	2007 Shs'000	2006 Shs'000
Service gratuities	10,578	9,297

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

	2007 Shs'000	2006 Shs'000
At start of year	9,297	8,677
Charged to profit and loss account	1,927	1,825
Actuarial gain recognised in the statement of recognised income and expense	-	(184)
Payments during the year	(646)	(1,021)
At end of year	10,578	9,297

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

	2007 Shs'000	2006 Shs'000
Current service cost	834	865
Interest cost	1,093	960
Net charge for the year included in employee benefit expense	1,927	1,825

The principal actuarial assumptions used were as follows:

	2007	2006
- future salary increases	9%	12 %
- discount rate	11%	14 %

Notes (continued)

18 Biological assets

Changes in carrying amounts of biological assets comprise:

	Tea bushes Shs'000	Trees Shs'000	Total Shs'000
At start of year	12,815	1,866	14,681
(Loses) / gains arising from changes in fair value less estimated point-of-sale costs	(72)	49	(23)
At end of year	12,743	1,915	14,658

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 expected net cash flows was 17.5% (2006: 17.5%).

The company has 275 hectares (2006: 275 hectares) of mature tea bushes located in Limuru. The company also has 10 hectares (2006:10 hectares) of fuel plantations.

In addition the company's tea estates harvested 3,362,370 kgs (2006: 2,840,225 kgs) of green tea leaf with a fair value less estimated point-of-sale costs of Shs 54 million (2006: Shs 51 million).

Notes (continued)

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19 Property, plant and equipment

	Land & buildings Shs'000	Plant & machinery Shs'000	Motor vehicles Shs'000	Computers, fixtures & fittings Shs'000	Total Shs'000
At 1 January 2006					
Cost or valuation	16,270	93	3,683	26	20,072
Accumulated depreciation	(2,105)	(93)	(3,683)	(26)	(5,907)
Net book amount	14,165	-	-	-	14,165
Year ended 31 December 2006					
Opening net book amount	14,165	-	-	-	14,165
Depreciation charge	(1,069)	-	-	-	(1,069)
Closing net book amount	13,096	-	-	-	13,096
At 31 December 2006					
Cost or valuation	16,270	73	3,683	26	20,052
Accumulated depreciation	(3,174)	(73)	(3,683)	(26)	(6,956)
Net book amount	13,096	-	-	-	13,096
Year ended 31 December 2007					
Opening net book amount	13,096	-	-	-	13,096
Depreciation charge	(1,070)	-	-	-	(1,070)
Closing net book amount	12,026	-	-	-	12,026
At 31 December 2007					
Cost or valuation	16,270	73	3,683	26	20,052
Accumulated depreciation	(4,244)	(73)	(3,683)	(26)	(8,026)
Net book amount	12,026	-	-	-	12,026

Buildings and freehold land were last re-valued during 2003, by Knight Frank 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 account in shareholders' equity. In the opinion of the directors, there is no impairment of property, plant and equipment.

Notes (continued)

19 Property, plant and equipment (continued)

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

	2007 Shs'000	2006 Shs'000
Cost	6,032	6,032
Accumulated depreciation	(2,966)	(2,815)
Net book amount	3,066	3,217

20 Cash generated from operations

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

	2007 Shs'000	2006 Shs'000
Profit before income tax	2,445	6,955
Adjustments for:		
Interest income	(1,194)	(1,434)
Depreciation (Note 19)	1,070	1,069
Profit on sale of property, plant and equipment	-	(19)
Losses/(gains) arising from changes in fair value less estimated point-of-sale costs of biological assets	23	(2,611)
Changes in working capital		
– receivables and prepayments	5,895	(2,263)
– payables and accrued expenses	256	375
– post employment benefit obligation	1,281	804
Cash generated from operations	9,776	2,876

21 Contingent liabilities

The company had no contingent liabilities as at 31 December 2007 and 2006.

22 Commitments

Capital commitments

The company had no capital commitments as at 31 December 2007 and 2006.

Operating lease commitments

The company had no operating lease commitments as at 31 December 2007 and 2006.

Notes (continued)

23 Related party transactions

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

The following transactions were carried out with related parties:

i) Sale of green leaf	2007 Shs'000	2006 Shs'000
Unilever Tea Kenya Limited	54,362	51,036

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

ii) Purchase of goods and services	2007 Shs'000	2006 Shs'000
Services from Unilever Tea Kenya limited	1,261	1,184

iii) Key management compensation

The company is managed by its parent company Unilever Tea Kenya Limited and is charged management fees.

iv) Directors' remuneration	2007 Shs'000	2006 Shs'000
Fees for services as a director	-	18

v) Outstanding balances from sale of goods/services

	2007 Shs'000	2006 Shs'000
Receivables from Unilever Tea Kenya Limited	23,205	29,100

The carrying amounts of the above receivables approximate to their fair values.

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Ten Largest Shareholders as at 31 December 2007

	Name of shareholder	Number of shares held	% shareholding
1.	UNILEVER TEA KENYA LTD	311,994	52.00
2.	BALOOBHAI CHHOTABHAI PATEL	148,722	24.79
3.	JUBILEE INSURANCE CO LTD	26,211	4.37
4.	ALIMOHAMED ADAM	15,000	2.50
5.	STANBIC NOMINESS KENYA LTD A/C R8001	11,349	1.89
6.	STANLEY OSANGO EKAYA	7,999	1.33
7.	MULCHAND NARSHI SHAH	7,444	1.24
8.	MILLICENT IVY MORSON	4,134	0.69
9.	ASHOKKUMAR RAICHAND SHAH	3,830	0.64
10.	MINESH MULCHAND SHAH	3,399	0.57

Distribution of shareholders as at 31 December 2007

Number of shares	Number of shareholders	Number of shares	% shareholding
Less than 1,000	68	23,870	3.98
1,001-5,000	24	47,420	7.90
5,001-10,000	2	15,434	2.57
10,001-100,000	5	201,282	33.55
100,001-500,000	1	311,994	52.00
Total	**100**	**600,000**	**100.00**

	Number of shareholders	Number of shares	% shareholding
Foreign Investors	4	4,923	0.82
Local Individual Investors	89	240,841	40.14
Local Institutional Investors	7	354,236	59.04
Total	**100**	**600,000**	**100.00**

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 first annual general meeting of the company to be held on Thursday 10 July 2008 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
1.	Adoption of the annual report and financial statements and auditors' report therein	1		
2.	Declaration of a first and final dividend	2		
3	Re-election of a Director	3		
4.	Authorization of the directors to fix the auditor's' remuneration	4		

As witness my/our hand this_____________day________________2008

Signature(s)____

NOTES

1. This proxy form must be filled and returned to the Company Secretary, The Limuru Tea Company Limited, PO Box 42011, 00100 Nairobi GPO not later than 11 a.m. on Tuesday 8 July 2008.

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
The Limuru Tea Company Limited
PO Box 42011
00100 Nairobi