LIMURU TEA COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

2009/1680

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

BOARD OF DIRECTORS
R A Fairburn (Chairman)
E D Foresta
Richard Korir (Appointed on 1 January 2009)

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

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 FOURTH ANNUAL GENERAL MEETING OF THE LIMURU TEA COMPANY LIMITED** will be held at the Brackenhurst Training Centre on Tuesday 26 May 2009 at 11.00 a.m. for the following purposes:

SPECIAL BUSINESS

To pass the following resolution as Special Resolutions

1. That the Share Capital of the company be increased from Shs 12 million to Shs 24 million by the creation of an additional 600,000 shares of Shs 20 each.

2. That the additional shares created be issued to the existing shareholders as bonus shares of one share for every share held.

ORDINARY BUSINESS

1. To receive, consider and adopt the balance sheet and the financial statements for the year ended 31 December 2008 and the Reports of the Directors and Auditors thereon.

3 To declare a final dividend

4. To re- elect a director

5 To authorize the directors to fix the remuneration of the auditor, PricewaterhouseCoopers.

BY ORDER OF THE BOARD

Absaloms

Antoinette Absaloms
Company Secretary
16 April 2009

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 Friday 22 May 2009.

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.

Crop Production

A combination of the post election aftermath and an extended dry spell in the first quarter of 2008 resulted in a reduction in Kenyan tea production of 6% compared to 2007.

Limuru Tea Company production in 2008 decreased by 10% due to poor short rains at the end of 2007 and significant frost damage in the second quarter of 2008.

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 tea prices of US$ 0.50 per kilo or 30%.

The devaluation of the Kenya Shilling in the second half of 2008 also assisted the Kenyan tea grower, resulting in an increase of 34% in average prices in local currency.

Company Performance

The estate operations are managed in line with UTKL best practice and in 2008 the company produced 3,469,719 kilograms of green leaf, which in turn was manufactured into 764,322 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 Shs. 54.4m in 2007 to Shs. 69.5m in 2008, a rise of 28%. Costs per unit of production increased by over 20% due to lower production, increased wages, and higher energy and fertiliser costs. Other operating income increased by 80% in 2008 and overhead costs were well controlled, finishing the year 9% down.

Limuru Tea Company posted a pre tax profit of Shs. 15.2m in 2008 compared to Shs. 3.4m in 2007. This is the best financial result for our company in many years and the directors recommend a final dividend of Shs. 10.00 per share for 2008.

Share Capital Increase and Bonus Share Issue.

In order to ensure compliance with the Capital Markets Regulations 2002 there is a need to increase the Paid Up Share Capital of Limuru Tea Company Ltd. It is proposed that this will be achieved through the increase of the authorised share capital of the company by the creation of an additional 600,000 shares of Shs. 20 each, and the issuance of these shares as a bonus of one share for each share held, to shareholders on the register on 11 May 2009. This will be tabled for shareholder approval at the Annual General Meeting on 26th May 2009.

Prospects

Crop volumes in the first quarter of 2009 have been significantly lower than 2008 due to the early finish of the short rains in November and very low rainfall in the first quarter of 2009. US$ tea prices are higher than at the same time last year and the Shs/US$ exchange rate continues to be favourable. However, 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 2008.

R A Fairburn,
Chairman

16 April 2009

The directors submit their report together with the audited financial statements for the year ended 31 December 2008, 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 8,466,000 (2007: Shs 2,045,000) 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 6,000,000 (2007: Shs 3,000,000).

DIRECTORS

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

Dr. Richard Korir 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, continues in office in accordance with Section 159(2) of the Companies Act.

By order of the Board

Absaloms

Antoinette A Absaloms
Company Secretary
16 April 2009

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

R A Fairburn
Director
16 April 2009

R C Korir
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 9 to 32. These financial statements comprise the balance sheet at 31 December 2008, and the profit and loss account, statement of changes in equity 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 2008 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;
iii) the company's balance sheet and profit and loss account are in agreement with the books of account.

Certified Public Accountants ____________ 2009
Nairobi

Profit and loss account

	Notes	Year ended 31 December 2008 Shs '000	2007 Shs '000 Restated
Revenue	5	69,528	54,362
Losses arising from changes in fair value less estimated point-of-sale costs of biological assets	19	(235)	(23)
		69,293	54,339
Cost of sales		(52,512)	(47,446)
Gross profit		16,781	6,893
Other income	8	3,243	1,728
Administrative expenses		(4,372)	(3,947)
Other operating expenses		(418)	(1,311)
Profit before income tax	6	15,234	3,363
Income tax expense	9	(6,768)	(1,318)
Profit for the year		8,466	2,045
Earnings per share for profit attributable to the equity holders of the company - basic and diluted (Shs per share)	11	14.1	3.4
Dividends:			
Proposed final dividend for the year	10	6,000	3,000

Statement of recognised income and expense

	Notes	Year ended 31 December 2008 Shs'000	2007 Shs'000 Restated
Actuarial loss on post employment benefit obligations	18	(824)	-
Deferred income tax thereon	17	247	-
Net loss recognised directly in equity		(577)	-
Net profit for the year		8,466	2,045
Total recognised income	16	7,889	2,045

Balance sheet

	Notes	31 December 2008 Shs'000	31 December 2007 Shs'000
CAPITAL EMPLOYED			
Share capital	12	12,000	12,000
Retained earnings	16	18,117	16,228
Proposed dividend	10	6,000	3,000
Shareholders' funds		36,117	31,228
Non-current liabilities			
Deferred income tax	17	1,074	1,158
Post-employment benefit obligations	18	10,325	10,578
		11,399	11,736
		47,516	42,964
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	21	2,820	3,063
Biological assets	19	14,423	14,658
		17,243	17,721
Current assets			
Receivables and prepayments	15	33,868	23,205
Cash and cash equivalents	13	6,664	5,272
Current income tax recoverable		-	2,260
		40,532	30,737
Current liabilities			
Payables and accrued expenses	14	7,681	5,494
Current income tax		2,578	-
		10,259	5,494
Net current assets		30,273	25,243
		47,516	42,964

The financial statements on pages 8 to 32 were approved for issue by the board of directors on 16 April 2009 and signed on its behalf by:

R A Fairburn
Director

R C Korir
Director

Cash flow statement

	Notes	Year ended 31 December 2008 Shs '000	2007 Shs '000
Operating activities			
Cash generated from operations	20	4,836	9,776
Interest received	8	1,323	1,194
Income tax paid		(1,767)	(1,589)
Net cash generated from operating activities		4,392	9,381
Financing activities			
Final dividends paid		(3,000)	(6,000)
Net cash used in financing activities		(3,000)	(6,000)
Increase in cash and cash equivalents		1,392	3,381
Movement in cash and cash equivalents			
At start of year		5,272	1,891
Increase		1,392	3,381
At end of year	13	6,664	5,272

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 3.

Interpretations effective in 2008

In 2008, the following new interpretations became effective for the first time but have not had an impact on the company's financial statements:

- IFRIC 11 – IFRS 2 - Group and treasury share transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 14 – IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
- IAS 39 and IFRS 7 – Reclassification of financial assets.

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

One new standard (IFRS 8 – Operating Segments) 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 2009, but the company has not early adopted any of them.

The directors have assessed the relevance of the new standard and interpretations, and amendments to existing standards with respect to the company's operations and concluded that they will not have any impact on the company's financial statements, other than for the amendments to IAS 1 - Presentation of Financial Statements, which will require non-owner changes in equity to be presented in a 'Comprehensive Statement of Income'.

Notes (continued)

(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).

(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 historical cost and subsequently stated at cost less appreciation.

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.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost 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.

Notes (continued)

(e) Property, plant and equipment (continued)

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.

During the year, the company changed its accounting policy for accounting for property, plant and equipment from use of the revaluation model to the cost model in order to conform to the Unilever Plc's group accounting policy for property, plant and equipment. As a result, a prior period adjustment has been processed to reflect the change in accounting policy in the 2008 financial statements. The impact of the changes on transactions and balances that had previously been reported in the 2007 has been disclosed under Note 25 in the financial statements.

(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. 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.

Notes (continued)

(h) Inventories

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.

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.

Notes (continued)

(l) Income tax (continued)

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.

(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.

(p) Comparatives

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

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

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 19.

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 18.

Notes (continued)

3 Critical accounting estimates and judgements (continued)

(i) Critical accounting estimates and assumptions (continued)

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.

(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.

4 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.

(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 does not have borrowings hence there was no exposure to cash flow and fair value interest rate risk as at 31 December 2008 and 2007.

Notes (continued)

4 Financial risk management objectives and policies (continued)

(b) Credit risk

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 2008 is made up as follows:

	2008 Shs'000	2007 Shs'000
Cash and cash equivalents	6,664	5,272
Receivables from related companies	33,758	23,205
Other receivables	110	-
Current income tax recoverable	-	2,260
	40,532	30,737

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.

(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.

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.

Notes (continued)

4 Financial risk management objectives and policies (continued)

	Less than one year Shs'000	Over one year Shs'000	Total Shs'000
At 31 December 2007			
- Trade creditors	2	-	2
- Accrued expenses	1,784	-	1,784
- Other payables	3,708	-	3,708
Total	5,494	-	5,494
At 31 December 2008			
- Trade creditors	244	-	244
- Accrued expenses	2,397	-	2,397
- Other payables	5,040	-	5,040
- Current income tax payable	2,578	-	2,578
Total	10,259	-	10,259

(d) 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 2008 the company's strategy which was unchanged from 2007, was to use funds generated from internal sources. No funds were borrowed from the market.

5 (a) Revenue

	2008 Shs'000	2007 Shs'000
Sales of green leaf to Unilever Tea Kenya limited	69,528	54,362

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 Expenses by nature

The following items have been charged in arriving at profit before income tax:

	2008 Shs'000	2007 Shs'000
Depreciation on property, plant and equipment (Note 21)	243	152
Repairs and maintenance expenditure on property, plant and equipment	81	172
Aggregate 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 19)	235	23
Employee benefits expense (Note 7)	45,033	40,736
Auditor's remuneration	375	375

7 Employee benefits expense

The following items are included within employee benefits expense:

	2008 Shs'000	2007 Shs'000
Post-employment benefits costs:		
- Unfunded gratuity provision (Note 18)	2,278	1,927
- Defined contribution scheme	141	179
- National Social Security Fund	801	677

8 Other income

	2008 Shs'000	2007 Shs'000
Interest income	1,323	1,194
Sundry income	1,920	534
	3,243	1,728

9 Income tax expense

	2008 Shs'000	2007 Shs'000
Current income tax	6,605	1,756
Deferred income tax charge/ (credit) (Note 17)	163	(438)
Income tax expense	6,768	1,318

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:

	2008 Shs'000	2007 Shs'000
Profit before income tax	15,234	3,363
Tax calculated at the statutory income tax rate of 30% (2007 – 30%)	4,570	1,009
Tax effect of:		
Income not subject to tax	-	(40)
Expenses not deductible for tax purposes	42	349
Under provision of current income tax in prior years	2,156	-
Income tax expense	6,768	1,318

10 Dividends per share

At the annual general meeting to be held on 26 May 2009, a final dividend in respect of the year ended 31 December 2008 of Shs 10 (2007: Shs 5) per share is to be proposed. The total dividend for the year is therefore Shs 6,000,000 (2007: Shs 3,000,000).

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

11 *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.

	2008	2007
Profit attributable to equity holders of the company (Shs thousands)	8,466	2,045
Weighted average number of ordinary shares in issue (thousands)	600	600
Basic earnings per share (Shs)	14.1	3.4

12 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Balance at 1 January 2007 , 1 January 2008 and 31 December 2008	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)

13 Cash and cash equivalents

	2008 Shs'000	2007 Shs'000
Cash at bank and in hand	6,664	5,272

14 Payables and accrued expenses

	2008 Shs'000	2007 Shs'000
Trade payables	244	2
Accrued expenses	2,397	1,784
Other payables	5,040	3,708
	7,681	5,494

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

15 Receivables and prepayments

	2008 Shs'000	2007 Shs'000
Receivable from parent company (Note 24)	33,758	23,205
Other receivables	110	-
	33,868	23,205

Notes (continued)

16 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 2007						
At start of year						
As previously reported		12,000	6,916	17,183	6,000	42,099
Prior year adjustment (Note 25)		-	(6,916)	-	-	(6,916)
As restated		12,000	-	17,183	6,000	35,183
Total recognised income for 2007		-	-	2,045	-	2,045
Dividends:						
- Final for 2006		-	-	-	(6,000)	(6,000)
- Proposed final for 2007	10	-	-	(3,000)	3,000	-
At end of year		12,000	-	16,228	3,000	31,228
Year ended 31 December 2008						
At start of year						
As previously reported		12,000	6,273	16,228	3,000	37,501
Prior year adjustment (Note 25)		-	(6,273)	-	-	(6,273)
As restated		12,000	-	16,228	3,000	31,228
Total recognised income for 2008		-	-	7,889	-	7,889
Dividends:						
- Final for 2007		-	-	-	(3,000)	(3,000)
- Proposed final for 2008	10	-	-	(6,000)	(6,000)	-
At end of year		12,000	-	18,117	6,000	36,117

Notes (continued)

17 Deferred income tax

Deferred income tax is calculated using the enacted tax rate of 30% (2007: 30%). The movement on the deferred income tax account is as follows:

	2008 Shs'000	2007 Shs'000
At start of year		
As previously reported	3,848	4,561
Prior year adjustment (Note 25)	(2,690)	(2,965)
As restated	1,158	1,596
Charge/ (credit) to profit and loss account (Note 9)	163	(438)
Tax effect of post employment benefit obligations	(247)	-
At end of year	1,074	1,158

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

Year ended 31 December 2008	1.1.2008 Shs'000 Restated	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				
Provisions	(289)	(58)	-	(347)
Post employment benefit obligations	(3,173)	322	(247)	(3,098)
	(3,462)	264	(247)	(3,445)
Net deferred income tax liability	1,158	163	(247)	1,074

Notes (continued)

17 Deferred income tax (continued)

Year ended 31 December 2007	1.1.2007 Shs'000 *Restated*	Charged/ (credited) to P/L Shs'000 *Restated*	31.12.2007 Shs'000 *Restated*
Deferred income tax liabilities			
Property, plant and equipment:	153	70	223
Biological assets	4,404	(7)	4,397
	4,557	63	4,620
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	1,596	(438)	1,158

18 *Post-employment benefit obligations*

Post employment benefit unfunded obligation comprise of the following:

	2008 Shs'000	2007 Shs'000
Service gratuities	10,325	10,578

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

	2008 Shs'000	2007 Shs'000
At start of year	10,578	9,297
Charged to profit and loss account	2,278	1,927
Actuarial loss recognised in the statement of recognised income and expense	824	-
Payments during the year	(3,355)	(646)
At end of year	10,325	10,578

Notes (continued)

18 Post-employment benefit obligations (continued)

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

	2008 Shs'000	2007 Shs'000
Current service cost	800	834
Interest cost	1,018	1,093
Past service costs	460	-
Net charge for the year included in employee benefit expense	2,278	1,927

The principal actuarial assumptions used were as follows:

	2008	2007
- future salary increases	4%	4%
- discount rate	11%	11%

Five year summary:

	2008 Shs'000	2007 Shs'000	2006 Shs'000	2005 Shs'000	2004 Shs'000
Present value of defined benefit obligation	10,325	10,578	8,677	13,480	12,801
Charge to income statement	2,278	1,927	1,825	1,657	1,583

19 Biological assets

Changes in carrying amounts of biological assets comprise:

	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)

19 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 expected net cash flows was 17.5% (2007: 17.5%).

The company has 275 hectares (2007: 275 hectares) of mature tea bushes located in Limuru. The company also has 10 hectares (2007:10 hectares) of fuel plantations.

In addition the company's tea estates harvested 3,469,719 Kgs (2007: 3,362,370 Kgs) of green tea leaf with a fair value less estimated point-of-sale costs of Shs 69 million (2007: Shs 54 million).

20 Cash generated from operations

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

	2008 Shs'000	2007 Shs'000
Profit before income tax	15,234	3,363
Adjustments for:		
Interest income (Note 8)	(1,323)	(1,194
Depreciation (Note 21)	243	152
Losses arising from changes in fair value less estimated point-of-sale costs of biological assets (Note 19)	235	23
Post employment benefit obligation		
– charge to the income statement	2,278	1,927
– payments during the year	(3,355)	(646
Changes in working capital		
– receivables and prepayments	(10,663)	5,895
– payables and accrued expenses	2,187	256
Cash generated from operations	4,836	9,776

Notes (continued)

21 Property, plant and equipment

	Note	Land & buildings Shs'000	Plant & machinery Shs'000	Motor vehicles Shs'000	Computers, fixtures & fittings Shs'000	Total Shs'000
At 1 January 2007						
Cost						
As previously reported		16,270	73	3,683	26	20,052
Prior year adjustment	25	(11,029)	-	-	-	(11,029)
As restated		5,241	73	3,683	26	9,023
Accumulated depreciation						
As previously reported		3,174	73	3,683	26	6,956
Prior year adjustment	25	(1,148)	-	-	-	(1,148)
As restated		2,026	73	3,683	26	5,808
Net book amount		3,215	-	-	-	3,215
Year ended 31 December 2007						
Opening net book amount		3,215	-	-	-	3,215
Depreciation charge		(152)	-	-	-	(152)
Closing net book amount		3,063	-	-	-	3,063
At 31 December 2007						
Cost						
As previously reported		16,270	73	3,683	26	20,052
Prior year adjustment	25	(11,029)	-	-	-	(11,029)
As restated		5,241	73	3,683	26	9,023
Accumulated depreciation						
As previously reported		4,244	73	3,683	26	9,096
Prior year adjustment	25	(2,066)	-	-	-	(2,066)
As restated		2,178	73	3,683	26	5,960
Net book amount		3,063	-	-	-	3,063

Notes (continued)

21 Property, plant and equipment (continued)

	Land & buildings Shs'000	Plant & machinery Shs'000	Motor vehicles Shs'000	Computers, fixtures & fittings Shs'000	Total Shs'000
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)	(6,410)
Net book amount	2,820	-	-	-	2,820

22 Contingent liabilities

The company had no contingent liabilities as at 31 December 2008 and 2007.

23 Commitments

Capital commitments

The company had no capital commitments as at 31 December 2008 and 2007.

Operating lease commitments

The company had no operating lease commitments as at 31 December 2008 and 2007.

Notes (continued)

24 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	**2008 Shs'000**	**2007 Shs'000**
Unilever Tea Kenya Limited	69,528	54,362

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	**2008 Shs'000**	**2007 Shs'000**
Services from Unilever Tea Kenya Limited	1,678	1,261

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 from sale of goods/services

	2008 Shs'000	**2007 Shs'000**
Receivables from Unilever Tea Kenya Limited	33,758	23,205

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

25 Prior year adjustment

During the year, the directors changed the company's policy for accounting for property, plant and equipment from use of the revaluation model to the cost model. The decision was made to align the reporting of the company's buildings and freehold land in the local statutory financial statements to the Unilever Plc group reporting.

The effect of the change has been disclosed by retrospective restatement of the comparative amounts for property, plant and equipment, revaluation surplus, deferred income tax, profit and loss account and statement of recognised income and expense. In addition, the opening balances as at 1 January 2007 of property, plant and equipment, revaluation surplus and deferred income tax have been restated.

Notes (continued)

25 Prior year adjustment (continued)

	2008 Shs'000	2007 Shs'000
Property plant and equipment		
Restatement of cost	(11,029)	(11,029)
Restatement of accumulated depreciation	(2,066)	(1,148)
Net decrease in property plant and equipment	(8,963)	(9,881)
Deferred tax thereon	(2,690)	(2,965)
Revaluation surplus	(6,273)	(6,916)

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Limuru Tea Company Limited
Principal Shareholders and Share Distribution Schedule
For the year ended 31 December 2008

Ten largest shareholders as at 31 December 2008

	Name of shareholder	No. of shares held	% shareholding
1	Unilever Tea Kenya Limited	311,994	52.00
2	Baloobhai Chhotabhai Patel	148,722	24.79
3	Jubilee Insurance Company	26,211	4.37
4	Alimohamed Adam	15,000	2.50
5	Stanbic Nominees Limited A/C R80001	11,349	1.89
6	Stanley Osango Ekaya	7,990	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	3,299	0.55

Distribution of shareholders as at 31 December 2008

No. of Shares	Number of Shareholders	Number of shares	% shareholding
Less than 1,000	76	24,670	4.11
1,001- 5000	17	46,620	7.77
5,001-10,000	2	15,434	2.57
10,001-100,000	3	52,560	8.76
100,001- 500,000	2	460,716	76.79
Total	100	600,000	100

Category	Number of Shareholders	Number of shares	% shareholding
Foreign Investor	5	5,223	0.90
Local Individuals	88	240,541	40.10
Local Institutions	7	354,236	59.00

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 fourth annual general meeting of the company to be held on Tuesday 26 May 2009 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
	SPECIAL BUSINESS			
1	Increase of Share Capital of the company by the creation of an additional 600,000 shares of Shs 20 each	1		
2	Issue of one bonus share for each share held by existing shareholders	2		
	ORDINARY BUSINESS			
1	Adoption of the annual report and financial statements and auditors' report therein	3		
2.	Declaration of a final dividend	4		
3	Re-election of a Director	5		
4.	Authorization of the directors to fix the auditors' remuneration	6		

As witness my/our hand this____________day_______________2009

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 Friday 22 May 2009.
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