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BOARD OF DIRECTORS
Eric de Foresta*
Richard Korir
John K Cheruiyot

* French

COMPANY SECRETARY

Antoinette Absaloms, LLB, CPS (K)	(Resigned 1 September 2011)
Bonnie Okumu, LLB, CPS (K)	(Appointed 1 October 2011)

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

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

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

BANKERS
Kenya Commercial Bank
Limuru Branch
Limuru

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 SEVENTH ANNUAL GENERAL MEETING OF THE LIMURU TEA COMPANY LIMITED** will be held at The New Stanley Hotel, Nairobi, on Friday 11 May 2012 at 11.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive, consider and adopt the balance sheet and the financial statements for the year ended 31st December 2011 and the Reports of the Directors and Auditors thereon;

2. To declare a final dividend;

3. To re- elect a Director; and

4. To authorize the Directors to fix the remuneration of the auditors, PricewaterhouseCoopers.

BY ORDER OF THE BOARD

Bonnie Okumu
Company Secretary
26 March 2011

A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the company. A form of proxy is enclosed. Shareholders who will not be able to attend the meeting are requested to complete and return it, so as to reach the Company Secretary, Limuru Tea Company Limited, PO Box 42011, 00100 Nairobi not later than 11.00 a.m. on Wednesday 09 May 2012.

The Limuru Tea Company Limited owns 274 hectares of tea plantations situated four kilometres to the east of Limuru Town. The company is an out grower to Unilever Tea Kenya Limited (UTKL), the largest private sector tea company in Kenya. UTKL acts as the Limuru Tea Company's managing agent in the growing, manufacturing, sales and marketing of its teas. The tea estate green leaf is manufactured in the nearby UTKL Mabroukie factory from where it is sold mainly for export.

Tea Production

In 2011, the country had one of those years with a drought in the 1st quarter, extending to the month of April. The country crop decreased from 399 million kilograms in 2010 to 378 million kilograms in 2011.

In Limuru, there was depressed rainfall in the first and second quarter, while the third quarter was average and the last quarter contributed to just slightly below half of the year's rainfall. For this reason, Limuru Tea Company production in 2011 decreased by 26% compared to 2010.

The Tea Market

The average auction price increased by 9% from 2.75 USD/kg in 2010 to 2.99 USD/kg in 2011, the highest price the industry has recorded in two and a half decades.

The devaluation by 12% of the Kenya Shilling in 2011 also assisted the Kenyan tea growers, resulting in an overall increase of 22% in average prices in local currency.

Company Performance

The estate operations are managed in line with UTKL best practice. In 2011 the company produced 2,837,080 kilograms of green leaf, which in turn was manufactured into 627,954 kilograms of black tea. The 26% drop in volume is attributed to a dry spell in first quarter of 2011 compared to the exceptional production in 2010.

The impact of the lower crop which was partially mitigated by better USD tea prices and a weaker Kenya Shilling reduced total revenues by 17% from Shs 123.9 million in 2010 to Shs 102.5 million in 2011. Cost of sale per unit increased by 29% due to reduced volumes and higher production costs.

Limuru Tea Company posted a pre tax profit of Shs 59.8 million in 2011 compared to Shs 104.3 million in 2010. It is important to note that part of this profit arose from a net gain in fair value of biological assets amounting to Shs 21.8 million, which is a non-cash contribution to the profit.

The Directors recommend a final dividend of Shs 7.50 per share for 2011 (2010 Shs 7.50).

Prospects

Crop volumes in the first quarter of 2012 have been better than 2011 due to good rainfall in the 4th quarter of 2011. The 1st quarter of 2012 is however extremely dry and damage to tea bushes from repeated frost occurrences will impact negatively on the 2nd quarter crop volumes. USD tea prices continue to be favourable but the Kenyan Shilling has strengthened; if market conditions improve then 2012 should be an average year.

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 2011.

Eric de Foresta,
Chairman
26 March 2012

The directors submit their report together with the audited financial statements for the year ended 31 December 2011, in accordance with Section 157 of the Kenya Companies Act, which disclose the state of affairs of Limuru Tea Company Limited, (the "Company").

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

Profit for the year of Shs 40,484,000 (2010: Shs 74,840,000) has been added to retained earnings. The directors recommend payment of a final dividend of Shs 9,000,000 (2010: Shs 9,000,000).

DIRECTORS

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

Eric de Foresta*
Richard Korir
John K Cheruiyot

* French

AUDITOR

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

By order of the Board

Bonnie Okumu
Company Secretary

26 March 2012

The Kenyan 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 financial performance. 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 Kenyan 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 financial performance in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

Director **Director**

26 March 2012

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS 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 statement of financial position at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and a statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 Company'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 Limuru Tea Company Limited financial position at 31 December 2011 and of its financial performance 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 SHAREHOLDERS OF LIMURU TEA COMPANY LIMITED (continued)

Report on other legal requirements

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

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

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

iii) the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

PricewaterhouseCoopers

Certified Public Accountants
Nairobi

26 March 2012

Statement of comprehensive income

	Notes	Year ended 31 December 2011 Shs'000	2010 Shs'000
Revenue	5	102,504	123,859
Gains arising from changes in fair value less costs to sell of biological assets	16	21,823	49,841
		124,327	173,700
Cost of sales		(67,791)	(70,318)
Gross profit		56,536	103,382
Other income	7	9,342	5,428
Administrative expenses		(5,719)	(4,087)
Other operating expenses		(310)	(395)
Profit before income tax		59,849	104,328
Income tax expense	10	(19,365)	(29,488)
Profit for the year		40,484	74,840
Other comprehensive income:			
Actuarial loss on post-employment	15	(1,573)	(3,537)
Deferred income tax thereon	14	472	1,061
Total comprehensive income for the year		39,383	72,364
Earnings per share for profit attributable to the equity holders of the company - basic and diluted (Shs per share)	11	33.7	62.4

The notes on pages 13 to 32 are an integral part of these financial statements.

Statement of financial position

	Notes	31 December 2011 Shs'000	31 December 2010 Shs'000
EQUITY			
Share capital	13	24,000	24,000
Retained earnings		116,710	86,327
Proposed dividend	12	9,000	9,000
Total equity		149,710	119,327
Non-current liabilities			
Deferred income tax	14	20,195	13,461
Retirement benefit obligations	15	15,850	14,321
		36,045	27,782
		185,755	147,109
REPRESENTED BY			
Non-current assets			
Biological assets	16	88,020	66,197
Property, plant and equipment	17	2,882	2,881
		90,902	69,078
Current assets			
Receivables and prepayments	18	90,400	82,993
Cash and bank balances	19	6,048	6,234
Current income tax		3,892	-
		100,340	89,227
Current liabilities			
Payables and accrued expenses	20	5,487	6,193
Current income tax		-	5,003
		5,487	11,196
Net current assets		94,853	78,031
		185,755	147,109

The financial statements on pages 9 to 32 were approved for issue by the board of directors on 26 March 2012 and signed on its behalf by:

Director

Director

The notes on pages 13 to 32 are an integral part of these financial statements

Statement of changes in equity

	Notes	Share capital	Retained earnings	Proposed dividends	Total equity
		Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2010					
At start of year		24,000	22,963	9,000	55,963
Comprehensive income					
Profit for the year		-	74,840	-	74,840
Other comprehensive income:					
-Actuarial loss on post employment obligation net of tax		-	(2,476)	-	(2,476)
Total comprehensive income for the year		-	72,364	-	72,364
Transactions with owners					
Dividends:					
- Final for 2009 paid		-	-	(9,000)	(9,000)
- Proposed final for 2010	12	-	(9,000)	9,000	-
Total transactions with owners		-	(9,000)	-	(9,000)
At end of year		24,000	86,327	9,000	119,327
Year ended 31 December 2011					
At start of year		24,000	86,327	9,000	119,327
Comprehensive income					
Profit for the year		-	40,484	-	40,484
Other comprehensive income:					
-Actuarial loss on post employment obligation net of tax		-	(1,101)	-	(1,101)
Total comprehensive income for the year		-	39,383	-	39,383
Transactions with owners					
Dividends:					
- Final for 2010 paid	12	-	-	(9,000)	(9,000)
- Proposed final for 2011	12	-	(9,000)	9,000	-
Total transactions with owners		-	-	-	(9,000)
At end of year		24,000	116,710	9,000	149,710

The notes on pages 13 to 32 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2011 Shs'000	2010 Shs'000
Operating activities			
Cash generated from operations	21	25,566	22,054
Interest received	7	6,398	2,554
Income tax paid		(21,054)	(17,423)
Post employment benefits paid	15	(1,956)	(1,145)
Net cash generated from operating activities		8,954	6,040
Investing activities			
Purchase of property, plant and equipment	17	(140)	(331)
Net cash used in investing activities		(140)	(331)
Financing activities			
Dividends paid		(9,000)	(9,000)
Net cash used in financing activities		(9,000)	(9,000)
Decrease in cash and cash equivalents		(186)	(3,291)
Movement in cash and cash equivalents			
At start of year		6,234	9,525
Decrease		(186)	(3,291)
At end of year	19	6,048	6,234

The notes on pages 13 to 32 are an integral part of these financial statements

Notes

1 General information

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

Limuru Tea Company Limited
P.O. Box 1
Limuru
Telephone: 020-2489737

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

For Kenya Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit or loss account by the statement of comprehensive income in these financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

Changes in accounting policy and disclosures

(i) New and amended standards adopted

The amendments to existing standards below are relevant to the Company's operations:

Standard	Title
IAS 1	Presentation of financial statements
IAS 24	Related party disclosures
IFRS 7	Financial instruments: Disclosures

The amendment to IAS 1, 'Presentation of financial statements' is part of the 2010 Annual Improvements and clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of this amendment has no significant impact as the Company was already disclosing the analysis of other comprehensive income on its statement of changes in equity.

Notes (continued)

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

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

- IAS 19, Employee benefits

The impact on the Company will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur, to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset). The Company is yet to assess IAS 19's full impact.

- IFRS 9, 'Financial instruments'

IFRS 9 was issued in November 2009 and October 2010 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

- IFRS 13, 'Fair value measurement'

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Company is yet to assess IFRS 13's full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(b) Revenue recognition

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

The Company recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Notes (continued)

2 Summary of significant accounting policies (continued)

(b) Revenue recognition (continued)

Revenue is recognised as follows:

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

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

(c) Segment reporting

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

(d) Property, plant and equipment

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

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

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

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

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

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Biological assets

Biological assets are measured on initial recognition and at each financial reporting date at fair value less costs to sell. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less costs to sell are recognised in profit or loss 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 profit or loss under cost of sales in the period in which they are incurred.

(f) 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 profit or loss on a straight-line basis over the period of the lease.

(g) Inventories

Agricultural produce at the point of harvest is measured at fair value less estimated point-of-sale costs.

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

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

(h) Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

(i) Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(j) Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(k) Borrowings

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

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

(l) Share capital

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

(m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(n) Employee benefits

(i) Post-employment benefits

The Company has an unfunded obligation to pay terminal gratuities under its Collective Bargaining Agreement with the unionisable employees. 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 statement of financial position 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 through other comprehensive income. Past service costs are recognised immediately in income.

The Company and all its employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme. A defined contribution scheme is a pension scheme under which the company pays fixed contributions into a separate entity. The Company has no legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. A defined benefit plan is a retirement benefit plan that is not a defined contribution plan. Typically, defined benefit plans define an amount that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Employee benefits (continued)

(ii) Other entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.
The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

(o) Income tax

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

a) Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax legislation enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

a) *Deferred income tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(p) Dividends

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

(q) Comparatives

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

Notes (continued)

3 Critical accounting estimates and judgements

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

(i) Critical accounting estimates and assumptions

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

Biological assets

Critical assumptions are made by the directors in determining the fair values of biological assets. The key assumptions are set out in Note 16.

Post-employment benefits

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

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

Useful lives of property, plant and equipment

The Company determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projected product lifecycles for its high-tech segment. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4 Financial risk management objectives and policies

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

Notes (continued)

4 Financial risk management objectives and policies (continued)

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

(b) Credit risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company only sells its products to its parent and does not have any other significant concentration of credit risk.

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

(c) Liquidity risk

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

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

Notes (continued)

4 Financial risk management objectives and policies (continued)

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

	Less than 1 year Shs'000
At 31 December 2011:	
- trade payables	318
- accrued expenses	3,271
- other payables	1,898
Total	5,487
At 31 December 2010:	
- trade creditors	275
- accrued expenses	3,098
- other payables	2,820
- tax payable	5,003
Total	11,196

(d) Capital management

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

During 2011 the Company's strategy which was unchanged from 2010, was to use funds generated from internal sources.

Fair value estimation

The company does not have significant financial instruments carried at fair value.

5 Revenue

	2011 Shs'000	**2010 Shs'000**
Sale of green leaf to Unilever Tea Kenya Limited	102,504	123,859

6 Segment reporting

The Company has only one business segment (growing of green leaf tea) and it sells all its produce to Unilever Tea Kenya Limited which is domiciled in Kenya. Management has determined the operating segments based on the reports reviewed by the managing director that are used to make strategic decisions. All its assets are based in Kenya. The Managing Director assesses performance based on profit before income tax, as presented in the statement of comprehensive income.

Notes (continued)

7 Other income

	2011 Shs'000	2010 Shs'000
Interest income	6,398	2,554
Sundry income	2,944	2,874
	9,342	5,428

8 Expenses by nature

	2011 Shs'000	2010 Shs'000
Employee benefits expense (Note 9)	54,084	57,038
Depreciation on property, plant and equipment (Note 17)	139	137
Repairs and maintenance expenditure on property, plant and equipment	2,956	1,596
Auditor's remuneration	359	359

9 Employee benefits expense

The following items are included within employee benefits expense:

	2011 Shs'000	2010 Shs'000
Salaries and wages	50,896	54,020
Post-employment benefits costs:		
- Defined contribution scheme	134	155
- Unfunded gratuity provision (Note 15)	1,912	1,844
- National Social Security Fund	1,142	1,019
	54,084	57,038

10 Income tax expense

	2011 Shs'000	2010 Shs'000
Current income tax	12,159	16,574
Deferred income tax (Note 14)	7,206	12,914
Income tax expense	19,365	29,488

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:

	2011 Shs'000	2010 Shs'000
Profit before income tax	59,849	104,328
Tax calculated at the statutory income tax rate of 30% (2010 – 30%)	17,954	31,298
Tax effects of:		
- Expenses not deductible for tax purposes	351	268
- Under/ (over) provision of deferred income tax in prior years	1,060	(2,078)
Income tax expense	19,365	29,488

Notes (continued)

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.

	2011	2010
Profit attributable to equity holders of the Company (Shs thousands)	40,484	74,840
Weighted average number of ordinary shares in issue (millions)	1.2	1.2
Basic earnings per share (Shs)	33.7	62.4

There were no potentially dilutive shares outstanding at 31 December 2011 or 2010. Diluted earnings per share are therefore the same as basic earnings per share.

12 Dividends per share

The directors recommend the payment of a dividend of Shs 7.5 per share amounting to Shs 9,000,000 for the year ended 31 December 2011 (2010: Shs 9,000,000).

13 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Balance at 1 January and 31 December 2010	1,200	24,000
Balance at 1 January 2011	1,200	24,000
Balance at 31 December 2011	1,200	24,000

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

14 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2010: 30%). The movement on the deferred income tax account is as follows:

	2011 Shs'000	2010 Shs'000
At start of year	13,461	1,608
Charged to income statement (Note 10)	7,206	12,914
Credited to other comprehensive income	(472)	(1,061)
At end of year	20,195	13,461

Notes (continued)

14 Deferred income tax (continued)

Deferred income tax assets and liabilities and deferred income tax charge/(credit) in the profit or loss (P/L) and deferred income tax credit to other comprehensive income (OCI) are attributable to the following items:

Year ended 31 December 2010	1.1.2010 Shs'000	Charged/ (credited) to P/L Shs'000	Credited to OCI Shs'000	31.12.2010 Shs'000
Deferred income tax liabilities				
Biological assets	4,907	14,404	-	19,311
	4,907	14,404	-	19,311
Deferred income tax assets				
Post employment benefit obligations	(3,025)	(1,490)	(1,061)	(5,576)
Provisions	(274)	-	-	(274)
	(3,299)	(1,490)	(1,061)	(5,850)
Net deferred income tax liability	1,608	12,914	(1,061)	13,461

Year ended 31 December 2011	1.1.2011 Shs'000	Charged/ (credited) to P/L Shs'000	Credited to OCI Shs'000	31.12.2011 Shs'000
Deferred income tax liabilities				
Biological assets	19,311	7,095	-	26,406
Property, plant and equipment	-	5	-	5
	19,311	7,100	-	26,411
Deferred income tax assets				
Post employment benefit obligations	(5,576)	54	(472)	(5,994)
Provisions	(274)	52	-	(222)
	(5,850)	106	(472)	(6,216)
Net deferred income tax liability	13,461	7,206	(472)	20,195

Notes (continued)

15 Post-employment benefit obligations

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

	2011 Shs'000	2010 Shs'000
Service gratuities	15,850	14,321

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

	2011 Shs'000	2010 Shs'000
At start of year	14,321	10,085
Charged to income statement	1,912	1,844
Actuarial loss recognised in other comprehensive income	1,573	3,537
Payments during the year	(1,956)	(1,145)
At end of year	15,850	14,321

The amounts recognised in the income statement for the year are as follows:

	2011 Shs'000	2010 Shs'000
Current service cost	1,092	797
Interest cost	820	1,047
Total, included in employee benefits expense (Note 9)	1,912	1,844

The principal actuarial assumptions used were as follows:

	2011	2010
- discount rate	14%	6%
- future salary increases	12%	4%

Five year summary:

	2011 Shs'000	2010 Shs'000	2009 Shs'000	2008 Shs'000	2007 Shs'000
Present value of defined benefit obligation	15,850	14,321	10,085	10,325	10,578
Actuarial loss recognised in other comprehensive income	1,573	3,537	1,605	824	-
Amounts charged to profit or loss	1,912	1,844	1,745	2,278	1,927

Notes (continued)

16 Biological assets

Changes in carrying amounts of biological assets comprise:

Year ended 31 December 2010	**Tea bushes Shs'000**	**Fuel trees Shs'000**	**Total Shs'000**
At start of year	14,676	1,680	16,356
Gains/ (losses) arising from changes in fair value less estimated costs to sell	51,049	(1,208)	49,841
At end of year	65,725	472	66,197

Year ended 31 December 2011	**Tea bushes Shs'000**	**Fuel trees Shs'000**	**Total Shs'000**
At start of year	65,725	472	66,197
Gains arising from changes in fair value less estimated costs to sell	20,878	945	21,823
At end of year	86,603	1,417	88,020

Tea bushes and trees are carried at fair value less costs to sell. 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 and green leaf production will remain the same
- The market price of green leaf and harvested timber will be the same as the average price for the past seven years

The discount rate applied to the expected net cash flows was 17.5% (2010: 17.5%).

The Company had 275 hectares (2010: 275 hectares) of mature tea bushes located in Limuru. The company also had 10 hectares (2010:10 hectares) of fuel plantations at year end.

The Company's tea estates produced 2,837,100 Kgs (2010: 3,839,120 Kgs) of green tea leaf with a fair value of Shs 103 million (2010: Shs 124 million) for the year ended 31 December 2011.

There was no felling and selling of timber in the year (2010: harvest of timber with a fair value of Shs 2,311,815 was harvested).

tes (continued)

Property, plant and equipment

	Buildings & freehold land Shs'000	Plant & machinery Shs'000	Motor vehicles Shs'000	Computers, fixtures &fittings Shs'000	Total Shs'000
At 1 January 2010					
Cost	5,691	73	3,683	26	9,473
Accumulated depreciation	(3,004)	(73)	(3,683)	(26)	(6,786)
Net book amount	2,687	-	-	-	2,687
Year ended 31 December 2010					
Opening net book amount	2,687	-	-	-	2,687
Additions	331	-	-	-	331
Depreciation charge	(137)	-	-	-	(137)
Closing net book amount	2,881	-	-	-	2,881
At 31 December 2010					
Cost	6,022	73	3,683	26	9,804
Accumulated depreciation	(3,141)	(73)	(3,683)	(26)	(6,923)
Net book amount	2,881	-	-	--	2,881

s (continued)

Property, plant and equipment (continued)

	Buildings & freehold land Shs'000	Plant & machinery Shs'000	Motor vehicles Shs'000	Computers, fixtures &fittings Shs'000	Total Shs'000
Year ended 31 December 2011					
Opening net book amount	2,881	-	-	-	2,881
Additions	140	-	-	-	140
Depreciation charge	(139)	-	-	-	(139)
Closing net book amount	2,882	-	-	-	2,882
At 31 December 2011					
Cost	6,162	73	3,683	26	9,944
Accumulated depreciation	(3,280)	(73)	(3,683)	(26)	(7,062)
Net book amount	2,882	-	-	-	2,882

Notes (continued)

18 Receivables and prepayments

	2011 Shs'000	2010 Shs'000
Receivable from parent (Note 23)	90,171	82,979
Other receivables	229	14
	90,400	82,993

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

19 Cash and cash equivalents

	2011 Shs'000	2010 Shs'000
Cash at bank and in hand	6,048	6,234

20 Payables and accrued expenses

Trade payables	318	275
Accrued expenses	3,271	3,098
Other payables	1,898	2,820
	5,487	6,193

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

21 Cash generated from operations

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

	2011 Shs'000	2010 Shs'000
Profit before income tax	59,849	104,328
Adjustments for:		
Interest income (Note 7)	(6,398)	(2,554)
Depreciation of property, plant and equipment (Note 17)	139	137
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets (Note16)	(21,823)	(49,841)
Post employment benefit obligation		
- charge to the income statement (Note 15)	1,912	1,844
Changes in working capital		
- receivables and prepayments	(7,407)	(26,767)
- payables and accrued expenses	(706)	(5,093)
Cash generated from operations	25,566	22,054

Notes (continued)

22 Commitments

Capital commitments

There was no capital expenditure contracted for at the reporting date but not recognised in the financial statements (2010 : Nil).

23 Related party transactions

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

The following transactions were carried out with related parties:

i) **Sale of goods and services**	**2011 Shs'000**	**2010 Shs'000**
Unilever Tea Kenya Limited:		
Sale of green leaf	102,504	123,859
Sale of timber	-	2,312
	102,504	126,171

ii) **Purchase of services**	**2011 Shs'000**	**2010 Shs'000**
Services from Unilever Tea Kenya Limited	2,288	2,874

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 key management personnel.

iv) **Directors remuneration**	**2011 Shs'000**	**2010 Shs'000**
Fees for services as directors	639	390
Other emoluments	-	-
	639	390

Notes (continued)

23 Related party transactions (continued)

v) Outstanding balances arising from sale of goods and services

	2011 Shs'000	2010 Shs'000
Receivables from Unilever Tea Kenya Limited	90,171	82,279

The amount due from Unilever Tea Kenya Limited is interest earning. The interest rate is pegged on the rate of Kenya Government securities. At the end of the year, the interest rate was 17.89% (2010: 3.06%).

The interest earned is summarised below:

	2011 Shs'000	2010 Shs'000
Interest income on Unilever Tea Kenya Limited current account	6,398	2,554

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Ten Largest Shareholders as at 31 December 2011

	Name of Shareholder	Number of Shares held	% Shareholding
1	Unilever Tea Kenya Limited	623,988	52.00
2	Standard Chartered Nominees A/C 9532	100,000	8.33
3	Cannon Assurance (Kenya) Limited	72,900	6.08
4	Hassan Popat	72,442	6.04
5	Baloobhai Chhotabhai Patel	50,000	4.17
6	Almohamed Adam	30,000	2.50
7	Gulamali Ismail	28,600	2.38
8	Standard Chartered Nominees A/C KE 10881	22,698	1.86
9	Stanley Osango Ekaya	15,980	1.33
10	Foray Investments Kenya Limited	12,500	1.04

Distribution of Shareholders as at 31 December 2011

Number of Shares	Number of Shareholders	Number of Shares	% Shareholding
Less than 1,000	86	31,191	2.60
1,001-5000	30	68,152	5.68
5,001-10,000	9	60,505	5.04
10,001-100,000	10	416,164	34.68
100,001-500,000	-	-	-
500,001 & above	1	623,988	52.00
Total	**136**	**1,200,000**	**100.00**

Category	Number of Shareholders	Number of Shares	% Shareholding
Foreign Investor	8	10,378	0.86
Local Individuals	117	347,992	29.00
Local Institutions	11	841,630	70.14
Total	**136**	**1,200,000**	**100.00**

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 seventh annual general meeting of the Company to be held on Friday 11 May 2012 and at any adjournment thereof.

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

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

As witness my/our hand this____________day_______________2012

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 later than 11 a.m. on Wednesday 9 May 2012.
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
P. O. Box 42011
00100 Nairobi