THE LIMURU TEA COMPANY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 st DECEMBER 2002

MANAGEMENT
Chief Executive
HoD - C & F
HoD - R & CA
HoD - E & LA
AM - F
AM - C
AM - R
HRAD

Please SFI : deal
14/4/2003

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

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Corporate Information

BOARD OF DIRECTORS

R A Fairburn
M Chopra
J P Mbogua
D G Stickler

COMPANY SECRETARY

C A Ouda, FCIS, CPS (K)

REGISTERED OFFICE

Brooke Bond Kenya Limited Head Office,
Nakuru – Kericho Highway, PO Box 20, Kericho

AUDITORS

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

ADVOCATES

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

REGISTRARS

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

BANKERS

Standard Chartered Bank Kenya Limited
Moi Avenue
PO Box 72585
Nairobi

Barclays Bank of Kenya Limited
Limuru Branch
PO Box 252
Limuru

INSURANCE BROKERS

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

AON Minet Insurance Brokers Limited
Minet ICDC House, Mamlaka Road, off Nyerere Road,
PO Box 55289 00100, Nairobi GPO

2007/1225

Notice of Meeting

NOTICE IS HEREBY GIVEN that the SEVENTY EIGHTH ANNUAL GENERAL MEETING OF THE LIMURU TEA COMPANY LIMITED will be held at the Norfolk Hotel, Harry Thuku Road Nairobi on Thursday 8th May 2003 at 11.00 a.m. for the following purposes:

1. SPECIAL NOTICE:

   Mr J P Mbogua should have vacated office on attainment of the age of 70 on 12th October 2001 in accordance with Section 186 (2) of the Companies Act. The directors are accordingly recommending that he continues to serve as a director in accordance with Section 186(5) of the Companies Act, after the following ordinary resolution is passed at the forthcoming annual general meeting:-

   "That Mr J P Mbogua be and is hereby appointed to continue being a member of the board of the directors".

2. To consider and confirm acceptance of the balance sheet and the financial statements for the year ended 31st December 2002 and the reports of the directors and auditors thereon.

3. To declare a final dividend.

4. To authorise the directors to fix the auditors' remuneration.

BY ORDER OF THE BOARD

C A Ouda
Company Secretary
14th April 2003

NOTE:

A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the company. A form of proxy is enclosed. Shareholders who will not be able to attend the meeting are requested to complete and return it, so as to reach the Company not later than 11.00 a.m. on Tuesday 6th May 2003.

Five Year Record

	2002	2001	2000	1999	1998
Industry Statistics					
Kenya tea production ('000 Tonnes)	287.0	294.6	236.6	248.8	294.2
Mombasa auction average price (US cents per kg)	149	153	182	186	197
The Limuru Tea Company Limited					
Tea Production (Tonnes)	791	723	605	627	914
Sales (Shs'000)	47,654	45,429	56,292	51,212	65,883
Profit/(loss) before tax	4,082	(3,991)	16,998	14,242	30,169
Tax (charge)/credit	(2,005)	1,008	(5,174)	(4,941)	(9,407)
Profit/(loss) after tax	2,077	(2,983)	11,824	9,301	20,762
Dividends	(1,800)	-	(11,000)	(6,000)	(17,000)
Profit/(loss) retained	277	(2,983)	824	3,301	3,762
Net asset investment (Shs'000)					
Fixed assets	14,487	14,952	17,518	19,142	18,508
Other net assets	16,031	13,658	23,338	21,887	13,220
	30,518	28,610	40,856	41,029	31,728
Financed by (Shs'000)					
Share capital	12,000	12,000	4,000	4,000	4,000
Reserves	18,255	16,178	34,842	34,018	24,717
Shareholders' funds	30,255	28,178	38,842	38,018	28,717
Deferred tax	263	432	2,014	3,011	3,011
	30,518	28,610	40,856	41,029	31,728
Earnings/(loss) per share (Shs)	3.46	(4.97)	19.71	15.50	34.50

* *The comparative figures for 1998 to 2000 have not been re-stated for the effect of adoption of IAS 17.*

Chairman's Statement 2002

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 Brooke Bond Kenya Limited, the largest private sector tea company in Kenya. Brooke Bond Kenya acts as The Limuru Tea Company Limited's agent in managing the estate, manufacturing, sales and marketing. The tea estate's green leaf is delivered to the nearby Mabroukie Factory for processing from where it is sold overseas via Mombasa.

Our total tea crop in 2002 was some 8% above that achieved in 2001. During the 1st quarter of the year, insufficient rainfall adversely affected production but a combination of more favourable growing conditions and enhanced agronomic practices from April onwards, enabled The Limuru Tea Company to record it's best annual crop production since the El Nino year of 1998.

The bearish sentiment at the Mombasa auction continued from 2001 into 2002. Extremely low prices were experienced in April and May and for the rest of the year, average prices struggled to rise above US$ 1.50. Consequently, prices payable for green leaf were at the low end of historic averages.

Our estate operations are managed in line with Brooke Bond Kenya best practice and in 2002 produced 3,438,570 kilograms of green leaf, which in turn was manufactured into 791,152 kilograms of black tea.

The combination of higher yields, reduced personnel numbers and stringent cost control contributed to the improvement in The Limuru Tea Company pre-tax profitability from a loss of Shs 3.99m in 2001 to a profit of Shs 4.08m in 2002.

Prospects

Better crop volumes were achieved in January 2003 due to the good rainfall received in December 2002. However, total 2003 volumes will depend on weather conditions during the remainder of the year. Tea prices are likely to remain low until the global surpluses generated during 2001 and 2002 have moved through the supply chain. Depressed prices combined with a strong Kenya shilling may adversely affect revenues.

Against this background of low commodity prices and a strong Kenya Shilling, the concern for our Business will continue to be the increasing operating costs due to wage inflation, the provision of welfare benefits and poor infrastructure.

R A Fairburn
Chairman
18th February 2003

Report of the Directors

For the year ended 31st December 2002

The directors submit their report together with the audited financial statements for the year ended 31 December 2002, which disclose the state of affairs of the company.

INCORPORATION

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

	2002 Kshs'000	2001 Kshs'000
Profit/(loss) after tax for the year	2,077	(2,983)
Dividends - Final (proposed)	(1,800)	-
Retained profit/(loss) transferred to revenue reserves	277	(2,983)

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 debt and equity market prices, foreign currency exchange rates and interest rates. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

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

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

DIRECTORS

Members of the board of directors are listed on page 1.

Mr J P Mbogua attained the age of 70 on 12th October 2001 and should have vacated the directorship at the conclusion of the last annual general meeting pursuant to Section 186 (2) of the Companies Act. A formal resolution to regularise J P Mbogua's continued service on the board will be passed at the forthcoming annual general meeting, re-appointing him in accordance with Section 186 (5) of the Companies Act.

AUDITORS

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

By order of the Board

C.A. Ouda
Company Secretary
18th February 2003

Statement of Directors' Responsibilities

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

R. A. Fairburn
CHAIRMAN

M. Chopra
DIRECTOR

18th February 2003

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

We have audited the financial statements set out on pages 8 to 24, which are in agreement with the company's books of account.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements as set out on page 6. Our responsibility is to express an independent opinion on the financial statements based on our audit.

Basis of opinion

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

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary to provide a reasonable basis for our opinion.

Opinion

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the company's financial affairs at 31 December 2002 and of its profit and cash flows for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

Certified Public Accountants
Nairobi

18th February 2003

Profit and Loss Account

	Notes	2002 Shs'000	2001 Shs'000
Sales	1	47,654	45,429
Cost of sales		(40,942)	(45,600)
Gross profit/(loss)		6,712	(171)
Other operating income	2	1,401	444
Administrative expenses		(5,207)	(6,366)
Other operating expenses		(704)	(678)
Operating profit/(loss)	3	2,202	(6,771)
Finance income	5	1,880	2,780
Profit/(loss) before tax		4,082	(3,991)
Tax (charge)/credit	7	(2,005)	1,008
Net profit/(loss)		2,077	(2,983)
Earnings/(loss) per share		**Shs**	**Shs**
- basic and diluted	8	3.46	(4.97)

Balance Sheet

	Notes	2002 Shs'000	2001 Shs'000
CAPITAL EMPLOYED			
Share capital	9	12,000	12,000
Revaluation surplus	10	1,372	1,441
Retained earnings		15,083	14,737
Proposed Dividends	6	1,800	-
Shareholders' funds		30,255	28,178
Non-current liabilities			
Deferred tax	11	263	432
Provisions for liabilities and charges	12	9,363	7,259
		9,626	7,691
		39,881	35,869
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	13	14,487	14,952
Current assets			
Inventories	15	18	40
Receivables from parent company	21	25,250	21,185
Tax recoverable		3,873	3,849
Cash and cash equivalents	16	2,855	5,407
		31,996	30,481
Current liabilities			
Payables and accrued expenses	17	6,602	9,564
Net current assets		25,394	20,917
		39,881	35,869

The financial statements on pages 8 to 24 were approved for issue by the board of directors on 18 February 2003 and signed on its behalf by:

R. A. Fairburn
CHAIRMAN

M. Chopra
DIRECTOR

Statement of changes in equity

	Note	Share capital Shs'000	Revaluation surplus Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2001						
At start of year:						
- as previously reported		4,000	3,193	25,648	6,000	38,841
Prior year adjustment:						
- under provision for deferred tax in prior years		-	(431)	-	-	(431)
- reversal of revaluation surplus on leasehold land	14	-	(1,785)	-	-	(1,785)
- reversal of deferred tax on revaluation		-	536	-	-	536
- as restated		4,000	1,513	25,648	6,000	37,161
Transfer of excess depreciation		-	(103)	103	-	
Deferred tax on transfer		-	31	(31)	-	
Net gains/(losses) not recognised in the profit and loss account		-	(72)	72	-	-
Net loss		-	-	(2,983)	-	(2,983)
Dividends:						
- Final for 2000 (paid)		-	-	-	(6,000)	(6,000)
Bonus issue of shares	9	8,000	-	(8,000)	-	-
At end of year		12,000	1,441	14,737	-	28,178

Statement of changes in equity (continued)

	Note	Share capital Shs'000	Revaluation surplus Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2002						
At start of year:						
- as previously reported		12,000	3,121	14,737	-	29,858
Prior year adjustment:						
- under provision for deferred tax in prior years		-	(431)	-	-	(431)
- reversal of revaluation surplus on leasehold land		-	(1,785)	-	-	(1,785)
- reversal of deferred tax on revaluation		-	536	-	-	536
- as restated		12,000	1,441	14,737	-	28,178
Transfer of excess depreciation		-	(99)	99	-	-
Deferred tax on transfer		-	30	(30)	-	-
Net gains/(losses) not recognised in the profit and loss account		-	(69)	69	-	-
Net profit		-	-	2,077	-	2,077
Dividends:						
Proposed Final for 2002		-	-	(1,800)	1,800	
At end of year		12,000	1,372	15,083	1,800	30,255

Cash Flow Statement

	Notes	2002 Shs'000	2001 Shs'000
Operating activities			
Cash generated from operations	20	(2,234)	(14,837)
Interest received	5	1,880	2,780
Tax paid		(2,198)	(1,118)
Net cash from operating activities		(2,552)	(13,175)
Financing activities			
Dividends paid		-	(6,000)
Net cash used in financing activities		-	(6,000)
Decrease in cash and cash equivalents		(2,552)	(19,175)
Movement in cash and cash equivalents			
At start of year		5,407	24,582
Decrease		(2,552)	(19,175)
At end of year	16	2,855	5,407

Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are presented in Kenya Shillings (Shs) and prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

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

(b) Revenue recognition

Sales of green leaf tea are recognised upon delivery of products to customers and are stated net of charges paid to manufacturers, selling agents, County Council Produce Cess paid to Limuru County Council, VAT and discounts.

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

(c) Translation of foreign currencies

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

(d) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost and subsequently stated at cost, or at revalued amounts, less depreciation.

Development costs, which are capitalised, include direct costs and attributable overheads incurred in bringing crops into production, which occur in the fourth year after planting.

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

Accounting Policies (continued)

(d) Property, plant and equipment (continued)

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

Tea development – from year 4 onwards, a graduated scale is adopted that increases the annual depreciation charge from 0.6% in year 4 to 2% in year 10. The depreciation rate remains at 2% thereafter for the remaining part of the asset's useful life.

Buildings and farm works – in equal instalments over the useful life of the assets, but not exceeding 40 years.

Vehicles and computers – 4 years

Plant, fixtures and fittings – 14.3 years

Freehold land is not depreciated.

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

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

(e) Accounting for leases

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

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(g) Trade receivables

Trade receivables are carried at amortised invoice amount less provision made for impairment of these receivables. A provision for impairment of trade 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 recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

Accounting Policies (continued)

(h) Employee entitlements

Employee entitlements to gratuity and 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.

(i) Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

Deferred 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.

(j) Retirement benefit obligations

The company's qualifying employees are members of the Brooke Bond Kenya Limited Staff Pension Scheme, which is a defined benefit scheme. The assets of the scheme are held in a separate trustee administered fund that is funded by contributions from Brooke Bond Kenya Limited, the company and employees, taking account of recommendations of independent qualified actuaries.

The pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of actuaries who carry out a full valuation of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows. Actuarial gains and losses are recognised over the average remaining service lives of employees.

(k) Dividends

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

(l) Comparatives

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

Notes forming part of the Financial Statements

1 Analysis of sales by category

	2002 Shs'000	2001 Shs'000
Sales of green leaf to Mabroukie factory	47,654	45,429

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

2 Other operating income

	2002 Shs'000	2001 Shs'000
Sales of firewood to Mabroukie factory	956	427
Miscellaneous income	445	17
	1,401	444

3 Operating profit

The following items have been charged in arriving at operating profit:

	2002	2001
Depreciation on property, plant and equipment (Note 13)	465	781
Repairs and maintenance expenditure on property, plant and equipment	1,225	2,020
Staff costs (Note 4)	33,624	37,493
Auditors' remuneration	299	299

4 Staff costs

The following items are included within staff costs:

	2002	2001
Salaries and wages	29,320	28,699
Social security benefits	277	11
Retirement benefits costs:		
- Defined benefit scheme (Note 22)	305	398
- Provision for retirement gratuity	1,294	5,577
Other staff costs	2,428	2,808
	33,624	37,493

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

	2002 Number	2001 Number
Full time	351	381
Casual	193	5
	544	386

Notes forming part of the Financial Statements (continued)

5 Finance income

	2002 Shs'000	2001 Shs'000
Interest income		
- Short term deposits	-	791
- Current account with Brooke Bond Kenya Limited	1,880	1,989
	1,880	2,780

6 Dividends per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting. At the annual general meeting to be held on 8th May 2003, a final dividend in respect of the year ended 31 December 2002 of Shs 3 per share amounting to a total of Shs 1,800,000 is to be proposed.

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

7 Tax

	2002 Shs 000	2001 Shs 000
Current tax	2,174	469
Deferred tax (Note 11)	(169)	(1,477)
	2,005	(1,008)

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

	2002 Shs'000	2001 Shs'000
Profit/(loss) before tax	4,082	(3,991)
Tax calculated at a tax rate of 30%	1,225	(1,197)
Tax effect of:		
Expenses not deductible for tax purposes	58	197
Under/(over) provision in prior years	722	(8)
Tax charge	2,005	(1,008)

Notes forming part of the Financial Statements (continued)

8 Earnings/(loss) per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of The Limuru Tea Company of Shs 2,077,000 (2001 : Shs 2,983,000 loss) by the 600,000 ordinary shares in issue during the year.

There were no potentially dilutive shares outstanding at 31 December 2002 or 2001, therefore, diluted earnings per share is the same as basic earnings per share.

9 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Balance at 1 January 2001	200	4,000
Bonus issue	400	8,000
	600	12,000
Balance at 1 January 2002 and at 31 December 2002	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.

At the annual general meeting of 8 May 2001, the shareholders approved an increase in the authorised share capital from 200,000 to 600,000 ordinary shares of Shs 20 per share. At the same meeting, shareholders approved a bonus issue of the additional shares, to be satisfied by capitalisation of Shs 8,000,000 out of the balance standing to the credit of the retained earnings at that date.

10 Revaluation surplus

The revaluation surplus represents solely the surplus on the revaluation of property, plant and equipment net of deferred tax and is non-distributable. The movement on the revaluation surplus is set out in the statement of changes in equity on pages 10 and 11.

11 Deferred tax

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

Notes forming part of the Financial Statements (continued)

11 Deferred tax (continued)

	2002 Shs'000	2001 Shs'000
At start of year		
- as previously reported	537	2,014
- prior year adjustments:		
- under provided in prior years	431	431
- reversal of revaluation surplus on leasehold land	(536)	(536)
- as restated	432	1,909
Credit to profit and loss account (Note 7)	(169)	(1,477)
At end of year	263	432

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

	1.1.2002 Shs'000	Charged/ (credited) to P/L Shs'000	31.12.2002 Shs'000
Deferred tax liabilities			
Property, plant and equipment:			
- on historical cost basis	1,993	704	2,697
- on revaluation surpluses	617	(30)	587
	2,610	674	3,284
Deferred tax assets			
Provisions	(2,178)	(843)	(3,021)
Net deferred tax liability	432	(169)	263

Deferred tax of Shs 30,000 (2001: Shs 31,000) was transferred within shareholders' equity from revaluation surplus to retained earnings. This represents deferred tax on the difference between the actual depreciation on the property and the equivalent depreciation based on the historical cost of the property.

12 Provisions for liabilities and charges (Gratuity)

	Shs'000
At start of year	7,259
Additional provisions charged to income statement	3,065
Utilised during year	(961)
At end of year	9,363
Less: current portion	-
Non-current portion	9,363

Notes forming part of the Financial Statements (continued)

13 Property, plant and equipment

	Buildings Shs'000	Tea development Shs'000	Plant & machinery Shs'000	Motor vehicles Shs'000	Computer, fixtures & fittings Shs'000	Total Shs'000
Cost or valuation						
At start of year	12,091	11,605	451	4,238	26	28,411
- reclassification of leasehold land (Note 14)	(1,785)	-	-	-	-	(1,785)
- as restated	10,306	11,605	451	4,238	26	26,626
- transfers	-	227	(227)	-	-	-
At end of year	10,306	11,832	224	4,238	26	26,626
Depreciation						
At start of year	5,147	2,141	224	4,140	22	11,674
Charge for the year	230	136	-	98	1	465
At end of year	5,377	2,277	224	4,238	23	12,139
Net book amount						
At 31 December 2002	4,929	9,555	-	-	3	14,487
At 31 December 2001 (restated)	5,159	9,464	227	98	4	14,952

Notes forming part of the Financial Statements (continued)

13 Property, plant and equipment (continued)

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

Buildings were last revalued during 1977 by Tysons Habenga, Chartered Surveyors. Valuations were made on the basis of the open market value. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred tax was credited to the revaluation reserve in shareholders' equity.

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

	2002 Shs'000	2001 Shs'000
Buildings		
Cost	5,242	5,242
Accumulated depreciation	(2,271)	(2,140)
Net book amount	2,971	3,102

14 Prepaid operating lease rentals

Following clarification by the International Accounting Standards Board (IASB) in January 2002 and further guidance by the Institute of Certified Public Accountants of Kenya (ICPAK) the company has reclassified leasehold land from property, plant and equipment to prepaid operating lease rentals to be carried at historical cost less amortisation over the period of the lease. As part of the reclassification, the revaluation surplus on leasehold land has been reversed against the revaluation surplus in the shareholders' equity.

The effect of the reclassification of leasehold land is as follows:

	2002 Shs'000	2001 Shs'000
Net book amount reclassified from property, plant and equipment (Note 13)	1,785	1,785
Reversal of revaluation surplus (Note 10)	(1,785)	(1,785)
At end of year	-	-

15 Inventories	2002 Shs'000	2001 Shs'000
Stores and fertilisers	18	40

Notes forming part of the Financial Statements (continued)

16 Cash and cash equivalents

	2002 Shs'000	2001 Shs'000
Cash at bank and in hand	2,855	5,407

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand as stated above.

17 Payables and accrued expenses

	2002 Shs'000	2001 Shs'000
Trade payables	2	2
Accrued expenses	3,098	3,358
Other payables	3,502	6,204
	6,602	9,564

18 Contingent liabilities

The company had no contingent liabilities at 31 December 2001 and 2002.

19 Commitments

Capital commitments

The company had no capital commitments at 31 December 2001 and 2002.

Operating lease commitments

The company had no operating lease commitments at 31 December 2001 and 2002.

20 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2002 Shs'000	2001 Shs'000
Profit/(loss) before tax	4,082	(3,991)
Adjustments for:		
Interest income (Note 5)	(1,880)	(2,780)
Depreciation (Note 13)	465	781
Changes in working capital		
– receivables	(4,065)	(17,624)
– inventories	22	163
– payables and accrued expenses	(2,962)	3,574
– provisions for liabilities and charges	2,104	5,040
Cash generated from operations	(2,234)	(14,837)

Notes forming part of the Financial Statements (continued)

21 Related party transactions

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

The following transactions were carried out with related parties:

i) Sale of green leaf tea	2002 Shs'000	2001 Shs'000
Brooke Bond Kenya Limited	47,654	45,429

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

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

	2002 Shs'000	2001 Shs'000
Receivables from parent company	25,250	21,185

iii) Directors' remuneration	2002 Shs'000	2001 Shs'000
- fees	253	253

22 Retirement benefit arrangements

The amounts recognised in the balance sheet are determined as follows:

	2002 Shs'000	2001 Shs'000
Present value of funded obligations	3,489	5,194
Fair value of scheme assets	(3,044)	(3,930)
Present value of unfunded obligations/(over-funding)	445	1,264
Unrecognised actuarial gains/(losses)	(445)	(1,264)
Liability/(asset) in the balance sheet	-	-

Notes forming part of the Financial Statements (continued)

22 Retirement benefit arrangements (continued)

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

	2002 Shs'000	2001 Shs'000
Current service cost	282	289
Interest cost	390	527
Expected return on plan assets	(402)	(438)
Net actuarial losses recognised in the year	35	20
Net charge for the year included in staff costs	305	398
Contributions paid	(305)	(398)
Movement in the liability/asset in the balance sheet	-	-

The actual return on scheme assets was Shs 278,412 (2001: Shs 71,593).

The above amounts have been derived from the actuarial projections for the group scheme, pro-rated for the company on the basis of pensionable salaries.

The principal actuarial assumptions used were as follows:

	2002 %	2001 %
- discount rate	11.5	11.5
- expected rate of return on scheme assets	12.5	12.5
- future salary increases	9.5	9.5
- future pension increases	8.0	8.0

Principal Shareholders & Share Distribution Schedule

A. Principal Shareholders

The ten largest shareholdings in the Company as at 31 December 2002 were as follows:

	Name	Number of Shares
1.	Brooke Bond Kenya Limited	311,994
2.	Mulchand N Shah	65,644
3.	Kenya Commercial Bank Staff Pension Fund Registered Trustees	57,942
4.	Insurance Company of East Africa Ltd. Life Fund A/c	30,627
5.	Jubilee Insurance Company Ltd.	26,211
6.	Old Mutual Insurance Co. Ltd.	24,507
7.	Stanbic Nominees Kenya Ltd	14,856
8.	Stanbic Nominees Kenya Ltd. Ac SCKPF	11,349
9.	Vithaldas N Morjaria	4,575
10.	Millicent Ivy Morson	4,134

B. Distribution Schedule

Category	No. of Shareholders	No. of Shares
1 – 1,000	48	19,605
1,001 - 5,000	15	37,265
5,001 - 10,000	-	-
10,001 - 100,000	7	231,136
100,001 - 500,000	1	311,994
Total	71	600,000

FORM OF PROXY

I/We ____

(please use block letters)

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

____

(please use block letters)

failing whom the Chairman of the meeting as my/our proxy to attend and note for me/us and on my/our behalf at the seventy-eighth annual general meeting of the company to be held on 8th May 2003 and at any adjournment thereof.

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

	Resolutions	Resolutions	For	Against
1.	Special Notice	1		
2.	To adopt the Annual Report of the Directors and Financial Statements	2		
3.	To declare a final dividend	3		
4.	To authorise the directors to fix the auditors' remuneration	4		

As witness my/our hand this__________________day ____________________2003

Signature(s)____

NOTES

1. This proxy form must be filled and returned to the Company Secretary, The Limuru Tea Company Limited, PO Box 42011, Nairobi not later than 11 a.m. on Tuesday 6th May, 2003.
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:
Company Secretary
The Limuru Tea Company Limited
PO Box 42011
00100 Nairobi GPO