THE LIMURU TEA COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL

STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2003

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

Table of Contents

2007/12/28

Corporate Information

BOARD OF DIRECTORS

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

COMPANY SECRETARY

A A Absaloms

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

Notice of Meeting

NOTICE IS HEREBY GIVEN that the SEVENTY NINTH ANNUAL GENERAL MEETING OF THE LIMURU TEA COMPANY LIMITED will be held at the Norfolk Hotel, Harry Thuku Road, Nairobi on Thursday 6th May 2004 at 11.00 a.m. for the following purposes:

1. To receive, consider and adopt the balance sheet and the financial statements for the year ended 31st December 2003 and the Reports of the Directors and Auditors thereon.

2. To declare a final dividend.

3. To elect a Director

   Mr. G J Kimetto who was appointed by the Board on 1st March 2004 retires in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for election.

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

BY ORDER OF THE BOARD

A A Absaloms
COMPANY SECRETARY

1st March 2004

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 4th May 2004.

Five Year Record

	2003	2002	2001	2000	1999
Industry Statistics					
Kenya tea production ('000 Tonnes)	293.7	287.0	294.6	236.6	248.8
Mombasa auction average price (US cents per kg)	154	149	153	182	186
The Limuru Tea Company Limited					
Tea Production (Tonnes)	826	791	723	605	627
Sales (Shs'000)	57,491	47,654	45,429	56,292	51,212
Profit/(loss) before tax	11,666	2,640	(3,991)	16,998	14,242
Tax (charge)/credit	(3,619)	(1,572)	1,008	(5,174)	(4,941)
Profit/(loss) after tax	8,047	1,068	(2,983)	11,824	9,301
Dividends	(6,000)	(1,800)	-	(11,000)	(6,000)
Net asset investment (Shs'000)					
Fixed assets	26,940	16,233	14,952	17,518	19,142
Other net assets	33,467	25,394	13,658	23,338	21,887
	60,407	41,627	28,610	40,856	41,029
Financed by (Shs'000)					
Share capital	12,000	12,000	12,000	4,000	4,000
Reserves	44,981	28,840	16,178	34,842	34,018
Shareholders' funds	56,981	40,840	28,178	38,842	38,018
Deferred tax	3,426	787	432	2,014	3,011
	60,407	41,627	28,610	40,856	41,029
Earnings/(loss) per share	13.41	1.78	(4.97)	19.71	15.50

* *The comparative figures for 1999 to 2001 have not been re-stated for the effect of adoption of IAS 41*

Chairman's Statement 2003

The Limuru Tea Company Limited owns over 274 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's agent in managing the estate, manufacturing and sales and marketing. The tea estate green leaf is manufactured in the nearby Mabroukie factory from where it is sold to customers in Kenya and overseas.

Our tea crop in 2003 was some 4% above that achieved in 2002 and was the highest total production for 5 years. Excellent rainfall during the short rains at the end of 2002 and the long rains in 2003 combined with good rainfall distribution throughout the year ensured that favourable growing conditions prevailed.

High volumes of relatively low quality teas characterised the tea market in the first half of 2003 and prices at the Mombasa auction were depressed until mid year. Fortunately, increased interest from Pakistan, Afghanistan and Egypt from August onwards led to a more bullish sentiment and prices rose steadily throughout the third quarter. In fact during October, Kenyan tea prices reached their highest level since March 2001 and for the year average prices were 7 US$ cents per kilo or 4% higher than 2002. Consequently, prices payable for Limuru Tea Company green leaf were higher than 2002.

Our estate operations are managed in line with Brooke Bond Kenya best practice and in 2003 produced 3,570,600 kilograms of green leaf, which in turn was manufactured into 826,191 kilograms of black tea.

Better crop yields, higher tea prices and good cost control all contributed to the improvement in Limuru Tea Company pre tax profits from Ksh 2.6m in 2002 to Ksh 11.7m in 2003. Cash generation was again a strong feature of the financial results and this has enabled the Company to recommend a much increased dividend of Ksh 10.00 per share for 2003.

Prospects

Crop volumes in the first quarter of 2004 are not expected to equal the very high levels of 2003 due to the reduced rainfall received in December and January. However, annual volumes will depend on weather conditions in February and March and the successful onset of the long rains. Tea prices in January and February 2004 have been higher than the same period last year but full year prices will depend on trends in global supply and demand. In addition, the ongoing strength of the Kenya shilling will restrict revenues and local inflation is likely to put pressure on profitability.

Against this background of uncertain tea prices and a strong Kenya Shilling, the key concerns for our business will be the containment of operating costs, wage inflation and the ongoing costs of providing employee welfare benefits.

R A Fairburn
Chairman

1st March 2004

Report of the Directors

The Directors are pleased to present their annual report and audited financial statements for the year ended 31st December 2003 which disclose the state of affairs of the company.

Incorporation

The company is incorporated in Kenya under the Companies Act (Cap 486) and is domiciled in Kenya.

Principal Activity

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

Results and Dividends

The net profit for the year of Shs 8,047,000 (2002: 1,068,000) has been added to retained earnings. The directors recommend the approval of a dividend of Shs 6,000,000 (2002: Shs 1,800,000).

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 currently exchange rates and interest rates. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Financial risk management is carried out by the Treasury Department under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risk.

Directors

Members of the Board of Directors are listed on page 3.

Messrs M Chopra and D G Stickler resigned from the Board of Directors with effect from 19th and 20th February 2004 respectively.

Mr. G J Kimetto who was appointed by the Board as an additional Director on 1st March 2004 retires in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for election.

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

Auditors

The company's auditors, PricewaterhouseCoopers continue in office in accordance with Section 159(2) of the Companies Act (Cap 486).

By Order of the Board

A A Absaloms
Secretary
1st March 2004

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 the twelve months from the date of this statement.

R. A. Fairburn
Chairman

J. P. Mbogua
Director

1st March 2004

Report of the independent Auditors to the Members of the Limuru Tea Company Limited

We have audited the financial statements of The Limuru Tea Company Limited for the year ended 31 December 2003, set out on pages 10 to 25.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements as set out on page 8. Our responsibility is to express an independent opinion on the financial statements based on our audit.

Basis of opinion

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

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

Opinion

In our opinion proper books of account have been kept and the financial statements, which are in agreement with the company's books of account, give a true and fair view of the state of the company's financial affairs at 31 December 2003 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

_______ 2004

Profit and Loss Account

	Notes	2003 Shs'000	2002 Shs'000
Revenue	1	57,491	47,654
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs of biological assets		157	(1,578)
		57,648	46,076
Cost of production		(43,785)	(40,942)
Gross profit/(loss)		13,863	5,134
Other operating income/(loss)		1,705	(370)
Administrative expenses		(3,435)	(3,300)
Other operating expenses		(725)	(704)
Operating profit/(loss)	2	11,408	760
Finance income	4	258	1,880
Profit/(loss) before tax		11,666	2,640
Tax charge	5	(3,619)	(1,572)
Net profit/(loss)		8,047	1,068
Earnings per share		**Shs**	**Shs**
- basic and diluted	6	13.41	1.78
		Shs'000	**Shs'000**
Dividends:			
Proposed final dividend for the year	7	6,000	1,800

Balance Sheet

	Notes	2003 Shs'000	2002 Shs'000
CAPITAL EMPLOYED			
Share capital	8	12,000	12,000
Revaluation surplus	10	8,849	1,372
Retained earnings		18,429	16,305
Proposed dividends	7	6,000	1,800
Shareholders' funds		45,278	31,477
Non-current liabilities			
Deferred tax	11	3,426	787
Provisions for liabilities and charges	12	11,703	9,363
		15,129	10,150
		60,407	41,627
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	13	15,482	4,932
Biological assets	14	11,458	11,301
		26,940	16,233
Current assets			
Inventories	15	1,138	18
Receivables from parent company	22	32,419	25,250
Tax recoverable		3,657	3,873
Cash and cash equivalents	16	4,455	2,855
		41,669	31,996
Current liabilities			
Payables and accrued expenses	17	8,202	6,602
Net current assets		33,467	25,394
		60,407	41,627

The financial statements on pages 10 to 25 were approved for issue by the board of directors on 1st March 2004 and signed on its behalf by:

R. A. Fairburn
CHAIRMAN

J. P. Mbogua
DIRECTOR

Statement of changes in equity

	Notes	Share capital Shs'000	Revaluation surplus Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2002						
At start of year						
- as previously reported		12,000	1,441	14,737	-	28,178
- effect of adopting IAS 41	9	-	-	2,231	-	2,231
- as restated		12,000	1,441	16,968	-	30,409
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		-	-	1,068	-	1,068
Dividends:		-	-	-	-	-
- Final for 2001		-	-	-	-	-
- Interim for 2002		-	-	-	-	-
- Proposed final for 2002		-	-	(1,800)	1,800	-
At end of year		12,000	1,372	16,305	1,800	31,477
Year ended 31 December 2003						
At start of year						
- as previously reported		12,000	1,372	15,083	1,800	30,255
- effect of adopting IAS 41	9	-	-	1,222	-	1,222
- as restated		12,000	1,372	16,305	1,800	31,477
Transfer of excess depreciation		-	(109)	109	-	-
Deferred tax on transfer		-	32	(32)	-	-
Net gains/(losses) not recognised in the profit and loss account		-	(77)	77	-	-
Revaluation of property, plant and equipment		-	10,791	-	-	10,791
Deferred tax on revaluation		-	(3,237)	-	-	(3,237)
Dividends:		-	-	-	-	-
Net profit		-	-	8,047	-	8,047
- Final for 2002 paid		-	-	-	(1,800)	(1,800)
- Interim for 2003	7	-	-	-	-	-
- Proposed final for 2003	7	-	-	(6,000)	6,000	-
At end of year		12,000	8,849	18,429	6,000	45,278

Cash flow statement

	Notes	2003 Shs'000	2002 Shs'000
Operating activities			
Cash generated from operations	21	6,971	(2,234)
Interest received	4	258	1,880
Tax paid		(4,001)	(2,198)
Net cash from operating activities		3,228	(2,552)
Investing activities			
Proceeds from disposal of property plant and equipment		172	-
Financing activities			
Dividends paid		(1,800)	-
Net cash used in financing activities		(1,800)	-
Increase/(Decrease) in cash and cash equivalents		1,600	(2,552)
Movement in cash and cash equivalents			
At start of year		2,855	5,407
Increase/(Decrease)		1,600	(2,552)
At end of year	16	4,455	2,855

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), rounded to the nearest thousand, and prepared under the historical cost convention as modified by the revaluation of certain property and equipment and the carrying of biological assets and agricultural produce at the point of harvest at fair values, less estimated point-of-sale costs.

The preparation of financial statements in conformity with 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 performance of services, and are stated net of VAT and discounts.

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

(c) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date 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. Buildings and freehold land are subsequently shown at market value, based on triennial valuations by independent valuers, less subsequent depreciation. All other property, plant and equipment is stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; 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 reserve to retained earnings.

(d) Property, plant and equipment (continued)

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

Buildings 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 reserve relating to that asset are transferred to retained earnings.

(e) Biological assets

The company adopted IAS 41 - Agriculture during the year. The standard requires biological assets to be measured at fair value less estimated point-of-sale costs. Any changes to that fair value are recognised in the profit and loss account in the year in which they arise. The company's biological assets are tea bushes and fuel trees. The fair value of tea bushes and fuel trees are determined based on the net present values of expected future cash flows, discounted at current market-determined pre-tax rates.

The costs of new plantings and replanting of tea bushes and fuel trees are capitalised. All direct costs and attributable overheads incurred in growing these assets to maturity are also capitalised. All costs of upkeep and maintenance of mature tea bushes and fuel trees are recognised in the profit and loss account under cost of production in the period in which they are incurred

(f) Accounting for leases

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

(g) Inventories

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.

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

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparatives have been restated to conform with changes in accounting policies brought about by the adoption of IAS 41 – Agriculture (see (g) and (e) above). The financial effects of adopting IAS 41 are displayed in note 9.

Notes forming part of the Financial Statements

1	**Analysis of revenue by category**	**2003 Shs'000**	**2002 Shs'000**
	Sales of green leaf to Mabroukie factory	57,491	47,654

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

2 Operating profit

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

Depreciation on property, plant and equipment (Note 13)	241	329
Repairs and maintenance expenditure on property, plant and equipment	569	1,225
Profit on disposal of property, plant and equipment	(172)	-
Aggregate gain/(loss) arising on initial recognition of biological assets and agricultural produce at the point of harvest and from the changes in fair value less estimated point-of-sale costs of biological assets	157	(1,578)
Staff costs (Note 3)	35,349	33,624
Auditors' remuneration	310	299

3 Staff costs

The following items are included within staff costs:

Social security benefit costs	817	277
Retirement benefits costs:		
- Defined benefit scheme (Note 19)	145	305

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

	2003 Number	**2002 Number**
Full time	319	351
Casual	208	193
	527	544

Notes forming part of the Financial Statements (continued)

4 Finance income

	2003 Shs'000	2002 Shs'000
Interest income		
- Current account with Brooke Bond Kenya Limited	258	1,880
	258	1,880

5 Tax

Current tax	4,217	2,174
Deferred tax (Note 11)	(598)	(602)
	3,619	1,572

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

	2003 Shs'000	2002 Shs'000
Profit/(loss) before tax	11,667	2,640
Tax calculated at a tax rate of 30%	3,500	792
Tax effect of:		
Expenses not deductible for tax purposes	119	58
Under/(over) provision in prior years	-	722
Tax charge	3,619	1,572

6 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 8,047,000 (2002: Shs 1,068,000) by the 600,000 ordinary shares in issue during the year.

There were no potentially dilutive shares outstanding at 31 December 2003 or 2002, therefore, diluted earnings per share is the same as basic earnings per share.

7 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 6 may 2004, a final dividend in respect of the year ended 31 December 2003 of Shs 10 per share amounting to a total of Shs 6,000,000 is to be proposed.

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

Notes forming part of the Financial Statements (continued)

8 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Balance at 1 January 2002	600	12,000
Balance at 1 January 2003 and at 31 December 2003	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.

9 Prior year adjustment

	2003 Shs'000	2002 Shs'000
Adjustment to carrying value of biological assets	1,746	3,188
Deferred tax thereon	(524)	(957)
Prior year adjustment to retained earnings	1,222	2,231

10 Revaluation surplus

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

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:

	2003 Shs'000	2002 Shs'000
At start of year		
- as previously reported	263	432
- prior year adjustments on adoption of IAS 41	524	957
- as restated	787	1,389
Credit to profit and loss account (Note 5)	(598)	(602)
Tax effect of revaluation	3,237	-
At end of year	3,426	787

Notes forming part of the Financial Statements (continued)

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:

	1.1.2003	Charged/(credited) to P&L	Charged to equity	31.12.2003
	Shs'000	Shs'000	Shs' 000	Shs'000
Deferred tax liabilities				
Property, plant and equipment:				
- on historical cost basis	(170)	89	-	(81)
- on revaluation surpluses	587	(32)	3,237	3,792
Biological assets	3,391	47	-	3,438
	3,808	104	3,237	7,149
Deferred tax assets				
Provisions	(3,021)	(702)	-	(3,723)
Net deferred tax liability	787	(598)	3,237	3,426

Deferred tax of Shs 32,000 (2002: Shs 30,000) 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	9,363
Additional provisions charged to income statement	3,287
Utilised during year	(947)
At end of year	11,703
Less: current portion	-
Non-current portion	11,703

Notes forming part of the Financial Statements (continued)

13 Property, plant and equipment

	Land and 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	10,306	11,832	224	4,238	26	26,626
- reclassification of biological assets	-	(11,832)	-	-	-	(11,832)
-as restated	10,306	-	224	4,238	26	14,794
- disposals	-	-	(131)	-	-	(131)
- revaluation of buildings	5,174	-	-	-	-	5,174
At end of year	15,480	-	93	4,238	26	19,837
Depreciation						
At start of year	5,377	2,277	224	4,238	23	12,139
- reclassification of biological assets	-	(2,277)	-	-	-	(2,277)
-as restated	5,377	-	224	4,238	23	9,862
- transfer on revaluation	(5,617)	-	-	-	-	(5,617)
- disposal	-	-	(131)	-	-	(131)
- charge for the year	240	-	-	-	1	241
At end of year	-	-	93	4,238	24	4,355
Net book amount						
At 31 December 2003	15,480	-	-	-	2	15,482
At 31 December 2002 (restated)	4,929	-	-	-	3	4,932

Notes forming part of the Financial Statements (continued)

13 Property, plant and equipment (continued)

Property plant and equipment stated at cost of Shs 4,473,000 have been fully depreciated. The normal annual depreciation charge in respect of these assets would have been Shs 463,723.

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

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

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

	2003 Shs'000	2002 Shs'000
Cost	5,275	5,311
Accumulated depreciation	(2,432)	(2,337)
Net book amount	2,843	2,974

14 Biological Assets

Reconciliation of the carrying amounts of tea bushes and fuel trees

	Fuel Trees Shs'000	Tea Bushes Shs'000	Totals Shs'000
Transfer from property plant and equipment (Note 13)	-	9,555	9,555
Restatement on adoption of IAS 41 (Note 9)	1,442	304	1,746
Carrying amounts at the start of the year (restated)	1,442	9,859	11,301
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs	252	(95	157
Carrying amounts at the end of the year	1,694	9,764	11,458

Tea bushes and fuel trees are carried at fair value less estimated point-of-sale costs. The fair values of tea bushes and fuel 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 fuel trees in future years, and the costs of running the estates.

Notes forming part of the Financial Statements (continued)

The key assumptions made concerning the future (projected over 25 years in respect of tea bushes and 10 years in respect of fuel trees) are as follows:

- Climatic conditions will remain the same
- The market price of tea, in shilling terms, will remain constant.
- Cost inflation will be at 4% (2002: 4%) per annum.

The discount rate applied to expected net cash flows was 17.5% (2002: 17.5%).

The Limuru Tea Company Limited has more than 274 hectares of mature tea bushes located in the major tea growing areas of the country. The company also has more than 21 hectares of fuel trees.

In addition the company's tea estates harvested 3,570,600 kgs of green tea leaf with a fair value less estimated point-of-sale costs of Shs 1.7 million.

15 Inventories

	2003 Shs'000	2002 Shs'000
Stores and fertilisers	1,138	18

16 Cash and cash equivalents

	2003 Shs'000	2002 Shs'000
Cash at bank and in hand	4,455	2,855

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

	2003 Shs'000	2002 Shs'000
Trade payables	2	2
Accrued expenses	4,360	3,098
Other payables	3,840	3,502
	8,202	6,602

18 Retirement benefit arrangements

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

	2003 Shs'000	2002 Shs'000
Present value of funded obligations	3,613	3,489
Fair value of scheme assets	(3,914)	(3,044)
Present value of unfunded obligations/(over-funding)	(301)	445
Unrecognised actuarial gains/(losses)	301	(445)
Liability/(asset) in the balance sheet	-	-

Principal Shareholders & Share Distribution Schedule

A. Principal Shareholders

The ten largest shareholders of the company and their respective holdings as at 31 December 2003 were as follows:

	Name	Number of Shares
1.	Brooke Bond Kenya Limited	311,994
2.	Mulchand N Shah	63,644
3.	Kenya Commercial Bank Staff Pension Fund Registered Trustees	39,942
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.	Alimohamed Adam	13,000
9.	Stanbic Nominees Kenya Ltd. Ac SCKPF	11,349
10.	Vithaldas N Morjaria	4,575

B. Distribution Schedule

Category	No. of Shareholders	No. of Shares	% Shares Held
1 - 1,000	50	21,005	3.50
1,001 - 5,000	18	42,865	7.14
5,001 - 10,000	-	-	
10,001 - 100,000	8	224,136	37.36
100,001 - 500,000	1	311,994	52.00
Total	77	600,000	100

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 vote for me/us on my/our behalf at the seventy-ninth annual general meeting of the company to be held on 6th May 2004 and at any adjournment thereof.

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

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

As witness my/our hand this ______________ day ____________________2004

Signature(s)____

NOTES

1. This proxy form must be filled and returned to the Company Secretary, The Limuru Tea Company Limited, PO Box 42011, Nairobi not later than 11.00 a.m. on Tuesday 4th May 2004.
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