



KAPCHORUA TEA COMPANY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2000

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**Deloitte Touche
Tohmatsu**





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KAPCHORUA TEA COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

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KAPCHORUA TEA COMPANY LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the fifty third ANNUAL GENERAL MEETING of the shareholders will be held at the Company's registered office, Williamson House, 4th Ngong Avenue, Nairobi on 25 July 2000 at 10.00 am for the following purposes:

- 1 To receive and adopt the report of the Directors together with the audited financial statements for the year ended 31 March 2000.
- 2 To declare a dividend.
- 3 To elect directors.
- 4 To approve the remuneration of the directors.
- 5 To authorise the directors to fix the remuneration of the auditors.
- 6 To transact such other competent business as may be brought before the meeting.

By order of the Board

D B WHITE
SECRETARY

18 May 2000

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her, and such proxy, need not also be a member of the company.

A form of proxy is provided with this report which shareholders who do not propose to be at the Meeting are requested to complete and return to the registered office of the company so as to arrive not later than twenty four hours before the meeting.

KAPCHORUA TEA COMPANY LIMITED

DIRECTORS AND PROFESSIONAL ADVISORS

DIRECTORS	N G Sandys-Lumsdaine	(British)	Chairman
	R B Magor	(British)	
	H Salwegter	(Netherlands)	
	J N Brooks		
	S C A Koech	(Alternate to H Salwegter)	

SECRETARY	D B White
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REGISTERED OFFICE	Williamson House Ngong Road Nairobi
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AUDITORS	Deloitte & Touche "Kirungii", Ring Road, Westlands P O Box 40092 Nairobi
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BANKERS	Barclays Bank of Kenya Ltd Plaza Branch P O Box 46661 Nairobi
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	Barclays Bank of Kenya Limited Kapsabet Branch P O Box 711 Kapsabet
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KAPCHORUA TEA COMPANY LIMITED

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2000

FINANCIAL RESULTS

While weather conditions continued to be problematic, the Estate's crop was above last year while our outgrowers were below.

There was some improvement in International Tea Prices towards the year end while the Kenya Shilling weakened further in overall terms against last year's rates.

The Kenya Tea Growers Association's Collective Bargaining Agreement expired on 31 December 1999 and negotiations of an Agreement for the next two years continue. Some increase in labour costs inspite of the very substantial Industrial Court award for 1998 and 1999, must be expected.

To-date in 2000 weather conditions have been very adverse with minimal rainfall and severe frost, a new phenomenon, necessitating further tightening of financial controls and considerable caution for the future.

Your directors are therefore recommending a final dividend of Sh 2.50 per share for the year ended 31 March 2000 (1998/99 - Sh 2.50).

TEA

Factory throughput of 2,723,784 kgs. Made Teas was made up as follows:

Own	1,749,564
Outgrowers	974,220

With a development loan secured from our bankers we were able to effect some important machinery improvements in the Factory.

SOCIAL CONTRIBUTION

The main points under this heading include:

- (i) There are 1,685 workers employed by the company with over 6,800 dependants.
- (ii) Our foreign currency earnings amounted to the equivalent of Sh 333,325,000 (1999 - Sh 310,788,000).
- (iii) The company to pay Corporation Tax to the Kenya Government of Sh 6,873,000 and Agricultural Produce Cess to the Tea Board of Kenya of Sh 1,385,600 for disbursement to the County Council and Tea Roads Cess Committee, for maintenance of tea roads in the district.
- (iv) Revenue expenditure of Sh 16,900,000 and capital expenditure of Sh 7,312,000 was spent on educational, health and welfare services and facilities for our staff.

KAPCHORUA TEA COMPANY LIMITED

CHAIRMAN'S STATEMENT (Continued)

STAFF

As in previous years we must thank John Kaurra, our General Manager, his managers and all the staff on the estate for the results recorded during another difficult year.

FUTURE PROSPECTS

Until adequate rain is received, the tea will not be able to recover from the drought and frost and crop will continue at disappointingly low level.

It is certainly far too early in the financial year to make any accurate forecast for 2000/2001.

N G SANDYS-LUMSDAINE
CHAIRMAN

Nairobi

18 May 2000

KAPCHORUA TEA COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 March 2000.

ACTIVITIES

The principal activities of the company are the cultivation and manufacture of tea.

RESULTS

	Sh'000
Profit before taxation	20,283
Taxation	5,416
	<hr/>
Profit after taxation	14,867
Proposed dividend	9,780
	<hr/>
Retained profit transferred to revenue reserves	5,087
	<hr/>

DIVIDEND

The directors recommend the payment of a dividend of Shs 9,780,000 in respect of the year.

CROP

The following are comparative tea production statistics:

	Own estate Kgs'000	From bought leaf Kgs'000	Total Kgs'000
2000	1,740	984	2,724
1999	1,670	1,010	2,680
1998	2,074	973	3,047
1997	1,926	972	2,898
1996	1,952	796	2,748

The estimated own estate production for the current year to 31 March 2001 is 1,937,000 kilograms.

PLANTED AREA

The area under tea was as follows:

	2000 Hectares	1999 Hectares
Mature	655.75	660
Immature	21.00	13
	<hr/>	<hr/>
	676.75	673
	<hr/>	<hr/>

KAPCHORUA TEA COMPANY LIMITED
REPORT OF THE DIRECTORS (Continued)

DIRECTORS

The current board of directors is as shown on page 3.

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance with section 159 (2) of the Companies Act.

BY ORDER OF THE BOARD

D B WHITE
Secretary

Nairobi

18 May 2000

KAPCHORUA TEA COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**REPORT OF THE AUDITORS TO THE MEMBERS OF
KAPCHORUA TEA COMPANY LIMITED**

We have audited the financial statements on pages 10 to 23 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

As described on page 8, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those 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 the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, proper books of account have been kept by the company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company at 31 March 2000 and of its profit and cash flows for the year then ended in accordance with International Accounting Standards and comply with the Companies Act.

DELOITTE & TOUCHE

22 May 2000

KAPCHORUA TEA COMPANY LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2000

	Note	2000 Sh'000	1999 (Restated) Sh'000
TURNOVER		345,311	323,568
COST OF SALES		283,336	265,193
GROSS PROFIT		61,975	58,375
OTHER OPERATING INCOME		1,730	5,028
DISTRIBUTION COSTS		(33,377)	(35,826)
ADMINISTRATIVE EXPENSES		(18,660)	(17,561)
OPERATING PROFIT	2	11,668	10,016
FINANCE INCOME	3	8,615	15,529
PROFIT BEFORE TAXATION		20,283	25,545
TAXATION	5	5,416	10,123
PROFIT FOR THE YEAR		14,867	15,422
EARNINGS PER SHARE	6	Sh 3.80	Sh 3.94

KAPCHORUA TEA COMPANY LIMITED

BALANCE SHEET
31 MARCH 2000

		2000	1999
	Note	Sh'000	(Restated) Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	7	451,539	429,870
Investments	8	<u>11</u>	<u>9</u>
		451,550	429,879
Current assets			
Inventories	9	30,013	25,708
Trade and other receivables	10	59,255	79,826
Related companies	11	6,044	4,537
Taxation recoverable		-	5,847
Short term deposits		35,000	-
Commercial paper		-	29,726
Cash and bank balances		<u>25,109</u>	<u>2,894</u>
		155,421	148,538
Total assets		<u>606,971</u>	<u>578,417</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	19,560	19,560
Capital reserve		296,542	290,074
Revenue reserve		<u>99,765</u>	<u>94,678</u>
		415,867	404,312
Non current liabilities			
Loan (secured)	13	11,459	-
Deferred income taxes	14	89,306	97,231
Retirement benefit obligations	15	<u>29,796</u>	<u>23,369</u>
		130,561	120,600
Current liabilities			
Trade and other payables	16	49,893	32,114
Related companies	11	134	9,368
Taxation payable		477	-
Bank overdraft (secured)	17	259	2,243
Proposed dividend (gross)		<u>9,780</u>	<u>9,780</u>
		60,543	53,505
Total equity and liabilities		<u>606,971</u>	<u>578,417</u>

The financial statements on pages 10 to 23 were approved by the board of directors on 18 May 2000 and were signed on its behalf by:

S C A KOECH)
J N BROOKS) Directors

KAPCHORUA TEA COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2000

	Share capital Sh'000	Capital reserve Sh'000	Revenue reserve (deficit) Sh'000	Total Sh'000
At 1 April 1998				
As previously reported	19,560	222,877	148,101	390,538
Prior year adjustment:				
- Deferred taxation	-	(22,024)	(40,860)	(62,884)
- Retirement benefit obligations	-	-	(18,205)	(18,205)
As restated	19,560	200,853	89,036	309,449
Profit for the year	-	-	15,422	15,422
Proposed dividend	-	-	(9,780)	(9,780)
Revaluation surplus	-	120,554	-	120,554
Deferred tax thereon	-	(33,847)	-	(33,847)
Reversal of deferred tax	-	2,514	-	2,514
At 31 March 1999	19,560	290,074	94,678	404,312
Profit for the year	-	-	14,867	14,867
Proposed dividend	-	-	(9,780)	(9,780)
Deferred tax resulting from reduction in tax rate	-	4,106	-	4,106
Reversal of deferred tax	-	2,362	-	2,362
At 31 March 2000	19,560	296,542	99,765	415,867

KAPCHORUA TEA COMPANY LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2000

	Note	2000 Sh'000	1999 (Restated) Sh'000
OPERATING ACTIVITIES			
Cash generated from operations	18(a)	72,687	18,554
Interest paid		(500)	(545)
Interest received		1,987	16,243
Dividend received		708	543
Taxation paid		(549)	(37,423)
		<hr/>	<hr/>
Net cash generated from operating activities		74,333	(2,628)
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Purchase of plant and equipment		(48,592)	(41,476)
Proceeds from disposal of plant and equipment		1,245	2,404
Receipts from commercial paper		70,000	-
Purchase of commercial paper		(39,464)	(29,726)
Purchase of shares		(2)	-
		<hr/>	<hr/>
Net cash used in investing activities		(16,813)	(68,798)
		<hr/>	<hr/>
FINANCING ACTIVITIES			
Loans received		11,459	-
Dividends paid		(9,780)	(29,311)
		<hr/>	<hr/>
Net cash generated/(used) in financing activities		1,679	(29,311)
		<hr/>	<hr/>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		59,199	(100,737)
CASH AND CASH EQUIVALENT AT 1 APRIL		651	101,388
		<hr/>	<hr/>
CASH AND CASH EQUIVALENT AT 31 MARCH	18(b)	59,850	651
		<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

1 ACCOUNTING POLICIES

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

BASIS OF PREPARATION

The financial statements are prepared in accordance with and comply with International Accounting Standards which have been adopted with effect from this accounting period. The financial statements are prepared under the historical cost basis of accounting modified to include the revaluation of certain property, plant and equipment.

With the exception of IAS 12 on income taxes (Revised), and IAS 19 (employee benefits), there are no changes in accounting policy that affect profit before taxation from the adoption of International Accounting Standards.

TURNOVER

Turnover represents the gross value of tea sold.

TAXATION

Current taxation is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred income 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. Currently enacted tax rates are used to determine deferred income tax.

This is a change in accounting policy to comply with International Accounting Standard No. 12 (Revised). Previously, deferred income tax was provided for when, in the opinion of the directors, a liability or asset was expected to crystallise in the foreseeable future. The change in policy has been applied retrospectively and comparative figures amended accordingly.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost or valuation less depreciation.

DEPRECIATION

No depreciation is provided on freehold land.

Depreciation is calculated to write off the cost or valuation of the other property, plant and equipment in equal annual instalments over their estimated useful lives.

The annual rates generally in use are:

Buildings	5%
Dams	2.5%
Machinery and equipment	10%
Motor vehicles	10% - 25%
Office equipment, furniture and fittings	10%
Computers	25%

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

TEA DEVELOPMENT

Tea development represents the cost of establishing mature tea bushes. No provision is made for amortisation as the costs of replanting, infilling and upkeep are charged against revenue and the assets are revalued at periodic intervals.

INVENTORIES

Unsold tea is stated at the lower of cost and net realisable value. Cost comprises all estate, factory and packing expenses.

Stores are stated at average purchase cost.

Tea nursery and firewood are stated at production cost.

FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the income statement.

RETIREMENT BENEFIT OBLIGATIONS

The company operates a defined contribution pension scheme for eligible non-unionisable employees. The scheme is administered by the company and is funded by contributions from both the company and employees. The company's contributions to the defined contribution plan are charged to the income statement in the year to which they relate.

The company also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to Sh 80 per month per employee. The company's contributions are charged to the income statement in the year to which they relate.

Unionisable staff who resign or whose services are terminated on completion of ten years of continuous and meritorious service with the company are entitled to twenty one days pay for each completed year of service by way of gratuity, based on the wages or salary at the time of such resignation or termination of services, as provided for in the trade union agreement with the company. An employee who is dismissed or terminated for gross misconduct is not entitled to gratuity.

The service gratuity is provided for in the accounts as it accrues to each employee. This is a change in accounting policy to comply with International Accounting Standard No. 19. Previously, no provision was made for service gratuity. The change in policy has been applied retrospectively and comparative figures amended accordingly.

COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, comparatives have been adjusted or extended to take into account the requirements of the International Accounting Standards.

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2000 Sh'000	1999 Sh'000
2 OPERATING PROFIT		
The operating profit is arrived at after charging:		
Depreciation	26,799	17,803
Directors' emoluments:		
Fees	106	106
Other emoluments	250	250
Staff costs (Note 4)	86,880	75,134
Auditors' remuneration	701	627
and after crediting		
Profit on sale of plant and equipment	1,245	1,955
	=====	=====
3 FINANCE INCOME		
Interest payable on bank overdrafts	(312)	(545)
Interest payable on loan	(188)	-
Interest receivable from deposits	2,797	11,628
Dividend income	708	543
Exchange gains	5,610	3,903
	=====	=====
	8,615	15,529
	=====	=====
4 STAFF COSTS		
Wages and salaries	76,246	67,135
Social security cost (NSSF)	1,607	1,450
Pension costs	808	802
Gratuity	8,219	5,747
	=====	=====
	86,880	75,134
	=====	=====
The average number of persons employed by the company during the year was:		
	No.	No.
Permanent	1,393	1,284
Seasonal	292	466
	=====	=====
	1,685	1,750
	=====	=====

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2000 Sh'000	1999 (Restated) Sh'000
5	TAXATION		
	(a) TAX EXPENSE		
	Current taxation based on adjusted profit at 30%	6,873	7,109
	Deferred tax (credit)/expense	(1,457)	3,014
		<u>5,416</u>	<u>10,123</u>
	(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX EXPENSE		
	Accounting profit before taxation	20,283	25,545
	Tax at the applicable rate of 30% (1999 - 32.5%)	6,085	8,302
	Tax effect of expenses not deductible for tax purposes	2,984	2,011
	Tax effect of income not taxable	(278)	(190)
	Tax effect of reduction in tax rate	(3,375)	-
		<u>5,416</u>	<u>10,123</u>
	(b) DEFERRED TAX RELATING TO ITEMS CREDITED TO CAPITAL RESERVE		
	Deferred tax resulting from reduction in tax rate	4,106	-
	Reversal of deferred tax	2,362	2,514
		<u>6,468</u>	<u>2,514</u>

6 EARNINGS PER SHARE

Basic earnings per share has been calculated on the profit after taxation of Sh 14,867,000 (1999 - Sh 15,422,000) divided by 3,912,000 shares (1999 - 3,912,000 shares) in issue during the year. The diluted earnings per share is the same as the basic earnings per share.

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings, dams and development Sh'000	Machinery and equipment Sh'000	Motor vehicles Sh'000	Office equipment, furniture and fittings Sh'000	Capital work in progress Sh'000	Total Sh'000
COST OR VALUATION						
At 1 April 1999	353,038	60,732	33,320	9,487	-	456,577
Additions	22,143	15,599	5,416	254	5,180	48,592
Disposals	-	-	(4,431)	(65)	-	(4,496)
Development costs Written off	(124)	-	-	-	-	(124)
At 31 March 2000	375,057	76,331	34,305	9,676	5,180	500,549
Comprising:						
At valuation - 1999	353,038	60,732	-	-	-	413,770
At cost	22,019	15,599	34,305	9,676	5,180	86,779
	375,057	76,331	34,305	9,676	5,180	500,549
DEPRECIATION						
At 1 April 1999	-	-	23,546	3,161	-	26,707
Charge for the year	10,816	9,338	5,141	1,504	-	26,799
Eliminated on disposals	-	-	(4,431)	(65)	-	(4,496)
At 31 March 2000	10,816	9,338	24,256	4,600	-	49,010
NET BOOK VALUE						
At 31 March 2000	364,241	66,993	10,049	5,076	5,180	451,539
At 31 March 1999	353,038	60,732	9,774	6,326	-	429,870

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2000 Sh'000	1999 Sh'000
8	INVESTMENTS		
	Quoted		
	349 shares of Unga Group Limited		
	at cost (market price Sh 8,638)	2	2
	Unquoted Kenya Tea Packers Limited		
	946 shares (1999 – 752 shares) at cost and directors' valuation	9	7
		<u>11</u>	<u>9</u>
9	INVENTORIES		
	Tea	13,868	15,969
	Stores	9,885	4,946
	Tea nursery	4,117	2,883
	Firewood	2,143	1,910
		<u>30,013</u>	<u>25,708</u>
10	TRADE AND OTHER RECEIVABLES		
	Tea	41,355	58,797
	Other	17,900	21,029
		<u>59,255</u>	<u>79,826</u>
11	RELATED COMPANIES		
	Due from:		
	Tinderet Tea Estates (1989) Limited	321	348
	George Williamson Kenya Limited	2,291	-
	Kaimosi Tea Estates Limited	3,432	4,189
		<u>6,044</u>	<u>4,537</u>
	Due to		
	George Williamson Kenya Limited	-	9,119
	Williamson Power Limited	134	249
		<u>134</u>	<u>9,368</u>

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2000 Sh'000	1999 Sh'000
12 SHARE CAPITAL		
Authorised, issued and fully paid		
3,912,000 ordinary shares of Sh 5 each	<u>19,560</u>	<u>19,560</u>
13 LOAN		
Loan from Barclays Bank of Kenya Limited		
Repayable by 2007: interest rate at 3% over the bank's base rate	<u>11,459</u>	<u>-</u>
14 DEFERRED INCOME TAXES		
Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30% (1999 - 32.5%).		
	2000 Sh'000	1999 Sh'000
The net deferred taxation liability is attributable to the following items:		
Accelerated capital allowances	51,199	51,100
Unrealised exchange gains	157	369
Gratuity provision	(8,939)	(7,595)
Revaluation surplus	<u>46,889</u>	<u>53,357</u>
	<u>89,306</u>	<u>97,231</u>
The movement on the deferred tax account is as follows:		
At 1 April, not previously recognised (liability)	97,231	82,079
Income statement (credit)/expense	(1,457)	2,670
Capital reserve	<u>(6,468)</u>	<u>12,482</u>
At 31 March	<u>89,306</u>	<u>97,231</u>
15 RETIREMENT BENEFITS OBLIGATIONS		
Service gratuity	<u>29,796</u>	<u>23,369</u>

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2000 Sh'000	1999 Sh'000
16 TRADE AND OTHER PAYABLES		
Trade payables	8,553	11,422
Other payables	17,780	15,592
Green leaf provision	23,560	5,100
	<u>49,893</u>	<u>32,114</u>

17 BANK OVERDRAFT AND LOAN

The bank overdraft and loan are secured by an all asset debenture for Sh 26,604,000 supported by a legal charge of the same amount over the Nandi Hills Property, LR No. 11770.

	2000 Sh'000	1999 Sh'000
18 NOTES TO THE CASH FLOW STATEMENT		
(a) RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATION		
Operating profit	11,668	10,017
Adjustment for:		
Depreciation	26,799	17,803
Profit on sale of plant and equipment	(1,245)	(1,955)
Development costs written off	124	191
Unrealised exchange gains	5,610	3,902
	<u>42,956</u>	<u>29,958</u>
Operating profit before working capital changes	42,956	29,958
(Increase)/decrease in inventories	(4,305)	40,261
Decrease in trade and other receivables	20,571	328
Increase/(decrease) in trade and other payables	17,779	(45,840)
Movement in related company balances	(10,741)	(11,317)
Increase in retirement benefits obligations	6,427	5,164
	<u>72,687</u>	<u>18,554</u>

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2000 Sh'000	1999 Sh'000
18	NOTES TO THE CASH FLOW STATEMENT (Continued)	
(b)	Analysis of balances of cash and cash equivalents	
	Cash and bank balances	25,109
	Short term deposits	35,000
	Bank overdraft	(259)
	At 31 March	59,850
		651

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired; less advances from banks repayable within three months from the date of the advance.

19 RELATED PARTIES

The company receives technical assistance from an associated company (George Williamson Kenya Limited) and pays an agency commission. The agency commission is calculated at 4% of tea sales and amounted to Sh 13,812,451 (1999 - Sh 12,942,705).

In the normal course of business, the company sells certain of its tea through an associated company. The commission payable in the year amounted to Sh 6,427,960 (1999 - Sh 6,054,449).

The receivables and payables at the balance sheet date are shown in note 11.

	2000 Sh'000	1999 Sh'000
20	CAPITAL COMMITMENTS	
	Authorised but not contracted for	7,405
		22,483

21 CONTINGENT LIABILITIES

At 31 March 2000, the company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 RETIREMENT BENEFIT OBLIGATIONS

The company makes contributions to a defined contribution scheme and to a statutory defined pension scheme, the National Social Security Fund. Contributions to the company plan are determined by the rules of the plan and totalled Sh 808,000 (1999 – Sh 802,000) in the year. Contributions to the statutory scheme are determined by local statute. For the year ended 31 March 2000, the company contributed Sh 1,607,000 (1999 – Sh 1,450,000) to the statutory scheme.

23 COUNTRY OF INCORPORATION

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

24 CURRENCY

These financial statements are presented in Kenya Shillings Thousands (Sh'000).

KAPCHORUA TEA COMPANY LIMITED

FIVE YEAR COMPARATIVE STATEMENT

		2000	1999	1998	1997	1996
Tea Production			*			
Area under tea	Hectares	677	673	671	660	655
Made tea - own	'000 kgs	1,740	1,670	2,074	1,926	1,952
- bought leaf	'000 kgs	<u>984</u>	<u>1,010</u>	<u>973</u>	<u>972</u>	<u>796</u>
Total	'000 kgs	2,724	2,680	3,047	2,898	2,748
Tea sold	'000 kgs	<u>2,759</u>	<u>3,147</u>	<u>2,585</u>	<u>3,068</u>	<u>2,664</u>
Average price per kg (gross)	Sh	<u>125.16</u>	<u>102.81</u>	<u>132.14</u>	<u>84.59</u>	<u>70.47</u>
Turnover Sh'000		345,311	323,568	341,578	259,518	187,722
Profit (Sh'000)						
Profit before taxation		20,283	25,545	109,787	29,015	9,828
Taxation		<u>5,416</u>	<u>10,123</u>	<u>35,214</u>	<u>10,143</u>	<u>4,451</u>
Profit after taxation		14,867	15,422	74,573	18,872	5,377
Dividends		<u>9,780</u>	<u>9,780</u>	<u>29,340</u>	<u>5,868</u>	<u>3,912</u>
Retained profit		<u>5,087</u>	<u>5,642</u>	<u>45,233</u>	<u>13,004</u>	<u>1,465</u>
Capital Employed (Sh'000)						
Property, plant and equipment		451,539	429,870	286,283	271,080	266,239
Investments		11	9	9	9	9
Current assets		<u>155,421</u>	<u>148,538</u>	<u>254,640</u>	<u>138,237</u>	<u>111,770</u>
		<u>660,971</u>	<u>578,417</u>	<u>540,932</u>	<u>409,326</u>	<u>378,018</u>
Financed by (Sh'000)						
Share capital		19,560	19,560	19,560	19,560	19,560
Reserves		<u>396,307</u>	<u>384,752</u>	<u>370,978</u>	<u>325,745</u>	<u>312,741</u>
Shareholders funds		415,867	404,312	390,538	345,305	332,301
Medium term borrowings		11,459	-	-	-	-
Non current liabilities		29,796	23,369	-	-	-
Deferred taxation		<u>89,306</u>	<u>97,231</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>546,428</u>	<u>524,912</u>	<u>390,538</u>	<u>345,305</u>	<u>332,301</u>
Current liabilities		60,543	53,505	150,394	64,021	45,717
		<u>606,971</u>	<u>578,417</u>	<u>540,932</u>	<u>409,326</u>	<u>378,018</u>
EARNINGS PER SHARE	Cents	380	394	1,906	483	137
DIVIDENDS PER SHARE	%	50	50	150	30	20
DIVIDENDS PER SHARE	Cents	250	250	750	150	100
DIVIDEND COVER	Times	<u>1.52</u>	<u>1.58</u>	<u>2.54</u>	<u>3.22</u>	<u>1.37</u>

* Restated in accordance with International Accounting Standards.