



**Deloitte
& Touche**

KAPCHORUA TEA COMPANY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2001

ABBREVIATIONS

CE

HoD - E & A

HoD - C & F ✓

HoD - R & CA

DHoD - E & A

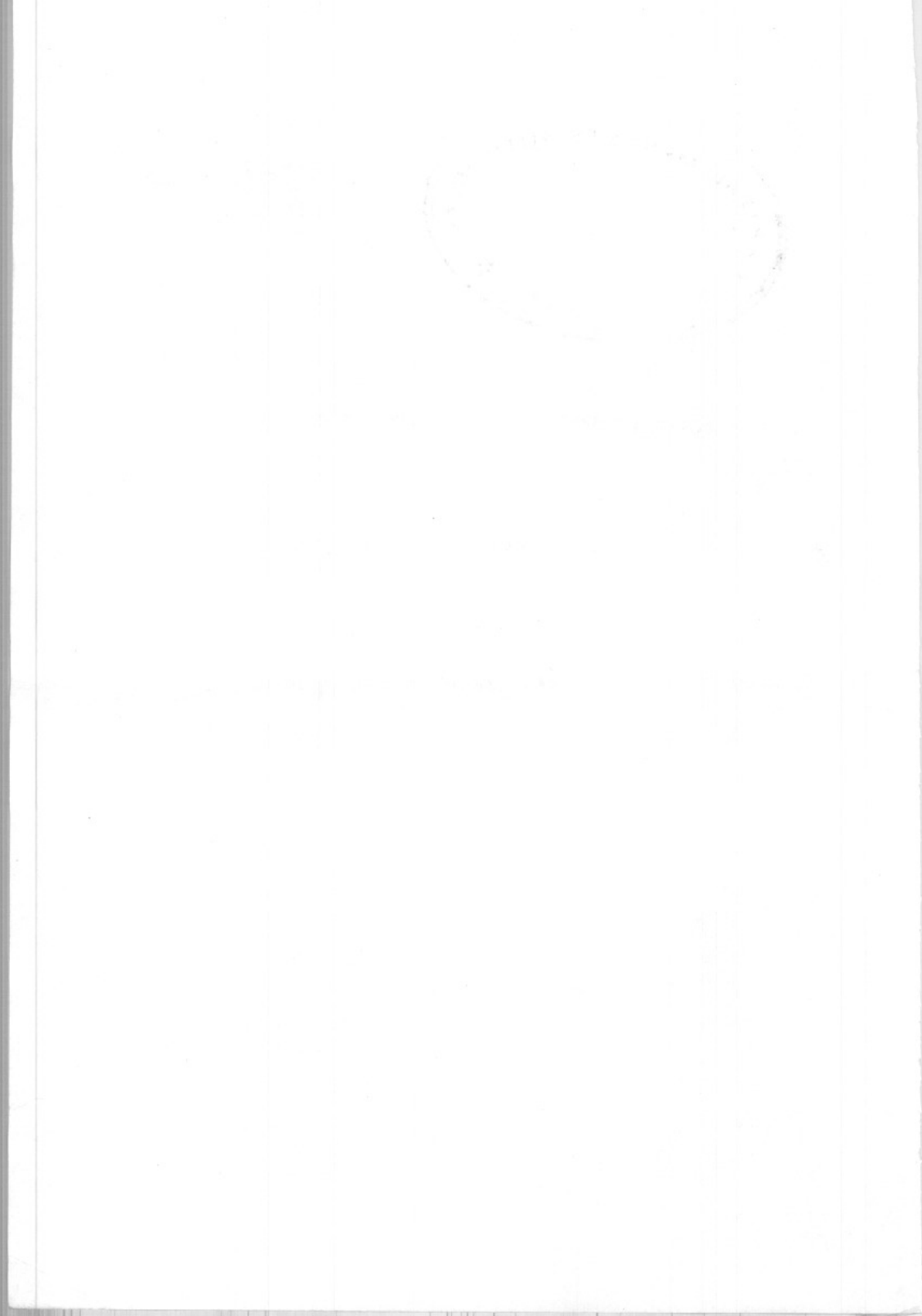
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KAPCHORUA TEA COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001

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KAPCHORUA TEA COMPANY LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the fifty fourth ANNUAL GENERAL MEETING of the shareholders will be held at the company's registered office, Williamson House, Ngong Avenue, on 24th July 2001 at 10.00 a.m. for the purposes of attending to the ordinary business as set out below:

- 1 To receive and adopt the report of the directors together with the audited financial statements for the year ended 31 March 2001.
- 2 To declare a dividend.
- 3 To elect directors.
- 4 To approve the remuneration of the directors.
- 5 To authorised 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

16 May, 2001

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.

2007/1183

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KAPCHORUA TEA COMPANY LIMITED

DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS

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

* British
**Dutch

SECRETARY

D B White
P O Box 42281
Nairobi

REGISTERED OFFICE

Williamson House
9th Floor
4th Ngong Avenue
P O Box 42281
Nairobi

AUDITORS

Deloitte & Touche
"Kirungii", Ring Road, Westlands
P O Box 40092
Nairobi

BANKERS

Barclays Bank of Kenya Ltd
Barclays Plaza Business Centre
Plaza Branch
P O Box 46661
Nairobi

Barclays Bank of Kenya Limited
Eldoret Branch
P O Box 22
Eldoret

KAPCHORUA TEA COMPANY LIMITED

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2001

FINANCIAL RESULTS

The Estate was seriously affected by the frost and dry weather prior to the commencement of the financial year and crop was as a result lower than estimate, although slightly better than last year.

International tea prices improved in the first eight months, but have fallen back significantly subsequently.

Due to the power rationing our manufacturing costs were greatly increased by using our own generators, although some duty refunds were given.

In January this year the Industrial Court finally ruled on the Collective Bargaining Agreement with the Kenya Tea Growers Association awarding increases of 7% for 2000, 5% in 2001 and the required back payments were made that month.

Weather conditions for the first six weeks this year have been useful, however prices remain low, barely above our cost of production.

Your Directors are therefore recommending a final dividend of Shs.2/50 for the year ended 31st March 2001 (1999/2000 - Shs.2/50).

TEA

Factory throughput of 2,873,572 Kgs of made tea was made up as follows :-

Own	1,803,033
Outgrowers	<u>1,070,539</u>
	2,873,572

Using part of the development loan mentioned last year, we have installed new CTC lines in the Factory and improved quality has been achieved.

SOCIAL CONTRIBUTION

The major points under this heading include :

- i) There are 1759 workers employed with over 7000 dependants.
- ii) Our foreign currency earnings amounted to the equivalent of K.Shs. 333,650,000 (2000 K.Shs.333,325,000).
- iii) The company paid corporation tax to the Kenya Government of Shs.8,558,000.00 and agricultural produce cess of 3,057,000.00 to the Tea Board of Kenya to be disbursed to the County Council and Tea Roads Cess Committee for maintenance of tea roads in our district.
- iv) Revenue expenditure of Shs.13,969,000 and capital expenditure of Shs.7,112,000.00 was spent on a wide range of health, welfare and educational services and facilities.
- v) Through the Nandi Branch of the Kenya Tea Growers Association we continue to support the development of the Nandi Hills Primary School and Taito Secondary School.

KAPCHORUA TEA COMPANY LIMITED

CHAIRMAN'S STATEMENT (Continued)

ENVIRONMENT

We have regularly lobbied the Authorities and Government to halt the destruction of the forests bordering our operations, which are so vital to maintaining rainfall patterns. Some small progress can be reported.

Within the Estate we continue our planting programme for indigenous trees and bamboo.

In addition, that land which is unsuitable for tea growing is planted with eucalyptus to fuel our driers together with pinus and cypress for pallet making and building requirements.

STAFF

John Kaurra our General Manager for over 20 years retired in December and on behalf of us all I would thank him sincerely for his enormous contribution during those years. We wish him and his wife Margaret a long and happy retirement.

At the same time I would welcome Luke Osire, who takes over the position and wish him every possible success, assuring him of our fullest support.

In addition we must thank those other managers and staff at the Estate for the results achieved.

FUTURE PROSPECTS

While good weather conditions presently prevail we are only one and a half months into our financial year.

In addition, the continuing low international tea price and strong Kenya Shilling will require every possible economic and management control to ensure profitability.

It would be unwise to endeavour to make any accurate forecast of the results for 2001/2002 at this time.

N.G. SANDYS-LUMSDAINE
Chairman

Nairobi

16 May 2001

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 2001.

ACTIVITIES

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

RESULTS

	Sh'000
Profit before taxation	11,710
Taxation	5,452
Profit after taxation	<u>6,258</u>

DIVIDENDS

The directors recommend the payment of a dividend of Sh 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
2001	1,803	1,071	2,874
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

The estimated own estate production for the year to 31 March 2002 is 1,953,000 kilograms.

PLANTED AREA

The area under tea was as follows:

	2001 Hectares	2000 Hectares
Mature	664.80	655.75
Immature	22.00	21.00
	<u>686.80</u>	<u>676.75</u>

KAPCHORUA TEA COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued)

DIRECTORS

The current board of directors is shown on page 2.

In accordance with article 94 of the articles of association, Messrs N G Sandys-Lumsdaine and R B Magor retire by rotation and, being eligible, offer themselves for re-election.

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

16 May 2001

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.

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**Deloitte
& Touche**

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

We have audited the financial statements on pages 10 to 24 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 5, 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 2001 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

18 May 2001

KAPCHORUA TEA COMPANY LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2001

	Note	2001 Sh'000	2000 Sh'000
TURNOVER		345,183	345,311
COST OF SALES		280,373	283,336
GROSS PROFIT		64,810	61,975
OTHER OPERATING INCOME		3,111	1,730
DISTRIBUTION COSTS		(35,319)	(33,377)
ADMINISTRATIVE EXPENSES		(18,449)	(18,660)
OPERATING PROFIT	2	14,153	11,668
NET FINANCE(COSTS)/ INCOME	4	(2,443)	8,615
PROFIT BEFORE TAXATION		11,710	20,283
TAXATION	5	5,452	5,416
NET PROFIT FOR THE YEAR		6,258	14,867
EARNINGS PER SHARE	6	Sh 1.60	Sh 3.80

KAPCHORUA TEA COMPANY LIMITED

BALANCE SHEET

31 MARCH 2001

	Note	2001 Sh'000	2000 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	8	444,028	451,539
Investments	9	11	11
		<hr/>	<hr/>
		444,039	451,550
Current assets			
Inventories	10	75,236	30,013
Trade and other receivables	11	70,715	59,255
Due from related companies	12	4,431	6,044
Taxation recoverable		3,444	-
Short term deposits		-	35,000
Cash and bank balances		39,733	25,109
		<hr/>	<hr/>
		193,559	155,421
Total assets			
		<hr/>	<hr/>
		637,598	606,971
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	19,560	19,560
Capital reserve		298,679	296,542
Revenue reserve		96,350	99,765
Proposed dividend (gross)		9,780	9,780
		<hr/>	<hr/>
		424,369	425,647
Non current liabilities			
Deferred income taxes	14	87,877	89,306
Retirement benefit obligations	15	33,503	29,796
Borrowings	16	18,451	11,459
		<hr/>	<hr/>
		139,831	130,561
Current liabilities			
Trade and other payables	17	67,426	49,893
Due to related companies	12	5,972	134
Taxation payable		-	477
Bank overdraft (secured)		-	259
		<hr/>	<hr/>
		73,398	50,763
Total equity and liabilities			
		<hr/>	<hr/>
		637,598	606,971
		<hr/>	<hr/>

The financial statements on pages 10 to 24 were approved by the board of directors on 16 May 2001 and were signed on its behalf by:

N G SANDYS-LUMSDAINE)
) Directors
 J N BROOKS)

KAPCHORUA TEA COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2001

	Share Capital Sh'000	Capital Reserve Sh'000	Revenue reserve Sh'000	Proposed Dividend Sh'000	Total Sh'000
At 1 April 1999	19,560	290,074	94,678	9,780	414,092
Profit for the year	-	-	14,867	-	14,867
Dividends paid - 1999	-	-	-	(9,780)	(9,780)
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	<u>19,560</u>	<u>296,542</u>	<u>99,765</u>	<u>9,780</u>	<u>425,647</u>
At 1 April 2000	19,560	296,542	99,765	9,780	425,647
Profit for the year	-	-	6,258	-	6,258
Dividends paid - 2000	-	-	-	(9,780)	(9,780)
Proposed dividend	-	-	(9,780)	9,780	-
Surplus released on disposal of revalued assets	-	(107)	107	-	-
Reversal of deferred tax	-	2,244	-	-	2,244
At 31 March 2001	<u>19,560</u>	<u>298,679</u>	<u>96,350</u>	<u>9,780</u>	<u>424,369</u>

KAPCHORUA TEA COMPANY LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2001

	Note	2001 Sh'000	2000 Sh'000
OPERATING ACTIVITIES			
Cash from operations	18(a)	8,631	72,687
Interest received		3,059	1,987
Interest paid		(1,538)	(500)
Dividend received		-	708
Taxation paid		(8,558)	(549)
Gratuity paid		(1,438)	-
		<hr/>	<hr/>
Net cash from operating activities		156	74,333
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Development costs		(5,960)	(9,519)
Purchase of property, plant and equipment		(12,158)	(39,073)
Proceeds from disposal of plant and equipment		1,160	1,245
Receipts from commercial paper		-	70,000
Purchase of commercial paper		-	(39,464)
Purchase of shares		-	(2)
		<hr/>	<hr/>
Net cash used in investing activities		(16,958)	(16,813)
		<hr/>	<hr/>
FINANCING ACTIVITIES			
Loans received		6,465	11,459
Dividends paid		(9,780)	(9,780)
		<hr/>	<hr/>
Net cash (used in)/generated from financing activities		(3,315)	1,679
		<hr/>	<hr/>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(20,117)	59,199
CASH AND CASH EQUIVALENTS AT 1 APRIL		59,850	651
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 MARCH	18(c)	39,733	59,850
		=====	=====

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2001

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.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

REVENUE RECOGNITION

Turnover represents the gross value of tea sold.

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.

PROPERTY, PLANT AND EQUIPMENT

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

DEPRECIATION

No depreciation is provided on freehold land and tea development expenditure.

Other property, plant and equipment are depreciated on a straight line basis to write off the cost or valuation 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%

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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.

The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets and provisions for gratuity.

PROVISION FOR EMPLOYEE ENTITLEMENTS

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the balance sheet date.

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 financial statements as it accrues to each employee.

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.

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2001 Sh'000	2000 Sh'000
2 OPERATING PROFIT		
The operating profit is arrived at after charging:		
Depreciation	24,845	26,799
Directors' emoluments:		
Fees	250	250
Other emoluments	80	106
Staff costs (Note 3)	90,071	86,880
Auditors' remuneration	875	701
and after crediting		
Profit on sale of plant and equipment	630	1,245
	<u>=====</u>	<u>=====</u>
3 STAFF COSTS		
Wages and salaries	82,593	76,246
Social security costs (NSSF)	1,554	1,607
Pension costs (defined contribution plan)	779	808
Staff gratuity	5,145	8,219
	<u>=====</u>	<u>=====</u>
	90,071	86,880
	<u>=====</u>	<u>=====</u>
The average number of staff employed by the company during the year was:		
	No.	No.
Permanent	1,469	1,393
Seasonal	290	292
	<u>=====</u>	<u>=====</u>
	1,759	1,685
	<u>=====</u>	<u>=====</u>
	2001 Sh'000	2000 Sh'000
4 NET FINANCE (COSTS)/INCOME		
Interest receivable from short term deposits	2,359	2,797
Dividend income	708	708
	<u>=====</u>	<u>=====</u>
	3,067	3,505
Net foreign exchange differences	(3,799)	5,610
Interest expense:		
Interest payable on overdraft	(432)	(311)
Interest payable on loans	(1,279)	(189)
	<u>=====</u>	<u>=====</u>
	(2,443)	8,615
	<u>=====</u>	<u>=====</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2001 Sh'000	2000 Sh'000
5 TAXATION		
(a) TAX EXPENSE		
Current taxation based on the adjusted profit at 30%	5,040	6,873
Deferred tax charge/(credit) - (note 14)	815	(1,457)
Prior year over provision	(403)	-
	<u>5,452</u>	<u>5,416</u>
(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX EXPENSE		
Accounting profit before taxation	11,710	20,283
Tax at the applicable rate of 30%	3,513	6,085
Tax effect of expenses not deductible for tax purposes	2,659	2,984
Tax effect of income not taxable	(317)	(278)
Tax effect of reduction in tax rate	-	(3,375)
Prior year over provision	(403)	-
	<u>5,452</u>	<u>5,416</u>
(c) DEFERRED TAX RELATING TO ITEMS CREDITED TO CAPITAL RESERVE		
Deferred tax resulting from reduction in tax rate	-	4,106
Reversal of deferred tax	2,244	2,362
	<u>2,244</u>	<u>6,468</u>

6 EARNINGS PER SHARE

Basic earnings per share has been calculated on the profit after taxation of Sh 6,258,000 (2000 – Sh 14,867,000) divided by 3,912,000 shares in issue during the year.

The diluted earnings per share is the same as the basic earnings per share.

7 PROPOSED DIVIDEND

At the annual general meeting on 24 July 2001, a dividend in respect of 2001 of Sh 9,780,000 (2000 – Sh 9,780,000) is to be proposed.

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 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 2000	375,057	76,331	34,305	9,676	5,180	500,549
Additions	10,149	5,562	-	716	1,691	18,118
Disposals	-	(725)	(5,497)	-	-	(6,222)
Transfer	5,180	-	-	-	(5,180)	-
Development costs written off	(254)	-	-	-	-	(254)
At 31 March 2001	390,132	81,168	28,808	10,392	1,691	512,191
Comprising:						
At valuation - 1999	353,038	60,732	-	-	-	413,770
At cost	37,094	20,436	28,808	10,392	1,691	98,421
	390,132	81,168	28,808	10,392	1,691	512,191
DEPRECIATION						
At 1 April 2000	10,816	9,338	24,256	4,600	-	49,010
Charge for the year	11,348	7,536	4,415	1,546	-	24,845
Eliminated on disposals	-	(725)	(4,967)	-	-	(5,692)
At 31 March 2001	22,164	16,149	23,704	6,146	-	68,163
NET BOOK VALUE						
At 31 March 2001	367,968	65,019	5,104	4,246	1,691	444,028
	=====	=====	=====	=====	=====	=====
At 31 March 2000	364,241	66,993	10,049	5,076	5,180	451,539
	=====	=====	=====	=====	=====	=====
NET BOOK VALUE (cost basis)						
At 31 March 2001	216,743	41,557	5,104	4,246	1,691	269,341
	=====	=====	=====	=====	=====	=====
At 31 March 2000	208,210	40,866	10,049	5,076	5,180	269,381
	=====	=====	=====	=====	=====	=====

All property, plant and equipment other than motor vehicles, office equipment, computers, furniture and fittings were revalued as at 31 March 1999 by Lloyd Masika Limited, registered valuers and estate agents. Valuations were made on the basis of the market value for existing use. The book values of the assets were adjusted to the capital reserves in shareholders' equity.

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2001 Sh'000	2000 Sh'000
9	INVESTMENTS		
	Quoted:		
	3,138 shares of Unga Group Limited at cost	2	2
	Market value Sh 30,596 (2000 – Sh 77,666)		
	Unquoted:		
	946 shares of Kenya Tea Packers Limited (at cost and directors' valuation)	9	9
		<u>11</u>	<u>11</u>
10	INVENTORIES		
	Unsold tea	59,887	13,868
	Stores	9,188	9,885
	Tea nursery	4,344	4,117
	Firewood	1,817	2,143
		<u>75,236</u>	<u>30,013</u>
11	TRADE AND OTHER RECEIVABLES		
	Tea	46,601	41,355
	Other	24,114	17,900
		<u>70,715</u>	<u>59,255</u>
12	RELATED COMPANIES		
	Due from:		
	Tinderet Tea Estates (1989) Limited	360	321
	George Williamson Kenya Limited	-	2,291
	Kaimosi Tea Estates Limited	3,490	3,432
	Williamson Power Limited	581	-
		<u>4,431</u>	<u>6,044</u>
	Due to:		
	George Williamson Kenya Limited	5,972	-
	Williamson Power Limited	-	134
		<u>5,972</u>	<u>134</u>

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2001 Sh'000	2000 Sh'000
13	SHARE CAPITAL		
	Authorised, issued and fully paid:		
	3,912,000 ordinary shares of Sh 5 each	19,560	19,560
		<u>=====</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%.		
		2001 Sh'000	2000 Sh'000
	The net deferred taxation liability is attributable to the following items:		
	Accelerated capital allowances	54,281	51,199
	Unrealised exchange (gains)/losses	(473)	157
	Gratuity provision	(10,051)	(8,939)
	Leave pay provision	(525)	-
	Revaluation surplus	44,645	46,889
		<u>=====</u>	<u>=====</u>
		87,877	89,306
		<u>=====</u>	<u>=====</u>
	The movement on the deferred tax account is as follows:		
	At 1 April	89,306	-
	Not previously recognised	-	97,231
	Income statement charge/(credit)	815	(1,457)
	Capital reserve	(2,244)	(6,468)
		<u>=====</u>	<u>=====</u>
	At 31 March	87,877	89,306
		<u>=====</u>	<u>=====</u>
15	RETIREMENT BENEFITS OBLIGATIONS		
	Provision for staff gratuity	33,503	29,796
		<u>=====</u>	<u>=====</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2001 Sh'000	2000 Sh'000
16 BORROWINGS		
Bank loans	18,451	11,459
	=====	=====
The borrowings are repayable as follows:		
Within one year	1,230	-
In the second year	3,690	764
In the third to fifth years inclusive	13,531	10,695
	=====	=====
	18,451	11,459
	=====	=====

ANALYSIS OF BORROWINGS BY CURRENCY

	Borrowings in US\$	Kshs Equivalent Sh'000
2001		
Bank loans	239,994	18,451
	=====	=====
At 31 March 2001	239,994	18,451
	=====	=====
2000		
Bank loans	153,194	11,459
	=====	=====
At 31 March 2000	153,194	11,459
	=====	=====
	2001 %	2000 %
The average interest rates paid were as follows:		
Bank loans	9.5%	9.5%

DETAILS OF SECURITIES FOR BORROWINGS

The overdraft and loan facilities with Barclays Bank of Kenya Limited are secured by an all assets debenture of Sh 26,604,000 supported by a legal charge of the same amount over the Nandi Hills property LR No 11770.

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2001 Sh'000	2000 Sh'000
17 TRADE AND OTHER PAYABLES		
Trade payables	4,860	8,553
Other payables	28,051	17,780
Green leaf provision	34,515	23,560
	<u>67,426</u>	<u>49,893</u>
18 NOTES TO THE CASH FLOW STATEMENT		
(a) RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS		
Operating profit	14,153	11,668
Adjustments for:		
Depreciation	24,845	26,799
Profit on sale of plant and equipment	(630)	(1,245)
Tea development costs written off	254	124
Realised exchange (losses)/gains	(3,272)	5,610
	<u>35,350</u>	<u>42,956</u>
Operating profit before working capital changes	35,350	42,956
Increase in inventories	(45,223)	(4,305)
(Increase)/decrease in trade and other receivables	(11,452)	20,571
Increase in trade and other payables	17,360	17,779
Movement in related company balances	7,451	(10,741)
Increase in retirement benefits obligations	5,145	6,427
	<u>8,631</u>	<u>72,687</u>
Cash from operations	<u>8,631</u>	<u>72,687</u>
(b) ANALYSIS OF CHANGES IN LOANS		
At 1 April	11,459	-
Loans received	6,465	11,459
Exchange loss	527	-
	<u>18,451</u>	<u>11,459</u>
At 31 March	<u>18,451</u>	<u>11,459</u>

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2001 Sh'000	2000 Sh'000	
18	NOTES TO THE CASH FLOW STATEMENT (Continued)		
(c)	ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
	Cash and bank balances	39,733	25,109
	Short term deposits	-	35,000
	Bank overdraft	-	(259)
		<hr/>	<hr/>
	At 31 March	39,733	59,850
		<hr/>	<hr/>

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 13,807,329 (2000 - Sh 13,812,451).

In the normal course of business, the company sells certain of its tea through an associated company which acts as an agent. The associated company charges a commission of 3% on all private sales. The commission paid in the year amounted to Sh 7,520,482 (2000 - Sh 6,427,960).

The related party receivables and payables at the balance sheet date are shown in note 12.

20 CONTINGENT LIABILITIES

At 31 March 2001, 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.

	2001 Sh'000	2000 Sh'000
21	CAPITAL COMMITMENTS	
	Authorised but not contracted for	
	21,735	7,405

KAPCHORUA TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 COUNTRY OF INCORPORATION

The company is incorporated in Kenya under the Companies Act.

23 CURRENCY

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

KAPCHORUA TEA COMPANY LIMITED

THREE YEAR COMPARATIVE STATEMENT

		2001	2000 *Restated	1999 *Restated
Tea Production				
Area under tea	Hectares	87	677	673
Made tea - own	'000 kgs	1,803	1,740	1,670
- bought leaf	'000 kgs	<u>1,071</u>	<u>984</u>	<u>1,010</u>
Total	'000 kgs	2,874	2,724	2,680
Tea sold	'000 kgs	<u>2,460</u>	<u>2,759</u>	<u>3,147</u>
Average price per kg (gross)	Sh	<u>140.32</u>	<u>125.16</u>	<u>102.82</u>
Turnover Sh'000		345,183	345,311	323,568
Profit (Sh'000)				
Profit before taxation		11,710	20,283	25,545
Taxation		<u>5,452</u>	<u>5,416</u>	<u>10,123</u>
Profit after taxation		6,258	14,867	15,422
Dividends		<u>9,780</u>	<u>9,780</u>	<u>9,780</u>
Retained profit		<u>(3,522)</u>	<u>5,087</u>	<u>5,642</u>
Capital Employed (Sh'000)				
Property, plant and equipment		444,028	451,539	429,870
Investments		11	11	9
Current assets		<u>193,559</u>	<u>155,421</u>	<u>148,538</u>
		<u>637,598</u>	<u>606,971</u>	<u>578,417</u>
Financed by (Sh'000)				
Share capital		19,560	19,560	19,560
Reserves		<u>404,809</u>	<u>406,087</u>	<u>384,752</u>
Shareholders funds		424,369	425,647	404,312
Medium term borrowings		18,624	11,459	-
Non current liabilities		33,503	29,796	23,369
Deferred income taxes		<u>87,877</u>	<u>89,306</u>	<u>97,231</u>
		<u>564,373</u>	<u>556,208</u>	<u>524,912</u>
Current liabilities		<u>73,225</u>	<u>50,763</u>	<u>53,505</u>
		<u>637,598</u>	<u>606,971</u>	<u>578,417</u>
EARNINGS PER SHARE		Cents		
		160	380	394
DIVIDENDS PER SHARE		%		
		50	50	50
DIVIDENDS PER SHARE		Cents		
		250	250	250
DIVIDEND COVER		Times		
		<u>0.64</u>	<u>1.52</u>	<u>1.58</u>

* Restated in accordance with International Accounting Standards.