Deloitte.

KAPCHORUA TEA COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

KAPCHORUA TEA COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

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KAPCHORUA TEA COMPANY LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Sixty Second ANNUAL GENERAL MEETING of the shareholders will be held at the Nairobi Club, Ngong Road, on Thursday 28th, July 2011 at 10.00 a.m. for the following purposes.

Special Business:

1) To re-appoint a Director

Mr John N Brooks who attained the age of 70 on 27 December 1995 retires by rotation at the sixty second Annual General Meeting scheduled for Thursday 28 July 2011.

SPECIAL NOTICE is hereby given of the Board's recommendation to the members to re-appoint Mr.J. N. Brooks to the Board, and if thought fit, pass the following resolution as an **ORDINARY RESOLUTION:**

"That Mr. J.N.Brooks be and is hereby re-appointed as a Director pursuant to section 186 (5) of the Companies Act.

2) To consider and if thought fit to pass the following Resolutions as Special Resolutions:

THAT the Articles of Association of the Company be amended by deleting the entire Article 147 and adopting a new Article 147 to read as follows:

"The Company may issue notices and any other communication to its members through any of, or any combination of the following ways:

i. Post or delivery to the registered addresses of members;
ii. Electronic transmission to the registered electronic addresses of members;
iii. Publication on the Company website;
iv. Publication on the same date in two daily newspapers of which have nationwide circulation.

Ordinary Business:

3) To receive and adopt the report of the Directors together with the audited financial statements for the year ended 31 March 2011.

4) To declare dividends:
   a. To ratify the payment of interim dividend of Shs 1.25 per ordinary share paid in January 2011.
   b. To declare a final dividend payment of KShs 7.50 per ordinary share for the year ended 31 March 2011.

5) To approve the remuneration of the Directors.

6) To authorise the Directors to reappoint/appoint Auditors and agree their remuneration

7) To transact such other business as may be brought before the meeting.

BY ORDER OF THE BOARD

GKMasaki

GILBERT K MASAKI
SECRETARY

Thursday June 16, 2011

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

CORPORATE INFORMATION

DIRECTORS	N G Sandys-Lumsdaine* - Chairman A L Carmichael* P Magor* J N Brooks S C A Koech A S Marsh* * British
SECRETARY	Gilbert K Masaki Certified Public Secretary (Kenya) P O Box 42281- 00100 Nairobi
REGISTERED OFFICE	Williamson House, 1st Floor 4th Ngong Avenue P O Box 42281 - 00100 Nairobi
AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way, Muthangari P O Box 40092 - 00100 Nairobi
BANKERS	Barclays Bank of Kenya Limited Barclays Plaza Business Centre P O Box 46661 - 00100 Nairobi Barclays Bank of Kenya Limited Eldoret Branch P O Box 22 - 030030 Eldoret
LAWYERS	Kaplan & Stratton Williamson House, 9th Floor 4th Ngong Avenue P O Box 40111 - 00100 Nairobi Walker Kontos Hakika House Bishops Road P O Box 60680 - 00200 Nairobi

KAPCHORUA TEA COMPANY LIMITED

FINANCIAL HIGHLIGHTS

		2011	2010	2009	2008	2007	2006
Tea production							
Area under tea	Hectares	665	661	673	673	669	673
Made tea - own	'000 kgs	2,131	2,032	1,666	1,361	1,929	1,589
- bought leaf	'000 kgs	3,891	4,027	3,544	2,738	3,077	2,262
Total	'000 kgs	6,022	6,059	5,210	4,099	5,006	3,851
Tea sold	'000 kgs	6,467	5,821	4,871	4,551	4,432	4,128
Average sales price per kg (gross)	Sh	191.89	193.46	149.27	121.69	133.85	108.42
Turnover (Sh'000)		1,246,636	1,130,108	743,079	574,997	610,303	462,749
Profit/(loss) (Sh'000)							
Profit/(loss) before taxation		268,393	199,538	99,735	(103,081)	2,054	(13,372)
Taxation		(81,388)	(60,286)	(29,827)	33,303	(2,982)	3,579
Profit/(loss) after taxation		187,005	139,252	69,908	(69,778)	(928)	(9,793)
Capital employed (Sh'000)							
Property, plant and equipment		253,653	263,066	280,831	293,397	305,858	234,930
Prepaid operating leases		21,741	21,765	21,789	21,813	21,837	21,861
Intangible assets		330	665	1,330	-	-	-
Biological assets		717,820	533,957	515,489	457,670	523,092	546,798
Investments		717	717	717	717	717	717
Current assets		575,942	678,761	347,641	208,461	258,390	161,095
Total assets		1,570,203	1,498,931	1,167,797	982,058	1,109,894	965,401
Liabilities (Sh'000)							
Medium term borrowings		-	4,054	8,602	10,227	5,240	97
Non current liabilities		70,325	60,755	65,581	54,807	53,849	47,751
Deferred income taxes		249,388	201,773	197,737	178,131	211,434	191,524
Current liabilities		274,093	413,617	206,617	117,585	128,725	71,318
Total liabilities		593,806	680,199	478,537	360,750	399,248	310,690
Net assets		976,397	818,732	689,260	621,308	710,646	654,711
Financed by (Sh'000)							
Share capital		19,560	19,560	19,560	19,560	19,560	19,560
Reserves		956,837	799,172	669,700	601,748	691,086	635,151
Shareholders' funds		976,397	818,732	689,260	621,308	710,646	654,711
EARNINGS/(LOSS) PER SHARE	Sh	47.80	35.60	17.87	(17.84)	(0.24)	(2.50)
DIVIDENDS PER SHARE (par value)	%	175	125	50	10	100	10
DIVIDENDS PER SHARE	Sh	8.75	6.25	2.50	0.50	5.00	0.50
DIVIDEND COVER	Times	5.46	5.70	7.15	-	-	-
Closing exchange rates	US $	83.25	77.30	80.45	62.80	68.74	71.90
	UK £	134.03	116.58	115.12	125.21	134.99	125.40

KAPCHORUA TEA COMPANY LIMITED

CHAIRMAN'S STATEMENT

Results

I am pleased to report that the company recorded a profit of Sh 63.50 million resulting from its operating activities.

The year under review saw favourable weather conditions until January 2011 when the dry weather set in and crop levels began to decline. We should also make mention of the increasingly localized trend of rainfall in the Nandi area. Whilst total annual rainfall figures remain broadly unchanged for 50 years, the erratic distribution of rainfall is a perhaps worrying trend. We further strengthened relationships with local green leaf farmers and communities and although the supply of green leaf from smallholders is becoming very competitive we believe that our loyalty, commitment, assistance and reliability is recognized by the small scale farmer and that deliveries will continue to be a very large feature of daily life on Kapchorua Tea Farm. However, global demand for our tea continues to be healthy markets are very unpredictable and the Middle East and North African political scene, the so called Arab Spring, leave us, and the wider market somewhat exposed, few would be brave enough to second guess how the world political map will really materialize in the next 12 months. We remain and are a farming concern and therefore face the challenges of a business that is subject to the increasingly erratic rainfall patterns described above. Our ability to maintain current crop levels, and indeed expand factory capacities is hindered by our inability to source firewood for our boilers or find alternative fuels that are properly cost effective and would provide the same source of energy. As a result we have been forced to purchase firewood and this has increased our costs.

However we have serviced our customers well with many large buyers commending us for our quality and service. This strong performance plus the previous investment in Rainforest Alliance and Fairtrade accreditation and now UTZ has increased demand for our tea. We are actively working to ensure all our registered smallholders are also accredited so they too can benefit from the business rewards of our investment.

Considerable work continues to go into managing our automated tea harvesting. Our workforce is being trained to operate sophisticated machinery. We have improved the quality of leaf harvested over our initial gains made last year to the continuing benefit of the group and our customers. We would wish to emphasize that our workforce, our staff and our management, our human capital, remains our most prized asset. However we have a clear commitment to progress, to generate and motivate a highly skilled workforce and industrialise to secure long term sustainability for the group. We faced a strike in October 2010. In spite of the strike being declared illegal by the Courts, Union leaders pushed ahead. Some workers heeded the call to stop work, the majority, including all our workers operating a plucking machine decided to carry on working. Our thousands of smallholders supported our activities and our commitment to provide them with an open factory ready and willing to process their green leaf. Together we ensured no commercial damage was inflicted on our farms. We have a very long history of peaceful negotiation and dialogue with our Union partners and we wish this to be their watchword as we head into late 2011.

The cost of our essential inputs, particularly electricity, fertilizers and labour costs have again risen. To remain competitive we therefore need to work hard to control our costs whilst maintaining the quality of tea and service efficiency that provide the results we all wish to see.

The cost of conducting business in Kenya continues to rise. In addition to Corporation tax we face NEMA, WRMA, KEBS, this is in effect double taxation. Council taxes have increased with no accountability to the services that are provided. The Tea Act has been amended with an increase to our costs on account of ad valorem levy on all made tea for export. However, we remain committed to stay ahead of the curve, we have employed an additional logistical and shipping executive to ensure this critical area is properly managed.

Outlook

A crystal ball would be required to predict how the shifting political forces will affect market reaction. What we can say is the crop position is unlikely to be as strong, drier weather at the start of 2011 has led to lower crop levels. However we are confident that our inherent strengths and talented management pool will ensure that we remain focused and very competitive. Our ability to make good tea, deliver the tea on time, anywhere in the world, supported by the foundations of transparency, through our commitment to International accreditation agencies, ethical policies, good governance and accountability will enable us to overcome potential future hurdles through our long term relationships with a range of customers. We envisage markets will rise and fall through the year but that overall levels of demand should remain.

Dividends

In view of the favourable results, the Directors are recommending a final Dividend payment of Shs 7.50 per share in addition to the interim dividend of KShs 1.25 per share paid in January 2011.

Crop

During the year, the company manufactured a total of 6.00 million kilos of Made Tea compared to 6.10 million kilos manufactured last year due to continued strong support from our small tea growers.

Tea Market

The gross average tea price for the year stood at Sh 191.89 per kilo from last year's gross average of Sh 193.46. The exchange rate closed at Sh 83.25 to the Dollar compared to last year's closing rate of Sh 77.30.

Corporate Social Responsibility

The company continues to embrace Social enhancing ethics, food safety standards and sustainable agricultural practices. The company is still certified by Fair Trade, ISO 2200:2005, Rainforest Alliance and UTZ.
We have detailed our CSR activities for the year under review on the Williamson Tea website.

Health and Education

The company continues to provide extensive medical services to the employees with a Health Clinic and actively participates in the Nandi Hills Doctors' scheme including visiting Doctor Services and HIV/AIDS prevention programmes. Contribution has also been given in the form of equipment donations to neighbouring Hospitals, which treat some of our Workers and the surrounding Communities.

Through the Kenya Tea Growers Association, the company continues to support the running and development of various sponsored Primary and Secondary Schools in Nandi. We continue to operate a Primary School together with bursary schemes for gifted students proceeding to Secondary education.

Welfare

The number of permanent and seasonal employees exceeded 1,062 with over 2,506 of their dependents who also benefit from the social and welfare amenities provided.

During the year, the company spent over Sh 32 million employees' pension, gratuities, leave and medical expenses over and above employees' direct wages. In addition, the company incurred in excess of Sh 3 million on capital projects relating to employees welfare.

Appreciation

I would like to thank all our management staff under the leadership of John Kosgei for their efforts during the year. My thanks also go to the Nairobi team for their continued support.

Finally, I would like to thank my fellow Directors for their valuable contribution and advice.

NIGEL SANDYS-LUMSDAINE

CHAIRMAN

June 16, 2011.

CORPORATE GOVERNANCE

Corporate Governance is the process and structure used to direct and manage business affairs of the Company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders long term value while taking into account the interest of other stakeholders.

The company is compliant in all areas of the corporate governance guidelines save for the facts of the Chairman not being an independent non-executive director, and the audit committee being composed of only two independent directors. The Chairman is a non-executive and is only deemed to be non-independent because he was the Managing Director until 2007; he will be continuing with the full support of the Board. The desirability of increasing the number of non-executives on the audit committee is currently under consideration.

Board of directors

The Board consists of six directors, five of whom are non-executive directors including the Chairman. Among the non-executive directors one is an independent director. All the non-executive directors are subject to retirement by rotation and must seek re-election by shareholders at least once every three years in accordance with the Articles of Association. Among the non-executive Directors, Mr J N Brooks is over seventy years, Mr S C A Koech is seventy years while Mr N G S Lumsdaine is approaching seventy years. In accordance with the Articles of Association, Mr J N Brooks has offered himself for re-election as indicated in the notice of meeting.

The composition of the board is set with the aim of having a board with an appropriate balance of skills and experience to support the company's strategy and to lead the company effectively

There's a clear division of responsibility between the Chairman and the Managing Director. The Chairman is responsible for the leadership of the Board ensuring its effectiveness; and he sees that they are given appropriate and timely information to enable them to properly discharge their responsibilities. He also ensures effective communication with shareholders and facilitates relations between the different board members. The Managing Director is responsible for the day to day management of the company and the execution of the strategy agreed by the Board.

The Board is responsible for formulating policies and strategies and ensuring that the business objectives aimed at promoting and protecting the shareholder value while taking into account the interests of other stake holders, are achieved. The Board ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Board meets to review annual budgets and half year and annual accounts and to monitor operational performance. The Directors are given appropriate and timely information to enable them maintain full and effective control. Except for direction and guidance on general policy, the Board has delegated authority for conduct of the day-to-day business to the Managing Director assisted by a team of able managerial staff.

The full Board meets at least once every quarter for scheduled meetings and on other occasions as required for consideration of exceptional matters. A timetable of calendar dates for Board meetings to be held during the year is circulated in advance to the Board. The notice of Board meetings is distributed together with the agenda and board papers to all the directors before hand.

The company secretary is always available to the Board of Directors and is a member of both the Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of Certified Public Secretaries of Kenya (ICPSK). The Head of Finance is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Board remuneration

Non-executive directors are paid an annual fee together with a sitting allowance for every meeting attended. The aggregate amount of emoluments paid to directors for services rendered during the financial year are disclosed in note 4 to the financial statements.

CORPORATE GOVERNANCE (Continued)

Directors' shareholding

None of the directors as at the end of the year March 2011 held shares in their individual capacity that were more than 2% of the company's total equity. The Directors interest in the shares of the company is summarised below:

Name	Number of Shares
J N Brooks	39,742

COMMITTEES OF THE BOARD

The Board has three standing committees which meet under the terms of reference set by the Board.

Governance and audit committee

Audit committee responsibilities are discharged through the parent company's audit committee. This committee meets regularly ahead of scheduled full board meeting dates, and as appropriate on other occasions. It reviews corporate governance compliance issues, and its better implementation; risk management; internal control; and external auditors' plans and reports.

Nominating committee

The Board of the company has a nominating committee consisting of independent and non-executive Directors. This committee is responsible for proposing new nominees for the Board and for assessing the performance and effectiveness of all the Directors.

Staff and remuneration committee

There's a staff and remuneration committee consisting entirely of non-executive Directors. The committee is responsible for the remuneration and incentives for the Board and the senior management and for the structure of remuneration packages and submits its recommendations to the Board.

INTERNAL CONTROLS

The Board is responsible for the company's system of internal controls and for reviewing their effectiveness. The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information.

The systems in place are designed to ensure that authority is obtained for any major transaction and that the company complies with all Kenya Laws and Regulations, including those that govern sound financial management. Procedures are in place to ensure that all assets are subject to proper physical controls and these are professionally revalued every three years.

The company's internal auditor reviews policy, systems and procedures on a regular basis and reports to the Managing Director and the Audit Committee.

Communication with share holders

The company is committed to ensuring that there's open and good communication with investors through the Annual General Meeting, distribution of the company's annual report and the release of notices in the press of its half yearly and annual results.

SHAREHOLDING PROFILES

The company, through its Registrar, files returns regularly in line with Capital Markets Authority and the Nairobi Stock Exchange under the listing regulations on transactions related to shareholders.

Major shareholders

As at 31 March 2011, the top 10 shareholders were as follows:

	Name	Location	No of shares	%
1.	Williamson Tea Kenya Limited	Nairobi	1,547,780	39.56
2.	Ngong Tea Holdings Limited	London	937,264	23.96
3.	Shawmut Limited	Nairobi	489,000	12.50
4.	Satchu Aly-Khan	Mombasa	63,600	1.63
5.	Eric Charles Simons	London	60,000	1.53
6.	Indira Mulchand Shah	Nairobi	47,419	1.21
7.	Ninesh N Shah	Nairobi	35,419	0.91
8.	Ronald Carlile Buxton	Nairobi	33,750	0.86
9.	Bijal Mulchand Shah	London	32,016	0.82
10.	Kirtesh Premchand Shah	Nairobi	29,480	0.75

Analysis of shareholders

By region:

	Number	Shares held	%
Foreign investors	16	1,081,314	27.64
Local investors (Individuals)	234	678,646	17.35
Local investors (Institutional)	35	2,152,040	55.01
	285	3,912,000	100.00

By shares distribution:

Less than 501	117	26,387	0.67
501-5,000	125	239,839	6.13
5,001- 100,000	40	671,730	17.17
above 100,000	3	2,974,044	76.02
	285	3,912,000	100.00

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 2011.

ACTIVITIES

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

RESULTS FOR THE YEAR

	Sh'000
Profit before taxation	268,393
Taxation charge	(81,388)
Profit for the year transferred to revenue reserve	187,005

DIVIDENDS

During the year an interim dividend amounting to Sh 4,890,000 (2010 – nil) which amounts to Sh 1.25 per share was paid. The directors recommend that a final dividend of Sh 7.50 per share (2010 – Sh 6.25), totalling Sh 29,340,000 (2010 – Sh 24,450,000) be paid to owners of the company. The final dividend is subject to approval by the owners of the company at the next Annual General Meeting.

TEA CROP

The following are comparative tea production statistics:

Year ended 31 March	Kapchorua estate Kgs'000	Bought leaf Kgs'000	Total Kgs'000
2011	2,131	3,891	6,022
2010	2,032	4,027	6,059
2009	1,666	3,544	5,210
2008	1,361	2,738	4,099
2007	1,929	3,077	5,006
2006	1,589	2,262	3,851
2005	1,762	2,718	4,480
2004	1,648	1,888	3,536
2003	1,765	1,641	3,406
2002	1,789	1,676	3,465

The estimated tea production for the year to 31 March 2012 is 5,851,505 kilograms. This includes 4,000,000 kilograms from out growers.

PLANTED AREA

The planted area under tea was as follows:

	As at 31 March 2010 Hectares	As at 31 March 2011 Hectares
Mature	656.75	661.00
Immature	4.50	4.50
	661.25	665.50

KAPCHORUA TEA COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued)

DIRECTORS

The current board of directors is shown on page 3.

J N Brooks retires by rotation and being eligible offers himself for re-election.

SECRETARY

Gilbert K Masaki continues as the company secretary.

MANAGEMENT

Mr J. Kosgei is the General Manager of the Kapchorua Estate.

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

Secretary

Nairobi

16 7H JUNE 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act 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 its operating results for that year. It also requires the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

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

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 in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which 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 next twelve months from the date of this statement.

Director

Director

16th June 2011

Deloitte.

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

Report on the Financial Statements

We have audited the accompanying financial statements of Kapchorua Tea Company Limited, set out on pages 15 to 46 which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, together with the summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 31 March 2011 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KAPCHORUA TEA COMPANY LIMITED (Continued)

Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

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

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

(iii) the company's statement of financial position (balance sheet) and statement of comprehensive income (profit and loss account) are in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Kenya)

16 JUNE **2011**

Nairobi

KAPCHORUA TEA COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 Sh'000	2010 Sh'000
TURNOVER	3	1,246,636	1,130,108
GAIN/(LOSS) ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS			
– TEA BUSHES		173,733	90,232
– TIMBER		(45,236)	(81,557)
OPERATING INCOME		1,375,133	1,138,783
COST OF SALES		(1,084,338)	(877,645)
GROSS PROFIT		290,795	261,138
OTHER INCOME		12,137	20,413
CHANGES ARISING FROM CHANGES IN FAIR VALUE OF OTHER BIOLOGICAL ASSETS - FIREWOOD	14	47,937	8,745
DISTRIBUTION COSTS		(90,859)	(80,141)
ADMINISTRATIVE EXPENSES		(2,788)	(2,671)
NET GAIN/(LOSS) ON FOREIGN EXCHANGE		12,162	(6,053)
FINANCE COSTS	6	(991)	(1,893)
PROFIT BEFORE TAXATION	4	268,393	199,538
TAXATION CHARGE	7	(81,388)	(60,286)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		187,005	139,252
COMPRISING:			
PROFIT ARISING FROM OPERATING ACTIVITIES		63,501	127,058
GAIN ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS (NET OF ATTRIBUTABLE TAXATION)		123,504	12,194
		187,005	139,252
EARNINGS PER SHARE - basic and diluted (Sh)	8	47.80	35.60

KAPCHORUA TEA COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
31 MARCH 2011

	Note	2011 Sh'000	2010 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	10	253,653	263,066
Prepaid operating leases	11	21,741	21,765
Intangible assets	12	330	665
Unquoted investments – available for sale	13	717	717
Biological assets	14	717,820	533,957
		994,261	820,170
Current assets			
Inventories	15	113,196	192,842
Trade and other receivables	16	277,585	387,771
Due from related companies	17	2,542	3,592
Taxation recoverable	7(c)	28,572	-
Fixed deposits	18	65,092	50,317
Cash and bank balances		88,955	44,239
		575,942	678,761
Total assets		1,570,203	1,498,931
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	19,560	19,560
Revaluation surplus		85,952	90,933
Revenue reserves		870,885	708,239
Shareholders' funds		976,397	818,732
Non current liabilities			
Deferred income taxation	20	249,388	201,773
Provision for employee entitlements	21	70,325	60,755
Borrowings	22	-	1,075
Finance lease obligations	23	-	2,979
		319,713	266,582
Current liabilities			
Borrowings	22	988	860
Finance lease obligations	23	3,727	4,469
Trade and other payables	24	234,169	342,867
Due to related companies	17	34,716	19,992
Unclaimed dividends	9(b)	493	493
Taxation payable	7(c)	-	44,936
		274,093	413,617
Total equity and liabilities		1,570,203	1,498,931

The financial statements on pages 15 to 46 were approved and authorised for issue by the board of directors on 16 TH JUNE 2011 and were signed on its behalf by:

)
) Directors
)

KAPCHORUA TEA COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	Note	Share capital Sh'000	Revaluation surplus Sh'000	Revenue reserves: Biological assets Sh'000	Revenue reserves: Other Sh'000	Revenue reserves: Total Sh'000	Total Sh'000
At 1 April 2009		19,560	98,596	258,579	312,525	571,104	689,260
Total comprehensive income for the year		-	-	12,194	127,058	139,252	139,252
Excess depreciation transfer		-	(10,947)	-	10,947	10,947	-
Deferred tax on excess depreciation		-	3,284	-	(3,284)	(3,284)	-
Dividend declared – 2009	9(b)	-	-	-	(9,780)	(9,780)	(9,780)
At 31 March 2010		19,560	90,933	270,773	437,466	708,239	818,732
At 1 April 2010		19,560	90,933	270,773	437,466	708,239	818,732
Total comprehensive income for the year		-	-	123,504	63,501	187,005	187,005
Excess depreciation transfer		-	(7,115)	-	7,115	7,115	-
Deferred tax on excess depreciation		-	2,134	-	(2,134)	(2,134)	-
Dividend declared – 2010	9(b)	-	-	-	(29,340)	(29,340)	(29,340)
At 31 March 2011		19,560	85,952	394,277	476,608	870,885	976,397

The revaluation surplus arose on revaluation of property, plant and equipment and is not distributable.

The revenue reserve on biological assets represents surplus arising from fair valuation of biological assets in line with IAS 41 on Agriculture and is not distributable.

Other revenue reserves represent accumulated profits arising from normal operating activities.

KAPCHORUA TEA COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 Sh'000	2010 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	25(a)	226,945	74,703
Interest paid	6	(991)	(1,893)
Interest received		1,546	373
Taxation paid	7(c)	(107,281)	(11,525)
Net cash generated from operating activities		120,219	61,658
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(22,312)	(14,229)
Purchase of intangible assets - computer software	12	(400)	-
Proceeds from disposal of property, plant and equipment		2,784	3,040
Dividends received		679	-
Net expenditure on biological assets	14	(7,429)	(1,048)
Net cash used in investing activities		(26,678)	(12,237)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans repaid	25(b)	(989)	(24,180)
Movement of finance lease obligations	25(c)	(3,721)	(4,067)
Dividends paid	9(b)	(29,340)	(9,707)
Net cash used in financing activities		(34,050)	(37,954)
INCREASE IN CASH AND CASH EQUIVALENTS		59,491	11,467
CASH AND CASH EQUIVALENTS AT START OF THE YEAR		94,556	83,089
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	25(d)	154,047	94,556

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

For the Kenyan companies Act reporting purposes, in these financial statements the balance sheet is represented by/is equivalent to the statement of financial position and the profit and loss account is presented in the statement of comprehensive income.

Adoption of new and revised International Financial Reporting Standards (IFRS)

(a) Relevant new and revised IFRS affecting amounts reported in the current year (and /or prior years)

The following new and revised IFRSs have been applied in the current period and have affected the amounts reported in these financial statements.

- Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)
- Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)

Impact of the relevant new and revised standards and interpretations in issue

Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The company will apply this amendment prospectively. The directors, however, anticipate no material impact to the company's financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. This amendment has had no effect on the amounts reported because the company has not previously issued instruments of this nature.

(b) Relevant new and revised IFRSs and interpretations in issue but not yet effective

	Effective for annual periods beginning on or after
IFRS 7, Financial Instruments: Disclosures – amendments enhancing disclosures about transfers of financial assets	1 January 2011
IFRS 9, Financial Instruments – Classification and Measurement	1 January 2013
IAS 24, Related Party Disclosures – revised definition of related parties	1 January 2011

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(b) Relevant new and revised IFRSs and interpretations in issue but not yet effective (Continued)

New and Amendments to standards	Effective for annual periods beginning on or after
IAS 32, Financial Instruments: Presentation – amendments relating to classification of rights issues	1 February 2010
New interpretation	
IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

(c) Impact of the relevant new and revised IFRSs in issue but not yet effective

Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)

The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The company will apply this amendment prospectively. The directors, however, anticipate no material impact to the company's financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements The company will apply this amendment prospectively. The directors, however, anticipate no material impact to the company's financial statements.

IFRS 9, Financial Instruments

IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

2 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(c) Impact of the relevant new and revised IFRSs in issue but not yet effective (Continued)

IFRS 9, Financial Instruments (Continued)

The directors anticipate that IFRS 9 that will be adopted in the company's financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard will not have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities.

IAS 24, *Related Party Disclosures* (as revised in 2009)

This modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the company because the company is not a government-related entity. However, disclosures regarding related party transactions and balances in these financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to IAS 32 titled classification of rights issues

These address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the company has not entered into any arrangements that would fall within the scope of the amendments. However, if the company does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

This provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the company has not entered into transactions of this nature. However, if the company does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

(d) Early adoption of standards

The company did not early-adopt any new or amended standards in 2011.

3 ACCOUNTING POLICIES (Continued)

Basis of preparation

The company prepares its financial statements on the historical cost basis of accounting as modified to include the revaluation of certain assets.

Revenue recognition

Sales are recognised upon despatch of products and are stated net of returns, discounts and value added tax.

Dividends receivable are recognised as income in the period in which the right to receive payment is established.

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Inventories

Made tea inventories are stated at the lower of cost and net realisable value. Cost comprises fair value of tea leaf less point of sale costs at the point of harvest and actual costs incurred at the factory in the processing of made tea from tea leaf. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Firewood is stated at the lower of production cost and net realizable value.

Consumable stores inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method.

Biological assets

The biological assets (tea bushes, timber plantations and fuel plantations) and agricultural produce are stated at fair value less estimated point-of-sale costs.

The fair value of tea bushes is determined based on the present value of expected net cash flows discounted at a current market-determined pre-tax rate. The fair values of fuel and timber plantations are determined based on the prices existing in the market. Changes in fair value of biological assets are recognised through profit or loss.

The cost of replanting, infilling and upkeep are recognised as an expense in the profit or loss.

Immature tea bushes and immature trees, where cost approximate fair value, are valued at cost.

1 ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost or as professionally revalued less accumulated depreciation and any accumulated impairment losses.

Professional valuations are carried out in accordance with the company's policy of revaluing certain property, plant and equipment.

Any revaluation increase arising on the revaluation of the building and machinery is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of the building is recognised in profit or loss to the extent that it exceeds the balance, if any, held in properties revaluation reserve relating to a previous revaluation of that asset.

The gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation

Property, plant and equipment are depreciated on a straight line basis to write off the cost or valuation over their estimated useful lives.

The estimated useful lives, residual values and depreciation method are reviewed, at each year end, with effect of any changes in estimate accounted for on a prospective basis.

Capital work in progress is not depreciated until the asset is brought into use.

The annual rates generally in use are:

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

Depreciation on revalued building and machinery is recognised in profit or loss. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated surplus.

Each year the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged through profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

Capital work in progress

Capital work in progress relates to property and plant under construction. Cost includes materials, direct labour and any other direct expenses incurred in respect of the project. The amounts are transferred to the appropriate property, plant and equipment categories once the project is completed and commissioned.

1 ACCOUNTING POLICIES (Continued)

Intangible assets-computer software costs

Costs incurred on computer software are accounted for at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over the estimated useful lives not exceeding a period of 3 years.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight line basis over the terms of the relevant leases.

Rentals payable under operating leases are charged through profit or loss on a straight-line basis over the term of the relevant lease.

Assets held under finance leases are recognised as assets of the company at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Leasehold land

Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and amortised over the period of the lease.

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 of property, plant and equipment, revaluations of certain non-current assets and provisions for service gratuity and other terminal dues.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised.

Retirement benefit obligations

The company participates in a defined contribution scheme for eligible non-unionisable employees operated by Williamson Tea Kenya Limited for its employees. The assets of the scheme are held in a separate trustee administered fund. The scheme is funded from contributions from both the company and employees. The company's contributions to the defined contribution plan are charged to the profit or loss 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 Fund Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time, currently Sh 200 per employee per month. The company's contributions are charged to profit or loss in the year to which they relate.

1 ACCOUNTING POLICIES (Continued)

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 end of the reporting period.

Unionisable staff who resign or whose services are terminated either due to illness or other reasons after 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 based on the present value of benefits payable as they accrue to each employee.

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the company reviews the carrying amounts of its financial assets, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the end of the reporting period. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with through profit or loss.

Financial instruments

A financial asset or liability is recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets

Classification

The company classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans and receivables; held- to- maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable.

(iii) *Held to maturity investments*

Financial assets with fixed or determinable payments and fixed maturity where the company has the positive intent and ability to hold to maturity other than loans and receivables originated by the company are measured at amortised cost.

(iv) *Available-for-sale financial assets*

Financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity are classified as available-for-sale.

1 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss the company's right to receive the dividend is established.

Impairment and uncollectability of financial assets

At the end of each reporting period, all financial assets are subject to review for impairment.

If it is probable that the company will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, and receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount either directly or through use of an allowance account. The amount of the loss incurred is included in the profit or loss for the year.

If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised in other comprehensive income is removed from equity and recognised in the profit or loss for the period even though the financial asset has not been derecognised.

Financial liabilities

After initial recognition, all financial liabilities other than liabilities held for trading are measured at amortised cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

(i) *Bank borrowings*

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the of the instrument to the extent that they are not settled in the period they arise.

(ii) *Trade payables*

Trade payables are carried at cost which is measured at the fair or contracted value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed or not, to the company.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risks and rewards of ownership.

A financial liability is derecognised when its contractual obligations are redeemed or otherwise extinguished.

Offsetting

Financial instrument are set off and the net amount reported in the statement of financial position when there is a legal right to set off the amounts and there is an intention to settle on a net basis or to realise the assets and settle the liability simultaneously.

1 ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held with banks net of bank overdrafts.

Comparatives

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

2 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the company's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

(i) Critical judgements in applying the company's accounting policies

Held to maturity investments

The company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity financial assets. This classification requires significant judgement. In making this judgement, the company evaluates its intention and ability to hold such investments to maturity. If the company fails to keep these assets to maturity, for example selling an insignificant amount close to maturity, it will be required to classify the entire class as available-for-sale. The assets would therefore have to be measured at fair value and not amortised cost with the difference arising from this change in valuation being a corresponding entry in the fair value reserve in shareholders' equity.

(ii) Key sources of estimation uncertainty

Biological assets

In determining the fair value of biological assets, the company uses the present value of expected cash flows from the asset discounted at the current market determined pre tax rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. The company considers this in determining an appropriate discount rate to be used and in estimating expected net cash flows. Management uses estimates based on historical data relating to yields, prices of made tea and exchange rates. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimates and actual experience

Property, plant and equipment

Critical estimates are made by directors in determining the useful lives and residual values to property, plant and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

3 SEGMENTAL REPORTING

In accordance with IFRS 8, Operating segements, the information presented hereafter by the operating segments is the same as that reported to the Chief Operating Decision Maker (the Board of Directors) for the purposes of making decisions about allocating resources to the segment and assessing performance. This information is focused on the principal activity of the company.

The principle activity of the company is the cultivation, manufacture and sale of tea. Other revenue is derived from sale of timber.

(i) Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in note 1.

Kapchorua tea company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

3 SEGMENTAL REPORTING (Continued)

(ii) Geographical information

The following table details the company's revenues and non-current assets by geographical location. These have been aggregated on the basis of the country in which the sales are made.

	Revenue		Non-current assets	
	2011 Sh'000	2010 Sh'000	2011 Sh'000	2010 Sh'000
Country				
Off-shore markets	1,186,445	1,084,861	-	-
Kenya	60,191	45,247	993,544	819,453
	1,246,636	1,130,108	993,544	819,453

Revenue reported above represents revenue generated from external customers.

There were no revenues deriving from transactions with a single external customer that amount to 10% or more of the company's revenue.

The above revenues reconcile to the statement of comprehensive income as follows:-

	2011 Sh'000	2010 Sh'000
Tea sales	1,239,624	1,124,927
Timber sales	7,012	5,181
	1,246,636	1,130,108

The above non current assets reconcile to the statement of financial position as follows:

	2011 Sh'000	2010 Sh'000
Property, plant and equipment	253,653	263,066
Prepaid operating leases	21,741	21,765
Intangible assets	330	665
Biological assets	717,820	533,957
	993,544	819,453

All the assets of the company are located in Kenya.

(iii) Information on major customers

Included in revenue and other income arising from the cultivation, manufacture and sale of tea business is revenue of approximately Sh 1,186,445,000 (2009: Sh 1,084,861,000) which arose from a related company which is also the company's largest customer.

		2011 Sh'000	2010 Sh'000
4	PROFIT BEFORE TAXATION		
	The profit before taxation is arrived at after charging/(crediting)		
	Depreciation of property, plant and equipment (note 10)	30,880	27,811
	Amortisation of intangible assets (note 12)	735	665
	Leasehold land amortisation (note 11)	24	24
	Directors' emoluments:		
	Non executive		
	- fees	250	250
	- other emoluments	106	106
	Executive	-	-
	Staff costs (note 5)	195,839	175,171
	Auditors' remuneration	1,213	1,103
	Fair value of agricultural produce harvested during the year	176,434	185,911
	Gain on disposal of plant and equipment	(1,939)	(3,040)
	Impairment losses on plant and equipment	-	4,183

		2011 Sh'000	2010 Sh'000
5	STAFF COSTS		
	Wages and salaries	163,511	155,434
	Social security costs (NSSF)	3,004	2,712
	Pension costs (defined contribution plan)	707	984
	Service gratuity and other terminal benefits	16,039	6,466
	Medical	4,240	2,485
	Leave pay	8,338	7,090
		195,839	175,171

		2011 Sh'000	2010 Sh'000
6	FINANCE COSTS		
	Interest on bank overdrafts	456	514
	Interest on loans	535	1,379
		991	1,893

7 TAXATION

		2011 Sh'000	2010 Sh'000
(a)	Taxation charge		
	Current taxation based on the adjusted profit at 30%	33,694	56,250
	Prior year under provision	79	-
		33,773	56,250
	Deferred taxation (note 20)		
	Charge for the year	47,370	4,196
	Prior year under/(over) provision	245	(160)
		47,615	4,036
		81,388	60,286
(b)	Reconciliation of expected tax based on accounting profit to tax charge		
	Accounting profit before taxation	268,393	199,538
	Tax at the applicable rate of 30%	80,518	59,861
	Tax effect of expenses not deductible for tax purposes	750	588
	Tax effect of income not taxable	(204)	(3)
	Prior year under/ (over) provision – deferred taxation	245	(160)
	Prior year under provision – current taxation	79	-
		81,388	60,286
(c)	Taxation movement		
	At start of year	44,936	211
	Taxation paid	(107,281)	(11,525)
	Profit or loss charge – current taxation	33,773	56,250
	Taxation (recoverable)/ payable at 31 March	(28,572)	44,936

8 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to shareholders with the weighted average number of ordinary shares in issue during the year.

	2011	2010
Earnings		
Profit for purposes of basic and diluted earnings per share (Sh'000)	187,005	139,252
Number of shares		
Number of ordinary shares (thousands)	3,912	3,912
Earnings per share		
Basic and diluted (Sh)	47.80	35.60

There were no potentially dilutive shares outstanding at 31 March 2011 or 31 March 2010.

9 DIVIDENDS

(a) Proposed dividends

During the year an interim dividend amounting to Sh 4,890,000 (2010 – nil) which amounts to Sh 1.25 per share was paid. The directors recommend that a final dividend of Sh 7.50 per share (2010 – Sh 6.25), totalling Sh 29,340,000 (2010 – Sh 24,450,000) be paid to owners of the company.

This dividend is subject to approval by shareholders at the Annual General Meeting to be held on 28th July 2011 and has not been included as a liability in these financial statements.

The dividends payable are subject to, where applicable, deduction of withholding tax as required under the Kenyan Income Tax Act, Chapter 470 Laws of Kenya.

(b) The movement in the dividends payable account is as follows:

	2011 Sh'000	2010 Sh'000
At 1 January	493	420
Final dividend declared	29,340	9,780
Dividends paid	(29,340)	(9,707)
At 31 December	493	493

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings Sh'000	Machinery & equipment Sh'000	Tractors & accessories Sh'000
COST OR VALUATION			
At 1 April 2009	183,509	132,785	26,118
Additions	675	3,150	2,575
Disposals	-	-	(3,813)
Impairment losses	(6,066)	-	-
Reclassifications	2,073	1,744	-
At 31 March 2010	180,191	137,679	24,880
Comprising:			
At valuation – 2007	177,219	120,353	-
At cost	2,972	17,326	24,880
	180,191	137,679	24,880
At 1 April 2010	180,191	137,679	24,880
Additions	3,489	3,665	6,370
Disposals	(730)	(2,056)	(6,145)
At 31 March 2011	182,950	139,288	25,105
Comprising:			
At valuation – 2007	177,219	118,297	-
At cost	5,731	20,991	25,105
	182,950	139,288	25,105

Motor vehicles Sh'000	Office equipment furniture & fittings Sh'000	Computers Sh'000	Work in progress Sh'000	Total Sh'000
15,198	4,996	6,319	2,368	371,293
4,449	957	974	1,449	14,229
(5,086)	-	-	-	(8,899)
-	(4,849)	-	-	(10,915)
-	-	-	(3,817)	-
14,561	1,104	7,293	-	365,708
-	-	-	-	297,572
14,561	1,104	7,293	-	68,136
14,561	1,104	7,293	-	365,708
14,561	1,104	7,293	-	365,708
606	858	2,534	4,790	22,312
(354)	-	-	-	(9,285)
14,813	1,962	9,827	4,790	378,735
-	-	-	-	295,516
14,813	1,962	9,827	4,790	83,219
14,813	1,962	9,827	4,790	378,735

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings Sh'000	Machinery and equipment Sh'000	Tractors and accessories Sh'000	Motor vehicles Sh'000	Office equipment furniture and fittings Sh'000	Computers Sh'000	Work in progress Sh'000	Total Sh'000
DEPRECIATION								
At 1 April 2009	30,067	20,422	19,200	10,793	4,416	5,564	-	90,462
Charge for the year	11,885	9,966	2,616	2,708	164	472		27,811
Disposals	-	-	(3,813)	(5,086)	-	-	-	(8,899)
Impairment losses	(2,253)	-	-	-	(4,479)	-	-	(6,732)
At 31 March 2010	39,699	30,388	18,003	8,415	101	6,036	-	102,642
At 1 April 2010	39,699	30,388	18,003	8,415	101	6,036	-	102,642
Charge for the year	11,345	11,865	3,993	2,652	130	895	-	30,880
Disposals	(630)	(1,381)	(6,145)	(284)	-	-	-	(8,440)
At 31 March 2011	50,414	40,872	15,851	10,783	231	6,931	-	125,082
NET BOOK VALUE								
At 31 March 2011	132,536	98,416	9,254	4,030	1,731	2,896	4,790	253,653
At 31 March 2010	140,492	107,291	6,877	6,146	1,003	1,257	-	263,066
NET BOOK VALUE (Cost basis)								
At 31 March 2011	59,659	59,499	9,254	4,067	1,730	2,895	4,790	141,864
At 31 March 2010	49,505	68,374	6,877	6,146	1,003	1,257	-	133,162

Included in property, plant and equipment are assets with an original cost of:Sh 29,210,455 (2010- Sh 28,477,792) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 12,187,911 (2010 –Sh 5,483,005).

Buildings, machinery and equipment were revalued as at 31 March 2007 by Lloyd Masika Limited, registered valuers and estate agents on replacement cost basis. The directors deem the fair value of the plant, machinery and equipment as at 31 March 2011 to approximate the fair value determined by this valuation as no material changes have occurred to date.

The net book value of tractors and accessories and motor vehicles includes Sh 1,224,371 (2010 - 3,955,685) in respect of vehicles that are under finance leases. These have been pledged to the bank as collateral for the asset financing facilities as disclosed under note 22.

11 PREPAID OPERATING LEASES

	2011 Sh'000	2010 Sh'000
COST		
At 1 April	24,131	24,131
ACCUMULATED AMORTISATION		
At 1 April	2,366	2,342
Charge for the year	24	24
At 31 March 2011	2,390	2,366
NET BOOK VALUE		
At 31 March	21,741	21,765

12 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2011 Sh'000	2010 Sh'000
COST		
At 1 April	1,995	1,995
Additions	400	-
At 31 March	2,395	1,995
ACCUMULATED AMORTISATION		
At 1 April	1,330	665
Charge for the year	735	665
At 31 March	2,065	1,330
NET BOOK VALUE		
At 31 March	330	665

13 UNQUOTED INVESTMENTS

Available for sale:		
503,930 Shares (2010 – 503,930) shares of Sh 10 each in Kenya Tea Packers Limited	717	717

14 BIOLOGICAL ASSETS

	Tea bushes & nurseries Sh'000	Timber trees Sh'000	Fuel trees Sh'000	2011 Total Sh'000	2010 Total Sh'000
Carrying amount at 1 April 2010	338,154	116,245	79,558	533,957	515,489
Expenditure during the year	2,297	1,505	4,706	8,508	3,005
Decrease due to harvest	-	(116)	(963)	(1,079)	(1,957)
Net expenditure on biological assets	2,297	1,389	3,743	7,429	1,048
	340,451	117,634	83,301	541,386	516,537
Gains/(losses) arising from changes in fair value attributable to physical changes	6,217	(45,236)	47,937	8,918	(71,884)
Gains arising from changes in fair value attributable to price changes	167,516	-	-	167,516	89,304
Net fair value gains	173,733	(45,236)	47,937	176,434	17,420
Carrying amount at 31 March 2011	514,184	72,398	131,238	717,820	533,957

Significant assumptions made in determining the fair values of biological assets are:

- Tea bushes are considered to be productive for an estimated period of 30 years.
- The expected market price of tea will remain constant, based on the dollar average price for the last five years and the ruling rate of exchange at year end. Firewood and timber prices are also expected to remain constant.
- A discount rate of 14.8% per annum is applied to discount the expected net cash flows arising from the asset.
- Based on the biological transformation which the tea bushes and tea leaf undergo, 60% of future cash flows less point of sale costs and tea processing income are discounted to determine the fair value of mature tea bushes. The remaining 40% of net market value is assigned to regeneration of tea leaf.
- The maturity period of firewood and timber trees is between 5 and 25 years depending on the species of the tree.

		2011 Sh'000	2010 Sh'000
15	INVENTORIES		
	Tea stocks	70,601	158,880
	Stores	29,820	28,637
	Firewood	12,501	4,580
	Timber	274	745
		113,196	192,842
16	TRADE AND OTHER RECEIVABLES		
	Tea receivables	234,269	347,972
	VAT recoverable	28,348	23,098
	Staff receivables	5,184	5,034
	Other	9,784	11,667
		277,585	387,771
17	RELATED COMPANIES		
	Due from:		
	Tinderet Tea Estates (1989) Limited	2,542	3,592
	Due to:		
	Williamson Tea Kenya Limited	30,972	14,173
	Kaimosi Tea Estates Limited	3,560	5,694
	Williamson Power Limited	184	125
		34,716	19,992
18	FIXED DEPOSITS		
	Held to maturity:		
	Maturing within 90 days		
	Bank of Africa Limited	25,029	35,246
	NIC Bank Limited	40,063	15,071
		65,092	50,317

The effective interest rate on fixed deposit at 31 March 2011 was 4.50% (2010: 7.94%).

		2011 Sh'000	2010 Sh'000
19	SHARE CAPITAL		
	Authorised, issued and fully paid:		
	3,912,000 ordinary shares of Sh 5 each	19,560	19,560

20 DEFERRED INCOME TAXATION

Deferred income taxation is calculated on all temporary differences under the liability method using the enacted tax rate of 30%.

	2011 Sh'000	2010 Sh'000
The net deferred income tax liability is attributable to the following items:		
Deferred tax liabilities:		
Accelerated capital allowances	66,493	66,496
Unrealised exchange gains	447	725
Revaluation surplus	35,569	38,971
Fair value adjustment – biological assets	170,050	116,048
	272,559	222,240
Deferred tax assets:		
Provision for employee entitlements	(21,097)	(18,226)
Leave pay provision	(1,113)	(1,108)
Unrealised foreign exchange losses	(53)	(645)
Stock provision	(908)	(488)
	(23,171)	(20,467)
	249,388	201,773
The movement on the deferred income tax account is as follows:		
At 1 April	201,773	197,737
Charge to profit or loss (note 7(a))	47,370	4,196
Prior year under/(over)provision	245	(160)
At 31 March	249,388	201,773

21 PROVISION FOR EMPLOYEE ENTITLEMENTS

	2011 Sh'000	2010 Sh'000
At 1 April	60,755	65,581
Provision for the year	16,039	5,482
Payments made in the year	(6,469)	(10,308)
At 31 March	70,325	60,755

		2011 Sh'000	2010 Sh'000
22	BORROWINGS		
	Loan from Williamson Tea Holdings Limited	988	1,935
	The borrowings are repayable as follows:		
	Within one year	988	860
	After one year	-	1,075
		988	1,935

All the borrowings are denominated in UK pounds.

The effective interest rate on borrowings was Bank Of England base rate (BOE) +1.50 (2010 – BOE + 1.50).

Borrowing facilities

The loan from Williamson Tea Holdings Limited is unsecured and is repayable over a period of 3 years.

The company has undrawn committed borrowing facilities amounting to Sh 57,346,000 (2010 – Sh 53,948,000). The borrowing facilities consist of cash, letters of credit and guarantees, overdrafts and asset finance.

Details of securities for borrowings:

(i) Fixed and floating debenture charge over all the company assets to Barclays Bank of Kenya Limited stamped and registered to cover Sh 62,282,000 (2010 – Sh 62,282,000).

(ii) First legal charge over security property IR 21761 LR No. 11770 in the name of Kapchorua Tea Company Limited located in the Nandi region, registered and stamped to cover Sh 62,282,000 (2010 –Sh 62,282,000) supplemental to the debenture.

23 FINANCE LEASE OBLIGATIONS

	Minimum lease payments (including finance charges)		Present value of minimum lease payments (excluding finance charges)	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Within one year	4,232	4,849	3,727	4,469
In second year	-	3,232	-	2,979
	4,232	8,081	3,727	7,448
Less: Future finance charges	(505)	(633)	-	-
Present value of lease obligations	3,727	7,448	3,727	7,448
Amounts due for settlement within one year			(3,727)	(4,469)
Amounts due for settlement after one year			-	2,979

The average lease period is 3 years. The average interest rate paid during the year was 8.50 % (2010 – 8.50%).

The finance leases are secured by motor vehicles which are the subject of the finance leases.

24 TRADE AND OTHER PAYABLES

	2011	2010
	Sh'000	Sh'000
Trade payables	25,284	51,300
Accruals	12,439	18,450
Other payables	39,864	22,628
Green leaf accruals	152,872	246,797
Leave pay provision	3,710	3,692
	234,169	342,867

		2011 Sh'000	2010 Sh'000
25	NOTES TO THE CASH FLOW STATEMENT		
(a)	Reconciliation of profit before taxation to cash generated from operations		
	Profit before taxation	268,393	199,538
	Adjustments for:		
	Depreciation of property and equipment	30,880	27,811
	Amortisation of intangible assets	735	665
	Leasehold land amortisation	24	24
	Profit on disposal of plant and equipment	(1,939)	(3,040)
	Impairment losses on plant and equipment	-	4,183
	Foreign exchange differences	42	(61)
	Fair value adjusuments- biological assets	(176,434)	(17,420)
	Interest paid	991	1,893
	Interest received	(1,546)	(373)
	Dividend received	(679)	-
		120,467	213,220
	Working capital changes:		
	Decrease/(increase) in inventories	79,646	(75,068)
	Decrease/(increase) in trade and other receivables	110,186	(248,544)
	(Decrease)/increase in trade and other payables	(108,698)	175,195
	Increase/(decrease) in provision for employee entitlements	9,570	(4,826)
	Movement in related company balances	15,774	14,726
	Cash generated from operations	226,945	74,703
(b)	Analysis of changes in loans		
	At 1 April 2010	1,935	26,176
	Loans repaid	(989)	(24,180)
	Exchange difference	42	(61)
	At 31 March 2011	988	1,935
(c)	Analysis of of movement in finance lease obligations		
	At 1 April 2010	7,448	11,515
	Amounts repaid	(3,721)	(4,067)
	At 31 March 2011	3,727	7,448

	2011 Sh'000	2010 Sh'000
25 NOTES TO THE CASH FLOW STATEMENT (Continued)		
(d) ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	88,955	44,239
Fixed deposits (note 18)	65,092	50,317
	154,047	94,556

For the purpose of the cash flow statement, cash and cash equivalents comprise balances that are convertible to known amounts of cash and which are within three months to maturity from the date of acquisition; less advances from banks repayable within three months from date of the advance.

26 RELATED PARTY TRANSACTIONS

The company transacts with other companies related to it by virtue of common shareholding. Amounts not settled as at the end of the reporting period are disclosed in note 17.

	2011 Sh'000	2010 Sh'000
Sales of goods/services:		
Sales through a related party – Williamson Tea Holdings Limited	1,186,445	1,084,861

During the year the following transactions were entered into with related parities

	2011 Sh'000	2010 Sh'000
Purchase of goods/services:		
Agency charges – Williamson Tea Kenya Limited	47,820	43,700
Agency fees-Cohen & Griffiths Ltd	35,593	32,546
Service of generators – Williamson Power Limited	504	411
Green leaf sales to Kaimosi Tea Estates Limited	-	3,109
Green leaf sales to Tinderet Tea Estates (1989) Limited	60,789	7,785

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	2011 Sh'000	2010 Sh'000
Directors' emoluments – Non executive		
Salaries and benefits	-	-
Fees and allowances for services as directors	356	356
	356	356
Key management remuneration		
Salaries and other benefits	7,595	10,245

		2011 Sh000	2010 Sh000
27	CONTINGENT LIABILITIES		
	Kenya Power and Lighting Limited guarantees	6,650	6,650

		2011 Sh000	2010 Sh000
28	CAPITAL COMMITMENTS		
	Authorised and contracted for	9,828	5,516
	Authorised but not contracted for	74,800	28,902
		84,628	34,418

The capital commitments relate to the companys's capital budget for 2012. The company intends to finance these commitments from internally generated funds, asset financing from the bank and loans from related companies.

29 CAPITAL MANAGEMENT

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the company consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents and equity attributable to equity holders, comprising issued capital and revenue reserves.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

	2011 Sh000	2010 Sh000
Share capital	19,560	19,560
Revenue reserves	870,885	708,239
Equity	890,445	727,799
Total borrowings	4,715	9,383
Less: cash and cash equivalents	(154,047)	(94,556)
Net cash	(149,332)	(85,173)
Gearing ratio	Nil	Nil

30 FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the finance department under policies approved by the Board of Directors. Finance department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

The company has exposure to the following risks due to its use of financial instruments;

- credit risk
- liquidity risk
- market risk

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, trade receivables as well as due from related parties. The credit risk on liquid funds and bank balances is limited because the counter parties are banks with high credit ratings assigned by international credit rating agencies. The company management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

The company does not have significant credit exposure to any single counter party or any group of counter parties having similar characteristics. The company defines counterparties as having similar characteristics if they are related.

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

The amount that best represents the company's maximum exposure to credit risk as at 31 March 2011 is made up as follows:

	Fully performing Sh'000	Past due but not impaired Sh'000	Impaired Sh'000	Total Sh'000
Trade receivables	234,269			234,269
Due from related parties	2,542	-	-	2,542
Fixed deposits	65,092	-	-	65,092
Bank balances	88,897	-	-	88,897

The amount that best represents the company's maximum exposure to credit risk as at 31 March 2010 is made up as follows:

	Fully performing Sh'000	Past due but not impaired Sh'000	Impaired Sh'000	Total Sh'000
Trade receivables	346,216	1,756	-	347,972
Due from related parties	3,592	-	-	3,592
Fixed deposits	50,317	-	-	50,317
Bank balances	44,212	-	-	44,212

The customers under the fully performing category are paying their debts as they continue trading.

The receivables that are past due relate to trade receivables overdue by over 60 days. The receivables are not impaired and continue to be paid. The finance department is actively following these receivables. No collateral is held with respect to the debt.

30 FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

	Up to 1month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
At 31 March 2011						
Trade payables	24,179	1,105	-	-	-	25,284
Due to related parties	-	34,716	-	-	-	34,716
Finance lease obligations	337	674	3,033	-	-	4,044
Borrowings	84	169	760	-	-	1,013
Total financial liabilities	24,600	36,664	3,793	-	-	65,057
At 31 March 2010						
Trade payables	31,679	19,399	-	-	-	51,078
Due to related parties	-	20,038	-	-	-	20,038
Finance lease obligations	404	808	3,637	3,232	-	8,081
Borrowings	92	185	830	886	-	1,993
Total financial liabilities	32,175	40,430	4,467	4,118	-	81,190

30 FINANCIAL RISK MANAGEMENT (Continued)

Market risk

(i) Foreign exchange risk

The company undertakes certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the company's foreign currency denominated monetary assets and liabilities at the end of each reporting period as follows:

	USD Sh'000	GBP Sh'000	Total Sh'000
2011			
Assets			
Bank and cash balances	42,902	13,977	56,879
Trade receivables	198,562	33,331	231,893
Liabilities			
Borrowings	-	988	988
Finance lease obligations	3,727	-	3,727
2010			
Assets			
Bank balances	11,784	11,942	23,726
Trade receivables	325,947	19,044	344,991
Liabilities			
Borrowings	7,448	1,935	9,383

Foreign exchange risk – appreciation/depreciation of Sh against other currencies by 1%.

The following sensitivity analysis shows how profit and equity would change if the market risk variables had been different on the balance sheet date with all other variables held constant.

	2011 Sh'000		**2010 Sh'000**	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
Currency - GB pounds				
+ 1 percentage point movement	463	324	756	530
-1 percentage point movement	(463)	(324)	(756)	(530)
Currency - US dollars				
+ 1 percentage point movement	2,365	1,655	3,623	2,536
- 1percentage point movement	(2,365)	(1,655)	(3,623)	(2,536)

30 FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

(ii) Interest rate risk

Interest rate risks arise from fluctuations in the bank borrowing rates. The interest rates vary from time to time depending on the prevailing economic circumstances. The company closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes. The company's policy is to borrow in the same currency as the trading currency to minimise interest rate risk exposure. The table below summarises the exposure to interest rate risk at the end of the reporting period. Included in the table are the company's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

Interest rate risks – increase / decrease of 1% in net interest margin

The following sensitivity analysis shows how profit and equity would change if the market risk variables had been different at the end of the year with all other variables held constant.

	2011 Sh'000		2010 Sh'000	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
+ 1percentage point movement	604	423	409	287
-1 percentage point movement	(604)	(423)	(409)	(287)

31 COUNTRY OF INCORPORATION

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

32 CURRENCY

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

Appendix 1

KAPCHORUA TEA COMPANY LIMITED

DETAILED INCOME STATEMENT
(Measurement of biological assets and agricultural produce at actual cost for taxation purposes)
FOR THE YEAR ENDED 31 MARCH 2011

	2011 Sh	2010 Sh
GROSS TEA & TIMBER SALES	1,246,635,298	1,130,107,900
PRODUCTION EXPENDITURE - TEA (Appendix 2)	(1,046,558,182)	(887,583,794)
- TIMBER	(2,673,394)	(1,366,814)
GROSS PROFIT	197,403,722	241,157,292
OTHER OPERATING INCOME (Appendix 3)	12,137,029	20,412,892
DISTRIBUTION COSTS (Appendix 3)	(90,858,879)	(80,141,481)
ADMINISTRATIVE EXPENSES (Appendix 3)	(2,787,828)	(2,670,936)
FOREIGN EXCHANGE (LOSSES)/GAINS (Appendix 3)	12,162,422	(6,053,453)
FINANCE COSTS (Appendix 3)	(991,294)	(1,893,610)
PROFIT BEFORE TAXATION	127,065,172	170,810,704

Reconciliation of results based on fair valuation of biological assets and agricultural produce to results based on actual cost of biological assets and agricultural produce:

	2011 Sh'000	2010 Sh'000
PROFIT BEFORE TAX AS ABOVE	127,065	170,811
Fair value adjustment on biological assets	176,434	17,420
Net movement in fair value adjustment of green leaf stocks	(35,106)	11,307
PROFIT BEFORE TAX AS PER STATEMENT OF COMPREHENSIVE INCOME (PAGE 14)	268,393	199,538

Appendix 2

KAPCHORUA TEA COMPANY LIMITED

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

	2011 Sh	2010 Sh
TEA PRODUCTION EXPENDITURE		
TEA PRODUCTION		
Plucking	89,490,691	78,924,084
Manufacturing	95,941,465	81,727,603
Fertilisers	15,822,749	13,626,865
Packing	14,105,400	13,181,717
Machinery maintenance	18,179,201	18,900,695
Cultivation	7,978,711	5,489,332
Cesses	5,793,621	6,154,593
Building maintenance	3,715,570	4,307,278
Roads and boundaries	3,152,716	2,017,819
Fuel plantation	238,739	365,967
	254,418,863	224,695,952
GREEN LEAF PURCHASES	561,485,945	567,629,415
OVERHEADS		
Depreciation of property, plant and equipment	30,880,207	27,810,470
Amortisation of leasehold property	734,600	665,151
Central charges	54,203,153	49,865,975
Leasehold land amortisation	24,155	24,155
Garden staff	18,120,044	22,051,954
Estate transport	4,053,765	4,541,518
Labour welfare	24,335,632	23,500,819
Subordinate staff	3,234,483	3,304,024
Insurances	7,430,131	6,117,827
Superintendence	2,505,426	2,227,601
Security	5,725,159	5,275,817
Office running	2,640,790	2,428,902
Donations	1,165,128	1,015,245
Medical charges	4,239,659	2,485,318
Water supply	1,098,762	1,119,481
General charges	-	40,957
Subscriptions	490,490	564,434
Rents and licences	2,366,721	1,580,738
Travelling	133,000	159,200
Service gratuity and other terminal dues	16,038,829	5,481,503
Profit on sale of plant and equipment	(1,939,268)	(3,039,879)
Impairment losses on plant and equipment	-	4,182,802
	177,480,866	161,404,012
Production expenditure	993,385,674	953,729,379
Less: closing tea stocks	(70,601,803)	(123,774,311)
Add: opening tea stocks	123,774,311	57,628,726
	1,046,588,182	887,583,794

Appendix 3

KAPCHORUA TEA COMPANY LIMITED

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

	2011 Sh	2010 Sh
OTHER OPERATING INCOME		
Miscellaneous receipts	3,966,242	14,801,680
Managing agents fees	5,461,976	4,982,827
Interest receivable	1,546,240	372,672
Rent receivable	483,826	255,713
Dividends receivable	678,745	-
	12,137,029	20,412,892
DISTRIBUTION COSTS		
Ocean freight and marine insurance	18,642,097	16,880,354
Transport to coast and coast charges	36,623,439	30,715,304
Commission, brokerage and auction charges	-	-
Agency fees	35,593,343	32,545,823
	90,858,879	80,141,481
ADMINISTRATION EXPENSES		
Professional fees	1,218,628	1,212,236
Auditors' remuneration	1,213,000	1,102,500
Directors' fees and expenses	356,200	356,200
	2,787,828	2,670,936
FOREIGN EXCHANGE LOSSES		
Net foreign exchange losses	(12,162,422)	(6,053,453)
FINANCE COSTS		
Interest on bank overdrafts	455,855	514,461
Interest on loans	535,439	1,379,149
	991,294	1,893,610