

**KAPCHORUA TEA COMPANY
LIMITED**

**REPORTS AND FINANCIAL
STATEMENTS**

**FOR THE YEAR ENDED
31 MARCH 2015**

KAPCHORUA TEA COMPANY LIMITED

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

CONTENTS	PAGES
Notice of the Annual General Meeting	2
Corporate information	3
Financial highlights	4
Chairman's statement	5 - 8
Corporate governance statement	9 - 11
Report of the directors	12 - 13
Statement of directors' responsibilities	14
Independent auditors' report	15 - 16
Financial statements:	
Statement of profit or loss and other comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the financial statements	21 - 52

KAPCHORUA TEA COMPANY LIMITED

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty Sixth ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Club, Ngong Road, on Wednesday 15 July 2015 at 10.00 a.m for the following purpose:

Ordinary Business:

- 1) To receive and adopt the report of the Directors together with the audited financial statements for the year ended 31 March 2015.
- 2) To declare a dividend.
- 3) To elect Directors:
 - a. In accordance with Article 99 of the Company's Articles of Association Mr Edward Charles Magor, a Director appointed to fill a casual vacancy retires at the dissolution of the meeting, and being eligible, offers himself for re-election.
 - ii) In accordance with Article 95 of the Company's Articles of Association, Mr. Mathew Koech, retires by rotation and offers himself for re-election.
- 4) To approve the remuneration of the Directors.
- 5) To authorise the Directors to reappoint/appoint Auditors and agree their remuneration.
- 6) To transact other business for which notice has been duly served.

Special business:

To consider if thought fit to pass the following resolutions as ordinary resolutions:

- I. "That the authorised share capital of the company be increased from shillings nineteen million five hundred sixty thousand (Shs19,560,000) divided into three million nine hundred twelve thousand (3,912,000) ordinary shares of shillings five (shs.5) each to forty eight million nine hundred thousand (shs.48,900,000) divided into nine million seven hundred eighty thousand (9,780,000) ordinary shares of shillings five (shs.5) each by the creation of nine million seven hundred eighty thousand (9,780,000) ordinary shares of shillings five (shs.5) each to rank pari passu with the existing ordinary shares of the company in all respects."
- II. That in pursuance to Article 135 of the Company's Articles of Association and subject to the Shareholders and Capital Markets Authority's approval, it is desirable to capitalise the sum of shillings nineteen million five hundred sixty thousand (shs.19,560,000) being part of the amount outstanding to the credit of the revenue reserve of the company and the sum be applied in making payment in full at par for three million nine hundred twelve thousand (3,912,000) new shares of shillings five (Shs.5) each in the capital of the company, such shares to be distributed as fully paid among the persons who were registered as shareholders of the company at the close of business on a day to be fixed by the company at rate of one fully paid share for every one ordinary share of the company held by such holders, such fully paid shares to rank pari passu with existing issued shares.

BY ORDER OF THE BOARD

GILBERT K MASAKI

SECRETARY

Thursday June 11, 2015

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	<p>E N K Wanjama S N Thumbi J P Brooks M Koech A L Carmichael* P Magor* E C Magor* A S Marsh* * British</p>	<p>- Chairman - Appointed 26 November 2014 - Resigned 5 June 2014</p>
GOVERNANCE & AUDIT COMMITTEE	<p>J P Brooks M Koech</p>	
BOARD NOMINATING COMMITTEE	<p>E N K Wanjama A.L Carmichael* P Magor* * British</p>	<p>- Chairman - Managing Director - Non executive Director</p>
STAFF & REMUNERATION COMMITTEE	<p>E N K Wanjama A.L Carmichael* P Magor* * British</p>	<p>- Chairman - Managing Director - Non executive Director</p>
SECRETARY	<p>Gilbert K Masaki Certified Public Secretary (Kenya) P. O. Box 42281 - 00100 Nairobi</p>	
REGISTERED OFFICE	<p>Karen Office Park The Acacia Block, 2nd Floor Langata Road P.O. Box 42281 - 00100 Nairobi</p>	
PRINCIPAL PLACE OF BUSINESS	<p>Kapchorua Kapchorua Road P. O. Box 12 - 30301 Nandi</p>	
AUDITORS	<p>Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way, Muthangari P. O. Box 40092 - 00100 Nairobi</p>	
BANKERS	<p>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</p>	
LAWYERS	<p>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</p>	

KAPCHORUA TEA COMPANY LIMITED
FINANCIAL HIGHLIGHTS

		2015	2014	2013	2012	2011	2010
Tea production							
Area under tea	Hectares	628	628	633	637	665	661
Made tea - own	'000 kgs	2,122	2,259	2,288	2,109	2,131	2,032
- bought leaf	'000 kgs	3,331	3,445	3,915	3,758	3,891	4,027
Total	'000 kgs	5,453	5,704	6,203	5,867	6,022	6,059
Tea sold	'000 kgs	5,708	5,593	5,808	5,929	6,467	5,821
Average sales price per kg (gross)	Sh	188.16	213.37	233.14	237.31	191.89	193.46
Turnover (Sh'000)		1,073,989	1,192,489	1,353,206	1,406,794	1,246,636	1,130,108
(Loss)/profit (Sh'000)							
(Loss)/profit before taxation		(29,536)	182,079	255,753	112,576	268,393	199,538
Taxation		6,751	(56,088)	(76,035)	(34,608)	(81,388)	(60,286)
(Loss)/profit for the year		(22,785)	125,991	179,718	77,968	187,005	139,252
Capital employed (Sh'000)							
Property, plant and equipment		519,993	396,142	418,509	460,977	253,653	263,066
Prepaid operating leases		21,645	21,669	21,693	21,717	21,741	21,765
Intangible assets		336	47	255	565	330	665
Biological assets		796,284	888,966	813,964	726,731	717,820	533,957
Investments		717	717	717	717	717	717
Current assets		644,264	621,620	823,337	752,190	575,942	678,761
Total assets		1,983,239	1,929,161	2,078,475	1,962,897	1,570,203	1,498,931
Liabilities (Sh'000)							
Medium term borrowings		-	-	-	-	-	4,054
Provision for employee entitlements		107,579	96,391	86,738	76,149	70,325	60,755
Deferred income taxes		333,537	330,250	318,739	296,218	249,388	201,773
Current liabilities		114,444	121,855	388,985	456,895	274,093	413,617
Total liabilities		555,560	548,496	794,462	829,262	593,806	680,199
Net assets		1,427,679	1,380,665	1,284,013	1,133,635	976,397	818,732
Financed by (Sh'000)							
Share capital		19,560	19,560	19,560	19,560	19,560	19,560
Reserves		1,408,119	1,361,105	1,264,453	1,114,075	956,837	799,172
Shareholders' funds		1,427,679	1,380,665	1,284,013	1,133,635	976,397	818,732
(LOSS)/EARNINGS PER SHARE							
PER SHARE	Sh	(5.82)	32.21	45.94	19.93	47.80	35.60
DIVIDENDS PER SHARE (par value)							
	%	100	100	150	150	175	125
DIVIDENDS PER SHARE							
	Sh	5.00	5.00	7.50	7.50	8.75	6.25
DIVIDEND COVER							
	Times	(1.16)	6.44	6.13	2.67	5.46	5.70
Closing exchange rates							
	US \$	92.34	86.44	85.64	83.06	83.25	77.30
	UK £	136.45	143.81	129.61	132.75	134.03	116.58

KAPCHORUA TEA COMPANY LIMITED

CHAIRMAN'S STATEMENT

Results

I am pleased to report that the company recorded a profit of Ksh 48 million resulting from its operating activities. Please refer to pages 17 to 52 of the financial statements which detail the profit available for distribution through operational activities. However the company made a loss of Ksh 71 million from the revaluation of its biological assets compared to a fair value gain of Ksh 49 million last year. As a result the overall performance for the year is a loss of Ksh 23 million, compared to a profit of Ksh 126 million last year. Fair valuation of biological assets is performed annually to incorporate price changes and biological transformation as required by the International Financial Reporting Standards. The result of the annual revaluation change may be very misleading to shareholders as it is included in the profit before tax figures but is not realizable for distribution and only represents an estimated book figure for accounting compliance. Thus the critical figure for shareholders to review is the operational profit which is Ksh 48 million down by Ksh 29 million, or 38% in an extremely difficult trading year from the previous year. The decline of 38% in our operating profit is significantly better than the economic and market conditions that have coupled rising costs of inputs against a Mombasa auction average price of 40 US Cents lower than seen at any time in the past 5 years and may be considered a significant achievement by our management.

Our Farm

The year under review saw reasonable weather conditions for the first three quarters but a serious and prolonged dry spell in the final quarter saw the crop available for harvesting significantly reduce. The period recorded the driest spell for over 50 years with rainfall for the year 20% down in volume over the previous year. Storms and dry spells are a clear example of the unpreventable risks associated with rain fed agricultural commodities. We are farmers and when our crops decline, our costs go up.

The year under review saw reasonable weather conditions for the first three quarters but a serious and prolonged dry spell in the final quarter saw the crop available for harvesting significantly reduce. The period recorded the driest spell for over 50 years with rainfall for the year 20% down in volume over the previous year. Storms and dry spells are a clear example of the unpreventable risks associated with rain fed agricultural commodities. We are farmers and when our crops decline, our costs go up.

The farm therefore recorded a crop of 5.45 million kilos of made tea, a decline of only 1% against our original estimates.

Our relationships with green leaf smallholders and their contribution as partners in achieving our annual crop is once again warmly recognized here. As a company we value their contributions and work very hard to cement our partnerships and long term relationships. Our decision in the previous year to implement a monthly payment system for green leaf has continued. We believe this provides the most transparent and mutually fair arrangement, allowing farmers to spend or invest as they so wish without the uncertainty of waiting for interim or final bonus payments to set off a low initial payment. There are cash flow challenges for your company but the positive offset is the provision of clear consolidated financial statements each month without the guess work that is required to estimate on profitability many months down the line. The payments are adjustable according to market prices for tea each month so that when we are rewarded by our buyers each month, our partners will also benefit. Regrettably the market price for tea during the year was either in decline or stagnation but we are confident that our farmers understand market forces and just as markets do decline, so they will rise.

As a company we take both our commercial activities and Corporate Social Responsibilities very seriously. We continue to be very actively engaged in securing our own source of firewood from our own gum plantations to enable us to operate our factories with the desired high volumes of green leaf purchased from smallholder farmers. The equation of firewood from sustainable sources to the amount of tea that can be produced from a factory is a critical aspect of sustainability and even growth for the whole of the industry. By the end of 2018, we hope to have secured sufficient areas on our own land to manage our factories responsibly with our own resources with no firewood having to be purchased from responsible and licensed sellers. Regrettably, as stated in the previous two years, we continue to see immature and unseasoned wood from indigenous or unsustainable sources being sold in tea growing areas. This practice is illegal and should be stopped once and for all.

We have hundreds of indigenous flora thriving in our valleys and ravines and these contribute hugely to a rich diversity of animal and bird life. Our imperative is to conserve our water sources and our soil structures and protect and enrich the environment for future generations.

KAPCHORUA TEA COMPANY LIMITED

CHAIRMAN'S STATEMENT (Continued)

Our Farm (Continued)

Considerable work continues to go into managing our automated tea harvesting. Every year we seek to improve the ease and efficiency of plucking and although this is sometimes a protracted goal we have continuously improved our quality over the past 5 years and believe in the next 5 years we will see further gains. Our workforce is fully trained to operate sophisticated machinery, and the benefits of improved productivity are theirs as well as better leaf quality. We continue to strive to make teas that are a pleasure to drink and reach as many markets as possible. We would wish to emphasize once again that our workforce, our staff and our management, our human capital, remain our most prized assets. We retain our clear commitment to progress, to generate and motivate a highly skilled workforce and industrialize in line with Kenya Vision 2030 to secure long term sustainability for the company.

We continue to add value by planting new tea varieties. These varieties add diversification to our products and will over time, add to our production strength as they replace older, lower yielding teas. In addition we remain in a partnership with other farmers investigating new varieties that may assist us in combating climate change in the years to come.

Markets

Our customer base remains strong and the company policy of selling to secure markets with few credit risks ensures that not only does the company receive payment for its teas but also provides more security for the thousands of smallholders who now rely upon us. Our investment in Rainforest Alliance and UTZ accreditation has been supported by all our smallholders being accredited, and it remains true that a healthy percentage of our sales are a direct result of investing in and adhering to good practice and the accreditation that follows this.

Prices have been weak through the year as high crops and large unsold tea stocks from other producers within Kenya have provided buyers with the unwelcome luxury of too much tea. There has been no rush to purchase with the secure knowledge of large amounts of tea available to select. However we have managed to secure an operational profit and believe that a contributing factor has been our long standing and good relationships with a strong customer base prepared to commit to our teas on a forward basis, in effect purchasing the tea before it has actually been made in our factories. This assists our planning for future developments and our cost control strategies. The aforementioned unpredictability of the weather and its effect on our crop volumes means we will always have elements which are uncontrollable. However we believe that long term customer relationships and commitments to honour these relationships through good and bad times mitigate to an extent against market volatility.

We will always seek new and reliable markets and are keen to investigate new customer requirements and exploring methods of providing those customers with the variety and type of tea they wish for. We continue to say it, for weather, climate, soils and work force commitment Kenya is the best place to grow and manufacture tea. With costs increasing across many areas, our ability to adequately invest is tempered by prudent financial management but new machinery continues to be installed and the new planting from uprooted sections provide more than a nod to a sustainable future.

Finding the correct path to satisfy you, the shareholder, our Smallholders and also having sufficient funds to expand capacities and invest in more solar power and other renewable energy schemes is a clear goal, but one that carries many challenges. Patience is often required.

Market Outlook

With lower crops and therefore less tea available to buyers throughout Kenya we can expect to see better prices for a period of time as we enter into a new financial year. For your company there will be a slower turnaround to realise these improved prices due to a percentage of tea that is already sold and committed forward. As stated above, the strength of long term commitments are particularly noticeable during times when markets are weak, but a period of patience is also required when markets strengthen. Forward commitments must be honoured if these relationships are to survive. It is very important to continue to look longer term, certainly beyond the next six months, as we look to be as secure as we can be in an unpredictable market place. Our price recovery will therefore not be as fast as if we were selling our teas with no forward commitments. Should the market fall of course we will benefit accordingly.

KAPCHORUA TEA COMPANY LIMITED

CHAIRMAN'S STATEMENT (Continued)

Market Outlook (Continued)

We resigned from our Fairtrade accreditation two years ago. However persistent requests from our customers for us to return so they can recommence purchasing our tea has been answered and audits for the accreditation process will soon commence, probably half way through the next financial year. This decision will reopen markets closed off to us since we resigned and benefit workers and smallholders with the premiums that are paid with a Fairtrade sale.

A new CBA should have been negotiated and completed but is still some way short of a conclusion and as I write is in court awaiting settlement. I would wish to thank our workforce for their forbearance and patience whilst the negotiations drag on. Further industrial action from union leaders can never be ruled out, however we trust our commitment to dialogue, fairness and good practice will assist in overcoming difficult issues.

General Outlook

Although the arrival of the new Constitution was welcomed in August 2010, it is nearly 5 years old now and we still await confirmation on the outcome of our Freehold titles and 999 vs 99 year leases. The legal advice remains very clear that with effect from 28th August 2010 all our land titles were converted into 99 year leases without compensation. However it is very discouraging to advise that, in a year that has witnessed further brutal and cowardly terrorist strikes on Kenya, we face, as a company, a considerable internal threat, with statements and actions attributed to our local leaders and decision makers threatening to take away your land.

In spite of the law not being retrospective at the time of the Kenya Constitution, statements attributed to our local governor, claim that land leases and titles owned by companies with any percentage of foreign investment dates back to the time of the original title grant and, when expired, leases will not be renewed. Whilst your company currently has no expired leases even under this political interpretation, there is a very real and present threat to your shareholding. Reports have circulated that tea land across the regions has been offered for payment, on the promise of imminent ownership and a dramatic increase in armed groups trespassing with cattle on tea land, all makes very real the possibility of nationalization by stealth.

If the threats are carried out your land would be given away to political and local community ownership by unlawful means, contrary to the current laws of the Republic. As shareholders of a Kenya company this land is rightfully your land. This land represents a significant value to your investment and commitment. If your land is handed over to communities not only will a precedent over land holding within Kenya have been set, but also the most vibrant and successful industry in Kenya will have been holed below the waterline, taking away thousands of existing directly and indirectly held jobs, and removing vast amounts of foreign exchange and tax revenues from the national government. The national and international legal complexities would be large.

We are working extremely hard with our partner associations to ensure your investment remains secure but are also mindful of our responsibilities in alerting you to the current position and the very real risks that lie ahead. We anxiously await government confirmation on the commencement dates for the 99 year leases and I would urge each one of you as stakeholders to actively lobby for your rights wherever possible.

The cost of conducting business in Kenya continues to rise. In addition to the cost increases outlined we wait to see the true impact of tax rise proposals by County Governments, and the new Agricultural and Fisheries Board. We trust and are confident that prudence and good governance and sense will prevail. We continue to lobby through the good offices of the East African Tea Trade Association against the Ad Valorem tax on the value of tea sold levied by the Tea Board of Kenya, in February 2012. We have, through our memberships of the KTGA and EATTA very hard working and transparent associations who lobby and articulate matters of concern to relevant bodies and decision makers. The increasing demands on tea farmers from all quarters is a considerable drain on management time and we much appreciate their efforts on our behalf.

Dividends

In view of the year's results and favourable cash reserves the Directors are recommending a final dividend payment of KShs 5 per share.

KAPCHORUA TEA COMPANY LIMITED

CHAIRMAN'S STATEMENT (Continued)

Crop/Market Price

During the year, the company manufactured a total of 5.45 million kilos of Made Tea compared to 5.7 million kilos manufactured last year with continued strong support from our small scale tea growers.

The gross average tea price declined to Sh 188.16 per kilo from last year's gross average of Sh 213.37. Exchange rates were also erratic.

Corporate Social Responsibility

The company continues to embrace social enhancing ethics, food safety standards and sustainable agricultural practices. The company is still certified by ISO 2200:2005, Rainforest Alliance and UTZ.

The various farm activities covered in the year are detailed in our website <http://williamson-tea.blogspot.co.uk/>. The activities include building school classrooms, administration blocks, bursaries, and providing surrounding communities with water. In the year under review a new Chiefs office was completed and inaugurated.

Health and Education

The company continues to provide extensive medical services to the employees and actively participates in the Nandi Doctors' schemes including visiting Doctor Services and HIV/AIDS prevention programs. Contribution has also been given in the form of equipment to Hospitals which treat some of our Workers and the surrounding Communities. Treated water and distribution to communities is high on the agenda.

Through the Kenya Tea Growers Association, the company continues to support the running and development of various sponsored Primary and Secondary Schools in Kericho and Nandi. We continue to operate several crèches, 4 Primary Schools and 1 Secondary School together with bursary schemes for gifted students proceeding to Secondary education.

In addition the Williamson Tea Foundation will be used to contribute various activities towards Kapchorua and even more to our workers and our neighboring communities.

Welfare

The number of permanent and seasonal employees exceeded 864 with over 4,320 of their dependents who also benefit from the social and welfare amenities provided.

During the year, the company spent over Sh 34 million on employees' pension, gratuities, leave and medical expenses over and above employees' direct wages.

Appreciation

I would like to thank all our management staff led by the Managing Director, Mr. Alan Carmichael and Mr. Samuel Thumbi our Visiting Agent and in particular to the farm leadership of Mr Ronald Ngala who has settled in with his team extremely well and was promoted to General Manager during the year.

Last but not least, I would like to thank my fellow Directors for their valuable contribution and advice.

E N K WANJAMA

CHAIRMAN

2015

KAPCHORUA TEA COMPANY LIMITED

CORPORATE GOVERNANCE STATEMENT

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 fact that, the governance and audit committee being composed of only two independent directors. The desirability of increasing the number of the governance and audit committee is still under consideration.

Board of Directors

The Board as at 31 March 2015 consisted of seven directors, five of whom were non-executive directors including the Chairman. Among the non-executive directors three are independent directors. 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.

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 is 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 shareholder value while taking into account the interest of other stakeholders 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 budget and half-year and annual accounts and to monitor operational performance. The directors are given appropriate and timely information to enable them to maintain full and effective control. Except for direction and guidance on general policy, the Board has delegated its 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 directors beforehand.

The company secretary is always available to the Board of directors and is a member of both the Institute of Certified Public Accountant 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 Accountant (ICPAK).

Board staff & 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.

KAPCHORUA TEA COMPANY LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

Directors' shareholding

None of the Directors as at end of the year to 31 March 2015 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 as at 31 March 2015 is summarised below:

Name	Number of Shares
J P Brooks	4,500 =====

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

The governance and audit committee responsibilities are discharged through the parent company's governance and 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 implementation; risk management; internal control; and external auditors' plan 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 is a staff and remuneration committee consisting entirely on 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 Kenyan 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 governance and audit committee.

Communication with shareholders

The company is committed to ensuring that there is open and good communication with shareholders 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.

KAPCHORUA TEA COMPANY LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

SHAREHOLDING PROFILES

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

Major shareholders

As at 31 March 2015, 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	Nairobi	63,600	1.63
5	Eric Charles Simons	London	60,000	1.53
6	Minesh Mulchand Shah	Nairobi	42,500	1.23
7	Mr. Ronald Carlile Buxton	Nairobi	33,750	0.86
8	Bijal Mulchand Shah	Nairobi	32,016	0.82
9	Dr Minesh M Shah	Nairobi	31,814	0.81
10	Kanaiyalal Mansukhlal & Shah Lalitaben	Nairobi	27,584	0.71
			=====	=====

Analysis of shareholders

By region:

	Number	Shares held	%
Foreign shareholders	17	1,069,614	27.34
Local shareholders (Individuals)	326	703,341	17.98
Local shareholders (Institutional)	35	2,139,045	54.68
	=====	=====	=====
	378	3,912,000	100.00
	=====	=====	=====

By shares distribution:

Less Than 501	206	40,956	1.05
501 To 10,000	150	415,238	10.61
10,001 To 100,000	19	481,762	12.31
100,001 To 1,000,000	2	1,426,264	36.47
Above 1,000,000	1	1,547,780	39.56
	=====	=====	=====
	378	3,912,000	100.00
	=====	=====	=====

Director

Director

2015

KAPCHORUA TEA COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of Kapchorua Tea Company Limited (“the company”) for the year ended 31 March 2015, which show the state of financial affairs of the company.

ACTIVITIES

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

RESULTS FOR THE YEAR	2015 Sh'000	2014 Sh'000
(Loss)/profit before taxation	(29,536)	182,079
Taxation credit/(charge)	6,751	(56,088)
	<hr/>	<hr/>
(Loss)/profit for the year transferred to retained earnings	<u>(22,785)</u>	<u>125,991</u>

DIVIDENDS

The directors recommend that a first and final dividend of Sh 5 per share (2014 – Sh 5), totalling Sh 19,560,000 (2014 – Sh 19,560,000) be paid to owners of the company. The final dividend is subject to approval by the o 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
2015	2,122	3,331	5,453
2014	2,259	3,445	5,704
2013	2,288	3,915	6,203
2012	2,109	3,758	5,867
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	<u>1,765</u>	<u>1,641</u>	<u>3,406</u>

The estimated tea production for the year to 31 March 2016 is 5,505,100 kilograms. This includes 3,645,400 kilograms from out growers.

PLANTED AREA

The planted area under tea as at year end was as follows:

	31 March 2015 Hectares	31 March 2014 Hectares
Mature	616.00	621.00
Immature	12.00	7.00
	<hr/>	<hr/>
	<u>628.00</u>	<u>628.00</u>

KAPCHORUA TEA COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued)

DIRECTORS

The current board of directors is shown on page 3.

Mr A S Marsh resigned from the Board of Directors on 5 June 2014 and was replaced with Mr E C Magor on 26 November 2014.

SECRETARY

Gilbert K Masaki continues as the company secretary.

MANAGEMENT

Mr Ronald Ngala is the General Manager of the Kapchorua Farm.

AUDITORS

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

BY ORDER OF THE BOARD

Secretary

2015

Nairobi

KAPCHORUA TEA COMPANY LIMITED

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 of financial statements that give a true and fair view 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 misstatement, 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

2015

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 17 to 52, which comprise the statement of financial position as at 31 March 2015, and the statement of profit or loss and other 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 of financial statements that give a true and fair view 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 misstatement, 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 about 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 of financial statements that give a true and fair view 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 financial statements give a true and fair view of the state of financial affairs of the company as at 31 March 2015 and of its financial performance 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 profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

*The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Fredrick Okwiri** - P/No P/1699.*

Certified Public Accountants (Kenya)
Nairobi, Kenya

2015

KAPCHORUA TEA COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 Sh'000	2014 Sh'000
TURNOVER	3	1,073,989	1,192,489
(LOSS)/GAIN ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS			
– TEA BUSHES	14	(108,307)	84,031
– TIMBER	14	16,117	19,538
OPERATING INCOME		981,799	1,296,058
COST OF SALES		(914,588)	(980,361)
GROSS PROFIT		67,212	315,697
OTHER INCOME		3,335	4,983
INTEREST INCOME	6(a)	-	5,161
FINANCE COSTS	6(b)	(5,120)	(863)
LOSS ARISING FROM CHANGES IN FAIR VALUE OF OTHER BIOLOGICAL ASSETS			
– FUEL TREES	14	(9,024)	(33,758)
DISTRIBUTION COSTS		(100,496)	(105,007)
ADMINISTRATIVE EXPENSES		(7,501)	(5,578)
NET FOREIGN EXCHANGE GAINS		22,058	1,444
(LOSS)/PROFIT BEFORE TAXATION	4	(29,536)	182,079
TAXATION CREDIT/(CHARGE)	7(a)	6,751	(56,088)
(LOSS)/PROFIT FOR THE YEAR		(22,785)	125,991
OTHER COMPREHENSIVE INCOME			
<i>Items that may not be reclassified subsequently to profit or loss</i>			
Gain on revaluation of property and equipment		127,656	-
Deferred tax on revaluation surplus		(38,297)	-
TOTAL OTHER COMPREHENSIVE INCOME		89,359	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		66,574	125,991
COMPRISING:			
Profit arising from operating activities		48,065	77,123
(Loss)/gain arising from changes in fair value of biological assets (net of attributable taxation)		(70,850)	48,868
Profit and total comprehensive (loss)/income for the year		(22,785)	125,991
(LOSS)/EARNINGS PER SHARE - basic and diluted (Sh)	8	(5.82)	32.21

KAPCHORUA TEA COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	Note	2015 Sh'000	2014 Sh'000
ASSETS			
Non -current assets			
Property, plant and equipment	10	519,993	396,142
Prepaid operating leases	11	21,645	21,669
Intangible assets	12	336	47
Unquoted investments	13	717	717
Biological assets	14	796,284	888,966
		<u>1,338,975</u>	<u>1,307,541</u>
Current assets			
Inventories	15	163,340	194,936
Trade and other receivables	16	397,960	263,775
Due from related companies	17	15,897	10,340
Corporate tax recoverable	7(c)	20,223	17,911
Cash and bank balances	22(b)	46,844	134,658
		<u>644,264</u>	<u>621,620</u>
Total assets		<u><u>1,983,239</u></u>	<u><u>1,929,161</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	19,560	19,560
Revaluation surplus		224,945	150,903
Retained earnings		1,183,174	1,210,202
Shareholders' funds		<u>1,427,679</u>	<u>1,380,665</u>
Non-current liabilities			
Deferred taxation	19	333,537	330,250
Provision for employee entitlements	20	107,579	96,391
		<u>441,116</u>	<u>426,641</u>
Current liabilities			
Trade and other payables	21	103,618	106,293
Due to related companies	17	9,526	14,744
Unclaimed dividends	9(b)	1,300	818
		<u>114,444</u>	<u>121,855</u>
Total equity and liabilities		<u><u>1,983,239</u></u>	<u><u>1,929,161</u></u>

The financial statements on pages 17 to 52 were approved and authorised for issue by the board of directors on 2015 and were signed on its behalf by:

Director

Director