Deloitte & Touche

KAPCHORUA TEA COMPANY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2002

ABBREVIATIONS
Chief Executive
HoD-C & F
HoD-R & CA
HoD-E & LA
M-F
M-C ✓ please Torotich Deil
M-R
15/7/2002

KAPCHORUA TEA COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

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KAPCHORUA TEA COMPANY LIMITED

NOTICE OF MEETING

NOTICE IF HEREBY GIVEN that the Fifty Fourth ANNUAL GENERAL MEETING of the Shareholders will be held at the Company's Registered Office, Williamson House, 4th Ngong Avenue, on 23rd July 2002 at 10.00 a.m. for the purposes of attending to the ordinary business as set out below:-

1. To receive and adopt the report of the Directors together with the audited financial statements for the year ended 31 March 2002.
2. To declare a dividend
3. To elect Directors
   - (i). Mr. H. Salwegter retires by rotation and being eligible offers himself for re-election.
   - (ii). Mr. J.N. Brooks who has attained the age of 77 years retires in accordance with Section 186(2) of the Company's Act. Special Notice has been received in accordance with Section 186 (5) of the Companies Act that he be re-elected a Director of the Company at the Fifty Fourth Annual General Meeting.
4. To approve the remuneration of the Directors
5. To authorise the Directors to fix the remuneration of the Auditors
6. Special Business.
   - i) To consider and if approved to adopt a special resolution "that the Articles of Association be and are hereby altered to include the provision of the Central Depositories Act 2000 as amended or modified from time to time and shall apply to the Company to the extent that any securities of the Company are in part or in whole immobilised or dematerialised or are required by the regulations or rules issued under the Central Depositories Act to be immobilised or dematerialised in part or in whole, as the case may be. Any provisions of these articles that are inconsistent with the Central Depositories Act or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these articles of association, immobilisation and dematerialisation shall be construed in the same way as they are construed in the Central Depositories Act"
   - ii) "Where any securities of the company are forfeited pursuant to these Articles of Association after being immobilised or dematerialised, the Company shall be entitled to transfer such securities to a securities account designated by the directors for this purpose".
7. To transact such other competent business as may be brought before the meeting

BY ORDER OF THE BOARD

A. M .MULILA
SECRETARY

5th June, 2002

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 that Twenty Four hours before the meeting.

KAPCHORUA TEA COMPANY LIMITED

DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS	N G Sandys-Lumsdaine* - Chairman R B Magor* H Salwegter** J N Brooks S C A Koech (Alternate to H Salwegter) * British **Dutch
SECRETARY	A M Mulila P O Box 42281 Nairobi
REGISTERED OFFICE	Williamson House 9th Floor 4th Ngong Avenue P O Box 42281 Nairobi
AUDITORS	Deloitte & Touche "Kirungii", Ring Road, Westlands P O Box 40092 Nairobi
BANKERS	Barclays Bank of Kenya Ltd Barclays Plaza Business Centre Plaza Branch P O Box 46661 Nairobi Barclays Bank of Kenya Limited Eldoret Branch P O Box 22 Eldoret
LAWYERS	Kaplan & Stratton Queensway House Kaunda Street P O Box 40111 Nairobi Walker Kontos Williamson House P O Box 60680 Nairobi

KAPCHORUA TEA COMPANY LIMITED

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2002

FINANCIAL RESULTS

With generally favourable weather the Estate nearly achieved last year's crop, but due to active recruitment of outgrowers, the contribution from that Sector to production was substantially increased.

International tea prices, due to the world oversupply position remained disappointing and at times were 30% below last year's levels.

As a result of this and the ever escalating costs of production, in spite of seeking every possible economy, the year's results reveal a loss.

While weather conditions for the start of the new financial year have been favourable there has been little improvement in World Tea Prices and the Kenya Shilling remains strong.

A further adverse factor affecting profitability has been the recently concluded Collective Bargaining Agreement with the Plantation and Agricultural Workers Union where wage increases of 6% for 2002 and 7 ½% for 2003 have been agreed.

While acknowledging the trading loss for the year your directors are recommending a final dividend of Sh 0.50 per share for the year ended 31st March 2002 (2000/2001 Sh 2.50).

TEA

The Factory's throughput of 3,465,000 Kgs of Made Tea was made up as follows :-

	2002	2001
Own	1,789,000	1,803,033
Outgrowers	1,676,000	1,070,539
	3,465,000	2,873,572

A further and final draw down was made against the Development Loan to provide an extension to the Factory and two jumbo withering troughs.

SOCIAL CONTRIBUTION

The major points under this heading include :

i) There are 1692 workers employed with over 8000 dependants.

ii) Our foreign currency earnings amounted to the equivalent of Sh.316,981,000 (2001 Sh 333,650,000)

iii) The company paid Agricultural Produce Cess of Sh.3,497,236 to the Tea Board of Kenya to be disbursed to the County Council and Tea Roads Cess Committee for maintenance of tea roads in our district.

iv) Revenue expenditure of Sh.15,575,000 and capital expenditure of Shs.9,663,000 was spent on a wide range of health, welfare and educational services and facilities.

v) Through the Nandi Branch of the Kenya Tea Growers Association we continue to support the development of the Nandi Hills Primary School and Taito Secondary School. In addition the Company is actively participating in the Nandi Hills Doctor's Scheme.

vi). We continue to hold awards of Certificates of Compliance from the Tea Sourcing Partnership in the United Kingdom, confirming the high standards of our operating procedures and social accountability.

ENVIRONMENT

As in the previous years we continue to lobby Government over the continuing deforestation in the area and it is pleasing to report the replanting with indigenous trees by the Nandi Branch of the Kenya Tea Growers Association of 12 Hectares of previously deforested land with additional areas to follow this year. This would not have been possible without considerable support from both the Provincial and District Administration and our sincere thanks to them for this.

STAFF

Luke Osire continues as our General Manager and we must thank him and all his staff for their hard work over a very difficult period.

DIRECTORS

The recently published Capital Market Authority recommendations on Corporate Governance details the Directors additional responsibilities the implementation of which are currently under consideration.

I should also draw attention to the notes on corporate governance included in the Directors Statement of Responsibilities and would assure you that the Board meets regularly and gives due consideration to all the aspects of good governance referred to, and on your behalf would like to thank them for the diligence with which they discharge their duties

N.G. SANDYS-LUMSDAINE
Chairman

Nairobi
5th June, 2002

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 2002.

ACTIVITIES

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

RESULTS

	Sh'000
Loss before taxation	(18,019)
Taxation - credit	2,052
Net loss for the year transferred to revenue reserve	(15,967)

DIVIDENDS

The directors recommend the payment of a dividend of Sh 1,956,000 in respect of the year.

CROP

The following are comparative tea production statistics:

	Own estate Kgs'000	Bought leaf Kgs'000	Total Kgs'000
2002	1,789	1,676	3,465
2001	1,803	1,071	2,874
2000	1,740	984	2,724
1999	1,670	1,010	2,680
1998	2,074	973	3,047

The estimated own estate production for the year to 31 March 2003 is 1,829,000 kilograms.

PLANTED AREA

The area under tea was as follows:

	2002 Hectares	2001 Hectares
Mature	661.75	653.75
Immature	23.00	20.00
	684.75	673.75

DIRECTORS

The current board of directors is shown on page 2.

In accordance with article 94 of the articles of association, Mr H Salwegter retires by rotation and, being eligible, offers himself for re-election.

Mr J N Brooks, who has attained the age of 77 years, retires by rotation. Special notice has been received pursuant to section 142 of the Companies Act, and a resolution will be considered at the Annual General Meeting to propose his re-election as a director of the company

SECRETARY

D B White resigned on 15 July 2001 and A M Mulila was appointed on the same date.

MANAGEMENT

Mr L Osire continues as the General Manager of the company's 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

A M MULILA

Secretary

Nairobi

16 May 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Financial Statements

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

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

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

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 Accounting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of the loss of the company. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the 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 twelve months from the date of this statement.

Corporate Governance

The Capital Markets Authority published Legal Notice number 13 in the Special Issue dated 18 January 2002 of the Kenya Gazette supplement number 4, Capital Markets Regulations and Disclosure Requirements for Public Offers and Listing of Securities. These regulations and disclosure requirements came into effect on 7 January 2002. The Capital Markets Authority published notice number 369 in the Kenya Gazette issue dated 25 January 2002, Guidelines on Corporate Governance Practices By Public Listed Companies in Kenya. These guidelines came into effect on 14 January 2002.

Recommendations contained within the guidelines include:

- Keeping the core strategy under review;
- Monitoring progress towards agreed objectives;
- Overseeing corporate management and operations;
- Meeting its responsibilities to shareholders; and
- Reviewing the adequacy of the internal control and management information systems.

Your board meets regularly to direct and manage the company's business according to essential standards of good corporate governance.

An audit committee has been in operation since 9 February 1999 and is playing a key role in ensuring these activities receive all due consideration.

Your Directors are committed to adopting good corporate practices. They are currently considering and taking advice on action called for to ensure full compliance with the guidelines in those areas where this is not yet the case.

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Kenya

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Deloitte & Touche

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

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

Respective responsibilities of directors and auditors
As described on page 8, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

Basis of opinion
We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion
In our opinion, proper books of account have been kept by the company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company at 31 March 2002 and of its loss and cash flows for the year then ended in accordance with International Accounting Standards and comply with the Companies Act.

DELOITTE & TOUCHE

30 May 2002

KAPCHORUA TEA COMPANY LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2002

	Note	2002 Sh'000	2001 Sh'000
TURNOVER		383,334	345,183
COST OF SALES		339,198	280,373
GROSS PROFIT		44,136	64,810
OTHER OPERATING INCOME		4,554	3,111
DISTRIBUTION COSTS		(40,880)	(35,319)
ADMINISTRATIVE EXPENSES		(24,931)	(18,449)
OPERATING (LOSS)/PROFIT	2	(17,121)	14,153
NET FINANCE COSTS	4	(898)	(2,443)
(LOSS)/PROFIT BEFORE TAXATION		(18,019)	11,710
TAXATION – CREDIT/(CHARGE)	5	2,052	(5,452)
NET (LOSS)/PROFIT FOR THE YEAR		(15,967)	6,258
(LOSS)/EARNINGS PER SHARE	6	(Sh 4.08)	Sh 1.60

KAPCHORUA TEA COMPANY LIMITED

BALANCE SHEET
31 MARCH 2002

	Note	2002 Sh'000	2001 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	8	468,818	444,028
Investments	9	11	11
		468,829	444,039
Current assets			
Inventories	10	60,205	75,236
Trade and other receivables	11	64,107	70,715
Due from related companies	12	3,720	4,431
Taxation recoverable		3,537	3,444
Short term deposit	13	3,000	-
Cash and bank balances		23,618	39,733
		158,187	193,559
Total assets		627,016	637,598
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	19,560	19,560
Capital reserve		320,560	298,679
Revenue reserve		79,107	96,350
Proposed dividend (gross)		1,956	9,780
		421,183	424,369
Non current liabilities			
Deferred income taxes	15	89,407	87,877
Retirement benefit obligations	16	31,725	33,503
Borrowings	17	22,326	17,221
		143,458	138,601
Current liabilities			
Trade and other payables	18	47,933	67,426
Due to related companies	12	8,860	5,972
Borrowings	17	5,582	1,230
		62,375	74,628
Total equity and liabilities		627,016	637,598

The financial statements on pages 10 to 23 were approved by the board of directors on 16 May 2002 and were signed
on its behalf by:

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

KAPCHORUA TEA COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2002

	Share capital Sh'000	Capital reserve Sh'000	Revenue reserve Sh'000	Proposed dividend Sh'000	Total Sh'000
At 1 April 2000	19,560	296,542	99,765	9,780	425,647
Dividends paid - 2000	-	-	-	(9,780)	(9,780)
Surplus released on disposal of revalued assets	-	(107)	107	-	-
Deferred tax adjustment		2,244	-	-	2,244
Proposed dividend	-	-	(9,780)	9,780	-
Net profit for the year	-	-	6,258	-	6,258
At 31 March 2001	19,560	298,679	96,350	9,780	424,369
At 1 April 2001	19,560	298,679	96,350	9,780	424,369
Dividends paid - 2001	-	-	-	(9,780)	(9,780)
Revaluation surplus	-	26,143	-	-	26,143
Surplus released on disposal of revalued assets	-	(680)	680	-	-
Deferred tax adjustment	-	(3,582)	-	-	(3,582)
Proposed dividend	-	-	(1,956)	1,956	-
Net loss for the year	-	-	(15,967)	-	(15,967)
At 31 March 2002	19,560	320,560	79,107	1,956	421,183

KAPCHORUA TEA COMPANY LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2002

	Note	2002 Sh'000	2001 Sh'000
OPERATING ACTIVITIES			
Cash generated from operations	19(a)	15,588	8,631
Interest received		231	3,059
Interest paid		(2,396)	(1,538)
Dividend received		708	-
Taxation paid		(93)	(8,558)
Terminal benefits paid		(4,113)	(1,438)
Net cash from operating activities		9,925	156
INVESTING ACTIVITIES			
Development costs		(3,840)	(5,960)
Purchase of property, plant and equipment		(20,533)	(12,158))
Proceeds from disposal of plant and equipment		1,778	1,160
Net cash used in investing activities		(22,595)	(16,958)
FINANCING ACTIVITIES			
Loans received	19(b)	9,335	6,465
Dividends paid		(9,780)	(9,780)
Net cash used in financing activities		(445)	(3,315)
DECREASE IN CASH AND CASH EQUIVALENTS		(13,115)	(20,117)
CASH AND CASH EQUIVALENTS AT 1 APRIL		39,733	59,850
CASH AND CASH EQUIVALENTS AT 31 MARCH	19(c)	26,618	39,733

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards. The principal accounting policies adopted remain unchanged from the previous year and are set out below.

Basis of accounting

The company prepares its financial statements under the historical cost convention, modified to include the revaluation of certain assets.

Revenue recognition

Turnover represents the gross value of tea sold.

Inventories

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

Stores are stated at average purchase cost.

Tea nursery and firewood are stated at production cost.

Property, plant and equipment

Property, plant and equipment are stated at cost or as professionally revalued less accumulated depreciation. Professional valuations are carried out in accordance with the company's policy of revaluing certain property, plant and equipment every three years. The last valuation was as at 31 March 2002.

The bases of valuation are as follows:

Land and development – open market value for the existing use
Other assets – net current replacement cost.

The resulting valuation surpluses/(deficits) are dealt with in capital reserve.

Depreciation

No depreciation is provided on freehold land and development expenditure.

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

The annual rates generally in use are:

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

Tea development

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

1 ACCOUNTING POLICIES (Continued)

Taxation

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

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

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

Retirement benefit obligations

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

The company also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time and were fixed at Sh 80 per employee per month upto November 2001 and Sh 200 per employee per month with effect from December 2001. The company's contributions are charged to the income statement in the year to which they relate.

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

Provision for employee entitlements

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

Foreign currencies

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 OPERATING (LOSS)/PROFIT

	2002 Sh'000	2001 Sh'000
The operating (loss)/profit is arrived at after charging:		
Depreciation	23,499	24,845
Directors' emoluments:		
Fees	250	250
Other emoluments	174	80
Staff costs (Note 3)	95,308	91,609
Auditors' remuneration	681	735
Development costs written off	380	254
and after crediting		
(Loss)/profit on disposal of plant and equipment	(69)	630

3 STAFF COSTS

	2002 Sh'000	2001 Sh'000
Wages and salaries	87,499	82,593
Social security costs (NSSF)	2,367	1,554
Pension costs (defined contribution plan)	854	779
Service gratuity and other terminal benefits	2,335	5,145
Medical charges	2,253	1,538
	95,308	91,609

The average number of employees during the year was:

	2002 Number	2001 Number
Permanent	1,551	1,469
Seasonal	141	290
	1,692	1,759

4 NET FINANCE COSTS

	2002 Sh'000	2001 Sh'000
Interest receivable from short term deposits	231	2,359
Dividend income	-	708
	231	3,067
Net foreign exchange differences	1,094	(3,799)
Interest expense:		
Interest payable on overdraft	(533)	(432)
Interest payable on loans	(1,690)	(1,279)
	(898)	(2,443)

			2002 Sh'000	2001 Sh'000
5	TAXATION			
	(a)	Tax (credit)/charge		
		Current taxation based on the adjusted profit at 30%	-	5,040
		Deferred tax (credit)/charge – (note 15)	(2,052)	815
		Prior year over provision	-	(403)
			(2,052)	5,452
	(b)	Reconciliation of expected tax based on accounting (loss)/profit to tax (credit)/charge		
		Accounting (loss)/profit before taxation	(18,019)	11,710
		Tax at the applicable rate of 30%	(5,405)	3,513
		Tax effect of expenses not deductible for tax purposes	3,353	2,659
		Tax effect of income not taxable	-	(317)
		Prior year over provision	-	(403)
			(2,052)	5,452
	(c)	Deferred tax relating to items (debited)/credited to capital reserve		
		On revaluation surplus	(5,743)	-
		Realised on disposal	204	32
		Depreciation on revaluation surplus	1,957	2,212
			3,582	2,244

6 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share has been calculated on the loss after taxation of Sh 15,967,000 (2001 – profit of Sh 6,258,000) and 3,912,000 shares in issue during the year.

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

7 PROPOSED DIVIDEND

At the annual general meeting to be held on 23 July 2002, a dividend in respect of 2002 of Sh 1,956,000 (2001 – Sh 9,780,000) is to be proposed.

8 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings, dams and development Sh'000	Machinery and equipment Sh'000	Motor vehicles Sh'000	Office equipment, furniture and fittings Sh'000	Capital work in progress Sh'000	Total Sh'000
COST OR VALUATION						
At 1 April 2001	390,132	81,168	28,808	10,392	1,691	512,191
Additions	13,126	5,185	5,365	697	-	24,373
Disposals		(2,320)	(2,694)	(741)	-	(5,755)
Transfer	1,691	-	-	-	(1,691)	-
Development costs written off	(380)	-	-	-	-	(380)
Revaluation	(10,488)	(19,232)	-	-	-	(29,720)
At 31 March 2002	394,081	64,801	31,479	10,348	-	500,709
Comprising:						
At valuation - 2002	394,081	64,801	-	-	-	458,882
At cost	-	-	31,479	10,348	-	41,827
	394,081	64,801	31,479	10,348	-	500,709
DEPRECIATION						
At 1 April 2001	22,164	16,149	23,704	6,146	-	68,163
Charge for the year	11,116	7,128	3,620	1,635	-	23,499
Eliminated on disposals	-	(694)	(2,694)	(520)	-	(3,908)
Write back on revaluation	(33,280)	(22,583)	-	-	-	(55,863)
At 31 March 2002	-	-	24,630	7,261	-	31,891
NET BOOK VALUE						
At 31 March 2002	394,081	64,801	6,849	3087	-	468,818
At 31 March 2001	367,968	65,019	5,104	4,246	1,691	444,028
NET BOOK VALUE						
(Bench Mark treatment - cost basis)						
At 31 March 2002	224,442	40,814	6,849	3,087	-	275,192
At 31 March 2001	216,743	41,557	5,104	4,246	1,691	269,341

Land, buildings, development, machinery and equipment were revalued as at 31 March 2002 by Lloyd Masika Limited, registered valuers and estate agents.

The company has pledged its Nandi Hills property, LR No. 11770, with a net book value of Sh 394,081,000 to secure bank borrowings granted to it.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2002 Sh'000	2001 Sh'000
9	INVESTMENTS		
	Quoted:		
	3,138 shares of Unga Group Limited at cost Market value Sh 12,238 (2001 – Sh 30,596)	2	2
	Unquoted:		
	946 shares of Kenya Tea Packers Limited (at cost and directors' valuation)	9	9
		11	11
10	INVENTORIES		
	Unsold tea	40,802	59,887
	Stores	12,360	9,188
	Tea nursery	4,436	4,344
	Firewood	2,607	1,817
		60,205	75,236
11	TRADE AND OTHER RECEIVABLES		
	Tea	38,461	46,601
	VAT recoverable	9,299	6,274
	Staff debtors	9,817	14,580
	Other	6,530	3,260
		64,107	70,715
12	RELATED COMPANIES		
	Due from:		
	Tinderet Tea Estates (1989) Limited	-	360
	Kaimosi Tea Estates Limited	3,720	3,490
	Williamson Power Limited	-	581
		3,720	4,431
	Due to:		
	Williamson Tea Kenya Limited	8,365	5,972
	Williamson Power Limited	112	-
	Tinderet Tea Estates (1989) Limited	383	-
		8,860	5,972

13 SHORT TERM DEPOSIT

The short term deposit has a maturity of not more than three months from the date acquired. The effective interest rate as at 31 March 2002 was 7.5%.

	2002 Sh'000	2001 Sh'000
14 SHARE CAPITAL		
Authorised, issued and fully paid:		
3,912,000 ordinary shares of Sh 5 each	19,560	19,560

15 DEFERRED INCOME TAXES

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

	2002 Sh'000	2001 Sh'000
The net deferred income tax liability is attributable to the following items:		
Accelerated capital allowances	56,785	54,281
Unrealised foreign exchange losses	(215)	(473)
Provision for terminal benefits	(9,517)	(10,051)
Leave pay provision	(789)	(525)
Revaluation surplus	48,227	44,645
Losses available for future relief	(5,084)	-
	89,407	87,877
The movement on the deferred income tax account is as follows:		
At 1 April	87,877	89,306
Income statement (credit)/charge	(2,052)	815
Capital reserve debit/(credit)	3,582	(2,244)
At 31 March	89,407	87,877

16 RETIREMENT BENEFITS OBLIGATIONS

	2002 Sh'000	2001 Sh'000
At 1 April	33,503	29,796
Provision for the year	2,335	5,145
Payments in the year	(4,113)	(1,438)
At 31 March	31,725	33,503

	2002 Sh'000	2001 Sh'000
17 BORROWINGS		
Bank loans	27,908	18,451

The borrowings are repayable as follows:

	2002 Sh'000	2001 Sh'000
Within one year	5,582	1,230
In the second year	5,582	3,690
In the third to fifth years inclusive	16,744	13,531
	27,908	18,451
Amounts due for settlement within one year	5,582	1,230
Amounts due for settlement after one year	22,326	17,221

Analysis of borrowings by currency:

	Borrowings In US$	Ksh equivalent Sh'000
2002		
Bank loans	357,335	27,908
At 31 March 2002	357,335	27,908
2001		
Bank loans	239,994	18,451
At 31 March 2001	239,994	18,451

	2002 %	2001 %
The effective interest rates on borrowings were as follows:		
Bank loans	8.5	9.5

Details of securities for borrowings:

The overdraft and loan facilities with Barclays Bank of Kenya Limited are secured by an all assets debenture of Sh 68,020,000 (2001 – Sh 26,604,000) supported by a legal charge of the same amount over the Nandi Hills property, LR No 11770.

Borrowing facilities

The company has undrawn committed borrowing facilities amounting to Sh 30,702,000 (2001 – Sh 38,186,000). The borrowing facilities consist of cash, letters of credit and guarantees.

		2002 Sh'000	2001 Sh'000
18	TRADE AND OTHER PAYABLES		
	Trade payables	9,527	4,860
	Accruals	19,001	15,101
	Other payables	10,631	12,950
	Green leaf provision	8,774	34,515
		47,933	67,426

19 NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating (loss)/profit to cash generated from operations

	2002 Sh'000	2001 Sh'000
Operating (loss)/profit	(17,121)	14,153
Adjustments for:		
Depreciation	23,499	24,845
Loss/(profit) on disposal of plant and equipment	69	(630)
Development costs written off	380	254
Realised foreign exchange differences	1,216	(3,272)
Provision for terminal benefits	2,335	5,145
Operating profit before working capital changes	10,378	40,495
Decrease/(increase) in inventories	15,031	(45,223)
Decrease/(increase) in trade and other receivables	5,900	(11,452)
(Decrease)/increase in trade and other payables	(19,320)	17,360
Movement in related company balances	3,599	7,451
Cash generated from operations	15,588	8,631

(b) Analysis of changes in loans

	2002 Sh'000	2001 Sh'000
At 1 April	18,451	11,459
Loans received	9,335	6,465
Foreign exchange loss	122	527
At 31 March	27,908	18,451

(c) ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

	2002 Sh'000	2001 Sh'000
Cash and bank balances	23,618	39,733
Short term deposit	3,000	-
At 31 March	26,618	39,733

For the purpose of the cash flow statement, cash and cash equivalents comprise balances that are readily 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.

20 RELATED PARTY TRANSACTIONS

The company transacts with other companies related to it by virtue of common shareholding. These transactions are at arms length and in the normal course of business. Amounts not settled as at the balance sheet date are disclosed in Note.12.

	2002 Sh'000	2001 Sh'000
During the year the following transactions were entered into with related parities		
Purchase of goods/services		
Agency commission	15,079	13,807
Commissions paid on private tea sales	6,587	7,521
Service of generators	2,783	346
Technical expertise	2,765	2,730
	27,214	24,404
Sale of goods/services		
Sale of green leaf	1,931	-

In addition to the above, H S Consultancy, a company owned by one of the directors provided services amounting to Sh 1,024,000. Further, the holding company apportioned directors cost amounting to Sh 106,200 (2001 – Sh 106,200) to the company as part of shared costs.

21 CONTINGENT LIABILITIES

At 31 March 2002, the company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

22 CAPITAL COMMITMENTS

	2002 Sh'000	2001 Sh'000
Authorised but not contracted for	24,970	21,735

The company intends to finance these commitments from internally generated funds and from the undrawn portion of bank loans.

23 COUNTRY OF INCORPORATION

The company is incorporated in Kenya under the Companies Act.

24 CURRENCY

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

KAPCHORUA TEA COMPANY LIMITED

THREE YEAR COMPARATIVE STATEMENT

		2002	2001	2000
Tea Production				
Area under tea	Hectares	685	674	677
Made tea - own	'000 kgs	1,789	1,803	1,740
- bought leaf	'000 kgs	1,676	1,071	984
Total	'000 kgs	3,465	2,874	2,724
Tea sold	'000 kgs	3,503	2,460	2,759
Average price per kg (gross)	Sh	109.43	140.32	125.16
Turnover Sh'000		383,334	345,183	345,311
(Loss)/Profit (Sh'000)				
(Loss)/profit before taxation		(18,019)	11,710	20,283
Taxation		2,052	(5,452)	5,416
(Loss)/profit after taxation		(15,967)	6,258	14,867
Dividends		1,956	9,780	9,780
(Loss)/retained profit		(17,923)	(3,522)	5,087
Capital Employed (Sh'000)				
Property, plant and equipment		468,818	444,028	451,539
Investments		11	11	11
Current assets		158,187	193,559	155,421
		627,016	637,598	606,971
Financed by (Sh'000)				
Share capital		19,560	19,560	19,560
Reserves		401,623	404,809	406,087
Shareholders funds		421,183	424,369	425,647
Medium term borrowings		22,326	17,221	11,459
Non current liabilities		31,725	33,503	29,796
Deferred income taxes		89,407	87,877	87,679
		564,641	562,970	554,581
Current liabilities		62,375	74,628	52,390
		627,016	637,598	606,971
(LOSS)/EARNINGS PER SHARE	Cents	(408)	160	380
DIVIDENDS PER SHARE	%	10	50	50
DIVIDENDS PER SHARE	Cents	50	250	250
DIVIDEND COVER	Times	(0.12)	0.64	1.52

Deloitte
Touche
Tohmatsu