

WILLIAMSON TEA KENYA LIMITED

**REPORTS AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 MARCH 2015**

WILLIAMSON TEA KENYA LIMITED

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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WILLIAMSON TEA KENYA LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty Fifth ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Club, Ngong Road, on Thursday 16 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 dividend.
- 3) To elect Directors:
 - i) In accordance with Article 108 of the company's Articles of Association, Mr. Matthew Koech, retires by rotation and offers himself for re-election.
 - ii) In accordance with Article 114 of the company's Articles of Association, Mr. Edward C Magor, a Director appointed to fill a casual vacancy retires at the meeting, and being eligible, offer 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) Any other such business of which notice has duly been 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 eighty seven million five hundred sixty three thousand three hundred twenty (Shs.87,563,320) divided seventeen million five hundred twelve thousand six hundred forty (17,512,640) ordinary shares of shillings five(shs.5) each to one hundred and nine million four hundred fifty four thousand (109,454,000) divided into twenty one million eight hundred ninety thousand eight hundred (21.890,800) ordinary shares of shillings five (shs.5) each by the creation of four million three hundred seventy eight thousand one hundred sixty (4,378,160) 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 forty three million seven hundred eighty one thousand six hundred (shs.43,781,600) 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 eight million seven hundred fifty six thousand three hundred twenty 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 a 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

, 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.

WILLIAMSON TEA KENYA LIMITED

CORPORATE INFORMATION

| | | |
|-----------|---|--|
| DIRECTORS | E N K Wanjama A L Carmichael* S N Thumbi P Magor* J P Brooks E C Magor * M Koech A S Marsh * | - Chairman - Managing Director - Farm Director - Appointed 26 November 2014 - Resigned 5 June 2014 |
| | * British | |

BOARD COMMITTEES

| | | |
|--------------------------------|---|---|
| Governance & Audit Committee | M Koech – Chairman J P Brooks | |
| Nominating Committee | E N K Wanjama A L Carmichael P Magor* | - Chairman - Managing Director - Non Executive Director |
| Staff & Remuneration Committee | E N K Wanjama A L Carmichael* P Magor * | - Chairman - Managing Director - Non Executive Director |
| | * British | |

| | |
|-----------|--|
| SECRETARY | G K Masaki Certified Public Secretary (Kenya) P O Box 42281 - 00100 Nairobi |
|-----------|--|

| | |
|-------------------|---|
| REGISTERED OFFICE | The Acacia Block, 2nd Floor, Karen Office Park, Langata Road 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 Standard Chartered Bank Kenya Limited Kenyatta Avenue Branch P O Box 40310 - 00100 Nairobi |
|---------|---|

| | |
|---------|--|
| LAWYERS | Kaplan & Stratton Williamson House, 9 th Floor, 4 th Ngong Avenue P O Box 40111 - 00100 Nairobi Walker Kontos Hakika House Bishops Road P O Box 60680 - 00200 Nairobi |
|---------|--|

WILLIAMSON TEA KENYA LIMITED

FINANCIAL HIGHLIGHTS

| | | 2015 | 2014 | 2013 | 2012 | 2011 |
|---------------------------------------|----------|-----------|-----------|-----------|-----------|-----------|
| Tea Production | | | | | | |
| Area under tea | Hectare | 2,112 | 2,129 | 2,151 | 2,142 | 2,223 |
| Made tea - own | '000 Kgs | 6,879 | 7,603 | 7,426 | 6,981 | 7,514 |
| - bought leaf | '000 Kgs | 6,925 | 8,365 | 9,059 | 7,966 | 8,159 |
| Total | '000 Kgs | 13,804 | 15,968 | 16,485 | 14,947 | 15,673 |
| Tea sold | '000 Kgs | 13,762 | 16,314 | 14,931 | 15,298 | 16,472 |
| Average price per Kg gross Sh/Ct | | 184/68 | 211/59 | 230/19 | 214/87 | 194/51 |
| Turnover (Sh'000) | | 2,590,416 | 3,512,086 | 3,490,681 | 3,607,409 | 3,284,909 |
| Profit (Sh'000) | | | | | | |
| (Loss)/profit before taxation | | (298,565) | 1,041,033 | 1,155,760 | 1,163,499 | 1,293,690 |
| Taxation credit/(charge) | | 70,929 | (300,312) | (300,101) | (308,759) | (409,305) |
| (Loss)/profit after taxation | | (227,636) | 740,721 | 855,659 | 854,740 | 884,385 |
| Attributable to: | | | | | | |
| Non - controlling interests | | (19,529) | 28,341 | 29,371 | 33,918 | 31,039 |
| Equity holders of the parent | | (208,107) | 712,380 | 826,288 | 820,822 | 853,346 |
| Loss profit for the year | | (227,636) | 740,721 | 855,659 | 854,740 | 884,385 |
| Capital employed (Sh'000) | | | | | | |
| Assets (Sh'000) | | | | | | |
| Property, plant & equipment | | 2,182,475 | 1,794,297 | 1,720,640 | 1,480,897 | 923,547 |
| Investments and long term receivables | | 1,052,572 | 1,006,201 | 954,845 | 874,238 | 810,923 |
| Current assets | | 2,749,449 | 2,729,652 | 2,684,364 | 2,447,223 | 2,326,779 |
| Biological assets | | 2,574,062 | 3,019,259 | 2,663,985 | 2,440,869 | 1,971,494 |
| Total assets | | 8,558,558 | 8,549,409 | 8,023,834 | 7,243,227 | 6,032,743 |
| Medium and short term borrowings | | 231,265 | 180,291 | 6,033 | 91,082 | 83,048 |
| Service gratuity | | 227,662 | 198,826 | 181,428 | 159,859 | 145,125 |
| Other current liabilities | | 276,492 | 322,353 | 732,586 | 932,086 | 633,477 |
| Deferred income taxes | | 1,240,103 | 1,257,203 | 1,245,530 | 1,115,144 | 899,865 |
| Total liabilities | | 2,015,515 | 1,958,673 | 2,165,577 | 2,298,171 | 1,761,515 |
| Net assets | | 6,583,036 | 6,580,527 | 5,858,257 | 4,945,056 | 4,271,228 |
| Financed by (Sh'000) | | | | | | |
| Share capital | | 43,782 | 43,782 | 43,782 | 43,782 | 43,782 |
| Reserves | | 6,351,274 | 6,322,742 | 5,622,334 | 4,735,718 | 4,093,198 |
| Equity holders of parent company | | 6,395,056 | 6,366,524 | 5,666,116 | 4,779,500 | 4,136,980 |
| Non – controlling interest | | 187,980 | 214,003 | 192,141 | 165,556 | 134,248 |
| | | 6,583,036 | 6,580,527 | 5,858,257 | 4,945,056 | 4,271,228 |
| (Loss)/Earnings per share | Sh | (23.77) | 81.36 | 94.36 | 93.74 | 97.46 |
| Dividend per share | % | 800 | 140 | 150 | 1150 | 300 |
| Dividend per share | Sh | 40 | 7.00 | 7.50 | 57.50 | 15.00 |
| Dividend cover | Times | (0.59) | 11.62 | 12.58 | 1.63 | 6.50 |
| Closing exchange rates | US \$ | 92.34 | 86.44 | 85.64 | 83.06 | 83.25 |
| | UK £ | 136.45 | 143.81 | 129.61 | 132.75 | 134.03 |

WILLIAMSON TEA KENYA LIMITED

CHAIRMAN'S STATEMENT

Results

The group reported an overall loss of Sh 228 million for the year. Please refer to pages 16 and 17 of the financial statements which detail the profit available for distribution through operational activities and the profit as a result of change in fair values of biological assets. 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 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. The results whilst weaker are due testament to our considerable efforts to cope with very weak market conditions. The decline 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.

Our Farms

The year under review saw reasonable weather conditions for the first three quarters but a serious and prolonged dry spell in the final quarter which significantly reduced the crop available for harvesting. The period recorded the driest spell for over 50 years with rainfall for the year being 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 Group therefore recorded a crop of 13.76 million kilos of made tea, a decline of 14% 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 Group 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 Group 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 Group 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 next generations. The operation of our 1 Megawatt solar farm at Changoi for the past year is a shining example of our investment and commitment to this critical philosophy and our commitment to the future.

WILLIAMSON TEA KENYA LIMITED

CHAIRMAN'S STATEMENT (Continued)

Our Farms (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, remains our most prized asset. 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 Group.

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 Group policy of selling to secure markets with few credit risks ensures that not only does the Group 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 as 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 mitigates to an extent against market volatility.

We will always seek new and reliable markets and are keen to expand our green tea reach by investigating 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 Group, 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, then of course we will benefit accordingly.

WILLIAMSON TEA KENYA 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.

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. A new CBA should have been negotiated and completed but is still some way short of a conclusion and, as I write, in court awaiting settlement. I would wish to thank our workforce for their forbearance and patience whilst the negotiations drag on.

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 year land 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 Group, a considerable internal threat, with statements and actions attributed to 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 local governors, 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 Group 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 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 new 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 Kenya Tea Growers Association (KTGA) and East African Tea Trade Association (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 results, the Directors are recommending a final dividend payment of KShs 40 per share.

WILLIAMSON TEA KENYA LIMITED

CHAIRMAN'S STATEMENT (Continued)

Crop / Market Price

During the year, the Group manufactured a total of 13.80 million kilos of Made Tea compared to 15.97 million kilos manufactured last year with continued strong support from our small tea growers.

The gross average tea price declined to Sh 184.68 per kilo from last year's gross average of Sh 211.59. Exchange rates were also erratic.

Corporate Social Responsibility

The Group continues to embrace social enhancing ethics, food safety standards and sustainable agricultural practices. The Group 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.

Health and Education

The Group continues to provide extensive medical services to the employees with 5 Health Clinics and actively participates in the various 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 Group continues to support the running and development of various sponsored Primary and Secondary Schools in Kericho and Nandi counties. 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 even more to our workers and our neighboring communities.

Welfare

The number of permanent and seasonal employees exceeded 2,546 with over 12,730 of their dependents who also benefit from the social and welfare amenities provided.

During the year, the Group spent over Sh 102 million on employees' pension, gratuities, leave and medical expenses over and above employees' direct wages. In addition, the Group incurred in excess of Sh 7 million on capital projects relating to employees welfare.

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 the Farm leadership of Ishmael Sang, Sospeter Angira and Charles Agui at Changoi, Kaimosi and Tinderet respectively. My thanks also go to our Nairobi Head Office staff together with the team at Williamson Power Limited.

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

E N K WANJAMA

CHAIRMAN

2015

WILLIAMSON TEA KENYA LIMITED

STATEMENT OF CORPORATE GOVERNANCE

Corporate Governance is the process and structure used to direct and manage business affairs of the Group 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 Group is compliant in all areas of the corporate governance guidelines save for fact of the audit committee being composed of only two independent directors. The Chairman is a non-executive independent director. The desirability of increasing the composition of audit committee members is currently under consideration.

BOARD OF DIRECTORS

The Board consists of seven directors, five of whom are non-executive Directors including the Chairman. Among the non-executive directors are three 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 Group's strategy and to lead the Group 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 shareholders 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 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 before hand.

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 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 7 to the financial statements.

DIRECTORS' SHAREHOLDING

None of the Directors as at end of the year March 2015 held shares in their individual capacity that were more than 2% of the company's total equity (2014: None). The directors' interest in the shares of the Company as at 31 March 2015 is summarised below:

| Name | Number of Shares |
|---------------|------------------|
| E N K Wanjama | 100 |

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WILLIAMSON TEA KENYA LIMITED

STATEMENT OF CORPORATE GOVERNANCE (Continued)

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 was constituted by the Board in 1998 and comprises two non-executive Directors and professionals. The committee meets at least four times in the year.

The responsibilities of the committee include:

- All areas of corporate governance, with specific reference to issues of risk management;
- Review of interim and annual financial statements to ensure compliance with disclosure requirements;
- Maintenance and review of Group's system of accounting and internal controls;
- Liaising with external auditors of the group.

Every year, the committee visits each of the Group's farms for a full day. In addition, the committee meets with the external auditors once every year and other times when deemed necessary.

Nominating committee

The Board of the Group 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 Group's system of internal controls and for reviewing their effectiveness. The Group 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 re-valued every three years.

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

Communication with shareholders

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

WILLIAMSON TEA KENYA LIMITED

STATEMENT OF CORPORATE GOVERNANCE (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.

Principal shareholders

As at 31 March 2015 the top 10 major shareholders were as follows;

| | Name | Location | No of shares | % |
|-----|--|----------|--------------|-------|
| 1. | Ngong Tea Holdings Limited | London | 4,506,164 | 51.46 |
| 2. | Upstream Investments Limited | Nairobi | 324,673 | 3.71 |
| 3. | Kirtesh P. Shah | Nairobi | 258,221 | 2.96 |
| 4. | Amarjeet Baloohai Chhotabhai Patel & B C Patel | Nairobi | 229,079 | 2.62 |
| 5. | Garot International Ltd | Nairobi | 220,800 | 2.52 |
| 6. | Standard Chartered Nominees Ltd A/C 9280 | Guinea | 172,700 | 1.97 |
| 7. | AAKS Nominees Ltd A/C 2014 | Nairobi | 166,800 | 1.38 |
| 8. | Rakesh Prakesh Gadani | Nairobi | 85,600 | 0.98 |
| 9. | Phoenix of E.A. Assurance Co Ltd | Nairobi | 84,856 | 0.97 |
| 10. | Bid Plantations Limited | Nairobi | 77,366 | 0.93 |

Analysis of shareholders

By region:

| Region | Number | Shares held | % |
|--|--------------|------------------|---------------|
| Foreign shareholders | 82 | 4,987,322 | 56.96 |
| Local & East Africa shareholders (Individuals) | 1,142 | 2,456,576 | 28.05 |
| Local & East Africa shareholders (Institutional) | 84 | 1,312,422 | 14.99 |
| | <u>1,308</u> | <u>8,756,320</u> | <u>100.00</u> |

By shares distribution:

| | | | |
|-------------------|--------------|------------------|---------------|
| Less than 501 | 658 | 155,579 | 1.78 |
| 501-10,000 | 590 | 1,208,714 | 13.81 |
| 10,001- 100,000 | 53 | 1,513,590 | 17.29 |
| 100,001-1,000,000 | 6 | 1,372,273 | 15.66 |
| Above 1,000,000 | 1 | 4,506,164 | 51.46 |
| | <u>1,308</u> | <u>8,756,320</u> | <u>100.00</u> |

Director

Director

WILLIAMSON TEA KENYA LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of Williamson Tea Kenya Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31 March 2015 which show the state of financial affairs of the Group and the Company.

ACTIVITIES

The principal activities of the Group are the cultivation, manufacture and sale of tea, investment in property and the sale and servicing of generators.

GROUP RESULTS FOR THE YEAR

| | 2015 Sh'000 | 2014 Sh'000 |
|-------------------------------|----------------|----------------|
| (Loss)/profit before taxation | (298,565) | 1,041,033 |
| Taxation credit/(charge) | 70,929 | (300,312) |
| | ————— | ————— |
| (Loss)/profit for the year | (227,636) | 740,721 |
| | ===== | ===== |
| Attributable to: | | |
| Owners of the company | (208,107) | 712,380 |
| Non-controlling interests | (19,529) | 28,341 |
| | ————— | ————— |
| (Loss)/profit for the year | (227,636) | 740,721 |
| | ===== | ===== |

DIVIDENDS

The Directors recommend that a first and final dividend of Sh 40 per share (2014 – Sh 7.00) equivalent to a total sum of Sh 350,252,800 (2014 – Sh 61,294,240) be paid to the shareholders. The dividend is subject to approval by the shareholders at the next Annual General Meeting.

DIRECTORS

The current board of directors is shown on page 3.

AUDITORS

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

BY ORDER OF THE BOARD

Secretary

2015

Nairobi

WILLIAMSON TEA KENYA 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 Group and of the company as at the end of the financial year and of the operating results of the Group for that year. It also requires the directors to ensure that the company and its subsidiaries keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the company. They are also responsible for safeguarding the assets of the Group.

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 judgments 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 Group and of the company and of the Group's 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 and its subsidiaries 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 WILLIAMSON TEA KENYA LIMITED

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Williamson Tea Kenya Limited (the "company") and its subsidiaries (together the "Group"), set out on pages 16 to 68, which comprise the consolidated and company statements of financial position as at 31 March 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a 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 independent 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 of 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 judgment, 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 Group'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 effectiveness of the Group'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 consolidated financial statements give a true and fair view of the financial position of the company and its subsidiaries as at 31 March 2015 and of the Group's loss 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 WILLIAMSON TEA KENYA 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) is 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

WILLIAMSON TEA KENYA LIMITED

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

| | Note | 2015 Sh' 000 | 2014 Sh' 000 |
|--|------|-----------------|-----------------|
| TURNOVER | 4(e) | 2,590,416 | 3,512,086 |
| FAIR VALUE CHANGES | | | |
| -Tea bushes | 20 | (482,392) | 362,852 |
| -Timber trees | 20 | (4,399) | (14,554) |
| | | <hr/> | <hr/> |
| | | 2,103,625 | 3,860,384 |
| COST OF SALES | | (2,109,391) | (2,543,064) |
| | | <hr/> | <hr/> |
| GROSS (LOSS)/PROFIT | | (5,766) | 1,317,320 |
| Other income | 5 | 119,945 | 89,111 |
| Fair value changes - Firewood | 20 | 15,109 | (1,638) |
| Distribution costs | | (273,645) | (325,293) |
| Administrative expenses | | (133,441) | (118,244) |
| Finance costs | 6 | (19,825) | (11,242) |
| Net foreign exchange differences | | 10,742 | 18,989 |
| Share of results of associate company | 17 | (11,684) | 72,030 |
| | | <hr/> | <hr/> |
| (LOSS)/PROFIT BEFORE TAXATION | 7 | (298,565) | 1,041,033 |
| TAXATION CREDIT/(CHARGE) | 9 | 70,929 | (300,312) |
| | | <hr/> | <hr/> |
| (LOSS)/PROFIT FOR THE YEAR | 10 | (227,636) | 740,721 |
| | | <hr/> | <hr/> |
| COMPRISING: | | | |
| <i>Attributable to the equity holders of the company:</i> | | | |
| Profit arising from operating activities | | 97,298 | 478,579 |
| (Loss)/gain arising from changes in fair value of biological assets (net of attributable taxation) | | (305,405) | 233,801 |
| | | <hr/> | <hr/> |
| | | (208,107) | 712,380 |
| | | <hr/> | <hr/> |
| <i>Non - controlling interests:</i> | | | |
| Profit arising from operating activities | 26 | 3,141 | 19,479 |
| (Loss)/gain arising from changes in fair value of biological assets | 26 | (22,670) | 8,862 |
| | | <hr/> | <hr/> |
| | | (19,529) | 28,341 |
| | | <hr/> | <hr/> |
| (LOSS)/PROFIT FOR THE YEAR | | (227,636) | 740,721 |
| | | <hr/> <hr/> | <hr/> <hr/> |

WILLIAMSON TEA KENYA LIMITED

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

| | Note | 2015 Sh' 000 | 2014 Sh' 000 |
|--|------|-----------------|-----------------|
| (LOSS)/PROFIT FOR THE YEAR | | (227,636) | 740,721 |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Items that may not be reclassified subsequently to profit or loss</i> | | | |
| Surplus on revaluation of property and equipment | | 375,118 | - |
| Deferred tax on revaluation surplus | 27 | (112,535) | 53,700 |
| Share of gain on property revaluation of associate | 17 | 35,350 | - |
| TOTAL OTHER COMPREHENSIVE INCOME | | 297,933 | 53,700 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 70,297 | 794,421 |
| (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO: | | | |
| Equity holders of the company | | (208,107) | 712,380 |
| Non - controlling interests | 26 | (19,529) | 28,341 |
| | | (227,636) | 740,721 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | |
| Equity holders of the company | | 89,826 | 766,080 |
| Non - controlling interests | 26 | (19,529) | 28,341 |
| | | 70,297 | 794,721 |
| (LOSS)/EARNINGS PER SHARE - Basic and diluted | 11 | (23.77) | 81.36 |

WILLIAMSON TEA KENYA LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015

| | Note | 2015 Sh'000 | 2014 Sh'000 |
|--|-------|------------------|------------------|
| ASSETS | | | |
| Non- current assets | | | |
| Property, plant and equipment | 13 | 2,182,475 | 1,794,297 |
| Intangible assets | 14 | 4,807 | 1,893 |
| Prepaid operating leases | 15 | 76,626 | 76,710 |
| Investment properties | 16 | 405,000 | 380,000 |
| Investment in associate companies | 17 | 564,790 | 546,249 |
| Unquoted investments | 19 | 1,349 | 1,349 |
| Biological assets | 20 | 2,574,062 | 3,019,259 |
| | | <hr/> | <hr/> |
| | | 5,809,109 | 5,819,757 |
| Current assets | | | |
| Inventories | 21 | 452,372 | 536,237 |
| Trade and other receivables | 22 | 1,142,542 | 860,011 |
| Due from associate company | 23(a) | - | 4,534 |
| Corporate tax recoverable | 9(c) | 161,175 | 106,616 |
| Short term deposits | 24 | 658,776 | 838,137 |
| Cash and bank balances | 32(c) | 334,584 | 373,908 |
| | | <hr/> | <hr/> |
| | | 2,749,449 | 2,719,443 |
| | | <hr/> | <hr/> |
| Total assets | | <u>8,558,558</u> | <u>8,539,200</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 25 | 43,782 | 43,782 |
| Revaluation surplus | | 832,721 | 640,923 |
| Retained earnings | | 5,518,553 | 5,681,819 |
| | | <hr/> | <hr/> |
| Equity attributable to owners of the company | | 6,395,056 | 6,366,524 |
| Non – controlling interests | 26 | 187,980 | 214,003 |
| | | <hr/> | <hr/> |
| Total equity | | 6,583,036 | 6,580,527 |
| Non- current liabilities | | | |
| Deferred tax liability | 27 | 1,240,103 | 1,257,203 |
| Service gratuity provision | 28 | 227,662 | 198,826 |
| Borrowings | 29 | 187,493 | 180,291 |
| | | <hr/> | <hr/> |
| | | 1,655,258 | 1,636,320 |
| Current liabilities | | | |
| Trade and other payables | 30 | 265,813 | 320,352 |
| Due to associate company | 23(d) | 6,371 | - |
| Borrowings | 29 | 43,772 | - |
| Unclaimed dividends | 31 | 4,308 | 2,001 |
| | | <hr/> | <hr/> |
| | | 320,264 | 322,353 |
| | | <hr/> | <hr/> |
| | | <u>8,558,558</u> | <u>8,539,200</u> |

The financial statements on pages 16 to 68 were approved and authorised for issue by the board of directors on 2015 and were signed on its behalf by:

Director

Director

WILLIAMSON TEA KENYA LIMITED
 COMPANY STATEMENT OF FINANCIAL POSITION
 AS AT 31 MARCH 2015

| | Note | 2015 Sh'000 | 2014 Sh'000 |
|-------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Non- current assets | | | |
| Property, plant and equipment | 13 | 1,313,400 | 1,032,761 |
| Intangible assets | 14 | 2,718 | 1,294 |
| Prepaid operating leases | 15 | 11,733 | 11,746 |
| Investment properties | 16 | 405,000 | 380,000 |
| Investment in associate company | 17 | 49,479 | 49,479 |
| Investment in subsidiary companies | 18 | 109,877 | 109,877 |
| Unquoted investments | 19 | 546 | 546 |
| Biological assets | 20 | 1,003,830 | 1,226,420 |
| | | <hr/> | <hr/> |
| | | 2,896,583 | 2,812,123 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Inventories | 21 | 202,907 | 199,731 |
| Trade and other receivables | 22 | 479,635 | 374,901 |
| Due from associate company | 23(a) | 9,414 | 14,637 |
| Due from subsidiary companies | 23(b) | 100,812 | 150,487 |
| Loans to subsidiary companies | 23(c) | 107,000 | - |
| Corporate tax recoverable | 9(c) | 96,526 | 55,602 |
| Short term deposits | 24 | 658,776 | 838,137 |
| Cash and bank balances | | 256,467 | 169,258 |
| | | <hr/> | <hr/> |
| | | 1,911,537 | 1,802,753 |
| | | <hr/> | <hr/> |
| Total assets | | <u>4,808,120</u> | <u>4,614,876</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 25 | 43,782 | 43,782 |
| Revaluation surplus | | 486,195 | 364,061 |
| Retained earnings | | 3,218,249 | 3,236,268 |
| | | <hr/> | <hr/> |
| Shareholders' funds | | 3,748,226 | 3,644,111 |
| | | <hr/> | <hr/> |
| Non- current liabilities | | | |
| Deferred tax liability | 27 | 600,197 | 576,813 |
| Service gratuity provision | 28 | 84,557 | 75,104 |
| Borrowings | 29 | 187,493 | 180,291 |
| | | <hr/> | <hr/> |
| | | 872,247 | 832,208 |
| | | <hr/> | <hr/> |
| Current liabilities | | | |
| Trade and other payables | 30 | 116,893 | 112,865 |
| Due to subsidiary companies | 23(d) | 22,674 | 23,691 |
| Borrowings | 29 | 43,772 | - |
| Unclaimed dividends | 31 | 4,308 | 2,001 |
| | | <hr/> | <hr/> |
| | | 187,647 | 138,557 |
| | | <hr/> | <hr/> |
| Total equity and liabilities | | <u>4,808,120</u> | <u>4,614,876</u> |

The financial statements on pages 16 to 68 were approved and authorised for issue by the board of directors on 2015 and were signed on its behalf by:

 Director

 Director