

WILLIAMSON TEA KENYA LIMITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 MARCH 2017**

WILLIAMSON TEA KENYA LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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WILLIAMSON TEA KENYA LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty Eight ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Club, Ngong Road, on Thursday 24 August 2017 at 10.00 a.m for the following purpose:

Ordinary Business:

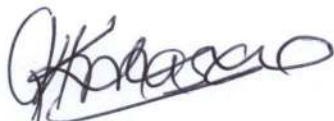
- 1) To receive and adopt the report of the Directors together with the audited financial statements for the year ended 31 March 2017.
- 2) To declare a dividend.
- 3) To elect Directors:
 - i) In accordance with Article 108 of the Company's Articles of Association, Mr. Mathew Koech, retires by rotation and offers himself for re-election.
 - ii) In accordance with Article 108 of the Company's Articles of Association, Mr. James Patrick Brooks by rotation and offers himself for re-election.
- 4) To approve the remuneration of the Directors.
- 5) To note that Deloitte & Touche continue in office and to authorise the Directors to agree their remuneration.
- 6) To transact such other business as may be brought before the meeting.

7) SPECIAL BUSINESS

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

- i) "That the corporate name of the Company be and is hereby changed from "Williamson Tea Kenya Limited (Ltd)" to "Williamson Tea Kenya Plc" in compliance with the new Companies Act (2015) that requires all listed Companies' name to end with (PLC)"

BY ORDER OF THE BOARD



GILBERT K MASAKI

SECRETARY

Thursday 29 June 2017

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

- Chairman
- Managing Director
- Farm Director

* 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, 9th Floor
4th 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

		2017	2016	2015	2014	2013
Tea Production						
Area under tea	Hectare	2,128	2,127	2,112	2,129	2,151
Made tea - own	'000 Kgs	6,987	8,145	6,879	7,603	7,426
- bought leaf	'000 Kgs	7,951	8,301	6,925	8,365	9,059
Total	'000 Kgs	14,938	16,446	13,804	15,968	16,485
Tea sold	'000 Kgs	16,603	15,057	13,762	16,314	14,931
Average price per Kg gross Sh/Ct		201/74	222/37	184/68	211/59	230/19
Turnover (Sh'000)		3,416,340	3,386,015	2,590,416	3,512,086	3,490,681
Profit (Sh'000)						
(Loss)/profit before taxation		(351,944)	586,609	(298,565)	1,041,033	1,155,760
Taxation credit		90,351	(103,862)	70,929	(300,312)	(300,101)
(Loss)/profit after taxation		(261,593)	482,747	(227,636)	740,721	855,659
Attributable to:						
Non - controlling interests		(21,099)	19,570	(19,529)	28,341	29,371
Equity holders of the parent		(240,494)	463,177	(208,107)	712,380	826,288
(Loss)/profit for the year		(261,593)	482,747	(227,636)	740,721	855,659
Capital employed (Sh'000)						
Assets (Sh'000)						
Property, plant & equipment		3,614,543	3,798,149	4,123,341	1,794,297	1,720,640
Investments and long term receivables		1,075,903	1,101,277	1,052,572	1,006,201	954,845
Biological assets		660,562	651,344	606,492	3,019,259	2,663,985
Current assets		3,013,119	3,380,625	2,776,153	2,729,652	2,684,364
Total assets		8,364,127	8,931,395	8,558,558	8,549,409	8,023,834
Medium and short term borrowings		156,432	205,766	231,265	180,291	6,033
Service gratuity		310,440	261,618	227,662	198,826	181,428
Other current liabilities		800,989	616,348	276,492	322,353	732,586
Deferred income taxes		1,001,994	1,133,326	1,240,103	1,257,203	1,245,530
Total liabilities		2,269,855	2,217,058	1,975,522	1,958,673	2,165,577
Net assets		6,094,272	6,714,337	6,583,036	6,590,736	5,858,257
Financed by (Sh'000)						
Share capital		87,563	87,563	43,782	43,782	43,782
Reserves		5,828,708	6,420,417	6,351,274	6,322,742	5,622,334
Equity holders of parent company		5,916,271	6,507,980	6,395,056	6,366,524	5,666,116
Non - controlling interest		178,001	206,357	187,980	214,003	192,141
		6,094,272	6,714,337	6,583,036	6,580,527	5,858,257
(Loss)/earnings per share	Sh	(13.73)	26.45	(11.88)	40.68	47.18
Dividend per share	%	200	400	800	140	150
Dividend per share	Sh	10	20	40	7.00	7.50
Dividend cover	Times	(2.75)	2.65	(0.59)	11.62	12.58
Closing exchange rates	US \$	103.00	101.33	92.34	86.44	85.64
	UK £	128.83	145.31	136.45	143.81	129.61

WILLIAMSON TEA KENYA LIMITED

CHAIRMAN'S STATEMENT

RESULTS

The group reported a loss of Sh 262 million for the year compared to a restated profit of Shs 483 million last year. Please refer to pages 19 and 20 of the consolidated financial statements. The previous year's profit has been restated due to changes in the Accounting Standards as indicated on pages 74 to 77. The Group fully adopted the amendments to the International Financial Standard (IAS) 41 – Agriculture, please refer to note 20 on Biological assets on page 63, and IAS 16 – Property, Plant and Equipment where all permanent plantings are now classified as bearer plants and depreciated over their expected useful life, please see note 13 on page 51.

OUR FARMS DURING THE YEAR

Crops

In rain fed agriculture it is an absolute truism that the farmer is not in control of the most critical input, rain. In very simplistic terms if it rains, there is crop, if it does not rain there is little or in some instances no crop. There are always consequences to these events or non- events, rain or no rain, and the consequences are the fundamental shifting of twin market forces, supply and demand. During rain and plentiful supply of tea, the farmer is constantly battling to raise his unit price. The buyer can and does control prices during these times, knowing there is no pressure on filling his own packing factory with tea as so much is available. The bush keeps growing, ignorant of demand. However, once it stops raining and the bush eventually stops flushing, the farmer can be sure his price will rise. Although he knows the price rise may not compensate for the consequential drop in crop. A price rise of how much and for how long is therefore unknown. It is a tricky position, further complicated by world, not just Kenya, tea crops, and of course other world and political events. The list is long with many analysts and commentators describing an unsettlingly unstable global landscape.

Until November / December 2016 we had so much tea, which, coming off record Kenya country wide crop levels over the past two years, meant our prices were very depressed. Mostly below the cost of production. Since then the country has suffered a prolonged and well documented dry spell, drought, La Nina following El Nino, with some tragic consequences in some regions of Kenya. Western Kenya has suffered less from drought than many areas, but the dry spell and indeed rainfall at the time of writing were both longer than experienced for many years and much less than long term averages. To repeat, the farmer cannot control rainfall, his crops are therefore at the mercy of other forces. Prices, in line with the supply and demand model, have risen favorably since January, but too late to positively impact for our financial year.

Cost of Production

In our experience, never before has the statement “the cost of doing business in Kenya and the difficulty accompanying this” been more true.

If the farmer cannot control rain, crops and prices what can he control? Usually the cost of production. However, even this is currently being taken out of our hands. We have a loyal and strong workforce, who we would like to pay more to, all the time. However, the very nature of commercial enterprise is to be able to react to the market forces around, taking management decisions based upon financial performance and dealing with uncertainty, having the character and knowledge to adapt to changing circumstance. Your management can do this and would, given a free hand, take the decisions required to protect your company and ensure sustainability. Along the way there will often be difficult and painful decisions, but your company and investment will be secure.

However, events over the past year have put this security in jeopardy and removed the principle of a free hand. As an Industry, the tea industry is slowly being held to ransom by union leaders demanding ever increasing wage levels. Levels way above the national rates of inflation, well above other industry levels and therefore endangering economic viability and sustainability. The wage demands being made are huge and date back to the year 2014. If they are actually implemented, these demands would make the future of commercial tea enterprises unsustainable and send a shockwave through other agricultural business in Kenya as their costs of production would rise rapidly. The union demands are being disputed through the courts and are currently awaiting a court judgement. We have paid interim wage increases over two years to ease the burden on our workforce, though clearly the need of the hour is resolution and certainty in order to manage our costs and plan properly for the future. If costs of production are pushed to beyond sustainable levels, future livelihoods will be at risk and Kenya tea in global export markets will become uncompetitive. We await and trust in a sensible and sustainable solution to the issue.

WILLIAMSON TEA KENYA LIMITED

CHAIRMAN'S STATEMENT

General

The Group recorded a crop of 14.9 million kilos of made tea, a decrease of 1.5 million kilos against the year before.

Up until October 2016 our crop levels surpassed the figures for the previous year and prices fell to below uneconomic levels. A readjustment upwards on prices has materialized since dry weather hit in December and we await to see what happens with the longer term supply and demand equation.

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 one off monthly payment system for green leaf did change in the latter part of the review year. In place of the previous one off payment system, and responding to farmer's requests, we switched to a two payment system. This consists of an initial and then a bonus payment, with the bonus being declared every quarter.

We believe this is currently the most efficient method of paying our smallholders. We must reiterate that it is essential that green leaf payments are in line with market forces, and that our ability to manage our farms and our cost does extend to taking payment decisions that best serve the group. We have many years of experience in understanding markets. Our marketing efforts and abilities to know what the market wants are well established. The actual return being subject to a fluctuating global price determined by the laws of supply and demand.

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 firewood from our own gum plantations. This enables 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 by a factory is a critical aspect of sustainability and even growth for the whole of the industry. By the end of 2018, we will 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.

We have hundreds of indigenous flora thriving in our valleys and ravines, these contribute hugely to a rich diversity of animal and bird life. Our imperative is to conserve our water sources and soil structures and protect and enrich the environment for next generations. The operation of our 1 Megawatt solar farm at Changoi, for the past 3 years is a shining example of our investment and commitment to this critical philosophy and our commitment to the future. When profitability allows we will seek to continue to invest in renewable energy, wherever the quality is best sourced. In addition, and in line with current government directives, we are striving to be completely free from plastic on the farms by the middle of 2018.

Considerable work continues to go into managing our automated tea harvesting. Every year we seek to improve the ease and efficiency of plucking. 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 have further invested in better sorting of green leaf and continue to try and encourage the manufacturers of the harvesters to provide us with lighter but sturdier equipment. We have made significant progress in the past year. Tea is not at the cutting edge of the investment plans for many, but we remain committed to try and influence equipment design and decisions from our suppliers.

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.

WILLIAMSON TEA KENYA LIMITED

CHAIRMAN'S STATEMENT

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. 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. We remain committed to our Fairtrade accreditation. This provides revenue for our workers and smallholders should tea be retailed as Fairtrade tea. The accreditations come at a cost and we would urge accreditation bodies, without compromising on proper standards, systems ethics and welfare, to remember that commerce faces enormous challenges and they too the accreditors, should work properly in conjunction with all stakeholders to achieve practical and achievable solutions.

Prices have been generally very weak through the year but, as very high crops were followed by very low crops, prices rose in the last quarter. The supply side has given way for the moment to the demand side and buyers have paid more for their tea since January 2017.

The aforementioned unpredictability of the weather and its effect on our crop volumes means we will always have elements which are uncontrollable. 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 have invested in small scale 50 gram brand pouches to augment our existing door sales. The product quality is good but early days for an assessment to be made on the success of the project. We have also successfully sold in Kenya high value Elephant tin products which are very popular.

We will always seek new and reliable markets. We will continue to expand our green tea production and sales 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. 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. One that carries many challenges. Patience is often required.

MARKET OUTLOOK

With crops currently low and therefore less tea available to buyers throughout Kenya, we can expect to see good prices for a period of time as we go through our new financial year. For your Group, we will look at different options to market and sell our teas. Not just privately but with the firm intention, with the right teas, at the right time, into the Mombasa auction when markets strengthen.

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. We will continue to invest and diversify and will soon sell teas from the small area set aside for the production of organic tea.

The aforementioned action from union leaders remains the biggest threat to our performance. We have a commitment to dialogue, fairness and good practice and we trust this will assist in overcoming difficult issues. However, as stated earlier, the CBA that should have been negotiated and completed two years ago is now in court. We are very mindful that our workers are also very keen on a resolution and I would wish to thank our workforce for their forbearance and patience whilst the process drags on. For our results to improve, we need decent and fair prices and control over our production costs.

GENERAL OUTLOOK

Although the arrival of the new Constitution was welcomed in August 2010, it is 7 years old now and we still await final parliamentary confirmation on the outcome of our Freehold titles and 999 year's land leases. However, we very much welcome the recent Land Regulation 2017 drafts which strongly indicate that in line with the original legal advice, that with effect from 28th August 2010 all our land titles will be converted into 99 year leases, without compensation.

WILLIAMSON TEA KENYA LIMITED

CHAIRMAN'S STATEMENT

GENERAL OUTLOOK (Continued)

The remaining dangers are local. With some county governors aggressively canvassing on pre-election promises that company land, your land, will be handed back to communities when leases expire, and that the expiry date to be from the date of original title grant. This message has thankfully been exposed as being far from the Land Regulations 2017 draft and therefore out of line with National government and NLC thinking. With the draft, the process has commenced to ensure that this indeed cannot happen and is therefore to be very much welcomed. We look forward to parliament reading the amendments and the hitherto constitutional opinion becoming law.

DIVIDENDS

In view of the results, the Directors are recommending a final dividend payment of Sh10 per share, a reduction on last year, reflecting the results and future wage uncertainty.

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 its 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. Distribution of treated water 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 and in particular over issues concerning female health care.

WELFARE

The number of permanent and seasonal employees exceeded 3,000 with over 14,500 of their dependents who also benefit from the social and welfare amenities provided.

During the year, the Group spent over Sh 150 million on employees' pension, gratuities, leave and medical expenses over and above employees' direct wages. In addition, the Group incurred in excess of Sh 6 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

29th June, 2017

WILLIAMSON TEA KENYA LIMITED

STATEMENT OF CORPORATE GOVERNANCE

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

The 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 Company's strategy and to lead the Company effectively.

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

The Board is responsible for formulating policies and strategies and ensuring that the business objectives aimed at promoting and protecting the 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 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 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 2017 held shares in their individual capacity that were more than 2% of the company's total equity (2016: None). The directors' interest in the shares of the Company as at 31 March 2017 is summarised below:

Name	Number of Shares
E N K Wanjama	200

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 2017 the top 10 major shareholders were as follows;

	Name	Location	No of shares	%
1.	Ngong Tea Holdings Limited	London	9,012,328	51.46
2.	Upstream Investments Limited	Nairobi	646,346	3.71
3.	Kirtesh P. Shah	Nairobi	513,242	2.96
4.	Amarjeet Baloonhai Chhotabhai Patel & B C Patel	Nairobi	458,158	2.62
5.	Galot International Ltd	Nairobi	449,300	2.57
6.	Standard Chartered Nominees Ltd A/C 9280 NR	Nairobi	345,400	1.97
7.	AAKS Nominees Ltd A/C 2012	Nairobi	333,600	1.90
8.	Standard Chartered Nominees Ltd A/C KE 002335	Nairobi	191,400	1.09
9.	Rakesh Prakash Gadani	Nairobi	171,200	0.98
10.	Phoenix of E.A. Assurance Co Ltd	Nairobi	169,712	0.97

Analysis of shareholders

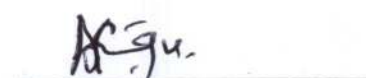
By region:

Region	Number	Shares held	%
Foreign shareholders	82	10,136,512	57.88
Local & East Africa shareholders (Individuals)	1,220	4,817,074	27.51
Local & East Africa shareholders (Institutional)	79	2,559,054	14.61
	<u>1,381</u>	<u>17,512,640</u>	<u>100.00</u>

By shares distribution:

Less than 501	441	104,322	0.60
501-10,000	837	1,895,598	10.82
10,001- 100,000	87	2,468,450	14.10
100,001-1,000,000	15	4,031,942	23.02
Above 1,000,000	1	9,012,328	51.46
	<u>1,381</u>	<u>17,512,640</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 2017 which show the state of financial affairs of the Group and the Company. In accordance with Section 42 of the sixth schedule transitional and savings provisions of the Companies Act, this report has been prepared in accordance with Section 157 of the repealed Companies Act, as if this repeal had not taken effect.

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

	2017 Sh'000	2016 Sh'000 Restated
(Loss)/profit before taxation	(351,944)	586,609
Taxation credit/(charge)	90,351	(103,862)
	<hr/>	<hr/>
(Loss)/profit for the year	(261,593)	482,747
	<hr/>	<hr/>
Attributable to:		
Owners of the company	(240,494)	463,177
Non-controlling interests	(21,099)	19,570
	<hr/>	<hr/>
(Loss)/profit for the year	(261,593)	482,747
	<hr/>	<hr/>

DIVIDENDS

The Directors recommend that a first and final dividend of Sh 10 per share (2016 – Sh 20) equivalent to a total sum of Sh 175,126,400 (2016 – Sh 350,252,800) 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 719 (2) of the Kenyan Companies Act.

BY ORDER OF THE BOARD



Secretary

29th June 2017
Nairobi

WILLIAMSON TEA KENYA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of their profit or loss for that year. It also requires the directors to ensure that the Group and Company maintain proper accounting records that are sufficient to show and explain the transactions of the Group and Company and disclose, with reasonable accuracy, their financial position. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and error.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- (i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (ii) selecting suitable accounting policies and applying them consistently; and
- (iii) making accounting estimates and judgments that are reasonable in the circumstances.

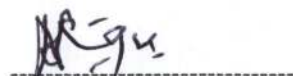
Having made an assessment of the Group's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 29th June, 2017 and signed on its behalf by:



Director



Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIAMSON TEA KENYA LIMITED

Report on the Audit of the Consolidated and Company Financial Statements

Opinion

We have audited the accompanying consolidated and company financial statements of Williamson Tea Kenya Limited (the "company") and its subsidiaries (together the "Group"), set out on pages 19 to 81, which comprise the statements of financial position as at 31 March 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated and company financial statements give a true and fair view of the state of financial affairs of the Group and of the Company as at 31 March 2017 and its consolidated and company financial performance and consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards and requirements of the Kenyan Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Company Financial Statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), which is consistent with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements. The IESBA code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF WILLIAMSON TEA KENYA LIMITED (Continued)

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Valuation of biological assets and measurement of bearer plants</p> <p>Significant judgements and estimates are required by the Directors in determining the valuation and measurements of the bearer plants and biological assets. The assumptions and uncertainties involved in these estimates and judgments could have material impact on the financial position and the results of the Group. At the end of year, the carrying value of the biological assets and the bearer plants amounted to Sh 1,549,846,000 and Sh 691,870,000 as disclosed in note 13 and 20 respectively in the consolidated and company financial statements.</p> <p><i>Bearer plants</i></p> <p>As a result of changes in International Accounting Standards 41 Agriculture (IAS 41), the Group reclassified its tea bushes (bearer plants) from biological assets where they were previously classified to property, plant and equipment. In addition, the measurement of the bearer plants has been changed from fair value less cost to sell to cost less depreciation. In line with the requirement of the revised IAS 41, these changes have also resulted in restatement of the figures reported in the prior year financial statements.</p> <p>The measurement of the bearer plants requires the Directors to make determination of the cost of the tea bushes and estimate the depreciation that should be charged based on their age and expected useful lives. Any estimation uncertainty or error in judgment is likely to lead to a material misstatement in the amounts recorded in the financial statements.</p> <p>Refer to Note 2 of the financial statements for critical accounting estimates and judgements made in respect of the bearer plants and related disclosures.</p> <p><i>Biological assets</i></p> <p>The Group's biological assets comprise fuel and timber plantations and unharvested green leaf, which is the growing agricultural produce on bearer plants, and are measured at fair value less costs to sell.</p> <p>As disclosed in Note 20 in the financial statements, significant assumptions are made in determining the fair value of the biological assets. The most significant assumptions and estimates include use of forecast market prices for tea, estimate of the costs to sell, biological transformation and maturity period for the fuel and timber trees, and the discount rate for the expected cash flows. The determination of these assumptions and estimates require careful judgment by the directors and any uncertainty could lead to material adjustments to the financial statements.</p>	<p>In auditing the biological assets and bearer plants, we focused our attention on the significant assumptions, estimates and key judgments made by the Directors.</p> <p><i>Bearer plants</i></p> <ul style="list-style-type: none"> • We assessed the reasonableness of the key judgments made in adopting the new IAS 41 and especially relating to determination of the cost at the point of transition, estimation of the useful lives for the bearer plants and the appropriateness of the revised accounting policies adopted by the Group. • In addition, we tested the information used against the historical performance of the Group and available market information. We also verified the mathematical accuracy of the figures recorded and adjusted in the financial statements. • We found the Directors estimates and judgments to be reasonable based on the Group's historical performance. <p><i>Biological assets</i></p> <ul style="list-style-type: none"> • We assessed the competence and objectivity of the Group's personnel with the responsibility of determining the valuation of the biological assets. In addition, we discussed the scope of their work and reviewed the fair valuation models used for consistency and mathematical accuracy. We confirmed that the approach and model used has been consistently applied • We performed an analysis of the significant assumptions made in the valuation models and tested them against available market information. We subjected the key assumptions to sensitivity analyses. • In addition, we tested a selection of data inputs used against appropriate supporting documentation, to assess the accuracy, reliability and completeness thereof. • We found that the models used for the valuation of the biological assets to be appropriate and reasonable. In addition, the disclosures in the consolidated and company financial statements pertaining to the valuation and measurement were found to be appropriate.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIAMSON TEA KENYA LIMITED (Continued)

Other information

The directors are responsible for the other information, which comprises the Notice of the Annual General Meeting, Corporate Information, Financial Highlights, Chairman's statement, Statement of Corporate Governance and the Report of the Directors which we obtained prior to the date of this auditor's report and the Annual Report. The other information does not include the consolidated and company financial statements and our auditor's report thereon.

Our opinion on the consolidated and company financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Company Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and company 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 directors determine are necessary to enable the preparation of consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the directors are responsible for assessing the Group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the company or to cease operations, or have no realistic alternative but to do so. The Governance and Audit Committee are responsible for overseeing the Group's financial reporting process on behalf of the board of directors.

Auditor's Responsibilities for the Audit of the Consolidated and Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and company financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF WILLIAMSON TEA KENYA LIMITED (Continued)

Auditor's Responsibilities for the Audit of the Consolidated and Company Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated and company financial statements, including the disclosures and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain responsible for our audit opinion.

We communicate with the Governance and Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

We also provide the Governance and Audit Committee with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Governance and Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 162 of the Kenyan Companies Act, we report to you, based on our audit, that:

- 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;
- In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books of account; and
- The company's statement of financial position and the statement of profit or loss and other comprehensive income are in agreement with the books of account.

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

Dabitte & Tanze

Certified Public Accountants (Kenya)

Nairobi, Kenya

29 June 2017

WILLIAMSON TEA KENYA LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 Sh' 000	2016 Sh' 000 Restated
TURNOVER	4(e)	3,416,340	3,386,015
FAIR VALUE CHANGES			
- Tea bushes	20	(982)	5,586
- Timber trees	20	(12,482)	5,214
- Firewood	20	17,594	34,705
		<hr/>	<hr/>
		3,420,470	3,431,520
COST OF SALES		<hr/>	<hr/>
		(3,335,607)	(2,569,641)
		<hr/>	<hr/>
GROSS PROFIT		84,863	861,879
OTHER INCOME	5	30,715	20,201
DISTRIBUTION COSTS		(316,741)	(319,374)
ADMINISTRATIVE EXPENSES		(155,887)	(151,991)
FINANCE INCOME	6	63,269	101,963
FINANCE COSTS	6	(15,706)	(19,689)
NET FOREIGN EXCHANGE (LOSSES)/GAINS		(21,977)	51,649
SHARE OF RESULTS OF ASSOCIATE COMPANY	17	(20,480)	41,971
		<hr/>	<hr/>
(LOSS)/PROFIT BEFORE TAXATION	7	(351,944)	586,609
TAXATION CREDIT/(CHARGE)	9	90,351	(103,862)
		<hr/>	<hr/>
(LOSS)/PROFIT FOR THE YEAR		(261,593)	482,747
		<hr/>	<hr/>
COMPRISING:			
<i>Attributable to the equity holders of the company:</i>			
(Loss)/profit arising from operating activities		(246,274)	435,052
Gain arising from changes in fair value of biological assets (net of attributable taxation)		5,780	28,125
		<hr/>	<hr/>
		(240,494)	463,177
		<hr/>	<hr/>
<i>Non - controlling interests:</i>			
(Loss)/gain arising from operating activities	26	(18,210)	15,841
(Loss)/gain arising from changes in fair value of biological assets (net of attributable taxation)	26	(2,889)	3,729
		<hr/>	<hr/>
		(21,099)	19,570
		<hr/>	<hr/>
(LOSS)/PROFIT FOR THE YEAR		(261,593)	482,747
		<hr/>	<hr/>

WILLIAMSON TEA KENYA LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017 (Continued)

	Note	2017 Sh' 000	2016 Sh' 000 Restated
(LOSS)/PROFIT FOR THE YEAR		(261,593)	482,747
OTHER COMPREHENSIVE LOSS			
<i>Items that may not be reclassified subsequently to profit or loss</i>			
Loss on revaluation of property and equipment		(1,375)	-
Deferred tax on revaluation loss	27	413	-
TOTAL OTHER COMPREHENSIVE LOSS		(962)	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(262,555)	482,747
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the company		(240,494)	463,177
Non - controlling interests	26	(21,099)	19,570
		(261,593)	482,747
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:			
Equity holders of the company		(241,456)	463,177
Non - controlling interests	26	(21,099)	19,570
		(262,555)	482,747
(LOSS)/EARNINGS PER SHARE - Basic and diluted	11	(13.73)	26.45

WILLIAMSON TEA KENYA LIMITED

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 31 MARCH 2017

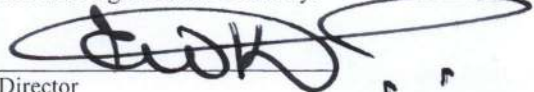
	Note	2017 Sh' 000	2016 Sh' 000 Restated
TURNOVER	4(e)	1,119,088	1,205,000
FAIR VALUE CHANGES			
- Tea bushes	20	172	2,041
- Timber trees	20	2,697	(2,644)
- Firewood	20	20,685	19,069
		<hr/>	<hr/>
		1,142,642	1,223,466
COST OF SALES		(1,111,214)	(901,289)
		<hr/>	<hr/>
GROSS PROFIT		31,428	322,177
OTHER INCOME	5	18,286	11,100
DISTRIBUTION COSTS		(103,958)	(109,691)
ADMINISTRATIVE EXPENSES		(54,223)	(46,189)
FINANCE INCOME	6	61,404	98,844
DIVIDEND RECEIVABLE		92,598	16,267
FINANCE COSTS	6	(14,048)	(18,030)
NET FOREIGN EXCHANGE (LOSSES)/GAINS		(10,276)	12,097
		<hr/>	<hr/>
PROFIT BEFORE TAXATION	7	21,211	286,575
TAXATION CREDIT/(CHARGE)	9	18,700	(24,696)
		<hr/>	<hr/>
PROFIT FOR THE YEAR	10	39,911	261,879
		<hr/>	<hr/>
COMPRISING:			
<i>Attributable to the equity holders of the company:</i>			
Profit arising from operating activities		23,423	248,953
Gain arising from changes in fair value of biological assets (net of attributable taxation)		16,488	12,926
		<hr/>	<hr/>
		39,911	261,879
		<hr/>	<hr/>
PROFIT FOR THE YEAR		39,911	261,879
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME		-	-
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		39,911	261,879
		<hr/>	<hr/>
EARNINGS PER SHARE - Basic and diluted	11	2.28	14.95
		<hr/>	<hr/>

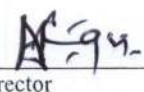
WILLIAMSON TEA KENYA LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	2017 Sh'000	2016 Sh'000 Restated	1 April 2015 Sh'000 Restated
ASSETS				
Non- current assets				
Property, plant and equipment	13	3,614,543	3,798,149	4,123,341
Intangible assets	14	2,623	4,362	4,807
Prepaid operating leases	15	76,458	76,542	76,626
Investment properties	16	435,500	420,000	405,000
Investment in associate companies	17	559,973	599,024	564,790
Unquoted investments	19	1,349	1,349	1,349
Biological assets – timber and fuel trees	20	660,562	651,344	606,492
		<u>5,351,008</u>	<u>5,550,770</u>	<u>5,782,405</u>
Current assets				
Un-harvested green leaf	20	31,308	32,290	26,704
Inventories	21	489,606	758,811	452,372
Trade and other receivables	22	1,367,623	1,287,562	1,142,542
Due from associate company	23(a)	8,580	12,720	-
Corporate tax recoverable	9(c)	166,288	47,625	161,175
Short term bank deposits	24	659,354	775,331	658,776
Cash and bank balances	32(c)	290,360	466,286	334,584
		<u>3,013,119</u>	<u>3,380,625</u>	<u>2,776,153</u>
Total assets		<u><u>8,364,127</u></u>	<u><u>8,931,395</u></u>	<u><u>8,558,558</u></u>
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	25	87,563	87,563	43,782
Revaluation surplus		718,612	797,676	832,721
Retained earnings		5,110,096	5,622,741	5,518,553
Equity attributable to owners of the company		<u>5,916,271</u>	<u>6,507,980</u>	<u>6,395,056</u>
Non – controlling interests	26	178,001	206,357	187,980
Total equity		<u>6,094,272</u>	<u>6,714,337</u>	<u>6,583,036</u>
Non- current liabilities				
Deferred tax liability	27	1,001,994	1,133,326	1,240,103
Service gratuity provision	28	310,440	261,618	227,662
Borrowings	29	89,608	140,023	187,493
		<u>1,402,042</u>	<u>1,534,967</u>	<u>1,655,258</u>
Current liabilities				
Trade and other payables	30	765,134	542,838	265,813
Due to associate company	23(d)	2,852	-	6,371
Borrowings	29	66,824	65,743	43,772
Corporate tax payable	9(c)	-	73,510	-
Dividends payable	31	33,003	-	4,308
		<u>867,813</u>	<u>682,091</u>	<u>320,264</u>
		<u><u>8,364,127</u></u>	<u><u>8,931,395</u></u>	<u><u>8,558,558</u></u>

The financial statements on pages 18 to 81 were approved and authorised for issue by the board of directors on 29th June, 2017 and were signed on its behalf by:


Director



Director

WILLIAMSON TEA KENYA LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	2017 Sh'000	2016 Sh'000 Restated	2015 Sh '000 Restated
ASSETS				
Non- current assets				
Property, plant and equipment	13	1,840,040	1,925,897	2,075,676
Intangible assets	14	1,123	1,870	2,718
Prepaid operating leases	15	11,707	11,720	11,733
Investment properties	16	435,500	420,000	405,000
Investment in associate company	17	49,479	49,479	49,479
Investment in subsidiary companies	18	109,877	109,877	109,877
Unquoted investments	19	546	546	546
Biological assets – timber and fuel trees	20	271,272	246,382	229,493
		<u>2,719,544</u>	<u>2,765,771</u>	<u>2,884,522</u>
Current assets				
Unharvested green leaf	20	14,274	14,102	12,061
Inventories	21	196,313	256,255	202,907
Trade and other receivables	22	541,440	536,463	479,635
Due from associate company	23(a)	7,661	12,661	9,414
Due from subsidiary companies	23(b)	164,942	92,142	100,812
Loans to subsidiary companies		-	-	107,000
Corporate tax recoverable	9(c)	69,027	44,079	96,526
Short term bank deposits	24	643,871	753,743	658,776
Cash and bank balances	32(c)	131,663	264,880	256,467
		<u>1,769,191</u>	<u>1,974,325</u>	<u>1,923,598</u>
Total assets		<u><u>4,488,735</u></u>	<u><u>4,740,096</u></u>	<u><u>4,808,120</u></u>
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	25	87,563	87,563	43,782
Revaluation surplus		443,311	476,146	486,195
Retained earnings		2,818,636	3,096,143	3,218,249
		<u>3,349,510</u>	<u>3,659,852</u>	<u>3,748,226</u>
Shareholders' funds				
Non- current liabilities				
Deferred tax liability	27	522,854	550,157	600,197
Service gratuity provision	28	115,099	96,909	84,557
Borrowings	29	89,608	140,023	187,493
		<u>727,561</u>	<u>787,089</u>	<u>872,247</u>
Current liabilities				
Trade and other payables	30	290,764	204,847	116,893
Due to subsidiary companies	23(c)	21,073	22,565	22,674
Borrowings	29	66,824	65,743	43,772
Dividends payable	31	33,003	-	4,308
		<u>411,664</u>	<u>293,155</u>	<u>187,647</u>
Total equity and liabilities		<u><u>4,488,735</u></u>	<u><u>4,740,096</u></u>	<u><u>4,808,120</u></u>

The financial statements on pages 18 to 81 were approved and authorised for issue by the board of directors on 29th June, 2017 and were signed on its behalf by:


Director


Director

WILLIAMSON TEA KENYA LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Share capital Sh'000	Revaluation surplus Sh'000	Biological assets gains Sh'000	Retained earnings	Equity attributable to owners of the company Sh'000	Non -controlling interests Sh'000	Total Sh'000
					Other Sh'000	Total Sh'000		
At 1 April 2015		43,782	832,721	1,291,880	4,226,673	5,518,553	187,980	6,583,036
Bonus issue		43,781	-	-	(43,781)	(43,781)	-	-
Total comprehensive income for the year- restated		-	-	28,125	435,052	463,177	19,570	482,747
Excess depreciation transfer		-	(50,065)	-	50,065	50,065	-	-
Deferred tax on excess depreciation		-	15,020	-	(15,020)	(15,020)	-	-
Final dividends declared – 2015	31 & 26	-	-	-	(350,253)	(350,253)	(1,193)	(351,446)
At 31 March 2016- restated		87,563	797,676	1,320,005	4,302,736	5,622,741	206,357	6,714,337
At 31 March 2016 - As previously reported		87,563	797,676	1,403,078	4,462,291	5,865,369	219,191	6,969,799
Prior year adjustment (Note 36)		-	-	(83,073)	(159,555)	(242,628)	(12,834)	(255,462)
At 1 April 2016- restated		87,563	797,676	1,320,005	4,302,736	5,622,741	206,357	6,714,337
Total comprehensive loss for the year		-	-	5,780	(246,274)	(240,494)	(21,099)	(261,593)
Other comprehensive loss		-	(962)	-	-	-	-	(962)
Total comprehensive loss for the year		-	(962)	5,780	(246,274)	(240,494)	(21,099)	(262,555)
Excess depreciation transfer		-	(111,574)	-	111,574	111,574	-	-
Deferred tax on excess depreciation		-	33,472	-	(33,472)	(33,472)	-	-
Final dividends declared – 2016	31 & 26	-	-	-	(350,253)	(350,253)	(7,257)	(357,510)
At 31 March 2017		87,563	718,612	1,325,785	3,784,311	5,110,096	178,001	6,094,272

Revaluation surplus is made up of the periodic adjustment arising from the revaluation of property, plant and equipment. The reserve is not available for distribution to the shareholders.

The retained earnings in respect of biological assets represent surplus arising from fair valuation of biological assets in line with IAS 41 on Agriculture. The reserve is not available for distribution to the shareholders.

Other retained earnings represent accumulated profit arising from other normal operating activities. The reserve is available for distribution to the shareholders.

In the prior year, the company capitalised the sum of Sh 43,781,000 from revenue reserves and appropriated the amount to ordinary shareholders by way of a 1:1 bonus issue. The bonus was approved by way of ordinary resolution at the Annual General Meeting held on 16 July 2015.

WILLIAMSON TEA KENYA LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Share capital Sh'000	Revaluation surplus Sh'000	Biological assets gains Sh'000	Other Sh'000	Total Sh'000
At 1 April 2015		43,782	486,195	560,680	2,657,569	3,218,249
Bonus issue	25	43,781	-	-	(43,781)	-
Total comprehensive income for the year- restated		-	-	12,926	248,953	261,879
Excess depreciation transfer		-	(14,356)	-	14,356	-
Deferred tax on excess depreciation		-	4,307	-	(4,307)	-
Final dividends declared – 2015	31	-	-	-	(350,253)	(350,253)
At 31 March 2016- restated		87,563	476,146	573,606	2,522,537	3,659,852
At 31 March 2016- As previously reported		87,563	476,146	703,670	2,524,746	3,292,125
Prior year adjustments (Note 36)		-	-	(130,064)	(2,209)	(132,273)
At 1 April 2016- As restated		87,563	476,146	573,606	2,522,537	3,659,852
Total comprehensive income for the year		-	-	16,488	23,423	39,911
Excess depreciation transfer		-	(46,907)	-	46,907	-
Deferred tax on excess depreciation		-	14,072	-	(14,072)	-
Final dividends declared – 2016	31	-	-	-	(350,253)	(350,253)
At 31 March 2017		87,563	443,311	590,094	2,228,542	3,349,510

Revaluation surplus is made up of the periodic adjustment arising from the revaluation of property, plant and equipment. The reserve is not available for distribution to the shareholders.

The retained earnings in respect of biological assets represent surplus arising from fair valuation of biological assets in line with IAS 41 on Agriculture. The reserve is not available for distribution to the shareholders.

Other retained earnings represent accumulated profit arising from other normal operating activities. The reserve is available for distribution to the shareholders.

In the prior year, the company capitalised the sum of Sh 43,781,000 from revenue reserves and appropriated the amount to ordinary shareholders by way of a 1:1 bonus issue. The bonus was approved by way of ordinary resolution at the Annual General Meeting held on 16 July 2015.

WILLIAMSON TEA KENYA LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 Sh'000	2016 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32(a)	457,711	721,898
Interest received		64,220	101,963
Interest paid	6	(15,706)	(19,689)
Taxation paid	9(c)	(232,741)	(23,579)
		<hr/>	<hr/>
Net cash generated from operating activities		(232,741)	780,593
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(207,000)	(144,499)
Purchase of intangible assets	14	(574)	(1,820)
Proceeds from disposal of property, plant and equipment		4,167	14,194
Net expenditure on biological assets	20	(4,106)	(4,933)
Dividend received - from associate company	17	18,571	7,737
Dividends received from other investments	5	260	628
		<hr/>	<hr/>
Net cash used in investing activities		(188,682)	(128,693)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Asset finance loans repaid	32(b)	(52,198)	(47,889)
Dividends paid to shareholders	31	(317,250)	(354,561)
Dividends paid to minority interest	26	(7,257)	(1,193)
		<hr/>	<hr/>
Net cash used in financing activities		(376,705)	(403,643)
		<hr/>	<hr/>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(291,903)	248,257
CASH AND CASH EQUIVALENTS AT START OF YEAR		1,241,617	993,360
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(c)	<u>949,714</u>	<u>1,241,617</u>

WILLIAMSON TEA KENYA LIMITED

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 Sh'000	2016 Sh'000
Cash generated from operations	32(a)	103,621	471,973
Interest received		61,404	103,945
Interest paid	6	(14,048)	(18,030)
Taxation paid	9(c)	(33,551)	(22,289)
		<hr/>	<hr/>
Net cash generated from operating activities		117,426	535,599
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(99,584)	(47,842)
Purchase of intangible assets	14	(415)	(526)
Proceeds from disposal of property, plant and equipment		19	2,796
Net expenditure on biological assets	20	(1,508)	(464)
Dividend received - from subsidiaries	17	110,421	15,919
Dividends received from other investments	5	-	348
		<hr/>	<hr/>
Net cash generated from/(used in) investing activities		8,933	(29,769)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Asset finance loans repaid	32(b)	(52,198)	(47,889)
Dividends paid to shareholders	31	(317,250)	(354,561)
		<hr/>	<hr/>
Net cash used in financing activities		(369,448)	(402,450)
		<hr/>	<hr/>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(243,089)	103,380
CASH AND CASH EQUIVALENTS AT START OF YEAR		1,018,623	915,243
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(c)	<u>775,534</u>	<u>1,018,623</u>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1 REPORTING ENTITY

Williamson Tea Kenya Limited (The "Company/parent") and its subsidiaries (together, the Group) have the following principal activities; the cultivation, manufacture and sale of tea, investment in property and the sale and servicing of generators. Williamson Tea Kenya Limited is incorporated in Kenya under the Kenyan Companies Act as a public limited liability company and is domiciled in Kenya. The company's shares are listed on the Nairobi Securities Exchange (NSE). Williamson Tea Kenya Limited and its subsidiaries operate in Kenya.

The address of the Group's registered office is as follows:

The Acacia Block, 2nd Floor,
Karen Office Park, Langata Road
Nairobi
P O Box 42281 - 00100

The immediate holding company is Ngong Tea Holdings Limited, a company incorporated in the United Kingdom. The ultimate holding company is George Williamson & Co Limited, a company incorporated in the United Kingdom.

2 ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated and company financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

For the Kenyan Companies Act reporting purposes the balance sheet is represented by the statement of financial position and the profit and loss account is represented in the statement of profit or loss and other comprehensive income.

(b) Application of new and revised International Financial Reporting Standards (IFRSs)

(i) *Relevant new standards and amendments to published standards effective for the year ended 31 March 2017*

The following amendments to IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exemption

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The application of these amendments has had no impact on the consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies for designation as an investment entity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ACCOUNTING POLICIES (Continued)

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

(i) *Relevant new standards and amendments to published standards effective for the year ended 31 March 2017 (Continued)*

Amendments to IFRS 11 Accounting for Acquisitions of interest in joint operations

The amendments provide guidance on how to account for the acquisition of a joint operation that constitute a business as defined in IFRS 3, Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is required to disclose relevant information required by IFRS 3 and other standards for business combinations.

The amendment had no impact on the consolidated financial statements as the Group did not have any such transactions in the year.

IAS 1 Disclosure Initiative

The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Company, and should be separated into the share of items that, in accordance with other IFRSs:

- (i) will not be reclassified subsequently to profit or loss; and
- (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. The application of these amendments has not resulted in any impact on the financial performance or financial position of the Group and Company.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment.

The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (i) when the intangible asset is expressed as a measure of revenue; or
- (ii) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Group already uses the straight-line method for depreciation and amortisation of its property and equipment, and intangible assets respectively, the application of these amendments has had no impact on the consolidated and company financial statements.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ACCOUNTING POLICIES (Continued)

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

i) *Relevant new standards and amendments to published standards effective for the year ended 31 March 2017 (Continued)*

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The Group has applied the amendment and there has been significant impact on the Group's financial statements. The Group's tea bushes qualify as bearer plants under the new definition in IAS 41. For more information about the change in accounting policy for the tea bushes refer to note 20.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below:

- IFRS 5 - The amendments introduce specific guidance in IFRS 5 for when an entity reclassifies an asset or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for- distribution accounting is discontinued.
- IFRS 7 - The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.
- IAS 19 - The amendments clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has had no effect on the consolidated financial statements.

The application of these new standards and amendments has had no effect on the consolidated financial statements.

(ii) *Relevant new and amended standards in issue but not yet effective in the year ended 31 March 2017.*

New standards and amendments to standards

IFRS 9 Financial Instruments	Effective for annual periods beginning on or after
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2018
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2019
Amendments to IAS 7 Disclosure Initiative	1 January 2017

Effective for annual periods beginning on or after

1 January 2018
1 January 2018
1 January 2019
1 January 2017
1 January 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ACCOUNTING POLICIES (Continued)

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

(iii) *Impact of new and amended standards on the financial statements for the year ended 31 March 2017 and future annual periods*

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board (IASB) finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value under IFRS 9. Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.
- all other debt instruments must be measured at FVTPL.
- all equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognised in profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment methodology

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ACCOUNTING POLICIES (Continued)

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

(iii) *Impact of new and amended standards on the financial statements for the year ended 31 March 2017 and future annual periods (Continued)*

IFRS 9 Financial Instruments (Continued)

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The work on macro hedging by the IASB is still at a preliminary stage - a discussion paper was issued in April 2015 to gather preliminary views and direction from constituents with a comment period which ended on 17 October 2015. The project is under redeliberation at the time of writing.

Transitional provisions

IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

- the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and
- hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

The directors of the Group anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Hedge accounting

The new hedge accounting requirements will align more closely with the Group's risk management policies, with generally more qualifying hedging instruments and hedged items. The Group does not hold any hedging relationships, and therefore the directors do not anticipate that the application of the IFRS 9 hedge accounting requirements will have an impact on the Group's consolidated financial statements.

It should be noted that this assessment was made based on an analysis of the Group's financial assets and financial liabilities as at 31 March 2017 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of IFRS 9, which is expected to be 1 January 2018 as the Group does not intend to early apply the standard, the assessment of the potential impact is subject to change.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ACCOUNTING POLICIES (Continued)

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

(iii) *Impact of new and amended standards and interpretations on the financial statements for the year ended 31 March 2017 and future annual periods (Continued)*

IFRS 15 Revenue from Contracts with Customers (Continued)

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. Revenue recognition by the Group is not complex and does not substantially involve contracts with customers. It is therefore expected that the application of IFRS 15 will not have a material impact on the financial statements of the Group.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Directors of the Group do not anticipate that the application of IFRS 16 in the future will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities. However, an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with early application permitted. The Directors of the Group do not anticipate that the application of these amendments will have a material impact on the consolidated financial statements.

(iv) *Early adoption of standards*

The Group did not early-adopt any new or amended standards in 2017.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ACCOUNTING POLICIES (Continued)

The Group's principal accounting policies are set out below:

Basis of preparation

The financial statements are prepared in terms of IFRS and the requirements of the Kenyan Companies Act.

The Group prepares its financial statements under the historical cost convention as modified by revaluation of certain assets.

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of subsidiaries is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiaries acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries, details of which are disclosed in note 18 to the financial statements and also includes the Group's share of the results of the associate company as disclosed in note 17 to the financial statements, all made up to 31 March.

Investments in subsidiary companies in the company's books are carried at cost less provision for impairment.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiaries is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

WILLIAMSON TEA KENYA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Investments in associate companies

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount; Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate. When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (Continued)

Revenue recognition

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

Rental income is recognised on the accruals basis and dividend income is recognised when the shareholders' right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Inventories

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

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

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

Biological assets

Biological assets (unharvested green leaf, fuel plantations and timber plantations) have been stated at their fair value less estimated point-of-sale costs. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less costs to sell are recognised through profit or loss in the year in which they arise. The tea bushes are bearer plants and are therefore presented and accounted for as property, plant and equipment (see note 13). However, the produce growing on these trees is accounted for as biological assets until the point of harvest. Harvested produce is transferred to inventory at fair value less costs to sell when harvested. The Group has applied the amendments made to the accounting standards in relation to the accounting for bearer plants from 1 April 2015; refer to Note 36 for further information.

The un-harvested green leaf on tea bushes at the reporting date are measured at fair value less costs to sell using IAS41. The fair values of fuel and timber plantations are determined based on the prices existing in the market.

The cost of replanting, infilling and upkeep is recognised as an expense in the profit or loss. The gain or loss in valuation of biological assets and agricultural produce is dealt with in the profit or loss.

Property, plant and equipment

Property, plant and equipment are stated at cost or as professionally revalued less accumulated depreciation and any impairment losses. Professional valuations are carried out in accordance with the company's policy of revaluing certain items of property, plant and equipment after every three years.

The bases of valuation are as follows:

Land – open market value for the existing use (highest and best use)
Other assets – net current replacement cost.

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

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Bearer plants are classified as immature until the produce can be commercially harvested. At that point they are reclassified and depreciation commences. Immature plantations are measured at accumulated cost. The Company has applied the amendments made to the accounting standards in relation to the accounting for bearer plants from 1 April 2015; refer to Note 36 for further information.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to rise from the continued use of the asset. The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Capital work in progress

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

Depreciation

No depreciation is provided on freehold land. Capital work in progress is not depreciated until the asset is brought into use. Other items of property, plant and equipment are depreciated on a straight line basis to write off the cost or valuation over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual rates generally in use are as follows:

Buildings	5%
Dams	2.5%
Machinery and equipment	10%
Tractors and accessories	10-25%
Motor vehicles	25%
Office equipment, furniture and fittings	10%
Computers	25%
Bearer plants	2% (50 years)
	=====

Bearer plants are depreciated on a straight line basis over the estimated productive lives of the tea bushes.

Depreciation on revalued building and other property is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Each year, the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to the profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation surplus to revenue reserves, net of related deferred taxation.

Intangible assets-computer software costs

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

Leasehold land

Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and amortised over the period of the lease. When a lease includes land and buildings elements, the Group assess the classification of each element as either finance lease or operating lease. In determining classification of the land element, an important consideration is that land normally has an indefinite economic life. Therefore the finance lease or operating lease classification of the land is considered a critical area of judgement. See note 3 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred taxation

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(iii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

Employee benefits costs

(i) Group's defined contribution retirement benefit scheme

The Group operates a defined contribution scheme for eligible non-unionisable employees. The assets of the scheme are held in a separate trustee administered fund. The Group's contributions to the defined contribution plan are charged to the profit or loss in the year to which they relate.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ACCOUNTING POLICIES (Continued)

Employee benefits costs (Continued)

(ii) Statutory defined contribution pension scheme

The Group also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The Group's obligations under the scheme are limited to specific contributions legislated from time to time. The Group's contribution in respect of retirement benefit costs are charged to the profit or loss account in the year which they relate.

(iii) Other 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 or compensated absences accrued at the end of the reporting period.

The Group's unionisable staff who resign or whose services are terminated either due to illness or other reasons after completion of ten years of continuous and meritorious service are entitled to twenty one day's 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. 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 at present value of benefits payable as it accrues to each employee.

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Leases

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

Rental income from operating leases is recognised on a straight line basis over the terms of the relevant leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ACCOUNTING POLICIES (Continued)

Leases (Continued)

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

Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Financial instruments

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

Financial assets

Classification

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

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

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

(ii) Loans and receivables

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

Recognition and measurement

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

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Recognition and measurement (Continued)

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

Impairment and uncollectability of financial assets

At the end of each reporting period, all financial assets are subject to review for impairment. If it is probable that the Group will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount either directly or through use of an allowance account. The amount of the loss incurred is dealt with through profit or loss for the year.

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

Financial liabilities

De-recognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Recognition and measurement

Bank borrowings

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

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities (Continued)

Recognition and measurement (Continued)

Trade payables

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

Derecognition of financial liabilities

A financial liability is derecognised when its contractual obligations are redeemed or otherwise extinguished. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting

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

Dividends payable

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are not accrued for until ratified in an Annual General Meeting.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Group Board of directors). The directors then allocate resources to and assess the performance of the operating segments of the Group. The operating segments are based on the Group's internal reporting structure. In accordance with IFRS 8, the Group has the following operating segments; cultivation, sale and manufacture of tea, investment in property and the sale and servicing of generators.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Capital expenditure represents the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period (property, plant and equipment).

Comparatives

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

3 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(Continued)

(i) Critical judgments in applying the Group's accounting policies

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of the assets's fair value less costs to sale and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Any impairment losses are recognised immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss other than that arising from goodwill, is recognised as income immediately.

Classification of leases on land and buildings as finance or operating leases

At the inception of each lease of land or building, the Group considers the substance rather than the form of the lease contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

The Group also considers indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease. Examples of such indicators include:

- If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equaling most of the sales proceeds at the end of the lease); and the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

(ii) Key sources of estimation uncertainty

Biological assets (un-harvested green leaf)

The fair values of fuel and timber plantations are determined based on the prices existing in the market. The un-harvested green leaf on tea bushes at the reporting date are measured at fair value less costs to sell using IAS41. The most significant assumptions and estimates include use of forecast market prices for tea, estimate of the costs to sell, biological transformation and maturity period for the fuel and timber trees, and the discount rate for the expected cash flows. The determination of these assumptions and estimates require careful judgment by the directors and any uncertainty could lead to material adjustments to the financial statements. The methodology and assumptions used are reviewed regularly to try to minimize differences between estimates and actual experience. The significant assumptions are set out in note 20.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(ii) Key sources of estimation uncertainty (Continued)

Property, plant and equipment

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

Fair value measurement and valuation

Some of the Group's assets and liabilities are measured at fair values for financial reporting purposes. In estimating the fair values of an asset or a liability, the Group uses market observable data to the extent it is available. Where level I inputs are not available the Group engages third party qualified valuers to perform the valuation. The board and management work closely to establish the appropriate valuation techniques and inputs to the model.

Information about valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 13 and 16.

Land tenure

The new constitution that was promulgated in August 2010 provided that a person who is not a citizen may hold land on the basis of leasehold tenure only and such leases, however granted, shall not exceed 99 years.

The company hold freehold titles and 999 year land leases. The directors are awaiting Government confirmation on the commencement dates for the 99 year leases. The financial statements have been prepared on the basis of land leases being 999 years as the effect of conversion to 99 years has no material effect on the financial statements.

4 SEGMENTAL INFORMATION

a) Products and services from which reportable segments derive their revenues

In accordance with IFRS 8, Operating segments, information reported to the Group's Chief Operating Decision Makers (the Board of Directors) for the purposes of resource allocation and assessment of segment performance is focussed on the principal activities and the products offered by the Group.

The identifiable reporting segments of the Group therefore are:

- The cultivation, manufacture and sale of tea.
- Investment in property.
- Sale and servicing of generators.

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

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in note 2.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SEGMENTAL INFORMATION (Continued)

c) Segment revenues and results, assets and liabilities and other information

The segment information provided to the Group board of directors for the reportable segments is as follows:-

	Tea Sh'000	Property Sh'000	Generator trading Sh'000	Group Sh'000
2017				
Revenues and results				
Revenue	3,341,562	1,620	73,158	3,416,340
Fair value gain on investment property	-	15,500	-	15,500
Other income	13,127	17,160	428	30,715
Finance income	37,897	24,415	957	63,269
Finance costs	15,706	-	-	15,706
Group's share of associate company results after tax	(20,480)	-	-	(20,480)
(Loss)/profit before taxation (including associate)	(489,028)	131,817	5,267	(351,944)
Assets and liabilities				
Segment assets	3,953,933	4,348,329	61,865	8,364,127
Segment liabilities	1,595,159	660,614	14,082	2,269,855
Other information				
Depreciation	366,487	5,273	1,685	373,445
Amortisation of prepaid operating lease	84	-	-	84
Amortisation of intangible assets	1,328	719	266	2,313
Capital expenditure	179,885	26,813	302	207,000
	=====	=====	=====	=====
2016				
Revenues and results				
Revenue	3,337,405	1,500	47,110	3,386,015
Fair value gain on investment property	-	15,000	-	15,000
Other income	3,297	16,457	447	20,201
Finance income	56,869	43,643	1,451	101,963
Finance costs	(19,561)	(128)	-	(19,689)
Group's share of associate company results after tax	41,971	-	-	41,971
Profit before taxation (including associate)	500,384	84,548	1,977	586,909
Assets and liabilities				
Segment assets	4,808,880	4,071,557	50,958	8,931,395
Segment liabilities	1,537,454	672,949	6,655	2,217,058
Other information				
Depreciation	449,685	5,044	2,246	456,975
Amortisation of prepaid operating lease	84	-	-	84
Amortisation of intangible assets	1,292	937	36	2,265
Capital expenditure	142,517	1,635	347	144,499
	=====	=====	=====	=====

Revenue reported above represents revenue generated from external customers.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SEGMENTAL INFORMATION (Continued)

d) Information on major customers

Included in revenues arising from tea sales of KSh 3.4 million (2016: KSh 3.4 million) are revenues of approximately KSh 3.3 million (2016: KSh 3.3 million) which arose from sales through the Group's exclusive marketing agent. No other single customer contributed 10% or more to the Group's revenue for both 2017 and 2016.

e) Geographical information

The Group is based in Kenya and hence all its assets are located in Kenya. However, the Group's revenue is derived from the following markets:

	GROUP		COMPANY	
	2017	2016	2017	2016
	Sh'000	Sh'000	Sh'000	Sh'000
Global markets- exports	3,323,094	3,318,694	1,106,322	1,191,262
Kenya- domestic	93,246	67,321	12,766	13,738
	<u>3,416,340</u>	<u>3,386,015</u>	<u>1,119,088</u>	<u>1,205,000</u>

5 OTHER INCOME

	GROUP		COMPANY	
	2017	2016	2017	2016
	Sh'000	Sh'000	Sh'000	Sh'000
		Restated		Restated
Fair value gain on investment properties (note 16)	15,500	15,000	15,500	15,000
Dividend income from unquoted investments	260	628	-	348
Miscellaneous income	12,874	3,095	2,780	(2,870)
Gain/(loss) on disposal of property, plant and equipment	2,081	1,478	6	(1,378)
	<u>30,715</u>	<u>20,201</u>	<u>18,286</u>	<u>11,100</u>

6 FINANCE INCOME AND COSTS

Finance costs:

	GROUP		COMPANY	
	2017	2016	2017	2016
	Sh'000	Sh'000	Sh'000	Sh'000
Interest expense on:				
- bank overdrafts	(1,751)	(2,064)	(93)	(405)
- bank loans	(13,955)	(17,625)	(13,955)	(17,625)
	<u>(15,706)</u>	<u>(19,689)</u>	<u>(14,048)</u>	<u>(18,030)</u>

Finance income:

Interest on short term deposits	63,269	101,963	61,404	98,844
Net finance income	<u>47,563</u>	<u>82,274</u>	<u>47,356</u>	<u>80,814</u>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 (LOSS)/PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	2017	2016	2017	2016
	Sh'000	Sh'000	Sh'000	Sh'000
The (loss)/profit before taxation is arrived at after charging:				
Depreciation of property and equipment (note 13)	373,445	456,975	167,605	189,054
Amortisation of intangible assets (note 14)	2,313	2,265	1,162	1,374
Amortisation of leasehold property (note 15)	84	84	13	13
Staff costs (note 8)	1,032,674	777,675	445,856	396,486
Directors' remuneration:				
Non - executive				
- Fees	12,458	13,591	9,014	10,086
- Other emoluments	-	-	-	-
Executive	34,634	25,729	-	-
Loss on disposal of property, plant and equipment	-	-	703	-
Auditors' remuneration	8,760	8,111	4,114	3,805
	=====	=====	=====	=====

And after crediting:

Operating lease rental income	1,620	1,500	1,620	1,500
Fair value of agricultural produce harvested during the year	-	233,880	-	297,296
Dividend income	18,571	7,737	92,598	90,278
Gain on disposal of property, plant and equipment	2,120	1,478	-	1,378
Fair value gain on investment properties	15,500	15,000	15,500	15,000
	=====	=====	=====	=====

8 STAFF COSTS

Wages and salaries	873,067	641,276	373,401	325,404
Social security costs (NSSF)	4,327	4,205	-	-
Pension costs (defined contribution plan)	18,968	31,527	15,821	29,005
Service gratuity and terminal benefits (Note 28)	68,791	49,881	24,662	18,289
Leave pay provision	46,398	33,922	21,343	16,151
Medical expenses	17,569	14,142	7,405	5,244
Other staff costs	3,554	2,722	3,224	2,393
	=====	=====	=====	=====
	1,032,674	777,675	445,856	396,486
	=====	=====	=====	=====

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2017 Sh'000	2016 Sh'000	2017 Sh'000	2016 Sh'000
9 TAXATION				
(a) TAXATION (CREDIT)/CHARGE				
Current taxation based on the adjusted profit at 30%				
- current year	38,197	210,292	8,603	74,736
- prior year under provision	2,371	347	-	-
	<u>40,568</u>	<u>210,639</u>	<u>8,603</u>	<u>74,736</u>
Deferred taxation (note 27)				
-current year	(126,284)	52,285	(25,196)	69,529
-prior year over provision	(4,635)	(60,688)	(2,107)	(60,384)
Prior year adjustments (note 36)	-	(98,374)	-	(59,185)
	<u>(130,919)</u>	<u>(106,777)</u>	<u>(27,303)</u>	<u>(50,040)</u>
Taxation (credit)/charge	<u>(90,351)</u>	<u>103,862</u>	<u>(18,700)</u>	<u>24,696</u>
(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING (LOSS)/PROFIT TO TAX (CREDIT)/CHARGE				
Accounting (loss)/profit before taxation	<u>(351,944)</u>	<u>586,609</u>	<u>21,211</u>	<u>286,575</u>
Tax at the applicable rate of 30%	(105,583)	175,983	6,363	85,973
Tax effect of income not taxable				
- qualifying dividends	(28,621)	(4,776)	(28,429)	(4,776)
Pension/provident fund contribution	4,092	1,538	3,389	1,069
Donations	1,227	910	493	440
Impairment of work in progress	3,824	-	-	-
Tax effect of other expenses not deductible for tax purposes	45,105	8,487	1,591	2,374
Share of associate's tax recognized as net	(8,131)	(17,939)	-	-
Prior year under provision of current tax	2,371	347	-	-
Prior year over provision of deferred tax	(4,635)	(60,688)	(2,107)	(60,384)
Taxation (credit)/charge	<u>(90,351)</u>	<u>103,862</u>	<u>(18,700)</u>	<u>24,696</u>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		GROUP		COMPANY	
		2017	2016	2017	2016
		Sh'000	Sh'000	Sh'000	Sh'000
9	TAXATION (Continued)				
	(c) CORPORATE TAX MOVEMENT				
	At beginning of the year:				
	Taxation payable/(recoverable)	25,885	(161,175)	(44,079)	(96,526)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Taxation charge	38,197	210,292	8,603	74,736
	Prior year under provision	2,371	347	-	-
	Taxation paid	(232,741)	(23,579)	(33,551)	(22,289)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	At end of the year	(166,288)	25,885	(69,027)	(44,079)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Consisting of:				
	Tax payable	-	73,510	-	-
	Tax recoverable	(166,288)	(47,625)	(69,027)	(44,079)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		(166,288)	25,885	(69,027)	(44,079)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

10 PROFIT FOR THE YEAR - COMPANY

The company profit for the year of Sh 39,911,000 (2016: Sh 261,879,000) has been dealt with in the company financial statements of Williamson Tea Kenya Limited.

11 (LOSS)/EARNINGS PER SHARE

(Loss)/earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2017	2016
		Restated
Group		
(Loss)/earnings		
(Loss)/earnings for purposes of basic and diluted		
(loss)/earnings per share (Sh'000)	(240,494)	463,177
	<u> </u>	<u> </u>
Weighted average number of ordinary shares		
At start of year	17,512,640	8,756,320
Effect of bonus shares issued	-	8,756,320
	<u> </u>	<u> </u>
Number of ordinary shares (note 25)	17,512,640	17,512,640
	<u> </u>	<u> </u>
(Loss)/earnings per share		
Basic and diluted (Sh)	(13.73)	26.45
	<u> </u>	<u> </u>

In the prior year, the company issued bonus shares in the ratio of one bonus share for every one share held. The bonus issue was approved by way of ordinary resolution at the last Annual General Meeting. Because the bonus issue was without consideration, it is treated as if it occurred before the beginning of 2015, the earliest period presented, for purposes of determining earnings per share.

There were no potentially dilutive shares outstanding at 31 March 2017 and at 31 March 2016. Diluted (loss)/earnings per share is therefore same as basic (loss)/earnings per share.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 (LOSS)/EARNINGS PER SHARE (Continued)

Company	2017	2016 Restated
Earnings		
Earnings for purposes of basic and diluted		
Earnings per share (Sh'000)	39,911	261,879
Weighted average number of ordinary shares		
At start of year	17,512,640	8,756,320
Effect of bonus shares issued	-	8,756,320
Number of ordinary shares (note 25)	17,512,640	17,512,640
Earnings per share		
Basic and diluted (Sh)	2.28	14.95

In the prior year, the company issued bonus shares in the ratio of one bonus share for every one share held. The bonus issue was approved by way of ordinary resolution at the last Annual General Meeting. Because the bonus issue was without consideration, it is treated as if it occurred before the beginning of 2015, the earliest period presented, for purposes of determining earnings per share.

There were no potentially dilutive shares outstanding at 31 March 2017 and at 31 March 2016. Diluted earnings per share is therefore same as basic earnings per share.

12 PROPOSED DIVIDENDS

The Group did not pay an interim dividend in 2017 (2016 – Sh nil).

In respect of the current year, the Directors propose that a dividend of Sh 10 per share (2016 – Sh 20 per share) amounting to a total of Sh 175,126,400 (2016 – Sh 350,252,800) be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has therefore not been included as a liability in these financial statements.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land and buildings Sh 000	Machinery & equipment Sh 000	Tractors & accessories Sh 000	Motor vehicles Sh 000	Office equipment furniture & fittings Sh 000	Bearer plants Sh 000	Computers Sh 000	Work in progress Sh 000	Total Sh 000
COST OR VALUATION									
At 1 April 2015 (restated)*	1,276,576	484,134	95,542	97,261	410,811	1,888,326	46,585	113,974	4,413,209
Additions	8,662	33,913	13,616	452	2,026	-	2,804	83,026	144,499
Transfer from WIP	2,044	23,660	3,984	-	-	-	-	(29,688)	-
Disposals	(4,433)	(1,215)	(4,810)	(701)	(402)	(47,303)	(333)	-	(59,197)
Reclassification	2,092	23,389	-	-	280	-	-	(25,761)	-
Transfers	-	370,271	-	-	(370,271)	-	-	-	-
At 31 March 2016	1,284,941	934,152	108,332	97,012	42,444	1,841,023	49,056	141,551	4,498,511
Comprising:									
At Valuation-2015	1,267,684	484,134	-	-	-	-	-	-	1,751,818
At Cost	17,257	450,018	108,332	97,012	42,444	1,841,023	49,056	141,551	2,746,693
Total	1,284,941	934,152	108,332	97,012	42,444	1,841,023	49,056	141,551	4,498,511
At 1 April 2016	1,284,941	934,152	108,332	97,012	42,444	1,841,023	49,056	141,551	4,498,511
Additions	10,965	49,622	400	15,668	1,155	-	5,404	123,786	207,000
Transfer from WIP	22,829	41,649	109	4,614	778	-	1,012	(70,991)	-
Transfer to related companies	-	-	-	-	-	-	-	(953)	(953)
Disposals	(1,231)	(63,984)	(6,910)	(11,192)	(1,050)	(53,717)	(274)	-	(138,358)
Revaluation loss	(5,500)	-	-	-	-	-	-	-	(5,500)
At 31 March 2017	1,312,004	961,439	101,931	106,102	43,327	1,787,306	55,198	193,393	4,560,700
Comprising:									
At Valuation-2015	1,267,684	484,134	-	-	-	-	-	-	1,751,818
At Cost	44,320	477,305	101,931	106,102	43,327	1,787,306	55,198	193,393	2,808,882
Total	1,312,004	961,439	101,931	106,102	43,327	1,787,306	55,198	193,393	4,560,700

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings Sh 000	Machinery & equipment Sh 000	Tractors & accessories Sh 000	Motor vehicles Sh 000	Office equipment furniture & fittings Sh 000	Bearer plants Sh 000	Computers Sh 000	Work in progress Sh 000	Total Sh 000
DEPRECIATION									
At 1 April 2015	5,318	-	68,993	74,347	102,825	-	38,385	-	289,868
Charge for the year	139,540	97,201	11,191	13,020	2,867	188,763	4,393	-	456,975
Eliminated on disposal	-	-	(4,678)	(702)	(402)	(40,365)	(334)	-	(46,481)
Transfers	-	80,336	-	-	(80,336)	-	-	-	-
At 31 March 2016	144,858	177,537	75,506	86,665	24,954	148,398	42,444	-	700,362
At 1 April 2016	144,858	177,537	75,506	86,665	24,954	148,398	42,444	-	700,362
Charge for the year	87,538	115,021	11,085	10,239	2,839	142,779	3,944	-	373,445
Eliminated on disposal	(262)	(63,058)	(6,910)	(11,192)	(859)	(53,717)	(274)	-	(136,272)
Impairment charge**	-	-	-	-	-	-	-	12,749	12,749
Eliminated on revaluation	(4,125)	-	-	-	-	-	-	-	(4,125)
At 31 March 2017	228,009	229,500	79,681	85,712	26,934	237,460	46,114	12,749	946,157
NET BOOK VALUE									
At 31 March 2017	1,083,995	731,939	22,250	20,390	16,393	1,549,846	9,084	180,646	3,614,543
At 31 March 2016	1,140,083	756,615	32,826	10,347	17,490	1,692,625	6,612	141,551	3,798,149
At 1 April 2015	1,271,258	484,134	26,549	22,914	307,986	1,888,326	8,200	113,974	4,123,341
NET BOOK VALUE (Cost basis)									
At 31 March 2017	558,574	321,386	22,250	20,390	16,393	1,549,846	9,084	180,646	2,678,569
At 31 March 2016	5,521	402,957	32,826	10,347	17,490	1,692,625	6,612	141,551	2,309,929

Land, building and machinery were last revalued as at 31 March 2015 by Lloyd Masika Limited, Registered Valuers and Estate Agents, on the basis of open market value for the existing use.

Buildings owned by Tea Properties Limited were valued by Lloyd Masika Limited, registered valuers on an open market basis in February 2017. The effective date of the revaluation was 31 March 2017.

Included in property, plant and equipment are assets with an original cost of S 237,133,409 (2015 - Sh 237,133,409) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 40,601,484 (2015 - Sh 40,601,484).

Land and buildings with net book value of Sh 1,482,164,000 (2015 - Sh 1,482,164,000) have been charged to secure banking facilities granted to the Group as disclosed in note 29.

* The cost balances as at 1 April 2015 have been restated to incorporate bearer plants (tea bushes) which have been reclassified from biological assets as disclosed in note 36.

**The impairment charge relates to an Orthodox tea manufacturing machine that had been carried in property, plant and equipment for 5 years without being put to use. The item has been impaired in line with IAS 36.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

The capital work in progress comprises costs incurred in the construction of plant and machinery at the tea estates and costs incurred on immature tea bushes (bearer plants).

Company

	Land and buildings Sh 000	Machinery and equipment Sh 000	Tractors and accessories Sh 000	Motor vehicles Sh 000	Office equipment furniture and fittings Sh 000	Computers Sh 000	Bearer plants Sh 000	Work in progress Sh 000	Total Sh 000
COST OR VALUATION									
At 1 April 2015 (Restated)*	832,779	441,448	36,234	41,897	27,848	22,211	733,486	56,620	2,192,523
Additions	1,334	12,370	4,467	452	1,378	1,234	-	26,607	47,842
Disposals	(2,827)	(1,215)	(2,105)	(287)	-	-	(16,808)	-	(23,242)
Transfer from work in progress	2,092	23,389	-	-	280	-	-	(25,761)	-
Transfer to related companies	-	-	-	-	-	-	-	(4,393)	(4,393)
Transfers	-	-	-	-	-	-	-	-	-
At 31 March 2016	833,378	475,992	38,596	42,062	29,506	23,445	716,678	53,073	2,212,730
Comprising:	829,885	136,526	-	-	-	-	-	-	966,411
At valuation - 2015	3,493	339,466	38,596	42,062	29,506	23,445	716,678	53,073	1,246,319
At cost	-	-	-	-	-	-	-	-	-
At 31 March 2016	833,378	475,992	38,596	42,062	29,506	23,445	716,678	53,073	2,212,730
At 1 April 2016	833,378	475,992	38,596	42,062	29,506	23,445	716,678	53,073	2,212,730
Additions	1,865	31,598	400	11,579	503	3,074	-	50,565	99,584
Disposals	-	(15,243)	-	(3,019)	(192)	(211)	(17,823)	-	(36,488)
Transfer from work in progress	4,929	7,275	-	-	-	-	-	(30,027)	(17,823)
Reclassification	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
At 31 March 2017	840,172	499,622	38,996	50,622	29,817	26,308	698,855	73,611	2,258,003
Comprising:	829,885	136,526	-	-	-	-	-	-	966,411
At valuation - 2015	10,287	363,096	38,996	50,622	29,817	26,308	698,855	73,611	1,291,592
At cost	-	-	-	-	-	-	-	-	-
At 31 March 2017	840,172	499,622	38,996	50,622	29,817	26,308	698,855	73,611	2,258,003

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings Sh 000	Machinery and equipment Sh 000	Tractors and accessories Sh 000	Motor vehicles Sh 000	Office equipment furniture and fittings Sh 000	Computers Sh 000	Bearer plants Sh 000	Work in progress Sh 000	Total Sh 000
DEPRECIATION									
At 1 April 2015 (Restated)	1,228	29,257	23,913	32,219	12,018	18,212	-	-	116,847
Charge for the year	53,129	49,340	2,735	6,364	2,454	2,271	72,761	-	189,054
Eliminated on disposal	-	-	(1,973)	(287)	-	-	(16,808)	-	(19,068)
Written back on revaluation	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
At 31 March 2016	54,357	78,597	24,675	38,296	14,472	20,483	55,953	-	286,833
At 1 April 2016	54,357	78,597	24,675	38,296	14,472	20,483	55,953	-	286,833
Charge for the year	45,481	54,460	3,026	4,300	2,477	1,909	55,952	-	167,605
Eliminated on disposal	-	(15,243)	-	(3,019)	(179)	(211)	(17,823)	-	(36,475)
Transfers	-	-	-	-	-	-	-	-	-
At 31 March 2017	99,838	117,814	27,701	39,577	16,770	22,181	94,082	-	417,963
NET BOOK VALUE									
At 31 March 2017	740,334	381,808	11,295	11,045	13,047	4,127	604,773	73,611	1,840,040
At 31 March 2016	779,021	397,395	13,921	3,766	15,034	2,962	660,725	53,073	1,925,897
At 1 April 2015	831,551	412,191	12,321	9,678	15,830	3,999	733,486	56,156	2,075,676
NET BOOK VALUE (Cost basis)									
At 31 March 2017	365,632	190,950	11,295	11,045	13,047	4,127	604,773	73,611	1,274,480
At 31 March 2016	381,508	194,615	13,921	3,766	15,034	2,962	660,725	53,073	1,325,604

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Land, building and machinery were last revalued as at 31 March 2015 by Lloyd Masika Limited, Registered Valuers and Estate Agents, on the basis of open market value for the existing use.

Included in property, plant and equipment are assets with an original cost of Sh (2016 - Sh 45,190,955) which are fully depreciated and whose normal depreciation charge for the year would have been Sh (2016 - Sh 10,643,432).

Land and buildings with net book value of Sh 683,199,000 (2016 - Sh 683,199,000) have been charged to secure banking facilities granted to the Group as disclosed in note 29.

*The cost balances as at 1 April 2015 have been restated to incorporate bearer plants that have been transformed from biological assets as disclosed as per note 36.

The capital work in progress comprises costs incurred in the construction of plant and machinery and costs incurred on immature tea bushes (bearer plants).

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of the Group's buildings and machinery and equipment

The Group's buildings and machinery and equipment are stated at their revalued amounts, being the fair values at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's buildings and machinery & equipment as at 31 March 2015 was performed by Lloyd Masika Limited, registered and independent valuers. Lloyd Masika Limited are registered valuers with the Valuers Registration Board and they have appropriate qualifications and relevant and recent experience in the fair value measurement of properties in the various locations in Kenya. The fair value of buildings was determined by reference to market evidence of recent transactions for similar properties.

The fair value hierarchy prioritises the inputs used to measure fair value into three broad Levels (Levels 1, 2 and 3), moving from quoted prices in active markets in Level 1 to unobservable inputs in Level 3. The levels are as defined below:

- Level 1 inputs – observable, quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs – quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices e.g. interest rates and yield curves.
- Level 3 inputs – unobservable inputs for the asset or liability. These should be based on the best information available. The company should utilise all reasonably available information, but need not incur excessive cost or effort to do so. However, it should not ignore information that can be obtained without undue cost and effort. As such, the reporting entity's own data should be adjusted if information is reasonably available without undue cost and effort.

Details of the Group's buildings and machinery and equipment and information about fair value hierarchy as at 31 March 2017 are as follows:

	Level 1 Sh'000	Level 2 Sh '000	Level 3 Sh'000	Fair value as at 31 March Sh '000
GROUP				
31 March 2017				
Buildings	-	1,083,995	-	1,083,995
Machinery and equipment	-	731,939	-	731,939
	<u>-</u>	<u>1,815,934</u>	<u>-</u>	<u>1,815,934</u>
31 March 2016				
Buildings	-	1,140,083	-	1,140,083
Machinery and equipment	-	756,615	-	756,615
	<u>-</u>	<u>1,896,698</u>	<u>-</u>	<u>1,896,698</u>
COMPANY				
31 March 2017				
Buildings	-	740,334	-	740,334
Machinery and equipment	-	381,808	-	381,808
	<u>-</u>	<u>1,122,142</u>	<u>-</u>	<u>1,122,142</u>
31 March 2016				
Buildings	-	779,021	-	779,021
Machinery and equipment	-	397,395	-	397,395
	<u>-</u>	<u>1,176,416</u>	<u>-</u>	<u>1,176,416</u>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of the Group's buildings and machinery and equipment (Continued)

There were no transfers between level 1 and level 2 during the year.

	GROUP		COMPANY	
	2017 Sh'000	2016 Sh'000	2017 Sh'000	2016 Sh'000
14 INTANGIBLE ASSETS (COMPUTER SOFTWARE)				
COST				
At beginning of year	21,040	19,220	10,406	9,880
Additions	574	1,820	415	526
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	21,614	21,040	10,821	10,406
	<hr/>	<hr/>	<hr/>	<hr/>
AMORTISATION				
At beginning of year	16,678	14,413	8,536	7,162
Amortisation for the year	2,313	2,265	1,162	1,374
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	18,991	16,678	9,698	8,536
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At end beginning of year	2,623	4,362	1,123	1,870
	<hr/>	<hr/>	<hr/>	<hr/>
15 PREPAID OPERATING LEASES				
COST				
At beginning of the year	81,581	81,581	12,612	12,612
	<hr/>	<hr/>	<hr/>	<hr/>
AMORTISATION				
At beginning of year	5,039	4,955	892	879
Amortisation for the year	84	84	13	13
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	5,123	5,039	905	892
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At end of year	76,458	76,542	11,707	11,720
	<hr/>	<hr/>	<hr/>	<hr/>

Prepaid operating leases relate to leasehold land located in Williamson Tea Kenya Limited Changoi Estate, Tinderet Tea Estates (1989) Limited and Kaimosi Tea Estates Limited. Leasehold land have been charged to secure banking facilities granted to the Group as disclosed in Note 29. Leasehold land were last revalued as at 31 March 2015 by Lloyd Masika Ltd, Registered Valuers and Estate Agents, based on open market value.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 INVESTMENT PROPERTIES

GROUP & COMPANY

	2017 Sh'000	2016 Sh'000
At fair value:		
At beginning of year	420,000	405,000
Fair value gain (Note 5)	15,500	15,000
	<u>435,500</u>	<u>420,000</u>
At cost basis	<u>11,591</u>	<u>11,591</u>

Locations and details of the investment property are LR No 1160/197 and LR No 330/490 all located in the Nairobi area.

Rental income generated from investment property

Rental income generated from investment property during the year	<u>1,620</u>	<u>1,500</u>
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Direct operating expenses arising from investment property

Direct operating expenses from investment property that generated rental income during the year	<u>13</u>	<u>1,737</u>
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Fair value measurement of the Group's investment properties

The Group's Investments Property are stated at their revalued amounts, being the fair values at the date of revaluation, less any impairment losses. The fair value measurements of the Group's investment property as at 31 March 2017 were performed by Lloyd Masika Limited, Registered and independent Valuers and Estate Agents. Lloyd Masika Limited, are members of the Institute of Surveyors of Kenya and they have appropriate qualifications and relevant and recent experience in the fair value measurement of properties in the various locations in Kenya. The fair value of buildings was determined by reference to market evidence of recent transactions for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about fair value hierarchy as at 31 March 2017 are as follows:

	Level 1 Sh'000	Level 2 Sh'000	Level 3 Sh'000	Fair value as At 31 March Sh'000
31 March 2017				
Investment property (all located in Nairobi area)	<u>-</u>	<u>435,500</u>	<u>-</u>	<u>435,500</u>
31 March 2016				
Investment property (all located in Nairobi area)	<u>-</u>	<u>420,000</u>	<u>-</u>	<u>420,000</u>

There were no transfers between level 1 and level 2 during the year.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 INVESTMENT IN ASSOCIATE COMPANY

	2017 Sh'000	2016 Sh'000 Restated
GROUP		
Kapchorua Tea Company Limited (Quoted) - 39.56% owned:		
At share of net assets	559,973	599,024
The movement in Group investment in associate company is as follows:		
At beginning of year	599,024	564,790
Share of (loss)/profit after taxation- As reported	(20,480)	92,697
Prior year adjustments (Note 36)	-	(50,726)
Share of (loss)/profit after taxation- Restated	(20,480)	41,971
Dividend received	(18,571)	(7,737)
At end of year	559,973	599,024

COMPANY

Kapchorua Tea Company Limited (Quoted);

39.56% owned:

At cost	49,479	49,479
---------	--------	--------

The details of the above associate company are as follows:

Company	Share capital Sh	Proportion of ownership interest and voting power held by the group		Place of Incorporation	Principal activity
		31 March 2017	31 March 2016		
Kapchorua Tea Company Limited	19,560,000	39.56%	39.56%	Kenya	Cultivation, manufacture and sale of tea

The associate company is accounted for using the equity method in these consolidated financial statements.

The audited summarized financial information as of 31 March 2017 in respect of the associate company, Kapchorua Tea Company Limited is set out below:

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 INVESTMENT IN ASSOCIATE COMPANY (Continued)

	2017 Sh'000	2016 Sh'000 Restated
Total assets	2,030,309	2,144,587
Total liabilities	(614,807)	(630,372)
	<u> </u>	<u> </u>
Net assets	1,415,502	1,514,215
	<u> </u>	<u> </u>
Group's share of the net assets	559,973	599,024
	<u> </u>	<u> </u>
Revenue	1,292,123	1,209,133
	<u> </u>	<u> </u>
(Loss)/profit before taxation	(72,323)	151,443
Taxation credit/(charge)	20,554	(45,347)
	<u> </u>	<u> </u>
(Loss)/profit for the year	(51,769)	106,096
	<u> </u>	<u> </u>
Total comprehensive (loss)/profit for the year	(51,769)	106,096
	<u> </u>	<u> </u>

18 INVESTMENT IN SUBSIDIARY COMPANIES

(a) Unquoted investments at cost in wholly owned subsidiaries:

Kaimosi Tea Estates Limited	2,863	2,863
Williamson Power Limited	3,689	3,689
Tea Properties Limited	2	2
Lelsa Tea Estates Limited*	-	-
	<u> </u>	<u> </u>
	6,554	6,554
	<u> </u>	<u> </u>

(b) Unquoted investment at cost in partially owned subsidiaries:

Tinderet Tea Estates (1989) Limited (82% owned)	103,323	103,323
	<u> </u>	<u> </u>
	109,877	109,877
	<u> </u>	<u> </u>

*Investment in Lelsa Tea Estates Limited is fully impaired.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

The details of the above subsidiary companies are as follows:

<i>Company</i>	<i>Share capital Sh</i>	<i>Place of Incorporation and operation</i>	<i>Principal activity</i>	<i>Proportion of ownership interest and voting power held by the group</i>	
				<i>31 March 2017</i>	<i>31 March 2016</i>
Kaimosi Tea Estates Limited	2,540,000	Kenya	Cultivation, manufacture and sale of tea	100%	100%
Williamson Power Limited	2,880,000	Kenya	Sale, installation and servicing of generators	100%	100%
Tea Properties Limited	2,000	Kenya	Property investment	100%	100%
Lelsa Tea Estates Limited	4,000,000	Kenya	Dormant company	100%	100%
Tinderet Tea Estates (1989) Limited	100,000	Kenya	Cultivation, manufacture and sale of tea	82%	82%

The proportion of voting rights in the subsidiaries undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The directors of the Group concluded that the parent company has control over the subsidiary companies.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

Summarised financial information on subsidiaries with material non- controlling interest

The summarised financial information below represents amounts before intragroup eliminations.

**Tinderet Tea Estates (1989) Limited
As at 31 March**

	2017 Sh'000	2016 Sh'000 Restated
Assets	1,777,081	1,900,335
Liabilities	653,738	619,459
Equity attributable to the owners of the company	921,141	1,050,318
Non-controlling interest	18%	18%
Revenue	986,960	973,833
Expenses	(1,104,178)	(865,110)
(Loss)/profit for the year	(117,218)	108,723
(Loss)/profit attributable to the owners of the company	(21,099)	19,570
(Loss)/profit attributable to non-controlling interest	(96,119)	89,153
	(117,218)	108,723
Dividends paid to non-controlling interest	7,256	1,193
Net cash inflow from operating activities	93,720	145,227
Net cash outflow from investing activities	(57,634)	(45,249)
Net cash outflow from financing activities	(40,315)	(41,626)
Net cash (outflow)/inflow	(4,229)	58,352

WILLIAMSON TEA KENYA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2017 Sh'000	2016 Sh'000		
19	UNQUOTED INVESTMENTS				
	Available for sale: At cost				
	GROUP				
	999,326(2016 – 999,326) shares of Sh 10 each in Kenya Tea Packers Limited	1,349 =====	1,349 =====		
	COMPANY				
	403,545(2016 – 403,545) shares of Sh 10 each in Kenya Tea Packers Limited	546 =====	546 =====		
20	BIOLOGICAL ASSETS				
	GROUP				
	Year ended 31 March 2016				
		Un-harvested green leaf Sh'000	Timber trees Sh'000	Fuel trees Sh'000	Total Sh'000
	Carrying amount at beginning of year- As reported	1,967,571	173,432	433,060	2,574,063
	Prior year adjustments (Note 36)	(1,940,867)	-	-	(1,940,867)
		-----	-----	-----	-----
	Carrying amount at beginning of year- As restated	26,704	173,432	433,060	633,196
		-----	-----	-----	-----
	Expenditure on biological assets	-	773	7,191	7,964
	Decrease due to harvest	-	-	(892)	(892)
		-----	-----	-----	-----
	Net expenditure on biological assets	-	773	6,299	7,072
		-----	-----	-----	-----
		26,704	174,205	439,359	640,268
		-----	-----	-----	-----
	Gains arising from changes in fair value attributable to physical changes	576	5,214	72,276	78,066
	Gains arising from changes in fair value attributable to price changes	5,010	-	-	5,010
	Disposals	-	-	(37,571)	(37,571)
		-----	-----	-----	-----
	Net fair value gains	5,586	5,214	34,705	45,505
		-----	-----	-----	-----
	Decrease due to own use	-	-	(2,128)	(2,128)
	Decrease due to sale	-	-	(11)	(11)
		-----	-----	-----	-----
		-	-	(2,139)	(2,139)
		-----	-----	-----	-----
	Carrying amount at the end of year	32,290	179,419	471,925	683,634

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 BIOLOGICAL ASSETS (Continued)

GROUP

Year ended 31 March 2017

	Un-harvested green leaf Sh'000	Timber trees Sh'000	Fuel trees Sh'000	Total Sh'000
Carrying amount at beginning of year	32,290	179,419	471,925	683,634
Expenditure on biological assets	-	861	7,234	8,095
Decrease due to harvest	-	-	-	-
Net expenditure on biological assets	-	861	7,234	8,095
	32,290	180,280	479,159	691,729
Gains arising from changes in fair value attributable to physical changes	(2,418)	20,791	54,869	73,242
Gains arising from changes in fair value attributable to price changes	1,436	-	-	1,436
Disposals	-	(33,273)	(37,275)	(70,548)
Net fair value (losses)/gains	(982)	(12,482)	17,594	4,130
Decrease due to own use	-	-	(753)	(753)
Decrease due to sale	-	-	(3,236)	(3,236)
	-	-	(3,989)	(3,989)
Carrying amount at end of year	31,308	167,798	492,764	691,870

Comprising of:

	2017 Sh 000	2016 Sh 000
Current assets - Unharvested green leaf	31,308	32,290
Non-current assets - Timber and firewood	660,562	651,344
	691,870	683,634

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 BIOLOGICAL ASSETS (Continued)

COMPANY

Year ended 31 March 2016

	Tea bushes Sh'000	Timber trees Sh'000	Fuel trees Sh'000	Total Sh'000
Carrying amount at beginning of year- As reported	774,337	61,486	168,007	1,003,830
Prior year adjustments (Note 36)	(762,276)	-	-	(762,276)
Carrying amount at beginning of year- Restated	12,061	61,486	168,007	241,554
Increase in actual cost of biological assets	-	-	1,356	1,356
Decrease due to harvest	-	-	(892)	(892)
Net expenditure on biological assets	-	-	464	464
	12,061	61,486	168,471	242,018
(Losses)/gains arising from changes in fair value attributable to physical changes	(279)	(2,644)	34,043	31,120
Gains arising from changes in fair value attributable to price changes	2,320	-	-	2,320
Disposals	-	-	(14,974)	(14,974)
Net fair value gains/(losses)	2,041	(2,644)	19,069	18,466
Decrease due to own use	-	-	-	-
Carrying amount at end of year	14,102	58,842	187,540	260,484

Year ended 31 March 2017

Carrying amount at beginning of year	14,102	58,842	187,540	260,484
Increase in actual cost of biological assets	-	-	2,311	2,311
Net expenditure on biological assets	-	-	2,311	2,311
	14,102	58,842	189,851	262,795
Gains/(losses) arising from changes in fair value attributable to physical changes	(838)	2,697	34,652	36,511
Gains/(losses) arising from changes in fair value attributable to price changes	1,010	-	-	1,010
Disposals	-	-	(13,967)	(13,967)
Net fair value gains	172	2,697	20,685	23,554
Decrease due to own use	-	-	(803)	(803)
Carrying amount at end of year	14,274	61,539	209,733	285,546

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 BIOLOGICAL ASSETS (Continued)

Comprising of:

	2017 Sh 000	2016 Sh 000
Current assets - Unharvested green leaf	14,274	14,102
Non-current assets - Timber and firewood	271,272	246,382
	<u>285,546</u>	<u>260,484</u>

Significant assumptions made in determining the fair values of biological assets are as set out below:

- The expected market price of tea will remain stable, based on average dollar price for the last five years and the ruling rate of exchange at year end. Firewood and timber prices are also expected to remain constant.
- A discount rate of 14.8% per annum is applied to discount the expected net cash flows arising from the asset.
- The Group's average harvest cycle is 15 days. There is sufficient actual data immediately following the reporting date to be able to reliably estimate the agricultural produce at the reporting date.
- The harvest cycle is short enough (15 days) not to require discounting.
- The green leaf price that the Group pays to its third party out-growers is a reasonable estimate of the price the Group expects to fetch for final product sold in the market (black tea) less processing and other incidental costs. Consequently, the out-grower rate has been used to fair value the un-harvested green leaf at the reporting date.
- The maturity period of firewood and timber trees is between 5 and 25 years depending on the species of the tree.

	GROUP		COMPANY	
	2017 Sh'000	2016 Sh'000	2017 Sh'000	2016 Sh'000
21 INVENTORIES				
Tea stocks	339,593	618,458	130,652	211,593
Firewood	27,755	18,349	7,870	5,711
Stores	120,022	119,801	57,421	38,614
Other inventories	1,866	1,866	-	-
Consumables	370	337	370	337
	<u>489,606</u>	<u>758,811</u>	<u>196,313</u>	<u>256,255</u>
22 TRADE AND OTHER RECEIVABLES				
Trade receivables	1,138,748	922,231	396,709	303,404
Trade receivables	(1,326)	(838)	-	-
	<u>1,137,422</u>	<u>921,393</u>	<u>396,709</u>	<u>303,404</u>
Staff debtors	116,324	104,896	93,735	88,131
VAT recoverable	112,114	187,906	50,996	89,891
Other receivables	1,763	73,367	-	55,037
	<u>1,367,623</u>	<u>1,287,562</u>	<u>541,440</u>	<u>536,463</u>
<u>Movement in allowance for doubtful debts</u>				
Balance at the beginning of the year	838	4,519	-	-
Provision for bad debts	488	-	-	-
Amounts recovered during the year	-	(3,681)	-	-
	<u>1,326</u>	<u>838</u>	<u>-</u>	<u>-</u>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 BALANCES WITH RELATED COMPANIES

	GROUP		COMPANY	
	2017 Sh'000	2016 Sh'000	2017 Sh'000	2016 Sh'000
(a) DUE FROM ASSOCIATE COMPANIES				
Kapchorua Tea Company Limited	8,580	12,720	7,661	12,661
			2017 Sh'000	2016 Sh'000

23 BALANCES WITH RELATED COMPANIES (Continued)

(b) DUE FROM SUBSIDIARY COMPANIES

COMPANY

Kaimosi Tea Estates Limited	99,138	55,596
Tinderet Tea Estates (1989) Limited	62,725	36,546
Williamson Power Limited	3,079	-
	164,942	92,142

(c) DUE TO SUBSIDIARY COMPANIES

COMPANY

Tea Properties Limited	21,073	21,608
Williamson Power Limited	-	957
	21,073	22,565

(d) DUE TO ASSOCIATE COMPANY

GROUP

Kapchorua Tea Company Limited	2,852	-
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(e) TERMS OF THE RELATED PARTY BALANCES

The above related party balances are interest free, unsecured and have no fixed repayment period.

	GROUP		COMPANY	
	2017 Sh'000	2016 Sh'000	2017 Sh'000	2016 Sh'000
24 SHORT TERM BANK DEPOSITS				
At amortised cost				
Maturing within 90 days				
NIC Bank Limited	523,515	557,323	508,032	535,735
Barclays Bank of Kenya Limited	135,839	218,008	135,839	218,008
At 31 March	659,354	775,331	643,871	753,743

The effective interest rates on fixed deposits at 31 March 2017 were as shown below:

	2017	2016
NIC Bank Limited	11%	13%
Barclays Bank of Kenya Limited	11%	13%

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 SHARE CAPITAL

	2017 Sh'000	2016 Sh'000
Authorised:		
17,512,640 shares of Sh 5 each	87,563	87,563
	<u>=====</u>	<u>=====</u>
Issued and fully paid:		
17,512,640 shares of Sh 5 each	87,563	87,563
	<u>=====</u>	<u>=====</u>

On 19 November 2015 a bonus issue of 1:1 was issued. As a result, 3,912,000 ordinary shares at a par value of Sh. 5 per share were issued. The movement in the number of shares is analysed as follows:

	2017 No of shares '000	2016 No of shares '000
At beginning of year	87,563	43,782
Issue of additional shares	-	43,781
	<u>=====</u>	<u>=====</u>
At end of year	87,563	87,563

26 NON – CONTROLLING INTERESTS

	2017 Sh'000	2016 Sh'000 Restated
At beginning of year	206,357	187,980
Share of (loss)/profit - arising from operating activities	(18,210)	21,770
- arising from changes in biological assets	(2,889)	10,634
Prior year adjustment- Note 36	-	(12,834)
	<u>=====</u>	<u>=====</u>
	(21,099)	19,570
	<u>=====</u>	<u>=====</u>
Dividend paid by Tinderet Tea Estates (1989) Limited	(7,257)	(1,193)
	<u>=====</u>	<u>=====</u>
At 31 end of year	178,001	206,357
	<u>=====</u>	<u>=====</u>
Represented by:		
Holding in Tinderet Tea Estates (1989) Limited	18.00%	18.00%
	<u>=====</u>	<u>=====</u>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 DEFERRED TAXATION

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

	GROUP		COMPANY	
	2017	2016	2017	2016
	Sh'000	Sh'000	Sh'000	Sh'000
				Restated
The net deferred taxation liability is attributable to the following items:				
Deferred tax liabilities:				
Accelerated capital allowances	372,583	430,529	247,979	267,573
Revaluation of investment properties	4,650	4,500	4,650	4,500
Revaluation surplus – property and equipment	217,362	250,834	122,249	136,321
Fair value adjustments - biological assets	592,515	561,279	213,855	206,789
Unrealised exchange gains	564	-	457	-
	<u>1,187,674</u>	<u>1,247,142</u>	<u>589,190</u>	<u>615,183</u>
Deferred taxation assets:				
Unrealised exchange losses	(5,295)	(4,162)	(12,912)	(17,667)
Service gratuity provision	(93,132)	(78,485)	(34,530)	(29,073)
Leave pay provision	(11,193)	(9,553)	(5,942)	(5,148)
Inventories general provision	(24,255)	(17,292)	(12,952)	(13,138)
Doubtful debts provision	-	(251)	-	-
Accruals	(33,904)	-	-	-
Tax losses available for future relief	(17,901)	(4,073)	-	-
	<u>(185,680)</u>	<u>(113,816)</u>	<u>(66,336)</u>	<u>(65,026)</u>
Net deferred taxation liability	<u>1,001,994</u>	<u>1,133,326</u>	<u>522,854</u>	<u>550,157</u>

As at 31 March 2017, the Group had accumulated tax losses available for carry forward and set off against future taxable profit of Sh 8,717,000 relating to Williamson Power Limited and Sh 50,953,000 relating to Tinderet Tea Estates (1989) Limited. As at 31 March 2016, the Group had accumulated tax losses of Sh 13,577,000 relating to Williamson Power Limited. In 2015, the Kenyan Tax Law was revised to allow the companies to carry forward tax losses to a maximum period of 10 years with effect from 1 January 2015. Consequently, the directors having reviewed the cash flow projections, are of the opinion that the tax losses will be utilised within the relief period. Therefore the deferred tax asset attributable to tax losses has been recognised in the statement of financial position as at 31 March 2017.

The movement on the deferred taxation account is as follows:

	GROUP		COMPANY	
	2017	2016	2017	2016
	Sh'000	Sh'000	Sh'000	Sh'000
At beginning of year- As previously reported	1,133,326	1,240,103	550,157	600,197
Prior year adjustments (note 36)	-	(98,374)	-	(59,185)
Taxation (credit)/charge (note 9a)				
-current year (credit)/charge	(126,284)	52,285	(25,196)	69,529
-Prior year over provision	(4,635)	(60,688)	(2,107)	(60,384)
Deferred taxation on revaluation loss dealt with through other comprehensive income	(413)	-	-	-
At end of year	<u>1,001,994</u>	<u>1,133,326</u>	<u>522,854</u>	<u>550,157</u>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2017 Sh'000	2016 Sh'000	2017 Sh'000	2016 Sh'000
28 SERVICE GRATUITY PROVISION				
At beginning of year	261,618	227,662	96,909	84,557
Provision during the year	68,791	49,881	24,662	18,289
Payments in the year	(19,969)	(15,925)	(6,472)	(5,937)
	<u>310,440</u>	<u>261,618</u>	<u>115,099</u>	<u>96,909</u>

29 BORROWINGS

a) Loans

Asset finance loan	<u>156,432</u>	<u>205,766</u>	<u>156,432</u>	<u>205,766</u>
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The borrowings are repayable as follows:

On demand and within one year	66,824	65,743	66,824	65,743
On demand and within 2 to 5 years	89,608	140,023	89,608	140,023
	<u>156,432</u>	<u>205,766</u>	<u>156,432</u>	<u>205,766</u>

Analysis of borrowings by currency

GROUP

	Borrowings in KES Sh'000	Borrowings in USD Sh'000	Total Sh'000
2017			
Asset finance loan	-	156,432	156,432
	<u> </u>	<u> </u>	<u> </u>
2016			
Asset finance loan	-	205,766	205,766
	<u> </u>	<u> </u>	<u> </u>

b) Interest rates

	2017	2016
The average interest rates paid by the Group were as follows:		
Asset finance Loan- US\$	7.5%	7.5%
	<u> </u>	<u> </u>

c) Details of securities for loans and bank overdrafts

The loan facilities with Barclays Bank of Kenya Limited are secured by:

GROUP

1. Joint and several debentures between Kaimosi Tea Estates Limited and Williamson Tea Kenya Limited to Barclays Bank of Kenya Limited stamped and registered to cover Sh 104 million.
2. Legal mortgage over LR Nos. 1892, 1893, 1894, 1895, 1896 and 1899 (Kaimosi Tea Estates) registered and stamped to cover Sh 104 million supplemental to the debenture.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 BORROWINGS (Continued)

c) Details of securities for loans and bank overdrafts (Continued)

GROUP (Continued)

3. Fixed and Floating debenture in the bank's standard form covering the assets of Kaimosi tea Estates Ltd, Williamson Tea Kenya Ltd and Tea Properties Ltd registered and stamped to cover Sh 318,876,140
4. Charge over Property Title No. 1989 Kaimosi, 1896 Kaimosi, 1895 Kaimosi, 1894 Kaimosi, 18nnnjhjmhm99 Kaimosi and 1892 Kaimosi in the name of Kaimosi Tea Estates Ltd registered and stamped to cover Sh 318,676,140

COMPANY

1. Joint and several debentures between Kaimosi Tea Estates Limited and Williamson Tea Kenya Limited to Barclays Bank of Kenya Limited stamped and registered to cover KSh 104 million.
2. Legal mortgage over LR Nos. 1892, 1893, 1894, 1895, 1896 and 1899 (Kaimosi Tea Estates) registered and stamped to cover KSh 104 million supplemental to the debenture.
3. Fixed and Floating debenture in the bank's standard form covering the assets of Kaimosi tea Estates Ltd, Williamson Tea Kenya Ltd and Tea Properties Ltd registered and stamped to cover Sh 318,876,140
4. Charge over Property Title No. 1989 Kaimosi, 1896 Kaimosi, 1895 Kaimosi, 1894 Kaimosi, 1899 Kaimosi and 1892 Kaimosi in the name of Kaimosi Tea Estates Ltd registered and stamped to cover Sh 318,676,140

d) Undrawn facilities

The Group had undrawn committed borrowing facilities with various bankers amounting to Sh 320,278,000 Sh (2016 – Sh 264,437,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

	GROUP		COMPANY	
	2017 Sh'000	2016 Sh'000	2017 Sh'000	2016 Sh'000
30 TRADE AND OTHER PAYABLES				
Trade payables	73,188	112,546	21,521	41,778
Leave provision	37,311	31,844	19,805	17,160
Accruals and other payables	654,635	398,448	249,438	145,909
	<u>765,134</u>	<u>542,838</u>	<u>290,764</u>	<u>204,847</u>
31 DIVIDENDS PAYABLE				
			2017 Sh'000	2016 Sh'000
GROUP & COMPANY				
At beginning of the year			-	4,308
Declared in the year				
- Final			350,253	350,253
Dividends paid			(317,250)	(354,561)
At end of year			<u>33,003</u>	<u>-</u>

WILLIAMSON TEA KENYA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)

	GROUP		COMPANY	
	2017	2016	2017	2016
	Sh'000	Sh'000	Sh'000	Sh'000
32 NOTES TO THE CASH FLOW STATEMENT				
(a) Reconciliation of (loss)/profit before taxation to cash generated from operations				
(Loss)/profit before taxation	(351,944)	586,609	21,211	286,575
Adjustments for:				
Depreciation	373,445	456,975	167,605	189,054
Amortisation of prepaid operating leases	84	84	13	13
Amortisation of intangible assets	2,313	2,265	1,162	1,374
Impairment charge	12,749	-	-	-
Loss/(gain) on disposal of plant and equipment	(2,081)	(1,478)	(6)	1,378
Share of results of associates	20,480	(41,971)	-	-
Dividends received from other investments	(260)	(628)	-	(348)
Dividends received from subsidiaries	-	-	(92,598)	(16,627)
Fair value adjustment on biological assets	(4,130)	(45,505)	(23,554)	(18,466)
Fair value gain on investment properties	(15,500)	(15,000)	(15,500)	(15,000)
Exchange differences on asset finance loans (note 32(b))	2,864	22,390	2,864	22,390
Interest paid	15,706	19,689	14,048	18,030
Interest received	(63,269)	(101,963)	(61,404)	(98,844)
	(9,543)	881,467	13,841	369,529
Working capital changes:				
Decrease/(increase) in inventories	269,205	(306,439)	59,942	(53,348)
Increase in trade and other receivables	(80,061)	(145,020)	(4,977)	(56,828)
Decrease in trade and other payables	222,296	277,025	85,917	87,954
Movement in related party balances	6,992	(19,091)	(69,292)	5,314
Movement in loans to subsidiaries	-	-	-	107,000
Increase in service gratuity provision	48,822	33,956	18,190	12,352
Cash generated from operations	457,711	721,898	103,621	471,973
(b) Analysis of changes in asset finance loan				
At beginning of year	205,766	231,265	205,766	231,265
Loan received	-	-	-	-
Asset finance loans repaid	(52,198)	(47,889)	(52,198)	(47,889)
Exchange losses (note 32(a))	2,864	22,390	2,864	22,390
At end of year (note 29)	156,432	205,766	156,432	205,766
(c) Analysis of cash and cash equivalents				
Cash and bank balances	290,360	466,286	131,663	264,880
Short term deposits (note 24)	659,354	775,331	643,871	753,743
At 31 March	949,714	1,241,617	775,534	1,018,623

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired, less advances from banks repayable within three months from the date of the advance.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 RELATED PARTY TRANSACTIONS

The Group transacts with the ultimate holding company, George Williamson & Co Limited and other companies which are also subsidiaries of George Williamson & Co Limited.

During the year, the following transactions were entered into with related parties:

	2017 Sh'000	2016 Sh'000
Royalties and licences (George Williamson & Co Limited – parent)	103,517	99,908
Agency commission and charges received (Kapchorua Tea Company Limited – associate)	48,111	47,790
Green leaf purchases from Kapchorua Tea Company Limited	-	11,821
	<u> </u>	<u> </u>

Compensation of key management personnel

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

Directors' emoluments

Salaries and and other short term benefits	34,634	25,729
Fees and allowances for services as directors	12,458	13,591
	<u> </u>	<u> </u>
	47,092	39,320
	<u> </u>	<u> </u>

Key management remuneration

Salaries and other benefits	92,205	74,054
	<u> </u>	<u> </u>

34 CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Authorised but not contracted for	15,631	50,178	13,807	20,607
Authorised and contracted for	183,440	230,289	70,126	112,399
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	199,071	280,467	83,933	133,006
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Capital commitments include purchase of various machines for production purposes. The Group intends to finance these commitments from internally generated funds, asset financing from the banks and loans from overseas Shareholders.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 OPERATING LEASE COMMITMENTS

The Group as a lessee

Property rental expense incurred during the year amounted to Sh 7,400,000 (2016 – Sh 6,897,111). At the end of the reporting period the Group had outstanding commitments under operating leases which fall due as follows:

	2017 Sh'000	2016 Sh'000
Within one year	3,090	4,917
In the second to fifth years inclusive	-	1,248
	<u>3,090</u>	<u>6,165</u>

The Group as a lessor

Property rental income earned during the year amounted to Sh 1,620,000 (2016 – Sh 1,500,000). At the end of the reporting period, the Group had contracted with tenants for the following future lease receivables.

	2017 Sh'000	2016 Sh'000
Within one year	1,879	1,620
In the second to fifth years inclusive	2,030	-
	<u>3,909</u>	<u>1,620</u>

Leases are negotiated for an average term of six years for both residential properties and non-residential properties, and rentals are reviewed annually. The leases are cancellable with no penalty when the tenants give three months' notice to vacate the premises.

36 RESTATEMENT OF PRIOR YEAR BALANCES

During the year, the Group adopted the amendments to International Accounting Standard (IAS) 41, *Agriculture*, and IAS 16, *Property, Plant and Equipment*, which are effective for annual periods beginning on or after 1 January 2016. These amendments were issued by International Accounting Standards Board (IASB) and are required to be applied retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Consequently, the company has amended its accounting policies as required by IAS 8 and, retrospectively adjusted the amounts reported in the prior year financial statements to comply with the amendments. The restatements have been applied with effect from 1 April 2015, being the beginning of the earliest period presented in these first financial statements.

The key amendment involves distinguishing bearer plants from biological assets and requiring that the bearer plants be accounted for under the scope of IAS 16 for purposes of recognition, measurement and disclosures in the financial statements. A bearer plant is defined as a plant that:

- a) is used in the production or supply of agricultural produce;
- b) is expected to bear produce for more than one period; and
- c) has a remote likelihood of being sold as agricultural produce, except for scrap sales.

Bearer plants are solely used to grow produce over their productive lives and are seen to be similar to an item of machinery and therefore should be treated similar to property, plant and equipment of a company. The produce growing on bearer plants will however continue to be measured at fair value less cost to sell under IAS 41, *Agriculture*.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 RESTATEMENT OF PRIOR YEAR BALANCES (Continued)

Impact of the amendments:

The Group's tea bushes meet the definition of bearer plants above and have therefore been reclassified as bearer plants to the Group's property and equipment (Note 13). The tea bushes are now accounted for as property plant and equipment and depreciated over their useful lives as disclosed in Note 1. Fuel and timber trees do not meet the definition of bearer plants and have therefore retained the classification as biological assets together with un-harvested agricultural produce (green leaf) as disclosed in Note 20. As permitted by the transition provisions, the company has used the fair value of the bearer plants as at 1 April 2015 as their deemed cost as at that date.

The impact to the financial statements line items from the retrospective application of the revised IAS 16 and IAS 41 are disclosed below:

a) Effect of IAS 16 and IAS 41 amendments adoption - Statement of profit or loss and other comprehensive income

Group	As at 31 March 2016 (as previously reported) Sh'000	Prior year adjustment Sh'000	Notes	As at 31 March 2016 (as restated) Sh'000
Cost of sales	2,395,072	174,569	(i)	2,569,641
Gain arising from changes in fair values of biological assets	(174,046)	128,541	(ii)	(45,505)
Income tax expense	202,236	(98,374)	(iii)	103,862
Share of results of associate	(92,697)	50,726	(v)	(41,971)
	<u>=====</u>	<u>=====</u>		<u>=====</u>
Net effect on statement of profit or loss and other comprehensive income		255,462	(iv)	
	<u>=====</u>	<u>=====</u>		<u>=====</u>
Profit before taxation	940,445	(353,836)	(vi)	586,609
	<u>=====</u>	<u>=====</u>		<u>=====</u>
Profit for the year	738,209	(255,462)	(iv)	482,747
	<u>=====</u>	<u>=====</u>		<u>=====</u>
Company				
Cost of sales	834,355	66,934	(i)	901,289
Gain arising from changes in fair values of biological assets	(142,990)	124,524	(ii)	(18,466)
Income tax expense	83,881	(59,185)	(iii)	24,696
Net effect on statement of profit or loss and other comprehensive income			(iv)	
		<u>=====</u>		<u>=====</u>
		132,273		
	<u>=====</u>	<u>=====</u>		<u>=====</u>
Profit before taxation	478,033	(191,458)	(vi)	286,575
	<u>=====</u>	<u>=====</u>		<u>=====</u>
Profit for the year	394,192	(132,273)	(iv)	261,879
	<u>=====</u>	<u>=====</u>		<u>=====</u>

Notes on the adjustments:

- (i) Being adjustment to recognise depreciation on bearer plants and write back cost of tea bushes uprooted in 2016.
- (ii) Being adjustment to derecognise fair value gain that was reported in the financial year ended 31 March 2016.
- (iii) Being tax effects of the above adjustments.
- (iv) Being net overall effect of the adjustments.
- (v) Being adjustment to recognise the share of restated profit of the associate company
- (vi) Being net overall effect before taxes.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 RESTATEMENT OF PRIOR YEAR BALANCES (Continued)

b) Effect of IAS 16 and IAS 41 amendments adoption - Statement of financial position

Group

	As at 1 April 2015 (as previously reported) Sh'000	Prior year adjustment Sh'000	Notes	As at 1 April 2015 (as restated) Sh'000
Non-current assets				
Biological assets	2,574,063	(1,967,571)	(vii)	606,492
Property, plant and equipment	2,182,475	1,940,866	(vii)	4,123,341
Current assets				
Biological assets	-	26,704	(vii)	26,704
	=====	=====		=====

Company

Non-current assets				
Biological assets	1,003,830	(774,337)	(vii)	229,493
Property, plant and equipment	1,313,400	762,276	(vii)	2,075,676
Current assets				
Biological assets	-	12,061	(vii)	12,061
	=====	=====		=====

c) Effect of IAS 16 and IAS 41 amendments adoption - Statement of financial position

Group

	As at 31 March 2016 (as previously reported) Sh'000	Prior year adjustment Sh'000	Notes	As at 31 March 2016 (as restated) Sh'000
Non-current assets				
Biological assets	2,774,565	(2,123,221)	(viii)	651,344
Property, plant and equipment	2,010,403	1,787,746	(viii)	3,798,149
Current assets				
Biological assets	-	32,290	(viii)	32,290
Non-current liabilities				
Deferred tax liabilities	1,231,700	(98,374)	(viii)	1,133,326
Equity				
Retained earnings	5,865,369	(242,628)	(ix)	5,622,741
Non controlling interest	219,191	(12,834)	(ix)	206,357
	=====	=====		=====

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 RESTATEMENT OF PRIOR YEAR BALANCES (Continued)

c) Effect of IAS 16 and IAS 41 amendments adoption - Statement of financial position (Continued)

Company

	As at 31 March 2016 (as previously reported) Sh'000	Prior year adjustment Sh'000	Notes	As at 31 March 2016 (as restated) Sh'000
Non-current assets				
Biological assets	1,154,346	(907,964)	(viii)	246,382
Property, plant and equipment	1,223,563	702,334	(viii)	1,925,897
Current assets				
Biological assets	-	14,102	(viii)	14,102
Non-current liabilities				
Deferred tax liabilities	609,342	(59,185)	(viii)	550,157
Equity				
Retained earnings	<u>3,228,416</u>	<u>(132,273)</u>	(ix)	<u>3,096,143</u>

Notes on the adjustments:

- (vii) Being adjustments to reclassify bearer plants and agricultural produce (tea leaf) from biological assets as at 1 April 2015 to property, plant and equipment and as current assets respectively.
- (viii) Being the effect of the adjustments described in (vii) above and associated effects on the figures reported in the year ended 31 March 2016.
- (ix) Being effects of the adjustments described in note (a) above.

37 CONTINGENT LIABILITIES

The Group is exposed to various contingent liabilities in the normal course of business. The directors evaluate the status of these exposures on a regular basis based on advice from the company's legal advisors to assess the probability of the company incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established.

38 CAPITAL MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 29, cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38 CAPITAL MANAGEMENT (Continued)

	GROUP	
	2017 Sh'000	2016 Sh'000 Restated
Share capital	87,563	87,563
Retained earnings	5,110,096	5,622,741
Revaluation surplus	718,612	797,676
	<hr/>	<hr/>
Equity	5,916,271	6,507,980
	<hr/>	<hr/>
Total borrowings	156,432	205,766
Less: cash and cash equivalents	(949,714)	(1,241,617)
	<hr/>	<hr/>
Net debt	(793,282)	(1,035,851)
	<hr/>	<hr/>
Gearing	Nil	Nil
	<hr/>	<hr/>

39 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. Risk management is carried out by the finance department under policies approved by the Board of Directors. Finance department identifies, evaluates and hedges financial risks as appropriate. The Board guidance on the overall risk management, as well as director's policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

Financial risks arising from use of financial instruments

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

- credit risk;
- liquidity risk and
- market risk.

Credit risk

Credit risk is managed on a Group-wide basis. Credit risk arises from cash and cash equivalents, deposits with banks, as well as trade receivables. The credit risk on liquid funds and bank balances is limited because the counter parties are banks with high credit ratings assigned by international credit rating agencies. The Group management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 FINANCIAL RISK MANAGEMENT (continued)

Financial risks arising from use of financial instruments (continued)

Credit risk (continued)

The amount that best represents the Group's maximum exposure to credit risk as at 31 March 2017 is made up as follows:

	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000	Total Sh'000
Trade receivables	1,134,231	1,326	1,326	1,138,748
Provision for impairment	-	-	(1,326)	(1,326)
	1,134,231	1,326	-	1,137,422
Short term bank deposits	659,354	-	-	659,354
Due from associate company	8,580	-	-	8,580
Bank balances	290,360	-	-	290,360
	2,092,525	1,326	-	2,095,716

The amount that best represents the Group's maximum exposure to credit risk as at 31 March 2016 is made up as follows:

	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000	Total Sh'000
Trade receivables	917,761	3,632	838	922,231
Provision for impairment	-	-	(838)	(838)
	917,761	3,632	-	921,393
Short term bank deposits	775,331	-	-	775,331
Due from associate company	12,720	-	-	12,720
Bank balances	466,286	-	-	466,286
	2,172,098	3,632	-	2,175,730

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

The receivables that are past due relate to trade receivables overdue by over 60 days. The receivables are not impaired and continue to be paid. The finance department is actively following these receivables. No collateral is held with respect to the debt. The debt that is overdue is not impaired and continues to be paid. The finance department is actively following this debt. The debt that is impaired has been fully provided for. However, the finance department are following up on the impaired debt.

Apart from the concentration of credit risk from the Group's exclusive marketing agent, the Group does not have a significant credit risk exposure to any other single counter party or group of related counterparties. The proportion of balances due from the Group's main agent in relation to other debtors is 99% (2016 - 99%).

Liquidity risk

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

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

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 FINANCIAL RISK MANAGEMENT (continued)

Financial risks arising from use of financial instruments (continued)

Liquidity risk (continued)

	Up to 1 month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
Financial liabilities						
At 31 March 2017						
Trade payables	69,968	1,300	1,920	-	-	73,188
Borrowings	-	-	66,824	89,608	-	156,432
	<u>69,968</u>	<u>1,300</u>	<u>68,744</u>	<u>89,608</u>	<u>-</u>	<u>229,620</u>
At 31 March 2016						
Trade payables	112,546	-	-	-	-	112,546
Borrowings	-	-	65,743	140,023	-	205,766
	<u>112,546</u>	<u>-</u>	<u>65,743</u>	<u>140,023</u>	<u>-</u>	<u>318,312</u>

Market risk

(i) Foreign exchange risk

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

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

	USD Sh'000	GBP Sh'000	EURO Sh'000
2017			
Financial assets			
Bank and cash balances	257,906	52,126	3,505
Trade receivables	831,589	181,982	22,111
Financial liabilities			
Trade payables	(8,593)	(1,481)	-
Net assets	<u>1,080,902</u>	<u>232,627</u>	<u>25,616</u>

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

(i) Foreign exchange risk (Continued)

	USD Sh'000	GBP Sh'000	EURO Sh'000
2016			
Financial assets			
Bank and cash balances	308,492	38,120	3,505
Trade receivables	695,102	177,968	39,981
Financial liabilities			
Trade payables	(30,483)	(1,481)	-
Net assets	<u>973,111</u>	<u>214,607</u>	<u>43,486</u>

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

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

	2017 Sh'000		2016 Sh'000	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
Currency - GB pounds				
+ 1 percentage point movement	300	210	986	690
- 1 percentage point movement	(300)	(210)	(986)	(690)
Currency - US dollars				
+ 1 percentage point movement	1,113	779	312	218
- 1 percentage point movement	(1,113)	(779)	(312)	(218)
Currency - Euro				
+ 1 percentage point movement	28	20	50	35
- 1 percentage point movement	<u>(28)</u>	<u>(20)</u>	<u>(50)</u>	<u>(35)</u>

(iii) Interest rate risk

Interest rate risks arise from fluctuations in the bank borrowing rates. The interest rates vary from time to time depending on the prevailing economic circumstances. The Group closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes.

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

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

WILLIAMSON TEA KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Interest rate risk (Continued)

	2017 Sh'000		2016 Sh'000	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
+ 1 percentage point movement	476	333	823	705
- 1 percentage point movement	(476)	(333)	(823)	(705)
	=====	=====	=====	=====

Financial risks arising from involvement in agricultural activity

The Group is exposed to financial risks arising from changes in tea prices. The Group reviews its outlook for tea prices regularly in considering the need for active financial risk management. This is achieved through the marketing agent based in the United Kingdom.

40 SUBSEQUENT EVENTS

No material events or circumstances have arisen between the reporting date and the date of this report.

41 COUNTRY OF INCORPORATION

All the companies in the Group are incorporated and domiciled in Kenya under the Kenyan Companies Act.

42 ULTIMATE HOLDING COMPANY

The immediate holding company is Ngong Tea Holdings Limited, a company incorporated in the United Kingdom. The ultimate holding company is George Williamson & Co Limited, a company incorporated in the United Kingdom.

43 CURRENCY

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