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WILLIAMSON TEA KENYA PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

WILLIAMSON TEA KENYA PLC

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WILLIAMSON TEA KENYA PLC

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty Ninth ANNUAL GENERAL MEETING of the Shareholders will be held at the Nairobi Club, Ngong Road, on Tuesday 25th September 2018 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 2018.

2) To declare a dividend.

3) To re-elect Directors:

    i) In accordance with Article 108 of the Company's Articles of Association, Mr Edward Charles Magor retire by rotation and offers himself for re-election.

    ii) In accordance with Article 108 of the Company's Articles of Association, Mr Philip Magor retires by rotation and offers himself for re-election.

    iii) In accordance with the provisions of Section 769 of the Companies Act 2015, to appoint the following Directors as members of the Audit Committee:

    Mathew Koech
    James Patrick Brooks

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.

BY ORDER OF THE BOARD

Gilbert K Masaki

SECRETARY

31 July 2018

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 PLC

CORPORATE INFORMATION

DIRECTORS	E N K Wanjama	- Chairman
	A L Carmichael*	- Managing Director
	S N Thumbi	- Farm Director
	P Magor*	
	J P Brooks	
	E C Magor*	
	M Koech	
	* British	
BOARD COMMITTEES		
Governance &Audit Committee	M Koech – Chairman	
	J P Brooks	
Nominating Committee	E N K Wanjama	- Chairman
	A L Carmichael	- Managing Director
	P Magor*	- Non Executive Director
Staff &Remuneration Committee	E N K Wanjama	- Chairman
	A L Carmichael*	- Managing Director
	P Magor *	- 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 PLC

FINANCIAL HIGHLIGHTS - CONSOLIDATED

		2018	2017	2016	2015	2014
Tea Production						
Area under tea Hectare		2,102	2,128	2,127	2,112	2,129
Made tea - own	'000 Kgs	7,997	6,987	8,145	6,879	7,603
- bought leaf	'000 Kgs	8,023	7,951	8,301	6,925	8,365
Total	'000 Kgs	16,020	14,938	16,446	13,804	15,968
Tea sold	'000 Kgs	15,514	16,603	15,057	13,762	16,314
Average price per Kg gross Sh/Ct		256/97	201/74	222/37	184/68	211/59
Turnover (Sh'000)		3,984,971	3,416,340	3,386,015	2,590,416	3,512,086
Profit (Sh'000)						
Profit/(loss) before taxation		810,056	(351,944)	586,609	(298,565)	1,041,033
Taxation (charge)/credit		(307,287)	90,351	(103,862)	70,929	(300,312)
Profit/(loss) after taxation		502,769	(261,593)	482,747	(227,636)	740,721
Attributable to:						
Non - controlling interests		34,634	(21,099)	19,570	(19,529)	28,341
Equity holders of the parent		468,135	(240,494)	463,177	(208,107)	712,380
Profit/(loss) for the year		502,769	(261,593)	482,747	(227,636)	740,721
Capital employed (Sh'000)						
Assets (Sh'000)						
Property, plant & equipment		3,968,782	3,614,543	3,798,149	4,123,341	1,794,297
Investments and long term receivables		1,175,988	1,075,903	1,101,277	1,052,572	1,006,201
Biological assets		703,168	660,562	651,344	606,492	3,019,259
Current assets		3,657,136	3,013,119	3,380,625	2,776,153	2,719,443
Total assets		9,505,074	8,364,127	8,931,395	8,558,558	8,539,200
Medium and short term borrowings		97,482	156,432	205,766	231,265	180,291
Service gratuity		297,969	310,440	261,618	227,662	198,826
Other current liabilities		1,164,891	800,989	616,348	276,492	322,353
Deferred income taxes		1,097,375	1,001,994	1,133,326	1,240,103	1,257,203
Total liabilities		2,657,717	2,269,855	2,217,058	1,975,522	1,958,673
Net assets		6,847,357	6,094,272	6,714,337	6,583,036	6,580,527

WILLIAMSON TEA KENYA PLC

FINANCIAL HIGHLIGHTS (Continued)

		2018	2017	2016	2015	2014
Financed by (Sh'000)						
Share capital		87,563	87,563	87,563	43,782	43,782
Reserves		6,547,159	5,828,708	6,420,417	6,351,274	6,322,742
Equity holders of parent company		6,634,722	5,916,271	6,507,980	6,395,056	6,366,524
Non – controlling interest		212,635	178,001	206,357	187,980	214,003
		6,847,357	6,094,272	6,714,337	6,583,036	6,580,527
Earnings/(loss) per share	Sh	27.86	(13.73)	26.45	(11.88)	40.68
Dividend per share	%	400	200	400	800	140
Dividend per share	Sh	20	10	20	40	7.00
Dividend cover	Times	2.32	(2.75)	2.65	(0.59)	11.62
Closing exchange rates	US $	100.84	103.00	101.33	92.34	86.44
	UK £	142.31	128.83	145.31	136.45	143.81

CHAIRMAN'S STATEMENT

RESULTS

The Group reported a profit of Sh 503 million compared to the loss of Sh 262 million reported last year. Please refer to pages 23 and 24 of the consolidated financial statements. It is worth reiterating that as of last year the revised IAS 16 is in force which now classifies all tea plants as bearer plants rather than biological assets and depreciates the same over their anticipated useful life.

Farms during the year

Crops

We wrote at the end of last year that the country, not simply Western Kenya and tea farms had experienced a prolonged dry spell which carried on through March 2017. This, as the weathermen describe, is a phenomenon known as El Nino with patterns of oceans cooling then warming giving rise to La Nina.

The dry weather in March 2017 suppressed the end of financial year crops and prices had duly begun to rise.

It is never easy to catch up on annual crops that have suffered drought conditions but catch up we did. Heavy and prolonged rain followed the drought accompanied by decent temperatures. In real, if simplistic terms, all plants require water, light and some temperature to grow.

The steady and prolonged rain in particular held for much of the calendar year giving way to another hot dry spell for two months at the start of 2018. Almost a perfect combination for crops to grow and prices to improve.

Since the beginning of March 2018 yet another unusually wet spell commenced which has effected the whole country to date, sometimes with catastrophic consequences. Unpredictable weather conditions appear to be more frequent than they were, say 30 years ago. Longer dry spells, no rain, does equate to no shoot growth in the tea plant, and frequent and prolonged wet spells usually accompanied by lower temperatures also contributes to suppressed growth.

Cost of Production

We are relieved and grateful the Court of Appeal ruling on the 2014/15 CBA was broadly in line with country inflation and not as demanded by the Union and Labour courts. Whilst our Association has signed the paperwork, the Union are yet to sign. However, our belief is the Appeal Court ruling is binding. The years of 2016/17 and 2018/19 remain unresolved as I write. Wage levels are the largest contributor to our cost of production so the outcome of the negotiations remain critical.

Our workforce are the critical component in successfully operating and managing our farms. They are loyal, supportive and strong and whilst they must continue to be represented by a Union, it is becoming highly questionable that their needs, which include swift resolutions and reasonable and commercially sustainable wage increases, are being met.

We witnessed a great show of wisdom and loyalty when Union leaders embarked on a series of illegal wildcat strikes in October/November 2018. Whilst violence and life threatening activities were commonplace on our neighbours' farms, our own farms, wherever possible resolutely worked on, often in the face of Union intimidation, the Union paid to be their representatives. This was a considerable statement to have made by our workers and one that exemplified the Union being out of touch with much of their membership.

This show of courage and loyalty in very difficult circumstances was of course supported by our small holders, who remain an incredibly positive and increasingly valuable partner with their absolute knowledge that the small farmer model is one of great strength and offers continued optimism for the future.

Our management and staff also deserve the highest praise for their fortitude and courage in extremely tense and testing times.

Cost of Production (Continued)

Various taxes and cess demands from County governments continue to be discussed, sometimes levied, sometimes challenged through the courts. All these events come at a cost, very often a human cost which also stretch and challenge the commercial viability of your company. Yes, we have just witnessed a profitable year. But it follows a year when losses were made and the very nature of agricultural farming businesses dictates that supply and demand determine prices. Supply is subject to good practice in part, but more so the weather situation, totally out of our control. With the vagaries of supply so demand and therefore prices rise and fall. It is not a business for the faint hearted. We have tried throughout the years to maintain a strong and steady presence, and we will continue to do our best to continue this.

We are very concerned and disappointed that the power supply to all of your factories, and in particular, Kaimosi has fallen woefully short of even reasonable standards. Erratic supply is as damaging as no supply and the empty promises delivered by KPLC indicate a very troubling and utterly unacceptable situation as we go forward.

For your company a real and significant commercial danger, for the wider world of Kenya tea production a hand brake on development and progress.

General

The Group recorded crop of 16 million kgs. This was a satisfactory increase over the previous year crop of 14.9 million kgs.

Once again, we warmly recognize the contributions made by our smallholder partners. Their green leaf is sold on a willing buyer/willing seller model. Their green leaf is paid for based upon a pre-published monthly figure and a quarterly bonus payment depending upon tea market conditions.

We work continuously in not only trying to improve the quality of our own green leaf but also that of our smallholders. The ancient adage of "good tea is better value" can only be accomplished with the correct standard of green leaf. The quality and therefore the value of the green leaf decreases with the length of the shoot plucked. Whilst a balance between quality and commercial harvesting must be struck, productivity is integral to any commercial enterprise, only teas that are attractive to the market will be saleable.

Harvesting green leaf that is too long, by industry standards, and which contains a disproportionate percentage of stem and hard leaves below the second leaf will be be at best only discounted below market rates. We must therefore manage our fields and smallholder dialogue so that good tea can be made, though I would add it can also be spoiled in a poorly run factory.

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.

General (Continued)

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.

Markets

In the final month of the financial year we re-entered the Mombasa auction. We are utilizing two auction brokers each responsible to sell tea from two farms. So far so good, with decent returns and good demand for the teas being printed.

Subject to crop levels and unforeseen circumstance, our policy is to print invoices for sale every week.

There are clear advantages in cash flow with account sales on a ten -day prompt and we also believe that by marketing our teas to a wide auction audience we will generate more demand.

Mombasa auction is the primary global export market for tea. The volumes produced in Kenya and the equatorial climate ensures 12 months production. This in turn attracts buyers who increasingly operate off very low stock levels, aware that regular offerings for sale are available through the auction.

There have been challenges within the Port of Mombasa recently but we are confident there is absolute recognition by the authorities that getting it wrong is not an option and that getting it right is the only solution to maintaining the pre-eminence currently enjoyed by Kenya in the global tea export market.

We have invested in more cutting and sorting equipment on all the farms to accommodate the slightly different demands of the majority of auction buyers.

The comments previously relating to green leaf notwithstanding, the ability for a factory to manufacture large volumes of green leaf that has been withered (some moisture loss) is critical to successful operations. Thus by increasing machinery and reducing the risk of overloading that machinery enables efficiencies and improved quality to be obtained.

We remain predominantly a direct sale exporter, servicing our many and long established customers.

During the year and following the dry conditions early in the year, prices appreciated significantly and are largely responsible for the favourable results reported herein.

Market outlook

Crops are currently high, and prices have fallen steadily from the year end. However, with prolonged rain has come lower temperatures as we enter equatorial winter. Thoughts of a bumper year of harvest are probably inaccurate and we can look forward with some cautious optimism that global demand for decent teas will not collapse.

Crystal ball gazing is bad for the health, however we believe that your company's component parts equal strength in a very competitive world and that we remain well equipped to tackle the challenges and unpredictable events that lie ahead.

General Outlook

There remain local dangers to tea farms. With some county governors still aggressively canvassing 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. This has taken a very long time and we hope for good news soon.

DIVIDENDS

In view of the results, the Directors are recommending a final dividend payment of Sh 20 per share (2017: 10 per share), an increase to last year reflecting the results.

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 neighbouring 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

31 July 2018

WILLIAMSON TEA KENYA PLC

STATEMENT OF CORPORATE GOVERNANCE

Corporate Governance is the process and structure used to direct and manage business affairs of the Group and 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 Group and 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 Group and 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 boar 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 2018 held shares in their individual capacity that were more than 2% of the Company's total equity (2018: None). The Directors' interest in the shares of the Company as at 31 March 2018 is summarised below:

Name	Number of Shares
E N K Wanjama	200
	====

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 compromises 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 Group and the Company comply 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.

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 2018 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	649,346	3.71
3.	CTC Global Investment Limited	Mauritius	483,600	2.76
4.	Garot International Limited	Nairobi	475,300	2.71
5.	Amarjeet Baloobhai Chhotabhai Patel & B C Patel	Nairobi	458,158	2.62
6.	Standard Chartered Nominees Ltd A/C 2335	Nairobi	417,600	2.38
7.	Kirtesh P Shah	Nairobi	380,642	2.17
8.	Kanaiyalal Mansukhlal Shah &Lalitaben K Shah	Nairobi	291,566	1.66
9.	Standard Chartered Nominees A/c 9280	Nairobi	172,700	0.99
10.	Bid Plantations Limited	Nairobi	166,700	0.95

Analysis of shareholders

By region:

Region	Number	Shares held	%
Foreign shareholders	84	10,891,252	62.19
Local & East Africa shareholders (Individuals)	1,413	4,605,232	26.30
Local & East Africa shareholders (Institutional)	88	2,016,156	11.51
	1,585	17,512,640	100.00

By shares distribution:

Less than 501	592	125,314	0.72
501-10,000	837	1,972,723	11.26
10,001- 100,000	94	2,566,811	14.54
100,001-1,000,000	12	3,835,464	21.92
Above 1,000,000	1	9,012,328	51.46
	1,585	17,512,640	100.00

E N K Wanjama
Chairman
31 July 2018

A L Carmichael
Director
31 July 2018

WILLIAMSON TEA KENYA PLC

DIRECTORS' REMUNERATION REPORT

The Directors remuneration report sets out the remuneration arrangements for the Directors of Williamson Tea Kenya Plc for the year ended 31st March 2018.

Remuneration policy for Executive and Non-Executive Directors

The Group and the Company seeks to provide remuneration packages that will attract, retain and motivate the right people with the necessary experience and ability to oversee the business. The remuneration package includes salaries, allowances, pension and other non-cash benefits for the executive Directors. The value of benefits provided will be reasonable in the market context and take account of the individual circumstances and benefits provided in comparable roles for companies within the Industry.

The non-executive directors are paid an annual fees plus allowances for attending meetings. The amount of fees reflects the attached responsibility and time commitment. Additional fees are paid for further responsibilities such as visiting the farms and attending other meetings as may be required for the business.
Travel and other costs incurred in the course of performing their duties are reimbursed in cash.

Changes to Director's remuneration

The remuneration package is subject to annual review, which considers both internal and external factors, responsibilities, inflation and company performance.

The auditable part of the Directors' Remuneration Report is as follows:

Directors' remuneration during the year

Non-Executive Directors

Name	2018			2017		
	Fees Sh'000	Sitting & other allowances Sh'000	Total Sh'000	Fees Sh'000	Sitting & other allowances Sh'000	Total Sh'000
Phillip Magor	3,464	48	3,512	3,253	24	3,277
Edward Magor	3,464	72	3,536	3,253	24	3,277
Mathew Koech	600	156	756	600	120	720
ENK Wanjama	900	220	1,120	900	120	1,020
JP Brooks	600	144	744	600	120	720
Total	**9,028**	**640**	**9,668**	**8,606**	**408**	**9,014**

Executive Directors

Name	2018				2017			
	Salaries & allowances Sh'000	Pension Sh'000	Non-cash benefits Sh'000	Total Sh'000	Salaries & allowances Sh'000	Pension Sh'000	Non-cash benefits Sh'000	Total Sh'000
Alan Carmichael	23,891	6,865	10,391	41,147	22,031	6,646	16,065	44,742
Samuel Thumbi	16,133	-	2,557	18,690	14,774	-	2,372	17,146
Total	**40,024**	**6,865**	**12,948**	**59,837**	**36,805**	**6,646**	**18,437**	**61,888**

There were no other sums paid to third parties in respect of directors fees.

Approval of the Directors remuneration report

The Directors confirm that this report has been prepared in accordance with the Kenyan Companies Act 2015, Capital markets Authority (CMA) code of Corporate Governance.

E N K Wanjama
Chairman
31 July 2018

WILLIAMSON TEA KENYA PLC

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of Williamson Tea Kenya Plc (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2018 which show the state of financial affairs of the Group and the Company.

ACTIVITIES

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

GROUP RESULTS FOR THE YEAR

	2018 Sh'000	2017 Sh'000
Profit/(loss) before taxation	810,056	(351,944)
Taxation (charge)/credit	(307,287)	90,351
Profit/(loss) for the year	502,769	(261,593)
Attributable to:		
Owners of the company	487,944	(240,494)
Non-controlling interests	14,825	(21,099)
Profit/(loss) for the year	502,769	(261,593)

DIVIDENDS

The Directors recommend that a first and final dividend of Sh 20 per share (2017 – Sh 10) equivalent to a total sum of Sh 350,252,800 (2017 – Sh 175,126,400) 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.

BUSINESS REVIEW

Performance

The Group recorded a positive performance this year compared to losses last year despite the various challenges encountered during the year ranging from labour issues to climatic changes. The Group crop production went up from last year by 7% from 14.9 million kilos to 16.0 million kilos of made tea. The volumes of tea sold however declined by 7% from 16.6 million kilos sold last year to 15.5 million kilos sold this year. Average tea prices however improved by 26% from Sh 201 per kilo of made tea sold last year to Sh 253 per kilo of tea sold this year. This in turn resulted to an 18% increase in the tea sales reported this year compared to last year.

Principal risks & uncertainties

The Directors constantly review whether the policies and risk management programmes in place are appropriate and effective to manage and minimise the exposure in the long term.
The risks that the Group is exposed to include:

BUSINESS REVIEW (Continued)

- Agricultural risk, which mainly entails climatic changes ranging from drought, floods and other adverse weather conditions that have a significant impact on the crop production. The Group has put in place sound agricultural practices to mitigate this agricultural risk.

- Financial risks which span across the markets and the financial aspects of the Group. These include the market risks, price risk, credit risk, currency risk, foreign exchange fluctuations exposure, liquidity risk, interest rate risk and other regulatory and taxation risks, both national and local, that affect the market and financial sector operations that could have a ripple effect on the Group.

- Operational risks mainly include both internal and external factors that affect the Group processes, personnel, technology and infrastructure. The legal and regulatory requirements plus other generally acceptable standards of corporate behaviour can have a significant impact on the operations of the company. Demands from the Labour Unions giving rise to increased labour costs, land tenure issues that affect the investment decisions of the Group, various internal and external political risks, and different levels of governance structures that affect the state of the infrastructure among others affect the operations of the Group.

- Environmental and social sustainability risks, which require development of policies and practices, that promote co-existence of the Group with both internal and external stakeholders. The Group continues to be actively and seriously involved in Corporate Social responsibilities with the local communities and preserve the environment as a critical aspect of sustainability and growth and has recently won a prestigious environmental award.

The Directors recognise the long-term nature of the business, its risks and uncertainties and retain a clear commitment to progress with emphasis on the human capital, which remains the most prized asset of the Group. The Directors and the management team continuously explore new ideas in order to fit in with the changing environment as they focus on enhancing shareholder value.

More details on the business review have been covered under the Chairman's Statement on pages 6 to 10 and Statement of Corporate Governance on pages 11 to 13.

DIRECTORS' STATEMENT AS TO INFORMATION GIVEN TO AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance provisions of section 719 (2) of the Kenyan Companies Act, 2015. The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditors' appointment and the related fees.

BY ORDER OF THE BOARD

G K Masaki

SECRETARY

31 July 2018

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 31 July 2018 and signed on its behalf by:

E N K Wanjama Chairman	A L Carmichael Managing Director

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIAMSON TEA KENYA PLC

Report on the Audit of the Consolidated and Company Financial Statements

Opinion

We have audited the consolidated and company financial statements of Williamson Tea Kenya Plc, (the "Company") and its subsidiaries (together, "the Group"), set out on pages 23 to 89, which comprise the consolidated and company statements of financial position as at 31 March 2018, and the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and company financial statements give a true and fair view of the consolidated and company financial position of the Group and Company as at 31 March 2018, and the consolidated and company financial performance and consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the audit of the consolidated and company financial statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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.

This matter was 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 this matter.

Report on the Audit of the Consolidated and Company Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation and measurement of biological assets Significant judgements and estimates are required by the Directors in determining the valuation and measurements of the biological assets. The assumptions and uncertainties involved in these estimates and significant judgments could have a material impact on the financial position and the results of the Group and Company and therefore the related valuation and measurement of biological assets is a key audit matter. At the end of year, the carrying value of the biological assets amounted to Sh 703,168,000 (2017 – Sh 660,562,000) and Sh 348,962,000 (2017 – Sh 271,272,000) for the Group and the Company respectively as disclosed in note 20 of the financial statements. The Group's and the Company's biological assets comprise fuel and timber plantations, which are the growing agricultural produce on bearer plants, and are measured at fair value less costs to sell. As disclosed in note 20 to the financial statements, significant assumptions and estimates are made in determining the fair value of the biological assets. The most significant assumptions and estimates include expected future market prices, 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 significant judgment by the Directors and any uncertainty could lead to material adjustments to the financial statements.	We focused our attention on the significant assumptions, estimates and key judgments made by Directors by performing the following: We assessed the competence and objectivity of the management'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 model 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 the Directors' financial and operational information and external sources, to assess the accuracy, reliability and completeness thereof. We checked the consistency of application of the fair value approaches and models over the years. We evaluated the sufficiency and accuracy of the disclosures in the notes of the consolidated and company financial statements. Based on our audit procedures, we found that the models used for the valuation of the biological assets to be appropriate and reasonable. In addition, the disclosures in the financial statements pertaining to the valuation and measurement of biological assets were found to be appropriate.

Other information

The Directors are responsible for the other information. The other information comprises Notice to the Annual General Meeting, Financial Highlights, Chairman's Statement, Statement of Corporate Governance, Directors' Remuneration Report and Report of the Directors which were obtained prior to the date of this auditors' report. The other information does not include the consolidated and company financial statements and our auditors' report thereon. Our opinion on the consolidated and company financial statements does not cover the other information and we do not express 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 identified above 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 auditors' 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.

Report on the Audit of the Consolidated and Company Financial Statements (Continued)

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, 2015, and for such internal control as the 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 the Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the the Company and its subsidiaries or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 ISAs 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 skepticism 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 the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.

- 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 entities or business activities within the Group to express an opinion on the consolidated and company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on the Audit of the Consolidated and Company Financial Statements (Continued)

Auditors' responsibilities for the audit of the consolidated and company financial statements (Continued)

We communicate with the Directors 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 Directors with a statement that we have complied with 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 Directors, 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 key audit matters. We describe these matters in our auditors' 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 matters prescribed by the Kenya Companies Act, 2015

Report of the Directors

In our opinion, the information given in the Report of the Directors on pages 16 to 17 is consistent with the consolidated and company financial statements.

Directors' Remuneration Report

In our opinion, the auditable part of the Directors' Remuneration report presented on pages 14 to 15 has been prepared in accordance with the Kenyan Companies Act, 2015.

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

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi, Kenya

7 August **2018**

WILLIAMSON TEA KENYA PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 Sh' 000	2017 Sh' 000
TURNOVER	4(e)	3,984,971	3,416,340
FAIR VALUE GAINS/(LOSSES):			
- Timber trees	20	(46,604)	(12,482)
- Firewood	20	84,358	17,594
		4,022,725	3,421,452
COST OF SALES		(2,688,551)	(3,336,589)
GROSS PROFIT		1,334,174	84,863
OTHER INCOME	5	15,770	30,715
DISTRIBUTION COSTS		(476,086)	(316,741)
ADMINISTRATIVE EXPENSES		(175,469)	(155,887)
INTEREST INCOME	6	52,781	63,269
FINANCE COSTS	6	(11,647)	(15,706)
NET FOREIGN EXCHANGE GAINS/(LOSSES)		4,704	(21,977)
SHARE OF PROFIT/(LOSS) OF ASSOCIATE COMPANY	17	65,829	(20,480)
PROFIT/(LOSS) BEFORE TAXATION	7	810,056	(351,944)
TAXATION (CHARGE)/CREDIT	9(a)	(307,287)	90,351
PROFIT/(LOSS) FOR THE YEAR	10	502,769	(261,593)
COMPRISING:			
Attributable to the equity holders of the Company:			
Profit/(loss) arising from operating activities		455,080	(246,274)
Gain arising from changes in fair value of biological assets (net of attributable taxation)		32,864	5,780
		487,944	(240,494)
Non - controlling interests:			
Profit/(loss) arising from operating activities	26	21,262	(18,210)
Loss arising from changes in fair value of biological assets (net of attributable taxation)	26	(6,437)	(2,889)
		14,825	(21,099)
PROFIT/(LOSS) FOR THE YEAR		502,769	(261,593)

WILLIAMSON TEA KENYA PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018 (Continued)

	Note	2018 Sh' 000	2017 Sh' 000
PROFIT/(LOSS) FOR THE YEAR		502,769	(261,593)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may not be reclassified subsequently to profit or loss			
Surplus/(deficit) on revaluation of property and equipment		543,808	(1,375)
Deferred tax on revaluation (surplus)/deficit	27	(163,142)	413
Share of gain on property revaluation of associate	17	44,776	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		425,442	(962)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		928,211	(262,555)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the company		487,944	(240,494)
Non - controlling interests	26	14,825	(21,099)
		502,769	(261,593)
OTHER COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Equity holders of the company		405,633	(962)
Non - controlling interests	26	19,809	-
		425,442	(962)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Equity holders of the company		893,577	(241,456)
Non - controlling interests	26	34,634	(21,099)
		928,211	(262,555)
EARNINGS/(LOSS) PER SHARE - Basic	11	27.86	(13.73)

WILLIAMSON TEA KENYA PLC

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

		Note	2018 Sh' 000	2017 Sh' 000
TURNOVER		4(e)	1,466,350	1,119,088
FAIR VALUE GAINS	- Timber trees	20	2,145	2,697
	- Firewood	20	74,003	20,685
			1,542,498	1,142,470
COST OF SALES			(911,384)	(1,111,042)
GROSS PROFIT			631,114	31,428
OTHER INCOME		5	2,102	18,286
DISTRIBUTION COSTS			(172,188)	(103,958)
ADMINISTRATIVE EXPENSES			(50,073)	(54,223)
INTEREST INCOME		6	51,111	61,404
DIVIDEND RECEIVABLE			9,574	92,598
FINANCE COSTS		6	(10,059)	(14,048)
NET FOREIGN EXCHANGE GAINS/(LOSSES)			5,262	(10,276)
PROFIT BEFORE TAXATION		7	466,843	21,211
TAXATION (CHARGE)/ CREDIT		9	(172,148)	18,700
PROFIT FOR THE YEAR		10	294,695	39,911
COMPRISING:				
Attributable to the equity holders of the company:				
Profit arising from operating activities			241,391	23,423
Gain arising from changes in fair value of biological assets (net of attributable taxation)			53,304	16,488
PROFIT FOR THE YEAR			294,695	39,911
OTHER COMPREHENSIVE INCOME				
Items that may not be reclassified subsequently to profit or loss:				
Surplus on revaluation of property and equipment			249,830	-
Deferred tax on revaluation surplus		27	(74,948)	-
TOTAL OTHER COMPREHENSIVE INCOME			174,882	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			469,577	39,911

WILLIAMSON TEA KENYA PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018 Sh'000	2017 Sh'000
ASSETS			
Non- current assets			
Property, plant and equipment	13	3,968,782	3,614,543
Intangible assets	14	1,472	2,623
Prepaid operating leases	15	76,375	76,458
Investment properties	16	435,500	435,500
Investment in associate company	17	661,292	559,973
Unquoted investments	19	1,349	1,349
Biological assets – timber and fuel trees	20	703,168	660,562
		5,847,938	5,351,008
Current assets			
Un-harvested green leaf	20	44,646	31,308
Inventories	21	604,244	489,606
Trade and other receivables	22	2,093,446	1,367,623
Due from associate company	23(a)	57,282	8,580
Corporate tax recoverable	9(c)	-	166,288
Short term bank deposits	24	496,849	659,354
Cash and bank balances	32(c)	360,669	290,360
		3,657,136	3,013,119
Total assets		9,505,074	8,364,127
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25	87,563	87,563
Revaluation surplus		1,085,535	718,612
Retained earnings		5,461,624	5,110,096
Equity attributable to owners of the company		6,634,722	5,916,271
Non – controlling interests	26	212,635	178,001
Total equity		6,847,357	6,094,272
Non- current liabilities			
Deferred tax liability	27	1,097,375	1,001,994
Service gratuity provision	28	297,969	310,440
Borrowings	29	37,417	89,608
		1,432,761	1,402,042
Current liabilities			
Trade and other payables	30	966,180	765,134
Due to associate company	23(d)	6,075	2,852
Borrowings	29	60,065	66,824
Corporate tax payable	9(c)	157,535	-
Dividends payable	31	35,101	33,003
		1,224,956	867,813
		9,505,074	8,364,127

The financial statements on pages 23 to 89 were approved and authorised for issue by the board of directors on 31 July 2018 and were signed on its behalf by:

E N K Wanjama

A L Carmichael

WILLIAMSON TEA KENYAPLC

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 Sh'000	2017 Sh'000
ASSETS			
Non- current assets			
Property, plant and equipment	13	1,995,156	1,840,040
Intangible assets	14	775	1,123
Prepaid operating leases	15	11,695	11,707
Investment properties	16	435,500	435,500
Investment in associate company	17	49,479	49,479
Investment in subsidiary companies	18	109,877	109,877
Unquoted investments	19	546	546
Biological assets – timber and fuel trees	20	348,962	271,272
		2,951,990	2,719,544
Current assets			
Unharvested green leaf	20	19,759	14,274
Inventories	21	267,080	196,313
Trade and other receivables	22	803,490	541,440
Due from associate company	23(a)	57,070	7,661
Due from subsidiary companies	23(b)	130,369	164,942
Corporate tax recoverable	9(c)	-	69,027
Short term bank deposits	24	480,077	643,871
Cash and bank balances	32(c)	208,327	131,663
		1,966,172	1,769,191
Total assets		4,918,162	4,488,735
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25	87,563	87,563
Revaluation surplus		593,915	443,311
Retained earnings		2,962,483	2,818,636
Shareholders' funds		3,643,961	3,349,510
Non- current liabilities			
Deferred tax liability	27	562,250	522,854
Service gratuity provision	28	115,918	115,099
Borrowings	29	37,417	89,608
		715,585	727,561
Current liabilities			
Trade and other payables	30	354,372	290,764
Due to subsidiary companies	23(c)	20,621	21,073
Borrowings	29	60,065	66,824
Dividends payable	31	35,101	33,003
Corporate tax payable	9(c)	88,457	-
		558,616	411,664
Total equity and liabilities		4,918,162	4,488,735

The financial statements on pages 23 to 89 were approved and authorised for issue by the board of directors on 31 July 2018 and were signed on its behalf by:

E N K Wanjama

A L Carmichael

WILLIAMSON TEA KENYA PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

				Retained earnings					
	Note	Share capital	Revaluation surplus	Biological assets gains	Other	Total	Equity attributable to owners of the company	Non – controlling interests	Total
		Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
At 1 April 2016		87,563	797,676	1,320,005	4,302,736	5,622,741	6,507,980	206,357	6,714,337
Profit/(loss) for the year		-	-	5,780	(246,274)	(240,494)	(240,494)	(21,099)	(261,593)
Other comprehensive loss		-	(962)	-	-	-	(962)	-	(962)
Total comprehensive loss for the year		-	(962)	5,780	(246,274)	(240,494)	(241,456)	(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	26 & 31	-	-	-	(350,253)	(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	5,916,271	178,001	6,094,272
At 1 April 2017		87,563	718,612	1,325,785	3,784,311	5,110,096	5,916,271	178,001	6,094,272
Profit for the year		-	-	32,864	455,080	487,944	487,944	14,825	502,769
Other comprehensive income		-	405,633	-	-	-	405,633	19,809	425,442
Total comprehensive income for the year		-	405,633	32,864	455,080	487,944	893,577	34,634	928,211
Excess depreciation transfer		-	(55,300)	-	55,300	55,300	-	-	-
Deferred tax on excess depreciation		-	16,590	-	(16,590)	(16,590)	-	-	-
Final dividends declared – 2017	26 & 31	-	-	-	(175,126)	(175,126)	(175,126)	-	(175,126)
At 31 March 2018		87,563	1,085,535	1,358,649	4,102,975	5,461,624	6,634,722	212,635	6,847,357

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.

WILLIAMSON TEA KENYA PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

				Retained earnings			
	Note	Share capital Sh'000	Revaluation surplus Sh'000	Biological assets gains Sh'000	Other Sh'000	Total Sh'000	Total Sh'000
At 1 April 2016		87,563	476,146	573,606	2,522,537	3,096,143	3,659,852
Profit for the year		-	-	16,488	23,423	39,911	39,911
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	16,488	23,423	39,911	39,911
Excess depreciation transfer		-	(46,907)	-	46,907	46,907	-
Deferred tax on excess depreciation		-	14,072	-	(14,072)	(14,072)	-
Final dividends declared – 2016	31	-	-	-	(350,253)	(350,253)	(350,253)
At 31 March 2017		87,563	443,311	590,094	2,228,542	2,818,636	3,349,510
At 1 April 2017		87,563	443,311	590,094	2,228,542	2,818,636	3,349,510
Profit for the year		-	-	53,304	241,391	294,695	294,695
Other comprehensive income		-	174,882	-	-	-	174,882
Total comprehensive income for the year		-	174,882	53,304	241,391	294,695	469,577
Excess depreciation transfer		-	(34,683)	-	34,683	34,683	-
Deferred tax on excess depreciation		-	10,405	-	(10,405)	(10,405)	-
Final dividends declared – 2017	31	-	-	-	(175,126)	(175,126)	(175,126)
At 31 March 2018		87,563	593,915	643,398	2,319,085	2,962,483	3,643,961

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.

WILLIAMSON TEA KENYA PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 Sh'000	2017 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32(a)	307,781	457,711
Interest received		52,781	64,220
Interest paid	6	(11,647)	(15,706)
Taxation paid	9(c)	(51,225)	(232,741)
Net cash generated from operating activities		297,690	273,484
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(172,149)	(207,000)
Purchase of intangible assets	14	(859)	(574)
Proceeds from disposal of property, plant and equipment		11,938	4,167
Net expenditure on biological assets	20	(8,868)	(8,095)
Decrease due to own use on biological assets	20	4,016	3,989
Dividend received - from associate company	17	9,286	18,571
Dividends received from other investments	5	-	260
Net cash used in investing activities		(156,636)	(188,682)
CASH FLOWS FROM FINANCING ACTIVITIES			
Asset finance loans repaid	32(b)	(60,222)	(52,198)
Dividends paid to shareholders	31	(173,028)	(317,250)
Dividends paid to minority interest	26	-	(7,257)
Net cash used in financing activities		(233,250)	(376,705)
DECREASE IN CASH AND EQUIVALENTS		(92,196)	(291,903)
CASH AND CASH EQUIVALENTS AT START OF YEAR		949,714	1,241,617
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(c)	857,518	949,714

WILLIAMSON TEA KENYA PLC

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 Sh'000	2017 Sh'000
Cash generated from operations	32(a)	205,573	103,621
Interest received	6	51,111	61,404
Interest paid	6	(10,059)	(14,048)
Taxation paid	9(c)	(50,218)	(33,551)
Net cash generated from operating activities		196,407	117,426
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(60,164)	(99,584)
Purchase of intangible assets	14	(573)	(415)
Proceeds from disposal of property, plant and equipment		2,706	19
Net expenditure on biological assets	20	(2,021)	(2,311)
Decrease due to own use on biological assets	20	479	803
Dividend received - from subsidiaries and associate		9,286	110,421
Net cash (used in)/generated from investing activities		(50,287)	8,933
CASH FLOWS FROM FINANCING ACTIVITIES			
Asset finance loans repaid	32(b)	(60,222)	(52,198)
Dividends paid to shareholders	31	(173,028)	(317,250)
Net cash used in financing activities		(233,250)	(369,448)
DECREASE IN CASH AND CASH EQUIVALENTS		(87,130)	(243,089)
CASH AND CASH EQUIVALENTS AT START OF YEAR		775,534	1,018,623
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(c)	688,404	775,534

1 REPORTING ENTITY

Williamson Tea Kenya Plc (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 Plc 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 Plc 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) and IFRICs

(i) ***Relevant new standards and amendments to published standards effective for the year ended 31 March 2018***

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 IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	The amendments to IAS 12 Income Taxes clarify the following aspects: • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. • An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. The application of these amendments has had no impact on the Group's and the Company's financial statements as the Group already assesses the sufficiency of the future taxable profits in a way that is consistent with these amendments.

2 ACCOUNTING POLICIES (Continued)

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

(i) Relevant new standards and amendments to published standards effective for the year ended 31 March 2018 (Continued)

Annual Improvements to 2010-2012	The annual improvements to IFRSs 2012-2014 cycle include a number of amendments to various IFRSs, which are summarised below: The amendments to IFRS 5 add specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. The amendments to IFRS 7 add additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. It clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements. The amendments to IAS 19 clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level). The amendment to IAS 34 clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference. The application of these amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated and company financial statements.
Amendments to IAS 7 Disclosure Initiative	The amendments to IAS 7 Presentation of Financial Statements address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: a) clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; b) clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements; c) clarification that an entity's share of Other Comprehensive Income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and d) additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The amendments to the standard has had no impact on the consolidated and company financial statements.

2 ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRSs in issue but not yet effective for the year ended 31 March 2018

New standards and Amendments to standards	*Effective for annual periods beginning on or after*
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions.	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include:

a) impairment requirements for financial assets; and
b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes 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 fair value through profit or loss is presented in profit or loss.

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

(ii) New and revised IFRSs in issue but not yet effective for the year ended 31 March 2018(Continued)

IFRS 9 Financial Instruments ("IFRS 9") (Continued)

Key requirements of IFRS 9: (Continued)

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for 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 also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's and the Company's financial assets and financial liabilities as at 31 March 2018 on the basis of the facts and circumstances that exist at that date, the Directors of the Group and the Company have performed a preliminary assessment of the impact of IFRS 9 to the Group's and Company's financial statements as follows:

Classification and measurement

All the financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

Financial assets measured at amortised cost, listed redeemable notes that will be carried at FVTOCI under IFRS 9, finance lease receivables, amounts due from customer under construction contracts, and financial guarantee contracts will be subject to the impairment provisions of IFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, as required or permitted by IFRS 15. The Group does not hold any listed redeemable notes, finance lease receivables, amounts due from customer under construction contracts or financial guarantee contracts.

In general, the Directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the trade and other receivables balances and are currently assessing the potential impact.

2 ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRSs in issue but not yet effective for the year ended 31 March 2018(Continued)

IFRS 9 Financial Instruments ("IFRS 9") (Continued)

Hedge accounting

As 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, an assessment of the Group's current hedging relationships indicates that they will qualify as continuing hedging relationships upon the application of IFRS 9.

The Directors are assessing the potential impact on the consolidated and company financial statements resulting from the application of these changes. The new standard is expected to be applied for the year beginning 1 April 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 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.

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.

In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to identification of performance obligations, principal versus agent considerations as well as licensing application guidance.

The Group recognises revenue mainly from Export sales of Tea. Based on preliminary assessment, the Directors do not anticipate that the application of IFRS 15 will have a significant impact on the consolidated and company financial position and/or financial performance. The new standard is expected to be applied for the year beginning 1 April 2018.

2 ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRSs in issue but not yet effective for the year ended 31 March 2018(Continued)

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right of use asset and a corresponding liability be recognised for all lessees (i.e. on balance sheet) except for short term leases and leases of low value assets.

The right of use is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under IFRS 16, the lease payments will be split into principal and interest portions which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward lessor accounting treatment in IAS 17 and continues to require a lessor to classify a lease as either an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The Group is assessing the potential impact on the consolidated and company financial statements resulting from the application of these changes.

IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to:

(a) insurance contracts, including reinsurance contracts, it issues;
(b) reinsurance contracts it holds; and
(c) investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

(a) the fulfilment cash flows - the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and
(b) the contractual service margin - the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

2 ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRSs in issue but not yet effective for the year ended 31 March 2018 (Continued)

IFRS 17 Insurance Contracts (Continued)

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Group and the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Group and the Company determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates.

The entity:

(a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and
(b) chooses where to present the effects of some changes in discount rates - either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the Company faces from issuing insurance contracts.

IFRS 17 replaces IFRS 4 *Insurance Contracts*. IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable. A company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers.*

The adoption of this standard will not have an impact on the consolidated and company financial statements since the Group does not issue insurance contracts.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

(i) In estimating the fair value of a cash settled share based payment, the accounting for the effects of vesting and non vesting conditions should follow the same approach as for equity settled share-based payments.

(ii) Where tax law or regulation require an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

2 ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRSs in issue but not yet effective for the year ended 31 March 2018(Continued)

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (Continued)

(iii) A modification of share based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

- The original liability is derecognised;
- The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to modification date; and
- Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Directors of the Group do not anticipate that the application of the amendments in future will have a significant impact on the consolidated and company financial statements as the Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability. (e.g. a non-refundable deposit or deferred revenue)

The interpretation specifies that the date of transactions is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements as the Group already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

The Group is assessing the potential impact on the consolidated and company financial statements resulting from the application of these changes.

2 ACCOUNTING POLICIES (Continued)

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

(ii) New and revised IFRSs in issue but not yet effective for the year ended 31 March 2018(Continued)

Annual Improvements to IFRS Standards 2015-2017 Cycle

The Annual Improvements to IFRS Standards 2015-2017 cycle makes amendments to the following standards:

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

(iii) Early adoption of standards

The Group did not early adopt new or amended standards in the period ended 31 March 2018.

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 values 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 financial statements 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.

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' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2 ACCOUNTING POLICIES (Continued)

Revenue recognition

Sales are recognised upon despatch of products and are stated net of returns, discounts and value added tax. The following conditions must be satisfied before revenue is recognised:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

Obsolete and defective inventories are fully provided for. Spare parts are fully provided for if not used for 3 years and over.

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 un-harvested green leaf on tea bushes at the reporting date are measured at fair value less costs to sell using IAS 41- Agriculture. 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 Group and 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)

2 ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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.

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.

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. Amortisation period and method are reviewed at each year end.

2 ACCOUNTING POLICIES (Continued)

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 and the Company 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.

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 and the Company'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 and the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 ACCOUNTING POLICIES (Continued)

F 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.

(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 unless it relates to a revalued asset.

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.

2 ACCOUNTING POLICIES (Continued)

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

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

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 and the Company becomes party to the contractual provisions of the instrument.

Financial assets

Classification

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

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

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

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 subsequently 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 and the Company'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 and the Company 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. Reversal of an impairment loss is recognised in the profit or loss unless it relates to a revalued asset.

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 and the Company has transferred substantially all risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue 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.

Financial liabilities

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.

2 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities (Continued)

Recognition and measurement (Continued)

Trade and other payables

Trade payables and other 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 and the Company and subsequently measured at amortised cost using the effective interest method.

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 and the Company 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:

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

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

Impairment losses

At the end of each reporting period, the Group and the Company review 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 asset'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 and the Company estimate 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.

Provision for inventory obsolescence

The Group and the Company reviews inventory regularly for obsolescence, and has a documented policy which guides management on determining if the slow moving and obsolete stocks need to be marked down for sale, provided for in full or written off. Judgement is required by management in assessing the value of slow moving and obsolete stocks.

Provision for doubtful debts

The Group and the Company review their debtors' portfolio regularly to assess the likelihood of impairment. This requires judgement of the amounts that are irrecoverable.

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

At the inception of each lease of land or building, the Group and the Company consider 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 and the Company 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.

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

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

Control over subsidiaries

Note 18 describes that Kaimosi Tea Estates Limited, Williamson Power Limited, Tea Properties Limited; Lelsa Tea Estates Limited and Tinderet Tea Estates (1989) Limited are subsidiaries of the Company as the Group has 100% ownership interest and voting right in all the companies except for Tinderet Tea Estates (1989) Limited where it has 82% of the ownership and voting rights.

The Directors assessed whether or not the Group has control over Kaimosi Tea Estates Limited, Williamson Power Limited, Tea Properties Limited; Lelsa Tea Estates Limited and Tinderet Tea Estates (1989) Limited based on whether the Group has the practical ability to direct the relevant activities of the subsidiaries unilaterally. In making their decisions the Directors considered 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.

(ii) Key sources of estimation uncertainty

Biological assets

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 IAS 41. 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.

Property, plant and equipment and intangible assets

Critical estimates are made by directors in determining the useful lives and residual values to property, plant and equipment and intangible assets 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 and the Company'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 and the Company use market observable data to the extent it is available. Where level I inputs are not available the Group and the Company 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.

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

(ii) Key sources of estimation uncertainty (Continued)

Land tenure

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

The Group and 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:

- Tea: The cultivation, manufacture and sale of tea.
- Property: Investment in property.
- Generator trading: 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.

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
2018				
Revenues and results				
Revenue	3,922,583	136	62,252	3,984,971
Other income	14,106	1,469	195	15,770
Interest income	34,238	16,873	1,670	52,781
Finance costs	11,647	-	-	11,647
Group's share of associate company results after tax	65,829	-	-	65,829
Profit before taxation (including associate)	790,910	14,896	4,250	810,056
Assets and liabilities				
Segment assets	5,506,898	3,937,924	60,252	9,505,074
Segment liabilities	1,987,420	660,485	9,812	2,657,717
Other information				
Depreciation	309,093	5,141	1,402	315,636
Amortisation of prepaid operating lease	49	34	-	83
Amortisation of intangible assets	1,270	487	253	2,010
Capital expenditure	169,690	1,635	826	172,151
2017				
Revenues and results				
Revenue	3,341,562	1,620	73,158	3,416,340
Fair value gain on investment properties	-	15,500	-	15,500
Other income	13,127	17,160	428	30,715
Interest 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

Revenue reported above represents revenue generated from external customers.

4 SEGMENTAL INFORMATION (Continued)

d) Information on major customers

Included in revenues arising from tea sales of Sh 3.9 billion (2017: Sh 3.3 billion) are revenues of approximately Sh 3.9 billion (2017: Sh 3.3 billion) 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 2018 and 2017.

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	
	2018 Sh'000	2017 Sh'000	2018 Sh'000	2017 Sh'000
Global markets - exports	3,914,441	3,323,094	1,454,037	1,106,322
Kenya- domestic	70,530	93,246	12,313	12,766
	3,984,971	3,416,340	1,466,350	1,119,088

5 OTHER INCOME

	GROUP		COMPANY	
	2018 Sh'000	2017 Sh'000	2018 Sh'000	2017 Sh'000
Fair value gain on investment properties (note 16)	-	15,500	-	15,500
Dividend income from unquoted investments	425	260	-	-
Miscellaneous income	15,162	12,835	1,919	2,083
Gain on disposal of property, plant and equipment	183	2,120	183	703
	15,770	30,715	2,102	18,286

6 FINANCE INCOME AND COSTS

Finance costs:

	GROUP		COMPANY	
	2018 Sh'000	2017 Sh'000	2018 Sh'000	2017 Sh'000
Interest expense on:				
- bank overdrafts	(1,687)	(1,751)	(99)	(93)
- bank loans	(9,960)	(13,955)	(9,960)	(13,955)
	(11,647)	(15,706)	(10,059)	(14,048)

Interest income:

Interest on short term deposits	52,781	63,269	51,111	61,404

7 PROFIT/(LOSS) BEFORE TAXATION

	GROUP		COMPANY	
	2018 Sh'000	2017 Sh'000	2018 Sh'000	2017 Sh'000
The profit/(loss) before taxation is arrived at:				
After charging:				
Depreciation of property and equipment (note 13)	315,636	373,445	140,005	167,605
Amortisation of intangible assets (note 14)	2,010	2,313	921	1,162
Amortisation of leasehold property (note 15)	83	84	12	13
Staff costs (note 8)	665,759	989,223	283,177	402,405
Directors' remuneration:				
Executive				
- Salaries and allowances	40,024	36,805	40,024	36,805
- Other benefits	19,813	25,083	19,813	25,083
Non – executive				
- Fees	9,028	8,606	9,028	8,606
- Other emoluments	640	408	640	408
Loss on disposal of property, plant and equipment	34,327	-	12,351	-
Auditors' remuneration	6,720	8,760	3,052	4,114
And after crediting:				
Operating lease rental income	1,750	1,620	1,750	1,620
Dividend income	9,574	18,571	9,574	92,598
Gain on disposal of property, plant and equipment	183	2,120	183	703
Fair value gain on investment properties	-	15,500	-	15,500

8 STAFF COSTS

	GROUP 2018 Sh'000	GROUP 2017 Sh'000	COMPANY 2018 Sh'000	COMPANY 2017 Sh'000
Wages and salaries	605,375	836,262	252,833	336,596
Social security costs (NSSF)	3,593	4,327	-	-
Pension costs (defined contribution plan)	12,118	12,322	8,480	9,175
Service gratuity and terminal benefits (Note 28)	10,016	68,791	5,760	24,662
Leave pay provision	16,746	46,398	8,196	21,343
Medical expenses	15,848	17,569	5,536	7,405
Other staff costs	2,063	3,554	2,372	3,224
	665,759	989,223	283,177	402,405

9 TAXATION

	GROUP 2018 Sh'000	GROUP 2017 Sh'000	COMPANY 2018 Sh'000	COMPANY 2017 Sh'000
a) TAXATION CHARGE/(CREDIT)				
Current taxation based on the adjusted profit at 30% (2017:30%)				
- current year	315,959	38,197	163,029	8,603
- prior year under provision	59,089	2,371	44,671	-
	375,048	40,568	207,700	8,603
Deferred taxation (note 27):				
-current year	(16,842)	(126,284)	6,164	(25,196)
-prior year over provision	(50,919)	(4,635)	(41,716)	(2,107)
	(67,761)	(130,919)	(35,552)	(27,303)
Taxation charge/(credit)	307,287	(90,351)	172,148	(18,700)
b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT/(LOSS) TO TAX CHARGE /(CREDIT)				
Accounting profit/(loss) before taxation	810,056	(351,944)	466,843	21,211
Tax at the applicable rate of 30% (2017:30%)	243,017	(105,583)	140,053	6,363
Tax effect of income not taxable				
- qualifying dividends	(7,546)	(28,621)	(5,062)	(28,429)
Pension/provident fund contribution	4,269	4,092	3,424	3,389
Donations	10,689	1,227	9,891	493
Impairment of work in progress	-	3,824	-	-
Tax effect of other expenses not deductible for tax purposes	84,622	45,105	20,887	1,591
Share of associate's tax recognized as net	(35,934)	(8,131)	-	-
Prior year under provision of current tax	59,089	2,371	44,671	-
Prior year over provision of deferred tax	(50,919)	(4,635)	(41,716)	(2,107)
Taxation charge/(credit)	307,287	(90,351)	172,148	(18,700)

9 TAXATION (Continued)

	GROUP		COMPANY	
	2018	2017	2018	2017
	Sh'000	Sh'000	Sh'000	Sh'000
c) CORPORATE TAX BALANCES				
At beginning of the year:				
Taxation payable/(recoverable)	(166,288)	25,885	(69,027)	(44,079)
Taxation charge	315,959	38,197	163,029	8,603
Prior year under provision	59,089	2,371	44,671	-
Taxation paid	(51,225)	(232,741)	(50,218)	(33,551)
At end of the year	157,535	(166,288)	88,457	(69,027)
Consisting of:				
Tax payable	157,535	-	88,457	-
Tax recoverable	-	(166,288)	-	(69,027)
	157,535	(166,288)	88,457	(69,027)

10 PROFIT FOR THE YEAR - COMPANY

The Company profit for the year of Sh 294,695,000 (2017: Sh 39,911,000) has been dealt with in the Company financial statements of Williamson Tea Kenya Plc.

11 EARNINGS/(LOSS) PER SHARE

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

	2018	2017
Group		
Earnings/(loss)		
Profit/(loss) attributable to equity holders of the company (Sh'000)	487,944	(240,494)
Weighted average number of ordinary shares		
Number of ordinary shares (note 25)	17,512,640	17,512,640
Earnings/(loss) per share		
Basic and diluted (Sh)	27.86	(13.73)

There were no potentially dilutive shares outstanding at 31 March 2018 and at 31 March 2017. Diluted earnings/(loss) per share is therefore same as basic earnings/(loss)/ per share.

12 PROPOSED DIVIDENDS

The Group did not pay an interim dividend in 2018 (2017 – Sh nil).

In respect of the current year, the Directors propose that a dividend of Sh 20 per share (2017 – Sh 10 per share) amounting to a total of Sh 350,253,000 (2017 – Sh 175,126,000) 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.

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 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)	-
Disposals	-	-	-	-	-	-	-	(951)	(951)
Reclassification	(1,231)	(63,984)	(6,910)	(11,192)	(1,050)	(53,717)	(274)	-	(138,358)
Transfers	(5,500)	-	-	-	-	-	-	-	(5,500)
At 31 March 2017	1,312,004	961,439	101,931	106,102	43,327	1,787,306	55,198	193,395	4,560,702
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	193,395	2,808,884
Total	1,312,004	961,439	101,931	106,102	43,327	1,787,306	55,198	193,395	4,560,702
At 1 April 2017	1,312,004	961,439	101,931	106,102	43,327	1,787,306	55,198	193,395	4,560,702
Additions	3,993	25,543	7,832	10,762	1,025	-	3,520	119,474	172,149
Transfer from WIP	8,253	48,914	825	-	280	35,458	1,981	(95,711)	-
Disposals	-	(10,000)	(2,769)	(1,947)	(408)	(66,843)	(10,110)	-	(92,077)
Revaluation adjustment	45,825	(125,973)	-	-	-	-	-	-	(80,148)
At 31 March 2018	1,370,075	899,923	107,819	114,917	44,224	1,755,921	50,589	217,158	4,560,626
Comprising:									
At Valuation-2018	1,313,509	358,161	-	-	-	-	-	-	1,671,670
At Cost	56,566	541,762	107,819	114,917	44,224	1,755,921	50,589	217,158	2,888,956
Total	1,370,075	899,923	107,819	114,917	44,224	1,755,921	50,589	217,158	4,560,626

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

GROUP (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 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	946,159
At 1 April 2017	228,009	229,500	79,681	85,712	26,934	237,460	46,114	12,749	946,159
Charge for the year	74,777	104,134	8,379	9,882	3,012	111,384	4,068	-	315,636
Eliminated on disposal	-	(7,862)	(2,715)	(1,948)	(372)	(23,051)	(10,047)	-	(45,995)
Eliminated on revaluation	(302,223)	(321,733)	-	-	-	-	-	-	(623,956)
At 31 March 2018	563	4,039	85,345	93,646	29,574	325,793	40,135	12,749	591,844
NET BOOK VALUE									
At 31 March 2018	1,369,512	895,884	22,474	21,271	14,650	1,430,128	10,454	204,409	3,968,782
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
NET BOOK VALUE (Cost basis)									
At 31 March 2018	393,403	416,170	22,474	21,271	14,650	1,430,128	10,454	204,409	2,512,959
At 31 March 2017	558,574	321,386	22,250	20,390	16,393	1,549,846	9,084	180,646	2,678,569

Land, building and machinery were last revalued as at 31 March 2018 by an independent valuer, 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 2018. The effective date of the revaluation was 31 March 2018.

Included in property, plant and equipment are assets with an original cost of Sh 333,037,557 (2017 - Sh 237,133,409) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 56,927,000 (2017 – Sh 40,601,000).

Land and buildings with net book value of Sh 1,482,164,000 (2017 – Sh 1,482,164,000) have been charged to secure banking facilities granted to the Group as disclosed in note 29.

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 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)
At 31 March 2017	840,172	499,622	38,996	50,622	29,817	26,308	698,855	73,611	2,258,003
Comprising:									
At valuation – 2016	829,885	136,526	-	-	-	-	-	-	966,411
At cost	10,287	363,096	38,996	50,622	29,817	26,308	698,855	73,611	1,291,592
	840,172	499,622	38,996	50,622	29,817	26,308	698,855	73,611	2,258,003
At 1 April 2017	840,172	499,622	38,996	50,622	29,817	26,308	698,855	73,611	2,258,003
Additions	2,235	4,312	7,832	5,717	702	1,392	-	37,974	60,164
Disposals	-	(1,429)	(323)	-	-	(1,823)	(18,335)		(21,910)
Transfer from work in progress	7,342	8,566	-	-	23	-	15,344	(31,275)	-
Revaluation adjustment	33,428	(80,684)	-	-	-	-	-	-	(47,257)
At 31 March 2018	883,177	430,387	46,505	56,339	30,542	25,877	695,864	80,310	2,249,001
Comprising:									
At valuation – 2018	863,313	55,842	-	-	-	-	-	-	919,155
At cost	19,864	374,545	46,505	56,339	30,542	25,877	695,864	80,310	1,329,846
	883,177	430,387	46,505	56,339	30,542	25,877	695,864	80,310	2,249,001

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company (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 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)
At 31 March 2017	99,838	117,814	27,701	39,577	16,770	22,181	94,082	-	417,963
At 1 April 2017	99,838	117,814	27,701	39,577	16,770	22,181	94,082	-	417,963
Charge for the year	36,854	45,628	2,931	4,743	2,527	1,788	45,534	-	140,005
Eliminated on disposal	-	(1,657)	(269)	-	-	(1,782)	(3,328)	-	(7,036)
Eliminated on revaluation	(136,592)	(160,395)	-	-	-	-	-	-	(297,087)
At 31 March 2018	-	1,390	30,363	44,320	19,297	22,187	136,288	-	253,845
NET BOOK VALUE									
At 31 March 2018	883,177	428,997	16,142	12,019	11,245	3,690	559,876	80,310	1,995,156
At 31 March 2017	740,334	381,808	11,295	11,045	13,047	4,127	604,773	73,611	1,840,040
NET BOOK VALUE (Cost basis)									
At 31 March 2018	274,228	193,724	16,142	12,019	11,245	3,690	559,876	80,310	1,151,234
At 31 March 2017	365,632	190,950	11,295	11,045	13,047	4,127	604,773	73,611	1,274,480

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Land, building and machinery were last revalued as at 31 March 2018 by an independent valuer, 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 143,691,000 (2017 - Sh 45,191,005) which are fully depreciated.

Land and buildings with net book value of Sh 683,199,000 (2017 – Sh 683,199,000) have been charged to secure banking facilities granted to the Group as disclosed in note 29.

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

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 2018 was performed by Lloyd Masika Limited, registered and independent valuers using the open market value and net current replacement cost methods respectively. The significant inputs included the estimated construction and purchase costs and other ancillary expenditures, and appropriate depreciation factors. 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:

a) Level 1 inputs – observable, quoted prices for identical assets or liabilities in active markets.

b) 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.

c) Level 3 inputs – unobservable inputs for the asset or liability. These should be based on the best information available. The Group and 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 2018 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 2018				
Buildings	-	1,369,512	-	1,369,512
Machinery and equipment	-	895,884	-	895,884
	-	2,265,396	-	2,265,396
31 March 2017				
Buildings	-	1,083,995	-	1,083,995
Machinery and equipment	-	731,939	-	731,939
	-	1,815,934	-	1,815,934
COMPANY				
31 March 2018				
Buildings	-	883,177	-	883,177
Machinery and equipment	-	428,997	-	428,997
		1,312,174	-	1,312,174
31 March 2017				
Buildings	-	740,334	-	740,334
Machinery and equipment	-	381,808	-	381,808
	-	1,122,142	-	1,122,142

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	
	2018	2017	2018	2017
	Sh'000	Sh'000	Sh'000	Sh'000
14 INTANGIBLE ASSETS (COMPUTER SOFTWARE)				
COST				
At beginning and end of year	21,614	21,040	10,821	10,406
Additions	859	574	573	415
At end of year	22,473	21,614	11,394	10,821
AMORTISATION				
At beginning of year	18,991	16,678	9,698	8,536
Amortisation for the year	2,010	2,313	921	1,162
At end of year	21,001	18,991	10,619	9,698
NET BOOK VALUE				
At end of year	1,472	2,623	775	1,123
15 PREPAID OPERATING LEASES				
COST				
At beginning and end of the year	81,581	81,581	12,612	12,612
AMORTISATION				
At beginning of year	5,123	5,039	905	892
Amortisation for the year	83	84	12	13
At end of year	5,206	5,123	917	905
NET BOOK VALUE				
At end of year	76,375	76,458	11,695	11,707

Prepaid operating leases relate to leasehold land located in Williamson Tea Kenya Plc 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 2018 by Lloyd Masika Ltd, Registered Valuers and Estate Agents, based on open market value.

16 INVESTMENT PROPERTIES

	GROUP & COMPANY	
	2018 Sh'000	2017 Sh'000
At fair value:		
At beginning of year	435,500	420,000
Fair value gain (Note 5)	-	15,500
At end of year	435,500	435,500
At cost basis	11,591	11,591

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	1,750	1,620

Direct operating expenses arising from investment property

Direct operating expenses from investment property that generated rental income during the year	228	13

Fair value measurement of the Group's investment properties

The Investment properties 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 Investment properties as at 31 March 2018 were performed by Lloyd Masika Limited, Registered and independent Valuers and Estate Agents. There were no fair value changes from previous year. 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 2018 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 2018				
Investment properties (all located in Nairobi area)	-	435,500	-	435,500
31 March 2017				
Investment properties (all located in Nairobi area)	-	435,500	-	435,500

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

17 INVESTMENT IN ASSOCIATE COMPANY

	2018 Sh'000	2017 Sh'000
GROUP		
Kapchorua Tea Company Limited (Quoted) - 39.56% owned:		
At share of net assets	661,292	559,973
The movement in Group investment in associate company is as follows:		
At beginning of year	559,973	599,024
Share of profit/(loss)	65,829	(20,480)
Share of other comprehensive income	44,776	-
Share of comprehensive income/(loss)	110,605	(20,480)
Dividend received	(9,286)	(18,571)
At end of year	661,292	559,973
Share of comprehensive income/(loss), comprise of:		
Share of results	65,829	(20,480)
Share of gain on property revaluation	44,776	-

COMPANY

Kapchorua Tea Company Limited (Quoted);

39.56% owned:

	2018 Sh'000	2017 Sh'000
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 31 March 2018*	*31 March 2017*	*Place of Incorporation*	*Principal activity*
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 2018 in respect of the associate company, Kapchorua Tea Company Limited is set out below:

17 INVESTMENT IN ASSOCIATE COMPANY (Continued)

	2018 Sh'000	2017 Sh'000
Non-current assets	1,392,411	1,241,607
Current assets	1,096,632	788,704
Non-current liabilities	(441,825)	(387,041)
Current liabilities	(375,599)	(227,768)
Net assets	1,671,619	1,415,502
Group's share of the net assets	661,292	559,973
Revenue	1,429,341	1,292,123
Profit/(loss) before taxation	257,238	(72,323)
Taxation (charge)/credit	(90,833)	20,554
Profit/(loss) for the year	166,405	(51,769)

18 INVESTMENT IN SUBSIDIARY COMPANIES

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

	2018 Sh'000	2017 Sh'000
Kaimosi Tea Estates Limited	2,863	2,863
Williamson Power Limited	3,689	3,689
Tea Properties Limited	2	2
Lelsa Tea Estates Limited*	-	-
	6,554	6,554

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

	2018 Sh'000	2017 Sh'000
Tinderet Tea Estates (1989) Limited (82% owned)	103,323	103,323
	109,877	109,877

*Investment in Lelsa Tea Estates Limited is fully impaired.

18 INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

The details of the above subsidiary companies are as follows:

Company	*Share capital Sh*	*Place of Incorporation and operation*	*Principal activity*	*Proportion of ownership interest and voting power held by the group* 31 March 2018	31 March 2017
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.

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

	2018 Sh'000	2017 Sh'000
Non-current assets	1,195,928	1,143,211
Current assets	819,192	633,870
Non-current liabilities	(364,727)	(355,864)
Current liabilities	(334,644)	(297,874)
Equity attributable to the owners of the company	1,078,914	921,141
Non-controlling interest	18%	18%
Revenue	1,104,166	986,960
Expenses	(1,021,810)	(1,104,178)
Profit/(loss) for the year	82,356	(117,218)
Profit/(loss) attributable to the owners of the company	67,531	(96,119)
Profit/(loss) attributable to non-controlling interest	14,825	(21,099)
	82,356	(117,218)
Dividends paid to non-controlling interest	-	7,256
Net cash inflow from operating activities	36,801	93,720
Net cash outflow from investing activities	(39,969)	(57,634)
Net cash outflow from financing activities	-	(40,315)
Net cash outflow	(3,168)	(4,229)

20 BIOLOGICAL ASSETS (Continued)

GROUP

Year ended 31 March 2018

	Timber trees Sh'000	Fuel trees Sh'000	Total Sh'000
Carrying amount at beginning of year	167,798	492,764	660,562
Net expenditure on biological assets	360	8,508	8,868
	168,158	501,272	669,430
Gains/(losses) arising from changes in fair value attributable to physical changes	(15,501)	113,278	97,777
Disposals	(31,103)	(28,920)	(60,023)
Net fair value gains/(losses)	(46,604)	84,358	37,754
Decrease due to own use	(871)	(3,145)	(4,016)
Carrying amount at end of year	120,683	582,485	703,168

Comprising of:

	2018 Sh 000	2017 Sh 000
Current assets - Unharvested green leaf	44,646	31,308
Non-current assets - Timber and firewood	703,168	660,562
	747,814	691,870

20 BIOLOGICAL ASSETS (Continued)

COMPANY

Year ended 31 March 2017

	Timber trees Sh'000	Fuel trees Sh'000	Total Sh'000
Carrying amount at beginning of year	58,842	187,540	260,484
Net expenditure on biological assets	-	2,311	2,311
	58,842	189,851	248,693
Gains/(losses) arising from changes in fair value attributable to physical changes	2,697	34,652	37,349
Disposals	-	(13,967)	(13,967)
Net fair value gains	2,697	20,685	23,382
Decrease due to own use	-	(803)	(803)
Carrying amount at end of year	61,539	209,733	271,272

Year ended 31 March 2018

	Timber trees Sh'000	Fuel trees Sh'000	Total Sh'000
Carrying amount at beginning of year	61,539	209,733	271,272
Net expenditure on biological assets	-	2,021	2,021
	61,539	211,754	273,293
Gains arising from changes in fair value attributable to physical changes	4,426	82,404	86,830
Disposals	(2,281)	(8,401)	(10,682)
Net fair value gains	2,145	74,003	76,148
Decrease due to own use	(72)	(407)	(479)
Carrying amount at end of year	63,612	285,350	348,962

20 BIOLOGICAL ASSETS (Continued)

Comprising of:

	2018 Sh 000	2017 Sh 000
Current assets - Unharvested green leaf	19,759	14,274
Non-current assets - Timber and firewood	348,962	271,272
	368,721	285,546

The fair value hierarchy of biological assets as at 31 March 2018 was level 2 (2017: Level 2).

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

- Firewood and timber prices are expected to remain relatively 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 and the Company'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 and the Company pays to its third party out-growers is a reasonable estimate of the price the Group and the Company 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	
	2018 Sh'000	2017 Sh'000	2018 Sh'000	2017 Sh'000
21 INVENTORIES				
Tea stocks	452,191	339,593	200,630	130,652
Firewood	22,606	27,755	4,161	7,870
Stores	127,234	120,022	61,942	57,421
Other inventories	1,866	1,866	-	-
Consumables	347	370	347	370
	604,244	489,606	267,080	196,313
22 TRADE AND OTHER RECEIVABLES				
Trade receivables	1,808,385	1,138,748	649,496	396,709
Provision for doubtful debts	(2,367)	(1,326)	-	-
	1,806,018	1,137,422	649,496	396,709
Staff debtors	130,689	116,324	106,917	93,735
VAT recoverable	135,260	112,114	29,842	50,996
Other receivables	21,479	1,763	17,235	-
	2,093,446	1,367,623	803,490	541,440

22 TRADE AND OTHER RECEIVABLES (Continued)

	GROUP		COMPANY	
	2018	2017	2018	2017
	Sh'000	Sh'000	Sh'000	Sh'000
Movement in allowance for doubtful debts				
Balance at the beginning of the year	1,326	838	-	-
Provision for bad debts	1,041	488	-	-
Balance at the end of the year	2,367	1,326	-	-

23 BALANCES WITH RELATED COMPANIES

(a) DUE FROM ASSOCIATE COMPANIES

	GROUP 2018 Sh'000	GROUP 2017 Sh'000	COMPANY 2018 Sh'000	COMPANY 2017 Sh'000
Kapchorua Tea Company Limited	57,282	8,580	57,070	7,661

(b) DUE FROM SUBSIDIARY COMPANIES

COMPANY

	2018 Sh'000	2017 Sh'000
Kaimosi Tea Estates Limited	107,102	99,138
Tinderet Tea Estates (1989) Limited	21,780	62,725
Williamson Power Limited	1,487	3,079
	130,369	164,942

(c) DUE TO SUBSIDIARY COMPANIES

COMPANY

	2018 Sh'000	2017 Sh'000
Tea Properties Limited	20,621	21,073
	20,621	21,073

(d) DUE FROM DIRECTOR - GROUP AND COMPANY

	2018 Sh'000	2017 Sh'000
Loan and advances	51,620	53,863

(e) DUE TO ASSOCIATE - GROUP

	2018 Sh'000	2017 Sh'000
Kapchorua Tea Company Limited	6,075	2,852

(f) TERMS OF THE RELATED PARTY BALANCES

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

24 SHORT TERM BANK DEPOSITS

	GROUP		COMPANY	
	2018 Sh'000	2017 Sh'000	2018 Sh'000	2017 Sh'000
At amortised cost				
Maturing within 90 days				
Call deposit: NIC Bank Limited	391,375	523,515	374,603	508,032
Treasury bills	105,474	135,839	105,474	135,839
At 31 March	496,849	659,354	480,077	643,871

The effective interest rates on fixed deposits at 31 March 2018 were as shown below:

	2018	2017
Call deposit: NIC Bank Limited	9.21%	11%
Treasury bills	8.02%	11%

25 SHARE CAPITAL

	2018 Sh'000	2017 Sh'000
Authorised:		
17,512,640 shares of Sh 5 each	87,563	87,563
Issued and fully paid:		
17,512,640 shares of Sh 5 each	87,563	87,563

26 NON – CONTROLLING INTERESTS

	2018 Sh'000	2017 Sh'000
At beginning of year	178,001	206,357
Share of profit/(loss) - arising from operating activities	21,262	(18,210)
- arising from changes in biological assets	(6,437)	(2,889)
	14,825	(21,099)
Share of other comprehensive income	19,809	-
Share of comprehensive income/(loss)	34,634	(21,099)
Dividend paid by Tinderet Tea Estates (1989) Limited	-	(7,257)
At 31 end of year	212,635	178,001
Represented by:		
Holding in Tinderet Tea Estates (1989) Limited	18.00%	18.00%

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	
	2018 Sh'000	2017 Sh'000	2018 Sh'000	2017 Sh'000
The net deferred taxation liability is attributable to the following items:				
Deferred tax liabilities:				
Accelerated capital allowances	336,581	372,583	370,608	376,170
Revaluation of investment properties	-	4,650	-	4,650
Revaluation surplus – property and equipment	381,287	217,362	186,714	122,249
Fair value adjustments - biological assets	603,841	592,515	108,508	85,664
Unrealised exchange gains	571	564	409	457
	1,322,280	1,187,674	666,239	589,190
Deferred taxation assets:				
Unrealised exchange losses	(9,852)	(5,295)	(13,907)	(12,912)
Service gratuity provision	(89,389)	(93,132)	(34,775)	(34,530)
Leave pay provision	(11,416)	(11,193)	(6,278)	(5,942)
Inventories general provision	(19,816)	(24,255)	(14,927)	(12,952)
Accruals	(93,124)	(33,904)	(34,105)	-
Tax losses available for future relief	(1,308)	(17,901)	-	-
	(224,905)	(185,680)	(103,992)	(66,336)
Net deferred taxation liability	1,097,375	1,001,994	562,250	522,854

27 DEFERRED TAXATION (Continued)

As at 31 March 2018, the Group had accumulated tax losses available for carry forward and set off against future taxable profit of Sh 2,843,333 relating to Williamson Power Limited. As at 31 March 2018, the Group had accumulated tax losses of Sh 2,843,333 relating to Williamson Power Limited. In 2016, 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 2016. 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 2018.

The movement on the deferred taxation account is as follows:

	GROUP		COMPANY	
	2018 Sh'000	2017 Sh'000	2018 Sh'000	2017 Sh'000
At beginning of year- As previously reported	1,001,994	1,133,326	522,854	550,157
Taxation (credit)/charge (note 9a)				
-current year (credit)/charge	(16,842)	(126,284)	6,164	(25,196)
-Prior year over provision	(50,919)	(4,635)	(41,716)	(2,107)
Deferred taxation on revaluation gain/(loss) dealt with through other comprehensive income	163,142	(413)	74,948	-
At end of year	1,097,375	1,001,994	562,250	522,854

28 SERVICE GRATUITY PROVISION

At beginning of year	310,440	261,618	115,099	96,909
Provision during the year	10,016	68,791	5,760	24,662
Payments in the year	(22,487)	(19,969)	(4,941)	(6,472)
At end of year	297,969	310,440	115,918	115,099

Service gratuity relates to amounts earned and paid to employees upon retirement or completion of service contracts.

29 BORROWINGS

a) **Loans**

Asset finance loan	97,482	156,432	97,482	156,432

The borrowings are repayable as follows:

On demand and within one year	60,065	66,824	60,065	66,824
On demand and within 2 to 5 years	37,417	89,608	37,417	89,608
	97,482	156,432	97,482	156,432

29 BORROWINGS (Continued)

Analysis of borrowings by currency

a) Loans (Continued)

GROUP

	Borrowings in KES Sh'000	Borrowings in USD Sh'000	Total Sh'000
2018			
Asset finance loan	-	97,482	97,482
2017			
Asset finance loan	-	156,432	156,432

b) Interest rates

	2018	2017
The average interest rates paid by the Group were as follows:		
Asset finance Loan- US$	7.5%	7.5%

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 Plc 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.
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.

COMPANY

1. Joint and several debentures between Kaimosi Tea Estates Limited and Williamson Tea Kenya Plc 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.
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 (2017 – Sh 320,278,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

30 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2018 Sh'000	2017 Sh'000	2018 Sh'000	2017 Sh'000
Trade payables	105,525	73,188	39,759	21,521
Leave provision	38,048	37,311	20,925	19,805
Accruals and other payables	822,607	654,635	293,688	249,438
	966,180	765,134	354,372	290,764

31 DIVIDENDS PAYABLE

GROUP & COMPANY

	2018 Sh'000	2017 Sh'000
At beginning of the year	33,003	-
Declared in the year		
- Final	175,126	350,253
Dividends paid*	(173,028)	(317,250)
At end of year	35,101	33,003

* An amount of Sh 2,170,952 (2017: Nil) was remitted to unclaimed assets authority during the year.

	GROUP 2018 Sh'000	GROUP 2017 Sh'000	COMPANY 2018 Sh'000	COMPANY 2017 Sh'000
32 NOTES TO THE CASH FLOW STATEMENT				
(a) Reconciliation of profit/(loss) before taxation to cash generated from operations				
Profit/(loss) before taxation	810,056	(351,944)	466,843	21,211
Adjustments for:				
Depreciation	315,636	373,445	140,005	167,605
Amortisation of prepaid operating leases	83	84	12	13
Amortisation of intangible assets	2,010	2,313	921	1,162
Impairment charge	-	12,749	-	-
Loss/(gain) on disposal of plant and equipment	34,144	(2,081)	12,168	(6)
Share of results of associates	(65,829)	20,480	-	-
Dividends received from other investments	-	(260)	-	-
Dividends received from subsidiaries	-	-	(9,286)	(92,598)
Movement in unharvest green leaf	(37,754)	(5,112)	(76,148)	(23,382)
Movement in unharvest green leaf	(13,338)	982	(5,485)	(172)
Fair value gain on investment properties	-	(15,500)	-	(15,500)
Exchange differences on asset finance loans (note 32(b))	1,272	2,864	1,272	2,864
Interest paid	11,647	15,706	10,059	14,048
Interest received	(52,781)	(63,269)	(51,111)	(61,404)
	1,005,146	(9,543)	489,250	13,841
Working capital changes:				
(Increase)/ decrease in inventories	(114,638)	269,205	(70,767)	59,942
Increase in trade and other receivables	(725,823)	(80,061)	(262,050)	(4,977)
Increase in trade and other payables	201,046	222,296	63,609	85,917
Movement in related party balances	(45,479)	6,992	(15,288)	(69,292)
(Decrease)/increase in service gratuity provision	(12,471)	48,822	819	18,190
Cash generated from operations	307,781	457,711	205,573	103,621
(b) Analysis of changes in asset finance loan				
At beginning of year	156,432	205,766	156,432	205,766
Asset finance loans repaid	(60,222)	(52,198)	(60,222)	(52,198)
Exchange losses (note 32(a))	1,272	2,864	1,272	2,864
At end of year (note 29)	97,482	156,432	97,482	156,432
(c) Analysis of cash and cash equivalents				
Cash and bank balances	360,669	290,360	208,327	131,663
Short term deposits (note 24)	496,849	659,354	480,077	643,871
At 31 March	857,518	949,714	688,404	775,534

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.

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:

	2018 Sh'000	2017 Sh'000
Royalties and licences (George Williamson & Co Limited – parent)	87,920	103,517
Agency commission and charges received (Kapchorua Tea Company Limited – associate)	56,739	48,111

Compensation of key management personnel

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

Directors' emoluments

	2018 Sh'000	2017 Sh'000
Salaries and other short term benefits	59,837	61,888
Fees and allowances for services as directors	9,668	9,014
	69,505	70,902

Key management remuneration

	2018 Sh'000	2017 Sh'000
Salaries and other benefits	90,267	83,632

34 CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2018 Sh'000	2017 Sh'000	2018 Sh'000	2017 Sh'000
Authorised but not contracted for	277,637	15,631	94,261	13,807
Authorised and contracted for	18,226	183,440	2,415	70,126
	295,863	199,071	96,676	83,933

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.

35 OPERATING LEASE COMMITMENTS

The Group as a lessee

Property rental expense incurred during the year amounted to Sh 6,586,947 (2017 – Sh 7,400,000). At the end of the reporting period the Group had outstanding commitments under operating leases which fall due as follows:

	2018 Sh'000	2017 Sh'000
Within one year	2,379	3,090

The Group as a lessor

Property rental income earned during the year amounted to Sh 1,750,000 (2017 – Sh 1,620,000). At the end of the reporting period, the Group had contracted with tenants for the following future lease receivables.

	2018 Sh'000	2017 Sh'000
Within one year	5,986	1,879
In the second to fifth years inclusive	-	2,030
	5,986	3,909

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 CONTINGENT LIABILITIES

The Group and the Company are 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 Group and the Company's legal advisors to assess the probability of the company incurring related liabilities. However, provisions are only made in the consolidated and company financial statements where, based on the Directors' evaluation, a present obligation has been established. As at 31 March 2018, there were no material contingent liabilities (2017: Nil).

The Group has bank guarantees amounting to Sh.34, 550, 000 (Company: Sh. 9,550,000), issued on its behalf in the normal course of business from which it is anticipated that no material liabilities will arise.

37 CAPITAL MANAGEMENT

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

The capital structure of the Group and the Company consist 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 and the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

37 CAPITAL MANAGEMENT (Continued)

	GROUP	
	2018	2017
	Sh'000	Sh'000
Share capital	87,563	87,563
Retained earnings	5,461,624	5,110,096
Revaluation surplus	1,105,344	718,612
Equity	6,654,531	5,916,271
Total borrowings	97,482	156,432
Less: cash and cash equivalents	(857,518)	(949,714)
Net debt	(760,036)	(793,282)
Gearing	Nil	Nil

38 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.

38 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 2018 is made up as follows:

	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000	Total Sh'000
Trade receivables	1,806,018	-	2,367	1,808,385
Short term bank deposits	496,849	-	-	496,849
Due from associate company	57,282	-	-	57,282
Bank balances	360,669	-	-	360,669
	2,720,818	-	2,367	2,723,185

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	1,137,422	-	1,326	1,138,748
Short term bank deposits	659,354	-	-	659,354
Due from associate company	8,580	-	-	8,580
Bank balances	290,360	-	-	290,360
	2,092,526	-	1,326	2,097,042

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% (2017 - 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.

38 FINANCIAL RISK MANAGEMENT (continued)

Financial risks arising from use of financial instruments (continued)

Liquidity risk (continued)

	Up to 1month Sh'000	2-3 months Sh'000	4-12 months Sh'000	2-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
Financial liabilities						
At 31 March 2018						
Trade payables	105,525	-	-	-	-	105,525
Borrowings	-	-	60,065	37,417	-	97,482
Due to associate company	6,075	-	-	-	-	6,075
	111,600	-	60,065	37,417	-	209,082
At 31 March 2017						
Trade payables	69,968	1,300	1,920	-	-	73,188
Borrowings	-	-	66,824	89,608	-	156,432
Due to associate company	2,852	-	-	-	-	2,852
	72,820	1,300	68,744	89,608	-	232,472

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
2018			
Financial assets			
Bank and cash balances	95,626	148,951	10,736
Trade receivables	1,360,139	420,520	15,708
Financial liabilities			
Trade payables	(15,525)	-	-
Net assets	1,440,240	569,471	26,444

38 FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

(i) Foreign exchange risk (Continued)

	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	1,080,902	232,627	25,616

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

1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

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.

	2018 Sh'000		2017 Sh'000	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
Currency - GB pounds				
+ 1 percentage point movement	810	567	300	210
- 1 percentage point movement	(810)	(567)	(300)	(210)
Currency - US dollars				
+ 1 percentage point movement	1,452	1,017	1,113	779
- 1 percentage point movement	(1,452)	(1,017)	(1,113)	(779)
Currency - Euro				
+ 1 percentage point movement	33	23	28	20
- 1 percentage point movement	(33)	(23)	(28)	(20)

(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 assumed movement in interest rate sensitivity analysis is based on the currently observable market environment. 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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.

38 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Interest rate risk (Continued)

	2018 Sh'000		2017 Sh'000	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
+ 1 percentage point movement	411	288	476	333
- 1 percentage point movement	(411)	(288)	(476)	(333)

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.

39. FAIR VALUE OF ASSETS AND LIABILITIES

a) Fair value hierarchy

The table below shows an analysis of all assets and liabilities measured at fair value in the financial statements or for which fair values are disclosed in the financial statements by level of the fair value hierarchy. These are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices); and
iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

GROUP	Level 1 Sh'000	Level 2 Sh'000	Level 3 Sh'000
31 March 2018			
Assets			
Property, plant and equipment			
-Buildings	-	1,369,512	-
-Machinery and equipment	-	895,884	-
Biological assets			
-timber and fuel trees	-	703,168	-
-Un-harvested green leaf	-	44,646	-
31 March 2017			
Assets			
Property, plant and equipment			
-Buildings	-	1,083,995	-
-Machinery and equipment	-	731,939	-
Biological assets			
-timber and fuel trees	-	660,562	-
-Un-harvested green leaf	-	31,308	-

39. FAIR VALUE OF ASSETS AND LIABILITIES(Continued)

COMPANY	Level 1 Sh'million	Level 2 Sh'million	Level 3 Sh'million
31 March 2018			
Assets			
Property, plant and equipment			
-Buildings	-	883,177	-
-Machinery and equipment	-	428,696	-
Biological assets			
-timber and fuel trees	-	348,962	-
-Un-harvested green leaf	-	19,759	-
31 March 2017			
Assets			
Property, plant and equipment			
-Buildings	-	740,334	-
-Machinery and equipment	-	381,808	-
Biological assets			
-timber and fuel trees	-	271,272	-
-Un-harvested green leaf	-	14,274	-

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).