WILLIAMSON TEA KENYA PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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WILLIAMSON TEA KENYA PLC

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 78th Annual General Meeting of the Shareholders will be held by electronic communication on Thursday 20th August 2020 at 11.00 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 2020.

2) To declare a dividend.

3) To re-elect Directors:

   i) In accordance with Article 108 of the Company's Articles of Association, Mr. James Patrick Brooks retires by rotation and offers himself for re-election.

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

4) In accordance with the provisions of Section 769 of the Companies Act 2015, the following directors being members of the Board Audit Committee, be appointed individually to continue to serve as members of the said committee:
   i) Mr.Mathew Koech
   ii) Mr.James Patrick Brooks
   iii) Mr.Edward Charles Magor

5) To approve the remuneration of the Directors

6) To re-appoint Messrs Deloitte & Touche as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Kenyan Companies Act, 2015 and to authorize the Directors to fix the Auditors' remuneration for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Kenyan Companies Act, 2015.

7) <u>Special Business</u>

   "That, by way of special resolution, Articles 55 ,65 and 116 of the Articles of Association of the Company be and is hereby amended to provide for holding of Annual General Meetings, Extraordinary General Meetings and Board Meetings virtually and for voting to be carried by electronic means."

8) To transact such other business as may be brought before the meeting.

BY ORDER OF THE BOARD

Gilbert K Masaki

SECRETARY

16th July, 2020

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	
BOARD COMMITTEES		
Governance & Audit Committee	M Koech	- Chairman
	J P Brooks	
	E C Magor	
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

COMPANY SECRETARY/REGISTRAR

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

Absa Bank Kenya Plc
Absa Plaza Business Centre
P O Box 30120 - 00100
Nairobi

Standard Chartered Bank Kenya Limited
Kenyatta Avenue Branch
P O Box 40310 - 00100
Nairobi

NCBA Bank Kenya Plc
NCBA Centre
P O Box 44599 - 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

		2020	2019	2018	2017	2016
Tea Production						
Area under tea Hectare		2,130	2,129	2,102	2,128	2,127
Made tea - own	'000 Kgs	7,511	7,310	7,997	6,987	8,145
- bought leaf	'000 Kgs	8,101	7,598	8,023	7,951	8,301
Total	'000 Kgs	15,612	14,908	16,020	14,938	16,446
Tea sold	'000 Kgs	14,694	14,226	15,514	16,603	15,057
Average price per Kg gross Sh/Ct		205/08	232/46	256/97	201/74	222/37
Revenue from tea sales (Sh'000)		3,035,130	3,326,057	3,984,971	3,416,340	3,386,015
Profit (Sh'000)						
Profit/(loss) before taxation		104,129	(212,415)	810,056	(351,944)	586,609
Taxation credit/(charge)		33,073	40,053	(307,287)	90,351	(103,862)
Profit/(loss) for the year		137,202	(172,362)	502,769	(261,593)	482,747
Attributable to:						
Non - controlling interests		4,342	(7,950)	14,825	(21,099)	19,570
Equity holders of the parent		132,860	(164,412)	487,944	(240,494)	463,177
Profit/(loss) for the year		137,202	(172,362)	502,769	(261,593)	482,747
Capital employed (Sh'000)						
Assets (Sh'000)						
Property, plant and equipment		3,865,560	3,672,274	3,968,782	3,614,543	3,798,149
Right of use assets		95,033	-	-	-	-
Investments and other long term assets		1,042,628	1,092,177	1,175,988	1,075,903	1,101,277
Biological assets		684,567	699,684	703,168	660,562	651,344
Current assets		2,212,782	2,807,783	3,657,136	3,013,119	3,380,625
Total assets		7,900,570	8,271,918	9,505,074	8,364,127	8,931,395
Short term borrowings		-	37,380	97,481	156,432	205,766
Long term lease liabilities		22,325	-	-	-	-
Service gratuity		300,178	291,157	297,969	310,440	261,618
Other current liabilities		565,233	658,271	1,164,892	800,989	616,348
Deferred tax liabilities		876,659	967,735	1,097,375	1,001,994	1,133,326
Total liabilities		1,764,395	1,954,543	2,657,717	2,269,855	2,217,058
Net assets		6,136,175	6,317,375	6,847,357	6,094,272	6,714,337

WILLIAMSON TEA KENYA PLC

FINANCIAL HIGHLIGHTS – CONSOLIDATED (Continued)

		2020	2019	2018	2017	2016
Financed by (Sh'000)						
Share capital		87,563	87,563	87,563	87,563	87,563
Revaluation surplus		1,036,337	1,030,507	1,085,535	718,612	797,676
Retained earnings		4,817,422	5,001,707	5,461,624	5,110,096	5,622,741
Equity holders of parent company		5,941,322	6,119,777	6,634,722	5,916,271	6,507,980
Non – controlling interest		194,853	197,598	212,635	178,001	206,357
Shareholders' funds		6,136,175	6,317,375	6,847,357	6,094,272	6,714,337
Earnings/(loss) per share	Sh	7.59	(9.39)	27.86	(13.73)	26.45
Proposed dividend per share (par value)	%	400	400	400	200	400
Proposed dividend per share	Sh	20	20	20	10	20
Proposed dividend cover	Times	0.38	(0.49)	1.39	(1.37)	1.32
Closing exchange rates	US $	104.69	100.75	100.84	103.00	101.33
	UK £	129.87	131.85	142.31	128.83	145.31

WILLIAMSON TEA KENYA PLC

CHAIRMAN'S STATEMENT

RESULTS

The Group reported a profit for the year of Sh 180 million in 2020 compared to a loss for the year of Sh 173 million reported in 2019.

Please refer to pages 24 and 25 of the consolidated financial statements.

Crops

The crop figures for the year are given on page 4.

As last year's financial year ended a drought had gripped most of Kenya and the long rains failed to materialize. We went into our new financial year in 2019 very dry and with the same adage from last year applicable, if it rains you get crop and vice versa, no rain, no crop.

This is in direct contrast to my last statement, "for much of 2018 there were heavy and prolonged rains". Further reinforcement of an absolute truth that in rain fed agriculture there remains one great unfathomable and unknown aspect, when and for how long we will receive sufficient rain to enjoy the crop levels that are essential in controlling our costs.

Much of the farmer's ability to be successful in agriculture is concentrated on carrying out essential tasks on time. Field preparation, pruning, fertilizer applications are all weather dependent and therefore in the event of extreme conditions, too dry, too wet, the ability to control is removed.

This level of business risk seems an anathema to many but we the farmers must accept and manage that risk as best we can, through good and sustainable practices, hard work, and experience. But we do not know when it is going to rain, that is the risk we have to accept and live with.

So April 2019 was dry. Dry means no crop, no crop means no money and high costs, dry is therefore bad news. However the fickle and capricious nature of weather systems turned again during the year so that by the end of this financial year in March 2020, we had seen an unprecedented amount of rain from October 2019 through to March 2020, so much so that as a group we caught up and overtook last year's crop and ended the year with significantly more rainfall.

Cost of Production

The aforementioned dry weather with very little crop being manufactured in our factories meant not only very little tea to sell and no cash, but escalating costs and an inability to offset those costs through production.

So the year began on a dismal note, but gradually, as the rain returned we were able to witness a change; an increase in crop and slow reduction of costs.

The actual cost of doing business however, is forever rising. Local taxes, often set without consultation and with doubtful basis rise inexorably.

We continue to fight land matters and other legal disputes through the courts, which although are through Kenya Tea Growers Association, (KTGA) there remains a large and damaging cost to this.

Post balance sheet we have recently witnessed a measured and well-reasoned judgement from the High Court on the granting of land leases. As we have still to be granted our 99 year leases as prescribed in the Constitution enacted in August 2010 this ruling may assist in closing a long standing and thorny issue and if so perhaps reduce the volume of noise from local populist political activity.

We work closely with our local decision makers and wish to only have a fair, positive and sustainable relationship with them based on mutual respect.

The appalling supply failures from Kenya Power and Lighting Company (KPLC) finally forced our hand on developing our own renewable energy at Kaimosi. With Changoi already the largest solar park in sub Saharan Africa outside of South Africa, Kaimosi where the new investment is, will be even larger, provided with back-up battery power so that as much of the total power requirement on the farm as possible originates as renewable solar energy, using the power of the sun to make our tea. This is a huge investment but we believe one that encapsulates our efforts in delivering a zero or minus carbon product that we can be proud of, assist in the global battle against climate change, and provide competitive advantage which we hope and trust will be recognized by our customers.

Markets

We operate in a very competitive selling environment. We compete locally against our Kenya counterparts and globally against other tea producing countries. Tea remains the most popular drink on earth after water, however it enjoys that status because it is available and affordable to most. But the demands upon the group, with an ever growing supply side in Kenya and a slower growing demand side is to make better tea at a cheaper cost so we can compete globally on price.

I must advise this is not an easy task.

Many have argued that the solution in Kenya is for more tea. For over 100 years, associations, decision makers, stakeholders, politicians have been searching for a magic formula between supply and demand to assist the farmer in obtaining economic returns. The length of time line itself is hard evidence that this formula does not exist.

What we do know however is if demand falls below supply then prices are poor. This is the scenario now and has been so for two years. As I write the all tea auction average is at a ten-year low.

So supply, whilst we all need it, we must accept to live with too much of it.

What of demand?

We manage our own customers and we compete as robustly as we can. But fundamentally, and to repeat my words of last year and will do so again next year if necessary, new customers, new domestic and especially export markets for Kenyan tea must be wooed, particularly export customers who currently cannot buy due to punitive tariffs on tea imports and that discriminate against Kenyan tea.

Those markets and customers do exist and it is the responsibility of decision makers to unlock them with trade agreements for Kenyan tea negotiated at government level.

Market Outlook

Last year I opined a cautionary note! This year, even with a thorough polishing of the crystal ball it is hard to imagine a perfect alignment of supply and demand. Supply of tea has been heavy since October 2019. I do not see a change so that even with mild crop adjustments downwards in the cold weather there will be plenty of tea and insufficient demand for that tea. Decent returns on tea made must therefore concentrate on producing the best tea possible and selling at the highest possible price at the cheapest possible cost.

Tough times ahead.

General

I have thus far avoided mention of coronavirus. But the whole of General comments will be taken up with the virus and the issues surrounding it.

The ghastly, damaging, dangerous, pernicious pandemic has swept through an unprepared world with alarming speed and terrible consequences.

So what have we done?

First and foremost it is important to know the tea industry in Kenya was categorized an essential industry by the government.

We must appreciate the efforts of government departments in taking this decision and up to the time of writing our farms have been working flat out, strictly under government guidelines and World Health Organisation (WHO) protocols.

Our key concern and responsibility is to keep all our employees safe and well. Our thanks therefore must also go to our management, staff, field and factory workers who have worked throughout and provided and delivered so much. Thank you to all of them.

General (Continued)

The core guidelines of hand washing, social distancing, lock-down with limited contact/no visitors/no travel, face coverings, temperature recordings at critical points, sanitization of essential outside vehicles, have all been followed in a diligent and disciplined manner.

Every farm has been documenting and recording the preventative measures, which includes self-isolation units for suspected cases on site, on a weekly basis supported by numerous photographs as both a demonstration and important record of the preventative measures taken against the virus.

Food stocks were well prepared and workers and partners engaged in continuous education to give us all the best possible chance of staying safe and essentially for livelihoods, to keep working.

We are very aware that our business includes our small holder farmer partners and their contribution is warmly appreciated here.

Our contribution to them is to remain operational, and in so doing provide them and their families with the income necessary to sustain their livelihoods.

It should never pass unnoticed from the local and national political elite that this economic partnership between an operational factory and smallholder farmer is a model which benefits the county and the state as much as any other. We, the factory and they, the farmer are self-sufficient, running our businesses in a mutually beneficial way, paying taxes to local and national revenues and removing any state responsibility for thousands of individuals.

Tea, as you our shareholders know well, grows as we walk, talk, write and sleep. The incredible logistical challenges for our workforce in daily delivering a product that arrives un-processed but 24 hours later is ready for market defies normal understanding.

But that is what happens and continues to happen as global economies and less fortunate industries crumble. Record monthly decline in world economies and GDP, record levels of unemployment, uncertain futures for millions, this virus and the steps taken by governments to reduce the terrible health dangers have been unprecedented in living memory.

The tea industry, all the over-supply issues notwithstanding, has so far been working. Employment and wages and local economies, and forex earnings carry on.

The curfews do not apply to essential cargo. The lockdown county boundary travel restrictions do not apply to essential industries.

The tea auction in Mombasa has continued to function. Due to the aforementioned record levels of supply Mombasa warehouses are full of tea.

Curfew restrictions have hit Mombasa warehouse to port transport. However, for our group, with the majority of sales privately secured, we enjoy the luxury of a fully functioning Nairobi warehouse, a thank you to our partners Bollore, an efficient SGR container export service delivering tea direct from the Nairobi terminal to vessels docked in port. We have yet to miss a contractual deadline.

During the year under review we took the decision to sell tea, be paid for it, so that in the worst case scenario and possible closure, our cash reserves would be sufficient (under most models) to see us through in the event of a prolonged "shut-down".

We are thankful that has not happened and we believe the steps we have taken and the responsibility shown means we will be able to continue to operate even if more difficult circumstances should unfortunately arise in the months to come.

General Outlook

As a group we shall continue to embrace technology and continue to meet the demands of climate change, renewable energy and operational sustainability.

The image of a tea farm and factory is changing. The support model for small farmers is world class. Our indigenous forests within fully operational farms are areas of great diversity and sustainability to flora and fauna.

Management decisions on the health of tea bushes, when and how much fertilizer to use will soon be enhanced through satellite technology providing maps for more accurate forecasts and supporting an already impressive knowledge base.

In time we will continue to mechanise. We have one motorized harvester operational in the field leading to efficient and cost effective delivering green leaf from which we can make good teas. Good teas are better value. Increased investment in harvesters will follow.

We are drawing up master plans to prepare for model, sustainable, even more comfortable village camps, continuing to push the boundaries on our welfare improvements and efforts

DIVIDENDS

The Directors considered Shareholders' persistent demand for a higher dividend rate in the years when the Company had exceptional good results, and resolved to recommend a dividend of Sh.20 per share to be paid out of revenue reserves.

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 1,600 with over 3,300 of their dependents who also benefit from the social and welfare amenities provided.

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

16 July 2020

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 principles and standards adhered to by the Board have been developed with close reference to guidelines on corporate governance issued by the Capital Markets Authority, Code of Corporate Governance Practices for Issuers of Securities to The Public 2015 ("the Code) and other global best practices.

The Group continues to consider recommendations of the Capital Markets Authority Code of Corporate Governance and implement them where appropriate.

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 Company's 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 board meetings is distributed together with the agenda and Board papers to all Directors beforehand.

The Company Secretary is always available to the Board of Directors and is a member of both the Institute of Certified Public Accountants 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 Accountants of Kenya (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 31 March 2020 held shares in their individual capacity that were more than 2% of the Company's total equity (2019: None). The Directors' interest in the shares of the Company as at 31 March is summarised below:

Name	Number of Shares	
	2020	2019
E N K Wanjama	200	200
	====	====

STATEMENT OF CORPORATE GOVERNANCE (Continued)

COMMITTEES OF THE BOARD

The Board has three standing committees, which meet under the terms of reference set by the Board.

Governance and audit committee

The Governance and audit committee was constituted by the Board in 1998 and compromises three 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 of one executive and two 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.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

SHAREHOLDING PROFILES

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

Principal shareholders

As at 31 March 2020 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.	Baloobhai Chhotabhai Patel&Amarjeet B Patel	Nairobi	499,993	2.86
4.	CTC Global Investment Limited	Mauritius	490,900	2.80
5.	Garot International Limited	Nairobi	455,300	2.60
6.	Kanaiyalal Mansukhalal & Shah Lalitaben Kanaiyalal	Nairobi	329,066	1.88
7.	Standard Chartered Nominées A/c 000954	Nairobi	204,700	1.17
8.	Standard Chartered Nominees A'c 9280	Nairobi	172,700	0.99
9.	Bid Plantations limited	Nairobi	145,900	0.83
10.	Mohammed Aslam Alimohamed Adam	Nairobi	103,912	0.59

Analysis of shareholders

By region:

Region	Number	Shares held	%
Foreign shareholders	86	10,536,186	60.16
Local & East Africa shareholders (Individuals)	1,694	4,798,942	27.41
Local & East Africa shareholders (Institutional)	100	2,177,512	12.43
	1,880	17,512,640	100

By shares distribution:

Less than 501	793	147,122	0.84
501-10,000	974	2,200,222	12.56
10,001- 100,000	101	2,897,511	16.55
100,001-1,000,000	11	3,255,457	18.59
Above 1,000,000	1	9,012,328	51.46
	1,880	17,512,640	100

2019/2020 BOARD & BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE

Director	Classification	Designation		Board	Governance & Audit	Nominating and Staff & Remuneration
Ezekiel N.K Wanjama	Non-executive	Chairman of Board; Nominating and staff & remuneration committee	Membership	√		√
			Attendance	4/4		1/1
Alan L Carmichael	Executive	Managing Director	Membership	√		√
			Attendance	4/4		1/1
Mathew Koech	Non-executive	Chairman of Governance & Audit Committee	Membership	√	√	
			Attendance	4/4	2/2	
JP Brooks	Non-executive		Membership	√	√	
			Attendance	4/4	2/2	
P Magor	Non-executive		Membership	√		√
			Attendance	3/4		1/1
E Magor	Non-executive		Membership	√	√	
			Attendance	4/4	1/2	
S N Thumbi	Executive	Farm Director	Membership	√		
			Attendance	4/4		

√ Member of respective committee

- Where a director has missed a Board or Board Committee meeting, an acceptable apology had been received by the Chairman well in advance of the scheduled meeting.
- The Managing Director and Group Financial Controller are not members of the Governance and audit committee but attend by invitation.

E N K Wanjama
Chairman
16/July/ 2020

A L Carmichael
Managing Director
16/July/ 2020

DIRECTORS' REMUNERATION REPORT

The Directors remuneration report sets out the remuneration arrangements for the Directors of Williamson Tea Kenya Plc for the year ended 31 March 2020.

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 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	2020			2019		
	Fees Sh'000	Sitting & other allowances Sh'000	Total Sh'000	Fees Sh'000	Sitting & other allowances Sh'000	Total Sh'000
Phillip Magor	3,915	86	4,001	3,964	29	3,993
Edward Magor	3,915	86	4,001	3,964	29	3,993
Mathew Koech	720	230	950	720	158	878
ENK Wanjama	1,080	244	1,324	1,080	244	1,324
JP Brooks	720	202	922	720	130	850
Total	**10,350**	**848**	**11,198**	**10,448**	**590**	**11,038**

Executive Directors

Name	2020					2019				
	Salaries & allowances Sh'000	Pension Sh'000	Non-cash benefits Sh'000	Long service award Sh'000	Total Sh'000	Salaries & allowances Sh'000	Pension Sh'000	Non-cash benefits Sh'000	Long service award Sh'000	Total Sh'000
Alan Carmichael	25,247	-	5,390	-	30,637	25,247	7,580	7,954	39,141	79,922
Samuel Thumbi	17,043	-	2,689	-	19,732	16,622	-	2,995	25,329	44,946
Total	**42,290**		**8,079**	**-**	**50,369**	**41,869**	**7,580**	**10,949**	**64,470**	**124,868**

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

DIRECTORS' REMUNERATION REPORT (Continued)

Approval of the Directors remuneration report

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

E N K Wanjama
Chairman
16/July/ 2020

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 2020 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

	2020 Sh'000	2019 Sh'000
Profit/(loss) before taxation	104,129	(212,415)
Taxation credit	33,073	40,053
Profit/(loss) for the year	137,202	(172,362)
Attributable to:		
Owners of the company	132,860	(164,412)
Non-controlling interests	4,342	(7,950)
Profit/(loss) for the year	137,202	(172,362)

DIVIDENDS

The Directors recommend that a first and final dividend of Sh 20 per share (2019 – Sh 20) equivalent to a total sum of Sh 350,252,800 (2019 – Sh 350,252,800) be paid to the shareholders. The dividend is subject to approval by the shareholders at the next Annual General Meeting.

DIRECTORS

The current Board of Directors is shown on page 3.

BUSINESS REVIEW

Performance

The Group faced various challenges during the year including volatile market conditions and climatic changes which impacted on the overall performance for the period. The Group crop production however increased by 5% from 14.9 million kilos to 15.6 million kilos of made tea. The volumes of tea sold increased from 14.2 million kilos sold last year to 14.7 million kilos sold this year, an equivalent of 3%. The turnover on the other hand declined by 9% to Sh 3.0 billion compared to Sh 3.3 billion reported last year which was in line with the decline in the average tea prices from Sh 232 per kilo of made tea fetched last year to Sh 205 per kilo of made tea realised this year. However, the Group recorded a total profit for the year of Sh 137 million compared to a loss of Sh 172.3 million reported in the previous 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:

- 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.

BUSINESS REVIEW (Continued)

Principal risks & uncertainties (Continued)

- 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.

- In March 2020, the World Health Organisation (WHO) officially declared COVID-19 as a pandemic. This health hazard has resulted in significant government measures and caused disruption to the financial markets and global economy.

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 14.

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 with the provisions of section 721 (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 auditor's appointment and the related fees

BY ORDER OF THE BOARD

G K Masaki

SECRETARY

16th July 2020

WILLIAMSON TEA KENYA PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and the Company at the end of the financial year and of their financial performance for the year then ended. It also requires the directors to ensure that the Company and its subsidiaries maintain proper accounting records that are sufficient to show and explain the transactions of the Company and its subsidiaries; disclose, with reasonable accuracy at any time the financial position of the Group and the Company; and that enables them to prepare financial statements of the Group and the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. The Directors are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with 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.

In preparing the financial statements, the Directors have assessed the Group's and the Company's ability to continue as going concerns and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Directors to indicate that the Group and the Company will not remain going concerns for at least the next twelve months from the date of this statement.

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 16 / July / 2020 and signed on its behalf by:

E N K Wanjama
Chairman

A L Carmichael
Managing Director

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
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Nairobi
Kenya

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF WILLIAMSON TEA KENYA PLC

Report on the Audit of the Consolidated and Company Financial Statements

Opinion

We have audited the accompanying consolidated and company financial statements of Williamson Tea Kenya Plc ("the Group"), set out on pages 24 to 91, which comprise the consolidated and company statements of financial position as at 31 March 2020 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 financial position of the Group and the Company as at 31 March 2020 and of their financial performance and 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 ("ISA"s). Our responsibilities under those standards are further described in the *Auditors' responsibilities for Audit of the consolidated and company Financial Statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with other ethical requirements that are relevant to our audit of the financial statements in Kenya, and have fulfilled our 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 Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the consolidated and company financial statements of the current period.

The key audit matter described below 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 therefore do not provide a separate opinion on this matter.

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

Key Audit Matter (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 comprising fuel and timber plantations, which are measured at fair value less costs to sell. 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 684,567,000 and Sh 244,772,000 for the Group and the Company respectively as disclosed in note 20 of the financial statements. 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. 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 of the Annual General Meeting, Financial Highlights, Chairman's Statement, Statement of Corporate Governance, Directors' Remuneration Report, Statement of Directors' Responsibilities 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or Company 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 going concerns;

- 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.

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 the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the 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 the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other 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 17 to 18 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 15 to 16 has been prepared in accordance with the Kenyan Companies Act, 2015.

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi, Kenya 16 July **2020**

CPA F. Okwiri, Practicing certificate No. 1699.
Signing partner responsible for the independent audit

WILLIAMSON TEA KENYA PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 Sh' 000	2019 Sh' 000
REVENUE	4(e)	3,069,106	3,370,871
FAIR VALUE GAINS/(LOSSES)			
- Timber trees	20(a)	(1,674)	(7,219)
- Fuel trees	20(a)	64,226	65,375
		3,131,658	3,429,027
COST OF SALES		(2,742,103)	(3,132,105)
GROSS PROFIT		389,555	296,922
OTHER INCOME	5	52,637	10,964
DISTRIBUTION COSTS		(157,554)	(169,997)
ADMINISTRATIVE EXPENSES		(255,601)	(318,842)
INTEREST INCOME	6	57,757	67,441
FINANCE COSTS	6	(4,615)	(5,375)
NET FOREIGN EXCHANGE GAINS/(LOSSES)		7,149	(43,815)
SHARE OF PROFIT/(LOSS) OF ASSOCIATE COMPANY	17	14,801	(49,713)
PROFIT/(LOSS) BEFORE TAXATION	7	104,129	(212,415)
TAXATION CREDIT	9(a)	33,073	40,053
PROFIT/(LOSS) FOR THE YEAR	10	137,202	(172,362)
COMPRISING:			
Attributable to the equity holders of the Company:			
Profit/(loss) arising from operating activities		87,660	(202,465)
Losses arising from changes in fair value of biological assets (net of attributable taxation)		45,200	38,053
		132,860	(164,412)
Non - controlling interests:			
Profit/(loss) arising from operating activities	26	2,628	(10,606)
Gains arising from changes in fair value of biological assets (net of attributable taxation)	26	1,714	2,656
		4,342	(7,950)
PROFIT/(LOSS) FOR THE YEAR		137,202	(172,362)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020 (Continued)

	Note	2020 Sh' 000	2019 Sh' 000
PROFIT/(LOSS) FOR THE YEAR		137,202	(172,362)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may not be reclassified subsequently to profit or loss			
Deficit on revaluation of property and equipment		(400)	(400)
Deferred tax on revaluation surplus		100	120
Decrease in opening deferred tax liability on revaluation surplus arising from change in tax rate	27	39,238	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		38,938	(280)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		176,140	(172,642)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the company		132,860	(164,412)
Non - controlling interests	26	4,342	(7,950)
		137,202	(172,362)
OTHER COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Equity holders of the company		38,938	(280)
Non - controlling interests	26	-	-
		38,938	(280)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Equity holders of the company		171,798	(164,692)
Non - controlling interests	26	4,342	(7,950)
		176,140	(172,642)
EARNINGS/(LOSS) PER SHARE – Basic and diluted	11	7.59	(9.39)

WILLIAMSON TEA KENYA PLC

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 Sh' 000	2019 Sh' 000
REVENUE	4(e)	1,066,841	1,220,972
FAIR VALUE GAINS/(LOSSES)			
- Timber trees	20(a)	(876)	(162)
- Fuel trees	20(a)	19,085	(37,840)
		1,085,050	1,182,970
COST OF SALES		(943,400)	(1,115,078)
GROSS PROFIT		141,650	67,892
OTHER INCOME	5	47,858	9,034
DIVIDEND RECEIVABLE		82,279	82,279
DISTRIBUTION COSTS		(53,125)	(58,265)
ADMINISTRATIVE EXPENSES		(140,366)	(184,333)
INTEREST INCOME	6	43,151	57,766
FINANCE COSTS	6	(2,897)	(5,369)
NET FOREIGN EXCHANGE GAINS/(LOSSES)		1,833	(21,111)
PROFIT/(LOSS) BEFORE TAXATION	7	120,383	(52,107)
TAXATION CREDIT	9(a)	34,117	26,761
PROFIT/(LOSS) FOR THE YEAR	10	154,500	(25,346)
COMPRISING:			
Attributable to the equity holders of the company:			
Profit arising from operating activities		140,843	1,255
Gains/(losses) arising from changes in fair value of biological assets (net of attributable taxation)		13,657	(26,601)
PROFIT/(LOSS) FOR THE YEAR		154,500	(25,346)
OTHER COMPREHENSIVE INCOME			
Items that may not be reclassified subsequently to profit or loss			
Decrease in opening deferred tax liability on revaluation surplus arising from change in tax rate	27	23,369	-
TOTAL OTHER COMPREHENSIVE INCOME		23,369	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		177,869	(25,346)

WILLIAMSON TEA KENYA PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	2020 Sh'000	2019 Sh'000
ASSETS			
Non- current assets			
Property, plant and equipment	13	3,865,560	3,672,274
Intangible assets	14	1,801	1,829
Prepaid operating lease	15(a)	-	72,371
Right of use assets	15(b)	95,033	-
Investment properties	16	475,000	436,000
Investment in associate company	17	564,478	580,628
Unquoted investments	19	1,349	1,349
Biological assets – timber and fuel trees	20(a)	684,567	699,684
		5,687,788	5,464,135
Current assets			
Un-harvested green leaf	20(b)	40,479	21,523
Inventories	21	865,805	783,034
Trade and other receivables	22	432,970	366,439
Due from an associate company	23(a)	18,415	39,486
Corporate tax recoverable	9(c)	292,430	286,758
Short term investments	24	371,341	872,898
Cash and bank balances	32(b)	191,342	437,645
		2,212,782	2,807,783
Total assets		7,900,570	8,271,918
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25	87,563	87,563
Revaluation surplus		1,036,337	1,030,507
Retained earnings		4,817,422	5,001,707
Equity attributable to owners of the company		5,941,322	6,119,777
Non – controlling interests	26	194,853	197,598
Shareholders' funds		6,136,175	6,317,375
Non- current liabilities			
Deferred tax liability	27	876,659	967,735
Service gratuity provision	28	300,178	291,157
Lease liabilities	35(b)	22,325	-
		1,199,162	1,258,892
Current liabilities			
Due to an associate company	23(d)	2,174	3,761
Borrowings	29	-	37,380
Trade and other payables	30	504,073	607,512
Dividends payable	31	52,806	46,998
Lease liabilities	35(b)	6,180	-
		565,233	695,651
Total equity and liabilities		7,900,570	8,271,918

The financial statements on pages 24 to 91 were approved and authorised for issue by the Board of Directors on 16/July/ 2020 and were signed on its behalf by:

E N K Wanjama
Chairman

A L Carmichael
Managing Director

WILLIAMSON TEA KENYA PLC

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	2020 Sh'000	2019 Sh'000
ASSETS			
Non- current assets			
Property, plant and equipment	13	1,811,525	1,829,197
Intangible assets	14	1,090	1,319
Prepaid operating lease	15(a)	-	10,698
Right of use asset	15(b)	29,033	-
Investment properties	16	475,000	436,000
Investment in associate company	17	49,479	49,479
Investment in subsidiary companies	18	109,877	109,877
Unquoted investments	19	546	546
Biological assets – timber and fuel trees	20	244,772	271,518
		2,721,322	2,708,634
Current assets			
Unharvested green leaf	20	18,712	15,250
Inventories	21	327,366	283,447
Trade and other receivables	22	156,101	141,953
Due from an associate company	23(a)	18,415	37,468
Due from subsidiary companies	23(b)	107,977	17,221
Corporate tax recoverable	9(c)	155,408	141,969
Short term investments	24	282,613	752,459
Cash and bank balances	32(b)	133,159	135,589
		1,199,751	1,525,356
Total assets		3,921,073	4,233,990
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25	87,563	87,563
Revaluation surplus		589,097	577,162
Retained earnings		2,419,318	2,603,637
Shareholders' funds		3,095,978	3,268,362
Non- current liabilities			
Deferred tax liability	27	428,611	485,837
Service gratuity provision	28	125,256	117,307
Lease liabilities	35(b)	14,770	-
		568,637	603,144
Current liabilities			
Due to a subsidiary company	23(c)	19,330	19,938
Borrowings	29	-	37,380
Trade and other payables	30	179,286	258,168
Dividends payable	31	52,806	46,998
Lease liabilities	35(b)	5,036	-
		256,458	362,484
Total equity and liabilities		3,921,073	4,233,990

The financial statements on pages 24 to 91 were approved and authorised for issue by the Board of Directors on 16 July 2020 and were signed on its behalf by:

E N K Wanjama
Chairman

A L Carmichael
Managing Director

WILLIAMSON TEA KENYA PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

				Retained earnings					
	Note	Share capital	Revaluation surplus	Biological assets fair value	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 2018		87,563	1,085,535	1,358,649	4,102,975	5,461,624	6,634,722	212,635	6,847,357
Loss for the year		-	-	38,053	(202,465)	(164,412)	(164,412)	(7,950)	(172,362)
Other comprehensive loss		-	(280)	-	-	-	(280)	-	(280)
Total comprehensive loss for the year		-	(280)	38,053	(202,465)	(164,412)	(164,692)	(7,950)	(172,642)
Excess depreciation transfer		-	(78,212)	-	78,212	78,212	-	-	-
Deferred tax on excess depreciation		-	23,464	-	(23,464)	(23,464)	-	-	-
Final dividends declared – 2018	26 & 31	-	-	-	(350,253)	(350,253)	(350,253)	(7,087)	(357,340)
At 31 March 2019		87,563	1,030,507	1,396,702	3,605,005	5,001,707	6,119,777	197,598	6,317,375
At 1 April 2019		87,563	1,030,507	1,396,702	3,605,005	5,001,707	6,119,777	197,598	6,317,375
(Loss)/profit for the year		-	-	45,200	87,660	132,860	132,860	4,342	137,202
Other comprehensive income		-	38,938	-	-	-	38,938	-	38,938
Total comprehensive income for the year		-	38,938	45,200	87,660	132,860	171,798	4,342	176,140
Excess depreciation transfer		-	(44,145)	-	44,145	44,145	-	-	-
Deferred tax on excess depreciation		-	11,037	-	(11,037)	(11,037)	-	-	-
Final dividends declared – 2019	26 & 31	-	-	-	(350,253)	(350,253)	(350,253)	(7,087)	(357,340)
At 31 March 2020		87,563	1,036,337	1,441,902	3,375,520	4,817,422	5,941,322	194,853	6,136,175

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 2020

				Retained earnings			
	Note	Share capital Sh'000	Revaluation surplus Sh'000	Biological assets fair value Sh'000	Other Sh'000	Total Sh'000	Total Sh'000
At 1 April 2018		87,563	593,915	643,398	2,319,085	2,962,483	3,643,961
(Loss)/profit for the year		-	-	(26,601)	1,255	(25,346)	(25,346)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive (loss)/income for the year		-	-	(26,601)	1,255	(25,346)	(25,346)
Excess depreciation transfer		-	(23,933)	-	23,933	23,933	-
Deferred tax on excess depreciation		-	7,180	-	(7,180)	(7,180)	-
Final dividends declared – 2018	31	-	-	-	(350,253)	(350,253)	(350,253)
At 31 March 2019		87,563	577,162	616,797	1,986,840	2,603,637	3,268,362
At 1 April 2019		87,563	577,162	616,797	1,986,840	2,603,637	3,268,362
Profit/(loss) for the year		-	-	13,657	140,843	154,500	154,500
Other comprehensive income		-	23,369	-	-	-	23,369
Total comprehensive (loss)/income for the year		-	23,369	13,657	140,843	154,500	177,869
Excess depreciation transfer		-	(15,246)	-	15,246	15,246	-
Deferred tax on excess depreciation		-	3,812	-	(3,812)	(3,812)	-
Final dividends declared – 2019	31	-	-	-	(350,253)	(350,253)	(350,253)
At 31 March 2020		87,563	589,097	630,454	1,788,864	2,419,318	3,095,978

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 2020

	Note	2020 Sh'000	2019 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32(a)	211,195	1,538,909
Interest received	6	57,757	67,441
Interest paid on borrowings	6	(2,174)	(5,375)
Taxation paid	9(c)	(24,759)	(533,759)
Net cash generated from operating activities		242,019	1,067,216
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (note 13)	13	(616,817)	(238,217)
Purchase of intangible assets (note 14)	14	(959)	(539)
Proceeds from disposal of property, plant and equipment		6,867	7,308
Expenditure on biological assets	20	(13,204)	(8,113)
Dividend received - from associate company	17	30,951	30,951
Net cash used in investing activities		(593,162)	(208,610)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(7,805)	-
Asset finance loans repaid	29(b)	(37,380)	(60,138)
Dividends paid to shareholders	31	(344,445)	(338,356)
Dividends paid to minority interest	26	(7,087)	(7,087)
Net cash used in financing activities		(396,717)	(405,581)
(DECREASE)/INCREASE IN CASH AND EQUIVALENTS		(747,860)	453,025
CASH AND CASH EQUIVALENTS AT START OF YEAR		1,310,543	857,518
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(b)	562,683	1,310,543

WILLIAMSON TEA KENYA PLC

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 Sh'000	2019 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operations	32(a)	(21,098)	803,849
Interest received	6	43,151	57,766
Interest paid on borrowings	6	(1,161)	(5,369)
Taxation paid	9(c)	(13,179)	(280,078)
Net cash generated from operating activities		7,713	576,168
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(169,076)	(67,054)
Purchase of intangible assets	14	(496)	(187)
Proceeds from disposal of property, plant and equipment		2,487	7,024
Expenditure on biological assets	20	(7,291)	(92)
Dividend received - from subsidiaries and associate		82,279	82,279
Net cash (used in) /generated from investing activities		(92,097)	21,970
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(6,067)	-
Asset finance loans repaid	29(b)	(37,380)	(60,138)
Dividends paid to shareholders	31	(344,445)	(338,356)
Net cash used in financing activities		(387,892)	(398,494)
(DECREASE)/INCREASE/ IN CASH AND CASH EQUIVALENTS		(472,276)	199,644
CASH AND CASH EQUIVALENTS AT START OF YEAR		888,048	688,404
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(b)	415,772	888,048

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

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.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) Relevant new and amendments standards effective for the year ended 31 March 2020

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3. The impact of the adoption of IFRS 16 on the Group's financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 April 2019.

The Group has applied the modified retrospective approach, by measuring the right of use of an asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments

a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 April 2019.

2 ACCOUNTING POLICIES (Continued)

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

(i) Relevant new and amendments standards effective for the year ended 31 March 2020 (continued)

Impact of initial application of IFRS 16 Leases (continued)

a) **Impact of the new definition of a lease (continued)**

When applying IFRS 16, the Group has applied the following practical expedients on transition date:

- Reliance on the previous identification of a lease (as provided by IAS 17) for all contracts that existed on date of initial application;
- Reliance on previous amendments on whether leases are onerous instead of performing an impairment review;
- Exclusion of initial direct costs from the measurement of right-of-use at the date of initial application;
- The use of hindsight; such as in determining the lease term if the contract contains options to extend or terminate; and
- The amendment of short term leases

b) **Impact on Lessee Accounting**

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Group:

a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

(ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

c) **Impact on Lessor Accounting**

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

The Group was not impacted by changes to lessor accounting.

2 ACCOUNTING POLICIES (Continued)

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

(i) Relevant new and amendments standards effective for the year ended 31 March 2020 (continued)

Impact of initial application of IFRS 16 Leases (continued)

d) Financial impact of the initial application of IFRS 16

	Group 2020 Sh'000	Company 2020 Sh'000
Impact on profit or loss in 2020		
Increase in depreciation of right-of-use asset	7,039	5,679
Increase in finance cost	2,441	1,736
Decrease in rent expense	(7,821)	(6,066)
Decrease in profit for the year	1,659	1,349

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 March 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Lease Liability Reconciliation	Group Sh'000	Company Sh'000
Operating lease commitments at 31 March 2019	36,766	26,188
Effect of discounting the above amounts	(2,881)	(2,052)
Lease liabilities recognised at 1 April 2019	33,885	24,136

Impact on assets, liabilities and equity as at 1 April 2019

Statement of Financial Position Extract	Original Carrying amount	IFRS 16 transition impact	New Carrying amount
Group	Sh'000	Sh'000	Shs'000
Right-of-use assets	-	33,885	33,885
Lease liabilities	-	(33,885)	(33,885)
Retained earnings	-	-	-

2 ACCOUNTING POLICIES (Continued)

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

(i) Relevant new and amendments standards effective for the year ended 31 March 2020 (continued)

Impact of initial application of IFRS 16 Leases (continued)

d) Financial impact of the initial application of IFRS 16 (continued)

Statement of Financial Position Extract	Original Carrying amount	IFRS 16 transition impact	New Carrying amount
Company	Sh'000	Sh'000	Shs'000
Right-of-use assets	-	24,136	24,136
Lease liabilities	-	(24,136)	(24,136)
Retained earnings	-	-	-

The weighted average incremental borrowing rate applied by the group was 8.5 percent after consideration of the property yields and incremental borrowing rate

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Group has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

IAS 12 Income Taxes

The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

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.

IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its PHI in the joint operation.

The application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated and company financial statements

IFRIC 23 Uncertainty over Income Tax Treatments

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

determine whether uncertain tax positions are assessed separately or as a Group; and

assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method. The Interpretation did not have an impact on the consolidated and company financial statements.

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

(ii) Relevant new and revised IFRS standards in issue but not effective for the year ended 31 March 2020

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The Group has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Group will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments had no impact on the consolidated and company financial statements as it did not have any plan amendments, curtailments, or settlements during the period

At the date of authorisation of these financial statements, The company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and in some cases had not yet been adopted by the:

New and Amendments to standards	*Effective for annual periods beginning on or after*
IFRS 17-*Insurance*	1 January 2023, with earlier application permitted
Amendments to IAS 10 and IAS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*	Yet to be set, however earlier application permitted
Amendments to IFRS 3 *Definition of a business*	1 January 2020, with earlier application permitted
Amendments to IAS 1 and IAS 8- *Definition of material*	1 January 2020, with earlier application permitted
Conceptual Framework: *Amendments to References to the Conceptual Framework in IFRS standards*	1 January 2020, with earlier application permitted

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

Amendments to IFRS 3 *Definition of a business*

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

2 ACCOUNTING POLICIES (Continued)

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

(ii) Relevant new and revised IFRS standards in issue but not effective for the year ended 31 March 2020

Amendments to IFRS 3 *Definition of a business (continued)*

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

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

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

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.
The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted

The Directors of the Group do not anticipate 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 any new or amended standards in the period ended 31 March 2020.

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 to 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.

2 ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

(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.

(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

2 ACCOUNTING POLICIES (Continued)

Investments in associate companies (Continued)

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.

Revenue recognition

The Group recognises revenue mainly from sale of made tea to the export and local markets. Revenue is shown net of value added tax (VAT), returns and discounts and after eliminating sales within the Group.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer.

For the sale of made tea, revenue is recognised when control of the tea has transferred, being at the fall of the hammer for confirmed bids at the auction, or at the point when the customer purchases the tea at the farm or the tea is delivered to the customer or on the date of bill of lading for direct exports. Payment is due immediately at the point the customer takes control of the tea.

Under the Group's standard contract terms, customers do not have a right to return due to the nature of the agricultural produce.

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.

2 ACCOUNTING POLICIES (Continued)

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).

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.

2 ACCOUNTING POLICIES (Continued)

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.

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 derecognized 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 derecognized.

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)

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

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises of fixed lease payments (including the substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment loses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the statement of the profit or loss.

2 ACCOUNTING POLICIES (Continued)

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.

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.

2 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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

2 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities (Continued)

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 to changes in presentation in the current year.

In particular, the carrying value of the disposals of biological assets have been reclassified to cost of sales. These were previously combined with fair value changes in the statement of profit or loss and other comprehensive income

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:

(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.

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)

Provision for doubtful debts (Expected credit loss)

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The measurement of impairment losses across all categories of financial assets requires judgement and the assessment of a significant increase in credit risk (SICR). These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's Expected Credit Losses (ECL) calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Historical default and expected loss rates;
- The Group's criteria for assessing if there has been a significant increase in credit risk; and
- Development of ECL models, including the various formulas and the choice of inputs

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(timber and fuel trees)

The fair values of fuel and timber plantations are determined based on the selling 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.

Land tenure

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

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

(ii) Key sources of estimation uncertainty (Continued)

Land tenure (Continued)

The Group's land titles in Kenya, which were originally either freehold or leases in excess of 900 years, were converted to 99 year leases with effect from 27th August 2010. In the current year, the Group has effected accrual for the amortisation of the operating leases over the resultant remaining lease period. The Group has yet to receive the new title deeds.

Lease discount rate

The discount rate used in the calculation of the lease liability involves estimation. Discount rates are calculated on a lease by lease basis. For property leases that make up substantially all of the Group's lease portfolio, the discount rate is the estimated property yield over a similar lease term assessed at commencement date. Otherwise for any other lease, the rate used is the incremental borrowing rate.

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 focused 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.

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
2020				
Revenues and results				
Revenue	3,035,130	1,775	32,201	3,069,106
Other income	52,572	-	65	52,637
Interest income	55,818	-	1,939	57,757
Finance costs	(4,615)	-	-	(4,615)
Group's share of associate company results after tax	14,801	-	-	14,801
Profit/(loss) before taxation (including associate)	115,343	1,652	(12,866)	104,129
Assets and liabilities				
Segment assets	7,726,555	102,407	71,608	7,900,570
Segment liabilities	1,744,256	7,093	13,046	1,764,395
Other information				
Depreciation	366,450	-	291	366,741
Amortisation of right of use assets	11,229	-	-	11,229
Amortisation of intangible assets	983	-	4	987
Capital expenditure	616,797	-	20	616,817
	======	======	======	======

4 SEGMENTAL INFORMATION (Continued)

c) **Segment revenues and results, assets and liabilities and other information (Continued)**

	Tea Sh'000	Property Sh'000	Generator trading Sh'000	Group Sh'000
2019				
Revenues and results				
Revenue	3,326,057	996	43,818	3,370,871
Other income	8,593	2,274	97	10,964
Interest income	47,702	17,747	1,992	67,441
Finance costs	(5,375)	-	-	(5,375)
Group's share of associate company results after tax	(49,713)	-	-	(49,713)
(Loss)/profit before taxation (including associate)	(228,824)	(10,211)	26,620	(212,415)
Assets and liabilities				
Segment assets	6,832,941	1,430,601	8,376	8,271,918
Segment liabilities	1,316,914	622,793	14,836	1,954,543
Other information				
Depreciation	474,899	5,435	683	481,017
Amortisation of prepaid operating lease	3,970	34	-	4,004
Amortisation of intangible assets	403	709	242	1,354
Capital expenditure	235,599	2,125	493	238,217

Revenue reported above represents revenue generated from external customers. Included in the revenue generated from the tea segment are sales of trees amounting to Shs 17,607,000 (2019: Shs 19,092,000).

d) **Information on major customers**

Included in revenues arising from tea sales in the previous year of Sh 3.3 billion are revenues amounting to Sh 1.4 billion which arose from sales through the Group's exclusive marketing agent. No single customer contributed 10% or more to the Group's revenue in 2020.

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	
	2020 Sh'000	2019 Sh'000	2020 Sh'000	2019 Sh'000
Global markets - exports	2,486,444	2,314,970	990,947	1,187,169
Kenya- domestic	582,662	1,055,901	75,894	33,803
	3,069,106	3,370,871	1,066,841	1,220,972

5 OTHER INCOME

	GROUP		COMPANY	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
Fair value gain on investment properties (note 16)	39,000	500	39,000	500
Miscellaneous income	13,637	10,464	8,858	8,534
	52,637	10,964	47,858	9,034

6 FINANCE INCOME AND COSTS

Finance costs:

Interest expense on:				
- bank overdrafts	(1,196)	(3)	(183)	(3)
- bank loans	(978)	(5,372)	(978)	(5,366)
-leases liabilities	(2,441)	-	(1,736)	-
	(4,615)	(5,375)	(2,897)	(5,369)

Interest income:

Interest on short term investments	57,757	67,441	43,151	57,766

7 PROFIT/(LOSS) BEFORE TAXATION

The profit/(loss) before taxation is arrived at after charging:

Depreciation of property and equipment (note 13)	366,741	481,017	167,125	212,932
Amortisation of intangible assets (note 14)	987	1,354	725	815
Amortisation of leasehold property (note 15)	-	4,004	-	997
Amortisation of right of use assets (note 15)	11,229	-	5,801	-
Staff costs (note 8)	678,187	819,280	237,247	393,237
Directors' remuneration:				
Executive				
- Salaries and allowances	42,290	106,339	42,290	106,339
- Other benefits	8,079	18,529	8,079	18,529
Non – executive				
- Fees	10,350	10,448	10,350	10,448
- Other emoluments	848	590	848	590
Loss on disposal of property, plant and equipment	49,923	44,200	17,137	11,257
Auditors' remuneration	8,681	8,243	4,367	4,173

And after crediting:				
Operating lease rental income	3,000	996	3,000	996
Dividend income	30,951	30,951	82,279	82,279
Fair value gain on investment properties	39,000	500	39,000	500

8 STAFF COSTS

	GROUP		COMPANY	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
Wages and salaries	554,268	703,298	182,704	324,394
Social security costs (NSSF)	4,704	5,342	1,823	2,094
Pension costs (defined contribution plan)	18,058	33,623	12,677	29,032
Service gratuity and terminal benefits (Note 28)	42,596	22,237	17,836	9,922
Leave pay provision	26,367	31,826	9,331	14,639
Medical expenses	20,371	20,977	11,286	11,491
Other staff costs	11,823	1,977	1,590	1,665
	678,187	819,280	237,247	393,237

9 TAXATION

	GROUP		COMPANY	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
a) TAXATION CREDIT				
Current taxation based on the adjusted profit at 25% (2019:30%)				
- current year charge	17,381	92,559	13,105	52,772
- prior year under/(over) provision	1,706	(3,092)	(13,365)	(3,120)
	19,087	89,467	(260)	49,652
Deferred taxation (note 27):				
Current year charge/(credit)	11,460	(83,858)	944	(66,122)
Prior year under/(over) provision	68,178	(45,662)	27,363	(10,291)
Decrease in deferred tax liability arising from change in tax rate*	(131,498)	-	(62,164)	-
	(51,860)	(129,520)	(33,857)	(76,413)
Taxation credit	(33,073)	(40,053)	(34,117)	(26,761)

9 TAXATION

	GROUP		COMPANY	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT /(LOSS) TO TAX CREDIT				
Accounting profit/(loss) before taxation	104,129	(212,415)	120,383	(52,107)
Tax at the applicable rate of 25% (2019:30%)	26,032	(63,725)	30,096	(15,632)
Tax effect of income not taxable				
- qualifying dividends	(20,570)	(24,684)	(20,570)	(24,684)
- Rental income	(750)	-	(750)	-
- Others	(1,775)	-	(10)	-
Pension/provident fund contribution	3,640	9,379	2,816	8,267
Donations	1,063	4,174	378	1,994
Depreciation in excess of capital allowances	2,393	-	1,493	-
Tax effect of other expenses not deductible for tax purposes	15,298	73,267	596	16,705
Share of associate's tax	3,210	10,290	-	-
Prior year under/(over) provision of current tax	1,706	(3,092)	(13,365)	(3,120)
Prior year under/(over) provision of deferred tax	68,178	(45,662)	27,363	(10,291)
Decrease deferred tax liability arising from change in tax rate*	(131,498)	-	(62,164)	-
Taxation credit	(33,073)	(40,053)	(34,117)	(26,761)

* On 25 March 2020, the Kenyan government announced tax measures to in response to the COVID-19 and April 25, 2020, Income tax Act amended Paragraph 2 (a) Head B of the Third Schedule to the Income Tax Act by reducing the corporate income tax rate to 25% from the previous 30%.

	GROUP		COMPANY	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
c) CORPORATE TAX BALANCES				
At beginning of the year:				
Taxation (recoverable)/payable	(286,758)	157,535	(141,969)	88,457
Taxation charge	17,381	92,559	13,105	52,772
Prior year over provision	1,706	(3,092)	(13,365)	(3,120)
Taxation paid	(24,759)	(533,759)	(13,179)	(280,078)
At end of the year	(292,430)	(286,758)	(155,408)	(141,969)
Consisting of:				
Tax payable	-	-	-	-
Tax recoverable	(292,430)	(286,758)	(155,408)	(141,969)
	(292,430)	(286,758)	(155,408)	(141,969)

10 PROFIT/(LOSS) FOR THE YEAR - COMPANY

The Company profit for the year of Sh 154,500,000 (2019: loss of Sh 25,346,000) has been dealt with in the company financial statements of Williamson Tea Kenya Plc.

11 EARNINGS PER SHARE

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

	2020	2019
Group		
Profit/(loss) earnings		
Profit/(loss) attributable to equity holders of the company (Sh'000)	132,860	(164,412)
Weighted average number of ordinary shares		
Number of ordinary shares (note 25)	17,512,640	17,512,640
Earnings per share – profit/(loss)		
Basic and diluted (Sh)	7.59	(9.39)

There were no potentially dilutive shares outstanding at 31 March 2020 and at 31 March 2019. Diluted earnings per share is therefore same as basic profit/(loss) earnings per share.

12 PROPOSED DIVIDENDS

The Group did not pay an interim dividend in 2020 (2019 – Sh nil).

In respect of the current year, the Directors propose that a dividend of Sh 20 per share (2019 – Sh 20 per share) amounting to a total of Sh 350,253,000 (2019 – Sh 350,253,000) be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting to be held on 20 August 2020 and has therefore not been included as a liability in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land and buildings Sh 000	Machinery & equipment Sh 000	Tractors & accessories Sh 000	Motor vehicles Sh 000	Office equipment furniture & fittings Sh 000	Bearer plants Sh 000	Computers Sh 000	Work in progress Sh 000	Total Sh 000
COST OR VALUATION									
At 1 April 2018	1,370,075	899,923	107,819	114,917	44,224	1,755,921	50,589	217,158	4,560,626
Additions	2,866	38,470	11,321	16,105	1,066	-	4,341	164,048	238,217
Transfer from WIP	4,633	76,786	-	-	715	22,054	402	(104,590)	-
Transfer to intangible assets	-	-	-	-	-	-	-	(1,800)	(1,800)
Disposals	-	(11,710)	(2,399)	(13,152)	(265)	(55,350)	(722)	-	(83,598)
Revaluation adjustment	(500)	-	-	-	-	-	-	-	(500)
At 31 March 2019	1,377,074	1,003,469	116,741	117,870	45,740	1,722,625	54,610	274,816	4,712,945
Comprising:									
At Valuation-2018	1,313,009	358,161	-	-	-	-	-	-	1,671,170
At Cost	64,065	645,308	116,741	117,870	45,740	1,722,625	54,610	274,816	3,041,775
Total	1,377,074	1,003,469	116,741	117,870	45,740	1,722,625	54,610	274,816	4,712,945
At 1 April 2019	1,377,074	1,003,469	116,741	117,870	45,740	1,722,625	54,610	274,816	4,712,945
Additions	1,506	75,336	293	19,823	629	-	3,599	515,631	616,817
Transfer from WIP	3,043	153,204	2,099	-	-	25,095	653	(184,094)	-
Disposals	(26,161)	(5,899)	(16,231)	(14,344)	(603)	(77,060)	(785)	-	(141,083)
At 31 March 2020	1,355,462	1,226,110	102,902	123,349	45,766	1,670,660	58,077	606,353	5,188,679
Comprising:									
At Valuation-2018	1,313,009	358,161	-	-	-	-	-	-	1,671,170
At Cost	64,065	645,308	102,902	123,349	45,766	1,670,660	58,077	606,353	3,316,480
Total	1,377,074	1,003,469	102,902	123,349	45,766	1,670,660	58,077	606,353	4,987,650

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2018	563	4,039	85,345	93,646	29,574	325,793	40,135	12,749	591,844
Credit for the year	217,729	130,362	8,328	10,566	2,938	106,640	4,454	-	481,017
Eliminated on disposal	-	-	(2,399)	(13,152)	(265)	(15,553)	(721)	-	(32,090)
Eliminated on revaluation	(100)	-	-	-	-	-	-	-	(100)
At 31 March 2019	218,192	134,401	91,274	91,060	32,247	416,880	43,868	12,749	1,040,671
At 1 April 2019	218,192	134,401	91,274	91,060	32,247	416,880	43,868	12,749	1,040,671
Credit for the year	100,832	137,295	6,684	14,318	2,802	99,824	4,986	-	366,741
Eliminated on disposal	(21,362)	(1,803)	(16,228)	(14,344)	(503)	(29,277)	(776)	-	(84,293)
At 31 March 2020	297,662	269,893	81,730	91,034	34,546	487,427	48,078	12,749	1,323,119
NET BOOK VALUE									
At 31 March 2020	1,057,800	956,217	21,172	32,315	11,220	1,183,233	9,999	593,604	3,865,560
At 31 March 2019	1,158,882	869,068	25,467	26,810	13,493	1,305,745	10,742	262,067	3,672,274
NET BOOK VALUE (Cost basis)									
At 31 March 2020	247,272	384,962	21,172	32,315	11,220	1,183,233	9,999	593,604	2,483,777
At 31 March 2019	317,613	238,184	25,467	26,810	13,493	1,305,745	10,742	262,067	2,200,121

Land, buildings 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 2019. The effective date of the revaluation was 31 March 2019.

Included in property, plant and equipment are assets with an original cost of Sh 337,973,027 (2019 - Sh 340,534,727) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 178,881,715 (2019 – Sh 123,499,282).

Land and buildings with net book value of Sh 1,057,800,000 (2019 – Sh 1,158,882,000) 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 2018	883,177	430,387	46,505	56,339	30,542	25,877	695,864	80,310	2,249,001
Additions	1,113	22,183	6,500	12,733	774	1,424	-	22,327	67,054
Disposals	-	(5,745)	-	(13,152)	-	(640)	(17,908)	-	(37,445)
Transfer from work in progress	2,340	20,402	-	-	-	-	9,075	(31,817)	-
Transfer to intangible assets	-	-	-	-	-	-	-	(1,800)	(1,800)
At 31 March 2019	886,630	467,227	53,005	55,920	31,316	26,661	687,031	69,020	2,276,810
Comprising:									
At valuation – 2018	863,313	55,842	-	-	-	-	-	-	919,155
At cost	23,317	411,385	53,005	55,920	31,316	26,661	687,031	69,020	1,357,655
	886,630	467,227	53,005	55,920	31,316	26,661	687,031	69,020	2,276,810
At 1 April 2019	886,630	467,227	53,005	55,920	31,316	26,661	687,031	69,020	2,276,810
Additions	-	114	-	13,943	542	1,061	-	153,416	169,076
Disposals	(4,030)	(2,995)	(8,142)	(8,935)	(603)	(698)	(28,781)	-	(54,185)
Transfer from work in progress	3,042	84,148	2,099	-	-	653	13,073	(103,016)	-
At 31 March 2020	885,643	548,494	46,962	60,928	31,255	27,677	671,323	119,420	2,391,702
Comprising:									
At valuation – 2018	863,313	55,842	-	-	-	-	-	-	919,155
At cost	23,317	411,385	46,962	60,928	31,255	27,677	671,323	119,420	1,392,267
	886,630	467,227	46,962	60,928	31,255	27,677	671,323	119,420	2,311,422

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 2018	-	1,390	30,363	44,320	19,297	22,187	136,288	-	253,845
Charge for the year	100,191	53,813	3,566	7,295	2,418	1,725	43,924	-	212,932
Eliminated on disposals	-	-	-	(13,152)	-	(639)	(5,373)	-	(19,164)
At 31 March 2019	100,191	55,203	33,929	38,463	21,715	23,273	174,839	-	447,613
At 1 April 2019	100,191	55,203	33,929	38,463	21,715	23,273	174,839	-	447,613
Charge for the year	54,108	54,937	3,580	9,000	2,437	1,755	41,308	-	167,125
Eliminated on disposals	(4,030)	(749)	(8,142)	(8,935)	(503)	(689)	(11,513)	-	(34,561)
At 31 March 2020	150,269	109,391	29,367	38,528	23,649	24,339	204,634	-	580,177
NET BOOK VALUE									
At 31 March 2020	735,374	439,103	17,595	22,400	7,606	3,338	466,689	119,420	1,811,525
At 31 March 2019	786,439	412,024	19,076	17,457	9,601	3,388	512,192	69,020	1,829,197
NET BOOK VALUE (Cost basis)									
At 31 March 2020	209,434	179,580	17,595	22,400	7,606	3,338	466,689	119,420	1,026,062
At 31 March 2019	245,529	128,417	19,076	17,457	9,601	3,388	512,192	69,020	1,004,680

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 144,401,346 (2019 - Sh 140,367,658) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 79,319,551 (2019 – Sh 50,532,357).

Land and buildings with net book value of Sh 683,199,000 (2019 – 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).

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

The Group's land, 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 2019 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 buildings, machinery and equipment in the various locations in Kenya. The fair value of buildings, machinery and equipment was determined on the depreciated replacement cost basis and net current value basis respectively. The fair value measurements is based on level 3 and the significant unobservable inputs included the estimated construction and purchase costs and other ancillary expenditures, and appropriate depreciation factors.

There were no revaluations of buildings, machinery and equipment as at 31 March 2020 and 31 March 2019. The Net book value as at 31 March 2020 and 31 March 2019 equate the fair value of buildings, machinery and equipment.

There were no transfers between level 1, level 2 and level 3 during the year.

A 10% increase in the depreciation factor would result in Sh 23,812,700 (2019: Sh 34,809,100) decrease in the fair value of the buildings and machinery.

		GROUP		COMPANY	
		2020	2019	2020	2019
		Sh'000	Sh'000	Sh'000	Sh'000
14	INTANGIBLE ASSETS (COMPUTER SOFTWARE)				
	COST				
	At beginning of year	24,184	22,473	12,755	11,396
	Additions	959	539	496	187
	Transfer from PPE	-	1,800	-	1,800
	Impaired*	-	(628)	-	(628)
	At end of year	25,143	24,184	13,251	12,755
	AMORTISATION				
	At beginning of year	22,355	21,001	11,436	10,621
	Amortisation for the year	987	1,354	725	815
	At end of year	23,342	22,355	12,161	11,436
	NET BOOK VALUE				
	At end of year	1,801	1,829	1,090	1,319

*The impairment on intangible assets relates to a software development project that has been abandoned.

15 a)	PREPAID OPERATING LEASES				
	COST				
	At beginning of the year	81,581	81,581	12,612	12,612
	Reclassification to right of use assets (Note 15(b))	(81,581)	-	(12,612)	-
	At end of year	-	81,581	-	12,612
	AMORTISATION				
	At beginning of year	9,210	5,206	1,914	917
	Amortisation charge for the year**	-	4,004	-	997
	Reclassification to right of use assets (Note 15(b))	(9,210)	-	(1,914)	-
	At end of year	-	9,210	-	1,914
	NET BOOK VALUE				
	At end of year	-	72,371	-	10,698

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.

The prepaid operating leases have been reclassified to note 15(b) under the Right of use assets due to adoption of IFRS 16

**The Group's land titles in Kenya, which were originally either freehold or leases of 999 years, were converted to 99 year leases with effect from 27th August 2010. In the prior year, the Group effected accrual for the amortisation charge of the operating leases over the remaining lease period.

15 b) RIGHT OF USE ASSETS

	Prepaid operating lease Sh'000	Premises Sh'000	Car park Sh'000	Total Sh'000
GROUP				
Cost				
At 1 April 2018 and 31 March 2019	-	-	-	-
At 1 April 2019-as previously reported	-	-	-	-
Reclassification of prepaid operating leases (Note 15(a))	81,581	-	-	81,581
Effects of adoption of IFRS 16	-	26,700	7,185	33,885
At 31 March 2020	81,581	26,700	7,185	115,466
Amortisation				
At 1 April 2018 and 31 March 2019	-	-	-	-
At 1 April 2019-as previously reported	-	-	-	-
Reclassification of prepaid operating leases (Note 15(a))	9,210	-	-	9,210
Charge for the year	4,190	5,348	1,691	11,229
At 31 March 2020	13,400	5,348	1,691	20,439
Net book value				
At 31 March 2020	68,181	21,352	5,494	95,033
At 31 March 2019	-	-	-	-
COMPANY				
Cost				
At 1 April 2018 and 31 March 2019	-	-	-	-
At 1 April 2019-as previously reported	-	-	-	-
Reclassification of prepaid operating leases (Note 15(a))	12,612	-	-	12,612
Effects of adoption of IFRS 16	-	16,951	7,185	24,136
At 31 March 2020	12,612	16,951	7,185	36,748
Amortisation				
At 1 April 2018 and 31 March 2019	-	-	-	-
At 1 April 2019-as previously reported	-	-	-	-
Reclassification of prepaid operating leases (Note 15(a))	1,914	-	-	1,914
Charge for the year	122	3,988	1,691	5,801
At 31 March 2020	2,036	3,988	1,691	7,715
Net book value				
At 31 March 2020	10,576	12,963	5,494	29,033
At 31 March 2019	-	-	-	-

16 INVESTMENT PROPERTIES

	GROUP & COMPANY	
	2020	2019
	Sh'000	Sh'000
At fair value:		
At beginning of year	436,000	435,500
Fair value gain (Note 5)	39,000	500
At end of year	475,000	436,000
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	3,000	996

Direct operating expenses arising from investment property

Direct operating expenses from investment property that generated rental income during the year	322	228

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 2020 and 31 March 2019 were performed by Lloyd Masika Limited, Registered and independent Valuers and Estate Agents. Lloyd Masika Limited, are members of the Institute of Surveyors of Kenya and they have appropriate qualifications and relevant and recent experience in the fair value measurement of properties in the various locations in Kenya. The fair value of buildings was determined by reference to market evidence of recent transactions for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. Rental income from similar properties is used in the determination of fair value.

Details of the Group's investment properties and information about fair value hierarchy as at 31 March 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 2020				
Investment properties (all located in Nairobi area)	-	-	475,000	475,000
31 March 2019				
Investment properties (all located in Nairobi area)	-	-	436,000	436,000

There were no transfers between level 1, level 2 and level 3 during the year.

17 INVESTMENT IN ASSOCIATE COMPANY

	2020 Sh'000	2019 Sh'000
GROUP		
Kapchorua Tea Kenya Plc (Quoted) - 39.56% owned:		
Carried at share of net assets	564,478	580,628
The movement in Group investment in associate company is as follows:		
At beginning of year	580,628	661,292
Share of total profit/(loss)	14,801	(49,713)
Share of other comprehensive income	-	-
Share of total comprehensive income/(loss)	14,801	(49,713)
Dividend received	(30,951)	(30,951)
At end of year	564,478	580,628
Share of total comprehensive income/(loss) comprises of:		
Share of profit or loss	14,801	(49,713)
Share of other comprehensive income	-	-
COMPANY		
Kapchorua Tea Kenya Plc (Quoted) 39.56% owned:		
At cost	49,479	49,479

The details of the above associate company are as follows:

Company	*Share capital Sh*	*Proportion of ownership interest and voting power held by the group 31 March 2020*	*31 March 2019*	*Place of Incorporation*	*Principal activity*
Kapchorua Tea Kenya Plc	39,120,000	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 2020 in respect of the associate company, Kapchorua Tea Kenya Plc is set out below:

17 INVESTMENT IN ASSOCIATE COMPANY (Continued)

	2020 Sh'000	2019 Sh'000
Non-current assets	1,066,274	1,160,784
Current assets	875,728	872,389
Non-current liabilities	(334,163)	(372,130)
Current liabilities	(180,948)	(193,329)
Net assets	1,426,891	1,467,714
Group's share of the net assets	564,478	580,628
Revenue	1,134,302	1,421,265
Profit/(loss) before taxation	11,324	(151,676)
Taxation credit	8,113	26,011
Profit/(loss) for the year	19,437	(125,665)
Total other comprehensive income	17,980	-
Total comprehensive income/(loss) for the year	37,417	(125,665)

18 INVESTMENT IN SUBSIDIARY COMPANIES

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

	2020 Sh'000	2019 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:

	2020 Sh'000	2019 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 2020*	*31 March 2019*
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

	2020 Sh'000	2019 Sh'000
Non-current assets	1,114,688	1,174,985
Current assets	582,850	567,683
Non-current liabilities	(315,271)	(330,059)
Current liabilities	(149,437)	(180,400)
Equity attributable to the owners of the company	1,010,921	1,010,411
Non-controlling interest	18%	18%
Revenue	843,701	909,925
Expenses	(819,577)	(954,093)
Profit/(loss) for the year	24,124	(44,168)
Profit/(loss) attributable to the owners of the company	19,782	(36,218)
Profit/(loss) attributable to non-controlling interest	4,342	(7,950)
	24,124	(44,168)
Dividends paid to non-controlling interest	7,087	7,087
Net cash inflow from operating activities	31,152	269,050
Net cash outflow from investing activities	(66,397)	(112,948)
Net cash outflow from financing activities	(39,372)	(39,372)
Net cash (outflow)/ inflow	(74,617)	116,730

19 UNQUOTED INVESTMENTS

	2020 Sh'000	2019 Sh'000
Unquoted investments at fair value through profit or loss:		
GROUP		
999,326 (2019 – 999,326) shares of Sh 10 each in Kenya Tea Packers Limited	1,349	1,349
COMPANY		
403,545 (2019 – 403,545) shares of Sh 10 each in Kenya Tea Packers Limited	546	546

20 BIOLOGICAL ASSETS

(a) Non – current assets

GROUP

Year ended 31 March 2020

	Timber trees Sh'000	Fuel trees Sh'000	Total Sh'000
Carrying amount at beginning of year	199,354	591,330	699,684
Net expenditure on biological assets	1,071	6,431	7,502
	200,425	597,761	707,186
(Losses)/ gains arising from changes in fair value attributable to physical changes	(1,674)	64,226	62,552
Decrease due to harvest for own use	(5,568)	(56,687)	(62,255)
Decrease due to sale to third parties	(21,855)	(1,061)	(22,916)
Carrying amount at end of year	171,328	604,239	684,567

20 BIOLOGICAL ASSETS (Continued)

(a) Non – current assets (continued)

GROUP

Year ended 31 March 2019

	Timber trees Sh'000	Fuel trees Sh'000	Total Sh'000
Carrying amount at beginning of year	120,683	582,485	703,168
Net expenditure on biological assets	480	7,633	8,113
	212,163	590,118	711,281
(Losses)/ gains arising from changes in fair value attributable to physical changes	(7,219)	65,375	58,156
Decrease due to harvest for own use	(1,847)	(56,173)	(58,020)
Decrease due to sale to third parties	(3,743)	(7,989)	(11,732)
Carrying amount at end of year	199,354	591,330	699,684

COMPANY

Year ended 31 March 2020

	Timber trees Sh'000	Fuel trees Sh'000	Total Sh'000
Carrying amount at beginning of year	59,707	211,811	271,518
Net expenditure on biological assets	-	1,072	1,072
	59,707	212,883	272,590
(Losses)/gains arising from changes in fair value attributable to physical changes	(876)	19,085	18,209
Decrease due to harvest for own use	-	(30,080)	(30,080)
Decrease due to sale to third parties	(15,947)	-	(15,947)
Carrying amount at end of year	43,760	201,888	244,772

20 BIOLOGICAL ASSETS (Continued)

(a) Non – current assets (continued)

Year ended 31 March 2019

	Timber trees Sh'000	Fuel trees Sh'000	Total Sh'000
Carrying amount at beginning of year	63,612	285,350	348,962
Net expenditure on biological assets	-	92	92
	63,612	285,442	349,054
Losses arising from changes in fair value attributable to physical changes	(162)	(37,840)	(38,002)
Decrease due to harvest for own use	-	(35,791)	(35,791)
Decrease due to sale to third parties	(3,743)	-	(3,743)
Carrying amount at end of year	59,707	211,811	271,518

(b) Current assets

	2020 Sh 000	2019 Sh 000
GROUP		
Unharvested green leaf	40,479	21,523
COMPANY		
Unharvested green leaf	18,712	15,250

Valuation assumptions

Biological assets are carried at fair value at the end of each reporting period. The fair value of biological assets is estimated using the market approach.

Significant assumptions made in determining the fair values of timber trees, fuel trees and unharvested green leaf are as set out below:

- Firewood and timber selling prices are expected to remain relatively constant.
- A discount rate of 13.0% (2019: 13.0%) per annum is applied to discount the expected net cash flows arising from the asset.
- The maturity period of firewood and timber trees is between 5 and 25 years depending on the species of the tree.
- The Group's and the Company's average tea harvest cycle is 15 days (2019: 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.

20 BIOLOGICAL ASSETS (Continued)

The following table presents Group's biological assets that are measured at fair value:

Year ended 31 March 2020	Valuation technique	Level 1 Sh 000	Level 2 Sh 000	Level 3 Sh 000	As at 31 March Sh 000
Timber and fuel trees	Market approach	-	-	684,567	684,567
Unharvested green leaf	Market approach	-	40,479	-	40,479
			40,479	684,567	725,046
Year ended 31 March 2019					
Timber and fuel trees	Market approach	-	-	699,684	699,684
Unharvested green leaf	Market approach	-	21,523	-	21,523
		-	21,523	699,684	721,207

The following table presents Company's biological assets that are measured at fair value:

Year ended 31 March 2020	Valuation technique	Level 1 Sh 000	Level 2 Sh 000	Level 3 Sh 000	As at 31 March Sh 000
Timber and fuel trees	Market approach	-	-	244,772	244,772
Unharvested green leaf	Market approach	-	18,712	-	18,712
		-	18,712	244,772	263,484
Year ended 31 March 2019					
Timber and fuel trees	Market approach	-	-	271,518	271,518
Unharvested green leaf	Market approach	-	15,250	-	15,250
		-	15,250	271,518	286,768

21 INVENTORIES

Tea stocks	721,501	624,085	268,879	216,181
Firewood	62,776	26,181	4,486	6,531
Stores	142,817	195,111	101,469	107,085
Less: provision for stock obsolescence	(61,289)	(62,343)	(47,468)	(46,350)
	865,805	783,034	327,366	283,447

	GROUP 2020 Sh'000	GROUP 2019 Sh'000	COMPANY 2020 Sh'000	COMPANY 2019 Sh'000
22 TRADE AND OTHER RECEIVABLES				
Trade receivables	167,553	133,869	38,650	21,190
Provision for expected credit losses	(2,243)	(1,690)	-	-
Trade receivables - net	165,310	132,179	38,650	21,190
Staff debtors	97,218	92,501	63,020	63,521
VAT recoverable	147,014	104,707	31,172	29,157
Other receivables	23,428	37,052	23,259	28,085
	432,970	366,439	156,101	141,953
23 BALANCES WITH RELATED COMPANIES				
(a) DUE FROM ASSOCIATE COMPANY				
Kapchorua Tea Kenya Plc	18,415	39,486	18,415	37,468

	2020 Sh'000	2019 Sh'000
(b) DUE FROM SUBSIDIARY COMPANIES		
COMPANY		
Kaimosi Tea Estates Limited	101,358	10,465
Tinderet Tea Estates (1989) Limited	3,031	1,030
Williamson Power Limited	3,588	5,726
	107,977	17,221
(c) DUE TO SUBSIDIARY COMPANY		
COMPANY		
Tea Properties Limited	19,330	19,938
(d) DUE TO ASSOCIATE COMPANY - GROUP		
Kapchorua Tea Kenya Plc	2,174	3,761

(e) TERMS OF THE RELATED PARTY BALANCES

The above related party balances arise from normal course of business and are interest free, unsecured and have no fixed repayment terms.

24 SHORT TERM INVESTMENTS

	GROUP		COMPANY	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
At amortised cost				
Maturing within 90 days				
Term deposits: NCBA Bank Kenya Plc	371,341	853,248	282,613	732,809
Treasury bills	-	19,650	-	19,650
At 31 March	371,341	872,898	282,613	752,459

The effective interest rates on fixed deposits at 31 March 2020 were as shown below:

	2020	2019
Term deposits: NCBA Bank Kenya PLC	8.5%	8.5%
Treasury bills	-	7.67%

25 SHARE CAPITAL

	2020	2019
	Sh'000	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

	2020	2019
At beginning of year	197,598	212,635
Share of profit/(loss):		
- arising from operating activities	2,628	(10,606)
- arising from changes in fair value biological assets	1,714	2,656
	4,342	(7,950)
Share of other comprehensive income	-	-
Share of total comprehensive income/(loss)	(7,087)	(7,087)
Dividends paid by Tinderet Tea Estates (1989) Limited	(7,087)	(7,087)
At end of year	194,853	197,598
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 25% (2019: 30%). The net deferred taxation liability is attributable to the following items:

	GROUP		COMPANY	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
Deferred tax liabilities:				
Accelerated capital allowances	625,028	545,342	181,096	244,367
Revaluation of investment properties	115,852	127,323	115,852	127,323
Revaluation surplus – property and equipment	118,750	323,791	113,032	140,212
Biological assets	181,261	216,361	65,871	86,030
Unrealised exchange gains	650	520	344	188
	1,041,541	1,213,337	476,195	598,120
Deferred taxation assets:				
Unrealised exchange losses	(545)	(3,670)	(67)	(3,494)
Service gratuity provision	(75,045)	(87,347)	(31,314)	(35,192)
Leave pay provision	(9,043)	(10,952)	(5,265)	(6,470)
Inventories general provision	(15,322)	(18,703)	(11,867)	(13,905)
Accruals and other provisions	(64,927)	(124,930)	929	(53,222)
	(164,882)	(245,602)	(47,584)	(112,283)
Net deferred taxation liability	876,659	967,735	428,611	485,837

The movement on the deferred taxation account is as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
At beginning of year	967,735	1,097,375	485,837	562,250
Charge/(credit) to profit or loss (note 9a)				
-current year charge/(credit)	11,460	(83,858)	944	(66,122)
-Prior year under/(over) provision	68,300	(45,662)	27,363	(10,291)
Decrease in deferred tax liability on revaluation surplus arising from change in tax rate through Other Comprehensive Income (OCI)	(39,238)	-	(23,369)	-
Decrease in deferred tax liability arising from change in tax rate through profit and loss	(131,498)	-	(62,164)	-
Deferred taxation on revaluation (loss)/gain dealt with through other comprehensive income	(100)	(120)	-	-
At end of year	876,659	967,735	428,611	485,837

27 DEFERRED TAXATION (Continued)

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position.

	GROUP		COMPANY	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
Deferred tax asset	(5,471)	(2,314)	-	-
Deferred tax liability	882,130	970,049	428,611	485,837
	876,659	967,735	428,611	485,837

28 SERVICE GRATUITY PROVISION

At beginning of year	291,157	297,969	117,307	115,918
Provision during the year	42,596	22,237	17,836	9,922
Payments in the year	(33,575)	(29,049)	(9,887)	(8,533)
At end of year	300,178	291,157	125,256	117,307

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

29 BORROWINGS

a) Loans

	GROUP		COMPANY	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
Asset finance loan	-	37,380	-	37,380

The borrowings are repayable as follows:

On demand and within one year	-	37,380	-	37,380
Between 1 to 5 years	-	-	-	-
	-	37,380	-	37,380

29 BORROWINGS (continued)

	GROUP		COMPANY	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
b) Analysis of changes in asset finance loan				
At beginning of year	37,380	97,481	37,380	97,481
Repayments in the year	(37,380)	(60,138)	(37,380)	(60,138)
Exchange gain on revaluation	-	37	-	37
At end of year	-	37,380	-	37,380

c) Interest rates

	2020	2019
The average interest rates paid by the Group were as follows:		
Asset finance loan- US$	7.5%	7.5%

d) Details of securities for loans and bank overdrafts

The loan facilities with Absa Bank Kenya Plc are secured by:

GROUP

1. Joint and several debentures between Kaimosi Tea Estates Limited and Williamson Tea Kenya Plc to Absa Bank Kenya Plc stamped and registered to cover Sh 104 million.
2. Legal mortgage over LR Nos. 1892, 1893, 1894, 1895, 1896 and 1899 (Kaimosi Tea Estates Limited) 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 Limited, Williamson Tea Kenya Plc and Tea Properties Limited 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 Limited 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 Absa Bank Kenya Plc stamped and registered to cover Sh 104 million.
2. Legal mortgage over LR Nos. 1892, 1893, 1894, 1895, 1896 and 1899 (Kaimosi Tea Estates Limited) 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 Limited, Williamson Tea Kenya Plc and Tea Properties Limited 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 Limited registered and stamped to cover Sh 318,676,140.

29 BORROWINGS (continued)

e) Undrawn facilities

The Group had undrawn committed borrowing facilities with various bankers amounting to Sh 193,827,580 (2019 – Sh 430,543,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.
There has not been any breach of loan covenants in the current year (2019:nil).

	GROUP		COMPANY	
	2020	2019	2020	2019
	Sh'000	Sh'000	Sh'000	Sh'000
30 TRADE AND OTHER PAYABLES				
Trade	146,020	98,561	49,485	44,972
Leave provision	36,171	38,273	21,060	21,566
Accruals	64,537	252,181	26,266	97,466
Outgrowers dues	92,477	78,911	11,590	13,291
Other	164,868	139,586	70,885	80,873
	504,073	607,512	179,286	258,168

31 DIVIDENDS PAYABLE

GROUP & COMPANY

	2020	2019
	Sh'000	Sh'000
At beginning of the year	46,998	35,101
Declared in the year		
- Final	350,253	350,253
Dividends paid*	(344,445)	(338,356)
At end of year	52,806	46,998

* An amount of Sh 9,817,760 (2019: 1,865,780) was remitted to unclaimed assets authority during the year.

	GROUP 2020 Sh'000	GROUP 2019 Sh'000	COMPANY 2020 Sh'000	COMPANY 2019 Sh'000
32 NOTES TO THE CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS				
(a) Reconciliation of profit/(loss) before taxation to cash generated from/(used in) operations				
Profit/(loss) before taxation	104,129	(212,415)	120,383	(52,107)
Adjustments for:				
Depreciation (note 13)	366,741	481,017	167,125	212,932
Amortisation of prepaid operating leases (note 15 (a))	-	4,004	-	997
Amortisation of right of use assets (note 15 (b))	11,229	-	5,801	-
Amortisation of intangible assets (note 14)	987	1,354	725	815
Impairment of intangible assets (note 14)	-	628	-	628
Loss on disposal of plant and equipment	49,923	44,200	17,137	11,257
Share of results of associate company	(14,801)	49,713	-	-
Dividends received from subsidiaries	-	-	(82,279)	(82,279)
Losses (gains) arising from changes in fair value less estimated point-sale costs of biological assets (note 20)	14,117	6,798	22,937	76,182
Decrease in the fair value of biological assets due to own use (note 20)	14,204	4,798	11,100	1,354
Fair value movement in biological assets – unharvested green leaf	(18,956)	23,123	(3,462)	4,509
Fair value gain on investment properties	(39,000)	(500)	(39,000)	(500)
Exchange differences on asset finance loans (note 29(b))	-	37	-	37
Interest expense on borrowings	2,174	5,375	1,161	5,369
Interest expense on lease liabilities	2,441	-	1,736	-
Interest income (note 6)	(57,757)	(67,441)	(43,151)	(57,766)
	435,464	340,691	180,213	121,428
Working capital changes:				
Increase in inventories	(82,803)	(178,790)	(43,919)	(16,367)
(Increase) /decrease in trade and other receivables	(66,531)	1,727,007	(14,148)	661,537
Decrease in trade and other payables	(103,440)	(358,669)	(78,882)	(96,205)
Net movement in related party balances	19,484	15,482	(72,311)	132,067
Increase/(decrease) in service gratuity provision	9,021	(6,812)	7,949	1,389
Cash generated from/(used in) operations	211,195	1,538,909	(21,098)	803,849
(b) Analysis of cash and cash equivalents				
Cash balances	335	2,811	152	304
Bank balances	191,008	434,834	133,007	135,285
Short term investments (note 24)	371,341	872,898	282,613	752,459
At 31 March	562,683	1,310,543	415,772	888,048

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:

	2020 Sh'000	2019 Sh'000
Royalties and licences (George Williamson & Co Limited – parent)	74,814	78,800
Agency commission and charges received (Kapchorua Tea Company Limited – associate)	45,317	54,945
	======	======

Compensation of Directors and key management personnel

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

	2020 Sh'000	2019 Sh'000
Directors' emoluments		
Fees and allowances for services as directors	11,198	11,038
	======	======
Key management compensation		
Salaries and other short term benefits	170,566	213,221
	======	======

The remuneration for Directors and key management is determined by the Board members having regard to the performance of individuals and market trends.

	GROUP		COMPANY	
	2020 Sh'000	2019 Sh'000	2020 Sh'000	2019 Sh'000
34 CAPITAL COMMITMENTS				
Authorized but not contracted for	530,940	170,657	76,368	85,427
Authorized and contracted for	27,672	103,817	3,304	21,516
	558,612	274,474	79,672	106,943
	======	======	======	======

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 a) OPERATING LEASE COMMITMENTS

The Group as a lessee

Property rental expense incurred during the year amounted to Sh 7,020,901 (2019 – Sh 7,020,901). At the end of the reporting period the Group had outstanding commitments under operating leases which fall due as follows:

	2020 Sh'000	2019 Sh'000
Within one year	-	2,500

The Group as a lessor

Property rental income earned during the year amounted to Sh 3,000,000 (2019 – Sh 996,000). At the end of the reporting period, the Group had contracted with tenants for the following future lease receivables.

	2020 Sh'000	2019 Sh'000
Within one year	3,000	6,734
In the second to fifth years inclusive	750	25,479
	3,750	32,213

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.

	GROUP 2020 Sh'000	GROUP 2019 Sh'000	COMPANY 2020 Sh'000	COMPANY 2019 Sh'000
35 (b) LEASE LIABILITIES				
At 1 April 2019	33,885	-	24,136	-
Interest expense on lease liabilities	2,441	-	1,736	-
Lease payments	(7,821)	-	(6,066)	-
At 31 March 2020	28,505	-	19,806	-
Maturity analysis				
Year 1	7,821	-	6,066	-
Year 2	8,141	-	6,386	-
Year 3	8,585	-	6,830	-
Year 4	9,097	-	7,342	-
Year 5	3,623	-	1,868	-
Year 6	3,510	-	-	-
Undiscounted lease payments at the end of the year	40,777	-	28,492	-
Less unearned interest	(12,272)	-	(8,686)	-
	28,505	-	19,806	-
Analysed as:				
Current	6,180	-	5,036	-
Non-current	22,325	-	14,770	-
	28,505	-	19,806	-

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 the 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 2020, there were no material contingent liabilities (2019: Nil).

The Group has bank guarantees amounting to Sh 12,810,385 (Company: Sh 6,000,000), 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, revaluation reserve and retained earnings.

37 CAPITAL MANAGEMENT (Continued)

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.

	GROUP	
	2020	2019
	Sh'000	Sh'000
Share capital	87,563	87,563
Retained earnings	4,817,422	5,001,707
Revaluation surplus	1,036,337	1,030,507
Equity	5,941,322	6,119,777
Total borrowings	-	37,380
Less: cash and cash equivalents	(562,683)	(1,310,543)
Net debt	(562,683)	(1,273,163)
Gearing ratio	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)

Credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12 – month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

31 March 2020

Group	Note	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount Sh'000	Loss allowance Sh'000	Net amount Sh'000
Trade and other receivables	22	Performing	Lifetime ECL (simplified approach)	167,553	(2,243)	165,310
Staff receivables	22	Performing	Lifetime ECL (simplified approach)	97,218	-	97,218
Due from associate company	23 (a)	Performing	Lifetime ECL (simplified approach)	18,415	-	18,415
Bank balance	32 (b)	Investment grade	12 months ECL	191,008	-	191,008
Short term deposits	24	Investment grade	12 months ECL	371,673	-	371,673
				845,535	(2,243)	843,292

38 FINANCIAL RISK MANAGEMENT (continued)

Financial risks arising from use of financial instruments (continued)

Credit risk (continued)

31 March 2019

Group

	Note	Internal/ external rating	Incurred loss model (IAS 39)	Gross carrying amount Sh'000	Loss allowance Sh'000	Net amount Sh'000
Trade and other receivables	22	Performing	Incurred loss model	170,921	(1,690)	169,231
Staff receivables	22	Performing	Incurred loss model	92,501	-	92,501
Due from associate company	23 (a)	Performing	Incurred loss model	39,486	-	39,486
Bank balances	32 (b)	NA	Incurred loss model	434,834	-	434,834
Short term deposits	24	NA	Incurred loss model	872,898	-	872,898
				1,610,640	(1,690)	1,608,950

31 March 2020

Company

	Note	Internal/ external rating		Gross carrying amount Sh'000	Loss allowance Sh'000	Net amount Sh'000
Trade and other receivables	22	Performing	Lifetime ECL (simplified approach)	38,650	-	38,650
Staff receivables	22	Performing	Lifetime ECL (simplified approach)	63,020	-	63,020
Due from associate company	23 (a)	Performing	Lifetime ECL (simplified approach)	18,415	-	18,415
Bank balance	32 (b)	Investment grade	12 months ECL	133,007	-	133,007
Short term deposits	24	Investment grade	12 months ECL	282,613	-	282,613
				535,705	-	535,705

31 March 2019

Company

	Note	Internal/ external rating	Incurred loss model (IAS 39)	Gross carrying amount Sh'000	Loss allowance Sh'000	Net amount Sh'000
Trade and other receivables	22	Performing	Incurred loss model	21,190	-	21,190
Staff receivables	22	Performing	Incurred loss model	63,020	-	63,020
Due from associate company	23 (a)	Performing	Incurred loss model	37,468	-	37,468
Bank balances	32 (b)	NA	Incurred loss model	135,285	-	135,285
Short term deposits	24	NA	Incurred loss model	752,459	-	752,459
				1,009,422	-	1,009,422

38 FINANCIAL RISK MANAGEMENT (continued)

Financial risks arising from use of financial instruments (continued)

Credit risk (continued)

Bank Balances

Bank balances and bank deposits are not restricted and include deposits held with banks that have high credit ratings. Bank balances and bank deposits are thus considered investment grade.

Trade receivables

For trade receivables, the company has applied the simplified approach in the IFRS 9 to measure the loss allowance. All receivables are within 90 days from the end of the reporting period and thus no need for impairment.

The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the Gross Domestic Product as the most relevant macroeconomic factor to impact its customers, and accordingly adjusts the historical loss rates based on expected changes in these factors. On that basis, the loss allowance as at 31 March 2020 (on adoption of IFRS 9) was determined as follows for trade receivables:

Group

	Trade and other receivables – days past due						
2020	**Not Due**	**< 30**	**31 – 60**	**61 - 90**	**91 - 120**	**> 120**	**Total**
Gross carrying amount -Trade receivables (Sh)	146,704	12,907	1,364	558	810	5,210	167,553
Expected credit Loss allowance (Sh)	-	-	-	-	-	(2,243)	(2,243)
Net amount	146,704	12,907	1,364	558	810	2,691	165,310

Group

	Trade and other receivables – days past due						
2019	**Not Due**	**< 30**	**31 – 60**	**61 - 90**	**91 - 120**	**> 120**	**Total**
Gross carrying amount -Trade receivables (Sh)	101,060	20,477	1,636	13,909	592	2,785	133,869
Gross carrying amount –Other receivables (Sh)	19,222	-	-	-	-	110,331	129,553
Expected credit Loss allowance (Sh)	-	-	-	-	-	(1,690)	(1,690)
Net amount	120,282	20,477	1,636	13,909	592	117,067	273,963

38 FINANCIAL RISK MANAGEMENT (continued)

Financial risks arising from use of financial instruments (continued)

Credit risk (continued)

Staff receivables

The company has applied the simplified approach in the IFRS 9 to measure the loss allowance for staff receivables. The company has put in place measures to ensure all amounts due from members of staff are recovered over a maximum of 6 years or upon separation, whichever comes earlier. Motor Vehicle purchased is co-owned with the company and the therefore forms collateral for the loan. The value of other loans granted is capped at 75% of pension saved with the staff provident fund, and therefore the savings form collateral for the loan(s). On this basis, therefore, the company has not provided for impairment losses.

Expected credit loss as at 31 March 2019

The transition provisions of IFRS 9 allow an entity not to restate comparatives. The company has elected not to restate comparatives in respect of the consequential amendments to IFRS 7 Financial Instruments: Disclosures. Accordingly, these amendments were applied to the disclosures for 2019 only and not to the comparative period.

Credit risk – Increase/decrease of ECL rate by 10%.

If the ECL rates on trade receivables had been 10% higher (lower) as of 31 March 2020, the loss allowance on trade receivables would have been Sh 169,000 higher (lower).

The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings and are fully performing.

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 company'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 on a net basis into relevant maturity groupings based on the remaining period at the end of the financial statement position date 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

	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
Group						
Financial liabilities						
At 31 March 2020						
Trade payables	146,020	-	-	-	-	146,020
Borrowings	-	-	-	-	-	-
Due to associate company	2,174	-	-	-	-	2,174
	148,194	-	-	-	-	148,194

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
Group						
At 31 March 2019						
Trade payables	98,561	-	-	-	-	98,561
Borrowings	5,340	10,680	21,360	-	-	37,380
Due to associate company	3,761	-	-	-	-	3,761
	107,662	10,680	21,360	-	-	139,702

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:

Group

	USD Sh'000	GBP Sh'000	EURO Sh'000
2020			
Financial assets			
Bank and cash balances	64,554	1,771	714
Trade receivables	155,125	-	-
Financial liabilities			
Trade payables	(64,102)	(473)	-
Borrowings	-	-	-
Net assets	155,577	1,298	714

38 FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

(i) Foreign exchange risk (Continued)

	USD Sh'000	GBP Sh'000	EURO Sh'000
2019			
Financial assets			
Bank and cash balances	121,307	73,726	6,645
Trade receivables	83,147	40,086	-
Financial liabilities			
Trade payables	(37,766)	(15,361)	-
Borrowings	(37,380)	-	-
Net assets	129,308	98,451	6,645

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.

	2020 Sh'000		2019 Sh'000	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
Currency - GB pounds				
+ 1 percentage point movement	13	10	1,293	905
- 1 percentage point movement	(13)	(10)	(1,293)	(905)
Currency - US dollars				
+ 1 percentage point movement	1,556	1,167	985	689
- 1 percentage point movement	(1,556)	(1,167)	(985)	(689)
Currency - Euro				
+ 1 percentage point movement	7	5	66	47
- 1 percentage point movement	(7)	(5)	(66)	(47)

(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.

38 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Interest rate risk (Continued)

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.

	2020 Sh'000		2019 Sh'000	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
+ 1 percentage point movement	528	396	621	434
- 1 percentage point movement	(528)	(396)	(621)	(434)

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.

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 2020			
Assets			
Property, plant and equipment			
-Buildings	-	-	1,057,800
-Machinery and equipment	-	-	956,217
Biological assets			
-timber and fuel trees	-	-	684,567
-Un-harvested green leaf	-	40,479	-

39. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

a) Fair value hierarchy (Continued)

GROUP	Level 1 Sh'000	Level 2 Sh'000	Level 3 Sh'000
31 March 2019			
Assets			
Property, plant and equipment			
-Buildings	-	-	1,158,882
-Machinery and equipment	-	-	869,068
Biological assets			
-timber and fuel trees	-	-	699,684
-Un-harvested green leaf	-	21,523	-

COMPANY	Level 1 Sh'000	Level 2 Sh'000	Level 3 Sh'000
31 March 2020			
Assets			
Property, plant and equipment			
-Buildings	-	-	735,374
-Machinery and equipment	-	-	439,103
Biological assets			
-timber and fuel trees	-	-	244,772
-Un-harvested green leaf	-	18,712	-
31 March 2019			
Assets			
Property, plant and equipment			
- Buildings	-	-	786,439
- Machinery and equipment	-	-	412,024
Biological assets			
- timber and fuel trees	-	-	271,518
- Un-harvested green leaf	-	15,250	-

40 EVENTS AFTER REPORTING DATE

On 30 January 2020, the World Health Organisation announced the outbreak of COVID-19 as a world health emergency of international concern, and on 11 March 2020 the outbreak was classified as a global pandemic. In Kenya, the first case was noted on 13 March 2020 and, on 15 March 2020, the Government restricted movement into and out of the country and later issued a dusk to dawn curfew effective 25 March 2020. Thereafter, on 6 April 2020, the President announced a cessation of movement into and out of Nairobi and Mombasa regions. These directives have largely remained in force to date except for industries marked as providing essential services.

This impact of the pandemic has had a minor impact on the operations of the Group. As noted in the Chairman's report, the tea industry was included as part of the essential services by the Government. Therefore there were no major disruptions noted in the supply chain and delivery of tea to market. Furthermore, the tea estates are located outside of Nairobi and Mombasa regions. Therefore operations have not been affected by the directive on cessation of movement.

40 EVENTS AFTER REPORTING DATE (Continued)

The directors have assessed the evolving scenario as a result of COVID-19 and noted that the operations of the Group are unlikely to be materially affected by the pandemic. Below are some of the areas that have been assessed by the directors:

Revenue

With uninterrupted production as noted above, export sales, which result to more than 75% of the total sales, have continued and the auction house in Mombasa has been operating normally. Despite an increase in sales volumes relative to the same period last year, revenues have been hit by massive volumes of tea ex-Kenya and insufficient demand, with prices falling to 20 year lows. This is purely attributable to supply and demand for tea and not as a result of the pandemic.

Impairment of property plant and equipment

The declaration of the tea industry as an essential industry has been critical in allowing the estates to continue to operate. In light of this, production forecasts for the year post March 2020 remain in place. The management accounts in the subsequent period reveal that both production and sales for the group are on course and indicate an improvement relative to the same period in 2019. Consequently, no impairment risk has been realised due to the pandemic.

Liquidity

The group embarked on an aggressive sale policy to ensure adequate cash reserves in the event of the Government shutting down operations or a serious outbreak of COVID-19. Expenditure was further restricted by the directors to only essential expenditure to sustain operations. The aggressive sale and marketing strategy has yielded positive results to the group's liquidity in the subsequent period.

Management considers that there will be no exposures resulting to contractual penalties as none of the existing contracts have been reneged or become onerous due to COVID-19. All of the group's contracts are protected by the force majeure clause.

All financial obligations to suppliers and other creditors are being met as and when they full due and the group has not yet had to seek expansion of credit terms from suppliers due to COVID. A six-month rolling cash flow to November 2020 does not indicate a financial strain for the group.

Going Concern

Three months into the COVID pandemic in Kenya, the group has continued to operate normally. With many global economies gradually emerging from lock downs and restrictions of movement, the directors expect that the core business of manufacture and sale of tea will continue, and only to be affected by factors of production and demand and not the effects of the pandemic.

41 COUNTRY OF INCORPORATION

All the companies in the Group are incorporated and domiciled in Kenya under the Kenyan Companies Act, 2015.

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).